

Financial Report

31.03.2017



**MARITIME & MERCHANT
BANK ASA**

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Maritime & Merchant Bank ASA

Operation and Strategy

The Company is a niche bank for the shipping and offshore industry. The strategy is to combine first class banking craftsmanship with deep industrial and market insight for building up a diversified and profitable portfolio of loans secured by 1st priority mortgage in liquid and standardized ships. Our customers are ship-owning companies in Norway and abroad. Our sole product is secured lending and we will emphasize to offer a swift handling of the enquiries by account managers with the prudent competence and experience.

The funding of the Company will consist of equity and deposits in the first phase of the operation. The Company will plan to issue bonds as a part of its funding.

Statement regarding capital increase

The company conducted a capital increase of USD 5 200 000 in March, in which the share capital was increased by USD 477 533 to USD 5 590 977, and the remaining amount was recorded as share premium.

Deficit for the period

The net income for the company is showing a deficit of USD 1 206 666.

Outlook

The Company consider that the market for ship-financing in general is providing interesting business opportunities for our services and we register a steady inflow of inquiries. The combination of a limited supply of credit to our target customers and growing investment activities in several segments should give a sound platform for growth during the forthcoming period. We have focused primarily on our domestic market during the upstart phase of the operation, but will gradually direct our focus towards a broader international customer base.

During the second quarter the Company will enter the market for deposits from both retail and corporate sector based on our on-line solution.

Oslo, April 27th 2017

Board of Directors, Maritime & Merchant Bank ASA

Maritime & Merchant Bank ASA - Profit & Loss

<u>- In USD</u>	<u>Note</u>	<u>Q1</u>	<u>2017</u>	<u>2016</u>
Interest income and related income				
Interest from loans to customers		60 468		
Interest from certificates and bonds		7 114		
Interest from loans to and receivables from credit institutions		81 269	1 603	
Total interest income and related income		148 851		1 603
Interest expenses				
Interest expenses on debt to credit institutions		-2 114	-40 527	
Net interest expenses and related expenses		-2 114		-40 527
Net gains / losses on foreign exchange				
Net gains / losses on foreign currency		-19 795	53 023	
Net gains / losses on foreign exchange		-19 795		53 023
Net gains / losses on financial instruments				
Net gains / losses on financial instruments		11 300		
Net gains / losses on financial instruments		11 300		0
Salaries and general administration expenses				
Salaries and personnel expenses		-637 667	-329 643	
Net salaries and general administration expenses		-637 667		-329 643
Depreciation of fixed and intangible assets				
Depreciation		-229 421	-123	
Total depreciation of fixed and intangible assets		-229 421		-123
Other operating expenses				
Other operating expenses		-477 819	-1 389 756	
Total other operating expenses		-477 819		-1 389 756
Profit / (Loss) for the financial year before tax			-1 206 665	-1 705 424
Income tax		301 666	389 622	
Income tax		301 666		389 622
Profit / Loss for the financial year			-904 999	-1 315 802
Allocations				
Transferred to retained earnings		-904 999	-1 315 802	
Total allocations		-904 999		-1 315 802

Maritime & Merchant Bank ASA - Balance Sheet

Assets

- In USD

	Note	31.03.2017	31.12.2016
Lending to and receivables from credit institutions			
Lending to customers	1	8 236 819	
Lending to and receivables from credit institutions	2	40 679 941	49 047 234
Total lending to and receivables from credit institutions		48 916 760	49 047 234
 Intangible assets			
Deferred tax assets		1 227 625	925 958
Other intangible assets		4 301 865	4 528 279
Total intangible assets		5 529 490	5 454 237
 Tangible assets			
Machinery and equipment		91 469	1 813
Total tangible assets		91 469	1 813
 Certificates, bonds and other receivables		4 073 887	10
 Expenses paid on advance			
Earnet, not received income, and prepaid expenses		242 135	64 253
Total prepaid expenses		242 135	64 253
 TOTAL ASSETS		58 853 741	54 567 547

Shareholders equity and liabilities

- In USD

Liabilities

	31.12.2016	31.12.2016
Debt to credit institutions	0	0
Debt to credit institutions	0	0
 Other liabilities	760 473	769 281
Total other liabilities	760 473	769 281
 Total Liabilities	760 473	769 281

Shareholders equity

Paid-in capital

Share capital	5 590 977	5 113 444
Share premium account	55 123 645	50 401 178
Total paid-in capital	60 714 622	55 514 622

Retained earnings

Retained earnings	-2 621 355	-1 716 357
Total retained earnings	-2 621 355	-1 716 357

