

# Annual report 2018



Our loan customers on the front page (from left to right): Hugo Vink making cheese on Lofoten Gårdsysteri (photo: Scott Gilmour); green housing on Nesodden (photo: Alan Coulsen); Oslo Fjordsauna (photo: Adrrian Bugge); the cheese Steinfjording from Lofoten Gårdsysteri that was awarded “Spesialitetmerket” in 2018 (photo: Solveig Rist Gilmour).

# Table of Contents

<b>TABLE OF CONTENTS</b> .....	<b>3</b>
<b>VALUE-BASED BANKING</b> .....	<b>4</b>
<b>THE BOARD OF DIRECTORS' REPORT FOR THE YEAR 2018</b> .....	<b>7</b>
Main Guidelines for Business Activities .....	7
Organization.....	8
Risk Management .....	8
Environment and Other Conditions.....	10
Economy .....	12
Marketing and Communication .....	15
Other Matters and Outlook for the Future.....	18
Expression of Gratitude .....	18
Profit and Loss Statement.....	19
Balance Sheet as of 31.12.2018 .....	20
<b>NOTES TO THE ACCOUNTS</b> .....	<b>22</b>
1. General Accounting Principles .....	22
2. Loans and Guarantees .....	22
3. Interest Bearing Securities, Certificates, Shares and Other Interests. ....	27
4. Fixed Assets and Intangible Assets .....	28
5. Capital .....	30
6. Liquidity, Financing and Interest Expense .....	34
7. Information Concerning Employees and Elected Representatives ....	36
8. Taxes .....	38
9. Various Other Information.....	39
<b>AUDIT REPORT</b> .....	<b>41</b>
<b>AUDIT REPORT TRANSLATION</b> .....	<b>43</b>
<b>EMPLOYEES AND ELECTED REPRESENTATIVES 2018</b> .....	<b>46</b>
<b>KEY FIGURES</b> .....	<b>47</b>

## Value-based Banking

Gro Harlem Brundtland, Norway's prime minister who served several terms, is generally recognized as the creator of the concept of sustainable development. In 1983 she was appointed to establish and chair the UN's World Commission on Environment and Development. It was in the Commission's final report of 1987, "Our Common Future", that the concept of sustainable development was introduced and emphasized. In other words, the concept has been commonly used for more than 30 years. After some years, many thought the concept of sustainability had become exhausted.

During the past few years, however, the concept of sustainability has made a comeback. First and foremost, it is about a significant impact on the understanding that man-made climate change is a global problem. The fact that human activity contributes to an increase in the atmospheric content of CO<sub>2</sub>, which leads to catastrophic climate change, can now be regarded as common knowledge. It is interesting then to note that CO<sub>2</sub> and climate change were mentioned but not particularly highlighted in the report, "Our Common Future" from 1987. The UN Intergovernmental Panel on Climate Change was established the year after the report was presented, but conferences and agreements to limit emissions of greenhouse gases lay many years into the future.

The novelty in the report "Our Common Future" was, in particular, that the focus on overuse of the planet's natural resources was not linked to a criticism of the objective of economic growth. The fact that overuse of natural resources is a serious problem and, of course, primarily in the wealthy nations, had already been highlighted in the so-called Roma Club Report of 1972. That report bore the title "Limits to Growth", and pointed to exponential economic growth as the fundamental problem. "Our Common Future", on the other hand, claims that economic growth can and should be continued only if it is promoted in the right, sustainable way. Economic growth is also emphasized by Brundtland as crucial in increasing prosperity in the world's poorest countries. Sustainable development was characterized by increased prosperity, but without overuse of energy resources and without harmful pollution of water, soil and air. People's potential impact on climate change was a new issue, which for a long time was not necessarily dealt with under the concept of sustainability.

In 2019, we can observe that climate change is at the top of the agenda when sustainability is to be discussed. Seen in this way, a significant political change has taken place since 1987.

Some will argue that the climate issue has emerged at the expense of the further perspective from 1987. Many researchers will argue that the loss of biodiversity as a result of pollution and intervention in nature is a strongly under-communicated problem, and that it easily drowns in a more one-sided climate perspective. It is often shown that the loss of biodiversity, such as a proven extensive insect death, is potentially catastrophic for nature's production ability, and thus for human life conditions. Plastic pollution has lately, and quite abruptly, received a lot of media attention. This is a more classic littering problem, which has far greater consequences than we have been aware of recently. The increasing plastic pollution can be very clearly linked to great global economic growth. Plastic has

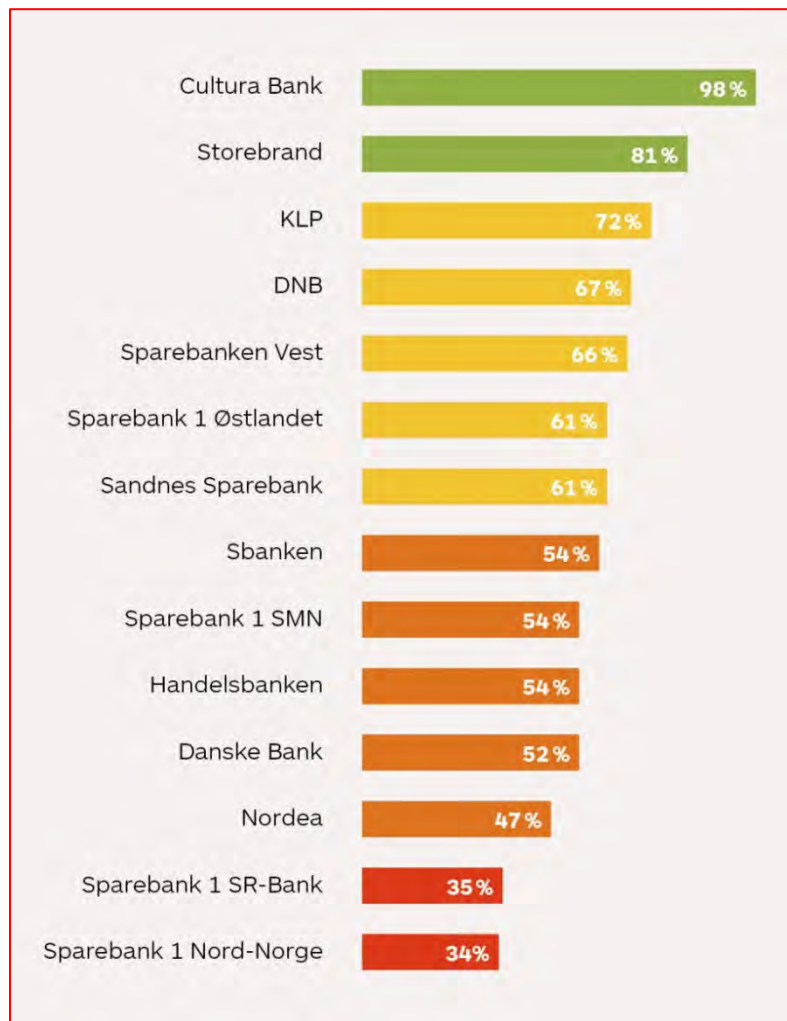


Kjell Fredrik Løvold, CEO, general manager

become a necessary part of an infinite number of products and manufacturing processes. Nevertheless, the premise of "Our Common Future" is that economic growth can be sustainably maintained. However, the premise of the report "Limits to Growth", that boundless economic growth cannot be pursued, cannot be said to have received the same renaissance. Regarding social development, "Our Common Future" assumes that continued economic growth was necessary for the sake of the world's poor. The development after 1987 has also led to hundreds of millions of people coming out of absolute poverty in emerging economies such as China, India and Brazil. At the same time, however, the skewed distribution of wealth has increased significantly, so that the social challenges that arise from major economic differences have increased. Meanwhile, it is also the case that large groups, such as the middle class in the US, have had negative real wage developments over the past 20 years. There may be reason to assume that this affects the ability to achieve approval of political messages where the need for economic moderation is highlighted.

The new sustainability movement is reflected in a large number of initiatives. I find it appropriate to mention our industry organization FNO's (Finance Norway) roadmap for a sustainable financial industry. This document was prepared after several workshops where FNO's members, including Cultura Bank, participated. The document has been shared with both the environmental and finance minister. Out in the big world, the UN's 17

sustainability goals have been developed. These have received great attention both in business and in civil society. Educational institutions, not only within technology subjects, but also economics, law and social sciences, incorporate the sustainability perspective into their curricula and research programs. A large number of seminars and conferences are arranged for discussion and illumination of the issue. The emergence of a new movement of sustainability is evident. Cultura Sparebank has had sustainability listed in its mission statement since the bank's first day in 1997. In other words, for Cultura, sustainability means "business as usual", more than an abrupt change. That is to say, "as



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

usual", does not exactly describe Cultura's business either. The bank is a small player in the banking industry, and is effected by what is happening in its surroundings. Competition in the "sustainability market" is increasing significantly. This means that Cultura will also notice harder business competition, which inspires increased efforts. At the same time, the bank will be a vigilant defender of the concept of sustainability. There will always be a danger that sustainability will result in 'green washing'. But we cannot allow ourselves to make sustainability something secondary, something we think of after making money. Sustainability must be considered before and while making money. Financial profit is not synonymous with sustainability, but sustainability also does not prevent financial profit, rather the opposite. If we succeed in safeguarding the sustainability of our banking activities, we contribute to a better environment and better social conditions for our fellow human beings and ourselves. We at Cultura Bank are confident that it is possible to succeed at this.

