# Maritime & Merchant Bank ASA

# Financial Report

# 30.06.2023

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# Financial Report 30.06.2023

The profit for the period 01.01 - 30.6.2023 before tax was USD 9 435 628 (USD 5 860 901 30.6 2022) and profit after tax is USD 7 076 654 (USD 4 395 676 30.6 2022). The bank has no credit losses or distressed loans. The return on equity before tax was 14.8 % (11.3% 30.6 2022).

For shipping analysts, the release of the Chinese GDP numbers is always followed with specific interest, as it gives directions for the development of the container and dry bulk market, but as well for other shipping segments. For the second quarter 2023 the figure was 6.3 % (OECD/IMF) and below the market expectations of 7.3 %, however up from the first quarter 4.5%, and all in all interpreted as a step in the right direction in the Chinese recovery process, which is decisive for a positive development in the dry bulk and container trade in the second half of 2023.  Looking towards the western part of the world, it is not too much to find encouraging for the shipping industry (besides the tankers), as the figures for GDP growth and industrial production for the Europe, USA and OECD are showing +/- flat or slightly negative trend (OECD/IMF).

The tanker market continues to be a strong performer, though with the usual volatility that belongs to this segment as such, but this time around on a high level for all deep-sea segments. Disruptions caused by the Ukrainian-Russian war and various geo-political issues are still working as positive drivers for the tanker market with asset values in par with historical tops. The supply side gives support to a further interesting development with an estimated 5% of the sailing fleet in the order book (Clarksons).

Dry bulk market started to lose its momentum already in the first quarter and has not been able to bounce back. The already mentioned uncertainty regarding the Chinese economic recovery is a vital part of this negative development, and again, an upswing in China is the key to corresponding recovery in the drybulk market during 2nd half of 2023; and this is not an unrealistic option. The freight rates have in periods been pressed down towards break-even levels, but so far without dramatic drop in ship prices; 7% is estimated by Clarksons. However, if the development goes from bad to worse in the freight market in the coming months this figure will certainly start to move.

As the short-term consequences of the above situation is mostly positive in terms of increased ton-miles for the shipping industry; the other major questions are however how the global economy will develop with steeply increasing raw material prices, continued supply challenges and not at least a global inflation threat. IMF has already warned us in their World Economic Outlook published in July and clearly dampening down the expectations for growth in global GDP (3.2%) as result of all the turmoil and unrest in the total picture. As always, it is difficult to predict the direct consequences for the shipping industry as such when trying to establish a scenario for the global economy. Short-term, as pointed above, we think there is a fair reason for expecting maintained good freight markets for container, drybulk and tankers. If we extend the horizon, the decisive factors will be how the inflation threat will be dealt with and how this will influence the demand and industrial production globally.

The revision of the container market continues as expected, as we are operating clearly between a ‘’pre’’ and ‘’post’’ Covid-19 and the severe operational issues in that context, which created the historic freight market. The aggressive contracting activity since the end of the pandemic has resulted in an order book of massive 26% which are throwing a dark shadow over the expectations for the next 2-4 years. Phasing out of the older part of the fleet will be one of the key factors to stabilize the market.  The current market still provides attractive rates in the historic picture. A 4400 TEU vessel made USD 11.000/day pre-covid and peaked at USD 67.000/day and is currently at USD 22.000/day.

***Profit for the period (01.01-30.06)***

The profit for the period before tax is USD 9 435 628 (USD 5 860 901 - 30.06.2022) and profit after tax is USD 7 076 654 (USD 4 395 676 - 30.06.2022).

Net interest income and related income totalled USD 12 877 940 (USD 9 894 992), and other Income (including financial derivatives and fixed income instruments) was USD 551 774 (USD 132 644).

Operating expenses before impairments and losses totalled USD 4 232 064 (USD 3 936 400). The Cost/Income ratio came in at 31.5% (39.3%).

Loss allowance (Expected Loss) decreased with USD 237 978 (increased USD 230 336). Credit Loss (Write Offs) was USD 0 (USD 0).

| | **2023** | **2022** | **2023** | **2022** | **2022** |
|---|---|---|---|---|---|
| | **01.04 - 30.06** | **01.04 - 30.06** | **01.01- 30.06** | **01.01 - 30.06** | **01.01 - 31.12** |
| Interest Income | 11 076 520 | 6 673 180 | 22 308 361 | 12 631 648 | 30 289 164 |
| Interest Expense | -4 855 255 | -1 608 540 | -9 430 422 | -2 736 656 | -8 683 851 |
| **Net Interest Income** | **6 221 264** | **5 064 640** | **12 877 940** | **9 894 992** | **21 605 313** |
| Other Income | 337 520 | 302 401 | 551 774 | 132 644 | 535 387 |
| **Total Income** | **6 558 784** | **5 367 041** | **13 429 714** | **10 027 637** | **22 140 701** |
| Operating Expense | -2 105 513 | -1 978 352 | -4 232 064 | -3 936 400 | -8 044 695 |
| **Operating Result** | **4 453 271** | **3 388 689** | **9 197 650** | **6 091 236** | **14 096 006** |
| Loss Allowance | 76 144 | -62 604 | 237 978 | -230 336 | -468 723 |
| Write Off (Credit Loss) | | | | | |
| **Sum Impairment** | **76 144** | **-62 604** | **237 978** | **-230 336** | **-468 723** |
| **Profit Before Tax** | **4 529 415** | **3 326 085** | **9 435 628** | **5 860 901** | **13 627 283** |
| Tax* | -1 132 354 | -831 521 | -2 358 975 | -1 465 225 | -6 438 587 |
| **Profit After Tax*** | **3 397 061** | **2 494 564** | **7 076 654** | **4 395 676** | **7 188 696** |

**see deferred taxes and payable tax on page 8*

Q1-23 numbers restated for interest income from customers and Net value adjustment on foreign exchange

***Profit for the period (01.04-30.06)***

The profit for the period before tax is USD 4 529 415 (USD 3 326 085 in Q2 2022) and profit after tax is USD 3 397 061 (USD 2 494 564 Q1 2022).

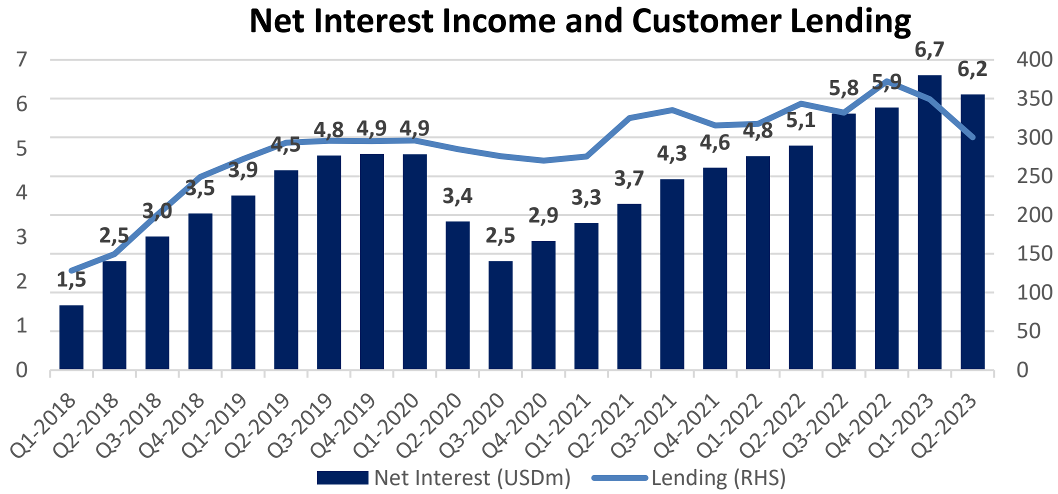
Net interest income and related income totalled USD 6 221 264 (USD 5 064 640), and other Income (including financial derivatives and fixed income instruments) was USD 337 520 (USD 302 401).

