



Quarterly Report

Cultura Sparebank



3rd Quarter 2021

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PERFORMANCE REPORT 3rd QUARTER 2021

General

Performance in the third quarter is in line with the bank's expectations. Earnings have improved compared to the third quarter 2020. The bank has started to reverse some of the impairment losses made in connection with Covid-19. On the income side, the bank continues to be affected by the global pandemic and the low interest rate level. The bank is nevertheless experiencing positive interest from customers, with solid growth on both the lending and deposit sides. Prospects for the future are positive after Norges Bank having adjusted the interest rate path for the key interest rate.

Income statement and balance sheet

Profit/loss on ordinary activities

The bank's profit on ordinary activities after tax for the third quarter was NOK 729,000, compared with NOK -424,000. in the third quarter of 2020. So far this year, ordinary operating profit after tax is NOK 2.7 million against NOK 2.3 million in the same period last year.

Operating profit for the third quarter before loss and tax was NOK 709,000, against NOK 2.2 million in 2020. So far this year, operating profit is NOK 2.1 million against NOK 5.7 million in the same period in 2020. The weaker results are mainly due to lower interest income. The increase in the 3-month NIBOR in addition to a commenced optimisation of the portfolio is starting to have its effect at the end of the third quarter and the effect is expected to be even more evident in the next quarter. The bank's income from the management of surplus liquidity is so far this year down NOK 1.1 million compared to the same period last year. The bank's interest income from lending is so far this year down NOK 2.36 million compared with the same period last year. The lower income is a result of a generally low interest rate level, but the bank is seeing strong demand for home loans from its customers. At the same time, a high proportion of corporate loans is maintained, which is important for the bank.

The bank's operating expenses so far this year are higher than last year. The bank is undergoing a generational change in management that has resulted in higher personnel costs. Other operating expenses were lower in 2021 compared to 2020. The bank needed more external services in 2020 related to regulatory projects, which did not recur in 2021. In total, costs are 0.7 million higher in 2021 compared to 2020.

The loss cost is lower so far this year, a net income recognition of NOK 1.2 million, which is due to a combination of a change in expectations for the future and a reduction in the Covid 19 impairment loss (discussed in more detail in note 15).

Other comprehensive income

In other comprehensive income, changes in the value of the bank's bond and asset portfolio are included which are measured at fair value. In the third quarter, the bank achieved an almost zero result in the other comprehensive income statement. So far this year, the bank has a deficit of NOK

0.4 million in other comprehensive income against a surplus of NOK 0.8 million in the same period of 2020.

The bank's share portfolio is held for strategic reasons and consists of ownership interests in both Norwegian and foreign partners. The shares held in foreign currency are affected by fluctuations in exchange rates, no significant changes in the underlying share prices have been recorded.

Total comprehensive income

Total comprehensive income for the third quarter was NOK 724,000 against a deficit of NOK 223,000 in the third quarter of 2020. So far this year total comprehensive income is NOK 2.3 million, which is NOK 0.7 million behind last year's total comprehensive income of NOK 3.0 million after the third quarter.

Balance sheet

The bank continues to experience strong customer growth and has a growth in lending and deposits over the past twelve months of 9.6% and 11.5%, respectively.

Capital adequacy

As of 30 September 2021, the bank has a common equity tier 1 capital adequacy of 20.48 % and a tier 1 and total capital adequacy ratio of 23.16 %. The bank meets both internal and external requirements by a good margin.

Liquidity

The bank's LCR (Liquidity Coverage Ratio) was 252 as of 30.9.21. The bank's internal requirement is 150. The Bank's deposit coverage was 141%, up from 135 % at the end of 2020 and well above the internal requirement. The size of the bank's liquidity portfolio has increased in recent years and the bank has now hired an external manager to assist in managing these funds. This brings more expertise to the bank and a wider range of securities. The bank continues to manage its surplus liquidity in a conservative manner and is working to optimise the portfolio within the internal and external regulatory framework. The focus on sustainability is key when the bank evaluates new counterparties.

