Maritime & Merchant Bank ASA

Financial Report

31.03.2022

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Financial Report 31.03.2022

February 24, 2022 will forever be a very sad day; Russia invaded Ukraine and a tragic and meaningless war started. Our thoughts are first and foremost with all the innocent people suffering from the occurred situation, and we cannot but hope that the war can be ended through diplomatic efforts as soon as possible.

It is very difficult to give an overall picture of all possible consequences caused by the war for the shipping industry for the mid- and long-term horizon. Sanctions, severe price increases for raw materials and energy, relocations of commodity supplies and changes of trading patterns creates a most unclear situation. The entire global shipping industry will closely watch the further development and take necessary measures to ensure safe operation in this dramatic situation and at the same time contribute to vital supplies of commodities to the world market.

First quarter 2022 was characterized by continued very good markets for container- and dry bulk vessels, with a corresponding interest for investing in tonnage thus putting an upward pressure on asset values. Congestion in ports, particularly in China, where Covid-19 still is a disturbing factor is keeping the effectiveness of the fleet down and the rates on an upward trend.
The tanker market; struggling more or less since the summer of 2020, showed a clear positive development for most segments through the first quarter. As pointed out above, the war situation creates an extremely volatile energy market with changes of trading patterns and supply structures which will influence the tanker market.

Profit for the period (01.01-31.03)

The profit for the period before tax is USD 2 534 816 (USD 2 043 125 in Q1 2021) and profit after tax is USD 1 901 112 (USD 1 532 343 Q1 2021).

Net interest income and related income totalled USD 4 830 352 (USD 3 315 552), and other Income (including financial derivatives and fixed income instruments) was USD -169 757 (USD 521 872).

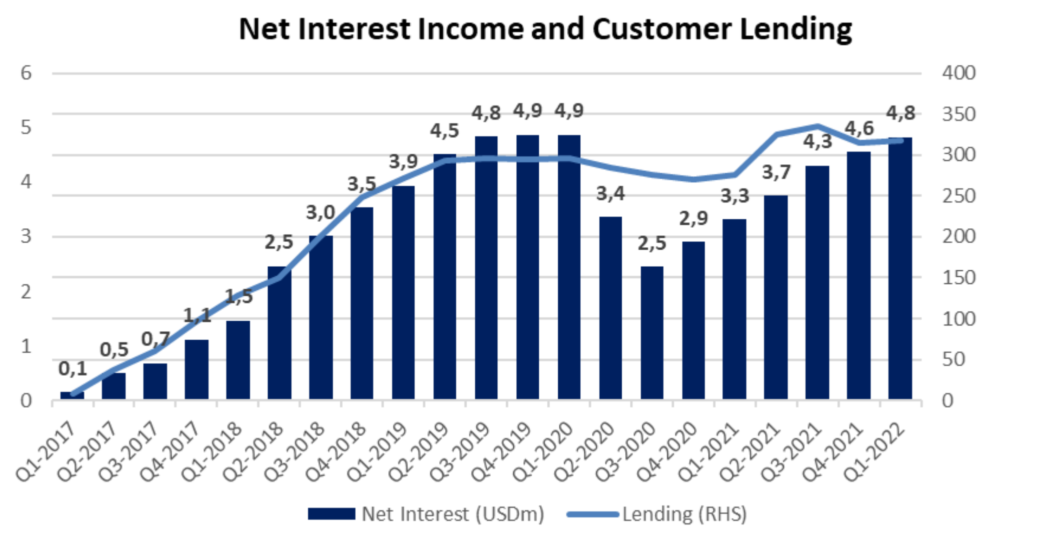
Operating expenses before impairments and losses totalled USD 1 958 048 (USD 1 985 566). The Cost/Income ratio came in at 42% (52%).

Loss allowance (Expected Loss) increased USD 167 732 (decreased USD 191 267). Credit Loss (Impairments) was USD 0 (USD 0)

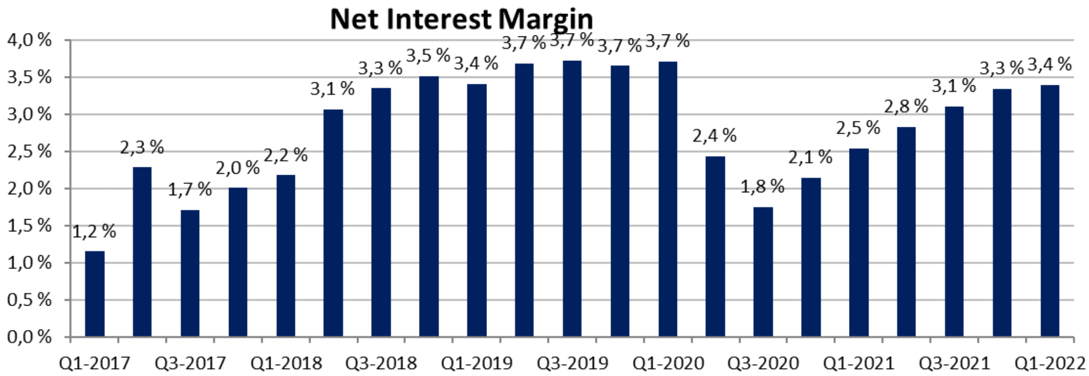
	2022 Q1	2021 Q1	2021 01.01-31.12
Interest Income	5 958 468	4 251 506	19 847 004
Interest Expense	-1 128 116	-935 953	-3 907 611
Net Interest Income	**4 830 352**	**3 315 552**	**15 939 393**
Other Income	-169 757	521 872	333 203
Total Income	**4 660 596**	**3 837 424**	**16 272 596**
Operating Expense	-1 958 048	-1 985 566	-8 305 519
Operating Result	**2 702 547**	**1 851 858**	**7 967 077**
Loss Allowance	-167 732	191 267	-16 682
Impairments (Credit Loss)			
Profit Before Tax	**2 534 816**	**2 043 125**	**7 950 395**
Tax	-633 704	-510 781	-2 857 044
Profit After Tax	**1 901 112**	**1 532 343**	**5 093 351**