Operating expenses before impairments and losses totalled USD 2 105 513 (USD 1 978 352). The Cost/Income ratio came in at 32.1% (37%).

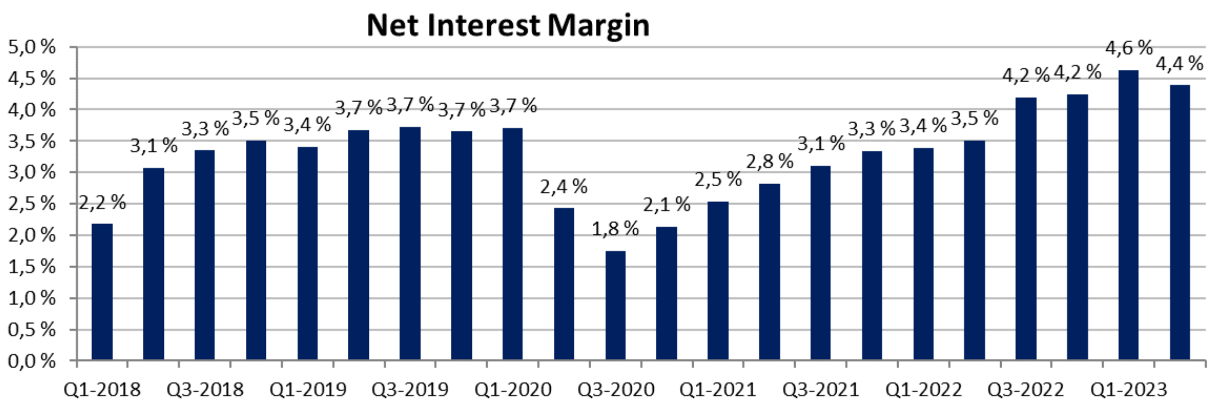
Loss allowance (Expected Loss) decreased USD 76 144 (increased USD 62 604). Credit Loss (Impairments) was USD 0 (USD 0)

***<u>Net interest income and related income</u>***

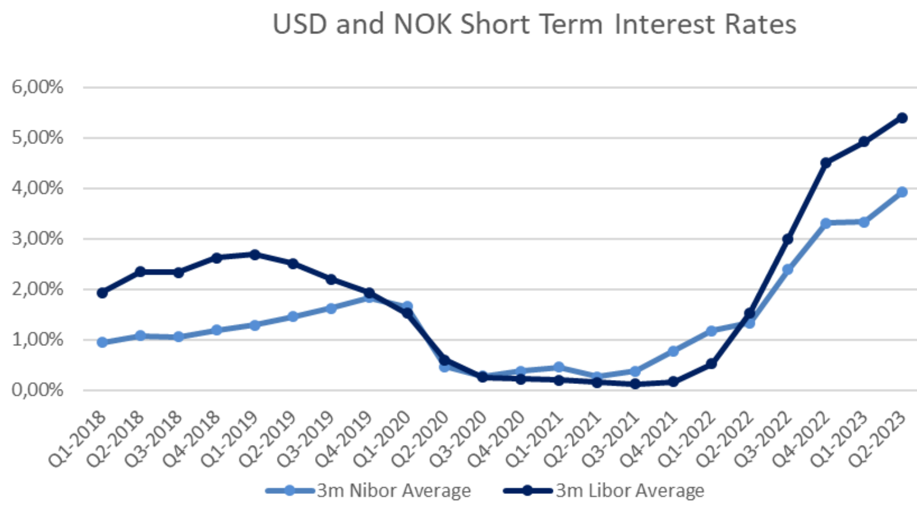
Net interest income and related income totalled USD 6 221 264 in Q2 (USD 5 065 640 in Q2 2022).




Net interest margin decreased to 4.4% in Q2-2023 from 4.6% in Q1-2023. Higher marked rates partly offset lower lending volumes.




Money market rates (daily average) in USD and NOK are on an upward trend caused by Central Banks hiking rates.




*(Source: Infront, Maritime & Merchant Bank ASA)*

***Net other Income***
Net other income amounted to USD 337 520 in Q2 2023 (USD 302 401 in Q2-2022 ).

Value adjustments on derivatives and hedging instrument in Q2 was USD 302 645 (USD 436 278 in Q2-2022).

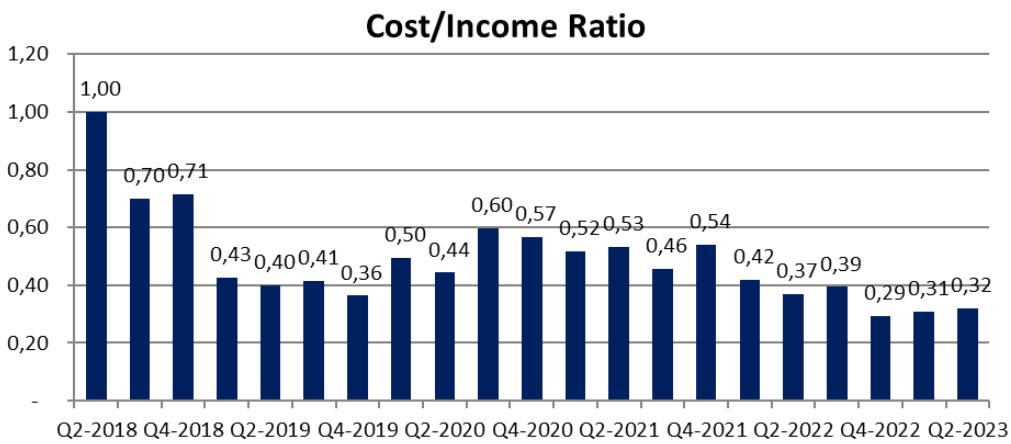
Net value adjustments on bonds was USD -49 381 due to widening credit spreads (USD- 309 166 in Q2-2022).

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

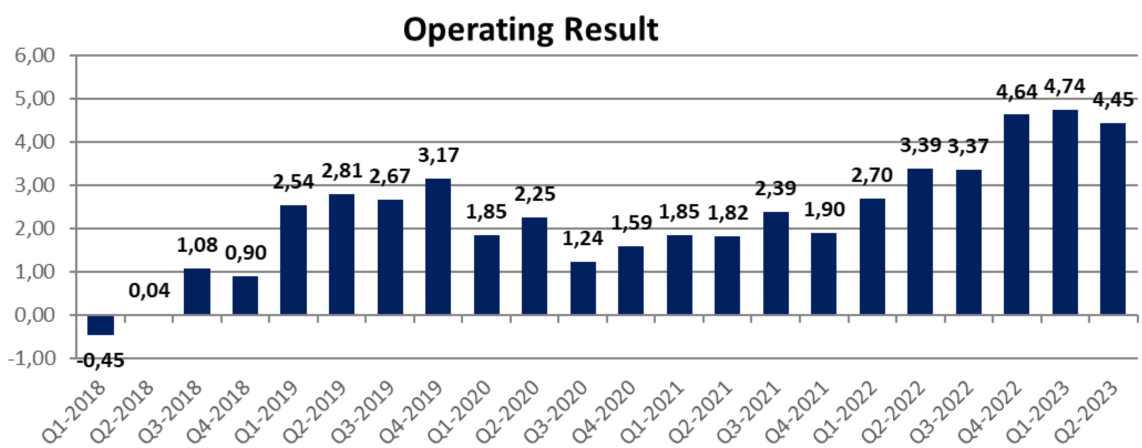
Net commissions amounted to USD 84 255 in Q2 (USD 175 289 in Q2-2022).

***Total operating expenses before impairments and losses***
Operating expenses before impairments and losses totalled USD 2 105 513 in Q2 (USD 1 978 352 in Q2-2022). Salaries and personnel expenses, including social costs, amounted to USD 1 375 891 (USD 1 432 167 in Q2-2022) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 90 631 (USD 140 878 in Q2-2022). The Cost/Income ratio came in at 32.1% in Q2 (37% in Q2-2022).




