

2016

THIRD
QUARTER
RESULTS

renta4banco

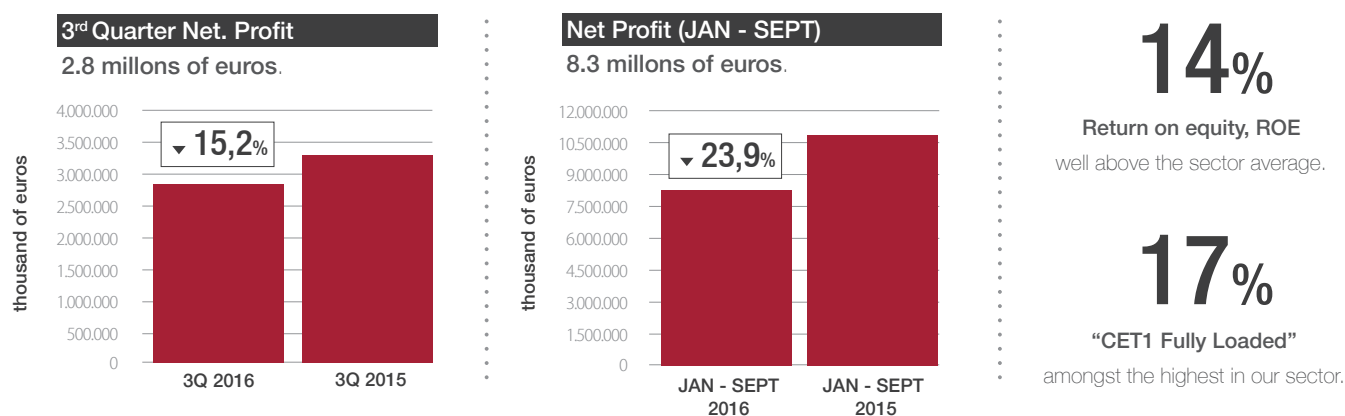
Results, Capital Ratio and ROE

Renta 4 Banco has reached in the third quarter 2016 a Net Profit of 2.8 million Euros. This represents a fall of 15.2% compared with that obtained in the third quarter 2015.

Net Profit in the first three quarters of 2016 has been 8.3 million Euros. This represents a drop of 23.9% versus the same period last year.

The Bank's Capital Ratio CET1 Fully Loaded stands at 17%, comfortably above current regulatory requirements and amongst the highest in our sector.

The Bank's return on equity, ROE, is circa 14%, again well above the sector average.



Interim Dividend

The Board has decided in their meeting of 27 October 2016 to distribute an interim dividend, against the above results, of 0.1025 Euros per share. The dividend will be paid on Friday November 4 2016. All shareholders as of November 1 will receive the above mentioned dividend.

Highlights

During the third quarter the growth in assets has continued. Especially in our proprietary network and in assets under management. These two represent the highest added value amongst all the business lines of Renta 4 and therefore contribute to the stability of profits.

Assets in the proprietary network have increased by 17.4% over the same period last year.

Assets under management have increased 10.3% over the same period last year.

This increase and the contention of costs have in part mitigated the drop in revenue in the broking division due to the low market trading volumes and the drop in margins due to prolonged interest rates.

