Maritime & Merchant Bank ASA

Financial Report

31.03.2023

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Financial Report 31.03.2023

1st quarter of 2023 has generally been an attractive period for the main segments in international seaborne transportation. The tanker segment is leading the race with overall strong performances in the various categories, crude, product and easy chemicals. There is commonly a distinct optimism for the further development in the tanker sector, mainly backed on the lasting distribution disturbances caused by the Ukrainian-Russian war and moderate new-building contracting activity and low existing order books.
The dry bulk market has recouped to a certain degree after a gloomy start of the year. The Chinese re-opening after Covid has been pointed at by many analytics as the main driver for a strong period ahead for dry bulk. After the 1st quarter one could possibly say that this is partly true, but more of the answers we will get during 2nd and 3rd quarter. 1st quarter in the container sector must for many appear as a pleasant surprise, in contrast to very negative predictions presented at the end of 2022, although there is, relatively seen, a massive drop in charter rates from the historic levels we saw during last year. The order books for larger types have grown substantially over the last year and is causing well founded concerns for the supply/demand balance when these units are coming into the market from next year and onwards.
All in all, according to Clarksons cross-sector ClarkSea Index, the freight rate income for the owners are 46% higher than the 10-year historical average.

The macroeconomic picture remains filled with many uncertain factors; weak global GDP growth and increasing inflation is not a good combination and gives the central banks worldwide a lot of headache. The industrial production within OECD started with negative drop of 1.1% but seems to pick up towards the end of 1st quarter according to OECD own figures. In Asia, China was leading on with 3.9% growth during the month of March according to IMF.

The mixed figures from the macro scene are apparently not dampening down the interest for investing in the shipping sector. The second-hand marked has a high degree of liquidity and in total 697 vessels (Clarksons), a strong figure in historic perspective, changed hands so far this year with firm asset values in all sectors. The market for new buildings is still characterized by a wait-and- see attitude and the trend year-over-year is 25% down in number of new contracts (Clarksons). In particular, the ongoing research in to future marine fuels are keeping a large number of potential firm contracts back for the time being until further work and research has made the future picture clearer.

Maritime & Merchant Bank ASA has delivered its best quarterly result in its history.
The profit for the period before tax is USD 4 906 213 (USD 2 534 816 in Q1 2022) and profit after tax is USD 3 679 592 (USD 1 901 112 Q1 2022). The net interest margin has increased from 3.4% in Q1 2022 to 5.2% in Q1 2023. The return of equity before tax is 16% in Q1 2023 (8.7% Q1 2022). The bank has no defaulted loans and have no credit losses.

Profit for the period (01.01-31.03)

The profit for the period before tax is USD 4 906 213 (USD 2 534 816 in Q1 2022) and profit after tax is USD 3 679 592 (USD 1 901 112 Q1 2022).

Net interest income and related income totalled USD 7 407 331 (USD 4 830 352), and other Income (including financial derivatives and fixed income instruments) was USD -536 401 (USD -169 757).

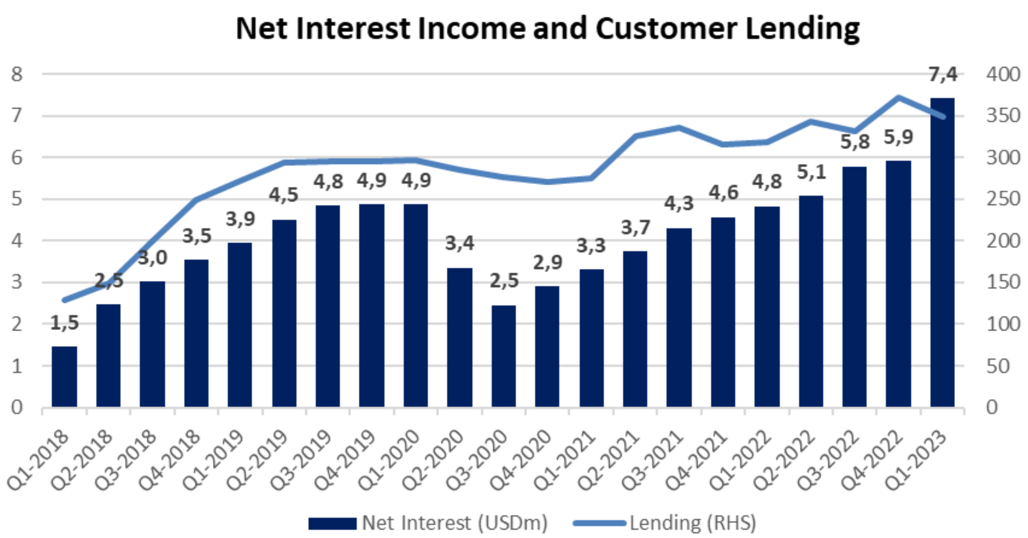
Operating expenses before impairments and losses totalled USD 2 126 551 (USD 1 958 048). The Cost/Income ratio came in at 31% (42%).