***Operating result***
Operating result in Q2 amounted to USD 4 453 271 (USD 3 388 689 in Q2-2022).



***Loan and Loan Loss provisions***

Maritime & Merchant Bank ASA has lent USD 300 247 857 (USD 343 538 073 in Q2 2022) to customers.

The Bank has made USD 1 676 041 (USD 1 675 631) in loss allowance (IFRS 9). Change in loss allowance this quarter amounts to USD -76 144 (USD 62 604).

The credit quality of the majority of the loans (measured by PD – Probability of Default) to the bulker and container segment continues to be on satisfactory levels. The lower rates in the bulk market have not been fully reflected in the second hand values as of yet, implying that the expectation in the market is that the rates will pick up again.

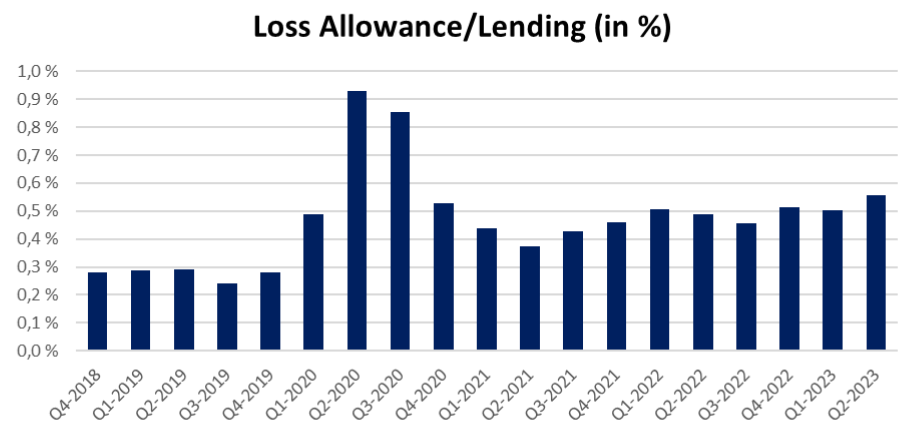
The credit quality (measured by PD) of the tanker portfolio has gone up slightly due to new loans being paid out on higher vessel values during the last quarter. Loss Allowances at the end of Q2 compared to those at the end of Q1 2023 have gone down slightly mostly due to a decrease in the overall credit portfolio as a consequence of sale of vessels, but the loss allowance in % of lending has gone sightly up.

All commitments (100 %) are in step 1 (97.1 % in Q2-2022).

The bank has no defaulted or non-performing loans by the end of the Q2.

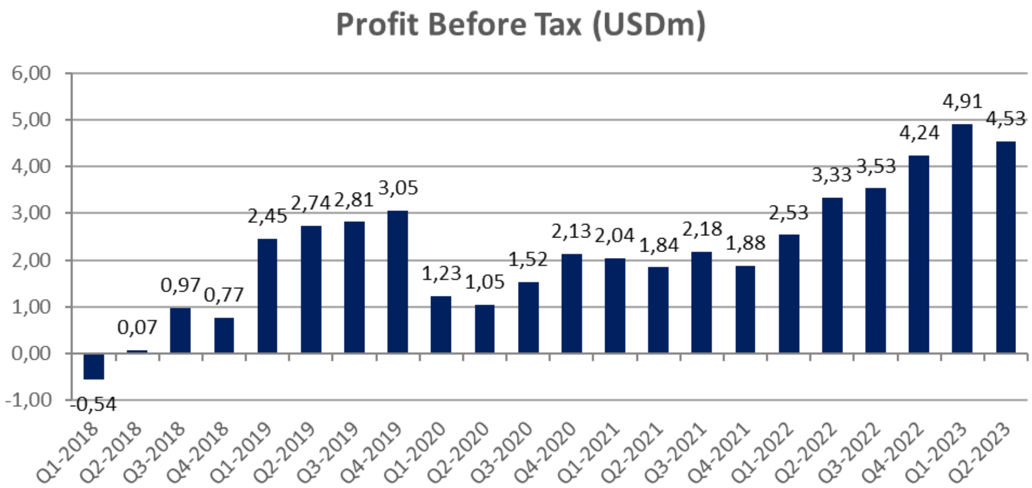
| Loss allowance | **30.06.2023** | **30.06.2022** | **31.12.2022** | **31.12.2021** |
|---|---|---|---|---|
| Step1 | 1 183 576 | 746 156 | 1 345 649 | 618 860 |
| Step2 | 492 465 | 929 475 | 568 370* | 826 436 |
| Step3 | 0 | 0 | 0 | 0 |
| Sum | 1 676 041 | 1 675 631 | 1 914 019 | 1 445 296 |
| Loss Allowance/Loan Ratio | 0,56 % | 0,49 % | 0.51% | 0.46% |
| Impairments | 0 | 0 | 0 | 0 |
| Non performing Loans | 0 | 0 | 0 | 0 |

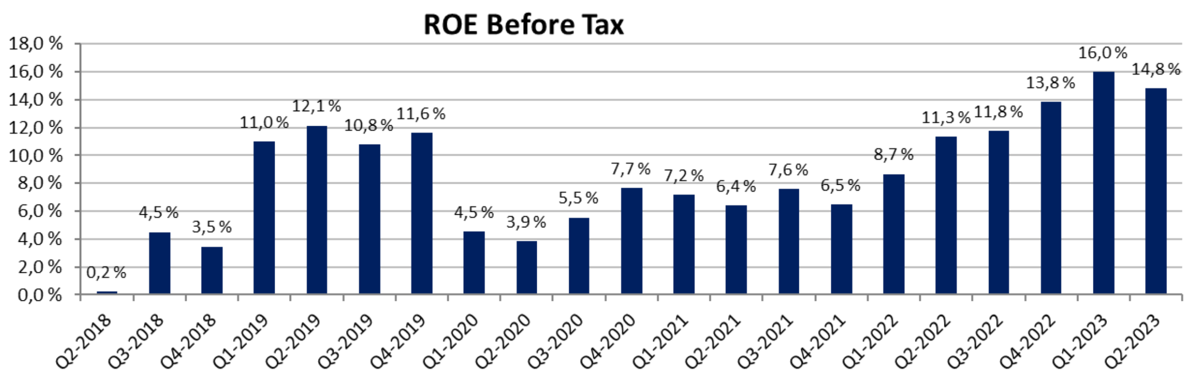
**Loss allowance in step 2 is a result of anticipated migration in the negative macro scenario*



***Profit before tax***

Profit before tax amounted to USD 4 529 415 in Q2 (USD 3 326 085 in Q2-2022).
Return on equity before tax was 14.77% (11.4% in Q2-2022).




