



Maritime & Merchant Bank ASA  
Financial Report  
30.09.2019



MARITIME & MERCHANT  
BANK ASA

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## Financial Report 30.09.2019

### **Operation and Strategy**

The trade war between China and US and the countdown to Brexit continued to emboss the headlines in international finance resulting in uncertainty and generally a cautious sentiment within investment communities. In analytic circles it is still unclarified what the limitations in the free trade in form of tariffs and sanctions eventually will represent in the sense of reduction of ton-miles. Various scenarios have been presented with fairly substantial variances regarding the final outcome of a full-scale trade war. However, it is a broad consensus around that fact that any geopolitical measure disturbing the global free trade as such has a negative impact.

In spite of these circumstances it is quite interesting to observe the freight markets. The Dry Bulk index has experienced a steady upswing since mid-summer and all segments have reached levels of freight income that could defend investments in modern tonnage. The expected upturn in the tanker market came indeed during the late part of the third quarter. The combination of the IMO 2020 getting nearer, vessels taken out of the market for scrubber installations, sanctions and various market implications lead to freight rate levels for crude transportation that we have not seen for 15 years. The market has in the meantime eased down, but still at a most attractive level and the prospects are looking promising. The container market above 3000 TEU has continued to perform better than the forecasts we saw at the start of this year, in particular the sizes between 5000 and 8000 TEU, while parts of the smaller segments have been fairly disappointing.

The second hand values in the dry bulk sector has not been significantly influenced by the increase in the freight rates, but appears to be more or less flat, and the same goes for the container vessels, while there could be seen a significant upward trend directly in tanker segment in view of the brisk rate increase.

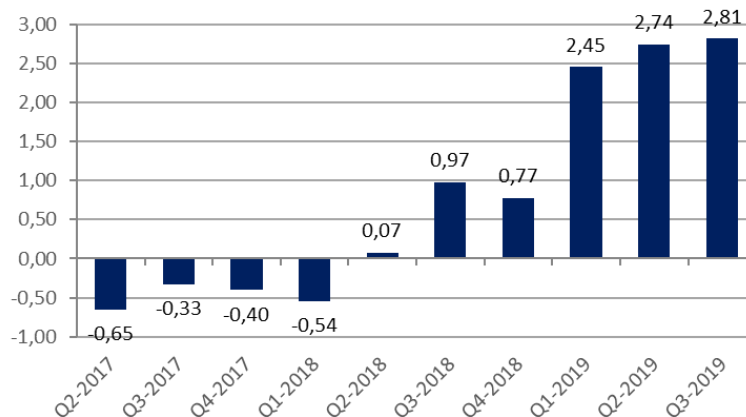
During the third quarter we have continued our strong focus on quality-oriented execution within all the key disciplines of the Bank. We are serving customers on a world-wide basis under constantly changing market and regulatory conditions, thus our overall competence must at any time be in accordance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

Our focus is primarily the project-oriented market, and as pointed out, geopolitical issues have mostly a negative impact on the investment sentiment. However, we are impressed by our clients all over the world that constantly are looking for new opportunities and to adapt to changing market conditions due to mostly political movements. We are looking forward to further cooperation going forward.

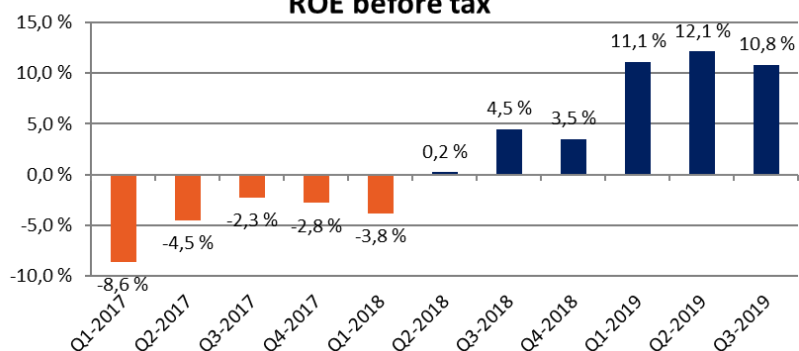
**Profit for the period (1.1-30.09)**

The profit for the period before tax is USD 8 006 263 (483 915) and profit after tax is USD 5 030 859 (453 578). The following tables display the quarterly result before tax and ROE before tax respectively.

