Maritime & Merchant Bank ASA

Financial Report

31.03.2021

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The dry bulk and the container market continued their strong positive development during the first 1st quarter 2021, mainly driven by the growth in industrial production in Asia, led by a substantial increase in China. The growth trend for world seaborne trade for bulk and container 2020/21 year-over-year is estimated to 3% and 6% respectively *) while the total for all freight segments is 4%. The tanker market has generally not come out of the downturn starting last summer when the about 8 months rate rally came to an end.

In view of a current optimistic sentiment in the shipping sector the appetite for investing has increased significantly and is reflected in the number of transactions concluded, and we saw a new record of concluded sales during a quarter this year with 572 ships changing hands, and naturally resulting in an increased number of applications for financing. The firm interest for second-hand ships is as well expressed in the values and the overall assessment of the price trend over the last three months for dry bulk, container and tankers is an increase of 20%*).

IMF/OECD is forecasting an increase in global GDP of 6% for 2021 which in isolation is good news for seaborn transportation and a further positive development of the shipping markets. Large parts of the globe are however still strongly affected by the Covid-19 and this will continue to represent a major uncertainty factor for the immediate development.

Enormous resources have been put into the fight against the virus all over the world. Hopefully, we will see concrete results of these measures during next quarter, reducing the constant threat to life and health and making it possible to return to normal social and working life.

) Clarksons Research

Profit for the period (01.01-31.03)

The profit for the period before tax is USD 2 043 125 (USD 1 228 279 in Q1 2020) and profit after tax is USD 1 532 343 (USD 921 209 Q1 2020).

Net interest income and related income totalled USD 3 315 552 (USD 4 876 440), and other Income (including financial derivatives and fixed income instruments) was USD 521 872 (USD -1 218 602).

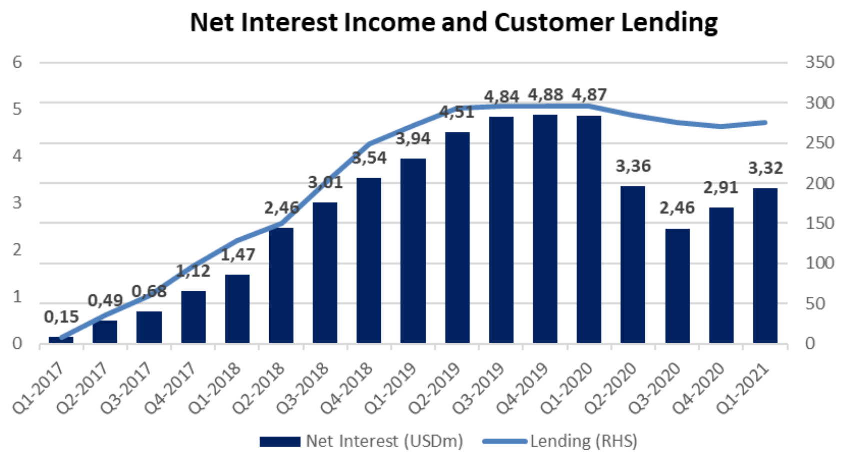
Operating expenses before impairments and losses totalled USD 1 985 566 (USD 1 811 210). The Cost/Income ratio came in at 52% (50%).

Loss allowance (Expected Loss) fell USD 191 267 (increased USD 618 350). Credit Loss (Impairments) was USD 0 (USD 0)

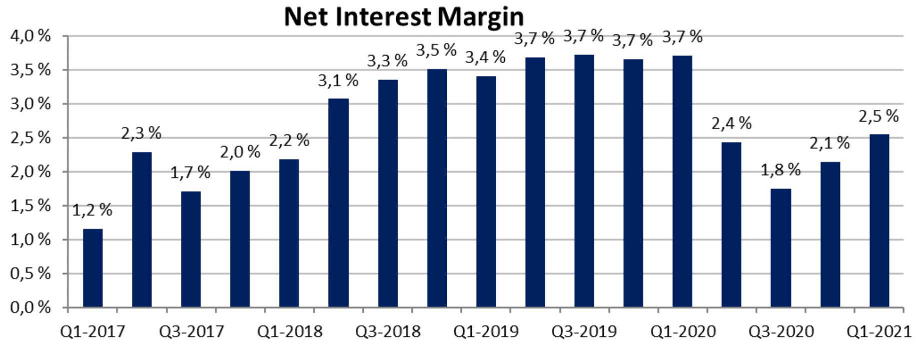
	2021 Q1	2020 Q1	2020 YTD
Interest Income	4 251 506	7 243 628	21 256 031
Interest Expense	-935 953	-2 367 188	-7 655 858
Net Interest Income	**3 315 552**	**4 876 440**	**13 600 173**
Other Income	521 872	-1 218 602	865 992
Total Income	**3 837 424**	**3 657 838**	**14 466 165**
Operating Expense	-1 985 566	-1 811 210	-7 531 828
Operating Result	**1 851 858**	**1 846 628**	**6 934 337**
Loss Allowance	191 267	-618 350	-616 193
Impairments (Credit Loss)			
Profit Before Tax	**2 043 125**	**1 228 279**	**6 318 144**
Tax	-510 781	-307 070	-698 996
Profit After Tax	**1 532 343**	**921 209**	**5 619 148**

Net interest income and related income

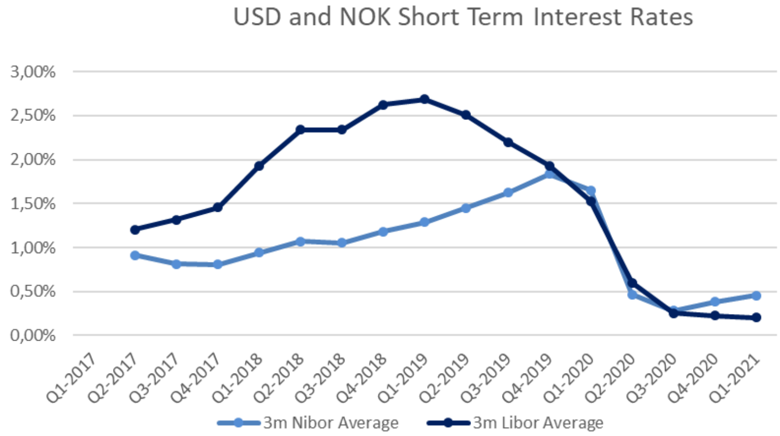
Net interest income and related income totalled USD 3 315 552 in Q1 (USD 4 876 440 in Q1 2020). This correspond to an increase from USD 2 912 527 in Q4 2020.



