

Quarterly report

Cultura Sparebank



First quarter 2019

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Accounts as of March 31st 2019

General development

After a period of strong growth in total assets throughout 2018, growth in deposits is slightly lower than expected in the first quarter of 2019, while growth in lending volumes is very close to expectations. The bank's liquidity is still very good. The influx of new customers is satisfactory and stable. An increasing public awareness of social and environmental sustainability in the financial industry can be registered. Cultura experiences an increased interest for the bank and its operations. The bank's market potential seems to strengthen. The combination of conventional banking while safeguarding sustainability goals, Cultura's core values, is now increasingly being emphasized by customers and other players in the market.

Operating result and balance sheet

The bank's operating profit before taxes as of March 31st is NOK 1 666 000 against NOK 1 066 000 in the same period in 2018. The improved profitability is satisfactory. It is gratifying to notice that this increase can be attributed to increased income from interest and commissions. Cost developments are close to what is expected. Increases in interest expenses are to a large degree due to increased estimated expenses for the Resolution Fund which has been established in addition to the existing Deposit Guarantee Fund from the Norwegian Banks' Guarantee Fund. Final calculations from the Norwegian Banks' Guarantee Fund are not yet available. Loss expenses were negative also in the first quarter of 2019 and contribute with NOK 22 000 to the result. Loss expenses have been very low for a long time. It is natural to expect a normalization of future loss expenses.

Deposit growth is somewhat higher than lending growth, although lending volumes have also increased and are very close to the expected level at the end of the first quarter.

Solvency

The bank has a core equity capital ratio of 19.38 % and a total capital ratio of 22.66 %. 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 31.03.2019 is 266 %. The internal requirement of the bank is 125 %. The ratio of customer deposits to loans is 155 %, somewhat up from 150 % at the end of 2018 and still far above the established internal requirement.

Outlook for the remainder of the year

Developments in 2019 have confirmed that interest rates have bottomed out. The Norwegian Central Bank has carried out its announced increases in the key policy rate. The development in housing prices seems to be stable, albeit at a high level in the Oslo area. Cultura maintains a conservative approach with regards to customers' loan servicing capability and loan-to-value rates and the bank 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. The proportion of mortgage loans is still somewhat increasing as a percentage of the total lending portfolio. Increased competition and interest has been registered in environmental housing loan products. The bank considers itself well-equipped for the increased competition in that the development of a concept of interest rebates related to various environmental qualities in homes have been a long-standing commitment of Cultura Bank. The increased awareness is expected to provide more market opportunities for the product, in the same way as increased interest in social and environmental qualities in banking activities provides the basis for increased lending volumes to the business sector within the bank's core values. This will enable the bank to improve its results. The bank has a satisfactory capital ratio, but on the basis of expected growth, the bank will issue new equity share capital with a subscription period in May and the first part of June.

Oslo, 29.4.2019

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

Alf Howlid

Kjell-Fredrik Løvold

Ebba Boye

Chief executive officer

Accounts

Profit and loss statement

<i>(in NOK 1 000)</i>	1 st quarter		Year to date		1.1 – 31.12	
	2019	2018	2019	2018	2018	
Interest and interest related income*	6 990	6 178	6 990	6 178	26 226	
Interest and interest related expense	1 251	960	1 251	960	4 022	
Net interest and interest related income	5 739	5 218	5 739	5 218	22 204	
Dividends and other income from variable income securities	75	-	75	-	87	
Provision income and income from banking services	1 911	1 887	1 911	1 887	7 848	
Provision expenses and expenses from banking services	542	575	542	575	2 403	
Net profit/loss on foreign exchange and other financial instruments	103	57	103	57	324	
Net profit/loss on interest bearing securities	116	289	116	289	768	
Net profit/loss on shares and participations		-		-	-94	
Other operating income		-		-	-	
Total other operating income	1 663	1 658	1 663	1 658	6 530	
Total operating income	7 402	6 876	7 402	6 876	28 734	
Payroll	2 908	2 941	2 908	2 941	11 843	
General administrative expenses	1 715	1 611	1 715	1 611	6 905	
Depreciation on fixed and intangible assets	350	364	350	364	1 407	
Other operating expenses	785	819	785	819	2 739	
Total operating expenses	2 5 758	5 735	5 758	5 735	22 894	
Loan loss provisions	3,4,5	-22	-20	-22	-20	-55
Impairment on financial instruments classified as fixed assets		-	-95	-	-95	-
Net gains on fixed and intangible assets		-	-	-	-	1 146
Operating result before taxes	1 666	1 066	1 666	1 066	7 041	
Estimated tax on ordinary result for the period	416	269	416	269	1 564	
Net result for the period	1 250	797	1 250	797	5 477	

