



regional

QUARTERLY REPORT

2Q18



PREPARED IN ACCORDANCE WITH THE GENERAL PROVISIONS APPLICABLE TO FINANCIAL INFORMATION OF HOLDING COMPANIES ISSUED BY THE NATIONAL BANKING AND SECURITIES COMMISSION (CNBV).

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 4

 Profitability 4

 Growth..... 4

 Risks..... 4

 Company Description..... 4

 Results 6

 Financial Margin..... 6

 Non-Interest Income..... 6

 Operating Income 6

 Loan Portfolio..... 6

 Deposits 6

 Capitalization 6

 Net Income by Subsidiary 7

 Financial Indicators 8

OPERATING RESULTS..... 9

 Results 9

 Financial Margin..... 9

 Net Commissions and Fees 10

 Insurance and FX Fees 10

 Other Operating Income (Expenses) 10

 Non-Interest Expenses 11

 Information by Segment 11

FINANCIAL SITUATION 12

 Cash and Equivalents 12

 Performing Loan Portfolio 12

 Non-performing Loan Portfolio 13

 Credit Ratings..... 14

 Deposits 14

 Securities Investments 15

 Repurchase Agreements 16

 Financial Derivative Operations 16

 Loan Securities Issued 18

 Incurred and Deferred Taxes 18

 Capitalization Ratio of Banco Regional de Monterrey S.A. 19

 Value at Risk (VaR) 19

 Branch Network..... 20

 Alternative Channels 20

 Treasury Policy 20

 Internal and External Funding and Liquidity Sources..... 20

 Regional on the Mexican Stock Exchange (R.A) 21

 Analysis Coverage of Regional’s Stock 22



| | |
|---|-----------|
| INTERNAL CONTROL | 23 |
| INTERCOMPANY OPERATIONS AND RELATED PARTS | 25 |
| Intercompany Operations..... | 25 |
| Loans to Related Parties (Banco Regional de Monterrey S.A.) | 27 |
| Loans to Related Parties (AF Banregio S.A. de C.V.) | 27 |
| INTEGRAL RISK MANAGEMENT | 28 |
| Ratings | 28 |
| CORPORATE STRUCTURE | 29 |
| Board of Directors | 31 |
| Main Officers | 31 |
| Dividend Policy | 32 |
| ACCOUNTING STANDARDS AND CRITERIA | 33 |
| Technical Note..... | 34 |
| FINANCIAL STATEMENTS | 35 |
| Income Statement YTD..... | 35 |
| Balance Sheet: Stockholders Equity | 37 |
| CERTIFICATION..... | 39 |



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



EXECUTIVE SUMMARY

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.

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.

Improvement in the ratings perspective

On June 20, 2018 HR Ratings ratified the Long Term rating of HR AA +, modifying the outlook from stable to positive for Banco Regional de Monterrey and AF Banregio; and ratified the short-term rating of both institutions in HR + 1.



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% | 1 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.



OPERATING RESULTS

Results

Regional, S.A.B. de C.V., registered a net income of \$820 million pesos at the end of June 2018, showing an increase of 20% compared to the 2Q17, achieving a 20.3% ROAE.

The quarterly operating income reached \$1,136 million pesos by the end of the Second Quarter 2018 showing an increase of 24% in comparison to 2Q17.

| 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% |

Financial Margin

Financial margin in 2Q18 reached \$1,688 million pesos, 12% higher than the same quarter last year. The interest income registered an increase of 21%, reaching \$3,384 million pesos at the end of 2Q18, while interest expenses reached \$1,696 million pesos over the same quarter of 2017.

The adjusted financial margin for possible loan losses was of \$1,526 million pesos on 2Q18, which represents a variation of 18% compared to 2Q17.

Provisions for possible loan losses during 2Q18 amounted to \$162 million pesos.

| Financial margin (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | | 6M17 | 6M18 | 6M18 vs 6M17 |
|--|---------|---------|---------|---------|--------|---------|---------|-----------------|
| | | | | 2Q17 | 1Q18 | | | |
| Interest income | 2,803 | 3,209 | 3,384 | 21% | 5% | 5,429 | 6,593 | 21% |
| Interest expense | (1,291) | (1,559) | (1,696) | 31% | (9%) | (2,499) | (3,255) | 30% |
| Financial margin | 1,512 | 1,650 | 1,688 | 12% | 2% | 2,930 | 3,338 | 14% |
| Net provision for possible loan losses | (220) | (144) | (162) | 26% | (12%) | (386) | (306) | 21% |
| Adjusted financial margin for possible loan losses | 1,292 | 1,506 | 1,526 | 18% | 1% | 2,544 | 3,032 | 19% |
| Average productive assets | 94,743 | 103,837 | 104,268 | 10% | 0% | 94,248 | 102,068 | 8% |
| Net Interest Margin (NIM) | 6.0% | 6.4% | 6.4% | 38 p.b. | 5 p.b. | 6.0% | 6.4% | 38 p.b. |



OPERATING RESULTS

Figures in million pesos

Net Commissions and Fees

Net commissions and fees reached a total of \$171million pesos in 2Q18, showing an 11% increase in respect to 2Q17.

Cards and Merchant fees represent 34% of the total net commissions and fees and constitute the main source of income in this account.

| Commissions and fees (Million pesos) | 2Q17 | 1T18 | 2Q18 | 2Q18 vs | | 6M17 | 6M18 | 6M18 vs 6M17 |
|---|------------|------------|------------|------------|------------|------------|------------|-----------------|
| | | | | 2Q17 | 1Q18 | | | |
| Cards and Merchant Fees | 57 | 49 | 58 | 0% | 17% | 107 | 107 | (0%) |
| Current account services | 27 | 28 | 30 | 11% | 8% | 54 | 58 | 7% |
| e-bank | 14 | 15 | 15 | 5% | 1% | 28 | 30 | 6% |
| Trusts | 13 | 11 | 15 | 17% | 40% | 22 | 25 | 14% |
| Transfers | 6 | 5 | 7 | 14% | 30% | 13 | 13 | (1%) |
| Other fees | 36 | 39 | 46 | 27% | 19% | 77 | 85 | 10% |
| Net Fees | 154 | 147 | 171 | 11% | 16% | 302 | 317 | 5% |

Insurance and FX Fees

The result for insurance and FX Fee for the Second Quarter of 2018 reached a total of \$155 million pesos, an increase of 31% compared to the same period of the previous year.

The result of FX Fee, which generated \$ 99 million pesos, stands out, with an increase of 36% over the same period of the previous year.

| Insurance + FX Fee (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | | 6M17 | 6M18 | 6M18 vs 6M17 |
|---------------------------------------|------------|------------|------------|------------|------------|------------|------------|-----------------|
| | | | | 2Q17 | 1Q18 | | | |
| Insurance | 45 | 52 | 56 | 23% | 6% | 89 | 108 | 22% |
| FX Fee | 73 | 75 | 99 | 36% | 31% | 135 | 174 | 29% |
| Insurance + FX Fee | 118 | 128 | 155 | 31% | 21% | 224 | 282 | 26% |

Net Income by Pure Leasing

Net Income by pure leasing reached a total of \$211 million pesos in 2Q18, showing an 11% increase in respect to 2Q17.

| 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%) |

Other Operating Income (Expenses)

In reference to other operating income, it stands Asset sales and recoveries which registered \$25 million pesos during the quarter.

| Other Income (expense) operations (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 | | 6M17 | 6M18 | 6M18 vs 6M17 |
|--|-------------|------------|-----------|-------------|-------------|-------------|----------|-----------------|
| | | | | 2Q17 | 1Q18 | | | |
| Asset sales & Recoveries | 20 | 35 | 25 | 26% | (27%) | 54 | 60 | 12% |
| Credit operation fees | 0 | 0 | 0 | 0% | 0% | 0 | 0 | 0% |
| Other Income / Expenses | (35) | (38) | (15) | 57% | 60% | (127) | (53) | 58% |
| Other income (expense) operations | (15) | (3) | 10 | 165% | 421% | (74) | 7 | 109% |



OPERATING RESULTS

Figures in million pesos

Non-Interest Expenses

Non-Interest Expenses by the end of 2Q18 were \$937 million pesos, with a variation of 14% compared to 2Q17. Compensations and Benefits Expenses at the end of Second Quarter 2018 totaled \$450 million pesos, representing 5% increase in contrast to same quarter of 2017.

| Non interest expenses (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | | 6M17 | 6M18 | 6M18 vs 6M17 |
|--|--------------|--------------|--------------|------------|-----------|----------------|----------------|-----------------|
| | | | | 2Q17 | 1Q18 | | | |
| Compensations and Benefits | (427) | (482) | (450) | 5% | (7%) | (834) | (932) | 12% |
| Administrative and Promotion | (168) | (165) | (225) | 34% | 36% | (307) | (391) | 27% |
| Operational expenses | (595) | (648) | (675) | 13% | 4% | (1,141) | (1,323) | 16% |
| Rents, Depreciation and Amortization | (114) | (127) | (133) | 16% | 5% | (224) | (259) | 16% |
| Taxes other than income tax | (36) | (41) | (44) | 21% | 7% | (75) | (84) | 13% |
| Contributions to IPAB | (75) | (82) | (86) | 14% | 4% | (148) | (167) | 13% |
| Non-controllable expenses | (225) | (249) | (262) | 16% | 5% | (447) | (511) | 14% |
| Non interest expenses | (820) | (897) | (937) | 14% | 4% | (1,588) | (1,834) | 15% |

Information by Segment

In order to carry out the segmentation of the results for Regional, different business areas were subdivided into identifiable segments based on types of products and customer profile.

| | Business | Personal | Markets | Total |
|----------------------------|--------------|------------|------------|--------------|
| Net adjusted margin | 2,129 | 816 | 109 | 3,055 |
| Non Financial Income | 623 | 90 | 212 | 926 |
| Total Income | 2,753 | 907 | 322 | 3,981 |
| Loans | 81,478 | 12,988 | - | 94,466 |
| Core Deposits | 28,077 | 33,533 | 37,649 | 99,259 |



FINANCIAL SITUATION

Cash and Equivalents

At the end of 2Q18, Regional held a cash deposit balance of \$10,059 million pesos, which presented an increase of 52% versus the balance registered on the same period last year.