Net interest income and related income

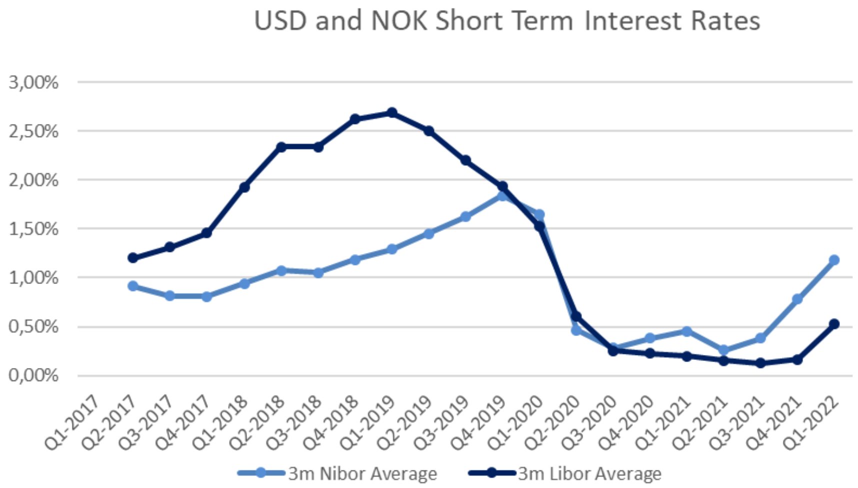
Net interest income and related income totalled USD 4 830 352 in Q1 (USD 3 315 552 in Q1 2021).



Net interest margin increased from to 2.5% in Q1-2021 to 3.4% in Q1-2022. Stable deposit rates and higher market rates resulted in lower funding cost and improved Net Interest Margin in addition to improved lending volumes.



Money market rates (daily average) in USD and NOK are on an upward trend.



(Source: Infront, Maritime & Merchant Bank ASA)

Net other Income

Net other income amounted to USD -169 757 in Q1 2022 (USD 521 872 in Q1-2021).

Value adjustments on derivatives and hedging instrument in Q1 was USD 84 034 due to an depreciation of the USD against NOK (USD 168 890 in Q1-2021).

The invasion of Ukraine led to higher risk premiums and lower bond values. Value adjustments on interest - bearing securities was USD -367 665 for Q1 (USD 96 027 in 2021)

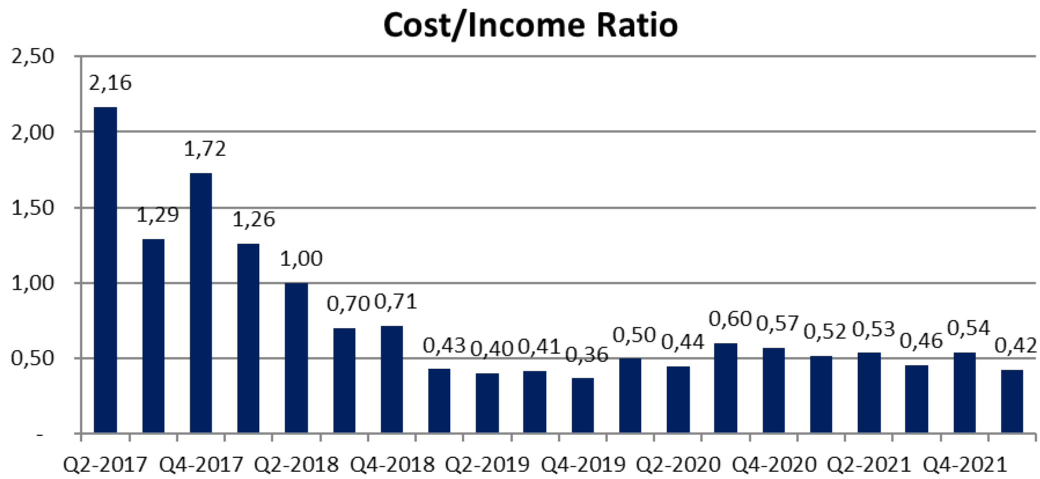
The principle of assessing financial instruments measured at fair value may lead to significant variation of the Bank's result between quarters.

Net commissions amounted to USD 113 874 in Q1 (USD 256 955 in Q1-2021).

