

# *Annual report 2021*



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# A look back at 2021

## A word from the CEO

I have taken over as Chief executive officer after Kristine Falkgård as of the 1st of March 2022 and have had the honor of working here at Cultura since 1998. That time, the bank had been running for a year and a half, with four employees who managed the bank alone. Since then, there have been many changes; banking operations have become more demanding when it comes to regulatory requirements, reporting to the authorities as well as digital software, and more complex payment services. As a result, paying invoices by post has become almost as rare as the cassette player.



Despite all the changes in society, something remains constant- Cultura Bank's values remain strong. Our banking operations aim to lead money flows from the depositors and owners to a place where they can support sustainable and forward-looking projects. Our value-based lending policy determines what kind of projects are financed with prioritized business areas and exclusion criteria. In addition, Cultura finances primary housing for individuals, where an interest discount is granted with environmentally satisfactory houses.

In 2021 Cultura Bank's financial results have been highly influenced by the low interest rate level. The customer has enjoyed a low interest rate for borrowing, but the bank's financial results have unfortunately been lower than we had hoped. Luckily our customers have managed well through the Covid-19 pandemic, and we have been able to reverse the loss provisions made in 2021.

In 2021 we also completed a survey to determine what kind of products and services our customers wanted. The feedback from the survey provided us good insight on how we can further develop our service offerings, and we have initiated several projects our customers can enjoy in 2022. We also asked how happy our customers are with the bank in general, and we are glad the bank got five out of six stars. Based on our customer survey, the bank has strategically decided to expand our offerings to be bank number one for both individuals and companies. This will also make the bank's financials more robust when facing interest rate changes in the future.

And we keep developing. The online bank and the debit cards will be displaced by cellphones- new things keep happening, and the only certainty is constant change. Cultura Bank may not be on the front line with the newest products. Still, we can deliver excellent and competitive system solutions through development on the system side with Norwegian and Scandinavian banks. The recent launch in 2021 was the long-desired banking integration for businesses, so they can send and receive files directly in their financial systems. I believe that this will enable more companies and organizations who share our values to choose Cultura as their bank.

I am looking forward to further developing Cultura Bank and continuing the great cooperation with all of the bank's stakeholders- customers, employees, representatives, suppliers, and cooperative partners.

Jannike Østervold

Bank manager, CEO

## A word from the chairman of the board

A lot of things are going well for Cultura Bank these days. In a constantly changing world, it is more important than ever to “finance change by changing finance.” Cultura does not act primarily based on its size but by the power of being an ethical and value-based bank organized as a traditional savings bank.

Two fundamental elements in the bank are the people (employees, owners, and cooperative partners) and technical digital solutions. The most important is the people, but everything has to work. As a newly constituted bank manager, Jannike Østervold writes, we aim to develop the bank further within our values framework and financially sustainable management. It requires balance, good priorities, and necessities.

Last year, we focused on clarifying Cultura's unique qualities and outward business and networking, to which Kristine Falkgård contributed a lot. In 2021, Cultura prepared and launched new products and digital solutions. Our most recent launch of bank integration enables more individuals and businesses to use Cultura as their primary bank. Many of our “backstage” solutions were developed in collaboration with other saving banks.

Cultura participates in the Global Alliance for Banking on Values (GABV) and has been in close contact with our sister banks in the Nordics. The international collaboration is enriching and contributes to clarifying the uniqueness of our banks to the public.

In 2021 two of Cultura's most essential cornerstones passed away. Erik Seim dies this summer and Svein Berglynd during Christmas. They were the bank's first chairman of the board and bank manager and have laid the foundation for so much of what is Cultura today. Thank you.

Maria Bjune,  
Chair of the board



## Highlights from 2021

### Q1

- Over 150.000 NOK was distributed to our support organizations thanks to everyone who put their savings on a support account.
- Cultura publishes the first issue of "Pengevirke! With the main topic "Enough is enough- about consumption and quality of life".

### Q2

- Customer of Cultura Aurora Workshop has a royal visit from the crown Princess Mette-Marit
- Cultura Bank launches an Instagram profile.
- Loan granted to Oslo sauna union for a new bathing facility, the bathing machine.

### Q3

- Customer survey shows high satisfaction among our customers. They pointed out that our values are the main reason why they choose Cultura Bank.
- Eco- Hunting 2021 was launched during the Eco-week. With their own app, contestants visited companies with a sustainability focus. The main prize was free consumption of bread for a year.
- Cultura was present at Arendalsuka, Our CEO participated in a panel about the banks' corporate responsibility.
- Employee of the bank visited our customer In the Same Boat and participated in beach cleaning along the Helgeland coast

### Q4

- We celebrated Banking on Values Day 2021, an international celebration of sustainable banks who are members of the Global Alliance for Banking on Values.
- We welcome our new credit manager Liv Rannekleiv
- Online courses in crowdfunding are hosted
- Our customer Lofoten Gårdsystemer and Organic special seeds was nominated to the Food Award 2021
- Cultura now has over 5.000 retail customers
- We participated in crowdfunding of the People's award at the Autumn Exhibit 2021

# About Cultura Bank

## Cultura Bank in brief

Cultura Bank was established in 1997 to expand the member-based Cultura lending cooperative. The purpose of the bank is to finance socially beneficial and sustainable projects and practice transparency about our business lending. As of now, Cultura is the only bank in Norway that practices this.

Cultura Bank offers individuals, organizations, and businesses the most common banking services. Our core activity, namely our lending, is founded on our value-based lending policy. The bank has customers all over Norway, with the majority located in the eastern region. The bank's main office is in Holbergsgate 1 in Oslo.

As a value-based bank, we aim to contribute to value creation for our owners, customers, and society. Depositors, owners, and employees are represented on our board of trustees.

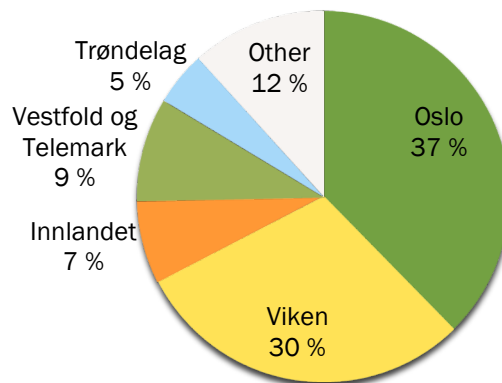


Figure: Cultura's customers based on region

### CULTURA IN SHORT

20 employees  
18,4 FTE's

853 value-based owners

Net interest and provision income  
24,1 million NOK

Equity 128 Million NOK

Liabilities 1 268 million NOK

Retail customers  
5 095

Corporate customers  
1 574

## FIRST PLACE IN THE NORWEGIAN FAIR FINANCE GUIDE

We are proud and happy that our value-based banking operation has been rewarded with the top ranking in the Norwegian Fair Finance Guide for the last five years. Last year with a score of 98 out of 100 points. The bank guide is based on an extensive review of the bank's ethical guidelines, requirements, and policy documents. The review is executed by Future in our hands and the Customer Council.

## Strategy for 2022-2024

The goal to finance projects with societal contribution, contribute to a higher quality of life and take care of nature is written in the bylaws of Cultura Bank.

The bylaws further state that the bank shall influence people's attitudes towards finance such that capital can be allocated towards real needs and unresolved societal tasks. Communication and attitude-creating work are therefore essential to fulfill the bank's purpose. With this in mind, we have formulated Cultura bank's vision and mission for the strategic period of 2022-2024.

**Vision:** *Cultura Bank will work to ensure quality of life and natural values today and for future generations.*

**Mission:** *Cultura Bank will inspire conscious use of money by disseminating knowledge and financing projects that take into account the earth's resilience and sustainable development. The bank is based on business principles that balance consideration for people, the environment, and the economy.*

**Our Values:** *Transparent, just and innovative.*

### STRATEGIC PRIORITIES IN 2022 – 2024:

#### Value-based #1 bank for our customers

*Cultura Bank will be a value-based main bank for our customers*

#### Partner for a future-oriented and ethical business community

*Cultura Bank will create value by channeling depositors' funds to value-conscious companies and people, which contributes to a just society and sustainable development.*

#### Reference for sustainability

*Cultura Bank shall be a reference point for ethical banking and sustainability through openness, dissemination, and cooperation*

#### Economically robust with high competence

*Cultura Bank will be driven by financial results that create long-term for customers, owners, and employees*



# Our business

## Value-based banking culture

Cultura Bank represents an alternative banking culture with roots going back to the 70s. In recent years, the terms “ethical banking” and “social banking” have been renamed “value-based banking” among the international banking community. Value-based banking involves contributing to societal utility, respecting human rights, and protecting the environment. The bank shall prioritize consideration of the environment before financial outcomes, although a profitable business is a prerequisite for the growth and development of the bank.

Our purpose clause has an addition that is not normally included for saving banks:

**Bylaws §1.2:**

*The purpose of the bank is to contribute to creating quality of life and a viable economy within a living nature by financing community service projects. In addition, the bank shall contribute to attitudes towards money and finances such that capital can be directed towards real needs and unresolved tasks in society.*

The purpose clause states that the bank shall develop a financial understanding that embraces ethical and social responsibility.

Cultura is a member of the Global Alliance for Banking on Values (GABV), an international network of value-based banks that works to find sustainable solutions to global problems. The alliance was founded in 2009, and Cultura Bank joined the partnership in 2010. Cultura Bank joins the Global Alliance for Banking on Values' six principles for value-based banking.



**PROUD MEMBER**

**The triple bottom line**

Cultura invests in companies and allocates capital for purposes that positively impact social, economic, and environmental conditions. Therefore, our loan portfolio contributes to sustainable development in different dimensions. Thus, Cultura divides its loan portfolio according to the three-part bottom line: "People, Planet, and Prosperity."

**The real economy**

Cultura will serve customers who positively contribute to the real economy, i.e., the purchase and sale of sustainable products and services. Hence, the bank shall only invest in derivative transactions for hedging purposes but not speculative purposes.

**Transparency**

Our corporate governance must be inclusive and transparent. With the customer's consent, Cultura regularly publishes an overview of our lending projects. This is done for depositors and owners to see where their money is invested. This principle of transparency is a vital part of being a values-based bank-

**Long term resilience**

As a credit institution, Cultura has a long-term and positive perspective and will contribute to our customers having a sustainable and resilient economy.

**Customer centered**

Our core business revolves around our lending customers. Therefore, the bank must be customer-oriented, listen to our customers' financial needs, and find the best and innovative solutions. Cultura will also work to create awareness of attitudes to money and finances. This is done, among other things, through articles and reports in the bank's magazine Pengevirke and activity on social media.

## Overall goal

Sustainability corporate governance is anchored in the bank's bylaws. The environment, ethics, and society shall be considered throughout the organization. Our products and services, investments, and marketing shall be in line with the ethical guidelines of the bank.

Transparency is one of our foundational values. The bank aims to contribute to positive value creation and be an engaged part of society. Cultura shall be known for being open and prioritizing ethical and sustainable considerations in our decision-making and daily operations. We wish to have an open and honest dialogue with our stakeholders.

**Sustainable lending policy**

Lending is the bank's core business and the area where the bank has the most significant impact on the climate and the environment. Especially in the corporate market, the bank has set guidelines for lending through a value-based lending policy. The lending policy is primarily based on positive selection but excludes companies and projects that are harmful to society and the environment or negatively impact people's lives and health.

### **Responsible Investments**

Sustainability is also integrated into our asset management and investment operations. Responsible ownership is an important value and a prerequisite for sustainable development and society overall. Accordingly, Cultura has integrated ESG when evaluating financial counterparties and securities.

Our asset managers assist with ESG-related questions to ensure updated and suitable assessment criteria. Our investment shall also align with the exclusion list in the bank's lending policy.

### **Climate and environment**

The Norwegian government supports the goals of the Paris Agreement to limit global warming to well below 2 degrees, preferably below 1,5 degrees Celsius compared to pre-industrial levels. Norway's commitment to reduce emissions by 50-55 % by 2030 sets clear expectations for Norwegian organizations and companies. The bank also supports the Paris Agreement and aims to develop an ambitious climate target for our business in line with our cooperative banks in GABV.

Cultura is certified as an Eco-lighthouse according to the new criteria for banking and finance businesses. Therefore, it is essential to have an adaptive environmental management system with employees informed about the bank's sustainability policy. Furthermore, monitoring of results ensures regular follow-ups on our performance.

The bank's most significant emission factor is indirect from our lending activities and investments. Our scope 3 emissions are reported in the PCAF reporting (Partnership for Carbon Accounting Financials). The bank's lending policy limits the negative impact on the environment.

### **Biodiversity**

Taking care of the biodiversity in nature is important in Cultura, as one of our goals is to safeguard the quality of life and natural values for future generations. Moreover, all species play a unique role in contributing to the functioning of ecosystems. Therefore, Cultura aims to contribute to more robust and sustainable ecosystems and integrate these considerations into the bank's lending policy. It is also relevant when choosing suppliers.

The bank's policy of only financing organic or regenerative agriculture is motivated by, among other things, consideration for biological diversity, as organic farming provides more organic material and a higher content of microorganisms, earthworms, and other small animals in the soil. The bank shall consider where it is also possible in different business areas.

### **Social responsibility**

Being a values-based bank also involves a particular social responsibility. For example, contributing to cultural diversity and educational opportunities is essential to social sustainability. Therefore, the bank will continue to prioritize lending within this area.

The bank's ethical guidelines describe employees' responsibility and opportunity to report suspicious matters related to corruption and money laundering. The bank has zero-tolerance for money laundering and terrorist financing, as stated in the sustainability and social responsibility policy. The bank respects internationally recognized human rights and shall under no circumstances contribute to violations of these. Guidelines for safeguarding human rights are discussed in the bank's ethical guidelines. The bank's internal work must take forms that support society's education goals, participation, lifelong learning, and the dissemination of individual creativity. The bank's ethical guidelines also deal with the bank's procedures to promote gender equality and avoid discrimination and harassment.

### **Requirement for suppliers**

Cultura requires its suppliers and partners to be conscious of sustainability matters in their organization. Our social responsibility also lies in our business relationships. According to purchasing policy, the bank must assess the need for the product or service and evaluate the supplier's environmental profile. In addition, the bank's purchasing policy provides clear guidelines for what the bank should emphasize when selecting new suppliers.

## **Corporate governance**

The corporate governance of Cultura Bank shall ensure that the bank achieves its financial and non-financial goals without taking risks that, in the short or long term, are incompatible with these objectives. Therefore, risk factors must be identified and managed through internal regulations, a good understanding of risk in all parts of the business, ongoing managerial focus, and effective internal control.

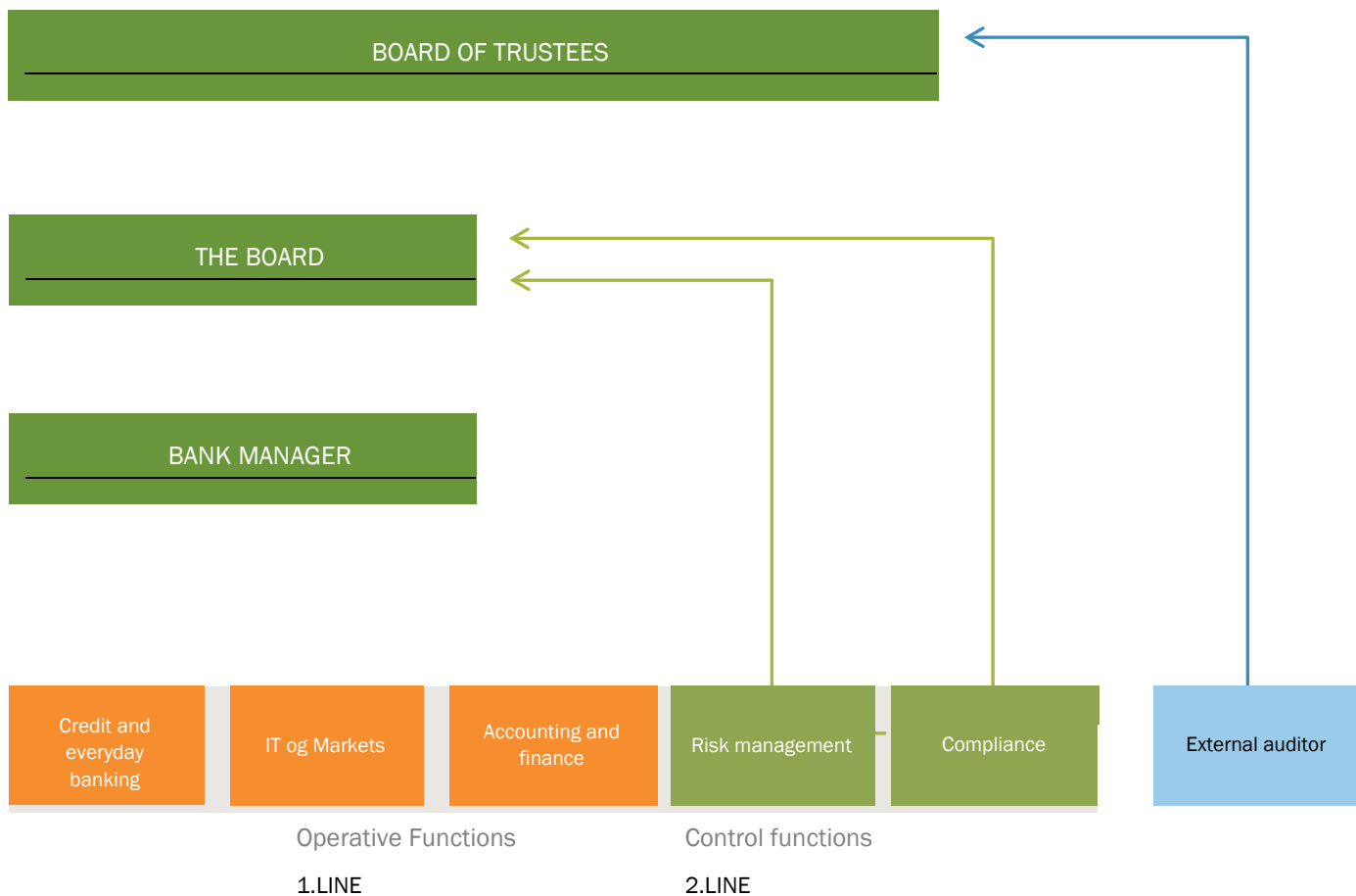
Public information about the bank must align with legal requirements for reporting and presentation. In addition, the information must be accurate, relevant, timely, and accessible to meet the needs of supervisory authorities, investors, customers, external credit rating agencies, and the general public. The bank's corporate and risk management principles also apply to the bank's outsourced activities.

**PRINCIPLES FOR CORPORATE GOVERNANCE**

- The purpose of Cultura as a values-based bank is integrated in corporate management.
- The values, vision, and ethical principles of Cultura Bank are clear, familiar to employees and form the foundation for bank management and operations.
- Governing bodies are assigned responsibilities defined in laws, regulations, and the bank's bylaws
- The structure of the organization is clear and transparent with clear division of responsibilities and lines of reporting. Responsibilities, duties and power of attorney is clearly defined in the job instruction at all business levels.
- The business development and management of business risk are managed through the processes for determining strategy, risk appetite, and plans.
- The framework for risk assessment ensures management and mitigation of risk and consists of assessment principles of the risk factors most significant to the bank.
- The internal control system ensures robust operation, efficient and documented work processes, reliable reporting, and routines that ensure compliance with external and internal regulations.
- Management documents and other information relevant to day-to-day operations must be easily accessible to all employees.
- Corporate governance is supported by appropriate reporting where content, frequency and format are adapted to the target group.

**ORGANIZATIONAL STRUCTURE**

Cultura Bank is organized following the Act on Financial Institutions and financial groups and the bank's bylaws. The board of trustees is the highest governance body in the bank. The Board of Trustees consists of representatives of depositors (5), holders of equity certificates (4), and the bank's employees (3). The board of trustees meets twice a year typically. Among the 12 members of the board of trustees, they elect a permanent leader. The tasks of the board of trustees include approving the bank's financial statements, selecting the board, and appointing a nomination committee. In addition, the board elects an audit and risk committee.



## Our products and services

### DEPOSITS AND LENDING

Cultura Bank operates within traditional banking, consisting of deposits and lending to retail, corporate and non-profit organizations.

### SUPPORT ACCOUNT

In addition to our regular saving and checking account we offer support accounts. The account gives our customers the opportunity to deposit money while simultaneously supporting one of our cooperative partners. Cultura cooperates with Friends of the Earth Norway, WWF-Norway, Rainforest Foundation Norway, Save the Children, The Norwegian Woman and Family Association and Norwegian P.E.N

### VALUES-BASED LENDING POLICY

The bank's values-based lending policy for corporate customers describes prioritized and excluded lending purposes. The bank offers short-term financing, guarantees, and long-term investment loans for corporate customers. For retail customers, the bank provides housing loans and loans for electric cars and bicycles.

### PAYMENT SERVICES

Cultura offers payment services for retail and corporate customers that covers the most common banking services. From 2021 this also includes bank integration for businesses.

With today's service offerings, Cultura can cover many of its customers' needs for financial services. However, many still have another bank as their primary bank. Cultura Bank's strategy for 2022-24 has a goal of being the number one bank for our customers. Therefore, the product and service offering are under development and is expected to expand during 2022.

### CROWDFUNDING AT CULTURAFLOKK

CulturaFlokk is a crowdfunding platform that collects donations and reward-based projects in line with the bank's values. The platform makes it possible for projects in the start-up phase to obtain financing before they are far enough in the process to get an ordinary bank loan. CulturaFlokk does not mediate loans or equity.

The platform is an initiative to highlight the importance of financial gifts and a tool to establish contact with new projects and environments.

In 2021, around 155,000 NOK was collected for 13 projects through CulturaFlokk. The activity was lower than in previous years and is assumed to be related to Covid restrictions. Since the start-up in 2018, 2.6 million NOK has been raised for over 87 projects. Cultura Bank is a member of the Norwegian Crowdfunding Association.

## **PENGEVIRKE – A JOURNAL FOR A NEW BANKING CULTURE**

The purpose clause of Cultura states that the bank shall contribute to attitudes towards money and finances such that capital can be directed towards real needs and unresolved tasks in society. As an important part of this attitude-creating work, the bank publishes "Pengevirke, a journal for a new banking culture".

### **HOW IT STARTED**

The magazine Pengevirke saw the light of day for the first time in 1999, with the theme «Banks in motion.» The magazine was established as a collaboration between Andelskassen Merkur in Denmark and Cultura Bank. As for most newborns, finding a name for the baby was a challenge. It was especially challenging because it had to work equally well in Danish and Norwegian. Although the languages are very similar, the spelling is often different. The result was "Pengevirke" - a new word in both Danish and Norwegian that we have now become accustomed to.

