



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2021 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer: 912 277 070
Organisasjonsform: Allmennaksjeselskap
Foretaksnavn: MARITIME & MERCHANT BANK ASA
Forretningsadresse: Haakon VII's gate 1
0161 OSLO

Regnskapsår

Årsregnskapets periode: 01.01.2021 - 31.12.2021

Konsern

Morselskap i konsern: Nei

Regnskapsregler

Regler for små foretak benyttet: Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet: IFRS

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet: Lars Fossen
Dato for fastsettelse av årsregnskapet: 14.02.2022

Grunnlag for avgivelse

År 2021: Årsregnskapet er elektronisk innlevert
År 2020: Tall er hentet fra elektronisk innlevert årsregnskap fra 2021

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 24.05.2023



Resultatregnskap

Beløp i: USD	Note	2021	2020
RESULTATREGNSKAP			
Renteinntekter og lignende inntekter			
Renteinntekter beregnet etter effektivrentemetoden av utlån til og fordringer på kredittinstitusjone		28 404	257 617
Renteinntekter beregnet etter effektivrentemetoden av utlån til og fordringer på kunder		18 889 590	19 325 904
Renteinntekter beregnet etter effektivrentemetoden av rentebærende verdipapirer		929 010	1 672 510
Sum renteinntekter og lignende inntekter		19 847 004	21 256 031
Rentekostnader og lignende kostnader			
Rentekostnader beregnet etter effektivrentemetoden på gjeld til kredittinstitusjoner og finansiering		24 447	103 735
Rentekostnader beregnet etter effektivrentemetoden på innskudd fra og gjeld til kunder		4 195 172	6 883 187
Øvrige rentekostnader		-312 008	668 936
Sum rentekostnader og lignende kostnader		3 907 611	7 655 858
Netto renteinntekter		15 939 393	13 600 173
Provisjonsinntekter og inntekter fra banktjenester		653 214	779 947
Provisjonskostnader og kostnader ved banktjenester		54 204	32 111
Utbytte og andre inntekter av egenkapitalinstrumenter			
Sum utbytte og andre inntekter av egenkapitalinstrumenter		0	0
Netto verdiendring og gevinst/tap på valuta og finansielle instrumenter			
Netto verdiendring og gevinst/tap på rentebærende verdipapirer		-144 314	56 190
Netto verdiendring og gevinst/tap på valuta og finansielle derivater		-121 493	61 966
Sum netto verdiendring og gevinst/tap på valuta og finansielle instrumenter		-265 807	118 156
Lønn og andre personalkostnader		5 135 448	4 866 312
Andre driftskostnader		1 944 230	1 539 158



Resultatregnskap

Beløp i: USD	Note	2021	2020
Av-/nedskrivninger, verdiendringer og gevinst/tap på ikke-finansielle eiendeler			
Avskrivninger	14	1 225 841	1 126 358
Sum av-/nedskrivninger, verdiendringer og gevinst tap på ikke-finansielle eiendeler		-1 225 841	-1 126 358
Kredittap på utlån, garantier mv. og rentebærende verdipapirer			
Kredittap på utlån målt til amortisert kost eller virkelig verdi med verdiendring over andre inntekt	7	16 682	1 002 627
Sum kredittap på utlån, garantier og rentebærende verdipapirer		16 682	1 002 627
Resultat før skatt fra videreført virksomhet			
Skatt på resultat fra videreført virksomhet	9	2 857 044	698 996
Resultat etter skatt fra videreført virksomhet		5 093 351	5 232 714
Resultat før andre inntekter og kostnader		5 093 351	5 232 714
Andre inntekter og kostnader			
Sum andre inntekter og kostnader		0	0
Totalresultat for regnskapsåret		5 093 351	5 232 714



Balanse

Beløp i: USD	Note	2021	2020
BALANSE - EIENDELER			
Kontanter og kontantekvivalenter		7 832 345	7 746 507
Utlån til og fordringer på kredittinstitusjoner og finansieringsforetak			
Utlån og fordringer på kredittinstitusjoner og finansieringsforetak til amortisert kost		90 907 732	49 294 414
Sum utlån og fordringer på kredittinstitusjoner og finansieringsforetak		90 907 732	49 294 414
Utlån til og fordringer på kunder			
Utlån og fordringer på kunder til amortisert kost	7	314 073 711	268 565 789
Sum utlån og fordringer på kunder		314 073 711	268 565 789
Rentebærende verdipapirer			
Rentebærende verdipapirer til virkelig verdi	7	128 910 217	212 183 694
Sum rentebærende verdipapirer		128 910 217	212 183 694
Finansielle derivater			
Finansielle derivater	16	1 548 715	2 839 018
Aksjer, andeler og andre egenkapitalinstrumenter			
Aksjer, andeler og andre egenkapitalinstrumenter		111 713	83 759
Immaterielle eiendeler			
Immaterielle eiendeler	14	309 619	1 209 188
Varige driftsmidler			
Andre varige driftsmidler	14	325 356	668 390
Sum varige driftsmidler		325 356	668 390
Andre eiendeler			
Andre eiendeler		366 579	272 182
Sum andre eiendeler		366 579	272 182
SUM EIENDELER		544 385 987	542 862 941



