

Cultura Sparebank

2nd Quarter Report

Results as of June 30th 2016

Accounts as of June 30th 2016

General development

Deposits and loans have grown steadily throughout the first half of 2016. Low oil prices and subsequent cuts in petrol based industries continue to affect some regional economies. Prices in the housing market are still high on a national level, and in Oslo and surrounding areas the growth continues, sparking fears of a future bursting bubble. Substantial political and economic instability in international markets has resulted in increased uncertainty in the Norwegian economy as well. This may also influence the markets in which Cultura Bank is operating during the coming months.

Profit and loss accounts

The bank's operating result as of June 30th was NOK 3 421 000, up from NOK 803 000 in the same period last year. NOK 2 320 000 constitutes revenue from the sale of the bank's shares in VISA Norway. Excluding the extraordinary income from the Visa sale the operating result was improved by NOK 298 000 or 37% from last year. For the second quarter improved provision income as well as price gains on the bank's securities portfolio had a positive impact, whereas negative contributors were increased administrative expenses as well as costs arising from the issue of equity certificates.

The balance sheet

Total assets amounted to NOK 839 million by the end of the 2nd quarter, which is 10,7% higher than last year. Deposits increased by 10,4% in the same period, whereas the last 12 months has seen a 16% increase in loans. Although maintaining a conservative investment policy, the bank has managed to improve the yield on the free liquidity reserves by increasing holdings of covered bonds and treasury bills, reducing central bank, and other bank deposits. These measures were spurred by persistently low rates in the interest market.

Loan impairments, depreciation and delinquencies

As of June 30th there have been no significant changes in loan impairments from the preceding period. For the period from January 1st till June 30th the changes in loan loss provisions are:

Changes in provisions for individual loans	NOK	40 000
Recoveries of earlier recorded losses	NOK	3 000
Loan loss expenses for the period	NOK	37 000
Provisions related to individual loans as of 30.06.2016	NOK	963 000
Provisions related to categories of loans as of 30.06.2016:	NOK	1 327 000
Loans in arrears by more than 90 days	NOK	1 044 000
Loss exposed loans not in arrears as of 30.06. 2016	NOK	834 000

Capital ratios

As of June 30th, the bank's equity amounted to NOK 71 231 000, (the first half year's operating result is not included), of which issued equity certificates amount to 64 318 000. The total capital ratio increased from 17,81% to 20,28%, whereas core Tier 1 capital rose from 14,05% to 16,52% over the last 12 month period. A total of close to 12 million NOK has been added through 2 issues of equity certificates taking place in the second and first semester of 2015 and 2016 respectively.

Liquidity

The banks liquidity coverage is considered to be very satisfactory with an LCR of 468, vastly exceeding the internal requirement of 100.

Prospects for the remainder of 2016

The board of directors considers the development to be satisfactory, in spite of being slightly below budget. Efforts to increase income have proved successful. The cost percentage is still higher than the one the bank is aiming for, but measures taken to reduce this by focusing on efficiency, are showing early signs of positive effect. Fundamental core values and ideals are still maintained, and the bank continues to conduct its business in ways that support and contribute to positive development in humanitarian, environmental and social development

Oslo, August 12th 2016

The Board of Directors Cultura Sparebank

Maria Bjune
Chair

Christian Dubrau
Vice Chair

Torstein Dyrnes

Stig B. Andersen

Steinar Gundersen

Randi Welhaven

Kjell-Frederik Løvold
CEO

Profit and Loss statement

	01.01.2016	01.01.2015	01.01.2015
in NOK (1000)	-30.06.2016	-30.06.2015	-31.12.2015
Interest and interest related income	11 088	13 296	25 916
Interest and interest related expense	2 036	3 161	5 672
Net interest and interest related income	9 052	10 135	20 244
Dividends and other income from variable income securities	6	20	21
Provision income and income from banking services	3 317	2 807	6 178
Provision expenses and expenses from banking services	1 191	1 047	2 165
Net profit/loss on foreign exchange and other financial instruments	92	79	231
Net profit/loss on interest bearing securities	743	-87	-336
Net profit/loss on shares and participations	0	0	-19
Other operating income	0	1	1
Total other operating income	2 967	1 773	3 911
Total operating income	12 019	11 908	24 155
Payroll	5 356	5 744	11 372
General administrative expenses	3 126	3 392	6 779
Depreciation on fixed and intangible assets	690	404	1 174
Other operating expenses	1 248	1 269	2 392
Total operating expenses	10 420	10 809	21 717
Loan loss provisions	37	-1	105
Gain on sale of Visa shares	2 320	0	0
Operating result before taxes	3 882	1 100	2 333
Estimated tax on ordinary result for the period	461	297	704
Net result for the period	3 421	803	1 629
Profit allocation:			
Interest on equity certificates			798
Transferred to Equalsation fund			739
Gifts			45
Transferred to The savings bank's fund			47
Total profit allocation			1 629