Out of the total cash deposits in 2Q18, \$3,883million pesos are restricted and held in the Monetary Regulation Deposit (constituted in Banco de México) and pays aBanxico objective rate.

| Cash and Deposits (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | |
|--------------------------------------|--------------|--------------|---------------|-------------|------------|
| | | | | 2Q17 | 1Q18 |
| Cash | 835 | 1,243 | 1,058 | 27% | (15%) |
| Demand deposits | 2,143 | 3,660 | 5,114 | 139% | 40% |
| Others | 22 | 15 | 4 | (81%) | (73%) |
| Non restricted cash deposits | 2,999 | 4,919 | 6,176 | 106% | 26% |
| Demand deposits | 3,603 | 2,301 | 3,883 | 8% | 69% |
| Restricted cash deposits | 3,603 | 2,301 | 3,883 | 8% | 69% |
| Total Cash and due from Banks | 6,602 | 7,220 | 10,059 | 52% | 39% |

Performing Loan Portfolio

The performing commercial loan portfolio grew 8% at the close of 2Q18 with a balance of \$76,328 million pesos. Noteworthy, is the 8% increase in business loans which represents Regional' score business and stands at \$75,703 million pesos at the end of 2Q18.

The consumer loan portfolio showed an increase of 28% compared to 2Q17.

| Net loan portfolio (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | |
|--|---------------|---------------|---------------|------------|-----------|
| | | | | 2Q17 | 1Q18 |
| Business loans | 70,087 | 74,939 | 75,703 | 8% | 1% |
| Financial entities | 541 | 542 | 571 | 6% | 5% |
| Government | 75 | 80 | 54 | (28%) | (33%) |
| Performing commercial portfolio | 70,703 | 75,561 | 76,328 | 8% | 1% |
| Mortgage | 8,568 | 9,468 | 9,818 | 15% | 4% |
| Consumer | 2,451 | 2,892 | 3,140 | 28% | 9% |
| Total loan performing | 81,722 | 87,921 | 89,286 | 9% | 2% |
| Non performing loans | 1,397 | 1,627 | 1,709 | 22% | 5% |
| Total loan | 83,119 | 89,548 | 90,995 | 9% | 2% |
| Allowance for possible loan losses | 1,926 | 2,066 | 2,075 | 8% | 0% |
| Other Receivables | 165 | 157 | 257 | 56% | 64% |
| Net loan portfolio | 81,358 | 87,639 | 89,177 | 10% | 2% |



Non-performing Loan Portfolio

As of June 2018, the non-performing loan portfolio stood at \$1,709million pesos, which represents an increase of 22% compared to June 2017.

The non-performing loans ratio was 1.9% at the end of the Second Quarter 2018 showing an increase of 20 basis point in comparison to the same quarter last year.

The coverage ratio of allowance for loan losses was 1.2 times the non-performing loan portfolio at the end of 2Q18.

Of the total non-performing loan portfolio, 86% correspond to commercial loans, 11% to mortgages and 3% to consumer loans.

| Non performing loans (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | |
|---|--------------|--------------|--------------|------------|-----------|
| | | | | 2Q17 | 1Q18 |
| Business loans | 1,191 | 1,385 | 1,466 | 23% | 6% |
| Financial Institutions | 1 | 1 | 1 | 0% | 0% |
| Government | 0 | 0 | 0 | 0% | 0% |
| Mortgage | 166 | 190 | 191 | 15% | 1% |
| Consumer | 39 | 51 | 51 | 31% | 0% |
| Non performing loans, total | 1,397 | 1,627 | 1,709 | 22% | 5% |

Below is a breakdown of non-performing loans by segment at the end of 2Q18:

| Non Performing Loans (Millions pesos) | Second Quarter 2018 | | | | Total |
|--|---------------------|-----------|------------|--------------|--------------|
| | Commercial | Consumer | Mortgage | Total | 2Q17 |
| Balance at beginning of period | 1,386 | 51 | 189 | 1,626 | 1,354 |
| Performing portfolio entries | | | | | |
| Transfer of performing loans to NPL | 891 | 28 | 39 | 958 | 521 |
| Portfolio acquisition | 0 | 0 | 0 | 0 | 0 |
| Accrued interests not charged | 3 | 0 | 0 | 3 | 0 |
| NPL reversals | | | | | |
| Restructurations | 0 | 0 | 0 | 0 | 0 |
| Paid credits | (676) | (1) | (18) | (695) | (321) |
| Write-Offs | (55) | (24) | 0 | (79) | (85) |
| Transfers of NPL to performing portfolio | (82) | (3) | (18) | (103) | (72) |
| Balance at the end of the period | 1,467 | 51 | 192 | 1,710 | 1,397 |



Credit Ratings

On June 2018, the loan portfolio was rated at \$90,995 million pesos which required allowance for possible loan losses of \$2,066million pesos.

The result of the integrated score is shown below:

| Credit Portfolio Rating (Million pesos) | Loan Portfolio | Allowances for possible loan losses | | | Total |
|--|-------------------|-------------------------------------|------------|-----------|--------------|
| | | Commercial | Consumer | Mortgage | |
| Risk A-1 | 55,060 | 278 | 44 | 11 | 333 |
| Risk A-2 | 16,454 | 184 | 27 | 1 | 212 |
| Risk B-1 | 7,429 | 121 | 14 | 1 | 136 |
| Risk B-2 | 2,955 | 60 | 9 | 1 | 70 |
| Risk B-3 | 4,755 | 161 | 9 | 1 | 171 |
| Risk C-1 | 1,276 | 64 | 20 | 6 | 90 |
| Risk C-2 | 830 | 62 | 28 | 15 | 105 |
| Risk D | 2,011 | 663 | 48 | 27 | 738 |
| Risk E | 225 | 99 | 55 | 29 | 183 |
| Credit Portfolio Rated | 90,995 | 1,692 | 254 | 92 | 2,038 |
| Pure Leasing | | | | | |
| Total Credit Portfolio | 90,995 | 1,692 | 254 | 92 | 2,038 |
| Allowance for possible loan losses | | | | | 2,066 |
| Additional allowances | | | | | 28 |

¹Additional provisions are aligned with required provisions by Comisión Nacional Bancaria y de Valores (CNBV), through the Circular Única de Bancos (CUB). The current regulations in addition to the rating methodology are:

- Reserves arising from the interpretation of the consultation to the credit bureau and/or absence of the latter. Article 39 - CUB. Regardless of the provisions already stipulated by the Institution as a result of the credit portfolio rating, Institutions should provide additional loan loss provisions for loans granted and filed without the credit bureau's consultation; this provision must account for 100% of the total loan granted.
- Provisions to reserve 100% of the interest due. "Non-collected deferred interest".-At the moment of transferring a performing loan to non-performing, the institution must create a provision equal to the non-collected accrued interest(B-6 CUB).

Deposits

Core deposits reached \$83,467million pesos at the end of 2Q18, representing an increase of 18% compared to the same quarter in 2017.

