

2019

FIRST SEMESTER
RESULTS

renta4banco

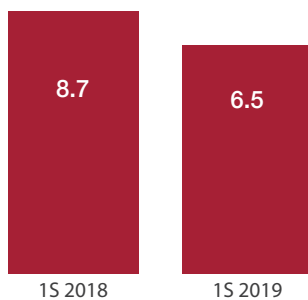
Highlights

Renta 4 Banco has achieved in the first semester 2019 a Net Profit attributed to the Group of 6.5 million Euros versus 8.7 million Euros in the same period last year. This represents a decrease of 26.0%

The Bank's Capital Ratio CET1 Fully Loaded stands at 16.19% comfortably above current regulatory requirements and amongst the highest in our sector.

The Bank's return on equity is circa 15.18% again well above our sector average.

NET PROFIT (1S 2018 Vs 1S 2019)
(Thousand euros)



Proprietary network assets: 11,630 millions euros

▼ **0.4%** versus same period last year

Gross margin: 40,051 millions euros

▲ **0.9%** versus same period last year

Business during the semester has been marked by low trading volumes and the uncertainty of the markets direction. This has forced investors to increase their liquidity and to take shelter in fixed income products, hence net commissions have dropped by 8.3% to 31.9 million Euros during the period.

The increase in profits from financial operations and financial margin have compensated the drop in net commission. The gross margin from activities has reached 40.1 million Euros which means an increase of 0.9% versus the same period last year.

The increase in costs associated to digital transformation and the opening of new branches in Latin-American have affected operating profits which has reached 9.1 million Euros. This means a drop of 25.8% versus the same period last year.

Main Variables

OPERATIONAL DATA	152,019	152,018	%
Number of Clients Of Proprietary Network	82,176	79,182	3.8%
Total Assets (million Euros)	21,000	21,059	-0.3%
Equities	8,619	9,568	-9.9%
Investment Funds (proprietary and third party)	5,024	5,368	-6.4%
Pension Funds	3,753	3,493	7.4%
SICAVs	1,112	1,197	-7.1%
Others	2,492	1,433	73.9%
Assets Proprietary Network (million Euros)	11,630	11,673	-0.4%
Assets Third Party Network (million Euros)	9,370	9,386	-0.2%

FINANCIAL INDICATORS (THOUSAND EUROS)	152,019	152,018	%
Fee and commission income	63,067	71,952	-12.3%
Fee and commission expenses	-31,199	-37,213	-16.2%
Net Commissions Received	31,868	34,739	-8.3%
Exchange differences (net)	1,914	2,260	-15.3%
Net Commissions Received + Exchange differences	33,782	36,999	-8.7%
Financial Margin	1,679	1,579	6.3%
Result of Financial Operations	5,781	2,088	176.9%
Cost of Operation (Administrative expenses + Other operating expenses)	-32,044	-29,430	8.9%
Profit from Operating Activities	9,138	12,315	-25.8%
Net Profit	6,315	8,560	-26.2%
Profit attributed to minority interests	-145	-164	-11.6%
Profit attributed to the parent	6,460	8,724	-26.0%
EPS	0.16	0.21	-26.0%

Main Variables

EMPLOYEES (period average)	152,019	152,018	%
Employees (period average)	510	490	4.1%
Branch Network (Latam)	265 (51)	255(47)	3.9%
Central services	245	235	4.3%
Number of Offices	66	66	0.0%

SHARE	152,019	152,018	%
Ticker (Reuters/Bloomberg/Adrs)	RTA4.MA	RTA4.MA	
Share Price (€)	7.14	7.44	-4.0%
Capitalisation (€)	290,549,469	302,757,430	-4.0%
Number of Shares Issued	40,693,203	40,693,203	

Operating Data

Assets under management and custody, have reached 21,000 million Euros. The proprietary network accounts for 11,630 million Euros and the third party network accounts for 9,386 million Euros. During the first six months of 2019 the proprietary network has increased by 503 million Euros.

During the first six months of 2019, total assets have increased since January 1st, 2019 by 5.3% to 1,062 million Euros. This represents a drop of 0.3% compared to total assets on June 30th, 2018.

Assets under management (Investment Funds, Sicavs and Pension Funds) reached 9,889 million Euros, an increase of 560 million Euros since December 2018.

Assets in Investment Funds reached 3,431 million Euros, in Sicavs 1,112 million Euros and in Pension Funds 3,753 million Euros.

Client's assets invested in third party funds distributed by Renta 4 have reached 1,593 million Euros. This represents an increase of 17.6%. Over the first six months of 2019 they have increased by 21.9%

During the first semester of 2019 net inflows have been negative in the amount of 417 million Euros. This has been due to the current Bank strategy of maintaining the minimum possible number of client's accounts in cash positions.

