



Maritime & Merchant Bank ASA  
Financial Report  
30.06.2019



MARITIME & MERCHANT  
BANK ASA

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## Financial Report 30.06.2019

### **Operation and Strategy**

During second quarter 2019 the Bank increased its portfolio of disbursed secured loans to the international shipping industry from USD 272 million at the end of 1<sup>st</sup> quarter to USD 293 million as per 30<sup>th</sup> of June. The Operational Result (before tax) for the second quarter is USD 2.7 million (USD 2.5 mill during first quarter). The Net Interest Margin increased from 3.40% during the first three months of 2019 to 3.68% in the second quarter. The Return on Equity (before tax) during the same period increased from 11.1% to 12.1%. There has not been any default or significant credit deterioration on these loans. All our loans are secured with 1<sup>st</sup> priority mortgages and the majority are within 50% of Fair Market Values, in addition to collateral packages consisting of assignments in income, insurance and cash reserves. The loan portfolio is diversified and is distributed on bulk carriers (24%), tankers (46%), container vessels (25%), LPG (2%) and specialized (3%).

In second quarter we have continued our strong focus on quality-oriented execution within all the key disciplines of the Bank. We are serving customers on a world-wide basis under constantly changing market and regulatory conditions, thus our overall competence must at any time be in accordance with the correspondingly increasing demands. We have as well continued our focus on the KYC/AML area.

In spite of quite disappointing freight markets, in particular for dry bulk and containerships, we have not seen a significant decrease in market values of vessels and the prices have been kept fairly stable for relevant tonnage types driven by an underlying interest for investments. The tanker market has been a mixed pot, in which the product carrier segment has been the best performer. However, in the tanker segment, the general optimism regarding expectations for rate increases within the next six months has maintained the interest for making investments and thereby stabilized the values, and even lead to a certain strengthening, in particular within the product segment.

Uncertainties regarding the consequences of a full-scale trade war between USA and China continue to throw dark shadows over the shipping market as such. Certain movements in the talks between the two countries during the G20 meeting at the end June led to cautious optimism that the trade relationship will over time be normalized, but too early to say something concrete how this eventually would turn out.

Generally, in spite of usual uncertainties, we see a distinct interest for investing in the shipping sector, in all the main market segments and within all relevant age categories of tonnage, both from our domestic clients and well from our customers abroad.

### **Profit for the period (1.1-30.06)**

The profit for the period before tax is USD 5 191 419 (- 513 206) and profit after tax is USD 4 439 665 (-279 313).

### **Deferred Taxes and payable tax**

The Bank's functional currency is in USD. In tax accounting the equity is denominated in NOK, hence, the taxable result will fluctuate with the USDNOK exchange rate.

**Net interest income and related income (1.1-30.06)**

Net interest income and related income totalled USD 8 452 585 (USD 3 928 072). The Board of Directors expect net interest income to increase further as a result of higher lending volume.

**Total operating expenses before impairments and losses (1.1-30.06)**

Total operating expenses before impairments and losses totalled USD 3 135 996 (USD 2 882 886). Salaries and personnel expenses, including social costs, amount to USD 2 272 765 (USD 1 717 330) and account for the largest proportion of the overall operating expenses, Total depreciation and impairment of fixed and intangible assets amount to USD 612 741 (USD 1 286 093).

**Loan and Loan Loss provisions**

Maritime & Merchant Bank ASA has lent USD 293 223 159 (USD 145 206 781) to customers. There has not been any default or significant credit deterioration on these loans.

The Bank has made USD 856 176 (USD 464 713) in loss allowance (IFRS 9). Change in expected loss through the year amounts to USD 154 117 and is primarily caused by increased loan volume.

**Deposit**

Customer deposits amounted to USD 380 338 762 (USD 266 820 986).

## **RISK FACTORS**

**Credit risk**

The average weighted quality of the portfolio is moderate risk, and all credits, when granted, had a Default Probability which qualified them to be classified as low or moderate risk. The credit portfolio has a risk concentration around the mid-point.

The majority of the commitments is secured with ship mortgages within 50% of appraised values (when the loan was granted) in addition to security in cash and earnings, and in combination with an estimated moderate Default Probability, this provides for a sound credit portfolio with a marginal potential for future losses.

In addition to estimating the Default Probability, we also estimate the Loss Given Default on each exposure. Based on the low leverage of financing in combination with financing non-specialized tonnage with strict covenants, the average weighted Loss Given Default for the loan portfolio is very satisfactory.