The main reason of growth in core deposits is due to Regional's strategy of financing thought its clients. At the end of 2Q18 cost of funding in domestic currency was of 4.9%.

| Core deposits (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | |
|----------------------------------|---------------|---------------|---------------|------------|-----------|
| | | | | 2Q17 | 1Q18 |
| Demand Deposits | 31,872 | 30,971 | 33,474 | 5% | 8% |
| From the public | 38,596 | 46,483 | 48,789 | 26% | 5% |
| From Institutional Clients | 201 | 1,155 | 1,204 | 499% | 4% |
| Time deposits | 38,797 | 47,638 | 49,993 | 29% | 5% |
| Core Deposits | 70,669 | 78,609 | 83,467 | 18% | 6% |



FINANCIAL SITUATION

Figures in million pesos

Average interest rates on core deposits and other liabilities, classified according to currency, to the end of June 2018, were as follows:

| Liability Rates (Million pesos) | Average Balance | Monthly Interest | Annualized Rate % | Term (days) |
|--|--------------------|---------------------|----------------------|----------------|
| Local Currency | | | | |
| Demand deposits | 25,461 | 23 | 1.1% | |
| Time deposits | 46,249 | 266 | 6.9% | 60 days |
| Institutional Clients | 1,003 | 6 | 7.7% | 60 days |
| Local currency core deposits | 72,712 | 295 | 4.9% | |
| Foreign currency | | | | |
| Traditional deposits foreign currency | 8,311 | 1 | 0.2% | |

| Other liabilities rates (Million pesos) | Average Balance | Monthly Interest | Annualized Rate % | Term (days) |
|---|--------------------|---------------------|----------------------|----------------|
| Local currency | | | | |
| Commercial Paper (Certificados Bursátiles) | 931 | 6 | 7.9% | 90 days |
| Interbank loans | 7,178 | 49 | 8.1% | 1827 days |
| Foreign Currency | | | | |
| Interbank loans | 497 | 1 | 3.3% | 1827 days |

Securities Investments

The balance of the investment in securities portfolio at the end of 2Q18 stood at \$5,079million pesos with a variation of (21%) in comparison to 2Q17. Negotiable instruments reached \$568million pesos in 2Q18, compared to the \$306 million pesos in June 2017; showing a variation of 86%, due to an increase of 290% in other debt instruments.

It is important to note that out of the \$2,825million pesos held by the Group in other debt instruments; 100% corresponds to debt issued by high solvency corporate. There are no debt instruments issued by state-owned companies.

Out of the \$5,079 million pesos reflected on the balance as securities investments, 19% of Regional's holdings are in government-backed securities. This explains why Regional's investment in securities presents a low-risk level.

The classification of investments is determined according to the administration's intent at the moment of acquiring the securities investment. The securities for trading purposes and available for sale are valued at their market value, which is determined based on prices provided by a price supplier authorized by the CNBV. Adjustments resulting from the valuation for trading purposes are charged directly to income trading for the period and the adjustments from valuation on available for sale are charged to stockholders' equity.



FINANCIAL SITUATION

Figures in million pesos

Securities held to maturity are registered at their acquisition cost, with the profits earned affecting the results of the operation.

| Investment in securities (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | |
|---|--------------|--------------|--------------|--------------|--------------|
| | | | | 2Q17 | 1Q18 |
| Governmental securities | 164 | 59 | 27 | (84%) | (55%) |
| Other debt instruments | 142 | 555 | 543 | 281% | (2%) |
| Negotiable instruments | 306 | 614 | 569 | 86% | (7%) |
| Governmental securities | 5,985 | 1,899 | 929 | (84%) | (51%) |
| Other debt instruments | 142 | 5,654 | 3,580 | 2,417% | (37%) |
| Instruments available for sale | 6,127 | 7,552 | 4,510 | (26%) | (40%) |
| Investment in securities total | 6,433 | 8,971 | 5,079 | (21%) | (43%) |

Repurchase Agreements

At the end of 2Q18 the amount of repurchase agreements transactions was \$3,003 million pesos; (44%) lower than the same quarter last year.

The repurchase agreements represent collateralized financing, where a lender or investor provides cash for financing in exchange for financial assets that provide protection in case of non-payment. Interests paid on repurchase transactions for the cash received as financing, are recognized in the period they are accrued and calculated at the agreed rate.

In operations where Regional acts as a lender or investor, the financial assets received as collateral are registered in memorandum accounts.

| Repurchase operations (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | |
|---|--------------|--------------|---------------|--------------|--------------|
| | | | | 2Q17 | 1Q18 |
| Governmental Securities | 5,112 | 1,633 | 816 | (84%) | (50%) |
| Bank securities | 142 | 4,436 | 2,187 | 1437% | (51%) |
| Other instrumental securities | 139 | 55 | 0 | (100%) | (100%) |
| Repurchase agreements | 5,393 | 6,124 | 3,003 | (44%) | (51%) |
| Governmental Securities | 8,317 | 7,407 | 10,196 | 23% | 38% |
| Collateral received and sold by the entity | 8,317 | 7,407 | 10,196 | 23% | 38% |

Financial Derivative Operations

Financial derivative operations are contracts held with other entities that meet the following criteria: i) Their price is determined according to the price of other underlying assets; ii) One or more nominal amounts or payment provisions; or both, are included; iii) The underlying assets, nominal amounts, or payment provisions determine, along with the specific elements of each contract, the conditions for settlement of the instrument; or in certain cases, such as options, determine whether settlement is required at all; and iv) Cash settlements are allowed; otherwise, settlements are made through assets in such way that the other party finds itself in conditions similar to those that would prevail if the settlement had been made in cash.



All financial derivative operations are carried out by Banco Regional de Monterrey.

Forwards (negotiation).- These are transactions that require a contract where the parties are willing to conduct the transaction (fair value), the buyer and seller both register assets and liabilities. The buyer, at the moment of signing the contract, registers an asset at nominal value, which is valued at closing. The liabilities incurred are registered as per the contractual obligation set up at the signing of the contract and it maintains its nominal value at closing. On the other hand, the sellers' assets remain at nominal value and liabilities are valued at fair value. The exchange rate used would be that published by Banco de México. At the end of June 2018, Regional held forward contracts for the following amounts:

| Underlying asset (million pesos) | Forwards | |
|-------------------------------------|----------|-------|
| | Buy | Sale |
| Domestic currency | 938 | 1,020 |

Increases or reductions in fair value and contract value are recognized in the income statement as trading income.

Swaps (hedge and negotiation).- The contract value of assets and liabilities respectively, is registered and the value is determined at closing according to fair value of the receivable or payable cash flows.

Receivable or payable cash flows in foreign currencies are valued at the exchange rates published by Banco de México. Increases or decreases that arise in the valuation of assets and liabilities are recognized as shareholder's equity under the results for valuation of hedging instruments of cash flows where the primary position is registered. Fair value is determined by taking into account formal valuation techniques applied by specialized bank employees, and information provided by authorized prices vendors (VALMER).

Hedging operations are intended to cover balance positions. As of June 30, 2018, swap transactions for hedging purposes are as follows:

| Currency (Million pesos) | Interest rates swap for hedging | | |
|-----------------------------|---------------------------------|-----------------|-----------------|
| | Notional Amount | Notional Amount | Notional Amount |
| | June-17 | March-18 | June-18 |
| Domestic currency | 10,275 | 9,874 | 15,383 |

In order to generate trading income, Banregio utilizes these negotiation operations. As of June 30, 2018, operations for negotiating swaps were as follows:

| Currency (Million pesos) | Interest rates swap negotiation | | |
|-----------------------------|---------------------------------|-----------------|-----------------|
| | Notional Amount | Notional Amount | Notional Amount |
| | June-17 | March-18 | June-18 |
| Domestic currency | 1,076 | 1,475 | 7,340 |

Capped Swap. - A contract in which, through the payment of a premium, one party acquires the right, but not the obligation, to receive the spread between the maximum agreed interest rate and the market reference rate, when



FINANCIAL SITUATION

Figures in million pesos

the reference rate is above the maximum rate on the settlement date agreed upon and regarding the reference amount set in the contract. An interest rate cap operation is made up of several Caplet's. As of June 30, 2018, Caplet's operations were as follows:

| Currency (Million pesos) | Caplet Operations | | | Maturity |
|-----------------------------|-------------------|-------|--------------|------------|
| | Buy | Sell | Strike Price | |
| Domestic currency | 7,792 | 7,781 | 8% | 2.00 years |
| Foreign currency | 31 | 31 | 1% | 0.28 years |

Loan Securities Issued

At the end of 4Q16, the Debt Instrument Program that was authorized on July 9, 2010, authorized the issuance of dual instruments (short and long-term) under a 5-year program. This program had the ability to issue up to \$5,000 million pesos, or its equivalent in UDIS. Out of the total authorized amount, AF Banregio S.A. de C.V. had \$874million pesos in circulation by the end of the Second Quarter of 2018.

Given the maturity of the program mentioned above, on July 6, 2015 the CNBV authorized AF Banregio, S.A. de C.V. through official communication 153/5499/2015 to issue short term commercial paper (Certificados Bursátiles or CBs), for up to \$10,000 or its equivalent in Investment Units (UDIS). This program will run for five years.

Incurred and Deferred Taxes

Regional and its consolidated subsidiaries file their tax declarations separately and to date and do not have any unpaid loans or tax liabilities.

Income taxes caused during 2018 accounted \$380 million pesos, showing a variation of 21.4% against the \$313million pesos of 2017, which is explained by an increase in the income tax base.

