

Annual Report 2019



Unofficial translation for information purposes

Front page picture (from left to right):
Bergsmyrene farm (photo: Scott Gilmour)
Wirgenes farm share (photo: Scott Gilmour)
Playful shilling buns (photo: Godt Brød)

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Rethinking economics

At the end of 2018, we registered that a new wave of sustainability had risen globally, both in politics, in business and industry in general and also in the financial industry. One year later, fortunately, we can conclude that the wave has not settled. Last year we wondered if the new sustainability wave contained something new or different from similar waves in the 1970s and 1980s. This year, there may be reason to take a particular look at the subject of economics, an academic subject that is very central to the financial industry and therefore also to Cultura Sparebank. Is there something new happening in this field that is pointing forward, which gives cause for optimism in view of major global challenges in terms of environment and social conditions? When looking for signs of renewal, it is natural to draw attention to new, young players in the field. From the standpoint of Cultura Sparebank, a very small player with all activities within Norway's borders, it is also natural to draw attention to young Norwegian academics. Current names are Roman Linneberg Eliassen and the group Rethinking Economics.

Eliassen began his studies in economics in Bergen at the outbreak of the financial crisis in 2008. He now holds a doctorate from Anglian Ruskin University in England and in 2016 published a small but very interesting and well-written book: "Hush, we count" with the subtitle "Why economists understands reality ". A major thesis of Eliassen is that the economics profession has become firmly within a "neoclassical" paradigm. The eligibility of mathematical models shadows academic openness. Thus, economics is not given the opportunity to help find a way out of a disability of social and environmental problems, which the economists themselves have helped create. It would be too far-fetched in some considerations in an annual report to look closely at Eliassen's claims and arguments, but it can be stated that his views are shared by several. The Rethinking Economics group is mentioned, and we also have ISIPE, the International Students Initiative for Pluralism in Economics and quite a few other groups and individuals. In short, it can be said that this criticism of today's economics is marked by an exaggerated belief that all the essentials of existence can be counted and put into mathematical formulas. The critics miss an openness to multidisciplinary where history, social sciences and philosophy are given a place of importance alongside mathematics.

If we are to allow ourselves to be a little countercritical to the critics of the mainstream economy, it may be that we ask whether or not these critics are also a bit prejudiced on behalf of economics as a subject. They seem to think that if they achieved a paradigm shift in which economists were also trained in history, social science and philosophy, then economists would be able to point the way to a stabilized climate, food security and financial order. But what if it is not just a form of obsession in dominant economic environments that is the problem, but perhaps human bias more generally? An overconfidence that manifests itself in a greed with potentially catastrophic consequences. We should perhaps note that there are others, other than the critical economists, who are watching world developments and calling for caution. After 4 years, an EU-funded project has just been completed at the Faculty of Law at the University of Oslo. Professor Beate Sjøfjell has been responsible for the project. The project has been about examining the extent to which corporate law prevents or promotes sustainability considerations in business. This is not a question of a fundamental change in the paradigm, but of demonstrating how politicians, through their legislative power and by building on established rule of law, can significantly contribute to the solution of environmental challenges, if they wish.

Another academic who has expressed himself loudly is Israeli historian Yuval Harari. He has published three books from 2011 to 2018: "Sapiens" on the history of mankind, "Homo Deus" on the future of man as his own god and finally "21 teachings for the 21st

century", where he gives his recommendations on the road further. A main thesis of Harari is that man is unique in that he is able to relate to the imaginary, he then thinks of religious, philosophical and ideological beliefs. According to him, this is what enables man to organize themselves in incredibly large societies both in terms of number of individuals and geographical area. He further claims that the human scientific development in computer technology and biotechnology is about to make man as we know it superfluous. He claims that if someone does not see this, it is because they dare not look for it. He also proclaims that the question of what consciousness really is is the greatest mystery of the universe. Harari's recommendation is that through meditation we search within ourselves to find answers. His books, which have been sold in hundreds of thousands of copies worldwide, have received, especially the latest, mixed responses as the reader likes the issues and answers or not.



Kjell Fredrik Løvold, CEO, general manager

A third who has expressed himself is Pope Francis. He is not an academic, but spiritual head of over a billion Christians. In 2015, he published "Laudato Si", a script, a so-called encyclical, of over 100 pages, addressing the world's environmental challenges. Scripture explains why it must be precisely a Christian duty to take on these challenges, and to take them most seriously. The Pope argues that this must necessarily happen in dialogue and cooperation with other believers, with non-believers and atheists. Scripture has received great attention and has aroused enthusiasm and resistance both inside and outside the church.

As we see, people far beyond the economists are dealing with the global challenges of the time. Then you might want to ask how this is relevant for Cultura savings bank. One answer may be that this shows that we must all contribute according to our ability, based on our own position. Perhaps in everyday life one should follow the old advice to stay on one's reading, that is, stick to what one has so far been good at.

Cultura's position is characterized by two factors: First and foremost, sustainability must be safeguarded and permeate the business, whereupon it must be run banking operations. Banking is a commercial trade in money and in other words a distinct economic activity. This is why Cultura necessarily gets particularly interested in what is going on in economic circles. Rethinking Economics is therefore an example of an initiative Cultura would like to have contact with, although what happens in legal science, other social sciences and technology can also be of great importance to Cultura's daily activities. But also for Cultura it is important to note that the week has 6 working days and 1 public holiday. Holidays do not need to be perceived religiously, sacred really means holistic. Most people will need to set aside their daily material endeavors about every seven days to reflect on what we mean by what we do and on what basis we do it. There may not be many people who will find scientific answers to these questions. Very few will be able to count on the answers. The economist Eliassen mentioned above also writes that the purpose of getting more open thinking into economics is that we need to find out why we mean what we mean. Maybe that is when you as an economist need to put the economy a little aside?

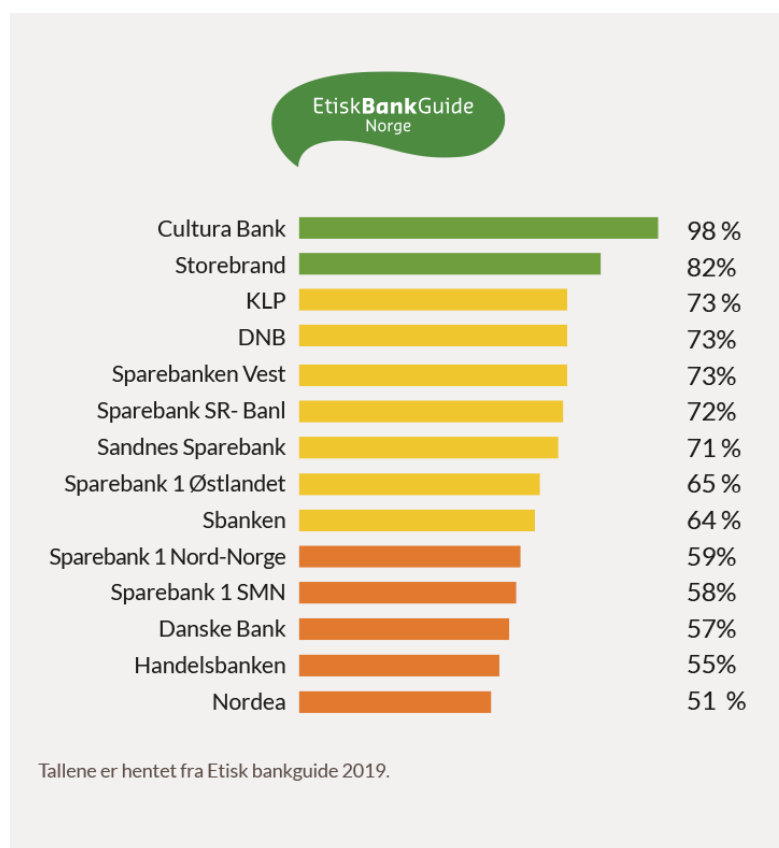
For Cultura's part, the "holiday thoughts" must be that the goal of the business is to meet the real needs of people so that we can live in good relationships with each other and the nature we live in and out of. As long as we can conclusively conclude that this is what we are doing, we will also have the strength and courage to throw ourselves into new workdays where we worry about costs and rejoice in revenue, measured in kroner that can be counted. In 2020, too, there will be most working days, but they are carried by the whole.

ECONOMIC SITUATION

Cultura's result after losses and taxes in 2019 was NOK 6 719 000. This is an improvement of NOK 1 242 000 from 2018 which also was a year with significant profit growth. Total assets as of 31.12.2019 were NOK 1 113 million. This is an increase of just 4.3 % over a 12 month period and thus considerably lower compared to total asset growth in 2018. This is due to a lower growth in deposits. As a result, a better balance has been achieved between deposits and loans. Loan growth has remained strong in 2019 and exceeded the percentage growth in 2018. In 2019, the bank achieved a significant improvement in earnings, measured as a proportion of total assets. The bank's long-term goal is further growth combined with a reduced cost percentage and further improved profitability and return on capital. Total capital ratio and Tier II capital ratio as of 31.12.2019 are 26,84 % and Tier I capital ratio is at 23,46 %. Both the authorities' required levels and our internal requirements are met with a good margin. Cultura will pay out a dividend of 3,0 % to the equity certificate owners based on the result of 2019. This equals a payout ratio of 35.7 %. This is a lower payout ratio compared to 2018, which is directly related to the increased global economic uncertainty that has arisen since the end of the year, but before the dividend decision.

Kjell Fredrik Løvold

CEO, General Manager



Once again Cultura Bank achieved first place in the Ethical Banking Guide, which is a survey in which Framtiden i våre hender and Forbrukerrådet have reviewed Norwegian banks' ethical guidelines, requirements and policy documents regarding social responsibility, ethics and the environment.

The Board of Directors' Report for the Year 2019

Main Guidelines for Business Activities

Cultura Bank's core values are embodied in the bylaws mission statement, and do not change from year to year. The bank's task is to properly cover the real needs of people. That is to say that it must be a player in the real economy. Participation in the global network Global Alliance for Banking on Values (GABV), which in 2019 has more than 60 financial institutions as members across all continents, is becoming increasingly important for Cultura. In connection with GABV, the bank is also a participant in the Institute for Social Banking (ISB), which is headquartered in Berlin. ISB's annual summer school and many 'Expert Labs' are important arenas for Cultura's employees.



PROUD MEMBER

THE MAIN PRINCIPLES GUIDING THE BANK'S ACTIVITIES MAY BE EXPRESSED AS:

SUSTAINABILITY

Cultura emphasizes the social and environmental impact of the project in its lending operations. This precedes a conventional assessment of the project's profitability and security, which Cultura also makes in line with other banks. The assessment of the loan application reveals whether the projects will have environmental, social and/or cultural qualities.

TRANSPARENCY

Following the borrowers' consent, the bank will publish a comprehensive review of all loan projects. This enables depositors to see where their money is invested. The transparency principle is also pertaining to the bank's governance and daily operations. This principle is also a baseline in the international network GABV, where the bank is an active participant.

CONSCIOUSNESS

A main pillar of the bank's mission statement is to contribute to increased understanding about money and economical questions. This is done through articles and reports in the bank's magazine "Pengevirke", active use of the bank's website, and its profile on Facebook and Twitter. Representatives of Cultura Bank are also regularly active in various forums, with content about banking and economics.

Organization

Cultura Bank is organized in accordance with the Financial Institution Act and the bank's bylaws. The bank names its supreme body the Board of Trustees, which is composed of representatives of the customers, the owners of the bank's equity certificates, as well as employees and the local government. The Board of Trustees normally conducts two meetings a year. They choose a chair for the board themselves among their 12 members. The tasks of the Board of Trustees are, among other things, to approve the bank's annual accounts, elect a board, and nominate an election committee. The Board elects an audit and risk committee among its members.

REMUNERATION

The remuneration schemes in Cultura Bank are designed in accordance with the Financial Institution Act. The Board revises the guidelines for remuneration annually. The Board is also presented with an annual report by the bank manager, with a review of the remuneration scheme. With the exception of remuneration for overtime, no form of variable remuneration is paid based on results obtained, or for any other reason.

Risk management

Good risk management is an important prerequisite for the bank's operations.

There are separate policy documents for the following risk areas:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk
- IT risk
- Money laundering and terrorist financing risk
- Business and risk management

In 2019 a separate recovery plan for the bank has been established, in accordance with the crisis management directive that was introduced into Norwegian law on January 1st 2019. The bank has established a risk control role that is directly subject to the General Manager, and reports directly to the Board. A separate routine has been established for the implementation of internal control. The internal control report is reviewed annually by the Board. The Board has also established a risk and audit committee.

CREDIT RISK

Credit risk is defined as the risk that customers' payment obligations to the bank cannot be met due to the inability or unwillingness of the customers to pay at the agreed time. This is the most important risk area in a bank, and the bank's risk management policy is therefore organized to ensure that transactions with customers and financial institutions are always within the agreed guidelines. According to the bank's objective clause and the Board's policy, lending should be within defined lending purposes and have an appropriate spread. The bank carries out a risk classification of all loans based on criteria for payment ability and security. Empirical data for losses and defaults and developments in the risk classification form the basis for assessing the bank's credit risk. All loan agreements are monitored continuously with regard to term payments, and any deviations are reported to the Board. A regulatory framework has been established for credit assessments, and the bank has a credit committee working within a mandate approved by the Board. The credit committee consists of the general manager and the head of the loan department and works within a framework given by the board.

