

# Cultura Sparebank

1<sup>st</sup> Quarter Report

Results as of March 31st 2016

## Accounts as of March 31st 2016

### General development

The Norwegian market, representing the bank's sole geographical area of activity, is still characterized by record low and still declining interest rate levels.

### Profit and loss accounts

The bank's operating result as of March 31st was NOK 735 000, up from NOK 258 000 in the corresponding period last year. Increased income from provisions and other income from banking services, up by 22,3 % as well as gain on interest bearing securities with NOK 463 000, were the main contributors. The main negative factor was a reduction in net interest income by NOK 603 000. Payroll and other administrative expenses were 13,6 % lower. The system conversion, which took place in the first quarter last year, makes a direct comparison of numbers less relevant.

Compared to Q4 2015 net interest income and interest related commissions were NOK 400 000 lower whereas operating expenses were reduced by NOK 442 000. The quarter on quarter result improvement of NOK 251 000 was significantly influenced by improvement of net profit from securities of NOK 391 000. The overall picture for the first quarter thus reveals a positive influence from further cost reduction challenged by a reduced net interest margin and lower loan volumes.

### The balance sheet

Total assets as of March 31st amounted to NOK 767 930 000, up from NOK 692 900 000 a year earlier, representing a 10,8 % increase. The increase from the previous quarter amounted to NOK 15 357 000 or 2 %. Loans to customers increased with NOK 29 791 000 from a year earlier, whereas deposits increased by NOK 64 130 000, in percentage terms 6,8 and 11,4 respectively. The increase in loans from year end was 1,5 % and increase in deposits 3,4 %. The bank has managed to improve the yield on the free liquidity reserve by increasing the holding of covered bonds and well as treasury bills, reducing central bank and other bank deposits. The bank maintains a conservative investment policy.

### Evaluation of loans, depreciation and loan impairments

As of March 31st there has been no significant changes in delinquencies and loss-exposures.

For the period the changes are as shown in the table below:

Write downs on individual loans	NOK	40 000
Recovery of previous losses	NOK	2 000
Loan loss expenses for the period	NOK	38 000
Provisions for specific loans as of 31.03. 2016:	NOK	963 000
Provisions for groups of loans as of 31.03 2016:	NOK	1 327 000
Loans in arrears with more than 90 days	NOK	1 208 885
Loss exposed loans not in arrears as of 31.03. 2016	NOK	767 605

### Capital ratios

At quarter-end the bank had a core tier one capital ratio of 16,34 % and a total ratio of 20,49 %, thus satisfying external as well as our internal requirements. The growth ambitions of the bank, however, will necessitate a capital infusion in the course of the year.

### Outlook for the remainder of 2016

The efforts to profit from the operational advantages of the new IT system remain a priority in to 2016. In addition to lowering operational costs there is a clear potential to improve and refine customer service and gain new business. In order to exploit this, the raising of additional equity capital remains a continuous task.

Oslo, March 21<sup>st</sup> 2016

The Board of Directors Cultura Sparebank

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CEO

## Profit and Loss statement

	01.01.2016	01.01.2015	01.01.2015
in NOK (000)	-31.03.2016	-31.03.2015	-31.12.2015
Interest and interest related income	5 492	6 801	25 916
Interest and interest related expense	1 061	1 767	5 672
<b>Net interest and interest related income</b>	<b>4 431</b>	<b>5 034</b>	<b>20 244</b>
Dividends and other income from variable income securities	0	13	21
Provision income and income from banking services	1 583	1 294	6 178
Provision expenses and expenses from banking services	594	621	2 165
Net profit/loss on foreign exchange and other financial instruments	35	40	231
Net profit/loss on interest bearing securities	323	-140	-336
Net profit/loss on shares and participations	0	0	-19
Other operating income	0	0	1
<b>Total other operating income</b>	<b>1 347</b>	<b>586</b>	<b>3 911</b>
<b>Total operating income</b>	<b>5 778</b>	<b>5 620</b>	<b>24 155</b>
Payroll	2 597	2 777	11 372
General administrative expenses	1 475	1 935	6 779
Depreciation on fixed and intangible assets	345	75	1 174
Other operating expenses	608	575	2 392
<b>Total operating expenses</b>	<b>5 025</b>	<b>5 362</b>	<b>21 717</b>
<b>Operating result before loan loss provisions and taxes</b>	<b>753</b>	<b>258</b>	<b>2 438</b>
Loan loss provisions	38	0	105
Estimated tax on ordinary result for the period	189	70	704
<b>Net result for the period</b>	<b>526</b>	<b>188</b>	<b>1 629</b>
Profit allocation:			
Interest on equity certificates			798
Transferred to Equalisation fund			739
Gifts			45
Transferred to The savings bank's fund			47
Total profit allocation			1 629