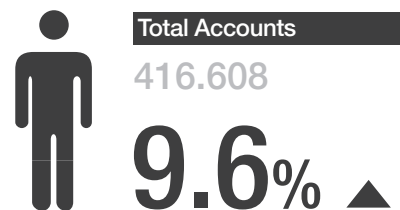
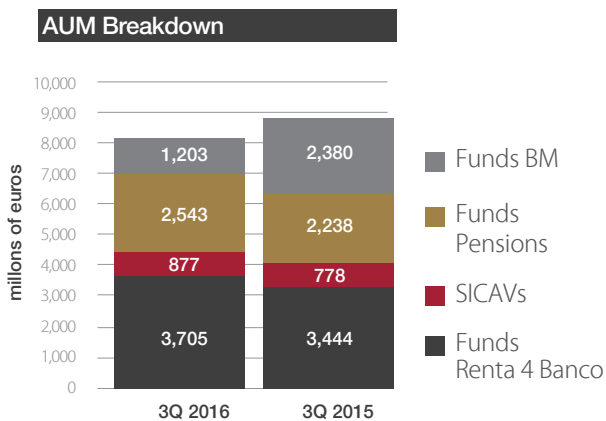
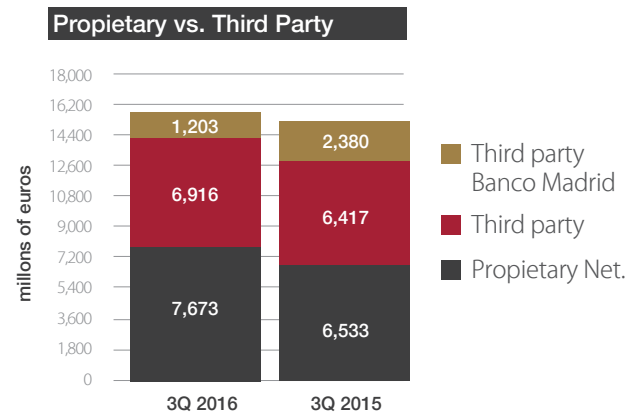
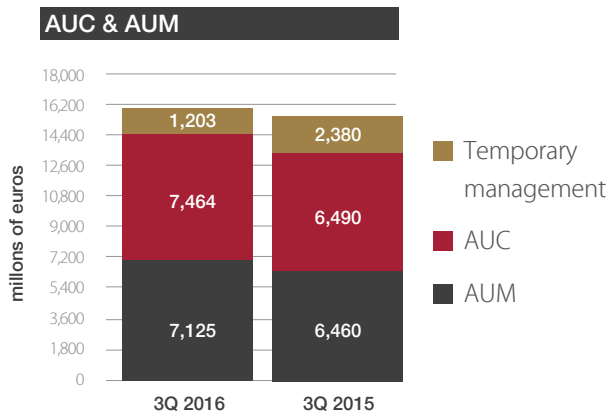
In this way the improvement trend of the second quarter has persisted, reducing again the drop in profits with respect to the same period in 2015.

Clients Assets

Client assets have performed as follows:

- ▶ Total client assets under management and administration, excluding those assets under temporary management from Banco Madrid, reached 14,589 million Euros. Taking into account the assets from Banco Madrid, total client's assets totaled 15,792 million Euros at the close of the period.
- ▶ Assets within the proprietary network reached 7,673 million Euros versus 6,533 million Euros in the same period last year. This represents an increase of 17.4% over the period under consideration. It is noteworthy that assets within the proprietary network generated 89% of net commissions during the semester, without taking into account the revenues generated from Banco Madrid.
- ▶ Assets from the third party network increased by 7.8% reaching 6,916 million Euros during the period.
- ▶ Asset under management (Investment Funds, Sicavs and Pension Funds) reached 7,125 million Euros versus 6,460 million achieved at the close of the third quarter 2015. This represents an increase of 10.3%. Taking into account the 1,203 million Euros in assets from Banco Madrid, the total amount of assets at the close of the third quarter 2016 reached 8,328 million Euros.
- ▶ Assets in the Investment Funds distributed and managed by Renta 4 (Renta 4 Asset Management and other third party funds, and without taking into account those assets from Banco Madrid) have reached at the end of the quarter 3,705 million Euros versus 3,444 million Euros in the same period last year. This represents an increase of 7.6%.

- ▶ Assets managed by Renta 4 Asset Management have increased by 8.2% to 2,694 million Euros versus the same period last year. Including assets from Banco Madrid the total amount has reached 3,897 million Euros.
- ▶ Assets invested in third party funds distributed by Renta 4 have reached 1,011 million Euros. They have increased by 6% during the period.
- ▶ Assets in Sicavs under management during the third quarter have reached 877 million Euros. This represents an increase of 12.7% over the same period last year.
- ▶ Pension Funds under management have increased by 13.6% totaling 2,543 million Euros during the third quarter 2016.



NET INFLOWS AND ACCOUNTS

- ▶ Net asset inflows have increased by 1,12 the third party network 162 million Euros.
- ▶ New clients have continued to increase. Total number of clients have reached 416,608. The proprietary network accounts for 67,564 with an increase of 5.1%. The third party network accounts for 349,044 with an increase of 10.6%



