



regional[®]

Annual Report 2019

Table of Contents

Key figures	3
Message from the Chairman of the Board of Directors	4
Message from the CEO of Regional	6
Message from the CEO of Banco Regional	8
Profile	12
Sustainability	21
Innovation and customer experience	32
Financial Performance	50
Employees	72
Community	94
Corporate Governance	109
About this Report	126
Audit Committee Report	127
Corporate Practices Committee Report	130
Independent auditor's Report	132
GRI index	135
Independent verification report	152

GRI → 102-7

Key figures / Comparison with 2018



\$3,675 million MXN
Net income

↑ 15.0%



\$107,933 million MXN
Total loan portfolio

↑ 9.7%



\$99,718 million MXN
Core deposits

↑ 12.2%



1.8%
NPL Ratio



42.4%
Efficiency Rate



20.1%
ROE



2.7%
ROA



5,007
Employees

↑ 11.8%



34.3
Average hours
of training

[GRI → 102-14 /102-15](#)

Message from the **Chairman** of the Board of Directors

Dear shareholders,

Once again, 2019 presented great challenges for the country, especially due to the significant slowdown in world economic growth and geopolitical tensions. However, at the end of the year, the markets showed more favorable financial conditions and an increase in the risk appetite, thanks to the announcement of the trade agreement between China and the United States and the ratification of the new trade agreement between Mexico, the United States and Canada. (USMCA).

The Mexican peso remained relatively stable throughout most of 2019; however, a decrease in national economic activity was registered as a consequence of a lower dynamism in industrial activity in the United States of America regarding exports and elements of uncertainty, which impacted the performance of investment and consumption.

National economic activity contracted slightly. Likewise, inflation in December was 2.83%, reaching its lowest level since August 2016.

For Regional, 2019 meant a year of consolidation in its strategy and structure, it has been a period to take advantage of the opportunities that arise, generating economic, environmental and social value for our stakeholders.

In the reporting period, Regional delivered excellent results with a total loan portfolio increase of 9.7%, reaching \$107,933 million MXN, keeping at the same time one of the healthiest portfolios in the industry with an NPL ratio of 1.8%.

Thanks to this growth in the portfolio and our prudent spending culture; Banregio, Regional's main subsidiary, continues to be one of the most profitable banks in Mexico. The return on capital for the last twelve months (ROE) increased 33 basis points, reaching 20.1%, while the return on assets (ROA) remains constant compared to last year, with 2.7%.

Likewise, we have made progress in Corporate Governance, implementing international best practices, among which the following stand out: the decrease in alternate directors, the separation between the Corporate Practices and Audit Committees, as well as a higher percentage of independent directors than required by law. In addition, relevant trainings were held for our directors on topics such as: Risk Intelligence and Cybersecurity.

Since its origin, the Company has distinguished itself by respecting human rights above any economic consideration. We always take care of our clients, collaborators, suppliers and communities, seeking the promotion of social development and minimizing our environmental impact.

With 25 years of achievements and constant growth, we are proud to work for the socioeconomic development of our country and the communities where we are present. I thank the directors for sharing their experience, the investors and clients for their trust, and especially all those who are part of the Banregio family for making possible the excellent results delivered year after year.



Mr. Jaime A. Rivero Santos

Chairman of the Board of Directors of Regional

GRI → 102-14 / 102-15

Message from the **CEO** of Regional

Dear board members, shareholders, clients and collaborators,

2019 was a year of major challenges for the country, particularly marked by a slowdown in world economic growth and constant geopolitical tensions in the main world economies.

In Mexico, national economic activity declined as a result of an annual decrease of 0.4% in Gross Domestic Product. The Mexican peso remained relatively stable during the year, while inflation in December was 2.83%, the lowest level since August 2016.

Within the framework of these economic indicators, I am pleased to inform you that, during 2019, Regional's net profit grew 15.0% compared to 2018, reaching a total of \$3,675 million MXN. The increase was driven mainly by a 10.2% increase in the financial margin and 19.1% in non-financial income.

The growth in the margin is mainly explained by a higher volume of the total loan portfolio, which closed at \$ 107,933 million MXN, 9.7% higher than December 2018. This increase in the loan portfolio was the result of a 9.1% increase in the medium and small business segment, as well as 19.8% in consumer loans, 13.8% in leasing and 6.1% in mortgages.

Because of these constant outstanding results, our investors, employees and stakeholders trust us. Consequently, Banregio, the main subsidiary, remains one of the most profitable banks in the Mexican financial system.

At the end of 2019 the return on capital, was 20.1% and the return on assets, 2.7%. Banregio continues with a healthy capitalization level of 13.7%. The efficiency index improved from 42.8% to 42.4%, a percentage that reflects the constant culture of prudent spending and investment.

Thanks to these indicators and our prudent risk culture, in the reporting period we achieved an improvement in the rating given by HR Ratings México (HR AAA), which is only granted to those entities that are considered to have the highest credit quality.

It is essential to mention that all these excellent results would not be possible without Banregio's greatest asset: our collaborators. The more than 5,000 people who form the Banregio Family are the key to the trust that clients place in the Company. Therefore, we continue working to improve the benefits, communication and training for an integral development of our talent.

Also, thinking of our community, in 2019 we signed the UN Sustainable Development Goals, which are the basis of our Sustainability strategy. Within the Regional line of action, we mainly promote: Reduced inequalities, Decent work and economic growth, Gender Equality, Climate Action, Quality Education and Peace, Justice and Solid Institutions.

By joining the new standards and best national and international practices we demonstrate the Company's commitment to our investors, collaborators, clients and the community. I thank all those who have placed their trust in Regional during our 25 years of operation, in 2020 we will continue working for you.



Mr. Manuel G. Rivero Santos

CEO

Regional

GRI → 102-14 /102-15

Message from the **CEO** of Banco Regional

Dear all:

2019 was a challenging year for the Mexican economy due to political and economic circumstances. However, for Banregio these challenges represent opportunities and thanks to the great team that accompanies me we were able to turn them into our advantage.

This year we have fulfilled all our goals and I am pleased to present these excellent results. Our net income reached \$3,675 million MXN, due to an increase of 10.2% in the financial margin, 9.7% in the total loan portfolio and 19.1% in non-financial income. Even with the growth in the portfolio, which closed at \$107,933 million MXN, asset quality remained healthy with an NPL ratio of 1.8%.

It is important to mention that non-financial income represented 26.3% of total revenues. In this segment, the increase of 20.1% in insurance and currency exchanges stands out, as well as the 21.6% in net commissions.

In order to be the main bank for our clients, we continue to work with our ESCUCHA platform to measure the satisfaction of their experience with Banregio. In 2019 we achieved 73 out of 100 in the Net Promoter Score (NPS). Next year, this measurement will also be implemented for internal support services, in order to measure the service between the areas and we will continue in the process of recognition and continuous improvement.

At the end of 2019, we have 155 branches operating with the orange model. Without a doubt, we have had great success with the new image, so we decided to implement another point of contact derived from this branch model called Punto Naranja, modules located in large shopping centers that will allow smooth and effective contact with new customer prospects. In these modules you can open a digital account, request a credit card and receive advice on Banregio products. Another contact point that was added to our map in this year was the Exchange center, strategically located in cities with high tourist affluence.

Similarly, with the intention of being at the forefront of design, we renewed the image of our cards. As part of our personalized service, our clients were offered the possibility to choose between 8 designs from our 2019 Collection.

At Banregio we think that as an institution we have the opportunity to position ourselves as an important Mexican bank that is truly close to its clients and knows their needs. Therefore, we are constantly innovating and designing new products that allow us to solve the different needs of all our customers.

A clear example of the innovation strategy has been the deployment of Digital Onboarding. This process allows the opening of a level 2 account without going to a branch. In 2019 we managed to open more than 13 thousand debit accounts with this modality.

In addition, we were the first Mexican financial institution to have the Digital Collections platform (CoDi) from our mobile application. This tool promoted by Banco de México presents a new form of digital collection that allows payments to be made in seconds using a QR code.

Regarding innovation, the exponential growth of Hey Banco stood out in the year of this report. The application, which allows you to open and manage a bank account without going to a branch, tripled its number of users, reaching more than 62 thousand active accounts, and added scheduled savings and credit cards to its services. Hey, was the second Banregio app to be certified by Banxico for the CoDi operation.

The strategy behind these new tools is to continue to be immersed in the routine of clients, facilitating their transactions and the way of doing business, to position ourselves as their main bank.

We continue to work with the best practices in ethics and transparency, year after year our Code of Conduct is reviewed and strengthened with topics such as: anti-corruption, human rights and information security. 87% of our employees were trained in this policy, which ensures that institutional values within the Banregio culture are kept alive.

Likewise, we are aware that sustainability is a fundamental basis in the operation of the business, since it is linked to the success of our community. It is a long-term vision that involves the constant generation of social, environmental and economic value for clients, collaborators, communities and shareholders.

This year we continued to work with our financial education program, Clara Banregio, reaching reaching more than 800 people with our workshops and events. Our Mentoring program, Mentoría Banregio celebrates 4 years of operation, from its launch until the end of the 2019 cycle. This social responsibility effort has supported more than 1,200 entrepreneurs, producing an increase of +\$1,800 million MXN in sales for the participating companies, as well as more than 14,500 jobs generated and retained.

Also, in 2019 we decided to actively participate in the improvement of our environment and in the fight against climate change through a reforestation program. With the support of the association Pronatura, 250 Banregio volunteers contributed by planting more than 900 stone pines in the Arteaga mountain range.

Our great advances in sustainability have led to Regional being officially selected to join the FTSE4Good Index Series of the London Stock Exchange. This index series is designed to measure the performance of companies that demonstrate best practices in: Social, Environmental and Corporate Governance (ESG) and are used by a wide variety of market participants to create and evaluate responsible investment funds and other products.

On the other hand, in 2019 we launched the first edition of our Líderes Banregio, a training program designed to promote the development and growth of those employees with high potential in the bank. This program is open to all employees, regardless of their position, age or what city they reside in, ensuring equity and equal opportunities within the bank. The idea is to identify those agents of change who see any obstacle as an opportunity for positive transformation. This first generation included 52 people.

Thanks to projects such as Líderes, in Banregio equality and equity are values that are truly practiced and promoted every day within our operation. For this commitment we were recognized by two international institutions: Bloomberg included us in its 2020 Gender Equality Index (GEI) and Great Place to Work listed us in its 2019 Diversity ranking.

Through these extraordinary results, our values and a deep social responsibility, we celebrate 25 years of positively impacting our communities by being a strong and responsible institution. In 2020 we will continue to be committed to this mission of working for the socioeconomic development of Mexico.



Mr. Manuel G. Rivero Zambrano

CEO

Banco Regional

Group Profile

GRI → 102-7

Highlights



155 branches



22 states of the country

2019

Part of:

→ **FTS4GOOD**

→ **GEI BLOOMBERG**

Our guidelines:

→ **PURPOSE (Mission)**

The success of our Customers

→ **VISION**

To be a bank in tune with the community

→ **INSTITUTIONAL VALUES**

Relevant, Prudent, Human, Leader, Open

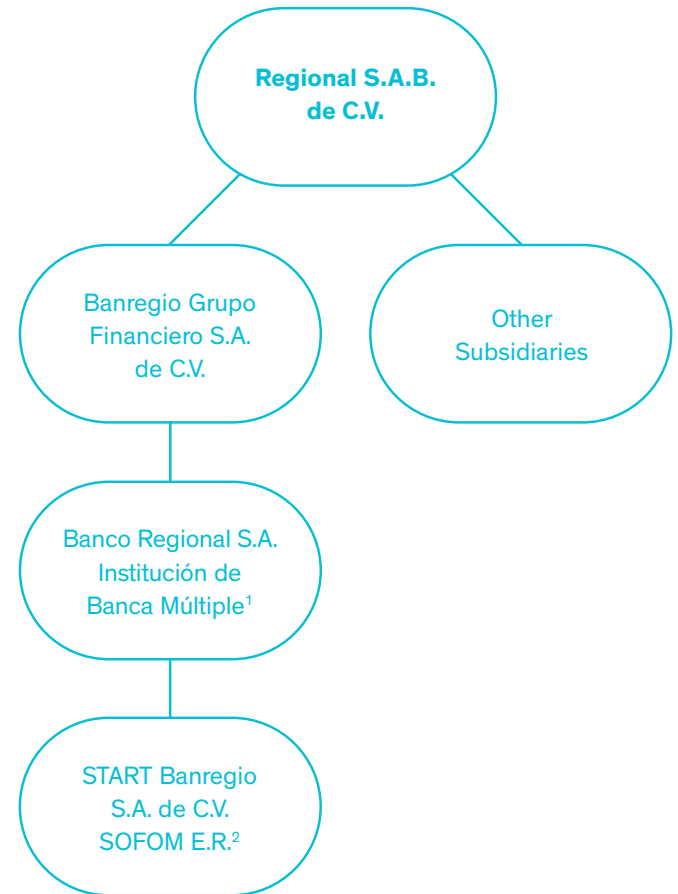
GRI → 102-5 / 102-10 / 102-11 / 102-16 / 102-26

Regional

Since its foundation in 1994, Banregio Grupo Financiero has been an ally of entrepreneurs and business people, offering trust and solidity accompanied by a range of transparent and innovative financial services.

The previous year the institution was transformed and Banregio (BMV: GFREGIO series "O") became part of Regional (BMV: R series "A"). Through this structure, we seek to boost growth and efficiency in the purchasing processes and/or creation of new businesses, as well as being able to enhance their value and grant them greater flexibility. Maintaining always the essence of the origins of the bank.

In 2019 we maintained this structure. Among the main Regional subsidiaries: Banregio Grupo Financiero, S.A. de C.V., (BanregioGF), Banco Regional S.A. IBM (Banregio) and Start Banregio. It is important to mention that Banregio Grupo Financiero currently represents 99.9% of the operation and Banco Regional produces 80% of the accumulated net profit.



(1) Previously Banco Regional de Monterrey S.A. (2) Anteriormente AF Banregio S.A. de C.V.



Purpose

The mission, vision and values, established by senior management and ratified by the Board of Directors, **are the guide for our decisions and actions.**

➔ **PURPOSE (MISSION):**

The success of our Customers

➔ **VISION:**

To be a bank in tune with the community

➔ **INSTITUTIONAL VALUES:**

Relevant, Prudent, Humane, Leader, Open

➔ **These guidelines are added to a culture of prudent risks, as well as our commitment with sustainability**

Thanks to our values and excellent performance, in the reporting period we added to two global indexes that evaluate requirements on corporate social responsibility practices, such as: environmental actions, shareholder relations and human rights.

As of 2019 we are part of:



FTSE4Good

FTSE4GOOD INDEX SERIES:

sustainability stock index created by the London Stock Exchange



BLOOMBERG GENDER-EQUALITY INDEX (GEI):

index that monitors the performance in gender equality of publicly traded companies

🕒 In 2020 we will continue to work observing the international best practices and ensuring the continuous improvement in our relationship with Regional stakeholders.

GRI → 102-6

Stragetegy and business model

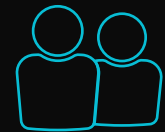
Banregio is mainly focused
on the following segments:



**MEDIUM-SIZED
COMPANIES**



**SMALL
BUSINESS**



**PERSONAL
BANKING**

→ Applying the following segmentation criteria for companies:

		CORPORATE	SMES	INDIVIDUALS
Clients with Banregio loan	Banregio Loan	More than 30 million MXN	Up to 30 million MXN	Consumer loans (Mortgage, Auto, Personal)
	Sales	More than 250 million MXN	250 million MXN	
Clients without Banregio loan	Checks	More than 8 million MXN	8 million MXN	Investment and Checks for individuals
	Investments	More than 25 million MXN	25 million MXN	

Other banks consider that Large Companies start at 500 million MXN. Banregio does not have said category. (1) Banregio Criterion / (2) DOF, Agreement which sets the stratification of micro, small and medium businesses. December 2011. / (3) According to the Ministry of Economy of Mexico. / (4) Estimates based on our loans and loan opportunities in which Banregio decided not to participate.

Banregio's strategy is based on the offer of an excellent commercial experience through attractive and simple products. This will enable us to obtain a broad, solid and stable deposit base. Our growth strategy focuses on four key factors:

→ Working on an in-depth **understanding** of the places where we have presence

→ **Promote** cross-sale of Banregio's products

→ **Expand** the deposit base in small-sized companies and individual

→ Use **innovation** as the bank's digital strategy

GRI → 102-2 / 102-6

Main products and services

Banregio provides loan financial services to companies, mainly to SMEs, as well as financial products to individuals, such as savings, credit and insurance.

Segment/

SMALL-SIZED COMPANY

LARGE AND MEDIUM-SIZED COMPANIES

INDIVIDUALS

Main products and services /

- | | | |
|--|--|---|
| <ul style="list-style-type: none"> → Loans for growth projects and working capital | <ul style="list-style-type: none"> → Loans for growth projects and working capital | <ul style="list-style-type: none"> → Savings and investment products |
| <ul style="list-style-type: none"> → Financial and operating leases, as well as factoring | <ul style="list-style-type: none"> → Financial and operating leases, as well as factoring | <ul style="list-style-type: none"> → Mortgage loan |
| <ul style="list-style-type: none"> → Insurance and services (Point-of-sale terminals, online banking) | <ul style="list-style-type: none"> → Tools for treasury and cash management | <ul style="list-style-type: none"> → Automobile finance |
| <ul style="list-style-type: none"> → Business credit card | <ul style="list-style-type: none"> → Insurance and services (Point-of-sale terminals, online banking) | <ul style="list-style-type: none"> → Credit card |
| <ul style="list-style-type: none"> → Business and women loan | | <ul style="list-style-type: none"> → Insurance |

GRI → 102-3, 102-4, 102-10

Presence

In 2019 we are present in: **22** states of the country, through **155** branches; **58** in Nuevo León, **13** in Jalisco, **8** in México City and **76** in the rest of the states.



➔ Additionally, there are 8 exchange centers, 3 new contact modules known as Punto Naranja * and one Preferential branch. As well as 308 ATMs and more than 21,000 point-of-sale-terminals.

(*) See more in the customer experience chapter

Sustainability

GRI → 102-12

Highlights

Signed:

→ **WOMEN'S EMPOWERMENT PRINCIPLES -
UN WOMEN**

→ **SIGNED THE ABM
SUSTAINABILITY PROTOCOL**

Joined:

→ **UN GLOBAL COMPACT**

Received:

→ **CEMEFI ESR AWARD**

Sustainable
Development Goals:



Sustainability Model

For Banregio sustainability is the fundamental basis for the business operation. Our commitment is to consistently generate social, environmental and economic value to our stakeholders and communities where we are present.

The team responsible for developing the strategy and managing all the initiatives related to the sustainable commitment of the group is the Sustainability department, which reports to the CFO.



→ Regional's Sustainability Model is aligned with the Sustainable Development Goals presented by the UN as the 2030 agenda to address global challenges such as: poverty, inequality, climate, environmental degradation, prosperity, peace and justice.

Dimension /

Focal Point /

Actions /

INNOVATION

Innovation of products and services

- Development of applications and payment system
- Mobile banking and new services

Customer Experience

- Customer satisfaction evaluation system
- Design of simple products and transparent communication
- Customized solution for entrepreneurs
- New contact points: digital onboarding, *Puntos Naranja*

Analysis and operation technology

- Development of CRM and data intelligence application
- Streamlining of internal processes

Sustainable
Development Goals /



Dimension /

Focal Point /

Actions /

COLLABORATORS

Work climate

- Internal and external evaluation of work climate

Career training and development

- Personal finance workshops
- Training program for new branch model, remote banking and products
- Development of a scholarship scheme for external training*
- Training in Sustainability Strategy and Human Rights*

Diversity and equality

- Awareness campaign on diversity, inclusion and equality
- Network for recognizing female employees
- Lactation rooms in corporate buildings
- Gender-focused financial education program

*Initiatives in plans for next release

Sustainable
Development Goals /



Dimension /

COMMUNITY / ENVIRONMENT

Focal Point /

Financial Health

Social programs

Continuity and operational efficiency

Actions /

- Digital material and educational workshops on finance and business
- Mentoring program for micro, small and medium businesses
- Social Investment
- Volunteering in financial education*
- Measuring consumption and calculating carbon footprint
- Provision of electricity from renewable sources*

*Initiatives in plans for next release

Sustainable Development Goals /



Dimension /

**CORPORATE
GOVERNANCE**

Focal Point /

Best practices

Customer Risks, Cybersecurity and Privacy

Ethics and integrity

Actions /

- Evaluation of sustainability of the new businesses that the company develops or acquires*
- Evaluation of the board members' performance

- Design and implementation of ESG risk assessment in loans
- Training on emerging, environmental and social risks*
- Reinforcement of computer security program
- Training in information security for collaborators

- Code of conduct training, letter of commitment of the Board members and system of consequences
- Anti-money Laundering and anti-corruption training
- Operation of the anonymous reporting system
- Code of conduct for suppliers*

*Initiatives in plans for next release

Sustainable
Development Goals /



GRI → 102-12 / 102-13

Main Associations and **Recognitions**

We know that the sustainable approach in our initiatives must be designed in conjunction with our stakeholders and associations. Therefore, we seek to create more alliances that allow us to expand this network of action and be recognized as agents of change for the community.



→ In 2019 we strengthened our commitment with best international practices and worked in partnership with:

→ **UN GLOBAL COMPACT /**
(2019)

World's largest corporate sustainability initiative. Its purpose is to align companies with universal principles of human rights, labor standards, the environment and anti-corruption.

In 2019 we signed our commitment as participants in the Global Compact.

→ **WOMEN'S EMPOWERMENT PRINCIPLES /** (2019)

UN Women's Guiding Framework contains seven key points for promoting gender equality in the workplace and within our communities.

In 2019 we took the evaluation from UN Women and signed the commitment with concrete actions to fulfill the 7 principles for the empowerment of women.

→ **GLOBAL BANKING ALLIANCE FOR WOMEN /**
(2017)

Made up of financial institutions with the objective of reducing the gender gap in the industry, promoting inclusion and the development of the female market. It is present in more than 135 countries.

In 2018 we received the **Women's Market Champion New Program Award**.

→ **ASOCIACIÓN BANCOS DE MÉXICO (ABM)**

Institution dedicated to the development and strengthening of the Mexican banking sector, as well as to represent the interests of the institutions that are part of it. Banregio, as a partner, actively participates in the Sustainability Committee and signed the Sustainability Protocol.

→ **HEFORSHE /**
(2019)

Solidarity campaign that promotes gender equality, created by UN Women. It provides a systematic approach and a platform that allows institutions to set goals of diversity and inclusion with the community.

In 2019 we made a public commitment to work under the HeforShe campaign framework.

→ **CENTRO MEXICANO
PARA LA FILANTROPÍA /**
(2018)

Association dedicated to promoting and articulating the philanthropic, committed and socially responsible participation of citizens, social organizations and businesses to achieve a more equitable, supportive and prosperous society.

In 2019 we received for the first year the recognition as **Socially Responsible Company (ESR)** by its acronym in Spanish) granted by CEMEFI.

→ **MOVIMIENTO CONGRUENCIA /**
(2017)

Initiative of the business sector with the objective of providing equal opportunities for the social-labor inclusion of people with disabilities.

In 2019 we received the **Incluye Award** in the category Sensitization.

→ **GREAT PLACE TO WORK /**
(2018)

International certification for better labor practices.

In 2018 we received its certification as one of the Best Places to Work in Mexico and in 2019 we were included in its diversity and inclusion ranking.

→ **SBDC: SMALL BUSINESS DEVELOPMENT CENTER / (2016)**

Methodology created in the United States, under which our Mentoring program operates. Its mission is to promote the growth, innovation, productivity and profits of small and medium enterprises through improvements in their administration.

