



Quarterly Report

Cultura Sparebank



1st Quarter 2021

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PERFORMANCE REPORT 1st QUARTER 2021

General

The bank's profit and balance sheet performance in the first quarter of 2021 is broadly in line with expectations and is affected by lower economic activity as a result of the pandemic and response measures. The bank is experiencing good growth in customer deposits, but sees lower commission income as a result of a lower transaction volume. Interest rates are persistently low, affecting income from the bank's management of surplus liquidity. The portfolio is invested in interest-bearing securities with very low risk. Lending activity has picked up and interest income from customer lending is about as expected.

Income statement

Profit/loss on ordinary activities

The bank's operating income before losses and taxes was NOK 1.1 million as of 31 March against NOK 2.5 mill. for the same period last year. The loss for the period is in effect a net income recognition of NOK 0.5 million, which is mainly due to amounts incurred on previously identified losses. The bank's profit after tax was thus NOK 1.2 million against NOK 1.4 million in the corresponding period in 2020.

Other comprehensive income

In other comprehensive income, changes in the value of the bank's bond and asset portfolio are recognised at fair value. The other comprehensive income for the period was NOK -0.4 million against NOK 0.7 million in the 1st quarter 2020.

The bank's shareholdings are held for strategic reasons and consist of ownership interests in both Norwegian and foreign partners. The part of the portfolio denominated in foreign currency is affected by fluctuations in exchange rates. No significant changes in the underlying exchange rates have been recorded.

Total comprehensive income

The bank's total comprehensive income for the 1st quarter of 2021 was NOK 0.8 million against NOK 2.1 million in 2020.

Balance sheet

The bank's balance sheet performance is not significantly different from expectations, but with a somewhat stronger deposit growth than anticipated.

Capital adequacy

The bank has a common equity tier 1 capital adequacy of 20.54 % and a tier 1 and total capital adequacy ratio of 23.30 %. The bank meets both internal and external requirements with a good margin.

Liquidity

The bank's LCR (Liquidity Coverage Ratio) as of 31.3.21 was 261. The bank's internal requirement is 150. The bank's deposit coverage was 147%, up from 135% at the end of 2020, and well above the internal requirement.

Future prospects

The Covid-19 pandemic continues to affect society and the Norwegian economy. Since March 2020, the low key interest rate has created challenges for the bank's earnings, which is also reflected in the financial statements for the first quarter of 2021. After an autumn and winter with increased spread of infection and intensified infection precautions, there are now prospects that a gradual recovery of society may soon begin. Norges Bank has changed its interest rate trajectory and is now signalling that the first rate hike will come in the second half of the year. This gives reason for cautious optimism and hope that society and the economy can soon take the first steps towards a more normal situation. The bank's customers have fared well thus far during this period and lower financing costs, together with government measures, have helped to remedy the situation. At the same time, we know that the pandemic is unpredictable, and the way forward is subject to great uncertainty with the risk of new setbacks.

Oslo, 11.5.2021

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	1st quarter		Year to date		1.1 – 31.12
		2021	2020	2021	2020	2020
Interest income from assets valued at amortised cost		5 898	7 582	5 898	7 582	26 524
Interest income from other assets		521	1 309	521	1 309	3 222
Interest and interest related expenses		681	1 171	681	1 171	3 378
Net interest and credit commission income	2	5 738	7 720	5 738	7 720	26 368
Commission income and income from banking services		1 806	1 935	1 806	1 935	7 616
Commission expenses and costs of banking services		860	816	860	816	3 492
Dividends and other income from equity instruments		81	-	81	-	1 081
Net change in value and gain/loss on currency and financial instruments		66	-6	66	-6	175
Net other operating income	3	1 093	1 113	1 093	1 113	5 380
Salaries and other personnel expenses		3 214	3 260	3 214	3 260	13 004
Other operating expenses		2 224	2 701	2 224	2 701	9 600
Depreciation and write-downs on tangible and intangible assets		301	382	301	382	1 257
Total operating expenses	4	5 739	6 343	5 739	6 343	23 862
Profit before losses		1 092	2 490	1 092	2 490	7 887
Credit losses on loans, guarantees, etc. and interest-bearing securities	5, 6	-524	674	-524	674	2 935
Profit before tax		1 616	1 816	1 616	1 816	4 952
Tax		368	379	368	379	1 056
Profit from ordinary operations after tax		1 248	1 437	1 248	1 437	3 896
Other comprehensive income						
		1st 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		-337	1 137	-337	1 137	713
Tax		-	-	-	-	-
Total items that will not be classified through profit/loss		-337	1 137	-337	1 137	713
Other income and expenses related to investments in interest-bearing securities		-97	-594	-97	-594	-377
Tax		-24	-149	-24	-149	-94
Total items that will be classified through profit/loss		-73	-446	-73	-446	-282
Total other comprehensive income		-410	692	-410	692	431
Total comprehensive income		838	2 129	838	2 129	4 327