Total accounts in the proprietary network have reached 82,176 versus 79,182 in the same period last year. This represents an increase of 3.78%

First Semester 2019. Consolidated Profit and Loss Account (January to June)

Profit and Loss	30/06/2019	30/06/2018	%
Thousand of euros			
Interest and similar income	3,024	2,160	40.0%
Interest expense and similar charges	-1,345	-581	131.5%
NET INTEREST INCOME	1,679	1,579	6.3%
Return on equity instruments	115	167	-31.1%
Profit (loss) of entities accounted for using the equity method	81	0	-
Fee and commission income	62,986	71,952	-12.5%
Fee and commission expenses	-31,199	-37,213	-16.2%
Gains or losses on financial assets and liabilities (net)	5,781	2,088	176.9%
Exchange differences (net)	1,914	2,260	-15.3%
Other operating income	97	115	-15.7%
Other operating expenses	-1403	-1264	11.0%
GROSS MARGIN	40,051	39,684	0.9%
Administrative expenses and depreciation:	-26,503	-25,627	3.4%
a) Personnel expenses	-16,689	-16,095	3.7%
b) Other administrative expenses	-9,814	-9,532	3.0%
Depreciation and amortisation	-4,138	-2,539	63.0%
Provision expenses (net)	2	-5	-
Impairment losses on financial assets (net)	-274	802	-
OPERATING PROFIT	9,138	12,315	-25.8%
Loss by deterioration rest of assets (net)	0	0	-
Gains of susp. assets not clasif. for sale	0	0	-
PROFIT BEFORE TAX	9,138	12,315	-25.8%
Tax on profit	-2,823	-3,755	-24.8%
CONSOLIDATED PROFIT FOR THE YEAR	6,315	8,560	-26.7%
a) Profit attributed to the parent	6,460	8,724	-26.0%
b) Profit attributed to minority interests	-145	-164	-11.6%

Profits and main areas of revenues and costs

Net Profit attributed to the Group in the first semester 2019 has dropped by 26.0% to 6.5 million Euros versus the same period last year.

Gross commissions (commissions received plus company results based on participation method and other products from operations) have dropped by 12.4% to 63.1 million Euros. During the semester, low trading volumes and market uncertainties have resulted drop in revenues versus the same period last year.

Asset Management commissions have dropped by 7.4% to 33.5 million Euros. This is mainly due to the fact that clients are switching from equity funds to other funds which generate smaller commissions.

With respect to the amount of gross commissions generated in the securities trading division, these have dropped by 19.9% reaching 23.3 million Euros.

Corporate services commissions have dropped by 6.3% to 6.4 million Euros during the period.

In terms of net commissions (gross commissions minus paid commissions) these have dropped by 8.3% totaling 32 million Euros versus 34.9 million Euros in the same period last year.

The drop in commissions has been compensated with the increase in interest margin and the result of financial operation. Interest margin has increased by 6.3% to 1.7 million Euros. The result of financial operations has increased by 176.9% to 5.8 million Euros versus 2.1 million Euros achieved in the same period last year.

Gross margin has increased by 0.9% to 40.1 million Euros versus 39.7 million Euros in the same period last year.

On the costs side, operating costs during the period (general costs, staff costs, other operational costs and amortizations) have increased by 8.9% to 32 million Euros. The increase in operating costs are associated with investments in our digital transformation and costs related to our branches in Chile, Peru and Colombia.

Staff costs have increased by 3.7% to 16.7 million Euros. General administrative costs have reached 9.8 million Euros versus 9.5 million Euros in the same period last year. This means an increase of 3.0%

Operating profit has dropped by 25.8% to 9.1 million Euros versus 12.3 million Euros in the same period last year.

Amortizations have increased by 63% due to the effect of NIF 16 rule that came into force on 1 January 2019.

Second Quarter Results 2019 (April to June)

Profit and Loss	2Q 2019	2Q 2018	%
Thousand of euros			
Interest and similar income	1,630	1,236	31.9%
Interest expense and similar charges	-658	-284	131.7%
NET INTEREST INCOME	972	952	2.1%
Return on equity instruments	115	163	-29.4%
Profit (loss) of entities accounted for using the equity method	81	0	-
Fee and commission income	31,217	35,518	-12.1%
Fee and commission expenses	-15,400	-18,484	-16.7%
Gains or losses on financial assets and liabilities (net)	3,247	926	250.6%
Exchange differences (net)	913	1,148	-20.5%
Other operating income	46	57	-19.3%
Other operating expenses	-734	-596	23.2%
GROSS MARGIN	20,457	19,684	3.9%
Administrative expenses:	-13,598	-12,883	5.5%
a) Personnel expenses	-8,602	-8,027	7.2%
b) Other administrative expenses	-4,996	-4,856	2.9%
Depreciation and amortisation	-2,097	-1,279	64.0%
Provision expenses (net)	0	-5	-
Impairment losses on financial assets (net)	-223	796	-
OPERATING PROFIT	4,539	6,313	-28.1%
Loss by deterioration rest of assets (net)	0	0	-
Gains of susp. assets not clasif. for sale	0	0	-
PROFIT BEFORE TAX	4,539	6,313	-28.1%
Tax on profit	-1,338	-2,003	-33.2%
CONSOLIDATED PROFIT FOR THE YEAR	3,201	4,310	-25.7%
a) Profit attributed to the parent	3,269	4,398	-25.7%
b) Profit attributed to minority interests	-68	-88	-22.7%

Second Quarter Results 2019 (April to June)

Renta 4 has reached in the second quarter 2019 a Net Profit of 3.3 million Euros versus 4.4 million Euros in the same period last year. This means a drop of 25.7%.