### **Economic Status**

Cultura's result after losses and taxes in 2018 is NOK 5 477 000. This is an improvement of NOK 2 415 000, compared to 2017. Total assets as of 31.12.2018 were NOK 1 066 368 000, which implies a percentage increase equal to that achieved in 2017. The bank aims to continue to increase growth, combined with a reduced cost percentage, improved profitability, and a higher dividend yield. The total capital ratio and Tier 2 capital ratio as of 31.12.2018 are 22,52 %, while Tier 1 capital is at 19,25 %. Both the authorities' required levels and our internal requirements are met with a good margin. Cultura will pay out a dividend of 3,0 % to the equity certificate owners based on the result of 2018. This equals a payout ratio of 41 % which corresponds with the bank's objective, within a 50 % payout ratio, of being able to pay a moderate dividend on equity certificates. This will in the foreseeable future be a very significant part of the bank's risk capital. Cultura Bank has also seen a large influx of new customers in 2018. The prospect for 2019 is growth and maintenance of good solvency, while the bank will have an increased focus on relative cost reductions and improved operating profit.

Kjell Fredrik Løvold

CEO, General Manager

# The Board of Directors' Report for the Year 2018

## Main Guidelines for Business Activities

Cultura Bank's core values are embodied in the bylaws mission statement, and do not change from year to year. The bank's task is to properly cover the real needs of people. In order to realize this, Cultura Bank engages in international networks. In addition to a longstanding cooperation with Ekobanken in Sweden and Merkur Bank in Denmark, Cultura also participates in the international network Global Alliance for Banking on Values (GABV), who celebrated their 10-year anniversary in 2019. In connection with GABV, Cultura also participates - and utilizes the offer of - education and experience exchanges at the Institute for Social Banking (ISB), which is located in Berlin. ISB's annual Summer School and its many "Expert Labs" are important arenas for Cultura's employees.

Cultura Bank aims to contribute to a sound economical and societal development. The bank's operations must be solid and sound, also in a conventional economic sense, as a prerequisite for realizing its overall goals.

The main principles guiding the bank's activities may be expressed as:

### Sustainability

Cultura emphasizes the social and environmental impact of the project in its lending operations. This precedes a conventional assessment of the project's profitability and security, which Cultura also makes in line with other banks. The assessment of the loan application reveals whether the projects will have environmental, social and/or cultural qualities. Only when such criteria are met, is an assessment then made as to whether the project is expected to be conventionally economically sustainable. The quality requirements must be fulfilled both in terms of social contributions and individual finances. In GABV this is expressed as the requirement for a triple bottom line: People, Planet and Prosperity.

### Transparency

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

### Consciousness

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

## Organization

Cultura Bank is organized in accordance with the Financial Institution Act and the bank's bylaws. The bank names its supreme body the Board of Trustees, which is composed of representatives of the customers, the owners of the bank's equity certificates, as well as employees and the local government. The Board of Trustees normally conducts two meetings a year. They choose a chair for the board themselves among their 12 members.

The tasks of the Board of Trustees are, among other things, to approve the bank's annual accounts, elect a board, and nominate an election committee. The Board elects an audit and risk committee among its members.

The bank has 16 permanent employees, who together fill 15 full time positions. As of 31.12.2018 there are no temporary employees. The Board, existing of 5 members and 2 deputy members chosen by the Board of Trustees, and one deputy member chosen by the employees, have had 14 meetings in 2018.

The bank's headquarters and sole office is located at Holbergs gate 1 in Oslo.

### *Remuneration*

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

## Risk Management

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

Through its operations, the bank is exposed to a number of risk areas. There are separate policy documents for credit risk, liquidity risk, market risk, operational risk, IT risk and business and risk management. All documents have been subject to review by the Board in 2018, besides the policy document for IT risk, which is being prepared as of 31.12.2018. The bank has established a risk control role that is directly subject to the General Manager, and reports directly to the Board. A separate routine has been established for the implementation of internal control. The internal control report is reviewed annually by the Board. The Board has also established a risk and audit committee.

### *Credit Risk*

Credit risk is defined as the risk that customers' payment obligations to the bank cannot be met due to the inability or unwillingness of the customers to pay at the agreed time. This is the most important risk area in a bank, and the bank's risk management policy is therefore organized to ensure that transactions with customers and financial institutions are always within the agreed guidelines.



According to the bank's objective clause and the Board's policy, lending should be within defined lending purposes and have an appropriate spread. The bank carries out a risk classification of all loans based on criteria for payment ability and security. Empirical data for losses and defaults and developments in the risk classification form the basis for assessing the bank's credit risk. All loan agreements are monitored continuously with regard to term payments, and any deviations are reported to the Board. A regulatory framework has been established for credit assessments, and the bank has a credit committee working within a mandate approved by the Board.

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

#### *Liquidity Risk*

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

The policy document sets a minimum requirement for "weighted deposit coverage"<sup>1</sup> of 110 %. The bank's weighted deposit coverage was 136 % at the end of 2018. In order to withstand large withdrawals and fluctuations in customer deposits, the bank holds a liquidity reserve and drawing rights in Norges Bank. The deposits in the daily settlement bank, DNB, are regulated on an ongoing basis to cover all payments.

#### *Market Risk*

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

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

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

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<sup>1</sup> Weighted deposit coverage ratio: Deposits exceeding the deposit guarantee scheme are weighted 50 %

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

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

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

#### *Operational Risk*

Operational risk is the risk of financial loss due to errors in internal processes and systems, human error, or as a result of external events. According to the bank's policy document for operational risk, this risk must be very low. Management of operational risk is done through the bank's policies, routines and guidelines, where the periodic review of an event log is an important element.

#### *ICAAP*

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

### **Environment and Other Conditions**

#### *Health, Safety and Environmental Issues*

No larger events concerning either the working or the social environment have been reported during the past year. The Board of Directors considers the working environment as good. No larger accidents or injuries have been registered in 2018.

- Absence due to illness amounted to 117,1 days, of which 53,2 days were short-term leave, and 63,9 days with medical verification. The sickness leave percentage was 3,4 % (3,6 % in 2017).
- Electric power consumption in 2018 was 71 229 kWh, versus 77 393 kWh in the previous year.

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

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

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

The bank maintains an environmental certification called "Miljøfyrtårn" or "Environmental Beacon". This certification entails an annual review of measures in this field, and the results of these. The certification was renewed in 2016, and will be renewed again in 2019.



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

### *Gender Equality*

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

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

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

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

A new policy this year is that the bank actively addresses gender equality issues with corporate customers in connection with applications for loans. New loan customers are asked what the gender distribution is in their board and management. Companies with more than 10 employees are asked whether they have a gender equality policy, and whether they have made a wage difference analysis between women and men.

Social	2018	2017
<b>Number of FTEs</b>	15,0	16,4
<b>Percentage of women by job level (in %)</b>		
General Manager / CEO	0,0	0,0
Deputy General Manager	100,0	100,0
Department Manager	50,0	50,0
Other employees	54,5	46,2
<b>All employees</b>	<b>56,3</b>	<b>50,0</b>
<b>Average salary</b>		
Men	554 687	547 600

Women	522 566	499 489
<b>All employees</b>	<b>536 619</b>	<b>523 544</b>
<b>Relationship between the median and the highest salary</b>	1,67	1,70
<b>Women's salary as a percentage of men's by level of employment (in %)</b>		
General Manager / CEO	0,0	0,0
Deputy General Manager	100,0	100,0
Department Manager	91,2	94,1
Other employees	93,6	88,5
<b>All employees</b>	<b>94,2</b>	<b>91,2</b>
<b>Sick leave (in %)</b>		
Men	2,5	1,6
Women	4,2	5,6
<b>All employees</b>	<b>3,4</b>	<b>3,6</b>
<b>Part timers (in %)</b>		
Men	14,3	22,2
Women	22,2	22,2
<b>All employees</b>	<b>18,8</b>	<b>22,2</b>

## Economy

### *General Development*

In September 2018, the Norwegian Central Bank raised the key policy rate for the first time in seven years. The Norwegian Central Bank reports that the Norwegian economy is doing well. The effects of the fall in oil prices in 2014 have diminished, and there is steady growth in both production and employment. The underlying inflation is close to the inflation target of two percent. With these circumstances in mind, the Norwegian Central Bank has also announced more interest increases, gradually and cautiously, in the future.

Globalization, digitalization and restructuring are continuing trends. We are in a technology-driven growth process, which encompasses most of the world. A positive element within the big picture is that more people than ever have taken part in this strong development of prosperity.

But this growth is unevenly distributed. The winners in the global competition are achieving great gains, while broad groups of wage earners in traditional industrial countries have been lagging behind. Problems related to increased inequality must be taken seriously. This also applies in Norway.

With regard to Cultura's business, the general picture does not show any serious signs of alarm. A moderate increase in interest rates is also not expected to adversely affect the bank's operations.

### *Main Features of Cultura Bank's Economy for 2018*

#### **PROFIT AND LOSS ACCOUNTS**

The total operating income for 2018 was NOK 28,7 million, up by 10,3 % compared to 2017. Operational expenses increased in the same period by 2,7 % to NOK 22,9 million. This gives an operating result of NOK 5,8 million, which is an improvement of 56,2 % compared to last year. Due to a fusion

between BankAxept AS, BankID AS and Vipps AS, the bank has been able to book an additional profit of NOK 865 000. Total profits on sales of financial assets is at NOK 1,1 million, which gives us a total profit before tax of NOK 7,0 million.

#### **BALANCE SHEET**

Total assets increased as they did in 2017 with 12,9 % and ended up at NOK 1 066 million. Loans to customers increased by 12,3 % to NOK 636 million. Customer deposits increased by 13,9 % to NOK 952 million.