Balance Sheet

	Note	31.3.2021	31.3.2020	31.12.2020
Cash and cash equivalents		-	137	144
Loans and receivables from credit institutions and claims on central banks		118 342	135 230	84 381
Loans and receivables from customers at amortised cost	8	821 250	740 918	800 698
Interest-bearing securities		384 373	290 931	319 186
Shares, participations and other equity instruments		11 902	12 632	12 239
Intangible assets		1 121	169	1 140
Fixed assets		5 333	5 928	5 454
Other assets		3 226	3 592	3 104
Total assets		1 345 547	1 189 537	1 226 346
Borrowing from credit institutions		109	80	109
Deposits from customers		1 207 238	1 047 836	1 086 193
Other debt		9 929	14 200	11 643
Provisions		694	1 767	1 418
Total liabilities		1 217 970	1 063 883	1 099 362
Share capital		85 308	85 308	85 308
Own equity certificates		-1 001	-926	-1 001
Subordinated bond capital	12	14 859	14 818	15 104
Fund for unrealised gains		3 845	3 132	3 845
The saving bank's fund		4 173	4 100	4 173
Equalisation fund		19 555	17 093	19 555
Unrestricted retained earnings		838	2 129	-
Total Equity		127 577	125 654	126 984
Total Equity and Liabilities		1 345 547	1 189 537	1 226 346
Guarantees		18 214	4 584	18 680

Changes in equity

	Own equity certificates	Own holdings	Subordinated bond capital	Equalisation 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 Subordinated bond capital	-	-	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 (revised)	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	-	-	-	-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	-	-	-	-	-	-	1 248	-	1 248
Items in other comprehensive	-	-	-	-	-	-	-410	-	-410
Purchase/sale of own equity	-	-	-	-	-	-	-	-	-
Interest paid on subordinated bond	-	-	-245	-	-	-	-	-	-245
Equity as of 31.3.2021	85 308	-1 001	14 859	19 555	4 173	3 845	838	-	127 577

Quarterly Income Statement

<i>(In full 1 000 NOK)</i>	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020
Interest income from assets valued at amortised cost	5 898	6 199	6 774	5 969	7 582
Interest income from other assets	521	400	437	1 076	1 309
Interest expense and similar expenses	681	635	642	930	1 171
Net interest and credit commission income	5 738	5 964	6 569	6 115	7 720
Commission income and income from banking services	1 806	1 959	1 969	1 753	1 935
Commission expenses and costs of banking services	860	883	805	988	816
Dividends and other income from equity instruments	81	969	84	28	-
Net change in value and gain/loss on currency and financial instruments	66	69	34	78	-6
Net other operating income	1 093	2 114	1 282	871	1 113
Salaries and other personnel expenses	3 214	3 422	3 273	3 049	3 260
Other operating expenses	2 224	2 213	2 041	2 645	2 701
Depreciation and write-downs on tangible and intangible assets	301	295	294	286	382
Total operating expenses	5 739	5 930	5 608	5 980	6 343
Profit before losses	1 092	2 148	2 243	1 006	2 490
Credit losses on loans, guarantees, etc. and interest-bearing securities	-524	138	2 888	-765	674
Profit before tax	1 616	2 010	-645	1 771	1 816
Tax	368	379	-220	518	379
Profit from ordinary operations after tax	1 248	1 631	-425	1 253	1 437