**Result Before Tax (USDm)**



**ROE before tax**



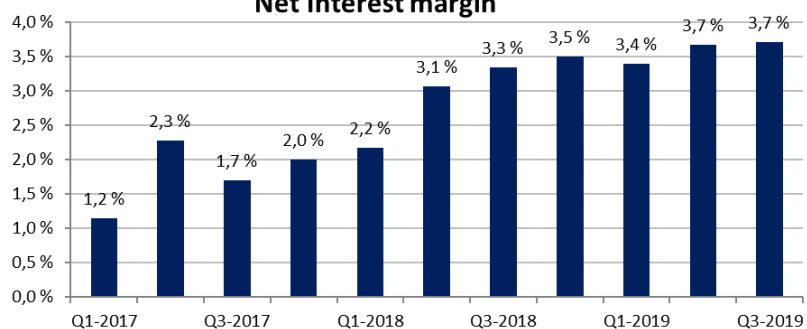
**Deferred Taxes and payable tax**

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 (1.1-30.09)**

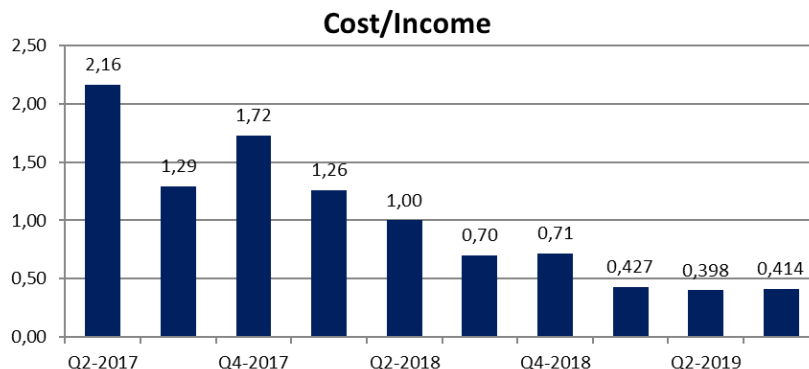
Net interest income and related income totalled USD 13 294 238 (USD 6 940 118). The Board of Directors expect net interest income to increase further as a result of higher lending volume.

**Net Interest margin**



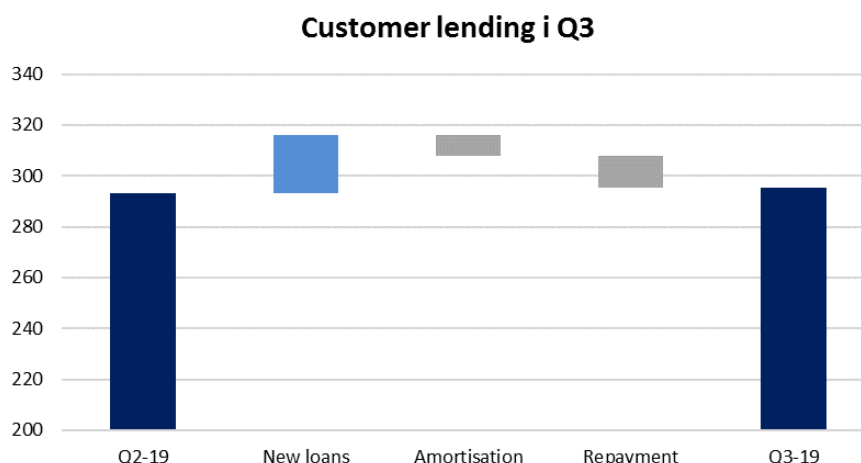
**Total operating expenses before impairments and losses (1.1-30.09)**

Total operating expenses before impairments and losses totalled USD 5 635 796 (USD 6 278 729). Salaries and personnel expenses, including social costs, amount to USD 4 725 859 (USD 4 385 812) and account for the largest proportion of the overall operating expenses. Total depreciation and impairment of fixed and intangible assets amount to USD 909 936 (USD 1 892 917).



**Loan and Loan Loss provisions**

Maritime & Merchant Bank ASA has lent USD 295 570 478 (USD 200 749 893) to customers. There has not been any default or significant credit deterioration on loans.



The Bank has made USD 708 313 (USD 575 839) in loss allowance (IFRS 9). Change in expected loss through the year amounts to USD 6 255. Improved average risk score is the main factor for low loss allowance so far in 2019.

**Deposit**

Customer deposits amounted to USD 426 803 507 (USD 285 453 876).

