

# Quarterly report

Cultura Sparebank

1. quarter 2018

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## Accounts as of March 31<sup>st</sup> 2018

### General development

The bank's annual growth in total lending volume is 8.3 % at the end of the first quarter of 2018, against a deposit growth of 18.2 %. Achieving a better balance between deposit and loan growth remains a challenge for the bank. However, there is a definite positive development in that lending volumes now are approaching the volumes the bank intends to achieve. Relative stability is reported with regard to the developments in the Norwegian economy. The fall in housing prices appears to be reversed to a moderate increase. The bank expects no significant changes in the underlying economy in its market areas in the coming months.

### Operating result

The bank's operating profit as of March 31<sup>st</sup> is a profit of NOK 797 000, this is an improvement of 7.1 % compared to the same period in 2017. Nevertheless, measured against total assets as of 31.3 the result is still weaker than that of 2017. Within the bank's operations the focus remains on increasing income through increased lending volumes and general cost reductions.

### Balance sheet

Total assets at the end of the first quarter in 2018 were NOK 1 015 million, compared to NOK 866 million at the end of the first quarter in 2017. This results in a 12-month growth of 17.2 %. Following the board's decision to heighten the bank's maximum position in covered bonds the total holding of covered bonds has increased considerably. This has contributed to the positive first quarter result.

### Valuation of loans, write-downs and defaults

The amount of gross defaults over 90 days and gross exposed non-defaulted commitments is low and without any significant changes since the end of 2017. Defaulted loans and loans in arrears are fully covered by write downs resulting in a loss of NOK 0. The period's loan loss expense is close to NOK 0 as well. The current situation regarding defaults and losses is considered satisfactory. At the same time the bank is aware that as a result of low overall volume, a high exposure to business loans and a high proportion of large commitments, periodic fluctuations in defaults and losses can be relatively significant as a result of any negative developments in individual commitments.

### Solvency

As of March 31<sup>st</sup> 2018 the bank's total capital was NOK 99,3 million, of which share capital is NOK 73,7 million. The total capital ratio is at 23.57 %. Core equity capital coverage is at 20.01 %. This means that the bank's capital adequacy has changed only marginally since year-end. The capital adequacy was significantly improved in 2017 as a result of a new issuance of share capital and retained earnings. Capital adequacy is still satisfactory with a good margin for both internal and external minimum requirements. Nonetheless, the bank's realized and planned growth, as well as a lending portfolio that contains a high proportion of business loans, indicate that there will be a continued need for additional capital.

## Liquidity

The bank's liquidity situation remains unchanged since year-end and is still very strong. LCR (Liquidity Coverage Ratio) as of 31.3.2018 is at 370. The internal requirement of the bank is 125. The ratio of customer deposits to loans is 158 %, measured against an internal requirement of 110 % this is satisfactory.

## Outlook for the remainder of the year

The board is satisfied with the bank's result, solidity and risk as of 31.3.2018. The bank will continue to work towards a lower cost percentage while at the same time maintaining its goal of increased lending volumes. As always, it is emphasized that these goals will be achieved with a continued focus on the bank's fundamental objectives that it shall provide a positive social and environmental contribution.

Oslo, May 16th 2018

on the board for Cultura Sparebank

Maria Bjune

Chair to the board

Christian Dubrau

Deputy chair to the board

Bjarne Hjertholm

Morten Johannessen

Randi Welhaven

Øyvind Vestre

Kjell-Fredrik Løvold

Chief Executive Officer

## Accounts

### Profit and loss statement

(in NOK 1 000)	Note	1. quarter		Year to date		1.1 – 31.12
		2018	2017	2018	2017	2017
Interest and interest related income		6 178	5 729	6 178	5 729	23 483
Interest and interest related expense		960	906	960	906	3 654
<b>Net interest and interest related income</b>	<b>1</b>	<b>5 218</b>	<b>4 823</b>	<b>5 218</b>	<b>4 823</b>	<b>19 829</b>
Dividends and other income from variable income securities		-	-	-	-	37
Provision income and income from banking services		1 887	1 823	1 887	1 823	7 652
Provision expenses and expenses from banking services		575	548	575	548	2 290
Net profit/loss on foreign exchange and other financial instruments		57	53	57	53	295
Net profit/loss on interest bearing securities		270	245	270	245	590
Net profit/loss on shares and participations		19	-	19	-	-70
Other operating income		-	-	-	-	-
<b>Total other operating income</b>		<b>1 658</b>	<b>1 573</b>	<b>1 658</b>	<b>1 573</b>	<b>6 214</b>
<b>Total operating income</b>		<b>6 876</b>	<b>6 396</b>	<b>6 876</b>	<b>6 396</b>	<b>26 043</b>
Payroll		2 941	2 762	2 941	2 762	11 744
General administrative expenses		1 611	1 552	1 611	1 552	6 495
Depreciation on fixed and intangible assets		364	358	364	358	1 469
Other operating expenses		819	734	819	734	2 596
<b>Total operating expenses</b>	<b>2</b>	<b>5 735</b>	<b>5 406</b>	<b>5 735</b>	<b>5 406</b>	<b>22 304</b>
Loan loss provisions	3,4,5	-20	-1	-20	-1	-381
Impairment on financial instruments classified as fixed assets		-95	-	-95	-	-
Net gains on fixed and intangible assets		-	-	-	-	15
<b>Operating result before taxes</b>		<b>1 066</b>	<b>991</b>	<b>1 066</b>	<b>991</b>	<b>4 135</b>
Estimated tax on ordinary result for the period		269	247	269	247	1 073
<b>Net result for the period</b>		<b>797</b>	<b>744</b>	<b>797</b>	<b>744</b>	<b>3 062</b>

