



regional

PRESS RELEASE

2Q18



Disclaimer

Regional, S.A.B. de C.V. presents, for informative purposes only, the internal financial statements for the period ended June 30, 2018. Also, and considering that the public company participated in a corporate restructuring through a merger in which it acted as a merging company with Banregio Grupo Financiero S.A.B. de C.V., who served as a merged and currently defunct company, discloses additional information regarding the financial statements of Banregio Grupo Financiero S.A.B. of CV, for the period ended March 31, 2018, as well as for the periods of the first three and six months of 2017, in order to maintain continuity in the disclosure of financial information and for comparative and analytical purposes, as well as the pro forma financial statements in which the financial situation and the results of Regional, S.A.B. de C.V. are presented, as if the corporate restructuring referred to above had taken effect in the same quarter of the previous year.



EXECUTIVE SUMMARY

AT THE END OF 2Q18, REGIONAL GENERATED A NET INCOME OF \$820 MILLION PESOS, ACHIEVING A 20.3% ROAE.

Profitability

- The financial margin for 2Q18 was \$1,688 million pesos, a 12% increase compared to the same period last year.
- Net income at the end of 2Q18 was \$820 million pesos, an of 24% increase compared to 2Q17.
- The efficiency ratio¹ at the end of the Second Quarter of 2018 was 42.5%.
- Regional's ROAE for the last 12 months was 20.3%.

Growth

- Performing business loan portfolio reached \$75,703million pesos by the end of 2Q18, increasing by 8% compared to 2Q17.
- Core deposits reached \$83,467 million pesos at the end of the Second Quarter of 2018, which represents a 18% growth compared to the same quarter last year.
- Time deposits stand out increasing 29%, while Demand deposits grew 5%, both compared to the same period last year.
- The cost of core deposits in local currency was 4.9% at the end of 2Q18.

Risks

- Non-performing loans ratio was 1.9% at the end of 2Q18.
- Banregio has credit provisions that cover 1.2 times its non-performing loan portfolio.

Company Description

Regional, S.A.B de C.V. (RA) is a Mexican company in which, their main subsidiary, Banregio Grupo Financiero activity is financing businesses; this activity represents 86% of the performing portfolio. Banregio has a geographical presence through out the country with 150 branches in 22 federal entities including: Aguascalientes, Baja California, Baja California Sur, Chihuahua, Coahuila, México City, Durango, Estado de México, Guanajuato, Jalisco, Michoacán, Nuevo León, Puebla, Querétaro, Quintana Roo, San Luis Potosí, Sinaloa, Sonora, Tamaulipas, Veracruz, Yucatán and Zacatecas.

Regional is a public company incorporated in July 2016 and jointly with Banregio Grupo Financiero, S.A.B. de C.V. It carried out a corporate restructuring that was agreed upon by the Shareholders' General Assemblies of both entities in which Regional had the status of a merging company and Banregio Grupo Financiero S.A.B. of C.V. the quality of the merged company. After this merger, the shares representing the share capital of Regional were registered in the "Registro Nacional de Valores" and listed on the Mexican Stock Exchange (BMV), assuming the status of a Public Limited Stock Company with variable capital but without acting as a Financial Group.

Prior to Banregio Grupo Financiero S.A.B. de C.V. was extinguished as a result of the merger, it invested in all but one of the shares of the representative capital of a sub-holding company that, once produced the effects of the

¹ Last twelve months



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merger, assumed the regime of a Holding Company of a new Financial Group, called Banregio Grupo Financiero, SA de C.V. The restructuring does not affect the operation of any of the current subsidiaries of Banregio Grupo Financiero S.A. de C.V. among which Banco Regional de Monterrey S.A. de C.V. and its affiliate and subsidiary companies; these will maintain the current brand and strategy.



San Pedro Garza García, N.L. July 23rd, 2018. Regional, S.A.B. de C.V. (BMV: R.A) announced today its consolidated financial and operational results corresponding to 2Q18. The figures are in current million pesos and the percentage variations are compared with the same period of the previous year, unless otherwise specified.

Results

Regional, S.A.B. de C.V. generated at the end of 2Q18 a net income of \$820 million pesos, achieving a 20.3% ROAE.

Financial Margin

At the end of 2Q18 the financial margin registered \$1,688 million pesos, exceeding same quarter last year by 12%.

Non-Interest Income

Non-Interest Income at the end of the Second Quarter 2018 amounted \$547 million pesos, leasing income stands out registering \$211 million pesos during the quarter.

Net Income by Pure Leasing (Million pesos)	2Q17	1Q18	2Q18	2Q18		6M17	6M18	6M18 vs 6M17
				2Q17	1Q18			
Income by Pure Leasing	577	576	649	12%	13%	1,161	1,225	5%
Depreciation of Asset by Pure Leasing	(387)	(423)	(438)	13%	3%	(764)	(861)	13%
Net Income by Pure Leasing	190	153	211	11%	38%	397	364	(8%)

Operating Income

The operating income reached \$1,136million pesos, increasing 24% compared to the same period last year.