The bank has its own routine for securing a loan that is followed when a borrowing customer's ability to service the loan is reduced, or if a value reduction on the collateral makes it necessary. The loan portfolio is continuously assessed, and if there should be an objective criteria for loss, there will be write-downs on the individual loans or groups of loans. Credit risk is discussed in more detail in connection with the balance sheet and profit and loss account.

From the 1st of January 2020 IFRS 9 will be implemented, which replaces the current IAS 39. IFRS 9 introduces a new model for the classification, measurement and impairment of loans. Detailed information on this is given in note 10 "Transition disclosure IFRS".

LIQUIDITY RISK

The bank's liquidity risk is defined as the risk that the bank is unable to meet its debt obligations or that the bank cannot refinance its debt or finance its activity without incurring significant additional costs. According to the bank's policy document for liquidity risk, the liquidity risk must be low.

The policy document sets a minimum requirement for "weighted deposit coverage" of 110 %. The bank's weighted deposit coverage was 123 % at the end of 2019.

In order to withstand large withdrawals and fluctuations in customer deposits, the bank holds a liquidity reserve and drawing rights in Norges Bank. The deposits in the daily settlement bank, DNB, are regulated on an ongoing basis to cover all payments.

MARKET RISK

The bank's market risk is the risk that the value of the bank's assets will be reduced as a result of changes in market conditions. Management of the bank's market risk is done through defined maximum limits for investments, specified in the bank's market risk policy document. According to this document, market risk shall be kept very low.

The bank's portfolio of interest-bearing securities consists of covered bonds and Treasury bills. All papers have high credit rates and variable interest rates at 3 months for interest rate adjustment (covered bonds), or a maximum 12-month maturity (Treasury bills), and thus have a relatively low exchange rate and interest rate risk.

The bank's portfolio of shares and other participations in other companies is relatively small, and consists of interests in related companies abroad and investments in strategic partners. It is considered to be less exposed to the turmoil of the securities markets.

The interest rate risk which, with changes in the market interest rate, can lead to capital losses or pressure on the interest rate margin, is considered to be small. Cultura Bank does not offer fixed interest rates on loans, and has the ability to adjust interest rates for both deposits and loans within a short period of time.

The bank has a very limited currency risk, as lending and deposits across national borders are conducted in Norwegian kroner. However, the bank is exposed to currency risk due to the fact that invoices from the bank's system vendor are billed in Danish kroner.

There have been no significant changes in policy or positions during the year.

From the 1st of January 2020 IFRS 9 will be implemented, which replaces the current IAS 39. IFRS 9 introduces a new model for the classification and measurement of financial instruments, such as interest bearing securities and shares. Detailed information on this is given in note 10 "Transition disclosure IFRS".

OPERATIONAL RISK

Operational risk is the risk of financial loss due to errors in internal processes and systems, human error, or as a result of external events. According to the bank's policy document for operational risk, this risk must be very low.

Management of operational risk is done through the bank's policies, routines and guidelines, where the periodic review of an event log is an important element.

ICAAP/ILAAP

In accordance with the capital adequacy framework, the bank annually prepares an ICAAP report. In this report, the bank assesses its capital needs by reviewing the bank's risk areas. As part of the report, the bank's liquidity needs (ILAAP) are also assessed. The bank's various risks are described in more detail in its own risk report available on the bank's website.

RECOVERY PLAN

Cultura Bank has created a recovery plan in 2019. This is in accordance with the provisions of the Crisis Management Directive, which was introduced into Norwegian law on January 1st 2019. The recovery plan is an important part of the bank's preparedness and must ensure that it has available effective and relevant measures that can be implemented in a stress situation, without causing significant negative consequences for customers, other financial institutions or the economy as a whole.

Environment and Other Conditions

HEALTH, SAFETY AND ENVIRONMENTAL ISSUES

No larger events concerning either the working or the social environment have been reported during the past year. The Board of Directors considers the working environment as good. No larger accidents or injuries have been registered in 2019.

- Absence due to illness amounted to 55,4 days, of which 32,4 days were short-term leave, and 23 days with medical verification. The sickness leave percentage was 1,7 % (3,4 % in 2018).
- Electric power consumption in 2019 was 59 292 kWh, versus 71 229 kWh in the previous year.

A handbook covering health, environment and safety issues has been issued, and these matters are followed up on a regular basis by a dedicated employee representative, together with the chief executive officer.

Cultura Bank regards the responsibility for the environment as a main pillar of its activities, and considers its main contribution to be the financing of good projects in this area. In addition to this, the bank strives to live up to its high standards in its own conduct of business, and thus has laid down its own environmental policy.

Cultura Bank engages with policies that do not significantly pollute the environment and do not cause emissions. The bank is financing non-polluting and environmentally conscious activities, and thus the indirect pollution is seen as very modest.

The bank has chosen to be certified as a "Miljøfyrtårn" or "Environmental Beacon". This certification entails an annual review of measures in this field, and the results of these. The certification was scheduled to be renewed in 2019. However, the database required for the certification has been expanded significantly and the bank has therefore applied for and postponed reporting new data to April 2020. Glass, plastics and electronic waste are disposed of separately as well as paper and cardboard.

- The bank aims to use suppliers of office equipment that are environmentally certified, and the actual products should be environmentally marked and certified. None of the employees use a car to commute daily to work.
- Business travel should, when possible, take place by public transport.
- Teleconferences are preferred for meetings instead of travelling.

GENDER EQUALITY

In its employment policy, the bank maintains a professional qualification line which is gender neutral.

The bank strives to provide women and men with equal opportunities for professional development and advancement, supports the "The Beijing Platform for Action (1995)", and has signed "The Women's Empowerment Principles" (UN Global Compact).

The bank employs 7 men and 9 women. The managerial group consists of 1 man (General Manager) and 2 women (Deputy General Manager and Manager of the Loan

Department). The Board of Directors has 3 women and 4 men. The position of Chair is held by a female member, and the Deputy Chair is a man. Deputy board members are 2 women and a man.

New loan customers are asked what the gender distribution is in their board and management. Companies with more than 10 employees are asked whether they have a gender equality policy, and whether they have made a wage difference analysis between women and men.

Social	2019	2018
Number of FTEs	15	15
Percentage of women by job level (in %)		
General manager / CEO	0	0
Deputy general manager	100	100
Deputy Manager	50	50
Other employees	55	55
All employees	56	56
Age groups (amount)		
Under 30 years	1	2
Between 30 and 50 years	7	6
Over 50 years	8	8
Total	16	16
Average age	49	48
Average salary		
Men	584 571	554 687
Women	556 222	522 566
All employees	581 146	568 625
Relationship between the median and the highest salary	1,63	1,67
Women's salary as a percentage of men's by level of employment (in %)		
General manager / CEO	0	0
Deputy general manager	100	100
Deputy Manager	88	91
Other employees	95	94
All employees	95	94
Sick leave (in %)		
Men	1,3	2,5
Women	2,0	4,2
Total	1,7	3,4
Part timers (in %)		
Men	14,3	14,3
Women	22,2	22,2
Total	18,8	18,8

Economy

GENERAL DEVELOPMENT

The Norwegian Central Bank raised the key policy rate twice in 2019. The Norwegian Central Bank reports that the Norwegian Economy is doing well. No further interest rate hikes are expected in 2020. The interest rate level in Norway is markedly higher than in the rest of Europe.

Globalization, digitization and transformation are continuing trends. We are in a technology-driven growth process, which encompasses large parts of the world.

This provides the basis for prosperity growth. At the same time, the development is so rapid that it is difficult for many businesses, not least banking, to adapt. This can create uncertainty which comes in addition to the stronger uncertainty arising from warnings of a global negative development for the climate and natural diversity. For Cultura, this confirms the justification of the bank's values and objectives, but the bank will nevertheless be affected by the challenges posed by the situation, for society in general and the financial industry in particular. It can hardly be avoided that the reorganization that must now take place quickly in the economy will result in increased costs and pressured profitability, at least in the relatively short term. It is therefore important that the new business opportunities, that necessary restructuring will also entail, are seized. Cultura, with its well-established and forward-looking values, will be in a better position to seize these opportunities than most other banks.

Shortly before the finalization of the annual report, the Norwegian and international economy very quickly entered a crisis situation in connection with the spread of the coronavirus. This also creates uncertain economic prospects in 2020 for Cultura Savings Bank.

MAIN FEATURES OF CULTURA BANK'S ECONOMY FOR 2019

Profit and loss Accounts

Total operating income for 2019 was NOK 32.8 million, up by 14.3 % compared to 2018. Operational expenses increased in the same period by 6.2 % to NOK 24.3 million. This gives an operating result of NOK 8.5 million, which is an improvement of 46.3 % compared to last year. After losses on loans and gains on the sale of fixed assets, the result for 2019 was NOK 8.8 million. This result provides a basis for NOK 2.1 million in taxes.

Balance sheet

Total assets increased in 2019 with 4.3 % and ended up at 1 113 million. Loans to customers increased by 14.6 % to NOK 728 million. Customer deposits increased by 3.3 % to NOK 983 million.

Revenues

Net interest income, the difference between the bank's deposit and loan interest rate, the most important revenue source for the bank, was NOK 25.9 million in 2019, compared to NOK 22.2 million the year before. Net interest income as a percentage of total assets increased from 2.21 % to 2.38 %. Net provision income increased with 2.6 % from NOK 7.8 million to NOK 8.3 million.

Expenses

Salary and administrative expenses increased 7.6 % in 2019 to NOK 20.2 million. A significant part in the increase relates to salary expenses as a result of a general salary adjustment and the use of overtime and additional staff, especially in the fourth quarter.

Losses and loan impairments

Losses and write-downs resulted in a total loss expense for NOK 25 000.

The board of directors' proposal for allocation of the net profit

According to current laws, the net profit should be allocated proportionally between the bank's own reserves and the capital issued through equity certificates. The Board thus proposes that the equity certificates be allocated a dividend of NOK 2 397 765 corresponding to 1.5 % of the nominal value for equity certificates issued in 2019 and 3.0 % of the nominal value for other equity certificates. Furthermore, Cultura Trust Foundation (Cultura Gavefond) is granted a gift of NOK 50 000. NOK 4 064 950 is retained in the equalization fund which is earmarked for future dividend pay-outs, the capital ratios allowing. The remaining net profit, amounting to NOK 205 882, is allocated to the bank's own reserves.

ASSETS AND LIABILITIES

Loans

The bank's bylaws and the credit policy laid down by the Board of Directors define the preferred loan purposes of the bank. Additionally, the credit risk in the loan book should be distributed in a responsible way. The bank performs a risk classification based on criteria for loan servicing ability and security, which provides a basis for assessing the bank's credit risk. All loan servicing is followed up on an ongoing basis, and any deviations are reported to the Board. The bank has a credit handbook which contains the rules for credit assessments. The bank also has a credit committee which operates with a power of attorney within set limits. Loan in arrears by more than 90 days amounted to NOK 9 468 000 at year end which is a substantial increase from NOK 1 620 000 in 2018. The increase is related to a single commitment and is expected to be covered through the realization of collateral. The realizations are assumed to give the bank full coverage for its exposure. Loans not in arrears, but with a higher probability of losses, totaled NOK 161 000 versus NOK 64 000 in 2018.

The bank has a routine for securing a loan if the customer lacks the ability to service the loan, or a weakness in the security is identified.

Total loans increased with 14.6 % to NOK 728 million from the end of 2018. Growth in outstanding loans is considered good. This growth is mainly revolves around housing loans. The loan policy stresses the qualitative profile of the loans. The reporting of the bank visualizes this by subdividing the loan book into the categories People, Planet, Prosperity, the terms also used by the reporting in the scorecard system developed by the GABV. This is also referred to as triple bottom line lending. In the People category, loans concerning education, art and healthcare can be found. Planet includes organic agriculture and distribution of green products, as well as ecological building and other environmental projects. Prosperity is used for loans to various small, local business purposes. In addition to the above mentioned categories, Cultura is offering normal housing loans which now constitute 43 % of total loans, and miscellaneous other purposes which add up to a mere 1 % of total loans.

The table below shows a more detailed picture, according to the GABV reporting format. Social inclusion can also be found in this category, which concerns lending to social therapy activities for mentally disabled people.

Outstanding loans by purpose 31.12.2019

	Purpose	NOK	in %
People	arts and culture	33 425 196	4,59
	education	118 663 952	16,29
	health care	1 325 406	0,18
	social inclusion	51 272 981	7,04
	other - people	1 811 786	0,25
Planet	distribution ecological products	10 816 268	1,48
	green housing	75 964 742	10,43
	sme lending	0	0,00
	renewable energy and low carbon	1 044 402	0,14
	sustainable agriculture	78 460 771	10,77
	waste / pollution reduction	883 845	0,12
	water efficiency reduction access	0	0,00
	other - planet	22 270 753	3,06
Prosperity	microfinance for micro enterprise	36 764	0,01
	sme lending	10 211 573	1,40
	other - prosperity	0	0,00
Other	housing	314 970 947	43,24
	other	7 291 189	1,00
TOTAL		728 450 575	100,00

CUSTOMER DEPOSITS

Growth in customer deposits in 2019 has been lower than in 2018 and the year before. Total deposits have increased by 3,3 % since the end of 2018. The liquidity surplus remains considerable, and this is mainly invested in covered bonds and government securities. The bank has a very conservative investment profile also in 2019. Besides investments in covered bonds and treasury bills, the bank has the necessary deposits in Norges Bank and DNB as a settlement bank. The bank's securities are highly liquid, and are deposited as collateral for the bank's withdrawal access in Norges Bank. The bank's current policy demands a minimum "weighted" deposit coverage ratio of 110 %. In the weighted deposit coverage ratio those deposits that are not covered by the Norwegian Bank's Guarantee Fund are given a weight of 50 %. As of 31.12.2019, the bank's weighted deposit coverage ratio is at 123 %. The liquidity risk in the bank is still considered very moderate.