Gross commissions during the second quarter 2019 (commissions received plus company results based on participation method and other products from operations) have dropped by 11.9% to 31.3 million Euros versus 35.6 million Euros in the same period last year.

Net commissions have dropped 6.7% to 15.9 million Euros.

Interest margin has reached 1.0 million Euros, and the result of financial operations has reached 3.2 million Euros, both compensating the drop in commissions which has meant that during the quarter gross margin has increased by 3.9% to 20.5 million Euros versus 19.7 million Euros in the same period last year.

On the costs side, operating costs during the second quarter 2018 (general costs, staff costs, other operational costs and amortizations) have totaled 16.4 million Euros. This represents an increase of 11.3% over the same period last year.

Operating profit for the second quarter 2019 has reached 4.5 million Euros versus 6.3 million Euros in the same period last year.

Economic and Financial Outlook

During the second quarter pressure on margins has increased. This has been due to several factors, thin trading volumes, scarce activity in primary and secondary placements and the flight by our clients to cash and more conservative assets.

Despite the above, profits in the second quarter have slightly bettered those of the first quarter. The drop in profits with respect to the same period last year has also been reduced moderately.



Although it is predictable that some of the already mentioned factors will still affect margins negatively during the next months, the increase of our client base and assets under management and custody, allows us to estimate a bettering of our results as the year moves along.

Moreover, we have due to the increasing demand strengthened our corporate finance division and our alternative investment team (private equity and others). Both should contribute in the coming years in an increasing manner to the Bank's results.

Based on this scenario we keep a prudent but positive expectation for the remaining part of the year.

Renta 4 Banco maintains a high level of solvency ratios and a strong return on capital (ROE), which are the best guarantees to be able to offer an adequate retribution to shareholders

Consolidated Balance Sheet

ASSETS	30/06/2019	31/12/2018
		<i>Thousand of euros</i>
1. Cash and balances with central banks	331,544	427,868
2. Financial assets held for trading	48,074	28,766
3. Other financial assets at fair value through profit or loss	-	-
4. Available-for-sale financial assets	1,038,530	718,020
5. Debt securities	107,702	108,853
6. Held -to-maturity investments	-	-
7. Hedging derivatives	-	-
8. Non-current assets held for sale	-	-
9. Investments	345	-
a) Associates	345	-
b) Jointly controlled entities	-	-
10. Insurance contracts linked to pensions	-	-
11. Reinsurance assets	-	-
12. Property and equipment:	61,653	40,951
a) For own use	58,019	37,257
b) Investment properties	3,634	3,694
13. Intangible assets:	18,603	18,292
a) Goodwill	15,291	15,291
b) Otro intangible assets	3,312	3,001
14. Tax assets	1,112	2,571
a) Current	117	1,551
b) Deferred	995	1,020
15. Other assets	1,659	948
TOTAL ASSETS	1,609,222	1,346,269

Consolidated Balance Sheet

TOTAL EQUITY AND LIABILITIES	30/06/2019	31/12/2018
<i>Thousand of euros</i>		
TOTAL LIABILITIES	1,508,537	1,249,268
1. Financial liabilities held for trading	20	0
2. Other financial liabilities at fair value through profit or loss	-	-
3. Financial liabilities at amortized cost	1,498,850	1,240,172
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	461	463
9. Tax liabilities	6,637	4,836
a) Current	5,203	3,365
b) Deferred	1,434	1,471
10. Fondo de la obra social (sólo Cajas de Ahorro y Cooperativas de crédito)	-	-
11. Other liabilities	2,569	3,797
12. Cash	-	-
EQUITY	100,685	97,001
OWN FUNDS	99,634	96,329
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	67,063	63,111
4. Other equity instruments	-	-
5. Less: Treasury shares	697	763
6. Profit (loss) attributable to the parent	6,460	16,095
7. Less: Dividends and remuneration	-	-8,922
VALUATION ADJUSTMENTS	247	-13
1. Available-for-sale financial assets	1,042	1,008
2. Cash flow hedges	-	-
3. Hedges in net investments in foreign operations	-	-
4. Exchange differences	-795	-1021
5. Non-current assets held for sale	-	-
6. Companies accounted using the equity method	-	-
7. Other valuation adjustments	-	-
TOTAL EQUITY ATTRIBUTABLE TO THE PARENT	99,881	96,316
MINORITY INTERESTS	804	685
1. Valuation adjustments	-90	-61
2. Others	894	778
TOTAL EQUITY AND LIABILITY	1,609,222	1,346,269

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