Balance sheet

<i>(in NOK 1 000)</i>	Note	31.3.2019	31.3.2018	31.12.2018
Cash and claims on the Norwegian central banks		68 356	66 204	68 113
Loans and claims on credit institutions		35 292	32 925	21 910
Loans and advances to customers		647 721	571 794	634 037
Certificates and bonds		354 455	330 595	329 731
Shares, interest and equity certificates		8 334	7 719	8 334
Intangible assets		1 303	2 545	1 626
Fixed assets		550	553	578
Other assets		3	35	7
Pre-paid expenses and accrued income		2 855	2 990	2 032
Total assets		1 118 869	1 015 360	1 066 368
Deposits from and liabilities to credit institutions		51	30	51
Deposits and liabilities to customers		1 003 413	904 702	951 551
Other liabilities		3 509	4 639	7 519
Accrued expenses and received non-accrued income		5 810	3 467	2 411
Subordinated loan		15 000	14 978	15 000
Total liabilities		1 027 783	927 816	976 532
Share capital	6	73 617	73 719	73 617
The Saving Bank's Fund		3 858	3 678	3 858
Equalization Fund		12 361	9 350	12 361
Free retained earnings		1 250	797	-
Total equity		91 086	87 544	89 836
Total equity and liabilities		1 118 869	1 015 360	1 066 368
Guarantees		6 123	10 490	5 969

Quarterly profit and loss statements

	1 st Quarter	4 th Quarter	3 rd Quarter	2 nd Quarter	1 st Quarter
(in NOK 1 000)	2019	2018	2018	2018	2018
Interest and interest related income	6 990	6 826	6 737	6 485	6 178
Interest and interest related expense	1 251	1 086	1 006	970	960
Net interest and interest related income	5 739	5 740	5 731	5 515	5 218
Dividends and other income from variable income securities	75	-	-	87	-
Provision income and income from banking services	1 911	2 010	2 052	1 899	1 887
Provision expenses and expenses from banking services	542	624	601	603	575
Net profit/loss on foreign exchange and other financial instruments	103	98	108	61	57
Net profit/loss on interest bearing securities	116	206	273	-	289
Net profit/loss on shares and participations	-	1	-	-95	-
Other operating income	-	-	-	-	-
Total other operating income	1 663	1 691	1 832	1 349	1 658
Total operating income	7 402	7 431	7 563	6 864	6 876
Payroll	2 908	2 958	2 895	3 049	2 941
Administrative expenses	1 715	1 807	1 724	1 763	1 611
Depreciation on fixed and intangible assets	350	349	347	347	364
Other operating expenses	785	583	621	716	819
Total operating expenses	5 758	5 697	5 587	5 875	5 735
Loan loss provisions	-22	-15	-9	-11	-20
Impairment on financial instruments classified as fixed assets	-	-	-	95	-95
Net gains on fixed and intangible assets	-	1 118	-	28	-
Operating result before taxes	1 666	2 867	1 985	1 123	1 066
Estimated tax on ordinary result for the period	416	518	496	281	269
Net result for the period	1 250	2 349	1 489	842	797

Key figures

(in NOK 1 000)	1 st Quarter 2019	4 th Quarter 2018	3 rd Quarter 2018	2 nd Quarter 2018	1 st Quarter 2018
Solidity					
Common equity tier 1 capital ratio (%)	19,38	19,25	18,98	19,03	20,01
Tier 1 capital ratio (%)	22,66	22,52	18,98	19,03	20,01
Total capital ratio (%)	22,66	22,52	22,33	22,39	23,57
Total assets	1 118 869	1 066 368	1 057 008	1 070 596	1 015 360
Risk weighted balance sheet total	457 529	459 037	447 172	446 799	421 539
Equity capital	91 087	89 836	89 741	88 730	87 544
Average total assets	1 092 619	1 005 582	1 063 802	1 042 978	980 078
Leverage ratio	9,14	9,54	7,93	7,84	8,24
Liquidity					
Liquidity Coverage Ratio (LCR)	266	322	335	321	370
Net Stable Funding Ratio (NSFR)	176	172	153	178	179
Deposit and loan development					
Loans	649 186	635 509	623 093	592 973	573 290
Annual loan growth (%)	13,2 %	12,3 %	14,7 %	13,9 %	8,9 %
Deposits	1 003 464	951 602	945 023	959 873	904 732
Annual deposit growth (%)	10,9 %	13,9 %	16,5 %	13,7 %	18,2 %
Deposit coverage ratio (%)	155 %	150 %	152 %	162 %	158 %
Profitability					
Return on total assets ¹	0,46	0,88	0,56	0,33	0,33
Return on equity ²	5,53	10,45	6,67	3,82	3,66
Net interest income ³	2,10	2,16	2,16	2,12	2,13
Cost/Income %	77,78	76,67	73,86	85,58	83,42
Operating expenses in % of average total assets	2,11	2,15	2,10	2,25	2,34

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>	1 st Quarter		Year to date		1.1 – 31.12
	2019	2018	2019	2018	2018
Interest income from loans and receivable on credit institutions	165	102	165	102	462
Interest income from loans to customers	5 906	5 434	5 906	5 434	22 767
- Interest income from consumers	2 169	1 702	2 169	1 702	7 514
- Interest income from corporates	3 737	3 732	3 737	3 732	15 253
Interest income from bonds, certificates and financial derivatives	919	642	919	642	2 997
Other interest income	0	0	0	0	0
Total interest and related income	6 990	6 178	6 990	6 178	26 226
Interest expense on deposits from and debt to customers	-705	-634	-705	-634	-2 596
- Interest expense consumers	-419	-387	-419	-387	-1 611
- Interest expense corporates	-286	-247	-286	-247	-985
Interest expense on subordinated loan capital	-287	-192	-287	-192	-890
Other interest expenses	-259	-134	-259	-134	-536
Total interest and related expenses	-1 251	-960	-1 251	-960	-4 022
Net interest and credit commission income	5 739	5 218	5 739	5 218	22 204