#### **REVENUES**

Net interest income, the difference between the bank's deposit and loan interest rate, the most important revenue source for the bank, was NOK 22,2 million in 2018, compared to NOK 19,8 million the year before. Net interest income as a percentage of total assets fell marginally from 2,23 % to 2,21 %. Net provision income increased 2,6 % from NOK 7,6 million to NOK 7,8 million.

#### **EXPENSES**

Salary and administration expenses increased 2,8 % in 2018 to NOK 18,7 million. The majority of this increase comes from administration costs, as salary costs have been kept low as a result of somewhat reduced staffing.

#### **LOSSES AND LOAN IMPAIRMENTS**

Payments on earlier write-downs resulted in a net income of NOK 55 000.

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

According to current laws, the net profit should be allocated proportionally between the bank's own reserves and the capital issued through equity certificates. The Board thus proposes a payout of 3,0 % to the equity certificate owners, amounting to NOK 2 236 290. The Cultura Trust Foundation (Cultura Gavefond) is granted a gift of NOK 50 000. NOK 3 010 947 is retained in the equalization fund which is earmarked for future dividend pay-outs, the capital ratios allowing. The remaining net profit, amounting to NOK 180 086, is allocated to the bank's own reserves.

#### *Assets and Liabilities*

#### **LOANS**

The bank's bylaws and the credit policy laid down by the Board of Directors define the preferred loan purposes of the bank. Additionally, the credit risk in the loan book should be distributed in a responsible way. The bank performs a risk classification based on criteria for loan servicing ability and security, which provides a basis for assessing the bank's credit risk. All loan servicing is followed up on an ongoing basis, and any deviations are reported to the Board. The bank has a credit handbook which contains the rules for credit assessments. The bank also has a credit committee which operates with a power of attorney within set limits. Loan in arrears by more than 90 days amounted to NOK 1 620 000 at the year end, which implies a significant increase from just NOK 94 000 in 2017. This increase is related to a single commitment, and is not considered to expose the bank to a loss. The increase in loans in arrears is not considered to reflect a corresponding increase in risk in the loan portfolio. Loans not in arrears, but with a higher probability of losses, totalled NOK 64 000 versus NOK 83 000 in 2017.

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

Total loans increased with 12,3 % to NOK 635,5 million from the end of 2017. Growth in outstanding loans is considered satisfactory. As a consequence of the bank's distinctive mission, it has been stated that at least 50 % of the loans should be loans to enterprises and green housing. As of 31.12.2018 the total loan portfolio meets this requirement.

The loan policy stresses the qualitative profile of the loans. The reporting of the bank visualizes this by subdividing the loan book into the categories People, Planet, Prosperity, the terms also used by the reporting in the scorecard system developed by the GABV. This is also referred to as triple bottom line lending. In the People category, loans concerning education, art and healthcare can be found. Planet includes organic agriculture and distribution of green products, as well as ecological building and other environmental projects. Prosperity is used for loans to various small, local business purposes. In addition to the above mentioned categories, Cultura is offering normal housing loans which now constitute 37 % of total loans, and miscellaneous other purposes which add up to a mere 2,4 % of total loans. The table below shows a more detailed picture, according to the GABV reporting format. Social inclusion can also be found in this category, which concerns lending to social therapy activities for mentally disabled people.

#### OUTSTANDING LOANS BY PURPOSE 31.12.2018

	Purpose	NOK	In %
People	arts and culture	41 308 667	6,50 %
	education	116 973 320	18,41 %
	healthcare	4 916 616	0,77 %
	social inclusion	43 083 970	6,78 %
	other - people	3 178 430	0,50 %
Planet	distribution of ecological products	6 150 840	0,97 %
	green housing	72 596 340	11,42 %
	sme lending	73 915	0,01 %
	renewable energy and low carbon	191 276	0,03 %
	sustainable agriculture	66 394 100	10,45 %
	water efficiency/ reduction/ access	618 567	0,10 %
	other - planet	21 479 017	3,38 %
Prosperity	microfinance for micro enterprise	81 198	0,01 %
	sme lending	5 028 863	0,79 %
	other - prosperity	3 067 674	0,48 %
Other	housing	235 027 850	36,98 %
	other	15 337 923	2,41 %
<b>Total</b>		<b>635 508 566</b>	<b>100 %</b>

#### CUSTOMER DEPOSITS

Growth in customer deposits have also been very strong in 2018. Since the end of 2016, deposits have grown 13,9 %. This increase corresponds to those we have experienced in previous years. Deposit coverage ratio is at 150 %. The sizeable surplus of liquidity is mainly invested in covered bonds and government securities. The bank has a very conservative investment profile. Increased limits on investments in covered bonds have led to an increased volume invested in covered bonds, equivalent

with a reduced volume of investments in low-yield Norwegian Treasury bills. In addition to investments in covered bonds and treasury bills, the bank has the necessary deposits in Norges Bank and DNB as a settlement bank. The bank's securities are highly liquid, and are deposited as collateral for the bank's withdrawal access in Norges Bank. The bank's current policy demands a minimum "weighted" deposit coverage ratio of 110 %. In the weighted deposit coverage ratio those deposits that are not covered by the Norwegian Bank's Guarantee Fund are given a weight of 50 %. As of 31.12.2018, the bank's weighted deposit coverage ratio is at 136 %. The liquidity risk in the bank is considered very moderate.

#### CAPITAL COVERAGE AND EQUITY

Total capital coverage ratio was 22,52 % at year end, up from 23,50 % the year before. Core equity capital coverage was also 22,52 %. The bank has exercised its right to call its subordinated loan of NOK 15 million on the first ordinary call date. Concurrently the bank issued a perpetual subordinated loan of NOK 15 million. This has improved the balance within the capital coverage ratio. Core equity capital coverage was at 19,25 %. As of 31.12.2018 the bank still satisfies external as well as internal requirements on capital coverage. In order to achieve the bank's goals of continued expansion, it is essential that the equity base is strengthened further through the issuance of new equity certificates. Issuing new equity certificates remains the bank's main source of capital. A new issuance is planned for the first half of 2019. The equity certificates are registered in the central security registry, VPS, but are not listed on the Oslo Stock Exchange.

i %	pr 31.12.2018		
	Myndighetens krav	Interne krav	Kapitaldekning
Ren kjernekapital	16,50	17,20	19,25
Kjernekapital	18,00	18,70	22,52
Totalkapital	20,00	20,70	22,52

The Saving Bank's fund is composed of the initial gifts from inauguration as well as retained earnings throughout the years. A proportional part of the year to year earnings are allocated to the equalization fund, which, as mentioned above, is earmarked for future distribution as dividends, to the degree the total capital adequacy permits it.

#### *Cultura Gift Fund and Cultura Guarantee Fund*

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



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



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

#### Marketing and Communication

Marketing and communications efforts are based on the bank's communication strategy, which is continuously assessed and revised.

The bank has, for the third year in a row, received first place in the Ethical Banking Guide. This has been an important contribution in spreading knowledge about the bank and its ethical profile.

New this year is Cultura Bank's own crowd funding platform, CulturaFlokk, which was up and running at the end of the first quarter in 2018. CulturaFlokk facilitates donation and reward-based projects that are in line with the bank's value base, and do not provide loans or equity. The platform is both a commitment for highlighting the importance of gift money, as well as being a good tool for establishing contact with new projects. During 2018 a total of 1,3 million NOK has been given through CulturaFlokk spread over 32 projects. Cultura Bank is a member of the Norwegian Crowdfunding Association.



#### *The Bank's Main Communication Channels*

- **Websites**
- **Social media – mainly Facebook**
- **Pengevirke** – magazine for a new banking culture (published quarterly)
- **Advertisements** - on paper as well as through electronic media
- **Participation** in seminars, festivals and other public events such as:
  - Sponsor and participant at the BI seminar on green growth
  - The main focus of the year was the sponsorship and participation at Økouka 2018.
  - During Økouka, Cultura Bank organized Økooorientering, where participants were equipped with maps and encouraged to visit a selection of Cultura customers and other ecologically oriented business in Oslo. Due to its popularity, this will most likely be repeated in 2019.
  - Sponsor and co-host for Steineruka 2018
  - Banking on Values Day – Open day with an evening lecture from Cultura customer Jan Schøyen from Veien Ut.
  - Sponsor of Matprisen 2018

In terms of manpower, the marketing efforts consume about one full employment position, divided equally between two co-workers. In addition to this, the bank is outsourcing graphic design, internet pages, text writing and some of the additional public relations work.



*Non-Governmental Organisations***CONTRIBUTION TO PARTNER ORGANISATIONS IN 2018**

SAMARBEIDSORGANISASJON	STØTTE- BELØP	INNESTÅENDE SUM PR. 31.12.18	ANTALL KONTI
Naturvernforbundet	23 489	2 619 643	38
WWF-Norge	39 202	5 319 420	88
Regnskogfondet	54 880	6 401 345	158
Redd Barna	84 289	9 476 117	179
Framtiden i våre hender	46 089	6 302 653	90
Kvinne- og Familieforbundet	12 371	1 299 436	27
Norsk P.E.N.	4 223	526 870	10
Sum:	264 541	31 945 484	590

## Other Matters and Outlook for the Future

The accounts and the information provided in the annual report represent a true picture of the development, the financial results and the total position of the bank. The Board of Directors is not aware of matters that are not reflected in the profit and loss accounts and the balance sheet of the bank. Furthermore, the Board is not aware of any occurrences taking place after the closing of the accounts that may affect the position of the bank. The bank is deemed well prepared to meet further challenges in the year ahead. The budget for 2019 sees a positive result, and the accounts have been submitted under the assumption of continued operations of the bank.