Net interest margin increased from to 2.1% in Q4-2020 to 2.5% in Q1-2021 (3.7% in Q1-2020). Lower deposit and stable money market rates resulted in lower funding cost and improved Net Interest Margin.



Money market rates (daily average) in USD and NOK seems to have stabilized at a low level.



(Source: Infront, Maritime & Merchant Bank ASA)

Net other Income

Net other income amounted to USD 521 872 in Q1 2021 (USD -1 218 602 in Q1-2020).

Value adjustments on derivatives and hedging instrument in Q1 was USD 168 890 due to an depreciation of the USD against NOK (USD -1 137 222 in Q1-2020, caused by an abnormal USD appreciation against NOK).

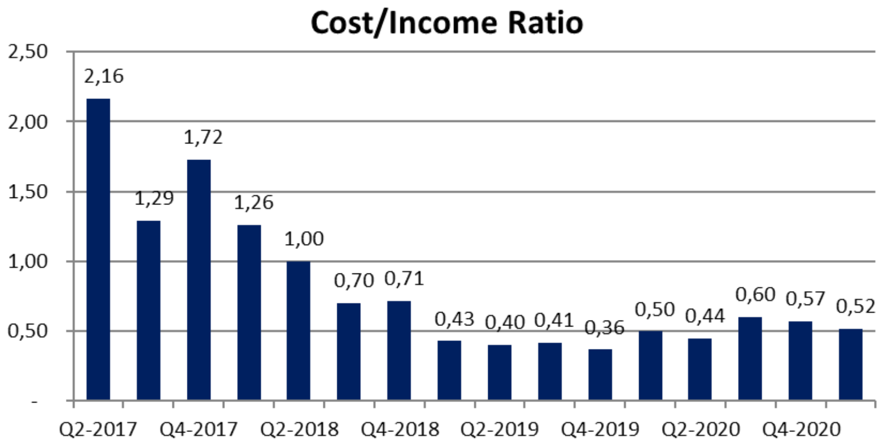
The principle of assessing financial instruments measured at fair value may lead to significant variation of the Bank's result between quarters.

Net commissions amounted to USD 256 955 in Q1 (USD 112 556 in Q1-2020).

Total operating expenses before impairments and losses

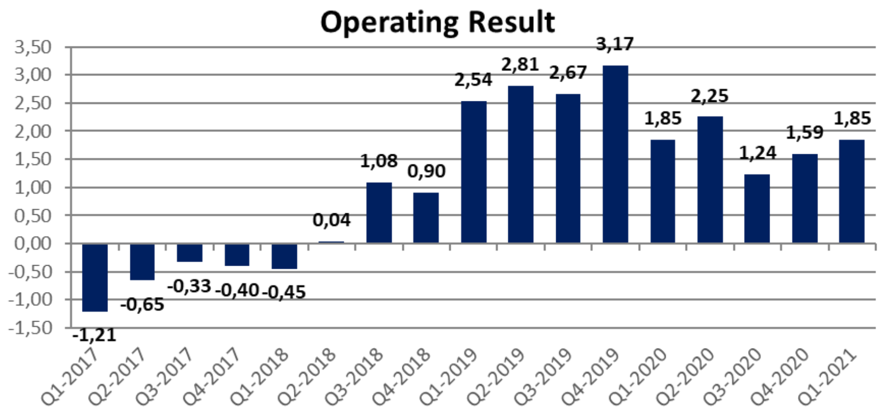
Operating expenses before impairments and losses totalled USD 1 985 566 in Q1 (USD 1 811 210 in Q1-2020). Salaries and personnel expenses, including social costs, amounted to USD 1 212 959 (USD 1 169 062 in Q1-2020) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 302 155 (USD 282 876 in Q1-2020). The Cost/Income ratio came in at 52% in Q1 (50% in Q1-2020).



__Operating result__

Operating result in Q4 amounted to USD 1 851 858 (USD 1 846 628 in Q1-2020).



__Loan and Loan Loss provisions__

Maritime & Merchant Bank ASA has lent USD 275 387 732 (USD 296 166 710 in Q1 2020) to customers.

The Bank has made USD 1 210 986 (USD 1 441 341) in loss allowance (IFRS 9). Change in loss allowance this quarter amounts to USD -191 267 (USD 618 350).

The credit quality of the majority of the loans (measured by PD – Default probability) to the bulker and container segments returned to more normal levels for both container vessels and bulkers towards the end of Q4, and has further improved during Q1. The average PD for bulkers is above the PD level measured prior to the Covid 19 crisis, but the container PD level has improved slightly compared to pre Covid 19 levels.

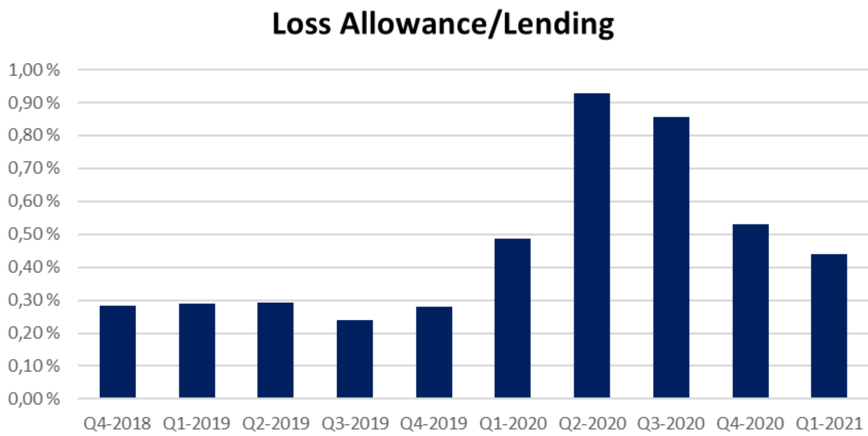
There has been a small deterioration of the credit quality (measured by PD) of the tanker portfolio during Q1, but this has been more than balanced out by the improved quality of the container and bulker exposures.