The Bank's estimated risk cost, Expected Loss, is calculated as Probability of Default multiplied with Loss Given Default. It is included in all internal return on capital estimations in connection with granting new loans.

The portfolio is distributed in risk classes according to official rating, collateral and internal risk classification. The loan portfolio is diversified and is distributed on bulk carriers (24%), tankers (46%), container vessels (25%), LPG (2%) and specialized (3%).

The Bank's internal credit strategy has limits for maximum exposure to the various shipping segments, and Acceptable Risk Criteria form guidelines for the lending strategy. All present loan exposures are within the Bank's credit strategy.

**Liquidity risk**

Maritime & Merchant Bank ASA has adopted guidelines for management of the Bank's liquidity position to ensure that the Bank maintains a solid liquidity. The Bank has a low liquidity risk profile. Main funding sources in the first years of operation has been equity and NOK deposits. The Bank has liquidity portfolio/buffers well above minimum requirement. Liquidity stress tests show satisfactory liquidity.

	30.06.2019	31.03.2019	31.06.2018	31.12.2018	31.12.2017
LCR	513%	584%	581%	444 %	457 %
Deposit coverage (1)	77%	80%	75%	78 %	77 %

(1) % of total assets

**Interest rate risk**

Maritime & Merchant Bank ASA has defined guidelines that set limits for the maximum interest rate risk. Any exposure exceeding the interest rate risk limits shall be mitigated by using hedging instruments. Routines have been established for on-going monitoring and reporting of the interest rate risk to the Board of Directors.

**Market risk**

Maritime & Merchant Bank ASA has developed guidelines and limits for counterparty exposure, maturity per counterpart, average duration of portfolio and foreign exchange risk. Exposure to foreign exchange risk (not USD) is hedged.

**Operational risk**

Maritime & Merchant Bank ASA has established operational risk policy and guidelines. Contingency plans have been established, and insurance (professional responsibility, cybercrime, crime and Board of Directors responsibility) is purchased in order to reduce risk.

**Ratios**

Ratios	Q2-2019	Q1-2019	Full year 2018
Cost/Income	39.8%	42.7%	84.63 %
Return on Equity before tax	12.1%	11.1%	1.61 %
Net Income Margin	3.82%	3.82%	2.96 %
Net Interest Margin	3.68%	3.40%	3.10 %
Deposit to loan	130%	145%	137 %
LCR	513%	584%	444 %
NPL Ratio	0%	0%	0 %

**Ratio formulas**

$$\text{Cost/Income Ratio} = \frac{\text{Total operating expenses}}{\text{Total income}}$$

$$\text{Net Income Margin} = \frac{\text{Total income}}{(\text{Interest bearing assets start of year} + \text{Interest bearing assets end of year}) * 0,5}$$

$$\text{Net Interest Margin} = \frac{\text{Net interest income}}{(\text{Interest bearing assets start of year} + \text{Interest bearing assets end of year}) * 0,5}$$

$$\text{NPL ratio} = \frac{\text{Non performing exposure (loans to customers)}}{\text{Loans to customers}} \quad (\text{non-performing loan ratio})$$

$$\text{Deposit to loan ratio} = \frac{\text{Total deposits}}{\text{Loans to customers}}$$

$$\text{Return on equity before tax} = \frac{\text{Net profit before tax}}{(\text{Equity start of the year} + \text{New equity} * \text{Year fraction})}$$

$$\text{Year fraction} = \frac{12 - \text{Months before equity issue}}{12}$$

### **Outlook**

The shipping investors must at any time be prepared for unexpected events. The development of the world economy is one thing; a wide spectre of geopolitical movements that could occur can even have a larger impact on the shipping markets. We as a Bank must as well be prepared to meet eventual challenges as consequences of these events, and this is reflected in our credit work and collateral structures.

We remain optimistic that the next six months will contain a lot of interesting opportunities for Maritime & Merchant Bank ASA and we are looking forward to help our clients materialize new projects.

