



**Cultura**  
Bank

# Annual Report 2016



**Front cover (from left):**

*Steinerskolen, Moss. Photo: Kine Bakke*

*Lofoten gårdsysteri. Photo: Kari Frøyland*

*Øvre-Bjerkem. Photo: Heidi Fosnes*

*Epleslang*

*Lofoten gårdsysteri, Photo: Scott Gilmour*

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## Value based banking in a turbulent world



November 17th 2016 The Consumer Protection Agency (Forbrukerrådet) together with Future in our Hands published the first Fair Finance Guide for Norway. Fair Finance Guide has earlier been introduced in a number of countries in Europe as well as in other parts of the world. With a score of 97 points Cultura Bank was way ahead of the other banks being evaluated. The Fair Finance Guide is rating the banks' activities relating to social responsibility, ethics and environment. Needless to say, the bank is satisfied with the evaluation which inspires and strengthens our commitment to a continued effort along the path followed by the bank through the years.

2017 marks the 20th anniversary of the conversion of the savings and loan cooperative "Cultura Lånesamvirke" to a fully licensed savings bank. The savings bank is adhering to and developing from the values of the old co-operative stating that the financial results of the bank's activities are secondary to the aim of covering peoples' real needs limited by nature's reproductive ability. Values are not created based on competition and fighting nature, but through cooperation between people and a sustainable interaction between people and nature. A core value for Cultura Bank is to stimulate such productive interaction.

The world in which Cultura Bank operates sadly cannot be seen as a place of positive development and progress. The presidential election in the US, the Brexit referendum in the UK and various populist movements creating uncertainty ahead of elections in several European countries contribute to increased uncertainty about the development in the coming years. Furthermore a more aggressive stance, politically as well as economically taken by Russia and China makes analysts wary about increased risks for the world economy. In particular the possibility that this might lead to trade war and protectionism is seen as potentially very harmful. Needless to say, Cultura Bank has no influence on this development which also concerns Norway as a nation, in spite of the strong public finance position of the country. Still it is relevant for Cultura, as the global situation forces us to think differently, also concerning banking, which is exactly what Cultura's stakeholders, including customers, elected representatives, employees and investors are doing. Directly through its banking activities as well as in the public discourse on economic matters Cultura Bank plays a role out sizing the small business volume of the bank. The impact is further strengthened by participation in the international network Global Alliance for Banking on Values, now counting about 40 banks. The member banks are discussing positive as well as negative effects of a globalized economy and are asking how the freedom of the individual citizen as well as local communities may be protected in an open and borderless world. These questions are essential for Cultura Bank as well.

The economic result of the activities of the bank was satisfying in 2016. Following a challenging 2015 still very much influenced by the IT conversion, the operating result before loan impairments and depreciations by NOK 1 138 000 to NOK 4 276 000. The return on the bank's equity was 7,86 %, up from 2,66 % in 2015. Total assets at year end amounted to NOK 863 692 000, a 10,75 % increase over the 12 month period. The total equity ratio at year end was 22,07 %, well above our own as well as the authorities' required levels. The bank will pay out a dividend of 1,5 % to the equity certificate owners, in line with the bank's policy of paying a reasonable yield on our equity capital which constitutes the major part of the bank's risk capital. Cultura Bank experienced a brisk increase in new customers during the final quarter of the year. We look forward to continued growth, maintenance of a robust solvency as well as satisfactory results for Cultura's 20<sup>th</sup> year as a savings bank.

**Kjell Fredrik Løvold**  
CEO

# The Board of Director's Report for the Year 2016

## Main guidelines for the business activities

Cultura Bank is founded on the idea that cooperation must be nurtured and developed in economic activity in order to properly cover people real needs. The bank stresses the cooperation with our Nordic partner banks, Ekobanken in Sweden and Merkur Bank in Denmark. Cultura also stresses its participation in the global network GABV as well as the European banking federation FEBEA. The contact with Center for Ecological Economy and Ethics at the Nord University in Bodø is important and will be maintained going forward.

Cultura Bank regards money as an essential tool for creating a sound economical development but maximization of profit is no goal in itself. However, the bank needs a reasonable profit in order to realize its overriding goals...

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

- **Sustainability:** The loan activity stresses the social and environmental impact of the projects in addition to a normal evaluation of security and project economy. Only when the societal, environmental and /or cultural qualities have been seen as satisfactory the project is brought forward to a more conventional economical evaluation.
- **Transparency:** Following the borrowers' consent the bank will publish a comprehensive review of all loan projects. It is important that our depositors see where their money is invested. The transparency principle is also pertaining to the bank's governance and daily operations.
- **Information creates consciousness:** A main pillar of the bank's mission statement is to contribute to increased understanding about money and economical questions. Thus the bank is deploying considerable resources to information as well as to various development activities. The bank's quarterly customer magazine "Pengevirke" is featuring real life stories based on our customers' activities as well as economics background material and book reviews. The magazine is also available electronically on the bank's internet pages. **The daily communication with customers as well as with other interested parties increasingly takes place on various social media platforms, notably Facebook and Twitter.** Representatives from the bank are also regularly engaged in speaking and writing about banking and economical topics.

## Organization

Following the revised Financial Institution Act which came into force on January 1st 2016 the bank has chosen to keep "Board of Trustees" as the name for the bank's equivalent of a general assembly. The board of trustees is as before composed of representatives for the customers, the owners of the bank's equity certificates as well as the employees. The local government (City of Oslo) still appoints one of the members.

The board of trustees elects the board of directors as well as an election committee. The control committee has been discontinued following the new law and has been replaced by a risk and audit committee consisting of 3 members of the board of directors.

The bank has 17 co-workers and one temporary employee, adding up to 15,2 full time position equivalents. The board of directors had 16 meetings during the year. The employees maintain one representative on the bank's board. The board of trustees met twice during the year. Representatives from the board of trustees participated in the working committee revising the bylaws of the bank which needed to be brought up to date following the new financial institutions act. The revised by-laws were approved by the board of trustees in the meeting on October 11th 2016.

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

## Risk Management

The bank maintains a set procedure for internal control and the internal control report is submitted to the board each year. Policies concerning credit risk, operational risk, corporate risk and corporate risk management, as well as liquidity risk and market risk have been approved by the board and the three last mentioned policies were subject to board revisions through the year.

The treatment of credit risk and liquidity risk are dealt with in connection with the comments on balance sheet and operational result.

Interest rate risk, which upon changes in market interest rates may cause capital loss or reduce the interest margin of the bank are seen as relatively small. Cultura bank is only to a very limited extent offering fixed rate loans and thus retains the possibility to adjust interest conditions on loans as well as on customer deposits. Furthermore all loans are denominated in Norwegian kroner. The foreign exchange risk has, however, increased as a result of the fact that the bank's IT expenses are being invoiced in Danish kroner. The bank's investment in interest bearing securities, all with a high credit rating have floating interest rates with 3 or 6 month adjustments and thus a relatively small price risk. The bank's equity portfolio is limited and consists mostly of investments in related banks abroad as well as strategic partners. The portfolio thus has a limited exposure to unrest in the global equity markets.

No material changes in policy or positions took place during 2016. Further analysis of the bank's various risk areas is accessible on the bank's internet pages.

## Environmental and miscellaneous matters

### *Health, safety and environmental issues*

The board of directors considers the working environment as good, and no larger events concerning neither the working environment nor the environment as such have been reported in during the past year. Nor have any larger accidents or injuries been registered in 2016.

