



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.



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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 accountig 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 Comision 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.

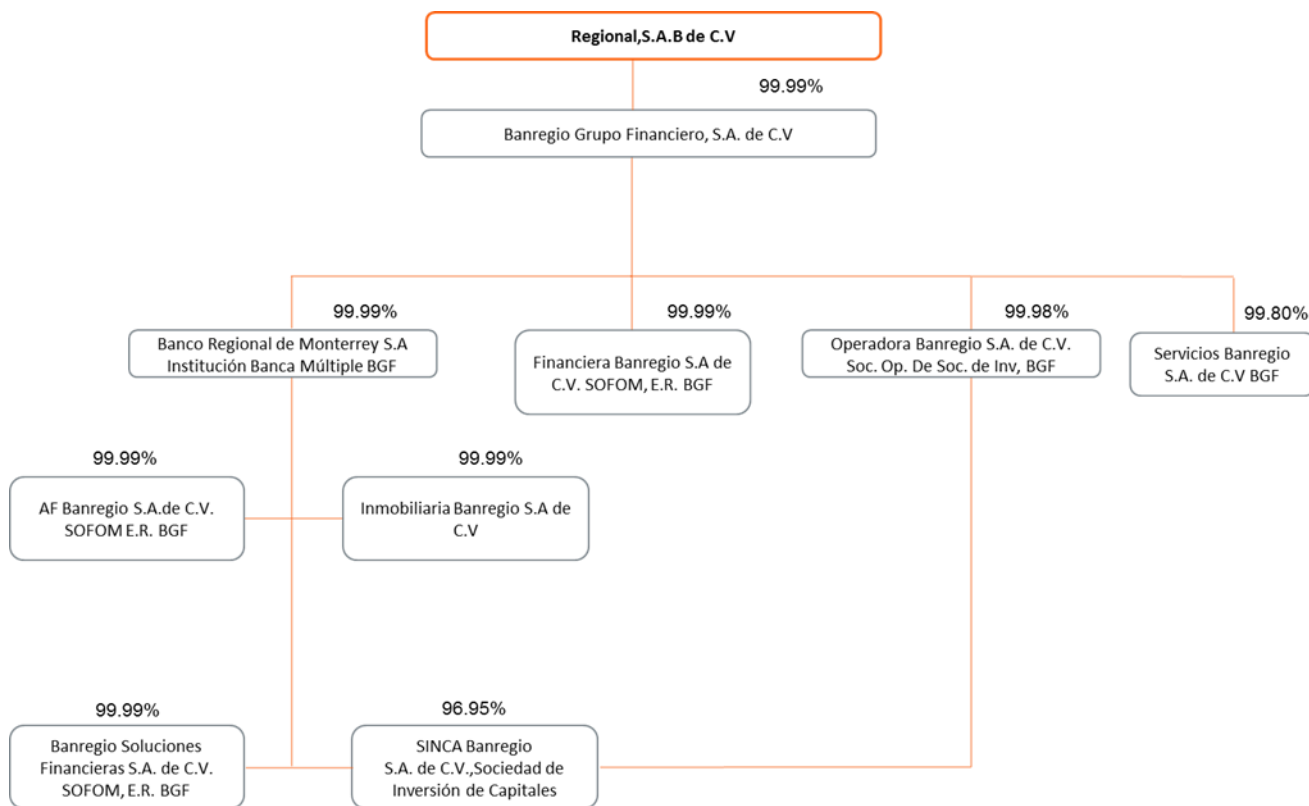
HR Ratings <i>June 20 2018</i>	Perspective	Long Term	Short Term
Banco Regional de Monterrey S.A.	Stable	HR AA+	HR+1
AF Banregio S.A. de C.V.	Stable	HR AA+	HR+1
Certificados Bursátiles	Stable	HR AA+	HR+1

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