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**Oslo, August 14<sup>th</sup>, 2019**

Board of Directors, Maritime & Merchant Bank ASA

## Income Statement

<i>- In USD</i>	<i>Note</i>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
		<b>01.04 - 30.06</b>	<b>01.04 - 30.06</b>	<b>01.01 - 30.06</b>	<b>01.01 - 30.06</b>	<b>01.01 - 31.12</b>
<b>Interest income and related income</b>						
Interest and other operating income from loans to customers		6 486 325	3 501 327	12 342 621	5 641 382	14 979 900
Interest from certificates and bonds		574 058	426 320	1 108 555	948 346	1 928 497
Interest from loans to and receivables from credit institutions		216 067	139 420	461 364	205 976	646 238
<b>Total interest income and related income</b>		<b>7 276 450</b>	<b>4 067 067</b>	<b>13 912 540</b>	<b>6 795 703</b>	<b>17 554 636</b>
<b>Interest expenses</b>						
Interest and similar expenses of loans to and receivables from		-1 995 635	-1 264 604	-3 928 042	-2 355 587	-5 329 798
Net interest expenses from financial derivatives		-662 820	-331 001	-1 315 056	-494 927	-1 713 133
Other fees and commissions		-107 245	-8 559	-216 857	-17 117	-34 235
<b>Net interest expenses and related expenses</b>		<b>-2 765 701</b>	<b>-1 604 181</b>	<b>-5 459 955</b>	<b>-2 867 631</b>	<b>-7 077 166</b>
<b>Net interest income and similar income</b>		<b>4 510 749</b>	<b>2 462 886</b>	<b>8 452 585</b>	<b>3 928 072</b>	<b>10 477 470</b>
Commissions, other fees and income from banking		132 956	26 820	312 598	97 619	317 498
Commissions, other fees and expenses from banking		-48 284	-5 798	-55 816	-10 590	-26 614
Net value adjustments on foreign exchange and financial derivatives		68 072	-517 858	317 075	-301 897	-715 629
Net value adjustments on interest-bearing securities		5 889		67 829		
<b>Total income</b>		<b>4 669 383</b>	<b>1 966 050</b>	<b>9 094 271</b>	<b>3 713 204</b>	<b>10 052 725</b>
<b>Salaries, administration and other operating expenses</b>						
Salaries and personnel expenses		-1 129 262	-798 094	-2 272 765	-1 717 330	-3 989 116
Administrative and other operating expenses		-426 360	-590 668	-863 231	-1 165 556	-2 140 779
Net salaries, administration and other operating expenses		<b>-1 555 622</b>	<b>-1 388 762</b>	<b>-3 135 996</b>	<b>-2 882 886</b>	<b>-6 129 895</b>
Total depreciation and impairment of fixed and intangible assets	9	<b>-304 503</b>	<b>-578 333</b>	<b>-612 741</b>	<b>-1 286 093</b>	<b>-2 378 008</b>
<b>Total operating expenses</b>		<b>-1 860 125</b>	<b>-1 967 095</b>	<b>-3 748 737</b>	<b>-4 168 979</b>	<b>-8 507 903</b>
<b>Operating result</b>		<b>2 809 258</b>	<b>-1 045</b>	<b>5 345 535</b>	<b>-455 775</b>	<b>1 544 822</b>
Loan loss provisions (IFRS - 9)	5	-69 384	38 220	-154 116	-57 431	-294 777
<b>Profit (+) / Loss (-) for the period before tax</b>		<b>2 739 875</b>	<b>37 175</b>	<b>5 191 419</b>	<b>-513 206</b>	<b>1 250 045</b>
Income tax	6	-479 969	-637 151	-751 754	233 893	-1 586 960
<b>Result for the period after tax</b>		<b>2 259 907</b>	<b>-599 976</b>	<b>4 439 665</b>	<b>-279 313</b>	<b>-336 915</b>