**RISK FACTORS**

**Credit risk**

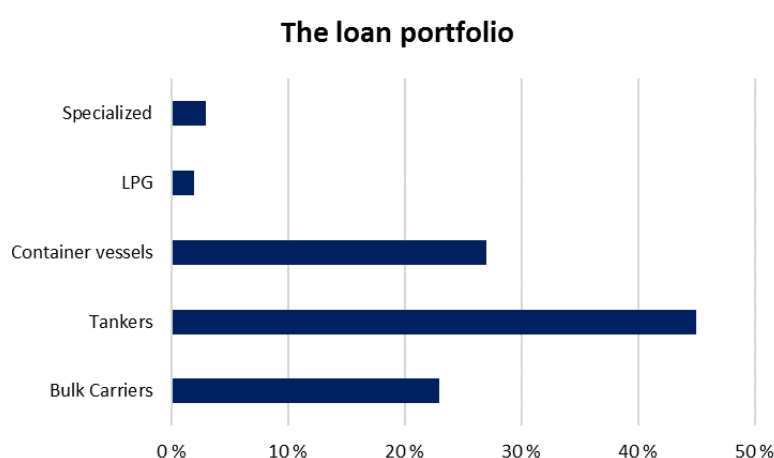
The average weighted quality of the portfolio is moderate risk, and all credits, when granted, had a Default Probability which qualified them to be classified as low or moderate risk. The credit portfolio has a risk concentration around the mid-point.

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 (23%), tankers (45%), container vessels (27%), LPG (gas) (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 have been equity and NOK deposits. The Bank has liquidity portfolio/buffers well above minimum requirement. Liquidity stress tests show satisfactory liquidity.

	30.09.2019	30.06.2019	31.09.2018	31.12.2018	31.12.2017
LCR	586%	513%	621%	444%	457%
Deposit coverage (1)	77%	77%	76%	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 ongoing 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, crime and Board of Directors responsibility) is purchased in order to reduce risk.

**Ratios**

<b>Ratios</b>	<b>Q3-2019</b>	<b>Q2-2019</b>	<b>YTD-2019</b>	<b>Full year 2018</b>
Cost/Income	41.4%	39.8%	41.29%	84.63%
Return on Equity before tax	10.78%	12.1%	11.6%	1.61%
Net Income Margin	3.50%	3.82%	3.69%	2.96%
Net Interest Margin	3.72%	3.68%	3.59%	3.10%
Deposit to loan	144%	130%	144%	137%
LCR	586%	513%	586%	444%
NPL Ratio	0%	0%	0%	0%

**Ratio formulas**

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

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

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

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

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

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

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

**Outlook**

It is indeed an exiting time ahead. Will the trade war issues be solved in an amicable fashion? Will Brexit be landed in way that limits eventual harmful consequences and how will finally IMO 2020 affect the tanker market when the regulations are made effective over the year-end? We are ready to continue our cooperation with existing and new clients to materialize new projects under constantly changing market conditions.

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 Oslo, 2019, November 7<sup>th</sup>