Other comprehensive income

<i>(In full 1 000 NOK)</i>	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020
Change in value of equity instruments at fair value through other comprehensive income	-337	-301	139	-262	1 137
Tax	-	-	-	-	-
Total items that will not be classified through profit/loss	-337	-301	139	-262	1 137
Other income and expenses related to investments in interest-bearing securities	-97	-120	84	253	-594
Tax	-24	-29	21	63	-149
Total items that will be classified through profit/loss	-73	-91	63	190	-445

	1st Quarter 2021	4th Quarter 2020	3rd Quarter 2020	2nd Quarter 2020	1st Quarter 2020
Debt-equity ratio					
Common equity tier 1 capital adequacy (in%)	20.54	21.32	21.10	21.52	22.37
Tier 1 capital adequacy ratio (in %)	23.30	24.24	23.93	24.45	25.47
Total capital ratio (i %)	23.30	24.24	23.93	24.45	25.47
Total assets	1 345 547	1 226 346	1 252 304	1 239 054	1 189 537
Risk-weighted balance sheet according to calculation basis	537 403	517 814	504 410	495 214	477 311
Equity	127 577	126 984	126 006	126 466	125 654
Average total assets	1 285 947	1 169 429	1 245 679	1 214 296	1 151 024
Unweighted tier 1 capital (in %)	9.03	9.92	9.47	9.59	10.04
Liquidity					
Liquidity Coverage Ratio (LCR)	261	242	242	252	274
Net Stable Funding Ratio (NSFR)	180	170	173	171	174
Deposit and loan development					
Gross lending to customers	823 005	802 618	803 088	771 638	742 310
Lending growth last 12 months	10.9 %	10.2 %	14.3 %	13.5 %	14.3 %
Deposits from customers	1 207 347	1 086 302	1 114 808	1 097 741	1 047 833
Deposit growth last 12 months	15.2 %	10.5 %	14.2 %	7.4 %	4.4 %
Deposit adequacy	147 %	135 %	139 %	142 %	141 %
Returns/profitability					
Return on total assets ¹	0.26	0.40	-0.07	0.39	0.74
Return on equity ²	2.63	3.92	-0.71	3.75	7.40
Net interest income ³	1.78	1.92	2.11	2.01	2.68
Cost/income %	84.01	73.41	71.43	85.60	71.81
Operating expenses as a percentage of average total assets	1.79	1.91	1.80	1.97	2.20

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 first 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 resulting from 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

	1st 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	-	312	-	312	346
Interest and similar income from loans to and receivables from customers	5 898	7 270	5 898	7 270	26 178
Interest and similar income from interest-bearing securities	521	1 309	521	1 309	3 222
Total interest income and similar income	6 419	8 891	6 419	8 891	29 746
Interest and similar costs on debt to credit institutions	44	-	44	-	47
Interest and similar costs on deposits from and debt to customers	388	931	388	931	2 360
Interest and similar costs on subordinated bond capital	15	15	15	15	60
Other interest expenses and similar expenses	234	225	234	225	911
Total interest costs and similar costs	681	1 171	681	1 171	3 378
Net interest and credit commission income	5 738	7 720	5 738	7 720	26 368

Note 3 – Other operating income

	1st Quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Guarantee commission (gross)	55	27	55	27	240
Brokerage commission	37	30	37	30	85
Money transfer and interbank transactions	1 751	1 905	1 751	1 905	7 521
Total commission income and income from banking services	1 843	1 962	1 843	1 962	7 846
Guarantee commission expenses (gross)	38	61	38	61	230
Money transfer and interbank transactions	860	782	860	782	3 492
Total commission expenses and expenses for banking services	898	843	898	843	3 722
Income from shares, participations and other equity instruments	81	-	81	-	1 081
Dividends and other income from equity instruments	81	-	81	-	1 081
Net gain/loss on certificates and bonds	-28	-111	-28	-111	-182
Net gain/loss on currency	94	105	94	105	357
Net gain/loss on currency and financial instruments	66	-6	66	-6	175
Net other operating income	1 092	1 113	1 092	1 113	5 380