## Balance sheet

<i>(in NOK 1 000)</i>	Note	31.3.2018	31.3.2017	31.12.2017
Cash and claims on the Norwegian central banks		66 204	48 319	56 281
Loans and claims on credit institutions		32 925	20 707	10 378
Loans and advances to customers		571 794	526 980	564 248
Certificates and bonds		330 595	254 678	300 502
Shares, interest and equity certificates		7 719	8 021	7 651
Intangible assets		2 545	3 879	2 863
Fixed assets		553	715	575
Other assets		35	3	21
Pre-paid expenses and accrued income		2 990	2 839	2 277
<b>Total assets</b>		<b>1 015 360</b>	<b>866 141</b>	<b>944 796</b>
Deposits from and liabilities to credit institutions		30	13	30
Deposits and liabilities to customers		904 702	765 564	835 479
Other liabilities		4 639	5 264	5 145
Accrued expenses and received non-accrued income		3 467	2 990	2 425
Subordinated loan		14 978	14 948	14 970
<b>Total liabilities</b>		<b>927 816</b>	<b>788 779</b>	<b>858 049</b>
Share capital	6	73 719	65 110	73 719
The Saving Bank's Fund		3 678	3 600	3 678
Equalization Fund		9 350	7 812	9 350
Free retained earnings		797	840	0
<b>Total equity</b>		<b>87 544</b>	<b>77 362</b>	<b>86 747</b>
<b>Total equity and liabilities</b>		<b>1 015 360</b>	<b>866 141</b>	<b>944 796</b>
Guarantees		10 490	11 136	9 610

## Quarterly profit and loss statement

	1. Quarter	4. Quarter	3. Quarter	2. Quarter	1. Quarter
(in NOK 1 000)	2018	2017	2017	2017	2017
Interest and interest related income	6 178	6 034	5 852	5 868	5 729
Interest and interest related expense	960	922	926	899	906
<b>Net interest and interest related income</b>	<b>5 218</b>	<b>5 112</b>	<b>4 926</b>	<b>4 969</b>	<b>4 823</b>
Dividends and other income from variable income securities	-	-	-	37	-
Provision income and income from banking services	1 887	2 018	2 008	1 803	1 823
Provision expenses and expenses from banking services	575	608	567	567	548
Net profit/loss on foreign exchange and other financial instruments	57	93	67	82	53
Net profit/loss on interest bearing securities	270	76	252	17	245
Net profit/loss on shares and participations	19	-	-70	-	-
Other operating income	-	-	-	-	-
<b>Total other operating income</b>	<b>1 658</b>	<b>1 579</b>	<b>1 690</b>	<b>1 372</b>	<b>1 573</b>
<b>Total operating income</b>	<b>6 876</b>	<b>6 691</b>	<b>6 616</b>	<b>6 341</b>	<b>6 396</b>
Payroll	2 941	3 135	2 959	2 888	2 762
Administrative expenses	1 611	1 879	1 485	1 579	1 552
Depreciation on fixed and intangible assets	364	374	369	369	358
Other operating expenses	819	561	585	716	734
<b>Total operating expenses</b>	<b>5 735</b>	<b>5 949</b>	<b>5 398</b>	<b>5 552</b>	<b>5 406</b>
Loan loss provisions	-20	-	-181	-199	-1
Impairment on financial instruments classified as fixed assets	-95	-	-	-	-
Net gains on fixed and intangible assets	-	-	-	15	-
<b>Operating result before taxes</b>	<b>1 066</b>	<b>742</b>	<b>1 399</b>	<b>1 003</b>	<b>991</b>
Estimated tax on ordinary result for the period	269	225	350	251	247
<b>Net result for the period</b>	<b>797</b>	<b>517</b>	<b>1 049</b>	<b>752</b>	<b>744</b>

