



Quarterly report

2. quarter 2018

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Accounts as of June 30th 2018

General development

Growth in the number of customers and total deposits was very strong in both 2016 and 2017. While this growth remains significant it now seems to stabilize at a level that is slightly lower than the highest monthly levels in 2017. It has been noticed that a substantial amount of public attention has been given towards social and environmental sustainability in business, as well as in the finance sector. Cultura welcomes this "competition" in terms of sustainability in banking and finance. The bank's market potential, both in terms of sustainability and conventional banking, is still rated as highly significant.

Operating result and balance sheet

The bank's operating profit before taxes and losses as of June 30th is NOK 2 130 047 against NOK 1 779 051 in the same period in 2017. Total operating expenses increased by 6.0 %, while total revenue increased by 7.9 %. This confirms a positive effect of the bank's efforts for a relative cost reductions and improved profitability. Loss expenses are negative in the first half of 2018 and contribute with NOK 31 000 to the result. Deposit growth since the second quarter of 2017 has been 13.7 %, which equals growth at the same time last year. Growth in total lending volumes has been 13.9 %, which is a significant improvement from 1.7 % in 2017. The bank's total assets are close to NOK 1.071 billion. This is 13.2 % higher compared to the same time in 2017. The bank will continue to increase lending to customers as a share of total assets.

Solvency

The bank has a core equity capital coverage ratio of 19.03 % and a total capital ratio of 22.39 %. This satisfies both internal and external requirements with a good margin. Capital adequacy is deemed satisfactory.

Liquidity

The bank's LCR (Liquidity Coverage Ratio) as of 30.06.18 is 321. The internal requirement of the bank is 125. The ratio of customer deposits to loans is 162 % which far exceeds the established internal requirement.

Outlook for the remainder of the year

The underlying trends in the Norwegian economy are largely positive. There are expectations that interest rates have bottomed out and a correction from Norges Bank is coming in September. Housing prices are somewhat unstable, but prices are 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 organizational measures to reduce costs. Increasing the lending volume to both the private and business sectors within the bank's value base is a constant focus. This will help the bank to strengthen its results. The bank has a satisfactory capital adequacy, but the general growth indicates that equity must eventually be strengthened. Efforts are being made to implement a new issue in 9-12 months.

Oslo, 14.8.2018

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Accounts

Profit and loss statement

(in NOK 1 000)	Note	2. quarter		Year to date		1.1 - 31.12
		2018	2017	2018	2017	2017
Interest and interest related income		6 485	5 868	12 663	11 597	23 483
Interest and interest related expense		970	899	1 930	1 805	3 654
Net interest and interest related income	1	5 515	4 969	10 733	9 792	19 829
Dividends and other income from variable income securities		87	37	87	37	37
Provision income and income from banking services		1 899	1 803	3 786	3 626	7 652
Provision expenses and expenses from banking services		603	567	1 178	1 115	2 290
Net profit/loss on foreign exchange and other financial instruments		61	82	118	135	295
Net profit/loss on interest bearing securities		0	87	289	332	590
Net profit/loss on shares and participations		-95	-70	-95	-70	-70
Other operating income		-	-	-	-	-
Total other operating income		1 349	1 372	3 007	2 945	6 214
Total operating income		6 864	6 341	13 740	12 737	26 043
Payroll		3 049	2 888	5 991	5 650	11 744
General administrative expenses		1 763	1 579	3 375	3 131	6 495
Depreciation on fixed and intangible assets		347	369	711	727	1 469
Other operating expenses		716	716	1 534	1 450	2 596
Total operating expenses	2	5 875	5 552	11 611	10 958	22 304
Loan loss provisions	3,4,5	-11	-199	-31	-200	-381
Impairment on financial instruments classified as fixed assets		0	-	0	-	-
Net gains on fixed and intangible assets		123	15	29	15	15
Operating result before taxes		1 123	1 003	2 189	1 994	4 135
Estimated tax on ordinary result for the period		281	251	550	498	1 073
Net result for the period		842	752	1 639	1 496	3 062

Balance sheet

<i>(in NOK 1 000)</i>	Note	30.6.2018	30.6.2017	31.12.2017
Cash and claims on the Norwegian central banks		87 200	81 998	56 281
Loans and claims on credit institutions		47 837	49 564	10 378
Loans and advances to customers		591 486	518 969	564 248
Certificates and bonds		330 590	279 796	300 502
Shares, interest and equity certificates		7 469	7 651	7 651
Intangible assets		2 221	3 555	2 863
Fixed assets		584	670	575
Other assets		39	56	21
Pre-paid expenses and accrued income		3 170	3 499	2 277
Total assets		1 070 596	945 758	944 796
Deposits from and liabilities to credit institutions		51	13	30
Deposits and liabilities to customers		959 822	844 160	835 479
Other liabilities		3 141	4 299	5 145
Accrued expenses and received non-accrued income		3 867	4 536	2 425
Subordinated loan		14 985	14 955	14 970
Total liabilities		981 866	867 963	858 049
Share capital	6	74 063	64 887	73 719
The Saving Bank's Fund		3 678	3 600	3 678
Equalization Fund		9 350	7 812	9 350
Free retained earnings		1 639	1 496	0
Total equity		88 730	77 795	86 747
Total equity and liabilities		1 070 596	945 758	944 796
Guarantees		10 218	10 205	9 610