## Balance Sheet

<u>Assets</u>		2019	2018	2018
<i>- In USD</i>	Note	30.06.2019	30.06.2018	31.12.2018
<b>Cash and balances at central bank</b>		<b>7 625 881</b>	<b>8 523 901</b>	<b>7 448 034</b>
<b>Lending to and receivables from credit institutions</b>		<b>72 592 089</b>	<b>76 201 515</b>	<b>66 924 966</b>
Lending to customers	5	293 223 159	145 206 781	249 024 326
Loss provisions on loans to customers	5	-856 176	-464 713	-702 059
<b>Net lending to customers</b>		<b>292 366 983</b>	<b>144 742 068</b>	<b>248 322 267</b>
<b>Certificates, bonds and other receivables</b>				
Commercial papers and bonds valued at market value	5, 7	116 445 266	114 995 211	112 552 377
Commercial papers and bonds valued at amortised cost		0	5 021 353	0
<b>Certificates, bonds and other receivables</b>		<b>116 445 266</b>	<b>120 016 563</b>	<b>112 552 377</b>
<b>Shares</b>		<b>46 016</b>	<b>50 321</b>	<b>49 295</b>
<b>Intangible assets</b>				
Deferred tax assets	6	0	2 530 338	569 403
Other intangible assets	9	2 526 520	4 164 886	2 910 996
<b>Total intangible assets</b>		<b>2 526 520</b>	<b>6 695 224</b>	<b>3 480 399</b>
<b>Fixed assets</b>				
Fixed assets	4, 9	1 139 448	66 715	56 544
<b>Total fixed assets</b>		<b>1 139 448</b>	<b>66 715</b>	<b>56 544</b>
<b>Other assets</b>				
Financial derivatives		462 493	864 931	0
Other assets		43 050	563 382	136 735
<b>Total other assets</b>		<b>505 543</b>	<b>1 428 313</b>	<b>136 735</b>
<b>Expenses paid in advance</b>				
Prepaid, not accrued expenses		272 244	115 695	255 617
<b>Total prepaid expenses</b>		<b>272 244</b>	<b>115 695</b>	<b>255 617</b>
<b>TOTAL ASSETS</b>		<b>493 519 990</b>	<b>357 840 315</b>	<b>439 226 234</b>
<b>Liabilities and shareholders equity</b>				
<i>- In USD</i>		<b>30.06.2019</b>	<b>30.06.2018</b>	<b>31.12.2018</b>
<b>Liabilities</b>				
<b>Deposits from and liabilities to customers</b>				
Deposits from and liabilities to customers		380 338 762	266 820 986	340 508 505
<b>Total deposits from and liabilities to customers</b>		<b>380 338 762</b>	<b>266 820 986</b>	<b>340 508 505</b>
<b>Other liabilities</b>				
Financial derivatives	10	6 036 547	1 721 572	9 438 597
Other liabilities	6, 11	1 792 275	678 675	675 845
<b>Total other liabilities</b>		<b>7 828 822</b>	<b>2 400 247</b>	<b>10 114 442</b>
<b>Accrued expenses and received unearned income</b>				
Accrued expenses and received unearned income	11	922 646	329 744	569 655
<b>Total accrued expenses and received unearned income</b>		<b>922 646</b>	<b>329 744</b>	<b>569 655</b>
<b>Total Liabilities</b>		<b>389 090 230</b>	<b>269 550 976</b>	<b>351 192 602</b>
<b>Shareholders equity</b>				
<b>Paid-in capital</b>				
Share capital	12	9 708 655	8 630 639	8 630 639
Share premium account		94 148 864	82 938 319	83 296 586
<b>Total paid-in capital</b>		<b>103 857 519</b>	<b>91 568 958</b>	<b>91 927 225</b>
<b>Other Equity</b>				
Other free equity		-530 203		-556 371
Retained earnings		1 102 443	-3 279 619	-3 337 221
<b>Total other equity</b>		<b>572 240</b>	<b>-3 279 619</b>	<b>-3 893 592</b>
<b>Total shareholder equity</b>		<b>104 429 759</b>	<b>88 289 339</b>	<b>88 033 633</b>
<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>		<b>493 519 990</b>	<b>357 840 315</b>	<b>439 226 234</b>



## Statement of Equity

<i>- In USD</i>	Share capital	Share premium	Retained earnings	Other free equity	Total equity
Loss allowance in accordance with IFRS 9				-407 282	-407 282
Share issue	3 039 662	28 172 937		-172 771	31 039 828
Employee stock option				23 682	23 682
Profit			-336 915		-336 915
Equity as per 31.12.2018	8 630 639	83 296 586	-3 337 221	-556 371	88 033 632
Employee stock option				145 471	145 471
Share issue	1 078 016	10 852 279		-119 303	11 810 991
Profit			4 439 665		4 439 665
Equity as per 30.06.2019	9 708 655	94 148 864	1 102 443	-530 203	104 429 759