Capital coverage and equity

Total capital coverage was 26.84 % at year end, up from 22.52 % the year before. Core equity capital coverage was also 26.84 %. Core equity capital coverage was 23,46 %.

As of 31.12.2019 the bank still satisfies external as well as internal requirements on capital coverage. In order to achieve the bank's goals of continued expansion, it is essential that the equity base is strengthened further through the issuance of new equity certificates. Issuing new

In %	As of 31.12.2019		
	Authority requirement	Internal requirements	Capital coverage
Common equity Tier I	17,00	17,70	23,46
Tier I capital	18,50	19,20	26,84
Total capital	20,50	21,20	26,84

equity certificates remains the bank's main source of capital. The equity certificates are registered in the central security registry, VPS, but are not listed on the Oslo Stock Exchange. The Saving Bank's fund is composed of the initial gifts from inauguration as well as retained earnings throughout the years. A proportional part of the year to year earnings are allocated to the equalization fund, which, as mentioned above, is earmarked for future distribution as dividends, to the degree the total capital adequacy permits it.

CULTURA GIFT FUND AND CULTURA GUARANTEE FUND

Cultura Gift Fund makes donations to research and development projects, including the testing of new ideas in the field of social development. The fund operates independently from the bank. The majority of the fund's capital is invested in equity certificates of the bank.



Cultura Guarantee Fund can offer guarantees in favour of worthy loan projects, where the security is deemed insufficient to satisfy the normal requirements of the bank. Although the fund has a relatively small capital base, the effect of the guarantees may be quite significant.



Both funds are self-governing trusts, legally independent from the bank.

Marketing and Communication

Marketing and communications efforts are based on the bank's communication strategy, which is continuously assessed and revised. The bank has, for the fourth year in a row, received first place in the Ethical Banking Guide. This has been an important contribution in spreading knowledge about the bank and its ethical profile.

The bank markets itself through various channels such as social media, web sites and advertisements in digital and print media.

Marketing efforts are estimated by the bank to be around 0.6 FTE's in 2019, divided between two employees. In addition, external consultants are used for help with graphic design, web sites and other communication work.

Magazine Pengevirke

Cultura Bank's objective clause states that the bank shall contribute to developing attitudes to money and the economy so that capital can be directed towards real needs and unresolved tasks in society. As an important part of this work, the bank publishes «Pengevirke», magazine for a new banking culture. The magazine is published four times a year, both on paper and in electronic edition. A regular contributor for many years has been Professor Ove Jakobsen, Center for Ecological Economics and Ethics, Nord University. In 2019, he published the book "Ecological Economics, a perspective from the future" published by Flux publishers, and articles from his article series in Pengevirke on economists focusing on the environment and corporate social responsibility made up a large part of this book.



CulturaFlokk

Cultura Bank's crowd funding platform, CulturaFlokk, accepts donation and reward-based projects that are in line with the bank's values and do not provide loans or equity. The platform is both a commitment to highlight the importance of gift money while being a good tool for establishing contact with new projects and environments. In 2019 approximately NOK 800 000 for a total of 32 projects was collected through CulturaFlokk. Cultura Bank is a member of the Norwegian Crowdfunding Association.

Events

During Økouka in September Cultura Bank organized Øko orientering for the second time. Participants were invited to visit companies that offer organic products and were offered several good deals and discounts, which were available through the Cultura's Øko orienteering app. Approximately 30 companies and 200 people participated - a solid increase from the year before.

In 2019, Cultura Bank was sponsor of Kongsgårdseminaret and sponsor / co-organizer of Steineruka. There is a solidly increasing interest for value-based banking, and the bank receives many requests to participate in various events. Representatives of the bank participated in amongst others Økouka and Steineruka. An open seminar was organized about crowd financing and two crowd financing workshops were organized for projects who were interested in to use CulturaFlokk to raise money.



Culturakunder sparer og støtter ideelle organisasjoner

Cultura Bank samarbeider med en rekke organisasjoner om å tilby en støttekonto, der du gjennom å spare i Cultura Bank samtidig kan støtte en av disse organisasjonene.

Sivilsamfunnsorganisasjonene løser viktige samfunnsoppgaver som det offentlige og markedet ikke makter å løse alene. Ved utgangen av 2019 hadde Culturakunder nesten 27 millioner kroner på slike sparekonti.

Dette genererte en samlet støtte på ca. 220 tusen kroner, som ble fordelt på fem organisasjoner. Redd Barna var den første organisasjonen Cultura Bank inngikk samarbeid med for ca. 20 år siden, mens Norsk P.E.N. er den siste som er kommet til.

SAMARBEIDSORGANISASJON	STØTTE-BELØP	ANTALL KONTI	SUM INNSTÅENDE PER 31.12.2019
Naturvernforbundet	33 012	45	4 678 296
WWF-Norge	45 977	90	5 054 957
Regnskogfondet	47 176	157	5 517 463
Redd Barna	80 451	176	9 901 697
Norges Kvinne- og familieforbund	9 715	27	1 026 215
Norsk P.E.N.	4 601	13	587 256
Totalt:	220 933	508	26 765 885

 **Naturvernforbundet**



 **Redd Barna**



 **norsk pen.**

Read more about accounts supporting partner organizations at www.cultura.no/konto

OTHER MATTERS AND OUTLOOK FOR THE FUTURE

The accounts and the information provided in the annual report represent a true picture of the development, the financial results and the total position of the bank. The Board of Directors is not aware of matters that are not reflected in the profit and loss accounts and the balance sheet of the bank as of 31.12.

Shortly before the presentation of the annual accounts, the Norwegian and international economy was hit by a sudden crisis. The reason is the spread of the coronavirus and the social measures taken to prevent infection. The measures far exceed anything that has previously been done by peacetime crisis measures. At the time of writing, it is not possible to give a good assessment of the consequences for Cultura Savings Bank. It should be noted that the general uncertainty has increased significantly in a very short time.

Expression of gratitude

The Board of Directors express its gratitude to the bank's staff in recognition of the good work performed. Further thanks go to the bank's customers, the owners of equity certificates, and the elected representatives. The existence of Cultura bank is dependent on support from individuals and groups to realize a common goal of developing a beneficial and sustainable economic activity.

Oslo, 18.03.2020



Maria Bjune (sign.)
Styreleder



Christian Dubrau (sign.)
Nestleder



Ebba Boye (sign.)
Styremedlem



Alf Hovlid (sign.)
Styremedlem



Bjarne Hjertholm (sign.)
Styremedlem
(ansattes representant)



Randi A. Welhaven (sign.)
Styremedlem

Morten Johannessen (sign.)
Styremedlem

Profit and loss statements

<i>In thousands of NOK</i>	Notes	2019	2018
Interest income from loans and receivables on credit institutions		969	462
Interest income from loans to customers		25 635	22 767
Interest income from bonds, certificates and financial derivatives		3 961	2 997
Other interest income		0	0
Total interest and related income		30 565	26 226
Interest expense on deposits from and debt to customers		2 809	2 596
Interest expense on subordinated loan capital		1 190	890
Other interest expenses		629	536
Total interest and related expenses		4 628	4 022
Net interest and credit commission income		25 937	22 204
Income from shares, participations and other securities with variable earnings		105	87
Total income from shares, participations and other securities with variable earnings		105	87
Guarantee commission income		115	230
Other fees and commission income		8 135	7 618
Total fees and other income from banking activities	9	8 250	7 848
Guarantee commission expenses		245	249
Other fees and commission expenses		2 622	2 154
Total fees and other expenses on banking services		2 867	2 403
Net gains and losses from notes, bonds, and other interest-bearing securities		1 055	768
Net gains and losses from shares and participations		0	-94
Net gains and losses from foreign exchange and financial derivatives		366	324
Total gains and losses on foreign exchange and financial derivatives		1 421	998
Total operating income		32 846	28 734
Salaries etc	7	12 634	11 843
Salary expenses		9 809	9 053
Pension expenses		702	727
Social security expenses		2 123	2 063
Administrative expenses	9	7 539	6 905
Total salary expenses and general administrative expenses		20 173	18 748
Ordinary depreciation on fixed assets and intangible assets	4	1 452	1 407
Other operating expenses	9	2 680	2 739
Total operating expenses		24 305	22 894
Operating profit before impairment losses		8 541	5 840
Losses on loans, guarantees, etc.	2	25	-55
Reversal of impairment on securities classified as fixed assets		106	0
Net gains on fixed and intangible assets	3	206	1 146
Profit before taxes		8 828	7 041
Taxes expense	8	2 109	1 564
Profit after tax	5	6 719	5 477
Allocations			
Dividend on equity certificates		2 398	2 236
Transferred to Equalization fund	5	4 065	3 011
Transferred to gift fund		50	50
Transferred to the Savings Bank's Fund	5	206	180
Total allocations		6 719	5 477

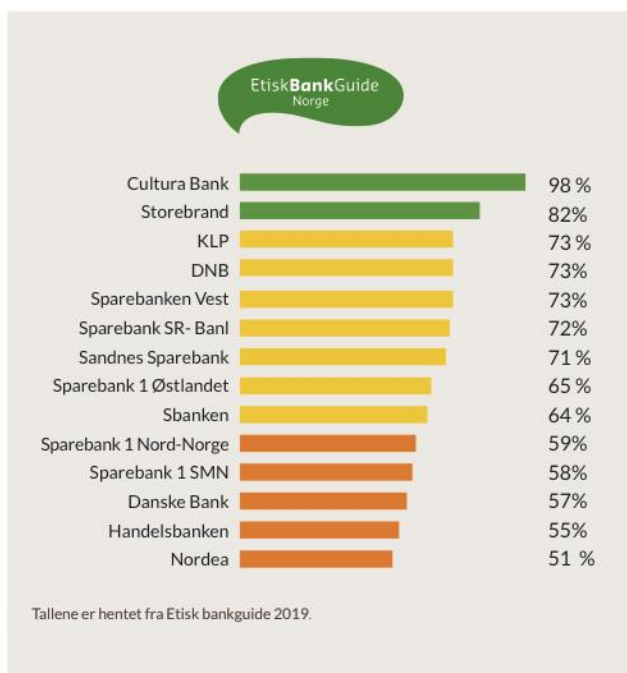
Balance sheet as of 31.12.2019

<i>In thousands of NOK</i>	Notes	2019	2018
ASSETS			
Cash and claims on the Norwegian Central Bank		68 389	68 113
Loans and claims on credit institutions		19 723	21 910
Overdrafts and other operational credits		14 127	17 588
Construction loans		-	-
Loans to customers		714 323	617 920
Total loans before value adjustments		728 450	635 508
value adjustments on individual loans		-148	-144
value adjustments on groups of loans		-1 301	-1 327
Net sum loans and claims on customers	2	727 001	634 037
Certificates and bonds issued by public authorities		109 698	139 848
Certificates and bonds issued by other organisations		174 778	189 883
Total certificates and bonds	3	284 476	329 731
Shares, interests and equity certificates	3	8 363	8 334
Deferred tax credits	8	140	145
Other intangible assets	4	300	1 481
Total intangible assets		440	1 626
Fixed assets, machinery, inventory and means of transport	4	583	578
Other assets		-	7
Accrued income		1 515	1 385
Pre-paid non-accrued income		2 021	647
Total pre-paid expenses and accrued income		3 536	2 032
TOTAL ASSETS	6	1 112 511	1 066 368
LIABILITIES AND EQUITY			
Deposits from and liabilities to credit institutions		80	51
Deposits from and liabilities to customers without agreed maturity		957 608	925 271
Deposits from and liabilities to customers with agreed maturity		25 269	26 280
Total deposits and liabilities to customers	6	982 877	951 551
Other liabilities	9	7 240	7 519
Accrued expenses and received non-accrued income		2 653	2 411
Subordinated loan	5	15 000	15 000
TOTAL LIABILITIES		1 007 850	976 532
Share capital		85 308	74 543
Bank owned equity certificates		-926	-926
Equity capital	5	84 382	73 617
The Saving Bank's Fund		4 064	3 858
Equalization Fund		16 215	12 361
Accrued equity	5	20 279	16 219
TOTAL EQUITY		104 661	89 836
TOTAL EQUITY AND LIABILITIES	6	1 112 511	1 066 368
Guarantees	2	4 932	5 969

Noen glimt fra 2019

Cultura Bank på topp i Etisk bankguide også i 2019

Etisk bankguide i Norge er et prosjekt i regi av Framtiden i våre hender og Forbrukerrådet. Det er en del av det internasjonale prosjektet Fair Finance Guide, der så langt 11 land er med. Tanken med prosjektet er å bruke forbrukermakt for å få bankene til å forbedre seg. For 4. gang på rad toppet Cultura Bank Etisk bankguide for Norge i 2019, med 98 av 100 mulige poeng. De fleste av bankene som er med viser fremgang fra året før. Vi gleder oss over at etikk og bærekraft står høyt på agendaen hos mange banker. Resultatene i Etisk Bankguide er basert på en omfattende gjennomgang av bankenes policydokumenter og retningslinjer. Årets prisutdeling foregikk i Trondheim, og banksjef Kjell Fredrik Løvold var til stede for å motta gulldiplomet.