Balanse

Beløp i: USD	Note	2021	2020
BALANSE - GJELD OG EGENKAPITAL			
GJELD			
Innlån fra kredittinstitusjoner og finansieringsforetak			
Innlån fra kredittinstitusjoner og finansieringsforetak til amortisert kost		0	35 199 014
Sum innlån fra kredittinstitusjoner og finansieringsforetak		0	35 199 014
Innskudd og andre innlån fra kunder			
Innskudd og andre innlån fra kunder til amortisert kost		417 025 594	384 727 502
Sum innskudd og andre innlån fra kunder		417 025 594	384 727 502
Gjeld stiftet ved utstedelse av verdipapirer			
Sum gjeld stiftet ved utstedelse av verdipapirer		0	0
Finansielle derivater			
Finansielle derivater	16	5 089 149	5 026 074
Annen gjeld			
Annen gjeld	17	1 926 448	2 146 486
Avsetninger			
Forpliktelse ved periodeskatt	17	1 817 284	1 682 334
Forpliktelse ved utsatt skatt	17	1 590 795	519 228
Sum avsetninger		3 408 079	2 201 562
Ansvarlig lånekapital			
Sum ansvarlig lånekapital		0	0
Fondsobligasjonskapital			
Sum fondsobligasjonskapital		0	0
Sum gjeld		427 449 270	429 300 638
EGENKAPITAL			
Innskutt egenkapital			
Aksjekapital/eierandelskapital	18	9 708 655	9 708 655



Balanse

Beløp i: USD	Note	2021	2020
Overkursfond		94 148 865	94 148 865
Sum innskutt egenkapital		103 857 520	103 857 520
Opptjent egenkapital			
Annen egenkapital		13 079 197	9 704 783
Sum opptjent egenkapital		13 079 197	9 704 783
Sum egenkapital		116 936 717	113 562 303
SUM GJELD OG EGENKAPITAL		544 385 987	542 862 941



Skattedirektoratet

Saksbehandler	Deres dato	Vår dato
Jeanette Munkvold Skovholt	30.12.2017	01.02.2018
Telefon	Deres referanse	Vår referanse
90076012	Halvor Sveen	2018/32257

MARITIME & MERCHANT BANK ASA
Postboks 1494 Vika
0116 OSLO

**Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for
Maritime & Merchant Bank ASA, org.nr. 912 277 070**

Vi viser til deres brev av 30. desember 2017 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Maritime & Merchant Bank ASA.

Skattedirektoratet gir på bakgrunn av en konkret helhetsvurdering Maritime & Merchant Bank ASA dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen forutsetter at opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn

Fra søknaden gjengis:

Maritime & Merchant Bank er en nisjebank som tilbyr førsteprioritetslån til små og mellomstore rederier i Norge og internasjonalt. Selskapet har konsesjon til å drive bankvirksomhet.(...)

(...)Begrunnelsen for å søke å avgi årsregnskap og årsberetning på engelsk er at all kommunikasjon innad i selskapet og mot omverdenen foregår på engelsk. Bakgrunnen for dette er følgende:

- *Hoveddelen av bankens aksjonærer er internasjonale og har engelsk som språk. All kommunikasjon og regnskapsrapportering foregår derfor på engelsk.*
- *Banken har internasjonale styremedlemmer og all informasjon i styresammenheng foregår derfor på engelsk.*
- *Banken opererer i et internasjonalt marked og har behov for at alle offisielle dokumenter, herunder årsregnskap og årsberetninger på engelsk.*
- *Banken har internasjonale samarbeidspartnere (banker og advokater etc.) som krever at denne type informasjon er på engelsk.*
- *Banken har internasjonale kunder innenfor shipping som krever at denne type informasjon er på engelsk.*

En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Postadresse	Besøksadresse:	Sentralbord
Postboks 9200 Grønland	Se www.skatteetaten.no	800 80 000
0134 Oslo	Org.nr: 996250318	Telefaks
	E-post:	22 17 08 60
	skatteetaten.no/sendepost	



Skattedirektoratets vurdering

Etter regnskapsloven § 3-4 tredje ledd skal *”årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk.”*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

”Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon.”