Board of Directors, Maritime & Merchant Bank ASA

## Income Statement

	Note	2019	2018	2019	2018	2018
		01.07 - 30.09	01.07 - 30.09	01.01 - 30.09	01.01 - 30.09	01.01 - 31.12
<i>- In USD</i>						
<b>Interest income and related income</b>						
Interest and other operating income from loans to customers		6 838 779	4 074 076	19 181 400	9 715 458	14 979 900
Interest from certificates and bonds		661 184	511 726	1 769 738	1 460 072	1 928 497
Interest from loans to and receivables from credit institutions		355 725	239 114	817 088	445 089	646 238
<b>Total interest income and related income</b>		<b>7 855 687</b>	<b>4 824 916</b>	<b>21 768 227</b>	<b>11 620 619</b>	<b>17 554 636</b>
<b>Interest expenses</b>						
Interest and related expenses of loans to and receivables from		-2 327 167	-1 380 405	-6 255 209	-3 735 992	-5 329 798
Net interest expenses from financial derivatives		-582 540	-423 905	-1 897 596	-918 833	-1 713 133
Other fees and commissions		-104 328	-8 559	-321 185	-25 676	-34 235
<b>Net interest expenses and related expenses</b>		<b>-3 014 034</b>	<b>-1 812 869</b>	<b>-8 473 989</b>	<b>-4 680 501</b>	<b>-7 077 166</b>
<b>Net interest income and related income</b>		<b>4 841 653</b>	<b>3 012 046</b>	<b>13 294 238</b>	<b>6 940 118</b>	<b>10 477 470</b>
Commissions, other fees and income from banking		133 609	15 499	446 207	113 117	317 498
Commissions, other fees and expenses from banking		-8 896	-8 337	-64 712	-18 927	-26 614
Net value adjustments on foreign exchange and financial derivatives		-346 966	198 789	-29 891	-103 108	-715 629
Net value adjustments on interest-bearing securities		-65 358		2 472	0	
<b>Total income</b>		<b>4 554 042</b>	<b>3 217 997</b>	<b>13 648 313</b>	<b>6 931 200</b>	<b>10 052 725</b>
<b>Salaries, administration and other operating expenses</b>						
Salaries and personnel expenses		-1 189 192	-1 116 497	-3 461 956	-2 833 827	-3 989 116
Administrative and other operating expenses		-400 672	-386 429	-1 263 903	-1 551 985	-2 140 779
<b>Net salaries, administration and other operating expenses</b>		<b>-1 589 863</b>	<b>-1 502 926</b>	<b>-4 725 859</b>	<b>-4 385 812</b>	<b>-6 129 895</b>
Total depreciation and impairment of fixed and intangible assets	9	-297 195	-606 824	-909 936	-1 892 917	-2 378 008
<b>Total operating expenses</b>		<b>-1 887 059</b>	<b>-2 109 750</b>	<b>-5 635 796</b>	<b>-6 278 729</b>	<b>-8 507 903</b>
<b>Operating result</b>		<b>2 666 984</b>	<b>1 108 247</b>	<b>8 012 518</b>	<b>652 471</b>	<b>1 544 822</b>
Loan loss provisions (IFRS - 9)	5	147 861	-111 126	-6 255	-168 557	-294 777
<b>Profit (+) / Loss (-) for the period before tax</b>		<b>2 814 845</b>	<b>997 121</b>	<b>8 006 263</b>	<b>483 915</b>	<b>1 250 045</b>
Income tax	6	-2 223 650	-264 229	-2 975 404	-30 336	-1 586 960
<b>Result for the period after tax</b>		<b>591 195</b>	<b>732 892</b>	<b>5 030 859</b>	<b>453 578</b>	<b>-336 915</b>





## Balance Sheet

<u>Assets</u>		2019	2018	2018
<i>- In USD</i>	Note	30.09.2019	30.09.2018	31.12.2018
<b>Cash and balances at Central Bank</b>		<b>7 180 197</b>	<b>7 898 820</b>	<b>7 448 034</b>
<b>Lending to and receivables from credit institutions</b>		<b>101 699 942</b>	<b>47 443 541</b>	<b>66 924 966</b>
<b>Lending to customers</b>	5	295 570 478	200 749 893	249 024 326
Loss provisions on loans to customers	5	-708 313	-575 839	-702 059
<b>Net lending to customers</b>		<b>294 862 165</b>	<b>200 174 054</b>	<b>248 322 267</b>
<b>Certificates, bonds and other receivables</b>				
Commercial papers and bonds valued at market value	5, 7	146 897 618	114 754 670	112 552 377
Commercial papers and bonds valued at amortised cost		0	0	0
<b>Certificates, bonds and other receivables</b>		<b>146 897 618</b>	<b>114 754 670</b>	<b>112 552 377</b>
<b>Shares</b>		<b>44 106</b>	<b>49 957</b>	<b>49 295</b>
<b>Intangible assets</b>				
Deferred tax assets	6	0	2 261 672	569 403
Other intangible assets	9	2 164 195	3 596 545	2 910 996
<b>Total intangible assets</b>		<b>2 164 195</b>	<b>5 858 217</b>	<b>3 480 399</b>
<b>Fixed assets</b>				
Fixed assets	4, 9	992 060	65 271	56 544
<b>Total fixed assets</b>		<b>992 060</b>	<b>65 271</b>	<b>56 544</b>
<b>Other assets</b>				
Financial derivatives		20 340	988 966	0
Other assets		31 734	76 918	136 735
<b>Total other assets</b>		<b>52 074</b>	<b>1 065 883</b>	<b>136 735</b>
<b>Expenses paid in advance</b>				
Prepaid, not accrued expenses		194 176	156 796	255 617
<b>Total prepaid expenses</b>		<b>194 176</b>	<b>156 796</b>	<b>255 617</b>
<b>TOTAL ASSETS</b>		<b>554 086 534</b>	<b>377 467 209</b>	<b>439 226 234</b>
<b>Liabilities and shareholders equity</b>				
<i>- In USD</i>		30.09.2019	30.09.2018	31.12.2018
<b>Liabilities</b>				
<b>Deposits from and liabilities to customers</b>				
Deposits from and liabilities to customers		426 803 507	285 453 876	340 508 505
<b>Total deposits from and liabilities to customers</b>		<b>426 803 507</b>	<b>285 453 876</b>	<b>340 508 505</b>
<b>Other liabilities</b>				
Financial derivatives	10	17 162 823	1 869 935	9 438 597
Other liabilities	6, 11	3 924 769	652 943	675 845
<b>Total other liabilities</b>		<b>21 087 592</b>	<b>2 522 877</b>	<b>10 114 442</b>
<b>Accrued expenses and received unearned income</b>				
Accrued expenses and received unearned income	11	1 161 713	481 502	569 655
<b>Total accrued expenses and received unearned income</b>		<b>1 161 713</b>	<b>481 502</b>	<b>569 655</b>
<b>Total Liabilities</b>		<b>449 052 812</b>	<b>288 458 256</b>	<b>351 192 602</b>
<b>Shareholders equity</b>				
<b>Paid-in capital</b>				
Share capital	12	9 708 655	8 630 638	8 630 639
Share premium account		94 148 864	82 925 044	83 296 586
<b>Total paid-in capital</b>		<b>103 857 519</b>	<b>91 555 682</b>	<b>91 927 225</b>
<b>Other Equity</b>				
Other free equity		-517 435		-556 371
Retained earnings		1 693 637	-2 546 728	-3 337 221
<b>Total other equity</b>		<b>1 176 202</b>	<b>-2 546 728</b>	<b>-3 893 592</b>
<b>Total shareholder equity</b>		<b>105 033 721</b>	<b>89 008 954</b>	<b>88 033 633</b>
<b>TOTAL SHAREHOLDERS EQUITY AND LIABILITIES</b>		<b>554 086 534</b>	<b>377 467 210</b>	<b>439 226 234</b>