Note 4 – Operating expenses

	1st Quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Salaries for employees	2 266	2 273	2 266	2 273	9 342
Fees to the board and trustees	102	116	102	116	534
Pensions	246	189	246	189	757
Employer's contribution	410	435	410	435	1 461
Financial tax	145	149	145	149	548
Other personnel costs	45	98	45	98	362
Total salaries and other personnel expenses	3 214	3 260	3 214	3 260	13 004
IT	853	869	853	869	4 193
Office expenses	214	284	214	284	844
Marketing	267	314	267	314	1 237
Rent and rent-related costs	101	95	101	95	406
Other operating costs	789	1 139	789	1 139	2 920
Total other operating costs	2 224	2 701	2 224	2 701	9 600
Amortisation of intangible assets	19	131	19	131	188
Depreciation of tangible fixed assets	62	33	62	33	197
Depreciation right of use rental premises	220	218	220	218	872
Total depreciation/amortisation	301	382	301	382	1 257
Total operating costs	5 739	6 343	5 739	6 343	23 862

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

	1st Quarter		Year to date		1.1 – 31.12
	2021	2020	2021	2020	2020
Impairment for the period in stage 1	31	92	31	92	1 264
Impairment for the period in stage 2	36	162	36	162	229
Impairment for the period in stage 3	-214	419	-214	419	-208
The period's established losses against previous write-downs	63	-	63	-	1 337
The period's established losses without previous write-downs	26	-	26	-	313
The beginning of the period on previously established losses	466	-	466	-	-
Loss cost in the period	-524	674	-524	674	2 935

Note 6 – impairment of loans, guarantees etc.

	Stage 1	Stage 2	Stage 3	Total
Write-downs on loans, guarantees, etc. as of 1.1.2021	1 478	278	461	2 217
Migrated from stage 1	-2	1	-	-2
Migrated from stage 2	-	-7	-	-7
Migrated from stage 3	-	-	-	-
Impairment of new commitments during the period	13	-	-	13
Commitments deducted during the period	-4	-1	-243	-247
Other changes	-35	-36	29	-42
Covid-19 impairment	59	79	-	138
Write-downs on loans, guarantees, etc. as of 31.3.2021	1 509	314	247	2 070

Note 7 – Credit impaired commitments

	31.3.2021	31.3.2020	31.12.2020
Gross defaulted loans - over 90 days	5 971	9 470	6 002
Impairment in stage 3	89	67	148
Net defaulted loans	5 882	9 403	5 854
Other credit impaired loans	6 236	13 281	10 633
Impairment in stage 3	158	1 022	313
Net credit impaired non-defaulted loans	6 078	12 259	10 320
Net credit impaired commitments	11 960	21 662	16 174

Note 8 – Exposure on loans

	31.3.2021	31.3.2020	31.12.2020
Retail market	472 234	400 431	463 853
Corporate market			
Agriculture and related services	71 312	69 952	70 424
Forestry and related services	441	475	449
Fishing and hunting	1 903	2 084	1 949
Industry	9 744	7 315	9 972
Construction activities	1	1	-
Retail, rep. of motor vehicles	4 691	8 531	9 481
Transport otherwise and storage	590	204	590
Accommodation and catering activities	20	301	237
Information and communication	90	527	94
Sale and operation of real estate	74 760	59 213	58 832
Professional services	6 133	2 813	2 865
Business services	2 216	1 869	1 859
Service industries otherwise	178 870	188 594	182 012
Total	823 005	742 310	802 618

Note 9 – Capital adequacy

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Saving bank's fund	4 173	4 173	4 100	4 100	4 100
Fund for unrealised gains	3 845	3 845	3 132	3 132	3 132
Equalisation fund	19 555	19 555	17 093	17 093	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	-926
Total equity	111 880	111 880	108 632	108 632	108 707
Deduction for intangible assets	-1 121	-1 140	-131	-150	-169
Deduction for prudent valuation	-396	-319	-364	-374	-
Deduction for investment in other financial institutions	-	-	-1 726	-1 552	-1 779
Total tier 1 capital	110 363	110 421	106 411	106 556	106 759
Subordinated bond capital	14 859	15 104	14 287	14 524	14 818
Total tier 1 capital	125 222	125 525	120 698	121 080	121 577
Subordinated loan	-	-	-	-	-
Total subordinated capital	125 222	125 525	120 698	121 080	121 577