***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.

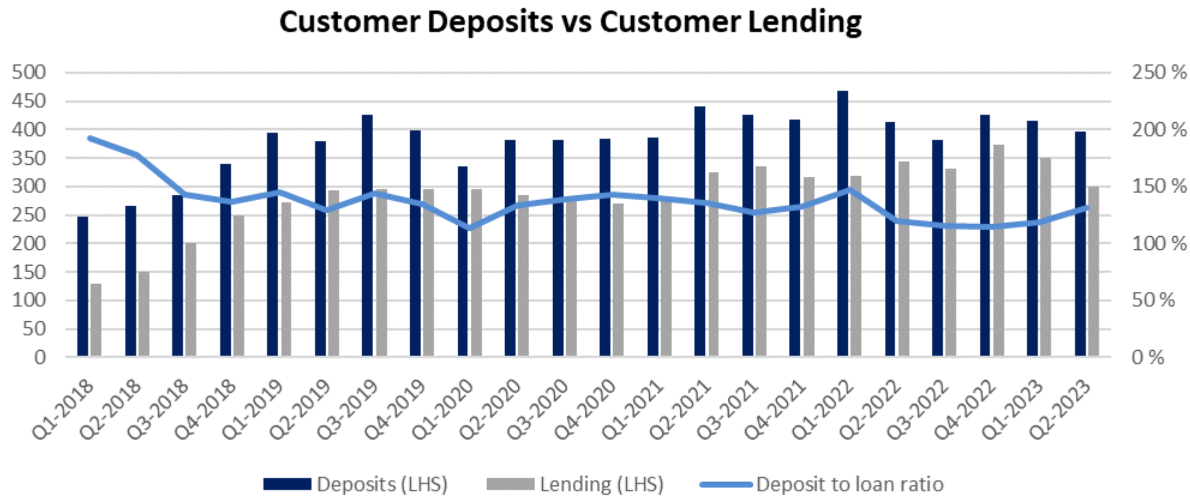
Common 25% corporate tax rate is used in the first two quarters of 2023.
If there is no decision (or a negative one) from the Ministry of Finance within the fiscal year, we will incorporate a full agio effect in Q4 2023. The agio effect (extra taxable income/cost) will be a result of the USDNOK exchange rate at year end. USDNOK 31.12.2022 was 9.85535, and ended at 10.77985 as of 30.06.2023.

The agio effect (unintended taxable income/cost) for YTD 2023 is positive NOK 113 415 648. This “phantom” income will result in an increased tax of NOK 28 353 912 (USD 2 630 270).

See Note 5, Tax Calculation.

***Deposit and Liquidity***

Customer deposits amounted to USD 395 537 313 in Q2-2023 (USD 413 063 745 in Q2-2022).




The deposit to loan ratio was 132% at the end of Q2 2023 (120% in Q2 -2022).

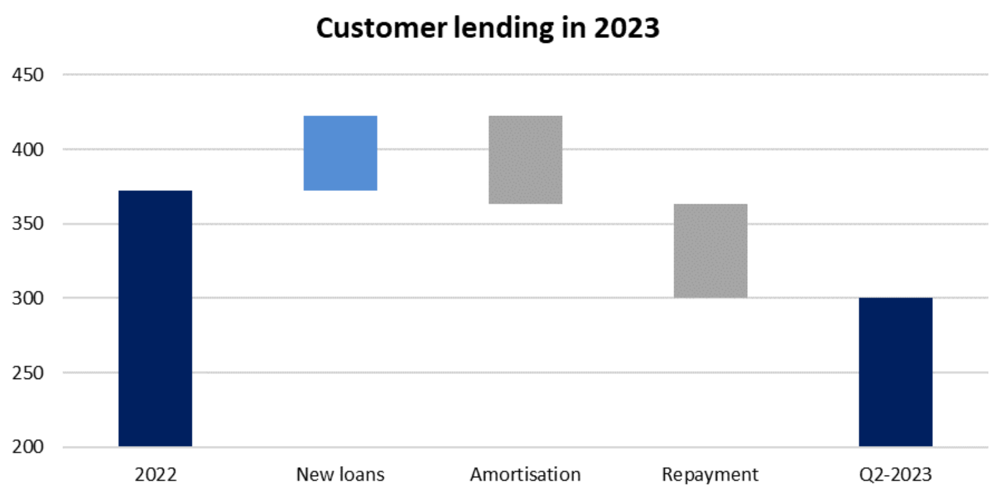
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 258 million was mainly invested in interest-bearing securities, deposits in major banks and in Bank of Norway. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 722% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 135% (above a minimum requirement of 100%).

***Total Assets and Lending***

Total assets ended at USD 558 289 096in Q2 2023 (USD 560 072 089 in Q2 2022).

Lending to customer decreased from USD 372 312 813 in Q4 2022 to USD 300 247 857 in Q2 2023 (USD 343 538 073 in Q2-2022).




***Solvency***

Core equity ratio (CET1) was 37.18% 30.06.2023 (32.82% 30.06.2022).
The Bank has not issued any subordinated or perpetual bonds.
The Bank paid USD 4 000 000 in dividend for 2022 in May-2023.

# Risk factors

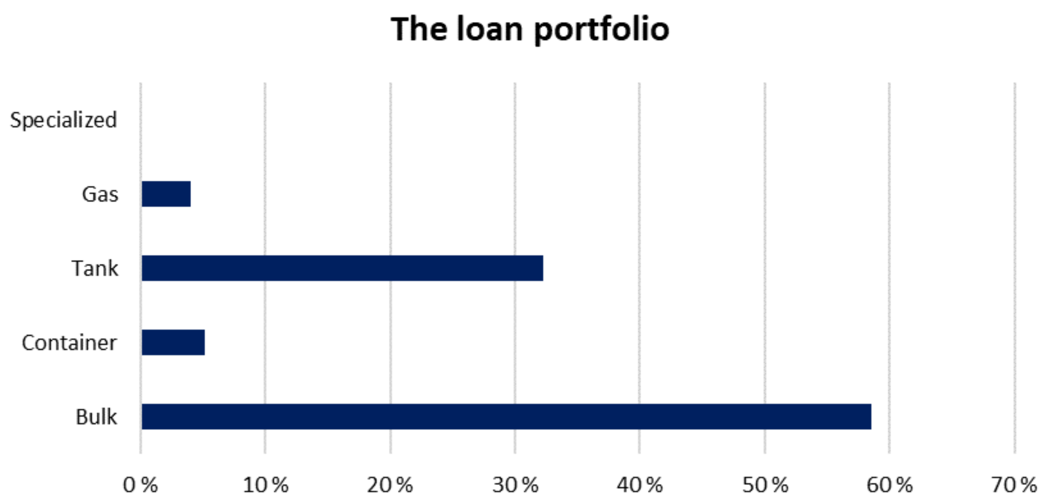
## Credit risk

The average weighted quality of the portfolio is moderate risk, and the portfolio has a strong concentration around the mid-point compared to the more diversified distribution in 2020 and 2021. The risk in the bulker segment has gone up during the first half of the year due to the volatile bulk market and some movement in the vessel values.

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. In combination with an estimated moderate Default Probability, the moderate loan-to-value ratios provide for a sound credit portfolio with a limited potential for future losses, in particular since 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 (58.5%), tankers (32.3%), container vessels (5.2%), LPG (gas) (4%) 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.

## ESG risk

The International Maritime Organization's (IMO) regulations with regards to the Carbon Intensity Indicator (CII) was introduced on 1 January 2023. This measures how much CO2 each ship emits annually. The vessels will be measured throughout 2023 for a 12-month emission period based on a detailed and extensive formula. During the beginning of 2024 each vessel will be assigned a rating from A to E based on the prior year's data.

Vessels that receive an A to C rating are in the clear and compliant, however, vessels receiving a D rating for three consecutive years or an E rating will have to put forward a corrective action plan on how to receive a

C rating or better during the coming 12 months. Example of a corrective action plan might be installation of Engine Power Limitation (EPL), permanent slow steaming, or for the vessel to change fuel. The trajectory to obtain the rating classes A to E is lowered each year, thereby becoming increasingly rigorous towards 2030.

The Bank and the shipping industry do not know yet how these CII ratings will impact second hand values and time charter rates, if at all, and we will monitor this closely going forward to be able to pick up on trends in the market that might influence our portfolio and when doing new facilities.

***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.

| | **30.06.2023** | **30.06.2022** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
|---|---|---|---|---|---|
| LCR | 722% | 482% | 450% | 564% | 353% |
| Deposit Ratio *(1)* | 71% | 74% | 74% | 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.

***AML risk:***

Risk related to money laundering and terrorist financing represents an inherent operational risk. The bank works systematically to prevent products and services from being used to criminal activity. To understand the risk in own business, a business-oriented risk assessment has been prepared. The risk assessment sheds light how the business can be misused for money laundering or terrorist financing, hereunder including vulnerabilities of the bank, and it forms thus the basis for the customer measures which be implemented. The risk assessment is based on external sources, own insight and experience. The assessment updated at least annually, but more frequently in connection with relevant changes in threats against or vulnerabilities of the bank, e.g. new relevant criminal modes that the bank becomes aware of or new systems taken into usage.