Since 2013, the Danish and Norwegian versions of Pengevirke have been produced as two completely independent magazines. From the very beginning, the editorial staff for the Norwegian Pengevirke has consisted of Arne Øgaard and Jannike Østervold.

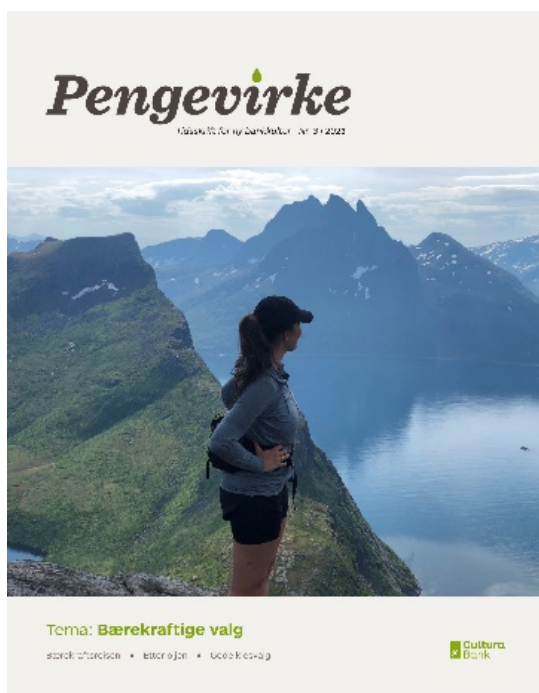
According to the Cradle-to-Cradle principles, the printed version of Pengevirke is 100% biodegradable, without harmful chemicals and heavy metals. The content from Pengevirke is also reused in social media and on cultura.no. Around 3,800 copies of each issue are distributed to customers and external subscribers. It is also possible to subscribe digitally. You can also read the magazines in their entirety on cultura.no.

### **PARTIALLY FINANCED BY VOLUNTARY CONTRIBUTIONS**

Pengevirke is financed partially by voluntary contributions. The bank sends out an open invoice with a voluntary amount and has a voluntary subscription fee for the magazine. In our experience, this results in generosity where people take the opportunity to give an additional gift. In 2021 Pengevirke got 84.000 NOK in voluntary contributions.

## ISSUES OF 2021

In 2021 the main topics of the magazine were «Enough is enough– regarding consumption and quality of life», «Make a change», «Sustainable choices» and «Freedom and responsibility».





# Sustainability in Cultura Bank

## Sustainability as the foundation

Since its origin, responsible capital management and protecting nature's resources have been central to Cultura. Consequently, the bank's lending policy contains explicit guidelines for what kind of projects are financed.

The bank's value of "transparency" is expressed through the publication of which projects have received loans, so depositors know how their money is invested. In addition to the bank's lending, several processes have been initiated to promote Cultura's sustainability work.

Cultura has endorsed several national and international conventions and initiatives. These have been reviewed by the board and contain initiatives directed toward the banking industry specifically.

In addition, we want to highlight our attitudes towards human rights, biological diversity, and natural and cultural heritage.



*Two generations of bio-dynamic farmers; Finn Dale Iversen (left) and Evelyn Romer (right) run Bergsmyrene farm, together with their son Severin Romer Iversen (in the middle). Photo: Scott Gilmour.*

**NATIONAL AND INTERNATIONAL INITIATIVES ENDORCED BY CULTURA**

Initiatives endorsed by Cultura	Description
<b>UNEP FI PRB</b>	The UN Environment Program's partnership with the financial sector, principles for responsible banking, goals for the banks to take a leading role to promote the SDGs and fulfill the goals of the Paris Agreement
<b>Net Zero Banking Alliance</b>	Climate initiative for banks started by the UN, aiming for net zero emissions by 2050
<b>UN global Compact principles</b>	The world's biggest initiative for corporate social responsibility. 10 principles for human rights, code of conduct, the environment and anti-corruption
<b>ILO-convention nr. 169</b>	Convention about the rights of indigenous people
<b>OECD guidelines for multinational enterprises</b>	Guidelines for multinational enterprises regarding responsible corporate management that incorporates internationally recognized standards
<b>UN guiding principles on business and human rights</b>	Guidelines on how to protect human rights in businesses
<b>Women`s empowerment principles</b>	Principles developed in collaboration with Global Compact to empower women's opportunities and rights
<b>The Sustainable Development goals (SDGs)</b>	Otherwise known as the Global Goals, is a universal call for sustainable development. The goals are to be reached by 2030 (Agenda 2030)
<b>The Universal Declaration on Human rights</b>	Fundamental convention with 30 Principles to protect human rights
<b>ILO declaration</b>	International convention om labor rights
<b>The UNESCO World Heritage sites</b>	Universal UN convention to preserve and protect cultural and natural diversity
<b>Ramsar convention on wetlands</b>	International treaty for the preservation and sustainable use of wetlands
<b>UN Convention on Biological Diversity</b>	International convention and legal instrument, ratified by 196 nations to protect biological diversity, sustainable use of its components and fair and equitable sharing of benefits

## REPORTING INITIATIVES ENDORCED BY CULTURA

### GABV Scorecard

As a member of the Global Alliance for Banking on Values, the bank has committed to report and "scorecard" with quantitative and qualitative information about the bank's impact on environmental, economic, and social aspects. This includes, among other things, the percentage of the bank's loan portfolio included in the triple bottom line.

### PCAF

Cultura Bank also joined the GABV Climate Change Commitment (3C initiative). This includes the global initiative PCAF, where banks have committed to calculating the emissions of their assets to steer the business toward the goals of the Paris Agreement. Cultura Bank joined PCAF with more than 20 other banks from GABV. Through the collaboration in GABV, Cultura has access to resources that can assist with professional support.

### TCFD

Cultura reports on climate risk through in the Task Force for Climate Related Financial Disclosures (TCFD). This framework is based on strategy, corporate governance, risk management, and climate-related goals and calculations.

### GRI

The bank aims to report according to the GRI (Global Reporting Initiative) standard in 2022. GRI is an international sustainability reporting standard. The reporting company chooses material topics where it has the most significant impact on economic, social, and environmental issues. The report for 2021 will be published during the second half of the year.

### Eco- lighthouse

Cultura is an eco-lighthouse certified business and has committed to report and demonstrate actions in a variety of topics. The report gives insight into the bank's achievements with respect to (1) work environment, (2) waste, (3) energy use, (4) Purchases and (5) Transport.

Read more about Eco-lighthouse and Environment, health and safety in the Report of the Board of Directors

## Materiality analysis

As part of the reporting according to GRI standards, the bank has conducted a materiality analysis that identifies the bank's most material sustainability topics.

The survey results become the foundation for the bank's sustainability work and priorities moving forward.

We have asked several of our stakeholders what they think is important for Cultura to prioritize in the future. Many of our stakeholders received a survey with topics such as lending policy, environmental certifications, and GDPR and were asked to rank the importance from one to five.

Along the x-axis, the importance of the topics to Cultura's stakeholders is presented. Finally, the y-axis represents Cultura's contribution to sustainable development for each topic. This is also referred to as Cultura's ability to contribute to sustainable development for a specific topic.

The result from the survey suggests that the material topics for the bank are Responsible lending policy, Ethical marketing, Data protection and combating economic crime.

### Responsible lending policy

Is about demands and requirements for our lending based on social economic and environmental aspects.

### Ethical marketing and promotion of our business

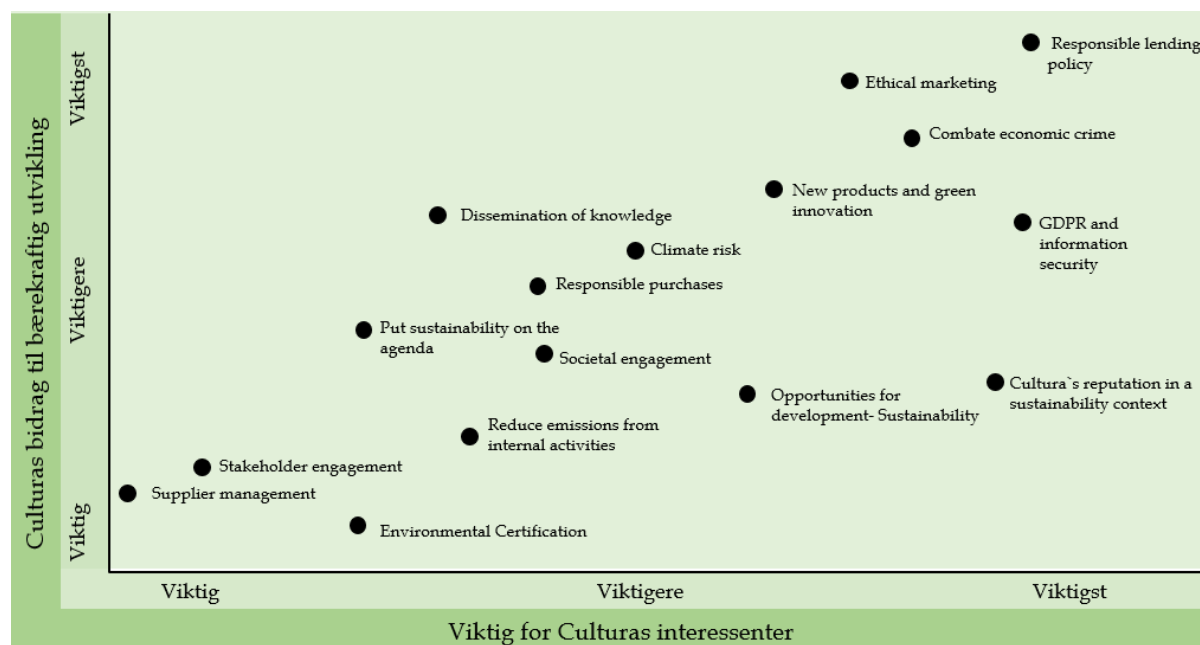
Is about avoiding green washing, to be open and transparent about how sustainable and/or ethical our business is.

### Data protection

IS about security related to digital infrastructure, confidentiality and ability to manage sensitive data.

### Combat economic crime

Is about combating corruption, money laundering and other economic crime.



How we manage and report on the material topics will be elaborated on in a GRI report published in 2022.

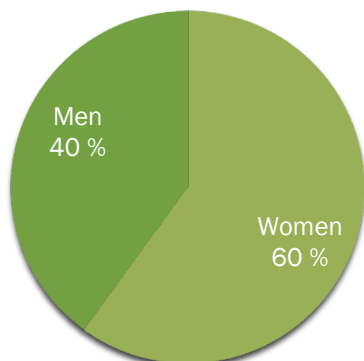
## Employees

Cultura's employees are the bank's most important resource. We depend on good cooperation to make the best use of our resources and contribute to sustainable value creation. In line with the Women's empowerment principle, the bank's gender equality work is an integral part of the business at the top level. The bank acts according to the employment policy based on professional criteria and aims to provide equal opportunities for all, regardless of gender.

The bank's employees consist of eight men and twelve women. The management team consists of one man (Chief risk officer) and four women (bank manager, assistant bank manager, Chief financial officer credit manager). The board consists of four women and three men. The chairman of the board is a woman, and the deputy chairman is a man. The deputies are two women and one man.

Read more about our employees, diversity and gender equality in the Report of the board of directors.

Employees divided by gender



Percentage in permanent position	Men	Women	Total
<b>Total</b>	8	12	20
<b>Permanent position</b>	8	10	18
<b>Temporary position</b>	-	2	2
	0,0 %	16,7 %	10,0 %

Percentage working part time	Men	Women	Total
<b>Total</b>	8	12	20
<b>Part time</b>	-	3	3
	0,0 %	25,0 %	15,0 %

## Corporate management



**Jannike Østervold (born 1956)**  
**Bank Manager, CEO**

Jannike is a social economist from The University of Oslo with previous job experience as a researcher at Rikstrygdeverket, ADM-manager at The University of Oslo and a bank manager at Svalbard Savings Bank. Jannike has been in Cultura Bank since 1998 and has been a member of the board and the board of trustees. She was the assistant bank manager and deputy manager from 2015 to the 1<sup>st</sup> of march when she entered the position as CEO after Kristine Falkgård.



**Liv Rannekleiv (born. 1975)**  
**Credit Manager/Assistant bank manager**

Liv has a master's degree in Management from E.M. Lyon. Liv has since 2001, both nationally and internationally been working in the banking and finance field. She had multiple positions in some of the bigger retail banks, but always directed towards credit and dealing with customers. For the past 12 years, she worked in Danske Bank with structured financing for the oil and gas sector.



**Torstein Dyrnes (born 1977)**  
**Chief Risk Officer**

Torstein is the leader of the bank's risk management division. He started working in Cultura Bank in 2002, where he started in the customer service division. In 2010 he transferred to the finance department before taking over as the leader in 2016. From 2018 he combined the position of Chief Risk and Financial officer until July 2021, when he started as Chief Risk officer full time.



**Christine Praamsma (born. 1989)**  
**Chief Financial Officer**

Christine has a double master's degree in international finance and strategy from BI Norwegian business school and the University of Groningen. She started working in Cultura in 2016 and entered the position as Chief Financial officer in July 2021. She was elected the employee's representative on the board in 2020.

## Customers

As of 31.12.21, Cultura has 5,095 retail customers and 1 574 corporate customers.

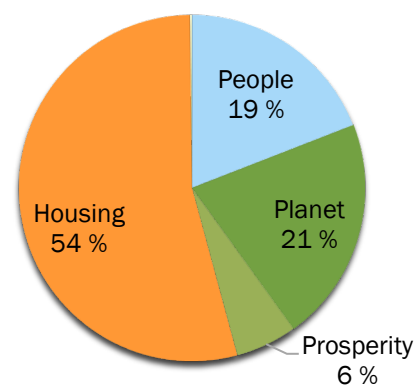
Our values are the foundation of everything we do, including how we interact with our customers and corporate partners. Our lending customers consist of around 60% private individuals, while our corporate portfolio consists of mainly non-profit organizations and other companies.

The bank's values are expressed in the credit area through positive selection and exclusion criteria, which indicate which business areas Cultura cannot operate.

The bank's lending portfolio is divided into the categories «People, » «Planet, » and «Prosperity, » which are reported to the Global Alliance for Banking on Values (GABV).

"People" loans are, among other things, loans for education, cultural purposes, and healthcare. In the "Planet" category, environmental mortgages and agriculture are the most prominent groups, followed by the distribution of organic products and other environmentally oriented purposes. Finally, "Prosperity" loans are primarily loans to local small businesses. The ordinary mortgages amount to around 54% of the lending portfolio as of 31.12.2021. Less than 1% of other loans are not covered by the categories above.

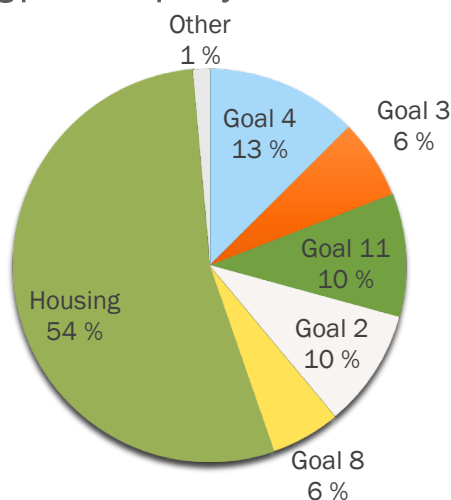
Cultura Bank's lending portfolio as of.  
31.12.2021



## Our customers and the SDGs

The UN's sustainable development goals are the universal call to eradicate poverty, fight inequality, and stop climate change by 2030. The SDGs consist of 17 goals and 169 sub-goals that provide a roadmap for sustainable development for countries, businesses, and society. Around 44% of the bank's lending portfolio in 2021 was categorized as «Triple bottom line» loans. These projects have positive societal benefits for people and the environment and promote the SDGs, one way or another support. Unfortunately, the bank's digital systems do not yet contain sufficient information about the lending projects to make an accurate grouping according to the SDGs. Still, based on the "Triple Bottom Line" classification criteria, the lending portfolio has the following grouping:

### The lending portfolio split by SDGs as of 31.12.2021



#### **Goal 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture**

*2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality*

Cultura finances Debio-certified organic businesses and businesses that bring agriculture closer to ecological balance through cultivation methods and techniques that protect soil quality and animal welfare. Many farms are close to circular as animal husbandry are an integral part. The livestock produces fertilizer for the fields while feeding on the grass at the farm. This kind of agribusiness provides minimal climate impact and can become virtually carbon neutral through gentle cultivation methods and stimulating carbon storage in the soil. In addition, we observe the emergence of small market gardens, where a large variety of plants are produced with regenerative methods for distribution and sale in local communities.

*2.5 By 2020, maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed and diversified seed and plant banks at the national, regional and international levels, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed*

Organic and biodynamic agriculture uses a rich selection of old vegetables and grain varieties that help maintain them. Among Cultura Bank's customers, we find Sigdal Mølle (formerly Organic Special Grain Scandinavia), who works with processing old grain varieties. Sigdal Mill is owned and operated by organic farmers, many of whom focus on regenerative cultivation and carbon storage in



the soil. They offer grain and flour from primitive varieties, such as single grains, emmer, spelled, rye, and country wheat varieties.

The grain is stone ground by its mill in Sigdal. They have full traceability on all lots of grain such that the flour can always be traced back to the farmer. You can ensure that you get the item you want with the protein percentage and the falling number you ordered. You can buy their flour in grocery stores around the country, in their own mill store, online ([www.sigdalmolle.no](http://www.sigdalmolle.no)), and at REKO markets.

### **Goal 3. Ensure healthy lives and promote well-being for all at all ages**

Cu Among Cultura's customers, we highlight the Camphill villages in Norway, seven village communities where people with disabilities work alongside non-disabled co-workers. It can be challenging to place this business under one specific sustainable development goal as it relates to health, development opportunities, local organic agriculture, and employment for all. The organization is placed under SDG number three as the key area of Camphill is quality of life.

We can also highlight Fremja AS, which built care facilities for mentally disabled individuals in Oslo in the same category. The project was inspired by the socially therapeutic and health pedagogical work in Järna in Sweden.



*Sigdal Mølle is in Sigdal in Buskerud municipality. They received a loan from Cultura for among other things, real estate purchases.*



*Weaving at Hogganvik Village, one of several Camphill villages. Hogganvik Village is a live and active community for adults who need special care and their families and employees. Photo: Insa Rumpf*

**3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol**

Veien Ut is a foundation that focuses on qualitative drug treatment. It is an inspiration for drug addicts and their families, other institutions, politicians, the business community, and society. Veien Ut is a philosophy-neutral foundation that uses nature as an arena for the treatment of drug addicts.



*The Veien Ut Foundation uses the positive impact of nature together with professional therapists to help drug addicts to live a lasting drug-free life. Photo: Veien Ut*

**Goal 4. Ensure Inclusive and equitable quality education and promote lifelong learning opportunities for all**

This goal may seem less relevant in a Norwegian context, as we have a good public-school offer and free schooling for everyone.

Cultura Bank has provided loans for educational alternatives such as Steiner schools, kindergartens, and the theater school for Nordic Black Theater to contribute to diverse academic offerings.



The Steiner school is a recognized pedagogical alternative to the public school, from primary school to upper secondary school. It has a long-term goal of creating a lifelong motivation for learning through commitment, curiosity and wonderment. Photo: Steinerbladet



From the Nordic Black Theatre's performance about the singer Nina Simone. Nordic Black Theatre is a self-owned theatre foundation founded in 1992. Their primary activity is theatre production, although they also collaborate with partners in various creative disciplines. The goal of the theatre school is to develop young, transcultural actors. Nordic Black Xpress (NBX). Photo: Nordic Black Theatre.

**4.a** Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all



Health pedagogical Rudolf Steiner school "Ljabruskolen" in Oslo municipality provides education and social training for special-needs children. Photo: Jannike Østervold.

**Goal 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all**

**8.3** Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity, and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

Among Cultura Bank's customers, there are many sole proprietorships and small companies, which represent great creativity and ability for flexibility who create and maintain sustainable jobs in the local communities. Among these are artisans, artists, architects, and galleries.



*Per-Christian Norborg works as a furniture carpenter at Torbjørns Næringspark at Grünerløkka in Oslo. He started the company Ndesign and shares his facilities with fellow Cultura customer and furniture carpenter Lars Terjesen Photo: Stian Torstenson.*

**8.5** *By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value*

The Camphill villages also contribute to sustainable economic growth, although they were formally mentioned under goal number three.

Another example is Aurora Verksted AS, which facilitates permanent arts, design, and crafts jobs for individuals with mental disorders and physical



disabilities.

Art made at Aurora Verksted in Stabekk, which has been running for 25 years. Their business idea is based on the fact that people with disabilities can work with some facilitation. They also run the store RESPECT/aurora at Majorstua, where clothing and interior design products from the work shop and other established brands are sold.  
Photo: Stian Torstenson

### **Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable**

#### **11.4 Strengthen efforts to protect and safeguard the world's cultural and natural heritage**

Since its establishment in 2017, In the Same Boat has removed more than 800,000 kilos of plastic rubbish from the Norwegian coast. They clear beaches for plastic all year round with voluntary efforts from Bergen to Kirkenes. Cultura Bank granted loans for boats uniquely equipped and adapted for their purposes.



*In the summer of 2021, Stian Torstenson from Cultura visited In the Same Boat and participated in beach cleaning along the Helgeland coast. He got to see up close how the organization operates. Photo: In the Same Boat*

The captain and chairman of the board of In the Same Boat, Rolf Høgset, speaks of great interest in participating. They have a waiting list of over 1000 volunteers who want to participate in beach cleaning. "When we started in 2017, this was a completely new idea. No one had done beach cleaning in this way. We had no history, no capital, but we needed finance for boats and equipment. Ultimately, Cultura Bank granted us a loan solely with equipment as collateral and a personal guarantee. Getting a loan today for industrial equipment without major equity is almost impossible. If it had not been for Cultura Bank, we would not have existed today" tells Rolf.