→ **UNIVERSITIES / ITESO AND UANL**

Instituto Tecnológico y de Estudios Superiores de Occidente (ITESO). Educational associate in the developing of our Mentoring program in Guadalajara.

Universidad Autónoma de Nuevo León (UANL). Educational associate in the developing of our Mentoring program in Monterrey.



Innovation and customer experience

Highlights



62,000
Hey, Banco
active accounts



3 New
Puntos
Naranja



First bank
with CoDi



73
NPS



\$38.4 million MXN
investment
in innovation

Sustainable
Development Goals:



GRI → 203-1

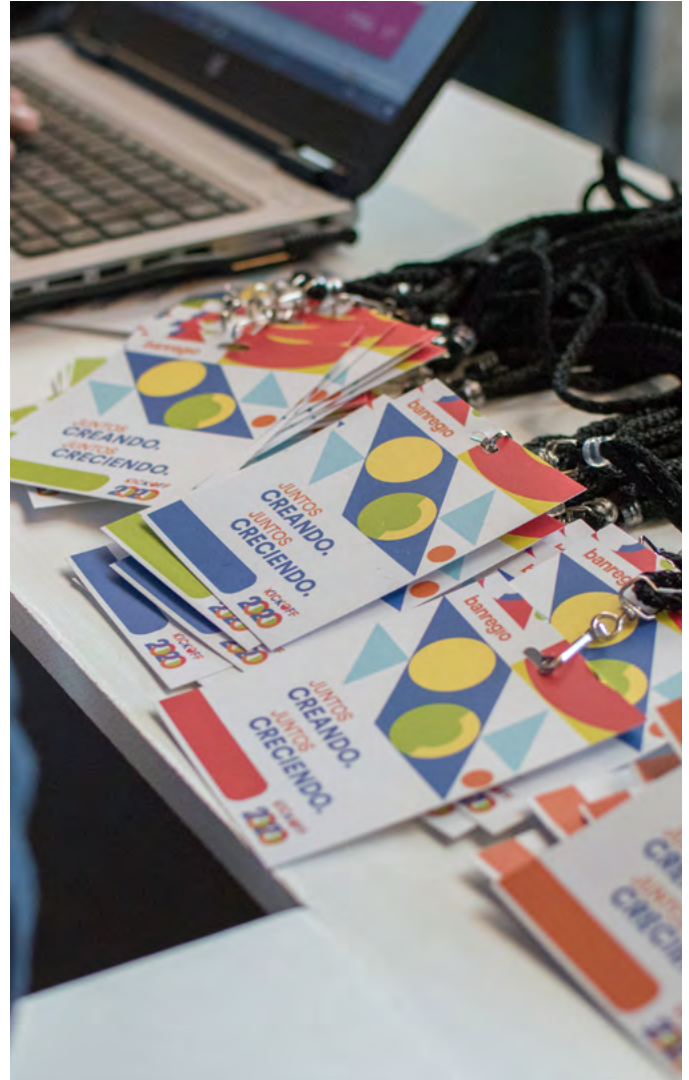
Innovation

Innovation is linked to Banregio's entrepreneurial nature. Throughout 25 years, the bank has been constantly changing to offer financial products and services at the forefront of current trends.

With the constant transformation of the financial surroundings, the vision to be consistent with the needs of our customers will remain as the most important factor to be relevant in the current market.

With the advent of the **Fintech Act**, during the previous year, financial institutions began to walk a path that Banregio had already charted. Thanks to the innovative perspective that characterizes the bank, we have worked to build strong alliances with the Fintech community and one of our most successful initiatives has been [Startupbootcamp FinTech Mexico City](#).

Startupbootcamp is an accelerator that each year selects 10 finance and technology companies, offering them 3 months of: mentoring and master classes by more than 400 expert partners, office space in Mexico City and access to a global network of possible investors. Banregio has been an ally of these Startups for 3 generations.





Banregio Labs

In Banregio there is a space dedicated to the transformation of processes, products and services: **Banregiolabs**. Our innovation laboratory's objective is to improve the experience of our current customers and the effective attraction of new ones through digital channels.

After 5 years of operation the laboratory has been transformed to meet the needs of an ever-moving environment. Thanks to this evolution, in 2019 we can say that innovation has managed to permeate in the organization through a new way of working, based on multidisciplinary and multi department cells.

The cells are created with the different productive areas according to the type of project or product creation, with the peculiarity of working within the framework of the rapid methodology that allows them to make progress with short-term deliveries and ensures a design dynamic focused on the user.

For the promotion of these programs and products of Banregiolabs, in 2019 we invested **\$38.4 million MXN** in innovation, **10.4%** more than the previous year.

Digital Strategy

Thinking about the changes and challenges that the Fintech sphere has brought to the financial system, Banregio has developed digital solutions within its strategy that allow its customers to use its products and services remotely.

This vision of technological strategy has driven new processes and management models, one of the main examples is **Digital Onboarding**, a modality that was created to attract customers, register prospects and link our business force easily through a single channel.

In 2019, the foundation was laid to enable the opening of level 2 accounts and the digital credit card application. Currently we have opened **13,381** debit accounts, **1,572** credit cards, **252** personal credits and **21** investments under Digital Onboarding.

Digital Onboarding



13,381

DEBIT ACCOUNTS



1,572

CREDIT CARDS



252

PERSONAL CREDITS



21

INVESTMENTS

Another important breakthrough in 2019 was the redesign of electronic banking for corporations, which focuses on optimizing the administrative and treasury processes of SMEs. With this effort, it is intended to increase the acquisition and non-financial income of this segment.

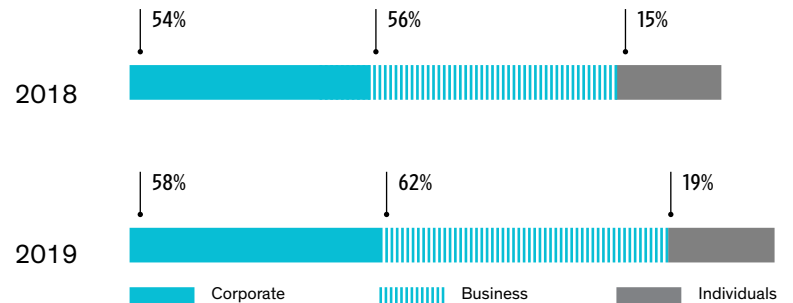
Additionally, there is an increasing trend in the Interbank Electronic Payment movements, registering an average of more than 78 thousand transactions per day in 2019, an increase of 58% compared to the previous year.

The long-term goal is for Banregio to be able to offer the full range of its products and services through this self-service scheme, or in an assisted manner with digital advisors in the branches.

This way we ensure the effective financial introduction of our users to new trends, with the option of providing tools that best suits their lifestyle. It is worth mentioning that currently almost half of the bank's clients use mobile devices to access financial services.

In the reporting period, our active clients in each of the segments: 58% of corporate, 62% of businesses and 19% of individuals use the e-banking service. This year, the users with mobile applications were 121,247, an increase of 20.7% compared to the previous year.

Active Clients with Electronic Banking





CoDi

In 2019, the most relevant transformation project in the financial system was the Digital Collections platform known as **CoDi** and Banregio was the **first financial institution** in Mexico to have it running from its mobile application.

This new form of digital collection will make use of the Interbank Electronic Payment System, which already allows you to make payments and collections in a matter of seconds, through a QR code. CoDi will be able to make money transfers immediately 24 hours a day, 365 days a year and is open to any e-banking user.

This payment initiative changes the way money is handled and promotes **financial inclusion**, as it will detonate a number of benefits for our business users and individuals to make payments and collections quickly, remotely and easily.

HEY, Banco!

This is an application that allows the opening and administration of a bank account **without going to a branch**. Designed for a young market due to its benefits and remote operation, **HEY, Banco** represents the full concept of a mobile bank with the possibility of promoting **financial inclusion** of communities with difficult access or proximity to a physical branch.

In 2019, HEY incorporated into its services Scheduled Savings and a Credit Card in two modalities: guaranteed, that is, with an alternate source of payment, and the traditional one. This last product was designed for the users' first experience with their credit history. Hey, Banco was also the second Banregio app to be certified by Banxico for the CoDi operation.

FEATURES:

- \$18,000 MXN pesos as the limit amount to be deposited per month
- Delivery of debit card to home address
- Interbank transfers, every day of the year at any time
- Access to Credit Card in two ways: guaranteed or traditional

RESULTS IN 2019:

- 62,924 active personal accounts - ↑ x3.5
 - \$47.6 million MXN of cumulative average balance - ↑ x4
 - 1,201 credit cards granted
-





→ Another relevant event in innovation was the incorporation of our debit cards into the technology of contactless payment.

In partnership with VISA, Banregio decided to launch a campaign to migrate its portfolio to this new contactless function and renew customers' cards, at no cost, offering them a collection with 8 new designs to customize their cards.

The contactless technology allows you to transact smoothly, just by bringing the card closer to the point-of-sale terminal. It is important to mention that for security reasons this means of payment is available only for transactions whose amount is less than 420 pesos.

In the reporting period, the process of migrating customers with Naranja Full and Flex accounts began. By 2021 it is expected to have all cards and terminals point of sale in Banregio working with this new payment method.



GRI → 203-2 / 417-1 / 417-2 / 417-3

Customer Experience

Given the diversity of the offer, we are committed to a personalized and high-quality service that distinguishes us from the rest of the market. Legal compliance, active listening and the constant evolution of our offer to cover the specialized needs of our clients are three key factors of our experience.

In Banregio we want to transmit clear, simple, transparent and concise messages to our clients. For this reason, we present financial information of our product catalogue and services in accordance with the data registered before the *Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros* (National Commission for the Protection and Defense of the Users of Financial Services) and Banco de México.

Moreover, as part of promoting and the acquisition of our products, we protect the legal certainty of our customers by providing them the necessary elements for the best decision-making. Likewise, we strictly adhere to the correct publication of the fee catalog, as well as the relevant information regarding the calculation of primary indicators, such as: Total Annual Cost of the credit products and Total Annual Profit of the investment products, such as Promissory Notes and CEDES (Certificates of Deposit).

Thanks to these good practices, in 2019 we did not receive any sanctions neither for non-compliance regarding the information and the labeling of the products and services, nor for issues related to marketing communications, such as advertising, promotion and sponsorship.

GRI → 102-43

Escucha

Convinced that active listening is one of our main values, in 2019 we continue to work with our ESCUCHA program to improve customer satisfaction.

The goal of ESCUCHA is to be able to measure the Customer experience, design action plans and prioritize initiatives to maximize resource efficiency. This new tool allows us to detect the strengths and opportunities of Banregio through feedback in real time and from different points of contact. With it we seek to promote a culture centered on the client to achieve an extraordinary experience.

In 2019, we expanded the tool to our digital contact that measures the experience with our web and mobile e-banking. During this period, we received 144,624 responses from our customers, 142% more than in 2018.

It is important to note that 92% of our customers responded that they are satisfied with the service experience and products we offer, while 8% who rated us with less than 6 were contacted via email or phone to give them a solution and improve their experience.



Within the ESCUCHA assessment we select the Net Promoter Score (NPS) as the main measurement, since it is the most used metric in the financial sector. This rating considers user satisfaction and loyalty in the same question.

How is NPS measured?

Question/

On a scale of 0 to 10, how likely is it that you would recommend Banregio to a friend or family member?

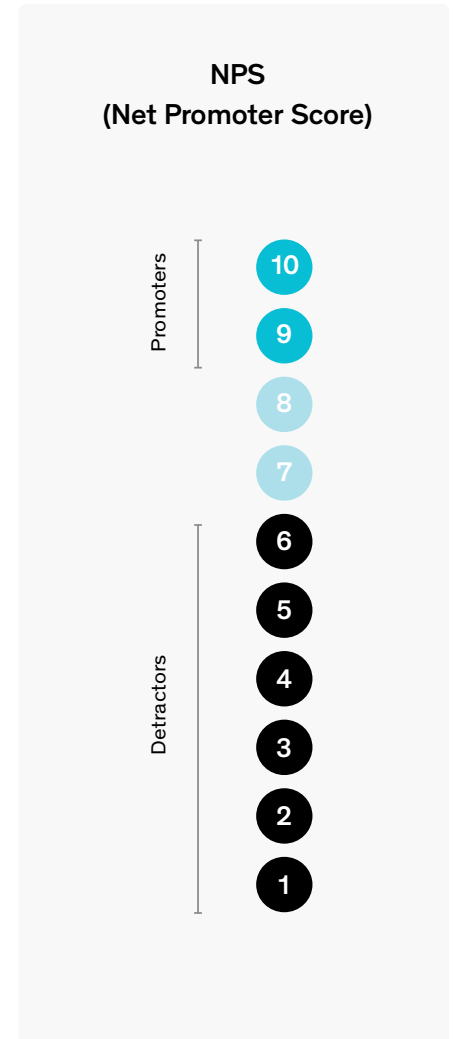
Escala/

- 10 - 9 ☺ **Promoters:** Loyal enthusiasts
- 8 - 7 ☺ **Passive:** Satisfied
- 6 - 0 ☹ **Detractors:** Unhappy, bad relationship

Result/

Promoters - Detractors = NPS

➔ Thanks to the excellent personalized service that distinguishes the bank, Banregio reached at the end of the year 73 points in NPS. It is important to mention that this result is among the highest in the country's financial system.



In 2020 we plan to implement the platform within Banregio areas to measure the NPS of our internal service. This new program will be called **ESCUCHA.ME** and its purpose will be to detect improvements in internal response processes, through evaluation between support areas.



New branch model

With the customer at the center of our operation we are committed to offer the best experience inside and outside our facilities, that is why the orange evolution transformed the Banregio branches from a transactional model to a relation-based model.

In addition to the redesign of our branches, we trained our executives to offer a unique experience for each client. Among the relevant changes to the orange model:

- New branch structure with a team of employees specialized in different processes.
- Introduction of fingerprint identification of our clients.
- Synergy with the commercial intelligence area for new customer segmentation and definition of profitability for each category.
- Installation of a digital bar with a specialized consultant to introduce all customers to the use of our mobile applications and assisted onboarding digital.
- Implementation of a new Customer Relationship Management System (CRM) to improve customer profiling.

→ **At the end of 2019, 100% of our branches operate under the orange management model.**



We also launched 3 new points of contact with our customers:

1/3

Punto Naranja

Working to attract customers of the individual segment between 20 and 35 years of age through an agile business model.

IT IS DISTINGUISHED BY:

- A design center to customize your card
- Efficiency with an average time of 9 minutes for opening an account
- Assisted digital experience

→ **The initial investment for these contact centers was 13% of the cost of a traditional branch.**



2/3

Banregio Exchange

Banregio exchange centers in strategic areas for foreign currency exchange.

IT CONSISTS OF TWO SCHEMES:

- Window within a branch: transactions and operations (such as transfers and payment orders) are carried out in addition to buying and selling of currencies.
- Banregio Exchange: complete exchange centers with a sales force specialized in buying and selling currencies.

→ The average investment for Banregio Exchange is 2.8 million pesos.



3/3

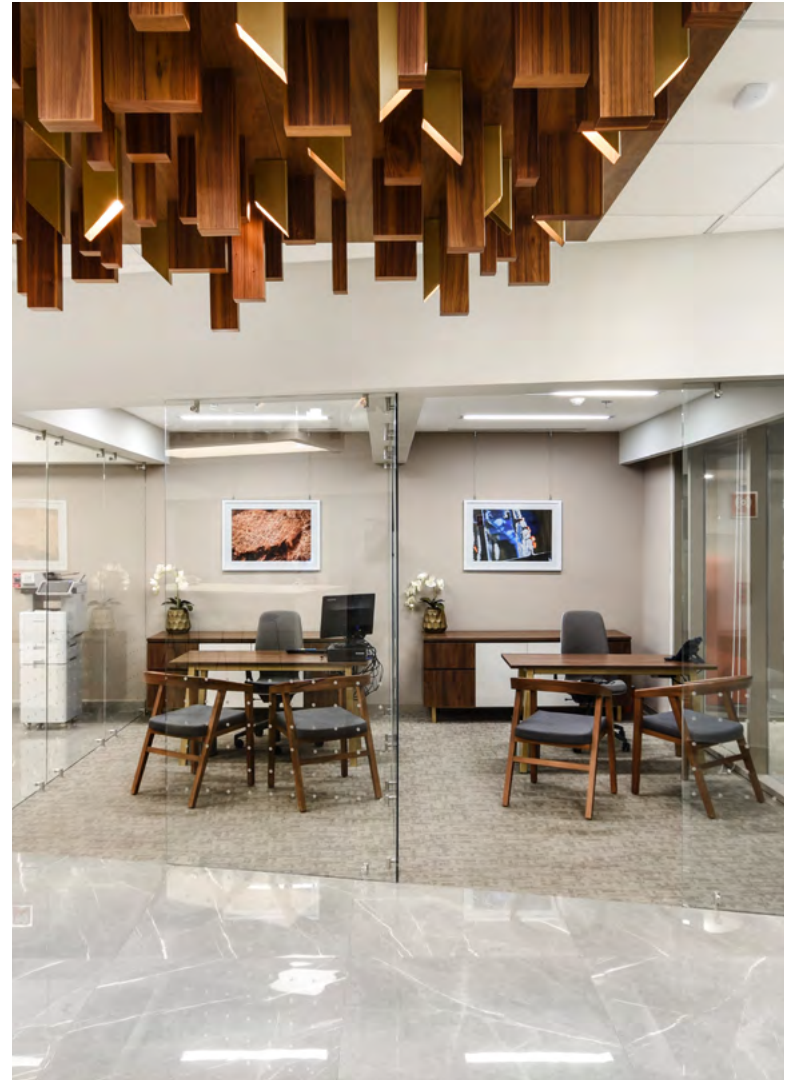
Preferred Branch

A space designed for high-profile clients, for example, wealth management clients.

IT IS DISTINGUISHED BY:

- Personalized service
- Design intended for the privacy of our customers

→ The first pilot of this model is located in San Pedro Garza García, Nuevo León.



→ Another important aspect of 2019 was the exponential growth of our Commercial Intelligence Department.

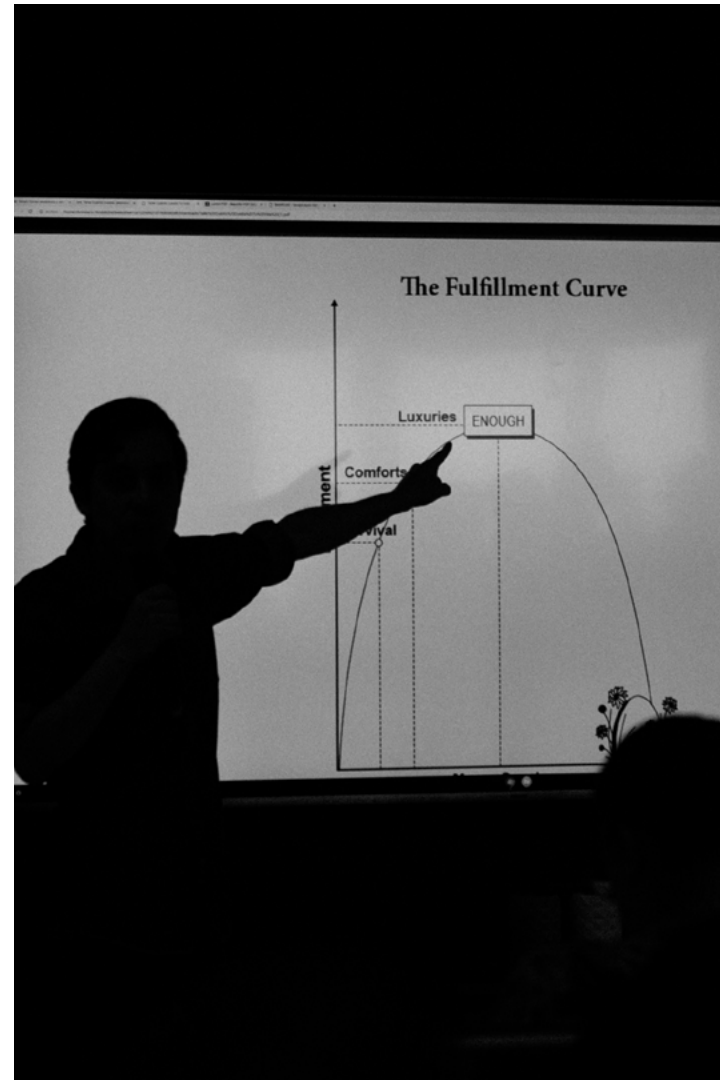
With more than 20 employees, this area has been key in the creation of our cross-selling strategy, as well as supporting the sales force to identify trends, taking advantage of comprehensive data analysis and design campaigns with a target audience.

In 2019, the Commercial Intelligence Department established a new Customer Management System with named **ELEVA**. This tool allows us have full visibility of our customers, as well as to identify their needs and manage their relationship with Ban-regio. ELEVA's goal is to be able to listen and have an in-depth understanding of our customers, as well as to identify new leads.

AFTER A YEAR WITH ELEVA, THESE ARE SOME OF THE MAIN RESULTS:

- 100% of branches with the system implemented
 - 1,400 trained collaborators on the platform
 - 87% adoption by access
-

In 2020 we will continue to promote innovation and a relevant customer experience, as well as products at the forefront of current trends that will help us become the main bank of our customers.



Economic Performance

GRI → 102-7

Highlights



\$3,675 million MXN

NET INCOME

↑ 15.0%



\$107,933 million MXN

TOTAL LOAN PORTFOLIO

↑ 9.7%



\$99,718 million MXN

OF CORE DEPOSITS

↑ 12.2%



1.8%

NPL RATIO



42.4%

EFFICIENCY RATE



20.1%

ROE



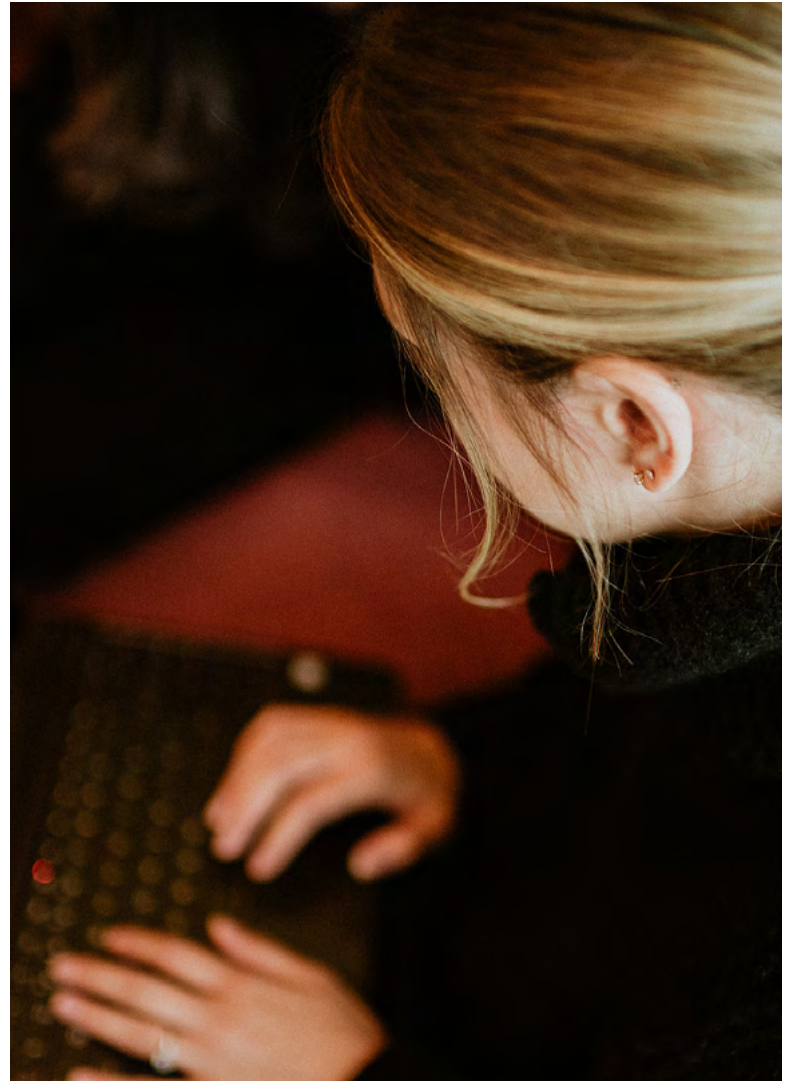
2.7%

ROA

Relevant financial data

2019 was a year of strong economic performance for Regional, thanks to its: strategic planning, constant growth in portfolio and prudent culture of risks. Our results reflect the excellent performance of our differentiation, a personalized service.

