
FIRST QUARTER
RESULTS

2016

Highlights

Renta 4 Group has reached during the first quarter 2016 a **Net Profit of 2.5 million Euros**, 32.4% below those achieved in the first quarter 2015.

The **Capital Ratio** CET 1 Fully Loaded reached **16%**, well above the sector regulatory requirements and amongst the highest in the sector.

Return on equity, ROE, stood near 17%, again above the sector average.

During the first quarter 2016 the trend in operating variables has been the following:

- ▶ **Total client assets**, excluding those assets under temporary management from Banco de Madrid, reached **13,419 million Euros**. **Net new inflows totalled 193 million Euros**. It is noteworthy the increase achieved by the proprietary network. When comparing data between quarters it must be taken into account the 20% drop in equity markets during the period. Client assets reflect that drop when accounting for them.
- ▶ Taking into account the temporary **assets under management from Banco Madrid** client assets have reached **14,352 million Euros**.
- ▶ **Assets** under custody and management from the **proprietary network** reached **7,027 million Euros** versus **6,374 million Euros** in the same period last year. An **increase of 10.2%**. A growth of special significance since such **assets generate 89% of net commissions obtained** during the period, excluding those from Banco de Madrid.
- ▶ Third party assets under management and custody reached **6,392 million Euros**. A **drop of 28.8%** over the same period last year.
- ▶ **Assets derived from clients under management** such as, (Investment Funds, Sicavs and Pension Funds reached) **6,666 million Euros** versus **6,513 million Euros** over the same period last year. This means an **increase of 2.3%**. **Taking into account the assets from Banco Madrid**, temporarily under management, the amount is increased by **933 million Euros** and thus reaching a total of **7,599 million Euros under management during the first quarter 2016**.
- ▶ **Net new money inflows** have reached **193 million Euros** during the first quarter 2016. Of which **160 million belong to the proprietary network** and **33 million Euros** to the third party network.

Assets AUC & AUM

 **13,419** million Euros

Asset management commissions

 **38.8%** increase

Business **margins and commissions** have been the following:

- ▶ **Gross commissions** have increased by 5.7% reaching a total of **32 million Euros**. Net commissions have increased by 0.8% closing the quarter at **14.7 million Euros**.
- ▶ **Commissions** generated during the period by the Asset Management division have increased by **38.8%** reaching a total of **15.6 million Euros** versus 11.2 million Euros achieved in the first quarter 2015. The growth is important since it is in this division where clients receive a higher added value in the service. This division is key to Renta 4 since it provides constant and recurrent income to the Group. In terms of net commissions asset management commissions for the first time represent more than 50% of the total commissions generated.
- ▶ **Gross commissions** generated in the securities trading division have dropped 16.2% due to the fall in trading volumes experienced in all markets during the quarter.
- ▶ **Financial margin** has seen a drop 18.1% due to negative nominal interest rates during the period.
- ▶ The result of financial operations and exchange differences in the trading account has seen a drop of 44.9%.- This is due to low level of interest rates during the quarter and a one off adjustment in the introduction of the multicurrency account.
- ▶ **The drop** in income suffered by the financial margin and the result of financial operations **has been greatly compensated via the increase of net commissions** during the quarter due to the strong performance of the asset management division.
- ▶ Operating profit during the quarter has dropped by 30.7% due to the increase in costs incurred during the temporary management of the **assets from Banco Madrid** and by costs associated with the Latin American operations and the opening in Luxemburg of an asset management company.

During the quarter it is noteworthy the increase in assets of the proprietary network, **the growth in assets under management and the growth of asset management commissions**.

It is the intention of the Board of Directors to propose at the AGM to be held on the 29 April 2016 the payment of a final **dividend of 0.0384 Euros per share against the net profit of the Company in 2015**. Together with the interim dividend of 0.134 Euros paid last October 2015 the total amount paid will be a cash dividend 0.1724 Euros per share. **This represents a payout of 50% and a dividend yield over 3%.**





OPERATIONAL DATA	1Q 2016	1Q 2015	%
Number of Clients	399,808	366,548	9.1%
of Proprietary Network	66,471	61,152	8.7%
of Third Party Network	333,337	305,396	9.1%
Total Assets Temporary of Banco Madrid (million Euros)	933		
Total Assets (million Euros)	13,419	15,354	-12.6%
Equities	5,822	7,764	-25.0%
Investment Funds (proprietary and third party)	3,403	3,443	-1.2%
Pension Funds	2,444	2,395	2.0%
SICAVs	819	675	21.3%
Others	931	1,077	-13.6%
Assets Proprietary Network (million Euros)	7,027	6,374	10.2%
Assets Third Party Network (million Euros)	6,392	8,980	-28.8%
Total Assets Temporary of Banco Madrid (million Euros)	933		