## Statement of Cash Flows

<i>- In USD</i>	2019 30.06	2018 31.12
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES</b>		
Profit before tax	5 191 419	1 250 045
Change in loans to customers excluding accrued interest	-41 287 739	-153 496 098
Change in deposits from customers	35 933 541	145 664 596
Change in certificates and bonds	-3 892 889	-5 055 707
Change in shares, mutual fund units and other securities	3 279	-49 295
Interest income and related income	-13 912 540	-17 554 635
Interest received	11 155 563	14 555 481
Net interest expenses and related expenses	5 459 955	5 364 033
Interest paid	-1 563 239	-5 364 033
Ordinary depreciation	612 741	2 378 008
Change in financial derivatives	-3 864 543	9 821 707
Change in other assets and other liabilities	283 714	-366 729
<b>Net cash flow from operating activities</b>	<b>-5 880 738</b>	<b>-2 852 627</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for acquisition of assets	-230 755	-716 176
<b>Net cash flow from investing activities</b>	<b>-230 755</b>	<b>-716 176</b>
<b>CASH FLOW FROM FINANCIAL ACTIVITIES</b>		
Paid in capital	11 930 295	31 212 599
<b>Net cash flow from financial activities</b>	<b>11 930 295</b>	<b>31 212 599</b>
<b>Effect of exchange rate changes and other</b>	<b>26 167</b>	<b>-17 069</b>
<b>Sum cash flow</b>	<b>5 844 969</b>	<b>27 626 727</b>
Net change in cash and cash equivalents	5 844 969	27 626 727
Cash and cash equivalent as per 01.01.	74 373 001	46 746 274
Cash and cash equivalent as per 30.06.	<b>80 217 970</b>	<b>74 373 001</b>

## Notes 30.06.2019

### Note 1, Reporting entity

Maritime & Merchant Bank ASA is a company domiciled in Norway. The Bank's registered office is at Haakon VII's gate 1, 0161 Oslo. The Bank is primarily involved in corporate banking.

### Note 2, General accounting principles

The interim report for the second quarter 2019 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU.

The interim report for the second quarter 2019 is prepared using the same accounting principles and calculation methods as described in the Annual Report 2018 and the interim report for the first quarter 2019.

### Note 3, Functional and presentation currency

These consolidated financial statements are presented in USD, which is the Bank's functional currency. The Bank's taxation currency is NOK.

### Note 4, Lease

#### 2.3 Effect of IFRS 16, Leases

The only lease that is affected by the IFRS-16 implementation is office rental.

##### Details

Fixed Lease payments per quarter:	NOK 679 942
Expiry date:	31.12.2022
Borrowing rate:	2.1%
Right-to-use asset:	NOK 10 466 415 (as of 1 January 2019)
Lease liability:	NOK 10 466 415 (as of 1 January 2019)

#### Changes in Profit & Loss statement for Q2-2019 using 2019 vs 2018

Item	2018 policy	2019 policy	Change
Interest expenses (NOK)	0	(98 653)	(98 653)
Administrative and other operating expenses (NOK)	(1 359 884)	0	1 359 884
Depreciation (NOK)	0	(1 308 302)	(1 308 302)
Sum in NOK	(1 359 884)	(1 406 955)	(47 071)
Sum in USD	(159 610)	(165 135)	(5 525)

*Negative number in brackets*

Net negative effect for Q1-2019 in USD: 5 525

#### Changes in Balance sheet for Q2-2019 using 2019 vs 2018

Assets	2018 policy	2019 policy	Change
Intangible assets (NOK)	0	9 158 113	9 158 113
Intangible assets (USD)	0	1 074 890	1 074 890

*All numbers in NOK*

Liabilities	2018 policy	2019 policy	Change
Other Liabilities (NOK)	0	9 205 185	9 205 185
Other Liabilities (USD)	0	1 080 414	1 080 414

## RISK

### Note 5, Risk

#### Risk Management and Capital Adequacy

The Capital Adequacy figures for Maritime & Merchant Bank ASA are based on the calculation by means of the standardised approach.

#### Credit risk

The Bank has chosen the basic approach for calculation credit risk (Risk-Weighted Assets).

#### Operational risk

The Bank has chosen to apply the basic approach under Pillar 1 for calculating operational risk. This applies a capital requirement of 15 per cent of the annual income reported in the last three years.

#### Market risk

The market risk of the Bank is modest and is calculated using the standardised approach in Pillar 1.