Future prospects

The reopening of Norwegian society has given a boost to the economy, and indications show that activity is higher than before the corona pandemic. Unemployment has fallen. Consumer price growth is high due to higher electricity prices. Underlying inflation is low, but increased activity and rising wage growth will probably contribute to it eventually rising towards the inflation target of 2%. The price increase can be dampened by a stronger krone.

The further course of the pandemic and its impact on the Norwegian economy remains uncertain. Infections have increased again lately, but a high level of vaccination will likely limit the implementation of containment measures.

Key interest rate expectations and longer-term interest rates have risen internationally. This increase is driven by higher inflation expectations. Norges Bank raised the key interest rate from zero to 0.25% as of 24 September 2021. The forecast for the key interest rate going forward has been revised upwards. Cultura Bank therefore expects an improvement in its net interest income

and that margins will return to a normal level. The results so far this year have been affected by the low interest rate.

The bank is working to clarify its value proposition and strategy to meet the increasing interest from its value-based customers to use the bank's service offerings. The aim is to develop products that better meet customers' needs for banking services. In addition, the bank is further developing its digital solutions to achieve automation and cost efficiency and focus our resources on providing personalised services to customers where they need them. The focus on sustainability is ongoing and is high on the agenda of the strategy process.

The banking market in Norway is highly competitive, with many providers. Our competitors are larger than us, and have strong customer service capabilities, robust digital solutions, and are also competitive on price. In such a market, we at Cultura must be able to exploit our strengths, namely a value proposition that resonates with a growing share of both the corporate and retail sectors. However, we cannot rest on this value proposition alone, our most valued customers also expect affordable financing, digital solutions of high quality, and personalised customer service. We must therefore strive daily to attract new customers. Cultura is already growing rapidly in the retail segment, and with our new, improved online banking solution enabling us to be the main bank for our corporate customers, we now see this setting the stage for good growth in the corporate segment too. The bank is also working intensively on further product development, which is likely to translate into additional sales in the coming quarters.

Cultura Bank is experiencing great interest and customer inflow, and has good growth on the lending and deposit side. The interest in sustainability is strong, both in society in general, and in the financial industry in particular. Cultura Bank is a solid, value-based bank that is well positioned for the future.

Oslo, 11.11.2021

The Board of Cultura Sparebank

Maria Bjune
Board Chair

Morten Johannessen
Deputy Chair

Christine Praamsma

Gustavo Parra de Andrade

Randi Welhaven

Alf Howlid

Camilla Brox

Kristine Falkgård
General Manager

Income Statement

	Note	3rd quarter		Year to date		1.1 –
		2021	2020	2021	2020	31.12
Interest income from assets valued at amortised cost		6 087	6 774	17 967	20 325	26 524
Interest income from other assets		539	437	1 639	2 822	3 222
Interest costs and similar costs		707	642	2 101	2 743	3 378
Net interest and credit commission income	2	5 919	6 569	17 505	20 404	26 368
Commission income and income from banking services		2 079	1 969	5 769	5 657	7 616
Commission expenses and costs of banking services		900	805	2 692	2 609	3 492
Dividends and other income from equity instruments		1	84	82	112	1 081
Net change in value and gain/loss on currency and financial instruments		68	34	108	106	175
Net other operating income	3	1 248	1 282	3 267	3 266	5 380
Salaries and other personnel expenses		3 987	3 273	10 986	9 582	13 004
Other operating expenses		2 085	2 041	6 567	7 387	9 600
Depreciation and write-downs on tangible and intangible assets		386	294	1 034	962	1 257
Total operating costs	4	6 458	5 608	18 587	17 931	23 862
Profit before losses		709	2 243	2 186	5 739	7 887
Credit losses on loans, guarantees, etc. and interest-bearing securities	5, 6	-	173	2 888	- 1 211	2 935
Profit before tax		882	-645	3 397	2 942	4 952
Tax		153	-220	685	677	1 056
Profit from ordinary operations after tax		729	-425	2 711	2 265	3 896