As a consequence, hereof, the total credit portfolio has migrated positively through Q1 which is reflected in the reduced Loss Allowances at the end of Q1 2021 compared to those at the end of Q4 2020.

The majority of the commitments (91.8 %) are in step 1 (88.6 % in Q1-2020, 89.5 % in Q4-2020).

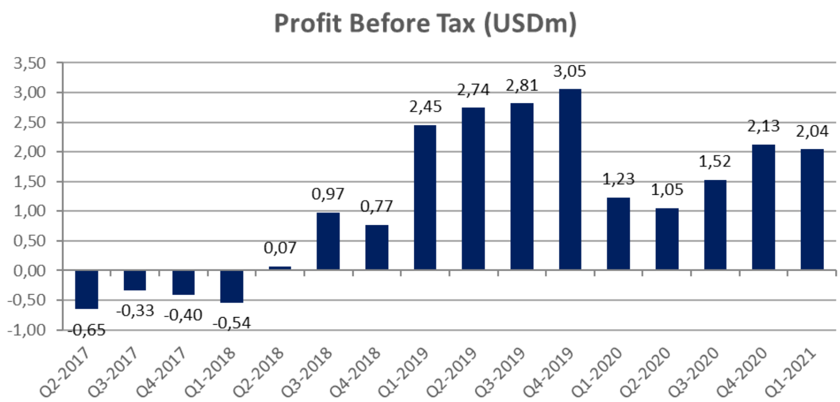
The bank has no defaulted or non-performing loans by the end of the Q1.

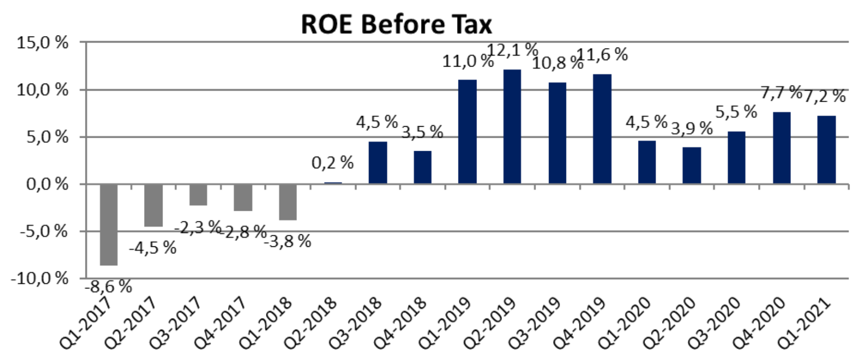
Loss allowance	31.03.2021	31.03.2020	31.12.2020	31.12.2019
Step1	499 013	945 435	659 824	822 991
Step2	711 973	495 906	779 360	0
Step3	0	0	0	0
Sum	1 210 986	1 441 341	1 439 184	822 991
Loss Allowance/Loan Ratio	0,44 %	0,49 %	0,53 %	0,28 %
Impairments	0	0	0	0
Non performing Loans	0	0	0	0



Profit before tax

Profit before tax amounted to USD 2 043 125 in Q1 (USD 1 228 279 in Q1-2020). Return on equity before tax was 7.2% (4.5% in Q1-2020).





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 volatility of the NOK against the USD has given the Bank an unintended volatility in the tax expense, due to currency gains/losses related to our equity.
The Bank has started a process for a rule adjustment for the basis of tax calculation that prevents unintended effects for the future.

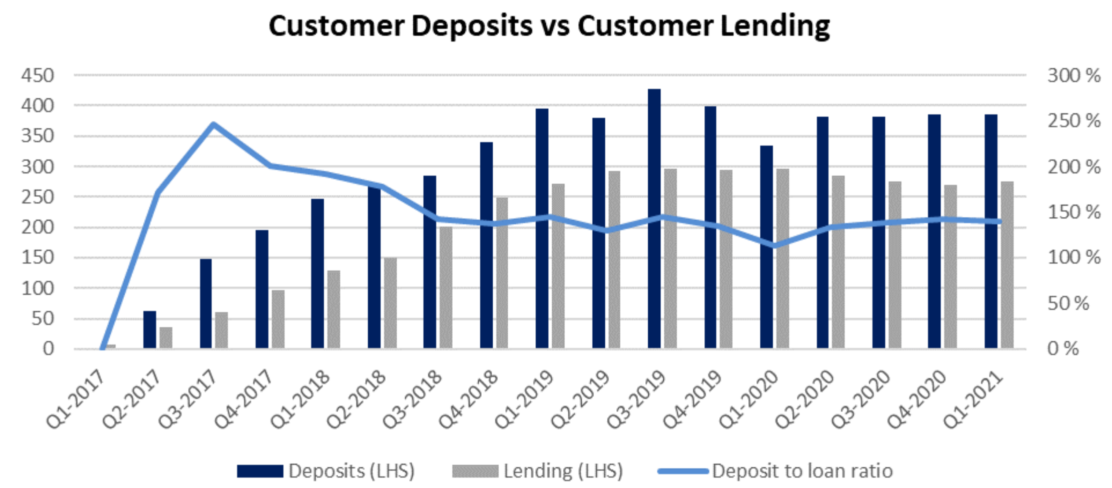
Common 25% corporate tax rate is used in the first quarter of 2021.
If there is no decision (or a negative one) from the Ministry of Finance within the fiscal year, we will incorporate a full agio effect in Q4 2021. The agio effect (extra taxable income/cost) will be a result of the USDNOK exchange rate at year end.

The agio effect (unintended taxable income/cost) for Q1 2021 is negative NOK 2 328 026. This "phantom" cost will result in a tax relief of NOK 582 006 (USD 68 274).

See Note 5, Tax Calculation.

Deposit and Liquidity

Customer deposits amounted to USD 386 048 182 in Q1-2021 (USD 334 494 547 in Q1-2021).



The deposit to loan ratio was 140% at the end of Q1 2021 (113% in Q1 -2020).