## Expression of Gratitude

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

Oslo, 14.03.2019



Maria Bjune  
Styreleder



Christian Dubrau  
Nestleder



Øyvind Vestre  
Styremedlem



Randi A. Welhaven  
Styremedlem



Bjarne Hjertholm  
Styremedlem  
(ansattes representant)



Morten Johannessen  
Styremedlem

## Profit and Loss Statement

In thousands of NOK	Notes	2018	2017
Interest income from loans and receivables on credit institutions		462	398
Interest income from loans to customers		22 767	21 631
Interest income from bonds, certificates and financial derivatives		2 997	1 454
Other interest income		0	0
<b>Total interest and related income</b>		<b>26 226</b>	<b>23 483</b>
Interest expense on deposits from and debt to customers		2 596	2 362
Interest expense on subordinated loan capital		890	780
Other interest expenses		536	512
<b>Total interest and related expenses</b>		<b>4 022</b>	<b>3 654</b>
<b>Net interest and credit commission income</b>		<b>22 204</b>	<b>19 829</b>
Income from shares, participations and other securities with variable earnings		87	37
<b>Total income from shares, participations and other securities with variable earnings</b>		<b>87</b>	<b>37</b>
Guarantee commission income		230	188
Other fees and commission income		7 618	7 464
<b>Total fees and other income from banking activities</b>	9	<b>7 848</b>	<b>7 652</b>
Guarantee commission expenses		249	268
Other fees and commission expenses		2 154	2 022
<b>Total fees and other expenses on banking services</b>		<b>2 403</b>	<b>2 290</b>
Net gains and losses from notes, bonds, and other interest-bearing securities		768	590
Net gains and losses from shares and participations		-94	-70
Net gains and losses from foreign exchange and financial derivatives		324	295
<b>Total gains and losses on foreign exchange and financial derivatives</b>		<b>998</b>	<b>815</b>
<b>Total operating income</b>		<b>28 734</b>	<b>26 043</b>
Salaries etc.	7	11 843	11 744
Salary expenses		9 053	8 986
Pension expenses		727	698
Social security expenses		2 063	2 060
Administrative expenses	9	6 905	6 495
<b>Total salary expenses and general administrative expenses</b>		<b>18 748</b>	<b>18 239</b>
Ordinary depreciation on fixed assets and intangible assets	4	1 407	1 469
Other operating expenses	9	2 739	2 596
<b>Total operating expenses</b>		<b>22 894</b>	<b>22 304</b>
<b>Operating profit before impairment losses</b>		<b>5 840</b>	<b>3 739</b>
Losses on loans, guarantees, etc.	2	-55	-381
Net gains on fixed and intangible assets	3	1 146	15
<b>Profit before taxes</b>		<b>7 041</b>	<b>4 135</b>
Taxes expense	8	1 564	1 073
<b>Profit after tax</b>	5	<b>5 477</b>	<b>3 062</b>
<b>Allocations</b>			
Dividend on equity certificates		2 236	1 396
Transferred to Equalization fund	5	3 011	1 538
Transferred to gift fund		50	50
Transferred to the Savings Bank's Fund	5	180	78
<b>Total allocations</b>		<b>5 477</b>	<b>3 062</b>

**Balance Sheet as of 31.12.2018**

In thousands of NOK	Notes	2018	2017
<b>Cash and claims on the Norwegian Central Bank</b>		<b>68 113</b>	<b>56 281</b>
<b>Loans and claims on credit institutions</b>		<b>21 910</b>	<b>10 378</b>
Overdrafts and other operational credits		17 588	14 780
Construction loans		0	5 059
Loans to customers		617 920	545 925
<b>Total loans before value adjustments</b>		<b>635 508</b>	<b>565 764</b>
value adjustments on individual loans		-144	-189
value adjustments on groups of loans		-1 327	-1 327
<b>Net sum loans and claims on customers</b>	2	<b>634 037</b>	<b>564 248</b>
Certificates and bonds issued by public authorities		139 848	109 707
Certificates and bonds issued by other organisations		189 883	190 795
<b>Total certificates and bonds</b>	3	<b>329 731</b>	<b>300 502</b>
<b>Shares, interests and equity certificates</b>	3	<b>8 334</b>	<b>7 651</b>
Deferred tax credits	8	145	163
Other intangible assets	4	1 481	2 700
<b>Total intangible assets</b>		<b>1 626</b>	<b>2 863</b>
<b>Fixed assets, machinery, inventory and means of transport</b>	4	<b>578</b>	<b>575</b>
<b>Other assets</b>		<b>7</b>	<b>21</b>
Accrued income		1 385	996
Pre-paid non-accrued income		647	1 281
<b>Total pre-paid expenses and accrued income</b>		<b>2 032</b>	<b>2 277</b>
<b>TOTAL ASSETS</b>	6	<b>1 066 368</b>	<b>944 796</b>
<b>Deposits from and liabilities to credit institutions</b>		<b>51</b>	<b>30</b>
Deposits from and liabilities to customers without agreed maturity		925 271	812 065
Deposits from and liabilities to customers with agreed maturity		26 280	23 414
<b>Total deposits and liabilities to customers</b>	6	<b>951 551</b>	<b>835 479</b>
<b>Other liabilities</b>	9	<b>7 519</b>	<b>5 145</b>
<b>Accrued expenses and received non-accrued income</b>		<b>2 411</b>	<b>2 425</b>
<b>Subordinated loan</b>	5	<b>15 000</b>	<b>14 970</b>
<b>TOTAL LIABILITIES</b>		<b>976 532</b>	<b>858 049</b>
Share capital		74 543	74 543
Bank owned equity certificates		-926	-824
<b>Equity capital</b>	5	<b>73 617</b>	<b>73 719</b>
The Saving Bank's Fund		3 858	3 678
Equalization Fund		12 361	9 350
<b>Accrued equity</b>	5	<b>16 219</b>	<b>13 028</b>
<b>TOTAL EQUITY</b>		<b>89 836</b>	<b>86 747</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	6	<b>1 066 368</b>	<b>944 796</b>
<b>Guarantees</b>	2	<b>5 969</b>	<b>9 610</b>

Oslo, 14.03.2019



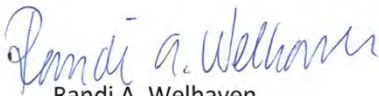
Maria Bjune  
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Styremedlem



Bjarne Hjertholm  
Styremedlem  
(ansattes representant)



Morten Johannessen  
Styremedlem

## Notes to the Accounts

### 1. General Accounting Principles

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

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

### 2. Loans and Guarantees

#### GUARANTEES BY TYPE

In thousands of NOK	2018	%	2017	%
Payment guarantees	5 969	100,0	9 610	100,0
Loan guarantees	0	0,0	0	0,0
<b>Total guarantees</b>	<b>5 969</b>	<b>100,0</b>	<b>9 610</b>	<b>100,0</b>

#### GUARANTEES BY SECTOR

In thousands of NOK	2018	%	2017	%
Private limited liability company	3 547	59,4	2 502	26,0
Non-profit organizations	2 263	37,9	6 670	69,4
Sole proprietorship	0	0	10	0,1
Private households	159	2,7	150	1,6
Foreign companies	0	0	278	2,9
<b>Total guarantees</b>	<b>5 969</b>	<b>100,0</b>	<b>9 610</b>	<b>100,0</b>

#### GUARANTEES BY INDUSTRY

In thousands of NOK	2018	%	2017	%
Agriculture and related services	0	0	10	0,1
Retail, repair of motorized vehicles	465	7,8	665	6,9
Transport and storage	77	1,3	152	1,6
Information and communication	0	0	0	0
Sale and management of real estate	123	2,0	0	0
Commercial services	2 767	46,4	1 570	16,3
Other service industries	2 537	42,5	6 785	70,6
Private sector	0	0	150	1,6
Foreign companies	0	0	278	2,9
<b>Total guarantees</b>	<b>5 969</b>	<b>100,0</b>	<b>9 610</b>	<b>100,0</b>

**GUARANTEES BY GEOGRAPHIC AREA**

In thousands of NOK	2018	%	2017	%
Østfold	50	0,8	50	0,5
Akershus	1 738	29,1	6 146	63,9
Oslo	4 031	67,5	2 901	30,2
Vestfold	75	1,3	10	0,1
Rogaland	0	0	75	0,8
Hordaland	0	0	75	0,8
Trøndelag	75	1,3	75	0,8
Nordland	0	0	0	0
Outside of Norway	0	0	278	2,9
<b>Total guarantees</b>	<b>5 969</b>	<b>100,0</b>	<b>9 610</b>	<b>100,0</b>

**LOANS BY SECTOR**

In thousands of NOK	2018	%	2017	%
Private limited liability company	60 642	9,5	66 322	11,7
Privately owned companies	19 497	3,1	11 620	2,1
Non-profit organizations	176 400	27,8	171 978	30,4
Sole proprietorship	64 186	10,1	60 211	10,6
Housing associations	2 646	0,4	3 239	0,6
Private households	310 604	48,9	252 136	44,6
Foreign companies	213	0,0	257	0,0
Foreign households	1 320	0,2	1	0,0
<b>Total loans</b>	<b>635 508</b>	<b>100,0</b>	<b>565 764</b>	<b>100,0</b>