Other comprehensive income

	3rd quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Change in value of equity instruments at fair value through other comprehensive income	-2	139	-163	1 014	713
Tax	-	-	-	-	-
Total items that will not be classified through profit/loss	-2	139	-163	1 014	713
Other income and expenses related to investments in interest-bearing securities	-4	84	-336	-257	-377
Tax	-1	21	-84	-65	-94
Total items that will be classified through profit/loss	-3	63	-252	-192	-282
Total other comprehensive income	-5	202	-415	822	431
Total comprehensive income	724	-223	2 296	3 087	4 327

Balance Sheet

	Note	30.9.2021	30.9.2020	31.12.2020
Cash and cash equivalents		1	186	144
Loans and receivables from credit institutions and claims on central banks		73 769	80 704	84 381
Loans and receivables from customers at amortised cost	8	879 104	799 520	800 698
Interest-bearing securities		416 857	351 305	319 186
Shares, participations and other equity instruments		12 054	12 540	12 239
Intangible assets		1 614	131	1 140
Fixed assets		4 838	5 673	5 454
Other assets		2 420	2 245	3 104
Total assets		1 390 658	1 252 304	1 226 346
Borrowing from credit institutions		109	109	109
Deposits from customers		1 243 120	1 114 808	1 086 193
Other debt		18 225	10 566	11 643
Provisions		648	815	1 418
Total Liabilities		1 262 103	1 126 298	1 099 362
Share capital		85 308	85 308	85 308
Own equity certificates		-1 001	-1 001	-1 001
Subordinated bond capital	12	14 380	14 287	15 104
Fund for unrealised gains		3 845	3 132	3 845
Saving bank's fund		4 173	4 100	4 173
Equalisation fund		19 555	17 093	19 555
Unrestricted retained earnings		2 296	3 087	-
Total Equity		128 556	126 006	126 984
Total Equity and Liabilities		1 390 659	1 252 304	1 226 346
Guarantees		5 292	4 544	18 680

Changes in equity

	Own equity certificates	Own holdings	Subordinated bond capital	Equalisati on fund	Savings bank's fund	Fund for unrealised gains	Other equity	Gifts	Total equity
<i>IN NOK 1 000</i>									
Equity as of. 1.1.2020	85 308	-926	-	16 215	4 064	-	-	-	104 661
Reclassification of subordinated bond	-	-	15 116	-	-	-	-	-	15 116
Reclassification of financial instruments	-	-	-	1 290	52	3 132	-	-	4 474
Introduction of IFRS 16	-	-	-	-615	-25	-	-	-	-640
New measurement loss provision	-	-	-	496	20	-	-	-	516
Tax effect related to change	-	-	-	-293	-11	-	-	-	-304
Equity as of 1.1.2020 (restated)	85 308	-926	15 116	17 093	4 100	3 132	-	-	123 823
Profit from ordinary operations for the period	-	-	1 054	2 733	84	-	-	25	3 896
Items in other comprehensive income	-	-	-	-271	-11	713	-	-	431
Purchase/sale of own equity	-	-75	-	-	-	-	-	-	-75
Interest paid on subordinated bond	-	-	-1 066	-	-	-	-	-	-1 066
Transferred to gifts	-	-	-	-	-	-	-	-25	-25
Equity as of 31.12.2020	85 308	-1 001	15 104	19 555	4 173	3 845	-	-	126 984
Profit from ordinary operations for the period	-	-	-	-	-	-	2 711	-	2 711
Items in other comprehensive income	-	-	-	-	-	-	-415	-	-415
Purchase/sale of own equity	-	-	-	-	-	-	-	-	-
Interest paid on subordinated bond	-	-	-724	-	-	-	-	-	-724
Equity as of 30.9.2021	85 308	-1 001	14 380	19 555	4 173	3 845	2 296	-	128 556