Total operating expenses before impairments and losses

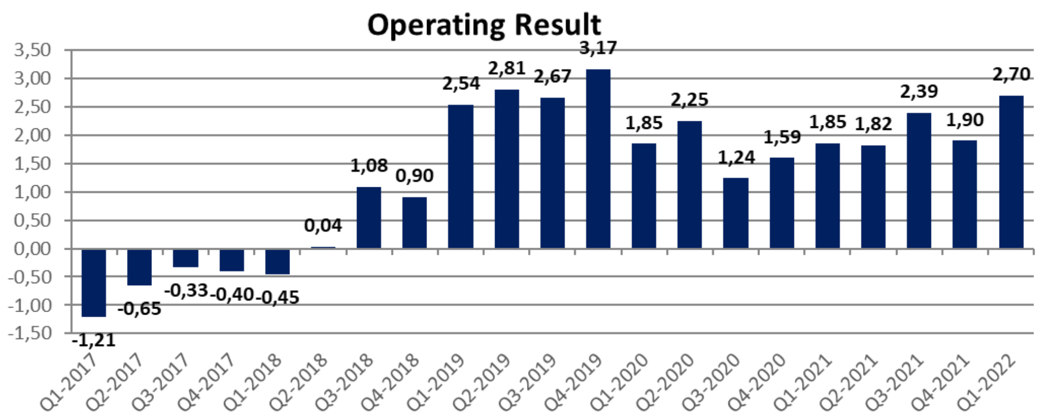
Operating expenses before impairments and losses totalled USD 1 958 048 in Q1 (USD 1 985 566 in Q1-2021). Salaries and personnel expenses, including social costs, amounted to USD 1 357 271 (USD 1 212 959 in Q1-2021) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 182 544 (USD 302 155 in Q1-2021). The Cost/Income ratio came in at 42% in Q1 (52% in Q1-2021).



Operating result

Operating result in Q1 amounted to USD 2 702 547 (USD 1 851 858 in Q1-2021).



Loan and Loan Loss provisions

Maritime & Merchant Bank ASA has lent USD 317 571 618 (USD 275 387 732 in Q1 2021) to customers.

The Bank has made USD 1 613 028 (USD 1 210 986) in loss allowance (IFRS 9). Change in loss allowance this quarter amounts to USD 167 732 (USD -191 267).

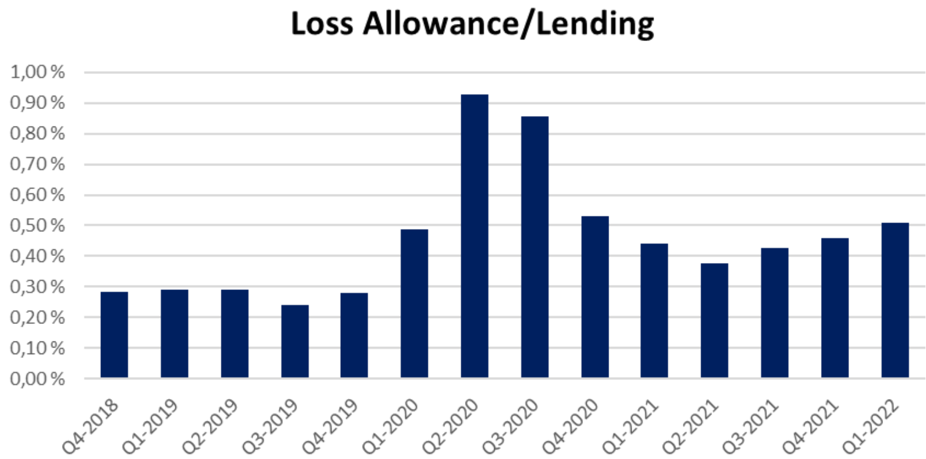
The credit quality of the majority of the loans (measured by PD – Probability of Default) to the bulker and container continues to be on very satisfactory levels due to the strong market in both segments.

There has been a minor deterioration of the credit quality (measured by PD) of the tanker portfolio during Q1, which is reflected in the increase in Loss Allowances at the end of Q1 compared to those at the end of Q4 2021. Some of the increase, however, is due to the increase in the overall credit portfolio.

The majority of the commitments (95.2%) are in step 1 (91.8 % in Q1-2021).

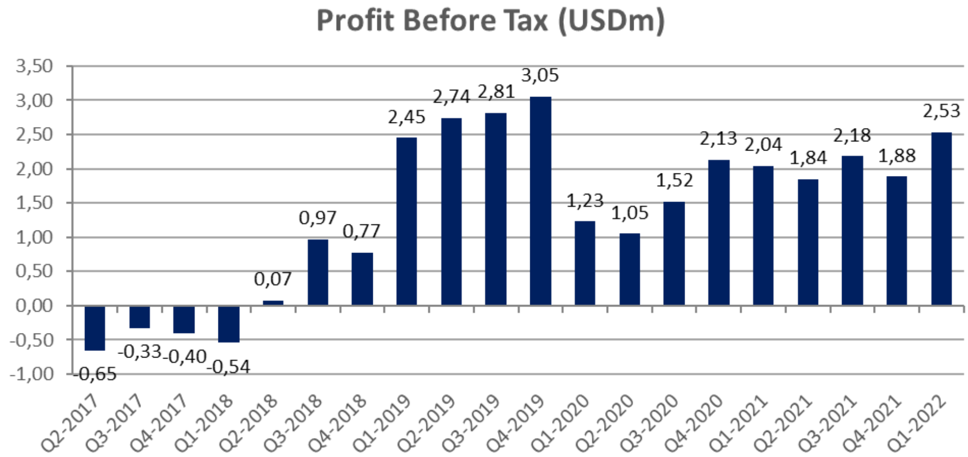
The bank has no defaulted or non-performing loans by the end of the Q1.