## Balance sheet

	31.03.2016	31.03.2015	31.12.2015
in NOK (000)			
Cash and claims on Central Banks	34 225	61 805	67 239
Loans and other claims on banks	19 221	64 081	57 572
Loans and advances to customers	464 345	436 844	457 421
Interest-bearing securities	249 303	140 997	160 360
Shares and participations	5 830	5 223	5 819
Intangible assets	4 848	2 716	5 148
Fixed assets	783	374	828
Other assets	24	296	8
Pre-paid expenses and earned unpaid income	1 810	1 537	1 075
<b>Total assets</b>	<b>780 389</b>	<b>713 873</b>	<b>755 470</b>
Deposits from- and other debts to banks	12	12	12
Deposits from- and other debts to clients	694 090	629 960	671 164
Other obligations	4 043	5 359	3 127
Accrued unpaid expenses and pre-paid income	2 764	4 913	2 220
Provisions for future expenses and obligations	14 918	14 883	14 910
<b>Total liabilities</b>	<b>715 827</b>	<b>655 127</b>	<b>691 433</b>
Paid in capital	57 123	52 431	57 123
Retained earnings and the savings bank's fund	3 390	3 343	3 390
Equalisation fund	3 523	2 784	3 523
Free earnings	526	188	0
<b>Total equity capital</b>	<b>64 562</b>	<b>58 746</b>	<b>64 036</b>
<b>Total debt and equity capital</b>	<b>780 389</b>	<b>713 873</b>	<b>755 470</b>
Guarantee obligations	7 683	6 556	5 346

## Quarterly Profit and Loss

In NOK (000)	1. quarter 2016	4. quarter 2015	3. quarter 2015	2. quarter 2015	1. quarter 2015
Interest and interest related income	5 492	5 958	6 663	6 495	6 801
Interest and interest related expense	1 061	1 127	1 385	1 394	1 767
<b>Net interest and interest related income</b>	<b>4 431</b>	<b>4 831</b>	<b>5 278</b>	<b>5 101</b>	<b>5 034</b>
Dividend and yield from securities with variable income	0	0	1	7	13
Provision income and income from other banking services	1 583	1 638	1 733	1 513	1 294
Provision expenses and expenses in connection with other banking serv.	594	506	612	426	621
Net profit/loss on foreign exchange and financial instruments	35	93	59	39	40
Net profit/loss on securities	323	-68	-181	53	-140
Net profit/loss on shares and participations	0	-19			
Other operating income	0	0	0	1	0
<b>Net non-interest income</b>	<b>1 347</b>	<b>1 138</b>	<b>1 000</b>	<b>1 187</b>	<b>586</b>
<b>Total operating income</b>	<b>5 778</b>	<b>5 969</b>	<b>6 278</b>	<b>6 288</b>	<b>5 620</b>
Payroll and administrative expenses	4 072	4 568	4 447	4 424	4 712
Depreciation of fixed and non-tangible assets	345	390	381	329	75
Other operating expenses	608	509	614	694	575
Total operating expenses	5 025	5 467	5 442	5 447	5 362
<b>Result for the period before taxes and provisions</b>	<b>753</b>	<b>502</b>	<b>836</b>	<b>841</b>	<b>258</b>
Provisions for losses on loans and guarantees	38	66	38	1	0
Taxes on ordinary result	189	181	226	227	70
<b>Net result for the period</b>	<b>526</b>	<b>255</b>	<b>570</b>	<b>615</b>	<b>188</b>

## Key figures

In NOK (000)	1. quarter 2016	4. quarter 2015	3. quarter 2015	2. quarter 2015	1. quarter 2015
<b>Solvency</b>					
Capital coverage BIS weighted	20,49	20,25	17,39	17,81	17,45
Capital coverage 1)	16,38	16,18	13,60	14,05	13,79
Total assets	780 389	755 470	749 675	758 088	713 873
Risk weighted balance sheet total	363 315	366 040	393 162	396 152	407 044
Equity capital	64 562	64 036	60 020	59 539	58 746
Average total assets	767 930	752 537	754 378	727 629	692 900
<b>Loans and deposits</b>					
Loans to customers	466 635	459 671	457 707	439 036	436 844
Deposits from customers	694 090	671 164	664 486	672 629	629 960
<b>Profitability</b>					
Return on total assets 2)	0,27	0,14	0,30	0,34	0,11
Return on equity 3)	3,26	1,64	3,80	4,13	1,28
Net interest margin 4)	2,31	2,57	2,80	2,80	2,91
Cost/income %	86,97	91,59	86,68	86,63	95,41
Operating expenses in % of average total assets	2,62	2,91	2,89	2,99	3,10

1) Core capital adequacy ratio (CET1)

2) Net profit as % of average assets.

3) Net profit in % of average equity.

4) Net interest income in % of average total assets.