Calculation basis by exposure category

	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
States and central banks	-	-	-	-	-
Local and regional authorities	6 307	8 018	8 017	4 012	4 012
Publicly owned enterprises	-	-	-	-	-
Institutions	7 313	7 203	8 855	8 840	14 963
Enterprises	59 590	58 929	44 258	42 315	31 711
Commitments with mortgage security in real estate	332 185	314 614	316 280	309 230	305 834
Overdue commitments	12 315	8 697	16 273	19 945	14 111
Bonds with preferential rights	21 143	17 911	18 121	19 114	17 093
Other commitments	19 035	25 576	29 454	28 931	26 518
Total calculation basis credit risk	457 888	440 947	441 258	432 387	414 242
Operational risk	58 331	54 765	54 765	54 765	54 765
Currency risk	21 184	22 102	8 387	8 062	8 304
Total calculation basis	537 404	517 814	504 410	495 214	477 311
Common equity tier 1 capital in %	20.54	21.32 %	21.10 %	21.52 %	22.37 %
Tier 1 capital in %	23.30	24.24 %	23.93 %	24.45 %	25.47 %
Capital adequacy	23.30	24.24 %	23.93 %	24.45 %	25.47 %

Note 10 – Off-balance sheet liabilities

	31.3.2021	31.3.2020	31.12.2020
Guarantee	18 214	4 584	18 680
Unused credit facilities	12 693	15 432	14 390
Loan commitments	71 040	91 956	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 31.3.2021	Book value 31.12.2020
N00010837073	23.11.2018	23.11.2023	NOK 15. mill.	3m Nibor + 600 bp	14 859	15 104

Changes in securities debt during the period:

	Balance 31.12.2020	Issued 31.3.2021	Due/Redeemed 31.3.2021	Change in own holdings 31.3.2021	Other changes 31.3.2021	Balance 31.3.2021
Subordinated bond capital	15 104	-	-	-	-245	14 859

Note 13 – Categories of financial instruments

Financial assets	Amortised cost	Fair value through other comprehensive income	Total
Cash and cash equivalents	-	-	-
Lending to and receivables from credit institutions	118 342	-	118 342
Lending to customers	821 250	-	821 250
Interest-bearing securities	-	384 373	384 373
Shares, participations and other equity instruments	-	11 902	11 902
Total financial assets	939 592	396 275	1 335 867

Financial debt	Amortised cost	Fair value through other comprehensive income	Total
Debt to credit institutions	109	-	109
Deposits from customers	1 207 238	-	1 207 238
Total financial debt	1 207 347	-	1 207 347

Note 14 – Fair value of financial instruments

Fair value and book value of financial assets and debt recognised at amortised cost as of. 31.3.2021

	Book value	Fair value
Assets		
Cash	-	-
Receivables from credit institutions and central banks	118 342	118 342
Lending to customers	821 250	821 250
Total assets valued at amortised cost	939 592	939 592
Debt		
Borrowing from credit institutions	109	109
Deposits from customers	1 207 238	1 207 238
Total debt valued at amortised cost	1 207 347	1 207 347

Level breakdown of financial instruments at fair value through other comprehensive income as of 31.3.2021

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	384 373	-	-	384 373
Shares, participations and other equity instruments	-	-	11 902	11 902
Total assets	384 373	-	11 902	396 275

Reconciliation of level 3:

Fair value through other comprehensive income

Opening balance	12 239
Realised gain recognised in the income statement	-
Unrealised gains and losses recognised in the income	-
Unrealised gains and losses in other profit	-337
Investment	-
Sales	-
Closing balance	11 902

Note 15 – COVID-19

The coronary pandemic broke out in spring 2020 and has led to a significant downturn in the Norwegian economy. After a decline in the number of infections in the early summer and summer of 2020, infections increased over the autumn and winter, slowing down the recovery of activity in the Norwegian economy. The outlook for economic development in 2021 depends to a large extent on how quickly vaccination can be carried out. As an increasing share of the population is vaccinated, it is expected that infection control measures can be reduced and that activity in vulnerable sectors, such as services in restaurants, accommodation and culture, will gradually pick up again.