- Absence due to illness amounted to 161 days of which 51 days were short term and 110 days long term with medical verification. The sickness absence percentage was 4,2 % (5,0 % in 2015). Electric power consumption was 74 719 kWh vs. 79 966 kWh in 2015.

A handbook covering health, environment and security 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 its high standards in its own conduct of business and thus has laid down its own environmental policy..

Cultura Bank is not significantly polluting its environment and does not cause any direct 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" The certification entails an annual review of measures in this field and the results of these. The certification was renewed during 2016.

- Glass, plastics and electronic waste are disposed of separately as well as paper and cardboard.



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

### *Gender equality*

The bank employs 9 women and 9 men. In its employment policy the bank maintains a professional qualification line which is gender neutral. The board of directors has 3 women and 4 men, the chair position is held by a female member. The substitutes are 1 woman and 2 men.



**Employees 2016.** From left: Rune Horne, Mathias Bertram, Andreas Haugerud, Camilla Gjetnes, Annette Larssen, Kjell Fredrik Løvold, Torstein Dyrnes, Jannike Østervold, Alice Nyamogo, Stian Torstenson, Christina Andersson, Bjarne Hjertholm, Gro Sissel Taraldrud, Arve Gjetnes. Christine Praamsma, Lars Hektoen, Mie Tørmoen and Sisse Maria Jønsson were absent. Photo: Herman Dreyer.

## **Economy**

### *General development*

The Norwegian economy performed better during the year than had been forecasted at the beginning of the year. Interest rates remain low but the tendency towards still lower mortgage rates has come to a halt. In Oslo the housing prices continued rising strongly whereas the downturn in the "oil capital" Stavanger seems to have stopped. Notably, the head of the central bank mentioned in his annual address that the climate challenge most certainly will entail some unpleasant economical consequences. Economic growth based on activities with climate gas emissions cannot easily be substituted by new, non-emitting activities

### *Main features of Cultura Bank's economy for 2016*

Total operating income for 2016 was NOK 24,9 million, up by 2,9 % from the year before. Operational expenses decreased by NOK 1,1 million (5,2 %) and the operating result thus increased from NOK 2,4 million in 2015 to NOK 4,2 million in 2016. Total assets increased by 10,8 % to NOK 837 million. Loans to customers increased by 11,1 % and amounted to NOK 511 million at year end. Customer deposits increased by 9,9 % to NOK 737 million.

## *Profit and loss accounts*

### **REVENUES**

Net interest income, the most important revenue source for the bank decreased to NOK 18,9 million from NOK 20,2 million in 2015.

The reduction, which appears in spite of the 11, 1 % increases in loans, is caused by the decrease in interest rates from the year before. Other operating income, mainly fees and provisions related to payment services amounted to NOK 6 million, up from NOK 3,9 million the year before. Volume increase as well as cost benefits resulting from the system conversion the year before contribute to this positive development.

### **EXPENSES**

Total operational cost, amounting to NOK 21,7 million in 2015 was down to NOK 20,6 million in 2016. The decrease was due to lower wage costs as well as lower general administrative expenses.

### **LOSSES AND LOAN IMPAIRMENTS**

Payment on earlier write-downs resulted in a net income of NOK 68 000.

### **RESULT**

The net result after loan losses and taxes amounted to NOK 5 526 000, up from NOK 1 629 000 in 2015. The result is significantly influenced by a gain of NOK 2 320 000 from the sale of Cultura Bank's equity stake in Visa Europe, the ownership resulting from the membership in Visa Norway.

### **THE BOARD OF DIRETORS' PROPOSAL FOR ALLOCATION OF THE NET RESULT FOR THE YEAR**

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 1,5 % to the equity certificate owners, amounting to NOK 977 000. The Cultura Trust Foundation (Cultura Gavefond) is granted a gift of NOK 50 000. NOK 4 289 000 is retained in the equalization fund which is earmarked for future dividend payouts, the capital ratios allowing. The balance, amounting to NOK 210 000 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. Empirical numbers as well as the development of the risk classification matrix are used for evaluating the bank's credit risk. All loans are monitored at short intervals and failing payments are reported to the board of directors. The bank has policy guidelines for credit evaluation and the bank's credit committee operates with a power of attorney within set limits. Loan in arrears by more than 90 days amounted to NOK 370 000 at year end 2016, compared to NOK 1 101 000 a year earlier. Loans not in arrears but with a higher probability of losses totalled NOK 1 597 000 versus NOK 835 000 at year end 2015. The bank has a routine for securing a loan if a deficiency of the customer's ability to service the loan or weakness in the security is identified. Total loans increased with NOK 51 million over the year which the board considers satisfactory. The bank has a clear ambition of maintaining the growth in lending. As a consequence of the bank's special mission it has been stated that at least 50 % of the loans should be loans to various enterprises..

The loan policy stresses the qualitative profile of the loans. The reporting of the bank visualize 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 Global Alliance for Banking on Values. This is also referred to as triple bottom line lending. In the People category loans concerning education, art as well as 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 loan to various small, local business purposes. In addition to the abovementioned categories Cultura is offering normal housing loans which now constitute 28,5 % of total loans and



miscellaneous other purposes which add up to a mere 2,3 % of total loans. The table below shows a more detailed picture according to the GABV reporting format.

<b>OUTSTANDING LOANS BY PURPOSE 31.12.16</b>		<b>kr</b>	
People	arts and culture	25 128 534	4,9 %
	education	131 784 942	25,8 %
	health care	6 126 956	1,2 %
	social inclusion	21 593 619	4,2 %
	other - people	21 892 859	4,3 %
Planet	distribution ecological products	11 451 581	2,2 %
	green housing	57 518 288	11,3 %
	sme lending	284 174	0,1 %
	sustainable agriculture	43 673 200	8,6 %
	water efficiency/ reduction/ access	1 866 845	0,4 %
	other - planet	22 115 052	4,3 %
Prosperity	microfinance for micro enterprise	161 691	0,0 %
	sme lending	6 635 463	1,3 %
	other - prosperity	3 266 381	0,6 %
Other	housing	145 613 498	28,5 %
	other	11 555 753	2,3 %
<b>TOTAL</b>		<b>510 668 836</b>	<b>100,0 %</b>

#### **CUSTOMER DEPOSITS AND OTHER FINANCING**

Customer deposits increased by NOK 66 million in 2016. 69,3 % of this funding was used for ordinary loans, up from 68,5 % the year before. The liquidity overhang is invested in covered bonds and government securities. Reserves in the settlement bank, DNB and the central bank are kept as low as possible but need to be maintained at a certain level to cover the bank's obligations in the daily settlement system. The covered bonds are seen as liquid and also serve as collateral for a daily overdraft line with the central bank. The bank's policy states that the bank's lending activities should be fully financed with customer deposits and the bank's liquidity risk is considered very moderate.

#### **CAPITAL COVERAGE AND EQUITY**

The total capital coverage ratio was 22,07 % at year end, up from 20,25 % the year before. Core equity capital coverage was 18,27 % all tier one, versus 16,18 % last year. The improved capital ratio is a result of the last equity issue as well as retained earnings from the improved result for the bank. The bank now satisfies external as well as internal requirements. The Financial Supervisory Authority performed its own capital assessment process during the second half of 2016. The bank's solvency is seen as adequate in relation to the present business volume. However, the equity base needs further strengthening in order to fulfil the bank's goals of continued expansion. This will take place through new rights issues as well as through retained earnings. Issuing of new equity certificates remains the bank's main source of capital. During the second quarter of 2016 the bank increased the capital by NOK 7,6 million and a new issue is planned for 2017 as well. The equity certificates are registered in the central security registry, VPS but are not listed on the Oslo Stock Exchange.

