

2016



ANNUAL
REPORT

renta4banco

Highlights

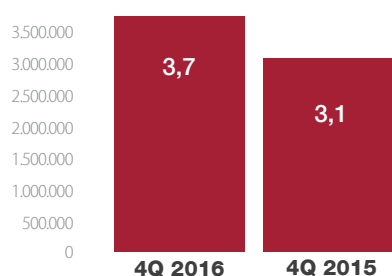
Renta 4 Bank has reached a **Net Profit of 12 million Euros** during 2016. This represents a drop of **14%** over those achieved in the same period last year.

During the **fourth quarter 2016 Net Profit has increased by 20.8%** to a total of **3.7 million Euros** over the same period last year. The profit in the last quarter of the year has seen an increase of **33.8%** versus the average achieved during the first three quarters of 2016.

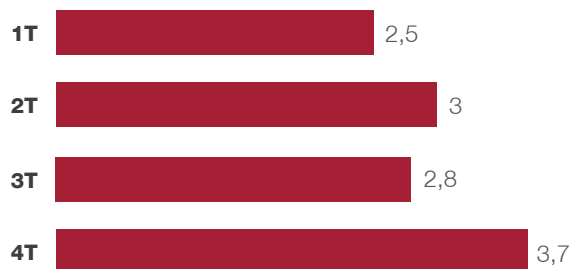
Renta 4 Bank **Capital Ratio CET 1 Fully Loaded** stands at **15.5%**, well above legal requirements and amongst the highest in the sector.

The **Return on Capital (ROE)**, of Renta 4 Bank stands at **15%**, substantially above the sector average.

NET PROFIT (4Q 2016 Vs 4Q 2015)
(Thousand euros)



NET PROFIT QUATERS 2016
(Thousand euros)



During the course of 2016 three key factors have taken place. Assets under management have continued to increase in a strong way. Net asset inflows by our proprietary network have been maintained at a good rhythm of growth. Lastly, an improvement in profits each quarter has taken place.

For another year, 2016 has seen a **positive trend in our operating activity and business areas.**

- ▶ **Assets under management** have increased by **12.8%** reaching 7,589 million Euros. **Assets in our proprietary network** have increased by **14.3%** reaching 7,923 million Euros.
- ▶ **Net Inflows** during the year from our proprietary have reached **825 million Euros.**
- ▶ The assets of the proprietary network contribute **82%** of the net commissions generated.

During the year 2016 results have **improved as it progressed a long.** Net profit in the fourth quarter increased by **20.8%** versus the same period last year, and **32.6%** with respect to the third quarter 2016.

It is the intention of the Board of Directors to propose at the AGM to be held in April 2017 to pay an interim dividend in cash, which at current market levels in the price of Renta 4 Banco represents a dividend yield of near 3%.

Operating Data

OPERATIONAL DATA	4Q 2016	4Q 2015	%
Number of Clients	432,880	393,237	10.1%
of Proprietary Network	68,494	65,428	4.7%
of Third Party Network	364,386	327,809	11.2%
Total Assets (million Euros)	15,444	13,432	15.0%
Equities	6,843	5,867	16.6%
Investment Funds (proprietary and third party)	3,821	3,449	10.8%
Pension Funds	2,830	2,474	14.4%
SICAVs	938	803	16.8%
Others	1,012	839	20.6%
Assets Proprietary Network (million Euros)	7,923	6,931	14.3%
Assets Third Party Network (million Euros)	7,521	6,501	30.0%
Total Assets Temporary of Banco Madrid (million Euros)	1,261	2,413	-47.7%

FINANCIAL INDICATORS (THOUSAND EUROS)	4Q 2016	4Q 2015	%
			<i>Thousand euros</i>
Commissions Received	123,276	127,765	-3.5%
Commissions Paid	-62,620	-64,028	-2.2%
Net Paid Commissions	60,656	63,737	-4.8%
Financial Margin	3,044	3,380	-9.9%
Result of Financial Operations	4,176	1,444	189.2%
Cost of Operation	53,314	48,722	9.4%
Profit from Operating Activities	17,221	20,314	-15.2%
Net Profit	12,045	14,020	-14.1%
EPS	0.30	0.34	-14.1%