Stor interesse for folkefinansiering

Cultura Bank driver folkefinansieringsplattformen CulturaFlokk. I april inviterte vi til åpen kveld om folkefinansiering for et fullsatt auditorium. Assisterende banksjef Jannike Østervold snakket om CulturaFlokk og betydningen av gavepenger, og Mali Konstad Brødreskift fra Bidra ga gode råd om planlegging og gjennomføring av en vellykket folkefinansieringskampanje. Opptak av arrangementet finnes på Cultura Banks youtube-kanal. I etterkant tilbød vi en workshop der interesserte kunne få hjelp til å videreutvikle prosjektene sine. Tilbakemeldingene fra deltakerne var positive, og interessen var stor, så en ny workshop ble holdt i august. Rundt 70 prosjekter har til nå vært gjennomført, og har til sammen samlet inn over 2,1 millioner kroner – som tilsvarer rundt 30 000 kroner i gjennomsnitt.

CulturaFlokk tilbyr to typer folkefinansiering – donasjon, som er rene gaver uten noen motytelse, og belønningsbasert folkefinansiering, der prosjekteieren kan tilby belønninger i forskjellige prisklasser. Det finnes også folkefinansieringsplattformer som tilbyr lån eller innhenting av egenkapital. En oversikt over plattformene finner du på norskcrowdfunding.no, sidene til Norsk Crowdfunding Forening, der også Cultura Bank er medlem.

culturaflokk.no



Øko-orientering under Økouka

Også i år deltok Cultura Bank med aktiviteter under Økouka. Vi gjentok suksessen med «Øko-orientering» i Oslo og hadde i år fått med oss enda flere flotte virksomheter enn i fjor. Formålet med øko-orienteringen var at flest mulig skulle få anledning til å oppdage det mangfoldet av økologiske, miljøbevisste og fairtrade-orienterte virksomheter som etter hvert har grodd fram i Oslo. Bedriftene som deltok bidro med å gi deltakerne rabatter eller gaver som takk for besøket.

For hver bedrift du besøkte fikk du et virtuelt lodd til trekning av flotte premier. Hovedpremien var en sammenleggbare elsykkel og du kunne også vinne 1 måneds forbruk av økologiske, biodynamisk dyrkede grønnsaker fra Bergsmyrene gård eller du kunne ta med 10 venner i 2 timer i øko-badstuflåta Måken på Sørengas badstue og helårsbadeanstalt.



Jordbruksfinansiering

Bjarne Hjertholm fra kredittavdelingen i Cultura Bank holdt foredrag om jordbruksfinansiering under Steineruka, som ble arrangert samtidig med med Økouka. Finansiering av økobønder og av hele den økologiske verdikjeden fra jord til bord er og har alltid vært et viktig område for Cultura Bank. Etableringsfasen som ny, ung gårdbruker – enten gården er overtatt på det frie markedet eller gjennom et generasjonsskifte – byr gjerne på økonomiske utfordringer. Som et bidrag til å hjelpe ny(e) eier(e) i gang, tilbyr Cultura Bank et etablerings- / generasjonsskiftelån på gunstige vilkår i form av renterabatt og avdragsfritak i oppstartfasen.

Kongsgårdseminaret om biologisk mangfold

5. mars var Cultura Bank til stede og hadde stand på Kongsgårdseminaret i Gjestestuen på Bygdøy Kongsgård, med tema biologisk mangfold. Temaet er i høyeste grad aktuelt, men tap av biologisk mangfold får ofte ikke like stor oppmerksomhet i media som klimautfordringen. Det var stor bredde og høy kvalitet på innleggene, og særlig interessant var Åslaug Marie Hagas innlegg om klodens matsikkerhet og potensialet som ligger i å utnytte det enorme biomangfoldet innen de enkelte artene. Dette mangfoldet er et råmateriale som kan brukes til å utvikle planter som kan tåle nye omgivelser, bekjempe sykdommer og ha høyere næringsinnhold. Det var skremmende å høre at Kina har mistet

90 % av ris-variantene siden 1950, Mexico har mistet 80 % av maisartene siden 1900, India har mistet 90 % av ris-artene siden 1900 og USA har mistet 90 % av frukt- og grønnsakartene siden 1900. Heldigvis er det nå anerkjent internasjonalt at det er viktig å ta vare på og sikre det som er igjen av mangfoldet. Det finnes nå 1750 nasjonale plantegenbanker, og så har vi Svalbard globale frøhvelv som backup for det globale systemet som bygges opp rundt i verden. Materiale ble tatt ut for første gang i 2015 da plantegenbanken i Aleppo ikke kunne operere på grunn av krigen. Hvis ting går galt på kloden, skal vi kunne gå til Svalbard og finne igjen varianten.



Noen av våre utlånsprosjekter 2019

HELSEKOST EIDSVOLL-SUNDET AS

Helsekostbutikken i Vormaveien i Eidsvoll har fått nye drivere, og Cultura Bank har gitt lån i forbindelse med overdragelsen.



Kortreiste spirer

Please Mind the Gap har fått lån til å videreutvikle dyrkingsprosjektet som de driver i kjellerlokalet til Blå Kors i Oslo, der mennesker med ruserfaring kan få oppleve meningsfylt aktivitet gjennom å dyrke mikrogrønt i hydrokulturer. Spirene selges til restauranter i nærområdet. Vi skrev om prosjektet i Pengevirke 3/2018, da hadde Please Mind the Gap Crowdfundingaksjon på CulturaFlokk. Please Mind The Gap er en ideell organisasjon som har som mål å hjelpe ideelle organisasjoner med forretningsutvikling gjennom mikrovirksomheter.



Godt Brød åpnet to nye utsalg

Godt Brød fikk i 2019 lån til å åpne to nye bakerier på Munch brygge i Oslo og i Dronningens gate i Trondheim.

Godt Brød er Debio-godkjent og baker herlige økologiske brød, boller, rundstykker og kaker. Du kan spise der og få ditt yndlingsbrød påsmurt mens du venter, med nytrukket økologisk kaffe eller andre økologiske drikkevarer til, eller kjøpe med deg ferske bakevarer hjem. Du kan også bestille mat til møter og arrangementer. Godt Brød har også ca. 20 andre bakeverkstedene i Oslo, Bergen, Trondheim og Stavanger.

På nettsiden til Godt Brød finner du gode baketips og oppskrifter, og du kan også sende inn spørsmål til bakeren.



Foto: Daniel Andersson

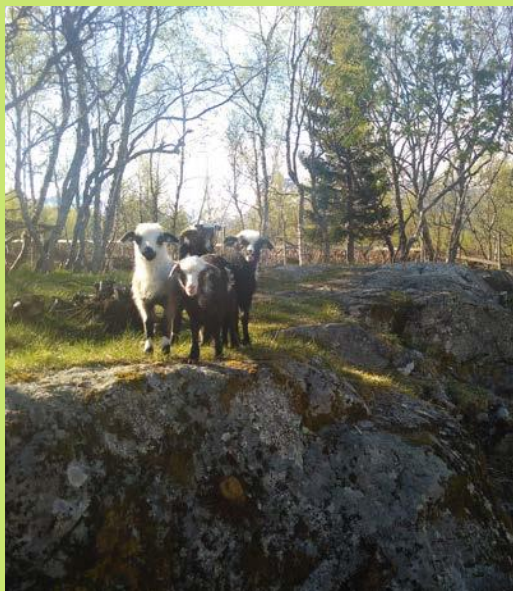
SEIL NORGE AS har fått lån til oppgradering av båten «Valiente».

Seil Norge AS driver bærekraftig turisme og arrangerer seilturer langs norskekysten og helt til Svalbard. Cultura Bank har vært med på å finansiere 3 av båtene deres.



Fiske og gårdsbruk

Cultura Bank har gitt lån til Irina og Jørgen Hesten, som driver økologisk småbruk i Lødingen i Nordland. Jørgen driver som fisker fra egen sjark. Småbruket har mange muligheter for videreutvikling av virksomheten, med ridebane, lang strandlinje og jakt- og fiskerettigheter.



NORSK SOL AS v/ Johannes Moen har fått byggegaranti fra Cultura Bank. Virksomheten driver med installasjon av solcelleanlegg for å støtte overgangen til miljøvennlig, klimavennlig energi, og alt økonomisk overskudd går til videre drift av selskapet.



Solceller på fjøstaket til Lars-Olav Tunheim Valsø. Johannes Moen til venstre og Lars-Olav Tunheim Valsø til høyre.

Om anlegget: Installert i 2018 i Valsøyfjord, Møre og Romsdal. 23 kW på fjøstak. 136 m². 80 panel fra REC. 17500 kWh forventet årlig produksjon. Første plusskunde solcelleanlegg tilknyttet Svorka Energi sitt strømmnett.

ØKOSJOKOLADE AS driver nettbutikk med økologiske og fairtrade ingredienser til å lage sunn sjokolade og driver dessuten Criollo Sjokoladebar i Drammen. Cultura Bank har gitt driftskreditt.



Virgenes andelsgård

Virgenes andelsgård i Larvik kommune satser for fullt på andelslandbruk og har rundt 200 familier som støtter opp om prosjektet. Gårdsdriften er lagt opp med stor omtanke for klima, biodiversitet, dyrevelferd, kvalitet og økologi. Det dyrkes bær og grønnsaker etter regenerativ modell, som medfører at de har redusert bruken av plog og hard jordarbeiding med 90 %. Ku, sau, høns og kyllinger flyttes daglig til frisk eng i sommerhalvåret, mens glade griser får gå ute hele året. Andelseierne kan velge om de vil kjøpe andel med eller uten arbeidsinnsats. Gården har ukentlig utkjøring til andelseiere i Vestfold, Grenland, Drammen og Oslo.



Foto: Tore Jardar S. Virgenes

Notes to the accounts

1. General accounting principles

The bank's annual fiscal statement has been produced in accordance with current laws and regulations for savings banks and generally accepted accounting standards. Each note to the accounts elaborates on the principles used for the given item with reference to the individual items in the financial statement.

Accruals of incomes and expenses: Interest and commission income or expenses are allocated to the period in which they arise. Pre-paid income and accrued, non-paid expenses are assigned to the accrual period and booked as a liability in the balance sheet. Arrangement fees on new loans to cover corresponding processing costs are recorded as income at the time of payment. Balance sheet items in foreign currencies are converted using the balance sheet day's exchange rate.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement as from 1 January 2020. IFRS 9 introduces a new model for the classification and measurement of financial assets, a new model for the write-down of financial assets and new rules for hedge accounting. From the same date, IFRS 16, which sets new principles for recognition, measurement and presentation of leases, is also implemented. More detailed information on this change is given in note 10 "Transition disclosure IFRS".

2. Loans and guarantees

GUARANTEES BY TYPE

In thousands of NOK	2019	%	2018	%
Payment guarantees	4 932	100,0	5 969	100,0
Loan guarantees	0	0,0	0	0,0
Total guarantees	4 932	100,0	5 969	100,0

GUARANTEES BY SECTOR

In thousands of NOK	2019	%	2018	%
Private limited liability company	3 309	67,0	3 547	59,4
Non-profit organizations	1 325	26,9	2 263	37,9
Sole proprietorship	92	1,9	0	0
Private households	206	4,2	159	2,7
Foreign companies	0	0	0	0
Total guarantees	4 932	100,0	5 969	100,0

GUARANTEES BY INDUSTRY

In thousands of NOK	2019	%	2018	%
Agriculture and related services	0	0	0	0
Retail, repair of motorized vehicles	350	7,1	465	7,8
Transport and storage	77	1,5	77	1,3
Information and communication	0	0	0	0
Sale and management of real estate	0	0	123	2,0
Commercial services	2 859	58,0	2 767	46,4
Other service industries	1 440	29,2	2 537	42,5
Private sector	206	4,2	0	0
Foreign companies	0	0	0	0
Total guarantees	4 932	100,0	5 969	100,0

GUARANTEES BY GEOGRAPHIC AREA

In thousands of NOK	2019	%	2018	%
Østfold	50	1,0	50	0,8
Akershus	892	18,1	1 738	29,1
Oslo	3 793	76,9	4 031	67,5
Oppland	0	0	75	1,3
Rogaland	0	0	0	0
Hordaland	122	2,5	75	1,3
Trøndelag	75	1,5	0	0
Nordland	0	0	0	0
Outside of Norway	0	0	0	0
Total guarantees	4 932	100,0	5 969	100,0

LOANS BY SECTOR

In thousands of NOK	2019	%	2018	%
Private limited liability company	75 789	10,4	60 642	9,5
Privately owned companies	18 554	2,5	19 497	3,1
Non-profit organizations	168 162	23,1	176 400	27,8
Sole proprietorship	72 093	9,9	64 186	10,1
Housing associations	2 044	0,3	2 646	0,4
Private households	389 185	53,5	310 604	48,9
Foreign companies	160	0,0	213	0,0
Foreign households	2 463	0,3	1 320	0,2
Total loans	728 450	100,0	635 508	100,0

LOANS BY INDUSTRY

In thousands of NOK	2019	%	2018	%
Agriculture and related services	72 051	9,9	63 004	9,9
Forestry and related services	482	0,1	0	0,0
Fisheries and related services	2 127	0,3	0	0,0
Manufacturing	7 621	1,0	6 226	1,0
Water supply, sewage, waste management and remediation activities	0	0,0	1	0,0
Construction	0	0,0	6 845	1,1
Retail, repair of motorized vehicles	8 477	1,2	0	0,0
Accommodation and food service activities	215	0,0	327	0,1
Information and communication	405	0,1	1	0,0
Sale and management of real estate	51 933	7,1	49 612	7,8
Finance and insurance activities	2 863	0,4	737	0,1
Commercial services	1 858	0,3	1 883	0,3
Other service industries	188 610	25,9	194 735	30,6
Private households	391 808	53,7	312 137	49,1
Total loans	728 450	100,0	635 508	100,0

LOANS BY GEOGRAPHIC AREA

In thousands of NOK	2019	%	2018	%
Østfold	44 018	6,0	32 535	5,1
Akershus	128 407	17,6	127 781	20,1
Oslo	243 285	33,5	217 918	34,4
Hedmark	46 878	6,4	43 119	6,8
Oppland	25 842	3,5	14 555	2,3
Buskerud	50 927	7,0	43 739	6,9
Vestfold	44 428	6,1	40 136	6,3
Telemark	4 339	0,6	4 326	0,7
Aust-Agder	3 787	0,5	1 344	0,2
Vest-Agder	0	0,0	1	0,0
Rogaland	16 222	2,2	14 765	2,3
Hordaland	26 150	3,6	19 113	3,0
Sogn og Fjordane	0	0,0	900	0,1
Møre og Romsdal	2 979	0,4	1 246	0,2
Nordland	24 659	3,4	17 145	2,7
Troms	22 960	3,2	21 524	3,4
Finnmark	5 818	0,8	3 963	0,6
Trøndelag	35 128	4,8	29 865	4,7
Outside of Norway	2 623	0,4	1 533	0,2
Total loans	728 450	100,0	635 508	100,0

VALUATIONS, DESCRIPTIONS AND DEFINITIONS

The loan portfolio is valued on a continuous basis, and if objective criteria indicate that a loss might occur, value adjustments will be made pertaining to individual loans or groups of loans as the case may be. The depreciation is reflecting the present value effect of losses on future income. This discount method is termed the "effective interest method" as defined in the official banking regulations

Loans in default are loans where an agreed payment is more than 90 days overdue, or when a credit limit is exceeded and not covered within 90 days.