## Statement of Equity

- In USD

	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				23 683	23 683
Profit	0	0	-336 915		-336 915
Equity as per 31.12.2018	8 630 639	83 296 586	-3 337 221	-556 370	88 033 634
Share issue	1 078 016	10 852 279		-164 303	11 765 992
Employee stock option				203 238	203 238
Profit			5 030 858		5 030 858
Equity as per 30.09.2019	9 708 655	94 148 865	1 693 637	-517 435	105 033 722

## Statement of Cash Flows

	<b>2019</b>	<b>2018</b>
<u>- In USD</u>	<b>30.09</b>	<b>31.12</b>
<b>CASH FLOW FROM OPERATIONAL ACTIVITIES</b>		
Profit before tax	8 006 263	1 250 045
Change in loans to customers excluding accrued interest	-43 878 138	-153 496 098
Change in deposits from customers	80 522 008	145 664 596
Change in certificates and bonds	-34 345 241	-5 055 707
Change in shares, mutual fund units and other securities	5 189	-49 295
Interest income and related income	-21 768 226	-17 554 635
Interest received	19 106 465	14 555 481
Net interest expenses and related expenses	8 473 989	5 364 033
Interest paid	-2 700 995	-5 364 033
Ordinary depreciation	909 936	2 378 008
Change in financial derivatives	7 703 886	9 821 707
Change in other assets and other liabilities	1 601 423	-366 729
<b>Net cash flow from operating activities</b>	<b>23 636 559</b>	<b>-2 852 627</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Payments for acquisition of assets	-1 098 651	-716 176
<b>Net cash flow from investing activities</b>	<b>-1 098 651</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>38 935</b>	<b>-17 069</b>
<b>Sum cash flow</b>	<b>34 507 138</b>	<b>27 626 727</b>
Net change in cash and cash equivalents	34 507 138	27 626 727
Cash and cash equivalent as per 01.01.	74 373 001	46 746 274
Cash and cash equivalent as per 30.09.	<b>108 880 139</b>	<b>74 373 001</b>

## Notes 30.09.2019

### 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 third quarter 2019 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU.