Note 2 – Salaries and general administrative expenses

<i>(in NOK 1 000)</i>	1 st Quarter		Year to date		1.1 – 31.12
	2019	2018	2019	2018	2018
Salary expenses to employees	2 093	2 110	2 093	2 110	8 580
Remuneration to the board of directors and trustees	116	116	116	116	473
Pension contributions	187	196	187	196	727
Social security expenses	352	356	352	356	1 382
Financial activities tax	125	126	125	126	488
Other staff costs	35	37	35	37	193
Salaries, fees and other personnel expenses	2 908	2 941	2 908	2 941	11 843
IT costs	873	759	873	759	3 191
Office expenses	172	172	172	172	862
Advertising charges	387	467	387	467	1 780
Other expenses	283	213	283	213	1 072
Administrative expenses	1 715	1 611	1 715	1 611	6 905
Depreciation of intangible fixed assets	324	324	324	324	1 294
Depreciation of tangible fixed assets	26	40	26	40	113
Depreciation	350	364	350	364	1 407
Rent and rent-related expenses	397	377	397	377	1 461
Other operating expenses	388	442	388	442	1 278
Total operating expenses	785	819	785	819	2 739

Note 3 – Loss expense

<i>(in NOK 1 000)</i>	1 st Quarter		Year to date		1.1 – 31.12
	2019	2018	2019	2018	2018
The period's change in write-downs on individual loans	-5 903	-20 400	-5 903	-20 400	-44 900
The period's ascertained losses against previous write-downs	0	0	0	0	0
The period's losses without previous write-downs	0	0	0	0	0
The period's recovery of previously ascertained losses	-15 968	0	-15 968	0	-9 901
The period's loss expense	-21 871	-20 400	-21 871	-20 400	-54 801

Note 4 – Write downs on loans

<i>(in NOK)</i>	31.3.2019	31.3.2018	31.12.2018
Write-downs on individual loans	137 877	168 601	144 100
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>	31.3.2019	31.3.2018	31.12.2018
Gross defaults over 90 days	731 897	88 765	1 619 624
- Individual defaults	79 634	88 765	80 391
Net defaults	652 263	0	1 539 233
Gross exposed non-defaulted commitments	58 243	79 836	63 707
- Individual write-downs	58 243	79 836	63 709
Net exposed non-defaulted commitments	0	0	-2

Note 6 – Capital ratio

Regulatory capital

<i>(in NOK 1 000)</i>	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Share capital	74 543	74 543	74 543	74 543	74 543
Bank owned equity certificates	-926	-926	-959	-480	-824
Total issued equity	73 617	73 617	73 584	74 063	73 719
Retained earnings and savings bank's fund	3 858	3 858	3 678	3 678	3 678
Equalisation fund	12 361	12 361	9 350	9 350	9 350
Intangible assets	-1 158	-1 481	-1 735	-2 059	-2 382
CET1 instruments of financial sector entities where the institution does not have a significant investment	-	-	-	-	-
Common equity Tier I capital	88 678	88 355	84 877	85 032	84 365
Tier I capital					
	15 000	15 000	-	-	-
Subordinated loan capital (Tier II)	103 678	103 355	84 877	85 032	84 365
Total eligible regulatory capital					
<i>(in NOK 1 000)</i>	-	-	14 993	14 985	14 978
Share capital	103 678	103 355	99 870	100 017	99 343

Basis for calculation of equity requirement by exposure category

<i>(in NOK 1 000)</i>	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Central governments and central banks	-	-	-	-	-
Regional governments or local authorities	4 009	4 010	-	3 984	-
Public sector entities	-	-	-	-	-
Institutions	11 958	9 282	8 135	14 467	11 785
Corporates	48 452	55 308	48 161	49 606	58 860
Secured by mortgage in immovable property	302 789	299 634	300 268	288 807	263 118
Exposures in default	861	1 739	99	96	41
Covered bonds	18 980	18 988	18 987	18 989	18 980
Other items	14 652	14 237	17 548	16 541	14 420
Risk weighted exposure amount for credit risk	401 701	403 198	393 198	392 490	367 204
Risk exposure amount for operational risk	49 774	49 774	46 913	46 912	46 913
Risk exposure amount for credit valuation adjustment	6 054	6 065	7 061	7 397	7 422
Total risk weighed assets	457 529	459 037	447 172	446 799	421 539
CET1 capital ratio	19,38 %	19,25 %	18,98 %	19,03 %	20,01 %
Tier I capital ratio	22,66 %	22,52 %	18,98 %	19,03 %	20,01 %
Total capital ratio	22,66 %	22,52 %	22,33 %	22,39 %	23,57 %



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