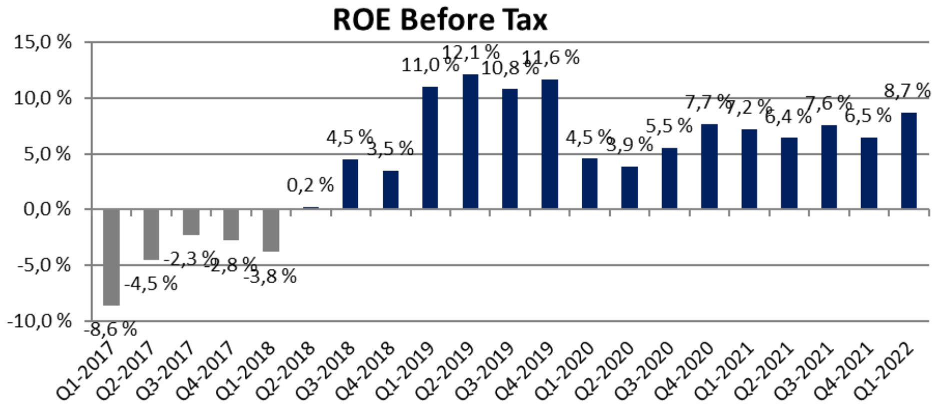
Loss allowance	31.03.2022	31.03.2021	31.12.2021	31.12.2020
Step1	649 263	499 013	618 860	659 824
Step2	963 765	711 973	826 436	779 360
Step3	0	0	0	0
Sum	1 613 028	1 210 986	1 445 296	1 439 184
Allowance/Loan Ratio	0,51 %	0,44 %	0,46 %	0,53 %
Impairments	0	0	0	386 435
Non performing Loans	0	0	0	0



Profit before tax

Profit before tax amounted to USD 2 534 816 in Q1 (USD 2 043 125 in Q1-2021). Return on equity before tax was 8.7% (7.2% in Q1-2021).





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.

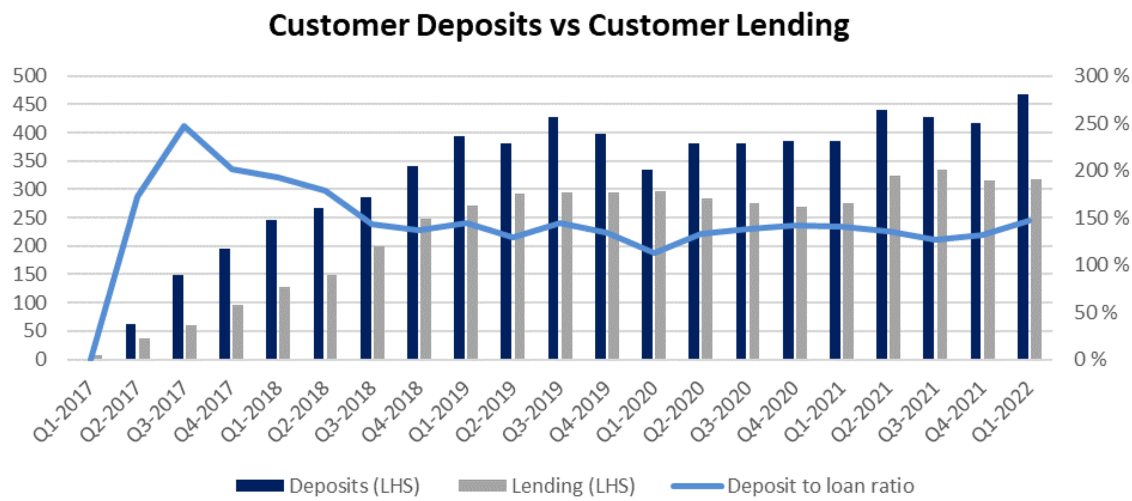
Common 25% corporate tax rate is used in the first quarter of 2022.
If there is no decision (or a negative one) from the Ministry of Finance within the fiscal year, we will incorporate a full agio effect in Q4 2022. The agio effect (extra taxable income/cost) will be a result of the USDNOK exchange rate at year end.

The agio effect (unintended taxable income/cost) for Q1 2022 is negative NOK 9 418 471. This "phantom" cost will result in a tax relief of NOK 2 354 618 (USD 269 464).

See Note 5, Tax Calculation.

Deposit and Liquidity

Customer deposits amounted to USD 468 223 785 in Q1-2022 (USD 386 048 182 in Q1-2021).



Deposits and Lending-LHS (million USD)

The deposit to loan ratio was 147% at the end of Q1 2022 (140% in Q1 -2021).

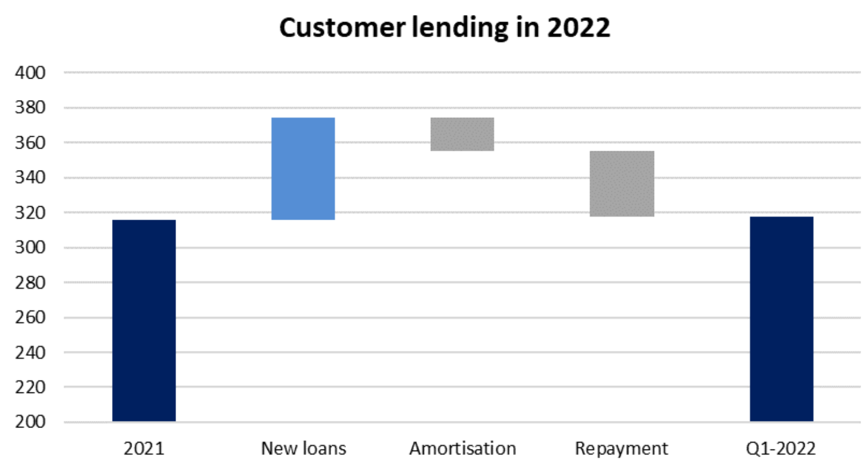
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 278 million was mainly invested in interest-bearing securities, deposits in major banks and in Norges Bank. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 851% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 186,1% (above a minimum requirement of 100%).