*At the organic farm Nordgard Aukrust, you take a walk in the herb garden, buy organic food in the shop or have a meal made with the farm's products. The poet Olav Aukrust was born and raised at Nordgard Aukrust farm. Hence, the owners of the farm take good care of the important cultural heritage. Photo: Nordgard Aukrust.*

## **Goal 12. Ensure sustainable consumption and production patterns**

**12.1** *Implement the 10-year framework of programmes on sustainable consumption and production, all countries taking action, with developed countries taking the lead, taking into account the development and capabilities of developing countries*

In addition to our sustainability initiatives in our lending policy, Cultura itself is a certified eco-lighthouse aligned with the new regulations for banking and finance. The purpose clause states that the bank shall do attitude-creating work to which the journal "Pengevirke" contributes. The articles and content in the magazine are also published on digital platforms.

The magazine should act as a counterweight to the media coverage where discouraging news gets the biggest headlines. Examples of sustainable lifestyles and production and uplifting news are highlighted that can be of inspiration to our readers. Instead of telling you how to get the maximum return measured in NOK, "Pengevirke" publishes articles about alternative finance, and interviews with people advocating for a minimalistic lifestyle. Moreover, the



magazine contains information about our business and examples of our lending customers.

## Suppliers

We wish to improve the environmental achievements of our own operations. Responsible purchases are one of our main factors to achieve this. Thus, our purchase policy contains guidelines for selecting a new supplier in advance of investment. Before every purchase, an evaluation of necessity should be made.

When purchasing material for long-term use, we shall conduct a life cycle analysis to gather information and, if possible, report environmental impact from start to finish.

In every purchase, environmental criteria are evaluated, and we always aim to choose environmentally certified suppliers when possible. That is when demands for quality, delivery, and the cost is also satisfied.

In 2021, 85 % of our suppliers (over 40 000 NOK) were environmentally certified. As many other banks, our main costs are related to labor costs, rental of premises and payment services.

Category	Name	Revenue 2021
Tax and fees	Oslo Treasurer's office	8 444 082,00
Payment services	Skandinavisk Data Center A/S (SDC)	7 872 010,50
Rental of premises	Norsk telegrambyrå AS	1 393 335,00
Pension	Storebrand Livsforsikring AS	1 248 543,00
Insurance	Bankenes sikringsfond	708 873,75
Auditor	BDO AS	512 031,25
Payment services	Nets Branch Norway	433 077,72
Labor cost	StudentConsulting Norge AS	402 037,00
Marketing and communication	Design Container As	376 312,50
Payment services	TietoEVERY Norway AS	290 143,00

## Stakeholder engagement

*Openness and cooperation are core values for Cultura Bank, and stakeholder engagement is essential for the bank's development. Cultura Bank is a values-based bank. Therefore, stakeholders must understand and support the newly reformulated values 25 years ago after getting our first banking license.*

*The board of trustees of Cultura Bank is similar to the General Assembly of a limited company. As the bank's highest governance body, the board approves financial statements, capital increases, articles of association, etc. In addition, it is a forum for dialogue between some of our most important stakeholder groups- employees, depositors, and owners. The board of trustees meet twice a year, and in 2021 key topics such as values and lending policy were discussed*

Who	Why	How
<p><b>Customers</b> Retail customers, corporate customers, self-employed, organizations and unions</p>	<p>Ensure that lending is in line with the bank its lending policy</p> <p>Communicate how the bank fulfils its purpose and inform about products and services. Receive feedback from customers about their needs and demands- good and bad.</p>	<p>Sustainability assessment is integrated in the lending process. Publish lending projects on our website.</p> <p>4 issues of «Pengevirke» magazine, electronic newsletters 4-6 times per year. Customer survey was conducted in July 2021.</p> <p>Depositor representation in the board of trustees. Client meetings. Annual «Organic-hunt» during the Organic week, seminars, online courses etc.</p> <p>Depositor representation in the board of trustees</p>
<p><b>Employees</b> Employees of Cultura Savings bank, elected representatives, safety delegates and retired staff.</p>	<p>Communicate Cultura's values and corporate culture to new employees, and make sure necessary training is conducted in addition to a good social environment. Capture all good ideas from different levels in the organization.</p>	<p>Weekly meetings for all employees. All employees are involved in strategy processes.</p> <p>EHS- walk- through where everyone can come up with suggestions, improvements and actions.</p> <p>Buddy for new employees. Employees are represented by three members of the board of trustees as well as one representative on the board.</p>
<p><b>Owners</b> Cultura Savings Bank has over 600 equity certificate owners. Among them are international Values-based banks, businesses, organizations, foundations and individuals.</p>	<p>Cultura Bank wants to have owners who motivate the bank's values more than prospects for returns, and who have a long-term perspective on their investments. In order to motivate the offer and commitment of the owners, even in periods where there has been zero or low dividends, it is important to experience being included in the Cultura community and inform about how the bank is doing.</p>	<p>Follow-up meetings with the largest owners.</p> <p>Many owners subscribe to our magazine "Pengevirke" and / or electronic newsletters.</p> <p>The owners are convened for an annual election meeting, where they elect representatives to the Board of Trustees, who meet twice a year. The owners are represented by four members of the board of trustees.</p> <p>Furthermore, communication is provided about the bank's lending activities, etc. on the website Cultura.no.</p>
<p><b>Government</b> Finanstilsynet, Norges Bank</p>	<p>Fulfill reporting requirements</p>	<p>Quarterly and annual reporting</p>
<p><b>Capital markets</b> Equity certificate investors, other banks. Norne</p>	<p>Information and dialogue with existing and potential owners of Cultura's equity certificates to ensure stable access to equity.</p> <p>Find investment methods for your own excess liquidity</p>	<p>Ongoing meeting activities.</p> <p>Bilateral meetings with potential investors. Information through Owners Room and our Investor Relations pages on cultura.no.</p> <p>Meetings with Norne and other banks.</p>
<p><b>Suppliers</b> Product and service suppliers of IT services and consulting services.</p>	<p>Ensure that environmental considerations are taken into account in when purchasing.</p>	<p>Request environmental certification when entering into agreements with suppliers and take the initiative to get them to become environmentally certified if they are not. This is done as part of the work to follow up the bank's certification as an Environmental Lighthouse.</p>

<p><b>Competition</b> Norwegian banks, savings banks and retail banks.</p>	<p>Be an example and inspiration to other banks</p>	<p>Inform about the bank's values and value-based lending policy in various forums where we meet colleagues from other banks. (Courses, conferences) Be highly placed on the Ethical Banking Guide</p>
<p><b>Cooperative partners</b> GABV, FEBEA, ISB, Collaborative organizations such as Andelskassen Merkur in Denmark, Ekobanken in Sweden, Personellservice Trøndelag, Økouka (Organic week)</p>	<p>Exchange ideas on how we can work together for mutual joy and benefit. Exchange of experience, learning, inspiration</p>	<p>Annual meetings with support account partners. Ongoing exchange of information about events and news items. Meetings at various levels in the Global Alliance for Banking on Values (CEO, metrics, marketing) Meetings at management level and at employee level with Ekobanken in Sweden and Merkur in Denmark, our Scandinavian sister banks.</p>
<p><b>Gift recipients</b> Recipients of gifts from the Cultura Gift Fund and recipients of funds raised in public funding campaigns at CulturaFlokk.</p>	<p>We receive information about new, exciting projects, and they get to know more about Cultura Bank.</p>	<p>Interviews with applicants for the Cultura Gift Fund and with project owners at CulturaFlokk. We provide information about selected projects in our channels (Pengevirke, website, social media).</p>
<p><b>Education and research communities</b></p>	<p>There is a great interest for values-based banking among students</p>	<p>Professor Ove Jakobsen at Nord University is a regular contributor to the magazine Pengevirke. Posts about value-based banking, etc. at colleges and universities. Cultura Bank is a corporate member of Rethinking Economics. Many students turn to us for interviews and input on assignments about sustainable banking.</p>
<p><b>Community and public entities</b> Potential customers, politicians, The Norwegian Financial Services Complaints Board</p>	<p>It is part of the bank's purpose to spread knowledge and inspiration about value-based banking.</p>	<p>Web sites, Pengevirke, social media. Participation in debates, respond to inquiries, update data in the Finance portal.</p>
<p><b>Media</b> Local newspapers, national media and Finance Watch,</p>	<p>The media turns to Cultura Bank to get views on various issues or write articles about value-based banking. Or Cultura Bank takes up cases that we want to get out.</p>	<p>Interview requests, press releases</p>
<p><b>Social media</b> Our followers, and the public</p>	<p>Reach out to people in a cost-effective way and spread knowledge about Cultura Bank. Reach out to younger age groups.</p>	<p>The bank is present at Facebook and Twitter with weekly updates. Also active on LinkedIn and YouTube with less frequent updates.</p>

*In 2021, we conducted a customer survey that provides guidelines for further developing the bank's service offering.*

*Other important stakeholders are the authorities and partners who share our values, including the Global Alliance for Banking on Values and our sister banks in Denmark and Sweden - Andelskassen Merkur and Ekobanken.*

*The Ethical Banking Guide has played an essential role in promoting Cultura Bank to the public, as Cultura Bank has been at the top of the list since the ethical Banking Guide was launched. Therefore, Cultura Bank needs to continue the good dialogue with the Ethical Banking Guide to be able to live up to the requirements set.*

# Results of 2021

## Board of director's report for the Year 2021

*Unlike other savings banks, Cultura Bank is not a local bank. Our customers are spread all over the country, and they come to Cultura Bank because they share or sympathize with our values. The bank is experiencing good growth and has satisfied customers, and we see many positive developments, but 2021 has unfortunately not been a good year for the bank's operating finances. Therefore, the board cannot say it is satisfied with the bank's financial result for the year and has initiated projects to make its finances less interest dependent.*

### THE ECONOMIC DEVELOPMENT

We entered 2021 with great uncertainty about the corona situation, infection control measures, and a level of household consumption that had fallen by 8% during 2020. It was expected that vaccines would improve the situation throughout 2021. Interest rates were at a record low, with a policy rate of 0 percent from May 2020, and unemployment was high. Households had reduced their service consumption, while housing prices rose sharply, and expectations of continued low interest rates combined with high household savings were probably contributing factors. Over the summer, vaccination had come a long way, optimism was rising, and economic activity picked up, but the fourth wave of infections delayed the reopening in August. But towards the end of the year, there was still strong growth in the economy, which approached a normal level.

### MAIN FEATURES FOR CULTURA BANK'S FINANCES IN 2021

The low interest rate level has been challenging for the bank's finances, as the majority of the bank's income is interest dependent. The low policy rate also meant little or no return on the bank's liquidity investments. At the same time, there has been a generational change in the bank's management, which for a period has led to overlapping wage costs.

On the positive side, we see that customer access and growth in deposits and loans are good. The bank registered 105 new corporate customers and 337 new private customers in 2021.

A great deal of work has been done in 2021 to expand the bank's product range and make the operating economy less interest dependent. We will reap the results of this work and investments in 2022 and in the coming years.

### ACCOUNTING PRINCIPLE

Cultura Savings bank will submit accounts in accordance with the regulations on Annual Accounts for Banks § 1-4, 1 b) which means that valuation rules and disclosures requirements under IFRS have been complied with, with the exceptions that follow from the regulations.

## Income statement

The bank's total profit after tax 2,1 million NOK. This is a reduction of 2,2 million NOK compared to 2020. The decrease is mainly explained by low net interest income, low dividends, increased labor costs and negative return on securities in the liquidity portfolio. The decrease is reduced partly by a lower loss provision on lending, net reversals of previous losses and a lower cost of tax. Ordinary profit after losses was 3,5 million NOK, compared to 5,0 million NOK in 2020.

### NET INTEREST INCOME

The bank's net interest income was 24,1 million NOK, a decrease of 2,2 million NOK compared to 2020. This is mainly due to the low policy rate.

### OTHER COMPREHENSIVE INCOME

Other comprehensive income was 4,6 million NOK, a decrease of 0,8 million NOK from last year. The decrease is explained by the one-time payment the bank received in 2020 of around 1 million NOK. When disregarding this, other comprehensive income has increased marginally compared to 2020.

### EXPENSES

The bank's expenses amounted to 26,9 million NOK in 2021. This is an increase of 3 million NOK compared to last year. The increase is mainly explained by increased salary and personnel expenses. The bank has increased its staff by 2,4 FTEs during the reporting period, and there has been a shift in management which resulted in overlapping labor costs. Other costs and depreciation costs of long-term assets and intangible assets have increased to some extent.

### LOSSES AND WRITE-DOWNS ON LOANS

The decrease of loan loss provisions related to Covid-19, and net reversal on losses lead to a net income of 1,6 million NOK rather than a cost.

## THE BOARD OF DIRECTORS' PROPOSAL FOR ALLOCATION OF THE NET PROFIT

According to current laws, the profit must be distributed proportionally between the bank's own funds and the share capital. The board proposes that the equity certificates are not allocated a dividend on the basis of the result for 2021. NOK 1 214 648 is added to the equalization fund, earmarked for later dividend payment if the bank's total equity situation allows this. The remaining portion of the profit, NOK 48 '40, is allocated to the primary capital.

## Balance sheet

The bank's balance sheet increased by 13,9% in 2021 and ended at NOK 1,396 million. Lending to customers increased by 13,7% to NOK 913 million. Deposits from customers increased by 15,6% to NOK 1,256 million.

### LENDING

In its lending policy, Cultura places special emphasis on further developing the qualitative profile of the lending. Work is continuing to make this visible in the reporting, with the loans being divided into the categories of "People", "Planet" and "Prosperity", used in the reporting to the Global Alliance for Banking on Values (GABV), so-called "triple-bottom line loans".

Under "People" we find e.g., loans for education, cultural purposes and health and care. Under "Planet", we find environmental home mortgages and organic farming as the largest groups, as well as the distribution of organic products and other environmentally oriented purposes. Under "Prosperity" we find loans to local small businesses. In addition to these, there are ordinary mortgages, which as of 31.12.21 make up 54% of the loan portfolio and 0,15% other loans, which are not covered by the categories above. The distribution of loans for various lending purposes according to the criteria reported to GABV is shown in the table below. "Social Inclusion" essentially concerns lending for social therapeutic activities for people with mental development disabilities.

Outstanding loans by purpose 31.12.2021				
	Lending purpose	In NOK thousands	in %	Sustainable development goal nr.
<b>People</b>	arts and culture	28 471	3,12 %	<b>4</b>
	education	86 260	9,45 %	<b>4</b>
	social inclusion	58 334	6,39 %	<b>3</b>
	other- people	1 380	0,15 %	<b>3</b>
<b>Planet</b>	green housing	75 566	8,28 %	<b>11</b>
	sustainable agriculture	88 552	9,70 %	<b>2</b>
	waste / pollution reduction	17 076	1,87 %	<b>11</b>
	other – planet	10 001	1,10 %	<b>12</b>
	sme lending	47 189	5,17 %	<b>8</b>

<b>Prosperity</b>	other – prosperity	5 123	0,56 %	<b>8</b>
<b>Other</b>	housing	493 555	54,06 %	
	other	1 390	0,15 %	
	<b>SUM</b>	<b>912 897</b>	<b>100 %</b>	

### DEPOSITS FROM CUSTOMERS

Growth in customer deposits in 2021 has been significantly higher than in 2020. The increase has been 15,6% since the end of 2020. The liquidity surplus is still significant, and a large part of the bank's deposits are invested in the market. In 2021, the bank also had a very conservative investment profile. In addition to investments in covered bonds and treasury bills, the bank has, to the extent necessary, deposits in Norges Bank and in DNB as a settlement bank. The bank's securities are very liquid and are deposited as security for the bank's overdraft facilities with Norges Bank.

The bank's current policy requires a minimum of 110% "weighted deposit adequacy" for lending. In the weighted deposit adequacy, deposits that are not covered by the deposit guarantee are given a weight of 50%. The bank's weighted deposit adequacy ratio as of 31.12.21 was 122%. The liquidity risk in the bank is still considered moderate.

### Support accounts:

By the end of 2021, 28 million NOK was deposited at Cultura's support accounts. This generated a total support of around 159 thousand NOK, which was divided between five organizations. Friends of the Earth Norway, WWF-Norway, Rainforest Foundation Norway, Save the children, The Norwegian Woman and Family Association and Norwegian P.E.N

Organization	Contribution in NOK	Accounts 31.12.21
Friends of the Earth Norway	31 980,50	5 819 800,00
WWF-Norway	35 664,00	6 640 700,00
Rainforest Foundation Norway	33 705,45	5 443 800,00
Save the Children	48 183,05	8 582 500,00
The Norwegian Woman and Family association	7 034,85	1 319 600,00
Norwegian P.E.N.	2 353,35	254 700,00
<b>Total</b>	<b>158 921,20</b>	<b>28 061 100,00</b>



## LIQUIDITY

LCR (Liquidity Coverage Ratio) was as of 31<sup>st</sup> of December 2021 256%, against 242% last year, while NSFR (Net Stable Funding Ratio) was 175 % compared to 170 % last year. The board considers the bank's liquidity as reassuring.

## EQUITY CERTIFICATES

The equity certificate capital in 2021 consisted of 85 308 million NOK, at the fair value of 1 000 NOK per equity certificate. The bank's own holdings amount to 1 001 equity certificates for sale.

Issuance of equity certificates is the bank's primary source of equity. The equity certificate holders are registered at the Securities central (VPS) but not at the Norwegian Stock exchange.

In order to realize the goal of significant growth, it is necessary to continue to receive an infusion of new equity through new issues.

## CAPITAL ADEQUACY AND EQUITY

The total capital adequacy ratio at the end of the year was 23,12 % compared to 24,24 % as of 31.12.2020. The tier 1 capital adequacy ratio was also-23,12 %. Common equity tier 1 capital adequacy ratio was at 20,34 %. As of 31.12.2021 the bank meets both internal and external requirements for capital adequacy with a good margin.

The Saving Bank's fund consists of the initial gifts from inauguration and retained earnings. A proportionate and significant part of retained earnings is also allocated to the equation fund, which is earmarked for later dividend distribution if the capital situation allows this.

Capital adequacy as of 31.12.2021			
in %	Regulatory requirements	Internal requirements	Capital coverage
Common equity tier 1	15,50	16,20	20,34
Tier 1 capital	17,00	17,70	23,12
Total capital	19,00	19,70	23,12

## CULTURA GIFT FUND AND CULTURA GUARANTEE FUND

**CULTURA GIFT FUND** manages funds that can be given to initiatives which have to do with e.g., the development, research and testing of new ideas. The grants are given regardless of the customer relationship with the bank. The majority of the fund's assets are invested in Cultura Bank's equity certificates.



**CULTURA GUARANTEE FUND** can offer guarantees in favor of worthy loan projects, where the security is deemed insufficient to satisfy the normal requirements of the bank. After the board decided in 2019 to repay previously received contingent contributions from Innovation Norway, the remaining capital only provides a basis for very limited activity on the part of the Guarantee Fund. Both funds are self-governing trusts, legally independent from the bank.



## RISK MANAGEMENT

Risk management in Cultura Bank shall ensure that the bank's risk exposure to different segments should stay within the limits set by the board and the bank's policy documents. There is a risk appetite document, giving an overview of established framework and accepted risk levels. Policy documents are revised annually at a minimum.

### CREDIT RISK

The bank takes credit risk, which is the risk that the counterparty will incur a loss on the bank by not settling the bank's receivables. The bank's risk appetite in the lending segment is considered moderate.

For a savings bank, Cultura has a relatively high percentage of lending to corporate customers. This is in line with the bank's values.

The volume of corporate lending varies throughout the year. The growth originates primarily from the retail market, in the form of collateralized mortgages. During 2021, the percentage of mortgage have increased from 56% to 62 % which in isolation contributes to reduce the risk in the portfolio.

By the end of the 4<sup>th</sup> quarter, defaulted and exposed to loss lending was 1,23% of lending compared to 2,08% by the end of 2020.

See note 6-11.

### 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 takes place through defined maximum limits for investments in the bank's policy document for market risk. According to this document, the market risk must be very low. Risk exposure and development are monitored on an ongoing basis and reported periodically to the board and management.

### LIKVIDITETSRISIKO

The bank's liquidity risk is defined as the risk that the bank will not be able to meet its debt obligations, or that the bank will not be able to 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 document sets a minimum requirement for "weighted deposit adequacy<sup>5</sup>" of 110%. The bank's weighted deposit adequacy ratio was 122% at the end of 2021. In order to meet large withdrawals and fluctuations in customer deposits, the bank maintains a liquidity reserve and drawing rights in Norges Bank. The holdings in the daily settlement bank, DNB, are adjusted on an ongoing basis to cover current payments.

See note 12.

### OPERATIONAL RISK

The operational risk is the risk of financial losses as a result of errors in internal processes and systems, human errors or as a result of external events.

According to the bank's policy document for operational risk, the risk must be very low.

Operational risk management takes place through the bank's policy, procedures and guidelines. Monitoring of operational risk takes place through internal control, where periodic review of incident logs is a key element. Operational loss incidents and internal control deviations are reported to management and the board.

## **ESG RISK**

ESG-risk (Environmental, Social and Governance) is defined as the risk of financial loss due to environmental, social and economic considerations. ESG risk is not treated in a separate policy document but is considered in the bank's values-based lending policy, sustainability policy and market policy.

## **MARKETING AND COMMUNICATION**

The bank has, for the fifth year in a row, received top ranking in the Fair Finance Guide Norway (98 of 100 points). This has been an important contribution in spreading knowledge about the bank and its ethical profile. We observe a great interest of our kind of business model outside of our client-circle. For example, Cultura has more followers on Facebook than it has customers.

The bank markets itself through various channels such as social media, web sites and advertisements in digital and print media and our Magazine «Pengevirke». In 2021 Cultura Bank is also on Instagram.

Marketing efforts are estimated by the bank to be around 0.6 FTEs in 2021, divided between two employees. In addition, external consultants are used for help with graphic design, web sites and other communication work.

