

2019

FOURTH QUARTER
RESULTS

renta4banco

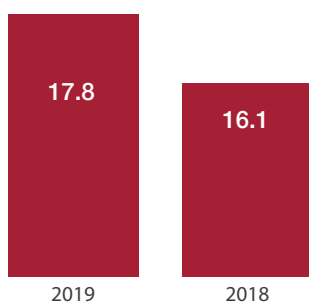
Highlights

Renta 4 Banco has achieved during 2019 a **Net Profit attributed to the Group of 17.8 million Euros** versus 16.1 million Euros obtained in 2018. This represents an **increase of 10.8%**. During the **4Q**, Renta Banco has achieved a Net Profit of 5.6 million Euros. This represents an increase of 38.7% over the same period last year.

The **Bank's Capital Ratio CET1 Fully Loaded** stands at **16.67%** comfortably above current regulatory requirements.

The **Bank's return on Capital (ROE)** stands at **19.14%**.

NET PROFIT ATTRIBUTED TO THE GROUP
(2019 Vs 2018)
(million Euros)



Net Profit attributed to the Group: 17.8 million Euros

▲ **10.8%** in the same period last year

Assets from the proprietary network: 10,546 million Euros

▲ **13%** in the same period last year

Results **during the year** have experienced two different stages. During the first half profits have suffered greater pressure due to the uncertainty in the direction of capital markets worldwide. In the **second half of the year profits improved as did market expectations**. Along the first six months of the year net profits for the Group reached 6.4 million euros while in the second half of the year they reached 11.4 million euros. Thus, they were 76% better than in the first half of 2019.

Two factors have contributed substantially in order to explain the difference in results of the **two semesters** of the year. One has been the increase during the second half of the year in the **results from financial operations** due to activity in the fixed income market. The second reason is the **success fees obtained at the end of the year** derived from the fund management activity during 2019.

Business activity throughout the year has described a similar pattern, it has improved as the year progressed. The rate of growth in **client's assets and assets under management** has increased during the latter part of the year.

Assets in our proprietary network have increased by 10.7% to 12,347 million euros. **Client's assets under management** have increased by 13% to 10,546 million euros.

Main Variables

| Operational Data | 4Q 2,019 | 4Q 2,018 | % |
|---|---------------|---------------|--------------|
| Number of Clients Of Proprietary Network | 84,227 | 81,144 | 3.8% |
| Total Assets (million Euros) | 22,294 | 19,964 | 11.7% |
| Equities | 9,244 | 8,922 | 3.6% |
| Investment Funds (proprietary and third party) | 5,223 | 4,780 | 9.3% |
| Pension Funds | 4,157 | 3,504 | 18.6% |
| SICAVs | 1,166 | 1,045 | 11.6% |
| Others | 2,504 | 1,713 | 46.2% |
| Assets Proprietary Network (million Euros) | 12,347 | 11,153 | 10.7% |
| Assets Third Party Network (million Euros) | 9,947 | 8,811 | 12.9% |

| Financial Indicators (thousand euros) | 4Q 2,019 | 4Q 2,018 | % |
|--|---------------|---------------|---------------|
| Fee and commission income | 132,694 | 140,941 | -5.9% |
| Fee and commission expenses | -64,437 | -71,502 | -9.9% |
| Net Commissions Received | 68,257 | 69,439 | -1.7% |
| Exchange differences (net) | 4,059 | 4,789 | -15.2% |
| Net Commissions Received + Exchange differences | 72,316 | 74,228 | -2.6% |
| Financial Margin | 3,835 | 3,306 | 16.0% |
| Result of Financial Operations | 14,495 | 2,612 | 454.9% |
| Cost of Operation (Administrative expenses + Other operating expenses) | -65,650 | -58,946 | 11.4% |
| Profit from Operating Activities | 24,780 | 22,015 | 12.6% |
| Net Profit | 17,602 | 15,761 | 11.7% |
| Profit attributed to minority interests | -228 | -334 | -31.7% |
| Profit attributed to the parent | 17,830 | 16,095 | 10.8% |
| EPS | 0.44 | 0.40 | 10.8% |