Quarterly Income Statement

<i>(in full 1 000 NOK)</i>	3rd quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd quarter 2020
Interest income from assets valued at amortised cost	6 087	5 982	5 898	6 199	6 774
Interest income from other assets	539	578	521	400	437
Interest costs and similar costs	707	712	681	635	642
Net interest and credit commission income	5 919	5 848	5 738	5 964	6 569
Commission income and income from banking services	2 079	1 847	1 806	1 959	1 969
Commission expenses and costs of banking services	900	895	860	883	805
Dividends and other income from equity instruments	1	-	81	969	84
Net change in value and gain/loss on currency and financial instruments	68	-25	66	69	34
Net other operating income	1 248	927	1 093	2 114	1 282
Salaries and other personnel expenses	3 987	3 785	3 214	3 422	3 273
Other operating expenses	2 085	2 258	2 224	2 213	2 041
Depreciation and write-downs on tangible and intangible assets	386	347	301	295	294
Total operating costs	6 458	6 390	5 739	5 930	5 608
Profit before losses	709	385	1 092	2 148	2 243
Credit losses on loans, guarantees, etc. and interest-bearing securities	-	173	-514	-524	138
Profit before tax	882	899	1 616	2 010	-645
Tax	153	164	368	379	-220
Profit from ordinary operations after tax	729	735	1 248	1 631	-425
Other comprehensive income					
<i>(in full 1 000 NOK)</i>	3rd quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd quarter 2020
Change in value of equity instruments at fair value through other comprehensive income	-2	176	-337	-301	139
Tax	0	-	-	-	-
Total items that will not be classified through profit/loss	-2	176	-337	-301	139
Other income and expenses related to investments in interest-bearing securities	-	4	-235	-97	84
Tax	-1	-59	-24	-29	21
Total items that will be classified through profit/loss	-	3	-176	-91	63
Total other comprehensive income	-	5	-	-410	202
Total comprehensive income	724	735	838	1 239	-223

Key Figures

	3rd quarter 2021	2nd Quarter 2021	1st Quarter 2021	4th Quarter 2020	3rd quarter 2020
Debt-equity ratio					
Common equity tier 1 capital adequacy (in %)	20.48	21.08	20.54	21.32	21.10
Tier 1 capital adequacy ratio (in %)	23.16	23.87	23.30	24.24	23.93
Total capital ratio (i %)	23.16	23.87	23.30	24.24	23.93
Total assets	1 390 658	1 393 882	1 345 547	1 226 346	1 252 304
Risk-weighted balance sheet according to calculation basis	536 238	522 839	537 403	517 814	504 410
Equity	128 556	128 068	127 577	126 984	126 006
Average total assets	1 392 270	1 369 715	1 285 947	1 169 429	1 245 679
Unweighted tier 1 capital (in %)	8.78	8.86	9.03	9.92	9.47
Liquidity					
Liquidity Coverage Ratio (LCR)	252	274	261	242	242
Net Stable Funding Ratio (NSFR)	181	186	180	170	173
Deposit and loan development					
Gross lending to customers	880 309	846 843	823 005	802 618	803 088
Lending growth last 12 months	9.6 %	9.7 %	10.9 %	10.2 %	14.3 %
Deposits from customers	1 243 229	1 254 230	1 207 347	1 086 302	1 114 808
Deposit growth last 12 months	11.5 %	14.2 %	15.2 %	10.5 %	14.2 %
Deposit adequacy	141 %	148 %	147 %	135 %	139 %
Returns/profitability					
Return on total assets ¹	0.21	0.21	0.26	0.40	-0.07
Return on equity ²	2.25	2.30	2.63	3.92	-0.71
Net interest income ³	1.70	1.71	1.78	1.92	2.11
Cost/income %	90.11	94.32	84.01	73.41	71.43
Operating expenses as a percentage of average total assets	1.86	1.87	1.79	1.91	1.80

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

² Return on equity: profit after tax as a percentage of average equity.

³ Net interest income: net interest and credit commission income as a percentage of average total assets.

