



Maritime & Merchant Bank ASA
Financial Report
31.03.2020



MARITIME & MERCHANT
BANK ASA

Table of Contents

FINANCIAL REPORT 31.03.2020	2
INCOME STATEMENT	10
STATEMENT OF EQUITY	12
STATEMENT OF CASH FLOWS	13
NOTES 31.03.2020	14
NOTE 1, REPORTING ENTITY	14
NOTE 2, GENERAL ACCOUNTING PRINCIPLES	14
NOTE 3, FUNCTIONAL AND PRESENTATION CURRENCY	14
RISK	15
NOTE 4, RISK	15
<i>Risk Management and Capital Adequacy</i>	15
<i>Capital Adequacy</i>	15
<i>Credit Risk</i>	15
<i>Interest, currency and liquidity risk</i>	20
INCOME AND COSTS	20
NOTE 5, ESTIMATED TAXATION OF PROFIT	20
ASSETS	21
NOTE 6, FINANCIAL INSTRUMENTS AT FAIR VALUE	21
NOTE 7, FINANCIAL PLEDGES	22
NOTE 8, OTHER INTANGIBLE ASSETS AND TANGIBLE ASSETS	22
NOTE 9, OTHER ASSETS AND FINANCIAL DERIVATIVES	22
NOTE 10, OTHER LIABILITIES AND ACCRUED COST	23
NOTE 11, SHARE CAPITAL AND SHAREHOLDER INFORMATION	23
NOTE 12, EVENTS AFTER BALANCE SHEET DATE	23
APPENDIX 1, ALTERNATIVE PERFORMANCE MEASURES	24

Financial Report 31.03.2020

The outbreak of the Covid-19 virus dominated the global economic situation in ways not seen for 80 years. In order to fight spreading of the virus comprehensive restrictions have been enforced resulting in a lock down mode for most of the world with severe consequences for the world economy. The expectations for GDP growth in 2020 have been severely reduced as a consequence of the prevailing situation and IMF's forecast of -3% for the year. This is a dramatic figure which contains most damaging consequences for a series of important industries, leading to unemployment rates not seen since the 1930s. The global and regional health authorities and politicians are facing many difficult challenges; among them the balance between the considerations for security and health on one side and the pressing demand to restart the economy on the other enabling employees to get back to work.

For global seaborne transportation the pandemic has serious consequences. Closed ports and terminals due to anti-virus restrictions are cutting off the normal cargo streams leaving in particular the major segments dry bulk and container in a stressed condition with a sharp drop in freight rates and idle tonnage.

The two main components that could have a positive impact on the current critical situation is 1) a re-established cargo flow in conjunction with the gradual opening of the global industry and more particular; 2) the potential for Chinese stimulus package(s) that specifically would assist the dry bulk sector.

For specialized segments like cruise and car transport the Covid-19 has represented nothing less than catastrophic financial consequences.

The tanker segment has indeed been the bright spot during 1st quarter with record high earnings for almost all sizes and categories. An oil price in a downwards tailspin resulted in storage driven boom for the transporters. As always when facing a tank-bonanza it is impossible to estimate for how long it will last. But the current earnings are on such levels that it enables many tanker owners to secure and consolidate their respective positions financially. The period market has as well opened up for attractive employment with well-established counter parts. However, it is expected that the market will be easing back when inventories are finally filled up.

Generally speaking, the outlook for the 2nd and 3rd quarter for the respective shipping markets are surrounded by a number of question marks and uncertainties. The time required for repairing the colossal unbalance in the global trade and the restoring the cargo streams in conjunction with the re-opening of the respective continents will be the decisive factor. On the other hand, the expected industrial recovery should represent a boost to seaborne transportation and lead to a gradual freight rate recovery during second half of this year. In addition, the general situation on the supply side looks more promising than for many years with a declining total orderbook and very low ordering activity.

Our clients within the dry bulk and container segments have been faced with challenging market conditions during the first quarter of this year. We aim to be a constructive solution oriented bank within the frames we are operating. We have not experienced any defaults during this quarter and all loans are performing.

As a result of the Covid-19 outbreak, the Bank established a home office solution as from 11th of March, being a part of the Bank's Contingency Plan.

Operations have been stable without any significant down-time or problems.

The main focus during the forthcoming period is to take care of the Bank's employees and the Bank's customers in a challenging time.

All credit commitments are closely monitored and followed with a focus on liquidity.

The Bank is open and new credits will be granted, however with amended lending criteria in view of the prevailing circumstances.

Profit for the period (01.01-31.03)

The profit for the period before tax is USD 1 228 278 (USD 2 451 543) and profit after tax* is USD 921 209 (USD 2 179 758).

