



Quarterly report

Third quarter 2018

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Accounts as of September 30th 2018

General development

Growth in customers and deposits shows a declining trend in the third quarter compared to the first half year of 2018. At the same time capacity utilization in the customer service department is still high, and the liquidity situation is very good. The influx of new customers remains high, but seems to stabilize at a level that is slightly lower than the highest monthly levels in 2017. An increasing public awareness of social and environmental sustainability in the financial industry can be registered. Cultura is pleased to experience an increased 'competition' in this way. The bank is confident about its own market potential. The combination of conventional banking while safeguarding sustainability goals is precisely what Cultura is founded to realize and it is more experienced in this than other banks.

Operating result and balance sheet

The bank's operating profit before taxes as of September 30th are NOK 4 175 000 against NOK 3 393 000 in the same period in 2017. This entails that the bank can demonstrate an improvement in earnings measured against total assets, which is satisfactory. The improvement in earnings compared to 2017 is largely due to successful cost control, while revenue increases are a more challenging goal. The last 12 months growth in lending volumes is 14.7%, the increase in total assets in the same period is also 14.7%. The figures illustrate, in conjunction with figures for revenue growth, that the bank must relate to significant competition in the lending market and that a prolonged tendency for pressure on interest margins continues. Loss expenses were negative also in the third quarter of 2018 and contribute with NOK 39 650 to the result. Deposit growth since the third quarter of 2017 is 16.5 %. This is satisfactory and contributes to the bank's strong liquidity situation.

Solvency

The bank has a core equity capital coverage ratio of 18.98 % and a total capital ratio of 22.33 %. This is a marginal reduction compared to the previous quarter. The bank still satisfies both internal and external requirements with a good margin. Capital ratios are deemed satisfactory.

Liquidity

The bank's LCR (Liquidity Coverage Ratio) as of 30.09.2018 is 335. The internal requirement of the bank is 125. The ratio of customer deposits to loans is 152 %, which is a decline from 162 % at the end of the second quarter, but still far above the established internal requirements.

Outlook for the remainder of the year

Interest rates are perceived to have bottomed out after Norges Bank increased the key policy rate as expected in September. Housing prices are somewhat unstable, however prices remain at a considerably high level. Cultura maintains a conservative approach with regards to customers' loan servicing capability and loan-to-value rates and the board considers the risk of losses due to a possible correction in the housing market to be limited. The bank is continuing its efforts with technological and organisational measures to reduce costs and meet customer needs. The proportion of mortgage loans is somewhat increasing as a percentage of the total lending portfolio. Increased competition and interest has been registered in environmental housing loan products. The development of a concept of interest rates related to various environmental qualities in homes has been a longstanding commitment of Cultura Bank. Increased general attention is expected to provide increased market opportunities for the product. Growing lending volumes in both private and business sectors within the bank's value base will help to strengthen its results. The bank has satisfactory capital ratios, but the general growth indicates that equity must eventually be strengthened. Efforts are being made to implement a new issue in 6-9 months.

Oslo, 8.11.2018

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	3 th quarter		Year to date		1.1 – 31.12
		2018	2017	2018	2017	2017
Interest and interest related income*		6 737	5 852	19 391	17 449	23 483
Interest and interest related expense		1 006	926	2 936	2 731	3 654
Net interest and interest related income	1	5 731	4 926	16 455	14 718	19 829
Dividends and other income from variable income securities		87	-	-	87	37
Provision income and income from banking services		2 052	2 008	5 847	5 634	7 652
Provision expenses and expenses from banking services		601	567	1 778	1 682	2 290
Net profit/loss on foreign exchange and other financial instruments		108	67	226	202	295
Net profit/loss on interest bearing securities		0	273	252	562	514
Net profit/loss on shares and participations		-	-70	-95	-70	-70
Other operating income		-	-	-	-	-
Total other operating income		1 832	1 690	4 849	4 635	6 214
Total operating income		7 563	6 616	21 304	19 353	26 043
Payroll		2 895	2 959	8 885	8 608	11 744
General administrative expenses		1 724	1 485	5 102	4 617	6 495
Depreciation on fixed and intangible assets		347	347	369	1 058	1 096
Other operating expenses		621	585	2 152	2 035	2 596
Total operating expenses	2	5 587	5 398	17 197	16 356	22 304
Loan loss provisions	3,4,5	-9	-181	-40	-381	-381
Impairment on financial instruments classified as fixed assets		-	-	-95	-	-
Net gains on fixed and intangible assets		-	-	123	15	15
Operating result before taxes		1 985	1 399	4 175	3 393	4 135
Estimated tax on ordinary result for the period		496	350	1 046	848	1 073
Net result for the period		1 489	1 049	3 129	2 545	3 062

*For 2018 fees on guarantees have been moved from interest and interest related income to provision income and income from banking services