The bank's proper reserves are composed of the initial gifts from inauguration as well as retained earnings through the years. A proportional part of the earnings are allocated to the equalization fund, which, as mentioned above is earmarked for future distribution as dividend. the total capital adequacy allowing.

#### *Cultura Gifting Fund and Cultura Guarantee Fund*

**Cultura Gifting 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 major part of the fund's capital is invested in equity certificates of the bank.

**Cultura Guarantee Fund** may 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.

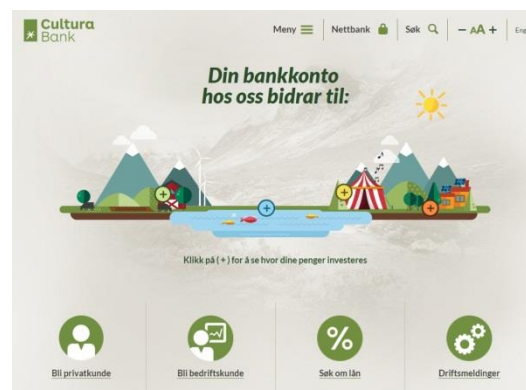


## Marketing and Communication

The marketing and communication activities are anchored in the bank's communication strategy, subject to continued evaluation and revision.

*The bank's most important communication channels are*

- **The Internet** The bank performed a major update of its internet pages during 2016. Design and structure was improved and the pages are now adapted to mobile platforms
- **Social media** - Mainly Facebook
- **The Magazine Pengevirke** – published quarterly
- **Advertisements** on paper as well as through electronic media
- **Participation** in seminars, festivals and other public events. The main event in 2016 was our appearances through the Eco-festival "Økouka"



The Bank was subject to increased public attention due to its top ranking in the Fair Finance Guide. As a result of this the bank enjoyed a very positive media coverage leading to a marked increase in new customers. For 2017 the marketing efforts will be linked to the bank's 20th anniversary as well as to the new capital issue.

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.

## Partnerships

### Non Governmental Organisations

The civil society and activities within the social economy are performing important tasks where efforts by government or entities within the market economy fall short. Cultura Bank shares values and goals with several organisations within the civil society and aims at being the natural banking partner for these. The bank offers a special savings account for customers who want to support some of these organisations. In 2016 our customers through these accounts contributed NOK 239 455 to the organisations listed below.

#### CONTRIBUTION TO PARTNER ORGANISATIONS IN 2016

Partner	Amount (NOK)	Number of accounts	Total deposits as of 31.12.2016
Naturvernforbundet	18 239	24	1 997 991
WWF-Norge	28 953	87	2 990 048
Regnskogfondet	54 076	151	6 144 299
Redd Barna	94 775	192	10 538 399
Framtiden i våre hender	30 845	91	3 604 015
Kvinne- og Famileforb.	12 004	24	1 192 963
Norsk P.E.N.	563	3	179 412
	<b>239 455</b>	<b>572</b>	<b>26 647 127</b>



## 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 result 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. A modern IT platform as well as improved market visibility is seen as supportive elements of further cost effective expansion. The budget for 2017 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 expresses its gratitude to the bank's staff in recognition of the good work performed. Further thanks go to the bank's customers, owners of equity certificates as well as 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, March 14th 2017



*Maria Bjune*  
Maria Bjune  
Styreleder



*Stig B. Andersen*  
Stig B. Andersen  
Styremedlem



*Christian Dubrau*  
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*Randi A. Welhaven*  
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*Torstein M. Dyrnes*  
Torstein Dyrnes  
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(ansattes representant)



*Anne Solgaard*  
Anne Solgaard  
Styremedlem

*Steinar A. Gundersen*  
Steinar A. Gundersen  
Styremedlem

# Annual accounts

## Profit and loss statement

In thousands of NOK	Notes	2016	2015
Interest income from loans and receivables on credit institutions		591	2 262
Interest income from loans to customers		20 676	21 905
Interest income from bonds, certificates and financial derivatives		1 351	1 749
Other interest income		2	0
<b>Total interest and related income</b>		<b>22 620</b>	<b>25 916</b>
Interest expense on deposits from and debt to customers		2 460	4 407
Interest expense on subordinated loan capital		800	833
Other interest expenses		507	432
<b>Total interest and related expenses</b>		<b>3 767</b>	<b>5 672</b>
<b>Net interest and credit commission income</b>		<b>18 853</b>	<b>20 244</b>
Dividend and other income from securities with variable earnings		8	21
Guarantee commission income		120	98
Other fees and commission income		6 841	6 080
<b>Total fees and other income from banking activities</b>	9	<b>6 961</b>	<b>6 178</b>
Guarantee commission expenses		269	42
Other fees and commission expenses		1 907	2 123
<b>Total fees and other expenses on banking services</b>		<b>2 176</b>	<b>2 165</b>
Net gains and losses from notes, bonds, and other interest-bearing securities		1 101	-336
Net gains and losses from shares and participations		0	-19
Net gains and losses from foreign exchange and financial derivatives		115	231
<b>Total gains and losses on foreign exchange and financial derivatives</b>		<b>1 216</b>	<b>-124</b>
Other operating income		0	1
<b>Total operating income</b>		<b>24 862</b>	<b>24 155</b>
Salaries etc.	7	10 605	11 372
Salary expenses		8 265	8 808
Pension expenses		707	733
Social security expenses		1 633	1 831
Administrative expenses		5 987	6 779
<b>Total salary expenses and general administrative expenses</b>		<b>16 592</b>	<b>18 151</b>
Ordinary depreciation on fixed assets and intangible assets	4	1 361	1 174
Other operating expenses	9	2 633	2 392
<b>Total operating expenses</b>		<b>20 586</b>	<b>21 717</b>
<b>Operating profit before impairment losses</b>		<b>4 276</b>	<b>2 438</b>
Losses on loans, guarantees, etc.	2	-68	105
Gain on sale of Visa shares		2 320	0
<b>Profit before taxes</b>		<b>6 664</b>	<b>2 333</b>
Taxes on ordinary income	8	1 138	704
<b>Profit after tax</b>	5	<b>5 526</b>	<b>1 629</b>
Profit appropriation:			
Interest on equity certificates		977	798
Transferred to Equalization fund		4 289	739
Transferred to gifts		50	45
Transferred from/to the Savings Bank's Fund	5	210	47
<b>Total profit appropriation</b>		<b>5 526</b>	<b>1 629</b>

## Balance sheet as of 31.12.2016

	Notes	2016	2015
<b>ASSETS</b>			
<b>Cash and claims on the Norwegian Central Bank</b>		<b>60 109</b>	<b>67 239</b>
<b>Loans and claims on credit institutions</b>		<b>38 694</b>	<b>57 572</b>
Overdrafts and other operational credits		12 279	12 121
Construction loans		4 736	2 283
Loans to customers		493 654	445 267
<b>Total loans before value adjustments</b>		<b>510 669</b>	<b>459 671</b>
value adjustments on individual loans		-940	-923
value adjustments on groups of loans		-1 327	-1 327
<b>Net sum loans and claims on customers</b>	2	<b>508 402</b>	<b>457 421</b>
Certificates and bonds issued by public authorities		119 705	89 792
Certificates and bonds issued by other organisations		95 112	70 568
<b>Total certificates and bonds</b>	3	<b>214 817</b>	<b>160 360</b>
<b>Shares, interests and equity certificates</b>	3	<b>8 021</b>	<b>5 819</b>
Deferred tax credits	8	207	326
Other intangible assets	4	3 850	4 822
<b>Total intangible assets</b>		<b>4 057</b>	<b>5 148</b>
<b>Fixed assets, machinery, inventory and means of transport</b>	4	<b>694</b>	<b>828</b>
<b>Other assets</b>		<b>26</b>	<b>8</b>
Accrued income		422	648
Pre-paid non-accrued income		1 450	427
<b>Total pre-paid expenses and accrued income</b>		<b>1 872</b>	<b>1 075</b>
<b>TOTAL ASSETS</b>	6	<b>836 692</b>	<b>755 470</b>