(*) see *Deferred Taxes and payable tax* below

	Q1 2020	Q1 2019	2019
Interest Income	7 243 628	6 636 089	28 886 306
Interest Expense	-2 367 188	-2 694 254	-10 716 432
Net Interest Income	4 876 440	3 941 836	18 169 875
Other Income*	-1 218 602	483 052	460 441
Total Income	3 657 838	4 424 888	18 630 316
Operating Expense	-1 811 210	-1 888 612	-7 449 329
Operating Result	1 846 628	2 536 276	11 180 987
Loss Allowance**	-618 350	-84 733	-120 932
Profit Before Tax	1 228 279	2 451 543	11 060 054
Tax	-307 070	-271 785	-2 983 371
Profit After Tax	921 209	2 179 757	8 076 684

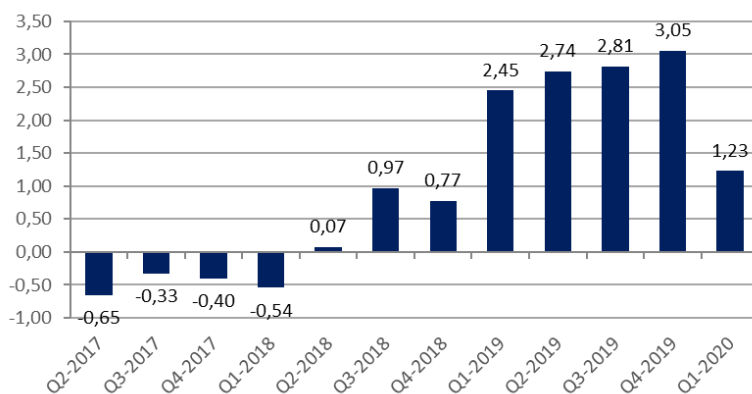
(*) Other Income affected by:

- valuation of bond portfolio: USD -192 935
- change in net present value of currency hedging: USD -1 137 222

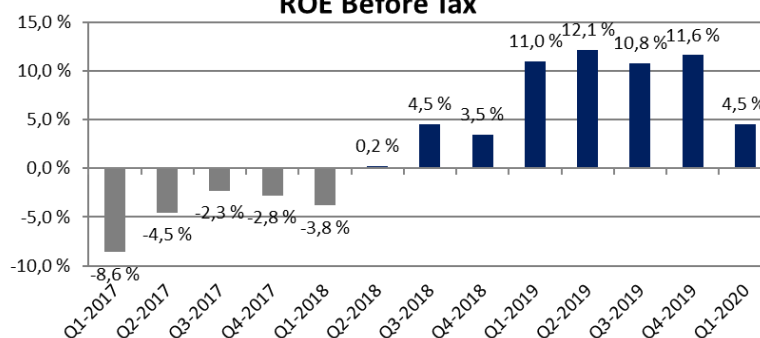
(**) Loss allowance is increased due to uncertainty regarding future marked conditions. All loans are currently performing.

The following charts display the quarterly result before tax and ROE before tax respectively.

Profit Before Tax (USDm)



ROE Before Tax



Deferred Taxes and payable tax

The Bank operates with USD as functional currency.

In the tax accounting, both P&L and the major part of assets and liabilities are being converted from USD to NOK, including any effect currency fluctuations would have on the equity of the Bank.

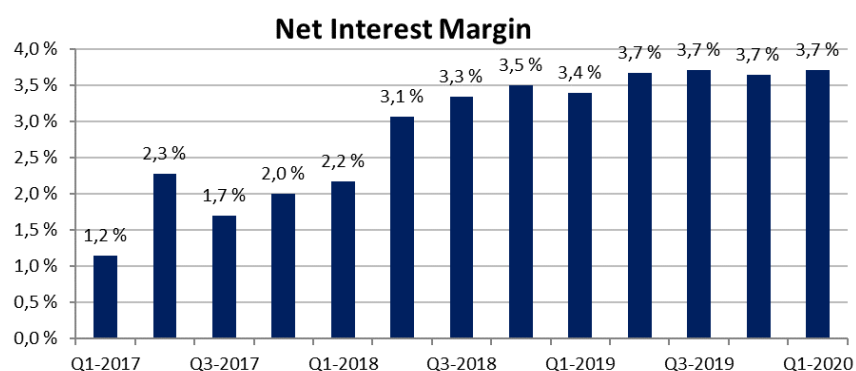
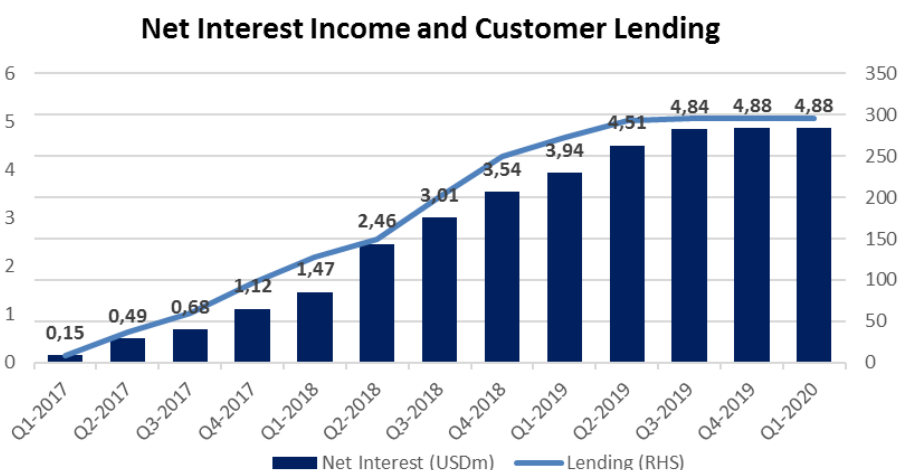
The extreme weakening (abt. 20%) of the NOK against the USD during first quarter caused by the Ovid-19 virus and the sharp drop in the oil prices thus would have given the Bank a unintended tax expense, due to a large unrealized currency gain added to the Bank's equity, largely exceeding the common corporate tax rate in Norway.