Loss allowance (Expected Loss) decreased USD 161 835 (increased USD 167 732). Credit Loss (Impairments) was USD 0 (USD 0)

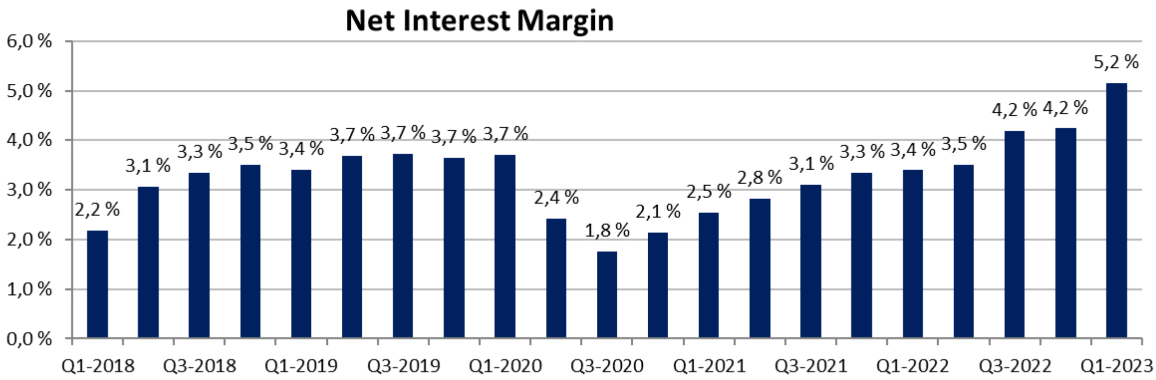
	2023 Q1	2022 Q1	2022 01.01-31.12
Interest Income	11 982 497	5 958 468	30 289 164
Interest Expense	-4 575 166	-1 128 116	-8 683 851
Net Interest Income	**7 407 331**	**4 830 352**	**21 605 313**
Other Income	-536 401	-169 757	535 387
Total Income	**6 870 929**	**4 660 596**	**22 140 701**
Operating Expense	-2 126 551	-1 958 048	-8 044 695
Operating Result	**4 744 379**	**2 702 547**	**14 096 006**
Loss Allowance	161 835	-167 732	-468 723
Write off (Credit Loss)			
Sum Impairment	**161 835**	**-167 732**	**-468 723**
Profit Before Tax	**4 906 213**	**2 534 816**	**13 627 283**
Tax	-1 226 621	-633 704	-6 438 587
Profit After Tax	**3 679 592**	**1 901 112**	**7 188 696**

Net interest income and related income

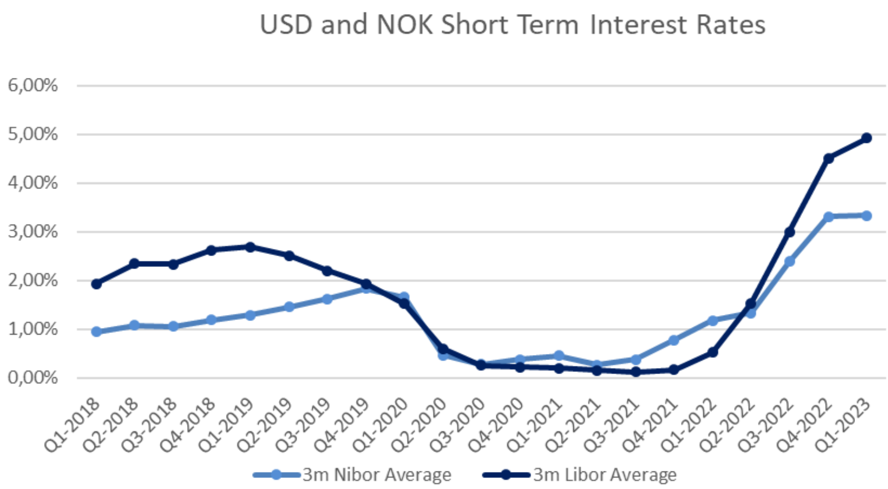
Net interest income and related income totalled USD 7 407 331 in Q1 (USD 4 830 352 in Q1 2022).



Net interest margin increased from to 3.4% in Q1-2022 to 5.2% in Q1-2023. Stable deposit rates and higher market rates resulted in lower funding cost and improved Net Interest Margin in addition to improved average lending volumes throughout the quarter.



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 -536 401 in Q1 2023 (USD -169 757in Q1-2022).

Value adjustments on derivatives and hedging instrument in Q1 was USD -661 362 due to an apreciation of the USD against NOK (USD 84 034 in Q1-2022).

Value adjustments on interest-bearing securities was USD -17 333 for Q1 (USD -367 665 in 2022)

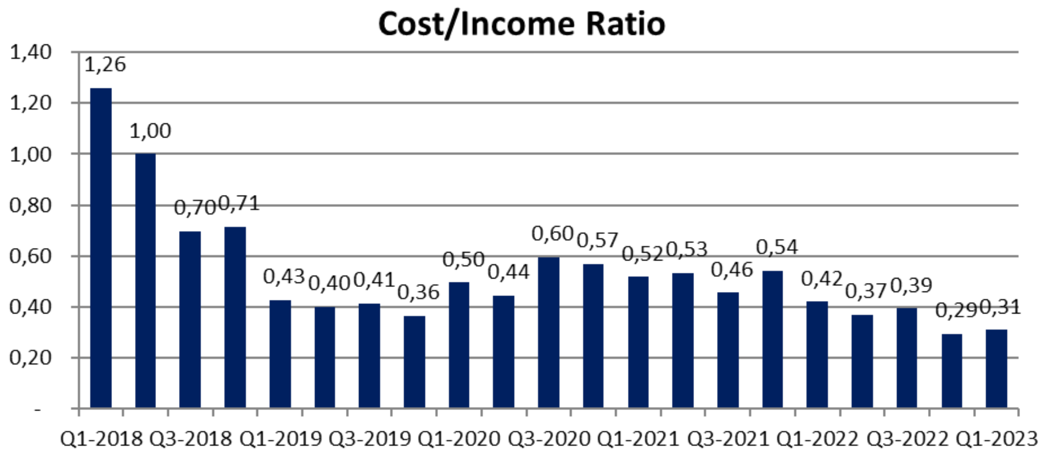
The principle of assessing financial instruments measured at fair value may lead to significant variation of the Bank's result between quarters.

Net commissions amounted to USD 142 293 in Q1 (USD 113 874 in Q1-2022).