The breakdown of the deferred taxes shown on the balance sheet is explained on the below table:

| Deferred Taxes (Million pesos) | Deferred Income Tax | |
|--|---------------------|--------------|
| | mar-18 | jun-18 |
| Excess of accounting value from fiscal value of Fixed Assets | | |
| Fixed assets and advanced expenses | 133 | 143 |
| Advanced Payments | (243) | (247) |
| Derived from loans' portfolio sale | (12) | (25) |
| Others | (12) | (49) |
| Total Debit | (134) | (178) |
| Fiscal Losses | 7 | 22 |
| Deferred Fees | 141 | 145 |
| Labor liabilities | 47 | 48 |
| Preventive estimation for credit risks | 658 | 660 |
| Financing lease interest receivable | 96 | 105 |
| Others | 39 | 77 |
| Total Debit | 988 | 1,057 |
| Total Credit or Debit | 853 | 879 |



Capitalization Ratio of Banco Regional de Monterrey S.A.

The Capitalization Ratio (ICAP) for the month of May2018 for Banco Regional de Monterrey S.A. was of 13.8%, calculated by dividing its Net Capital of \$12,273million pesos by total risk assets of \$89,151 million pesos. Over the last 12 months, net capital has increased 10%.

On the other hand, the total risky assets increased 6%in comparison to 2Q17 as a consequence of the growth of the company.

| Capitalization ratio (Million pesos) | 2Q17 | 1Q18 | 2Q18 | 2Q18 vs | |
|---|---------------|---------------|---------------|----------------|----------------|
| | | | | 2Q17 | 1Q18 |
| Tier 1 Capital | 11,149 | 11,738 | 12,273 | 10% | 5% |
| Tier 2 Capital | 0 | 0 | 0 | 0% | 0% |
| Net Capital | 11,149 | 11,738 | 12,273 | 10% | 5% |
| Credit Risk Assets | 69,569 | 75,545 | 77,784 | 12% | 3% |
| Market Risk Assets | 5,038 | 3,923 | 3,927 | (22%) | 0% |
| Operational Risk Assets | 9,108 | 7,440 | 7,440 | (18%) | 0% |
| Total Risk Assets | 83,715 | 86,908 | 89,151 | 6% | 3% |
| Tier 1 | 13.3% | 13.5% | 13.8% | 45 b.p. | 26 b.p. |
| Tier 2 | 0.0% | 0.0% | 0.0% | 0 b.p. | 0 b.p. |
| Capitalization Ratio | 13.3% | 13.5% | 13.8% | 45 b.p. | 26 b.p. |

For further information about capitalization, please consult the Investors Relations webpage of Regional on the “Regulators- 2018” section <http://investor.banregio.com>.

Value at Risk (VaR)

In order to determine the value at risk (VaR), Regional uses the Historic Simulation Model, which has a confidence level of 99% and a one day horizon. The results for 2Q18 are as follows:

| | Value at risk 2Q18 | | | |
|---------------|--------------------|--------------------------|---------------|--------------------------|
| | Average | | End of period | |
| | VaR | Net Capital Consumpt (%) | VaR | Net Capital Consumpt (%) |
| BanRegio | 2.73 | 0.02% | 0.98 | 0.01% |
| Repos | 2.73 | 0.02% | 0.86 | 0.01% |
| FX | 0.08 | 0.00% | 0.16 | 0.00% |
| Equity market | 0.00 | 0.00% | 0.00 | 0.00% |
| Derivatives | 0.02 | 0.00% | 0.01 | 0.00% |
| Metals | 0.27 | 0.00% | 0.85 | 0.00% |



The following table shows VaR comparisons for Regional:

| | 2T17 | 3T17 | 4T17 | 1T18 | 2T18 |
|------------------|--------|--------|--------|--------|--------|
| VaR Banregio * | 50.49 | 43.93 | 41.88 | 5.67 | 2.73 |
| Net Equity * | 11,007 | 11,557 | 12,096 | 12,241 | 12,241 |
| VaR / Net Equity | 0.46% | 0.38% | 0.35% | 0.05% | 0.02% |

millions

* quarterly average

Branch Network

By the end of June 2018, the number of branches in the Group's network stood at 150. Banregio has branches in 22 federal entities, with a market share of 3.2% in commercial loans and 1.7% in core deposits nationally, up to March 2018 according to information provided by Comisión Nacional Bancaria y de Valores (CNBV).

Alternative Channels

During the Second Quarter 2018, 24.1 million accumulated e-banking transactions were registered. Having a robust electronic banking platform allows us to offer services in a more efficient and accessible manner to all customers.

Banregio's ATM network processed 2.95 million transactions at the close of June 2018, fulfilling all international security standards. By the end of June 2018, there was a network of 321 ATMs and 29,990 affiliated establishments using the bank's point of sale terminals (POS).

Treasury Policy

Treasury is the unit responsible for the day-to-day cash flow exchange for Regional's subsidiaries and its clients, in order to later level their surplus or resource funding requirements. It is in charge of money market operations, which actively participate in financial markets.

Furthermore, it is in charge of centralizing Regional's operations, which leads to a more efficient use of resources, as well as better operating control and allows an adequate management of market, counterparty, and liquidity risks.

It is worth mentioning that policies governing the Treasury are established according to official measures of Banco de México, and the Comisión Nacional Bancaria y de Valores (CNBV), among other regulatory authorities.

Internal and External Funding and Liquidity Sources

Customers' deposits are a source of funding for Regional. The trend of these resources has shown a stable growth through time, which favorably mitigates the risks of liquidity.

The main sources of liquidity are:

- Internal: Deposit products offered to customers; such as checking accounts and time deposits.
- External: Call money, issuance of promissory notes in the inter-banking market, development banking and promotional funds, lines of credit from banks, issuance in debt and capital markets, Banco de México's



funding through repurchase agreements to promote liquidity in the payment system and for the monetary regulation deposit.

Regional on the Mexican Stock Exchange (R.A)

On July 15, 2011 Grupo Financiero Banregio, S.A.B. de C.V. made an initial public offer of shares on the Bolsa Mexicana de Valores (BMV) with the ticker "GFREGIO", generating an increase in capital by \$1,298 million pesos.

The Union Bank of Switzerland (UBS) is set as the market maker, in parallel, a buy-back fund authorized up to the amount of \$500 million pesos is in place. This fund is established for the buy-sell of shares in order to support liquidity and avoid disorderly movements in prices.

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. de 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, assuming the status of a Public Limited Stock Company with variable capital but without acting as a Financial Group.

Since its listing on the BMV, Regional has been characterized by a gradual increase in its trading volume and transactional activity, with a liquidity of 8.3 at the end of June of 2018, which has positioned the stock in #32 place in the "Liquidity Index" of the BMV.

At the end of 2Q18, the share price was \$106.64 pesos. The monthly average trading amount of RA reached \$66,706,826 pesos at the end of 2Q18.



Analysis Coverage of Regional's Stock

According to internal rules and procedures of the BMV, article 4.033.01 fraction VIII states that analysis coverage of its stocks should be done at least to one broker or credit institution. Regional informs that the following institutions give analysis coverage to our stock:

| Institution | Analyst |
|---|---|
| Bank Of America Merrill Lynch | Ernesto Gabilondo Mario Perry |
| BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. | Rodrigo Ortiz |
| BTG Pactual S.A. | Eduardo Rosman Thiago Kapulskis |
| Citi | Carlos Rivera Nicolas Riva |
| Corporación Actinver, S.A.B. de C.V. | Enrique Mendoza |
| GBM Grupo Bursátil Mexicano, S.A. de C.V., Casa de Bolsa | Jorge Benitez |
| HSBC | Carlos Gomez Lopez Neha Agarwala |
| Interacciones, Grupo Financiero, S.A. de C.V. | Manuel González |
| Intercam Casa de Bolsa, S.A. de C.V. | Alejandra Marcos Sofia Robles |
| J.P. Morgan | Yuri Fernandes Domingo Falabinas |
| Nau Securities Limited | Iñigo Vega |
| Santander Investment Securities Inc. | Claudia Benavente |
| Signum Research S.A. de C.V. | Martin Lara Ana Telleria |
| UBS Investment Research | Frederic De Mariz Philip Finch |
| Ve por mas | Rodrigo Heredia Juan Eduardo Hernandez |
| Vector Casa de Bolsa, S.A. de C.V. | Jorge Placido Evangelista |



INTERNAL CONTROL

The businesses that conform Regional have an Internal Control System (SCIB). The SCIB is structured according to the guidelines established by the Board of Directors and attends to the requirements outlined by the regulatory authorities in this matter.