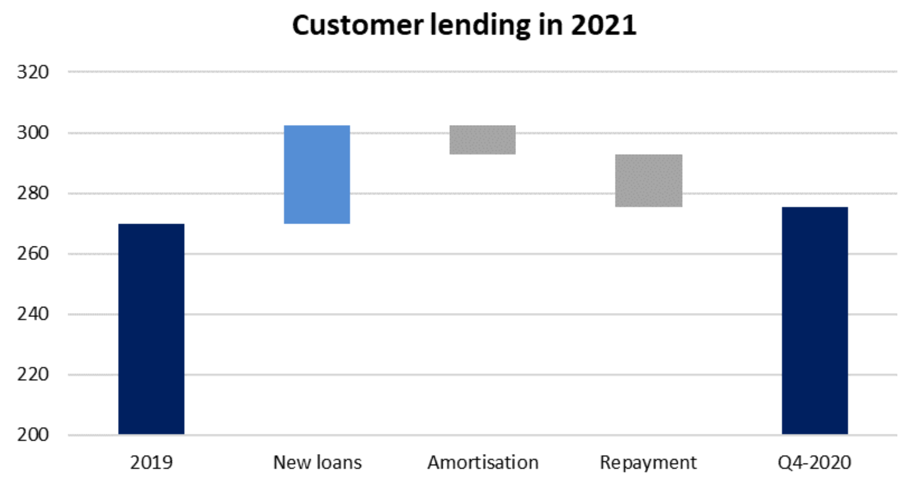
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 228 million was mainly invested in interest-bearing securities, deposits in major banks and in Norges Bank. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 292% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 178% (above a minimum requirement of 100%).

Total Assets and Lending

Total assets ended at USD 508 413 383 in Q1 2021 (USD 534 794 243 in Q1 2020).

Lending to customer increased from USD 269 994 403 in Q4 020 to USD 275 387 732 in Q1 2021.



Solvency

Core equity ratio (CET1) was 35.9% 31.03.2021 (33.2% 31.03.2020).
The Bank has not issued any subordinated or perpetual bonds.

Risk factors

Credit risk

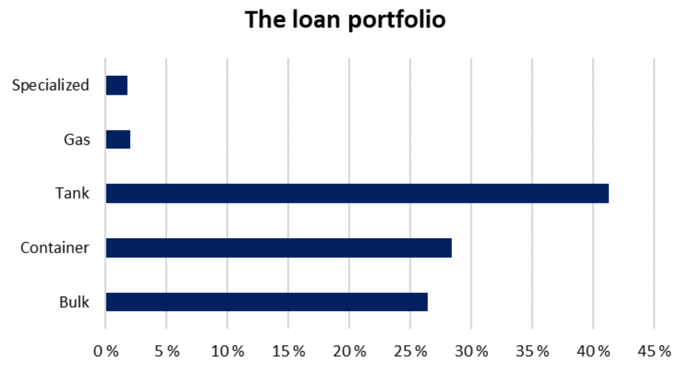
The average weighted quality of the portfolio is moderate risk, but the whole portfolio has migrated from a strong concentration around the mid-point at the beginning of 2020 to a more diversified distribution on both sides of the scale. The migration we saw through 2020 into higher risk classes have been close to rectified during Q1 2021, and on average we are almost back at pre Covid-19 levels.

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 provided for a sound credit portfolio with a limited potential for future losses, and the vessels' values for most clients have a good margin in relation to the outstanding exposures.

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 collateral and internal risk classification. The loan portfolio is diversified and is distributed on bulk carriers (27%), tankers (41%), container vessels (28%), LPG (gas) (2%) and specialized (2%).



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 were within the Bank's credit strategy when granted.

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.

	31.03.2021	31.03.2020	31.12.2020	31.12.2019	31.12.2018
LCR	292%	355%	353%	636%	444%
Deposit Ratio *(1)*	76%	63%	78%	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.

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.

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 2021	Q1 2020	2020
Cost/Income Ratio	52%	50%	52%
Return on Equity before tax	7.2%	4.54%	5.5%
Net Income Margin	2.94%	2.79%	2.74%
Net Interest Margin	2.54%	3.71%	2.58%
Deposit to loan Ratio	140%	113%	142%
LCR	292%	355%	353%
NPL Ratio	0%	0%	0%
Equity Ratio (CET1)	35.5%	33.2%	36.1%
Loss allowance/Loan ratio	0.44%	0.49%	0,53%

Ratio formulas, se Appendix 1

Outlook

There are several factors that gives reason to maintain a fairly optimistic view on the shipping industry during the next quarter, forecasts for GDP, tonnage supply and demand balance and the general recovery of industrial logistics. The further global Covid-19 development will however have a decisive effect on the normalization process.

Oslo May 12th, 2021

Board of Directors, Maritime & Merchant Bank ASA

Statement of Profit & Loss

- In USD	*Note*	2021 01.01 - 31.03	2020 01.01 - 31.03	2020 01.01 - 31.12
Interest income and related income				
Interest income from customers (effective Interest method)		3 969 201	6 232 192	19 325 904
Interest from certificates and bonds		282 306	773 194	1 672 510
Interest from credit institutions (effective interest method)		-1	238 241	257 617
Total interest income and related income		**4 251 506**	**7 243 628**	**21 256 031**
Interest expenses				
Interest and similar expenses of loans to credit institutions		-24 447	0	-103 735
Interest and related expenses of loans to customers		-980 970	-2 012 977	-6 883 187
Net interest expenses from financial derivatives		120 678	-308 093	-484 983
Other fees and commissions		-51 214	-46 118	-183 953
Net interest expenses and related expenses		**-935 953**	**-2 367 188**	**-7 655 858**
Net interest income and related income		**3 315 552**	**4 876 440**	**13 600 173**
Commissions, other fees and income from banking		266 751	120 677	779 947
Commissions, other fees and expenses from banking		-9 796	-8 122	-32 111
Net value adjustments on foreign exchange and financial derivatives		168 890	-1 137 222	61 966
Net value adjustments on interest-bearing securities		96 027	-193 935	56 190
Total income		**3 837 424**	**3 657 838**	**14 466 165**
Salaries, administration and other operating expenses				
Salaries and personnel expenses		-1 212 959	-1 169 062	-4 866 312
Administrative and other operating expenses		-470 452	-359 272	-1 539 158
Net salaries, administration and other operating expenses		**-1 683 411**	**-1 528 334**	**-6 405 470**
Total depreciation and impairment of fixed and intangible assets	**8**	**-302 155**	**-282 876**	**-1 126 358**
Total operating expenses		**-1 985 566**	**-1 811 210**	**-7 531 828**
Operating result		**1 851 858**	**1 846 628**	**6 934 337**
Loan loss provisions (IFRS - 9)	**4**	191 267	-618 350	-616 193
Impairments (Credit Loss)		0		-386 435
Profit (+) / Loss (-) for the period before tax		**2 043 125**	**1 228 279**	**5 931 710**
Income tax	**5**	-510 781	-307 070	-698 996
Result for the period after tax		**1 532 343**	**921 209**	**5 232 714**
Comprehensive result for the period		**1 532 343**	**921 209**	**5 232 714**