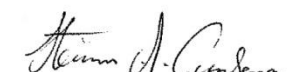
	Notes	2016	2015
<b>EQUITY AND LIABILITIES</b>			
<b>Deposits from and liabilities to credit institutions</b>		<b>13</b>	<b>12</b>
Deposits from and liabilities to customers without agreed maturity		714 294	649 931
Deposits from and liabilities to customers with agreed maturity		23 013	21 234
<b>Total deposits and liabilities to customers</b>	<b>6</b>	<b>737 307</b>	<b>671 165</b>
<b>Other liabilities</b>	<b>9</b>	<b>5 987</b>	<b>3 127</b>
<b>Accrued expenses and received non-accrued income</b>		<b>1 923</b>	<b>2 220</b>
<b>Subordinated loan</b>	<b>5</b>	<b>14 940</b>	<b>14 910</b>
<b>TOTAL LIABILITIES</b>		<b>760 170</b>	<b>691 434</b>
Share capital		65 110	57 507
Bank owned equity certificates		-	-384
<b>Equity capital</b>	<b>5</b>	<b>65 110</b>	<b>57 123</b>
The Saving Bank's Fund		3 600	3 390
Equalization Fund		7 812	3 523
<b>Accrued equity</b>	<b>5</b>	<b>11 412</b>	<b>6 913</b>
<b>TOTAL EQUITY</b>		<b>76 522</b>	<b>64 036</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6</b>	<b>836 692</b>	<b>755 470</b>
<b>Guarantees</b>	<b>2</b>	<b>6 423</b>	<b>5 346</b>

Oslo, March 14th 2017


  
 Maria Bjørne  
 Styreleder

  
 Stig B. Andersen  
 Styremedlem

  
 Christian Dubrau  
 Styremedlem

  
 Steinar A. Gundersen  
 Styremedlem

  
 Randi A. Welhaven  
 Styremedlem

  
 Torstein Dyrnes  
 Styremedlem  
 (ansattes representant)

  
 Anne Solgaard  
 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	2016	%	2015	%
Payment guarantees	6 423	100,0	5 153	96,4
Loan guarantees	0	0,0	193	3,6
<b>Total guarantees</b>	<b>6 423</b>	<b>100,0</b>	<b>5 346</b>	<b>100,0</b>

#### GUARANTEES BY SECTOR

In thousands of NOK	2016	%	2015	%
Private limited liability company	3 316	51,6	2 497	46,7
Non-profit organizations	2 015	31,4	2 285	42,7
Sole proprietorship	685	10,7	10	0,2
Private households	150	2,3	250	4,7
Foreign companies	257	4,0	304	5,7
<b>Total guarantees</b>	<b>6 423</b>	<b>100,0</b>	<b>5 346</b>	<b>100,0</b>

#### GUARANTEES BY INDUSTRY

In thousands of NOK	2016	%	2015	%
Agriculture and related services	20	0,3	60	1,1
Retail, repair of motorized vehicles	828	12,9	630	11,8
Transport and storage	152	2,4	152	2,8
Information and communication	200	3,1	200	3,7
Sale and management of real estate	675	10,5	0	0,0
Commercial services	2 126	33,1	1 235	23,1
Other service industries	2 015	31,4	2 515	47,1
Private sector	150	2,3	250	4,7
Foreign companies	257	4,0	304	5,7
<b>Total guarantees</b>	<b>6 423</b>	<b>100,0</b>	<b>5 346</b>	<b>100,0</b>

**GUARANTEES BY GEOGRAPHIC AREA**

In thousands of NOK	2016	%	2015	%
Østfold	50	0,8	0	0,0
Akershus	560	8,7	660	12,3
Oslo	4 721	73,4	4 182	78,3
Hedmark	0	0,0	40	0,7
Vestfold	10	0,2	10	0,2
Rogaland	75	1,2	75	1,4
Hordaland	75	1,2	75	1,4
Nordland	675	10,5	0	0,0
Utlandet	257	4,0	304	5,7
<b>Total guarantees</b>	<b>6 423</b>	<b>100,0</b>	<b>5 346</b>	<b>100,0</b>

**LOANS BY SECTOR**

In thousands of NOK	2016	%	2015	%
Private limited liability company	61 540	12,1	75 903	16,5
Privately owned companies	11 403	2,2	12 061	2,6
Private producer oriented company	0	0,0	50	0,0
Non-profit organizations	193 253	37,8	164 727	35,9
Sole proprietorship	46 708	9,1	35 176	7,7
Housing associations	3 792	0,7	4 328	0,9
Private households	193 967	38,1	162 585	35,4
Foreign companies	0	0,0	27	0,0
Foreign households	6	0,0	4 814	1,0
<b>Total loans</b>	<b>510 669</b>	<b>100,0</b>	<b>459 671</b>	<b>100,0</b>

**LOANS BY INDUSTRY**

In thousands of NOK	2016	%	2015	%
Agriculture and related services	40 992	8,0	40 887	8,9
Manufacturing	9 908	1,9	13 048	2,8
Water supply, sewerage, waste management and remediation activities	0	0,0	1 548	0,3
Construction	1 373	0,3	1 550	0,3
Retail, repair of motorized vehicles	11 768	2,3	14 713	3,2
Accommodation and food service activities	1 784	0,3	4 497	1,0
Information and communication	7	0,0	130	0,0
Sale and management of real estate	39 421	7,7	36 779	8,0
Finance and insurance activities	1 354	0,3	1 760	0,4
Commercial services	2 263	0,4	3 330	0,7
Other service industries	207 826	40,8	155 003	33,7
Private households	193 973	38,0	186 426	40,7
<b>Total loans</b>	<b>510 669</b>	<b>100,0</b>	<b>459 671</b>	<b>100,0</b>



## LOANS BY GEOGRAPHIC AREA

In thousands of NOK	2016	%	2015	%
Østfold	29 185	5,7	29 546	6,4
Akershus	96 328	18,9	69 321	15,1
Oslo	192 851	37,7	181 075	39,6
Hedmark	33 771	6,6	37 451	8,1
Oppland	14 597	2,9	15 548	3,4
Buskerud	33 208	6,5	27 177	5,9
Vestfold	31 697	6,2	27 100	5,9
Telemark	2 496	0,5	2 364	0,5
Aust-Agder	2 332	0,5	4 126	0,9
Vest-Agder	2	0,0	0	0,0
Rogaland	6 923	1,4	6 884	1,5
Hordaland	17 576	3,4	19 484	4,2
Sogn og Fjordane	617	0,1	659	0,1
Møre og Romsdal	34	0,0	28	0,0
Sør-Trøndelag	19 881	3,9	11 680	2,5
Nord-Trøndelag	3 546	0,7	3 762	0,8
Nordland	10 155	2,0	6 976	1,5
Troms	15 462	3,0	15 873	3,5
Finmark	2	0,0	1	0,0
Utlandet	6	0,0	616	0,1
<b>Total loans</b>	<b>510 669</b>	<b>100,0</b>	<b>459 671</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

**Defaulted loans** 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	2016	2015	2014	2013	2012
Gross defaults over 90 dager	370	1 101	405	1 711	740
- Individual defaults	370	513	404	867	618
Net defaults	0	588	1	844	122
Gross exposed non-defaulted commitments	1 597	835	704	800	0
- Individual write-downs	570	410	410	100	0
Net exposed non-defaulted commitments	1 027	425	294	700	0

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

In thousands of NOK	2016	2015
The period's change in write-downs on individual loans	17	109
+ The period's change in write-downs on groups of loans	0	0
+ The period's ascertained losses against previous write-downs	74	0
+ The period's losses without previous write-downs	0	0
- The period's recovery of previously ascertained losses	159	4
The period's loss expense	- 68	105
Write-downs on individual loans as of 1/1	923	814
This year's write-downs	17	109
Write-downs on individual loans as of 31/12	940	923
Write-downs on groups of loans as of 1/1	1 327	1 327
This year's write-downs	0	0
Write-downs on groups of loans as of 31/12	1 327	1 327

Booked interest income pertaining to depreciated loans amount to NOK 38 947.