→ Next we present the main indicators at the end of 2019.



Income

Net income at the end of 2019 was **\$3,675 million MXN, 15.0%** higher than 2018. Growth was due to good performance during the year where non-financial income stands out, as well as prudent spending.

\$3,675 million MXN —  15.0%

Margin

Financial margin closed at **\$7,701 million MXN, 10.2%** higher than last year. This growth reflects the 9.7% increase in the total credit portfolio.

Expecting a lower rate, a strategy was implemented to reduce the sensitivity of the Net Interest Margin to the baseline rate. Over the past year, the Target Rate decreased by 100 basis points, reaching 7.25% compared to 8.25% at the end of December 2018.

\$7,701 million MXN —  10.2%

Profitability

We remain one of the most profitable institutions thanks to efficient management of expenses and investment. The return on capital for the last twelve months (ROE) increased 33 basis points, reaching **20.1%**, while the return on assets (ROA) remains constant compared to last year, with **2.7%**.

ROE **20.1%** 

ROA **2.7%**


Non-financial income

In 2019, non-financial income increased **19.1%**, closing at **\$2,469 million MXN**. This change is due to a 21.6% increase in net services commissions, 20.1% on insurance and exchanges, and 16.0% in net lease.

\$2,469 million MXN —  **19.1%**

Efficiency Rate

Thanks to our responsible spending policy, the efficiency rate is kept below 45%, even though 2019 was yet another year of investing in Regionals' development. The efficiency rate decreased 37 basis points, going from 42.8% to **42.4%**.

42.4% 

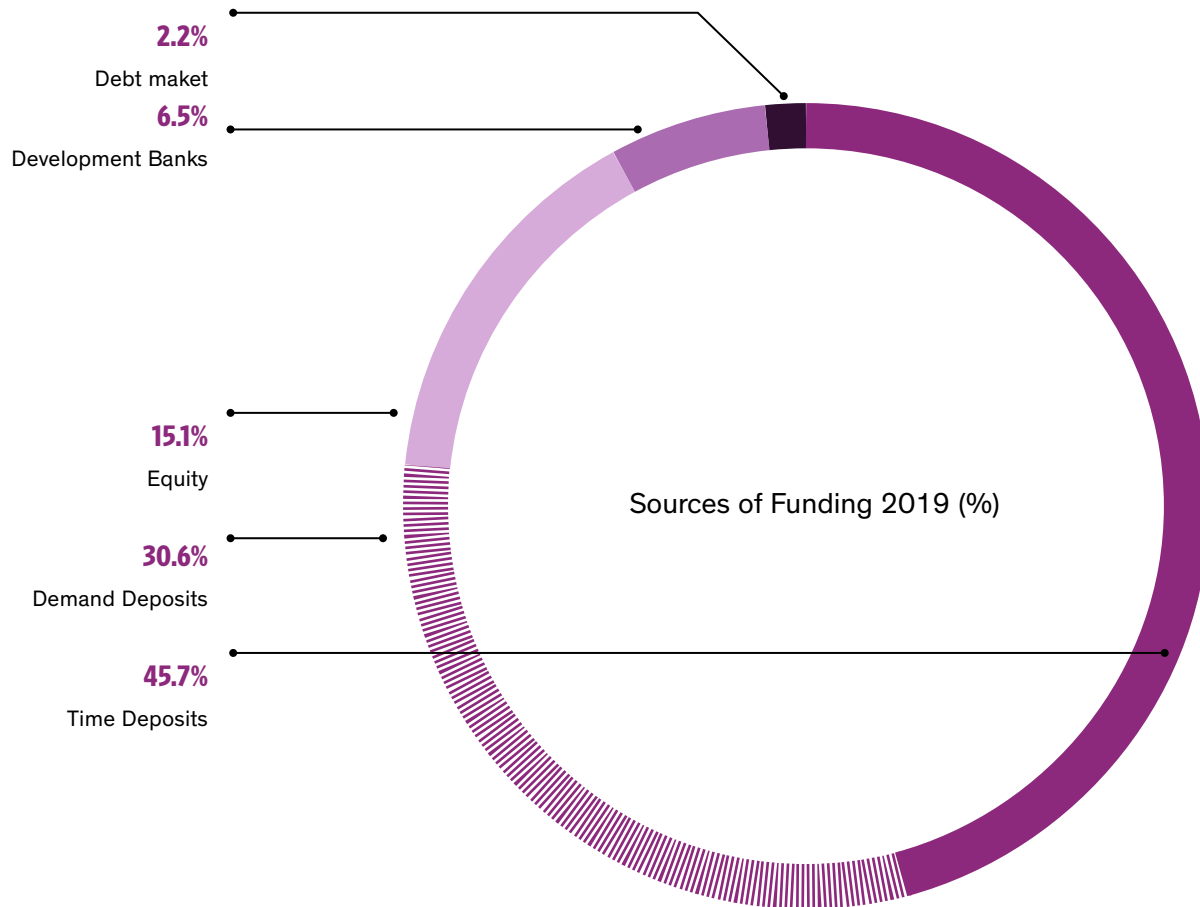
Deposits

Core deposits increased **12.2%** compared to the previous year, mainly due to the 12.7% increase in time deposits. At the end of 2019, the balance of time deposits was \$59,771 million MXN and total core deposits was **\$99,718 million MXN**.

\$99,718 million MXN —  **12.2%**

Core deposit cost at the end of last year was of **4.8%** and the ratio of net portfolio to deposits **108.2%**.

Sources of Funding



→ **Financial statements** (figures in millions of MXN)

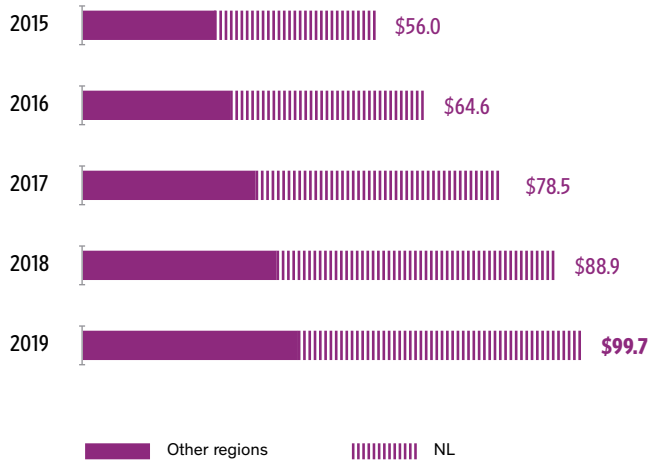
BALANCE SHEET	2018	2019	Var.	INCOME STATEMENT	2018	2019	Var.
ASSETS							
Securities Investments	11,353	12,104	6.6%	Interest Income	14,370	17,027	18.5%
Loan Portfolio							
Performing Loans	96,765	106,015	9.6%	Interest Expense	(7,381)	(9,326)	26.4%
Non-performing Loans	1,657	1,918	15.8%	Financial Margin	6,989	7,701	10.2%
Total Loan Portfolio	98,422	107,933	9.7%	Net Provisions	(716)	(731)	2.1%
Reserves	2,157	2,342	8.6%	Financial Margin Adjusted by Provisions	6,273	6,970	11.1%
Net Loan Portfolio	96,644	105,777	9.5%	Commissions and Fees	702	854	21.6%
Total Assets	128,225	141,901	10.7%	Insurance and FX Fees	617	741	20.1%
LIABILITIES							
Demand Deposits	35,838	39,947	11.5%	Net Leasing	754	875	16.0%
Time Deposits	53,053	59,771	12.7%	Non-Financial Income	2,073	2,469	19.1%
Core Deposits	88,891	99,718	12.2%	Other Income (expenses)	(52)	(48)	(7.7%)
Commercial paper (CB)	1,125	2,839	152.4%	Total Income	8,287	9,379	13.2%
Development bank Loans	7,990	8,510	6.5%	Compensation and benefits	(2,001)	(2,126)	6.2%
Total Funding	98,006	111,067	13.3%	Operating Expenses	(1,871)	(2,160)	15.4%
Repurchase agreement	8,533	5,553	(34.9%)	Management and Promotion Expense	(3,872)	(4,286)	10.7%
Total Liabilities	110,557	122,214	10.5%	Operating Income	4,415	5,093	15.4%
TOTAL SHAREHOLDERS' EQUITY							
	17,668	19,687	11.4%	Income Tax	(1,225)	(1,430)	16.7%
				Net Income	3,197	3,675	15.0%

GRI → 102-4

Geographical performance

As of December 31, 2019, Banregio has 155 branches in 22 states of the country. The evolution of the growth of the current portfolio and core deposits between Nuevo León and the rest of the states is shown below.

→ Core Deposits (Thousands of MXN)



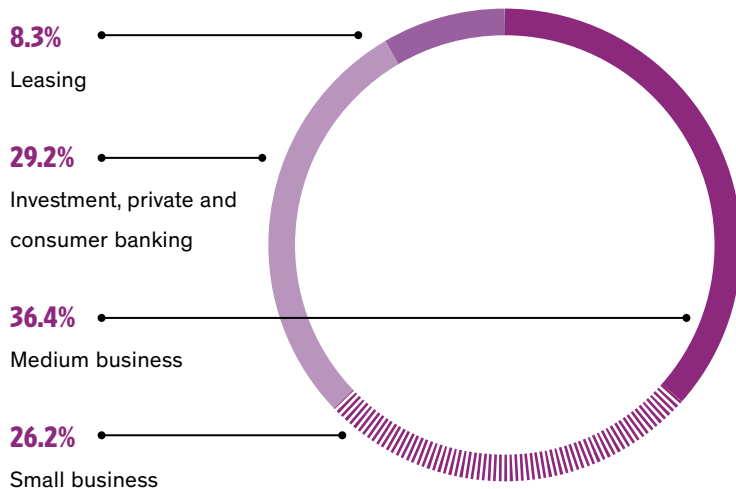
→ Loan Portfolio (Thousands of MXN)



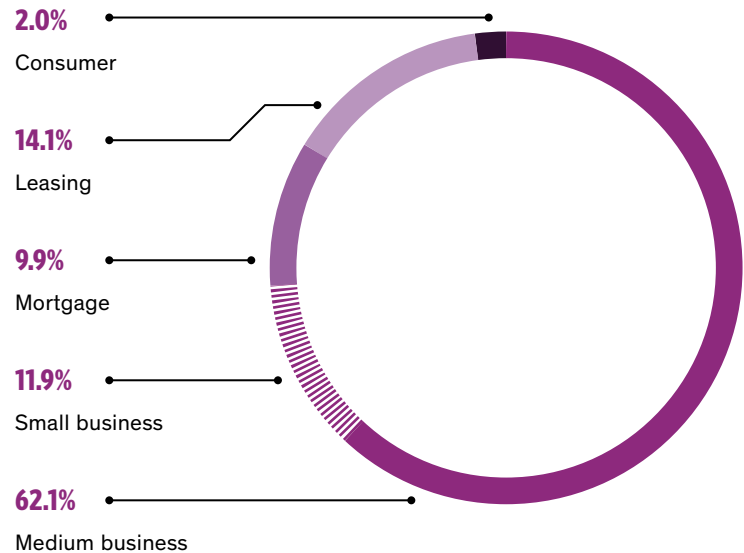
GRI → 102-2 / 102-6 / FS6

Performance by business segment

→ Total Income by Business Segment (%)



→ Performing loan portfolio by business segment (%)

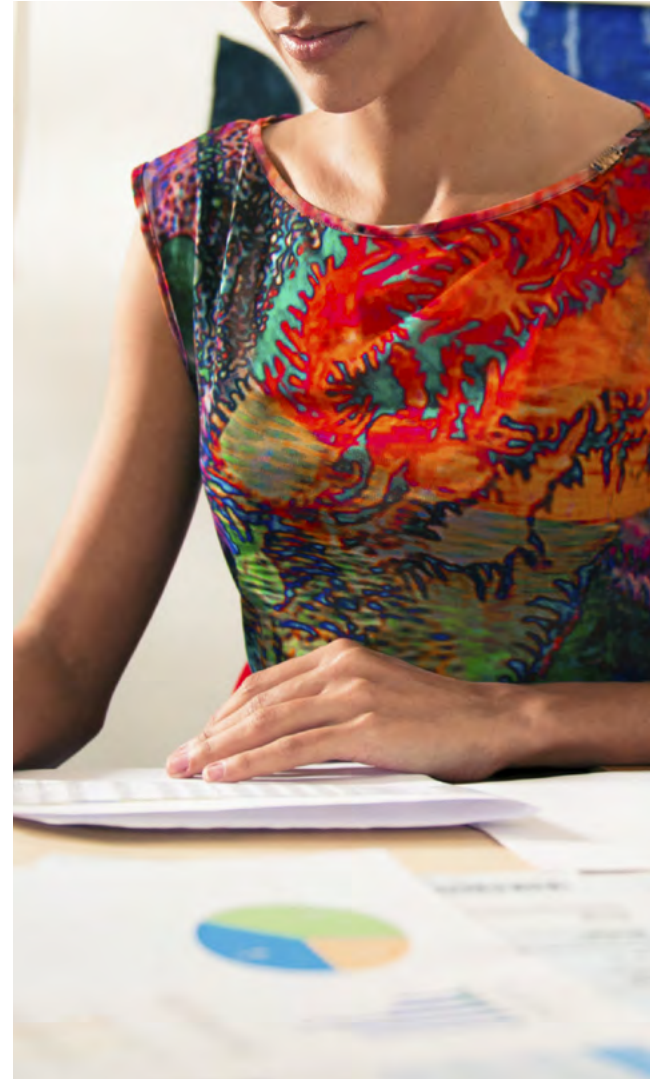


SME

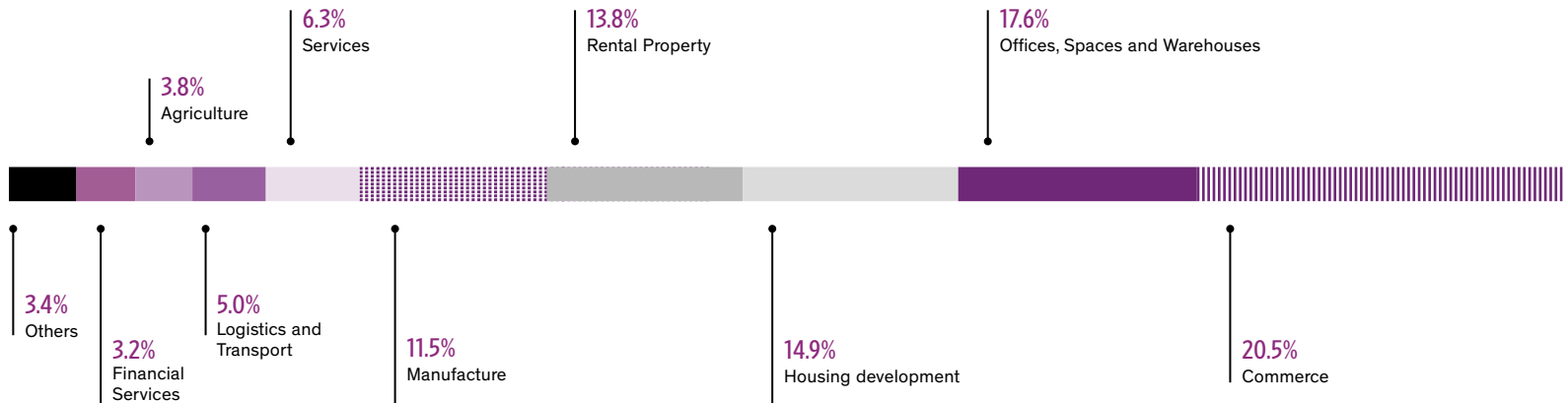
SME remains as our main segment representing 74.0% of the current portfolio. At the end of the reporting period, the portfolio grew 9.1% and closed with a balance of \$82,985 million MXN.

During 2019, customer segmentation was internally reclassified and new service parameters were defined for each category, with the purpose of providing a more personalized service to companies.

\$82,985 million MXN —  9.1%



→ SME Commercial Portfolio / by Sectors and Activities (%) 2019



Personal Banking

Consumer loans

The consumer portfolio closed 2019 with a balance of **\$2,265 million MXN** which represents 2.0% of the performing loan portfolio. The increase of **19.8%** is mainly explained by the growth in the balance of credit cards.

It should be noted that Banregio Collection was launched in 2019, including 8 credit and debit cards with custom design.

* During 2019 the distribution criteria between segments were modified. If you consider these changes, the increase compared to 2018 is 27.5%



Mortgage

Banregio offers mortgage loans for home and land acquisitions as well as the refinancing of existing loans. This segment represents 10.3% of the performing loan portfolio. During 2019, the mortgage portfolio grew 6.1% closing at **\$11,145 million MXN**.

Insurance

In 2019, the placement of insurance products registered an income of **\$284 million MXN** this year, which represents a variation of 18.8% compared to 2018.



Leasing

In the reporting period START Banregio had significant growth, ending with a total portfolio of **\$15,812 million MXN, 13.8%** above the previous year.

The current portfolio of consumer cars closed at \$5,080 million MXN, representing a growth of 24.9% compared to 2018, as well as an NPL of 1.1%, well below the automotive financial industry.

On the other hand, the leasing portfolio of fleets and diverse assets reached \$10,732 million MXN reporting a growth of 9.2% compared to the previous period. Equipment for transportation and specialized machinery specifically stand out in this increase.

The total amount of credit and new lease was \$8,839 million MXN including all consumer products, fleet and miscellaneous assets. Fleet areas had a prominent placement in this segment, with \$5,409 million MXN, while consumer cars achieved a new credit placement of \$3,430 million MXN.

2019 was a year of consolidation for our fleet area and diverse assets. We currently have three independent business centers where we serve customers in each region since their origination, customer service and remarketing.

During the year we focused on developing and launching new strategic projects with the purpose of improving START's profitability and operational efficiency. The following stands out: website creation, new customer service module, integration of the salesforce tool Eleva, among others.

At START Banregio, we will continue to develop innovative strategies aimed at improving our processes, as well as offering new products and services focused on meeting the needs of our customers. These strategies are also accompanied by a professional and experienced team with which we will be able to exceed the needs of the market.

\$15,812 million MXN –  13.8%

Financial Markets

Among its services portfolio, Banregio offers currency exchange, investment in funds, derivatives and money market services.

The investment funds area has an asset portfolio of two funds distributed by Banregio. Additionally, there is an investment portfolio of more than 50 funds with local and international debt and equity.



Private and Wealth Banking

This business unit is responsible for our clients' wealth management. Its main characteristic is that it offers a highly personalized service and experience. The objective of the investment process is the preservation of capital, the consistency and the protection of portfolios throughout economic volatility.

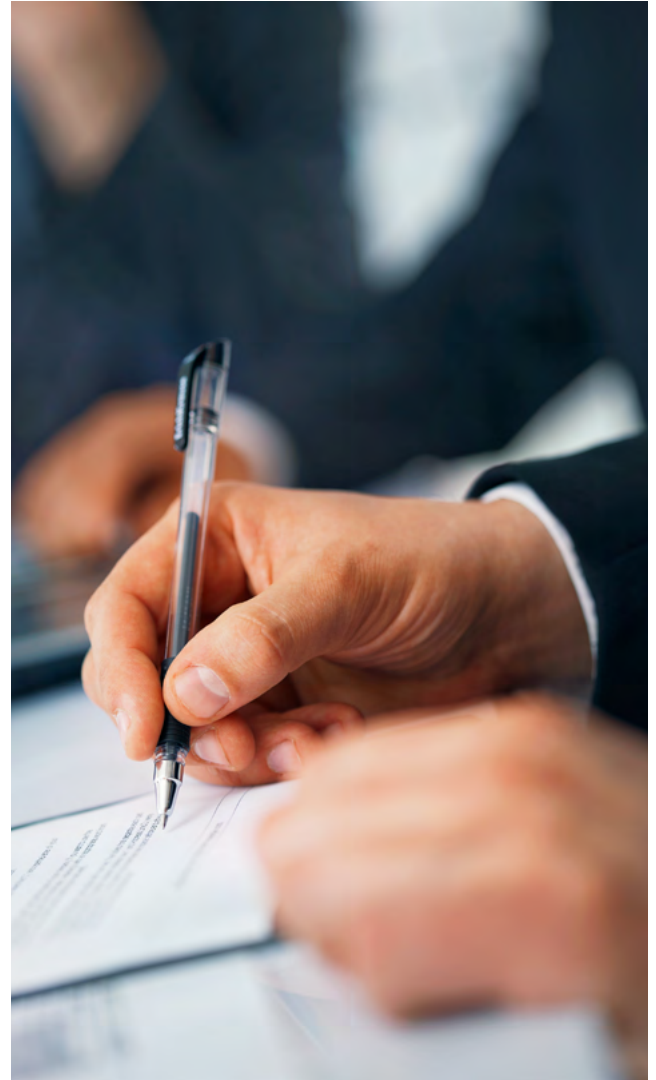
The definition of the investment profile is the fundamental basis of the methodology of this business unit. Through the understanding of the needs of the client and a complete analysis of their patrimonial situation a profile is determined according to their risk tolerance.



Specialized Banking

This segment aims to provide specialized banking services. Its main areas are: Real estate and adjudicated real estate, Agricultural, Fiduciary, Factoring, International Banking and Development Banking.

The real estate portfolio, represents **28.7%** of the commercial portfolio. For this reason, clients are offered a range of additional products such as: evaluation and feasibility analysis of the projects, credit administration and support to the business/commercial network in prospecting and attracting clients.



GRI → FS1 / FS7 / FS15

Responsible Products

We are aware that banking is one of the most efficient growth engines; therefore, at Banregio we look forward to generating a positive impact that transcends our commitment to customers and contribute to a greater well-being for the community.

We are aware that banking is one of the most efficient growth engines; therefore, at Banregio we look forward to generating a positive impact that transcends our commitment to customers and contribute to a greater well-being for the community.

In 2019 we maintained financing programs with development banks, in particular with NAFIN, FIRA and SHF. Within the development bank unit, we offer products that support certain segments such as the entrepreneurship of young people and women, as well as credits that encourage environmental improvement.

For business women we have the credit called **Mujer PYME (SME Woman)**, focused on the purchase of fixed assets or working capital, up to \$5 million MXN, with a grace period of 3 months. In 2019, the amount reached with this product was \$559.6 million MXN, with 779 active clients.

For young entrepreneurs (up to 35 years old) who want to create or consolidate their businesses through financing, training and technical assistance, we offer

loans that range from \$50 thousand MXN to \$ 2.5 million MXN. In the year of this report the loan **Negocios en operación (Businesses in operation)** closed with 889 clients, representing an amount of \$354.1 million MXN.

The objective of **Eco-crédito** is to provide financing to companies, as well as to individuals with business activities, to substitute equipment and/or adapt production processes in order to lower carbon emissions. In 2019, the amount of Eco-crédito remained at \$14.7 million MXN.