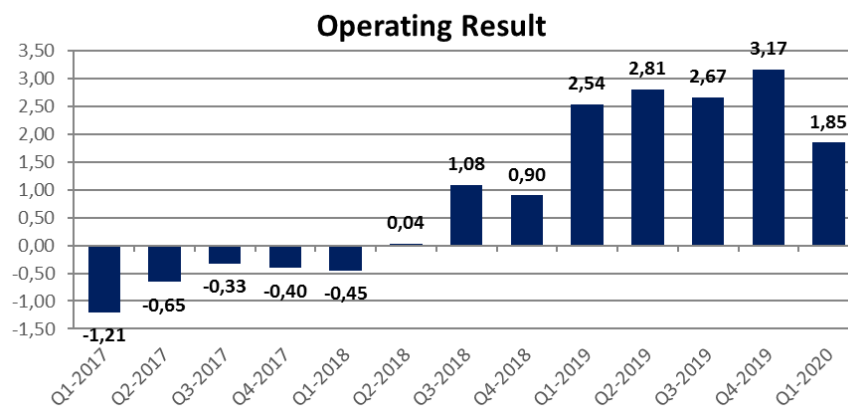
The Bank has started a process for a rule adjustment for the basis of tax calculation that prevents unintended effects for the future. The Ministry of Finance will be contacted in this context. Common 25% corporate tax rate is used in the present accounts.

Note 5, Tax Calculation, shows both present and previous tax calculation methods.

Net interest income and related income (01.01-30.03)

Net interest income and related income totalled USD 4 876 440 (USD 3 941 836).





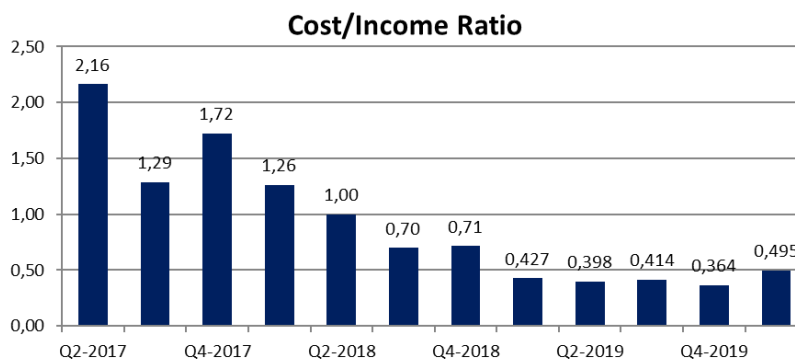
Total operating expenses before impairments and losses (01.01-31.03)

Operating expenses before impairments and losses totalled USD 1 811 210 (USD 1 888 612).

Salaries and personnel expenses, including social costs, amounted to USD 1 169 062 (USD 1 143 503) and account for the largest proportion of the overall operating expenses.

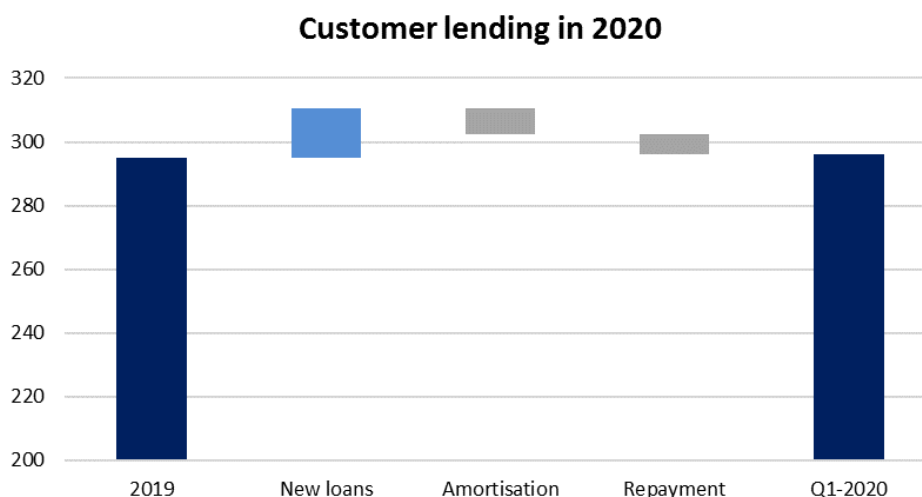
Total depreciation and impairment of fixed and intangible assets amounted to USD 282 876 (USD 308 238).