## **EVENTS**

There have been few physical events, and many cancellations in 2021. However, we managed to follow through on some after all:

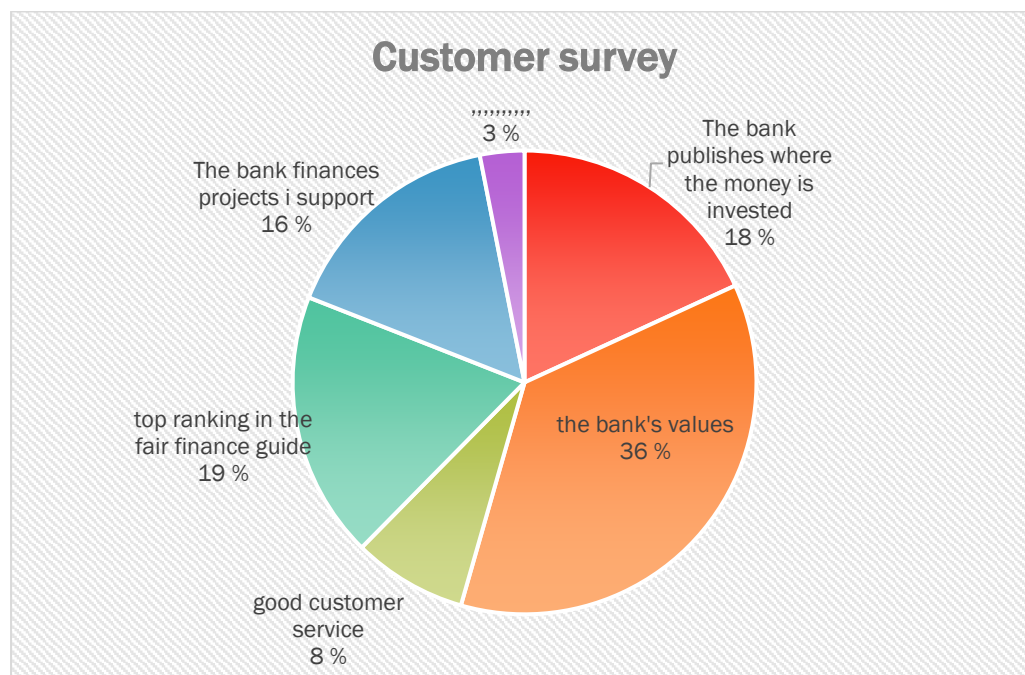
- The bank manager participated in a debate during Arendalsuka
- During Eco week in September Cultura Bank organized Økojakt (Eco Hunting) for the third time. Participants were invited to visit companies that have a range of organic products and were offered several good deals and discounts, which were available through the Cultura's Økojakt app.

A lot can be done digitally as well. We have been present on social media on a weekly basis, and throughout the year we have hosted special digital events such as:

- In November we arranged a celebration of «Banking on Values Day» with competitions on Facebook
- In December we arranged an online course in crowdfunding which was later published on our YouTube channel.

## **CUSTOMER SURVEY**

The bank's customer survey suggests that our customers are very satisfied with the bank as a whole. The main reason our customer choose Cultura is because of our values. By channeling the depositors' capital into good and sustainable lending projects, and by being transparent about who received lending, our customers are ensured that their deposits and equity certificates are managed in line with the bank's values.



## EMPLOYEES

Cultura Bank is more than just a bank, it is also a value-based culture, and as an employee of Cultura Bank, you become a contributor to the corporate culture. In 2021, a strategy process was implemented in which everyone has been involved.

As a small bank with 20 employees, we have the advantage of short communication lines, and employees gather for morning meetings, where everyone has the opportunity to speak up. If we disregard retired employees, the bank has a very stable working environment with low turnover.

## WORKING CONDITIONS

The bank's office is centrally located in Oslo. As a result of the corona situation, there was extensive use of home offices for big parts of 2021, with only a minimum of presence on the bank's premises. Following the abolition of corona measures, a practice has been introduced where employees can use a home office one day per week. Without special agreement. Home office beyond this, must be agreed with the manager.

Employees are offered to use a subsidized canteen.

## CORONA MEASURES

The corona epidemic led to a steep learning curve when it came to digital meeting activities, and employees adapted impressively quickly to the new everyday life with hybrid meetings, with a few employees physically present in the bank and the rest in the home office.

Requirements for appointments were introduced for customers to limit the number of people present at the same time. Good infection control measures and extensive use of home offices resulted in zero incidents of corona among its employees in 2021.

### **COLLECTIVE BARGAINING AGREEMENTS**

The bank has not previously formalized guidelines for wage agreements or wage adjustments. In addition to an assessment of work tasks and responsibilities etc., salaries have been treated in accordance with the results of the annual negotiations between FNO and Finansforbundet. The bank has applied for membership in FNO as an employers' organization starting from 1.1.22.

### **ENVIRONMENT AND OTHER MATTERS**

For Cultura Bank, responsibility for nature and the environment is part of the fundamental view. Therefore, we do our foremost environmental work indirectly through the bank's lending. In addition, the bank will also demonstrate an environmentally conscious profile in its own operations, and the bank has prepared its own environmental policy.

Cultura Bank pollutes its external environment to a small extent. The bank has no direct emissions, and with lending primarily to non-polluting and environmentally conscious businesses, the indirect environmental pollution is also modest.

### **HEALTH, SAFETY AND ENVIRONMENT**

No major labor or environmental cases have been dealt with during the year. The board considers the work environment to be positive. No major accidents or injuries have been registered in 2021.

The absence due to illness rate was 6.8% (9,2% in 2020). The decrease in absence due to illness is related to long-term sick leave in connection with hospital treatment. The absence due to illness is still high in 2021 due to covid-19 situation for the past years. These cases of illness are not considered to be related to workplace conditions.

The company has its own HSE handbook, and HSE efforts are followed up regularly by the general manager and safety representative.

#### **New HSE actions in 2021**

- Organic fruit to employees.
- Employees can spend one hour of their working hours a week for a self-elected work out.

### **ECO- LIGHTHOUSE**



The bank is certified as an “Eco-Lighthouse company”. The certification was renewed in 2020.

The certification involves an annual follow-up and reporting of measures and results from several areas.

- The bank makes every effort to use suppliers who are environmentally certified, and that supplies, and office supplies have an ecolabel / be organic.
- Food waste, glass, plastic, Styrofoam, and electronic waste as well as cardboard and paper are source sorted.
- Travel by public transport (train, bus, or tram) is opted for if possible. None of the bank’s employees use a car daily for work.
- Telephone/video conferencing is done where appropriate. The bank purchased new video conference equipment in 2021



## **DIVERSITY AND GENDER EQUALITY**

The bank strives to provide women and men with equal opportunities for professional development and advancement and has signed “The Women’s Empowerment Principles” (UN Global Compact).

The bank consists of eight men and twelve women.

Society/social conditions	2021	2020
Number of FTE's	18,4	16
Proportion of women by job level (in %)		
General manager/CEO	100	0
Assistant bank manager	100	100
Department manager	50	50
Other employees	54	50
<b>All employees</b>	<b>60</b>	<b>53</b>
Age group (number)		
Under 30 years	2	2
Between 30 and 50 years	9	7
Over 50 years	9	8
<b>Total</b>	<b>20</b>	<b>17</b>
Average age	48	49
Average salary		
Men	644 168	627 312
Women	660 875	583 010
<b>All employees</b>	<b>654 193</b>	<b>603 858</b>
The ratio between the median and the highest salary	2,00	1,62
Women's salaries in proportion to men's by job level		
General manager/CEO	100	0
Assistant bank manager	100	100
Department manager	78	87
Other employees	87	91
<b>All employees</b>	<b>103</b>	<b>93</b>
Absence due to sickness (in %)		
Men	0,5	7,3
Women	12,7	11,2
<b>Total</b>	<b>6,8</b>	<b>9,2</b>
Part-time share (in %)		
Men	12,5	12,5
Women	16,7	22,2
<b>Total</b>	<b>15,0</b>	<b>17,6</b>

## Ethics and notice

Ethical guidelines have been prepared for the bank's employees and elected representatives. The bank's employees, elected representatives, and partners must display a high moral standard and act according to legislation, the bank's bylaws, values, and guidelines. Anyone covered by the guidelines must act responsibly and follow good business practice.

Cultura Bank shall maintain a good psychosocial work environment and do not accept bullying, harassment, and discrimination. This must be taken care of internally and in collaboration with business and other external relations. Bullying, discrimination or harassment in the workplace must be reported.

A notice committee has been established, consisting of the general manager, safety representative, and a board member. In addition, there is a routine for internal notification, which is available in the bank's quality manual.

## OUTLOOK FOR THE FUTURE

The financial results for 2021 is affected by the extremely low interest rate level and the Covid pandemic. We are currently working on expanding the service offerings and are making actions to improve efficiency to improve the operating finances of the bank. We observe several features of positive developments for the upcoming year.

## DEVELOPMENTS OF THE YIELD CURVE

The bank's financial results are already positively affected by the policy rate increase in September and December in 2021. According to Norges Bank's yield curve projections, the policy rate is expected to increase to 1,25 % during 2022.

## ACTIONS TO IMPROVE EFFICIENCY

In 2022, we will implement new labor-saving system solutions, which provide better user experiences for customers and automate work operations, such that further growth can take place without a corresponding increase in the number of employees.

The bank is also looking at how we can exploit economies of scale by cooperating with other banks in areas that are not sensitive to competition.

## New services

In order to accommodate customers' wishes for a broader range of services and at the same time make the bank's finances more robust to future fluctuations in interest rates, much work has been done during 2021 to prepare new products and services, which we will benefit from in 2022.

- **Bank integration:** On the corporate side, system solutions for bank integration has made it easier for large organizations with high payment volumes to choose Cultura Bank.
- **Funds:** In the first quarter of 2022 we entered an agreement with Norne to distribute funds to our customers. This is expected to be available during the first semester of 2022.



- **Credit cards and flexible mortgages:** These products have been requested by customers in different stages of life who need financial flexibility for certain periods.

## OTHER MATTERS

The annual accounts and the information provided in the annual report represent a true picture of the development, the financial results and the position of the bank. The Board of Directors is not aware of matters that are of significance to the assessment of the bank's position as of 31.12.2021 and which do not appear in the income statement or balance sheet.

## EXPRESSION OF GRATITUDE

The Board of Directors express its gratitude to the bank's staff in recognition of the good work performed, and the flexibility and positive attitude remained in a year consisting of many hours from the home office. Further thanks go to the bank's customers, the owners of equity certificates, and the elected representatives of the bank's nomination committee and board of trustees. The existence of Cultura bank is dependent on support from individuals and groups to realize a common goal of developing beneficial and sustainable economic activities.

## The board of Directors in Cultura Bank



**Maria Bjune (born. 1960)**  
**Chair of the board, lives in Hadeland.**

Board member in Cultura Bank since 2008, Chair of the board since 2014. Educated agronomist and cand. polit. with a major in economic geography in addition to education in project management. She has worked as a principle and teacher at Sogn Jord- og Hagebruksskule, senior adviser in Norges Vel, operating manager at the Granly foundation, and different projects in development in several countries. Has been trusted with several honoraries, especially in the field of organic agriculture.



**Morten Johannessen (born. 1953)**  
**Deputy Chair, lives in Røyken.**

Cand. mag. in political science and public justice from the University of Oslo. Worked in several leading positions in Sparebanken NOR and DnB for 30 years, many of them with responsibility for business development in the retail market. Today he is a board member of Spama and Prokom AS, companies which are owned by Norwegian savings banks.



**Camilla Brox (born. 1979)**  
**Board member, lives in Fredrikstad.**

Camilla Brox has an Executive Master of Management (BI) and a bachelor's degree in marketing with a major in leadership and internationalization. Since 2017 she has consulted companies and organizations on strategic matters, especially in the field of sustainability, circular economy and climate. She currently works at The Norwegian Center for Circular economy, CCUS Norway and KAN. She is also a board member of other companies. Board member in Cultura since 2020.



**Gustavo Parra de Andrade, (born. 1985)**  
**Board member, lives in Bærum.**

Gustavo Parra de Andrade has a degree in social economics from the University in Freiburg, Germany. He previously worked in the bank as an accountant and analyst and was also a board member of Cultura Gift fund. He also graduated from MIT and Oxford University in the field of ethical banking. He currently works for Oslo municipality and has been a board member in Cultura since 2021.



**Christine Praamsma (born. 1989)**  
**Chief Financial Officer, lives in Oslo**

Christine has a double master's degree in international finance and strategy from BI Norwegian business school and the University of Groningen. She started working in Cultura in 2016 and entered the position as Chief Financial officer in July 2021. She was elected the employee's representative on the board in 2020.



**Alf Howlid (born. 1952)**  
**Board member, lives in Bærum**

Alf Howlid is a civil architect. He previously worked in Design and Architecture Norway- DOGA and has worked as a teacher in the Steiner school. He is currently working with the National Museum on architectural dissemination. He has been Chair of the board in Steinerskoleforbundet and is currently the Chair of the board in Berle anthroposophical work center. He became a board member of Cultura in 2015.



**Randi Almås Welhaven (born. 1963)**  
**Board member, Lives in Hamar**

Randi Almås Welhaven is an attorney, previously employed as the head of the legal department in Sparebank 1 Østlandet. She was also a member of the Financial Services Complaints Board for a few years and has worked as a judge. She has been a board member of several companies, also in banking. Today she works as a lawyer at the legal department of the hospital in Innlandet HF. Board member of Cultura since 2015.

## Income statement

In thousands of NOK	Notes	2021	2020
Interest income from assets valued at amortized cost		24 381	26 524
Interest income from other assets		2 491	3 222
Interest costs and similar costs		2 746	3 378
<b>Net interest and credit commission income</b>	16	<b>24 127</b>	<b>26 368</b>
Commission income and income from banking services		7 856	7 616
Commission expenses and costs of banking services		3 478	3 492
Dividends and other income from equity instruments		82	1 081
Net gain/(loss) from foreign exchange and financial instruments		93	175
<b>Net other operating income</b>	17	<b>4 554</b>	<b>5 380</b>
Salaries and other personnel expenses	18	15 498	13 004
Other operating expenses	19	9 907	9 600
Depreciation and write-downs on tangible and intangible assets	25	1 448	1 257
<b>Total operating costs</b>		<b>26 853</b>	<b>23 862</b>
<b>Profit before losses</b>		<b>1 827</b>	<b>7 887</b>
Credit losses on loans, guarantees, etc. and interest-bearing securities	10	-1 643	2 935
<b>Profit before tax</b>		<b>3 470</b>	<b>4 952</b>
Tax	20	485	1 056
<b>Profit from ordinary operations after tax</b>		<b>2 985</b>	<b>3 896</b>
<b>Other comprehensive income</b>			
Change in value of equity instruments at fair value through other comprehensive income		-156	713
Tax		0	0
<b>Total items that will not be classified through profit/loss</b>		<b>-156</b>	<b>713</b>
Other income and expenses related to investments in interest-bearing securities		-994	-377
Tax		-249	-94
<b>Total items that will be classified through profit/loss</b>		<b>-746</b>	<b>-282</b>
<b>Total other comprehensive income</b>		<b>-902</b>	<b>431</b>
<b>Total comprehensive income</b>	32	<b>2 083</b>	<b>4 327</b>

## Balance sheet as of 31.12.2021

In thousands of NOK	Notes	2021	2020
<b>Assets</b>			
Cash and cash equivalents		0	144
Loans and claims on credit institutions and claims on central banks		81 173	84 381
Loans and claims on customers at amortized cost	6-10	911 708	800 698
Interest-bearing securities	23	381 125	319 186
Shares, participations and other equity instruments	24	12 127	12 239
Intangible assets	25	1 991	1 140
Fixed assets	25, 34	4 772	5 454
Other assets	26	3 452	3 104
<b>TOTAL ASSETS</b>		<b>1 396 350</b>	<b>1 226 346</b>
<b>LIABILITIES AND EQUITY</b>			
Borrowing from credit institutions	27	109	109
Deposits from customers	28	1 255 721	1 086 193
Other debt	29	12 014	11 643
Payable tax	20	358	1 243
Other provisions		50	175
<b>TOTAL LIABILITIES</b>		<b>1 268 252</b>	<b>1 099 362</b>
<b>EQUITY</b>			
Share capital	31	85 308	85 308
Own equity certificates	31	-1 001	-1 001
Subordinated bond capital	30	15 111	15 104
<b>Total paid-in equity</b>		<b>99 418</b>	<b>99 411</b>
Fund for unrealized gains		3 689	3 845
The Saving Bank's Fund		4 222	4 173
Equalization fund		20 770	19 555
<b>Total retained earnings</b>		<b>28 680</b>	<b>27 573</b>
<b>TOTAL EQUITY</b>	31	<b>128 098</b>	<b>126 984</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 396 350</b>	<b>1 226 346</b>
<b>Guarantees</b>	33	<b>5 870</b>	<b>18 680</b>

## Changes in equity

IN NOK 1 000	Paid-in equity capital			Retained earnings				Total equity
	Equity certificates	Holdings of own equity	Subordinated bond capital	Equalization fund	Savings Bank's fund	Fund for unrealized gains	Transferred to	
<b>Equity as of. 1.1.2020</b>	<b>85 308</b>	<b>-926</b>	<b>15 116</b>	<b>17 093</b>	<b>4 100</b>	<b>3 132</b>	<b>-</b>	<b>123 823</b>
Allocation of profit for the year after dividend	-	-	1 054	2 733	84	-	25	3 896
Other comprehensive income	-	-	-	-271	-11	713	-	431
Trade of equity certificates	-	-75	-	-	-	-	-	-75
Interest on Subordinated bond capital	-	-	-1 066	-	-	-	-	-1 066
Transferred to gifts	-	-	-	-	-	-	-25	-25
<b>Equity as of 31.12.2020</b>	<b>85 308</b>	<b>-1 001</b>	<b>15 104</b>	<b>19 555</b>	<b>4 173</b>	<b>3 845</b>	<b>-</b>	<b>126 984</b>
<b>Equity as of. 1.1.2021</b>	<b>85 308</b>	<b>-1 001</b>	<b>15 104</b>	<b>19 555</b>	<b>4 173</b>	<b>3 845</b>	<b>-</b>	<b>126 984</b>
Allocation of profit for the year after	-	-	976	1 932	77	-	-	2 985
Other comprehensive income	-	-	-	-717	-29	-156	-	-902
Trade of equity certificates	-	-	-	-	-	-	-	-
Interest on Subordinated bond	-	-	-969	-	-	-	-	-969
Transferred to gifts	-	-	-	-	-	-	-	-
<b>Equity as of 31.12.2021</b>	<b>85 308</b>	<b>-1 001</b>	<b>15 111</b>	<b>20 770</b>	<b>4 222</b>	<b>3 689</b>	<b>-</b>	<b>128 098</b>

## Cash flow analysis

In thousands of NOK	2021	2020
<b>Cash flow from operating activities</b>		
Net disbursement of loans to customers	-110 279	-74 168
Interest payments on loans to customers	24 322	26 178
Net deposit/payment of deposits from customers	169 529	103 316
Interest payments on deposits from customers	-1 644	-2 360
Net repayment/disbursement of loans from credit institutions/deposits in credit institutions	-3 518	-3 557
Interest payments on deposits in credit institutions	-134	-47
Purchase and sale of certificates and bonds	-64 292	-34 795
Interest payments on certificates and bonds	2 254	3 702
Net commission payments	4 379	4 124
Payments for operations	-20 409	-19 867
Paid tax	-1 251	-2 155
Paid gifts	-25	-50
<b>Net cash flow from operating activities</b>	<b>-1 070</b>	<b>322</b>
<b>Cash flow from investing activities</b>		
Expenditure on investment in tangible and intangible assets	-1 397	-1 371
Payment on purchase of long-term investment in securities	-66	-30
Payment from the sale of long-term investments in securities	21	-
Dividends from long-term investments in shares	82	1 081
<b>Net cash flow from investing activities</b>	<b>-1 360</b>	<b>-320</b>
<b>Cash flow from financing activities</b>		
Interest on subordinated bond capital	-969	-1 066
Purchase and sale of own shares	-	-75
Issuance of equity certificates	-	-
Dividend to equity certificate holders	-	-2 448
<b>Net cash flow from financing activities</b>	<b>-969</b>	<b>-3 589</b>
<b>Net change in cash during the period</b>	<b>-3 399</b>	<b>-3 587</b>
<b>Cash and cash equivalents as of 1.1</b>	<b>84 525</b>	<b>88 112</b>
<b>Cash and cash equivalents as of 31.12</b>	<b>81 173</b>	<b>84 525</b>
<b>Liquidity portfolio specified</b>		
Cash and cash equivalents	-	144
Claims on central banks	65 997	63 864
Claims on credit institutions without notice period (gross)	15 177	20 517
<b>Liquidity portfolio</b>	<b>81 173</b>	<b>84 525</b>

## Key figures

In full thousands of NOK	2021	2020	2019	2018	2017
<b>Debt- equity ratio</b>					
Common equity tier 1 capital adequacy (in%)	20,34	21,32	23,46	19,25	19,94
Tier 1 capital adequacy ratio (in %)	23,12	24,24	26,84	22,52	19,94
Total capital ratio (in %)	23,12	24,24	26,84	22,52	23,50
Risk-weighted balance sheet according to	543 854	517 814	444 790	459 037	421 403
Unweighted common equity tier 1 capital (in %)	8,87	9,92	10,58	9,54	8,36
Total assets	1 396 350	1 226 346	1 112 511	1 066 368	944 796
Average total assets	1 311 348	1 169 429	1 089 440	1 005 582	890 744
Equity	128 098	126 984	104 661	89 836	86 747
<b>Liquidity</b>					
Liquidity Coverage Ratio (LCR)	256	242	238	322	357
Net Stable Funding Ratio (NSFR)	175	170	164	172	171
<b>Deposit and loan development</b>					
Lending to customers	912 897	802 618	728 450	635 508	565 764
Annual lending growth (in %)	13,7	10,2	14,6	12,3	10,8
Deposits from customers	1 255 830	1 086 302	982 957	951 603	835 509
Annual deposit growth (in %)	15,6	10,5	3,3	13,9	13,3
Deposit adequacy (in %)	138	135	135	150	148
<b>Environment</b>					
CO2 emissions (in tons)	9,3	7,8	7,2	11,0	10,4
<b>Profitability</b>					
Profit after tax	2 083	4 327	6 719	5 477	3 062
Return on total assets	0,16	0,37	0,62	0,55	0,34
Return on equity <sup>1</sup>	1,63	3,70	6,91	6,20	3,75
Net interest income <sup>2</sup>	1,84	2,25	2,38	2,21	2,23
Cost/income %	93,63	75,16	74,00	79,68	85,64
Operating expenses as a percentage of average total assets	2,05	2,04	2,23	2,28	2,50

<sup>1</sup> Return on equity: profit after tax as a percentage of average equity

<sup>2</sup> Net interest income: net interest and credit commission income as a percentage of average total assets



## Notes to the accounts

### NOTE 1 – GENERAL ACCOUNTING PRINCIPLES

#### BASIS

Cultura Sparebank submits accounts in accordance with the Regulations on Annual Accounts for Banks § 1-4, 1 paragraph b), which means that valuation rules and disclosure requirements under IFRS have been complied with, with the exceptions that follow from the regulations.

#### INCOME RECOGNITION

Income recognition of interest according to the effective interest method is used for balance sheet items that are valued at amortized cost and for receivables that are valued at fair value in the balance sheet and amortized cost in the income statement with the difference in the change in fair value and recognition after amortized cost presented in other comprehensive income. Interest income on exposures that are credit impaired is calculated using the effective interest rate on impaired value. Interest income on non-credit impaired liabilities is calculated using the effective interest rate on gross amortized cost (before provision for expected losses).