Total Assets and Lending

Total assets ended at USD 599 050 421 in Q1 2022 (USD 508 413 383 in Q1 2021).

Lending to customer increased from USD 275 387 732 in Q1 2021 to USD 317 571 618 in Q1 2022.



Solvency

Core equity ratio (CET1) was 30.9% 31.03.2022 (35.9% 31.03.2021).
The Bank has not issued any subordinated or perpetual bonds.

Risk factors

Credit risk

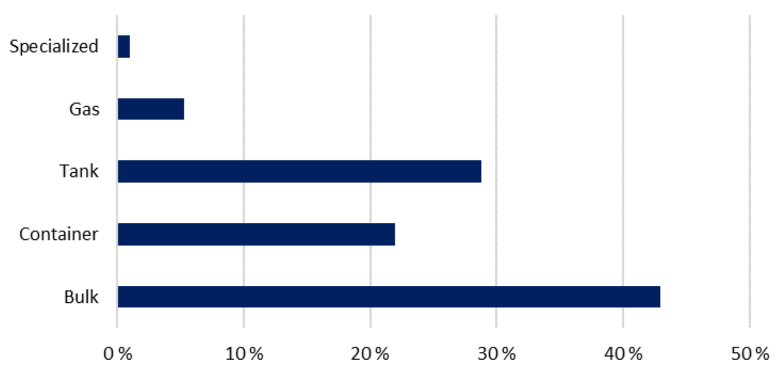
The average weighted quality of the portfolio is moderate risk, but the whole portfolio has migrated from a strong concentration around the mid-point at the beginning of 2020 to a more diversified distribution on both sides of the scale. The migration we saw through 2020 into higher risk classes have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

All commitments are secured with 1st priority mortgage on vessels, and the large majority of those were secured within 50-55% 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 (43%), tankers (29%), container vessels (22%), LPG (gas) (5%) and specialized (1%).



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.

	31.03.2022	31.03.2021	31.12.2021	31.12.2020	31.12.2019
LCR	851%	292%	564%	353%	636%
Deposit Ratio *(1)*	78%	76%	77%	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.

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 2022	Q1 2021	2021
Cost/Income Ratio	42%	52%	51%
Return on Equity before tax	8.7%	7.2%	7.0%
Net Income Margin	3.27%	2.94%	3.0%
Net Interest Margin	3.39%	2.54%	2.95%
Deposit to loan Ratio	147%	140%	132%
LCR	851%	292%	564%
NPL Ratio	0%	0%	0%
Equity Ratio (CET1)	30.9%	35.5%	30.5%
Loss allowance/Loan ratio	0.51%	0.44%	0.46%

Ratio formulas, se Appendix 1

Outlook

The war in Ukraine will affect the development of the shipping markets going forward and leave us all with a high degree of uncertainty regarding possible consequences. At the same time, vital supplies to the world must be secured and seaborne transportation is the key element and we are dedicated to support this industry.

Oslo May 12th, 2022

Board of Directors, Maritime & Merchant Bank ASA

Statement of Profit & Loss

- In USD	*Note*	2022 01.01 - 31.03	2021 01.01 - 31.03	2021 01.01 - 31.12
Interest income and related income				
Interest income from customers (effective Interest method)		5 441 972	3 969 201	18 889 590
Interest from certificates and bonds		428 205	282 306	929 010
Interest from credit institutions (effective interest method)		88 291	-1	28 404
Total interest income and related income		**5 958 468**	**4 251 506**	**19 847 004**
Interest expenses				
Interest and similar expenses of loans to credit institutions		0	-24 447	-24 447
Interest and related expenses of loans to customers		-1 386 102	-980 970	-4 195 172
Net interest expenses from financial derivatives		300 476	120 678	473 022
Other fees and commissions		-42 490	-51 214	-161 014
Net interest expenses and related expenses		**-1 128 116**	**-935 953**	**-3 907 611**
Net interest income and related income		**4 830 352**	**3 315 552**	**15 939 393**
Commissions, other fees and income from banking		150 441	266 751	653 214
Commissions, other fees and expenses from banking		-36 566	-9 796	-54 204
Net value adjustments on foreign exchange and financial derivatives		84 034	168 890	-121 493
Net value adjustments on interest-bearing securities		-367 665	96 027	-144 314
Total income		**4 660 596**	**3 837 424**	**16 272 596**
Salaries, administration and other operating expenses				
Salaries and personnel expenses		-1 357 271	-1 212 959	-5 135 448
Administrative and other operating expenses		-418 233	-470 452	-1 944 230
Net salaries, administration and other operating expenses		**-1 775 505**	**-1 683 411**	**-7 079 678**
Total depreciation and impairment of fixed and intangible assets	**8**	**-182 544**	**-302 155**	**-1 225 841**
Total operating expenses		**-1 958 048**	**-1 985 566**	**-8 305 519**
Operating result		**2 702 547**	**1 851 858**	**7 967 077**
Loan loss provisions (IFRS - 9)	**4**	-167 732	191 267	-16 682
Impairments (Credit Loss)		0	0	
Profit (+) / Loss (-) for the period before tax		**2 534 816**	**2 043 125**	**7 950 395**
Tax Payable	**5**			-1 817 285
Deferred tax				-1 039 760
Total tax		**-633 704**	**-510 781**	**-2 857 044**
Result for the period after tax		**1 901 112**	**1 532 343**	**5 093 351**
Comprehensive result for the period		**1 901 112**	**1 532 343**	**5 093 351**