Main Variables

| Employees (period average) | 4Q 2,019 | 4Q 2,018 | % |
|-----------------------------------|------------|------------|-------------|
| Employees (period average) | 515 | 495 | 4.0% |
| Branch Network (Latam) | 268(53) | 256(46) | 4.7% |
| Central services | 247 | 239 | 3.3% |
| Number of Offices | 66 | 66 | 0.0% |

| Share | 4Q 2,019 | 4Q 2,018 | % |
|--|----------------|----------------|---------------|
| Ticker (Reuters/Bloomberg/Adrs) | RTA4.MA | RTA4.MA | |
| Share Price (€) | 7 | 7.84 | -10.7% |
| Capitalisation (€) | 284,852,421 | 319,034,712 | -10.7% |
| Number of Shares Issued | 40,693,203 | 40,693,203 | |

Operating Data

Total assets under management and custody, have reached **22,294 million Euros** at the close of 2019. **The proprietary network** has increased in 1,194 million Euros to a total of **12,347 million Euros**. This means an increase of 10.7% over the same period last year. The third party network has totaled 9,947 million Euros.

During 2019 total assets have increased by 2,330 million Euros. This represents an increase of 11.7%.

Assets under management (Investment Funds, Sicavs and Pension Funds) reached **10,546 million Euros**, an increase of 1,217 million Euros. This means an increase of 13% versus the same period last year.

Assets under management in **Investment Funds** have reached **3,438 million Euros**, in **Sicavs 1,166 million Euros** and in **Pension Funds 4,157 million Euros**. **Investments in third party funds** have increased by 36.6% to **1,785 million Euros**.

During the 4Q 2019, **net inflows in the proprietary network** have reached **150 million Euros**.

Total accounts in the proprietary network have reached **84,227** versus 81,144 in the same period last year.

Consolidated Profit and Loss Account 2019. (January to December)

| Profit and Loss | 31/12/2019 | 31/12/2019 | % |
|---|---------------|---------------|--------------|
| <i>Thousand of euros</i> | | | |
| Interest and similar income | 6,232 | 4,636 | 34.4% |
| Interest expense and similar charges | -2,397 | -1,330 | 80.2% |
| NET INTEREST INCOME | 3,835 | 3,306 | 16.0% |
| Return on equity instruments | 320 | 368 | -13.0% |
| Profit (loss) of entities accounted for using the equity method | 120 | 0 | - |
| Fee and commission income | 132,347 | 140,679 | -5.9% |
| Fee and commission expenses | -64,437 | -71,502 | -9.9% |
| Gains or losses on financial assets and liabilities (net) | 14,495 | 2,612 | 454.9% |
| Exchange differences (net) | 4,059 | 4,789 | -15.2% |
| Other operating income | 227 | 262 | -13.4% |
| Other operating expenses | -2,460 | -2,513 | -2.1% |
| GROSS MARGIN | 88,506 | 78,001 | 13.5% |
| Administrative expenses and depreciation: | -54,596 | -51,199 | 6.6% |
| a) Personnel expenses | -35,834 | -31,637 | 13.3% |
| b) Other administrative expenses | -18,762 | -19,562 | -4.1% |
| Depreciation and amortisation | -8,594 | -5,234 | 64.2% |
| Provision expenses (net) | -220 | -413 | -46.7% |
| Impairment losses on financial assets (net) | -316 | 860 | - |
| OPERATING PROFIT | 24,780 | 22,015 | 12.6% |
| Loss by deterioration rest of assets (net) | | | |
| Gains of susp. assets not clasif. for sale | 0 | 0 | - |
| PROFIT BEFORE TAX | 24,780 | 22,015 | 12.6% |
| Tax on profit | -7,178 | -6,254 | 14.8% |
| CONSOLIDATED PROFIT FOR THE YEAR | 17,602 | 15,761 | 11.7% |
| a) Profit attributed to the parent | 17,830 | 16,095 | 10.8% |
| b) Profit attributed to minority interests | -228 | -334 | -31.7% |

Profits and main areas of revenues and costs

Net Profit attributed to the Group for the year 2019 has **increased by 10.8% to 17.8 million Euros** versus the one reached in 2018.

During 2019 **Gross commissions** (commissions received plus company results based on participation method and other products from operations) **have dropped by 5.9% to 132.7 million Euros**. This drop is due to low market volumes specially those of equity markets which has resulted in a drop of broking commissions versus de same period last year. **Gross broking commissions have dropped 17.2% to 46.4 million Euros**. **During the second half of the year** the negative trend in gross commissions has been reverted, they have increased by 14.5% during the 4Q 2019.

Asset Management commissions have increased by 1.9% to 73 million Euros versus the same period last year.