The effective interest rate is calculated in two different ways depending on whether the loan is credit-impaired, when it is first recognized in the balance sheet. The effective interest rate is the interest rate that causes the present value of future cash flows in the loan's expected maturity to be equal to the book value of the loan on initial recognition. Cash flows include start-up fees, as well as any residual value at the end of the expected term. For loans that have not been credit-impaired when first recognized in the balance sheet, contractual cash flows are used without adjustment for expected losses. For loans that have been credit-impaired when first recognized in the balance sheet, contractual cash flows are adjusted for expected losses. The effective interest rate is then referred to as a credit-adjusted effective interest rate.

Interest income on financial instruments classified as loans is included on the line for net interest income. Fees and commissions are recognized in the income statement as the service is provided. Fees for establishing loan agreements are included in the cash flows when calculating amortized cost and are recognized as income under net interest income according to the effective interest method. Other operating income includes fees and commissions related to money transfers, credit procurement and securities services.

The income recognition takes place when the services have been delivered.

#### CLASSIFICATION AND MEASUREMENT

According to IFRS 9, financial assets shall 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 for the portfolio the instrument is part of, and which contractual cash flows the instrument has. Page 30 Cultura Bank – Annual Report 2020 A distinction is made between debt instruments, derivatives and equity instruments. A debt instrument is all financial assets that are not derivatives or equity instruments.

### **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 instalments 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 through other comprehensive income. With interest income, currency translation effects and write-downs presented through ordinary profit.
- Interest rate instruments in other business models shall be measured at fair value through profit or loss.
- Changes in the value of ordinary interest rate instruments recognized in other comprehensive income shall be reclassified to profit or loss on the sale or other disposal of the assets.
- Other debt instruments shall 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 recognize these at fair value through other comprehensive income. When equity instruments are designated at fair value with changes in value through other comprehensive income, ordinary dividends are recognized through profit or loss. Changes in value, both ongoing and on disposal, are recognized through other comprehensive income.

### **Financial liabilities**

For financial liabilities that are specifically accounted for at fair value with changes in value through profit or loss, changes in value due to the company's own credit risk shall be recognized through other comprehensive income.

### **Derivatives**

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

### **MEASUREMENT AT FAIR VALUE**

The valuation of financial instruments is 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 that are 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 market data**

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 other than observable market data**

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.

**Measurement at amortized cost**

Financial instruments that are not measured at fair value are measured at amortized cost, and income/expenses are calculated using the instrument's effective interest rate. Amortized cost is determined by discounting contractual cash flows within the Cultura Bank – 2020 Annual Report Page 31 expected term. Cash flows include set-up fees and direct, marginal transaction costs that are not directly paid by the customer, as well as any residual value at the end of the expected term. If expected losses are included in the calculation of effective interest, then expected losses in cash flows are included in the calculation of amortized cost. Amortized cost is the present value of such cash flows discounted by the effective interest rate less provisions for expected losses.

**Impairment of financial assets**

Under IFRS 9, the loss provisions shall be recognized based on expected credit losses. The general model for impairment of financial assets comprises financial assets that are measured at amortized cost or at fair value with changes in value through other comprehensive income. In addition, loan commitments, financial guarantee contracts that are not measured at fair value through profit or loss and receivables on leases are also included.

A financial instrument that has not been impaired will, on initial recognition in the balance sheet, have a provision for losses corresponding to 12 months' expected losses, and is classified in stage 1. A 12-month expected loss is the present value, determined using the effective interest rate, of the loss that is expected to occur over the life of the instrument, but which can be linked to defaults that occur in the first 12 months.

If the credit risk, assessed as the probability of default over the remaining life of an asset, is considered to have increased significantly since the initial recognition, a loss provision corresponding to the present value, determined using the effective interest rate, of the loss that is expected to occur over the entire life of the instrument. The asset is reclassified to stage 2.

For loans classified in stage 1 and 2, respectively, the interest rate is calculated based on gross book value and the provision for losses is normally model based.

If a credit impairment occurs, the instrument must be moved to stage 3. Interest income is then recognized based on amortized cost and the provision for losses is normally set on an individual basis. For further details, see IFRS 9

### **Impairment model**

Expected credit loss (ECL) in stage 1 and 2 is calculated as  $EAD \times PD \times LGD$ , discounted at the effective interest rate. Eika has developed its own models for calculating the probability of default (PD) and losses due to default (LGD). The bank's system supplier Skandinavisk Data Center (SDC) has developed models for calculating the probability of default (PD), loss given default (LGD), exposure in the event of default (EAD) and calculation of losses and model for assessing whether a commitment has had a significant increase in credit risk since initial recognition. The impairment model is further described in note 2.

### **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 (lessee) and provider (lessor). The new standard requires the lessee 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 Page 32 Cultura Bank – Annual Report 2020 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. The 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

### **TAKEOVER OF ASSETS**

Assets that are taken over in connection with the follow-up of defaulted and written down commitments are valued at fair value upon acquisition. Such assets are classified in the balance sheet by type. Subsequent valuation and classification of profit and loss effects follow the principles for the asset in question.

## **REPRESENTATION OF PROFIT AND LOSS ITEMS RELATED TO FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE**

Realized gains/(losses) and changes in estimated values of financial instruments at fair value through profit or loss, including dividends, are included in the accounts under "Net gain/(loss) on financial instruments" in the period in which they arise.

## **HEDGE ACCOUNTING**

Cultura Bank does not use hedge accounting

## **OFFSETTING**

Financial assets and financial liabilities are set off and presented only when the bank has a legally enforceable right to set off and when the bank intends to settle on a net basis. Revenues and expenses are not offset unless required or permitted in accordance with IFRS.

## **CURRENCY**

Transactions in foreign currency are translated at the exchange rate at the time of the transaction. Monetary items in foreign currency are translated into Norwegian kroner using the exchange rate on the balance sheet date. Non-monetary items that are measured at the historical exchange rate expressed in foreign currency are translated into Norwegian kroner using the exchange rate at the time of the transaction. Nonmonetary items that are measured at fair value expressed in foreign currency are translated at the exchange rate determined at the balance sheet date. Exchange rate changes are recognized in the income statement on an ongoing basis during the accounting period.

The accounts are presented in Norwegian kroner.

## **FIXED ASSETS**

Fixed assets are valued at acquisition cost less accumulated depreciation and write-downs. Acquisition cost for fixed assets is the purchase price, including taxes and fees, and costs directly related to enabling the fixed asset to be used. Expenses incurred after the fixed asset has been taken into use, such as ongoing maintenance, are recognized in the income statement. Other expenses that are expected to provide future financial benefits are capitalized. Linear depreciation has been used to allocate cost over the operating assets' useful lives.

## **IMPAIRMENT OF FIXED ASSETS AND INTANGIBLE ASSETS**

At each reporting date, and if there are indications of a fall in the value of fixed assets and intangible assets, the recoverable amount of the assets will be estimated to Cultura Bank – 2020 Annual Report Page 33 calculate any impairment. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. The asset's carrying amount is written down if the carrying amount is higher than the estimated recoverable amount.

## **TAX**

Tax expense consists of tax payable and change in deferred tax. Deferred tax/tax assets are calculated on all differences between the accounting and tax value of assets and liabilities, as well as losses to be carried forward.

Deferred tax assets are recognized when it is probable that the bank will have sufficient taxable profits in later periods to utilize the tax asset. The bank recognizes previously non-recognized deferred tax assets to the extent that it has become probable that the bank can utilize the deferred tax asset. Likewise, the company will reduce the deferred tax asset to the extent that the bank no longer considers it probable that it can utilize the deferred tax asset.

Deferred tax and deferred tax assets are measured based on expected future tax rates and tax rules that apply on the balance sheet date, or which are in all probability expected to be adopted, and which are assumed to be utilized when the deferred tax asset is realized or when the deferred tax is settled.

Tax payable and deferred tax are recognized directly in equity to the extent that the tax items relate to equity transactions.

## **PENSION OBLIGATIONS**

Pension costs and liabilities comply with IAS 19. In 2014, the bank converted the collective defined benefit plan into a defined contribution plan for all employees. The scheme is covered through Storebrand, and the bank has no pension obligations beyond the collective pension scheme. The deposits are expensed on an ongoing basis and are accounted for as payroll costs.

## **SUBORDINATED BOND LOANS**

Issued subordinated bonds where the bank is not obliged to pay interest do not satisfy the definition of a financial obligation and are consequently classified as equity in the balance sheet. Interest is presented as a reduction of other equity, while the tax effect of the interest is presented as a tax expense.

## **EVENTS AFTER THE BALANCE SHEET DATE**

New information after the balance sheet date about the bank's financial position on the balance sheet date has been taken into account in the annual accounts. Events after the balance sheet date that do not affect the bank's financial position on the balance sheet date, but which will affect the bank's financial position in the future, are stated if this is significant.

## **CASH FLOW STATEMENT**

The cash flow statement has been prepared on the basis of cash flows from operating, investing and financing activities according to direct methods. Cash flows from operating activities are defined as all deposits and disbursements related to lending and deposit operations to customers and credit institutions, deposits and disbursements from short-term securities, as well as disbursements generated from costs related to ordinary operating activities. Investment activities are defined as cash flows from long-term securities transactions, as well as investments in fixed assets and real estate. Cash flows from raising and repaying subordinated loans and bond debt and equity are

defined as financing activities. Cash and cash equivalents include cash and receivables from Norges Bank and other credit institutions.

## **NOTE 2 – CREDIT RISK**

### **DEFINITION OF DEFAULT**

A customer will be classified as defaulted if at least one of the following criteria is met:

- The customer has an overdraft that exceeds both a relative and absolute limit for more than 90 consecutive days. For both Retail Market and Corporate Market customers, the relative limit is equal to 1% of the customer's total exposures.
- For RM customers, the absolute limit is equal to NOK 1,000
- For CM customers, the absolute limit is equal to NOK 2,000
- It is considered probable that the customer will not be able to meet their credit obligations to the bank (unlikely to pay - UTP).
- The customer is affected by another customer who is in default in accordance with the first two criteria mentioned above.

### **DESCRIPTION OF IMPAIRMENT MODEL**

Cultura Bank is based on the impairment 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 Level 1 agreements consists of outstanding receivables or liabilities adjusted for cash flows over the next 12 months and for Level 2 agreements the discounted cash flows for the expected life of the agreement. For guarantees, EAD is equal to the outstanding liability on 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 time of reporting.

The expected life of an agreement is calculated on the basis of the historical average life of similar agreements. Agreements that are modified are measured from the original grant date even if the agreement has new conditions.

#### **PD – Probability of default**

Probability of default (PD) is estimated as the statistical correlation between default and the customer's financial position, demographic data and payment behavior. Default is defined as an overdraft of a minimum of NOK 1,000 for 90 consecutive days, in addition to other qualitative indicators that indicate that the commitment has defaulted, cf. CRR article 178 and regulations amending the CRR/CRD IV regulations etc. § 7.

#### **PD<sub>12</sub>**

The model distinguishes between retail and corporate customers and measures the probability of default for the next 12 months (PD). The retail customer

model further differentiates 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 six-month history where PD is based on the customer's data, and a model for customers with less than a six-month history who receive a PD based on an external model. The models are validated annually and recalibrated as needed. When the quality of the models deteriorates, new models are developed.

### **PD\_life**

When calculating the probability of default over the expected life of the commitment (PD\_life), a migration-based projection is used to estimate expected default in the future, based on developments in PD over the last 12 months (Markov chain). The following principles are applied: The calculation is done at group level and not at customer level. The calculation is made on the basis of defaults in each risk class and migration between risk classes

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

### **Significant Increase In credit risk**

Significant 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 the original PD on initial recognition (PD<sub>ini</sub>) for various levels in order for the model to capture relative developments in credit risk.

For commitments that originally had a PD of less than 1%, a significant increase is defined as:

$$PD > PD_{ini} + 0.5\%, PD_{life} > PD_{life\_ini} * 2$$

For commitments that originally had a PD above or equal to 1%, a significant increase is defined as:

$$PD > PD_{ini} + 2\%, PD_{life} > PD_{life\_ini} * 2$$

### **LGD – Loss given default**

Loss given default (LGD) consists of two elements, LGD<sub>blank</sub> and blank factor. Blank factor is the part of exposure on the account for which no security has been provided. LGD<sub>blank</sub> is based on historical losses in all Norwegian banks that are part of SDC, for a period of approx. three years for intervals of security coverage. It indicates how much of the blank exposure is lost on average when an account defaults. The LGD model is under continuous development as the data base increases with loss history for new periods. The models distinguish between retail and corporate customers and account types, i.e., cards, loans, credits and guarantees.

#### Retail 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.

### **FORVENTEDE KREDITTAP BASERT PÅ FORVENTNINGER TIL FREMTIDEN**

IFRS 9 requires that forward-looking information be included in the assessment of expected credit losses. Expectations for the future are based on expected macroeconomic developments one to four years ahead.

### **IMPAIRMENT LOSSES IN STAGE 3**

The bank reviews the portfolio quarterly. Commitments with accrued arrears and overdrafts are followed up weekly. A quarterly list of commitments under special follow-up and commitments with payment facilities is kept. When estimating write-downs on individual customers, both the current and expected future financial position and, for Page 36 Cultura Bank – Annual Report 2020 commitments in the corporate market, the market situation for the customer, the relevant sector and market conditions in general are also considered. The possibility of recapitalization, restructuring and refinancing are also considered. An overall assessment of these factors is used as a basis for estimating future cash flow. Cash flows are estimated for three scenarios, a normal scenario, a positive scenario and a negative scenario, each over a period corresponding to the expected maturity of the relevant customer in the relevant scenario, where the provision appears as a weighted average of these. The bank makes a provision for losses in stage 3 if the customer has a credit impairment. When assessing the provision for losses, there is uncertainty in estimating the time and amount for future cash flows, including the valuation of collateral. See note 10 for a list of write-downs on loans and guarantees.

### **CREDIT RISK**

The bank takes credit risk, which is the risk that the counterparty will incur a loss on the bank by not settling the bank's receivables. Credit exposure is primarily related to outstanding loans and debt securities. There is also credit risk associated with "off-balance" financial instruments such as loan commitments, unused credit and guarantees. See notes 6 to 12 for assessment of credit risk.

### **Classification**

Probability of default is used as a measure of credit quality. The bank divides the portfolio into ten risk classes, based on PD for each credit commitment (see the table below). Credit-impaired commitments (stage 3) are given a PD of 100 per cent. The bank's portfolio divided by risk classes and stages is presented in note 6.

### **NOTE 3 – APPLICATION OF ESTIMATES AND DISCRETIONARY ASSESSMENTS**

Preparation of accounts in accordance with generally accepted accounting principles requires that management in a number of cases must apply

estimates and discretionary assessments. These assessments are evaluated on an ongoing basis and are based on historical experiences and assumptions about future events that are considered probable at the balance sheet date. Uncertainty is associated with the assumptions and expectations that form the basis for applied estimates and discretionary assessments.

### COVID-19

The Covid-19 pandemic has led to a significant and rapid change in the credit risk for the bank's portfolio. The uncertainty has led to a need to make an adjustment at the portfolio level for expected losses. This is discussed in more detail in note 35 Covid-19. See also note 9 Exposures on loans and note 10 Write-downs on loans, guarantees, etc.

## NOTE 4 – CAPITAL ADEQUACY

In thousands of NOK	31.12.2021	31.12.2020
Saving Bank's fund	4 222	4 173
Fund for unrealized gains	3 689	3 845
Equalization fund	20 770	19 555
Equity certificate	85 308	85 308
Own holding of equity certificates	-1 001	-1 001
<b>Total equity</b>	<b>112 987</b>	<b>111 880</b>
Intangible assets	-1 991	-1 140
Deduction for prudent valuation	-393	-319
<b>Total common equity tier 1 capital</b>	<b>110 602</b>	<b>110 421</b>
Subordinated bond capital	15 111	15 104
<b>Total tier 1 capital</b>	<b>125 713</b>	<b>125 525</b>
Subordinated loan	-	-
<b>Total subordinated capital</b>	<b>125 713</b>	<b>125 525</b>

In thousands of NOK	31.12.2021	31.12.2020
States and central banks	-	-
Local and regional authorities	13 433	8 018
Publicly owned enterprises	-	-
Institutions	4 854	7 203
Enterprises	50 231	58 929
Commitments with mortgage security in real estate	354 772	314 614
Overdue commitments	10 895	8 697
High-risk commitments	-	-
Bonds with preferential rights	19 104	17 911
Other commitments	24 674	25 576

<b>Total calculation basis credit risk</b>	<b>477 962</b>	<b>440 947</b>
+ operational risk	58 297	54 765
+ currency risk	7 595	22 102
<b>Total calculation basis</b>	<b>543 854</b>	<b>517 814</b>
<b>Equity as a % of total assets</b>	<b>9,17</b>	<b>10,35</b>
<b>Common equity tier 1 capital in %</b>	<b>20,34</b>	<b>21,32</b>
<b>Tier 1 capital in %</b>	<b>23,12</b>	<b>24,24</b>
<b>Subordinated capital in %</b>	<b>23,12</b>	<b>24,24</b>

## NOTE 5 – RISK MANAGEMENT

The bank's business activities lead to it being exposed to a number of financial risks. The goal is to achieve a balance between return and risk. The bank's financial risk management has been established to identify and analyze these risks, and to establish appropriate risk frameworks and risk controls. The bank regularly assesses the established guidelines for risk management and the system that has been established to ensure that changes in products and markets are reflected in the risk limits.

The responsibility for the bank's risk management and control is divided between the bank's board and management. The board adopts the bank's goals and frameworks within all risk areas, including guidelines for risk management. 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
- Business and risk management

The policy documents are revised at least annually. The bank also has its own recovery plan in accordance with the EU crisis management directive, which was introduced into Norwegian law in 2019. A risk control function has been established which is directly under the general manager, and which reports directly to the board. There is also a separate procedure for carrying out internal control. The internal control report is reviewed annually by the board. A risk and audit committee has also been established on the board.

### LIQUIDITY RISK

The bank's liquidity risk is defined as the risk that the bank will not be able to meet its debt obligations, or that the bank will not be able to 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 document sets a minimum requirement for “weighted deposit adequacy<sup>3</sup>» of 110%. The bank's weighted deposit adequacy ratio was 122% at the end of 2021. In order to meet large withdrawals and fluctuations in customer deposits, the bank maintains a liquidity reserve and drawing rights in Norges Bank. The holdings in the daily settlement bank, DNB, are adjusted on an ongoing basis to cover current payments.

See note 13 for assessment of liquidity risk.

## 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 takes place through defined maximum limits for investments in the bank's policy document for market risk. According to this document, the market risk must be very low. Risk exposure and development are monitored on an ongoing basis and reported periodically to the board and management.

The bank's portfolio of interest-bearing securities consists of:

- Treasury bills
- covered bonds
- bonds issued by:
  - Norwegian municipalities
  - Nordic municipality banks
  - Multilateral development banks

All securities have a high credit rating and variable interest rates with three-month intervals for interest rate adjustment (covered bonds), or a maximum maturity of 12 months (treasury bills), and thus a relatively low exchange rate and interest rate risk.

The bank's equity portfolio is relatively small and consists of investments in related companies abroad and investments in strategic partners. It is less exposed to turmoil in the securities markets.

## OPERATIONAL RISK

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

Operational risk management takes place through the bank's policy, procedures and guidelines. Monitoring of operational risk takes place through internal control, where periodic review of incident logs is a key element. Operational loss incidents and internal control deviations are reported to management and the board.

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<sup>3</sup> Here, deposits not covered by the deposit guarantee are weighted 50 %

**ICAAP/ILAAP**

In accordance with the capital adequacy regulations, the bank prepares an ICAAP report annually. Here, 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 a separate risk report which is available on the bank's website.

**RECOVERY PLAN**

A recovery plan has been established in accordance with the provisions of the Crisis Management Directive, which was introduced into Norwegian law in 2019. The plan is an important part of the bank's preparedness and must ensure that it has effective and relevant measures that can be implemented in a stressful situation, without causing significant negative consequences for customers, other financial undertakings or the economy in general. Any breaches of the plan's trigger levels are reported to the board monthly.