The interim report for the third 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 second 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 Q3-2019 (YTD) using 2019 vs 2018

Item	2018 policy	2019 policy	Change
Interest expenses (NOK)	0	-145 186	-145 186
Administrative and other operating expenses (NOK)	-2 039 826	0	2 039 826
Depreciation (NOK)	0	-1 961 362	-1 961 362
Sum in NOK	-2 039 826	-2 106 548	-66 722
Sum in USD	-224 824	-232 178	-7 354

Net negative effect for Q3-2019 (YTD) in USD: 7 354

#### Changes in Balance sheet for Q3-2019 using 2019 vs 2018

Assets	2018 policy	2019 policy	Change
Intangible assets (NOK)	0	8 489 777	8 489 777
Intangible assets (USD)	0	935 719	935 719

Liabilities	2018 policy	2019 policy	Change
Other Liabilities (NOK)	0	8 556 499	8 556 499
Other Liabilities (USD)	0	943 073	943 073

## 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	30.09.2019	30.09.2018	31.12.2018
Share capital	9 709	8 631	8 631
+ Other reserves	95 325	80 378	79 740
- Deferred tax assets and intangible assets	-2 164	-5 858	-3 480
- This year's result	-5 031	-454	-337
- Adjustments to CET1 due to prudential filters	-164	-118	-113
<b>Common Equity Tier 1 (CET 1)</b>	<b>97 675</b>	<b>82 579</b>	<b>84 441</b>
<b>Credit Risks</b>			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	17 988	9 747	13 385
+ Companies	282 678	186 406	243 733
+ Covered bonds	13 249	10 361	10 177
+ Shares	44	50	49
+ Other assets	1 218	353	-
<b>Total Credit risks</b>	<b>315 177</b>	<b>206 917</b>	<b>267 344</b>
+ Operational risk	11 060	7 525	11 669
+ Counterparty risk derivatives (CVA-risk)	2 342	1 476	2 619
<b>Total calculation basis</b>	<b>328 579</b>	<b>215 918</b>	<b>281 632</b>
<b>Capital Adequacy</b>			
<b>Common Equity Tier 1 %</b>	<b>29.73 %</b>	<b>38.25%</b>	<b>29.98%</b>
<b>Total capital %</b>	<b>29.73 %</b>	<b>38.25%</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	30.09.2019	30.09.2018	31.12.2018
Step 1	681 018	575 839	665 727
Step 2	27 295		36 322
Step 3			
Sum	708 313	575 839	702 059
Impairments	-	-	-

**Loss allowance as of 30.09.2019**

	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	- 5 373	5 373		-
Transfer to Step 3				-
Reclassification	- 99 305	22 386		-76 919
Amortisation	-99 864	- 464		-100 328
New commitments	183 501			183 501
				-
<b>Allowance as of 30.09.2019</b>	<b>681 018</b>	<b>27 295</b>	-	<b>708 313</b>
<i>Lending to customers 30.09.2019</i>	291 988 223	3 582 255	-	295 570 478
<b>Net Change in Loss allowance</b>	<b>15 291</b>	<b>-9 037</b>	<b>0</b>	<b>6 254</b>

## Loss allowance as of 30.09.2018

	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>	-211 913			-211 913
New commitments	380 470			380 470
				0
<b>Allowance as of 30.09.2018</b>	<b>575 839</b>	-	-	<b>575 839</b>
<i>Lending to customers 30.09.2018</i>	200 749 893	-	-	200 749 893
<b>Net Change in Loss allowance</b>	<b>168 557</b>	<b>0</b>	<b>0</b>	<b>168 557</b>

(1) Amortisations and changes in individual assessments

Credit risk: Total  
30.09.2019

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central bank	7 180 197					7 180 197
Deposits with credit institution	101 699 942					101 699 942
Certificates and bonds	146 897 618					146 897 618
Shares and other securities			44 106			44 106
Loans to customers		63 423 150	228 565 073	3 582 255		295 570 478
<b>Total</b>	<b>255 777 758</b>	<b>63 423 150</b>	<b>228 609 179</b>	<b>3 582 255</b>	<b>0</b>	<b>551 392 342</b>
Committed loans, not disbursed			10 000 000			

## 30.09.2018

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central bank	7 898 820					7 898 820
Deposits with credit institution	47 443 541					47 443 541
Certificates and bonds	114 754 670					114 754 670
Shares and other securities			49 957			49 957
Loans to customers			200 749 893			200 749 893
<b>Total</b>	<b>170 097 031</b>	<b>0</b>	<b>200 799 850</b>	<b>0</b>	<b>0</b>	<b>370 896 881</b>