The SCIB's mission is to contribute to the adequate functioning of internal control in operations and in the generation and registry of information. The SCIB is composed of several elements:

- I. The Board of Directors, with support from the Audit and Corporate Practices Committee (CAPS), the Remuneration Committee, the Risk Committee and Analysis of Financial Products Committee.
- II. General Management and its supporting areas, which include the Integral Risk Administration Unit (UAIR), Legal, and Internal Control. These areas are responsible for ensuring adequate levels of control and risk in the Group's operations as well as regulatory compliance.
- III. Internal Auditing, External Auditing and the Commissioner (the commissioner applies only to Regional's subsidiaries) as additional support structures to monitor the functioning of Regional's Internal Control System and to give assurance on the reliability of the generated information. The Internal Auditing area reports to CAPS and is independent from all other administrative areas. The person responsible for the Internal Audit area is assigned by the Board of Directors, as proposed by the Audit Committee, and is responsible for the correct performance of the Internal Control System. Through the implementation of auditing techniques and procedures, this person verifies its adequate functioning and ensures that policies, procedures, and conduct code are followed.
- IV. Management Team; responsible for the assurance of the SCIB according to the functions and responsibilities assigned; also as promoters for regulatory compliance as per their Regional's regulations, in their respective areas of influence and the strategies defined by General Management.
- V. Documents that establish general control criteria that must be followed in the operation and registry of transactions, in the utilization of human, material and technological resources; in the security, opportunity, reliability, and use of information; and the proper compliance of the internal and external regulations.
- VI. The Institutional Code of Conduct which regulates the behavior that must be assumed by every director, officer or employee in the practice of their business related activities and relationships with customers, suppliers, authorities and colleagues, in order to consolidate the Regional's image as a solid and trusted company, always acting according to the law. This document is prepared by the CEO and approved by the Board of Directors.
- VII. Policy and procedure manuals which regulate documentation, registration, and settlements performed by the Regional; also establishing checkpoints, ensuring segregation of duties, the clear assignment of responsibilities, protection of information and prevention of illicit acts.

Activities related to strengthening the control environment, assessment and risk management, establishment and monitoring of controls, and quality assurance of information were developed during the Second Quarter of 2018; highlighting the following:

- A. A new methodology was designed in the Institution to classify clients according to the risk that each of them represents, to the possible money laundering and financing of terrorism.
- B. Requests were made to the Bank of Mexico (BANXICO) to carry out consultations in the new Transfers Database administered by the Central Bank. This Database will provide statistical information on all



transfers of funds in currency -including cross-border transfers-, made by customers and users through the Mexican banking system.

- C. The necessary policies and procedures were prepared to comply with the Money Laundering Prevention Provisions that were published on February 24, 2017. As a result of this, the manual was sent to the National Banking and Securities Commission. The terms and formalities established by the Ministry of Finance and Public Credit.
- D. In compliance with the FATCA and CRS extraterritorial regulations, the data and forms that the tax authority established in the Fiscal Miscellany were duly reported to the Tax Administration System.
- E. In order to reinforce the identification and knowledge of the real owners and / or last final beneficiaries of the Clients' resources, adjustments were made to the account opening process. The foregoing also with the purpose of identifying people who could exercise control in the Moral Persons.
- F. Officially, concrete policies were designed, implemented and documented for the acceptance, limitation and termination of relations with the Clients of the Institution.
- G. A constant supervision of the operations of investment services was carried out and maintained, both in terms of internal policies and those established by the corresponding regulation. The foregoing to ensure that the interest of the Clients.



INTERCOMPANY OPERATIONS AND RELATED PARTIES

Figures in million pesos

INTERCOMPANY OPERATIONS AND RELATED PARTS

Intercompany Operations

The operations described below do not put at risk the solvency, liquidity, or profitability of Regional.

1. Checking account services provided by Banco Regional de Monterrey, S.A. to:

| Subsidiaries | Balance |
|---------------------|---------|
| Regional | \$0 |
| Financiera Banregio | \$0 |
| AF Banregio | \$18 |
| Operadora | \$0 |
| Inmobiliaria | \$26 |
| Sinca | \$0 |
| Banregio Soluciones | \$1 |
| Servicios Banregio | \$0 |
| | \$45 |

2. Repurchase agreements conducted in Banco Regional de Monterrey, S.A. by the following companies:

| Subsidiaries | Balance |
|---------------------|---------|
| Regional | \$7 |
| Banregio Soluciones | \$3 |
| AF Banregio | \$0 |
| Servicios | \$2 |
| Financiera Banregio | \$5 |
| Sinca | \$6 |
| Inmobiliaria | \$73 |
| Operadora | \$0 |
| | \$96 |

3. Investment operations:

| Subsidiaries | Balance |
|--------------|---------|
| Operadora | \$2 |
| | \$2 |

4. Loan operations granted by Banco Regional de Monterrey, S.A. to:

| Subsidiaries | Balance |
|---------------------|---------|
| AF Banregio | \$8,925 |
| Financiera Banregio | \$82 |
| | \$9,007 |



INTERCOMPANY OPERATIONS AND RELATED PARTIES

Figures in million pesos

5. Loan operations granted by AF Banregio, S.A. de C.V. to:

| <u>Subsidiaries</u> | <u>Balance</u> |
|-----------------------------|----------------|
| Banco Regional de Monterrey | \$34 |
| Inmobiliaria | \$120 |
| | <u>\$154</u> |

6. Financial leasing operations granted by AF Banregio, S.A. de C.V. to:

| <u>Subsidiaries</u> | <u>Balance</u> |
|-----------------------------|----------------|
| Banco Regional de Monterrey | \$2 |
| Inmobiliaria | \$8 |
| | <u>\$10</u> |

7. Management services provided by Banco Regional de Monterrey S.A. to:

| <u>Subsidiaries</u> | <u>Balance</u> |
|---------------------|----------------|
| Banregio Soluciones | \$0 |
| AF Banregio | \$139 |
| Financiera Banregio | \$6 |
| Operadora | \$0 |
| Inmobiliaria | \$8 |
| | <u>\$153</u> |

8. Real Estate leasing operations lent by Inmobiliaria Banregio, S.A. de C.V. to:

| <u>Subsidiaries</u> | <u>Balance</u> |
|-----------------------------|----------------|
| Banco Regional de Monterrey | \$157 |
| | <u>\$157</u> |

9. Operational leasing for real estate operations provided by AF Banregio S.A. de C.V. to:

| <u>Subsidiaries</u> | <u>Balance</u> |
|-----------------------------|----------------|
| Banco Regional de Monterrey | \$10 |
| | <u>\$10</u> |



INTERCOMPANY OPERATIONS AND RELATED PARTIES

Figures in million pesos

Loans to Related Parties (Banco Regional de Monterrey S.A.)

Loans granted by Banco Regional de Monterrey, S.A. to related parties to June 30, 2018:

| Related parties according to article 73 of Ley de Instituciones de Crédito | Amount |
|---|-----------------|
| Section II. - Members of the Board of Directors of the Institution, controlling company or the financial entities and companies belonging to the financial group to which the company, if applicable, belongs. | \$11 |
| Section III. - Spouses and people related to the persons established in sections I and II of article 73. | \$ 207 |
| Section V. - Legal entities as well as their advisors and officers, of the institution or controlling company of the financial group to which, if applicable, the institution belongs, whether they have direct or indirect control of ten percent or more of the securities representing their capital. | \$823 |
| Section VI: Legal entities in which officers of the institutions are advisors, managers or belong to the first three hierarchical levels of the legal entities. | \$10 |
| Section VII. - Legal entities in which any of the persons established in sections I to VI of article 73, as well as the people referred to in section VI of article 106 of the LIC, have direct or indirect control of ten percent or more of the securities representing their capital. | \$1,522 |
| Total | \$ 2,573 |

Loans to Related Parties (AF Banregio S.A. de C.V.)

Loans granted by AF Banregio S.A. de C.V. to related parties to June 30, 2018:

| Related parties according to article 73 of Ley de Instituciones de Crédito | Amount |
|---|--------------|
| Section III. -Spouses and people related to the persons established in sections I and II of article 73. | \$1 |
| Section V. - Legal entities as well as their advisors and officers, of the institution or controlling company of the financial group to which, if applicable, the institution belongs, whether they have direct or indirect control of ten percent or more of the securities representing their capital. | \$37 |
| Section VII. - Legal entities in which any of the persons established in sections I to VI of article 73, as well as the people referred to in section VI of article 106 of the LIC, have direct or indirect control of ten percent or more of the securities representing their capital. | \$575 |
| Total | \$613 |



INTEGRAL RISK MANAGEMENT

Information regarding this issue may be obtained from the Integral Risk Management Report through the following link:<http://investors.banregio.com/regulators/>

Ratings

According to the twelfth rule of the Capitalization Regulations "Full service banking institutions must reveal their level of risk to the public, according to the credit ratings allocated by two internationally renowned ratings agencies, which must be included in the notes of their financial statements. Such ratings must be given to the issuer on a national scale, and under no circumstances may they be older than twelve months", following are presented the ratings for Regional.

On June 9th 2015, HR Ratings initiated coverage of Regional assigning a long-term rating of HR AA+ with a stable outlook and short-term HR+1 to Banco Regional de Monterrey, S.A. and AF Banregio, S.A. de C.V. It assigned HR AA+ and HR+1 ratings to the stock certificates dual program Banregio AF for up to \$10,000 million pesos.