Balance sheet

<i>(in NOK 1 000)</i>	Note	30.9.2018	30.9.2017	31.12.2017
Cash and claims on the Norwegian central banks		66 311	47 200	56 281
Loans and claims on credit institutions		16 177	19 078	10 378
Loans and advances to customers		621 607	541 579	564 248
Certificates and bonds		340 574	299 857	300 502
Shares, interest and equity certificates		7 469	7 651	7 651
Intangible assets		1 898	3 231	2 863
Fixed assets		560	625	575
Other assets		31	0	21
Pre-paid expenses and accrued income		2 381	2 416	2 277
Total assets		1 057 008	921 637	944 796
Deposits from and liabilities to credit institutions		51	13	30
Deposits and liabilities to customers		944 972	811 178	835 479
Other liabilities		2 829	2 956	5 145
Accrued expenses and received non-accrued income		4 422	4 250	2 425
Subordinated loan		14 993	14 963	14 970
Total liabilities		967 267	833 360	858 049
Share capital	6	73 584	74 320	73 719
The Saving Bank's Fund		3 678	3 600	3 678
Equalization Fund		9 350	7 812	9 350
Free retained earnings		3 129	2 545	0
Total equity		89 741	88 277	86 747
Total equity and liabilities		1 057 008	921 637	944 796
Guarantees		6 028	10 148	9 610

Quarterly profit and loss statement

<i>(in NOK 1 000)</i>	3 th Quarter 2018	2 nd Quarter 2018	1 st Quarter 2018	4 th Quarter 2017	3 th Quarter 2017
Interest and interest related income	6 737	6 485	6 178	6 034	5 852
Interest and interest related expense	1 006	970	960	922	926
Net interest and interest related income	5 731	5 515	5 218	5 112	4 926
Dividends and other income from variable income securities	-	87	-	-	-
Provision income and income from banking services	2 052	1 899	1 887	2 018	2 008
Provision expenses and expenses from banking services	601	603	575	608	567
Net profit/loss on foreign exchange and other financial instruments	108	61	57	93	67
Net profit/loss on interest bearing securities	273	-	289	76	252
Net profit/loss on shares and participations	-	-95	-	-	-70
Other operating income	-	-	-	-	-
Total other operating income	1 832	1 349	1 658	1 579	1 690
Total operating income	7 563	6 864	6 876	6 691	6 616
Payroll	2 895	3 049	2 941	3 135	2 959
Administrative expenses	1 724	1 763	1 611	1 879	1 485
Depreciation on fixed and intangible assets	347	347	364	374	369
Other operating expenses	621	716	819	561	585
Total operating expenses	5 587	5 875	5 735	5 949	5 398
Loan loss provisions	-9	-11	-20	-	-181
Impairment on financial instruments classified as fixed assets	-	-	-95	-	-
Net gains on fixed and intangible assets	-	123	-	-	-
Operating result before taxes	1 985	1 123	1 066	742	1 399
Estimated tax on ordinary result for the period	496	281	269	225	350
Net result for the period	1 489	842	797	517	1 049

Key figures

(in NOK 1 000)	3 th quarter 2018	2 nd quarter 2018	1 st quarter 2018	4 th quarter 2017	3 th quarter 2017
Solidity					
Common equity tier 1 capital ratio (%)	18,98	19,03	20,01	19,94	20,57
Tier 1 capital ratio (%)	18,98	19,03	20,01	19,94	20,57
Total capital ratio (%)	22,33	22,39	23,57	23,50	24,29
Total assets	1 057 008	1 070 596	1 015 360	944 796	921 637
Risk weighted balance sheet total	447 172	446 799	421 539	421 403	402 115
Equity capital	89 741	88 730	87 544	86 747	88 277
Average total assets	1 063 802	1 042 978	980 078	933 217	933 698
Leverage ratio	7,93	7,84	8,24	8,36	8,45
Liquidity					
Liquidity Coverage Ratio (LCR)	335	321	370	357	420
Net Stable Funding Ratio (NSFR)	153	178	179	171	182
Deposit and loan development					
Loans	623 093	592 973	573 290	565 764	543 096
Annual loan growth (%)	14,7 %	13,9 %	8,9 %	10,1 %	7,9 %
Deposits	945 023	959 873	904 732	835 509	811 191
Annual deposit growth (%)	16,5 %	13,7 %	18,2 %	13,3 %	12,2 %
Deposit coverage ratio (%)	152 %	162 %	158 %	148 %	149 %
Profitability					
Return on total assets ¹	0,56	0,33	0,33	0,22	0,45
Return on equity ²	6,67	3,82	3,66	2,36	5,05
Net interest income ³	2,16	2,12	2,13	2,19	2,11
Cost/Income %	73,86	85,58	83,42	88,92	81,59
Operating expenses in % of average total assets	2,10	2,25	2,34	2,55	2,31