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

Classes	Loans		Guarantees		Drawing rights		Total		Write downs		Description
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
In thousands of NOK											
Klasse A	430 709	399 735	3 771	3 736	13 973	14 020	448 453	417 491			
Klasse B	77 405	57 542	2 489	1 460	3 311	1 502	83 205	60 504	950	1 013	Group depreciation
Klasse C	187	143	-		0		187	143	43	50	Group depreciation
Klasse D	804	470	60		22	96	886	566	334	264	Group depreciation
Klasse E	1 564	1 781	103	150	300	8	1 967	1 939	940	923	Individual depreciation
Sum	510 669	459 671	6 423	5 346	17 606	15 626	534 698	480 643	2 267	2 250	

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 eventual 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 derive 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 ageing distributed into risk compartments A-E as shown in the table below:

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

### Future development

Exposures in risk compartments A and B constituted 99 % of the total as of 31. Dec. 2016. Individual write-downs amounted to NOK 940 000 the corresponding number for end 2015 being NOK 923 000. During 2016 the bank realized a NOK 74 000 loan loss versus zero losses in 2015. Group depreciations are kept at NOK 1 327 000, unchanged from the year before. During 2016 repayments on earlier write-downs resulted in a net income of NOK 74 000 versus a net loss of NOK 105 000 during 2015. The bank is focusing strongly on customers' loan servicing ability and thus expects to be able to maintain a low delinquency ratio. The total loan loss situation is regarded as satisfactory entering the year 2017.

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

### Valuation principles

The bank's shares in other companies is 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 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)	Est. market value (NOK)
Merkur		837	DKK	837 000	1 480 800	1 480 800	1 923 205
Ekobanken		381	SEK	381 000	351 225	351 225	445 761
Triodos		100	EUR	8 200	52 474	52 474	74 508
Sefea		30	EUR	15 000	116 933	116 933	136 295
La Nef		4 070	EUR	122 100	915 897	915 897	1 109 437
Banka Etica		180	EUR	9 000	78 381	78 381	81 777
Eiendoms kreditt	979 391 285	15 072	NOK	1 507 200	1 570 502	1 570 502	2 136 305
SDC		7 107	DKK	712 000	3 342 000	3 217 000	3 228 466
Bank Asept AS	883 982 282	50	NOK	25 000	25 000	25 000	39 781
Bank ID	988 477 052	10	NOK	15 826	15 826	15 826	22 901
SustainFin SICAV		290	EUR	21 750	197 779	197 779	135 862
<b>Total</b>					<b>8 146 817</b>	<b>8 021 817</b>	<b>9 334 298</b>

*Valuation of the bank's portfolio of interest bearing securities*

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

**BONDS AND TREASURY BILLS**

Name (risk weight)	Book value	Face value	Cost price	Market value	Listed of stock exchange
In thousands of NOK					
Treasury bills (0 %)	119 705	120 000	119 705	119 813	119 813
Covered bonds (10 %)	94 120	95 000	94 290	94 436	94 436
Foreign bonds issued by financial institutions (100 %)	992	(EUR 125)	992	1 136	
<b>Total:</b>	<b>214 817</b>		<b>214 987</b>	<b>215 385</b>	<b>214 249</b>

The average effective interest rate on the bank's bond portfolio is 1,47 %. The corresponding rate on treasury bills is 0,47 %.

Bonds and treasury bills with a book value of NOK 213,8 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**

In thousands of NOK	Fixed assets	Intangible fixed assets
Acquisition cost as of 1.1.2016	1 030	8 037
Acquisitions during the year	41	214
Disposals during the year	-	-
Acquisition cost as of 31.12.2016	1 071	8 251
Total depreciations and write-downs as of 1.1.2016	203	3 215
Ordinary depreciations during the year	174	1 187
Write-downs during the year	-	-
Decrease in ordinary depreciations during the year	-	-
Total depreciations and write-downs as of 31.12.2016	377	4 402
Booked value as of 31.12.2016	694	3 849
Depreciation rate	3 - 10 år	5 år

**INVESTMENTS IN TANGIBLE AND INTANGIBLE FIXED ASSETS**

In thousands of NOK	2016	2015	2014	2013	2012
Purchase of machinery and inventory	41	854	0	38	201
Intangible assets	214	3 265	2 407	0	0

No fixed assets were sold in the period 2012-2016

The investments in connection with conversion to a ny data central 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 sq. metres is NOK 970 200. The lease is adjusted annually in line with the consumer price index.

## 5. Capital

### CHANGES IN REGULATORY CAPITAL

In thousands of NOK	31.12.2016	31.12.2015
Share capital 1/1	57 507	53 207
Issue of new certificates	7 603	4 300
Bank owned equity certificates	-	-384
<b>Total issued equity</b>	<b>65 110</b>	<b>57 123</b>
The Savings Bank's Fund 1/1	3 390	3 343
Retained earnings	210	47
<b>Total retained earnings and Savings Bank's Fund</b>	<b>3 600</b>	<b>3 390</b>
Equalisation Fund 1/1	3 523	2 784
Previous year retained earnings	4 289	739
<b>Total Equalisation Fund</b>	<b>7 812</b>	<b>3 523</b>
CET1 instruments of financial sector entities where the institution does not have a significant investment	-754	-
Intangible assets	-3 850	-4 822
<b>Total Equity (Tier I core capital)</b>	<b>71 918</b>	<b>59 214</b>
Subordinated loan capital (Tier II)	14 940	14 910
<b>Total Eligible Regulatory Capital</b>	<b>86 858</b>	<b>74 124</b>

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

In thousands of NOK	31.12.2016	31.12.2015
Central governments and central banks	0	0
Regional governments or local authorities	0	0
Public sector entities	0	0
Institutions	13 339	14 615
Corporates	47 848	51 719
Secured by mortgages in immovable property	254 131	222 226
Exposures in default	84	589
Covered bonds	9 412	6 956
Other items	17 002	21 219
<b>Risk weighted exposure amount for credit risk</b>	<b>341 816</b>	<b>317 324</b>
+ Risk exposure amount for operational risk	43 921	43 941
+ Risk exposure amount for credit valuation adjustment	7 864	4 775
- deductions for loan loss provisions	0	0
<b>Total risk weighted assets</b>	<b>393 601</b>	<b>366 040</b>
<b>Common Equity Tier I (as a % of risk exposure amount)</b>	<b>9,15</b>	<b>8,48</b>
<b>Tier I capital (as a % of risk exposure amount)</b>	<b>18,27</b>	<b>16,18</b>
<b>Total capital (as a % of risk exposure amount)</b>	<b>22,07</b>	<b>20,25</b>

#### Equity ratio

The Financial Supervisory Authority during the second half 2016 conducted its own analysis of the bank's risk and concluded by imposing a pillar II capital increase of 4,5 %. This implies a minimum core capital ratio of 16 % and a total capital ratio of 19,5 % as of Dec 31st 2016. The bank's actual capital ratios are well above these levels, however, future expansion is dependent on sufficient profitability as well as the issuance of additional equity certificates.