The net income at the end of 2Q18:

Net Income (Million pesos)	2Q17	1Q18	2Q18	2Q18 vs		6M17	6M18	6M18 vs 6M17
				2Q17	1Q18			
Financial Margin	1,512	1,650	1,688	12%	2%	2,930	3,338	14%
Total operating income	1,739	1,930	2,073	19%	7%	3,393	4,003	18%
Non interest expenses	(820)	(897)	(937)	14%	4%	(1,588)	(1,834)	15%
Operating Income	919	1,033	1,136	24%	10%	1,805	2,169	20%
Net income	660	745	820	24%	10%	1,302	1,565	20%

Loan Portfolio

The performing loan portfolio reached a balance of \$89,286 million pesos at the end of 2Q18, registering a growth of 9% compared to 2Q17. It stands out the growth in mortgage and consumer loans reaching 15% and 28% respectively.

The non-performing loan ratio was 1.9% at the end of 2Q18, 20 basis points higher than that of 2Q17, and Regional has a coverage ratio of provisions for credit loan losses of 1.2 times the non-performing loan portfolio.

Deposits

Core deposits reached \$83,467million pesos at the end of 2Q18, increasing 18% compared to the same period last year. This increase is mainly due to higher balances in time deposits which reached \$49,993million pesos with a growth of 29%, and an increase in demand deposits which reached \$33,474 million pesos at the end of the Second Quarter 2018 representing a growth of 5% compared to the same period last year.



Capitalization

The capitalization ratio to total risky assets of Banco Regional de Monterrey, S.A. stood at 13.8% by May 2018.

Net Income by Subsidiary

During the Second Quarter of 2018, Banco Regional de Monterrey, S.A. generated 82% of Regional's total Net Income, AF Banregio, S.A. de C.V. which is a subsidiary of Banco Regional, generated 18% of the Regional's net income.

Financial Indicators

The following chart shows information in a 12 month horizon in order to prevent distortions caused by seasonality.

Financial ratios Last Twelve Months (LTM)	2Q17	3Q17	4Q17	1Q18	2Q18	Variation 2Q18	
						2Q17	1Q18
Net Interest Margin (NIM) ⁽¹⁾	6.0%	6.1%	6.3%	6.4%	6.4%	38 b.p.	5 b.p.
Total Loans NIM LTM ⁽²⁾	6.7%	6.8%	6.8%	6.8%	6.8%	5 b.p.	(7) b.p.
Return on Equity (ROAE) ⁽³⁾	20.1%	20.1%	19.6%	19.8%	20.3%	11 b.p.	45 b.p.
Return on Assets (ROAA) ⁽⁴⁾	2.5%	2.6%	2.6%	2.6%	2.7%	18 b.p.	9 b.p.
Return on Assets (ROAA) of Total Loans ⁽⁵⁾	2.8%	2.8%	2.8%	2.8%	2.8%	4 b.p.	1 b.p.
Efficiency Ratio ⁽⁶⁾	42.8%	42.7%	42.4%	42.5%	42.5%	(30) b.p.	0 b.p.
Loans to deposits ⁽⁷⁾	117.6%	117.8%	112.6%	113.9%	109.0%	(860) b.p.	(490) b.p.

1. Net Interest Margin NIM: Financial Margin of last 4 quarters / Average productive assets of the last 12 months.
2. Total Loans NIM LTM: (Financial margin of last 4 quarters (-) income by repos of last 4 quarters) / (Average productive assets of last 12 months (-) average balance of repos LTM).
3. Return on Average Equity (ROAE): Net income of last 4 quarters / Average stockholders' equity of last 4 quarters.
4. Return on Average Assets (ROAA): Net income of last 4 quarters / Average total assets of last 4 quarters.
5. Return on Average Assets (ROAA) of total Loans: (Net income of last 4 quarters / (Average total assets of last 4 quarters (-) average balance of repos or last 4 quarters)).
6. Efficiency Ratio: Administration and promotion expenses of last 4 quarters / (Financial Margin + Commissions + Trading + Other Income) of last 4 quarters.
7. Loans to deposits: Loan portfolio at the end of the quarter / Core deposits at the end of the quarter.



Disclaimer

Press releases, as well as other printed materials from Banregio GrupoFinanciero; S.A.B. de C.V. may contain certain predictions regarding expected future events and financial results. Such statements are subjected to risk and uncertainty. We hereby warn you that a number of important factors may cause results to differ materially from the plans, objectives, expectations, and intentions expressed in such predictions. These factors include economic and political conditions, as well policies taken by the Government of Mexico or those of other countries, such as inflation rates, exchange rates, regulatory changes, fluctuations in demand and competition.

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