Total operating expenses before impairments and losses

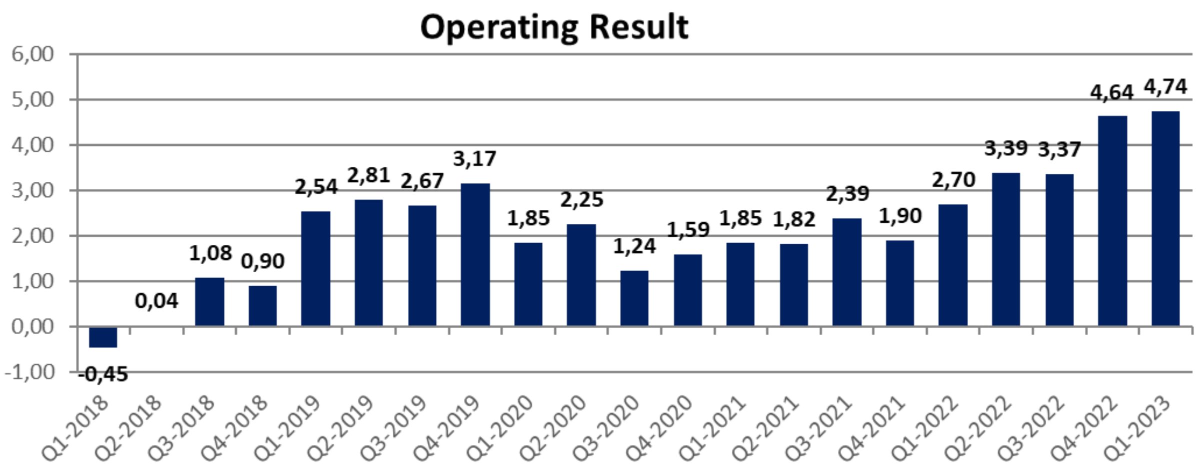
Operating expenses before impairments and losses totalled USD 2 126 551 in Q1 (USD 1 958 048 in Q1-2022). Salaries and personnel expenses, including social costs, amounted to USD 1 474 933 (USD 1 357 271 in Q1-2022) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 110 681 (USD 182 544 in Q1-2022). The Cost/Income ratio came in at 31% in Q1 (42% in Q1-2022).



Operating result

Operating result in Q1 amounted to USD 4 744 379 (USD 2 702 547 in Q1-2022).



Loan and Loan Loss provisions

Maritime & Merchant Bank ASA has lent USD 349 251 735 (USD 317 571 618 in Q1 2022) to customers.

The Bank has made USD 1 752 184 (USD 1 210 986) in loss allowance (IFRS 9). Change in loss allowance this quarter amounts to USD -161 835 (USD 167 732).

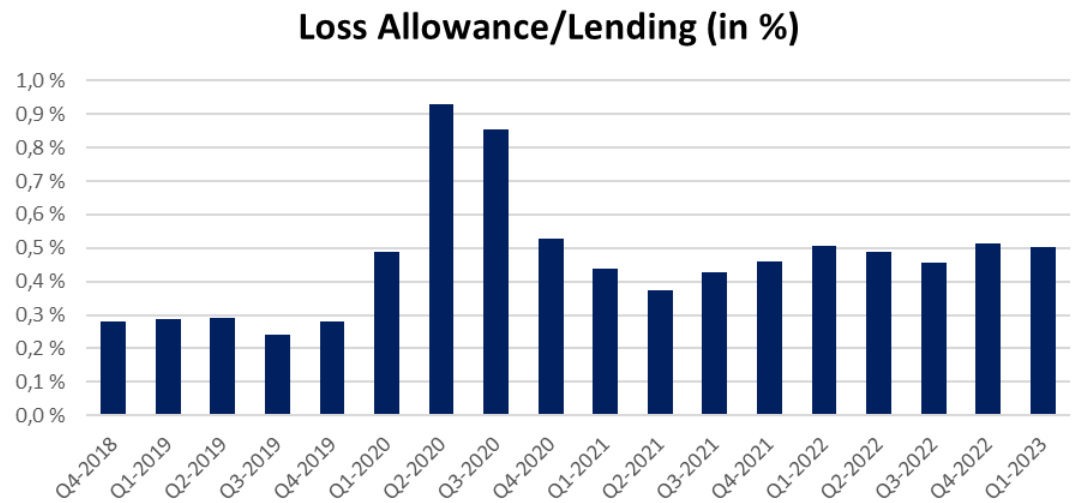
The credit quality of the majority of the loans (measured by PD – Probability of Default) to all segments continues to be strong into the first quarter of 2023. The decrease in Loss Allowances at 31.03.2023 compared to 31.12.22 is due to our overall portfolio being somewhat smaller compared to year end due to sale of vessels being financed. We forecast in the IFRS 9 calculations that we might see corrections predominantly within tank segment going forward, but that there also is some downside risk in the bulk and container segments.

All of the commitments are in step 1 (95.2 % in Q1-2022).