Systematic work is being done to strengthen professional competence in the day-to-day execution of anti-money laundering work. All employees receive regular training in the money laundering regulations, both through e-learning and classroom teaching.

Customer portfolios and customer information will be current reviewed and followed up. The bank must know its own customers and information is therefore obtained about the customers both at establishment and on an ongoing basis the customer relationship. The knowledge of who the customers are and how they plan to use the bank will contribute to reveal whether a customer's use of the bank can entail a risk of money laundering or terrorist financing.

All transactions are subject to transaction monitoring. If something suspicious is discovered, this is investigated in more detail and possibly reported to Ecocrime.

***Sanction risk:***

The Bank is subject to the Sanctions Act, and through it imposed a number of duties to prevent violations of or circumvention of international sanctions. The sanctions regulations are complex and changing rapidly. That is why it is important that the bank has a focus on and knowledge of sanctions and regulations, and has a risk-based routine work in place.

In order to comply with the Sanctions Act, there is close follow-up of own customers through familiarity with customers' business, monitoring of transactions and screening of international payments against sanctions lists. A separate risk assessment relating to sanction risk is prepared.

***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 | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|
| Cost/Income Ratio | 31.5% | 39.3% | 36.3% |
| Return on Equity before tax | 15.4% | 10.0% | 11.6% |
| Net Income Margin | 4.75% | 3.64% | 4.0% |
| Net Interest Margin | 4.55% | 3.59% | 3.9% |
| Deposit to loan Ratio | 132% | 120% | 114% |
| LCR | 722% | 482% | 450% |
| NPL Ratio | 0% | 0% | 0% |
| Equity Ratio (CET1) | 37.2% | 32.8% | 33.3% |
| Loss allowance/Loan ratio | 0.56% | 0.49% | 0.51% |

*Ratio formulas, se Appendix 1*

**Outlook**

The shipping industry, providing global seaborne transport, is closely related to the economic development and industrial production in the world. Inflation and various geo-political issues are causing uncertainties and cautiousness. On the other hand, the global need for safe and reliable supply of vital commodities is higher than ever and the shipping industry is the key factor. We will continue to work hard to support all our clients who are investing in the future development of international shipping.

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**Oslo August 15th, 2023**

Board of Directors, Maritime & Merchant Bank ASA

# Statement of Profit & Loss

| *- In USD* | *Note* | 2023 01.04 - 30.06 | 2022 01.04 - 30.06 | 2023 01.01 - 30.06 | 2022 01.01 - 30.06 | 2022 01.01 - 31.12 |
|---|---|---|---|---|---|---|
| **Interest income and related income** | | | | | | |
| Interest income from customers (effective Interest method) | | 8 855 189 | 5 947 275 | 18 427 877 | 11 389 247 | 26 240 049 |
| Interest from certificates and bonds | | 1 210 460 | 584 955 | 2 281 200 | 1 013 160 | 2 588 594 |
| Interest from credit institutions (effective interest method) | | 1 010 871 | 140 950 | 1 599 284 | 229 241 | 1 460 521 |
| **Total interest income and related income** | | **11 076 520** | **6 673 180** | **22 308 361** | **12 631 648** | **30 289 164** |
| **Interest expenses** | | | | | | |
| Interest and similar expenses of loans to credit institutions | | 0 | 0 | 0 | 0 | 0 |
| Interest and related expenses of loans to customers | | -3 500 854 | -1 330 785 | -6 765 458 | -2 716 886 | -7 405 406 |
| Net interest expenses from financial derivatives | | -1 283 525 | -217 987 | -2 518 709 | 82 489 | -1 073 021 |
| Other fees and commissions | | -70 876 | -59 768 | -146 255 | -102 258 | -205 424 |
| **Net interest expenses and related expenses** | | **-4 855 255** | **-1 608 540** | **-9 430 422** | **-2 736 656** | **-8 683 851** |
| **Net interest income and related income** | | **6 221 264** | **5 064 640** | **12 877 940** | **9 894 992** | **21 605 313** |
| Commissions, other fees and income from banking | | 105 231 | 212 283 | 269 925 | 362 723 | 681 786 |
| Commissions, other fees and expenses from banking | | -20 976 | -36 994 | -43 376 | -73 560 | -138 902 |
| Net value adjustments on foreign exchange and financial | | 302 645 | 436 278 | 391 939 | 520 313 | 541 603 |
| Net value adjustments on interest-bearing securities | | -49 381 | -309 166 | -66 714 | -676 831 | -549 100 |
| **Total income** | | **6 558 784** | **5 367 041** | **13 429 714** | **10 027 637** | **22 140 701** |
| **Salaries, administration and other operating expenses** | | | | | | |
| Salaries and personnel expenses | | -1 375 891 | -1 432 167 | -2 850 824 | -2 789 438 | -5 611 292 |
| Administrative and other operating expenses | | -638 992 | -405 307 | -1 179 928 | -823 541 | -1 858 370 |
| **Net salaries, administration and other operating expenses** | | **-2 014 882** | **-1 837 474** | **-4 030 752** | **-3 612 979** | **-7 469 662** |
| **Total depreciation and impairment of fixed and intangible assets** | **8** | **-90 631** | **-140 878** | **-201 312** | **-323 422** | **-575 033** |
| **Total operating expenses** | | **-2 105 513** | **-1 978 352** | **-4 232 064** | **-3 936 400** | **-8 044 695** |
| **Operating result** | | **4 453 271** | **3 388 689** | **9 197 650** | **6 091 236** | **14 096 006** |
| Loan loss provisions (IFRS - 9) | 4 | 76 144 | -62 604 | 237 978 | -230 336 | -468 723 |
| Impairments (Credit Loss) | | 0 | 0 | 0 | 0 | |
| **Profit (+) / Loss (-) for the period before tax** | | **4 529 415** | **3 326 085** | **9 435 628** | **5 860 901** | **13 627 283** |
| Income tax | 5 | -1 132 354 | -831 521 | -2 358 975 | -1 465 225 | -6 438 587 |
| **Result for the period after tax** | | **3 397 061** | **2 494 564** | **7 076 654** | **4 395 676** | **7 188 697** |
| **Comprehensive result for the period** | | **3 397 061** | **2 494 564** | **7 076 654** | **4 395 676** | **7 188 697** |

- *Q2 numbers (2023 and 2022) are not audited.*
- *Income Tax: see page 7 ”Deferred Tax and payable tax” and note 5 “Taxation of profit”*
- *Income Tax will affect “Result after Tax”, “Total Equity”, and “Other liabilities”*
- *Q1-23 numbers restated for interest income from customers and Net value adjustment on foreign exchange*