	Q1 2020	Q1 2019	2019
Salaries and Personnel Cost	-1 169 062	-1 143 503	-4 501 034
Other Operating Expenses and Depreciation	-642 148	-745 109	-2 948 296
Total Operating Expenses	-1 811 210	-1 888 612	-7 449 329



Loan and Loan Loss provisions

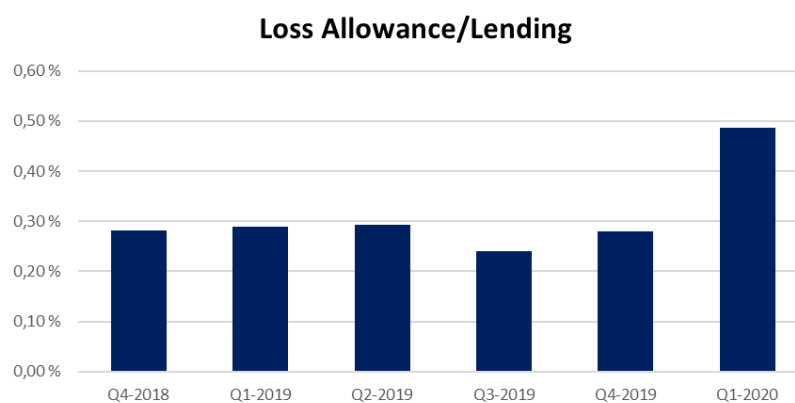
Maritime & Merchant Bank ASA has lent USD 296 166 710 (USD 272 157 115) to customers. There have not been any defaults, and all loans are performing.



The Bank has made USD 1 441 341 (USD 786 792) in loss allowance (IFRS 9). Change in loss allowance through the year amounts to USD 618 350 (USD 84 733).

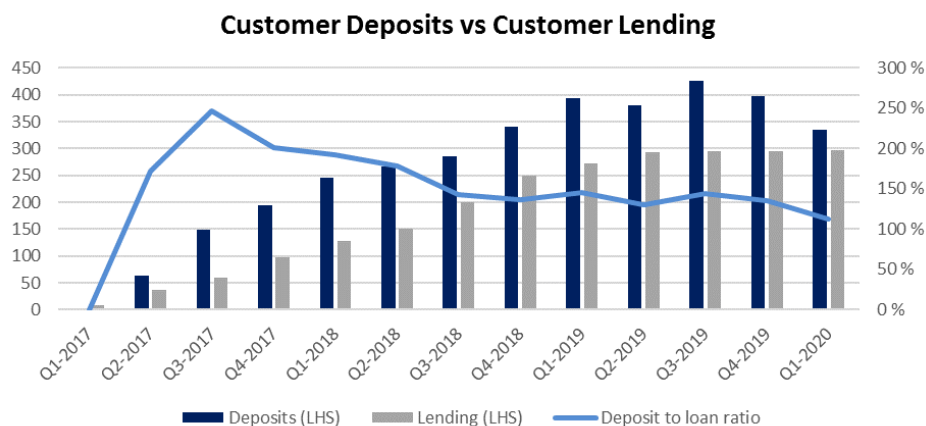
Loss allowance is increased due to uncertainty regarding future marked conditions. All loans are currently performing.

	31.03.2020	31.03.2019	31.12.2019	31.12.2018
Loss allowance				
Step 1	945 435	645 195	822 991	665 727
Step 2	495 906	141 597		36 322
Step 3				
Sum	1 441 341	786 792	822 991	702 059
Allowance/Loans Ratio	0.49%	0.24%	0.28%	0.28%
Impairments	0	0	0	0
Non performing Loans	0	0	0	0



Deposit

Customer deposits amounted to USD 334 494 547 (USD 394 479 570) by March 31st, 2020.



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.

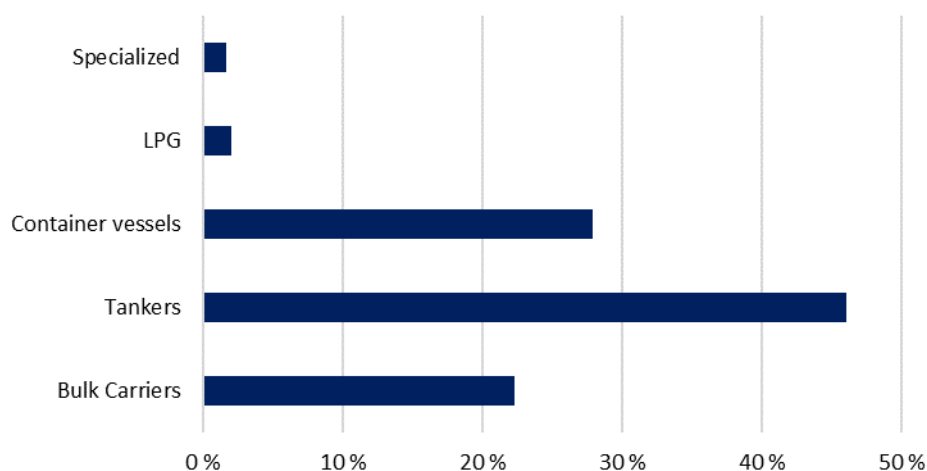
All commitments are secured with 1st priority mortgage on vessels, and the large majority of those were secured within 50% of appraised values when granted, and in combination with an estimated moderate Default Probability, this provides for a sound credit portfolio with a limited potential for future 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 Loss Given Default for the loan portfolio is 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 (22.3%), tankers (46.1%), container vessels (27.9%), LPG (gas) (2%) and specialized (1.7%).

The loan portfolio



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 are equity and NOK deposits. The Bank has liquidity portfolio/buffers well above minimum requirement. Liquidity stress tests show satisfactory liquidity.