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

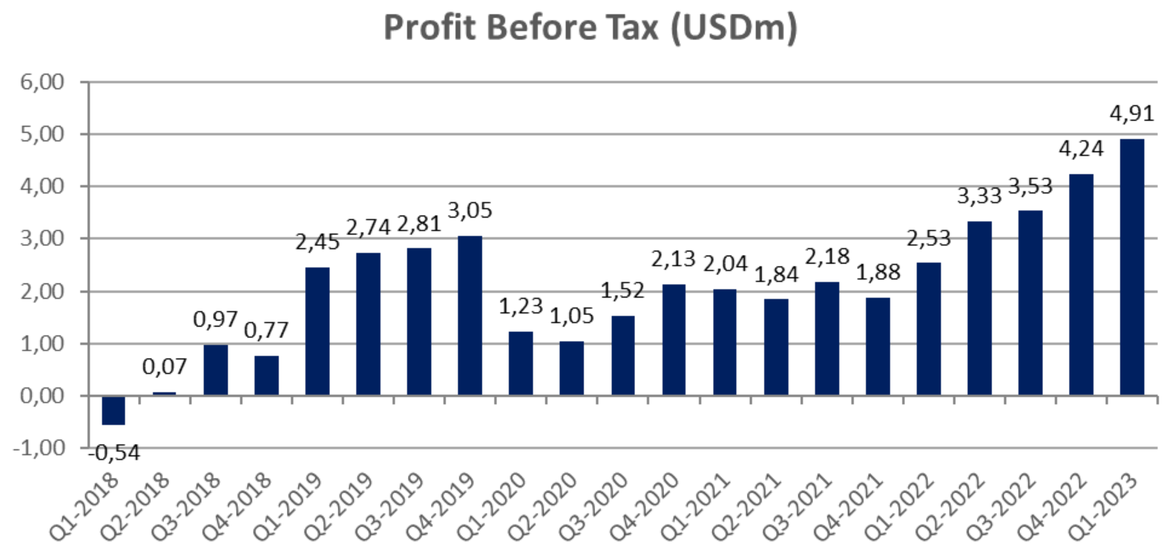
Loss allowance	**31.03.2022**	**31.03.2022**	**31.12.2022**	**31.12.2021**
Step1	1 205 351	649 263	1 345 649	618 860
Step2	546 833	963 765	568 370*	826 436
Step3	0	0	0	0
Sum	1 752 184	1 613 028	1 914 019	1 445 296
Allowance/Loan Ratio	0,50 %	0,51 %	0.51%	0,46 %
Impairments	0	0	0	0
Non performing Loans	0	0	0	0

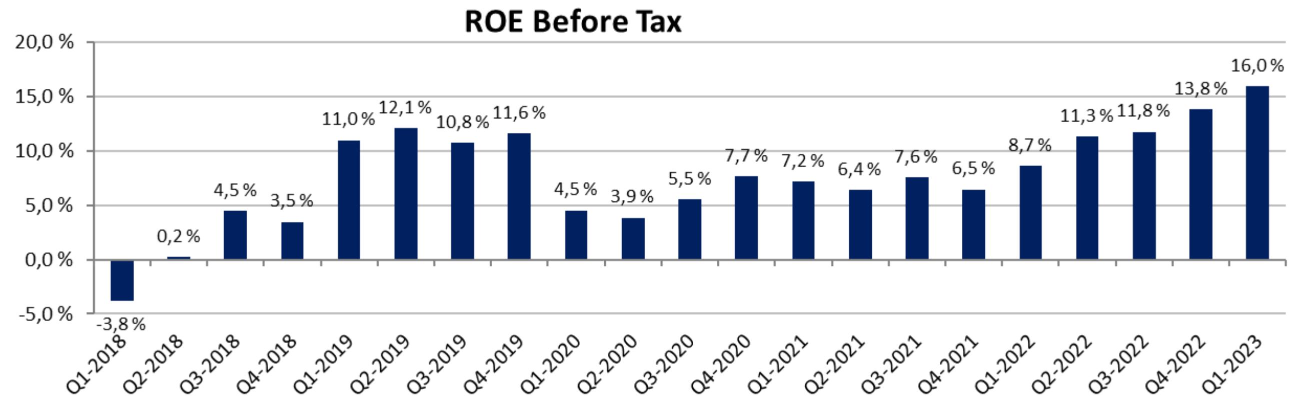
**Loss allowance in step 2 is a result of anticipated migration in the negative macro scenario*



Profit before tax

Profit before tax amounted to USD 4 906 213 in Q1 (USD 2 534 816 in Q1-2022).
Return on equity before tax was 16% (8.7% in Q1-2022).





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 quarter 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.

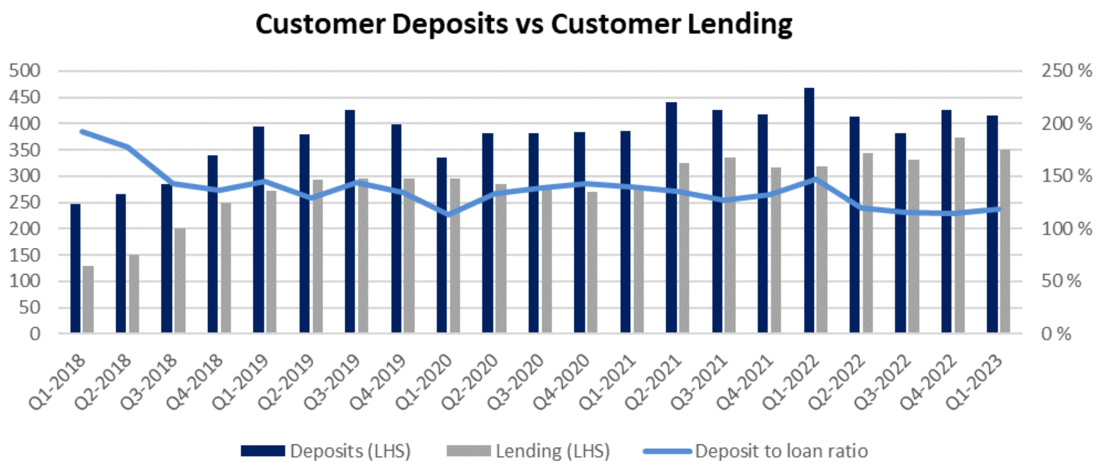
Exchange rate (USDNOK) 31.03.2023 was 10,4729 compared to USD 9,85535 31.12.2022.