#### Capital Adequacy

Amounts in USD - 1000	30.06.2019	30.06.2018	31.12.2018
Share capital	9 709	8 631	8 631
+ Other reserves	94 721	79 659	79 740
- Deferred tax assets and intangible assets	-2 527	-6 695	-3 480
- This year's result	-4 440		-337
- Adjustments to CET1 due to prudential filters	-123		-113
<b>Common Equity Tier 1 (CET 1)</b>	<b>97 341</b>	<b>81 594</b>	<b>84 441</b>
<b>Credit Risks</b>			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	14 518	15 286	13 385
+ Companies	288 033	146 821	243 733
+ Covered bonds	10 555	10 383	10 177
+ Shares	46	50	49
+ Other assets	-	1 442	-
<b>Total Credit risks</b>	<b>313 153</b>	<b>173 982</b>	<b>267 344</b>
+ Operational risk	11 669	7 540	11 669
+ Counterparty risk derivatives (CVA-risk)	2 952	4 705	2 619
<b>Total calculation basis</b>	<b>327 773</b>	<b>186 227</b>	<b>281 632</b>
<b>Capital Adequacy</b>			
<b>Common Equity Tier 1 %</b>	<b>29.70 %</b>	<b>43.81 %</b>	<b>29.98 %</b>
<b>Total capital %</b>	<b>29.70 %</b>	<b>43.81 %</b>	<b>29.98 %</b>

#### Credit Risk

Credit risk is the major risk for the Bank. Maritime & Merchant Bank ASA may face a loss if the borrower is not able to pay interest or principal as agreed upon, provided the pledged collateral is not sufficient to cover the Bank's exposure.

**Loss allowance and impairments**

Loss allowance	30.06.2019	30.06.2018	31.12.2018
Step1	735 366	464 713	665 727
Step2	120 810		36 322
Step3			
<b>Sum</b>	<b>856 176</b>	<b>464 713</b>	<b>702 059</b>
Impairments	-	-	-

**Loss allowance as of 30.06.2019**

	Step 1	Step 2	Step 3	
	Classification by first time recognition	Significantly increase in credit risk since first time recognition	Significantly increase in credit risk since first recognition and objective proof of loss	
	Expected loss next 12 months	Expected loss over the life of instrument	Expected loss over the life of instrument	Sum
Loss allowance as of 31.12.2018	665 727	36 332	-	702 059
<i>Lending to customers 31.12.2018</i>	245 124 326	3 900 000	-	249 024 326
<b>Changes</b>				
Transfer to Step 1	36 332	- 36 332	-	-
Transfer to Step 2	- 28 998	28 998	-	-
Transfer to Step 3	-	-	-	-
Reclassification	- 74 926	92 681		17 755
Amortisation	- 15 915	- 869		16 784
New commitments	153 146			153 146
				-
<b>Allowance as of 30.06.2019</b>	<b>735 366</b>	<b>120 810</b>	-	<b>856 176</b>
<i>Lending to customers 30.06.2019</i>	282 265 579	10 957 580	-	293 223 159
<b>Net Change in Loss allowance</b>	<b>69 639</b>	<b>84 478</b>	<b>0</b>	<b>154 117</b>

(1) Amortisations and changes in individual assessments

## Loss allowance as of 30.06.2018

	Step 1	Step 2	Step 3	
	Classification by first time recognition	Significantly increase in credit risk since first time recognition	Significantly increase in credit risk since first recognition and objective proof of loss	
	Expected loss next 12 months	Expected loss over the life of instrument	Expected loss over the life of instrument	Sum
Loss allowance as of 1.1.2018	407 282	-	-	407 282
<i>Lending to customers 1.1.2018</i>	96 849 292	-	-	96 849 292
<b>Changes</b>				0
Transfer to Step 1	-	-	-	0
Transfer to Step 2	-	-	-	0
Transfer to Step 3	-	-	-	0
Reclassification	-	-	-	0
Change <sup>(1)</sup>	-139 902			-139 902
New commitments	197 333			197 333
				0
<b>Allowance as of 30.06.2018</b>	<b>464 713</b>	-	-	<b>464 713</b>
<i>Lending to customers 30.06.2018</i>	149 763 420	-	-	249 024 326
<b>Net Change in Loss allowance</b>	<b>57 431</b>	<b>0</b>	<b>0</b>	<b>57 431</b>

(1) Amortisations and changes in individual assessments

Credit risk: Total  
30.06.2019

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central bank	7 625 881					7 625 881
Deposits with credit institution	72 592 089					72 592 089
Certificates and bonds	116 445 266					116 445 266
Shares and other securities			46 016			46 016
Loans to customers		45 604 281	236 661 298	10 957 580		293 223 159
<b>Total</b>	<b>196 663 235</b>	<b>45 604 281</b>	<b>236 707 314</b>	<b>10 957 580</b>	<b>0</b>	<b>489 932 410</b>
Committed loans, not disbursed			17 500 000			