- *Q1 numbers (2021 and 2020) are not audited.*

Balance Sheet

Assets - In USD	Note	2021 31.03.2021	2020 31.03.2020	2020 31.12.2020
Cash and balances at Central Bank		**8 112 794**	**6 224 092**	**7 746 507**
Lending to and receivables from credit institutions		**45 464 813**	**120 283 962**	**49 294 414**
Lending to customers	4	275 387 732	296 166 710	269 994 403
Loss provisions on loans to customers	4	-1 210 986	-1 441 341	-1 428 614
Net lending to cutomers		**274 176 746**	**294 725 369**	**268 565 789**
Certificates, bonds and other receivables				
Commercial papers and bonds valued at market value	4	174 892 023	110 841 141	212 183 694
Commercial papers and bonds valued at amortised cost		0	0	0
Certificates, bonds and other receivables		**174 892 023**	**110 841 141**	**212 183 694**
Shares		**80 000**	**44 268**	**83 759**
Intangible assets				
Deferred tax assets		0	0	0
Other intangible assets	8	989 137	1 526 924	1 209 188
Total intangible assets		**989 137**	**1 526 924**	**1 209 188**
Fixed assets				
Fixed assets	8	600 536	748 125	668 390
Total fixed assets		**600 536**	**748 125**	**668 390**
Other assets				
Financial derivatives	9	3 745 378	0	2 839 018
Other assets		101 341	23 286	51 736
Total other assets		**3 846 719**	**23 286**	**2 890 754**
Expenses paid in advance				
Prepaid, not accrued expenses		250 615	377 077	220 446
Total prepaid expenses		**250 615**	**377 077**	**220 446**
TOTAL ASSETS		**508 413 383**	**534 794 243**	**542 862 941**

Liabilities and shareholders equity - In USD	Note	31.03.2021	31.03.2020	31.12.2020
Liabilities				
Loans and deposits from credit institutions		580 672	47 618 055	35 199 014
Deposits from and liabilities to customers		386 048 182	334 494 547	384 727 502
Total loans and deposits		**386 628 855**	**382 112 602**	**419 926 516**
Other liabilities				
Financial derivatives	9	2 467 093	39 386 150	5 026 074
Other liabilities	10	3 193 255	3 527 395	3 612 853
Total other liabilities		**5 660 348**	**42 913 545**	**8 638 926**
Accrued expenses and received unearned income				
Accrued expenses and received unearned income	10	1 018 374	649 121	735 195
Total accrued expenses and received unearned income		**1 018 374**	**649 121**	**735 195**
Total Liabilities		**393 307 577**	**425 675 268**	**429 300 638**
Shareholders equity				
Paid-in capital				
Share capital	11	9 708 655	9 708 655	9 708 655
Share premium account		94 148 864	94 148 865	94 148 864
Total paid-in capital		**103 857 519**	**103 857 520**	**103 857 519**
Other Equity				
Retained earnings, other		-256 234	-399 217	-267 393
Retained earnings		11 504 521	5 660 671	9 972 177
Total other equity		**11 248 287**	**5 261 454**	**9 704 784**
Total shareholder equity		**115 105 806**	**109 118 974**	**113 562 303**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**508 413 383**	**534 794 243**	**542 862 941**

Statement of Equity

- In USD

	Share capital	Share premium	Retained earnings	Other free equity	Total equity
Equity as per 31.12.2017	5 590 977	55 123 649	-3 000 306	0	57 714 320
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				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				171 267	171 267
Profit			5 232 714		5 232 714
Equity as per 31.12.2020	9 708 655	94 148 865	9 972 177	-267 393	113 562 304
Employee stock option				11 159	11 159
Profit			1 532 343	0	1 532 343
Equity as per 31.03.2021	9 708 655	94 148 865	11 504 520	-256 234	115 105 806

Statement of Cash Flows

- In USD	2021	2020
Cashflow from operational activities		
Profit before tax	2 043 125	5 931 710
Change in loans to customers excluding accrued interest	-5 748 554	24 857 163
Change in deposits from customers excluding accrued interest	340 295	-13 511 348
Change in loans and deposits from credit institutions	-34 618 342	35 199 014
Change in certificates and bonds	37 291 671	-60 849 008
Change in shares, mutual fund units and other securities	3 760	-38 489
Change in financial derivatives	-3 465 340	-5 811 256
Change in other assets and other liabilities	-284 467	-672 218
Interest income and related income from customers	-3 969 201	-19 325 904
Interest received from customers	4 106 797	20 204 470
Net interest expenses and related expenses to customers	980 970	6 883 187
Interest paid to customers	-584	-6 883 187
Ordinary depreciation	291 209	1 123 637
Other non cash items	299 895	-281 515
Net cash flow from operating activities	**-2 728 768**	**-13 173 743**
Payments for acquisition of assets	0	-26 811
Net cash flow from investing activities	**0**	**-26 811**
Issuance of equity	0	0
Lease payments	-82 266	-324 108
Net cash flow from financing activities	**-82 266**	**-324 108**
Effect of exchange rate changes and other	**-652 280**	**80 505**
Sum cash flow	**-3 463 314**	**-13 444 158**
Net change in cash and cash equivalents	-3 463 314	-13 444 158
Cash and cash equivalent as per 01.01.	57 040 922	70 485 080
Cash and cash equivalent as per 31.03.	**53 577 607**	**57 040 922**

Notes 31.03.2021.