The agio effect (unintended taxable income/cost) for Q1 2023 is positive NOK 76 955 763. This "phantom" income will result in an additional calculated tax of NOK 19 238 941 (USD 1 837 021), bringing the calculated tax rate up to 62,4%.

See Note 5, Tax Calculation.

Deposit and Liquidity

Customer deposits amounted to USD 414 913 238 in Q1-2023 (USD 468 223 785 in Q1-2022).



Deposits and Lending-LHS (million USD)

The deposit to loan ratio was 119% at the end of Q1 2023 (147% in Q1 -2022).

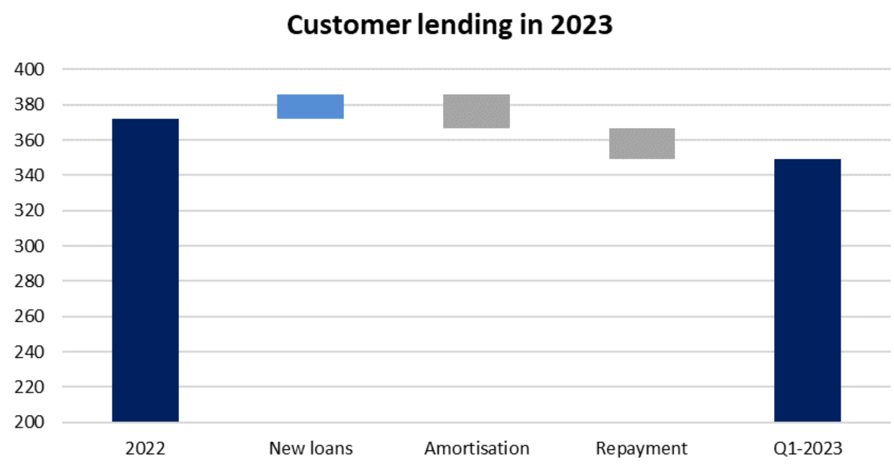
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 228 million was mainly invested in interest-bearing securities, deposits in major banks and in Norges Bank. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 703% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 137% (above a minimum requirement of 100%).

Total Assets and Lending

Total assets ended at USD 577 592 048 in Q1 2023 (USD 599 050 421 in Q1 2022).

Lending to customer increased from USD 317 571 618 in Q1 2022 to USD 349 251 735 in Q1 2023.



Solvency

Core equity ratio (CET1) was 35.0% 31.03.2023 (30.9% 31.03.2022).
The Bank has not issued any subordinated or perpetual bonds.
The Bank will pay NOK 5,28 per share in dividend for 2022 on the 5th of May (USD 4 000 000).

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 early 2021. The average risk for bulkers has slightly decreased in the quarter due to the volatile bulk market and subsequently vessel values.

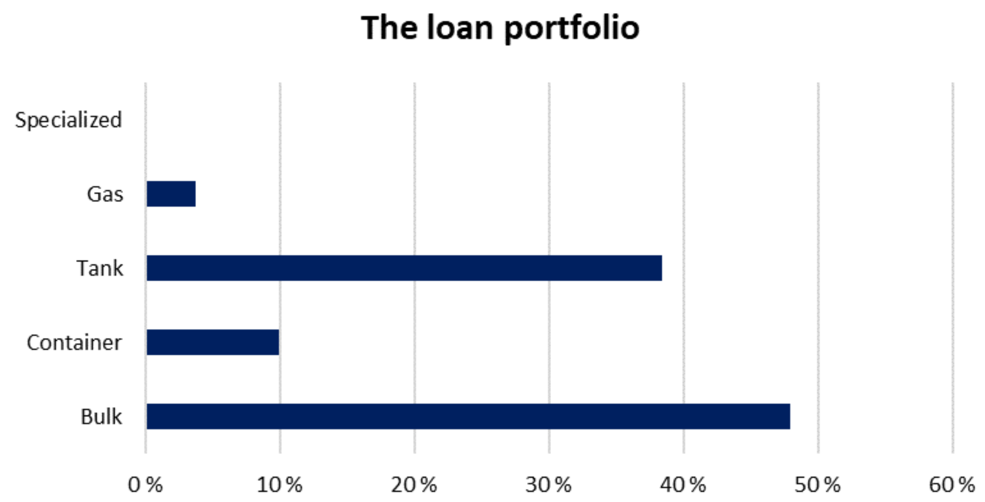
All commitments are secured with 1st priority mortgage on vessels, and the large majority of those were secured within 50-55% of appraised values when granted. In combination with an estimated moderate Default Probability, the moderate loan-to-value ratios provide for a sound credit portfolio with a 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 (48%), tankers (38%), container vessels (10%), LPG (gas) (4%) and specialized (0%).



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 considering 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.

	31.03.2022	31.03.2022	31.12.2022	31.12.2021	31.12.2020
LCR	703%	851%	450%	564%	353%
Deposit Ratio *(1)*	72%	78%	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.

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 2023	Q1 2022	2022
Cost/Income Ratio	31%	42%	36.3%
Return on Equity before tax	16.0%	8.7%	11.6%
Net Income Margin	4.78%	3.27%	4.0%
Net Interest Margin	5.15%	3.39%	3.9%
Deposit to loan Ratio	119%	147%	114%
LCR	703%	851%	450%
NPL Ratio	0%	0%	0%
Equity Ratio (CET1)	35.0%	30.9%	33.3%
Loss allowance/Loan ratio	0.50%	0.51%	0.51%

Ratio formulas, se Appendix 1

Outlook

Although the world economy, at best are delivering mixed results, we observe a firm interest for investing in the maritime sector due to interesting market conditions, we therefore have an optimistic view on our opportunities going forward. We feel that we are well positioned for taking part in our clients expansion plans as the financial partner.