30.06.2018

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central bank	8 523 901					8 523 901
Deposits with credit institution	76 201 515					76 201 515
Certificates and bonds	114 995 211	0	5 021 353			120 016 564
Shares and other securities			50 321			50 321
Loans to customers			145 206 781	0		145 206 781
<b>Total</b>	<b>199 720 627</b>	<b>0</b>	<b>150 278 455</b>	<b>0</b>	<b>0</b>	<b>349 999 082</b>

Lending to customers by segment

Sector	Q2 2019		Q2 2018		2018	
	USD	Share %	USD	Share %	USD	Share %
Bulk	69 787 112	24 %	47 918 238	33 %	62 256 082	25 %
Container	74 185 459	25 %	33 397 560	23 %	72 217 055	29 %
Tank	134 002 984	46 %	46 466 170	32 %	99 609 731	40 %
Gas	6 744 133	2 %	14 520 678	10 %	7 470 730	3 %
Specialized	8 503 472	3 %	2 904 136	2 %	7 470 730	3 %
Offshore	-	0 %				
<b>Sum</b>	<b>293 223 159</b>	<b>100 %</b>	<b>145 206 781</b>	<b>100 %</b>	<b>249 024 326</b>	<b>100 %</b>

Bonds and certificates: Risk Weight

Risk Weight	Q2 2019		Q2 2018		2018	
	Fair Value	Amortised Cost	Fair Value	Amortised Cost	Fair Value	Amortised Cost
0 %	10 898 157		11 150 789		10 781 255	
10 %	105 547 109		103 844 422		101 771 122	
20 %	-		0			
100 %	-			5 021 353		
<b>Total</b>	<b>116 445 266</b>		<b>114 995 211</b>	<b>5 021 353</b>	<b>112 552 377</b>	

Bonds and certificates: Rating

Rating	Q2 2019 Fair Value	Q2 2018 Fair Value	2018 Fair Value
AAA	113 503 553	108 858 054	10 781 255
AA+	2 941 713	6 137 157	101 771 122
AA	0		
A	0		
<b>Total</b>	<b>116 445 266</b>	<b>114 995 211</b>	<b>112 552 377</b>

**Bonds and certificates: Sector**

Sector	Q2 2019 Fair Value	Q2 2018 Fair Value	2018 Fair Value
Supranationals	5 012 558	5 013 632	5 013 743
Local authority	5 885 599	6 137 157	5 767 512
Credit Institutions	105 547 109	103 844 422	101 771 122
Bank	-	0	
<b>Total</b>	<b>116 445 266</b>	<b>114 995 211</b>	<b>112 552 377</b>

**Interest, currency and liquidity risk**

Changes in interest rate, currency and liquidity risk since 31.12.2018 is marginal.

**INCOME AND COSTS**

## Note 6, Estimated Taxation of profit

	USD	NOK
Profit Before Tax	5 191 419	44 231 149
Initial IFRS-9	-392 222	-3 341 749
Tax related agio on equity	-1 792 181	-15 269 469
<b>Basis for tax</b>	<b>3 007 017</b>	<b>25 619 932</b>
<b>Calculated Tax (25%)</b>	<b>-751 754</b>	<b>-6 404 983</b>

**ASSETS**

## Note 7, Financial instruments at fair value

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

**Level 1:** Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

**Level 3:** Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

## 30.06.2019

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds		110 560	5 886	116 445
Shares and other securities				
Financial derivatives		462		462
<b>Total financial assets</b>		<b>111 022</b>	<b>5 886</b>	<b>116 908</b>
Financial derivatives		6 037		6 037
<b>Total financial liabilities</b>		<b>6 037</b>		<b>6 037</b>

## 30.06.2018

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds		108 858	6 137	114 995
Shares and other securities		0		
Financial derivatives		865		865
<b>Total financial assets</b>		<b>109 723</b>	<b>6 137</b>	<b>115 860</b>
Financial derivatives		1 722		1 722
<b>Total financial liabilities</b>		<b>1 722</b>		<b>1 722</b>

## Note 8, Financial pledges

The Bank has pledged NOK 105 million of bonds as collateral for financial derivatives.