## Balance Sheet

| Assets<br>*- In USD* | Note | 2023<br>30.06.2023 | 2022<br>30.06.2022 | 2022<br>31.12.2022 |
|---|---|---|---|---|
| **Cash and balances at Central Bank** | | **6 065 782** | **6 960 209** | **6 554 349** |
| **Lending to and receivables from credit institutions** | | **123 825 166** | **66 358 733** | **63 206 540** |
| **Lending to customers** | 4 | 300 247 857 | 343 538 073 | 372 312 813 |
| Loss provisions on loans to customers | 4 | -1 676 041 | -1 675 631 | -1 914 019 |
| **Net lending to cutomers** | | **298 571 817** | **341 862 442** | **370 398 794** |
| **Certificates, bonds and other receivables** | | | | |
| Commercial papers and bonds valued at market value | 4 | 127 667 137 | 142 026 650 | 131 190 110 |
| Commercial papers and bonds valued at amortised cost | | 0 | 0 | 0 |
| **Certificates, bonds and other receivables** | | **127 667 137** | **142 026 650** | **131 190 110** |
| **Shares** | | **238 561** | **186 754** | **191 844** |
| **Intangible assets** | | | | |
| Deferred tax assets | | 0 | 0 | 0 |
| Other intangible assets | 8 | 4 526 | 140 708 | 48 823 |
| **Total intangible assets** | | **4 526** | **140 708** | **48 823** |
| **Fixed assets** | | | | |
| Fixed assets | 8 | 1 462 760 | 1 876 294 | 1 660 196 |
| **Total fixed assets** | | **1 462 760** | **1 876 294** | **1 660 196** |
| **Other assets** | | | | |
| Financial derivatives | 9 | 0 | 22 925 | 913 996 |
| Other assets | | 10 605 | 207 183 | 97 282 |
| **Total other assets** | | **10 605** | **230 109** | **1 011 277** |
| **Expenses paid in advance** | | | | |
| Prepaid, not accrued expenses | | 442 743 | 430 190 | 333 056 |
| **Total prepaid expenses** | | **442 743** | **430 190** | **333 056** |
| **TOTAL ASSETS** | | **558 289 096** | **560 072 089** | **574 594 991** |

| Liabilities and shareholders equity<br>*- In USD* | Note | 30.06.2023 | 30.06.2022 | 31.12.2022 |
|---|---|---|---|---|
| **Liabilities** | | | | |
| Loans and deposits from credit institutions | | 0 | 0 | 0 |
| Deposits from and liabilities to customers | | 395 537 313 | 413 063 745 | 425 583 838 |
| **Total loans and deposits** | | **395 537 313** | **413 063 745** | **425 583 838** |
| **Other liabilities** | | | | |
| Financial derivatives | 9 | 30 458 197 | 20 804 029 | 15 053 429 |
| Other liabilities | 10 | 5 860 603 | 5 767 387 | 10 606 751 |
| **Total other liabilities** | | **36 318 800** | **26 571 415** | **25 660 180** |
| **Accrued expenses and received unearned income** | | | | |
| Accrued expenses and received unearned income | 10 | 682 387 | 599 266 | 693 109 |
| **Total accrued expenses and received unearned income** | | **682 387** | **599 266** | **693 109** |
| **Total Liabilities** | | **432 538 501** | **440 234 426** | **451 937 127** |
| **Shareholders equity** | | | | |
| **Paid-in capital** | | | | |
| Share capital | 11 | 9 708 655 | 9 708 655 | 9 708 655 |
| Share premium account | | 94 148 866 | 94 148 866 | 94 148 865 |
| **Total paid-in capital** | | **103 857 521** | **103 857 521** | **103 857 520** |
| **Other Equity** | | | | |
| Retained earnings, other | | -421 808 | -465 062 | -437 885 |
| Retained earnings | | 22 314 882 | 16 445 205 | 19 238 229 |
| **Total other equity** | | **21 893 074** | **15 980 143** | **18 800 344** |
| **Total shareholder equity** | | **125 750 595** | **119 837 664** | **122 657 864** |
| **TOTAL SHAREHOLDERS EQUITY AND LIABILITIES** | | **558 289 096** | **560 072 089** | **574 594 991** |

- *Income Tax: see page 7 "Deferred Tax and payable tax" and note 5 "Taxation of profit"*
- *Income Tax will affect "Result after Tax", "Total Equity", and "Other liabilities"*

# 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 |
| Equity as per 31.12.2019 | 9 708 655 | 94 148 865 | 4 739 462 | -438 660 | 108 158 322 |
| Equity as per 31.12.2020 | 9 708 655 | 94 148 865 | 9 972 177 | -267 393 | 113 562 304 |
| 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 |
| Employee stock option | | | | 16 746 | 16 746 |
| Profit | | | 2 494 564 | 0 | 2 494 564 |
| Equity as per 30.06.2022 | 9 708 655 | 94 148 865 | 16 445 207 | -465 062 | 119 837 664 |
| Employee stock option | | | | 14 550 | 14 550 |
| Profit | | | 2 646 411 | 0 | 2 646 411 |
| Equity as per 30.09.2022 | 9 708 655 | 94 148 865 | 19 091 618 | -450 512 | 122 498 625 |
| Employee stock option | | | | 12 627 | 12 627 |
| Profit | | | 146 612 | 0 | 146 612 |
| Equity as per 31.12.2022 | 9 708 655 | 94 148 865 | 19 238 230 | -437 885 | 122 657 864 |
| Employee stock option | | | | 8 781 | 8 781 |
| Declared dividend | | | -4 000 000 | | -4 000 000 |
| Profit | | | 3 679 592 | 0 | 3 679 592 |
| Equity as per 31.03.2023 | 9 708 655 | 94 148 865 | 18 917 822 | -429 104 | 122 346 238 |
| Employee stock option | | | | 7 296 | 7 296 |
| Profit | | | 3 397 061 | 0 | 3 397 061 |
| Equity as per 30.06.2023 | 9 708 655 | 94 148 865 | 22 314 883 | -421 808 | 125 750 595 |

- *Income Tax: see page 7, "Deferred Tax and payable tax" and note 5 "Taxation of profit"*
- *Income Tax will affect "Result after Tax", "Total Equity", and "Other liabilities"*

# Statement of Cash Flows

| *- In USD* | 30.06.2023 | 30.06.2022 | 31.12.2022 |
|---|---|---|---|
| **Cashflow from operational activities** | | | |
| Profit before tax | 9 435 628 | 5 860 901 | 13 627 283 |
| | | | |
| Change in loans to customers excluding accrued interest | 71 697 783 | -27 110 224 | -54 791 545 |
| Change in deposits from customers excluding accrued interest | -36 518 597 | -6 366 584 | 8 558 244 |
| Change in loans and deposits from credit institutions | 0 | 0 | 0 |
| Change in certificates and bonds | 3 522 973 | -13 116 433 | -2 279 893 |
| Change in shares, mutual fund units and other securities | -46 717 | -75 041 | -80 131 |
| Change in financial derivatives | 16 318 764 | 17 240 669 | 10 599 000 |
| Change in other assets and other liabilities | -4 779 880 | 761 331 | 5 901 575 |
| Interest income and related income from customers | -18 427 877 | -11 389 247 | -26 240 049 |
| Interest received from customers | 18 557 072 | 10 710 740 | 24 706 511 |
| Net interest expenses and related expenses to customers | 6 765 458 | 2 716 886 | 7 405 406 |
| Interest paid to customers | -293 386 | -312 151 | -7 405 406 |
| Ordinary depreciation | 200 442 | 322 317 | 575 032 |
| Other non cash items | 41 793 | -1 249 464 | 435 585 |
| **Net cash flow from operating activities** | **66 473 456** | **-22 006 301** | **-18 988 389** |
| | | | |
| Payments for acquisition of assets | -12 844 | 0 | -4 398 |
| **Net cash flow from investing activities** | **-12 844** | **0** | **-4 398** |
| | | | |
| Issuance of equity | 0 | 0 | 0 |
| Lease payments | -174 334 | -146 666 | -303 660 |
| Dividend Payments | -4 000 000 | -1 529 318 | -1 529 318 |
| **Net cash flow from financing activities** | **-4 174 334** | **-1 675 983** | **-1 832 978** |
| | | | |
| **Effect of exchange rate changes and other** | **-2 156 219** | **-1 738 850** | **-8 153 424** |
| | | | |
| **Sum cash flow** | **60 130 059** | **-25 421 134** | **-28 979 189** |
| | | | |
| Net change in cash and cash equivalents | 60 130 059 | -25 421 134 | -28 979 189 |
| Cash and cash equivalent as per 01.01. | 69 760 889 | 98 740 077 | 98 740 077 |
| Cash and cash equivalent as per 30.06. | **129 890 948** | **73 318 943** | **69 760 889** |

# Notes 30.06.2023.

## 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 two quarters of 2023 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU. The interim report for the first two quarters of 2023 is prepared using the same accounting principles and calculation methods as described in the Annual Report 2022.