Other loss-exposed loans are loans which are not in default, but where the customer's economic situation makes it likely that a loss might occur at a later point in time.

Actual losses are considered final upon confirmation of a debt settlement agreement or bankruptcy; when debt negotiations have not led to any conclusions through a valid legal ruling; by the bank abandoning the whole or part of the commitment; or when the commitment is considered lost by the bank.

Depreciation due to an individual loan's decreased value is a write-down in order to cover the expected loss of a loan identified as loss exposed by the bank on the balance sheet day.

Depreciation due to groups of loans' decreased values is write-downs in order to cover expected losses on groups of loans which are not in default or specifically identified as exposed to losses.

DEFAULTS AND LOSS-EXPOSED COMMITMENTS

In thousands of NOK	2019	2018	2017	2016	2015
Gross defaults over 90 days	9 468	1 620	94	370	1 101
- Individual defaults	67	80	100	370	513
Net defaults	9 401	1 540	-6	0	588
Gross exposed non-defaulted commitments	161	64	83	1 597	835
- Individual write-downs	81	64	89	570	410
Net exposed non-defaulted commitments	80	0	-6	1 027	425

WRITE-DOWNS ON LOANS AND CLAIMS ON CUSTOMERS

In thousands of NOK	2019	2018
The period's change in write-downs on individual loans	4	-45
+ The period's change in write-downs on groups of loans	-26	0
+ The period's ascertained losses against previous write-downs	4	0
+ The period's losses without previous write-downs	59	0
- The period's recovery of previously ascertained losses	16	10
The period's loss expense	25	-55
Write-downs on individual loans as of 1/1	144	189
This year's write-downs	4	-45
Write-downs on individual loans as of 31/12	148	144
Write-downs on groups of loans as of 1/1	1 327	1 327
This year's write-downs	-26	0
Write-downs on groups of loans as of 31/12	1 301	1 327

Booked interest income pertaining to depreciated loans amount to NOK 4 520.

LOANS AND GUARANTEES BY RISK CATEGORY WITH CORRESPONDING WRITE-DOWNS

Class	Loans		Guarantees		Drawing rights		Total		Write downs		Description
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	
In thousands of NOK											
Class A	668 087	566 328	2 195	3 109	12 069	11 879	682 297	581 316	0	0	
Class B	57 042	66 941	2 737	2 860	1 518	1 368	61 284	71 169	613	961	Group-depreciation
Class C	2 608	0	0	0	0	0	2 608	0	521	0	Group-depreciation
Class D	485	619	0	0	21	201	505	820	167	366	Group-depreciation
Class E	228	1 620	0	0	0	0	228	1 620	148	144	Individual write-downs
Total	728 450	635 508	4 932	5 969	13 608	13 448	746 922	654 925	1 449	1 471	

The bank's credit exposure is classified in risk compartments A-E, A representing the highest credit quality. The classification is initially made when the loan is granted, followed by regular revisions. The risk classification forms the basis for potential depreciations. The bank makes group depreciations for risk compartments B, C and D. Engagements in compartment E are subject to individual write-downs.

The risk classifications are derived from the customers' loan servicing capability as well as from the security posted, both on a scale from A to E, A representing the highest score. The evaluation renders 25 combinations which are distributed into risk compartments A-E, as shown in the table below:

		Security posted				
		A	B	C	D	E
Ability to pay	A	A	A	A	B	B
	B	A	A	B	B	B
	C	A	B	B	C	D
	D	B	B	C	D	D
	E	B	C	C	D	E

FUTURE DEVELOPMENT

Exposures in risk compartments A and B constituted 99 % of the total exposures as of 31.12.2019. Individual write-downs amounted to NOK 147 791, against NOK 144 100 the previous year. In 2019 the bank has recorded loan losses of NOK 63 983 and a recovery of previously ascertained losses of NOK 15 968. Group depreciation amounted to NOK 1 300 976, against NOK 1 327 320 as of 31.12.2018. Net loss expense was NOK 25 361, compared to a net income of NOK 54 693 in 2018. Due to a bankruptcy of a major loan customer gross defaults over 90 days is NOK 9 467 549 compared to NOK 1 619 624 the previous year. However, of the largest exposure in default of NOK 9 400 373 the loan loss expense that has been set aside is 0 NOK, due to the very good security the bank has for this exposure. The bank maintains a strong focus on customers' loan servicing ability.

With the corona crisis that hit the Norwegian society with full force as of March 13, 2020, it is not possible at this time to give a good assessment of probable development of risk in the bank's loan portfolio in 2020. It can be stated that the uncertainty in a very short time has become considerably greater.

3. Interest bearing securities, certificates, shares and other interests

VALUATIONS PRINCIPLES

The bank's shares in other companies are classified as a long-term investment, and valued at acquisition cost. No adjustment is made for continuous exchange rate changes. However, the values will be depreciated if the market value is significantly lower than the book value, and the decrease in value is not considered a temporary occurrence.

Shares and other participations in other companies

Name	Organisational number	Number of shares	Currency	Nominal value	Acquisitions cost (NOK)	Booked value (NOK)	Estimated market value (NOK)
Merkur		837	DKK	837 000	1 480 800	1 480 800	2 000 063
Ekobanken		381	SEK	381 000	351 225	351 225	460 467
Triodos		100	EUR	6 400	52 474	52 474	81 870
Sefea		26	EUR	13 000	116 933	116 933	128 229
La Nef		4 070	EUR	122 100	915 897	915 897	1 204 370
Banca Etica		180	EUR	9 450	78 381	78 381	104 754
Eiendoms kreditt	979 391 285	15 072	NOK	1 507 200	1 570 502	1 570 502	2 161 777
SDC		5 477	DKK	548 300	2 544 033	2 477 983	2 666 695
Vipps AS	918 713 867	229	NOK	906 270	906 270	906 270	906 270
SustainFin SICAV		988,37	EUR	50 000	471 034	412 868	420 121
VN Norge AS	821 083 052	961 billion	NOK	899 420	0	0	1 360 640
Total					8 487 549	8 363 333	11 495 256

Changes in shares and other participations in other companies

Name	Incoming balance	Acquisitions/sales	Impairment	Outgoing balance
Merkur	1 480 800	0	0	1 480 800
Ekobanken	351 225	0	0	351 225
Triodos	52 474	0	0	52 474
Sefea	116 933	0	0	116 933
La Nef	915 897	0	0	915 897
Banca Etica	78 381	0	0	78 381
Eiendoms kreditt	1 570 502	0	0	1 570 502
SDC	2 554 472	-76 489	0	2 477 983
Vipps AS*	906 270	0	0	906 270
SustainFin SICAV	307 210	0	105 658	412 868
VN Norge AS	0	0	0	0
Total	8 334 164	-76 489	105 658	8 363 333

VALUATION OF THE BANK'S PORTFOLIO OF INTEREST BEARING SECURITIES

The security portfolio has initially been booked at purchase value, and is subject to depreciation if the value at balance sheet close is lower than original book value.

Bonds and treasury bills

Name (risk weight). In thousands of NOK	Book value	Face value	Cost price	Market value	Listed on stock exchange
Treasury bills (0 %)	109 698	110 000	109 698	109 769	109 769
Covered bonds (10 %)	174 778	175 000	174 945	176 049	176 049
Total:	284 476	285 000	284 643	285 818	285 818

The average effective interest rate is 1,99 % for covered bonds and 1,10 % on Treasury bills.

Bonds and treasury bills with a book value of NOK 230 millioner are pledged as collateral for an overdraft facility with the central bank.

4. Fixed assets and intangible assets

VALUATION PRINCIPLES

Fixed assets are booked at acquisition cost, with the deduction of ordinary depreciation and write-downs. Ordinary depreciations are based on initial cost, the depreciation amounts being evenly distributed in line with the expected economic lifetime of the asset.

Specification

In thousands of NOK	Fixed assets	Intangible fixed assets
Acquisition cost as of 1.1.2019	1 250	8 464
Acquisitions during the year	122	154
Disposals during the year	0	0
Acquisition cost as of 31.12.2019	1 372	8 618
Total depreciations and write-downs as of 1.1.2019	673	6 983
Ordinary depreciations during the year	116	1 335
Write-downs during the year	0	0

Decrease in ordinary depreciations during the year	0	0
Total depreciations and write-downs as of 31.12.2019	789	8 318
Booked value as of 31.12.2019	583	300
Depreciation rate	3 - 10 years	5 years

Investments in tangible and intangible fixed assets

In thousands of NOK	2019	2018	2017	2016	2015
Purchase of machinery and invento-ry	122	115	64	41	854
Intangible assets	154	75	138	214	3 265

No fixed assets were sold in the period 2012-2019. The investments in connection with conversion to a new data system in 2015 have been booked as in-tangible assets, and are subject to depreciation over 5 years.

LEASE OF OFFICE SPACE

Cultura Bank has a lease contract for office space at Holbergs gate 1, expiring 30.05.2026. The annual lease for a space of 477 m2 is NOK 1 290 648. The lease is adjusted annually, in line with the consumer price index.

5. Ansvarlig kapital/egenkapital

Regulatory capital

In thousands of NOK	31.12.2019	31.12.2018
Share capital 1/1	74 543	74 543
Issue of new certificates	10 765	0
Bank owned equity certificates	-926	-926
Total issued equity	84 382	73 617
The Savings Bank's Fund 1/1	3 858	3 678
Retained earnings	206	180
Total retained earnings and Savings Bank's Fund	4 064	3 858
Equalisation Fund 1/1	12 361	9 350
Fees from the issue of new certificates	-211	0
Retained earnings	4 065	3 011
Total equalisation Fund	16 215	12 361
Total common equity Tier 1 capital instruments before deductions	104 661	89 836
CET1 instruments of financial sector entities where the institution does not have a significant investment	0	0
Intangible assets	-300	-1 481
Total common equity Tier 1 capital instruments after deductions	104 361	88 355
Subordinated loan capital (Tier I)	15 000	15 000
Tier 1 capital	119 361	103 355
Subordinated loan capital (Tier II)	0	0
Total Eligible Regulatory Capital	119 361	103 355

Changes in regulatory capital

In thousands of NOK	Savings Bank's Fund	Share capital	Bank owned Equity certificates	Equalisation fund	Total
Share capital 1/1	3 858	74 543	-926	12 361	89 836
Issue of new certificates	0	10 765	0	0	10 765
Fees from the issue of new certificates	0	0	0	-211	-211
Allocation of retained earnings without dividends payable	206	0	0	4 065	4 271
Sale/Purchase of own equity certifi-cates	0	0	0	0	0
Share capital 31/12	4 064	85 308	-926	16 215	104 661

Basis for calculation of equity requirement by exposure categories

In thousands of NOK	31.12.2019	31.12.2018
Central governments and central banks	0	0
Regional governments or local authorities	0	4 010
Public sector entities	0	0
Institutions	8 845	9 282
Corporates	24 919	55 308
Secured by mortgages in immovable property	303 268	299 634
Exposures in default	14 120	1 739
Covered bonds	17 478	18 988
Other items	15 387	14 237
Risk weighted exposure amount for credit	384 017	403 198
+ Risk exposure amount for operational risk	54 765	49 774
+ Risk exposure amount for credit valuation	6 008	6 065
- Deductions for loan loss provisions	0	0
Total risk weighted assets	444 790	459 037
Equity as a % of total assets	9,41	8,42
Common Equity Tier I (as a % of risk exposure amount)	23,46	19,25
Tier I capital (as a % of risk exposure amount)	26,84	22,52
Total capital (as a % of risk exposure amount)	26,84	22,52

EQUITY RATIO

As of December 31st 2019, total capital requirements for common equity capital consist of a capital conservation buffer of 2,5 %, a system risk buffer of 3,0 %, and a counter-cyclical buffer of 2,5%. These requirements are in addition to a minimum requirement of common equity of 4,5 %. In sum, Pillar 1 and buffer requirements are 12,0 % combined. In addition, Finanstilsynet has assigned Cultura Bank a Pillar 2 requirement of 4,5 %. Total minimum common equity capital requirement, including the Pillar 2 requirement, is therefore 17,0 %. Regulatory requirements for Tier I capital and Total capital are 18,5 % og 20,5 % . The Board of the bank has determined that an additional 0,7 % is added for internal minimum re-quirements. Thus, as of 31.12.2019, internal requirements are 17,7 % for CET I capital, 19.2 % for Tier I capital, and 21,2 % for total capital. These requirements are met by a good margin.