FINANCIAL INDICATORS (THOUSAND EUROS)	1Q 2016	1Q 2015	%
Commissions Received	32,060	30,414	5.4%
Financial Margin	839	1,025	-18.1%
Result of Financial Operations	333	604	-44.9%
Cost of Operation	12,707	11,163	13.8%
Profit from Operating Activities	3,725	5,378	-30.7%
Net Profit	2,507	3,708	-32.4%
EPS	0.062	0.091	-32.4%

EMPLOYEES (PERIOD AVERAGE)	1Q 2016	1Q 2015	%
Employees (period average)	434	414	4.8%
Branch Network (Latam)	225(31)	223(31)	0.9%
Central services	209	191	9.4%
Number of Offices	63	62	1.6%



SHARE

1Q 2016

1Q 2015

%

Ticker (Reuters/Bloomberg/Adrs)

RTA4.MA

RTA4.MA

Share Price (€)

5.7

5.95

-4.2%

Capitalisation (€)

231,951,257

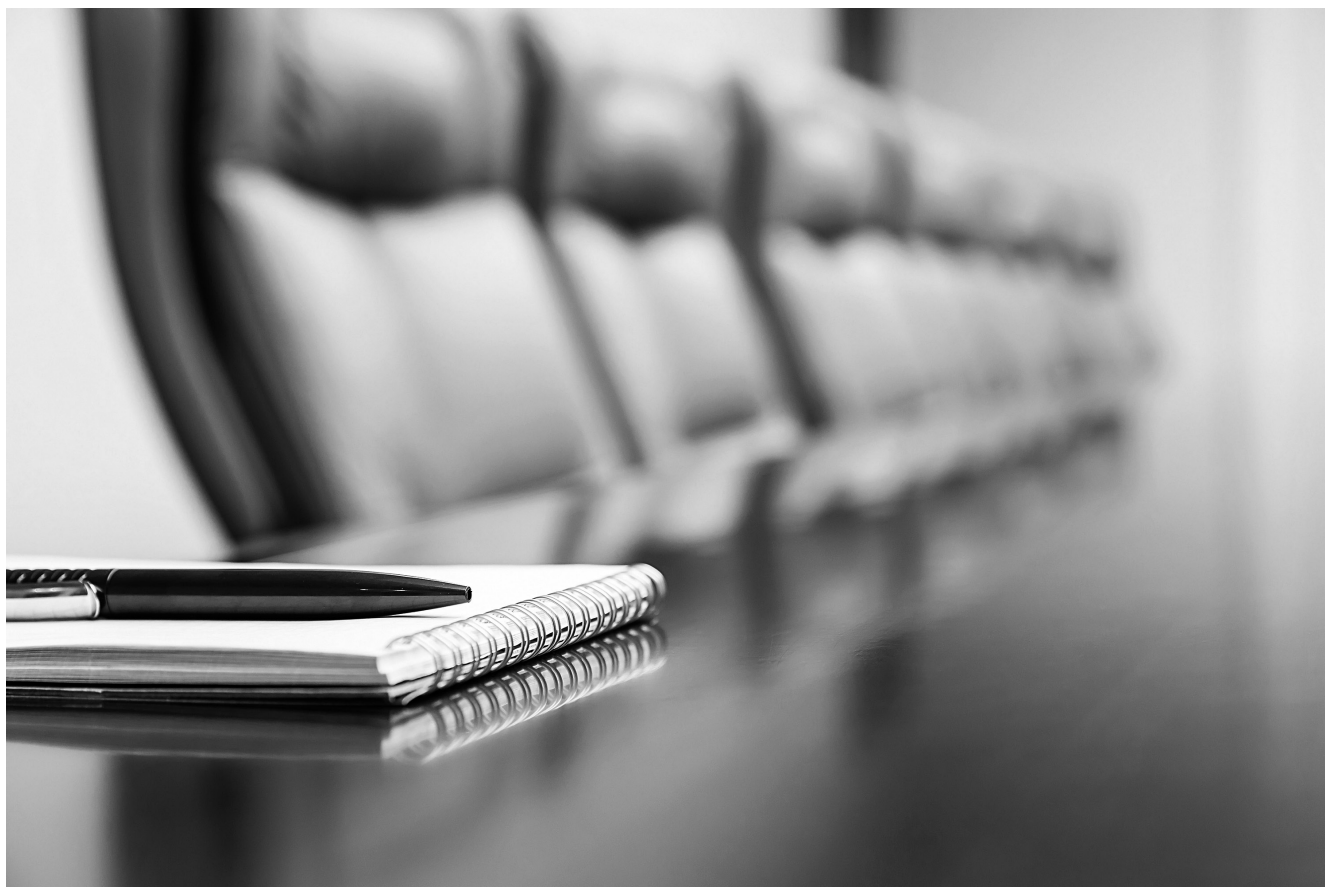
242,124,558

-4.2%

Number of Shares Issued

40,693,203

40,693,203





Total **client assets under management and custody**, excluding the assets under temporary management from Banco de Madrid, reached **13,419 million Euros** at the close of the quarter. The proprietary network accounts for 7,027 million Euros. The third party network accounts for 6,392 million Euros.