Operating Data

EMPLOYEES (PERIOD AVERAGE)	4Q 2016	4Q 2015	%
Employees (period average)	444	411	8.0%
Branch Network (Latam)	232 (36)	222 (31)	4.5%
Central services	212	189	12.2%
Number of Offices	64	63	1.6%

SHARE	4Q 2016	4Q 2015	%
Ticker (Reuters/Bloomberg/Adrs)	RTA4.MA	RTA4.MA	
Share Price (€)	5.87	5.85	0.3%
Capitalisation (€)	244,177,303	243,345,353	0.3%
Number of Shares Issued	40,693,203	40,693,203	



Operating Data

Total **client assets under management and custody reached** (without including those under temporary management from Banco Madrid) **15,444 million Euros**. The proprietary network accounts for 7,923 million Euros. The third party network accounts for 7,521 million Euros. During 2016 assets have increased by 15% despite very difficult market conditions.

Our **proprietary network** has attracted 992 million Euros during the year, an increase of **14.3%**.

Asset Derived from clients and the management (Investment Funds, SICAV's and Pensions Funds) have reached **7,589 million Euros** which translates in a **12.8%** increase. Taking into account the assets under management and custody (temporarily under management) from Banco Madrid, total assets under management at the end of 2016 reached **8,850 million Euros**.

Assets in **investment Funds managed and distributed by Renta 4** (Renta 4 Investment Funds and third party Funds, without including those from Banco Madrid) at the end of 2016 reached **3,821 million Euros** versus 3,449 million Euros in 2015. This represents an increase of 10.8%.

Investment Funds managed by Renta 4 Asset Management have reach **2,806 million Euros** at the close of 2016 an increase of 13.7% versus 2015. Taking into account the assets under temporary management from Banco Madrid, client assets under management reached 4,067 million Euros.

Client assets invested in third party funds reached **1,015 million Euros** at the close of 2016, an increase of 3.4% over the same period last year.

Regarding **SICAV's under management**, their assets at the end of 2016 increased by 16.8% reaching a total of **938 million Euros**.

Pension Funds under management increased by 14.4% reaching a total amount of **2,830 million Euros** at the close of 2016.

Net asset inflows during 2016 have reached **927 million Euros**. Our proprietary network has contributed with net inflows of **825 million Euros**.

New clients have continued to increase during 2016. At the close of the year Renta 4 has reached 432,880 clients. The **proprietary network increased the number of clients by 4.7% to a total of 68,494**. Third party clients increased by 11.2% to a total of 364,386.

4Q 2016 Accumulated (January-December). Profit and Loss Account 2016

PROFIT AND LOSS	31/12/2016	31/12/2015	%
<i>Thousand euros</i>			
Interest and similar income	3,466	4,191	-17.3%
Interest expense and similar charges	-422	-811	-48.0%
NET INTEREST INCOME	3044	3,380	9.9%
Return on equity instruments	319	119	168.1%
Profit (loss) of entities accounted for using the equity method	-178	-660	-
Fee and commission income	123,276	127,765	-3.5%
Fee and commission expenses	-62,620	-64,028	-2.2%
Gains or losses on financial assets and liabilities (net)	4,176	1,444	189.2%
Exchange differences (net)	2,289	1,597	43.3%
Other operating income	198	294	-32.7%
Other operating expenses	-2,459	-1,445	70.2%
GROSS MARGIN	68,045	68,466	-0.6%
Administrative expenses:	-45,993	-42,929	7.1%
a) Personnel expenses	-26,762	-24,128	10.9%
b) Other administrative expenses	-19,231	-18,801	2.3%
Depreciation and amortisation	-4,862	-4,348	11.8%
Provision expenses (net)	-500	-200	150%
Impairment losses on financial assets (net)	531	-675	-
OPERATING PROFIT	17,221	20,314	-15.2%
Loss by deterioration rest of assets (net)		-790	-
Gains of susp. assets not clasif. for sale		421	-
PROFIT BEFORE TAX	17,221	19,945	-13.7%
Tax on profit	-5,176	-5,925	-12.6%
CONSOLIDATED PROFIT FOR THE YEAR	12,045	14,020	-14.1%
	12.045	14.019	-14,1%

4Q 2016 Accumulated (January-December).

Net Profit attributed to the Group during 2016 has reached **12.0 million Euros**. This represents a drop of **14.1%** over the same period last year.