## 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 | 30.06.2023 | 31.12.2022 | 30.06.2022 |
|---|---|---|---|
| Share capital | 9 709 | 9 709 | 9 709 |
| + Other reserves | 116 042 | 112 949 | 110 129 |
| - Dividend | | - 4 000 | |
| - Deferred tax assets and intangible assets | - 5 | - 49 | - 141 |
| - This year's result | -7 077 | | - 4 396 |
| - Adjustments to CET1 due to prudential filters | -158 | - 147 | - 163 |
| **Common Equity Tier 1 (CET 1)** | **118 511** | **118 462** | **115 138** |
| **Calculation basis** | | | |
| **Credit Risks** | | | |
| + Bank of Norway | - | - | - |
| + Local and regional authorities | - | - | - |
| + Institutions | 20 385 | 12 278 | 11 666 |
| + Companies | 254 341 | 295 641 | 293 350 |
| + Covered bonds | 11 523 | 11 753 | 12 841 |
| + Shares | 239 | 192 | 187 |
| + Other assets | 1 916 | 2 091 | 2 514 |
| **Total Credit risks** | **288 403** | **321 955** | **320 558** |
| + Operational risk | 28 137 | 30 777 | 27 090 |
| + Counterparty risk derivatives (CVA-risk) | 2 193 | 3 268 | 3 176 |
| **Total calculation basis** | **318 733** | **356 000** | **350 824** |
| **Capital Adequacy** | | | |
| **Common Equity Tier 1 %** | **37.18 %** | **33.28 %** | **32.82 %** |
| **Total capital %** | **37.18 %** | **33.28 %** | **32.82 %** |

## *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.

<u>Risk classes and credit score:</u>

| | | | |
|---|---|---|---|
| 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% |

**<u>Factors in scorecard PD - model:</u>**

<u>Quantitative factors:</u>
- 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

<u>Qualitative factors</u>
- Corporate structure
- Ownership
- Technical management
- Commercial management

<u>Factors in LGD model:</u>
- 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)

***<u>Loss allowance</u>***

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 1,8416.

Exposure in the scenario model is the same as at 30.06.2023.

**Loss Allowance and Impairments**

| Loss allowance | **30.06.2023** | **30.06.2022** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
|---|---|---|---|---|---|
| Step1 | 1 183 576 | 746 156 | 1 345 649 | 618 860 | 659 824 |
| Step2 | 492 465 | 929 475 | 568 370 | 826 436 | 779 360 |
| Step3 | 0 | 0 | 0 | 0 | 0 |
| Sum | 1 676 041 | 1 675 631 | 1 914 019 | 1 445 296 | 1 439 184 |
| Allowance/Loan Ratio | 0,56 % | 0,49 % | 0,51 % | 0.46 % | 0,53 % |
| Impairments | 0 | 0 | 0 | 0 | 0 |

The loss allowance has decreased since year-end 2022 based on an decrease in the overall portfolio.

**Loans where no loss provision has been recognized due to collateral:**
30.06.2023: 0
30.06.2022: 0

**Remaining exposure from credit impaired loans and loss exposed loans:**

| 30.06.2023 | 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 |

| 30.06.2022 | 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 |

**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 | 693 000 |
| Unchanged | 874 000 |
| Vessel value down | 2 060 000 |

**30.06.2023**

| | 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 31.12.2022 | 1 345 649 | 568 370 | - | 1 914 019 |
| *Lending to customers 31.12.2022* | 317 388 832 | 54 923 981 | - | 372 312 813 |
| | | | | - |
| **Changes** | | | | - |
| Transfer to Step 1 | - | - | - | - |
| Transfer to Step 2 | - | - | - | - |
| Transfer to Step 3 | - | - | - | - |
| Reclassification | 28 550 | - | - | 28 550 |
| Amortization | - 230 421 | - | | - 230 421 |
| New commitments | 126 339 | | | 126 339 |
| Effect of Scenario Adjustment | - 86 541 | - 75 905 | | - 162 446 |
| **Allowance as of 30.06.2021** | **1 183 576** | **492 465** | **-** | **1 676 041** |
| *Lending to customers 30.06.2021* | 255 553 623 | *44 694 234* | - | *300 247 857* |
| *Loans not disbursed* | 0 | | | |
| Allowance: Loans not disbursed | - | | | - |
| **Net Change in Loss allowance** | **-162 074** | **-75 905** | **0** | **- 237 978** |

1) *Reclassification: Change in Expected Loss calculation*
2) Step 2 Expected loss is due to assumed migration in the macro scenario analysis. No commitments are currently identified in step 2.

**30.06.2022**

| | 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 | 35 896 | - 35 896 | - | - |
| Transfer to Step 2 | - | - | - | - |
| Transfer to Step 3 | - | - | - | - |
| Reclassification | - 27 442 | 4 462 | - | - 22 980 |
| Amortization | - 195 105 | - 2 584 | | - 197 689 |
| New commitments | 349 406 | | | 349 406 |
| Effect of Scenario Adjustment | - 35 458 | 137 057 | | 101 599 |
| **Allowance as of 30.06.2022** | **746 156** | **929 475** | **-** | **1 675 631** |
| *Lending to customers 30.06.2022* | 333 670 037 | *9 868 036* | - | *343 538 073* |
| *Loans not disbursed* | 0 | | | |
| Allowance: Loans not disbursed | - | | | - |
| **Net Change in Loss allowance** | **127 296** | **103 039** | **0** | **230 336** |

1) *Reclassification: Change in Expected Loss calculation*

## Credit risk: Total

### 30.06.2023

| Amounts in USD | Very low risk | Low risk | Moderate risk | High risk | Loss exposed | Sum |
|---|---|---|---|---|---|---|
| Deposit with Central Bank | 6 065 782 | | | | | 6 065 782 |
| Deposits with credit institution | 123 825 166 | | | | | 123 825 166 |
| Certificates and bonds | 127 667 137 | | | | | 127 667 137 |
| Shares and other securities | | | 238 561 | | | 238 561 |
| Loans to customers | | 60 096 176 | 240 151 681 | 0 | 0 | 300 247 857 |
| **Total** | **257 558 085** | **60 096 176** | **240 390 242** | **0** | **0** | **558 044 503** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Committed loans, not disbursed | | | 21 500 000 | | | |

### 30.06.2022

| Amounts in USD | Very low risk | Low risk | Moderate risk | High risk | Loss exposed | Sum |
|---|---|---|---|---|---|---|
| Deposit with Central Bank | 6 960 209 | | | | | 6 960 209 |
| Deposits with credit institution | 66 358 733 | | | | | 66 358 733 |
| Certificates and bonds | 142 026 651 | | | | | 142 026 651 |
| Shares and other securities | | | 186 754 | | | 186 754 |
| Loans to customers | | 111 715 088 | 231 822 985 | 0 | 0 | 343 538 073 |
| **Total** | **215 345 593** | **111 715 088** | **232 009 739** | **0** | **0** | **559 070 421** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Committed loans, not disbursed | | | 50 669 000 | | | |

### Lending to customers by segment

| | Q2 2023 | | Q2 2022 | | Q4 2022 | |
|---|---|---|---|---|---|---|
| **Sector** | **USD** | **Share %** | **USD** | **Share %** | **USD** | **Share %** |
| Bulk | 175 644 997 | 59 % | 155 966 285 | 45 % | 179 082 463 | 48 % |
| Container | 15 612 889 | 5 % | 66 989 924 | 20 % | 34 997 404 | 9 % |
| Tank | 96 980 058 | 32 % | 102 030 808 | 30 % | 144 085 059 | 39 % |
| Gas | 12 009 914 | 4 % | 15 802 751 | 5 % | 14 147 887 | 4 % |
| Specialized | - | 0 % | 2 748 305 | 1 % | - | 0 % |
| Offshore | - | 0 % | - | 0 % | - | 0 % |
| **Sum** | **300 247 857** | **100,00 %** | **343 538 073** | **100,00 %** | **372 312 813** | **100 %** |