**LOANS BY INDUSTRY**

In thousands of NOK	2018	%	2017	%
Agriculture and related services	63 004	9,9	51 359	9,1
Manufacturing	6 226	1,0	8 895	1,6
Building of ships and boats	0	0,0	1	0,0
Water supply, sewage, waste management and remediation activities	1	0,0	0	0,0
Construction	6 845	1,1	1 108	0,2
Retail, repair of motorized vehicles	0	0,0	8 908	1,6
Accommodation and food service activities	327	0,1	1 135	0,2
Information and communication	1	0,0	0	0,0
Sale and management of real estate	49 612	7,8	51 275	9,1
Finance and insurance activities	737	0,1	592	0,1
Commercial services	1 883	0,3	1 951	0,3
Other service industries	194 735	30,6	188 146	33,3
Private households	312 137	49,1	252 394	44,5
<b>Total loans</b>	<b>635 508</b>	<b>100,0</b>	<b>565 764</b>	<b>100,0</b>

## LOANS BY GEOGRAPHIC AREA

In thousands of NOK	2018	%	2017	%
Østfold	32 535	5,1	31 414	5,6
Akershus	127 781	20,1	108 385	19,2
Oslo	217 918	34,4	201 057	35,5
Hedmark	43 119	6,8	44 783	7,9
Oppland	14 555	2,3	13 591	2,4
Buskerud	43 739	6,9	39 027	6,9
Vestfold	40 136	6,3	31 423	5,6
Telemark	4 326	0,7	4 491	0,8
Aust-Agder	1 344	0,2	1 602	0,3
Vest-Agder	1	0,0	30	0,0
Rogaland	14 765	2,3	8 749	1,5
Hordaland	19 113	3,0	21 044	3,7
Sogn og Fjordane	900	0,1	571	0,1
Møre og Romsdal	1 246	0,2	2 013	0,4
Nordland	17 145	2,7	14 716	2,6
Troms	21 524	3,4	16 802	3,0
Finnmark	3 963	0,6	4 082	0,7
Trøndelag	29 865	4,7	21 726	3,8
Outside of Norway	1 533	0,2	258	0,0
<b>Total loans</b>	<b>635 508</b>	<b>100,0</b>	<b>565 764</b>	<b>100,0</b>

*Valuations, Descriptions and Definitions*

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

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

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

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

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

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



**DEFAULTS AND LOSS-EXPOSED COMMITMENTS**

In thousands of NOK	2018	2017	2016	2015	2014
Gross defaults over 90 days	1 620	94	370	1 101	405
- Individual defaults	80	100	370	513	404
<b>Net defaults</b>	<b>1 540</b>	<b>-6</b>	<b>0</b>	<b>588</b>	<b>1</b>
Gross exposed non-defaulted commitments	64	83	1 597	835	704
- Individual write-downs	64	89	570	410	410
<b>Net exposed non-defaulted commitments</b>	<b>0</b>	<b>-6</b>	<b>1 027</b>	<b>425</b>	<b>294</b>

**WRITE DOWNS ON LOANS AND CLAIMS ON CUSTOMERS**

In thousands of NOK	2018	2017
The period's change in write-downs on individual loans	-45	-751
+ The period's change in write-downs on groups of loans	0	0
+ The period's ascertained losses against previous write-downs	0	370
+ The period's losses without previous write-downs	0	1
- The period's recovery of previously ascertained losses	10	1
<b>The period's loss expense</b>	<b>-55</b>	<b>-381</b>
Write-downs on individual loans as of 1/1	189	940
This year's write-downs	-45	-751
<b>Write-downs on individual loans as of 31/12</b>	<b>144</b>	<b>189</b>
Write-downs on groups of loans as of 1/1	1 327	1 327
This year's write-downs	0	0
<b>Write-downs on groups of loans as of 31/12</b>	<b>1 327</b>	<b>1 327</b>

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

**LOANS AND GUARANTEES BY RISK CATEGORY WITH CORRESPONDING WRITE-DOWNS**

Class	Loans		Guarantees		Drawing rights		Total		Write downs		Description
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
In thousands of NOK											
Class A	566 328	490 578	3 109	7 517	11 879	20 638	581 316	518 733	0	0	
Class B	66 941	72 615	2 860	2 093	1 368	1 354	71 169	76 062	961	948	Group-depreciation
Class C	0	257	0	0	0	0	0	257	0	64	Group-depreciation
Class D	619	708	0	0	201	55	820	763	366	315	Group-depreciation
Class E	1 620	1 606	0	0	0	0	1 620	1 606	144	189	Individual write-downs
<b>Total</b>	<b>635 509</b>	<b>565 764</b>	<b>5 969</b>	<b>9 610</b>	<b>13 448</b>	<b>22 047</b>	<b>654 925</b>	<b>597 421</b>	<b>1 471</b>	<b>1 516</b>	

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

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

		Security posted				
		A	B	C	D	E
Ability to pay	A	<b>A</b>	<b>A</b>	<b>A</b>	<b>B</b>	<b>B</b>
	B	<b>A</b>	<b>A</b>	<b>B</b>	<b>B</b>	<b>B</b>
	C	<b>A</b>	<b>B</b>	<b>B</b>	<b>C</b>	<b>D</b>
	D	<b>B</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>D</b>
	E	<b>B</b>	<b>C</b>	<b>C</b>	<b>D</b>	<b>E</b>

#### *Future Development*

Exposures in risk compartments A and B constituted 99 % of the total exposures as of 31.12.2018. . Individual write-downs amounted to NOK 144 000, against NOK 189 000 the previous year. During 2018 the bank realized a NOK 0 loan loss just like in 2017. Group depreciations are kept at NOK 1 327 000, unchanged from the year before. During 2018, repayments on earlier write-downs resulted in a net income of NOK 54 693 against a net income of NOK 381 261 during 2017. The bank maintains a strong focus on customers' loan servicing ability, and thus expects to be able to maintain a low default ratio. The total loan loss situation is regarded as very satisfactory entering the year 2019.

### 3. Interest Bearing Securities, Certificates, Shares and Other Interests

#### Valuation Principles

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

#### SHARES AND OTHER PARTICIPATIONS IN OTHER COMPANIES

Name	Organisational number	Number of shares	Currency	Nominal value	Acquisition cost (NOK)	Booked value (NOK)	Estimated market value (NOK)
Merkur		837	DKK	837 000	1 480 800	1 480 800	1 940 189
Ekobanken		381	SEK	381 000	351 225	351 225	463 858
Triodos		100	EUR	6 400	52 474	52 474	83 566
Sefea		26	EUR	13 000	116 933	116 933	129 328
La Nef		4 070	EUR	122 100	915 897	915 897	1 214 687
Banca Etica		180	EUR	9 450	78 381	78 381	102 965
Eiendomskreditt	979 391 285	15 072	NOK	1 507 200	1 570 502	1 570 502	2 163 284
SDC		5 646	DKK	565 200	2 628 784	2 554 472	2 888 295
Vipps AS	918 713 867	229	NOK	906 270	906 270	906 270	906 270
SustainFin SICAV		988,37	EUR	50 000	471 034	307 210	395 664
VN Norge AS	821 083 052	961 billion	NOK	0	0	0	899 420
<b>Total</b>					<b>8 572 300</b>	<b>8 334 164</b>	<b>11 187 526</b>

#### CHANGES IN SHARES AND OTHER PARTICIPATIONS IN OTHER COMPANIES

Name	Incoming balance	Acquisitions/Sales	Impairment	Outgoing balance
Merkur	1 480 800	0	0	1 480 800
Ekobanken	351 225	0	0	351 225
Triodos	52 474	0	0	52 474
Sefea	116 933	0	0	116 933
La Nef	915 897	0	0	915 897
Banca Etica	78 381	0	0	78 381
Eiendomskreditt	1 570 502	0	0	1 570 502
SDC	2 915 647	-361 175	0	2 554 472
Vipps AS <sup>2</sup>	0	906 270	0	906 270
Bank Asept AS	25 000	-25 000	0	0
Bank ID	15 826	-15 826	0	0
SustainFin SICAV	127 966	273 721	-94 477	307 210
<b>Total</b>	<b>7 650 651</b>	<b>777 990</b>	<b>-94 477</b>	<b>8 334 164</b>

<sup>2</sup> In connection with the merger between BankAsept AS, BankID Norge AS and Vipps AS, the bank's holdings of shares in BankAsept AS and BankID Norge AS (total book value NOK 40 826) have been deleted, and consideration shares were issued in Vipps AS to a value of NOK 906 270. The difference, NOK 865 444, is recorded as a gain on the sale of financial fixed assets.

*Valuation of the Bank's Portfolio of Interest Bearing Securities*

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

**BONDS AND TREASURY BILLS**

<b>Name (risk weight)</b> In thousands of NOK	<b>Book value</b>	<b>Face value</b>	<b>Cost price</b>	<b>Market value</b>	<b>Listed on stock exchange</b>
Treasury bills (0 %)	119 798	120 000	119 832	119 832	119 832
Communal bonds (20%)	20 050	20 000	20 052	20 049	20 049
Covered bonds (10 %)	179 812	180 000	179 874	181 125	181 125
Foreign covered bonds (10%)	10 071	10 000	10 091	10 071	10 071
<b>Total:</b>	<b>329 731</b>	<b>330 000</b>	<b>329 849</b>	<b>331 077</b>	<b>331 077</b>

The average effective interest rate is 1,53 % for covered bonds, 1,19 % on communal bonds and 0,60 % on Treasury bills.

Bonds and treasury bills with a book value of NOK 317,8 million are pledged as collateral for an overdraft facility with the central bank.