It is a simple loan of up to 15 million MXN, for a term of up to 8 years and a fixed annual interest rate of up to 13%. The guarantee is 80% and a grace period of up to 6 months can be offered.

It is important to note that these products were suspended for most of the year, therefore growth was not significant. As of 2020, the three lines were reactivated under the same conditions and operation.

GRI → 102-9 / 201-1

Distribution of economic value

Through our operation and distribution of the economic value generated in 2019, we impact our stakeholders and community in general.

→ Economic value generated and distributed (figures in million MXN)

VEG Y VED	2017	2018	2019
Economic Value Generated, EVG	7,189	8,293	9,391
Economic Value Distributed, EVD	4,431	5,096	5,716
Suppliers	1,663	1,907	2,201
Remunerations and benefits (to employees)	1,670	1,955	2,075
Financing	-	-	-
Tax	1,089	1,225	1,430
Donations	9	9	9
Retained (EVG-EVD)	2,758	3,197	3,675

The Economic Value Generated (EVG) increased **13.2%** compared to the previous year, with a total income of **\$9,391 million MXN**. This is due to the 10.2% increase in financial margin and 19.1% in non-financial income.

The Distributed Economic Value (DEV) closed at **\$5,716**, 12.2% higher than 2018. The DEV is mainly made up of: 1. supplier expenses which increased 15.4% and 2. remuneration and benefits which rose 6.1%.

During 2019, the effective tax rate was **28.0%**. Regionals' fiscal policy establishes the due compliance with the law. We seek that the interpretation and internal application of the policy does not generate future tax risks or contingencies for the Company and/or subsidiaries. Regional and its subsidiaries file their tax returns individually and currently there are no outstanding tax credits or debts.

On the other hand, donations include investment in financial and business education programs. As part of our sustainability strategy, we have kept the budget for these social investments at the same amount for the last three years; however, we have managed to reach more people. This has been possible thanks to a design focused on distributing resources having the final beneficiaries in mind and a decrease in spending to promote activities. To learn more about the programs, see the **Community** chapter.



GRI → 102-5 / 102-10

Stock performance

Regional SA de CV (R series "A") replaced Banregio Grupo Financiero SAB de CV (GFREGIO series "O") in April 2018. The shareholding structure is made up of 62% of Regional's shares being family owned and 38% are free float.

At the end of 2019, Regional remains within the "Índice de Bursatilidad" in the Bolsa Mexicana de Valores in place # 31, with a market capitalization of \$34,642 million MXN.

Regional belongs to the FTSE4Good Index Series, a sustainability stock index created by the London Stock Exchange which measures best practices in: Social, Environmental and Corporate Governance (ESG).

Additionally, it was included in the Bloomberg Gender-Equality Index (GEI) 2020, an index that monitors the performance in gender equality of the listed companies, through five pillars: female leadership and talent flow, equal pay and gender equality, inclusive culture, sexual harassment policies, and a pro-woman brand.

We continually seek to expand communication channels with our stakeholders including investors, analysts, rating agencies, clients and the community. During 2019, Investor Relations, Sustainability and Senior Management actively participated in different national and international forums.

Regional has a dividend policy according to the results of the operation, financial situation, need for capital, fiscal considerations, growth expectations and those factors that the members of the Board of Directors or the shareholders deem appropriate.

→ In 2019, the dividend payment represented 35% of the profits generated in the previous year.

Employees



GRI → 102-7

Highlights



5,007
EMPLOYEES



47.8%
WOMEN



171,670
HOURS OF TRAINING



2,838
PERFORMANCE EVALUATIONS



18.9%
ANNUAL ROTATION

Sustainable
Development Goals:



→ **INCLUYE AWARD FROM
MOVIMIENTO CONGRUENCIA**

→ **GPTW DIVERSITY RANKING**

GRI → 102-8 / 102-41 / 401-1 / 405-1/ 405-2

Description of the workforce

At Banregio, the most important asset is our employees, which is why we always seek to improve our job offer by striving to be a stable source of employment that attracts the best talent.

In 2019 the Banregio Family comprised **5,007 employees**, hired indefinitely and full-time, an increase of **11.7%** compared to the previous year. Only 7 persons work a part-time workday.

Thanks to our commitment to contribute to gender equality, women represent **47.8%** of our workforce, a percentage similar to previous years.

It is also important to mention that the Company guarantees freedom of association. In the reported year **13.4%** of the employees were affiliated to the same union organization.

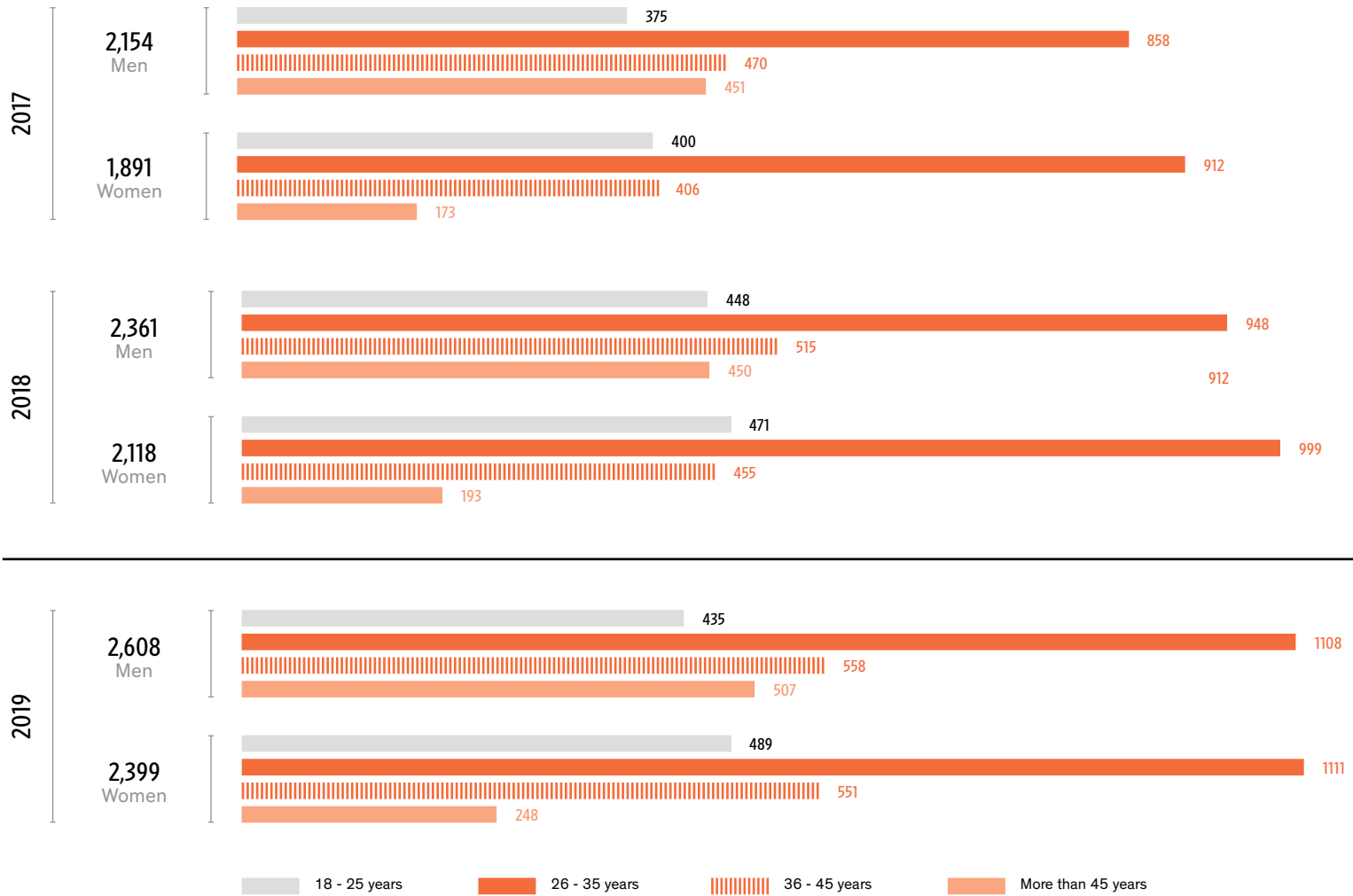
Likewise, we employed 412 external workers paying a fee or through outsourcing. They were mainly analysts, system developers and collection developers.

It should be noted that Banregio's Contracting Policy stipulates that the minimum age for hiring is 18 years, thus rejecting any risk of child labor.

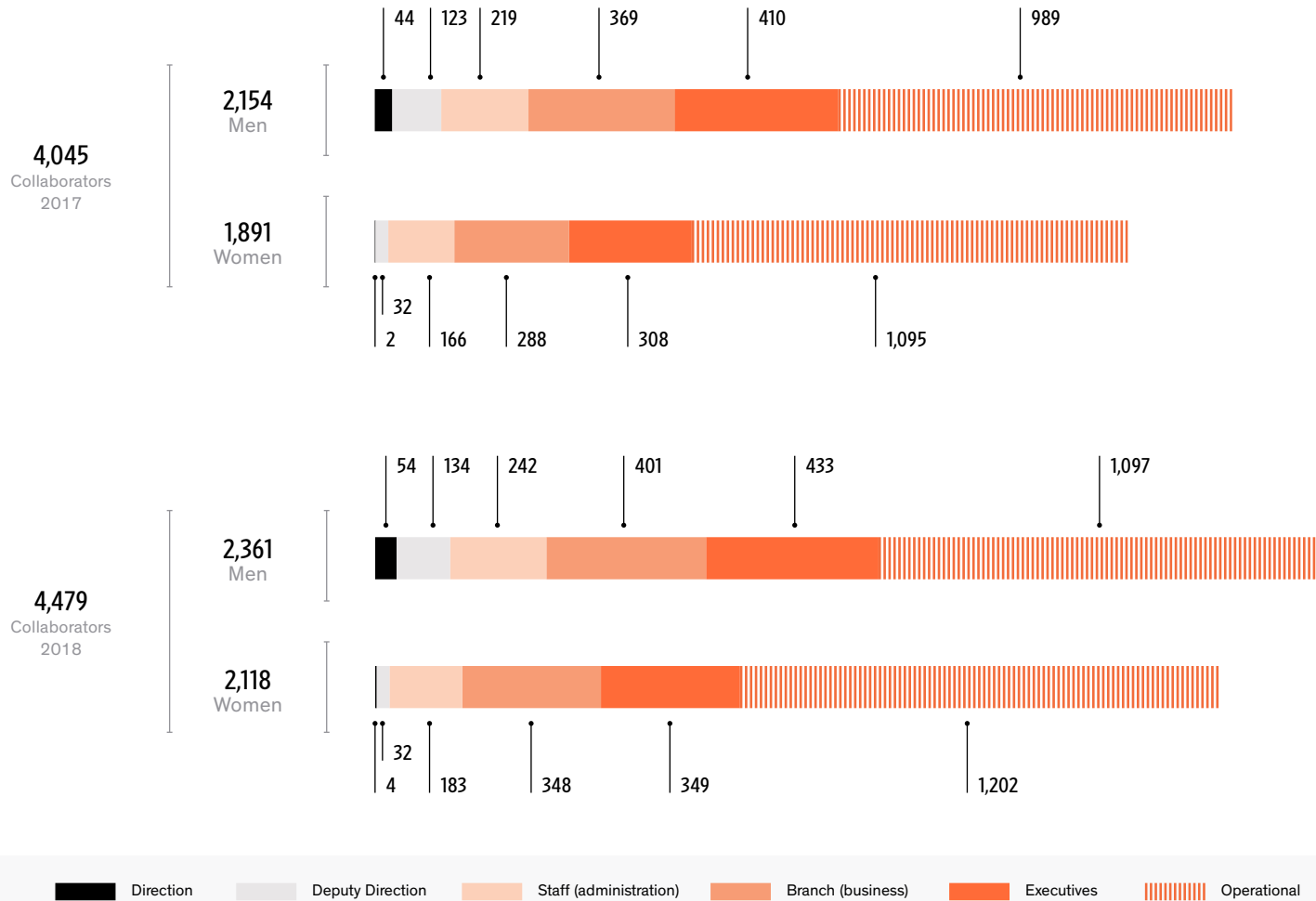
We trust younger generations which is why **44.3%** of our workforce is made up of young people between **26 and 35 years old**. With this young personnel working with more experienced generations, we ensure the dynamism in Banregio and a rich generational coexistence.

In 2019, we redesigned the report of information in order to have a better knowledge of our workforce. The new categorization allows us to observe the section of employees who work in the business area but are not physically linked to a branch.

→ **Workforce by age and sex group**

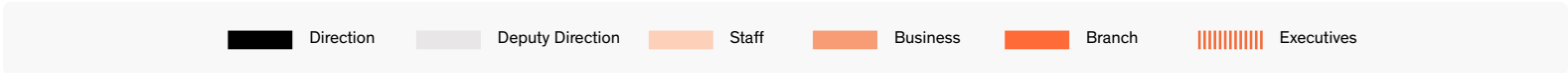
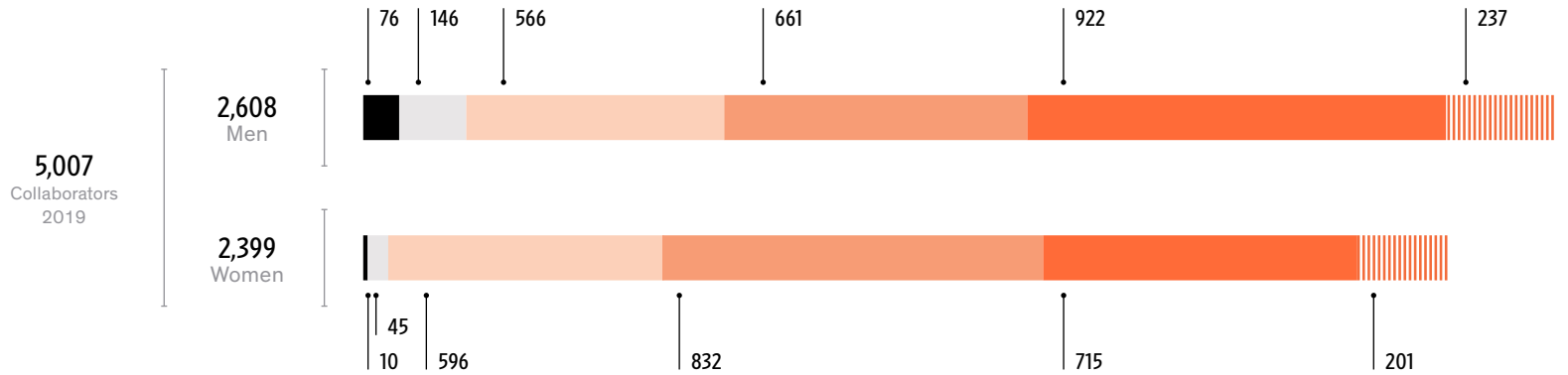


→ Workforce by job category and sex / 2017 - 2018



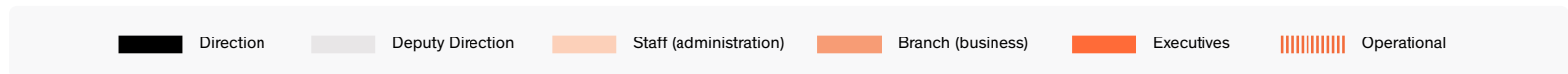
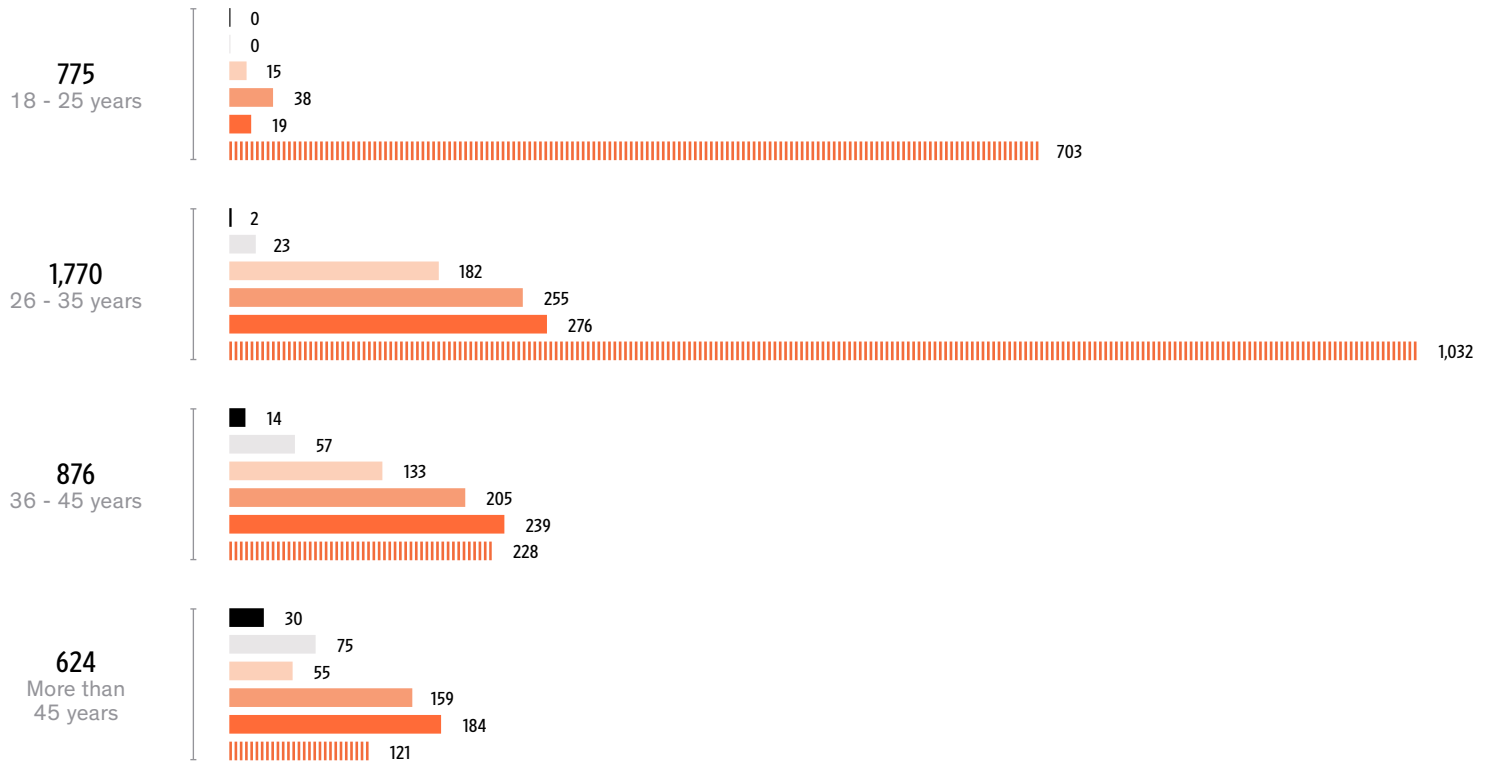
→ Workforce by job category and sex / 2019

2019



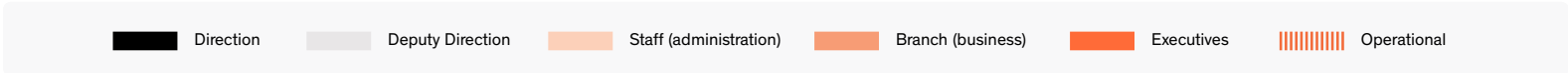
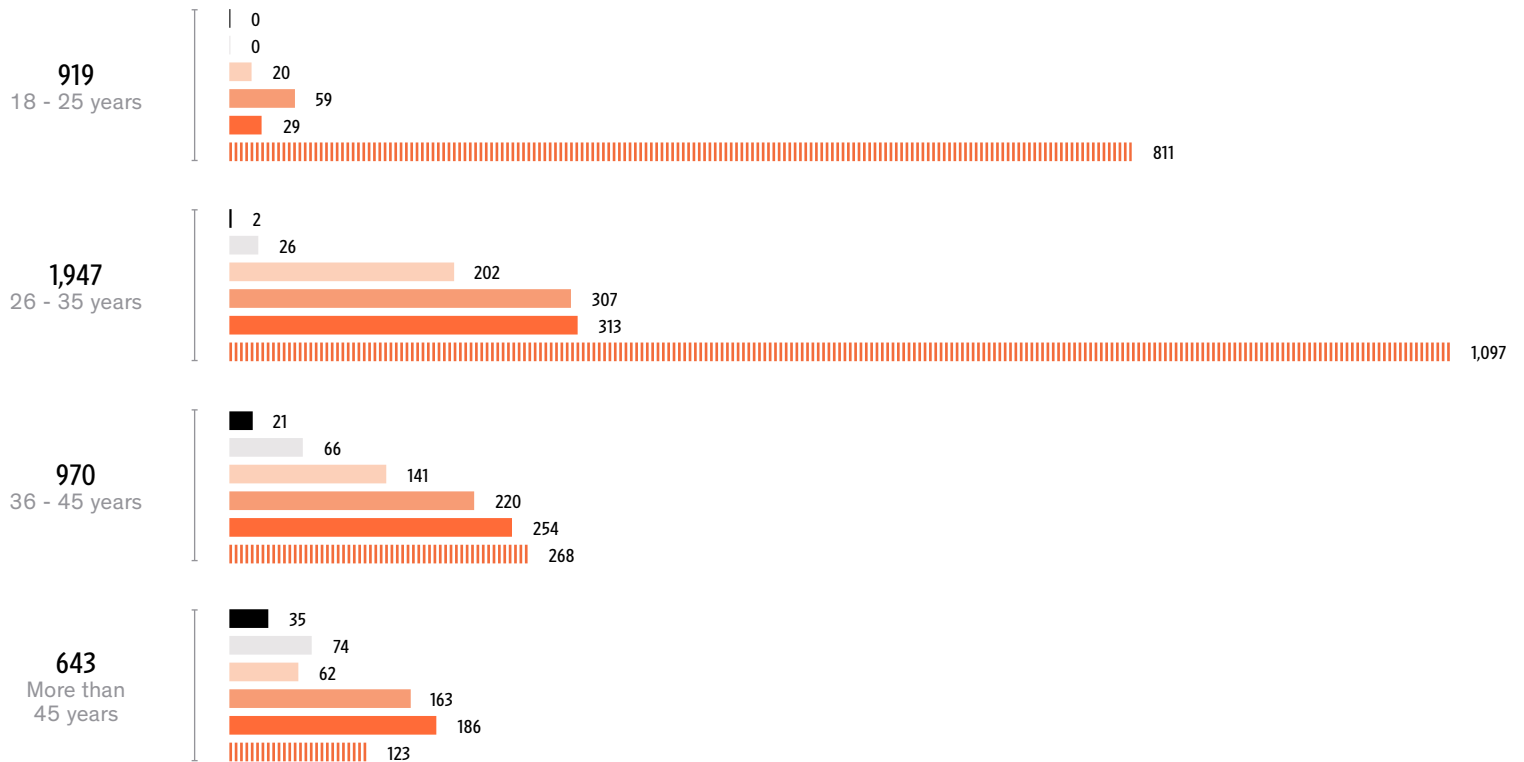
→ Collaborators by job category and age group