¹ Return on total assets: net profit as a percentage of average total assets

² Return on equity: net profit as a percentage of average total equity

³ 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>	3 th quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
Interest income from loans and receivable on credit institutions	98	97	303	291	398
Interest income from loans to customers	5 827	5 365	16 897	16 082	21 631
- Interest income from consumers	1 852	1 597	5 373	4 546	6 271
- Interest income from corporates	3 975	3 768	11 524	11 536	15 360
Interest income from bonds, certificates and financial derivatives	812	390	2 191	1 076	1 454
Other interest income	0	0	0	0	0
Total interest and related income	6 737	5 852	19 391	17 449	23 483
Interest expense on deposits from and debt to customers	-667	-604	-1 943	-1 757	-2 362
- Interest expense consumers	-417	-363	-1 200	-1 030	-1 405
- Interest expense corporates	-250	-241	-743	-727	-957
Interest expense on subordinated loan capital	-205	-194	-591	-590	-780
Other interest expenses	-134	-128	-402	-384	-512
Total interest and related expenses	-1 006	-926	-2 936	-2 731	-3 654
Net interest and credit commission income	5 731	4 926	16 455	14 718	19 829

Note 2 – Salaries and general administrative expenses

<i>(in NOK 1 000)</i>	3 th quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
Salary expenses to employees	2 097	2 149	6 544	6 309	8 559
Remuneration to the board of directors and trustees	116	116	348	348	427
Pension contributions	170	171	535	521	698
Social security expenses	357	351	993	946	1 361
Financial activities tax	127	124	352	337	484
Other staff costs	28	48	113	147	215
Salaries, fees and other personnel expenses	2 895	2 959	8 885	8 608	11 744
IT costs	877	628	2 445	1 991	2 720
Office expenses	130	184	467	536	788
Advertising charges	466	442	1 402	1 530	2 183
Other expenses	251	231	788	560	804
Administrative expenses	1 724	1 485	5 102	4 617	6 495
Depreciation of intangible fixed assets	324	324	971	963	1 286
Depreciation of tangible fixed assets	23	45	87	133	183
Depreciation	347	369	1 058	1 096	1 469
Rent and rent-related expenses	361	351	1 107	1 157	1 495
Other operating expenses	260	234	1 045	878	1 101
Total operating expenses	621	585	2 152	2 035	2 596

Note 3 – Loss expense

<i>(in NOK 1 000)</i>	3 th quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
The period's change in write-downs on individual loans	-1 032	-181 000	-29 999	-750 950	-750 950
The period's ascertained losses against previous write-downs	0	0	0	369 950	369 950
The period's losses without previous write-downs	0	0	0	454	454
The period's recovery of previously ascertained losses	-7 501	0	-9 651	-714	-714
The period's loss expense	-8 533	-181 000	-39 650	-381 260	-381 260

Note 4 – Write downs on loans

<i>(in NOK)</i>	30.9.2018	30.9.2017	31.12.2017
Write-downs on individual loans	159 004	189 000	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)</i>	30.9.2018	30.9.2017	31.12.2017
Gross defaults over 90 days	2 513 685	0	94 137
- Individual defaults	91 831	0	100 000
Net defaults	2 421 854	0	-5 863
Gross exposed non-defaulted commitments	67 173	189 000	83 234
- Individual write-downs	67 173	189 000	89 000
Net exposed non-defaulted commitments	0	0	-5 766

Note 6 – Capital ratio

Regulatory capital

<i>(in NOK 1 000)</i>	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Share capital	74 543	74 543	74 543	74 543	74 543
Bank owned equity certificates	-959	-480	-824	-824	-223
Total issued equity	73 584	74 063	73 719	73 719	74 320
Retained earnings and savings bank's fund	3 678	3 678	3 678	3 678	3 600
Equalisation fund	9 350	9 350	9 350	9 350	7 812
Intangible assets	-1 735	-2 059	-2 382	-2 700	-3 024
CET1 instruments of financial sector entities where the institution does not have a significant	0	0	0	0	0
Common equity Tier I capital	84 877	85 032	84 365	84 047	82 708
Tier I capital	84 877	85 032	84 365	84 047	82 708
Subordinated loan capital (Tier II)	14 993	14 985	14 978	14 970	14 963
Total eligible regulatory capital	99 870	100 017	99 343	99 017	97 671

Basis for calculation of equity requirement by exposure category

<i>(in NOK 1 000)</i>	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Central governments and central banks	0	0	0	0	0
Regional governments or local authorities	0	3 984	0	0	0
Public sector entities	0	0	0	0	0
Institutions	8 135	14 467	11 785	7 276	8 716
Corporates	48 161	49 606	58 860	57 751	56 549
Secured by mortgage in immovable property	300 268	288 807	263 118	268 375	258 416
Exposures in default	99	96	41	50	62
Covered bonds	18 987	18 989	18 980	18 980	10 926
Other items	17 548	16 541	14 420	14 689	14 501
Risk weighted exposure amount for credit risk	393 198	392 490	367 204	367 121	349 170
Risk exposure amount for operational risk	46 913	46 912	46 913	46 913	45 547
Risk exposure amount for credit valuation adjustment	7 061	7 397	7 422	7 369	7 398
Total risk weighed assets	447 172	446 799	421 539	421 403	402 115

CET1 capital ratio	18,98 %	19,03 %	20,01 %	19,94 %	20,57 %
Tier I capital ratio	18,98 %	19,03 %	20,01 %	19,94 %	20,57 %
Total capital ratio	22,33 %	22,39 %	23,57 %	23,50 %	24,29 %



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