- *Q1 numbers (2022 and 2021) are not audited.*

Balance Sheet

Assets		2022	2021	2021
- In USD	Note	31.03.2022	31.03.2021	31.12.2021
Cash and balances at Central Bank		**7 900 956**	**8 112 794**	**7 832 345**
Lending to and receivables from credit institutions		**90 235 650**	**45 464 813**	**90 907 732**
Lending to customers	4	317 571 618	275 387 732	315 519 007
Loss provisions on loans to customers	4	-1 613 028	-1 210 986	-1 445 296
Net lending to cutomers		**315 958 590**	**274 176 746**	**314 073 711**
Certificates, bonds and other receivables				
Commercial papers and bonds valued at market value	4	179 609 259	174 892 023	128 910 217
Commercial papers and bonds valued at amortised cost		0	0	0
Certificates, bonds and other receivables		**179 609 259**	**174 892 023**	**128 910 217**
Shares		**109 594**	**80 000**	**111 713**
Intangible assets				
Deferred tax assets		0	0	0
Other intangible assets	8	212 610	989 137	309 619
Total intangible assets		**212 610**	**989 137**	**309 619**
Fixed assets				
Fixed assets	8	2 232 777	600 536	325 356
Total fixed assets		**2 232 777**	**600 536**	**325 356**
Other assets				
Financial derivatives	9	2 212 016	3 745 378	1 548 715
Other assets		87 683	101 341	30 692
Total other assets		**2 299 698**	**3 846 719**	**1 579 407**
Expenses paid in advance				
Prepaid, not accrued expenses		491 286	250 615	335 888
Total prepaid expenses		**491 286**	**250 615**	**335 888**
TOTAL ASSETS		**599 050 421**	**508 413 383**	**544 385 987**

Liabilities and shareholders equity				
- In USD		31.03.2022	31.03.2021	31.12.2021
Liabilities				
Loans and deposits from credit institutions		1 956 936	580 672	0
Deposits from and liabilities to customers		468 223 785	386 048 182	417 025 594
Total loans and deposits		**470 180 721**	**386 628 855**	**417 025 594**
Other liabilities				
Financial derivatives	9	3 040 500	2 467 093	5 089 149
Other liabilities	10	7 621 480	3 193 255	4 604 940
Total other liabilities		**10 661 981**	**5 660 348**	**9 694 089**
Accrued expenses and received unearned income				
Accrued expenses and received unearned income	10	881 365	1 018 374	729 588
Total accrued expenses and received unearned income		**881 365**	**1 018 374**	**729 588**
Total Liabilities		**481 724 067**	**393 307 577**	**427 449 270**
Shareholders equity				
Paid-in capital				
Share capital	11	9 708 655	9 708 655	9 708 655
Share premium account		94 148 865	94 148 864	94 148 865
Total paid-in capital		**103 857 520**	**103 857 519**	**103 857 520**
Other Equity				
Retained earnings, other		-481 808	-256 234	-499 651
Retained earnings		13 950 642	11 504 521	13 578 849
Total other equity		**13 468 834**	**11 248 287**	**13 079 198**
Total shareholder equity		**117 326 354**	**115 105 806**	**116 936 717**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**599 050 421**	**508 413 383**	**544 385 987**

Statement of Equity

- In USD	Share capital	Share premium	Retained earnings	Other free equity	Total equity
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			5 232 715		5 232 715
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			1 532 344	0	1 532 344
Equity as per 31.03.2021	9 708 655	94 148 865	11 504 520	-256 234	115 105 806
Employee stock option				22 839	22 839
Dividend payment			-1 486 680		-1 486 680
Profit			1 382 380	0	1 382 380
Equity as per 30.06.2021	9 708 655	94 148 865	11 400 221	-233 395	115 024 346
Employee stock option				11 737	11 737
Profit			1 635 432	0	1 635 432
Equity as per 30.09.2021	9 708 655	94 148 865	13 035 653	-221 658	116 671 515
Employee stock option				-277 993	-277 993
Profit			543 195	0	543 195
Equity as per 31.12.2021	9 708 655	94 148 865	13 578 849	-499 651	116 936 717
Employee stock option				17 843	17 843
Declared dividend			-1 529 318		-1 529 318
Profit			1 901 112	0	1 901 112
Equity as per 31.03.2022	9 708 655	94 148 865	13 950 643	-481 808	117 326 354