2017



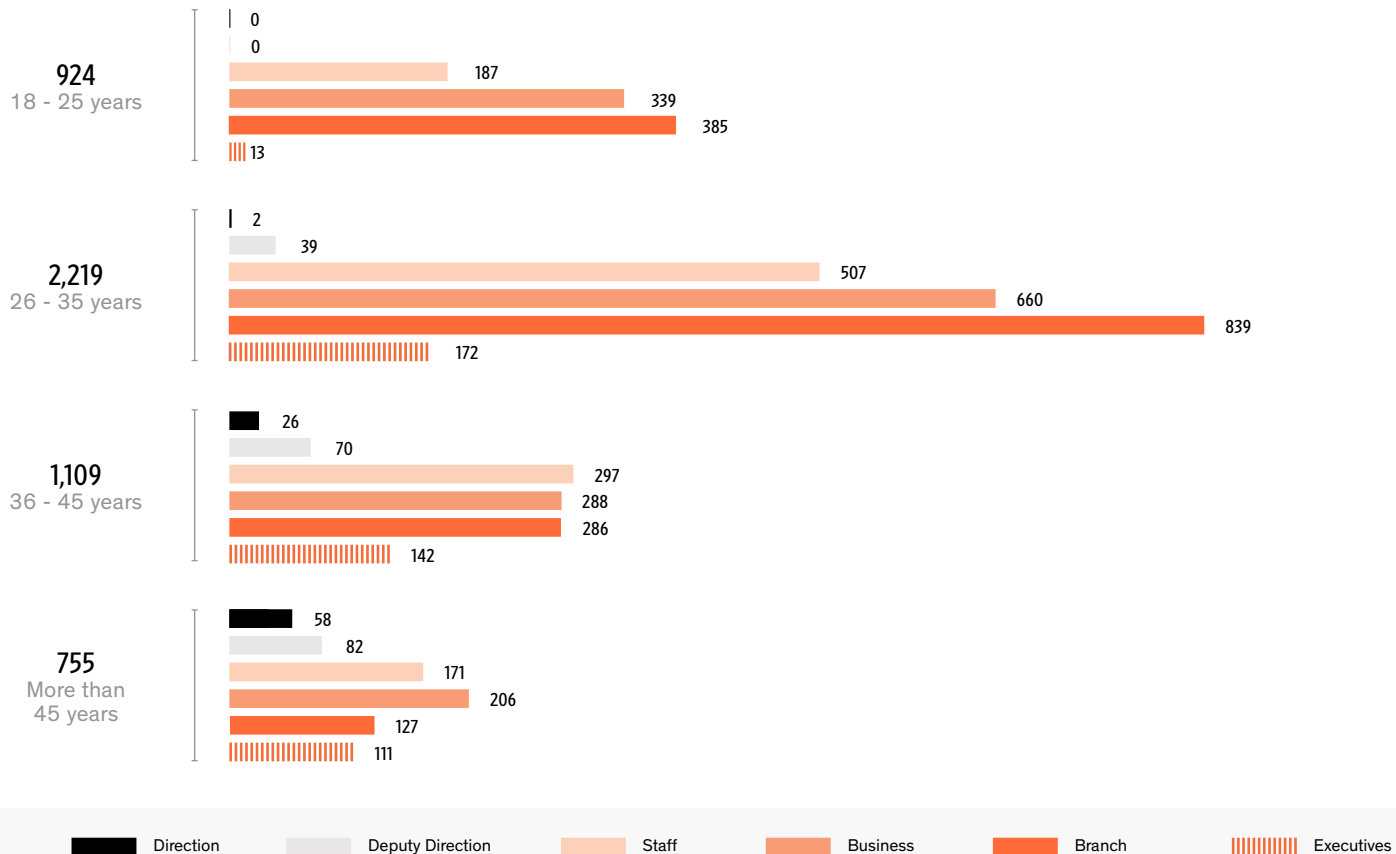
→ Collaborators by job category and age group

2018



→ Collaborators by job category and age group

2019

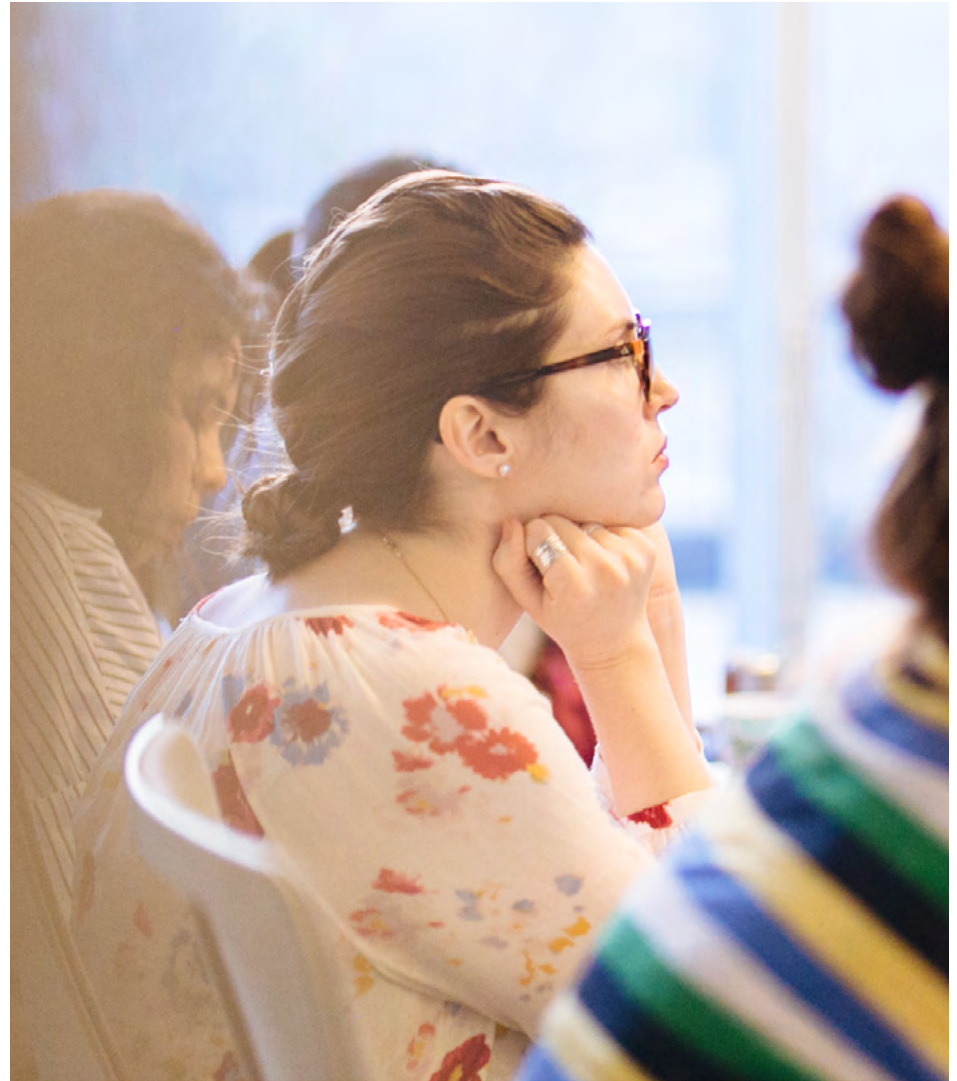


On the other hand, in 2019, 1,423 new talented employees were incorporated, 49% of them are women. One of our main strategies for attracting new talent is competitiveness and pay equity.

→ Average Salary Ratio by job category

PROFESSIONAL CATEGORY	RATIO (%) TOTAL REMUNERATION / NUMBER EMPLOYEES	NUMBER OF WOMEN	RATIO (%) TOTAL REMUNERATION / NUMBER EMPLOYEES	NUMBER OF MEN	RATIO (%)
Senior Managers	47.1%	55	52.6%	222	90%
Middle Management	48.0%	596	52.1%	566	92%
Operational	48.4%	1,748	51.7%	1,820	94%

At Banregio we offer working conditions and growth opportunities that consolidate the employees' commitment with the institution. However, due to the implementation of an operational efficiency process and the high competitiveness that exists in the sector, there were voluntary and involuntary terminations, **resulting in an annual turnover of *18.9%.**



*% Rotation = Total number of separations / Headcount Average * 100.

GRI → 201-3 / 401-2 / 401-3

Work climate

We know that our team is the key to our personalized service, which is why their success and development is directly reflected in our business results. Consequently, we work to improve the work culture so that each employee is proud to be part of this team.

In 2019 we invested more than \$4 million MXN in activities within our **Employee’s Experience Model**. We carried out more than 100 experiences nationwide that benefited nearly 10 thousand people, among collaborators and their families.

Among the activities, we would like to highlight:

- 39 occupational health and wellness campaigns
 - 33 recreation and sporting events
 - 30 integration events for employees
-



- In addition, medical offices were installed in the main corporate buildings: Torre XII, BackOffice, Morones Prieto and an infirmary in Nuevo Sur.
-

The team of Employee's Experiences is in charge of designing and implementing benefits and compensations that help our workers balance their professional and personal life. Among the most important ones we find:

→ **Benefits for employees**



24 months' life insurance due to natural death and 48 months due to accidental death



30-day Christmas bonus



5 more days of paternity leave than the legal minimum, for a total of 10 days



12 holiday days starting within the first year



Flexible Hours' Scheme



Mortgage, personal and auto loans, with preferential rates



Food vouchers 6%, savings fund 5%

It is important to mention that, despite the fact that the bank does not have a retirement plan for its employees, we provide personal finance training programs, focused on savings and retirement.

According to work climate internal surveys, we found that among the best rated benefits are the support schemes in the maternity and paternity period, since they offer benefits far superior to the law.

For our collaborators that entered motherhood, in addition to the 84 days that are granted according to the Social Security Law, we have a flexible scheme that allows them to gradually reincorporate themselves into their working activities.

For their part, employees who are soon to become fathers, are offered 10 days of paternity leave: **5 days established by law plus another 5 days provided by Banregio.**

In 2019, **85.2%** of the employees who applied for parental leave returned to their activities after the corresponding period.

→ Parental Leave 2019

Transition Stages for Moms:

- 0 to 6-month-old baby: Remote work, with onsite work of at least 4 hours per week
- 7 to 9-month-old baby: Remote work, with onsite work of at least 20 hours per week
- 10 to 12-month-old baby: Onsite work choosing from the options of flexible hours

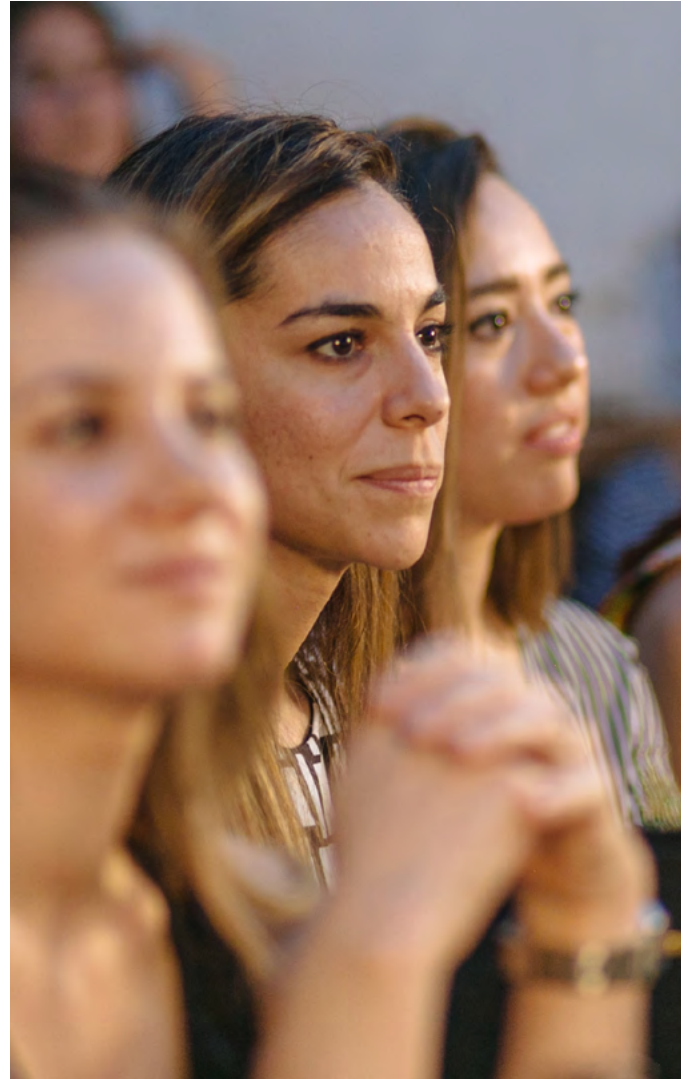
	TOTAL	WOMEN	MEN
Total Took leave	209	130	79
Total Returned	178	103	75
Return Rate	85.16	79.23	94.93

Having in mind the continuous improvement, Banregio is dedicated to monitoring the work environment through an internal evaluation known as Labor Check Up. The survey allows us to measure topics such as: professional development, most valuable benefits, sense of belonging, communication, among others, and since 2018 it is aligned with the Great Place to Work organization.

The E-NPS (Employee Net Promoter Score) is one of the most important metrics in the evaluation and is quantified with the question: How likely is it that you would recommend your friends and family to work in Banregio? The result in 2019 was 70 points out of 100.

→ Banregio was officially certified as one of the Best Places to Work by Great Place To Work and in 2019 it was included in the Diversity ranking by the same organization.

It is important to mention that in the GPTW evaluation carried out last year, the bank obtained an 83% overall average in satisfaction from its employees which identified as strengths: pride in the company, honesty of leaders, fairness in work (ensuring that there is no discrimination) and the welcoming process to the Banregio Family.



GRI → 201-3 / 401-2 / 404-1 / 404-2 / 404-3 / 405-1 / 406-1

Development, training and inclusion

We are convinced that the quality of the operation is linked to success, effective inclusion and the integral development of our talent. For this reason, we continuous launch training programs to guarantee personal and professional growth.

→ 4 areas of training:

→ INSTITUTIONAL

workshops for the immersion in the Banregio's business model and work culture. For example: Day 1, Civil Protection Brigades, Business Continuity Plan.

→ REGULATORY

courses required by the authorities. For example: Money Laundering Prevention, Information Security, Code of Ethics.

→ TECHNICAL TRAINING

training in processes and product. For example: Fast Learnings in investment funds, mortgage, business.

→ SKILLS

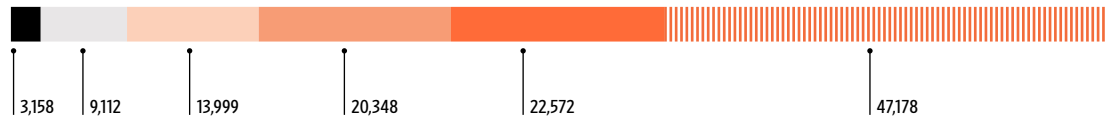
training in topics related to the personal development of the employee. For example: leadership, effective communication, financial education and leadership development.

In 2019 we invested more than \$10 million MXN in providing 171,670 hours of training, a figure that represents an increase of 7,759 hours over the previous year and an average of 34.3 hours per employee. The goal for 2020 will be to achieve an average 36 hours of training per collaborator.



→ Hours of training by professional category

2017 | 🕒 116,366 Hours of training by professional category



- Direction
- Deputy Direction
- Staff (Administration)
- Branches (business)
- Executives
- Operational

2018 | 🕒 163,911 Hours of training by professional category



2019 | 🕒 171,670 Hours of training by professional category



- Direction
- Deputy Direction
- Business
- Branch
- Staff
- Executives

It is important to mention that our continuing educational program is designed in order to create a balance between professional skills, financial tools and bank certifications, thus ensuring that employees have the necessary tools for the current competitive job market.

In the reporting period, under the Clara Banregio program, we launched a Personal Finance Mentor certification promoting a network of collaborators who can assist their colleagues in their financial decisions. In this first cycle 35 employees graduated and we hope to double that number in 2020.

Additionally, we launched a program focused on directors and assistant directors called "Grow the Talent" with the purpose to develop leadership skills. In the year, 502 deputy directors and managers took this course focused on 4 axes of training: confidence, promotion of high potential, teamwork spirit and achievement of goals.

Our training offer is transformed according to the needs of our employees, that's why in 2019 the Banregio Women's Diploma was transformed into a Leaders Diploma, a training designed to promote the development and high potential talented employees within the bank.

The Diploma is open to all employees, regardless of their position, age or city in which they reside. The objective is to identify those agents who see obstacles as opportunities for positive change towards our internal and external clients.

In the first edition of Leaders, 52 selected collaborators participated based on their high potential in the company. For 9 months the participants worked on skills that allow them to create a transformative project of impact on topics such as: social responsibility, automatization of processes and new financial products.

Leaders program in numbers:

- 50 BANREGIO PARTICIPANTS
 - 2 EXTERNAL PARTICIPANTS
 - 16 WORKSHOPS
 - 7 TRANSFORMATIVE PROJECTS
 - 81 NPS
-

The program was awarded 81 points by the NPS and 100% would recommend it to other employees.

Each of these training programs is designed to help the employee to grow within the institution, so it is important to mention that in 2019 we reached a total internal promotion index of 19.5%.

Likewise, with the purpose of promoting the path of success for our employees, their performance is evaluated annually under strategic principles, goals and skills.

In 2019, a new evaluation was launched that includes 4 types of objectives:

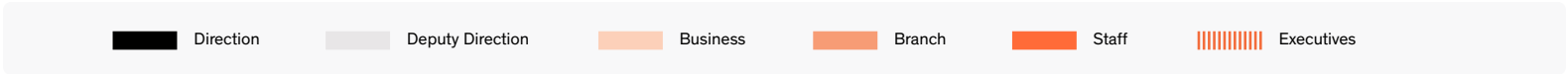
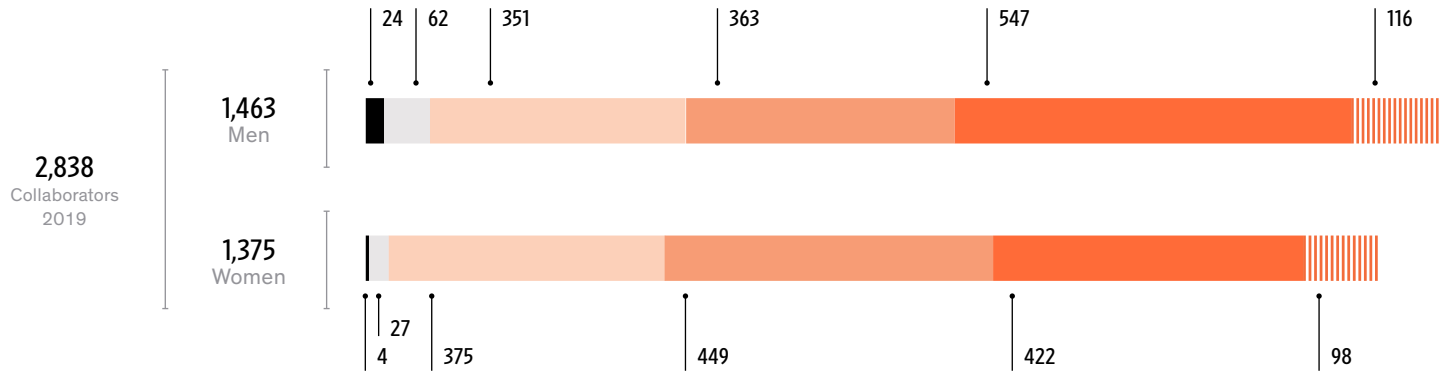
- **Team development (leaders in charge of staff)** → commitments in which leaders contribute to the personal development of their team.
- **Personal development** → development inside the institution, for example: participation in a committee, development of skills or knowledge through training, among others.
- **Transformation and improvement** → focused on improving the management of processes in the area.
- **Performance** → objectives of your current function. Example: sales goals, quality of service, operational efficiencies, satisfaction of internal/external customers, among others.

Under this scheme, in 2019 2,838 employees were evaluated, this will allow the promotion of key talent within the organization, through a career plan that develops their maximum professional potential.



→ Number Employees evaluated / 2019

2019



On the other hand, we continue working on diversity and inclusion in alliance with *Movimiento Congruencia A.C.* Our program **Iguales**, aims to create and maintain optimal conditions and accessible spaces that promote a culture of job inclusion for people with physical disabilities.

We started to implement inclusive actions, such as the accessibility diagnosis in our facilities, carried out by DIF (*Family Integral Development*), as well as the evaluation of current recruitment processes. In 2019, we managed to add an inclusive vacancy option in the recruitment forms and carry out a permanent awareness campaign that demonstrates what inclusion means in Banregio. Currently there are 8 employees who have some type of disability in the Banregio Family.

Thanks to these efforts, we received the **Incluye Award** in the Awareness category from *Movimiento Congruencia*. The award is given to companies that establish a practice that generates a cultural change by facilitating the inclusion of people with disabilities, in an equal opportunity scheme. Said practice must be distinguished by adding value and having innovative, measurable and replicable characteristics.

In addition, for our work on gender equality inside and outside Banregio, we were included in the Bloomberg 2020 Gender Equality Index (GEI). This index measures gender equality through five pillars: female leadership and talent flow, pay equality and gender parity, inclusive culture, sexual harassment policies and pro-woman brand.

The list includes 325 companies from 50 different industries and it evaluates more than 6 thousand companies from 84 different countries. Regional was included thanks to actions in favor of gender equality, equal pay, generating an inclusive culture through programs of labor flexibility, as well as financial inclusion through its **Clara** platform.

➔ Thanks to this distinction and our initiatives, in 2020 we maintain the commitment to continue working for the continuous improvement of gender inclusion and equality within the organization and communities.

Community

regional[®]



Highlights



327

COMPANIES PARTICIPATED IN
THE MENTORING PROGRAM



+3,750

JOB'S GENERATED AND RETAINED
BY THESE COMPANIES



8,269.53

tCO2e EMISSIONS



1,000

TREES PLANTED

Launch of Clara Banregio

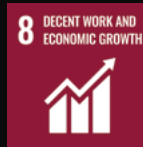


10 EVENTS AND WORKSHOPS



ATTENDANCE OF +700 PEOPLE

Sustainable
Development Goals:



We continue working to create a sense of community within our stakeholders. For Banregio, this means working on actions that represent connection, growth and well-being for all.

With the materiality study as a guide, we determined financial and business education as our main focus within our social aspect.



GRI → 203-2 / 416-1 / FS16

Mentoring Program

The SME business segment constitutes one of the main business units for Banregio, which is why one of our sustainable commitments is the active contribution to the development of these companies through personalized advice.

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Within the framework of this strategy, for 4 years we have offered business owners a Mentoring program. This social responsibility initiative provides support for micro and small business people through: one on one mentor, practical education and networking. The objective of this program is to generate economic growth and business sustainability to positively impact Mexico.

In its 4 years of operation, our Mentoring program has managed to impact more than **1,230 companies** with: more than 27 thousand hours of free mentorship, 90 training workshops and multiple events to create new connections with clients, suppliers or key people for their businesses.

Thanks to the alliance with the World Trade Center – UANL in Monterrey and ITE-SO in Guadalajara, working hand in hand with the SBDC (Small Business Development Center) method, we have learned what SMEs from these two cities need.

In 2019 we helped **328 companies** that created and retained almost **4 thousand jobs**. Our goal is to create an ecosystem of healthy companies that can sustain themselves over time despite difficulties in the economy.

→ Through this mentoring program we obtain a better understanding of clients and non clients, we get to know their histories and identify their needs and strengths in depth.

Mentoring program in Numbers



327

ADVISED BUSINESSES



6,434

MENTORING HOURS



+\$288 MDP

INCREASE IN SALES



661

GENERATED JOBS



3,090

RETAINED JOBS



33

TRAINING WORKSHOPS



861

PARTICIPANTS IN WORKSHOPS

GRI → 416-1 / 416-2 / FS16

Clara Banregio

In March 2017, Banregio launched a communication campaign to promote the SME Women's Credit; however, the success was so relevant that the communication effort became a financial inclusion program with the name of Clara Banregio.

Clara is the result of our commitment to the 4th Sustainable Development Goal, offering quality financial education that allows people to access expertise from the bank, thus helping them find their way to financial freedom.