## Key figures

<i>(in NOK 1 000)</i>	1. Quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
<b>Solidity</b>					
Common equity tier 1 capital ratio (%)	20,01	18,05	20,01	18,05	19,94
Tier 1 capital ratio (%)	20,01	18,05	20,01	18,05	19,94
Total capital ratio (%)	23,57	21,79	23,57	21,79	23,50
Total assets	1 015 360	866 141	1 015 360	866 141	944 796
Risk weighted balance sheet total	421 539	399 497	421 539	399 497	421 403
Equity capital	87 544	77 362	87 544	77 362	86 747
Average total assets	980 078	851 409	980 078	851 409	890 744
Leverage ratio	8,21	7,86	8,21	7,86	8,36
<b>Liquidity</b>					
Liquidity Coverage Ratio (LCR)	370	378	370	378	357
Net Stable Funding Ratio (NSFR)	179	177	179	177	171
<b>Deposit and loan development</b>					
Loans	573 290	529 247	573 290	529 247	565 764
Annual loan growth (%)	8,3	13,4	8,3	13,4	10,8
Deposits	904 732	765 577	904 732	765 577	835 509
Annual deposit growth (%)	18,2	10,3	18,2	10,3	13,3
Deposit coverage ratio (%)	158	145	158	145	148
<b>Profitability</b>					
Return on total assets <sup>1</sup>	0,33	0,39	0,33	0,39	0,34
Return on equity <sup>2</sup>	3,63	4,34	3,63	4,34	3,75
Net interest income <sup>3</sup>	2,13	2,27	2,13	2,27	2,23
Cost/Income %	83,42	84,52	83,42	84,52	85,64
Operating expenses in % of average total assets	2,34	2,54	2,34	2,54	2,50

<sup>1</sup> Return on total assets: net profit as a percentage of average total assets

<sup>2</sup> Return on equity: net profit as a percentage of average total equity

<sup>3</sup> Net interest income: net interest income as a percentage of average total assets



## Notes to the accounts

### Note 1 – Interest report

<i>(in NOK 1 000)</i>	1. Quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
Interest income from loans and receivable on credit institutions	102	96	102	96	398
Interest income from loans to customers	5 434	5 275	5 434	5 275	21 631
- Interest income from consumers	1 702	1 422	1 702	1 422	6 271
- Interest income from corporates	3 732	3 853	3 732	3 853	15 360
Interest income from bonds, certificates and financial derivatives	642	358	642	358	1 454
Other interest income	0	0	0	0	0
<b>Total interest and related income</b>	<b>6 178</b>	<b>5 729</b>	<b>6 178</b>	<b>5 729</b>	<b>23 483</b>
Interest expense on deposits from and debt to customers	-634	-578	-634	-578	-2 362
- Interest expense consumers	-387	-335	-387	-335	-1 405
- Interest expense corporates	-247	-243	-247	-243	-957
Interest expense on subordinated loan capital	-192	-200	-192	-200	-780
Other interest expenses	-134	-128	-134	-128	-512
<b>Total interest and related expenses</b>	<b>-960</b>	<b>-906</b>	<b>-960</b>	<b>-906</b>	<b>-3 654</b>
<b>Net interest and credit commission income</b>	<b>5 218</b>	<b>4 823</b>	<b>5 218</b>	<b>4 823</b>	<b>19 829</b>

### Note 2 – Salaries and general administrative expenses

<i>(in NOK 1 000)</i>	1. Quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
Salary expenses to employees	2 110	1 969	2 110	1 969	8 559
Remuneration to the board of directors and trustees	116	116	116	116	427
Pension contributions	196	180	196	180	698
Social security expenses	356	332	356	332	1 361
Financial activities tax	126	120	126	120	484
Other staff costs	37	45	37	45	215
<b>Salaries, fees and other personnel expenses</b>	<b>2 941</b>	<b>2 762</b>	<b>2 941</b>	<b>2 762</b>	<b>11 744</b>
IT costs	759	714	759	714	2 720
Office expenses	172	161	172	161	788
Advertising charges	467	517	467	517	2 183
Other expenses	213	160	213	160	804
<b>Administrative expenses</b>	<b>1 611</b>	<b>1 552</b>	<b>1 611</b>	<b>1 552</b>	<b>6 495</b>
Depreciation of intangible fixed assets	324	315	324	315	1 286
Depreciation of tangible fixed assets	40	43	40	43	183
<b>Depreciation</b>	<b>364</b>	<b>358</b>	<b>364</b>	<b>358</b>	<b>1 469</b>
Rent and rent-related expenses	377	364	377	364	1 495
Other operating expenses	442	370	442	370	1 101
<b>Total operating expenses</b>	<b>819</b>	<b>734</b>	<b>819</b>	<b>734</b>	<b>2 596</b>