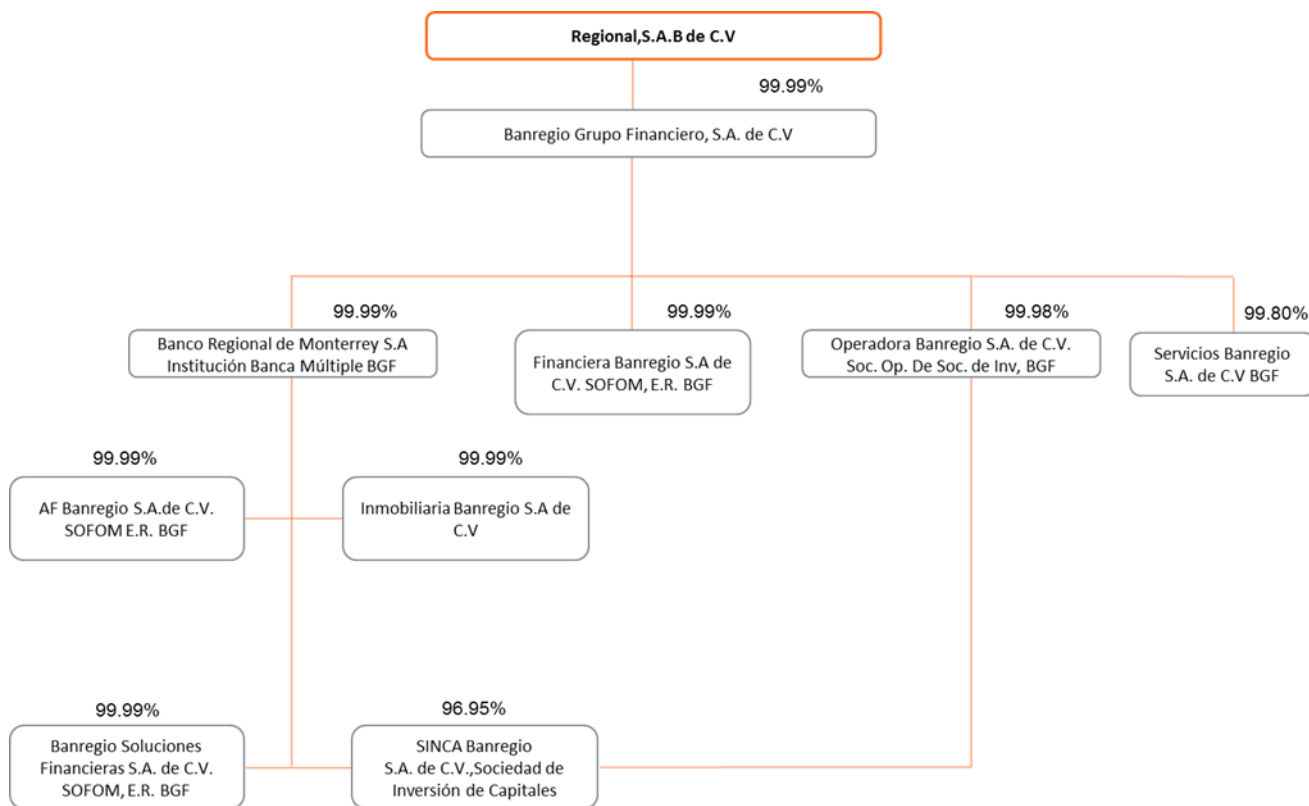
| HR Ratings <i>June 20 2018</i> | Perspective | Long Term | Short Term |
|--|--------------------|------------------|-------------------|
| Banco Regional de Monterrey S.A. | Stable | HR AA+ | HR+1 |
| AF Banregio S.A. de C.V. | Stable | HR AA+ | HR+1 |
| Certificados Bursátiles | Stable | HR AA+ | HR+1 |

On June 21th 2017, Fitch Ratings confirm long-term counterparty risk rating for Banco Regional de Monterrey, S.A. Institución de BancaMúltiple (Banregio) and AF Banregio, S.A. de C.V., SOFOM E.R., Regional (AF Banregio) to "AA+(mex)" from "AA(mex)", and ratified the short-term rating "F1+(mex)" for both entities. The outlook on the long-term rating is "Stable". Fitch also ratified the short-term portion of the dual program of stock certificates for an amount of up to MXN \$10,000 million..For more information on this rating method, you can consult the document available at www.fitchratings.com.

| Fitch Ratings <i>July 6, 2018</i> | Perspective | Long Term | Short Term |
|---|--------------------|------------------|-------------------|
| Banco Regional de Monterrey S.A. | Stable | AA+(mex) | F1+(mex) |
| AF Banregio S.A. de C.V. | Stable | AA+(mex) | F1+(mex) |
| Certificados Bursátiles | | | F1+(mex) |



CORPORATE STRUCTURE



Regional is a public company incorporated in July 2016 and jointly with Banregio Grupo Financiero, S.A.B. of 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. of 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 merger, assumed the regime of a Holding Company of a new Financial Group, called Banregio Grupo Financiero, SA of C.V. On March 12, 2018 through the official letter UBVA / DGABV / 141/2018, the SHCP approved the corporate restructuring of Regional, through which Banregio Grupo Financiero S.A.B. of C.V. through a merger with the first, at the same time that a new financial group is constituted by the subsidiary institutions of the second. Finally, the SHCP approves the bylaws and the sole liability agreement entered into between the Financial Group and its subsidiary financial institutions.

The inscription in the National Securities Registry of the shares representing the share capital of Regional, S.A.B. CV occurs under the cover of the official notice 153/11641/2018 issued by the CNBV on April 12, 2018. The information leaflet is available to the general public on the BMV portal, on the information portal of broadcasters of the CNBV as well as in the investor relations portal of Banregio Grupo Financiero in the following Link:



INTEGRAL RISK MANAGEMENT

<http://investors.banregio.com/wp-content/uploads/2018/05/folleto-informativo-firmado-con-eeff-proforma-2018-04-16-v.-definitivac.pdf>



Board of Directors

DIRECTORS

ALTERNATE DIRECTORS

- (i) Ing. Jaime Alberto Rivero Santos
Lic. Manuel G. Rivero Santos
Lic. Manuel Gerardo Rivero Zambrano
Ing. Sergio Eugenio González Barragán
Lic. Héctor Cantú Reyes
- (*) Ing. Francisco Rogelio Garza Egloff
(*) Ing. Alfonso González Migoya
- (*) C.P. Jorge Humberto Santos Reyna
(*) Lic. Francisco Jorge Patiño Leal
(*) Ing. Isauro Alfaro Álvarez
- (*) Lic. Oswaldo José Ponce Hernandez
(*) Lic. Juan Carlos Calderón
(*) C.P. Carlos Arreola Enríquez
(*) C.P. Daniel A. Abut

- Lic. Marcelo Zambrano Lozano
Ing. Adrián Bernardo Lozano Rojas
Ing. Jorge Arturo Reyes García

(*)Refers to independent board members.(i) Refersto Chairman of the Board.(1)Belongs to the Board of Directors of Banco Regional de Monterrey that holds meetings at the same time as Regional

Information regarding this issue may be obtained through the following link:

<http://investors.banregio.com/?p=54>

Main Officers

| Chairman of the Board Regional | Chief Executive Officer Regional | Chief Executive Officer Banco Regional de Monterrey |
|--|---|--|
| Ing. Jaime Alberto Rivero Santos | Lic. Manuel G. Rivero Santos | Lic. Manuel G. Rivero Zambrano |
| Advisor for Real Estate Projects SINCA Director | | |
| Ing. Ricardo Vega González | | |
| Chief Banking Officer | Chief Financial Officer | Chief Risk Officer |
| Lic. Hector Cantu Reyes | Ing. Enrique Navarro Ramírez | Lic. Ramiro G. Ramírez Garza |

The total amount for retirement benefits and legal indemnifications due to terminations at the end of the Second Quarter of 2018 is \$158.6 million pesos. The total amount for compensation, fees and benefits received by top officers of Regional was of \$8.4 million pesos during the Second Quarter 2018. This figure is primarily composed of salaries, year-end bonuses, and performance bonuses, which are given in cash.



Dividend Policy

Regional's dividend policy is aligned with its operating results, financial situation, capital needs, fiscal considerations, growth estimates, and other factors that the members of the Board or shareholders deem convenient.

**ACCOUNTING STANDARDS AND CRITERIA**

This document is presented in accordance with the General Provisions Applicable to Financial Information for Controlling Companies of Financial Groups ("Disposiciones de Carácter General Aplicables a la Información Financiera de las Sociedades Controladoras de Grupos Financieros"), issued by the Comisión Nacional Bancaria y de Valores (CNBV). Furthermore, in accordance with accounting norms, it is not necessary to re-submit financial statements after January 2008, and previous years are to remain in pesos of the last updating period, which in this case was December 2007.