From the beginning of this project, we noticed the great response that specifically women had to the possibility of obtaining tools and sharing their stories to improve their relationship with money. Considering this need, we focus our effort on promoting, along financial education, equal rights to economic resources for women, consequently impacting their development as more complex clients and making a positive change in the consumer decisions of their families.





In 2019, Clara transformed into a comprehensive financial educational platform with gender focus. It offers: face-to-face workshops, digital material for consultation and opinion articles based on experiences. Moreover, it has become a community in which money-related stories are shared with respect and without judgment, creating a space to formulate questions and express experiences with a clear, direct voice and without intimidating words.

It is important to mention that our initiative was recognized in 2018 by the Financial Alliance for Women with the prize Women's Market Champion New Program Award.

→ **Results in 2019**



10 events and
workshops



+700
attendees

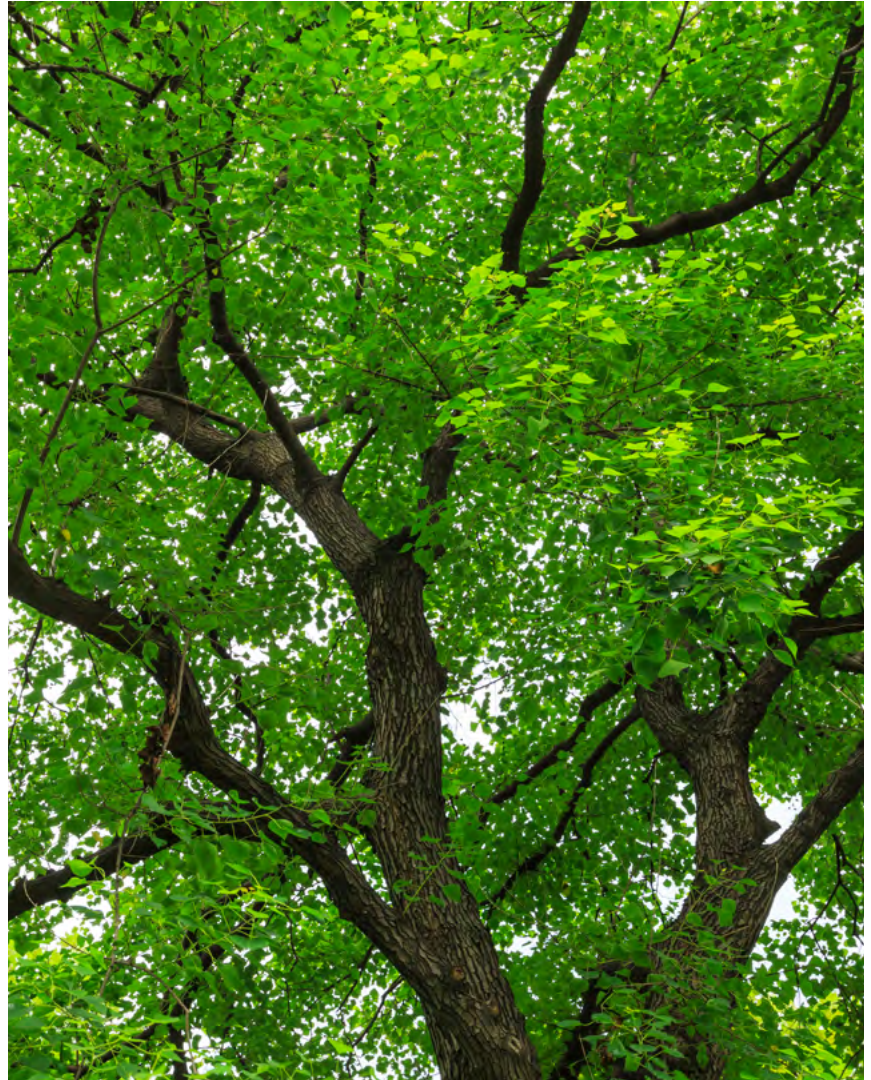


+2 thousand users
on social networks

→ Thanks to these financial education and inclusion efforts, we have no claims or sanctions to report regarding the responsibility of Banregio to the financial health of its clients.

Environmental Management

At Banregio we are committed participate in reducing climate change, which is why we administer and measure the impact of our operations on the environment. Even though this is not a material issue for the Company, we implement initiatives to reduce our waste and the consumption of electricity.



GRI → 302-1 / 302-3 / 302-4 / 305-5

Energy

Electric power represents the main source of carbon emissions in the operation of the bank. In 2019, energy consumption was 14,943,055 KW, an amount that represents a 3% increase compared to the previous year. This increase is mainly due to the inauguration of branches and exchange centers during the year.

Electricity supply constitutes close to 90% of Banregio's energy consumption. The remaining 10% corresponds to the purchase of gasoline for the operation of utility vehicles and the use of diesel in power emergency plants.

→ This year we continue with the implementation of energy saving initiatives, the main one being a substitution of traditional air conditioning systems by central equipment Inverter in branches and buildings inaugurated in this period.

Likewise, as part of the strategies for energy efficiency, certain suppliers of solar panels are being evaluated for the implementation of their services in our branches.

TOTAL ENERGY OF BANREGIO PER CONSUMPTION TYPE			2018		2019		% VARIATION 19 VS 18
Direct Consumption	Fuel	Diesel	47.50	8,966.54	57.63	6384.7	21%
		Gasoline	8,919.04		6327.07		-29%
Indirect Consumption	Electricity	CFE	52,132.11	52,132.11	53,795.00	53,795.00	3%
Total (GJ)				61,098.65		60,179.7	-2%

Energy consumption by region

As can be see in the table, **20% of the regions** managed to lower their energy consumption. The following regions stand out: Baja California, Valle de México Norte y Sur.

At the same time, **44% of the total installations** (services/RPUs) have managed to reduce their energy consumption.

REGION	2017 (kWh)	2018 (kWh)	2019 (kWh)	VARIATION 19 VS 18
Baja California	662,451	644,066	617,585	-4%
Noroeste	726,061	697,904	745,731	7%
Norte	857,038	907,375	949,537	5%
Golfo norte	8,089,918	8,750,284	8,788,022	0.43%
Centro occidente	89,313	81,226	88,143	9%
Oriente	139,200	140,640	150,880	7%
Valle México Norte	113,933	119,955	118,864	-1%
Valle México Centro	348,499	341,508	360,068	5%
Valle México Sur	251,490	321,522	298,020	-7%
Bajío	667,908	721,084	814,423	13%
Golfo centro	484,073	479,296	539,411	13%
Centro Oriente	87,861	88,543	101,774	15%
Peninsular	326,043	291,777	396,290	36%
Jalisco	906,766	895,961	974,307	9%
TOTAL	13,750,554	14,481,141	14,943,055	3%

Fuel Energy

Heat energy is another important resource for the operation. As in previous years, Banregio had emergency plants in operation and utility vehicles, which use of diesel and gasoline, respectively.

→ Fuel consumption per year

COMBUSTIBLE	2017	2018	2019	% VARIATION 19 VS 18
Diesel (L)	1,783.00	1,251.00	1,512.00	21%
Gasoline (L)	142,343.79	264,512.26	179,845.77	-32%

→ It should be noted that, thanks to the results of our efforts, the use of gasoline for transportation was reduced by 32%.

GRI → 305-1 / 305-2 / 305-3 / 305-5

Emissions

We are committed to the continuous improvement of the bank's processes through the annual measurement of our carbon footprint, implementing strategies to reduce our environmental impact.

In 2019 we implemented for the third consecutive year, the process of measuring the carbon footprint of our operations. The result allows us to measure our impact and design new strategies against climate change.

In accordance with the Regulation of the General Law on Climate Change regarding the National Emissions Registry, the NMX-SAA-14064 standard and the GHG Protocol, an organizational approach was considered to establish the limits of the analysis and calculate the carbon footprint of scope 1, 2 and 3.

The Carbon Footprint measurement considers:

- **SCOPE 1:** use of fuels
- **SCOPE 2:** electricity consumption
- **SCOPE 3:** air travel

In the reporting period, we achieved a reduction in emissions generated from the use of gasoline and the purchase of electrical energy; the former by 29% and the latter by 1%, both compared to 2018.

In total, our decrease in emissions was 2.6% and for the year 2020 the goal will be to reduce our emissions by 5%.

KPIs	UNIDAD	2017	2018	2019	VARIATION 19 VS 18
Emissions scope 1 (Fuels)	tCO ₂ e	351.46	646.77	460.58	-29%
Emissions scope 2	tCO ₂ e	8,002.82	7,631.56	7,546.24	-1%
Emissions scope 3	tCO ₂ e	0.00*	216.46	281.66	30%
Total emissions	tCO ₂ e	8,354.29	8,494.79	8,288.49	-2.6%

* In 2017, Scope 3 emissions were not reported.

GRI → 306-2

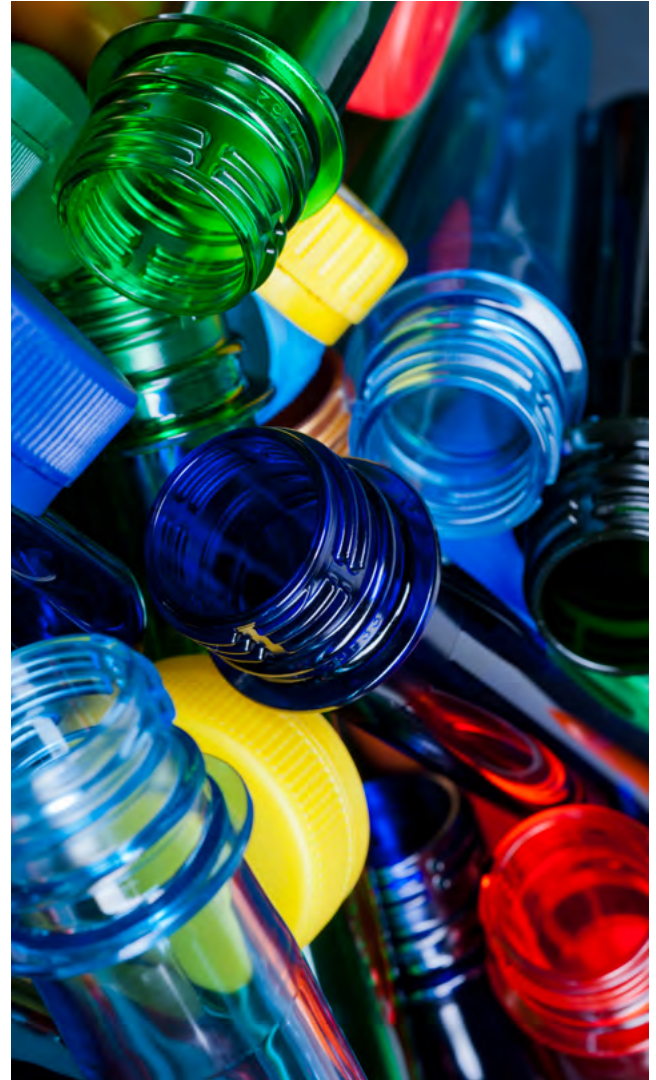
Residues

Committed to the reduction of our waste and its adequate final disposal, in 2019 the waste separation and recycling program was reinforced in our corporate buildings Torre XII, Back Office and Morones Prieto.

In 2019, we changed the suppliers in charge of collecting PET and aluminum; therefore, the data of the volume generated from these materials was not recorded constantly. However, this change in supplier allowed us to add dead files that previously was not considered for recycling.

→ Thanks to this change, in the reporting period we recycled 39,501 kg of paper and 2,820 kg of cardboard through our supplier in charge of dead files, who ensured its shredding and correct final disposal.

One of our main objectives for the coming year will be the implementation of comprehensive training in our environmental programs to raise awareness among our employees about the impact that day-to-day operation brings to the planet.



Ecological Culture

We promote an education of preservation and care for the environment among our employees and the community, through our **Green Team**. Headed by the Sustainability area, the team is made up of Maintenance, Human Resources and volunteers from different departments.

With the Green Team we launched awareness campaigns on recycling of urban solid waste, electronics and tips on the use of energy and water care. Our main communication channels for this information are: Internal communication (e-mail), Workplace and TV screens in branches and buildings. Through these campaigns we work to reinforce the ecological culture that we live in Banregio.

In 2019, thinking of new measures to mitigate the effects of climate change, we organized for the first time a reforestation volunteer program in partnership with Pronatura.

The activity was carried out thanks to the donation of 276 thousand mexican pesos with the purpose of planting of **900 stone pines** and the work of more than **250 volunteers from Banregio**, accompanied by their families. It is important to indicate that the stone pine is native of this area and it is distributed in a natural way; it is excellent for ground retention and the capture of carbon (CO₂), as well as for water recollection for the groundwater reserves.





According to the sampling made by [Pronatura](#), a month after the reforestation, the trees planted by Banregio obtained a **74.8%** survival rate and have contributed to the ecosystem with: recollection of water of an average of 9,000 liters per precipitation and an estimated capture of carbon of 3.357 to 3.924 kg C carbon (Mg ha-1)*.

This action positively impacted the region of Conservación Prioritaria Sierra de Arteaga, a natural area protected for the diversity of species of flora and fauna, where we can find: eastern mountain parrots, the ursus black bear, as well as different species of bats that are important for the pollination and the migratory route of the monarch butterfly. Likewise, this action supports the conservation of the conifers temperate forests, which connect to the tributary of the Santa Catalina River, a main provider of oxygen to the cities of Arteaga, Ramos Arizpe and Saltillo, in Coahuila.

Likewise, the START business unit joined the fight against climate change through a campaign to adopt native trees in Nuevo León.

In partnership with the [Organización Vida Silvestre \(OVIS\)](#), the START team integrated a tree of native species into the signature kit for automotive loans that will help improve the air quality in the city. The action, in addition to promoting urban reforestation, invites customers to become aware of the environmental responsibility we have when using a vehicle.

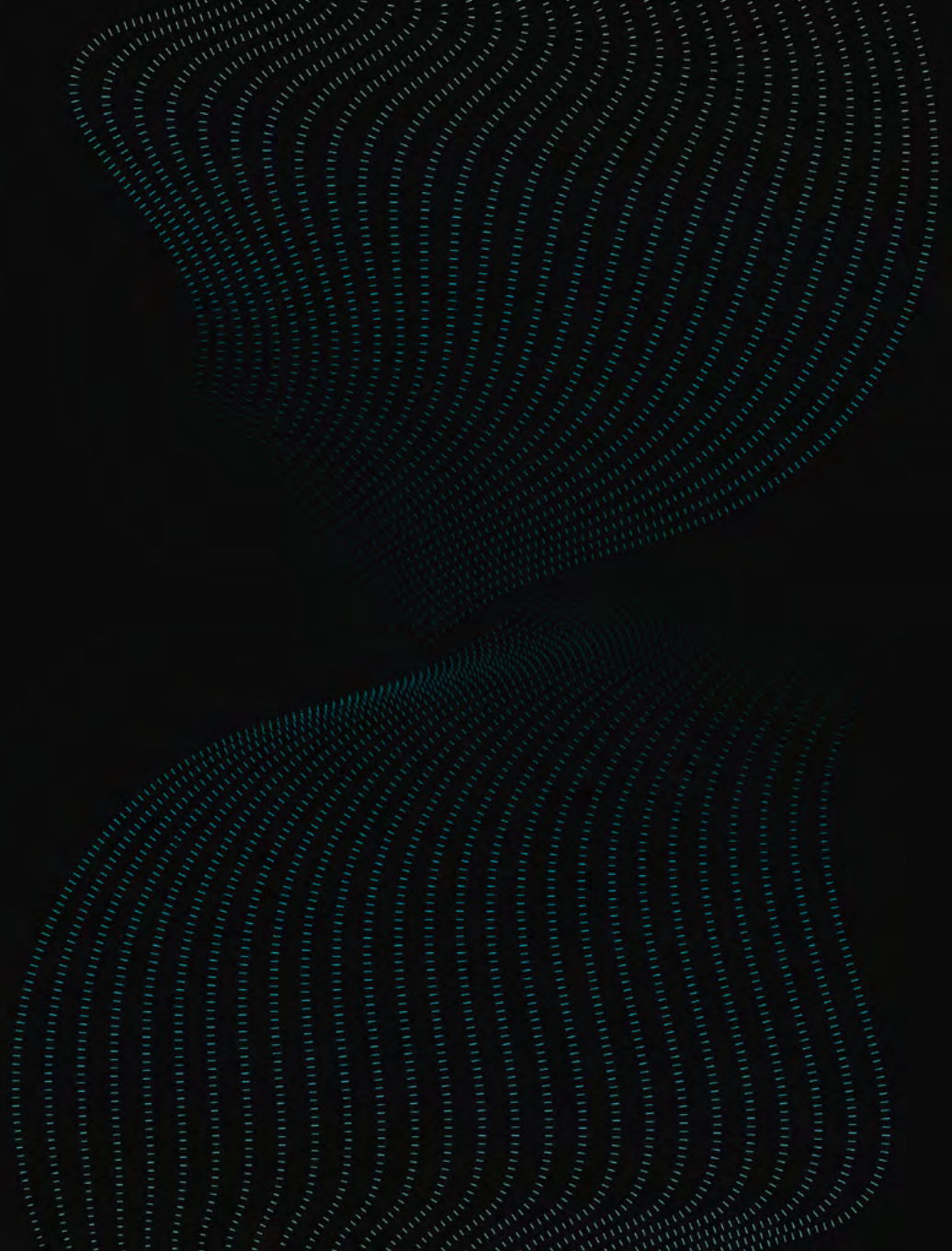
In the 4 months that the campaign lasted, **100 evergreen oaks** were delivered, which will be planted by our clients and their families in the metropolitan area of Nuevo León. For the year 2020, this effort is planned to be extended nationwide.

* Organic matter used as an energy source.

Annual Report 2019

Corporate Governance

regional[®]



Highlights



13

MEMBERS IN THE BOARD
OF DIRECTORS



62%

INDEPENDENT BOARD
MEMBERS

Trainings:



**4,355 EMPLOYEES
TRAINED IN THE CODE
OF CONDUCT**



**64% OF THE BOARD OF
DIRECTORS TRAINED IN
CYBERSECURITY**

Sustainable
Development Goals:



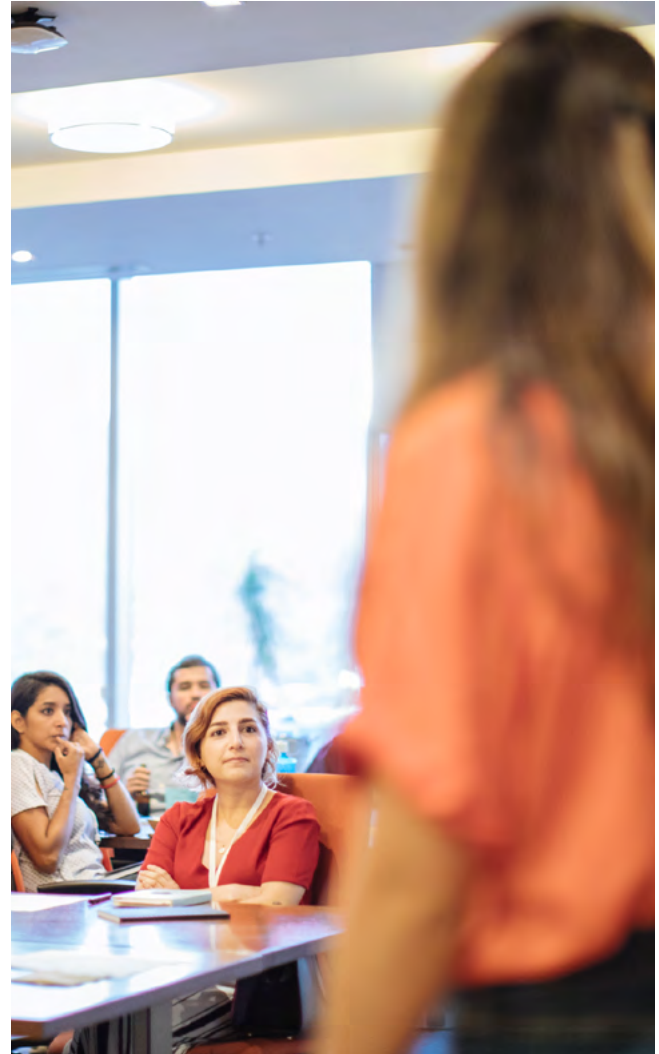
[GRI → 102-18 / 102-19 / 102-20 / 102-22 / 102-23 / 102-24 / 102-25 / 102-27](#)

[GRI → 102-28 / 102-32 / 102-33 / 102-34 / 102-35 / 102-36 / 102-37 / 405-1](#)

Structure

Regional has a Corporate Governance that establishes principles and standards for all its entities, with the purpose of ensuring the continuity of the businesses. This government is defined as the set of inherent relationships among the administration, the Boards of Directors of the different entities, the Support Committees, Shareholders, Regulators, Investing Public and other interested third parties.

In the previous period, with the purpose of adding value to the group of entities, Regional decided to undergo a review of policies and processes by an independent third party. The result of this exercise was a more comprehensive Code of Governance, a document that establishes the operational guidelines for the Shareholders' Meeting, the Board of Directors and its support committees.



The **Shareholders' Meeting** which meets annually is responsible for appointing the members of the **Board of Directors** and for approving the accounts of the Financial Group, as well as the payment of dividends, where applicable.

As the highest governance body within the group, the main duties of the **Board of Directors** are: appoint Regional's CEO, the members of the Audit Committee, the Corporate Practices Committee and the corresponding delegates to formalize and execute the agreements.

Chaired by Mr. Jaime Alberto Rivero Santos, Regionals' Board of Directors comprises **13** Board members and **62%** of them are independent. As established by the applicable legislation, the CEO reports directly to the Board of Directors and its committees.

The process of appointing the members of the Board of Directors should favor the interests and the strategic vision of Regional. This process must be transparent, objective, inclusive and will be led by the Corporate Practices Committee.

The members of Regionals' Board of Directors must be committed, reliable, technically qualified, have a good reputation, a satisfactory credit history and an extensive knowledge and experience in financial, regulatory, legal or administrative matters.


The independent directors will be the only members of the Board of Directors who will be entitled to receive economic remuneration. They will be appointed by the General Shareholders Meeting reviewed annually.

The annual compensation of the board members must be consistent with the following principles:

-
- Consistent with the scope of the positions and responsibilities
 - Consistent with professional experience and knowledge
 - Consistent with the average compensation by benchmarking companies in the regulated sector
 - Equity and proportionality
-

According to the bylaws, the Board is responsible for monitoring the Company's well-being by establishing the strategy for Banregio, issuing the Annual Report for the Shareholders' Meeting, as well as supervising the transactions between the financial group's subsidiaries.

In addition, the Board is in charge of safeguarding and protecting the interests of the shareholders, customers, employees and suppliers, while supervising that the decision-making process ensures a healthy Corporate Government.

 **Board of Directors**

BOARD MEMBER	MEMBER SINCE
Ing. Jaime Alberto Rivero Santos <i>Chairman of the Board</i>	1994
Lic. Manuel G. Rivero Santos	1994
Lic. Manuel Gerardo Rivero Zambrano	2006
Ing. Sergio Eugenio González Barragán	2015
Lic. Héctor Cantú Reyes	2015
Ing. Francisco Rogelio Garza Egloff*	2006
Ing. Alfonso González Migoya*	2005
C.P. Jorge Humberto Santos Reyna*	2005
Ing. Isauro Alfaro Álvarez*	2009
Lic. Oswaldo José Ponce Hernández*	2017
Lic. Juan Carlos Calderón Guzmán*	2018
C.P. Daniel Adrián Abut*	2018
C.P. Carlos Arreola Enríquez*	2018

* Independent Board Member

 **PATRIMONIAL BOARD MEMBERS**

They own property or trust rights on a percentage of the share capital of Regional and/or its companies; therefore, they act as active members of the governing bodies.