*Subordinated debt*

The bank issued a NOK 15 million, 10 year subordinated loan on Dec. 18. 2013, with an option for partial or full pre-payment at par value after 5 years. The loan was issued at 3 month NIBOR plus a margin of 4 %, and the running interest rate at year end was 5,15 %. Book value of the loan at year-end was NOK 14 940 000.

**EQUITY CERTIFICATES OWNED BY ELECTED REPRESENTATIVES AND MANAGEMENT AS OF DEC. 31ST 2016**

Person	Member of	Amount of certificates
Johannes Brinkmann	Board of Trustees	5
Elizabeth von Hanno Brockfield	Board of Trustees	21
Rune Horne	Board of Trustees	50
Åsa Jeppsson	Board of Trustees	3
Anne-Kristin Løes	Board of Trustees	100
Helle Rosenvinge	Board of Trustees	15
Stian Torstenson	Board of Trustees	3
Elizabeth Wirsching	Board of Trustees	6
Jannike Østervold	Board of Trustees and Deputy General Manager	5
Maria Bjune	Board of Directors	25
Christian Dubrau via Bykuba AS	Board of Directors	20
Torstein Dyrnes	Board of Directors	1
Steinar Gundersen	Board of Directors	16
Kjell Fredrik Løvold	CEO	125

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

**THE 20 LARGEST OWNERS OF EQUITY CERTIFICATES AS OF 31.12.16**

Name	Nationality	Amount of certificates
Camphills Forvaltningsfond	NO	7 140
Crédit Coopératif	FR	3 427
A/S Skarv	NO	3 000
Cultura Gavefond	NO	2 211
Liv Bråten	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
Grarly Stiftelse	NO	1 000
Triodos Bank	NL	1 000
O. Kavli og Knut Kavlis allmennyttige fond	NO	1 000
Nesbukta eiendom AS	NO	1 000
APS bank Ltd.	MT	800
Forsvarets Personellservice	NO	750
Opplysningsvesenets fond	NO	750
Personellservice Trøndelag	NO	750
		35 455
Equity certificates held by the bank		0
Other equity certificate holders		29 655
Total equity certificates		65 110

## 6. Liquidity matters, financing and interest expense

### MAIN BALANCE SHEET ITEMS BY TIME TO MATURITY

In thousands of NOK	Up to 1 mth.	1 mth. - 3 mth.	3 mth. - 1 year	1 year - 5 years	over 5 years	No maturity	Total
Cash and claims on central banks	59 959					150	60 109
Loans to and claims on credit institutions	38 694						38 694
Loans to and claims on customers	5 640	6 199	25 911	112 956	345 417	12 279	508 402
Bonds and other interest-bearing papers		79 806	54 940	80 071			214 817
Other assets	1 173	639	1 153	3 684		8 021	14 670
<b>Total assets</b>	<b>105 466</b>	<b>86 644</b>	<b>82 004</b>	<b>196 711</b>	<b>345 417</b>	<b>20 450</b>	<b>836 692</b>
Deposits from and liabilities to customers	737 320						737 320
Other liabilities	3 585	3 049	979	297			7 910
Equity						76 522	76 522
Subordinated loan					14 940		14 940
<b>Total equity and liabilities</b>	<b>740 905</b>	<b>3 049</b>	<b>979</b>	<b>297</b>	<b>14 940</b>	<b>76 522</b>	<b>836 692</b>
Net liquidity exposure on balance sheet items	-635 439	83 595	81 025	196 414	330 477	-56 072	0

Bank overdrafts are classified as having no maturity

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

In thousands of NOK	Up to 1 mth.	1 mth. - 3 mth.	3 mth. - 1 year	1 year - 5 years	over 5 years	No maturity	Total
Cash and claims on central banks		59 959				150	60 109
Loans to and claims on credit institutions	38 694						38 694
Loans to and claims on customers		508 402					508 402
Bonds and other interest-bearing papers	9 740	164 186	40 891				214 817
Other assets						14 670	14 670
<b>Total assets</b>	<b>48 434</b>	<b>732 547</b>	<b>40 891</b>			<b>14 820</b>	<b>836 692</b>
Deposits from and liabilities to		737 320					737 320
Other liabilities						7 910	7 910
Equity						76 522	76 522
Subordinated loan		14 940					14 940
<b>Total equity and liabilities</b>	<b>-</b>	<b>752 260</b>				<b>84 432</b>	<b>836 692</b>
Net interest exposure on the balance	48 434	-19 713	40 891	-	-	-69 612	0

The bank's interest rate risk is very moderate in relation to the size of the balance sheet. At year end the the sensitivity to a 1 % parallell shift in the interest rate curve was NOK 750 000. 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: 0,35 %

Deposits with agreed tenor and notice or notice: 0,32 %

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 outflow of funds over a 30 day period. Cultura Bank's LCR ratio at year end was 361 %, well in excess of our internal requirement of 125 %.

**CASH FLOW ANALYSIS**

In thousands of NOK	2016	2015
Net profit	6 664	2 333
- paid taxes	710	1 291
+ losses on loans and guarantees	17	110
+ depreciation	1 361	1 174
- dividends paid and gift fund contribution	843	1 330
<b>Cash flow from ordinary operations</b>	<b>6 489</b>	<b>996</b>
Subordinated loan	-	-
Issue of/changes in equity certificates	7 987	4 692
<b>Supplied from this year's operations</b>	<b>14 476</b>	<b>5 688</b>
Increase in funds entrusted	66 143	93 583
Increase in other receivables	-	3 526
Increase of other liabilities	2 100	-
<b>Gross liquidity from operations</b>	<b>82 719</b>	<b>102 797</b>
<i>Application of funds:</i>		
Increase in loans	50 998	41 188
Reduction of other liabilities	-	9
Increase in other receivables	815	-
Investments in equity, shares	2 202	612
Investments in fixed assets	255	4 119
Investments in bonds	54 457	49 103
<b>Total applied</b>	<b>108 727</b>	<b>95 031</b>
<b>Net cash flow</b>	<b>-26 008</b>	<b>7 766</b>
Cash and cash equivalents as of 1.1	124 811	117 045
Cash and cash equivalents as of 31.12	98 803	124 811

**7. Information concerning employees and elected representatives**

At year end 2016 the bank had 17 permanent employees and one employee on a temporary basis. In total this equalized 15, 2 full time positions.

The bank remunerated board members with NOK 320 000 in 2016 of which NOK 120 000 to the chairperson. Other board members are compensated with NOK 40 000 per annum. The employee representative is not compensated.

The fixed salary for the bank's chief executive officer was NOK 785 225. In addition to this the bank paid a compensation for communication expenses amounting to NOK 12 000 (EKOM) and pension fund premium of NOK 59 882. The deputy general manager's salary was NOK 681 867 and the pension contribution NOK 44 424. Members of the control committee were compensated with NOK 2000 per session upon request.



Members of the election committee with the exception of the employees' representative have received a compensation totalling NOK 35 000. Members of the board of trustees are not compensated. The bank's auditor received NOK 323 750 of which NOK 175 000 concerned statutory audit, NOK 25 000 for the tax filing and NOK 123 750 for other advisory services.