Regional has drafted its Balance Sheet considering its level of liquidity or enforceability, as applicable, as well as its Income Statement, according to the presentation required by the CNBV, which has the objective of present the information about the operations of the Financial Group, also other economic events that affect Regional, even if they do not necessarily proceed from decisions or transactions derived from the proprietaries of the Company in their stockholders character, during the period.

In accordance with the Accounting Criteria, in lack of a specific accounting criterion from the Commission, the following must be applied in a supplementary way, according to the Established on the NIF A-8 "Supplements", and in this order: NIF approved and issued by the International Accounting Standards Board (IASB), as well as the Generally Accepted Accounting Principles applicable in the U.S., both official and not official sources as established in the 105 topic of the Financial Accounting Standards Board (FASB) codification, issued by the Financial Accounting Standards Board (US GAAP) or, if applicable, any accounting norm that is part of an official and acknowledged set of norms.

In accordance with NIF A-8 "Supplements", as long as a supplementary norm is used, it must be expressed in the notes to the financial statement, alongside information such as a brief description of the transaction, internal transformations or events that motivated the use of the supplementary norm; the identification of the supplementary norm, the entity that issues it, and validity dates; the date on which the supplementary norm was first applied, as well as the period during which the norm initially used in a supplementary way, was substituted by another supplementary norm and the quantifying impacts in the financial statements.

In addition, according to Law, the Commission may order that financial statements of credit institutions be published with the relevant modifications, during the terms that at the effect be established.

The consolidation is accomplished based on the financial statements of the subsidiaries. The subsidiaries are consolidated since the date that have been controlled by Regional and will not be consolidated when that control is lost. All the balances and material transactions between companies have been eliminated for consolidation effects.

On June 24th, 2013 changes to the art. 110 of the "Disposiciones de carácter general aplicables a la instituciones de crédito" were published on the Diario Oficial de la Federación (DOF). These changes modified the reserves methodology on commercial loans. These statutes came into force on June 25th, 2013.

**Technical Note**

The financial information contained in this report is based on the financial statements of Regional and has been prepared in accordance with the accounting rules and principles established by CNBV through the Accounting Criteria for Controlling Companies of Financial Groups.

Due to changes in the aforementioned accounting norms and criteria, the amounts corresponding to the financial statements for the previous quarters have been homologated with current statutes in order to facilitate their comparison and analysis.

Following the rules established in the "Circular Única de Bancos" of "Comisión Nacional Bancaria y de Valores", Regional's financial statements are prepared in a consolidated way. Consolidated companies include: Banco Regional de Monterrey, S.A. Institución de Banca Múltiple Banregio Grupo Financiero, Financiera Banregio, S.A. de C.V. Sociedad Financiera de Objeto Múltiple Entidad Regulada Banregio Grupo Financiero, Operadora Banregio, S.A. de C.V. Sociedad Operadora de Sociedades de Inversión Banregio Grupo Financiero and Servicios Banregio, S.A. de C.V. Banregio Grupo Financiero, as is shown in the section "Corporate Structure" on page 27 of this document.

Unless otherwise specified, the amounts in this document are given in million pesos.

Certain figures and percentages included in this document have been rounded. Consequently, the figures presented in different tables may slightly vary and it is possible that the figures appearing in certain tables are not a perfect sum of the figures that precede them.

Additionally, Regional, S.A.B. de C.V. presents, for informative purposes only, the internal financial statements for the period ended June 30, 2018, and additionally, the financial statements of Banregio Grupo Financiero S.A.B. de C.V. 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 financial statements with pro forma figures in which the financial situation and the results of the company are presented as if the restructuring had taken effect in the same quarter of the previous year.



FINANCIAL STATEMENT

Figures in million pesos

FINANCIAL STATEMENTS

| Quarterly Income Statement (Million pesos) | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|--------------|--------------|--------------|--------------|--------------|
| Interest Income | 2,803 | 3,024 | 3,111 | 3,209 | 3,384 |
| Interest Expenses | (1,291) | (1,442) | (1,476) | (1,559) | (1,696) |
| Financial Margin | 1,512 | 1,582 | 1,635 | 1,650 | 1,688 |
| Net reserves | (220) | (172) | (127) | (144) | (162) |
| Financial Margin adjusted for credit risks | 1,292 | 1,410 | 1,508 | 1,506 | 1,526 |
| Net Commissions and fees | 154 | 152 | 159 | 147 | 171 |
| Insurance & FX Fee | 118 | 119 | 129 | 128 | 155 |
| Pure leasing | 190 | 171 | 137 | 153 | 211 |
| Other Income (expense) operations | (15) | (54) | 59 | (3) | 10 |
| Non interest expenses | (820) | (838) | (916) | (897) | (937) |
| Operating Income | 919 | 960 | 1,075 | 1,033 | 1,136 |
| Subsidiaries Net Income | 2 | 0 | (1) | 2 | 1 |
| Pre-tax Income | 921 | 960 | 1,074 | 1,035 | 1,137 |
| Income Tax | (261) | (277) | (301) | (290) | (317) |
| Net Income | 660 | 683 | 773 | 745 | 820 |

Income Statement YTD

| Income Statement YTD (Million pesos) | 6M17 | 9M17 | 12M17 | 3M18 | 6M18 |
|---|--------------|--------------|--------------|--------------|--------------|
| Interest Income | 5,429 | 8,453 | 11,564 | 3,209 | 6,593 |
| Interest Expenses | (2,499) | (3,941) | (5,417) | (1,559) | (3,255) |
| Financial Margin | 2,930 | 4,512 | 6,147 | 1,650 | 3,338 |
| Net reserves | (386) | (558) | (685) | (144) | (306) |
| Financial Margin adjusted for credit risks | 2,544 | 3,954 | 5,462 | 1,506 | 3,032 |
| Net Commissions and fees | 302 | 453 | 612 | 147 | 317 |
| Insurance & FX Fee | 224 | 343 | 471 | 128 | 282 |
| Pure leasing | 397 | 568 | 704 | 153 | 364 |
| Other Income (expense) operations | (73) | (127) | (69) | (3) | 7 |
| Non interest expenses | (1,588) | (2,426) | (3,342) | (897) | (1,834) |
| Operating Income | 1,805 | 2,765 | 3,840 | 1,033 | 2,168 |
| Subsidiaries Net Income | 8 | 8 | 7 | 2 | 3 |
| Pre-tax Income | 1,813 | 2,773 | 3,847 | 1,035 | 2,171 |
| Income Tax | (511) | (788) | (1,089) | (290) | (607) |
| Net Income | 1,302 | 1,985 | 2,758 | 745 | 1,565 |



FINANCIAL STATEMENT

Figures in million pesos

Balance Sheet: Assets and Liabilities

| Balance Sheet (Million pesos) | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|---------|---------|---------|---------|---------|
| Cash deposits | 6,602 | 7,292 | 8,341 | 7,220 | 10,059 |
| Investment in securities | 6,433 | 12,632 | 8,256 | 8,971 | 5,079 |
| Trading instruments | 306 | 3,194 | 1,652 | 615 | 568 |
| Instruments available for sale | 6,127 | 9,438 | 6,604 | 7,552 | 4,511 |
| Derivatives | 228 | 208 | 315 | 238 | 358 |
| Commercial | 70,703 | 72,004 | 74,935 | 75,561 | 76,328 |
| Business Loans | 70,087 | 71,275 | 74,158 | 74,939 | 75,703 |
| Financial Entities | 541 | 686 | 717 | 542 | 571 |
| Government Entities | 75 | 43 | 60 | 80 | 54 |
| Consumer | 2,451 | 2,619 | 2,760 | 2,892 | 3,140 |
| Mortgage | 8,568 | 8,936 | 9,270 | 9,468 | 9,818 |
| Total Performing Loan | 81,722 | 83,559 | 86,965 | 87,921 | 89,286 |
| Commercial | 1,192 | 1,267 | 1,235 | 1,386 | 1,467 |
| Business Loans | 1,191 | 1,266 | 1,234 | 1,385 | 1,466 |
| Financial Entities | 1 | 1 | 1 | 1 | 1 |
| Consumer | 39 | 48 | 48 | 51 | 51 |
| Mortgage | 166 | 167 | 180 | 190 | 191 |
| Total Non performing loan | 1,397 | 1,482 | 1,463 | 1,627 | 1,709 |
| Loan portfolio | 83,119 | 85,041 | 88,428 | 89,548 | 90,995 |
| Allowance to possible loan losses | 1,926 | 2,034 | 2,042 | 2,066 | 2,075 |
| Other receivables | 165 | 165 | 161 | 157 | 257 |
| Net Loan Portfolio | 81,358 | 83,172 | 86,547 | 87,639 | 89,177 |
| Other receivable (net) | 1,512 | 1,531 | 1,182 | 1,102 | 1,172 |
| Property awarded | 282 | 264 | 376 | 473 | 409 |
| Real state, furniture and equipment (net) | 1,261 | 1,333 | 1,364 | 1,350 | 1,390 |
| Leasing | 4,276 | 4,345 | 4,948 | 4,925 | 5,099 |
| Permanent investment in shares | 71 | 71 | 70 | 73 | 73 |
| Deferred Tax (net) | 646 | 687 | 779 | 854 | 879 |
| Other assets, deferred charges and intangible | 538 | 574 | 787 | 659 | 617 |
| Total Assets | 103,207 | 112,109 | 112,965 | 113,504 | 114,731 |
| Demand deposits | 31,872 | 31,819 | 32,971 | 30,971 | 33,474 |
| From the Public | 26,091 | 26,434 | 26,977 | 25,640 | 28,073 |
| Institutional Clients | 5,781 | 5,385 | 5,994 | 5,331 | 5,401 |
| Time deposits | 38,797 | 40,358 | 45,568 | 47,638 | 49,993 |
| From the public | 38,596 | 38,708 | 43,915 | 46,483 | 48,789 |
| Institutional Clients | 201 | 1,650 | 1,653 | 1,155 | 1,204 |
| Negotiable Instruments issued | 1,728 | 1,595 | 1,335 | 1,176 | 864 |
| Global Account | 25 | 25 | 33 | 32 | 37 |
| Interbank loans and of other organisms | 8,109 | 7,759 | 8,703 | 7,951 | 7,780 |
| Short Term | 2,547 | 1,928 | 3,161 | 2,422 | 2,498 |
| Long Term | 5,562 | 5,755 | 5,542 | 5,349 | 5,282 |
| Repurchase agreements | 5,393 | 12,570 | 5,361 | 6,124 | 3,003 |
| Operations with securities and derivatives | 546 | 543 | 365 | 363 | 390 |
| Other payable accounts | 2,666 | 2,742 | 2,949 | 3,913 | 2,861 |
| Income tax and profit sharing payable | 116 | 138 | 207 | 258 | 227 |
| Other credits and other accounts payable | 2,550 | 2,604 | 2,742 | 3,655 | 2,634 |
| Deferred credits | 293 | 288 | 277 | 283 | 386 |
| Total Liabilities | 89,429 | 97,699 | 97,562 | 98,451 | 98,788 |