SUBORDINATED DEBT

The bank issued a perpetual subordinated loan on 23.11.2018 of NOK 15 million which satisfies the requirements of CRD IV to be counted as Tier I capital in accordance with § 3a of the capital regulations. The bank can use its right for partial or full pre-payment at par value for the first time on 23.11.2023, and thereafter after each interest pay-out. The running interest rate at year end was 7.22 % and the loan was issued at 3 month NIBOR plus a margin of 6 %. Book value of the loan at year end was NOK 15 000 000.

EQUITY CERTIFICATES OWNED BY ELECTED REPRESENTATIVES AND MANAGEMENT AS OF 31.12.19

Name	Member of	Number of certificates*
Kjell Fredrik Løvold	CEO, general managerr	125
Jannike Østervold	Assistant General Manager, Board of Trus-tees	5
Johannes Brinkmann	Board of Trustees	10
Lars Hektoen	Board of Trustees	223
Elizabeth Brockfield	Board of Trustees	21
Rune Horne	Board of Trustees	100
Åsa Jeppsson	Board of Trustees	3
Anne-Kristin Løes	Board of Trustees	100
Stian Torstenson	Board of Trustees	3
Elizabeth Wirsching	Board of Trustees	6
Kjersti Aspheim	Board of Trustees	100
Maria Bjune	Board	25
Christian Dubrau through Bykuba AS	Board	70
Morten Johannessen	Board	20

* An Equity Certificate's nominal value is NOK 1 000

THE 20 LARGEST OWNERS OF EQUITY CERTIFICATES AS OF 31.12.19

Name	Nationality	Number of certificates
Camphills Forvaltningsfond	NO	9 302
Alternative Bank Schweiz	CH	4 344
Personellservice Trøndelag	NO	3 750
Crédit Coopératif	FR	3 427
A/S Skarv	NO	3 000
Cultura Gavefond	NO	2 211
Liv Bråten	NO	2 050
Acini Capital AS	NO	2 000
Skog Invest AS	NO	2 000
Annette Holding AS	NO	2 000
La Nef	FR	1 856
Gemeinnützige Treuhandstelle e.V.	DE	1 855
Ekobanken	SE	1 822
Banca Popolare Etica	IT	1 500
GLS Gemeinschaftsbank	DE	1 300
Merkur, Den Almennyttige Andelskasse	DK	1 294
Triodos Bank	NL	1 000
O. Kavli og Knut Kavlis allmennyttige fond	NO	1 000
Granly Stiftelse	NO	1 000
APS bank Ltd.	MT	800
Total		47 511
Equity certificates held by the bank		926
Other equity certificate holders		36 871
Total equity certificates		85 308

Acquisition of Own Equity Certificates

Cultura Bank's holdings of its own equity certificates are 926 and has not changed during 2019. All purchases and sales have been made at par exchange rates. The reason for the purchases is that the bank wants to contribute to the sale of equity certificates. Self-procurement of equity certificates is used as an instrument to give the paper increased liquidity.

6. Liquidity, Financing and Interest Expense

MAIN BALANCE SHEET ITEMS BY TIME TO MATURITY

In thousands of NOK	Up to 1 month	1 month 3 months	3 months 1 year	1 year - 5 years	over 5 years	Without interest Exposure	Total
Cash and claims on central banks	68 215	0	0	0	0	174	68 389
Loans to and claims on credit institutions	19 723	0	0	0	0	0	19 723
Loans to and claims on customers	2 966	12 966	29 667	139 254	528 021	14 127	727 001
Bonds and other interest-bearing papers	10 015	109 698	64 409	100 354	0	0	284 476
Other assets	1 569	1 094	1 010	807	79	8 363	12 922
Total asset	102 488	123 758	95 086	240 415	528 100	22 664	1 112 511
Deposits from and liabilities to customers	982 957	0	0	0	0	0	982 957
Other liabilities	3 027	5 739	1 127	0	0	0	9 893
Equity	0	0	0	0	0	104 661	104 661
Subordinated loan	0	0	0	15 000	0	0	15 000
Total equity and liabilities	985 984	6 538	1 127	15 000	0	103 862	1 112 511
Net liquidity exposure on the balance sheet	-883 496	118 019	93 959	225 415	528 100	-81 997	0

Bank overdrafts are classified as having no maturity.

MAIN BALANCE SHEET ITEMS BY TIME LEFT TO NEXT INTEREST RATE ADJUSTMENT

In thousands of NOK	Up to 1 month	1 month 3 months	3 months 1 year	1 year - 5 years	over 5 years	Without interest Exposure	Total
Cash and claims on central banks	0	68 215	0	0	0	174	68 389
Loans to and claims on credit institutions	19 723	0	0	0	0	0	19 723
Loans to and claims on customers	0	727 001	0	0	0	0	727 001
Bonds and other interest-bearing papers	19 755	264 721	0	0	0	0	284 476
Other assets	0	0	0	0	0	12 922	12 922
Total asset	39 478	1 059 937	0	0	0	13 096	1 112 511
Deposits from and liabilities to customers	0	982 957	0	0	0	0	982 957
Other liabilities	0	0	0	0	0	9 893	9 893
Equity	0	0	0	0	0	104 661	104 661
Subordinated loan	0	15 000	0	0	0	0	15 000
Total equity and liabilities	0	997 957	0	0	0	114 554	1 112 511
Net interest exposure on the balance sheet	39 478	61 980	0	0	0	-101 458	0

The bank's interest rate risk is very moderate in relation to the size of the balance sheet. At year end the total interest rate sensitivity was such that a 1 % parallel shift in the interest rate curve would have an effect on annual earnings of approximately NOK 678 599. All balance sheet items have been included in the calculation and the bank has no off balance sheet positions.

AVERAGE INTEREST RATES ON CUSTOMER DEPOSITS

Deposits without agreed tenor or notice: 0.29 %

Deposits with agreed tenor or notice: 0.17 %

The average interest rates are calculated on the basis of actual interest payments as a percentage of average customer deposits for the year.

Regulatory liquidity requirements demand that banks should be able to withstand a prolonged period without access to new market financing. The Liquidity Coverage Ratio (LCR) measures the bank's liquid assets as a percentage of net outflows of funds over a 30 day period given a stress scenario. Cultura Bank's LCR ratio at year end was 238 %, well in excess of our internal requirement of 150 %.

Cash flow analysis

In thousands of NOK	2019	2018
Net profit	8 828	7 041
- paid taxes	1 546	1 038
+ losses on loans and guarantees	-22	-44
+ depreciation	1 452	1 407
- dividends paid and gift fund contribution	2 286	1 446
Cash flow from ordinary operations	6 426	5 920
Subordinated loan	0	0
Issue of/change in equity certificates	10 554	-102
Supplied from this year's operations	16 980	5 818
Increase in funds entrusted	31 355	116 093
Increase in other receivables	0	259
Increase of other liabilities	0	1 041
Gross liquidity from operations	48 335	123 211
<i>Application of funds:</i>		
Increase in loans	92 943	69 744
Reduction of other liabilities	756	0
Increase in other receivables	1 497	0
Investments in equity, shares	29	683
Investments in fixed assets	276	190
Investments in bonds	-45 255	29 229
Total applied	50 246	99 846
Net cash flow	-1 911	23 365
Cash and cash equivalents as of 1.1	90 023	66 658
Cash and cash equivalents as of 31.12	88 112	90 023

7. Information Concerning Employees and Elected Representatives

At year end 2019, the bank had 16 permanent employees, which represents 15 full-time positions. Compensation to employees consists solely of a fixed salary. In addition to any remuneration for over-time, no form of variable remuneration is paid based on results obtained or any other basis. The CEO is granted an additional NOK 1 000 per month in order to cover expenses for electronic communication (ECOM). The managerial group consisting of the CEO/General Manager, Deputy CEO/Assistant General Manager and Assistant General Manager/Head of Loan Department has no claim for overtime compensation as a result of a separate independent position.

The General Manager's salary is determined by the Board of Directors. In accordance with the current agreement, the General Manager has a claim to 6 months' severance pay with a retirement benefit calculated from the first day of the following month following contract termination, if the Board makes use of its right to terminate the employment contract.

Senior Executives (In thousands of NOK)	Salary and remuneration	Pension premium	Other remuneration ¹	Loan
Chief Executive Officer, General Manager	903	62	14	0
Assistant General Manager, Deputy CEO, Head of IT and marketing	746	51	2	482
Assistant General Manager, Head of Loan Department	726	50	2	0
Total Executives	2 375	163	18	482

Board of Directors (in thousands of NOK)	Salary and remuneration	Pension premium	Car allowance	Loan
Chair of the Board and member of the Risk and Audit Committee	145	0	7	0
Deputy Chair of the Board and chair of the Risk and Audit Committee	59	0	0	3 459
Board member (from april 2019)	41	0	0	0
Board member (for the employees)	23	0	1	0
Board member (from april 2019)	43	0	0	0
Board member, member of the Risk and Audit Committee	53	0	0	0
Board member	45	0	0	0
Board member (Until march 2019)	8	0	0	0
Total Board of Directors	417	0	8	3 459

Board of Trustees (In thousands of NOK)	Salary and remuneration	Pension premium	Car allowance	Loan
Chair of the Board of Trustees	4	0	0	0
Member of the Board of Trustees and Chair of the Election Committee	15	0	0	0
Member of the Board of Trustees and member of the Election Committee	10	0	0	0
Member of the Board of Trustees and member of the Election Committee	10	0	0	1 001
Member of the Board of Trustees and employee's member of the Election Committee	5	0	0	0
Member of the Board of Trustees	0	0	0	398
Member of the Board of Trustees	0	0	0	482
Total board of trustees	44	0	0	1 881

¹ ECOM and group life insurance

LOANS AND GUARANTEES TO EMPLOYEES

As of 31.12.2019, loans to employees totalled NOK 7 098 105, of which NOK 482 072 was to senior executives. No guarantees in favour of employees are effective. Loans to the management of the bank are granted on equal terms with other employees. Interest rate subsidies on loans to employees amounted to NOK 62 113 in 2019.

LOANS AND GUARANTEES TO ELECTED REPRESENTATIVES

No loans or guarantees have been granted to the chairpersons of the Board of Directors and the Board of Trustees respectively as of 31.12.2019. Loans to the members of the Board of Directors and members of the Board of Trustees equalled NOK 5 339 617.

PENSION OBLIGATIONS TO EMPLOYEES AND TRUSTEES

Cultura Bank has a collective pension scheme for its employees, which meets the requirements for mandatory occupational pensions. In 2014, the bank changed to a contribution-based pension arrangement through Storebrand. The bank has no pension obligations beyond the collective pension scheme. The bank's pension contribution is 7 %, which is the maximum contribution within the scheme. In 2019 a total of NOK 702 420 was paid in pension contributions for the bank's employees.

Remuneration to the statutory auditor

In thousands of NOK (excl. vat)	2019	2018
Statutory audit	208 250	225 000
Preparation of income tax returns	20 000	20 000
Other consultation	41 595	17 350
Total remuneration to the statutory auditor	269 845	262 350

8. Taxes

Deferred taxes and deferred tax advantages are calculated based on temporary differences between accounting-based and taxation-based evaluations at year end. Tax-increasing and tax-reducing differences are evaluated inside the same time frame. Consequently, tax-reducing differences materializing at a future point in time cannot be offset against tax-increasing differences occurring in earlier periods. The calculation of future deferred taxes is based on a tax rate of 25 % as of 31.12.2019, and 25 % pr. 31.12.2018.

Specification of the basis for temporarily deferred taxes/deferred tax advantages

In thousands of NOK	31.12.2019	31.12.2018
Fixed assets	-391	-461
Pre-paid expenses - pensions	0	0
Bonds	-167	-120
Losses carried forward	0	0
Total temporary differences	-558	-581
Deferred tax (- deferred tax credits) 25 %	-140	-145

Tax expense 2019

In thousands of NOK	31.12.2019	31.12.2018
Ordinary profit before tax	8 828	7 041
Permanent differences	-404	-800
Change in temporary differences	-71	-97
Net taxable income	8 353	6 144
Payable tax 25 %	2 088	1 536
Capital tax	20	15
Total payable tax	2 108	1 551
Change in deferred tax	5	17
Excess reserve from previous year	-4	-4
Total tax expense	2 109	1 564

9. Various other information

The net result as a percentage of total assets was 0.62 % in 2019.