NOTES TO THE ACCOUNTS

Note 1 – Accounting principles

The financial statements for the third quarter 2021 have been prepared in accordance with the Regulation on annual accounts for banks § 1-4, paragraph 1 b) which means that valuation rules and disclosure requirements under IFRS have been followed with the exceptions provided by the regulation, including IAS 34 - Interim Financial Reporting. The quarterly financial statements have been prepared using the same accounting policies and calculation methods as the most recent annual financial statements. For a more detailed description of the accounting principles, please refer to the Annual Report 2020. The interim financial statements have not been audited. All amounts are stated in NOK 1,000 unless otherwise specified.

Note 2 - Net interest and credit commission income

	3rd quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Interest and similar income from loans to and receivables from credit institutions	3	0	3	345	346
Interest and similar income from loans to and receivables from	6 084	6 774 ⁴	17 964	19 980	26 178
Interest and similar income from interest-bearing securities	539	437	1 639	2 822	3 222
Total interest income and similar income	6 626	7 211	19 606	23 147	29 746
Interest and similar costs on debt to credit institutions	16	0	132	0	47
Interest and similar costs on deposits from and debt to customers	449	402	1 243	2 012	2 360
Interest and similar costs on subordinated bond capital	15	15	45	45	60
Other interest expenses and similar expenses	227	225	680	686	911
Total interest costs and similar costs	707	642	2 101	2 743	3 378
Net interest and credit commission income	5 919	6 569	17 505	20 404	26 368

Note 3 – Other operating income

	3rd quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Guarantee commission (gross)	29	26	116	73	240
Brokerage commission	38	16	75	66	85
Money transfer and interbank transactions	2 012	1 927	5 578	5 518	7 521
Total commission income and income from banking services	2 079	1 969	5 769	5 657	7 846
Guarantee commission expenses (gross)	39	62	116	184	230
Money transfer and interbank transactions	861	743	2 577	2 425	3 492
Total commission expenses and expenses for banking services	900	805	2 693	2 609	3 722
Income from shares, participations and other equity instruments	1	84	82	112	1 081
Dividends and other income from equity instruments	1	84	82	112	1 081
Net gain/loss on certificates and bonds	-39	-43	-173	-178	-182
Net gain/loss on currency	107	77	281	284	357
Net gain/loss on currency and financial instruments	68	34	108	106	175
Net other operating income	1 248	1 282	3 267	3 266	5 380

⁴ In the third quarter of 2020, interest income of NOK 499,622.62 was recognised which applies to previous accounting periods. This applies to a defaulted loan where interest calculation was stopped.

Note 4 – Operating expenses

	3 quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Salaries to employees	2 919	2 387	7 948	6 963	9 342
Fees to the board and trustees	141	107	409	339	534
Pensions	265	190	759	556	757
Employer's contribution	429	375	1 217	1 116	1 461
Financial tax	152	125	431	378	548
Other personnel costs	81	89	221	230	362
Total salaries and other personnel expenses	3 987	3 273	10 986	9 582	13 004
IT	973	1 133	2 834	3 179	4 193
Office expenses	149	105	552	659	844
Marketing	251	284	817	907	1 237
Rent and rent-related costs	124	106	336	307	406
Other operating costs	588	413	2 028	2 335	2 920
Total other operating costs	2 085	2 041	6 567	7 387	9 600
Amortisation of intangible assets	93	19	168	169	188
Depreciation of tangible fixed assets	74	57	208	139	197
Depreciation right of use rental premises	220	218	659	654	872
Total depreciation/amortisation	386	294	1 034	962	1 257
Total operating costs	6 458	5 608	18 587	17 931	23 862

Note 5 – Credit losses on loans, guarantees, etc. and interest-bearing securities

	3rd quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Impairment for the period in stage 1	-226	1 203	-598	1 198	1 264
Impairment for the period in stage 2	-104	182	-189	212	229
Impairment for the period in stage 3	163	1 503	-40	1 387	-208
The period's established losses against previous write-downs	-	-	64	-	1 337
The period's established losses without previous write-downs	-	-	26	-	313
The beginning of the period on previously established losses	6	-	475	-	-
Loss cost in the period	-173	2 888	-1 211	2 797	2 935

Note 6 – Impairment of loans, guarantees etc.