Note 1, Reporting entity

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

Note 2, General accounting principles

The interim report for the first quarter 2021 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU. The interim report for the first quarter 2021 is prepared using the same accounting principles and calculation methods as described in the Annual Report 2020.

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 Pilar 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 Pilar 1.

Capital Adequacy

Amounts in 1000 USD	**31.03.2021**	**31.12.2020**	**31.03.2020**
Share capital	9 709	9 709	9 709
+ Other reserves	105 397	102 354	99 410
- Dividend	- 1 471		
- Deferred tax assets and intangible assets	-989	-1 209	-1 527
- This year's result	-1 532		-921
- Adjustments to CET1 due to prudential filters	-181	-220	-150
Common Equity Tier 1 (CET 1)	110 933	**110 633**	**106 521**
Calculation basis			
Credit Risks			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	9 902	10 347	16 269
+ Companies	256 304	246 245	271 415
+ Covered bonds	15 917	19 148	9 772
+ Shares	80	84	44
+ Other assets	952	941	1 148
Total Credit risks	**283 155**	**276 765**	**298 649**
+ Operational risk	27 482	27 416	19 423
+ Counterparty risk derivatives (CVA-risk)	2 324	2 437	2 342
Total calculation basis	**312 962**	**306 618**	**320 415**
Capital Adequacy			
Common Equity Tier 1 %	**35.45 %**	**36.08 %**	**33.24 %**
Total capital %	**35.45 %**	**36.08 %**	**33.24 %**

The Bank does not expect any significant changes in Capital Adequacy as a result of changes in the regulations in relation to additional buffer requirements that will be implemented in the legislation from 2022.

Credit Risk

Credit risk is the major risk to 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.

The Bank monitors market developments in segments where it has exposure and takes a proactive approach towards the risks taken.

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.

The Bank uses an internally developed scorecard model for assessing the credit risk in the loan portfolio. The scorecard model predicts Probability of Default (PD), Loss Given Default (LGD) and risk class (from 1 to 10). Default is failure to satisfy the terms of a loan obligation or failure to pay back a loan.

Significant judgements are required when assessing models and assumptions, and resulting estimates are thus uncertain in nature. The model is based on experience and criteria well known in scoring models. The model is validated on a regular basis.
Forward looking factors, like expected freight earnings and ship values, are based on one year forward estimates. Time charter rates for each specific segment and interest rates that are used in the model are those prevailing at the time of scoring.

Input in the scoring model for establishing the PD for one specific exposure can either be the actual earnings based on freight contracts entered into, or shipbrokers earnings estimates for the next 12 months, normally expressed in the time charter rates for the period going 12 months forward.

When a loan is granted, the PD is estimated for the full tenor of the loan, and projected future cash flow is based on long term time charter rates for similar tenor (if available) in combination with consideration of low rate scenarios.

Risk classification is done once per year as a minimum in connection with annual renewal of exposures, or more frequently if there are shifts in input factors which are not regarded as temporary.

Risk classes and credit score:

Very low risk	Credit score: 1-2	PD:	0.00 – 0.25%
Low risk	Credit score: 3-4	PD:	0.25 – 1.00%
Medium risk	Credit score: 5-7	PD:	1.00 – 3.00%
High risk	Credit score: 8-9	PD:	3.00 – 8.00%
Loss exposed	Credit score: 10-11	PD:	> 8.00%

Factors in scorecard PD - model:

Quantitative factors:
- Loan to value (LTV) – Value Adjusted Equity
- Interest coverage – Cash flow to support interest payment
- Instalment coverage – Cash flow to support instalments
- Current Ratio
- Free Cash

Qualitative factors
- Corporate structure
- Ownership
- Technical management
- Commercial management

Factors in LGD model:
- Age of vessel
- Liquidity of vessel type (specialised tonnage)
- Yard/Country
- Net loan exposure above scrap value
- Enforcement cost
- Jurisdiction
- Corporate complexity
- Covenant Structure

Expected Loss (EL)

EL = PD * LGD * EAD

EAD = Exposure at Default (Notional + Accrued Interest - Cash Reserves)

Loss allowance

The EL is performed on an individual basis. After the transition to IFRS 9, provisions have been presented as expected loss over 12 months (Step 1) and expected loss over the life of the instrument (Step 2).

Non-performing commitments (Step 3) are commitments where the customer has not paid due instalments on loans within 90 days of maturity (or as described in Note 6).

If credit risk has increased significantly after initial recognition but there is no objective proof of loss, an allowance of expected loss over the entire lifetime ("Step 2") has to be made. The individual loss provisions under IAS 39 did not change materially upon the transition to IFRS 9 ("Step 3").

In assessing what constitutes a significant increase in credit risk, the Bank, in addition to the standard's presumption of financial assets that have cash flows that have been due for more than 30 days are subject to significantly increased credit risk, assumed qualitative and quantitative indicators. The most important quantitative indicator the Bank assess is whether it has been a significant increase in credit risk determined by comparing the original likelihood of default and Loss Given Default ("PD x LGD") with the Probability of Default and Loss Given Default ("PD x LGD") at the reporting date. However, when assessing significant increase in credit risk for IFRS 9 purposes, Loss Given Default is not included in the assessment. Based on this the Bank has defined that a doubling in the Probability of Default or an absolute change of 1% constitutes a significant increase in credit risk.

Reclassification of commitments from Step 2 to Step 1, is based on an individual assessment. However, there must be some objective evidence that the commitment has recovered.

The Bank follows qualitative and quantitative indicators on a regular basis and in any situation where there is a suspicion that there have been conditions of negative importance for the commitment/customer.

Macro scenarios

Expected Loss from the Bank's risk score model will be adjusted with a macro scenario factor (MF). The Bank estimates three macro-economic scenarios consisting of factors that will or can have an impact on shipping markets and value appraisal of vessels financed in our portfolio in the respective markets. Each scenario gets assigned a probability and a factor. The factor represent change in Expected Loss or Loss Allowance. The forecast, probability assignment and factor estimation are based on own judgment and experience.