All employees are remunerated with fixed salaries only and there are no bonuses or other result-based arrangements.

No further obligations are in existence versus the chief executive nor the board's chairperson upon end of employment or changes in responsibilities.

### *Loans and guarantees to employees*

Loans to employees totalled NOK 10 814 868 of which NOK 276 366 to the chief executive and NOK 810 361 to the deputy general manager. No guarantees in favour of employees are effective. Loans to the management of the bank are granted on equal terms with other employees.

### *Loans and guarantees to elected representatives*

As of December 31st there were no loans or guarantees granted to the chairpersons of the board of directors and the board of trustees respectively.

The list below shows existing loans to other elected members

Elizabeth von Hanno Brockfield	1 644 373	Board of trustees
Åsa Jeppsson	1 857 085	Board of trustees
Stian Torstenson	2 342 280	Board of trustees
Jannike Østervold	810 361	Board of trustees
Torstein Dynnes	2 050 957	Board of directors, employee rep.
Camilla Gjetnes	2 988 638	Board of directors, employee rep. substitute

No further loans or guarantees have been granted to members of the board of directors or to members of the board of trustees

### *Pension obligations*

Cultura Bank maintains a pension scheme for its employees in line with the statutory pension rights defined by law. During 2014 the bank changed to a contribution based pension arrangement through the Storebrand Life Insurance Company. The bank has no other pension obligations.

## 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. 2016 and 25 % as of 31.12. 2015.

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

In thousands of NOK	31.12.2016	31.12.2015
Fixed assets	-651	-851
Pre-paid expenses - pensions	0	-
Bonds	-178	-453
Losses carried forward	0	-
Total temporary differences	-829	-1 304
Deferred tax (- deferred tax credits) 25 %	-207	-326

**TAX EXPENSE 2016**

In thousands of NOK	31.12.2016	31.12.2015
Ordinary profit before tax	6 664	2 333
Permanent differences	-2 114	124
Change in temporary differences	-475	159
Net taxable income	4 075	2 616
Payable tax 25 %	1 019	706
Capital tax	12	16
Total payable tax	1 031	722
Change in deferred tax	119	-17
Excess reserve from previous year	-12	-1
Total tax expense	1 138	704

**9. Various other information**

The net result as a percentage of total assets was 0,69 % in 2016.

**SPECIFICATION OF FEE INCOME**

In thousands of NOK	2016		2015	
	Number of transactions	Amount	Number of transactions	Amount
Guarantee commission		120		98
Number of payment services:				
- Giro transactions	358 730		349 215	
- Bank card usage in Norway	1 093 181		1 053 601	
- Visa card usage abroad	225 144		187 351	
- International payments	5 432		4 659	
Other fee and commission income		6 841		6 080
Total commission and income from banking		6 961		6 178

**SPECIFICATION OF OTHER LIABILITIES**

In thousands of NOK	2016	2015
In settlement	2 777	656
Tax reservations due	382	459
Earmarked for interest on equity certificates	977	798
Earmarked for payable tax	1 031	722
Accounts payable	534	25
Other	286	467
Total other liabilities	5 987	3 127

**SALARIES AND GENERAL ADMINISTRATIVE EXPENSES**

In thousands of NOK	2016	2015
Salary expenses	8 265	8 808
Social security expenses	1 462	1 432
Pension expenses	707	733
Other staff costs	171	399
<b>Salaries, fees and other personnel expenses</b>	<b>10 605</b>	<b>11 372</b>
IT costs	2 532	3 469
Office costs	1 114	1 421
Advertising charges	1 619	786
Other expenses	722	1 103
<b>Administrative expenses</b>	<b>5 987</b>	<b>6 779</b>
<b>Depreciation of tangible and intangible fixed</b>	<b>1 361</b>	<b>1 174</b>
Rent and rent-related expenses	1 377	1 475
Other operating expenses	1 256	917
<b>Total operating expenses</b>	<b>2 633</b>	<b>2 392</b>

*The deposit insurance scheme in Norway*

The Bank deposit insurance law prescribes a mandatory membership in the deposit insurance scheme for all banks in Norway. The insurance scheme will secure deposits up to NOK 2 million. 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 2017 is NOK 511 683.

	2016	2015
Fee to the Norwegian deposit insurance schema	506 931	428 771

*Cooperating banks in Europe*

Andelskassen Merkur	Danmark	La NEF	Frankrike
Ekobanken	Sverige	Crédit Coopératif	Frankrike
Freie Gemeinschaftsbank BCL	Sveits	Banca Etica	Italia
GLS Gemeinschaftsbank e.G.	Tyskland	Triodos Bank	Nederland

Cultura Bank is also a member of the organisations Fédération Européenne des Banques Étiques et Alternatives (FEBEA) og Global Alliance for Banking on Values (GABV).



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## Uavhengig revisors beretning

Til forstanderskapet i Cultura Sparebank

Uttalelse om revisjonen av årsregnskapet

### Konklusjon

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Vi har revidert Cultura Sparebanks årsregnskap som består av balanse per 31. desember 2016, resultatregnskap og kontantstrømpstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening er det medfølgende årsregnskapet avgitt i samsvar med lov og forskrifter og gir et rettviseende bilde av selskapets finansielle stilling per 31. desember 2016, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

### 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, men inkluderer ikke årsregnskapet og revisjonsberetningen.

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 den andre informasjonen inneholder vesentlig feilinformasjon er vi pålagt å rapportere det. Vi har ingenting å rapportere i så henseende.

### Styrets 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 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 avvirket.

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

Vårt mål med revisjonen 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.

Som del av en revisjon i samsvar med lov, forskrift og god revisjonsskikk i Norge, herunder ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og anslår vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonshandlinger for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, forfalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av intern kontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonshandlinger som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapestimatene og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av regnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i regnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifierer vår konklusjon om årsregnskapet og årsberetningen. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen.



Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet ikke fortsetter driften.

- evaluerer vi den samlede presentasjonen, strukturen og innholdet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet representerer de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.

Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

### Uttalelse om øvrige lovmessige krav

#### Konklusjon om årsberetningen

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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

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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 bokførings praksis i Norge.

Oslo, 14. mars 2017  
BDO AS

Inge Soteland  
statsautorisert revisor

# Audit report translation

Report by independent auditors BDO

To the board of trustees of Cultura Sparebank

Statement on audit of the annual accounts

## *Conclusion*

We have audited the annual accounts of Cultura Sparebank, consisting of balance sheet as of December 31<sup>st</sup> 2016, profit and loss accounts and a cash flow analysis for the accounting year as well as notes pertaining to the accounts, including a summary of important accounting principles.

It is our opinion that 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> 2016, 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.

## *Basis for our conclusions*

We have performed our audit according to law, regulations as well as good audit practise in Norway, also considering the International Standards on Auditing (ISA). Our tasks and obligations are further elaborated under "Auditor tasks and obligations in connection with auditing the annual accounts". We are fully independent of the company, as prescribed by law and regulation and we have been true to our ethical standards in accordance with these. It is our opinion that our auditing proof is sufficient as a foundation for our conclusion.

## *Other information*

The management of the audited company is responsible for other information. Other information includes the annual report, however, excluding the accounts and the audit report.

Our statement on the auditing of the annual accounts thus does not include other information which is not verified.

In connection with the audit it is our duty to look into other information in order to see if there are inconsistencies between the other information and the annual accounts, knowledge acquired during the audit work or whether it may contain significantly wrong information.