FINANCIAL STATEMENT

Figures in million pesos

Balance Sheet: Stockholders Equity

| Balance Sheet (Million pesos) | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|---------------|---------------|---------------|---------------|---------------|
| Subscribed Capital | 3,135 | 3,133 | 3,130 | 3,135 | 3,133 |
| Paid-in capital | 1,258 | 1,258 | 1,258 | 1,258 | 1,258 |
| Additional paid-in capital | 1,162 | 1,160 | 1,157 | 1,162 | 1,160 |
| Share subscription premiums | 715 | 715 | 715 | 715 | 715 |
| Earned Capital | 10,643 | 11,277 | 12,273 | 11,918 | 12,810 |
| Retained earnings | 9,461 | 9,428 | 9,433 | 11,184 | 11,167 |
| Capital reserves | 0 | 0 | 0 | 0 | 0 |
| Valuation result of secs available for sale | (120) | 0 | 0 | (1) | 63 |
| Result for valuations hedge instead of cash flows | 0 | (136) | 80 | (12) | 13 |
| Net Income | 1,302 | 1,985 | 2,758 | 745 | 1,565 |
| Total Stockholder's Equity | 13,778 | 14,410 | 15,403 | 15,053 | 15,943 |
| Total liabilities and Stockholder's Equity | 103,207 | 112,109 | 112,965 | 113,504 | 114,731 |

Memorandum Accounts

| Memorandum Accounts (Million pesos) | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 |
|---|----------------|----------------|----------------|----------------|----------------|
| Operations for third parties | | | | | |
| Operations Investment bank for third parties | 18,131 | 17,959 | 17,875 | 18,100 | 18,242 |
| Total for third parties | 18,131 | 17,959 | 17,875 | 18,100 | 18,242 |
| Own Operations | | | | | |
| Guarantees granted | 0 | 0 | 0 | 0 | 0 |
| Irrevocable lines of credit | 23,306 | 22,978 | 30,511 | 30,562 | 30,897 |
| Assets held in trust or mandate | 15,834 | 15,846 | 16,169 | 15,935 | 16,110 |
| Assets held in custody or administration | 23,416 | 23,809 | 24,731 | 25,010 | 25,582 |
| Collaterals received | 8,321 | 3,252 | 5,357 | 7,407 | 10,617 |
| Collaterals received or sold as guarantee by entities | 8,317 | 3,252 | 5,353 | 7,407 | 10,196 |
| Ammounts contracted in derivative instruments | 26,905 | 25,740 | 27,221 | 28,421 | 41,930 |
| Accrued interest | 127 | 147 | 147 | 190 | 227 |
| Credit Guarantees | 11,157 | 11,539 | 11,394 | 11,555 | 10,956 |
| Receivable rents | 3,413 | 3,375 | 4,073 | 4,117 | 4,224 |
| Accrued operating leasing | 72 | 101 | 86 | 93 | 91 |
| Total | 120,868 | 110,039 | 125,042 | 130,697 | 150,830 |
| Other control accounts | 18,976 | 19,066 | 25,379 | 25,471 | 26,731 |
| Total accounts | 139,844 | 129,105 | 150,421 | 156,168 | 177,561 |



Financial Ratios (CNBV criteria)

The following ratio chart is elaborated in accordance to the revelation of financial information criteria established by the CNBV in the “Circular Única de Bancos (CUB)”.

| Financial ratios | 2Q17 | 3Q17 | 4Q17 | 1Q18 | 2Q18 | 2Q18 | |
|--|--------|--------|--------|--------|--------|--------------|------------|
| | | | | | | 2Q17 | 1Q18 |
| Profitability | | | | | | | |
| Adjusted NIM ⁽¹⁾ | 6.0% | 6.1% | 6.3% | 6.4% | 6.4% | 38 b.p. | 5 b.p. |
| Return on equity (ROE) ⁽²⁾ | 19.3% | 19.4% | 20.7% | 19.6% | 21.2% | 189 b.p. | 159 b.p. |
| Return on Assets (ROA) ⁽³⁾ | 2.6% | 2.5% | 2.7% | 2.6% | 2.9% | 31 b.p. | 24 b.p. |
| Operation | | | | | | | |
| Operating Efficiency Ratio ⁽⁴⁾ | 0.8% | 0.8% | 0.8% | 0.8% | 0.8% | 3 b.p. | 3 b.p. |
| Liquidity Ratio ⁽⁵⁾ | 37.9% | 58.9% | 45.9% | 45.8% | 42.1% | 421 b.p. | (375) b.p. |
| Assets Quality | | | | | | | |
| Past Due Loan Ratio ⁽⁶⁾ | 1.7% | 1.7% | 1.7% | 1.8% | 1.9% | 20 b.p. | 6 b.p. |
| Coverage Ratio ⁽⁷⁾ | 137.9% | 137.2% | 139.6% | 127.0% | 121.4% | (1,645) b.p. | (557) b.p. |
| Capitalization Ratio | | | | | | | |
| Capitalization Ratio on Credit Risk ⁽⁸⁾ | 16.1% | 16.7% | 16.8% | 15.5% | 15.8% | (33) b.p. | 24 b.p. |
| Capitalization Ratio on Total Risk ⁽⁹⁾ | 13.3% | 13.7% | 14.1% | 14.6% | 13.8% | 48 b.p. | (78) b.p. |

¹ Adjusted NIM: Financial margin for the period adjusted for credit risk, annual / Average earning assets for the period.

² ROE: Net income for the period, annual / Average stockholders' equity for the period.

³ ROA: Net income for the period, annual / Average total assets for the period

⁴ Operating Efficiency Ratio: Administration and promotion expenses for the period, annual / Average total assets

⁵ Liquidity Ratio: Liquid assets / liquid liabilities.

⁶ Past Due Loan Ratio: Non-performing loan portfolio for the period / Total Loan portfolio for the period

⁷ Coverage Ratio: Loan loss provisions / non-performing loan portfolio.

⁸ Capitalization Ratio on Credit Risk: Core capital / assets subject to credit risk. The ratio included is for Banco Regional de Monterrey, S.A.

⁹ Capitalization Ratio on Total Risk: Core capital / assets subject to credit, market and operational risk. The ratio included is for Banco Regional de Monterrey, S.A.

Average information: ((Balance of actual quarter + balance of the previous quarter)/2)

Annual Information: (flow of information for the actual quarter) * 4



CERTIFICATION

"We, the undersigned, declare under oath that, within the scope of our competencies, we prepared the information regarding Regional contained in this quarterly report, which, to our knowledge and understanding, reasonably reflects its current situation".

Lic. Manuel G. Rivero Santos
Chief Executive Officer BanRegio Grupo Financiero

Lic. Manuel G. Rivero Zambrano
Chief Executive Officer Banco Regional de Monterrey

C.P. Antonio Flores Luna
Sub-Director of Internal Audit

C.P.C. Sanjuana Herrera Galván
Director of Administration

Ing. Enrique Navarro Ramírez
Chief Financial Officer