## Note 9, Other intangible assets and tangible assets

<i>- In USD</i>	30.06.2019		30.06.2018		31.12.2018	
	Other intangible assets	Property, plant and equipment	Other intangible assets	Property, plant and equipment	Other intangible assets	Fixed Assets
Cost or valuation at 01.01	4 348 846	110 589	5 258 562	96 641	5 258 562	96 641
Exchange and other adjustments	88 533	29 044	136 922			
Introduction of right to use-asset		1 203 936				
Additions	0	24 698	636 877	10 171	633 198	13 948
Disposals	0	0				
<b>Cost or valuation at end of period</b>	<b>4 437 379</b>	<b>1 368 267</b>	<b>6 032 361</b>	<b>106 812</b>	<b>5 891 761</b>	<b>110 589</b>
Accumulated depreciation and impairment at 01.01.	-1 437 850	-54 044	-637 531	-19 270	-637 531	-19 270
Exchange and other adjustments	-32 847	-2 500				
Depreciation charge this year	-440 162	-172 275	-1 229 944	-20 827	-2 343 233	-34 774
Disposals						
<b>Accumulated depreciation and impairment at end of period</b>	<b>-1 910 859</b>	<b>-228 819</b>	<b>-1 867 475</b>	<b>-40 097</b>	<b>-2 980 764</b>	<b>-54 044</b>
<b>Balance sheet amount at end of period</b>	<b>2 526 520</b>	<b>1 139 448</b>	<b>4 164 886</b>	<b>66 715</b>	<b>2 910 996</b>	<b>56 544</b>
<i>Economic lifetime</i>	5 years	3 years	5 years	3 years	5 years	3-4 years
<i>Depreciation schedule</i>	Linear	Linear	Linear	Linear	Linear	Linear



## Note 10, Other assets and financial derivatives

### 30.06.2019

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive market values	Negative Market values
	USD	EUR	NOK	USD	USD
<b>Interest Rate Derivatives</b>					
Interest rate swap	0	0	0	0	0
<b>Currency Derivatives</b>					
Cross currency basis swap					
Buy/Sell USD against NOK	190 000		1 576 110	322.9	6 037
Buy/Sell EUR against NOK		9 026	88 502	139.5	0
<b>Total Currency Derivatives</b>	<b>190 000</b>	<b>9 026</b>	<b>1 664 612</b>	<b>462.4</b>	<b>6 037</b>

### 30.06.2018

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive market values	Negative Market values
	USD	EUR	NOK	USD	USD
<b>Interest Rate Derivatives</b>					
Interest rate swap					
<b>Currency Derivatives</b>					
Cross currency basis swap					
Buy/Sell USD against NOK	100 000		813 158	865	1 722
Buy/Sell EUR against NOK		0	0	0	0
<b>Total Currency Derivatives</b>	<b>100 000</b>	<b>0</b>	<b>813 158</b>	<b>865</b>	<b>1 722</b>

## Note 11, Other Liabilities and accrued cost

- In USD	30.06.2019	30.06.2018
Trade payables	127 799	114 811
Tax withholdings	112 408	158 996
VAT Payable	32 834	88 537
Income tax	170 759	
Lease liability	1 080 414	
Other liabilities	268 061	316 331
<b>Total other liabilities</b>	<b>1 792 275</b>	<b>678 675</b>
Holiday pay and other accrued salaries	637 522	329 744
Other accrued costs	285 124	
<b>Total accrued costs</b>	<b>922 646</b>	<b>329 744</b>

## Note 12, Share capital and shareholder information

The company has 8 170 048 shares at NOK 10.

The total share capital is NOK 81 700 480. The Company has one share class only.

The Company have 59 shareholders.

The ten largest shareholders of the Company are:

No	Shareholder	Numb. of shares	%
1	Henning Oldendorff	2 041 979	25.0%
2	Endre Røsjø *	2 041 979	25.0%
3	Deutsche Bank Aktiengesellschaft	666 700	8.2%
4	Songa Investment AS	559 881	6.9%
5	Canomaro Bulk AS	438 899	5.4%
6	Landmark Capital Pte. Limited	303 702	3.7%
7	Apollo Asset Limited	227 236	2.8%
8	Klavenes Marine Finance AS	176 923	2.2%
9	Nergaard Investment Partners AS	171 265	2.1%
10	TD Veen AS	143 821	1.8%
	Others	1 397 663	17.1%
	<b>Total</b>	<b>8 170 048</b>	<b>100 %</b>

(\*) 102 723 shares (1.3%) owned through Centennial AS