	31.03.2020	31.03.2019	31.12.2019	31.12.2018
LCR	355%	585%	636%	444%
Deposit Ratio (1)	63%	76%	77%	78%

(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

Ratios	Q1 2020	Q1 2019	2019
Cost/Income Ratio	49.52%	42.7%	39.98%
Return on Equity before tax	4.54%	11.1%	11.77%
Net Income Margin	2.79%	3.82%	3.91%
Net Interest Margin	3.71%	3.4%	3.81%
Deposit to loan Ratio	113%	145%	135%
LCR	355%	584%	636%
NPL Ratio	0%	0%	0%
Equity Ratio (CET1)	33.2%	27.3%	33.1%

Ratio formulas, se Appendix 1

Outlook

The time required for restoring the global industry activities and seaborne trade in general will be crucial for an eventual upswing in freight rates for the dry bulk and container sectors, which hopefully could result in positive development during second half 2020. We will continue to work together with our clients in order to manoeuvre through these trying times. We are convinced that with common efforts we will be able to overcome the challenging times.

Oslo, May 13th, 2020

Board of Directors, Maritime & Merchant Bank ASA



Income Statement

<i>- In USD</i>	<i>Note</i>	2020	2019	2019
		01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
Interest income and related income				
Interest and other operating income from loans to customers		6 232 192	5 856 296	25 154 631
Interest from certificates and bonds		773 194	534 497	2 557 478
Interest from loans to and receivables from credit institutions		238 241	245 296	1 174 197
Total interest income and related income		7 243 628	6 636 089	28 886 306
Interest expenses				
Interest and related expenses of loans to and receivables from customers		-2 012 977	-1 932 406	-8 377 592
Net interest expenses from financial derivatives		-308 093	-652 235	-2 210 013
Other fees and commissions		-46 118	-109 612	-128 826
Net interest expenses and related expenses		-2 367 188	-2 694 254	-10 716 432
Net interest income and related income		4 876 440	3 941 836	18 169 875
Commissions, other fees and income from banking		120 677	179 641	614 559
Commissions, other fees and expenses from banking		-8 122	-7 532	-66 808
Net value adjustments on foreign exchange and financial derivatives		-1 137 222	249 002	98 425
Net value adjustments on interest-bearing securities		-193 935	61 941	-185 735
Total income		3 657 838	4 424 888	18 630 316
Salaries, administration and other operating expenses				
Salaries and personnel expenses		-1 169 062	-1 143 503	-4 501 034
Administrative and other operating expenses		-359 272	-436 871	-1 747 954
Net salaries, administration and other operating expenses		-1 528 334	-1 580 374	-6 248 988
Total depreciation and impairment of fixed and intangible assets	8	-282 876	-308 238	-1 200 342
Total operating expenses		-1 811 210	-1 888 612	-7 449 329
Operating result		1 846 628	2 536 276	11 180 987
Loan loss provisions (IFRS - 9)	4	-618 350	-84 733	-120 932
Profit (+) / Loss (-) for the period before tax		1 228 279	2 451 543	11 060 054
Income tax	5	-307 070	-271 785	-2 983 371
Result for the period after tax		921 209	2 179 758	8 076 684

- *Income tax: See page 4 "Deferred taxes and payable tax" and Note 5 "Estimated taxation of profit"*
- *Income tax will affect "Result after Tax", "Total Equity" and "Other Liabilities" (Tax)*

Balance Sheet

<u>Assets</u>		2020	2019	2019
<u>- In USD</u>	Note	31.03.2020	31.03.2019	31.12.2019
Cash and balances at Central Bank		6 224 092	13 258 589	7 432 474
Lending to and receivables from credit institutions		120 283 962	78 079 533	63 052 606
Lending to customers	4	296 166 710	272 157 115	295 124 509
Loss provisions on loans to customers	4	-1 441 341	-786 792	-822 991
Net lending to cutomers		294 725 369	271 370 323	294 301 518
Certificates, bonds and other receivables				
Commercial papers and bonds valued at market value	4,6	110 841 141	127 049 952	151 334 685
Commercial papers and bonds valued at amortised cost		0	0	0
Certificates, bonds and other receivables		110 841 141	127 049 952	151 334 685
Shares		44 268	48 425	45 270
Intangible assets				
Deferred tax assets		0	303 929	0
Other intangible assets	8	1 526 924	2 723 409	2 036 782
Total intangible assets		1 526 924	3 027 337	2 036 782
Fixed assets				
Fixed assets	8	748 125	1 201 783	940 232
Total fixed assets		748 125	1 201 783	940 232
Other assets				
Financial derivatives		0	262 481	581 080
Other assets	9	23 286	141 447	21 665
Total other assets		23 286	403 929	602 746
Expenses paid in advance				
Prepaid, not accrued expenses		377 077	319 026	299 755
Total prepaid expenses		377 077	319 026	299 755
TOTAL ASSETS		534 794 243	494 758 896	520 046 068
Liabilities and shareholders equity				
<u>- In USD</u>		<u>31.03.2020</u>	<u>31.03.2019</u>	<u>31.12.2019</u>
Liabilities				
Loans and deposits from credit institutions		47 618 055	0	
Deposits from and liabilities to customers		334 494 547	394 479 570	398 238 850
Total loans and deposits		382 112 602	394 479 570	398 238 850
Other liabilities				
Financial derivatives	9	39 386 150	7 536 492	8 579 392
Other liabilities	5,1	3 527 395	1 742 024	4 355 395
Total other liabilities		42 913 545	9 278 516	12 934 787
Accrued expenses and received unearned income				
Accrued expenses and received unearned income	10	649 121	715 324	714 110
Total accrued expenses and received unearned income		649 121	715 324	714 110
Total Liabilities		425 675 268	404 473 409	411 887 746
Shareholders equity				
Paid-in capital				
Share capital	11	9 708 655	8 630 639	9 708 655
Share premium account		94 148 865	83 296 586	94 148 865
Total paid-in capital		103 857 520	91 927 225	103 857 520
Other Equity				
Retained earnings, other		-399 217	-484 272	-438 660
Retained earnings		5 660 671	-1 157 466	4 739 462
Total other equity		5 261 454	-1 641 739	4 300 802
Total shareholder equity		109 118 974	90 285 486	108 158 322
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		534 794 243	494 758 896	520 046 068