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *”informative regnskaper for ulike grupper av regnskapsbrukere”*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt særlig vekt på at banken hovedsaklig er eid av utenlandske investorer, og har utenlandske styremedlemmer. Arbeidsspråket er engelsk. Banken er en nisjebank som utelukkende retter seg mot små og mellomstore rederier i Norge og utlandet. Det er vektlagt at selskapet driver virksomhet i en internasjonal bransje der alle sentrale aktører og samarbeidspartnere behersker og benytter engelsk. Videre har banken utenlandske samarbeidspartnere.

Vennligst oppgi vår referanse ved henvendelser i saken.

Med hilsen

Torstein Kinden Helleland
seniorrådgiver
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jeanette Munkvold Skovholt

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer



Maritime & Merchant Bank ASA
Financial Report
31.12.2021





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The bank had a profit before tax of USD 1 883 520 in Q4 2021 (USD 2 180 576 in Q3 2020). The net interest margin was 3.3% in Q4 2021 (3.1% in Q3 2021). The profit before tax for the year 2021 is USD 7 950 395 (USD 5 931 709 in 2020). Return on Equity before tax in 2021 is 7%.

In 2021 the bank had its 5 years anniversary for starting the operation. During these years we have disbursed USD 578 mill in loans and financed 120 ships. The total credit loss for the bank during the same period constitutes 0.06%.

The bank has no defaulted exposures and no credit losses has been accounted for in 2021. The net loan portfolio increase was 17% and ended at USD 314 073 711. The bank experienced a considerable turn-over in the portfolio during 2021 due to the historic development in the container market and the strong upturn in the dry sector, resulting in owners securing huge profits by selling tonnage and repaying the loans. Mirroring the positive market development; a corresponding significant improvement took place in the credit quality of the bank's loan portfolio of container and dry bulk. The tanker segment had to digest a new year with generally weak markets, though with a few bright spots within product and chemicals.

By the end of 2021 the bank had the following diversification of the loan portfolio:

- Dry bulk 35%
- Tankers 36%
- Containers 24%
- LPG/Car 4%
- Specialized 1%

The Board propose a dividend of USD 0.187 per share (USD 1 528 005).

2021 has been another year in which the general working life has been marked by various Covid-19 restrictions. The bank has in longer period been operated from home office solutions in accordance with guidelines from the Government. This has worked satisfactorily and we have been able to service our clients world-wide.

The severe disruptions in the global logistic chains and industrial production have to a large extent been leading up to the "perfect storm" for the container market. 2021 broke new records for freight rates and asset values in the segment. There is obviously no "quick fix" for normalizing the cargo flow and the forecasts are basically most positive for the next 12 months. The strong momentum encouraged contracting activity, especially for the sizes above 8000 TEU, which will enter the market during 2023/24.

The dry bulk market in 2021 showed a distinct positive development, turning the rates from barely break-even levels to solid cash-generating levels. Modest orderbooks for newbuildings and fair forecasts for the global economy for the next two years provides backing for an optimistic view for the further development.

The tanker market continues to show weak earnings and is surrounded by many question marks. In analytical circles the horizon for the long-awaited upswing is inevitably moved forward in time. On the other hand, the history has taught us that one should "expect the unexpected" when it comes to the tanker market. The poor freight market has surprisingly not significantly affected the second-hand values.



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IMF forecasted in October 2021 a 4.9% global GDP increase for 2022, but adjusted the figure to 4.4% in January 2022. The reason for this was uncertainties in USA and China, growing inflation and remaining disturbances caused by Covid-19. Based on these figures Clarkson Research forecasts a growth in seaborne trade by 4% in 2022 which isolated is good news, however as always, bearing in mind geo-political and financial unexpected events.

The newbuilding market is clearly marked by the transition to Green Fuels. At present approximately 35% (measured in gross tons) of the global order book have propulsion systems suited for alternative fuels. The development is as well accelerating on the back of the new requirements from IMO and EU coming into force in 2023. What the "preferred alternative" will be for Green Fuel is hard to tell at the moment; ammonia, hydrogen, LNG and methanol are all considered with pros and cons. New technological progress and innovation will be decisive for the choices going forward.

Going concern assumption

The financial statements are prepared assuming that the business will continue to operate in the foreseeable future, i.e. under the going concern assumption.

Profit for the period (01.01-31.12)

The profit for the period before tax is USD 7 950 395 (USD 5 931 709) and profit after tax* is USD 5 093 351 (USD 5 232 713).

Net interest income and related income totalled USD 15 939 393 (USD 13 600 173), and other Income (including financial derivatives and fixed income instruments) was USD 333 203 (USD 865 992).

Operating expenses before impairments and losses totalled USD 8 305 519 (USD 7 531 828). The Cost/Income ratio came in at 51% (52%).