**4. Fixed Assets and Intangible Assets***Valuation Principles*

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

**SPECIFICATION**

<b>In thousands of NOK</b>	<b>Fixed assets</b>	<b>Intangible fixed assets</b>
Acquisition cost as of 1.1.2018	1 136	8 389
Acquisitions during the year	115	75
Disposals during the year	0	0
Acquisition cost as of 31.12.2018	1 251	8 464
Total depreciations and write-downs as of 1.1.2018	560	5 689
Ordinary depreciations during the year	113	1 294
Write-downs during the year	0	0
Decrease in ordinary depreciations during the year	0	0
Total depreciations and write-downs as of 31.12.2018	673	6 983
Booked value as of 31.12.2018	578	1 481
Depreciation rate	3 - 10 years	5 years

**INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS**

In thousands of NOK	2018	2017	2016	2015	2014
Purchase of machinery and inventory	115	64	41	854	0
Intangible assets	75	138	214	3 265	2 407

No fixed assets were sold in the period 2012-2018.

The investments in connection with conversion to a new data system in 2015 have been booked as intangible assets, and are subject to depreciation over 5 years.

*Lease of Office Space*

Cultura Bank has a lease contract for office space at Holbergs gate 1, expiring 30.05.2026. The annual lease for a space of 477 m<sup>2</sup> is NOK 1 257 960. The lease is adjusted annually, in line with the consumer price index.

## 5. Capital

### REGULATORY CAPITAL

In thousands of NOK	31.12.2018	31.12.2017
Share capital 1/1	74 543	65 110
Issue of new certificates	0	9 433
Bank owned equity certificates	-926	-824
<b>Total issued equity</b>	<b>73 617</b>	<b>73 719</b>
The Savings Bank's Fund 1/1	3 678	3 600
Retained earnings	183	78
<b>Total retained earnings and Savings Bank's Fund</b>	<b>3 861</b>	<b>3 678</b>
Equalisation Fund 1/1	9 350	7 812
Previous year retained earnings	3 008	1 538
<b>Total equalisation Fund</b>	<b>12 358</b>	<b>9 350</b>
<b>Total common equity Tier 1 capital instruments before deductions</b>	<b>89 836</b>	<b>86 747</b>
CET1 instruments of financial sector entities where the institution does not have a significant investment	0	0
Intangible assets	-1 481	-2 700
<b>Total common equity Tier 1 capital instruments after deductions</b>	<b>88 355</b>	<b>84 047</b>
Subordinated loan capital (Tier I)	15 000	0
<b>Tier 1 capital</b>	<b>103 355</b>	<b>84 047</b>
Subordinated loan capital (Tier II)	0	14 970
<b>Total Eligible Regulatory Capital</b>	<b>103 355</b>	<b>99 017</b>

### CHANGES IN REGULATORY CAPITAL

	Savings Bank's Fund	Share capital	Bank owned Equity certi- ficates	Equalisation Fund	Total
Share capital 1/1	3 678	74 543	-824	9 350	86 747
Issue of new certificates					
Allocation of retained earnings without dividends payable	180			3 011	3 191
Sale/Purchase of own equity certificates			-102		-102
<b>Share capital 31/12</b>	<b>3 858</b>	<b>74 543</b>	<b>-926</b>	<b>12 361</b>	<b>89 836</b>

**BASIS FOR CALCULATION OF EQUITY REQUIREMENT BY EXPOSURE CATEGORIES**

In thousands of NOK	31.12.2018	31.12.2017
Central governments and central banks	0	0
Regional governments or local authorities	4 010	0
Public sector entities	0	0
Institutions	9 282	7 276
Corporates	55 308	57 751
Secured by mortgages in immovable property	299 634	268 375
Exposures in default	1 739	50
Covered bonds	18 988	18 980
Other items	14 237	14 689
<b>Risk weighted exposure amount for credit</b>	<b>403 198</b>	<b>367 121</b>
+ Risk exposure amount for operational risk	49 774	46 913
+ Risk exposure amount for credit valuation	6 065	7 369
- Deductions for loan loss provisions	0	0
<b>Total risk weighted assets</b>	<b>459 037</b>	<b>421 403</b>
<b>Equity as a % of total assets</b>	<b>8,42</b>	<b>9,18</b>
<b>Common Equity Tier I (as a % of risk exposure amount)</b>	<b>19,25</b>	<b>19,94</b>
<b>Tier I capital (as a % of risk exposure amount)</b>	<b>22,52</b>	<b>19,94</b>
<b>Total capital (as a % of risk exposure amount)</b>	<b>22,52</b>	<b>23,50</b>

*Equity Ratio*

As of December 31<sup>st</sup> 2018, total capital requirements for common equity capital consist of a capital conservation buffer of 2,5 %, a system risk buffer of 3,0 %, and a counter-cyclical buffer of 2,0 %. These requirements are in addition to a minimum requirement of common equity of 4,5 %. In sum, Pillar 1 and buffer requirements are 12,0 % combined. In addition, Finanstilsynet has assigned Cultura Bank a Pillar 2 requirement of 4,5 %. Total minimum common equity capital requirement, including the Pillar 2 requirement, is therefore 16,5 %. Regulatory requirements for Tier I capital and Total capital are 18,0 % and 20,0 % respectively. The Board of the bank has determined that an additional 0,7 % is added for internal minimum requirements. Thus, as of 31.12.2018, internal requirements are 17,2 % for CET I capital, 18,7 % for Tier I capital, and 20,7 % for total capital. These requirements are met by a good margin. Due to the issuance of a perpetual bond a NOK 15 million, the bank has increased its Tier I capital by 2,58 percentage points.

*Subordinated Debt*

The bank has exercised its right to call its subordinated loan of NOK 15 million on the first ordinary call date. Concurrently the bank issued a perpetual subordinated loan on 23.11.2018 of NOK 15 million which satisfies the requirements of CRD IV to be counted as Tier I capital in accordance with § 15 of the capital regulations. The bank can use its right for partial or full pre-payment at par value for the first time on 23.11.2023, and thereafter after each interest pay-out. The running interest rate at

year end was 7,22 %, and the loan was issued at 3 month NIBOR plus a margin of 6 %. Book value of the loan at year end was NOK 15 000 000.

#### EQUITY CERTIFICATES OWNED BY ELECTED REPRESENTATIVES AND MANAGEMENT AS OF 31.12.18

Name	Member of	Number of certificates*
Kjell Fredrik Løvold	CEO, General Manager	125
Jannike Østervold	Assistant General Manager, Board of Trustees	5
Johannes Brinkmann	Board of Trustees	5
Lars Hektoen	Board of Trustees	223
Elizabeth Brockfield and through Nea 2 AS	Board of Trustees	721
Rune Horne	Board of Trustees	50
Åsa Jeppsson	Board of Trustees	3
Anne-Kristin Løes	Board of Trustees	100
Stian Torstenson	Board of Trustees	3
Elizabeth Wirsching	Board of Trustees	6
Kjersti Aspheim	Board of Trustees	100
Maria Bjune	Board	25
Christian Dubrau through Bykuba AS	Board	45
Øyvind Vestre samt through Aktiv Arena AS	Board	23

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

#### THE 20 LARGEST OWNERS OF EQUITY CERTIFICATES AS OF 31.12.18

Name	Nationality	Number of certificates
Camphills Forvaltningsfond	NO	8 140
Personellservice Trøndelag	NO	3 750
Crédit Coopératif	FR	3 427
A/S Skarv	NO	3 000
Cultura Gavefond	NO	2 211
Liv Bråten	NO	2 050
Acini Capital AS	NO	2 000
La Nef	FR	1 856
Gemeinnützige Treuhandstelle e.V.	DE	1 855
Ekobanken	SE	1 822
Banca Popolare Etica	IT	1 500
GLS Gemeinschaftsbank	DE	1 300
Merkur, Den Almennyttige Andelskasse	DK	1 294
Annette Holding AS	NO	1 000
Triodos Bank	NL	1 000
O. Kavli og Knut Kavlis allmennyttige fond	NO	1 000
Granly Stiftelse	NO	1 000
APS bank Ltd.	MT	800
Opplysningsvesenets fond	NO	750



Forsvarets Personellservice	NO	750
<b>Total</b>		<b>40 505</b>
Equity certificates held by the bank		926
Other equity certificate holders		33 112
<b>Total equity certificates</b>		<b>74 543</b>

#### *Acquisition of Own Equity Certificates*

Cultura Bank's holdings of its own equity certificates have increased from 824 to 926 during 2018. All purchases and sales have been made at par exchange rates. The reason for the purchases is that the bank wants to contribute to the sale of equity certificates. Self-procurement of equity certificates is used as an instrument to give the paper increased liquidity.

## 6. Liquidity, Financing and Interest Expense

### MAIN BALANCE SHEET ITEMS BY TIME TO MATURITY

In thousands of NOK	Up to 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	over 5 years	No Maturity	Total
Cash and claims on central banks	68 021	0	0	0	0	92	68 113
Loans to and claims on credit institutions	21 910	0	0	0	0	0	21 910
Loans to and claims on customers	1 021	4 765	22 102	131 728	458 304	16 117	634 037
Bonds and other interest-bearing papers	0	119 797	45 138	164 796	0	0	329 731
Other assets	1 291	591	1 308	975	78	8 334	12 577
<b>Total assets</b>	<b>92 243</b>	<b>125 153</b>	<b>68 548</b>	<b>297 499</b>	<b>458 382</b>	<b>24 543</b>	<b>1 066 368</b>
Deposits from and liabilities to customers	951 602	0	0	0	0	0	951 602
Other liabilities	3 954	4 790	1 186	0	0	0	9 930
Equity	0	0	0	0	0	89 836	89 836
Subordinated loan	0	0	0	0	15 000	0	15 000
<b>Total equity and liabilities</b>	<b>955 556</b>	<b>4 790</b>	<b>1 186</b>	<b>0</b>	<b>15 000</b>	<b>89 836</b>	<b>1 066 368</b>
<b>Net liquidity exposure on the balance sheet</b>	<b>-863 313</b>	<b>120 363</b>	<b>67 362</b>	<b>297 499</b>	<b>443 382</b>	<b>-65 293</b>	<b>0</b>

Bank overdrafts are classified as having no maturity.