- Income tax: See page 4 "Deferred taxes and payable tax" and Note 5 "Estimated taxation of profit"
- Income tax will affect "Result after Tax", "Total Equity" and "Other Liabilities" (Tax)

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				23 683	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
					11 765 992
Share issue	1 078 016	10 852 279		-164 303	
Employee stock option				282 013	282 013
Profit			8 076 683		8 076 683
Equity as per 31.12.2019	9 708 655	94 148 865	4 739 462	-438 660	108 158 322
Employee stock option				39 443	39 443
Profit			921 209		921 209
Equity as per 31.03.2020	9 708 655	94 148 865	5 660 671	-399 217	109 118 974

- *Income tax: See page 4 "Deferred taxes and payable tax" and Note 5 "Estimated taxation of profit"*
- *Income tax will affect "Result after Tax", "Total Equity" and "Other Liabilities" (Tax)*

Statement of Cash Flows

- In USD

	<u>31.03.2020</u>	<u>31.12.2019</u>
Cashflow from operational activities		
Profit before tax	1 228 279	11 060 054
Change in loans to customers excluding accrued interest	1 211 955	-45 550 976
Change in deposits from customers	-17 922 113	57 730 345
Change in certificates and bonds	40 493 544	-38 782 308
Change in shares, mutual fund units and other securities	-1 002	4 025
Change in financial derivatives	31 387 839	-1 440 286
Change in other assets and other liabilities	-3 424 202	580 386
Interest income and related income	-7 243 628	-28 886 306
Interest received	7 413 382	28 337 099
Net interest expenses and related expenses	2 367 188	10 716 432
Interest paid	-571 323	-10 716 432
Ordinary depreciation	282 370	1 200 342
Other non cash items	691 680	117 414
Net cash flow from operating activities	55 913 970	-15 630 211
Payments for acquisition of assets	-12 853	-54 010
Net cash flow from investing activities	-12 853	-54 010
Issuance of equity	0	11 930 295
Lease payments	-73 330	-296 695
Net cash flow from financing activities	-73 330	11 633 600
Effect of exchange rate changes and other	195 187	162 701
Sum cash flow	56 022 973	-3 887 920
Net change in cash and cash equivalents	56 022 973	-3 887 920
Cash and cash equivalent as per 01.01	70 485 081	74 373 001
Cash and cash equivalent as per 31.03	126 508 054	70 485 081

Notes 31.03.2020

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 first quarter 2020 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU.

The interim report for the first quarter 2020 is prepared using the same accounting principles and calculation methods as described in the Annual Report 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.

RISK

Note 4, 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	31.03.2020	31.12.2019	31.03.2019
Share capital	9 709	9 709	8 631
+ Other reserves	99 410	98 450	81 655
- Deferred tax assets and intangible assets	-1 527	-2 037	-3 027
- This year's result	-921	-	-2 180
- Adjustments to CET1 due to prudential filters	-150	-161	-
Common Equity Tier 1 (CET 1)	106 521	105 961	85 078
Credit Risks			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	16 269	11 613	15 616
+ Companies	271 415	271 531	270 036
+ Covered bonds	9 772	13 662	11 621
+ Shares	44	45	48
+ Other assets	1 148	1 262	-
Total Credit risks	298 649	298 113	297 321
+ Operational risk	19 423	19 423	11 669
+ Counterparty risk derivatives (CVA-risk)	2 342	2 342	3 029
Total calculation basis	320 415	319 878	312 019
Capital Adequacy			
Common Equity Tier 1%	33.24%	33.13%	27.27%
Total capital %	33.24%	33.13%	27.27%

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 is calculated based on expected loss (EL) using the method described in note 6 in the annual report for 2019.

The Bank reviews quarterly the assumptions for the expected loss calculation. In the first quarter, the Bank has made some changes that affect the level of loss allowance, primarily as a result of financial implications of Covid-19.

The level of expected loss under IFRS 9 is mainly determined by change in the following parameters:

- Risk classification of commitments.
- Migration of existing commitments between steps 1, 2 or 3.
- Change in macroeconomic scenarios and their probabilities.
- Assessments of individual write-downs and losses in step 3.

After it became clear that Covid-19 would have major financial consequences, the Bank made a light review of all credit commitments in the portfolio. The Bank has relatively few commitments, which make it possible to make an initial simplified assessment of the credit risk associated with each individual loan.

Customer engagements that are particularly negatively affected by the consequences of Covid-19 were reclassified, and those that need to be closely monitored put on the Watch List.

Macroeconomic conditions and forward-looking information have been reassessed, which have led to a higher macro scenario factor (MF) in sum for the entire portfolio.