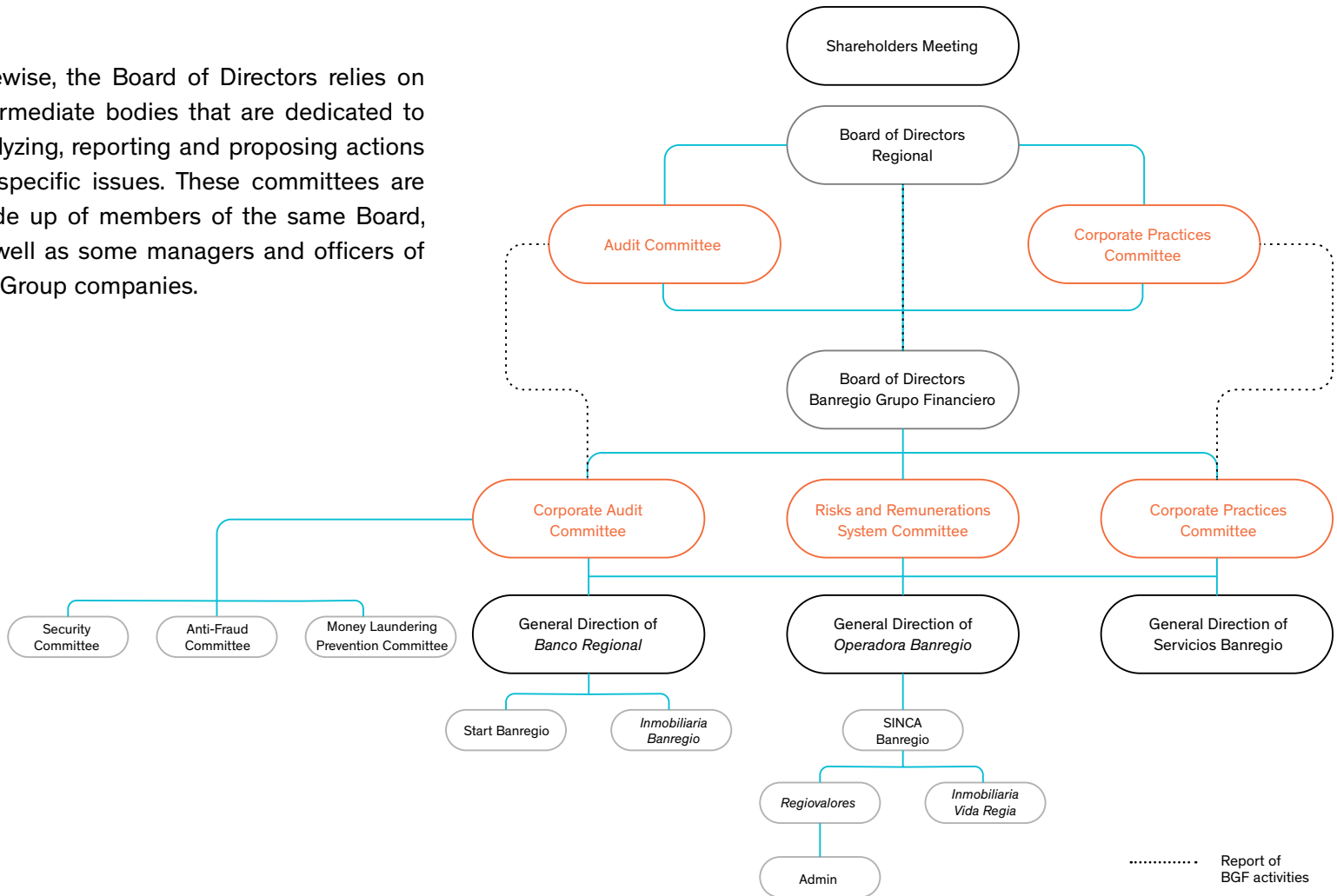
 **RELATED BOARD MEMBERS**

They are directly or indirectly connected with Regional, either by working in the administration, providing a service, business, or any other relationship that affects their independence.

 **INDEPENDENT BOARD MEMBERS**

They are not related to the shareholders or important directors of Regional; they have an objective and impartial vision, they are free from conflicts of interest, they are not subject to personal, patrimonial or economic interests and they are invited to be part of the Board of Directors and their support Committees.

Likewise, the Board of Directors relies on intermediate bodies that are dedicated to analyzing, reporting and proposing actions on specific issues. These committees are made up of members of the same Board, as well as some managers and officers of the Group companies.



→ Regional Committees

COMMITTEE	DUTIES	COMMITTEE	DUTIES
AUDIT	<p>Holds a quarterly session and comprises 3 independent Board Members.</p> <p>Funciones:</p> <ul style="list-style-type: none"> → Internal and External Audit → Internal Control → Risk Management → Financial information → Conflict of Interest → Compliance → Monitoring of operations with related parties 	CORPORATE PRACTICES	<p>Holds a quarterly session and comprises 3 independent Board Members.</p> <p>Funciones:</p> <ul style="list-style-type: none"> → Strategic planning → Selection, evaluation and compensation of the CEO and relevant directors → Unusual transactions → Corporate Ethics → Sustainability and Social Responsibility → Budget Management → Corporate Policies → Delegation of Authority → Operations with related parties

GRI → 102-31

→ **Committees in Banco Regional**

COMMITTEE

DUTIES

RISKS AND REMUNERATIONS

Holds monthly sessions and comprises 2 members of the Board of Directors, the General Director and the Head of the Integral Risk Management Unit.

Duties:

- Identify, measure, monitor, limit, control, inform and reveal the different types of risks
- The objectives, guidelines and policies for comprehensive risk management
- The global and specific limits for exposure to different types of risk
- Remuneration system of the Financial Group (risk perspective)
- The technical evaluation of aspects of integral risk management



*The corporate practices and audit committees of Banco Regional fulfill the same functions described for Regional's committees.

There is also a structure for evaluating and self-evaluating the performance of the governing bodies and their members. This practice provides objective feedback on the work carried out by them, as well as identifies the strengths and areas of opportunity that must be addressed as a matter of priority in the Council.

WHAT IS EVALUATED?

- Skills, knowledge, quality of the participations and self-development of each of the board members
- Operational and leadership elements of each of the governing bodies
- Fulfillment of the duties of the President of each of the governing bodies
- Performance of each of the Corporate Secretariats

In the previous period, the self-evaluation of the board members was carried out for the creation of the new Corporate Governance Manual. For 2019, we began the selection process of an expert consultant to help us design an independent evaluation.

Likewise, an intensive 5-hour training was provided, attended by 64% of the Board, on topics such as: Cybersecurity, Data Innovation applied to Risk Intelligence, Tax Reform, among others.

In 2020, progress will be made in this process, increasing training and adopting best international corporate governance practices.

It is important to mention that all Board members must present a document stating to know all of Regional's Internal Policies and that, in compliance with said policies, provide a statement which confirms or eliminates any possible conflict of interest.

Similarly, Banregio has a management team committed to implementing the Group's strategy that ensures a high-quality operation, incorporating their professional and technical experience in the corresponding areas.

On a monthly basis, the CEO of Banco Regional participates in follow-up meetings with the managers of the business units to analyze their results. The meetings review the Group's main credit and operating risks, as well as the economic environment in which it operates.

This way we ensure that the company's results are monitored and that the material issues are brought to the Board in a timely manner. Additionally, the strategy defined by this governing body is transmitted to the rest of the organization.

[GRI → 102-16 / 102-17 / 205-1 / 205-2 / 205-3 / 206-1 / 412-1 / 412-2 / 416-2 / 418-1 / 419-1](#)

Ethics and transparency

The Company promotes the inclusion of the corporate Values in the decision-making process through its employees and the rest of its stakeholders. These values are the basis of the **Code of Conduct**, a document that guides the actions of those who are part of Banregio.

In compliance with our Corporate Governance Manual, the Code of Conduct is prepared by the General Management and proposed for approval by the Board of Directors through the Corporate Audit Committee. This document establishes a self-regulatory framework for the conduct of managers and everybody who is part of the institution, as well as the conduct of its board members according to their activities and functions.

The Code is communicated by e-mail through our corporate network and also at the annual Kickoff event, as part of the company's ethical commitment.

It is also available on the bank's website and it is disseminated through videos in our branches and offices, as part of an Integral System of Institutional Conduct, so that it can be consulted by the rest of the stakeholders.

In 2019, we continued with our online course **Actitud Banregio**, which explains all the guidelines of the Code of Conduct. For this new version, a rapid and dynamic course was designed with a duration of only 1 hour.

At the end of the year, we achieved 4,355 hours of training for our employees on topics such as: **non-discrimination, human rights, conflict of interest, money laundering, information security and social responsibility, among others.**
87% employees were trained in the policies.

In addition to Code training, our collaborators also receive annual training in the subject of Money Laundering Prevention, to reinforce this issue within the bank. In 2019, **98%** of the employees attended this training which includes topics regarding information security and anti-corruption.

 **Code of Conduct Training**

JOB CATEGORIES	2017		2018		2019	
	NUMBER OF TRAINED EMPLOYEES	NUMBER OF TRAINING HOURS	NUMBER OF TRAINED EMPLOYEES	NUMBER OF TRAINING HOURS	NUMBER OF EMPLOYEES AND TRAINING HOURS	
Direction	24	36	39	78	Direction	66
Deputy Direction	76	114	126	252	Deputy Direction	165
Staff (administration)	473	709.5	543	1,086	Staff	1,337
Branches (business)	261	391.5	305	610	Business	1,194
Executives	423	634.5	559	1,118	Branch	1,341
Operational	1,630	2,445	2,284	4,568	Executives	252
Total	2,887	4,330.5	3,856	7,712	Total	4,355

* In 2019 the Code of Conduct course lasted 1 hour.

Likewise, to report any detected breaches to the Code, we have a transparency mailbox on our website. This mailbox, which is part of the Integral Conduct System, is an independent, anonymous and secure communication channel, open not only to our employees, but also to customers and suppliers.

In 2019, we received a total of **295 reports** through the Transparency Mailbox, only **14** of them were important ethical cases. Each report is classified according to its priority and referred issue and it is supervised by the legal area with the corresponding departments.

It is important to mention that in this mailbox some customer complaints were also received which were directed to the corresponding service area for their timely solution. These complaints are not considered in the analysis because they are issues related to service quality.

→ Transparency Mailbox

2018	PATRIMONIAL	HUMAN CAPITAL	TOTAL
Number of reports	54	209	263
Relevant cases	2	13	15
Solved	2	13	15

2019	PATRIMONIAL	HUMAN CAPITAL	TOTAL
Number of reports	31	264	295
Relevant cases	10	4	14
Solved	10	4	14

* The Other column is not taken into account as they are cases with topics not corresponding to the transparency mailbox

The complaints received in the mailbox are added to the internal audit evaluations of the branch. They are processed in a social responsibility section where compliance with the Code of Conduct is validated throughout our operation. The topics revised are: human rights, conflict of interest and anti-corruption.

In 2019, there were no cases detected that resulted in a judicial process or relevant incidents that affect the institution's assets. However, as in any financial group, risk situations were identified that deviated from our values and institutional behavior, said actions were addressed in accordance with our Integral System of Consequences.

Thanks to our regulatory framework in a heavily exposed and regulated sector, in 2019 we received only 7 monetary sanctions for a combined amount of \$ 577,862 thousand Mexican pesos. **It is worth mentioning that there were no sanctions for anti-competitive practices, complaints regarding mishandling of customer data or leakage.**



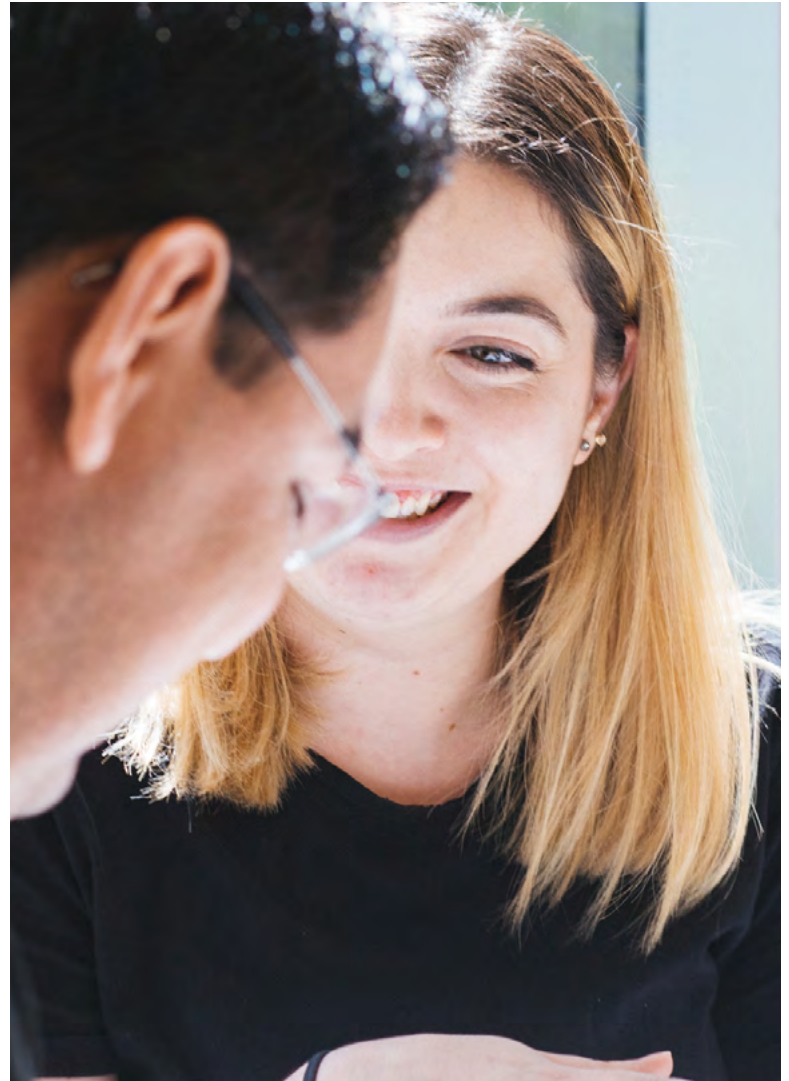
GRI → 102-11 / 102-15 / 102-29 / 102-30 / 102-31 / 201-2 / 412-3

Risk Management

The general view of Banregio regarding the risk profile is to form a solid and diversified portfolio, through strategic business objectives and profitability, capital allocation, asset quality, liquidity provision, adequate operating capacity and attraction of talent.

We promote the sustainable generation of value and the development of the business in accordance with the levels of risk appetite and tolerance to risk determined by the Board of Directors.

The bank operates under a Comprehensive Risk Management System that includes objectives, policies, procedures and government bodies responsible for identifying, analyzing, monitoring and reporting the following risks: credit, liquidity, market, operational and non-quantifiable risks, to which the institution is exposed.



Prudence, discipline and diversification have been Banregio's main differentiators for its balanced and healthy growth.

Under this system, qualitative and quantitative criteria have been incorporated into the national and international regulatory framework in which preventative and prospective approaches predominate, encouraging the identification and management of risks under normal conditions and crisis environments.

In 2019, a program was proposed for the social and environmental evaluation of credits, which would add to the current analysis. The process began with the development of a corporate, environmental, and social risk policy that will serve as a regulatory framework to integrate these issues into the evaluation.

After the policy, an evaluation pilot will be launched with a diverse sample of clients. For 2020, the objective is to integrate this process of identification, management and monitoring of environmental and social risks into the operation of the risk team for the most extensive lines of credit.

On the other hand, we detected the increasing relevance of **information security and cybersecurity** as a latent risk within the international financial system. As the office in charge of its management, the Comptroller and Compliance Department has established a set of preventive and reactive measures of the organizations and technological systems, including a Security Committee.

The Security Committee reports to the Board of Directors and meets quarterly. This commission is made up of 9 members of the legal, internal audit, strategic planning, transformation, operation and logistics, as well as 2 external consultants and their corresponding substitutes.

Among the main functions of the Security Committee are:

- Approve initiatives to increase the level of security
 - Monitor and control the security plan
 - Monitor significant changes in security risks that affect the Company's resources against potential threats, internal or external
 - Approve, revise, modify or reject security policies, as well as ensure their correct publication and dissemination
 - Evaluate and coordinate the implementation of specific information security controls
-

It is important to mention that, as an institution, Banregio fully complies with the rights stated in *Derechos de Acceso, Rectificación, Cancelación y Oposición (ARCO)* on the information handled. ARCO Rights are the human rights contained in article 16, second paragraph of the Mexican Constitution, which states that everyone has the right to safeguard their personal information as well as; access, rectify, cancel and oppose its use.

Risk Intelligence

At the same time, the Risk Intelligence Division continues the analysis of asset quality of the credit portfolios. This department is responsible for the timely and comprehensive disclosure of current and potential risks, along with the assessment of regulatory compliance in terms of credit risk.

The Risk Committee monitors the management of these departments each month and sends the evaluation to the Board of Directors.

Key Banregio measures for risk management:

- Guidelines regarding focusing quality clients, based on individual qualitative and quantitative rating
 - Alignment of pricing policy based on risk and term
 - Reducing exposure in the following segments: infrastructure, corporate, government, public entities and non-regulated financial entities
 - Monitoring and providing feedback to the management processes between control areas and business areas
 - Prevention and contention processes in early default
 - Increase in Guarantees with development banks (NAFIN, SHF and FIRA)
 - Actions that deal with prospecting, security positions and follow-up and review measures for the Corporate and Business clients
-

Banregio's philosophy is to grant credit in a way that it will support the development of companies and strengthen the demand of consumer durables through financing. When granting a loan, not only the risk but also the borrower's ability to pay will be considered, and if applicable, the social, economic and environmental viability of the project that is being financed.

It should be noted that in accordance with our origination and credit management policy, we avoid the following sectors: Casinos or Betting Centers, Exchange Centers, Political and Religious Organizations, Communication Means, Local Savings Associations, Pawnshops, Firearms, Hunting and Fishing, Bars and Canteens.

With a solid Corporate Governance, an ethical commitment and meticulous risk management, Regional will continue working for the sustainable development of its business activity and the generation of value for all its stakeholders.



GRI → [102-21](#) / [102-32](#) / [102-40](#) / [102-42](#) / [102-43](#) / [102-44](#) / [102-46](#) / [102-47](#)

GRI → [102-48](#) / [102-49](#) / [102-50](#) / [102-51](#) / [102-52](#) / [102-53](#) / [102-54](#) / [102-56](#)

About this report

With this comprehensive report, Regional seeks to promote a trusting relationship with its stakeholders, by informing its initiatives and results under a transparent approach.

For the third consecutive year we opted for a comprehensive annual report which reflects the financial and non-financial performance of Regional and its subsidiaries. This document covers the actions and results from January 1st to December 31st, 2019.

As in the previous year, this edition is prepared in accordance with the comprehensive compliance option of the GRI Standards, an updated version of the international reference reporting methodology developed by the Global Reporting Initiative (GRI). Additionally, the contents of the GRI supplement that are linked to the issues determined as material were considered for the financial services sector. (1)

GRI contents presented in this report, were validated by the external consultant Valora Consultores de Gestión, S.L., a company based in Spain with experience in the verification, audit, systems and evaluation in sustainability.

In keeping with our sustainability approach, for the preparation of this 2019 document we continued with the communication channels expressed in the previous report and maintained the identification of our stakeholders, which was done during the 2018 materiality study. To have an in-depth knowledge of the methodology of the study and the material topics (including their internal and external limits), check our [2018 Materiality Analysis](#) available on our website www.regional.mx.

**FOR MORE INFORMATION ABOUT THE REPORT,
PLEASE CONTACT:**

→ alejandrolobeira@banregio.com

→ alejandra.rivero@banregio.com

1. The reformulations for the information presented are directly referenced in the sections of the report.

→ Audit Committee Activity Report

February 21st, 2020

To: Board of Directors of Regional, SAB de CV
Regional, SAB de CV Shareholders Assembly

In accordance with the provisions of sections I and II of article 43 of the Securities Market Law, the following report is issued regarding the activities carried out by the Audit and Corporate Practices Committees of Regional, SAB de CV and its subsidiaries, hereinafter Regional, for the year 2019.

The content of this report includes the activities in Regional, S.A.B. de C.V. and the relevant entities that are listed below: Banregio Grupo Financiero, SA de CV, Banco Regional, SA, Start Banregio, SA de CV, SOFOM ER

In 2019, the condition of the internal control system of Regional's subsidiary companies was evaluated, with the support of the areas of internal control, internal audit and external audit. Its proper operation in a general way was verified. No deficiencies were detected that significantly affect the control environment within the controlled companies. To support the internal control review that was carried out, the following documents were received and reviewed:

- Quarterly reports on internal audit management and on the compliance with its annual work program 2019.
- Quarterly reports on internal comptroller management.
- Quarterly reports from the external auditor.
- Annual reports on Internal Control prepared by the General Directors.

The annual plan for internal audit revisions was reviewed and approved. The observations derived from their revisions were received and the corresponding supervision of the remedies was carried out, resulting in greater effectiveness and efficiency in the control of the operations. With regard to the monitoring of preventive and corrective measures, it is reported that action plans were generated to deal in a timely manner with all the observations and recommendations issued by the National Banking and Securities Commission and Banco de México in its ordinary inspection visit, regarding the fraud prevention review, portfolio qualification and regulatory reports. Banco de México also reviewed the areas of guarantees, salary transfers and requirement No. 24 for the operation of derivative financial instruments. The Internal Audit Department monitors the full implementation of the recommendations of the aforementioned Bank of Mexico.

The work of the firm of external auditors was evaluated as well as its proposal for services and fees for the year 2019. As a result, the proposal to ratify the firm of independent Public Accountants, Mancera, SC, EY México as external auditor of Regional and subsidiaries was presented to the Board of Directors. The scope of their work, the quality and timeliness of their reports and opinions, as well as the support they provide the administration and this Audit Committee, in compliance with the applicable regulations, has been fundamental in proposing its ratification.

Before starting the audit of the financial statements, the compliance of the external audit personnel with the independence standard as well as with the personal and professional requirements was supervised. We reviewed and approved its work plan and during its execution this Committee was informed of its progress, the changes to the initial work plan and the observations that were found (if any). We also verified that the administration will take appropriate corrective measures in a timely manner. The external auditor attended, as a guest, with voice but without vote, all the sessions of this Committee.

During the year, we maintained communication with the external auditor and verified that the management departments provided them all the information they requested, in a timely manner, to carry out the audit of the financial statements without limitation.

The financial statements of Regional and subsidiaries as of December 31s, 2019 were reviewed, as well as the opinion issued by the firm of independent external auditors on said financial statements, which consists of an opinion without

exceptions stating that the financial information prepared by the management departments of Regional and its subsidiaries complies in all material aspects with the accounting regulatory framework applicable to holding companies of financial groups issued by the National Banking and Securities Commission. We also reviewed the letter of statements issued by the management department for the firm of external auditors.

In 2019, in addition to the audit of financial statements, other services were required from the external auditor, verifying previously that this did not represent a threat to its independence. These services comprised the audit of certain transfer prices, a verification of compliance with certain requirements applicable to the payment system known as SPEI and BDT, identification of possible vulnerabilities in the electronic system, an opinion on the fiscal cost of certain shares of one of Regional's subsidiaries and other less important works.

In fiscal year 2019, there were no relevant changes in the accounting regulations applicable to Regional and subsidiaries.

No complaints were received during the year from shareholders, Board Members directors, executives, employees, customers or other third parties about irregular events that were relevant regarding accounting, internal controls, administration, or internal and external audit. In accordance with the best corporate governance practices, there is an anonymous reporting system supervised by this Audit Committee.