## Credit risk

### NOTE 6 – LENDING TO CUSTOMERS BY CREDIT QUALITY LEVEL

#### LOANS, GUARANTEES AND UNUSED CREDITS TO CUSTOMERS BY CREDIT QUALITY LEVEL 2021

##### LENDING - TOTAL

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	385 680	11 555	-	397 234
Medium risk (4-7)	297 131	13 420	-	310 551
High risk (8-10)	141 135	52 713	-	193 848
Defaulted and exposed to loss (11)	-	-	11 263	11 263
<b>Total gross lending</b>	<b>823 946</b>	<b>77 688</b>	<b>11 263</b>	<b>912 897</b>
Write-downs	-668	-142	-379	-1 189
<b>Total lending at book value</b>	<b>823 278</b>	<b>77 546</b>	<b>10 884</b>	<b>911 708</b>

##### LENDING- RETAIL MARKET

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	314 773	-	-	314 773
Medium risk (4-7)	111 389	56	-	111 445
High risk (8-10)	113 250	23 536	-	136 786
Defaulted and exposed to loss (11)	-	-	8 897	8 897
<b>Total gross lending</b>	<b>539 411</b>	<b>23 592</b>	<b>8 897</b>	<b>571 900</b>
Write-downs	-16	-5	-225	-246
<b>Total lending at book value</b>	<b>539 395</b>	<b>23 587</b>	<b>8 672</b>	<b>571 654</b>

##### LENDING- CORPORATE MARKET

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	70 908	11 555	-	82 463
Medium risk (4-7)	185 742	13 365	-	199 107
High risk (8-10)	27 886	29 177	-	57 062
Defaulted and exposed to loss (11)	-	-	2 366	2 366
<b>Total gross lending</b>	<b>284 536</b>	<b>54 096</b>	<b>2 366</b>	<b>340 998</b>
Write-downs	-652	-137	-153	-943
<b>Total lending at book value</b>	<b>283 884</b>	<b>53 959</b>	<b>2 213</b>	<b>340 055</b>

**GUARANTEES AND UNUSED CREDIT BY CREDIT LEVEL**

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	6 716	5	-	6 721
Medium risk (4-7)	8 742	708	-	9 450
High risk (8-10)	40	406	-	446
Defaulted and exposed to loss (11)	-	-	-	-
<b>Total gross lending</b>	<b>15 498</b>	<b>1 119</b>	<b>-</b>	<b>16 617</b>
Write-downs	-15	-	-	-15
<b>Total lending at book value</b>	<b>15 483</b>	<b>1 119</b>	<b>-</b>	<b>16 602</b>

**LOANS WHERE PAYMENT RELIEF (FORBEARANCE) HAS BEEN GRANTED AS OF 31.12.2021**

In thousands of NOK	Stage 2	Stage 3	Total
Loans with repayment relief	17 762	4 371	22 132

**LOANS, GUARANTEES AND UNUSED CREDITS TO CUSTOMERS BY CREDIT QUALITY LEVEL 2020****LENDING- TOTAL**

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	367 254	7 519	-	374 772
Medium risk (4-7)	261 161	9 719	-	270 880
High risk (8-10)	81 067	59 265	-	140 332
Defaulted and exposed to loss (11)	-	-	16 634	16 634
<b>Total gross lending</b>	<b>709 481</b>	<b>76 503</b>	<b>16 634</b>	<b>802 618</b>
Write-downs	-1 195	-264	-461	-1 920
<b>Total lending at book value</b>	<b>708 286</b>	<b>76 239</b>	<b>16 173</b>	<b>800 698</b>

**LENDING - RETAIL MARKET**

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	254 142	-	-	254 142
Medium risk (4-7)	117 345	1	-	117 346
High risk (8-10)	58 780	23 895	-	82 674
Defaulted and exposed to loss (11)	-	-	9 691	9 691
<b>Total gross lending</b>	<b>430 266</b>	<b>23 896</b>	<b>9 691</b>	<b>463 853</b>
Write-downs	-21	-50	-213	-284
<b>Total lending at book value</b>	<b>430 245</b>	<b>23 846</b>	<b>9 478</b>	<b>463 569</b>

**LENDING – CORPORATE MARKET**

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	113 112	7 519	-	120 631
Medium risk (4-7)	143 816	9 717	-	153 533
High risk (8-10)	22 287	35 370	-	57 657
Defaulted and exposed to loss (11)	-	-	6 943	6 943
<b>Total gross lending</b>	<b>279 215</b>	<b>52 606</b>	<b>6 943</b>	<b>338 765</b>
Write-downs	-1 174	-214	-248	-1 636
<b>Total lending at book value</b>	<b>278 041</b>	<b>52 392</b>	<b>6 695</b>	<b>337 129</b>

**GUARANTEES AND UNUSED CREDIT BY CREDIT LEVEL**

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
Low risk (1-3)	11 699	5	-	11 704
Medium risk (4-7)	18 117	81	-	18 198
High risk (8-10)	689	2 479	-	3 168
Defaulted and exposed to loss (11)	-	-	-	-
<b>Total gross lending</b>	<b>30 505</b>	<b>2 565</b>	<b>-</b>	<b>33 069</b>
Write-downs	-137	-14	-	-151
<b>Total lending at book value</b>	<b>30 368</b>	<b>2 550</b>	<b>-</b>	<b>32 918</b>

**LOANS WHERE PAYMENT RELIEF (FORBEARANCE) HAS BEEN GRANTED AS OF 31.12.2020**

In thousands of NOK	Stage 2	Stage 3	Total
Loans with payment relief	18 579	10 030	28 610

**NOTE 7 – DISTRIBUTION OF LOANS****LENDING BY TYPE OF RECEIVABLE**

In thousands of NOK	31.12.2021	31.12.2020
Cash, operating and use credits	7 026	10 983
Construction loans	-	2 300
Repayment loans	905 871	789 335
<b>Gross lending and receivables from customers</b>	<b>912 897</b>	<b>802 618</b>
Write-downs on loans in stage 1	-668	-1 195
Write-downs on loans in stage 2	-142	-264
Write-downs on loans in stage 3	-379	-461
<b>Net lending and receivables from customers</b>	<b>911 708</b>	<b>800 698</b>



**GROSS LENDING BY GEOGRAPHICAL AREA AS OF 31.12.2021**

In thousands of NOK	31.12.2021	31.12.2020
Oslo	343 809	279 092
Rogaland	14 539	16 681
Møre og Romsdal	2 237	2 315
Nordland	29 030	25 103
Viken	271 959	242 797
Innlandet	65 971	76 504
Vestfold og Telemark	81 581	60 081
Agder	5 434	5 800
Vestland	24 204	26 819
Trøndelag	42 974	39 127
Troms og Finnmark	31 155	28 298
Utlandet	6	1
<b>Gross lending and receivables from customers</b>	<b>912 897</b>	<b>802 618</b>

**NOTE 8 – CREDIT IMPAIRED COMMITMENTS****CREDIT IMPAIRED COMMITMENTS BY SECTOR/INDUSTRY AS OF 31.12.2021**

In thousands of NOK	Gross imp. Comm.	Impairment in stage 3	Net imp. commitments
Retail market	8 897	-225	8 672
<b>Corporate market</b>			
Business services	2 366	-153	2 213
<b>Total credit impaired commitments</b>	<b>11 263</b>	<b>-379</b>	<b>10 885</b>

The bank has NOK 2 million in loans in stage 3 where no impairment has been made due to the value of the collateral. As of 31.12.2020, the bank has NOK 3,1 million. As of 31.12.2021 the bank has NOK 9,3 million in impaired commitments that are still being recovered. Income from this activity is entered as a reduction of the impairments.

**CREDIT IMPAIRED COMMITMENTS BY SECTOR/INDUSTRY AS OF 31.12.2020**

In thousands of NOK	Gross imp. Comm.	Impairment in stage 3	Net imp. commitments
Retail market	9 691	-213	9 478
<b>Corporate market</b>			
Retail, repair of motor vehicles	5 025	-181	4 844
Professional services	62	-62	-
Business services	1 857	-5	1 852
<b>Total credit impaired commitments</b>	<b>16 635</b>	<b>-461</b>	<b>16 174</b>

**CREDIT IMPAIRED LOANS**

In thousands of NOK	31.12.2021	31.12.2020
Gross non-defaulted loans - over 90	4 061	6 002
Impairment in stage 3	-129	-148
<b>Net defaulted loans</b>	<b>3 932</b>	<b>5 854</b>
Other impaired loans	7 202	10 633
Impairment in stage 3	-250	-313
<b>Net credit impaired non-defaulted loans</b>	<b>6 953</b>	<b>10 320</b>
<b>Net defaulted and impaired commitments</b>	<b>10 885</b>	<b>16 174</b>

**CREDIT IMPAIRED LOANS DISTRIBUTED BY SECURITY**

In thousands of NOK	31.12.2021	%	31.12.2020	%
Loans secured by residential mortgage	11 263	100,0	11 548	69,4
Loans secured by other collateral	-	-	5 025	30,2
Unsecured lending	-	-	62	0,4
<b>Total credit-impaired loans</b>	<b>11 263</b>	<b>100,0</b>	<b>16 635</b>	<b>100,0</b>

**NOTE 9 – EXPOSURE TO LOANS****2021**

In thousands of NOK	Gross lending	Impair. stage 1	Impair. stage 2	Impair. Stage3	Unused credit	Guarantees	Impair. stage 1	Impair. stage 2	Impair. Stage3	Max unused credit exp
Retail market	571 900	-16	-5	-225	484	90	-29	-	-	572 198
<b>Corporate market</b>										
Agriculture and related services	76 448	-	-57	-	1 952	-	-	-	-	78 342
Forestry and related services	414	-	-	-	-	-	-	-	-	414
Fishing and hunting	1 952	-	-	-	-	-	-	-	-	1 952
Industry	9 683	-	-	-	-	-	-	-	-	9 683
Construction activities	-	-	-	-	10	-	-	-	-	10
Retail, rep. of motor vehicles	4 353	-1	-	-	158	350	-	-	-	4 860
Transport otherwise and storage	292	-	-	-	-	77	-	-	-	369
Accommodation and catering activities	1	-	-	-	550	-	-	-	-	551
Information and communication	71	-	-	-	-	-	-	-	-	71
Sale and operation of real estate	70 591	-2	-	-	3 217	-	-	-	-	73 806
Professional services	8 724	-6	-	-	834	578	-	-	-	10 130
Business services	5 553	-	-	-153	-	3 118	-7	-	-	8 510
Services industries otherwise	162 918	-2	-	-	3 543	1 657	-6	-	-	168 110
Foreign companies	-	-	-	-	-	-	-	-	-	-
<i>Covid-19-impairment</i>		-640	-80							-720
<b>Total</b>	<b>912 897</b>	<b>-668</b>	<b>-142</b>	<b>-379</b>	<b>10 747</b>	<b>5 870</b>	<b>-42</b>	<b>-</b>	<b>-</b>	<b>928 284</b>

**2020**

In thousands of NOK	Gross lending	Impair. stage 1	Impair. stage 2	Impair. Stage3	Unused credit	Guarantees	Impair. stage 1	Impair. stage 2	Impair. Stage3	Max unused credit exp
Retail market	463 853	-21	-50	-213	473	206	-	-	-	464 248
<b>Corporate market</b>										
Agriculture and related services	70 424	-15	-	-	3 142	-	-	-	-	73 551
Forestry and related services	449	-	-	-	-	-	-	-	-	449
Fishing and hunting	1 949	-	-	-	-	-	-	-	-	1 949
Industry	9 972	-4	-3	-	-	-	-	-	-	9 965
Construction activities	-	-	-	-	10	-	-	-	-	10
Retail, rep. of motor vehicles	9 481	-2	-2	-181	561	350	-	-	-	10 207
Transport otherwise and storage	590	-	-	-	-	149	-	-	-	739
Accommodation and catering activities	237	-	-	-	344	-	-	-	-	581
Information and communication	94	-	-	-	-	-	-	-	-	94
Sale and operation of real estate	58 832	-	-	-	1 704	-	-	-	-	60 536
Professional services	2 865	-	-	-62	643	-	-	-	-	3 446
Business services	1 859	-	-	-5	-	2 894	-	-	-	4 748
Services industries otherwise	182 012	-24	-10	-	7 513	865	-	-14	-	190 342
Foreign companies	-	-	-	-	-	14 216	-137	-	-	14 080
<i>Covid-19-impairment</i>		-1 129	-199							-1 328
<b>Total</b>	<b>802 618</b>	<b>-1 195</b>	<b>-264</b>	<b>-461</b>	<b>14 390</b>	<b>18 680</b>	<b>-137</b>	<b>-14</b>	<b>-</b>	<b>833 617</b>

**NOTE 10- IMPAIRMENT ON LOANS AND GUARANTEES**

In accordance with IFRS 9, the bank's lending to customers, guarantees, unused credits and interest-bearing securities measured at fair value are grouped into three stages. The stages are based on default probabilities at the time of recognition compared with default probabilities on the balance sheet date as well as other indicators of significant increase in credit risk and/or credit impairment, including number of days of default, payment relief for financial difficulties and discretionary loss assessments. The distribution between the stages is made for the individual loan or commitment.

- The table below specifies the changes in the period's write-downs on gross capitalized loans, guarantees, unused drawing rights and

interest-bearing securities measured at fair value for each stage, and includes the following elements:

- Transfer between the stages due to change in credit risk, from 12 months of expected credit loss in stage 1 to credit loss over the life of the instrument in stage 2 and stage 3.
- Increase in write-downs through the issuance of new loans, guarantees and unused credits as well as the acquisition of interest-bearing securities measured at fair value.
- Reduction in write-downs when deducting loans, guarantees, unused credits and redeemed interest-bearing securities.
- Increase or decrease in write-downs due to changes in input variables, calculation assumptions, macroeconomic assumptions and the effect of discounting.

Write-downs on unused credits and guarantees are recognized in the balance sheet as a liability in the accounts.

### IMPAIRMENT OF LOANS

In thousands of NOK	Stage 1	Stage 2	Stage 3	Total
<b>Write-downs on loans, guarantees, etc. as of 1.1.2021</b>	<b>1 478</b>	<b>278</b>	<b>461</b>	<b>2 217</b>
Migrated from stage 1	-15	62	-	46
Migrated from stage 2	7	-71	-	-65
Migrated from stage 3	-	-	-	-
Impairment of new commitments during the period	93	-	153	247
Commitments deducted during the period	-178	-2	-243	-423
Other changes	-44	-4	7	-42
Covid-19 impairment	-489	-119	-	-608
<b>Write-downs on loans, guarantees, etc. as of 31.12.2021</b>	<b>852</b>	<b>143</b>	<b>379</b>	<b>1 373</b>

### LOSS COST IN THE PERIOD

In thousands of NOK	2021	2020
Impairment for the period in stage 1	-626	1 264
Impairment for the period in stage 2	-135	229
Impairment for the period in stage 3	-83	-208
The period's established losses against previous write-downs	66	1 337
The period's established losses against previous write-downs	34	313
The beginning of the period on previously established losses	-899	-
<b>Loss cost in the period</b>	<b>- 1 643</b>	<b>2 935</b>

## NOTE 11 – LARGE COMMITMENTS

As of 31 December 2021, the bank's ten largest credit commitments accounted for 15,94 % of gross commitments (2020: 18,47%). The bank has eight commitments that are reported as large commitments, i.e., greater than 10% of subordinated capital. The largest credit commitment is 15.91% of subordinated capital.

In thousands of NOK	2021	2020
<b>10 largest commitments</b>	<b>148 052</b>	<b>154 355</b>
Total gross commitments	929 004	835 688
Largest commitment in % of subordinated capital	<b>15,94 %</b>	<b>18,47 %</b>
Subordinated capital	125 713	125 524
<b>10 largest commitments in % of subordinated capital</b>	<b>117,77 %</b>	<b>122,97 %</b>
<b>Largest commitment in % of subordinated capital</b>	<b>15,91 %</b>	<b>15,31 %</b>

Gross commitments include lending to customers before impairment, guarantees and unused credits.

**NOTE 12 – LIQUIDITY RISK****AGREED MATURITY ON THE MAIN BALANCE SHEET ITEMS 31.12.2021**

	0-1 month	1-3 month	3 mnd-1 year	1-5 year	Over 5 years	No maturity	Total
Cash and cash equivalents	-	-	-	-	-	-	-
Receivables from credit institutions and central banks	81 173	-	-	-	-	-	81 173
Net lending to and receivables from customers	1 859	8 529	26 577	104 538	763 213	6 992	911 708
Bonds, certificates etc.	16 052	89 959	155 699	119 415	-	-	381 125
Other assets	-	-	293	-	-	22 049	22 342
<b>Total assets</b>	<b>99 084</b>	<b>98 488</b>	<b>182 569</b>	<b>223 953</b>	<b>763 213</b>	<b>29 041</b>	<b>1 396 350</b>
Debt to credit institutions	109	-	-	-	-	-	109
Deposits from and debt to customers	1 255 721	-	-	-	-	-	1 255 721
Other debt	5 689	2 120	1 123	3 439	-	50	12 422
<b>Total debt</b>	<b>1 261 519</b>	<b>2 120</b>	<b>1 123</b>	<b>3 439</b>	<b>-</b>	<b>50</b>	<b>1 268 252</b>
<b>Net</b>	<b>-1 162 435</b>	<b>96 368</b>	<b>181 446</b>	<b>220 514</b>	<b>763 213</b>	<b>28 991</b>	<b>128 098</b>

**AGREED MATURITY ON THE MAIN BALANCE SHEET ITEMS 31.12.2020**

	0-1 month	1-3 month	3 mnd-1 year	1-5 year	Over 5 years	No maturity	Total
Cash and cash equivalents	-	-	-	-	-	144	144
Receivables from credit institutions and central banks	84 381	-	-	-	-	-	84 381
Net lending to and receivables from customers	1 538	8 640	39 119	119 561	620 857	10 983	800 698
Bonds, certificates etc.	10 034	110 000	91 290	107 862	-	-	319 186
Other assets	822	999	1 104	1 956	4 817	12 239	21 937
<b>Total assets</b>	<b>96 775</b>	<b>119 639</b>	<b>131 513</b>	<b>229 379</b>	<b>625 674</b>	<b>23 366</b>	<b>1 226 346</b>
Debt to credit institutions	109	-	-	-	-	-	109
Deposits from and debt to customers	1 086 193	-	-	-	-	-	1 086 193
Other debt	3 597	1 558	2 503	-	5 402	-	13 061
<b>Total debt</b>	<b>1 089 899</b>	<b>1 558</b>	<b>2 503</b>	<b>-</b>	<b>5 402</b>	<b>-</b>	<b>1 099 362</b>
<b>Net</b>	<b>-993 124</b>	<b>118 081</b>	<b>129 010</b>	<b>229 379</b>	<b>620 272</b>	<b>23 366</b>	<b>126 984</b>

**NOTE 13 – CURRENCY RISK**

The bank's loans and deposits across national borders are issued in Norwegian kroner and thus do not constitute a currency risk. However, the bank has some currency risk in connection with strategic investments in ideologically related European financial institutions, as well as the bank's system supplier, SDC AS. The bank is also exposed to some currency risk in connection with SDC AS invoicing its services in DKK. A loan guarantee of DKK 10 million has been issued.

**CURRENCY POSITIONS AS OF 31.12.2021**

In thousands of NOK	EUR	DKK	SEK
Loans and advances to credit institutions	29	3	225
Shares, participations, and other equity instruments	1 978	4 865	495
<b>Total</b>	<b>2 007</b>	<b>4 869</b>	<b>719</b>



## NOTE 14 – PRICE RISK

Price risk on securities is the risk of losses that arise from changes in the value of bonds and equity instruments in which the bank has invested. The bank has established a framework for investments and investments in addition to this must be approved by the bank's board.

## NOTE 15 – INTEREST RATE RISK

### TIME UNTIL CHANGE OF INTEREST TERMS AS OF 31.12.2021

	0-1 month	1-3 month	3 mnd-1 year	1-5 year	Over 5 years	No maturity	Total
Cash and cash equivalents	-	-	-	-	-	-	-
Receivables from credit institutions and central banks	-	-	-	-	-	81 173	81 173
Net lending to and receivables from customers	-	911 708	-	-	-	-	911 708
Bonds, certificates etc.	-	381 125	-	-	-	-	381 125
Other assets	-	-	-	-	-	22 343	22 343
<b>Total assets</b>	-	<b>1 292 834</b>	-	-	-	<b>103 516</b>	<b>1 396 350</b>
<i>In which in foreign currency</i>	-	-	-	-	-	7 595	7 595
Debt to credit institutions	-	-	-	-	-	109	109
Deposits from and debt to customers	-	667 650	-	-	-	588 071	1 255 721
Other debt	-	-	-	-	-	12 422	12 422
Subordinated loan capital	-	-	-	-	-	-	-
<b>Total debt</b>	-	<b>667 650</b>	-	-	-	<b>600 602</b>	<b>1 268 252</b>
<i>In which in foreign currency</i>	-	-	-	-	-	-	-
<b>Net</b>	-	<b>625 184</b>	-	-	-	<b>-497 086</b>	<b>128 098</b>

**TIME UNTIL CHANGE OF INTEREST TERMS AS OF 31.12.2020**

	0-1 month	1-3 month	3 mnd-1 year	1-5 year	Over 5 years	No maturity	Total
Cash and cash equivalents	-	-	-	-	-	144	144
Receivables from credit institutions and central banks	-	-	-	-	-	84 381	84 381
Net lending to and receivables from customers	-	800 698	-	-	-	-	800 698
Bonds, certificates etc.	-	319 186	-	-	-	-	319 186
Other assets	-	-	-	-	-	21 937	21 937
<b>Total assets</b>	-	<b>1 119 884</b>	-	-	-	<b>106 461</b>	<b>1 226 346</b>
<i>In which in foreign currency</i>	-	-	-	-	-	7 615	7 615
Debt to credit institutions	-	-	-	-	-	109	109
Deposits from and debt to customers	-	608 414	-	-	-	477 779	1 086 193
Other debt	-	-	-	-	-	13 061	13 061
Subordinated loan capital	-	-	-	-	-	-	-
<b>Total debt</b>	-	<b>608 414</b>	-	-	-	<b>490 949</b>	<b>1 099 362</b>
<i>of which in foreign currency</i>	-	-	-	-	-	-	-
<b>Net</b>	-	<b>511 470</b>	-	-	-	<b>-384 488</b>	<b>126 984</b>

**INTEREST RATE RISK AS OF 31.12.2021**

In thousands of NOK	Exposure	Interest maturity	Interest rate risk at 2 % change
<b>Assets</b>			
Lending to customers	912 556	0,12	2 101
Interest-bearing securities	381 235	0,17	1 311
<b>Debt/equity</b>			
Interest-bearing deposits from customers	667 650	0,12	-1 537
Subordinated bond capital	15 111	0,15	-45
<b>Total interest rate risk</b>			<b>1 830</b>

**NOTE 16 – NET INTEREST AND CREDIT COMMISSION INCOME**

In thousands of NOK	2021	2020
Interest and similar income from loans to and receivables from credit institutions	59	346
Interest and similar income from loans to and receivables from customers	24 322	26 178
Interest and similar income from interest-bearing securities	2 491	3 222
<b>Total interest income and similar income</b>	<b>26 872</b>	<b>29 746</b>
Interest and similar costs on debt to credit institutions	134	47
Interest and similar costs on deposits from and debt to customers	1 644	2 360
Interest and similar costs on subordinated bond capital	60	60
Other interest expenses and similar expenses	907	911
<b>Total interest costs and similar costs</b>	<b>2 745</b>	<b>3 378</b>
<b>Net interest and credit commission income</b>	<b>24 127</b>	<b>26 368</b>

**NOTE 17 – OTHER INCOME**

in 1 000 kroner	2021	2020
Guarantee commission (gross)	146	240
Brokerage commission	102	85
Money transfer and interbank transactions	7 754	7 521
<b>Total commission income and income from banking services</b>	<b>8 002</b>	<b>7 846</b>
Guarantee commission (gross)	155	230
Money transfer and interbank transactions	3 469	3 492
<b>Total commission income and income from banking services</b>	<b>3 623</b>	<b>3 722</b>
Net gain/loss on certificates and bonds	-312	-182
Net gain/loss on currency	405	357
<b>Net gain/loss on financial instruments</b>	<b>93</b>	<b>175</b>
Income from shares, participations, and other equity instruments	82	1 081
<b>Dividends and other income from equity instruments</b>	<b>82</b>	<b>1 081</b>
<b>Net other operating income</b>	<b>4 554</b>	<b>5 380</b>

**NOTE 18 - LØNN OG ANDRE PERSONALKOSTNADER**

All employees are remunerated exclusively with a fixed salary. In addition to any remuneration for required overtime, no form of variable remuneration is paid based on the results achieved or any other basis. The general manager has been granted a supplement of NOK 1,000 per month to cover expenses for electronic communication (EKOM). The management team, which consists of the CEO/general manager, assistant bank manager/deputy manager and assistant bank manager/credit manager, is not entitled to overtime pay as a result of a special independent position. The general manager's salary is determined by the board. According to the current agreement, the general manager is entitled to six months' severance pay with pension accrual calculated from the first day of the following month after receiving notice of termination if the board exercises its right to terminate the employment contract.