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 31.3.2021, 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 31.3.2021, 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. The bank has assessed that there is an 80% probability for scenario 1, and a 20% probability for scenario 2. The bank follows developments closely and will adjust the estimates for write-downs if necessary.

Industry	Exposure 31.3.21	Low scenario	Expected loss	High scenario	Expected loss	Total expected loss
Agriculture	75 000	0.25 %	188	1.00 %	750	
Sale and operation of real estate	76 000	0.50 %	380	2.00 %	1 520	
Instruction	72 000	0.00 %	-	2.00 %	1 440	
Health and social work	65 000	0.00 %	-	1.00 %	650	
Cultural activities	10 000	1.00 %	100	3.00 %	300	
Total	298 000		668		4 660	
Probability- weighted loss		80.00 %	534	20.00 %	932	1 466

Note 16 – Disclosures of errors in prior periods

The bank has detected an error in the calculation of the tax expense in other comprehensive income in the interim financial statements for the 1st - 3rd quarter 2020. The error applies to the provisionally calculated costs and deductions and has not affected the final calculated tax as of 31.12.2020.

In the 1st quarter 2020, there is also an error reported for the unrealised gains fund.

All comparative figures for the current periods have been restated.

Corrections in interim financial statements for 1st quarter 2020

Other comprehensive income as of 31.3.2020	Corrected financial statements	Original financial statements
Tax on items that will not be classified through profit or loss	-	284
Total items that will not be classified through profit or loss	1 137	853
Total other comprehensive income	692	407
Total comprehensive income	2 129	1 844

Balance as of 31.3.2020	Corrected financial statements	Original financial statements
Provisions	1 767	2 052
Total debt	1 063 883	1 064 168
Fund for unrealised gains	3 132	3 985
Unrestricted retained earnings	2 129	991
Total equity	125 654	125 369

Corrections in interim financial statements for 2nd quarter 2020

Other comprehensive income as of 30.6.2020	2nd quarter		1.1.2020 – 30.6.2020	
	Corrected financial statements	Original financial statements	Corrected financial statements	Original financial statements
Tax on items that will not be classified through profit or loss	-	-67	-	218
Total items that will not be classified through profit or loss	-262	-195	875	657
Total other comprehensive income	-72	-5	620	402
Total comprehensive income	1 181	1 248	3 310	3 092

Balance as of 30.6.2020	Corrected financial statements	Original financial statements
Provisions	1 025	1 243
Total debt	1 112 588	1 112 806
Unrestricted retained earnings	3 310	3 092
Total equity	126 466	126 248

Corrections in interim financial statements for 3rd quarter 2020

Other comprehensive income as of 30.9.2020	3rd quarter		1.1.2020 – 30.9.2020	
	Corrected financial statements	Original financial statements	Corrected financial statements	Original financial statements
Tax on items that will not be classified through profit or loss	-	34	-	252
Total items that will not be classified through profit or loss	139	105	1 014	762
Total other comprehensive income	202	168	822	570
Total comprehensive income	-223	-257	3 087	2 835

Balance as of 30.9.2020	Corrected financial statements	Original financial statements
Provisions	815	1 067
Total debt	1 126 298	1 126 550
Unrestricted retained earnings	3 087	2 835
Total equity	126 006	125 754

Corrections in reported key figures

	<u>2020-03</u>		<u>2020-02</u>		<u>2020-01</u>	
	Corrected amounts	Original amounts	Corrected amounts	Original amounts	Corrected f amounts	Original amounts
Equity	126 006	125 754	126 466	126 248	125 654	125 369
Return on total assets	-0.07	-0.08	0.39	0.41	0.74	0.64
Return on equity	-0.71	-0.78	3.75	3.97	7.40	6.34



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