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

In thousands of NOK	Up to 1 month	1 month - 3 months	3 months - 1 year	1 year - 5 years	over 5 years	Without interest exposure	Total
Cash and claims on central banks	0	68 021	0	0	0	92	68 113
Loans to and claims on credit institutions	21 910	0	0	0	0	0	21 910
Loans to and claims on customers	0	634 037	0	0	0	0	634 037
Bonds and other interest-bearing papers	29 912	299 819	0	0	0	0	329 731
Other assets	0	0	0	0	0	12 577	12 577
<b>Total assets</b>	<b>51 822</b>	<b>1 001 877</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12 669</b>	<b>1 066 368</b>
Deposits from and liabilities to customers	0	951 602	0	0	0	0	951 602
Other liabilities	0	0	0	0	0	9 930	9 930
Equity	0	0	0	0	0	89 836	89 836
Subordinated loan	0	15 000	0	0	0	0	15 000
<b>Total equity and liabilities</b>	<b>0</b>	<b>966 602</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>99 766</b>	<b>1 066 368</b>
<b>Net interest exposure on the balance sheet</b>	<b>51 822</b>	<b>35 275</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-87 097</b>	<b>0</b>

The bank's interest rate risk is very moderate in relation to the size of the balance sheet. At year end the total interest rate sensitivity was such that a 1 % parallel shift in the interest rate curve would have an effect on annual earnings of approximately NOK 625 000. All balance sheet items have been included in the calculation and the bank has no off balance sheet positions.

#### AVERAGE INTEREST RATES ON CUSTOMER DEPOSITS

Deposits without agreed tenor or notice: 0,29 %

Deposits with agreed tenor or notice: 0,17 %

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

Regulatory liquidity requirements demand that banks should be able to withstand a prolonged period without access to new market financing. The Liquidity Coverage Ratio (LCR) measures the bank's liquid assets as a percentage of net outflows of funds over a 30 day period given a stress scenario. Cultura Bank's LCR ratio at year end was 322 %, well in excess of our internal requirement of 125%.

#### KONTANTSTRØMSANALYSE

In thousands of NOK	2018	2017
Net profit	7 041	4 135
- paid taxes	1 038	1 017
+ losses on loans and guarantees	-44	-751
+ depreciation	1 407	1 469
- dividends paid and gift fund contribution	1 446	1 027
<b>Cash flow from ordinary operations</b>	<b>5 920</b>	<b>2 809</b>
Subordinated loan	0	0
Issue of/change in equity certificates	-102	8 609
<b>Supplied from this year's operations</b>	<b>5 818</b>	<b>11 418</b>
Increase in funds entrusted	116 093	98 189
Increase in other receivables	259	0
Increase of other liabilities	1 041	0
<b>Gross liquidity from operations</b>	<b>123 211</b>	<b>109 607</b>
<i>Application of funds:</i>		
Increase in loans	69 744	55 095
Reduction of other liabilities	0	740
Increase in other receivables	0	400
Investments in equity, shares	683	-370
Investments in fixed assets	190	202
Investments in bonds	29 229	85 685
<b>Total applied</b>	<b>99 846</b>	<b>141 752</b>
<b>Net cash flow</b>	<b>23 365</b>	<b>-32 145</b>
Cash and cash equivalents as of 1.1	66 658	98 803
Cash and cash equivalents as of 31.12	90 023	66 658

## 7. Information Concerning Employees and Elected Representatives

At year end 2018, the bank had 16 permanent employees, which represents 15 full-time positions. Compensation to employees consists solely of a fixed salary. In addition to any remuneration for overtime, no form of variable remuneration is paid based on results obtained or any other basis. The CEO is granted an additional NOK 1 000 per month in order to cover expenses for electronic communication (ECOM). The managerial group consisting of the CEO/General Manager, Deputy CEO/Assistant General Manager and Assistant General Manager/Head of Loan Department has no claim for overtime compensation as a result of a separate independent position.

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

Senior Executives	Salary and remuneration	Pension premium	Other remuneration*	Loan
Chief Executive Officer, General Manager	854	60	15	227
Assistant General Manager, Deputy CEO, Head of IT and marketing	701	49	3	606
Assistant General Manager, Head of Loan Department (from	661	47	3	0
<b>Total executives</b>	<b>2 216</b>	<b>156</b>	<b>21</b>	<b>833</b>

\*ECOM and group life insurance

Board of Directors	Salary and remuneration	Pension premium	Car allowance	Loan
Chair of the Board and member of the Risk and Audit Committee	179*	0	7	0
Deputy Chair of the Board and chair of the Risk and Audit Committee	54	0	0	3 573
Board member	38	0	1	0
Board member (until 31.03.18)	11	0	0	0
Board member, member of the Risk and Audit Committee (until 31.05.18)	49	0	0	0
Board member (from 01.04.18), member of the risk and audit committee (from 01.06.18)	38	0	0	0
Board member (for the employees) (until 31.03.18)	6	0	0	2 271
Board member (for the employees) (from 01.04.18)	17	0	4	0
<b>Total board of directors</b>	<b>392</b>	<b>0</b>	<b>12</b>	<b>5 844</b>

<b>Board of Trustees</b>	<b>Salary and remuneration</b>	<b>Pension premium</b>	<b>Car allowance</b>	<b>Loan</b>
Chair of the Board of Trustees (until 22.03.18)	4	0	0	0
Member of the Board of Trustees and Chair of the Election Committee	15	0	0	2 449
Member of the Board of Trustees and member of the Election Committee	10	0	0	0
Member of the Board of Trustees and member of the Election Committee	10	0	0	1 000
Member of the Board of Trustees and employee's member of the Election Committee	5	0	0	0
Member of the Board of Trustees	0	0	0	200
Member of the Board of Trustees	0	0	0	606
<b>Total board of trustees</b>	<b>44</b>	<b>0</b>	<b>0</b>	<b>4 255</b>

\*Remuneration to the chair of the boards includes a payment in arrears from 2017 of NOK 34 000.

#### *Loans and guarantees to employees*

As of 31.12.2018, loans to employees totalled NOK 7 604 459, of which NOK 833 247 was to senior executives. No guarantees in favour of employees are effective. Loans to the management of the bank are granted on equal terms with other employees. Interest rate subsidies on loans to employees amounted to NOK 54 256 in 2018.

#### *Loans and guarantees to elected representatives*

No loans or guarantees have been granted to the chairpersons of the Board of Directors and the Board of Trustees respectively as of 31.12.2018. Loans to the members of the Board of Directors and members of the Board of Trustees equalled NOK 7 828 391.

#### *Pension obligations to employees and trustees*

Cultura Bank has a collective pension scheme for its employees, which meets the requirements for mandatory occupational pensions. In 2014, the bank changed to a contribution-based pension arrangement through Storebrand. The bank has no pension obligations beyond the collective pension scheme. The bank's pension contribution is 7 %, which is the maximum contribution within the scheme. In 2018 a total of NOK 727 176 was paid in pension contributions for the bank's employees.

#### *Remuneration to the statutory auditor*

<b>In NOK</b>	<b>2018</b>	<b>2017</b>
Statutory audit	225 000	245 000
Preparation of income tax returns	20 000	25 000
Other consultation	17 350	11 875
<b>Total remuneration to the statutory auditor</b>	<b>262 350</b>	<b>281 875</b>

## 8. Taxes

Deferred taxes and deferred tax advantages are calculated based on temporary differences between accounting-based and taxation-based evaluations at year end. Tax-increasing and tax-reducing differences are evaluated inside the same time frame. Consequently tax-reducing differences materializing at a future point in time cannot be offset against tax-increasing differences occurring in earlier periods. The calculation of future deferred taxes is based on a tax rate of 25 % as of 31.12.2018, and 25 % pr. 31.12.2017.

### SPECIFICATION OF THE BASIS FOR TEMPORARILY DEFERRED TAXES/DEFERRED TAX

#### ADVANTAGES

In thousands of NOK	31.12.2018	31.12.2017
Fixed assets	-461	-569
Pre-paid expenses - pensions	0	0
Bonds	-120	-82
Losses carried forward	0	0
<b>Total temporary differences</b>	<b>-581</b>	<b>-651</b>
Deferred tax (- deferred tax credits) 25 %	-145	-162

#### TAX EXPENSE 2018

In thousands of NOK	31.12.2018	31.12.2017
Ordinary profit before tax	7 041	4 135
Permanent differences	-800	27
Change in temporary differences	-97	-178
<b>Net taxable income</b>	<b>6 144</b>	<b>3 984</b>
Payable tax 25 %	1 536	1 028
Capital tax	15	14
<b>Total payable tax</b>	<b>1 551</b>	<b>1 042</b>
Change in deferred tax	17	45
Excess reserve from previous year	-4	-14
<b>Total tax expense</b>	<b>1 564</b>	<b>1 073</b>

## 9. Various Other Information

The net result as a percentage of total assets was 0,54 % in 2018.