**REMUNERATION**

The remuneration scheme in Cultura Bank is designed in accordance with the Financial Institutions Act. The guidelines for remuneration are revised annually by the board. The board is also presented with an annual report from the bank manager with a review of the remuneration scheme. In addition to any remuneration for imposed overtime, no form of variable remuneration is paid based on the results achieved or on any other basis.

**SALARIES AND OTHER PERSONELL EXPENSES**

In thousands of NOK	2021	2020
Salaries	11 597	9 891
Employer's contribution and financial tax	2 423	2 009
Pensions	1 069	757
Social security costs	410	348
<b>Total salaries and other personnel expenses</b>	<b>15 498</b>	<b>13 004</b>

The number of FTEs as of 31.12.2021: 18,4

**OPPLYSNINGER VEDRØRENDRE LEDENDE ANSATTE OG TILLITSVALGTE 2021**

In thousands of NOK	Salary and fees	Pension premium	Other remuneration	Loans
<b>Senior executives</b>				
CEO, general manager (until end of. March)	336	16	3	-
CEO, general manager (from. April)	855	63	-	-
Deputy manager, assistant bank manager, T and marketing manager	838	57	-	248
Assistant bank manager, credit manager (until end of September)	605	41	-	-
Assistant bank manager, credit manager (from October)	250	17	-	-
<b>Total</b>	<b>2 885</b>	<b>195</b>	<b>3</b>	<b>248</b>
<b>Board of directors</b>				
Board chair	145	-	5	-
Deputy board chair (until end of March)	18	-	-	3 632
Deputy board chair (from April)	68	-	1	-
Board member	50	-	-	-
Board member	50	-	-	-
Board member	50	-	1	-
Board member (from April)	43	-	-	-
Board member for the employees	25	-	-	1 729
<b>Sum</b>	<b>448</b>	<b>-</b>	<b>6</b>	<b>5 361</b>
<b>Board of trustees</b>				
Head of the Board of Trustees (until end of February), member of nomination committee	15	-	-	-
Head of the Board of Trustees (from. March)	-	-	4	-
Board member, chair of the nomination committee	20	-	-	3 266
Board member, member of the nomination committee	13	-	-	-
Board member, member of the nomination committee	13	-	-	1 200
Board member, employee member of the nomination committee	6	-	-	-
Board member	-	-	-	854
Board member	-	-	-	248
<b>Sum</b>	<b>66</b>	<b>-</b>	<b>4</b>	<b>5 569</b>

**INFORMATION REGARDING SENIOR EXECUTIVES AND REPRESENTATIVES 2020**

In thousands of NOK	Salary and fees	Pension premium	Other remuneration	Loans
<b>Senior executives</b>				
CEO, general manager	952	65	14	3 102
Deputy manager, assistant bank manager, IT and marketing manager	793	54	1	356
Assistant bank manager, credit manager	772	53	1	-
<b>Total</b>	<b>2 517</b>	<b>172</b>	<b>16</b>	<b>3 458</b>
<b>Board of Directors</b>				
Board Chair	145	-	2	-
Deputy board chair	69	-	-	2 765
Board member	62	-	2	-
Board member	53	-	-	-
Board member	52	-	1	-
Board member (until end of March)	12	-	-	-
Board member (from April)	43	-	-	-
Board member for the employees (until end of March)	8	-	-	-
Board member for the employees (from April)	19	-	1	-
<b>Total</b>	<b>463</b>	<b>-</b>	<b>5</b>	<b>2 765</b>
<b>Board of Trustees</b>				
Head of the Board of Trustees	4	-	-	-
Board member, chair of the nomination committee	15	-	-	3 389
Board member, member of the nomination committee	10	-	-	-
Board member, member of the nomination committee	10	-	-	1 200
Board member, employee member of the nomination committee	5	-	-	-
Board member	-	-	-	794
Board member	-	-	-	356
<b>Total</b>	<b>44</b>	<b>-</b>	<b>-</b>	<b>5 739</b>

Salaries to employees amounted to NOK 7 508 850 in 2021, where NOK 2 47 240 was salaries to senior executives. No guarantees are given to employees of the bank. Lending to senior executives have the same conditions as other employees. Interest subsidies on loans to employees was 44 503 NOK in 2021.

**PENSION**

Cultura Bank has a collective pension scheme for its permanent employees, which satisfies the requirements for mandatory occupational pensions. In 2014, the bank switched to a defined contribution pension scheme. The scheme is covered through Storebrand, and 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

## NOTE 19 – OTHER EXPENSES

### OTHER OPERATING EXPENSES

In thousands of NOK	2021	2020
IT	4 232	4 193
Rent and rent-related costs	566	406
Office expenses	748	844
Marketing	1 419	1 237
External auditor	512	454
Other operating expenses	2 431	2 466
<b>Total other operating expenses</b>	<b>9 907</b>	<b>9 600</b>

### SPECIFICATION OF FEES FOR EXTERNAL AUDITOR

In thousands of NOK	2021	2020
Statutory audit	307	225
Consulting and certifications	171	204
Preparation of tax assessment papers	34	25
<b>Total fees paid to external auditors</b>	<b>512</b>	<b>454</b>

## NOTE 20 - TAX

Deferred tax and deferred tax assets are calculated on the basis of temporary differences between accounting and tax values at the end of the financial year. Tax increasing and tax-reducing differences are assessed against each other within the same time interval. This means that tax-reducing temporary differences that are expected to reverse far in the future cannot be offset against tax-increasing differences that are expected to reverse earlier. The calculation of deferred tax is based on 25% as of 31.12.2010 and 25% as of 31.12.2020

### SPECIFICATION OF THE BASIS OF DEFERRED TAX/DEFERRED TAX ASSETS TEMPORARY DIFFERENCES

In thousands of NOK	2021	2020
Fixed assets	147	-84
Bonds	-640	73
Leases	-679	-644
<b>Total temporary differences</b>	<b>-1 173</b>	<b>-655</b>
Deferred tax (-tax assets) 25 %	-293	-164

**THE TAX EXPENSES FOR THE YEAR IS AS FOLLOWS**

In thousands of NOK	2021	2020
Ordinary profit before tax	2 319	5 293
Permanent differences	234	325
Change temporary differences	-226	337
<b>Basis payable tax</b>	<b>2 328</b>	<b>5 955</b>
Tax payable 25 %	582	1 489
Wealth tax	20	20
Tax effect of interest on subordinated bond capital recognized in equity	-244	-265
<b>Total tax payable</b>	<b>358</b>	<b>1 243</b>
Change deferred tax	-129	-329
Insufficient/excess provisions previous years	8	46
<b>Total tax expense</b>	<b>236</b>	<b>962</b>
<b>Tax expense ordinary result</b>	<b>485</b>	<b>1 056</b>
<b>Tax expense on other comprehensive income</b>	<b>-249</b>	<b>-94</b>
<b>Tax cost</b>	<b>236</b>	<b>962</b>



**NOTE 21 – CATEGORIES OF FINANCIAL INSTRUMENTS****CATEGORIES OF FINANCIAL INSTRUMENTS AS OF 31.12.2021**

In thousands of NOK	Amortized cost	Fair value through other comprehensive income	Total
<b>Financial assets</b>			
Cash and cash equivalents	-	-	-
Receivables from credit institutions and the central bank	81 173	-	81 173
Lending to and receivables from customers	912 897	-	912 897
Interest-bearing securities	-	381 125	381 125
Shares, participations and other equity instruments	-	12 127	12 127
<b>Total financial assets</b>	<b>994 070</b>	<b>393 252</b>	<b>1 387 322</b>
<b>Financial debt</b>			
Debt to credit institutions	109	-	109
Deposits from and debts to customers	1 255 721	-	1 255 721
<b>Total financial debt</b>	<b>1 255 830</b>	<b>-</b>	<b>1 255 830</b>

**CATEGORIES OF FINANCIAL INSTRUMENTS AS OF 31.12.2020**

In thousands of NOK	Amortized cost	Fair value through other comprehensive income	Total
<b>Financial assets</b>			
Cash and cash equivalents	144	-	144
Receivables from credit institutions and the central bank	84 381	-	84 381
Lending to and receivables from customers	802 618	-	802 618
Interest-bearing securities	-	319 186	319 186
Shares, participations and other equity instruments	-	12 239	12 239
<b>Total financial assets</b>	<b>887 143</b>	<b>331 425</b>	<b>1 218 568</b>
<b>Financial debt</b>			
Debt to credit institutions	109	-	109
Deposits from and debts to customers	1 086 193	-	1 086 193
<b>Total financial debt</b>	<b>1 086 302</b>	<b>-</b>	<b>1 086 302</b>

## NOTE 22 – FAIR VALUE OF FINANCIAL INSTRUMENTS

### FAIR VALUE AND BOOK VALUE OF FINANCIAL ASSETS AND DEBT RECOGNISED AS AMORTISED COST AS OF 31.12.2021

In thousands of NOK	Book value	Fair value
Assets		
Cash	-	-
Receivables from credit institutions and central banks	81 173	81 173
Lending to customers	911 708	911 708
<b>Total assets valued at amortized cost</b>	<b>992 881</b>	<b>992 881</b>
Debt		
Borrowing from credit institutions	109	109
Deposits from customers	1 255 721	1 255 721
<b>Total debt valued at amortized cost</b>	<b>1 255 830</b>	<b>1 255 830</b>

### FAIR VALUE AND BOOK VALUE OF FINANCIAL ASSETS AND DEBT RECOGNISED AS AMORTISED COST AS OF 31.12.2020

In thousands of NOK	Book value	Fair value
Assets		
Cash	144	144
Receivables from credit institutions and central banks	84 381	84 381
Lending to customers	800 698	800 698
<b>Total assets valued at amortized cost</b>	<b>885 223</b>	<b>885 223</b>
Debt		
Borrowing from credit institutions	109	109
Deposits from customers	1 086 193	1 086 193
<b>Total debt valued at amortized cost</b>	<b>1 086 302</b>	<b>1 086 302</b>

### LEVEL BREAKDOWN OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AS OF 31.12.2020

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

#### Level 1- Valuation based on prices in an active market

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

#### Level 2 – Valuation based on observable market data

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

**Level 3 – Valuation based on other than observable market data**

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

**TOTAL ASSETS BY LEVEL AS OF 31.12.2021**

In thousands of NOK	Level 1	Level 2	Level 3	Total
Interest-bearing securities	381 125	-	-	381 125
Shares, participation and other equity instruments	-	-	12 127	12 127
<b>Total assets</b>	<b>381 125</b>	<b>-</b>	<b>12 127</b>	<b>393 252</b>

**RECONCILIATION OF LEVEL 3 AS OF. 31.12.2021**

In thousands of NOK	Fair value through other comprehensive income
Opening balance	12 239
Realized gain recognized in the income statement	-
Unrealized gains and losses recognized in the income	-
Unrealized gains and losses in other profit components	-156
Investments	66
Sales	-21
<b>Closing balance</b>	<b>12 127</b>

**SENSITIVITY ANALYSIS FOR LEVEL 3 AS OF 31.12.2021**

	Price change -20 %	Price change -10 %	Price change +10 %	Price change +20 %
Shares, participations and other equity instruments	9 701	10 914	13 340	14 552

**TOTAL ASSETS BY LEVEL AS OF 31.12.2020**

In thousands of NOK	Level 1	Level 2	Level 3	Total
Interest-bearing securities	319 186	-	-	319 186
Shares, participation and other equity instruments	-	-	12 239	12 239
<b>Total assets</b>	<b>319 186</b>	<b>-</b>	<b>12 239</b>	<b>331 425</b>

**RECONCILIATION OF LEVEL 3 AS OF 31.12.2020**

In thousands of NOK	Fair value through other comprehensive income
Opening balance	11 495
Realized gain recognized in the income statement	-
Unrealized gains and losses recognized in the income	-
Unrealized gains and losses in other profit components	713
Investments	31
Sales	-
<b>Closing balance</b>	<b>12 239</b>

**SENSITIVITY ANALYSIS FOR LEVEL 3 AS OF 31.12.2020**

	Price change -20 %	Price change -10 %	Price change +10 %	Price change +20 %
Shares, participations and other equity instruments	9 791	11 015	13 463	14 687

**NOTE 23 – CERTIFICATES AND BONDS****CERTIFICATES AND BONDS AS OF 31.12.2021**

In thousands of NOK	Cost price	Fair value	Book value
State /state guaranteed	122 996	122 922	122 922
Municipality/county	67 256	67 163	67 163
Bonds with preferential rights	191 553	191 041	191 041
<b>Total certificates and bonds</b>	<b>381 806</b>	<b>381 125</b>	<b>381 125</b>
Of which listed securities	381 806	381 125	381 125

**CERTIFICATES AND BONDS AS OF 31.12.2020**

In thousands of NOK	Cost price	Fair value	Book value
State /state guaranteed	100 003	99 991	99 991
Municipality/county	40 090	40 074	40 074
Bonds with preferential rights	178 930	179 121	179 121
<b>Total certificates and bonds</b>	<b>319 023</b>	<b>319 186</b>	<b>319 186</b>
Of which listed securities	319 023	319 186	319 186

The bank's certificates and bonds are classified at fair value through other comprehensive income. Ongoing changes in value of the portfolio are shown in other comprehensive income. Realized gains/losses on redemption/sale are recognized in the income statement.

## NOTE 24 SHARES AND EQUITY CERTIFICATES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### SHARES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

In thousands of NOK	Org.no	Number	Cost price	Book value	Dividend received
Eiendomskreditt AS	979 391 285	15 072	1 571	2 398	81
Norsk Gjeldsinformasjon AS	920 013 015	203	3	15	-
Vipps AS	918 713 867	244	969	1 016	-
VN Norge AS	821 083 052	961 billion	-	1 361	-
Banca Etica		180	78	94	-
Ekobanken		381	351	495	-
La Nef		4 070	916	1 220	-
Merkur Andelskasse		837	1 481	1 966	-
SDC AS		5 490	2 553	2 899	-
Sefea		26	117	130	-
SustainFin SICAV		988,37	471	476	-
Triodos Bank		100	52	59	1
<b>Total</b>			<b>8 562</b>	<b>12 127</b>	<b>82</b>

### CHANGE IN BALANCE SHEET VALUE

In thousands of NOK	2021
Book value 1.1	12 239
Additions	66
Disposals	-21
Other comprehensive income	-156
<b>Book value 31.12</b>	<b>12 127</b>

**NOTE 25 – FIXED ASSETS AND INTANGIBLE ASSETS****FIXED ASSETS**

In thousands of NOK	Machinery and equipment	Right of use leased premises	Total
Acquisition cost as of 1.1.2020	1 372	5 597	6 969
Additions during the year	310	33	343
Disposals during the year	-	-	-
<b>Acquisition cost as of 31.12.2020</b>	<b>1 682</b>	<b>5 630</b>	<b>7 312</b>
Accumulated depreciation and write-downs as of 1.1.2020	789	-	789
Ordinary depreciation during the year	197	872	1 069
Accumulated depreciation and write-downs as of 31.12.2020	986	872	1 858
<b>Book value as of 31.12.20</b>	<b>697</b>	<b>4 757</b>	<b>5 454</b>
Acquisition cost as of 1.1.2021	1 682	5 630	7 312
Additions during the year	282	198	480
Disposals during the year	-	-	-
<b>Acquisition cost as of 31.12.2021</b>	<b>1 964</b>	<b>5 828</b>	<b>7 792</b>
Accumulated depreciation and write-downs as of 1.1.2021	986	872	1 858
Ordinary depreciation during the year	283	878	1 161
Accumulated depreciation and write-downs as of 31.12.2021	1 269	1 750	3 019
<b>Book value as of 31.12.21</b>	<b>695</b>	<b>4 077</b>	<b>4 772</b>
<b>Depreciation rates</b>	<b>3-10 years</b>	<b>5 years</b>	

**INTANGIBLE ASSETS**

In thousands of NOK

Acquisition cost as of 1.1.2020	8 618
Additions during the year	1 028
Disposals during the year	-
<b>Acquisition cost as of 31.12.2020</b>	<b>9 646</b>
Accumulated depreciation and write-downs as of 1.1.2020	8 318
Ordinary depreciation during the year	188
Accumulated depreciation and write-downs as of 31.12.2020	8 506
<b>Book value as of 31.12.20</b>	<b>1 140</b>
Acquisition cost as of 1.1.2021	9 646
Additions during the year	1 115
Disposals during the year	-
<b>Acquisition cost as of 31.12.2021</b>	<b>10 761</b>
Accumulated depreciation and write-downs as of 1.1.2021	8 506
Ordinary depreciation during the year	264
Accumulated depreciation and write-downs as of 31.12.2021	8 770
<b>Book value as of 31.12.21</b>	<b>1 991</b>
<b>Depreciation rates</b>	<b>3-5 years</b>

**NOTE 26 – OTHER ASSETS****PREPAID EXPENSES AND ACCRUED INCOME**

In thousands of NOK	2021	2020
Deferred tax assets	293	164
Earned, but not received income	1 113	806
Other prepaid, non-accrued expenses	2 046	2 034
Other assets	-	100
<b>Total</b>	<b>3 452</b>	<b>3 104</b>

**NOTE 27 – BORROWING FROM CREDIT INSTITUTIONS**

In thousands of NOK	31.12.2021	Interest	31.12.2020	Interest
Borrowing from credit institutions at amortized cost	109	-	109	-
<b>Total borrowing from credit institutions</b>	<b>109</b>	<b>-</b>	<b>109</b>	<b>-</b>

**NOTE 28 – DEPOSITS FROM CUSTOMERS****DEPOSITS FROM CUSTOMERS**

In thousands of NOK	2021	2020
Deposits from and debt to customers at amortized	1 255 721	1 086 193
<b>Total deposits and debts to customers</b>	<b>1 255 721</b>	<b>1 086 193</b>



**DEPOSITS FROM CUSTOMERS BY SECTOR AND INDUSTRY**

In thousands of NOK	2021	2020
Retail market	640 513	570 852
<b>Corporate market</b>		
Agriculture and related services	24 277	22 969
Forestry and related services	691	718
Fisheries and related services	168	105
Manufacturing	2 861	3 264
Construction of ships and boats	86	281
Water supply, sewerage and waste management	882	472
Development of construction projects	125	185
Construction activities otherwise	6 854	4 404
Wholesale and retail trade, repair of motor vehicles	11 663	8 863
Transport otherwise and storage	882	883
Accommodation and catering activities	5 286	2 409
Information and communication	24 317	13 134
Sale and operation of real estate	15 016	12 434
Professional services	88 014	59 075
Business services	14 788	9 806
Service industries otherwise	418 120	376 048
Foreign companies	1 178	289
<b>Total deposits and debt to customers</b>	<b>1 255 721</b>	<b>1 086 193</b>

**DEPOSITS BY GEOGRAPHICAL AREA 31.12.2021**

In thousands of NOK	31.12.2021	31.12.2020
Oslo	484 483	412 383
Rogaland	25 417	23 871
Møre og Romsdal	7 053	5 617
Nordland	21 195	18 846
Viken	347 774	280 773
Innlandet	64 637	64 876
Vestfold og Telemark	74 143	69 171
Agder	12 984	12 564
Vestland	78 875	67 171
Trøndelag	89 218	85 547
Troms og Finnmark	28 820	23 270
Abroad	21 124	22 104
<b>Total deposits and debts to customers</b>	<b>1 255 721</b>	<b>1 086 193</b>

**NOTE 29 – OTHER DEBT**

In thousands of NOK	31.12.2021	31.12.2020
Accrued costs	1 633	1 607
Withholdings tax due	712	531
Obligation related to leases	4 717	5 402
Accounts payable	1 657	1 208
Other debt	3 295	2 870
Provisions for gifts	-	25
Provisions for dividends	-	-
<b>Total other debt</b>	<b>12 014</b>	<b>11 643</b>

**NOTE 30 – SUBORDINATED BOND CAPITAL**

ISIN	Borrowing	First recall date	Nominal value	Interest terms	Book value 31.12.2021	Book value 31.12.2020
N00010837073	23.11.2018	23.11.2023	NOK 15 mill.	3m Nibor + 600 bp	15 111	15 104

The terms of the agreement for the subordinated bonds satisfy the requirements of the EU CRR regulations, and the subordinated bonds are included in the bank's tier 1 capital for capital adequacy purposes. As a result, the bank has a unilateral right not to repay interest or principal to investors. This means that the subordinated bonds do not satisfy the terms of financial obligations in IAS 32 Financial Instruments – Presentation and are therefore presented in the bank's equity. This also means that the interest related to the subordinated bonds are not presented on the accounting line total interest expenses, but as a reduction in retained earnings. The benefit of the tax deduction for interest is presented as a reduction of the tax expense in note 20 Tax.

**NOTE 31 – OWNER SHARE CAPITAL AND OWNERSHIP STRUCTURE**

The bank's equity certificate amounts to NOK 85.3 million, divided into 85,308 equity certificates with a nominal value of NOK 1,000.