	Stage 1	Stage 2	Stage 3	Total
Write-downs on loans, guarantees, etc. as of 30.6.2021	1 105	194	258	1 558
Migrated from stage 1	-5	17	-	12
Migrated from stage 2	-	-58	-	-58
Migrated from stage 3	-	-	-	-
Impairment of new commitments during the period	2	-	-	2
Commitments deducted during the period	-	-	-	-
Other changes	25	2	163	190
Change in Covid-19 impairment	-248	-64	-	-312
Write-downs on loans, guarantees, etc. as of 30.9.2021	880	91	422	1 392

Note 7 – Credit impaired commitments

	30.09.2021	30.09.2020	31.12.2020
Gross defaulted loans - over 90 days	4 026	16 105	6 002
Impairment in stage 3	112	1552	148
Net defaulted loans	3 914	14 553	5 854
Other credit impaired loans	8 171	9 430	10 633
Impairment in stage 3	310	504	313
Net credit impaired non-defaulted loans	7 861	8 926	10 320
Net credit impaired commitments	11 775	23 479	16 174

Note 8 – Exposure on loans

	30.9.2021	30.9.2020	31.12.2020
Retail market	531 382	438 539	463 853
Corporate market			
Agriculture and related services	76 428	78 770	70 424
Forestry and related services	423	458	449
Fishing and hunting	1 818	1 995	1 949
Industry	10 100	10 403	9 972
Development of construction projects	1	-	-
Construction activities otherwise	-	-	-
Retail, rep. of motor vehicles	3 947	9 110	9 481
Transport otherwise and storage	325	590	590
Accommodation and catering activities	407	476	237
Information and communication	76	-	94
Sale and operation of real estate	71 430	60 405	58 832
Professional services	8 899	2 886	2 865
Business services	4 227	1 868	1 859
Service industries otherwise	170 847	197 588	182 012
Total	880 309	803 088	802 618

Note 9 – Capital adequacy

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Saving bank's fund	4 173	4 173	4 173	4 173	4 100
Fund for unrealised gains	3 845	3 845	3 845	3 845	3 132
Equalisation fund	19 555	19 555	19 555	19 555	17 093
Equity certificate	85 308	85 308	85 308	85 308	85 308
Own holdings of equity certificates	-1 001	-1 001	-1 001	-1 001	-1 001
Total equity	111 880	111 880	111 880	111 880	108 632
Deduction for intangible assets	-1 614	-1 217	-1 121	-1 140	-131
Deduction for prudent valuation	-429	-470	-396	-319	-364
Deduction for investment in other financial institutions	-	-	-	-	-1 726
Total common equity tier 1 capital	109 837	110 193	110 363	110 421	106 411
Subordinated bond capital	14 380	14 615	14 859	15 104	14 287
Total tier 1 capital	124 217	124 808	125 222	125 525	120 698
Subordinated loan	-	-	-	-	-
Total subordinated capital	124 217	124 808	125 222	125 525	120 698

Calculation basis by exposure category

	Q3 2021	Q2 2021	Q1 2021	Q4 2020	Q3 2020
States and central banks	-	-	-	-	-
Local and regional authorities	13 435	8 013	6 307	8 018	8 017
Multilateral development banks	-	-	-	-	-
Publicly owned enterprises	-	-	-	-	-
Institutions	5 852	6 723	7 313	7 203	8 855
Enterprises	49 695	54 577	59 590	58 929	44 258
Commitments with mortgage security in real estate	340 444	328 821	332 185	314 614	316 280
Overdue commitments	12 119	12 401	12 315	8 697	16 273
Bonds with preferential rights	20 946	21 143	21 143	17 911	18 121
Other commitments	27 728	25 146	19 035	25 576	29 454
Total calculation basis credit risk	470 219	456 825	457 888	440 947	441 258
Operational risk	58 331	58 331	58 331	54 765	54 765
Currency risk	7 688	7 684	21 184	22 102	8 387
Total calculation basis	536 237	522 839	537 404	517 814	504 410
Common equity tier 1 capital in %	20.48	21.08	20.54	21.32	21.10
Tier 1 capital in %	23.16	23.87	23.30	24.24	23.93
Capital adequacy	23.16	23.87	23.30	24.24	23.93