The **assets from Banco de Madrid temporarily under management** reached 933 million Euros at the quarter.

Clients assets under management (Investment Funds, SICAV's and Pensions Funds) have reached **6,666 million Euros** versus 6,513 million Euros in the same period last year, which translates in a 2.3% increase. Taking into account the assets under management and custody, temporarily under management, from Banco Madrid, total assets under management at the close of the first quarter 2016 reached 7,599 million Euros.

Client assets under management and custody



13,419 million Euros

Proprietary network clients



66,471

Assets in **investment funds managed by Renta 4** reached **2,406 million Euros** at the end of the quarter which represents a drop of 4.3% over the same period last year. If we include the assets temporarily under management from Banco Madrid they would reach 3,339 million Euros.

Client **assets invested in third party funds** reached **997 million Euros** at the close of the quarter, an increase of 7.2% over the same period last year.

Regarding **SICAV's under management**, their assets at the end of the quarter increased by 21.3% reaching a total of **819 million Euros**.

Pension Funds under management increased by 2% reaching a total amount of **2,444 million Euros** at the end of the quarter.

New clients have continued to increase during the first quarter 2015. The total number of clients has reached 399,808 clients. The proprietary network increased the number of clients by 8.7% to a total of 66,471. Third party clients increased by 9.1% to a total of 333,337.





Profit & Loss 2016

PROFIT AND LOSS	31/03/2016	31/03/2015	%
Interest and similar income	974	1,308	-25.5%
Interest expense and similar charges	-135	-283	-52.3%
NET INTEREST INCOME	839	1,025	-18.1%
Return on equity instruments	0	0	-
Profit (loss) of entities accounted for using the equity method	-97	-192	-49.5%
Fee and commission income	32,060	30,414	5.4%
Fee and commission expenses	-17,264	-15,667	10.2%
Gains or losses on financial assets and liabilities (net)	333	604	-44.9%
Exchange differences (net)	537	236	127.5%
Other operating income	49	72	-31.9%
Other operating expenses	-222	-155	43.2%
GROSS MARGIN	16,235	16,337	-0.6%
Administrative expenses:	-11,310	-9,976	13.4%
a) Personnel expenses	-5,953	-5,835	2.0%
b) Other administrative expenses	-5,357	-4,141	29.4%
Depreciation and amortisation	-1,175	-1,032	13.9%
Provision expenses (net)	0	0	-
Impairment losses on financial assets (net)	-25	49	-
OPERATING PROFIT	3,725	5,378	-30.7%
Loss by deterioration rest of assets (net)	0	0	-
Gains of susp. assets not clasif. for sale	0	0	-
PROFIT BEFORE TAX	3,725	5,378	-30.7%
Tax on profit	-1,218	-1,670	-27.1%
CONSOLIDATED PROFIT FOR THE YEAR	2,507	3,708	-32.4%
a) Profit attributed to the parent	2,507	3,708	-32.4%
b) Profit attributed to minority interests	0	0	-

Thousand of euros



Renta 4 has reached in the first quarter 2016 a **Net Profit of 2.5 million Euros** versus 3.7 million Euros in the same period last year.

Gross Commissions (commissions received, plus company results based on participation method and other products from operations) have increase during the first quarter by **5.7%** totaling **32.01 million Euros** versus 30.29 million Euros in the same period last year.

In this chapter it is noteworthy the amount of gross commissions generated by the asset management division in the period. They were up by **38.8%** totaling **15.65 million Euros** versus 11.27 in the first quarter 2015. This has been possible due to the substantial asset growth that has taken place during first quarter 2016 at Renta 4 despite the difficult market conditions in the last quarter.

With respect to the amount of gross commissions generated in the securities trading divisions, these have dropped by 16.2% totaling **14.02 million Euros** versus 16.73 million Euros in the same period last year. In this division, international derivatives trading, has increased by 29.7% during the period.

Corporate services commissions have increased by 2.3% totaling **2.33 million Euros** versus 2.28 million Euros in the same period last year.