Main Variables

OPERATIONAL DATA	3Q 2,016	3Q 2,015	%
Number of Clients	416,608	379,995	9.6%
of Proprietary Network	67,564	64,275	5.1%
of Third Party Network	349,044	315,720	10.6%
Total Assets Temporary of Banco Madrid (million Euros)	1,203	2,380	-49.5%
Total Assets (million Euros)	14,589	12,950	12.7%
Equities	6,487	5,460	18.8%
Investment Funds (proprietary and third party)	3,705	3,444	7.6%
Pension Funds	2,543	2,238	13.6%
SICAVs	877	778	12.7%
Others	977	1,030	-5.1%
Assets Proprietary Network (million Euros)	7,673	6,533	17.4%
Assets Third Party Network (million Euros)	6,916	6,417	7.8%
Total Assets Temporary of Banco Madrid (million Euros)	1,203	2,380	-49.5%

FINANCIAL INDICATORS (THOUSAND EUROS)	3Q 2,016	3Q 2,015	%
Commissions Received	88,143	93,061	-5.3%
Financial Margin	2,306	2,509	-8.1%
Result of Financial Operations	3,497	1,749	99.9%
Cost of Operation	38,252	35,142	8.8%
Profit from Operating Activities	11,973	16,302	-26.6%
Net Profit	8,329	10,945	-23.9%
EPS	0.2	0.27	-23.9%

Main Variables

EMPLOYEES (PERIOD AVERAGE)	3Q 2,016	3Q 2,015	%
Employees (period average)	438	405	8.1%
Branch Network (Latam)	228(34)	221(30)	3.2%
Central services	210	184	14.1%
Number of Offices	64	63	1.6%

SHARE	3Q 2,016	3Q 2,015	%
Ticker (Reuters/Bloomberg/Adrs)	RTA4.MA	RTA4.MA	
Share Price (€)	5.95	5.98	-0.5%
Capitalisation (€)	542,124,557	243,345,353	-0.5%
Number of Shares Issued	40,693,203	40,693,203	

Consolidated Profit and Loss Account. January - September 2016

PROFIT AND LOSS	30/09/2016	30/09/2015	%
			<i>Thousand of euros</i>
Interest and similar income	2,623	3,168	-17.2%
Interest expense and similar charges	-317	-659	-51.9%
Net Interest Income	2,306	2,509	-8.1%
Return on equity instruments	198	44	350.0%
Profit (loss) of entities accounted for using the equity method	-105	-720	-85.4%
Fee and commission income	88,143	93,061	-5.3%
Fee and commission expenses	-45,510	-46,401	-1.9%
Gains or losses on financial assets and liabilities (net)	3,497	1,749	99.9%
Exchange differences (net)	1,531	1,195	28.1%
Other operating income	143	362	-60.5%
Other operating expenses	-1,332	-528	152.3%
Gross Margin	48,871	51,271	-4.7%
Administrative expenses:	-33,304	-31,396	6.1%
a) Personnel expenses	-19,122	-17,966	6.4%
b) Other administrative expenses	-14,182	-13,430	5.6%
Depreciation and amortisation	-3,616	-3,218	12.4%
Provision expenses (net)	0	0	-
Impairment losses on financial assets (net)	22	-355	-106.2%
Operating Profit	11,973	16,302	-26.6%
Loss by deterioration rest of assets (net)	0	-790	-
Gains of susp. assets not clasif. for sale	0	403	-
Profit Before tax	11,973	15,915	-24.8%
Tax on profit	-3,644	-4,970	-26.7%
Consolidated Profit for the year	8,329	10,945	-23.9%

Profits Trend

Net Profit attributed to the Group has reached 8.3 million Euros during the third quarter 2016. This represents a drop of 23.9% over the same period last year.

The fall in profits has been due to the drop in market volumes and the downward pressure in margins and the persistent low and even negative interest rates.

Nevertheless the fall in profit is mitigated each quarter by growth in assets and cost contention.

Business lines performance and Gross Margin

Income generated has evolved as follows:

- ▶ **Gross commissions** (commissions received plus company results based on participation method and other products from operations) have declined by 4.9% to 88.2 million Euros. This drop is due to the fall of commissions in the broking division.
- ▶ **Asset management commissions** have increased by 1.3% to 41.6 million versus 41.1 million Euros during the same period last year.
- ▶ **Broking commissions** have dropped by 13.1% reaching 38.8 million Euros. This reduction in income is due to the significant drop in market volumes experienced in all markets worldwide during the period.
- ▶ **Corporate services commissions** have increased by 12.1% to 7.7 million Euros versus 6.886 million Euros achieved in the same period last year.
- ▶ Revenues from placements and trading in the fixed income division have reached 3.5 million Euros. This means near doubling the amount reached in the same period last year. These commissions can be found under the chapter of Result from **Financial Operations**.
- ▶ **Financial margin** has again been reduced during the third quarter 2016 due to the persistent low level of interest rates during the period. It has dropped 8.1%.