Corporate services commissions have remained at similar levels as the previous year and they have reached **13.3 million Euros** during the period.

In terms of **net commissions** (gross commissions minus paid commissions) these have dropped by **1.7%** totaling **68.3 million Euros** versus 69.4 million Euros in the same period last year.

The drop in commissions has been compensated with the increase in **interest margin** which **has increased by 16% to 3.8 million Euros and from the result from financial operations** which has increased substantially to **14.5 million Euros** versus the 2.6 million Euros achieved in 2018.

Gross margin has increased by 13.5% to 88.5 million Euros million versus 78 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 11.4% to 65.7 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 13.3% to 35.8 million Euros. **General administrative costs have reached 18.8 million Euros** versus 19.6 million Euros in the same period last year. This means a drop 4.1% versus the same period last year.

Amortizations have increased by 64.2% versus the same semester last year in a mayor part due to the accounting effect of **NIIF 16** rule that came into force on 1st January 2019.

Operating profit has increased by 12.6% to 24.8 million Euros versus 22.0 million Euros over the same period last year.

Fourth Quarter Results 2019 (October to December)

| Profit and Loss | 2019 4Q | 2018 4Q | % |
|---|-------------------|---------------|--------------|
| | Thousand of euros | | |
| Interest and similar income | 1,488 | 1,235 | 20.5% |
| Interest expense and similar charges | -588 | -419 | 40.3% |
| NET INTEREST INCOME | 900 | 816 | 10.3% |
| Return on equity instruments | 120 | 120 | 0,0% |
| Profit (loss) of entities accounted for using the equity method | 13 | 0 | - |
| Fee and commission income | 38,376 | 34,909 | 9.9% |
| Fee and commission expenses | -17,987 | -17,101 | 5.2% |
| Gains or losses on financial assets and liabilities (net) | 2,600 | -445 | - |
| Exchange differences (net) | 988 | 1,361 | -27.4% |
| Other operating income | 86 | 92 | -6.5% |
| Other operating expenses | -432 | -563 | -23.3% |
| GROSS MARGIN | 24,664 | 19,189 | 28.5% |
| Administrative expenses: | -15,006 | -12,768 | 17.5% |
| a) Personnel expenses | -10,755 | -7,488 | 43.6% |
| b) Other administrative expenses | -4,251 | -5,280 | -19.5% |
| Depreciation and amortisation | -2,197 | -1,377 | 59.5% |
| Provision expenses (net) | -23 | -407 | -94.3% |
| Impairment losses on financial assets (net) | 46 | 131 | - |
| OPERATING PROFIT | 7,484 | 4,768 | 57.0% |
| Loss by deterioration rest of assets (net) | 0 | 0 | - |
| Gains of susp. assets not clasif. for sale | 0 | 0 | - |
| PROFIT BEFORE TAX | 7,484 | 4,768 | 57.0% |
| Tax on profit | -1,899 | -812 | 133.9% |
| CONSOLIDATED PROFIT FOR THE YEAR | 5,585 | 3,956 | 41.2% |
| a) Profit attributed to the parent | 5,609 | 4,045 | 38.7% |
| b) Profit attributed to minority interests | -24 | -89 | -73.0% |

Fourth Quarter Results 2019 (October to December)

Renta 4 has reached in the fourth quarter 2019 a **Net Profit attributed to the Group of 5.6 million Euros** versus 4.0 million Euros in the same period last year. This means an increase of 38.7%.

Net commissions have increased by **14.5% to 20.5 million Euros** versus the same quarter last year. Asset management commissions have increased by 50.6% to 10 million Euros during the quarter.

Interest margin has reached 0.9 million Euros, and the **result of financial operations** has reached 2.6 million Euros which together with the increase in commissions has meant that during the quarter **gross margin has increased by 28.5% to 24.7 million Euros** versus 19.2 million Euros in the same period last year.

On the costs side, **operating costs** (general costs, staff costs, other operational costs and amortizations) have totaled **17.6 million Euros**. This represents an increase of 19.9% over the same period last year.

Operating profit for the third quarter 2019 has increased by 57.0% reaching **7.5 million Euros versus** 4.8 million Euros in the same period last year

Economic and Financial Outlook

The scenario that we contemplate remains demanding not only due to the digital transformation already on course but above all the structural changes that are substantially altering the needs of our clients and the way in which we must service them.