Note 10 – Off-balance sheet liabilities

	30.9.2021	30.9.2020	31.12.2020
Guarantees	5 292	4 544	18 680
Unused credit facilities	9 498	14 115	14 390
Loan commitments	105 288	96 358	66 620

Note 11 – Transactions between related parties

The bank has no transactions to report for the period.

Note 12 – Debt securities issued

Subordinated bond capital

ISIN	Borrowing	First recall date	Nominal value	Interest terms	Book value 30.9.2021	Book value 31.12.2020
N00010837073	23.11.2018	23.11.2023	NOK 15. mill.	3m Nibor + 600 bp	14 380	15 104

Changes in securities debt during the period:

	Balance 31.12.2020	Issued 30.6.2021	Due/ Redeemed 30.6.2021	Change in own holdings 30.6.2021	Other changes 30.9.2021	Balance 30.9.2021
Subordinated bond capital	15 104	-	-	-	-724	14 380

Note 13 – Categories of financial instruments

Financial assets	Fair value through other comprehensive income		Total
	Amortised cost		
Cash and cash equivalents	-	-	-
Lending to and receivables from credit institutions	73 769	-	73 769
Lending to customers	879 104	-	879 104
Interest-bearing securities	-	416 857	416 857
Shares, participations and other equity instruments	-	12 054	12 054
Total financial assets	952 874	428 911	1 381 785

Financial debt	Fair value through other comprehensive income		Total
	Amortised cost		
Debt to credit institutions	109	-	109
Deposits from customers	1 243 120	-	1 243 120
Total financial debt	1 243 229	-	1 243 229

Note 14 – Fair value of financial instruments

Fair value and book value of financial assets and debt recognised at amortised cost as of 30.9.2021

	Book value	Fair value
<u>Assets</u>		
Cash	-	-
Receivables from credit institutions and central banks	73 769	73 769
Lending to customers	879 104	879 104
Total assets valued at amortised cost	952 874	952 874
<u>Debt</u>		
Debt to credit institutions	109	109
Deposits from customers	1 243 120	1 243 120
Total debt valued at amortised cost	1 243 229	1 243 229

Level breakdown of financial instruments at fair value through other comprehensive income as of 30.9.2021

The valuation of financial instruments is classified into different levels based on the quality of market data for the individual type of instrument.

Level 1 - Valuation based on prices in an active market

Level 1 contains financial instruments that are valued using quoted prices in active markets for identical assets or liabilities. The category includes listed shares and fund units, as well as government bonds and certificates traded in active markets.

Level 2 - Valuation based on observable market data

Level 2 contains financial instruments that are valued using information that is not quoted prices, but where prices are directly or indirectly observable for the assets or liabilities, including quoted prices in inactive markets for identical assets or liabilities. The category mainly includes securities debt, derivatives and bonds that are not at level 1.

Level 3 - Valuation based on other than observable market data

Level 3 contains financial instruments that cannot be valued based on directly or indirectly observable prices. The category mainly includes loans to and deposits from customers, as well as shares.