Oslo May 8th, 2023

Board of Directors, Maritime & Merchant Bank ASA

Statement of Profit & Loss

- In USD	*Note*	2023 01.01 - 31.03	2022 01.01 - 31.03	2022 01.01 - 31.12
Interest income and related income				
Interest income from customers (effective Interest method)		10 323 344	5 441 972	26 240 049
Interest from certificates and bonds		1 070 740	428 205	2 588 594
Interest from credit institutions (effective interest method)		588 413	88 291	1 460 521
Total interest income and related income		**11 982 497**	**5 958 468**	**30 289 164**
Interest expenses				
Interest and similar expenses of loans to credit institutions		0	0	0
Interest and related expenses of loans to customers		-3 264 604	-1 386 102	-7 405 406
Net interest expenses from financial derivatives		-1 235 184	300 476	-1 073 021
Other fees and commissions		-75 379	-42 490	-205 424
Net interest expenses and related expenses		**-4 575 166**	**-1 128 116**	**-8 683 851**
Net interest income and related income		**7 407 331**	**4 830 352**	**21 605 313**
Commissions, other fees and income from banking		164 693	150 441	681 786
Commissions, other fees and expenses from banking		-22 400	-36 566	-138 902
Net value adjustments on foreign exchange and financial derivatives		-661 362	84 034	541 603
Net value adjustments on interest-bearing securities		-17 333	-367 665	-549 100
Total income		**6 870 929**	**4 660 596**	**22 140 701**
Salaries, administration and other operating expenses				
Salaries and personnel expenses		-1 474 933	-1 357 271	-5 611 292
Administrative and other operating expenses		-540 936	-418 233	-1 858 370
Net salaries, administration and other operating expenses		**-2 015 869**	**-1 775 505**	**-7 469 662**
Total depreciation and impairment of fixed and intangible assets	**8**	**-110 681**	**-182 544**	**-575 033**
Total operating expenses		**-2 126 551**	**-1 958 048**	**-8 044 695**
Operating result		**4 744 379**	**2 702 547**	**14 096 006**
Loan loss provisions (IFRS - 9)	**4**	161 835	-167 732	-468 723
Impairments (Credit Loss)		0	0	
Profit (+) / Loss (-) for the period before tax		**4 906 213**	**2 534 816**	**13 627 283**
Total tax		**-1 226 621**	**-633 704**	**-6 438 587**
Result for the period after tax		**3 679 592**	**1 901 112**	**7 188 697**
Comprehensive result for the period		**3 679 592**	**1 901 112**	**7 188 697**

- *Q1 numbers (2023 and 2022) are not audited.*

Balance Sheet

Assets		2023	2022	2022
- In USD	Note	31.03.2023	31.03.2022	31.12.2022
Cash and balances at Central Bank		**6 202 920**	**7 900 956**	**6 554 349**
Lending to and receivables from credit institutions		**98 299 381**	**90 235 650**	**63 206 540**
Lending to customers	4	349 251 735	317 571 618	372 312 813
Loss provisions on loans to customers	4	-1 752 184	-1 613 028	-1 914 019
Net lending to cutomers		**347 499 550**	**315 958 590**	**370 398 794**
Certificates, bonds and other receivables				
Commercial papers and bonds valued at market value	4	123 336 251	179 609 259	131 190 110
Commercial papers and bonds valued at amortised cost		0	0	0
Certificates, bonds and other receivables		**123 336 251**	**179 609 259**	**131 190 110**
Shares		**195 011**	**109 594**	**191 844**
Intangible assets				
Deferred tax assets		0	0	0
Other intangible assets	8	18 799	212 610	48 823
Total intangible assets		**18 799**	**212 610**	**48 823**
Fixed assets				
Fixed assets	8	1 587 749	2 232 777	1 660 196
Total fixed assets		**1 587 749**	**2 232 777**	**1 660 196**
Other assets				
Financial derivatives	9	0	2 212 016	913 996
Other assets		19 502	87 683	97 282
Total other assets		**19 502**	**2 299 698**	**1 011 277**
Expenses paid in advance				
Prepaid, not accrued expenses		432 883	491 286	333 056
Total prepaid expenses		**432 883**	**491 286**	**333 056**
TOTAL ASSETS		**577 592 048**	**599 050 421**	**574 594 991**

Liabilities and shareholders equity				
- In USD		31.03.2023	31.03.2022	31.12.2022
Liabilities				
Loans and deposits from credit institutions		0	1 956 936	0
Deposits from and liabilities to customers		414 913 238	468 223 785	425 583 838
Total loans and deposits		**414 913 238**	**470 180 721**	**425 583 838**
Other liabilities				
Financial derivatives	9	27 706 145	3 040 500	15 053 429
Other liabilities	10	11 799 791	7 621 480	10 606 751
Total other liabilities		**39 505 936**	**10 661 981**	**25 660 180**
Accrued expenses and received unearned income				
Accrued expenses and received unearned income	10	826 635	881 365	693 109
Total accrued expenses and received unearned income		**826 635**	**881 365**	**693 109**
Total Liabilities		**455 245 810**	**481 724 067**	**451 937 127**
Shareholders equity				
Paid-in capital				
Share capital	11	9 708 655	9 708 655	9 708 655
Share premium account		94 148 865	94 148 865	94 148 865
Total paid-in capital		**103 857 520**	**103 857 520**	**103 857 520**
Other Equity				
Retained earnings, other		-429 104	-481 808	-437 885
Retained earnings		18 917 821	13 950 642	19 238 229
Total other equity		**18 488 717**	**13 468 834**	**18 800 344**
Total shareholder equity		**122 346 238**	**117 326 354**	**122 657 864**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**577 592 048**	**599 050 421**	**574 594 991**