Gross Commissions (commissions received, plus company results based on participation method and other products from operations) **have dropped by 3.2%** totaling **123.3 million Euros** versus 127.4million Euros in 2015.

Commissions generated by the asset management division in 2016 dropped by **0.2%** totaling **59.7 million Euros** versus 59.8 million Euros in 2015. Despite the increase in assets under management, the fall in income generated is due to the switch to more conservative products (money market funds) by investors due to adverse market conditions. Hence, lower margins in those investments.

With respect to the amount of gross commissions generated during 2016 in the securities trading divisions, these have decreased by 7.5% totaling **53.1 million Euros** versus 57.5 million Euros in 2015. In this division, **international derivatives** trading has increased by 7.9% over the same period last year.

Corporate services commissions have increased by 3.4% totaling **10.5 million Euros** at the close of the year.

In terms of **net commissions** (gross commissions minus paid commissions) these were down by 4.3% totaling a **60.7 million Euros** versus 63.4 million Euros, in 2015.

Financial margin has **decreased by 9.9%** totaling **3.0 million Euros** versus 3.4 million Euros in the same period last year. The main reason for this drop has been the continued low interest rates during 2016.

The **result of financial operations** has increased 189.2% totaling **4.2 million Euros** versus 1.4 million Euros in 2015.

On the cost side, **operating costs** (General costs, staff costs, other operational costs and amortization) have reached **53.3 million Euros** which means an increase of 9.4% versus the same period last year.

Personnel costs have increased by 10.9% reaching **26.7 million Euros** during the year.

General administrative costs during 2016 have increased 2.3% totaling **19.2 million Euros** versus 18.8 million Euros in 2015. The increase in such costs is related to the international operations of Chile, Peru, Colombia and Luxembourg.

Profit before tax during the year has reached **17.2 million Euros** versus 19.9 million Euros in 2015. This represents a drop of 13.7%.

4Q 2016 (October-December)

PROFIT AND LOSS	4Q 2016	4Q 2015	%
<i>Thousand euros</i>			
Interest and similar income	843	1,023	-17.6%
Interest expense and similar charges	-105	-152	-30.9%
NET INTEREST INCOME	738	871	-15.3%
Return on equity instruments	121	75	61.3%
Profit (loss) of entities accounted for using the equity method	-73	60	-
Fee and commission income	35,133	34,704	1.2%
Fee and commission expenses	-17,110	-17,627	-2.9%
Gains or losses on financial assets and liabilities (net)	679	-305	-
Exchange differences (net)	758	402	88.6%
Other operating income	55	-68	-
Other operating expenses	-1,127	-917	22.9%
GROSS MARGIN	19,174	17,195	11.5%
Administrative expenses:	-12,689	-11,533	10.0%
a) Personnel expenses	-7,640	-6,162	24.0%
b) Other administrative expenses	-5,049	-5,371	-6.0%
Depreciation and amortisation	-1,246	-1,130	10.3%
Provision expenses (net)	-500	-200	150.0%
Impairment losses on financial assets (net)	509	-320	-
OPERATING PROFIT	5,248	4,012	30.8%
Loss by deterioration rest of assets (net)	0	0	-
Gains of susp. assets not clasif. for sale	0	18	-
PROFIT BEFORE TAX	5,248	4,030	30.2%
Tax on profit	-1,532	-955	60.4%
CONSOLIDATED PROFIT FOR THE YEAR	3,716	3,075	20.8%

4Q 2016 (October-December)

Renta 4 has reached in the fourth quarter 2016 a **Net Profit of 3.7 million Euros** versus 3.0 million Euros in the same period last year which represents an increase of 20.8%. If we compare it to the third quarter 2016, then the increase is of 32.6%. As already mentioned, results have improved as the year went along.

Gross commissions (commissions received and company results based on participation method plus other products of operation) have increased by **1.2%** to **35.1 million Euros** versus 34.7 million Euros in the fourth quarter 2015.

In terms of **net commissions** (gross commissions minus paid commissions) they were up 5.5% reaching **18.0 million Euros** versus 17.0 million Euros in the same period last year.

With respect to gross commissions generated in the securities trading division they were up by 12.1% reaching a total of **14.3 million Euros** versus 12.7 million Euros during the fourth quarter 2015. The improvement in commissions has been due to better market conditions with an increase in volumes during the quarter and its positive consequences in client trading operations.