The increase in commissions from the asset management division has offset those from the trading division. The increase in the commissions generated in the asset management division takes place despite adverse market conditions. As already mentioned it is in this division that clients receive the highest added value in the service received.

In terms of net commissions (gross commissions minus paid commissions) these were up 0.8% totaling **14.74 million Euros versus 14.62 Euros**, in the first quarter 2015.

Banco Madrid has via its assets under temporary management contributed with 1.6 million Euros during the period.

Financial margin has suffered a drop of 18.1% totaling 0.84 million Euros versus 1.02 million Euros in the same period 2015. The main reason for this drop has been the contraction of activity in fixed income markets as a consequence of very low interest rates.

The result of financial operations and exchange differences in the trading account have dropped by **44.9%** to 0.33 million Euros from 0.60 million Euros in the first quarter 2015. In this result it is included a one off charge of 0.62 million Euros associated to the creation of the multicurrency account.

On the cost side, operating costs (General costs, staff costs, other operational costs and amortization) have total 12.70 million Euros which means an increase of 13.8% versus the same period last year.

Personnel costs remain flat during the quarter totaling 5.95 million Euros.

General administrative costs during the quarter have increased 29.4% totaling 5.35 million Euros versus 4.14 million Euros in the same period last year. This increase in costs is due to the expenses associated to the opening of foreign branches and the expenses occurred during the management of Banco de Madrid assets. The latter have reached 0.55 million Euros during the period.



Amortization costs during the period have increased by 13.9% totaling 1.17 million Euros versus those of the first quarter 2015.

The result of operating activities during the quarter has dropped by 30.7% totaling 3.72 million Euros versus 5.37 million Euros in the same period last year.

Economic and Financial Outlook



As we have already mentioned in the last quarter's the economic environment in which Renta 4 has developed its business has been difficult and demanding. During the first quarter of 2016 again we have had to cope with an scenario of negative interest rates and with lower trading volumes in all markets.

Despite these adverse conditions Renta 4 has been able to increase revenues from commissions and maintain a double digit return on equity well above the sector average.



For the remaining part of the year we remain positive based upon three factors: the increase in assets within our proprietary network, the growth in assets under management and the increase in corporate deals.

We also expect along the year a better return from our LatinAmerican operations in Chile, Peru and Colombia. We should also expect positive returns from our investment funds launched in our new asset Management company in Luxemburg.

Although we are conscious that market conditions will not be easy we expect to achieve our target for profits in 2016.





ASSETS	31/03/2016	31/12/2015
<i>Thousands of euros</i>		
1. Cash and balances with central banks	5,463	6,432
2. Financial assets held for trading	7,818	926
3. Other financial assets at fair value through profit or loss		
4. Available-for-sale financial assets	506,683	495,249
5. Debt securities	533,650	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	339	421
a) Associates	339	421
b) Jointly controlled entities		
11. Insurance contracts linked to pensions		
12. Reinsurance assets		
13. Property and equipment:	40,560	40,133
a) For own use	36,511	36,051
b) Investment properties	4,049	4,082
14. Intangible assets:	17,417	17,545
a) Goodwill	15,291	15,291
b) Otro intangible assets	2,126	2,254
15. Tax assets	3,094	2,859
a) Current	50	0
b) Deferred	3,044	2,859
16. Other assets	1,219	751
TOTAL ASSETS	1,116,243	1,075,356



TOTAL EQUITY AND LIABILITIES

31/03/2016

31/12/2015

Thousands of euros

TOTAL LIABILITIES	1,033,505	993,261
1. Financial liabilities held for trading	190	266
2. Other financial liabilities at fair value through profit or loss		
3. Financial liabilities at amortized cost	1,026,399	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	200	200
9. Tax liabilities	4,792	4,511
a) Current	3,401	3,120
b) Deferred	1,391	1,391
10. Fondo de la obra social (sólo Cajas de Ahorro y Cooperativas de crédito)		
11. Other liabilities	1,924	2,009
12. Cash		
EQUITY	82,738	82,095
OWN FUNDS	83,734	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	-363	-334
6. Profit (loss) attributable to the parent	2,507	14,019
7. Less: Dividends and remuneration	0	-5,446
VALUATION ADJUSTMENTS	-1,043	-768
1. Available-for-sale financial assets	-679	-353
2. Cash flow hedges		
3. Hedges in net investments in foreign operations		
4. Exchange differences	-364	-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	82,691	82,048
MINORITY INTERSTS	47	47
1. Valuation adjustments	0	0
2. Others	47	47
TOTAL EQUITY AND LIABILITY	1,116,243	1,075,356

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