Statement of Cash Flows

- In USD	2022	2021
Cashflow from operational activities		
Profit before tax	2 534 816	7 950 395
Change in loans to customers excluding accrued interest	-1 694 723	-45 231 158
Change in deposits from customers excluding accrued interest	49 848 344	32 298 092
Change in loans and deposits from credit institutions	1 956 936	-35 199 014
Change in certificates and bonds	-50 699 042	83 273 477
Change in shares, mutual fund units and other securities	2 119	-27 954
Change in financial derivatives	-2 711 949	1 353 378
Change in other assets and other liabilities	2 955 929	892 081
Interest income and related income from customers	-5 441 972	-18 889 590
Interest received from customers	5 251 817	18 612 826
Net interest expenses and related expenses to customers	1 386 102	4 195 172
Interest paid to customers	-36 254	-4 195 172
Ordinary depreciation	182 649	1 225 840
Other non cash items	-1 926 394	-399 882
Net cash flow from operating activities	**1 608 375**	**45 858 491**
Payments for acquisition of assets	0	0
Net cash flow from investing activities	**0**	**0**
Issuance of equity	0	0
Lease payments	-82 174	-319 453
Dividend payments	0	-1 486 680
Net cash flow from financing activities	**-82 174**	**-1 806 133**
Effect of exchange rate changes and other	**-2 129 673**	**-2 353 203**
Sum cash flow	**-603 472**	**41 699 155**
Net change in cash and cash equivalents	-603 472	41 699 155
Cash and cash equivalent as per 01.01.	98 740 077	57 040 922
Cash and cash equivalent as per 31.03.	**98 136 606**	**98 740 077**

Notes 31.03.2022.

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 2022 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU. The interim report for the first quarter 2022 is prepared using the same accounting principles and calculation methods as described in the Annual Report 2021.

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	**31.03.2022**	**31.12.2021**	**31.03.2021**
Share capital	9 709	9 709	9 709
+ Other reserves	107 618	107 228	105 397
- Dividend	-	- 1 528	- 1 471
- Deferred tax assets and intangible assets	- 213	-310	- 989
- This year's result	-1 901	-	-1 532
- Adjustments to CET1 due to prudential filters	-185	-136	-181
Common Equity Tier 1 (CET 1)	**115 028**	**114 963**	**110 933**
Calculation basis			
Credit Risks			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	18 172	17 893	9 902
+ Companies	301 636	313 960	256 304
+ Covered bonds	16 408	11 378	15 917
+ Shares	110	112	80
+ Other assets	2 812	692	952
Total Credit risks	**339 138**	**344 035**	**283 155**
+ Operational risk	30 823	30 545	27 482
+ Counterparty risk derivatives (CVA-risk)	1 765	1 867	2 324
Total calculation basis	**371 726**	**376 447**	**312 961**
Capital Adequacy			
Common Equity Tier 1 %	**30.94 %**	**30.54 %**	**35.45 %**
Total capital %	**30.94 %**	**30.54 %**	**35.45 %**

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
- ESG

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.

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 1,8015.

Exposure in the scenario model is the same as at 31.03.2022.

Loss Allowance and Impairments

Loss allowance	31.03.2021	31.03.2021	31.12.2021	31.12.2020
Step1	649 263	499 013	618 860	659 824
Step2	963 765	711 973	826 436	779 360
Step3	0	0	0	0
Sum	1 613 028	1 210 986	1 445 296	1 439 184
Allowance/Loan Ratio	0,51 %	0,44 %	0,46 %	0,53 %
Impairments	0	0	0	386 435

Based on the market for bulker and tanker vessels in Q1, the loss allowance has had a small negative development compared to year-end 2021.

Loans where no loss provision has been recognized due to collateral:
31.03.2022: 0
31.03.2021: 0

Remaining exposure from credit impaired loans and loss exposed loans:

31.03.2022	**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**

31.03.2021	**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**

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

Scenario (USD 1000)	**Expected Loss allowance**
Vessel value up 30%	839
Unchanged	895
Vessel value down 30%	2 416

31.03.2022

	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 31.12.2021	618 860	826 436	-	1 445 296
Lending to customers 31.12.2021	299 883 739	15 635 268	-	315 519 007
				-
Changes				-
Transfer to Step 1	-	-	-	-
Transfer to Step 2	-	-	-	-
Transfer to Step 3	-	-	-	-
Reclassification	- 27 541	29 283	-	1 742
Amortization	- 144 024	- 2 029		- 146 053
New commitments	237 413			237 413
Effect of Scenario Adjustment	- 35 445	110 075		74 630
Allowance as of 31.03.2022	**649 263**	**963 765**	**-**	**1 613 028**
Lending to customers 31.03.2022	302 473 559	*15 098 059*	-	*317 571 618*
Loans not disbursed	0			
Allowanse: Loans not dispursed	-			-
Net Change in Loss allowance	**30 403**	**137 329**	**0**	**167 732**

(1) Amortisations and changes in individual assessments

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

Credit risk: Total

31.03.2022

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central bank	7 900 956					7 900 956
Deposits with credit institution	90 235 650					90 235 650
Certificates and bonds	179 609 259					179 609 259
Shares and other securities			109 594			109 594
Loans to customers		111 132 128	206 439 490	0	0	317 571 618
Total	**277 745 865**	**111 132 128**	**206 549 084**	**0**	**0**	**595 427 077**