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

Statement of Cash Flows

- In USD	2023	2022
Cashflow from operational activities		
Profit before tax	4 906 213	2 534 816
Change in loans to customers excluding accrued interest	22 791 669	-1 694 723
Change in deposits from customers excluding accrued interest	-13 816 788	49 848 344
Change in loans and deposits from credit institutions	0	1 956 936
Change in certificates and bonds	7 853 859	-50 699 042
Change in shares, mutual fund units and other securities	-3 167	2 119
Change in financial derivatives	13 566 712	-2 711 949
Change in other assets and other liabilities	1 304 519	2 955 929
Interest income and related income from customers	-10 323 344	-5 441 972
Interest received from customers	10 430 919	5 251 817
Net interest expenses and related expenses to customers	3 264 604	1 386 102
Interest paid to customers	-118 416	-36 254
Ordinary depreciation	113 513	182 649
Other non cash items	22 403	-1 926 394
Net cash flow from operating activities	**39 992 696**	**1 608 375**
Payments for acquisition of assets	-5 388	0
Net cash flow from investing activities	**-5 388**	**0**
Issuance of equity	0	0
Lease payments	84 912	-82 174
Dividend payments	0	0
Net cash flow from financing activities	**84 912**	**-82 174**
Effect of exchange rate changes and other	**-5 330 809**	**-2 129 673**
Sum cash flow	**34 741 412**	**-603 472**
Net change in cash and cash equivalents	34 741 412	-603 472
Cash and cash equivalent as per 01.01.	69 760 889	98 740 077
Cash and cash equivalent as per 31.03.	**104 502 301**	**98 136 606**

Notes 31.03.2023.

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 quarter 2023 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU. The interim report for the first quarter 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	31.03.2023	31.12.2022	31.03.2022
Share capital	9 709	9 709	9 709
+ Other reserves	112 638	112 949	107 8
- Dividend		- 4 000	
- Deferred tax assets and intangible assets	- 19	-49	- 213
- This year's result	- 3 680		- 1 901
- Adjustments to CET1 due to prudential filters	-151	-147	-185
Common Equity Tier 1 (CET 1)	**118 497**	**118 4633**	**115 028**
Calculation basis			
Credit Risks			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	16 832	12 278	18 172
+ Companies	276 711	295 641	301 636
+ Covered bonds	11 052	11 753	16 408
+ Shares	195	192	110
+ Other assets	2 040	2 091	2 812
Total Credit risks	**307 082**	**321 955**	**339 138**
+ Operational risk	28 962	30 777	30 823
+ Counterparty risk derivatives (CVA-risk)	2 613	3 268	1 765
Total calculation basis	**338 657**	**356 000**	**371 726**
Capital Adequacy			
Common Equity Tier 1 %	**35.0 %**	**33.3 %**	**30.9 %**
Total capital %	**35.0 %**	**33.3 %**	**30.9 %**

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 1,8661.

Exposure in the scenario model is the same as at 31.03.2023.

Loss Allowance and Impairments

Loss allowance	31.03.2023	31.03.2022	31.12.2022	31.12.2021
Step1	1 205 351	649 263	1 345 649	618 860
Step2	546 833	963 765	568 370	826 436
Step3	0	0	0	0
Sum	1 752 184	1 613 028	1 914 019	1 445 296
Allowance/Loan Ratio	0,50 %	0,51 %	0,51 %	0,46 %
Impairments	0	0	0	

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

Loans where no loss provision has been recognized due to collateral:
31.03.2023: 0
31.03.2022: 0

Remaining exposure from credit impaired loans and loss exposed loans:

31.03.2023	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**

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**

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%	919
Unchanged	965
Vessel value down 30%	2 263

31.03.2023

	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	18 021	-	-	18 021
Amortization	- 109 686	-		- 109 686
New commitments	47 206			47 206
Effect of Scenario Adjustment	- 95 839	- 21 537		- 117 376
Allowance as of 31.03.2023	**1 205 351**	**546 833**	**-**	**1 752 184**
Lending to customers 31.03.2023	297 380 194	*51 871 541*	-	*349 251 735*
Loans not disbursed	0			
Allowanse: Loans not dispursed	-			-
Net Change in Loss allowance	**-140 298**	**-21 537**	**0**	**- 161 835**

Reclassification: Change in Expected Loss calculation

Step 2 Expected loss is due to assumed migration in the macro scenario analysis. No commitments are currently identified in step 2.

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**

Reclassification: Change in Expected Loss calculation

Credit risk: Total

31.03.2023

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central bank	6 202 920					6 202 920
Deposits with credit institution	98 299 381					98 299 381
Certificates and bonds	123 336 251					123 336 251
Shares and other securities			195 011			195 011
Loans to customers		122 275 855	226 975 880	0	0	349 251 735
Total	**227 838 553**	**122 275 855**	**227 170 891**	**0**	**0**	**577 285 299**

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**

Lending to customers by segment

	Q1 2023		Q1 2022		Q4 2022	
Sector	**USD**	**Share %**	**USD**	**Share %**	**USD**	**Share %**
Bulk	167 291 581	48 %	136 238 224	43 %	179 082 463	48 %
Container	34 575 922	10 %	69 865 756	22 %	34 997 404	9 %
Tank	134 112 666	38 %	91 460 626	29 %	144 085 059	39 %
Gas	13 271 566	4 %	16 831 296	5 %	14 147 887	4 %
Specialized	-	0 %	3 175 716	1 %	-	0 %
Offshore	-	0 %	-	0 %	-	0 %
Sum	**349 251 735**	**100 %**	**317 571 618**	**100 %**	**372 312 813**	**100 %**