Gross margin as a consequence of all the above has dropped 4.7% reaching 48.9 million Euros during the period.

Operating Costs

- ▶ Operating costs (general costs, staff costs, other operational costs and amortizations) have totaled 38.2 million Euros. This represents an increase of 8.8% over the same period last year. It is worth noting the cost containment which has taken place in the second and third quarter which will show up when reviewing the results of the third quarter
- ▶ Staff costs have increased by 6.4% to 19.1 million Euros.
- ▶ General administrative costs have increased by 5.6% to 14.2 million Euros versus 13.4 million Euros during the same period last year. This increase in costs is due to the opening of international operations together with the costs associated by the temporary management of assets from Banco Madrid. The costs associated to Banco Madrid have amounted to 1.1 million Euros in the third quarter 2016. Costs associated with the new Asset management company in Luxemburg and the set up of Chile, Peru and Colombia have reached 1.7 million Euros.
- ▶ Amortization costs have increased by 12.4% to 3.6 million Euros over the same period last year.

Result of operating activity

Result of operating activity tax has dropped by 26.6% to 11.9 million Euros. Such a drop is smaller than the one suffered in the first quarter 2016(-30.7%) and during the second quarter (-28.9%)

Asset management commissions	41.6 millions of euros	+ 1.3%
Broking commissions	38.8 millions of euros	- 13.1%
Corporate services commissions	7.7 millions of euros	+ 12.1%
Financial Operations	3.5 millions of euros	+ 99.9%

Third Quarter 2016. July - September

PROFIT AND LOSS	3.Q 2016	3.Q 2015	%
Interest and similar income	774	890	-13.0%
Interest expense and similar charges	-75	-151	-50.3%
Net Interest Income	699	739	-5.4%
Return on equity instruments	80	40	-
Profit (loss) of entities accounted for using the equity method	-24	-286	-91.6%
Fee and commission income	28,349	34,150	-17.0%
Fee and commission expenses	-14,015	-17,426	-19.6%
Gains or losses on financial assets and liabilities (net)	1,138	233	388.4%
Exchange differences (net)	817	446	83.2%
Other operating income	45	91	-50.5%
Other operating expenses	-894	-378	-
Gross Margin	16,195	17,609	-8.0%
Administrative expenses:	-10,959	-11,077	-1.1%
a) Personnel expenses	-6,636	-6,314	5.1%
b) Other administrative expenses	-4,323	-4,763	-9.2%
Depreciation and amortisation	-1,212	-1,110	9.2%
Provision expenses (net)	0	0	-
Impairment losses on financial assets (net)	97	-156	-162.2%
Operating Profit	4,121	5,266	-21.7%
Loss by deterioration rest of assets (net)	0	-790	-
Gains of susp. assets not clasif. for sale	0	403	-
Profit Before tax	4,121	4,879	-15.5%
Tax on profit	-1,318	-1,573	-16.2%
Consolidated Profit for the year	2,803	3,306	-15.2%

Profits Trend

Renta 4 Banco has achieved in the third quarter 2016 a Net Profit of 2.8 million Euros versus 3.3 million Euros in the same period 2015. This represents a drop of 15.2%

As the year has progressed the drop in profits has been declining.

This improvement is due to the contention in costs and to the declining percentage of total commissions that represent the amount of paid commissions.

Business lines performance and Gross Margin

Amongst the different business lines Corporate Services commissions stand out. They have increased 32.4% to 3.1 million Euros.

In the same way it stands out the good performance in the third quarter in the fixed income activity. Its revenues under the chapter of Result from financial operations nearly quadruples those of the third quarter 2015, reaching 1.1 million Euros.

Nevertheless, gross commissions (commissions received plus company results based on participation method and other products from operations) have declined by 16.4% to 28.4 million Euros.

In this drop it has to be taken into account the decrease in commissions received from the temporary management of assets from Banco de Madrid. Those assets have dropped by more than two thirds since the same period last year. At the same time, savers are demanding products which have lower margins after a negative performance of markets during the first semester 2016.

As a consequence of the above factors, gross commissions from management have dropped by 24.0% to 13.5 million Euros during the third quarter 2016.

Broking commissions drop 15% reaching at the end of the quarter 11.8 million Euros due to the significant decline in market volumes.