**OWNERSHIP FRACTION**

In thousands of NOK	2021	2020
Equity certificate	85 308	85 308
<u>Equalization fund</u>	<u>20 770</u>	<u>19 555</u>
<b>Share capital</b>	<b>106 078</b>	<b>104 863</b>
<u>Saving Bank's fund</u>	<u>4 222</u>	<u>4 173</u>
<b>Primary capital</b>	<b>4 222</b>	<b>4 173</b>
Fund for unrealized gains	3 689	3 845
Subordinated bond capital	15 111	15 104
Own holdings of equity certificates	-1 001	-1 001
<b>Total equity</b>	<b>128 098</b>	<b>126 984</b>
<b>Share capital in %</b>	<b>96.17</b>	<b>96.17</b>

**20 LARGEST EQUITY CERTIFICATES AS OF 31.12.2021**

In thousands of NOK	Country	Holdings	Owner share
Camphill's Management Fund	NO	9 302	10,90 %
Alternative Bank Schweiz	CH	4 444	5,21 %
Personnel service Trøndelag	NO	3 750	4,40 %
CACEIS Bank (nominee)	FR	3 427	4,02 %
A/S Skarv	NO	3 000	3,52 %
Cultura Gavefond	NO	2 211	2,59 %
Liv Bråten	NO	2 050	2,40 %
Acini Capital AS	NO	2 000	2,34 %
Skog Invest AS	NO	2 000	2,34 %
Annette Holding AS	NO	2 000	2,34 %
La Nef	FR	1 856	2,18 %
Gemeinnützige Treuhandstelle e.V.	DE	1 855	2,17 %
Ekobanken	SE	1 822	2,14 %
Banca Etica	IT	1 500	1,76 %
GLS Gemeinschaftsbank	DE	1 300	1,52 %
Merkur Andelskasse	DK	1 294	1,52 %
Triodos Bank	NL	1 000	1,17 %
O. Kavli og Knut Kavlis non-profit fund	NO	1 000	1,17 %
Granly Foundation	NO	1 000	1,17 %
APS bank Ltd.	MT	800	0,94 %
<b>Total 20 largest equity certificate holders</b>		<b>47 611</b>	<b>55,81 %</b>
Own holdings of equity certificates		1 001	1,17 %
Other equity certificate holders		36 696	43,02
<b>Total number of equity certificates (nominal NOK 1 000)</b>		<b>85 308</b>	<b>100,00 %</b>

**20 LARGEST EQUITY CERTIFICATES AS OF 31.12.2020**

In thousands of NOK	Country	Holdings	Owner share
Camphills Management Fund	NO	9 302	10,90 %
Alternative Bank Schweiz	CH	4 444	5,21 %
Personnel service Trøndelag	NO	3 750	4,40 %
Crédit Coopératif	FR	3 427	4,02 %
A/S Skarv	NO	3 000	3,52 %
Cultura Gavefond	NO	2 211	2,59 %
Liv Bråten	NO	2 050	2,40 %
Acini Capital AS	NO	2 000	2,34 %
Skog Invest AS	NO	2 000	2,34 %
Annette Holding AS	NO	2 000	2,34 %
La Nef	FR	1 856	2,18 %
Gemeinnützige Treuhandstelle e.V.	DE	1 855	2,17 %
Ekobanken	SE	1 822	2,14 %
Banca Etica	IT	1 500	1,76 %
GLS Gemeinschaftsbank	DE	1 300	1,52 %
Merkur Andelskasse	DK	1 294	1,52 %
Triodos Bank	NL	1 000	1,17 %
O. Kavli og Knut Kavlis non-profit fund	NO	1 000	1,17 %
Granly Foundation	NO	1 000	1,17 %
APS bank Ltd.	MT	800	0,94 %
<b>Total 20 largest equity certificate holders</b>		<b>47 611</b>	<b>55,81 %</b>
Own holdings of equity certificates		1 001	1,17 %
Other equity certificate holders		36 696	43,02
<b>Total number of equity certificates (nominal NOK 1 000)</b>		<b>85 308</b>	<b>100,00 %</b>

**EQUITY CERTIFICATES OWNED BY REPRESENTATIVES AND MANAGEMENT AS OF 31.12.2021**

individual	Member of	Number
Jannike Østervold	CEO, General manager	5
Lars Hektoen	Board of Trustees	223
Åsa Jeppsson	Board of Trustees	3
Idun Leinaas	Board of Trustees	1
Anne-Kristin Løes	Board of Trustees	100
Holger Schlaupitz	Board of Trustees	249
Maria Bjune	Board of Directors	25
Morten Johannessen	Board of Directors	20
Christine Praamsma	Board of Directors	5

**EQUITY CERTIFICATES OWNED BY REPRESENTATIVES AND MANAGEMENT AS OF 31.12.2020**

Person	Member of	Amount
Kjell Fredrik Løvold	CEO, general manager	125
Jannike Østervold	Assistant bank manager and Board of Trustees	5
Lars Hektoen	Board of Trustees	223
Idun Leinaas	Board of Trustees	1
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
Holger Schlaupitz	Board of Trustees	248
Maria Bjune	Board of Directors	25
Christian Dubrau via Bykuba AS	Board of Directors	70
Morten Johannessen	Board of Directors	20
Christine Praamsma	Board of Directors	5

**ACQUISITIONS OF EQUITY CERTIFICATES**

The bank's own holdings of equity certificates remained unchanged in 2021. The reason why the bank buys its own equity certificates is that it wants to contribute to their sales. Self-acquisition of equity certificates is used as a tool to provide the securities with increased liquidity.

**NOTE 32 – EARNINGS PER EQUITY CERTIFICATE**

	2021	2020
Total earnings	2 083 023	4 326 746
Interest on subordinated bond	-976 204	- 1 053 606
To fund for unrealized gains	156 169	-712 990
<b>Total</b>	<b>1 262 988</b>	<b>2 560 149</b>
Earnings assigned to the bank's equity certificate holders	1 214 648	2 461 596
Number of equity certificates issued	85 308	85 308
<b>Earnings per equity certificate</b>	<b>14,24</b>	<b>28,86</b>

**NOTE 33 - GUARANTEES****GUARANTEES**

In thousands of NOK	2021	2020
Payment guarantees	5 870	4 464
Loan guarantees	-	14 216 <sup>4</sup>
<b>Total guarantees</b>	<b>5 870</b>	<b>18 680</b>

**GUARANTEES BY GEOGRAPHICAL AREA AS OF 31.12.2021**

In thousands of NOK	amount	in%
Oslo	4 493	76,5
Viken	1 100	18,7
Vestfold og Telemark	30	0,5
Vestland	90	1,5
Trøndelag	157	2,7
Utlandet	-	-
<b>Total guarantees</b>	<b>5 870</b>	<b>100,00</b>

**GUARANTEES BY GEOGRAPHICAL AREA AS OF 31.12.2020**

In thousands of NOK	amount	in%
Oslo	3 013	16,1
Viken	1 172	6,3
Vestland	122	0,7
Trøndelag	157	0,8
Utlandet	14 216	76,1
<b>Total guarantees</b>	<b>18 680</b>	<b>100,00</b>

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<sup>4</sup> DKK 10 mill.

## NOTE 34 - LEASES

IFRS 16 Leases was 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 (lessee) and provider (lessor). The new standard requires the lessee 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

### RIGHTS OF USE ASSETS

In thousands of NOK	2020
Right of use of leased premises 1.1.2020	5 597
Revaluation of right of use	33
<b>Right of use of leased premises 31.12.2020</b>	<b>5 630</b>
Depreciation	-872
<b>Book value of right of use assets 31.12.2020</b>	<b>4 757</b>
In thousands of NOK	2021
Right of use of leased premises 1.1.2021	5 630
Revaluation of right of use	198
<b>Right of use of leased premises 31.12.2021</b>	<b>5 828</b>
Accumulated impairment and write-offs 1.1.2021	-872
Depreciation	-878
Accumulated impairment and write-offs 31.12.2021	-1 750
<b>Book value of right of use assets 31.12.2021</b>	<b>4 077</b>



**LEASE LIABILITY**

In thousands of NOK

Lease liability 1.1.2020	6 237
New/changed lease liabilities in the period	38
Lease payments per year	-1 122
Interest expense	249
<b>Book value of lease liability 31.12.2020</b>	<b>5 402</b>

Lease liability 1.1.2020	5 402
New/changed lease liabilities in the period	229
Lease payments per year	-1 130
Interest expense	216
<b>Book value of lease liability 31.12.2020</b>	<b>4 717</b>

**NOTE 35 - COVID-19**

The corona pandemic broke out in the spring of 2020 and led to a significant setback in the Norwegian economy. However, the economy recovered quickly as soon as the infection control measures ceased, and through the spring, summer and early autumn of 2021, we saw a return to normal, and to some extent above, activity levels. During the fourth quarter of 2021, however, due to the Omicron variant, infection control measures were reintroduced which became important for activity in the economy and society in general. The variant turned out to be of such a nature that there was no need for long-term infection control measures, and despite continued uncertainty about the further course of the pandemic, we now expect a normalization of the economy through the first quarter of 2022.

**GUARANTEE SCHEME**

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

## LOSS WRITE-DOWNS ON LOANS

Despite optimism about the possibility of controlling future outbreaks of potential corona variants, there is increased uncertainty associated with future loan losses because of the pandemic. This still entails a need for discretionary additions to the model-calculated write-downs in step 1 and step 2. The bank has estimated the need for additional write-downs in step 1 and step 2 for customers in the corporate market, based on how exposed the various industries are. The bank has chosen to continue the calculation principles for additional write-downs from the previous quarter.

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

Scenario 1: Slightly affected (low risk)

Scenario 2: Highly affected (high risk)

Industry	Exposure 31.12.2021	Low scenario	Expected loss	High scenario	Expected loss	Total expected loss
Sale and operation of real estate	73 808	0,50 %	369	2,00 %	1 476	
Education	67 070	0,00 %	-	2,00 %	1 341	
Cultural activities	8 827	1,00 %	88	3,00 %	265	
total	149 705		457		3 082	
<b>Probability-weighted loss</b>		<b>90,00 %</b>	<b>412</b>	<b>10,00 %</b>	<b>308</b>	<b>720</b>

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

The scenarios represent a rough estimate of total loan losses. Since the effects of the epidemic and countermeasures are still unclear, the loss estimates will also be associated with uncertainty. The bank has assessed that there is an 90% probability for scenario 1, and a 10% probability for scenario 2. The bank follows developments closely and will adjust the estimates for write-downs if necessary.

## Employees and representatives

### Board of Trustees

Name	Function	Representative for
Frank Schmiemann	Manager	Equity certificate holders
Ove Jakobsen	Deputy chairman	Depositors
Lars Hektoen	Member	Depositors
Idun Leinaas	Member	Depositors
Michael Lommertz	Deputy Member	Depositors
Elisabeth Tollisen	Member	Depositors
Svanhild Sørensen	Deputy Member	Depositors
Åsa Jeppsson	Member	Equity certificate holders
Anne-Kristin Løes	Member	Equity certificate holders
Holger Schlaupitz	Member	Equity certificate holders
Morten Ingvaldsen	Deputy Member	Equity certificate holders
Kari Schage	Member	Employees
Tor-Fabian Seljesæther-Aaserud	Member	Employees
Jannike Østervold	Member	Employees
Stian Torstenson	Deputy Member	Employees

### Board of Directors

Maria Bjune	Chair
Morten Johannessen	Deputy Chair
Camilla Brox	Board member
Alf Howlid	Board member
Gustavo Parra de Andrade	Board member
Christine Praamsma	Board member elected by the employees
Randi Almås Welhaven	Board member
Stig Aleksander Aune	Deputy member
Camilla Gjetnes	Deputy member elected by the employees
Liv Anna Lindmann	Deputy member

**Some cooperation 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	The Netherlands

Cultura Bank also participates in international cooperation through its membership in the organizations Fédération Européenne des Banques Étiques et Alternatives (FEBEA), Global Alliance for Banking on Values (GABV) and the Institute for Social Banking (ISB).



## Independent Auditor's Report

(Unofficial translation)

To the Board of Trustees of Cultura Sparebank

Statement on the audit of the annual accounts

### CONCLUSION

We have audited the annual accounts of Cultura Sparebank

<p>The annual accounts consist of:</p> <ul style="list-style-type: none"><li>• Balance sheet as of December 31, 2021</li><li>• Income statement and other comprehensive income or 2021</li><li>• Statement of changes in equity</li><li>• Cash flow statement for the financial year ended as of 31 December 2021</li><li>• Notes to the annual accounts, including a summary of important accounting principles</li></ul>	<p>In our opinion:</p> <ul style="list-style-type: none"><li>• The annual accounts have been submitted in accordance with the law and regulations</li><li>• The annual accounts give a true and fair view of the financial position as of 31 December 2021, and of the bank's results and cash flows for the fiscal year ended as of this date in accordance with the Regulations of Annual Accounts for Banks, Credit and Financing Companies §1-4, 1 b).</li></ul> <p>Our conclusion is consistent with our additional report to the auditor committee.</p>
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### BASIS FOR THE CONCLUSION

We conducted our audit in accordance with Norwegian law, regulations and generally accepted auditing standards, including the International Standards on Auditing (ISAs). Our duties and responsibilities in accordance with these standards are described in the Auditor's duties and responsibilities for auditing the annual accounts. We are independent of the bank as required by the law and regulations; international Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA- regulations) and have complied with our other ethical obligations in accordance with these requirements. In our opinion, the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We are not familiar with any service in violation of the Audit Regulation (EU) NO 537/2014 article 5 nr.1.

We have been Cultura Saving Bank's auditor for 10 executive years after the election on the Board of Trustee's meeting, starting from the accounting year of 2021, and re-elected in the Board of Trustee meeting 24<sup>th</sup> of October 2017.

### KEY ASPECTS FOR THE AUDIT

Key aspects for the audit are aspects of highest importance for the audit of 2021 in our opinion. These aspects were treated during the execution of the audit when we formed our opinion on the financial accounts. We do not conclude especially on these aspects.

DESCRIPTION OF THE ASPECT	AUDIT OF THE ASPECTS
<p><u>Lending to customers</u></p> <p>Lending to customers was MNOK 811,7 (65%) of the bank's total assets as of 31.12.2021. Impairment of lending amounted to MNOK 1,2.</p> <p>For lending and guarantees IFRS 9 demands the bank to calculate expected credit loss for the next 12 months on lending that does not have a significant increase in credit risk (Stage 1) and expected credit loss over the entire maturity of the loan that has a significant increase in credit risk (Stage 2). The bank uses models for calculating expected credit loss. The model is complex and is based on big amounts of data and considerations.</p> <p>The bank uses SDC's model and recommended prerequisites. For lending and guarantees, where there is a significant increase in credit risk, and where indications of commitments are credit impaired are present, the bank conducts individual assessments of expected credit loss over the entire commitment's maturity (Stage 3).</p> <p>In addition, the bank does discretionary write-downs in Stage 1 and Stage 2 to compensate for the fact that the model does not take macroeconomic development into consideration, for the corporate customers that are affected by the COVID- pandemic.</p> <p>Due to the size of gross lending, with existing credit risk, the size of the write-offs and the basis for the Board of Director's estimates we consider the valuation of lending to be a key aspect of the audit.</p>	<p>We have acquired an understanding of the bank's definitions, methods and control activities for assessing lending value, and conducted an assessment of whether it is in line with the requirements of IFRS 9.</p> <p>We have collected an independent declaration stating that the IFRS-9 model delivered by SDC is in line with principles for write-downs on lending in IFRS 9. In addition, the model calculated write-downs on loans according to the model description that in turn is according to IFRS 9 on all significant considerations.</p> <p>For calculating expected loss in Stage 1 and Stage 2, we have calculated, controlled and ensured that the bank has used the estimates given by the SDC model. We have also gone through the bank's additional loan loss provisions in Stage 1 and Stage 1 and assessed the principles and basis for the calculations.</p> <p>We have acquired an understanding of the bank's credit settlement, identification and investigation of credit impaired commitments (Stage 3) and estimates for expected loss on these commitments. We have also seen that the individual write-downs are calculated based on scenarios, security, and future cash flows in line with IFRS 9. We have also seen that all arrears are assessed and taken into consideration in Stage 3.</p> <p>We have also assessed if the information in the notes related to IFRS 9 and expected loss on credit is sufficient according to requirements of IFRS 7.</p>

## OTHER INFORMATION

Management is responsible for other information. Other information consists of the annual report and other information in the annual report but does not include the annual accounts and the auditor's report. Our statement on the audit of the annual accounts does not cover other information, and we do not certify the other information.

In connection with the audit of the annual accounts, it is our task to read other information identified above for the purpose of assessing whether there is a significant inconsistency between other information and the annual accounts, knowledge we have accumulated during the audit, or whether it apparently contains material misstatement. Should we conclude, based on the work we have performed, that this other information contains material misstatement, we are required to comment on this. We have nothing to report in this respect.

## CONCLUSION ON THE ANNUAL REPORT

Based on our audit of the annual accounts as described above, we believe that the disclosures in the annual report on the annual accounts, the assumption of going concern and the proposed use of earnings are

- consistent with the annual accounts and
- in accordance with laws and regulations.

### **THE BOARD OF DIRECTORS AND CEO'S RESPONSIBILITY FOR THE ANNUAL ACCOUNTS**

The Board of Directors and CEO (management) are responsible for preparing the annual accounts in accordance with laws and regulations, including ensuring that it provides a true and fair view in accordance with the Regulations on Annual Accounts for Banks, Mortgage Companies and Financing Companies. Management is also responsible for such internal control as it deems necessary to prepare annual accounts that do not contain material misstatement, either as a result of fraud or unintentional error.

When preparing the annual accounts, management must express an opinion on the bank's ability to continue as a going concern and provide information on matters of significance for a going concern. The assumption of going concern shall be used as a basis for the annual accounts unless management either intends to wind down the bank or cease operations or has no realistic alternative to doing so.

### **AUDITOR'S DUTIES AND RESPONSIBILITIES IN THE AUDIT OF THE ANNUAL ACCOUNTS**

Our goal is to obtain satisfactory assurance that the annual accounts as a whole do not contain material misstatement, either as a result of fraud or unintentional error, and to submit an audit report that contains our conclusion. Satisfactory assurance is a high degree of assurance, but no guarantee that an audit performed in accordance with laws, regulations and good auditing practice in Norway, including the ISAs, will always reveal existing material misstatement. Incorrect information may occur because of fraud or unintentional error. Misstatement is considered significant if it individually or collectively may reasonably be expected to influence financial decisions that users make based on the annual accounts.

For a further description of the auditor's duties and responsibilities, see:

<https://revisorforeningen.no/revisionsberetninger>

BDO AS

John Christian Løvaas

Certified Public Accountant

(Signed electronically)

# Appendix

## TCFD

### Governance

Disclose the organization's governance around climate-related risks and opportunities.

<p><b>A:</b> Describe the board's oversight of climate-related risks and opportunities:</p>	<p>The board addresses climate risk through the bank's risk assessment in ICAAP, which is presented every quarter. Climate risk is treated separately, and the bank seeks to find suitable solutions for calculating capital requirements that will cover climate risk.</p> <p>The board is also working on an updated sustainability policy where climate risk is an integral part. This will be discussed during the first quarter of 2022. The management group reports to the board on matters related to climate risk in connection with the overall sustainability work.</p>
<p><b>B:</b> Describe management's role in assessing and managing climate related risks and opportunities:</p>	<p>The management group constitutes the bank's sustainability committee and is the bank manager's advisory body and has a joint responsibility to provide advice on and follow up on the bank's climate risk. As climate risk is part of the bank's overall risk assessment, this responsibility also falls on the head of risk management.</p>

### Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

<p><b>A:</b> Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term:</p>	<p><b>The retail market:</b></p> <p>The bank considers the climate risk in the retail market portfolio to be low in the short, medium, and long term. In addition, the bank offers a more favorable interest rate when buying an environmentally certified house, which will help reduce the climate risk further.</p> <p><b>The corporate market:</b></p> <p>The bank considers the climate risk in the corporate market portfolio to be relatively low in the short, medium, and long term. The bank mainly lends to sectors that have a low carbon intensity. The bank's lending policy is primarily based on positive selection, and it is natural to also focus on the bank's climate-related opportunities to contribute to the green shift.</p> <p><b>Asset management</b></p> <p>The bank's excess liquidity is mainly invested in Norwegian covered bonds, municipal securities, and government bonds. Investments in bonds with collateral as collateral are included in the bank's indirect emissions, which provide the opportunity for closer follow-up.</p>
<p><b>B:</b> Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning:</p>	<p>The bank's strategy and governing documents include efforts to map and manage exposure to climate risk. Credit and sustainability policies will be discussed during the first quarter of 2022. In addition, the bank is seeking cooperation with the Local Bank Alliance to map out possibilities for how climate risk is to be implemented through financial planning.</p>



	One of the bank's goals in the sustainability strategy for 2022-2024 is to be future-oriented and ethical. This will be achieved, among other things, by continuing the bank's value-based selection in lending processes, which will help limit the bank's climate risk.
<b>C:</b> Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario:	No scenario analysis has been conducted for the private market or the corporate market for 2021.

## Risk management

Disclose how the organization identifies, assesses and manages climate-related risks.

<b>A:</b> Describe the organization's processes for identifying and assessing climate-related risks:	<p><b>The loan portfolio</b></p> <p>The bank is working to improve the work of mapping climate risk in various sectors we are exposed to in the corporate loan portfolio. Special physical risk is assessed as transition, and liability risks are considered small for our loan portfolio.</p> <p><b>Liquidity management</b></p> <p>The process for identifying climate risk is addressed in an updated sustainability policy. In addition, the guidelines for liquidity management provide guidance for which securities the bank should invest in, with a focus on high ESG scores or low emission figures. Especially when buying municipal securities, the municipality's climate risk is assessed in advance of a possible purchase.</p>
<b>B:</b> Describe the organization's processes for managing climate related risks:	<p>The bank is exposed to transition and liability risk to a minimal extent. It is mainly physical risks that the company is exposed to. With Cultura Bank's composition of lending customers, we consider that the lending segment most affected by climate change is agriculture. In line with our values, Cultura has chosen to limit lending for agricultural purposes to only finance organic and biological-dynamic agriculture, possibly agriculture that is being converted to organic farming. We believe that organic farming is more climate and environmentally friendly, binds more carbon in the soil, and is more robust to drought than conventional farming.</p> <p><b>Exclusion criteria</b></p> <p>Cultura Bank is not involved in oil, gas, coal, or companies that provide services to this sector, neither lending nor investments. The bank also does not have loans for industry and transport. The bank does not have loans or investments in industries that use a lot of fossil energy.</p>
<b>C:</b> Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall	The head of risk management is responsible for annual mapping of risk exposure, where climate risk is included as part of the overall risk assessment. The head of risk management is also responsible for reporting this to management every quarter.

risk management:	
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## Objectives

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

<b>A:</b> Disclose the metrics used by the organization to assess climate related risks and opportunities in line with its strategy and risk management process:	Assessment of climate risk and opportunities is an integral part of credit assessment in the bank and ICAAP. The bank's lending policy describes which sectors are excluded in line with risk limitation. We will further develop expertise and look for opportunities for calculating capital requirements related to climate risk.
<b>B:</b> Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks:	<p>We refer to climate accounting in connection with reporting for the ECO Lighthouse for greenhouse gas emissions for own business (Scope 1 and Scope 2).</p> <p>The banks register and publish the carbon effect of their lending portfolio and their investments through PCAF (scope 3). This method is limited, but currently shows carbon emissions from the bank's investments in covered bonds, as well as lending to housing and small and medium-sized enterprises. This constitutes approximately 80% of the bank's assets. The PCAF report will be published at the beginning of the second quarter of 2022.</p>



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