The following factors are included in the macro evaluation process:

- Demand for seaborn shipping (World growth (GDP))
- Supply: Orderbook (shipbuilding), scrapping and idle capacity (utilization)
- Cyclicality (we assume shipping is cyclical and mean reverting)
- Geopolitical and other factors

The probability weighted macro factor (MF) will be multiplied with the Expected Loss and give Loss Allowance (or Macro Scenario adjusted Expected Loss). The factor (MF) is calculated to be 1,3818.

Exposure in the scenario model is the same as at 31.03.2021.

Loss Allowance and Impairments

Loss allowance	31.03.2021	31.03.2020	31.12.2020	31.12.2019
Step1	499013	945 435	659 824	822 991
Step2	711 973	495 906	779 360	0
Step3	0	0	0	0
Sum	1 210 986	1 441 341	1 439 184	822 991
Allowance/Loan Ratio	0,44 %	0,49 %	0,53 %	0,28 %
Impairments	0	0	0	0

Based on the improved market for bulkers and container vessels in Q1, the loss allowance has improved compared to yearend 2020.

Loans where no loss provision has been recognized due to collateral:
31.03.2021: 0
31.03.2020: 0

Remaining exposure from credit impaired loans and loss exposed loans:

31.03.2021	**Gross Loans**	**First-Priority pledge in vessel**	**Cash Pledge**	**Other Collateral**
Remaining exposure from credit impaired loans	**0**	**0**	**0**	**0**
Loss exposed loans	**0**	**0**	**0**	**0**

31.03.2020	**Gross Loans**	**First-Priority pledge in vessel**	**Cash Pledge**	**Other Collateral**
Remaining exposure from credit impaired loans	**0**	**0**	**0**	**0**
Loss exposed loans	**0**	**0**	**0**	**0**

Loss allowance sensitivity
The macro scenarios impact on Probabilities of Default (PDs) result in the following sensitivity in Expected Loss Allowance calculation.

Scenario	**Expected Loss allowance**
Vessel value up 30%	794 000
Unchanged	876 000
Vessel value down 30%	1 881 000

31.03.2021

	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 31.12.2020	649 254	779 360		1 428 614
Lending to customers 31.12.2020	241 576 445	28 417 958		269 994 403
Changes				
Transfer to Step 1	167 932	- 167 932		
Transfer to Step 2	- 17 261	17 261		
Transfer to Step 3				
Reclassification	- 214 588	- 8 560		- 223 148
Amortization	- 67 806	- 32 711		- 100 517
New commitments	74 535			74 535
Effect of Scenario Adjustment	- 93 053	124 555		31 502
Allowance as of 31.03.2021	**499 013**	**711 973**	**0**	**1 210 986**
Lending to customers 31.03.2021	252 674 724	22 713 008	*0*	275 387 732
Loans not disbursed	8 175 000			
Allowanse: Loans not dispursed	26 362			26 362
Net Change in Loss allowance	**-123 880**	**-67 387**	**0**	**- 191 267**

Reclassification: Change in Expected Loss calculation

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
Lending to custmers 31.12.2019	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 committments	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**
Lending to custmers 31.03.2020	263 966 294	*32 200 416*	-	*296 166 710*
Net Change in Loss allowance	**122 444**	**495 906**	**0**	**618 350**

1) *Reclassification: Change in Expected Loss calculation*

Credit risk: Total

31.03.2021

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	8 112 794					8 112 794
Deposits with credit institution	45 464 813					45 464 813
Certificates and bonds	174 892 023					174 892 023
Shares and other securities			80 000			80 000
Loans to customers		65 478 323	204 816 190	5 093 219	0	275 387 732
Total	**228 469 630**	**65 478 323**	**204 896 190**	**5 093 219**	**0**	**503 937 361**

Committed loans, not disbursed			8 175 000			

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**

Lending to customers by segment

	Q1 2021		Q1 2020		Q4 2020	
Sector	**USD**	**Share %**	**USD**	**Share %**	**USD**	**Share %**
Bulk	72 889 486	27 %	66 045 176	22 %	71 548 517	27 %
Container	78 315 450	28 %	82 630 512	28 %	76 678 410	28 %
Tank	113 769 558	41 %	136 532 853	46 %	111 507 688	41 %
Gas	5 485 246	2 %	5 923 334	2 %	5 399 888	2 %
Specialized	4 927 992	2 %	5 034 834	2 %	4 859 899	2 %
Offshore	-	0 %		0 %	-	0 %
Sum	**275 387 732**	**100 %**	**296 166 710**	**100 %**	269 994 403	100 %

Bonds and certificates: Risk Weight

Risk Weight	Q1 2021 Fair Value	Q1 2020 Fair Value	2020 Fair Value
0 %	15 725 503	13 123 402	20 707 570
10 %	159 166 520	97 717 739	191 476 124
20 %			
100 %			
Total	**174 892 023**	**110 841 141**	**212 183 694**

Bonds and certificates: Rating

Rating	Q1 2021 Fair Value	Q1 2020 Fair Value	2020 Fair Value
AAA	168 740 753	108 460 138	206 037 546
AA+	6 151 270	2 381 003	6 146 147
AA			
A			
Total	**174 892 023**	**110 841 141**	**212 183 694**

Bonds and certificates: Sector

Sector	Q1 2021 Fair Value	Q1 2020 Fair Value	2020 Fair Value
Supranationals	15 725 503	5 010 890	7 528 807
Local authority	159 166 520	8 112 512	13 178 763
Credit Institutions		97 717 739	191 476 124
Bank			
Total	**174 892 023**	**110 841 141**	**212 183 694**

Interest Rate Risk

Maritime & Merchant Bank ASA has defined guidelines that set limits for the maximum interest rate risk. All exposure on the balance sheet and outside the balance sheet will be assessed, and 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.

Reference rates

The Bank has assets, liabilities and derivatives linked to current money markets reference rates (LIBOR, NIBOR and EURIBOR). Some of these reference rates will be replaced with other reference rates, which could have an impact on interest income, interest expenses, fair value of derivatives and financial assets/liabilities.

Currency Risk

All exposure on the balance sheet, outside the balance sheet and estimated income and expense items will be identified. Market exposure will be limited and within limits and authorisations granted by the Board. Routines have been established for on-going monitoring and reporting of the currency risk to the Board of Directors.