Net commission (gross commissions-paid commissions) has declined 13.2% reaching 14.4 million Euros versus 16.5 million Euros achieved in the same period last year.

Financial margin has dropped 5.4% to 0.7 million Euros due to the decline in interest rates.

Operating Costs

General administrative (general costs and staff costs) have decreased by 1.1% in the third quarter continuing the good performance started already in the second quarter of the year. As a reminder, administrative costs in the first quarter increased in 13.4% while the second quarter dopped them down to a 6.7% increase.

Result of Operating activity during the Third Quarter

The result of Operating activity has reached 4.1 million Euros versus 5.3 million Euros in the third quarter 2015. Although this means a drop of 21.7% there is a clear improvement as the year progresses. During the first quarter 2016 the drop was of 30.7% and of 27.1% in the second quarter.

Economic and Financial Outlook

During the fourth quarter we expect an improvement both in the result of operating activity and profits after the progressive improvement shown during the second and third quarters.

We base our expectations in the contention of operating costs and in a continued increase in assets from clients. Such an increase progressively compensates, although not as yet, the drop in margins due to smaller trading volumes and the trend of savers to demand more conservative products with lower margin.

At the same time, the increase in the growth in assets under management from our proprietary network allows for an improvement in net margins. This has already translated in the third quarter 2016.

Regarding global market performance we believe that the necessary normalization of monetary policy will generate higher volatility, securing a certain floor to the drop of interest rates.

An scenario in which we believe Renta 4 Banco will continue to grow in client's assets, which is the basis for our future growth in profits.

Consolidated Balance Sheet

ASSETS	30/09/2016	31/12/2015
		<i>Thousand of euros</i>
1. Cash and balances with central banks	5,597	6,432
2. Financial assets held for trading	4,165	926
3. Other financial assets at fair value through profit or loss		
4. Available-for-sale financial assets	549,676	495,249
5. Debt securities	491,598	511,040
6. Held -to-maturity investments		
7. Ajustes a activos financieros por macro-coberturas		
8. Hedging derivatives		
9. Non-current assets held for sale		
10. Investments	344	421
a) Associates	344	421
b) Jointly controlled entities		
11. Insurance contracts linked to pensions		
12. Reinsurance assets		
13. Property and equipment:	40,364	40,133
a) For own use	36,379	36,051
b) Investment properties	3,985	4,082
14. Intangible assets:	17,448	17,545
a) Goodwill	15,291	15,291
b) Otro intangible assets	2,157	2,254
15. Tax assets	2,836	2,859
a) Current	56	0
b) Deferred	2,780	2,859
16. Other assets	1,056	751
TOTAL ASSETS	1,113,084	1,075,356

Consolidated Balance Sheet

TOTAL EQUITY AND LIABILITIES	30/09/2016	31/12/2015
TOTAL LIABILITIES	1,022,141	993,261
1. Financial liabilities held for trading	1,149	266
2. Other financial liabilities at fair value through profit or loss		
3. Financial liabilities at amortized cost	1,080,058	986,275
4. Changes in the fair value of hedged items in portfolio hedges of interest rate risk		
5. Hedging derivatives		
6. Liabilities associated with non-current assets held for sale		
7. Liabilities under insurance contracts		
8. Provisions	202	200
9. Tax liabilities	5,607	4,511
a) Current	3,948	3,120
b) Deferred	1,659	1,391
10. Fondo de la obra social (sólo Cajas de Ahorro y Cooperativas de crédito)		
11. Other liabilities	1,242	2,009
12. Cash		
EQUITY	90,943	82,095
OWN FUNDS	89,554	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	365	-334
6. Profit (loss) attributable to the parent	8,329	14,019
7. Less: Dividends and remuneration	0	-5,446
VALUATION ADJUSTMENTS	364	-768
1. Available-for-sale financial assets	623	-353
2. Cash flow hedges		
3. Hedges in net investments in foreign operations		
4. Exchange differences	-259	-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	89,918	82,048
MINORITY INTERSTS	1,025	47
1. Valuation adjustments	0	0
2. Others	1,025	47
TOTAL EQUITY AND LIABILITY	1,113,084	1,075,356

Thousand of euros



JOSÉ IGNACIO MÁRQUEZ POMBO
Director Investor Relations

Tel.: +34 913 848 500 | Fax: +34 610 894 343
jmarquez@renta4.es | www.renta4.com

Renta 4 Banco, S.A.
Paseo de la Habana, 74
28036 Madrid | Spain