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			

Lending to customers by segment

	Q1 2022		Q1 2021		Q4 2021	
Sector	**USD**	**Share %**	**USD**	**Share %**	**USD**	**Share %**
Bulk	136 238 224	43 %	72 889 486	27 %	111 378 209	35 %
Container	69 865 756	22 %	78 315 450	28 %	76 986 638	24 %
Tank	91 460 626	29 %	113 769 558	41 %	112 955 804	36 %
Gas	16 831 296	5 %	5 485 246	2 %	10 727 646	3 %
Specialized	3 175 716	1 %	4 927 992	2 %	3 470 709	1 %
Offshore	-	0 %	-	0 %	-	0 %
Sum	**317 571 618**	**100 %**	**275 387 732**	**100 %**	**315 519 007**	**100 %**

Bonds and certificates: Risk Weight

Risk Weight	Q1 2022 Fair Value	Q1 2021 Fair Value	2021 Fair Value
0 %	15 530 058	15 725 503	15 127 481
10 %	164 079 201	159 166 520	113 782 736
20 %			
100 %			
Total	**179 609 259**	**174 892 023**	**128 910 217**

Bonds and certificates: Rating

Rating	Q1 2022 Fair Value	Q1 2021 Fair Value	2021 Fair Value
AAA	173 667 836	168 740 753	123 003 838
AA+	5 941 423	6 151 270	5 906 379
AA	0		0
A	0		0
Total	**179 609 259**	**174 892 023**	**128 910 217**

Bonds and certificates: Sector

Sector	Q1 2022 Fair Value	Q1 2021 Fair Value	2021 Fair Value
Supranationals	2 423 640	15 725 503	2 408 519
Local authority	13 106 417	159 166 520	12 718 962
Credit Institutions	164 079 201		113 782 736
Bank			
Total	**179 609 259**	**174 892 023**	**128 910 217**

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). USD will be replaced with a new reference rate in June 2023 (SOFR). NIBOR and EURIBOR reference rates might be replaced with other reference rates going forward. Changes in reference rates can 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	2 534 816	22 149 604
Tax related agio on equity	-	-
Basis for Tax Calculation	2 534 816	22 149 604
Calculated Tax (25%)	**633 704**	**5 537 401**

2) Full currency agio on Equity (Previous method)

	USD	NOK
Profit Before Tax	2 534 816	22 149 604
Tax related agio on equity	-1 077 856	-9 418 471
Basis for Tax Calculation	1 456 960	12 731 133
Calculated Tax (25%)	**364 240**	**3 182 783**

The calculated tax for the period is 14.4% 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.

31.03.2022

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	179 609	0	179 609
Shares and other securities	0	0	0	0
Financial derivatives	0	2 212	0	2 212
Total financial assets	**0**	**181 821**	**0**	**181 821**
Financial derivatives	0	3 041	0	3 041
Total financial liabilities	**0**	**3 041**	**0**	**3 041**

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**

Note 7, Financial pledges

The Bank has received NOK 17 100 000 of deposits as collateral for financial derivatives.

Note 8, Other intangible assets and fixed assets

- In USD	**31.03.2022**		**31.03.2021**	
	Other intangible assets	**Property, plant and equipment**	**Other intangible assets**	**Property, plant and equipment**
Cost or valuation at 01.01	4 309 246	1 356 789	4 446 666	1 400 057
Exchange and other adjustments	39 181	42 469	10 693	3 367
Introduction of right to use-asset				
Additions		1 959 964		
Disposals				
Cost or valuation at end of period	**4 348 427**	**3 359 222**	**4 457 359**	**1 403 424**
Accumulated depreciation and impairment at 01.01.	-3 999 627	-1 031 434	-3 237 478	-731 668
Exchange and other adjustments	-37 982	-10 674	-363	554
Depreciation charge this year	-98 208	-84 336	-230 382	-71 773
Disposals				
Accumulated depreciation and impairment at end of period	**-4 135 817**	**-1 126 444**	**-3 468 223**	**-802 887**
Balance sheet amount at end of period	**212 610**	**2 232 778**	**989 137**	**600 536**
Economic lifetime	*5 years*	*3 years*	*5 years*	*3 years*
Depreciation schedule	*Linear*	*Linear*	*Linear*	*Linear*

Fixed assets	31.03.2022	31.03.2021
Right to use assets	2 222 358	568 065
Other	10 420	32 472
Sum fixed assets	2 232 778	600 536

LIABILITIES

Note 9, Other assets and financial derivatives.

31.03.2022

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	160 000		1 385 035	1 598	3 041
Buy/Sell EUR against NOK		9 880	100 666	614	0
Total Currency Derivatives	**160 000**	**9 880**	**1 485 701**	**2 212**	**3 041**

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**

Note 10, Other Liabilities and accrued cost

- In USD	**31.03.2022**	**31.03.2021**
Account payables	97 706	81 281
Tax withholdings	142 542	121 378
VAT payable	76 543	48 057
Tax payable	1 672 048	1 141 400
Deferred tax	1 603 320	1 080 756
Lease liability	2 230 606	573 555
IFRS-9 Allowance (loans not disbursed)	-	26 362
Other liabilities	1 798 715	120 465
Total other liabilities	**7 621 480**	**3 193 255**
Holiday pay and other accrued salaries	779 363	720 874
Other accrued costs	102 002	297 500
Total accrued costs	**881 365**	**1 018 374**

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	Société Générale		757 847	9.3 %
4	Deutsche Bank Aktiengesellschaft		666 700	8.2 %
5	Canomaro Shipping 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	Thabo Energy AS		118 526	1.5 %
	Others		1 285 907	15.7 %
		Total	**8 170 048**	**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.