Specification of fee income

In thousands of NOK	2019	2018
Guarantee commission	115	230
Other commissions and fees	96	125
Money transfer and interbank transactions	8 039	7 493
Total commission and fee income from banking services	8 250	7 848

Specification of other liabilities

In thousands of NOK	2019	2018
In settlement	1 096	2 240
Tax reservations due	496	422
Earmarked for interest on equity certificates	2 398	2 236
Earmarked for payable tax	2 108	1 551
Accounts payable	735	752
Other	407	318
Total other liabilities	7 240	7 519

Salaries and general administrative expenses

In thousands of NOK	2019	2018
Salary expenses	9 329	8 580
Remuneration to the Board of Directors and Pension contributions	480	473
	702	727
Social security expenses	1 433	1 382
Financial activities tax	508	488
Other staff costs	182	193
Salaries, fees and other personnel expenses	12 634	11 843
IT costs	3 861	3 191
Office costs	836	862
Advertising charges	1 689	1 780
Other expenses	1 153	1 072
Administrative expenses	7 539	6 905
Depreciation of tangible and intangible fixed	1 452	1 407
Rent and rent-related expenses	1 545	1 461
Other operating expenses	1 135	1 278
Total operating expenses	2 680	2 739

THE NORWEGIAN BANK'S GUARANTEE FUND

The Bank deposit insurance law prescribes a mandatory membership in the deposit insurance scheme for all banks in Norway. The insurance scheme will cover deposits up to NOK 2 million per depositor per member bank. A deposit is defined as any credit balance in favour of a named customer as well as a deposit receipt issued by a bank in favour of a named person. Deposits from other financial institutions are excluded from the scheme. Cultura Bank's contribution to the scheme for 2019 is NOK 628 575.

	2019	2018
Fee to the Norwegian deposit insurance	628 575	534 860

10. Transition disclosure IFRS

IFRS 9

From the 1st of January 2020 IFRS 9 will be implemented, which replaces the current IAS 39. IFRS 9 introduces a new model for financial assets in terms of classification, new rules for hedge accounting and the impairment of loans.

Transition rules

IFRS 9 shall, except for hedge accounting, be applied retrospectively. Retrospective application means that Cultura Bank created the opening balance as at 1 January 2020 as if it has always applied the new principles. As permitted in the transitional provisions, the bank will not prepare comparative figures for previous periods. The effects of new principles in the opening balance for 2020 are recognised against equity. Changes in the balance sheet are shown in the table below.

Classification and measurement

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

- Amortized cost (AC)
- Fair value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI)

The classification of a financial asset is determined by the business model of the portfolio the instrument is included in, and the contractual cash flows the instrument has. A distinction is made between debt instruments, derivatives and equity instruments. A debt instrument is any financial asset that is not a derivative or equity instrument.

Financial assets that are debt instruments

For ordinary interest rate instruments, the measurement category is determined by the purpose of the investment:

- Interest rate instruments that are part of a portfolio for the purpose of receiving contractual cash flows in the form of interest and installments shall be measured at amortized cost.
- Interest rate instruments that are part of a portfolio for the purpose of both receiving cash flows and making sales must be measured at fair value with changes in value over expanded profit. With interest income, currency translation effects and write-downs presented above ordinary profit.
- Interest rate instruments in other business models must be measured at fair value through profit or loss.
- Changes in the value of ordinary interest rate instruments recognized in the income statement must be reclassified to the result on sale or other disposal of the assets.
- Other debt instruments must be measured at fair value with changes in value through profit or loss.

Investments in equity instruments

Equity instruments fall in the measurement category at fair value through profit or loss. For equity instruments that are not derivatives and are not held for trading purposes, there is the opportunity to choose to bring these at fair value through other comprehensive income. When equity instruments are designated at fair value with changes in value over comprehensive profit, ordinary dividends are recognized over profit or loss. Changes in value, both ongoing and on disposal, are recognized in the income statement.

Financial liabilities

For financial liabilities, there are minor changes compared to IAS 39. For financial liabilities that are determined at fair value with changes in value through profit or loss, value changes resulting from the company's own credit risk must be recognized in the income statement.

Derivatives

Derivatives are measured at fair value with changes in value over profit or loss.

Cultura Bank has classified its financial assets into the following categories according to the IFRS specifications:

Classification and measurement of financial assets

Assets (In thousands of NOK)	Category NGAAP	Category IFRS	NGAAP 31.12.2019	IFRS 01.01.2020
Cash and claims on the Norwegian Central Bank	Amortized cost	Amortized cost	68 389	68 389
Loans and claims on credit institutions.	Amortized cost	Amortized cost	19 723	19 822
Loans and claims on customers	Amortized cost	Amortized cost	727 002	727 802
Certificates and bonds	Amortized cost	FVOCI - Fair value through other comprehensive income	284 476	286 150
Shares, interests and equity certificates	Amortized cost	FVOCI - Fair value through other comprehensive income	8 363	11 495
Other assets	Amortized cost	Amortized cost	4 558	9 335
Total assets			1 112 511	1 122 993

Liabilities (In thousands of NOK)	Category NGAAP	Category IFRS	NGAAP 31.12.2019	IFRS 01.01.2020
Deposits from and liabilities to credit institutions	Amortized cost	Amortized cost	80	80
Deposits and liabilities to customers	Amortized cost	Amortized cost	982 876	982 877
Other liabilities	Amortized cost	Amortized cost	9 893	16 213
Subordinated loan	Amortized cost	Amortized cost	15 000	0
Total liabilities			1 007 850	999 170

Equity (In thousands of NOK)	Category NGAAP	Category IFRS	NGAAP 31.12.2019	IFRS 01.01.2020
Equity capital			84 382	84 382
Subordinated loan			0	15 116
Other equity			0	0
Fund for unrealised gains			0	3 132
The Saving Bank's Fund			4 064	4 099
Equalization Fund			16 215	17 093
Total equity			104 661	123 823

Levels

The valuation of financial instruments are classified at different levels based on the quality of market data for each type of instrument.

Level 1 – Valuation based on quoted prices in active markets

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

Level 2 – Valuation based on observable prices for the asset or liability

Level 2 places 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 unobservable inputs for the asset or liability

Level 3 places 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.

Valuation hierarchy for financial instruments valued at amortized cost

Financial assets 01.01.2020 (in thousands of NOK)	Level 1	Level 2	Level 3	Total
Cash and claims on the Norwegian Central Bank	0	68 389	0	68 389
Loans and claims on credit institutions	0	19 822	0	19 822
Loans and claims on customers	0	0	727 803	727 803
Total	0	88 211	727 803	816 014

Valuation hierarchy for financial instruments measured at fair value through other comprehensive income

Financial assets 01.01.2020 (in thousands of NOK)	Level 1	Level 2	Level 3	Total
Certificates and bonds	286 150	0	0	286 150
Shares, interests and equity certificates	0	0	11 495	11 495
Total	286 150	0	11 495	297 645

Impairment of financial assets under IFRS 9

According to IAS 39, write-downs for losses should only take place when there is objective evidence that a loss event has occurred after the initial recognition. Under IFRS 9, the loss provisions are to be recognized based on expected credit loss (ECL). The general model for write-downs of financial assets comprises financial assets that are measured at amortized cost or at fair value with changes in value over comprehensive income. In addition, loan commitments, financial guarantee contracts that are not measured at fair value through profit or loss and claims on leases are also included. In line with IFRS 9, the bank groups its loans into three stages based on the probability of default on the first-time balance sheet compared to the probability of default at the reporting date. Allocation to stages 1 and 2 is made for the individual loan. Allocation to stage 3 is made for the entire customer relationship.

Stage 1:

This is the starting point for all financial assets covered by the general loss model. In the initial balance sheet in step 1, provision should be made for losses corresponding to 12 months expected losses. The 12-month expected loss is the loss that is expected to occur over the life of the instrument, but which can be linked to events occurring during the first 12 months.

Stage 2:

If the credit risk of an asset is considered to have increased substantially since the initial recognition, but there is no objective evidence of loss, a loss provision shall be made corresponding to the entire life expectancy of the asset. Defaults over 30 days, loans with payment facilitation, loans on internal watch list and loans with more than 2 arrears of at least 5 days during 12 months will always be significantly deteriorated account commitments and placed in stage 2. If a credit loss occurs, interest income should be recognized. based on the book amount after adjustment for loss provision. The calculation of the impairment in stages 1 and 2 replaces to some extent the impairment calculation for group write-downs in accordance with IAS 39.

Stage 3:

In stage 3 of the loss model, assets are recognized which have had a significant increase in credit risk since granting and where there is objective evidence of losses at the balance sheet date. For these assets, provision is made for expected loss over the life of the asset. These are assets that, under current regulations, are defined as non-performing and impaired, and replace more or less individual write-downs in accordance with IAS 39. Non-performing credit commitments over 90 days must be placed in stage 3. The allocation in stage 3 applies to entire customer relationships, while the allocation in stages 1 and 2 are done at the account level. The methodology in the IFRS 9 standard implies somewhat greater volatility in the write-downs as the model is based on financial prospects and is more sensitive to changes in credit risk. Write-downs are expected to come earlier than current practice under IAS 39.

Description of impairment model and model calculation

Cultura Bank bases itself on the write-down model developed by SDC. Expected credit loss (ECL) is calculated as $EAD \times PD \times LGD$, discounted at the original effective interest rate.

EAD – Exposure at default

Exposure at default (EAD) for agreements in stage 1 consists of outstanding receivables or liabilities adjusted for cash flows over the next 12 months and for agreements in stage 2 the discounted cash flows for the expected life of the agreement. For guarantees, EAD is equal to the outstanding liability at the reporting date multiplied by a conversion factor of 1 or 0.5 depending on the type of guarantee. Unused credits have EAD equal to outstanding unused credit at the reporting date. Expected life of an agreement is calculated based on the historical average life of similar agreements. Agreements that are modified are measured from the original grant date, even if the agreement is subject to new conditions.

PD – Probability of default

The probability of default (PD) is estimated the statistical relationship between the default and the customer's financial position, demographic data and payment behavior. Defaults are defined as overdrafts of a minimum of NOK 1,000 for 90 consecutive days, in addition to other qualitative indicators that indicate that the commitment has failed, cf. CRR Article 178 and the regulation on amendments to the CRR/CRD IV-regulations § 7.

PD₁₂

The model distinguishes between private and corporate customers, and measures the probability of default for the next 12 months (PD). The private customer model further distinguishes between customers with and without mortgages. The corporate customer model distinguishes between real estate companies, limited personal liability and unlimited personal liability. SDC has a model for customers with a 6 month history where PD is based on the customer's data, and a model for customers with less than 6 months history who receive a PD based on an external model. The models are validated annually and recalibrated as needed. New models are developed when the quality of the models deteriorates.

PD_{liv}

When calculating the probability of default over the expected life of the commitment (PD_{liv}), a migration-based projection is used to estimate the expected default in the future, based on developments in PD over the past 12 months (Markov chain). The following principles are used:

- The calculation is done at group level and not at customer level
- The calculation is made on the basis of default in each risk class and migration between risk classes

Significant increase in credit risk

Substantial increase in credit risk is measured based on developments in PD. Cultura Bank has defined a significant increase in credit risk as an increase in initial PD at initial recognition (PD_{ini}) for various levels in order for the model to capture relative development in credit risk.

For commitments that originally had PD less than 1%, significant increases are defined as:

$$PD > PD_{ini} + 0,5 \%, PD_{liv} > PD_{liv_{ini}} * 2$$

For commitments that initially had PD above or equal to 1%, significant increases are defined as:

$$PD > PD_{ini} + 2 \%, PD_{liv} > PD_{liv_{ini}} * 2$$

LGD – Loss given default

Loss of default (LGD) consists of two elements, LGD_{blanko} and blank factor. Blank factor is the portion of account exposure for which there is no security. LGD_{blanko} is based on historical losses in all Norwegian banks that are part of SDC, for a period of approx. 3 years for intervals of security coverage. It indicates how much of the blank exposure is lost on average when an account goes into default. The LGD model is constantly evolving as the data base increases with loss history for new periods. The models distinguish between private and corporate customers and account types, ie cards, loans, credits and guarantees.

Private customers

- Customers without registered collateral
- Customers with collateral in housing
- Customers with collateral in other than housing

Corporate customers

- Customers without registered collateral
- Customers with registered collateral

The value of the collateral is based on estimated realizable value.

Transition effects

Reclassification and measurement of financial instruments on transition from NGAAP to IFRS

The table shows the effect on amounts in the balance sheet of reclassification and new measurement of financial instruments at the transition from NGAAP to IFRS per 01.01.2020.