Likewise, we report that this Committee supervised the resolutions of the meetings of the shareholders and of the board of directors, verifying that they were fulfilled.

Based on the work described in the previous paragraphs, this Committee recommends the Board of Directors to approve the financial statements of Regional and its subsidiaries prepared by the Management Department and the Internal Comptroller. These statements were revised by the Internal Audit Department, through its specialized area of financial statements Audit and they were audited by the External Auditors who verified that the financial, administrative and accounting information was prepared based on the applicable regulations.

Sincerely,

A handwritten signature in black ink, consisting of a large, stylized initial 'A' followed by a series of loops and a long, wavy horizontal line extending to the right.

Mr. Alfonso González Migoya
Chairman of the Audit Committee
Regional, S.A.B. de C.V.

→ Report of the Corporate Practices Committee

To: Board of Directors

General Ordinary Meeting of the Shareholders

In accordance with sections I and II of article 43 of the Securities Market Law, the following report is issued regarding the activities carried out by the Audit and Corporate Practices Committees of Regional, SAB de CV and its subsidiaries, hereinafter Regional, for the year 2019.

a) Observations regarding the performance and compliance of the relevant directors. It is reported that, in the Corporate Practices Committee of Regional SAB de CV, corresponding to the Fourth Quarter 2019 held in January 2020, observations were made regarding the performance and compliance of the relevant directors of Banco Regional, SA Institución de Banca Múltiple, Banregio Grupo Financiero, one of the main subsidiaries of Regional, SAB de C.V. The foregoing, in accordance with the applicable legal provisions and the policies and procedures established by Regional SAB de CV, and other companies controlled by it.

b) Loans and operations with related parties granted by Banco Regional, SA and Start Banregio, SA de CV, both subsidiaries of Regional, SAB de C.V. as of December 2019 were: \$ 2,484.0 million pesos and \$ 295.0 million pesos, respectively. These amounts are duly within the limits indicated by the regulation (less than 35% of the basic capital). The inter-company transactions were carried out at market prices, which was verified by the external auditor, who did not report relevant findings as of the date of issuance of this report.

c) Emoluments or comprehensive remuneration packages of relevant managers. Likewise, during the January 2020 session, the Corporate Practices Committee was informed about the remuneration of the Chief Executive Officer and relevant executives of Banco Regional, SA Institución de Banca Múltiple, Banregio Grupo Financiero. This remuneration is carried out in accordance with a compensation package approved by the Board of Directors, which comprises a fixed and a variable compensation. The latter is granted based on the achievement of institutional goals and objectives that include an assessment of the risks of the different businesses.

d) In 2019, the Board of Directors did not grant exemptions to Board Members or Directors so they could exploit business opportunities.

This year (2019), the implementation of the recommendations granted by the firm Mancera, SC of Ernst & Young México for the improvement of the Corporate Governance Model began. Among these recommendations are the selection, evaluation and training of the members of the Board of Directors. As a result, the Corporate Practices Committee reduced the number of its independent directors to three.




Mr. Alfonso González Migoya
President



Enrique Navarro Ramírez
Secretary

→ Independent auditor's Report



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INFORME DE LOS AUDITORES INDEPENDIENTES

A la Asamblea General de Accionistas de Regional, S.A.B. de C.V. y Subsidiarias

Opinión

Hemos auditado los estados financieros consolidados adjuntos de Regional, S.A.B. de C.V. y Subsidiarias (el Grupo), que comprenden el balance general consolidado al 31 de diciembre de 2019, el estado de resultados consolidado, el estado de variaciones en el capital contable consolidado y el estado de flujos de efectivo consolidado correspondientes al ejercicio terminado en dicha fecha, así como las notas explicativas de los estados financieros consolidados que incluyen un resumen de las políticas contables significativas.

En nuestra opinión, los estados financieros consolidados adjuntos de Regional, S.A.B. de C.V. y Subsidiarias, correspondientes al ejercicio terminado el 31 de diciembre de 2019, han sido preparados, en todos los aspectos materiales, de conformidad con el marco normativo contable aplicable a las sociedades controladoras de grupos financieros, emitido por la Comisión Nacional Bancaria y de Valores (CNBV).

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con las Normas Internacionales de Auditoría (NIA). Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección Responsabilidades del auditor en relación con la auditoría de los estados financieros consolidados de nuestro informe. Somos independientes del Grupo de conformidad con el Código Internacional de Ética para Profesionales de la Contabilidad (Código de Ética del IESBA) junto con los requerimientos de ética que son aplicables a nuestra auditoría de los estados financieros consolidados en México por el Código de Ética Profesional del Instituto Mexicano de Contadores Públicos (Código de Ética del IMCP) y hemos cumplido las demás responsabilidades de ética de conformidad con esos requerimientos y con el Código de Ética del IESBA.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

2.

Asuntos clave de la auditoría

Los asuntos clave de la auditoría son aquellos asuntos que, según nuestro juicio profesional, han sido los más significativos en nuestra auditoría de los estados financieros consolidados del periodo actual. Estos asuntos han sido tratados en el contexto de nuestra auditoría de los estados financieros consolidados en su conjunto y en la formación de nuestra opinión sobre estos, y no expresamos una opinión por separado sobre dichos asuntos. Para cada asunto clave de la auditoría, describimos cómo se abordó el mismo asunto en el contexto de nuestra auditoría.

Hemos cumplido las responsabilidades descritas en la sección Responsabilidades del auditor en relación con la auditoría de los estados financieros consolidados de nuestro informe, incluyendo las relacionadas con los asuntos clave de la auditoría. Consecuentemente, nuestra auditoría incluyó la aplicación de procedimientos diseñados para responder a nuestra evaluación de los riesgos de desviación material de los estados financieros consolidados adjuntos. Los resultados de nuestros procedimientos de auditoría, incluyendo los procedimientos aplicados para abordar los asuntos clave de la auditoría descritos más adelante, proporcionan las bases para nuestra opinión de auditoría de los estados financieros consolidados adjuntos.

- Estimación preventiva para riesgos crediticios

Descripción y por qué se consideró como asunto clave de la auditoría

Hemos considerado la estimación preventiva de créditos comerciales (EPRC) como un asunto clave de la auditoría, debido a que la determinación de dicha estimación implica la aplicación de juicio significativo por parte de la administración, así como el uso de factores cuantitativos y cualitativos establecidos en las metodologías de calificación de cartera de la CNBV.

En las Notas 2r) y 10 de los estados financieros consolidados adjuntos al 31 de diciembre de 2019, se incluyen las revelaciones sobre la política contable de EPRC y el análisis de la misma, respectivamente.

Como respondimos al asunto clave de la auditoría

Nuestros procedimientos de auditoría, incluyeron, entre otros, la validación de los factores clave cuantitativos y cualitativos utilizados por la administración de la Institución para determinar la EPRC, considerando los insumos utilizados sobre las partidas relacionadas con los acreditados durante el proceso de calificación de cartera de conformidad con las metodologías establecidas por la CNBV. Asimismo, involucramos a nuestros especialistas al aplicar nuestros procedimientos de auditoría en esta área.

Otra información

La Administración es responsable de la otra información. La otra información comprende la información incluida en el Reporte Anual presentado a la CNBV y el informe anual presentado a los accionistas, pero no incluye los estados financieros consolidados ni nuestro informe de auditoría correspondiente. Esperamos disponer de la otra información después de la fecha de este informe de auditoría.

3.

Nuestra opinión sobre los estados financieros consolidados no cubre la otra información y no expresaremos ninguna forma de conclusión que proporcione un grado de seguridad sobre esta.

En relación con nuestra auditoría de los estados financieros consolidados, nuestra responsabilidad es leer y considerar la otra información que identificamos anteriormente cuando dispongamos de ella y, al hacerlo, considerar si existe una inconsistencia material entre la otra información y los estados financieros consolidados o el conocimiento obtenido por nosotros en la auditoría o si parece que existe una desviación material en la otra información por algún otro motivo.

Cuando leamos y consideremos el Reporte Anual presentado a la CNBV y el informe anual presentado a los accionistas, si concluimos que contiene una desviación material, estamos obligados a comunicar el asunto a los responsables del gobierno del Grupo y emitir la declaratoria sobre el Reporte Anual requerida por la CNBV, en la cual se describirá el asunto.

Responsabilidades de la administración y de los responsables del gobierno corporativo de la Institución en relación con los estados financieros consolidados

La Administración es responsable de la preparación y presentación razonable de los estados financieros consolidados adjuntos de conformidad con el marco normativo contable que se describe en la Nota 2, aplicable a las sociedades controladoras de grupos financieros, emitido por la CNBV, y del control interno que la Administración considere necesario para permitir la preparación de estados financieros consolidados libres de desviación material, debida a fraude o error.

En la preparación de los estados financieros consolidados, la Administración es responsable de la evaluación de la capacidad del Grupo para continuar como negocio en marcha, revelando, según corresponda, las cuestiones relacionadas con el negocio en marcha y utilizando la base contable de negocio en marcha excepto si la Administración tiene intención de liquidar el Grupo o de cesar sus operaciones, o bien no exista otra alternativa realista.

Los responsables del gobierno del Grupo son responsables de la supervisión del proceso de información financiera del Grupo.

Responsabilidades del auditor en relación con la auditoría de los estados financieros consolidados

Nuestros objetivos son obtener una seguridad razonable de que los estados financieros consolidados en su conjunto están libres de desviación material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión. Seguridad razonable es un alto grado de seguridad, pero no garantiza que una auditoría realizada de conformidad con las NIA siempre detecte una desviación material cuando existe. Las desviaciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyen en las decisiones económicas que los usuarios toman basándose en los estados financieros consolidados.

4.

Como parte de una auditoría de conformidad con las NIA, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y evaluamos los riesgos de desviación material en los estados financieros consolidados, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una desviación material debida a fraude es más elevado que en el caso de una desviación material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas o la elusión del control interno.
- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Grupo.
- Evaluamos lo adecuado de las políticas contables aplicadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por la Administración.
- Concluimos sobre lo adecuado de la utilización, por la Administración, de la base contable de negocio en marcha y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Grupo para continuar como negocio en marcha. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en los estados financieros consolidados o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, hechos o condiciones futuros pueden ser causa de que la Institución deje de continuar como negocio en marcha.
- Evaluamos la presentación global, la estructura y el contenido de los estados financieros consolidados, incluida la información revelada, y si los estados financieros consolidados representan las transacciones y hechos subyacentes de un modo que logran la presentación razonable.
- Obtenemos evidencia suficiente y adecuada en relación con la información financiera de las entidades o actividades empresariales dentro del Grupo para expresar una opinión sobre los estados financieros consolidados. Somos responsables de la dirección, supervisión y realización de la auditoría del grupo. Somos los únicos responsables de nuestra opinión de auditoría.

Comunicamos con los responsables del gobierno del Grupo en relación con, entre otros asuntos, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

5.

También proporcionamos a los responsables del gobierno del Grupo una declaración de que hemos cumplido los requerimientos de ética aplicables en relación con la independencia y comunicado con ellos acerca de todas las relaciones y demás asuntos de los que se puede esperar razonablemente que pueden afectar a nuestra independencia y, en su caso, las correspondientes salvaguardas.

El socio responsable de la auditoría es quién suscribe este informe.

Mancera, S.C.
integrante de
Ernst & Young Global Limited



C.P.C. Arnulfo Rafael Durán Vleyra

San Pedro Garza García, N.L.,
27 de febrero de 2020.

→ **GRI Standard 102: General content**

TOPIC	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Company Profile	102-1	Name of the organization		COVER
	102-2	Activities, brands, products, and services		19, 59
	102-3	Location of headquarters		20
	102-4	Location of operations		20, 58
	102-5	Ownership and legal form		14, 71
	102-6	Markets served		17, 19, 59
	102-7	Scale of the organization		3, 13, 51, 73
	102-8	Information on employees and other workers		74
	102-9	Supply chain		69
	102-10	Significant changes to the organization and its supply chain		14, 20, 71

TOPIC	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
	102-11	Precautionary Principle or approach		14, 122
	102-12	External initiatives		22, 28
	102-13	Membership of associations		28
Strategy	102-14	Statement from senior decision-maker		4, 6, 8
	102-15	Key impacts, risks, and opportunities		4, 6, 8, 122
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior		14, 118
	102-17	Mechanisms for advice and concerns about ethics		118
Governance	102-18	Governance structure		111
	102-19	Delegating authority		111
	102-20	Executive-level responsibility for economic, environmental, and social topics		111
	102-21	Consulting stakeholders on economic, environmental, and social topics		126

TOPIC	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Governance	102-22	Composition of the highest governance body and its committees		111
	102-23	Chair of the highest governance body		111
	102-24	Nominating and selecting the highest governance body		111
	102-25	Conflicts of interest		111
	102-26	Role of highest governance body in setting purpose, values, and strategy		14
	102-27	Collective knowledge of highest governance body		111
	102-28	Evaluating the highest governance body's performance		111
	102-29	Identifying and managing economic, environmental, and social impacts		122
	102-30	Effectiveness of risk management processes		122
	102-31	Review of economic, environmental, and social topics		116,122
	102-32	Highest governance body's role in sustainability reporting		111, 126

TOPIC	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
	102-33	Communicating critical concerns		111
	102-34	Nature and total number of critical concerns		111
	102-35	Remuneration policies		111
	102-36	Process for determining remuneration		111
	102-37	Stakeholders' involvement in remuneration		111
	102-38	Annual total compensation ratio	Confidential, due to the Group's internal guidelines	
	102-39	Percentage increase in annual total compensation ratio	Confidential, due to the Group's internal guidelines	
Participation of interest groups	102-40	List of stakeholder groups		126, Materiality Analysis 2018
	102-41	Collective bargaining agreements		74

TOPIC	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
	102-42	Identifying and selecting stakeholders		126, Materiality Analysis 2018
	102-43	Approach to stakeholder engagement		42, 126, Materiality Analysis 2018
	102-44	Key topics and concerns raised		126, Materiality Analysis 2018
Report profile	102-45	Entities included in the consolidated financial statements		127, Financial Statements
	102-46	Defining report content and topic Boundaries		Materiality Analysis 2018
	102-47	List of material topics		126, Materiality Analysis 2018
	102-48	Restatements of information		126, Materiality Analysis 2018
	102-49	Changes in reporting		126, Materiality Analysis 2018

TOPIC	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Report profile	102-50	Reporting period		126
	102-51	Date of most recent report		126
	102-52	Reporting cycle		126
	102-53	Contact point for questions regarding the report		126
	102-54	Claims of reporting in accordance with the GRI Standards		126
	102-55	GRI content index		135
	102-56	External assurance		126

→ **GRI Standard 102: Content by topic**

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Training and career development	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			74
		103-3			74
	GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee		87
		404-2	Programs for upgrading employee skills and transition assistance programs		87
		404-3	Percentage of employees receiving regular performance		87
Cibersecurity	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			122
		103-3			122

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Employment	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			74
		103-3			86
	GRI 401: Employment 2016	401-1	New employee hires and employee turnover		74
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		83, 87
		401-3	Parental leave		83
Continuity and operational efficiency	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			101
		103-3			102
	GRI 302: Energy 2016	302-1	Consumo energético dentro de la organización.		102

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Continuity and operational efficiency	GRI 302: Energy 2016	302-2	Consumo energético fuera de la organización	Not applicable Banregio offers financial products and services, which does not have significant impacts in terms of GHG emissions (Scope 3).	N/A
		302-3	Intensidad energética		102
		302-4	Reducción del consumo energético		102
		302-5	Reductions in energy requirements of products and services	Not applicable Banregio offers financial products and services, which are not characterized by requiring energy for their operations.	N/A
		GRI 305: Emissions 2016	305-1	Direct GHG Emissions (Scope 1)	
	305-2	Energy Indirect GHG Emissions (Scope 2)		105	
	305-3	Other indirect GHG Emissions (Scope 3)		105	

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
		305-4	GHG Emissions Intensity	The Carbon Footprint 2018 Report will be available as of April 30 on the portal: www.regional.mx	N/A
		305-5	Reduction of GHG emissions		102, 105
	GRI 305: Emissions 2016	305-6	Emissions of ozone-depleting substances (ODS)	Not applicable, the bulk of Banregio's GHG emissions correspond to energy consumption and not to the direct burning of fossil fuels or the leakage of refrigerants.	N/A
		305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		
	GRI 306: Effluents and Waste 2016	306-1	Water discharge by quality and destination	Not applicable, Banregio's activity does not significantly alter the conditions of the water it uses.	N/A
		306-2			106

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
	GRI 306: Effluents and Waste 2016	306-3	Significant spills	Not applicable, Banregio does not use chemical materials in its activities, so it does not cause damage due to spillage.	N/A
		306-4	Transport of hazardous waste	Not applicable, Banregio's type of activity does not generate hazardous waste.	N/A
		306-5	Water bodies affected by water discharges and/or runoff	Not applicable, Banregio's activity does not significantly alter the conditions of the water it uses.	N/A
Legal compliance	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			118
		103-3			118

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Legal compliance	GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		118
	GRI 419: Socioeconomic Compliance 2016	419-1	Non-compliance with laws and regulations in the social and economic area		118
Financial Performance	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			52
		103-3			52
	GRI 201: Desempeño económico 2016	201-1	Direct economic value generated and distributed		69
		201-2	Financial implications and other risks and opportunities due to climate change		122
		201-3	Defined benefit plan obligations and other retirement plans		83, 87

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
		201-4	Financial assistance received from government	Banregio does not receive economic help from governmental entities such as tax credits, subsidies, aid to investment, awards with economic endowment and other financial benefits in relation with any operation.	N/A
Ethics and integrity	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			118
		103-3			118
	GRI 205: Anti- Corruption 2016	205-1	Operations assessed for risks related to corruption		118
		205-2	Communication and training about anti-corruption policies and procedures		118
		205-3	Confirmed incidents of corruption and actions taken		118

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
	GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken		87
	GRI 412: Human Rights Assessment 2016	412-1	Operations that have been subject to human rights reviews or impact assessments		118
		412-2	Employee training on human rights policies or procedures		118
		412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		122
Customer experience	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			41
		103-3			41
	GRI 417: Marketing and labeling 2016	417-1	Requirements for product and service information and labeling		41

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Customer experience		417-2	Incidents of non-compliance concerning product and service information and labeling		41
		417-3	Incidents of non-compliance concerning marketing communications		41
Corporate governance	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			111
		103-3			111
	GRI 405: Diversity and equal opportunity 2016	405-1	Diversity of governance bodies and employees		74, 87, 111
		405-2	Ratio of basic salary and remuneration of women to men		74
Innovation	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			34
		103-3			34

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Innovation	GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported		34
		203-2	Significant indirect economic impacts		41, 97
		FS1	Policies with specific social and environmental components applied to business lines		68
		FS6	Breakdown of the portfolio for each line of business, by specific region, size (large, SME, microenterprise) and sector		59
		FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line, broken down by purpose.		68
Customer Privacy	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			42, 118
		103-3			118

TOPIC	GRI STANDARD	CONTENT	DESCRIPTION	OMISSION	PAGE / LINK
Customer Privacy	GRI 418: Customer Privacy 2016	418-1	Substantiated complaints regarding concerning breaches of customer privacy and losses of customer data		118
Customer health and safety	GRI 103: Management Approach 2016	103-1			Materiality Analysis 2018
		103-2			97
		103-3			97
	GRI 416: Customer health and safety 2016	416-1	Assessment of the health and safety impacts of product and service categories		97, 99
		416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		99, 118
	FS15	Policies for the fair design and sale of financial products and services		68	
	FS16	Initiatives to enhance financial literacy by type of beneficiary		97, 99	

→ Independent verification report



Informe de Revisión Independiente para la Dirección de Regional S.A.B. de C.V. y subsidiarias

A la Dirección de Regional S.A.B. de C.V. y subsidiarias,

Conforme a su solicitud, hemos sido requeridos para proporcionar un nivel de aseguramiento limitado sobre el contenido del Informe Anual 2019 (en adelante "Informe") del ejercicio cerrado a 31 de diciembre de 2019, preparado de conformidad con los contenidos propuestos en los Estándares de *Global Reporting Initiative* (en adelante Estándares GRI) y en el Suplemento Sectorial de "Financial Services" de la Guía GRI versión G4 (en adelante el Suplemento Sectorial *Financial Services*).

Responsabilidades de la Dirección

La Dirección de Regional ha sido responsable de la preparación, del contenido y presentación del "Informe", según la opción de conformidad "exhaustiva" de los Estándares GRI, considerando además el Suplemento Sectorial *Financial Services*.

Esta responsabilidad incluye el diseño, la implantación y el mantenimiento del control interno que se considere necesario para permitir que la información contenida en el "Informe" esté libre de incorrección material, debido a fraude o error.

Nuestra Responsabilidad

Nuestra responsabilidad consistió en proporcionar un nivel de revisión limitado sobre el contenido del "Informe" en cuanto a los indicadores de desempeño incluidos en los Estándares GRI y en el Suplemento Sectorial *Financial Services*.

Con el fin de asegurar que el proceso de verificación cumple con los requerimientos éticos necesarios para asegurar la independencia de nuestro trabajo como auditores de información no financiera, nuestro trabajo se desarrolló de acuerdo a la Norma ISAE3000, *Assurance Engagements other than Audits or Reviews of Historical Financial Information*, emitida por la *International Auditing and Assurance Standard Board* (IAASB) de la *International Federation of Accountants* (IFAC). Esta norma exige, además que planifiquemos y realicemos nuestro trabajo de forma que obtengamos una seguridad limitada sobre si el Informe está exento de errores materiales.

El alcance de los procedimientos de recopilación de evidencias realizados en un trabajo de revisión de seguridad limitada es menor al de un trabajo de seguridad razonable y por ello también el nivel de seguridad que se proporciona. El presente informe en ningún caso debe entenderse como un informe de auditoría.

Los procedimientos que realizamos se basan en nuestro juicio profesional e incluyeron consultas, inspección de documentación, procedimientos analíticos, y pruebas de revisión por muestreo que, con carácter general, se describen a continuación:



- Análisis de riesgo de la información para la identificación de eventos materiales ocurridos durante el ejercicio cubierto por el informe.
- Análisis de procesos de recopilación y control interno de los datos cuantitativos reflejados en el "Informe", en cuanto a la fiabilidad de la información, utilizando procedimientos analíticos y pruebas de revisión por muestreo.
- Revisión de la aplicación de los requerimientos establecidos en los Estándares GRI.
- Verificación de Índice de contenidos GRI del borrador final del informe, según la opción de conformidad exhaustiva.

Los contenidos GRI revisados del Informe 2019 fueron los siguientes:

GRI 102-8, 102-9, 102-13, 102-17, 102-18, 102-21, 102-22, 102-24, 102-25, 102-26, 102-29, 102-41, 102-46, 201-1, 201-4, 203-1, 205-1, 205-2, 205-3, 206-1, 302-1, 302-4, 305-1, 305-2, 305-3, 401-1, 401-2, 404-1, 404-2, 404-3, 405-1, 412-2, 416-2, 417-1, 417-2, 417-3, 418-1, 419-1, FS7, FS16.

Conclusiones

Con base en los procedimientos realizados, descritos anteriormente, sobre el Informe Anual 2019 de Regional S.A.B. de C.V., concluimos que:

- No se ha puesto de manifiesto ningún aspecto que nos haga creer que la información contenida en el "Informe" no hay sido obtenida de manera fiable, que la información no esté presentada de manera adecuada, que existan desviaciones u omisiones significativas, o que el "Informe" no haya sido preparado de acuerdo con los requerimientos establecidos en los Estándares GRI y el Suplemento Sectorial *Financial Services*.

Valora Sostenibilidad e Innovación S.A. de C.V

Jose Luis Madrid,
 Director General
 Ciudad de México
 16 de abril de 2020

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