There is considerable uncertainty regarding the estimates that are used.

All loans are currently performing.

Loss allowance	31.03.2020	31.03.2019	31.12.2019	31.12.2018
Step 1	945 435	645 195	822 991	665 727
Step 2	495 906	141 597		36 322
Step 3				
Sum	1 441 341	786 792	822 991	702 059
Impairments	0	0	0	0

Loss allowance as of 31.03.2020

	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 31.12.2019	822 991	-	-	822 991
<i>Lending to customers 31.12.2019</i>	295 124 509	-	-	295 124 509
Changes				
Transfer to Step 1	-	-	-	-
Transfer to Step 2	- 158 656	158 656	-	-
Transfer to Step 3	-	-	-	-
Reclassification	132 581	158 656		291 236
Amortisation	-39 067	-		- 39 067
New commitments	23 683			23 683
Scenario Adjustment	163 903	178 595		342 498
Allowance as of 31.03.2020	945 435	495 906	-	1 441 341
<i>Lending to customers 31.03.2020</i>	263 966 294	32 200 416	-	296 166 710
Net Change in Loss allowance	122 444	495 906	0	618 350

Loss allowance as of 31.03.2019

	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
Lending to customers 31.12.2018	245 124 326	3 900 000	-	249 024 326
Changes				0
Transfer to Step 1	-	-	-	0
Transfer to Step 2	-54 929	54 929	-	0
Transfer to Step 3	-	-	-	0
Reclassification	- 27 677	50 867		23 190
Amortisation	- 19 595	-531		-20 126
New commitments	81 669			81 669
				0
Allowance as of 31.03.2019	645 195	141 597	-	786 792
Lending to customers 31.12.2019	260 857 115	11 300 000	-	272 157 115
Net Change in Loss allowance	-20 532	105 265	0	84 733

Credit risk: Total**31.03.2020**

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	6 224 092					6 224 092
Deposits with credit institution	120 283 962					120 283 962
Certificates and bonds	110 841 141					110 841 141
Shares and other securities			44 268			44 268
Loans to customers		58 860 316	224 276 394	13 030 000		296 166 710
Total	237 349 194	58 860 316	224 320 662	13 030 000	0	533 560 172

31.03.2019

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	13 258 589					13 258 589
Deposits with credit institution	78 079 533					78 079 533
Certificates and bonds	127 049 952	0	0			127 049 952
Shares and other securities			48 425			48 425
Loans to customers		43 713 153	217 143 962	11 300 000		272 157 115
Total	218 388 074	43 713 153	217 192 386	11 300 000	0	490 593 613

Lending to customers by segment

Sector	Q1 2020		Q1 2019		2019	
	USD	Share %	USD	Share %	USD	Share %
Bulk	66 045 176	22%	66 950 650	25%	66 888 122	23%
Container	82 630 512	28%	69 127 907	25%	78 080 591	26%
Tank	136 532 853	46%	120 565 602	44%	136 094 014	46%
Gas	5 923 334	2%	6 803 928	3%	6 222 709	2%
Specialized	5 034 834	2%	8 709 028	3%	7 839 073	3%
Offshore	-	0%				
Sum	296 166 710	100%	272 157 115	100%	295 124 509	100%

Bonds and certificates: Risk Weight

Risk Weight	Q1 2020	Q1 2019	2019
	Fair Value	Fair Value	Fair Value
0%	13 123 402	10 844 039	14 710 190
10%	97 717 739	116 205 913	136 624 495
20%	-	0	
100%	-		
Total	110 841 141	127 049 952	151 334 685

Bonds and certificates: Rating

Rating	Q1 2020	Q1 2019	2019
	Fair Value	Fair Value	Fair Value
AAA	108 460 138	124 134 891	148 484 335
AA+	2 381 003	2 915 061	2 850 350
AA	0		
A	0		
Total	110 841 141	127 049 952	151 334 685

Bonds and certificates: Sector

Sector	Q1 2020 Fair Value	Q1 2019 Fair Value	2019 Fair Value
Supranationals	5 010 890	5 012 479	6 848 949
Local authority	8 112 512	5 831 561	7 963 314
Credit Institutions	97 717 739	116 205 913	136 522 422
Bank	-	0	
Total	110 841 141	127 049 952	151 334 685

Interest, currency and liquidity risk

Changes in interest rate, currency and liquidity risk since 31.12.2019 is marginal. The movements in market rates, as well as the effects of those movements, have been larger during the quarter.

INCOME AND COSTS

Note 5, Estimated Taxation of profit

1) Present tax calculation (Ordinary 25% tax on profit/loss)

	USD	NOK
Profit Before Tax	1 228 279	12 898 400
Tax related agio on equity	0	0
Basis for Tax Calculation	1 228 279	12 898 400
Calculated Tax (25%)	307 070	3 224 600

Calculated Common Equity with present/new tax calculation is 33.2%

2) Full currency agio on Equity (Previous method)

	USD	NOK
Profit Before Tax	1 228 279	12 898 400
Tax related agio on equity	17 584 533	184 658 703
Basis for Tax Calculation	18 812 812	197 557 103
Calculated Tax (25%)	4 703 203	49 389 276

The calculated tax for the period is larger than the result before tax. The reasons and consequences are accentuated by the extreme weakening of the NOK against the USD caused by the Corona-crisis.