Quarterly profit and loss statement

	2. Quarter	1. Quarter	4. Quarter	3. Quarter	2. Quarter
(in NOK 1 000)	2018	2018	2017	2017	2017
Interest and interest related income	6 485	6 178	6 034	5 852	5 868
Interest and interest related expense	970	960	922	926	899
Net interest and interest related income	5 515	5 218	5 112	4 926	4 969
Dividends and other income from variable income securities	87	-	-	-	37
Provision income and income from banking services	1 899	1 887	2 018	2 008	1 803
Provision expenses and expenses from banking services	603	575	608	567	567
Net profit/loss on foreign exchange and other financial instruments	61	57	93	67	82
Net profit/loss on interest bearing securities	-	289	76	252	17
Net profit/loss on shares and participations	-95	-	-	-70	-
Other operating income	-	-	-	-	-
Total other operating income	1 349	1 658	1 579	1 690	1 372
Total operating income	6 864	6 876	6 691	6 616	6 341
Payroll	3 049	2 941	3 135	2 959	2 888
Administrative expenses	1 763	1 611	1 879	1 485	1 579
Depreciation on fixed and intangible assets	347	364	374	369	369
Other operating expenses	716	819	561	585	716
Total operating expenses	5 875	5 735	5 949	5 398	5 552
Loan loss provisions	-11	-20	-	-181	-199
Impairment on financial instruments classified as fixed assets	0	-95	-	-	-
Net gains on fixed and intangible assets	123	-	-	-	15
Operating result before taxes	1 123	1 066	742	1 399	1 003
Estimated tax on ordinary result for the period	281	269	225	350	251
Net result for the period	842	797	517	1 049	752

Key figures

(in NOK 1 000)	2. quarter 2018	1. quarter 2018	4. quarter 2017	3. quarter 2017	2. quarter 2017
Solidity					
Common equity tier 1 capital ratio (%)	19,03	20,01	19,94	20,57	18,50
Tier 1 capital ratio (%)	19,03	20,01	19,94	20,57	18,50
Total capital ratio (%)	22,39	23,57	23,50	24,29	22,31
Total assets	1 070 596	1 015 360	944 796	921 637	945 758
Risk weighted balance sheet total	446 799	421 539	421 403	402 115	392 374
Equity capital	88 730	87 544	86 747	88 277	77 795
Average total assets	1 042 978	980 078	933 217	933 698	906 150
Leverage ratio	7,84	8,24	8,36	8,45	7,49
Liquidity					
Liquidity Coverage Ratio (LCR)	321	370	357	420	379
Net Stable Funding Ratio (NSFR)	178	179	171	182	189
Deposit and loan development					
Loans	592 973	573 290	565 764	543 096	520 666
Annual loan growth (%)	13,9 %	8,9 %	10,1 %	7,9 %	1,7 %
Deposits	959 872	904 732	835 508	811 192	844 173
Annual deposit growth (%)	13,7 %	18,2 %	13,3 %	12,2 %	13,7 %
Deposit coverage ratio (%)	162 %	158 %	148 %	149 %	162 %
Profitability					
Return on total assets ¹	0,32	0,33	0,22	0,45	0,33
Return on equity ²	3,82	3,66	2,36	5,05	3,88
Net interest income ³	2,12	2,13	2,19	2,11	2,19
Cost/Income %	85,58	83,42	88,92	81,59	87,56
Operating expenses in % of average total assets	2,25	2,34	2,55	2,31	2,45

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>	2. quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
Interest income from loans and receivable on credit institutions	104	99	206	194	398
Interest income from loans to customers	5 645	5 441	11 078	10 717	21 631
- Interest income from consumers	1 829	1 539	3 531	2 962	6 271
- Interest income from corporates	3 816	3 902	7 547	7 755	15 360
Interest income from bonds, certificates and financial derivatives	736	328	1 379	686	1 454
Other interest income	0	0	0	0	0
Total interest and related income	6 485	5 868	12 663	11 597	23 483
Interest expense on deposits from and debt to customers	-641	-574	-1 276	-1 153	-2 362
- Interest expense consumers	-395	-331	-783	-667	-1 405
- Interest expense corporates	-246	-243	-493	-486	-957
Interest expense on subordinated loan capital	-195	-197	-387	-396	-780
Other interest expenses	-134	-128	-267	-256	-512
Total interest and related expenses	-970	-899	-1 930	-1 805	-3 654
Net interest and credit commission income	5 515	4 969	10 733	9 792	19 829