Bonds and certificates: Risk Weight

Risk Weight	Q1 2023 Fair Value	Q1 2022 Fair Value	2022 Fair Value
0 %	12 820 961	15 530 058	13 660 675
10 %	110 515 289	164 079 201	117 529 435
20 %			
100 %			
Total	**123 336 251**	**179 609 259**	**131 190 110**

Bonds and certificates: Rating

Rating	Q1 2023 Fair Value	Q1 2022 Fair Value	2022 Fair Value
AAA	118 415 642	173 667 836	125 949 320
AA+	4 920 609	5 941 423	5 240 790
AA	0	0	0
A	0	0	0
Total	**123 336 251**	**179 609 259**	**131 190 110**

Bonds and certificates: Sector

Sector	Q1 2023 Fair Value	Q1 2022 Fair Value	2022 Fair Value
Supranationals	1 995 704	2 423 640	2 129 494
Local authority	10 825 258	13 106 417	11 531 180
Credit Institutions	110 515 289	164 079 201	117 529 435
Bank	-		-
Total	**123 336 250**	**179 609 259**	**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 Libor 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.

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	4 906 213	51 382 283
Tax related agio on equity	-	-
Basis for Tax Calculation	4 906 213	51 382 283
Calculated Tax (25%)	**1 226 621**	**12 845 571**

2) Full currency agio on Equity (Previous method)

	USD	NOK
Profit Before Tax	4 906 213	51 382 283
Tax related agio on equity	7 348 085	76 955 763
Basis for Tax Calculation	12 254 299	128 338 046
Calculated Tax (25%)	**3 063 575**	**32 084 512**

The calculated tax for the period is 62% 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.

31.03.2023

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	123 336	0	123 336
Shares and other securities	0	0	0	0
Financial derivatives	0	-0	0	-0
Total financial assets	**0**	**123 336**	**0**	**123 336**
Financial derivatives	0	27 706	0	27 706
Total financial liabilities	**0**	**27 706**	**0**	**27 706**

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**

Note 7, Financial pledges

The Bank has received NOK 268 500 000 of deposits as collateral for financial derivatives.

Note 8, Other intangible assets and fixed assets

- In USD	**31.03.2023**		**31.03.2022**	
	Other intangible assets	**Property, plant and equipment**	**Other intangible assets**	**Property, plant and equipment**
Cost or valuation at 01.01	3 855 490	2 983 100	4 309 246	1 356 789
Exchange and other adjustments	-227 345	-75 316	39 181	42 469
Introduction of right to use-asset				
Additions		5 388		1 959 964
Disposals	-3 086 558	-280 933		
Cost or valuation at end of period	**541 588**	**2 632 240**	**4 348 427**	**3 359 222**
Accumulated depreciation and impairment at 01.01.	-3 806 667	-1 322 906	-3 999 627	-1 031 434
Exchange and other adjustments	223 863	81 620	-37 982	-10 674
Depreciation charge this year	-26 542	-84 139	-98 208	-84 336
Disposals	3 086 558	280 933		
Accumulated depreciation and impairment at end of period	**-522 789**	**-1 044 491**	**-4 135 817**	**-1 126 444**
Balance sheet amount at end of period	**18 799**	**1 587 749**	**212 610**	**2 232 778**
Economic lifetime	*5 years*	*3 years*	*5 years*	*3 years*
Depreciation schedule	*Linear*	*Linear*	*Linear*	*Linear*

Fixed assets	**31.03.2023**	**31.03.2022**
Right to use assets	1 587 749	2 222 358
Other	9 270	10 420
Sum fixed assets	1 587 749	2 232 778

LIABILITIES

Note 9, Other assets and financial derivatives.

31.03.2023

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	215 000		1 979 511	0	27 071
Buy/Sell EUR against NOK		6 200	64 201	0	635
Total Currency Derivatives	**215 000**	**6 200**	**2 043 712**	**0**	**27 706**

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**

Note 10, Other Liabilities and accrued cost

- In USD	**31.03.2023**	**31.03.2022**
Account payables	29 398	97 706
Tax withholdings	136 636	142 542
VAT payable	57 302	76 543
Tax payable	3 089 369	1 672 048
Deferred tax	2 444 552	1 603 320
Lease liability	1 639 274	2 230 606
IFRS-9 Allowance (loans not disbursed)	-	-
Other liabilities	4 403 259	1 798 715
Total other liabilities	**11 799 791**	**7 621 480**
Holiday pay and other accrued salaries	770 420	779 363
Other accrued costs	56 215	102 002
Total accrued costs	**826 635**	**881 365**

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 49 shareholders.

The ten largest shareholders of the Bank are:

No	Shareholder	Numb. of shares	%
1	Centennial AS	2 041 979	24.9935 %
2	Henning Oldendorff	2 041 979	24.9935 %
3	Société Générale	817 000	9.9999 %
4	Skandinaviska Enskilda Banken AB	817 000	9.9999 %
5	Deutsche Bank Aktiengesellschaft	666 700	8.1603 %
6	Canomaro Shipping AS	438 899	5.3720 %
7	Tital Venture AS	245 148	3,0006 %
8	Ole Einar Bjørndalen	80 000	0.9792 %
9	DNB Luxembourg S.A.	80 000	0.9792 %
10	Rock Dove Holdings Limited	77 000	0.9425 %
	Others	864 343	10.5794 %
	Total	**8 170 048**	**100 %**

The general meeting has decided to carry out a share split with a ratio of 1 to 10. This share split will be executed in the second quarter of 2023.

Appendices

Appendix 1, Alternative Performance Measures

Formulas for calculation of Alternative Performance Measures

Ratio formulas

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

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

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

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

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

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

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

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

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

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