Financial asset (in thousands of NOK)	NGAAP 31.12.2019	Reclassification	New measurement loss provision	IFRS 01.01.2020
Amortized cost				
<i>Cash and claims on the Norwegian Central Bank</i>				
Opening balance sheet under IAS 39	68 389			
Closing balance sheet under IFRS 9				68 389
<i>Innskudd i og fordringer på kredittinstitusjoner</i>				
Opening balance sheet under IAS 39	19 723			
Reclassification accrued interest on the underlying balance sheet item		142		
New measurement loss provision			-43	
Closing balance sheet under IFRS 9				19 822
<i>Loans and claims on customers</i>				
Opening balance sheet under IAS 39	727 002			
Reclassification accrued interest on the underlying balance sheet item		145		
New measurement loss provision			655	
Closing balance sheet under IFRS 9				727 802
<i>Certificates and bonds</i>				
Opening balance sheet under IAS 39	284 476			
Reclassified to FVOCI		-284 476		
Closing balance sheet under IFRS 9				0
<i>Shares, interests and equity certificates</i>				
Opening balance sheet under IAS 39	8 363			
Reclassified to FVOCI		-8 363		
Closing balance sheet under IFRS 9				0
<i>Other assets</i>				
Opening balance sheet under IAS 39	4 558			
Reclassification accrued interest on the underlying balance sheet item		-681		
Introduction of IFRS 16			5 597	
Value adjustment: deferred tax			-140	
Closing balance sheet under IFRS 9				9 334
Total financial assets at amortized cost	1 112 511	-293 233	6 069	825 347

Financial liabilities (In thousands of NOK)	NGAAP 31.12.2019	Reclassification	New measurement loss provision	IFRS 01.01.2020
Amortized cost				
<i>Unused credits to customers</i>				
Opening balance sheet under IAS 39	13 608			
New measurement loss provision			-3	
Closing balance sheet under IFRS 9				13 605
<i>Guarantees to customers</i>				
Opening balance sheet under IAS 39	4 932			
New measurement loss provision			-6	
Closing balance sheet under IFRS 9				4 926
<i>Loan commitments</i>				
Opening balance sheet under IAS 39	79 762			
New measurement loss provision			-26	
Closing balance sheet under IFRS 9				79 736
Total financial liabilities at amortized cost	98 302		-34	98 267

Financial liabilities (In thousands of NOK)	NGAAP 31.12.2019	Reclassification	New measurement loss provision	IFRS 01.01.2020
Fair value through other comprehensive income				
<i>Certificates and bonds</i>				
Opening balance sheet under IAS 39				
Reclassified to FVOCI		284 476		
Value adjustment at fair value		1 342		
Reclassification accrued interest on the underlying balance sheet item		394		
New measurement loss provision			-62	
Closing balance sheet under IFRS 9				286 150
<i>Shares, interests and equity certificates</i>				
Opening balance sheet under IAS 39				
Reclassified to FVOCI		8 363		
Value adjustment at fair value		3 132		
Closing balance sheet under IFRS 9				11 495
Total financial assets at fair value through comprehensive income	0	297 707	-62	297 645

The transition to IFRS will result in changes in equity from 31.12.2019 to 01.01.2020 as shown below

In thousands of NOK	The Saving Bank's Fund	Equalization Fund	Fund for unrealized gains	Total equity
Equity 31.12.2019	4 064	16 215	0	20 279
Reclassification of financial instruments from amortized cost to fair value through comprehensive income	52	1 290	3 132	4 474
Introduction of IFRS 16	-25	-615	0	-640
New measurement loss provision	20	496	0	516
Tax effect related to changes	-12	-293	0	-305
Equity 01.01.2020	4 099	17 093	3 132	24 324

Reconciliation of loss provisions between IAS39 and IFRS 9

In thousands of NOK	NGAAP		IFRS 9			Total
	Group depreciation	Individual write-downs	Stage 1	Stage 2	Stage 3	
			Expected loss over 12 months	Life expectancy loss	Expected loss over life including specified loss	
Provisions 31.12.2019	1 301	148	0	0	0	0
Loans and claims on customers	-1 301	-148	78	46	669	793
Unused credit limits for customers	0	0	1	2	0	3
Guarantees to customers	0	0	4	2	0	6
Loan commitments	0	0	26	0	0	26
Loans and claims on credit institutions	0	0	43	0	0	43
Certificates and bonds	0	0	62	0	0	62
Provisions 01.01.2020	0	0	214	50	669	933

Restatement of capital coverage as of 01.01.2020 with the implementation of IFRS

Regulatory capital as of 31.12.2019 (in thousands of NOK)	104 361
Change in equity from transition to IFRS 9	913
Fund for unrealised gains	3 132
Common equity Tier 1 capital as of 01.01.2020	108 406
Tier I capital as of 31.12.2019	119 361
Change in equity from transition to IFRS 9	4 045
Tier I capital as of 01.01.2020	123 406
Total capital as of 31.12.2019	119 361
Change in equity from transition to IFRS 9	4 045
Total capital as of 01.01.2020	123 406
Total risk weighted assets as of 31.12.2019	444 790
Change in equity from transition to IFRS 9	516
Introduction of IFRS 16	5 597
Total risk weighted assets as of 01.01.2020	450 903
Common Equity Tier I (as a % of risk exposure amount)	24,04 %
Tier I capital (as a % of risk exposure amount)	27,37 %
Total capital (as a % of risk exposure amount)	27,37 %

IFRS 16 LEASES

IFRS 16 Leases is implemented from the first of January 2020. IFRS 16 sets out principles for recognition, measurement, presentation and information on leases for both parties to a lease, that is, the customer (tenant) and provider (lessor). The new standard requires the tenant to recognize assets and liabilities for most leases, which is a significant change from current principles. A contract is or contains a lease if the contract transfers the right to control the use of an asset for a period. The standard shall be applied to all such contracts with the exception of short-term leases or where the underlying asset is of low value. The new standard entails changes where the bank operates as a lessee as the contract must be recognized in the balance sheet as a right of use with a corresponding lease obligation. Upon initial recognition, the lease obligation and the right of use are measured at the present value of future lease payments. The lease obligation is measured in subsequent periods at amortized cost. The lease obligation is reduced by paid rent and increased by calculated interest rates. The associated right of use is measured and depreciated. Right of use and lease obligation shall be adjusted for any new measurement due to changes in agreed rental payments (for example, annual adjustments). Previously expensed rent under ordinary operating costs is replaced with and presented as calculated interest and depreciation.

Accounting effect

The right-to-use asset is classified as fixed assets in the balance sheet, while the lease obligation is classified as other debt. Most of the bank's lease obligation relates to a lease for the office. Total lease obligations and right-to-use assets as of January 1st 2020 amounted to 6.2 million. The effect on the result will vary over time, but the combination of interest costs and depreciation gives a somewhat larger amount than the rental cost at the start of the rental period and lower towards the end of the rental period. For 2020, a negative effect on earnings is expected of NOK 318.

Expected effects IFRS 16

Reduction of operating costs in accordance with IAS 39	1 121 988
Increased costs in accordance with IFRS 16	1 121 670
Changes in profit before tax	-318

For 2020 a discount rate of 4.0 % has been used. Based on figures from December 31st 2019 the implementation of IFRS 16 will result in a reduction of 0.41 % of bank's core capital.

Balance sheet as of 01.01.2020	NGAAP	IFRS 16
Right of use asset		5 596 582
Total change in assets		5 596 582
Lease liability		6 236 872
Equity (effect of change)		-640 290
Total change in equity and debt		5 596 582

Profit and loss statement as of 31.12.2020	NGAAP	IFRS 16
Interest costs on the lease obligation		249 475
Rent office	1 121 988	
Depreciation on the right of use		872 195
Total	1 121 988	1 121 670

Cooperating banks in Europe

Andelskassen Merkur	Denmark	La NEF	France
Ekobanken	Sweden	Crédit Coopératif	France
Freie Gemeinschaftsbank BCL	Switzerland	Banca Etica	Italy
GLS Gemeinschaftsbank e.G.	Germany	Triodos Bank	Netherlands

Cultura Bank furthermore contributes in international cooperation through memberships in the organisations Fédération Européenne des Banques Étiques et Alternatives (FEBEA), Global Alliance for Banking on Values (GABV) and Institute for Social Banking (ISB).



11. Audit Report

INDEPENDENT AUDITOR'S REPORT BY BDO

To the general assembly of Cultura Sparebank

Report on the audit of the financial statements

Conclusion

We have audited the annual report of Cultura Sparebank.

<p>The annual report comprises of:</p> <ul style="list-style-type: none">• Balance sheet as of December 31st 2019• Profit and loss accounts for 2019• Cash flow analysis for the accounting year ended by December 31st 2019• Notes pertaining to the accounts, including a summary of significant account policies.	<p>In our opinion:</p> <p>The annual accounts have been submitted in accordance with laws and regulations and that these offer a correct picture of the bank's financial position as of December 31st 2019, including results and cash flow statements for the accounting year closed at this date in accordance with the accounting laws and good accounting practise in Norway.</p>
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Basis for our conclusions

We have conducted our audit in accordance with the laws, regulations, and auditing standards and practices generally accepted in Norway, including the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of this report. We are fully independent of the company as required by laws and regulations, and complied with our ethical obligations in accordance with these requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Other information

The management of the audited company is responsible for other information. Other information includes the annual report.

Our conclusion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board and CEO for the financial statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with laws and regulations, and to make sure that these give a true picture of the bank's financial situation in accordance with the accounting law and good accounting practise in Norway. Furthermore, management is responsible for internal control measures necessary to prepare financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern. The going concern of the company is used as a basis of accounting, unless management intends to liquidate the company or cease operations.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our conclusion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with law, regulation and good auditing practice in Norway, including the ISAs, will always detect a material misstatement when it exists. Misstatements can occur as a result of fraud or accidental errors. Misinformation is considered material if it can be expected to influence, individually or in the aggregate, the economic decisions that users make based on the financial statements.

For a further description of the auditor's tasks and obligations reference is made to:

<https://revisorforeningen.no/revisionsberetninger>.

Report on other legal requirements

Conclusion on the annual report

Based on our audit of the financial statements as described above, it is our opinion that the information in the annual report concerning the annual accounts, the assumption of a going concern and the proposal for allocation of the net profit is consistent with the annual accounts and in accordance with the law and regulations.

Conclusion on registration and documentation

Based on our audit of the financial statements as described above and control procedures we have deemed necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to ensure that the company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Trondheim, 18. March 2020

BDO AS

John Christian Løvaas

State Authorised Public Accountant

(This translation from Norwegian has been made for information purposes only)

12. Employees and elected representatives 2019

THE BOARD OF TRUSTEES IN 2019

Name	Function	Representing
Lars Hektoen	Chair	Depositors
Ove Jakobsen	Deputy chair	Depositors
Johannes Brinkmann	Member	Depositors
Elizabeth Wirsching	Member	Depositors
Idun Kristine Bjerkvik Leinaas	Deputy member	Depositors
Elizabeth von Hanno Brockfield	Member	Equity certificates
Åsa Jeppsson	Member	Equity certificates
Anne-Kristin Løes	Member	Equity certificates
Frank Schmiemann	Member	Equity certificates
Morten Ingvaldsen	Deputy member	Equity certificates
Kjersti Aspheim	Member	City of Oslo
Christina Solli Ektvedt	Deputy member	City of Oslo
Rune Horne	Member	Employees
Stian Torstenson	Member	Employees
Jannike Østervold	Member	Employees
Kari Schage	Deputy member	Employees

The board of Directors in 2019

Maria Bjune	Chair to the Board
Christian Dubrau	Deputy chair to the Board
Ebba Boye	Board member
Bjarne Hjertholm (for employees)	Board member
Alf Howlid	Board member
Morten Johannessen	Board member
Randi Almås Welhaven	Board member
Camilla Brox	Deputy member
Camilla Gjetnes (for employees)	Deputy member
Stig Aleksander Aune	Deputy member

Employees in Cultura Bank I 2019

Christina Andersson	Compliance, AML
Torstein Dyrnes	Chief accountant and risk controller
Camilla Gjetnes	Head of customer services
Andreas Haugerud	Customer services
Bjarne Hjertholm	Loans
Rune Horne	Loans
Thomas Emil Lie Karlsen	Customer services
Annette Larssen	Customer services
Kjell Fredrik Løvold	Chief executive officer
Alice Nyamogo	Accounting and operations
Christine Praamsma	Accounting and operations
Kari Schage	Assistant general manager, Head of loan department
Gro Sissel Taraldrud	Loans
Stian Torstenson	IT and marketing
Mie Tørmoen	Customer services
Jannike Østervold	Deputy CEO, Assistant general manager, IT and marketing

13. Key figures

<i>In thousands of NOK</i>	2019	2018	2017	2016	2015
Solidity					
Common equity tier 1 capital ratio (i %)	23,46	19,25	19,94	18,27	16,18
Tier 1 capital ratio (i %)	26,84	22,52	19,94	18,27	16,18
Total capital ratio (i %)	26,84	22,52	23,50	22,07	20,25
Risk weighted balance sheet total	444 790	459 037	421 403	393 601	366 040
Leverage ratio (i %)	10,58	9,54	8,36	8,35	7,34
Total assets	1 112 511	1 066 368	944 796	836 692	755 470
Average total assets	1 089 440	1 005 582	890 744	796 081	706 473
Equity capital	104 661	89 836	86 747	76 522	64 036
Liquidity					
Liquidity Coverage Ratio (LCR)	238	322	357	361	334
Net Stable Funding Ratio (NSFR)	164	172	171	174	187
Depository and loan development					
Loans	728 450	635 508	565 764	510 669	459 671
Yearly loan growth (i %)	14,6	12,3	10,8	11,1	9,8
Deposits	982 957	951 603	835 509	737 307	671 165
Yearly deposit growth (i %)	3,3	13,9	13,3	9,9	16,2
Deposit coverage ratio (i %)	135	150	148	144	146
Environment					
CO ₂ emissions (in tons)	7,2	11,0	10,4	10,5	13,0
Profitability					
Profit after tax	6 719	5 477	3 062	5 526	1 629
Return on total assets ²	0,62	0,55	0,34	0,69	0,23
Return on equity ³	6,91	6,20	3,75	7,86	2,66
Net interest income ⁴	2,38	2,21	2,23	2,37	2,87
Cost/income %	74,00	79,68	85,64	82,80	89,91
Operating expenses in % of average total assets	2,23	2,28	2,50	2,59	3,07

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

³ Return on equity: net profit as a percentage of average total equity

⁴ Net interest income: net interest income as a percentage of average total assets



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