### Note 3 – Loss expense

<i>(in NOK 1 000)</i>	1. Quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
The period's change in write-downs on individual loans	-20 400	0	-20 400	0	-750 950
The period's ascertained losses against previous write-downs	0	0	0	0	369 950
The period's losses without previous write-downs	0	0	0	0	454
The period's recovery of previously ascertained losses	0	-714	0	-714	-714
<b>The period's loss expense</b>	<b>-20 400</b>	<b>-714</b>	<b>-20 400</b>	<b>-714</b>	<b>-381 260</b>

### Note 4 – Write downs on loans

<i>(i hele NOK)</i>	31.3.2018	31.3.2017	31.12.2017
Write-downs on individual loans	168 600	939 950	189 000
Write-downs on groups of loans	1 327 320	1 327 320	1 327 320

### Note 5 – Defaults and loss-exposed commitments

<i>(in NOK 1 000)</i>	31.3.2018	31.3.2017	31.12.2017
Gross defaults over 90 days	88 765	370 311	94 137
- Individual defaults	88 765	369 950	100 000
<b>Net defaults</b>	<b>0</b>	<b>361</b>	<b>-5 863</b>
Gross exposed non-defaulted commitments	79 836	1 035 224	83 234
- Individual write-downs	79 836	570 000	89 000
<b>Net exposed non-defaulted commitments</b>	<b>0</b>	<b>465 224</b>	<b>-5 766</b>

## Note 6 – Capital ratio

### Regulatory capital

<i>(in NOK 1 000)</i>	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Share capital	74 543	74 543	74 543	65 110	65 110
Bank owned equity certificates	-824	-824	-223	-223	0
<b>Total issued equity</b>	<b>73 719</b>	<b>73 719</b>	<b>74 320</b>	<b>64 887</b>	<b>65 110</b>
Retained earnings and savings bank's fund	3 678	3 678	3 600	3 600	3 600
Equalisation fund	9 350	9 350	7 812	7 812	7 812
Intangible assets	-2 382	-2 700	-3 024	-3 348	-3 672
CET1 instruments of financial sector entities where the institution does not have a significant investment	0	0	0	-356	-736
<b>Common equity Tier I capital</b>	<b>84 365</b>	<b>84 047</b>	<b>82 708</b>	<b>72 595</b>	<b>72 114</b>
<b>Tier I capital</b>	<b>84 365</b>	<b>84 047</b>	<b>82 708</b>	<b>72 595</b>	<b>72 114</b>
Subordinated loan capital (Tier II)	14 978	14 970	14 963	14 955	14 948
<b>Total eligible regulatory capital</b>	<b>99 343</b>	<b>99 017</b>	<b>97 671</b>	<b>87 550</b>	<b>87 062</b>

### Basis for calculation of equity requirement by exposure category

<i>(in NOK 1 000)</i>	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Central governments and central banks	0	0	0	0	0
Regional governments or local authorities	0	0	0	0	0
Public sector entities	0	0	0	0	0
Institutions	11 785	7 276	8 716	14 813	9 741
Corporates	58 860	57 751	56 549	45 197	47 221
Secured by mortgage in immovable property	263 118	268 375	258 416	252 130	258 932
Exposures in default	41	50	62	123	563
Covered bonds	18 980	18 980	10 926	11 928	9 416
Other items	14 420	14 689	14 501	10 660	20 282
<b>Risk weighted exposure amount for credit risk</b>	<b>367 204</b>	<b>367 121</b>	<b>349 170</b>	<b>334 851</b>	<b>346 155</b>
Risk exposure amount for operational risk	46 913	46 913	45 547	45 547	45 547
Risk exposure amount for credit valuation adjustment	7 422	7 369	7 398	7 408	7 795
<b>Total risk weighed assets</b>	<b>421 539</b>	<b>421 403</b>	<b>402 115</b>	<b>387 806</b>	<b>399 497</b>

CET1 capital ratio	20,01 %	19,94 %	20,57 %	18,72 %	18,05 %
Tier I capital ratio	20,01 %	19,94 %	20,57 %	18,72 %	18,05 %
Total capital ratio	23,57 %	23,50 %	24,29 %	22,58 %	21,79 %



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