Total shareholder equity

TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	58 093 268	53 798 265
	58 853 741	54 567 547

Maritime & Merchant Bank ASA - Statement of Cashflows

- In USD

CASHFLOW FROM OPERATIONAL ACTIVITIES

	<u>31.03.2017</u>	<u>31.12.2016</u>
Profit before tax	-1 206 665	-1 705 424
Change in lending to customers	-8 236 819	
Change in certificates and bonds	-4 073 887	
Ordinary depreciation	229 421	123
Change in accounts payable	-8 808	529 621
Change in other assets and other liabilities	-177 872	48 796
Net cash flow from operating activities	-13 474 630	-1 126 884

CASHFLOW FROM INVESTMENT ACTIVITIES

Payments for acquisition of assets	-89 656	-1 077 437
Net cash flow from investing activities	-89 656	-1 077 437

CASHFLOW FROM FINANCIAL ACTIVITIES

Proceeds from issuance of long-term liabilities	-361 123	
Proceeds from share issue	5 200 000	51 321 267
Net cash flow from financial activities	5 200 000	50 960 144

Effect of exchange rate changes on bank deposits, cash, etc.	-3 006	21
	-	-
Net change in bank deposits, cash and cash equivalents	-8 367 293	48 755 844
Bank deposits, cash and cash equivalents as per 01.01	49 047 234	291 390
Bank deposits, cash and cash equivalents as per 31.12	40 679 941	49 047 234

Maritime & Merchant Bank ASA - Statement of equity

<u>- In USD</u>	Share capital	Share premium	Retained earnings	Total equity
Equity as per 31.12.2015	442 191	3 751 164	-400 555	3 792 800
Share issue	79 593	1 241 673		1 321 266
Share issue	4 591 659	45 408 342	-	50 000 001
Profit	-	-	-1 315 802	-1 315 802
Equity as per 31.12.2016	5 113 444	50 401 178	-1 716 357	53 798 265
Share issue	477 533	4 722 467		5 200 000
Profit	-	-	-904 999	-904 999
Equity as per 31.03.2017	5 590 978	55 123 644	-2 621 356	58 093 267

Maritime & Merchant Bank ASA - Capital adequacy

Amounts in USD - thousands	31.03.2017	31.12.2016
Share capital	5 591	5 113
+ Other reserves	52 502	48 685
- Deferred tax assets and intangible assets	-5 529	-5 454
Common Equity Tier 1 (CET 1)	52 564	48 344
+ Additional Tier 1 Capital (hybrid / perpetual)	-	-
Tier 1 Capital	52 564	48 344
+ Subordinated loan capital	-	-
Tier 2 Capital	52 564	48 344
Total Capital	52 564	48 344
Calculation basis		
Credit Risks		
+ Bank of Norway	-	-
+ Local and regional authorities	-	-
+ Institutions	8 136	785
+ Companies	7 400	-
+ Covered bonds	117	-
+ Shares of mutual funds	-	-
+ Other assets	293	-
Total Credit risks	15 945	785
+ Operational risk	8 763	8 763
+ Counterparty risk derivatives (CVA-risk)	-	-
Total calculation basis	24 708	9 548
Capital Adequacy		
Common Equity Tier 1 %	212,74 %	506,34 %
Tier 2 Capital	212,74 %	506,34 %
Total capital %	212,74 %	506,34 %

Accounting principles

The financial statements of Maritime & Merchant Bank ASA for 2016 has been prepared in accordance with the simplified application of international accounting standards according to the Norwegian Accounting Act § 3.9 with additional disclosure requirements laid down in legislation and regulations.

The interim financial report for Q1 2017 has been prepared in accordance with chapter 9 in the regulation of financial reporting for banks and financial institutions.

Financial statement figures are stated in USD, unless otherwise stated.

Investments in certificates and bonds

Maritime & Merchant Bank ASA has in Q1 2017 invested in Certificates and Bonds. These financial assets are classified as "Financial assets at fair value through profit or loss". Thus they are, subsequent to initial recognition, measured at fair value. There has been no other changes to accounting principles in Q1 2017.

Note 1 Lending to customers

Maritime & Merchant Bank ASA has lent 8,3 MUSD to shipping customers during Q1 2017. There has in Q1 2017 not been any defaults or impairment on these loans. In addition, loans of MUSD 22,7 has been granted in Q1 2017, but not paid out as at 31.03.2017.

Note 2 Certificates and bonds

Maritime & Merchant Bank ASA has invested 4,1 MUSD in certificates and bonds during Q1 2017. They are measured at fair value through profit or loss and categorised as Level 2 investments.