	Level 1	Level 2	Level 3	Total
Interest-bearing securities	416 857	-	-	416 857
Shares, participations and other equity instruments	-	-	12 054	12 054
Total assets	416 857	-	12 054	428 911

Reconciliation of level 3:

Fair value through other comprehensive income

Opening balance 30.06.2021	12 056
Realised gain recognised in the income statement	-
Unrealised gains and losses recognised in the income statement	-
Unrealised gains and losses in other profit components	-2
Investment	-
Sales	-
Closing balance 30.09.2021	12 054

Note 15 – COVID-19

The Corona pandemic broke out in spring 2020 and has led to a significant downturn in the Norwegian economy. The reopening of society in the third quarter of 2021 has given a boost to activity in previously exposed industries. There is still uncertainty about the further course of the pandemic and its impact on the Norwegian economy. Infection has increased again recently, but high vaccination rates are likely to limit the need for new containment measures.

Guarantee scheme

As part of the corona measures, on 27 March 2020 the government established regulations to the Act on State guarantee scheme for loans to small and medium sized enterprises. The guarantee scheme is aimed at companies that have financing from the banks, and which are affected by a decline in turnover and loss of income as a result of the Covid-19 pandemic. With the loan guarantee scheme, banks can provide loans to companies with a government guarantee of 90 per cent of the loan amounts.

As of 30.9.2021, Cultura Sparebank has granted one loan under the guarantee scheme. The bank is in close contact with its customers and will continuously assess applications that satisfy the eligibility requirements for the scheme.

Financial assets

The classification of a financial asset is determined by the business model for the portfolio the instrument is part of, and which contractual cash flows the instrument has. A distinction is made between debt instruments, derivatives and equity instruments. A debt instrument is all financial assets that are not derivatives or equity instruments.

According to IFRS 9, financial assets must be classified and measured in three categories:

Amortised cost (AC)

Fair value through profit or loss (FVPL)

Fair value through other comprehensive income (FVOCI)

As of 30.9.2021, the bank has not changed the classification of financial assets since the outbreak of COVID-19, as this has not changed the purpose of the bank's financial assets. The corona outbreak has affected the value of assets valued at fair value through a weaker Norwegian krone and lower interest rates, which has affected the value of interest-bearing securities and equity instruments.

Loss write-downs on loans

However, increased uncertainty related to future loan losses as a result of the pandemic still entails a need for discretionary additions to the model-calculated write-downs in stage 1 and stage 2. The bank has estimated the need for additional write-downs in stage 1 and stage 2 for customers in the corporate market, based on how vulnerable the various industries are considered to be. The bank has chosen to continue the calculation principles for additional write-downs unchanged from the previous quarter, as follows:

The effect of COVID-19 on different sectors and industries is divided into 2 scenarios

1. Scenario 1: Slightly affected (low risk)

2. Scenario 2: Highly affected (high risk)

Each degree of risk represents a potential change in the industry's risk as a result of Covid-19. The need for increased provisions at the sector level is related to the effect of the pandemic. In the adjustment model, assigned an "adjustment factor" in percentage points: The adjustment factor for the individual industry is multiplied by the bank's exposure in each industry. This provides a proposed addition in model-calculated write-downs per industry. This is thus not an assessment of the need for increased individual provisions at the individual customer level.

The scenarios represent a rough estimate of total loan losses. Since the effects of the epidemic and countermeasures are still unclear, the loss estimates will also be associated with uncertainty. In June, Norway entered stage three of the government's plan for gradual recovery, and the bank assesses on this basis that there is a 90% probability of scenario 1, and a 10% probability of scenario 2. The bank is closely monitoring developments and will adjust the impairment estimates as necessary.

Industry	Exposure 30.9.21	Low scenario	Expected loss	High scenario	Expected loss	Total expected loss
Sale and operation of real estate	74 000	0.50 %	370	2.00 %	1 480	
Instruction	71 000	0.00 %	-	2.00 %	1 420	
Cultural activities	10 000	1.00 %	100	3.00 %	300	
Total	155 000		470		3 200	
Probability- weighted loss		90.00 %	423	10.00 %	320	743



Cultura Sparebank
PO Box 6800 St. Olavs Plass
0130 Oslo
Office address: Holbergs gate 1, Oslo
Phone: +47 22 99 51 99
cultura@cultura.no
Org.no. 977 041 244

www.cultura.no