## Lending to customers by segment

Sector	Q3 2019		Q3 2018		2018	
	USD	Share %	USD	Share %	USD	Share %
Bulk	67 981 210	23.0%	50 187 473	25%	62 256 082	25%
Container	80 690 741	27.3%	70 262 463	35%	72 217 055	29%
Tank	132 415 574	44.8%	64 239 966	32%	99 609 731	40%
Gas	6 206 980	2.1%	8 029 996	4%	7 470 730	3%
Specialized	8 275 973	2.8%	8 029 996	4%	7 470 730	3%
Offshore	-	0.0%				
<b>Sum</b>	<b>295 570 478</b>	<b>100%</b>	<b>200 749 893</b>	<b>100%</b>	<b>249 024 326</b>	<b>100%</b>

## Bonds and certificates: Risk Weight

Risk Weight	Q3 2019		Q3 2018		2018	
	Fair Value	Amortised Cost	Fair Value	Amortised Cost	Fair Value	Amortised Cost
0%	14 410 997		11 142 779		10 781 255	
10%	132 486 621		103 611 891		101 771 122	
20%			0			
100%						
<b>Total</b>	<b>146 897 618</b>		<b>114 754 670</b>		<b>112 552 377</b>	

## Bonds and certificates: Rating

Rating	Q3 2019	Q3 2018	2018
	Fair Value	Fair Value	Fair Value
AAA	144 135 131	108 625 281	10 781 255
AA+	2 762 487	6 129 389	101 771 122
AA	0		
A	0		
<b>Total</b>	<b>146 897 618</b>	<b>114 754 670</b>	<b>112 552 377</b>



## Bonds and certificates: Sector

Sector	Q3 2019 Fair Value	Q3 2018 Fair Value	2018 Fair Value
Supranationals	5 012 376	5 013 390	5 013 743
Local authority	9 398 621	6 129 389	5 767 512
Credit Institutions	132 486 621	103 611 891	101 771 122
Bank	-	0	
<b>Total</b>	<b>146 897 618</b>	<b>114 754 670</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**

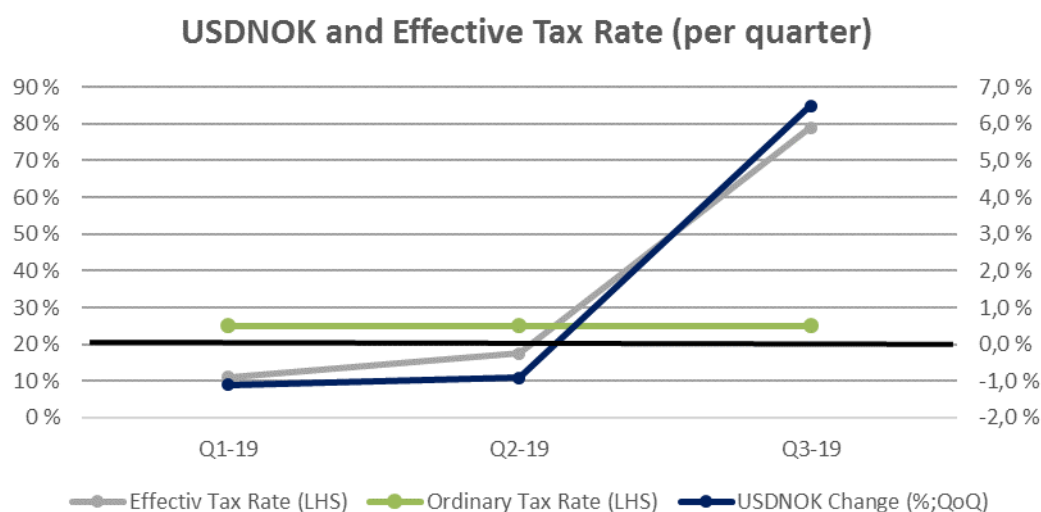
## Note 6, Estimated Taxation of profit

USDNOK exchange rate	8,5982	8,5201	9,0730
	Q1-19 (YTD) USD	Q2-19 (YTD) USD	Q3-19 (YTD) USD
Profit Before Tax	2 451 543	5 191 419	8 006 263
Initial IFRS-9 Allowance	-388 657	-392 222	-368 318
Cost related to equity issue			-154 901
Tax related agio on equity	-975 745	-1 792 181	4 418 571
<b>Basis for Tax Calculation</b>	<b>1 087 141</b>	<b>3 007 017</b>	<b>11 901 614</b>
Calculated Tax (25%)	271 785	751 754	2 975 404
Effectiv Tax rate	11%	14%	37%
	NOK	NOK	NOK
Profit Before Tax	21 078 857	44 231 149	72 640 820
Initial IFRS-9 Allowance	-3 341 749	-3 341 749	-3 341 749
Cost related to equity issue			-1 405 421
Tax related agio on equity	-8 389 651	-15 269 469	40 089 695
<b>Basis for Tax Calculation</b>	<b>9 347 457</b>	<b>25 619 931</b>	<b>107 983 345</b>
Calculated Tax (25%)	2 336 864	6 404 983	26 995 836

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

The USDNOK exchange rate increased from 8.52005 in Q2-19 to 9,0730 (30.09.2019), which increased the taxable result with NOK 40 089 695 (USD 4 418 571) from end of 2018 (USDNOK 8.6935).