Funding in NOK is swapped to USD using cross currency basis swaps, with duration around 3 years. Using cross currency swaps match funding in NOK with lending in USD. Assets and liabilities are currency matched. The Bank has income in USD and most of the operating cost in NOK. Current strategy is to hedge between 0 and 12 months forward.

Liquidity Risk

Maritime & Merchant Bank ASA aims to maintain a low liquidity risk, which means high liquidity buffers and good deposit coverage.

The Bank's liquidity level is assessed by calculating the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). These ratios describe the short liquidity level and the level of stable funding.

The Bank calculates liquidity surplus, which appears as available funding less future liabilities within the defined time interval and required liquidity buffers.

Maritime & Merchant Bank ASA has adopted guidelines for management of the Bank’s liquidity position to ensure that the Bank maintains a solid liquidity.

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk, compliance risk and reputational risk. This type of risk also encompasses administrative risk, i.e. that the day-to-day operations of the Bank do not function properly.

The Bank Measures operational risk through incident reporting on main operational areas. The management team handle incidents in the management meetings. This incident reporting is summarized and communicated to the Risk Committee.

The Bank reduces operational risk through prudent management and supervision by establishing efficient control procedures, a well-established set of routines, a compliance function, as well as insurance cover against attempts at defrauding the Bank.

INCOME AND COST

Note 5, Taxation of profit

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

	USD	NOK
Profit Before Tax	2 043 125	17 416 825
Tax related agio on equity	-	-
Basis for Tax Calculation	2 043 125	17 416 825
Calculated Tax (25%)	**510 781**	**4 354 206**

2) Full currency agio on Equity (Previous method)

	USD	NOK
Profit Before Tax	2 043 125	17 416 825
Tax related agio on equity	-273 095	-2 328 026
Basis for Tax Calculation	1 770 030	15 088 800
Calculated Tax (25%)	**442 508**	**3 772 200**

The calculated tax for the period is 22% of the ordinary result before tax.
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. Changes in net assets (equity) resulting from exchange rate will be subject to tax.

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.

31.03.2021

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	174 892	0	174 892
Shares and other securities	0	0	0	0
Financial derivatives	0	3 745	0	3 745
Total financial assets	**0**	**178 637**	**0**	**178 637**
Financial derivatives	0	2 467	0	2 467
Total financial liabilities	**0**	**2 467**	**0**	**2 467**

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**

Note 7, Financial pledges

The Bank has received NOK 4 950 000 of deposits as collateral for financial derivatives.

Note 8, Other intangible assets and fixed assets

- In USD	31.03.2021		31.03.2020	
	Other intangible assets	Property, plant and equipment	Other intangible assets	Property, plant and equipment
Cost or valuation at 01.01	4 446 666	1 400 057	4 318 219	1 334 652
Exchange and other adjustments	10 693	3 367	-699 849	-209 975
Introduction of right to use-asset				
Additions				12 853
Disposals				
Cost or valuation at end of period	**4 457 359**	**1 403 424**	**3 618 369**	**1 137 530**
Accumulated depreciation and impairment at 01.01.	-3 237 478	-731 668	-2 281 437	-394 421
Exchange and other adjustments	-363	554	391 216	86 163
Depreciation charge this year	-230 382	-71 773	-201 223	-81 147
Disposals				
Accumulated depreciation and impairment at end of period	**-3 468 223**	**-802 887**	**-2 091 444**	**-389 405**
Balance sheet amount at end of period	**989 137**	**600 536**	**1 526 924**	**748 125**
Economic lifetime	*5 years*	*3 years*	*5 years*	*3 years*
Depreciation schedule	*Linear*	*Linear*	*Linear*	*Linear*

Fixed assets	**31.03.2021**	**31.03.2020**
Right to use assets	568 065	696 777
Other	32 472	51 348
Sum fixed assets	600 536	748 125

LIABILITIES

Note 9, Other assets and financial derivatives.

31.03.2021

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive market values	Negative Market values
	USD	EUR	NOK	USD	USD
Interest Rate Derivatives					
Interest rate swap	0	0	0	0	0
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	137 000		1 176 346	3 440	2 338
Buy/Sell EUR against NOK		12 803	128 966	305	129
Total Currency Derivatives	**137 000**	**12 803**	**1 305 312**	**3 745**	**2 467**

31.03.2020

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive Market Values	Negative Market Values
	USD	EUR	NOK	USD	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**

Note 10, Other Liabilities and accrued cost

- In USD	**31.03.2021**	**31.03.2020**
Account payables	81 281	121 544
Tax withholdings	121 378	103 031
VAT payable	48 057	25 525
Tax payable	1 141 400	346 685
Deferred tax	1 080 756	1 987 330
Lease liability	573 555	705 912
IFRS-9 Allowance (loans not disbursed)	26 362	
Other liabilities	120 465	237 367
Total other liabilities	**3 193 255**	**3 527 395**
Holiday pay and other accrued salaries	720 874	560 084
Other accrued costs	297 500	89 037
Total accrued costs	**1 018 374**	**649 121**

Note 11, Share capital and shareholder information

The Bank has 8 170 048 shares at NOK 10.

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

The Bank has 55 shareholders.

The ten largest shareholders of the Bank are:

No	Shareholder	Numb. of shares	%
1	Henning Oldendorff	2 041 979	25.0 %
2	Centennial AS	2 041 979	25.0 %
3	Deutsche Bank Aktiengesellschaft	666 700	8.2 %
4	Apollo Asset Limited	653 893	8.0 %
5	Canomaro Bulk AS	438 899	5.4 %
6	Skandinaviska Enskilda Banken AB	250 000	3.1 %
7	Klaveness Marine Finance AS	176 923	2.2 %
8	TD Veen AS	143 821	1.8 %
9	Herfo Finans AS	132 467	1.6 %
10	Sabine Elke Grothe-Ernst	127 000	1.6 %
	Others	1 496 387	18.3 %
	Total	**8 170 049**	**100 %**

Appendices

Appendix 1, Alternative Performance Measures

Formulas for calculation of Alternative Performance Measures

Ratio formulas

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

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

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

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

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

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

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

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

$$Loss\ allowance/Loan\ Ratio = \frac{Total\ Loss\ Alloance}{Loans\ to\ customers}$$ *(on performing loans)*

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