Under a context of low interest rates and the disappearance of the so called risk free assets emerges the need of savers/investors to look for alternative investment ideas in which to maximize their capital. **The need of a guideline together with quality specialized management and proximity generates and opportunity for Renta 4's business model**, as a Bank specialized in investment. Nevertheless, at the same time this requires a permanent transformation and strengthening in the offer of our services to our clients, with the object of establishing a fluent and satisfactory working relation with them.



The **increase, yet for another year, of our client base, assets in our proprietary network plus assets under management** allow us to maintain a **positive projection**. The increase of our business lines such as alternative products and the positive results from our corporate division together with the improvement of our branches in **Luxemburg, Chile, Peru and Colombia** also contribute to our positive outlook for the future.

Our target **for 2020 is to continue to transform the Bank for the future**, maintaining high levels of return on capital (ROE) and strengthening the solvency and profitability ratios that we have and to allow for a **satisfactory remuneration to shareholders**.

Consolidated Balance Sheet

| ASSETS | 31/12/2019 | 31/12/2018 |
|--|------------------|--------------------------|
| | | <i>Thousand of euros</i> |
| 1. Cash and balances with central banks | 652,215 | 427,868 |
| 2. Financial assets held for trading | 27,195 | 28,766 |
| 3. Other financial assets at fair value through profit or loss | - | - |
| 4. Available-for-sale financial assets | 850,419 | 718,020 |
| 5. Debt securities | 153,998 | 108,853 |
| 6. Held -to-maturity investments | - | - |
| 7. Hedging derivatives | - | - |
| 8. Non-current assets held for sale | - | - |
| 9. Investments | 348 | - |
| a) Associates | 348 | - |
| b) Jointly controlled entities | - | - |
| 10. Insurance contracts linked to pensions | - | - |
| 11. Reinsurance assets | - | - |
| 12. Property and equipment: | 62,153 | 40,951 |
| a) For own use | 58,579 | 37,257 |
| b) Investment properties | 3,574 | 3,694 |
| 13. Intangible assets: | 18,513 | 18,292 |
| a) Goodwill | 15,291 | 15,291 |
| b) Otro intangible assets | 3,222 | 3,001 |
| 14. Tax assets | 940 | 2,571 |
| a) Current | 0 | 1,551 |
| b) Deferred | 940 | 1,020 |
| 15. Other assets | 1,157 | 948 |
| TOTAL ASSETS | 1,766,938 | 1,346,269 |

Consolidated Balance Sheet

| TOTAL EQUITY AND LIABILITIES | 31/12/2019 | 31/12/2018 |
|--|--------------------------|------------------|
| | <i>Thousand of euros</i> | |
| TOTAL LIABILITIES | 1,662,687 | 1,249,268 |
| 1. Financial liabilities held for trading | 6 | 0 |
| 2. Other financial liabilities at fair value through profit or loss | - | - |
| 3. Financial liabilities at amortized cost | 1,650,096 | 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 | 492 | 463 |
| 9. Tax liabilities | 6,490 | 4,836 |
| a) Current | 4,846 | 3,365 |
| b) Deferred | 1,644 | 1,471 |
| 10. Fondo de la obra social (sólo Cajas de Ahorro y Cooperativas de crédito) | - | - |
| 11. Other liabilities | 5,603 | 3,797 |
| 12. Cash | - | - |
| EQUITY | 104,251 | 97,001 |
| OWN FUNDS | 102,994 | 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 | 67,074 | 63,111 |
| 4. Other equity instruments | - | - |
| 5. Less: Treasury shares | 601 | 763 |
| 6. Profit (loss) attributable to the parent | 17,830 | 16,095 |
| 7. Less: Dividends and remuneration | -8,117 | -8,922 |
| VALUATION ADJUSTMENTS | 337 | -13 |
| 1. Available-for-sale financial assets | 1,667 | 1,008 |
| 2. Cash flow hedges | - | - |
| 3. Hedges in net investments in foreign operations | - | - |
| 4. Exchange differences | -1,330 | -1,021 |
| 5. Non-current assets held for sale | - | - |
| 6. Companies accounted using the equity method | - | - |
| 7. Other valuation adjustments | - | - |
| TOTAL EQUITY ATTRIBUTABLE TO THE PARENT | 103,331 | 96,316 |
| MINORITY INTERSTS | 920 | 685 |
| 1. Valuation adjustments | -100 | -61 |
| 2. Others | 1,020 | 778 |
| TOTAL EQUITY AND LIABILITY | 1,766,938 | 1,346,269 |

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