### Bonds and certificates: Risk Weight

| Risk Weight | **Q2 2023** Fair Value | **Q2 2022** Fair Value | **2022** Fair Value |
|---|---|---|---|
| 0 % | 12 436 495 | 13 614 123 | 13 660 675 |
| 10 % | 115 230 643 | 128 412 527 | 117 529 435 |
| 20 % | | | |
| 100 % | | | |
| **Total** | **127 667 137** | **142 026 651** | **131 190 110** |

**Bonds and certificates: Rating**

| Rating | Q2 2023 Fair Value | Q2 2022 Fair Value | 2022 Fair Value |
|---|---|---|---|
| AAA | 122 892 711 | 136 815 216 | 125 949 320 |
| AA+ | 4 774 426 | 5 211 434 | 5 240 790 |
| AA | 0 | 0 | 0 |
| A | 0 | 0 | 0 |
| **Total** | **127 667 137** | **142 026 651** | **131 190 110** |

**Bonds and certificates: Sector**

| Sector | Q2 2023 Fair Value | Q2 2022 Fair Value | 2022 Fair Value |
|---|---|---|---|
| Supranationals | 1 933 669 | 2 121 853 | 2 129 494 |
| Local authority | 10 502 825 | 11 492 271 | 11 531 180 |
| Credit Institutions | 115 230 643 | 128 412 527 | 117 529 435 |
| Bank | - | - | - |
| **Total** | **127 667 137** | **142 026 651** | **131 190 110** |

***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 were 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.

Calculated tax will be affected by changes in USDNOK exchange rate (see note 5)

***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 | 9 435 628 | 101 714 659 |
| Tax related agio on equity | - | - |
| Basis for Tax Calculation | 9 435 628 | 101 714 659 |
| **Calculated Tax (25%)** | **2 358 907** | **25 428 665** |

**2) Full currency agio on Equity (Previous method)**

| | USD | NOK |
|---|---|---|
| Profit Before Tax | 9 435 628 | 101 714 659 |
| Tax related agio on equity | 10 521 078 | 113 415 648 |
| Basis for Tax Calculation | 19 956 707 | 215 130 307 |
| **Calculated Tax (25%)** | **4 989 177** | **53 782 577** |

The calculated tax for the period is 52.9% 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.

**30.06.2023**

| Amounts in USD 1000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates and bonds | 0 | 127 667 | 0 | 127 667 |
| Shares and other securities | 0 | 0 | 0 | 0 |
| Financial derivatives | 0 | -0 | 0 | -0 |
| **Total financial assets** | **0** | **127 667** | **0** | **127 667** |
| | | | | |
| Financial derivatives | 0 | 30 458 | 0 | 30 458 |
| **Total financial liabilities** | **0** | **30 458** | **0** | **30 458** |

**30.06.2022**

| Amounts in USD 1000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates and bonds | 0 | 142 027 | 0 | 142 027 |
| Shares and other securities | 0 | 0 | 0 | 0 |
| Financial derivatives | 0 | 23 | 0 | 23 |
| **Total financial assets** | **0** | **142 050** | **0** | **142 050** |
| | | | | |
| Financial derivatives | 0 | 20 804 | 0 | 20 804 |
| **Total financial liabilities** | **0** | **20 804** | **0** | **20 804** |

## Note 7, Financial pledges

The Bank has pledged NOK 340 100 000 of deposits as collateral for financial derivatives.

## Note 8, Other intangible assets and fixed assets

| | 30.06.2023 | 30.06.2023 | 30.06.2022 | 30.06.2022 |
|---|---|---|---|---|
| | **Other intangible assets** | **Property, plant and equipment** | **Other intangible assets** | **Property, plant and equipment** |
| Acquisition cost at 01.01 | 3 855 490 | 2 983 100 | 4 309 246 | 1 356 789 |
| Exchange and other adjustments | -242 766 | -160 077 | -487 416 | -364 335 |
| Additions during the year | - | 12 844 | - | 1 959 964 |
| Disposals during the year | - | - | - | - |
| **Acquisition cast at end of period** | **3 612 725** | **2 835 868** | **3 821 830** | **2 952 418** |
| | | | | |
| Accumulated depreciation and impairment at 01.01. | -3 806 667 | -1 322 905 | -3 999 627 | -1 031 433 |
| Disposal and retirement | - | - | - | - |
| Depreciation charges this year | -41 067 | -159 375 | -147 272 | -176 150 |
| Exchange and other adjustments | 239 536 | 109 171 | 465 777 | 131 459 |
| **Accumulated depreciation and impairment at end of period** | **-3 608 198** | **-1 373 108** | **-3 681 122** | **-1 076 124** |
| **Balance sheet amount at end of period** | **4 527** | **1 462 760** | **140 708** | **1 876 294** |

| **Fixed assets** | **30.06.2023** | **30.06.2022** |
|---|---|---|
| Right to use assets | 1 447 473 | 1 870 113 |
| Other | 15 287 | 6 181 |
| **Sum fixed assets** | 1 462 760 | 1 876 294 |

# LIABILITIES

## Note 9, Other assets and financial derivatives.

**30.06.2023**

| 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 | 195 000 | | 1 793 130 | 0 | 29 656 |
| Buy/Sell EUR against NOK | | 6 200 | 64 201 | 0 | 802 |
| **Total Currency Derivatives** | **195 000** | **6 200** | **1 857 331** | **0** | **30 458** |

**30.06.2022**

| 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 | 200 000 | | 1 785 580 | 0 | 20 702 |
| Buy/Sell EUR against NOK | | 8 740 | 89 347 | 23 | 102 |
| **Total Currency Derivatives** | **200 000** | **8 740** | **1 874 927** | **23** | **20 804** |

## Note 10, Other Liabilities and accrued cost

| *- In USD* | **30.06.2023** | **30.06.2022** |
|---|---|---|
| Account payables | 46 207 | 104 372 |
| Tax withholdings | 147 200 | 214 396 |
| VAT payable | 70 666 | 58 106 |
| Tax payable | 2 358 975 | - |
| Deferred tax | 1 183 251 | 1 409 157 |
| Lease liability | 1 507 905 | 1 893 024 |
| IFRS-9 Allowance (loans not disbursed) | - | - |
| Other liabilities | 546 399 | 2 088 331 |
| Total other liabilities | **5 860 603** | **5 767 387** |
| Holiday pay and other accrued salaries | 624 409 | 554 243 |
| Other accrued costs | 57 979 | 45 023 |
| Total accrued costs | **682 387** | **599 266** |

## Note 11, Share capital and shareholder information

The Bank has 81 700 480 shares at NOK 1.

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

The Bank has 49 shareholders.

The ten largest shareholders of the Bank are:

| No | Shareholder | Numb. of shares | % |
|---|---|---|---|
| 1 | Centennial AS | 20 419 790 | 24.99 % |
| 1 | Henning Oldendorff | 20 419 790 | 24.99 % |
| 3 | Société Générale | 8 170 000 | 9.9999 % |
| 3 | Skandinaviska Enskilda Banken AB | 8 170 000 | 9.9999 % |
| 5 | Deutsche Bank Aktiengesellschaft | 6 667 000 | 8.1603 % |
| 6 | Canomaro Bulk AS | 4 388 990 | 5.3720 % |
| 7 | Titan Venture AS | 3 275 260 | 4.0089 % |
| 8 | Ole Einar Bjørndalen | 800 000 | 0.9792 % |
| 8 | DNB Luxembourg S.A. | 800 000 | 0.9792 % |
| 10 | Rock Dove Holdings Limited | 770 000 | 0.9425 % |
| | Others | 7 819 650 | 9.5711 % |
| | **Total** | **81 700 480** | **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.*