### SPECIFICATION OF FEE INCOME

In thousands of NOK	2018	2017
Guarantee commission	230	188
Other commissions and fees	125	105
Money transfer and interbank transactions	7 493	7 359
<b>Total commission and fee income from banking services</b>	<b>7 848</b>	<b>7 652</b>

### SPECIFICATION OF OTHER LIABILITIES

In thousands of NOK	2018	2017
In settlement	2 240	1 664
Tax reservations due	422	403
Earmarked for interest on equity certificates	2 236	1 397
Earmarked for payable tax	1 551	1 042
Accounts payable	752	325
Other	318	314
<b>Total other liabilities</b>	<b>7 519</b>	<b>5 145</b>

### SALARIES AND GENERAL ADMINISTRATIVE EXPENSES

In thousands of NOK	2018	2017
Salary expenses to employees	8 580	8 559
Remuneration to the Board of Directors and Trustees	473	427
Pension contributions	727	698
Social security expenses	1 382	1 361
Financial activities tax	488	484
Other staff costs	193	215
<b>Salaries, fees and other personnel expenses</b>	<b>11 843</b>	<b>11 744</b>
IT costs	3 191	2 720
Office costs	862	788
Advertising charges	1 780	2 183
Other expenses	1 072	804
<b>Administrative expenses</b>	<b>6 905</b>	<b>6 495</b>
<b>Depreciation of tangible and intangible fixed assets</b>	<b>1 407</b>	<b>1 469</b>
Rent and rent-related expenses	1 461	1 495
Other operating expenses	1 278	1 101
<b>Total operating expenses</b>	<b>2 739</b>	<b>2 596</b>

*The Norwegian Bank's Guarantee Fund*

The Bank deposit insurance law prescribes a mandatory membership in the deposit insurance scheme for all banks in Norway. The insurance scheme will cover deposits up to NOK 2 million per depositor per member bank. A deposit is defined as any credit balance in favour of a named customer as well as a deposit receipt issued by a bank in favour of a named person. Deposits from other financial institutions are excluded from the scheme. Cultura Bank's contribution to the scheme for 2018 is NOK 534 860.

	2018	2017
Fee to the Norwegian deposit insurance	534 860	511 683

*Cooperating banks in Europe*

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

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





# Uavhengig revisors beretning

Til forstanderskapet i Cultura Sparebank

Uttalelse om revisjonen av årsregnskapet

## Konklusjon

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Vi har revidert Cultura Sparebank' årsregnskap.

<p>Årsregnskapet består av:</p> <ul style="list-style-type: none"><li>• Balanse per 31. desember 2018</li><li>• Resultatregnskap for 2018</li><li>• Kontantstrømoppstilling for regnskapsåret avsluttet per 31. desember 2018</li><li>• Noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.</li></ul>	<p>Etter vår mening:</p> <p>Er årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2018, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.</p>
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## Grunnlag for konklusjonen

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Vi har gjennomført revisjonen i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet i Revisors oppgaver og plikter ved revisjon av årsregnskapet. Vi er uavhengige av selskapet slik det kreves i lov og forskrift, og har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Etter vår oppfatning er innhentet revisjonsbevis tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

## Annen informasjon

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Ledelsen er ansvarlig for annen informasjon. Annen informasjon består av årsberetningen.

Vår uttalelse om revisjonen av årsregnskapet dekker ikke annen informasjon, og vi attesterer ikke den andre informasjonen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese annen informasjon med det formål å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom annen informasjon og årsregnskapet, kunnskap vi har opparbeidet oss under revisjonen, eller hvorvidt den tilsynelatende inneholder vesentlig feilinformasjon.

Dersom vi konkluderer med at annen informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

## Styret og daglig leders ansvar for årsregnskapet

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Styret og daglig leder (ledelsen) er ansvarlig for å utarbeide årsregnskapet i samsvar med lov og forskrifter, herunder for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig

for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

#### Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:  
<https://revisorforeningen.no/revisjonsberetninger>

#### Uttalelse om øvrige lovmessige krav

##### Konklusjon om årsberetningen

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, mener vi at opplysningene i årsberetningen om årsregnskapet, forutsetningen om fortsatt drift og forslaget til anvendelse av overskuddet er konsistente med årsregnskapet og i samsvar med lov og forskrifter.

##### Konklusjon om registrering og dokumentasjon

Basert på vår revisjon av årsregnskapet som beskrevet ovenfor, og kontrollhandlinger vi har funnet nødvendig i henhold til internasjonal standard for attestasjonsoppdrag (ISAE) 3000 «Attestasjonsoppdrag som ikke er revisjon eller forenklet revisorkontroll av historisk finansiell informasjon», mener vi at ledelsen har oppfylt sin plikt til å sørge for ordentlig og oversiktlig registrering og dokumentasjon av selskapets regnskapsopplysninger i samsvar med lov og god bokføringsskikk i Norge.

Trondheim, 14. mars 2019  
BDO AS



John Christian Løvaas  
statsautorisert revisor

# Audit Report Translation

INDEPENDENT AUDITOR'S REPORT BY BDO

To the general assembly of Cultura Sparebank

## Report on the audit of the financial statements

### Conclusion

We have audited the annual report of Cultura Sparebank.

<p>The annual report comprises of:</p> <ul style="list-style-type: none"> <li>• Balance sheet as of December 31<sup>st</sup> 2018</li> <li>• Profit and loss accounts for 2018</li> <li>• Cash flow analysis for the accounting year ended by December 31<sup>st</sup> 2018</li> <li>• Notes pertaining to the accounts, including a summary of significant account policies.</li> </ul>	<p>In our opinion:</p> <p>The annual accounts have been submitted in accordance with laws and regulations and that these offer a correct picture of the bank's financial position as of December 31<sup>st</sup> 2018, including results and cash flow statements for the accounting year closed at this date in accordance with the accounting laws and good accounting practise in Norway.</p>
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### Basis for our conclusions

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

### Other information

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

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

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

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

#### Responsibilities of the Board and CEO for the financial statements

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The Board of Directors and the CEO are responsible for the preparation and fair presentation of the financial statements in accordance with laws and regulations, and to make sure that these give a true picture of the bank's financial situation in accordance with the accounting law and good accounting practise in Norway. Furthermore, management is responsible for internal control measures necessary to prepare financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to the going concern. The going concern of the company is used as a basis of accounting, unless management intends to liquidate the company or cease operations.

#### Auditor's responsibilities for the audit of the financial statements

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

For a further description of the auditor's tasks and obligations reference is made to: <https://revisorforeningen.no/revisjonsberetninger>.

### **Report on other legal requirements**

#### Conclusion on the annual report

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

#### Conclusion on registration and documentation

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Based on our audit of the financial statements as described above and control procedures we have deemed necessary in accordance with the International Standard on Assurance Engagements (ISAE)

3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, it is our opinion that management has fulfilled its duty to ensure that the company’s accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Trondheim, 14. March 2019

BDO AS

John Christian Løvaas

State Authorised Public Accountant

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

## Employees and elected representatives 2018

### *The Board of Trustees in 2018*

<b>Name</b>	<b>Function</b>	<b>Representing</b>
Lars Hektoen	Chair	Depositors
Ove Jakobsen	Deputy chair	Depositors
Frank Schmiemann	Member	Equity certificates
Elizabeth von Hanno Brockfield	Member	Equity certificates
Åsa Jeppsson	Member	Equity certificates
Anne-Kristin Løes	Member	Equity certificates
Morten Ingvaldsen	Deputy member	Equity certificates
Johannes Brinkmann	Member	Depositors
Elizabeth Wirsching	Member	Depositors
Idun Leinaas	Deputy member	Depositors
Stian Torstenson	Member	Employees
Rune Horne	Member	Employees
Jannike Østervold	Member	Employees
Mathias Bertram (until 31.07.18)	Deputy member	Employees
Kjersti Aspheim	Member	City of Oslo
Christina Solli Ektvedt	Deputy member	City of Oslo

### *The Board of Directors in 2018*

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

### *Employees in Cultura Bank in 2018*

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

## Key Figures

<i>In thousands of NOK</i>	2018	2017	2016	2015	2014
<b>Solidity</b>					
Common equity tier 1 capital ratio (%)	19,25	19,94	18,27	16,18	14,62
Tier 1 capital ratio (%)	22,52	19,94	18,27	16,18	14,62
Total capital ratio (%)	22,52	23,50	22,07	20,25	18,49
Risk weighted balance sheet total	459 037	421 403	393 601	366 040	384 188
Leverage ratio (%)	9,54	8,36	8,35	7,34	7,73
Total assets	1 066 368	944 796	836 692	755 470	657 475
Average total assets	1 005 582	890 744	796 081	706 473	606 005
Equity capital	89 836	86 747	76 522	64 036	58 558
<b>Liquidity</b>					
Liquidity Coverage Ratio (LCR)	322	357	361	334	191
Net Stable Funding Ratio (NSFR)	172	171	174	187	166
<b>Deposit and loan development</b>					
Loans	635 509	565 764	510 669	459 671	418 483
Yearly loan growth (%)	12,3	10,8	11,1	9,8	14,8
Deposits	951 602	835 509	737 307	671 165	577 594
Yearly deposit growth (%)	13,9	13,3	9,9	16,2	20,6
Deposit coverage ratio (%)	150	148	144	146	138
<b>Environment</b>					
CO <sub>2</sub> emission (in tons)	11,0	10,4	10,5	13,0	15,0
<b>Profitability</b>					
Profit after tax	5 477	3 062	5 526	1 629	2 755
Return on total assets <sup>3</sup>	0,55	0,34	0,69	0,23	0,45
Return on equity <sup>4</sup>	6,20	3,75	7,86	2,66	4,83
Net interest income <sup>5</sup>	2,21	2,23	2,37	2,87	3,19
Cost/income %	79,68	85,64	82,80	89,91	82,65
Operating expenses in % of average total assets	2,28	2,50	2,59	3,07	3,25

<sup>3</sup> Return on total assets: net profit as a percentage of average total assets

<sup>4</sup> Return on equity: net profit as a percentage of average total equity

<sup>5</sup> Net interest income: net interest income as a percentage of average total assets



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