Should such inconsistencies be identified, it is our duty to report this. We have nothing to report in this regard.

## *The responsibility for the annual accounts is carried by the board of directors and the chief executive officer*

The board of directors and the CEO carry the responsibility for producing annual accounts 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. Further the management is responsible for internal control measures necessary to work out annual accounts which do not contain wrong information resulting from wrongdoing or errors.

When preparing the annual accounts the management is obliged to judge the company's ability to exist as a going concern and inform about eventual problems in this regard. As long as there is little probability for discontinuation of the business the presumption of a going concern is the basis for the accounts.

## *The auditors' tasks and obligation in connection with auditing the annual accounts*

Our objective when performing our audit is to achieve a high degree of assuredness concerning the absence of significantly misleading information, whether due to misrepresentation or unintended mistakes and to submit an audit report with our conclusion. It should, however, be noted that there is no guarantee that such an audit will uncover all mistakes or misinformation, even when following ISA and good Norwegian accounting practise. Misinformation may still occur due to intended misinformation or unintended mistakes. Misinformation is judged significant when it is likely to influence economic decisions based on the annual accounts.

As part of the auditing according to laws, regulations and good Norwegian audit practise as well as ISA we use our best professional judgement and professional scepticism throughout the auditing.

Further we:

- Identify and estimate the risk of substantial errors in the accounts, whether intended or unintended. Our auditing tasks are specifically designed to handle such risks and further we extract the necessary documentation to support our conclusion. It should be noted that the risk of not discovering intended misinformation is higher than unintended such. This due to collusion, conscious misrepresentation or omissions or influencing the internal control integrity.
- Elaborate a sufficient understanding of the company's internal control of relevance for the audit, in order to design the relevant audit practice pertaining to this. This is, however, not meant to express an opinion on the effectiveness of the company's internal control.
- Evaluate whether the accounting principles are relevant and whether the information in the notes to the accounts are reasonable.
- Conclude on the appropriateness of the management's assumption for a going concern upon submitting the accounts, based on documentation and other verification related to events that may cause doubts about the company's ability to survive. If concluding with substantial doubts about this we are obliged to point this out in the audit report, referring to the additional information in the accounts, or, should such information be insufficient, to modify our statements regarding the accounts and the annual report. Our conclusion is based on audit documentation collected up to the date of the audit report. Later occurrences or conditions may, however, cause the company to discontinue its activities.
- Evaluate the total presentation, the structure and content, including other information to see whether the annual accounts represent the underlying transaction in a way that renders a correct picture.

We communicate with the board of directors on the planned extent of the audit work and the timing for this. Further we exchange information on matters of importance being uncovered during the audit, including eventual weaknesses concerning the internal control process.

## *Statement on other legal requirements*

### *Conclusion on the annual report*

Based on our audit of the annual accounts as described above, we believe 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 good accounting practise in Norway.

### *Conclusion on registration and documentation*

Based on our audit of the annual accounts as described above and the control tasks deemed necessary according to international assurance standards (ISAE 3000) "assurance engagements other than audits or reviews of historical financial information", it is our opinion that the management has fulfilled its duty to assure proper and clear registration of accounting information in accordance with the law and good accounting practise in Norway.

Signed Oslo, March 14<sup>th</sup> 2017

Inge Soteland

State chartered auditor



## Employees and elected representatives 2016

### *The board of trustees in 2016*

<b>Name</b>	<b>Function</b>	<b>Representing</b>
Helle Rosenvinge	Leader	Customers
Richard Müller	Dep.leader	Equity certificates
Elizabeth von Hanno Brockfield	Member	Equity certificates
Åsa Jeppsson	Member	Equity certificates
Morten Ingvaldsen	Substitute	Equity certificates
Johannes Brinkmann	Member	Customers
Christian Egge	Member	Customers
Ove Jakobsen	Member	Customers
Elizabeth Wirsching	Member	Customers
Anne-Kristin Løes	Substitute	Customers
Stian Torstenson	Member	Employees
Rune Horne	Member	Employees
Jannike Østervold	Member	Employees
Mie Tørmoen	Varamedlem	Employees
Kjersti Aspheim	Medlem	City of Oslo
Christina Solli Ektvedt	Substitute	City of Oslo

### *The Board of Directors in 2016*

Maria Bjune	Leader
Christian Dubrau	Deputy leader
Stig Bjørnar Andersen	Member
Torstein Dyrnes (for ansatte)	Member
Steinar Gundersen	Member
Anne Solgaard	Member
Randi Almås Welhaven	Member
Tor Henning Carlsen	Substitute
Alf Howlid	Substitute
Camilla Gjetnes (for employees)	Substitute

### *Co-workers in Cultura Bank i 2016*

Christina Andersson	Compliance
Mathias Bertram	Loans
Torstein Dyrnes	Controller
Arve Gjetnes	Risk control
Camilla Gjetnes	Head of customer services
Andreas Haugerud	Customer services
Lars Hektoen	Special advisor
Bjarne Hjertholm	Head of loan department
Rune Horne	Loans
Sisse Maria Jønsson	Customer services
Annette Larssen	Customer services
Kjell Fredrik Løvold	Chief executive officer
Alice Nyamogo	Accounting and operations
Christine Praamsma	Accounting and operations (temp.)
Gro Sissel Taraldrud	Loans
Stian Torstenson	IT and marketing
Mie Tørmoen	Customer services
Jannike Østervold	Assistant general manager, IT and marketing

## Key figures

<i>In thousands of NOK</i>	2016	2015	2014	2013	2012
<b>Solidity</b>					
Capital coverage BIS weighted (in %)	22,07	20,25	18,49	19,89	17,01
Capital coverage*	18,27	16,18	14,62	15,64	17,01
Total assets	836 692	755 470	657 475	554 534	495 170
Risk weighted balance sheet total	393 601	366 040	384 188	349 483	310 740
Equity capital	76 522	64 036	58 558	55 463	54 040
Average total assets	796 081	706 473	606 005	524 852	485 669
<b>Liquidity</b>					
Liquidity Coverage Ratio (LCR)	361	334	191	204	116
Net Stable Funding Ratio (NSFR)	174	187	166	N/A	N/A
<b>Deposit and loan development</b>					
Loans	510 669	459 671	418 483	364 568	320 019
Yearly loan growth (in %)	11,1	9,8	14,8	13,9	-2,7
Deposits	737 307	671 165	577 594	478 836	438 007
Yearly deposit growth (in %)	9,9	16,2	20,6	9,3	4,8
Deposit coverage ratio (in %)	144	146	138	131	137
<b>Sosial</b>					
Numer of co-workers at year end	15,2	15,8	14,3	14,2	13,4
Sick leave	4,2 %	5,0 %	2,7 %	2,7 %	5,5 %
Woman as percentage of total co-workers	50 %	47 %	47 %	47 %	50 %
<b>Environment</b>					
CO <sub>2</sub> emission (in tons)	10,5	13,0	15,0	16,0	14,0
<b>Profitability</b>					
Profit after tax	5 526	1 629	2 755	2 806	-2 302
Return on total assets**	0,69	0,23	0,45	0,53	-0,47
Return on equity***	7,86	2,66	4,83	5,12	-4,37
Net interest income****	2,37	2,87	3,19	3,42	3,67
Cost/income %	82,80	89,91	82,65	80,32	113,84
Operating expenses in % of average total assets	2,59	3,07	3,25	3,41	5,10

\* Core capital adequacy ratio (CET1)

\*\* Net profit as % of average assets

\*\*\* Net profit in % of average equity

\*\*\*\* Net interest income in % of average total assets





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