On the cost side, **operating costs** (General costs, staff costs, other operational costs and amortization) have reached **15.0 million Euros** which means an increase of 10.9% versus the same quarter last year.

The **result from operating activity** during the quarter increased by 30.2% (up 27.3% in the third quarter 2016) reaching **5.2 million Euros** versus 4.0 million Euros in the same period last year.



Economic and Financial Outlook

The continued upward trend in the amount of **assets under management** and custody, the strong figures in net **asset inflows from our proprietary** network and the **progressive improvement in quarter** by quarter as the year 2016 moved on confirm the positioning of Renta 4 Banco as a specialist Bank in investment. All of the above allows us to have a positive projection for 2017.

At the same time, the positive **development in business experienced in Chile, Peru and Colombia** together with our **Asset Manager in Luxembourg** should in 2017 contribute to our global results as they gain critical mass.

Operating costs and digital transformation will be kept at a close watch. They are key not only from a cost control basis but above all in order to excel in the services provided.

Due to the above mentioned, and **in line with what has been the trend in the last quarters, we continue to envisage a growth in operating profits and net profit in the following quarters and during the whole of 2017.**

Regarding markets, following a 2016 full of surprises, we expect a **2017** equally complex and **volatile**. In such context Renta 4 has managed to obtain positive returns in the portfolio of clients, **based upon disciplined management model and rigorous risk** control, a strategy that we will continue to follow in 2017.

Consolidated Balance Sheet

ASSETS	31/12/2016	31/12/2015
		<i>Thousand of euros</i>
Cash and balances with central banks	397,952	250,531
Financial assets held for trading	7,379	926
Other financial assets at fair value through profit or loss		
Available-for-sale financial assets	565,528	495,249
Debt securities	162,225	266,941
Held -to-maturity investments		
Adjustments to financial assets by macro-hedges.		
Hedging derivatives		
Non-current assets held for sale		
Investments	286	421
a) Associates	286	421
b) Jointly controlled entities		
Insurance contracts linked to pensions		
Reinsurance assets		
Property and equipment:	40,490	40,133
a) For own use	36,538	36,051
b) Investment properties	3,952	4,082
Intangible assets:	17,567	17,545
a) Goodwill	15,291	15,291
b) Otro intangible assets	2,276	2,254
Tax assets	2,975	2,859
a) Current		
b) Deferred	2,975	2,859
Other assets	716	751
TOTAL ASSETS	1,195,118	1,075,356

Consolidated Balance Sheet

TOTAL EQUITY AND LIABILITIES	31/12/2016	31/12/2015
		<i>Thousand of euros</i>
TOTAL LIABILITIES	1,104,612	993,26
Financial liabilities held for trading	4,205	266
Other financial liabilities at fair value through profit or loss		
Financial liabilities at amortized cost	1,092,883	986,275
Changes in the fair value of hedged items in portfolio hedges of interest rate risk		
Hedging derivatives		
Liabilities associated with non-current assets held for sale		
Liabilities under insurance contracts		
Provisions	700	200
Tax liabilities	4,533	4,511
a) Current	3,077	3,120
b) Deferred	1,456	1,391
Fondo de la obra social (sólo Cajas de Ahorro y Cooperativas de crédito)		
Other liabilities	2,291	2,009
Cash		
EQUITY	90,506	82,095
OWN FUNDS	89,100	82,816
1. Capital or endowment fund	18,312	18,312
a) Issued capital	18,312	18,312
b) Less: uncalled capital		
2. Share premium	8,496	8,496
3. Reserves	54,782	47,769
4. Other equity instruments	0	0
5. Less: Treasury shares	-370	-334
6. Profit (loss) attributable to the parent	12,045	14,019
7. Less: Dividends and remuneration	-4,165	-5,446
VALUATION ADJUSTMENTS	381	-768
1. Available-for-sale financial assets	377	-353
2. Cash flow hedges		
3. Hedges in net investments in foreign operations		
4. Exchange differences	4	-415
5. Non-current assets held for sale		
6. Companies accounted using the equity method		
7. Other valuation adjustments		
TOTAL EQUITY ATTRIBUTABLE TO THE PARENT	1,025	47
MINORITY INTERESTS	1,025	47
1. Valuation adjustments	0	0
2. Others	1,025	47
TOTAL EQUITY AND LIABILITY	1,195,118	1,075,356

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