The main reason is that even though the Bank's functional currency is USD, it is required to translate both P&L and the majority of assets and liabilities to NOK for tax purposes. For all practical purposes, the tax expense thus also includes the effect of the USDNOK development on the Bank's net assets (Equity).

When the USDNOK exchange rate moved nearly 20% during the quarter, the Bank's net assets in NOK increased with 184 658 703, resulting in an additional tax expenses of NOK 46 164 676 (USD 4 396 133) in

Q1. This additional tax charge is not related to any company specific matters or income/cost items. Lower USDNOK exchange rate in the coming quarters will reduce the tax expenses accordingly

Calculated Common Equity with previous tax calculation practice is 31.9%

ASSETS

Note 6, 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.

31.03.2020

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	102 729	8 113	110 841
Shares and other securities	0	0	0	0
Financial derivatives	0	0	0	0
Total financial assets	0	102 729	8 113	110 841
Financial derivatives	0	39 386	0	39 386
Total financial liabilities	0	39 386	0	39 386

31.03.2019

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds		121 218	5 832	127 050
Shares and other securities		0	0	0
Financial derivatives		262		262
Total financial assets	0	121 481	5 832	127 312
Financial derivatives		7 536	0	7 536
Total financial liabilities	0	7 536	0	7 536

Note 7, Financial pledges

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

Note 8, Other intangible assets and tangible assets

- In USD

	31.03.2020		31.03.2019		31.12.2019	
	Other intangible assets	Property, plant and equipment	Other intangible assets	Fixed Assets	Other intangible assets	Property, plant and equipment
Cost or valuation at 01.01	4 318 219	1 334 652	4 348 846	110 589	4 348 846	110 589
Exchange and other adjustments	-699 849	-209 975	48 202	14 527	-49 218	-15 292
Introduction of right to use-asset		0		1 203 936		1 203 936
Additions	0	12 853	0	12 853	18 590	35 420
Disposals	0	0	0	0	0	0
Cost or valuation at end of period	3 618 369	1 137 530	4 397 048	1 341 905	4 318 219	1 334 653
Accumulated depreciation and impairment at 01.01.	-2 281 437	-394 421	-1 437 850	-54 044	-1 437 850	-54 044
Exchange and other adjustments	391 722	86 163	-14 039	138	14 669	-1 811
Depreciation charge this year	-201 729	-81 147	-221 750	-86 216	-858 256	-338 566
Disposals						
Accumulated depreciation and impairment at end of period	-2 091 444	-389 405	-1 673 639	-140 123	-2 281 437	-394 421
Balance sheet amount at end of period	1 526 925	748 125	2 723 409	1 201 782	2 036 782	940 232
<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 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 9, Other assets and financial derivatives

30.03.2020

Amounts in 1000	Nominal Value USD	Nominal Value EUR	Nominal Value NOK	Positive Market Values USD	Negative Market Values USD
Interest Rate Derivatives					
Interest rate swap	0	0	0	0	0
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	190 000		1 605 155	0	38 020
Buy/Sell EUR against NOK		7 988	78 329	0	1 366
Total Currency Derivatives	190 000	7 988	1 683 484	0	39 386

31.03.2019

Amounts in 1000	Nominal Value USD	Nominal Value EUR	Nominal Value NOK	Positive Market Values USD	Negative Market Values USD
Interest Rate Derivatives					
Interest rate swap	0	0	0	0	0

Currency Derivatives

Cross currency basis swap				
Buy/Sell USD against NOK	170 000		1 404 010	46
Buy/Sell EUR against NOK		9 375	91 893	217
Total Currency Derivatives	170 000	9 375	1 495 903	262
				7 536

Note 10, Other Liabilities and accrued cost

<i>- In USD</i>	31.03.2020	31.03.2019
Account payables	121 544	102 308
Tax withholdings	103 031	150 113
VAT payable	25 525	76 503
Tax payable	346 685	
Deferred tax	1 987 330	
Lease liability	705 912	1 144 128
Other liabilities	237 367	268 973
Total other liabilities	3 527 395	1 742 024
Holiday pay and other accrued salaries	560 084	522 663
Other accrued costs	89 037	192 661
Total accrued costs	649 121	715 324

Note 11, 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 58 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 Investments AS	559 881	6.9%
5	Apollo Asset Limited	530 938	6.5%
6	Canomaro Shipping AS	438 899	5.4%
7	Klaveness Marine Finance AS	176 923	2.2%
8	Nergaard Investment Partners AS	171 265	2.1%
9	T.D. Veen AS	143 821	1.8%
10	Herfo Finans AS	132 467	1.6%
	Others	1 265 196	15.5%
	Total	8 170 048	100%

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

Note 12, Events After Balance Sheet Date

After 31.3.2020 the Bank has experienced a situation with one small loan engagement which entails that the client entirely or partly is not able to serve the loan, and this could lead to a credit loss for the Bank. In cooperation with the client the Bank is working to find a solution for this engagement.

Appendix 1, Alternative Performance Measures

Formulas for calculation of Alternative Performance Measures

Ratio formulas

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

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

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

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

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

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

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

$$\text{Deposit ratio} = \frac{\text{Total deposits}}{\text{Total Assets}}$$

LCR = Liquid assets relative to net liquidity outflow in a 30-day stress scenario.