Note 2 – Salaries and general administrative expenses

<i>(in NOK 1 000)</i>	2. quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
Salary expenses to employees	2 336	2 191	4 446	4 161	8 559
Remuneration to the board of directors and trustees	116	116	232	232	427
Pension contributions	169	170	365	350	698
Social security expenses	280	263	636	595	1 361
Financial activities tax	99	94	226	213	484
Other staff costs	49	54	86	99	215
Salaries, fees and other personnel expenses	3 049	2 888	5 991	5 650	11 744
IT costs	809	649	1 568	1 363	2 720
Office expenses	165	191	337	353	788
Advertising charges	469	570	937	1 087	2 183
Other expenses	320	169	533	328	804
Administrative expenses	1 763	1 579	3 375	3 131	6 495
Depreciation of intangible fixed assets	324	324	647	639	1 286
Depreciation of tangible fixed assets	23	45	64	88	183
Depreciation	347	369	711	727	1 469
Rent and rent-related expenses	370	441	747	805	1 495
Other operating expenses	346	275	787	645	1 101
Total operating expenses	716	716	1 534	1 450	2 596

Note 3 – Loss expense

<i>(in NOK 1 000)</i>	2. quarter		Year to date		1.1 – 31.12
	2018	2017	2018	2017	2017
The period's change in write-downs on individual loans	-8 567	-569 950	-28 966	-569 950	-750 950
The period's ascertained losses against previous write-downs	0	369 950	0	369 950	369 950
The period's losses without previous write-downs	0	454	0	454	454
The period's recovery of previously ascertained losses	-2 151	0	-2 151	-714	-714
The period's loss expense	-10 718	-199 546	-31 117	-200 260	-381 260

Note 4 – Write downs on loans

<i>(in NOK)</i>	30.6.2018	30.6.2017	31.12.2017
Write-downs on individual loans	160 033	370 000	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>	30.6.2018	30.6.2017	31.12.2017
Gross defaults over 90 days	85 573	385 470	94 137
- Individual defaults	85 573	270 000	100 000
Net defaults	0	115 470	-5 863
Gross exposed non-defaulted commitments	74 461	102 446	83 234
- Individual write-downs	74 461	100 000	89 000
Net exposed non-defaulted commitments	0	2 446	-5 766

Note 6 – Capital ratio

Regulatory capital

<i>(in NOK 1 000)</i>	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Share capital	74 543	74 543	74 543	74 543	65 110
Bank owned equity certificates	-480	-824	-824	-223	-223
Total issued equity	74 063	73 719	73 719	74 320	64 887
Retained earnings and savings bank's fund	3 678	3 678	3 678	3 600	3 600
Equalisation fund	9 350	9 350	9 350	7 812	7 812
Intangible assets	-2 059	-2 382	-2 700	-3 024	-3 348
CET1 instruments of financial sector entities where the institution does not have a significant investment	0	0	0	0	-356
Common equity Tier I capital	85 032	84 365	84 047	82 708	72 595
Tier I capital	85 032	84 365	84 047	82 708	72 595
Subordinated loan capital (Tier II)	14 985	14 978	14 970	14 963	14 955
Total eligible regulatory capital	100 017	99 343	99 017	97 671	87 550

Basis for calculation of equity requirement by exposure category

<i>(in NOK 1 000)</i>	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Central governments and central banks	0	0	0	0	0
Regional governments or local authorities	3 984	0	0	0	0
Public sector entities	0	0	0	0	0
Institutions	14 467	11 785	7 276	8 716	14 813
Corporates	49 606	58 860	57 751	56 549	45 197
Secured by mortgage in immovable property	288 807	263 118	268 375	258 416	252 130
Exposures in default	96	41	50	62	123
Covered bonds	18 989	18 980	18 980	10 926	11 928
Other items	16 541	14 420	14 689	14 501	10 660
Risk weighted exposure amount for credit risk	392 490	367 204	367 121	349 170	334 851
Risk exposure amount for operational risk	46 912	46 913	46 913	45 547	45 547
Risk exposure amount for credit valuation adjustment	7 397	7 422	7 369	7 398	7 408
Total risk weighed assets	446 799	421 539	421 403	402 115	387 806
CET1 capital ratio	19,03 %	20,01 %	19,94 %	20,57 %	18,72 %
Tier I capital ratio	19,03 %	20,01 %	19,94 %	20,57 %	18,72 %
Total capital ratio	22,39 %	23,57 %	23,50 %	24,29 %	22,58 %



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