### Quarterly effective tax rate and change in USDNOK



## 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.

### 30.09.2019

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds		137 499	9 399	146 898
Shares and other securities				
Financial derivatives		20		20
<b>Total financial assets</b>		<b>137 519</b>	<b>9 399</b>	<b>146 918</b>
Financial derivatives		17 163		17 163
<b>Total financial liabilities</b>		<b>17 163</b>		<b>17 163</b>

**30.09.2018**

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds		108 625	6 129	114 755
Shares and other securities				
Financial derivatives		989		989
<b>Total financial assets</b>		<b>109 614</b>	<b>6 129</b>	<b>115 744</b>
Financial derivatives		1 870		1 870
<b>Total financial liabilities</b>		<b>1 870</b>		<b>1 870</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**

- In USD

	30.09.2019		30.09.2018		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	6 777 298	96 816	5 258 562	96 641
Exchange and other adjustments	-181 901	-54 402				
Introduction of right to use-asset		1 203 936				
Additions	0	31 179	673 030	16 100	633 198	13 948
Disposals	0	0	0	0		
<b>Cost or valuation at end of period</b>	<b>4 166 945</b>	<b>1 291 301</b>	<b>7 450 328</b>	<b>112 916</b>	<b>5 891 761</b>	<b>110 589</b>
Accumulated depreciation and impairment at 01.01.	-1 437 850	-54 044	-2 023 394	-22 855	-637 531	-19 270
Exchange and other adjustments	93 235	6 604				
Depreciation charge this year	-658 135	-251 801	-1 830 389	-24 790	-2 343 233	-34 774
Disposals			0			
<b>Accumulated depreciation and impairment at end of period</b>	<b>-2 002 750</b>	<b>-299 240</b>	<b>-3 853 783</b>	<b>-47 645</b>	<b>-2 980 764</b>	<b>-54 044</b>
<b>Balance sheet amount at end of period</b>	<b>2 164 195</b>	<b>992 060</b>	<b>3 596 545</b>	<b>65 271</b>	<b>2 910 996</b>	<b>56 544</b>
<i>Economic lifetime</i>	<i>5 years</i>	<i>3 years</i>	<i>5 years</i>	<i>3 years</i>	<i>5 years</i>	<i>3-4 years</i>
<i>Depreciation schedule</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>

**Note 10, Other assets and financial derivatives****30.09.2019**

Amounts in 1000	Nominal Value USD	Nominal Value EUR	Nominal Value NOK	Positive market values USD	Negative Market values 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		17 089
Buy/Sell EUR against NOK		8 068	85 111	20.0	74
<b>Total Currency Derivatives</b>	<b>190 000</b>	<b>8 068</b>	<b>1 661 221</b>	<b>20.0</b>	<b>17 163</b>

**30.09.2018**

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	0	0	0	0	0
<b>Currency Derivatives</b>					
Cross currency basis swap					
Buy/Sell USD against NOK	115 000		988 334	794	1 870
Buy/Sell EUR against NOK	5 425	0	52 739	195	0
<b>Total Currency Derivatives</b>	<b>120 425</b>	<b>0</b>	<b>1 041 073</b>	<b>989</b>	<b>1 870</b>

**Note 11, Other Liabilities and accrued cost**

- In USD	30.09.2019	30.09.2018
Trade payables	100 414	282 019
Tax withholdings	99 719	190 934
VAT payable	28 855	36 149
Income tax	2 975 404	
Deferred tax assets	-545 586	
Lease liability	943 073	
Other liabilities	322 890	143 841
<b>Total other liabilities</b>	<b>3 924 769</b>	<b>652 943</b>
Holiday pay and other accrued salaries	763 124	481 502
Other accrued costs	398 590	
<b>Total accrued costs</b>	<b>1 161 713</b>	<b>481 502</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	Klaveness 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