Balance sheet

	30.06.2016	30.06.2015	31.12.2015
in NOK (1000)			
Cash and claims on Central Banks	57 386	120 112	67 239
Loans and other claims on banks	19 933	61 459	57 572
Loans and advances to customers	509 671	439 036	457 421
Interest-bearing securities	234 590	125 998	160 360
Shares and participations	8 007	5 670	5 819
Intangible assets	4 548	3 088	5 148
Fixed assets	778	347	828
Other assets	1 665	423	8
Pre-paid expenses and earned unpaid income	2 736	1 955	1 075
Total assets	839 314	758 088	755 470
Deposits from- and other debts to banks	13	12	12
Deposits from- and other debts to clients	742 706	672 629	671 164
Other obligations	3 391	5 140	3 127
Accrued unpaid expenses and pre-paid income	3 627	5 873	2 220
Provisions for future expenses and obligations	14 925	14 895	14 910
Total liabilities	764 662	698 549	691 433
Paid in capital	64 318	52 609	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	3 421	803	0
Total equity capital	74 652	59 539	64 036
Total debt and equity capital	839 314	758 088	755 470
Guarantee obligations	6 283	7 675	5 346

Quarterly Profit and Loss

In NOK (000)	2. quarter 2016	1. quarter 2016	4. quarter 2015	3. quarter 2015	2. quarter 2015
Interest and interest related income	5 596	5 492	5 958	6 663	6 495
Interest and interest related expense	975	1 061	1 127	1 385	1 394
Net interest and interest related income	4 621	4 431	4 831	5 278	5 101
Dividend and yield from securities with variable income	6	0	0	1	7
Provision income and income from other banking services	1 734	1 583	1 638	1 733	1 513
Provision expenses and expenses in connection with other banking serv.	597	594	506	612	426
Net profit/loss on foreign exchange and financial instruments	57	35	93	59	39
Net profit/loss on securities	420	323	-68	-181	53
Net profit/loss on shares and participations	0	0	-19		
Other operating income	0	0	0	0	1
Net non-interest income	1 620	1 347	1 138	1 000	1 187
Total operating income	6 241	5 778	5 969	6 278	6 288
Payroll and administrative expenses	4 410	4 072	4 568	4 447	4 424
Depreciation of fixed and non-tangible assets	345	345	390	381	329
Other operating expenses	640	608	509	614	694
Total operating expenses	5 395	5 025	5 467	5 442	5 447
Provisions for losses on loans and guarantees	-1	38	66	38	1
Gain on sale of Visa shares	2 320	0	0	0	0
Result for the period before taxes	3 167	715	436	796	842
Taxes on ordinary result	272	189	181	226	227
Net result for the period	2 895	526	255	570	615

Key figures

In NOK (000)	2. quarter 2016	1. quarter 2016	4. quarter 2015	3. quarter 2015	2. quarter 2015
Solvency					
Capital coverage BIS weighted	20,28	20,49	20,25	17,39	17,81
Capital coverage 1)	16,52	16,38	16,18	13,60	14,05
Total assets	839 314	780 389	755 470	749 675	758 088
Risk weighted balance sheet total	397 633	363 315	366 040	393 162	396 152
Equity capital	71 231	64 562	64 036	60 020	59 539
Average total assets	809 852	767 930	752 537	754 378	727 629
Loans and deposits					
Loans to customers	511 961	466 635	459 671	457 707	439 036
Deposits from customers	742 706	694 090	671 164	664 486	672 629
Profitability					
Return on total assets 2)	1,43	0,27	0,14	0,30	0,34
Return on equity 3)	17,04	3,26	1,64	3,80	4,13
Net interest margin 4)	2,28	2,31	2,57	2,80	2,80
Cost/income %	86,44	86,97	91,59	86,68	86,63
Operating expenses in % of average total assets	2,66	2,62	2,91	2,89	2,99

1) Core capital adequacy ratio (CET1)

2) Net profit as % of average assets.

The number for 2016-q2 includes gain on sale of Visa shares. Return on total assets with this excluded is 0,34.

3) Net profit in % of average equity.

The number for 2016-q2 includes gain on sale of Visa shares. Return on equity assets with this excluded is 4,02.

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