For the whole year, loss allowance (Expected Loss) corresponding to USD 16 682 (USD 616 193) were expensed. Credit Loss (Impairments) was USD 0 (USD 386 435)

(* see Deferred Taxes and payable tax below)

	2021		2020	
	01.10 - 31.12	01.10 - 31.12	01.01 - 31.12	01.01 - 31.12
Interest Income	5 337 019	4 158 758	19 847 004	21 256 031
Interest Expense	-770 585	-1 246 230	-3 907 611	-7 655 858
Net Interest Income	4 566 435	2 912 527	15 939 393	13 600 173
Other Income	-436 234	776 257	333 203	865 992
Total Income	4 130 200	3 688 784	16 272 596	14 466 165
Operating Expense	-2 230 653	-2 093 957	-8 305 519	-7 531 828
Operating Result	1 899 547	1 594 827	7 967 077	6 934 337
Loss Allowance	-16 027	918 397	-16 682	-616 193
Write Off (Credit Loss)		-386 435		-386 435
Sum Impairment	-16 027	531 962	-16 682	-1 002 628
Profit Before Tax	1 883 520	2 126 789	7 950 395	5 931 709
Tax	-1 340 325	252 234	-2 857 044	-698 996
Profit After Tax	543 195	2 379 023	5 093 351	5 232 713



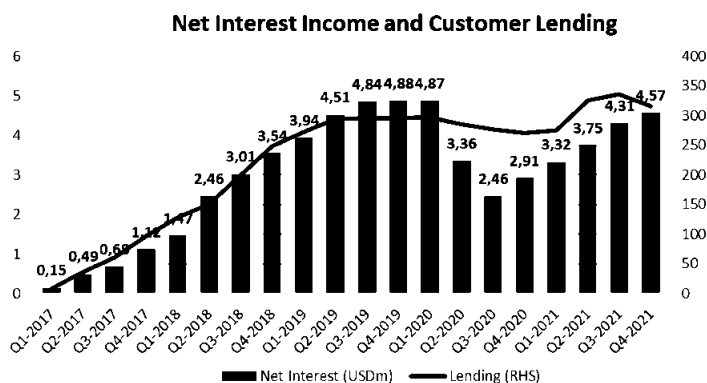
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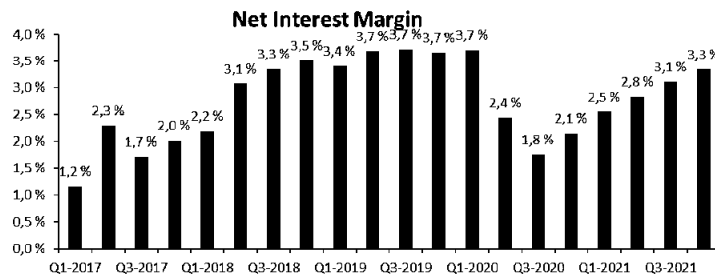
Q4: 01.10- 31.12.2021

Net interest income and related income

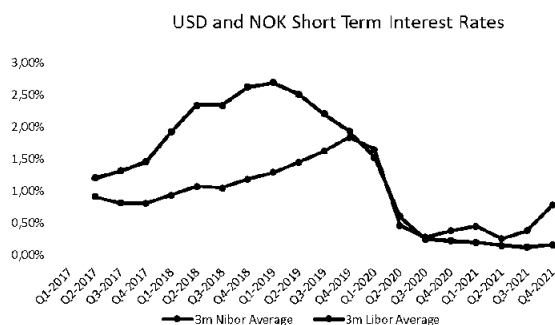
Net interest income and related income totalled USD 4 566 435 in Q4 (USD 2 912 527 in Q4 2020).



Net interest margin increased from 3.1% in Q3 to 3.3% in Q4 (2.1% in Q4-2020). Low deposit rate compared to increasing money market rates resulted in lower funding cost and improved Net Interest Margin.



Money market rates (daily average) in USD increased somewhat after FED announced the reduction in their bond purchase program. In Norway the Nibor is on an upward trend due to rate hikes by The Norwegian central Bank.



(Source: Infront, Maritime & Merchant Bank ASA)



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Net other income

Net other income amounted to USD -436 234 in Q4 2021 (USD 776 257 in Q4-2020).

Value adjustments on derivatives and hedging instruments in Q4 was USD -218 666 due to an appreciation of the USD against NOK (USD 388 030 in Q4-2020). Value adjustment YTD is USD -121 492 (USD 61 966 in 2020).

Value adjustments on interest-bearing securities was USD -289 754 in Q4-2021 (USD 84 656 in Q4-2020) due to too high valuations previous quarters. Year to date adjustments is USD -144 314 (USD 56 190 in 2020).

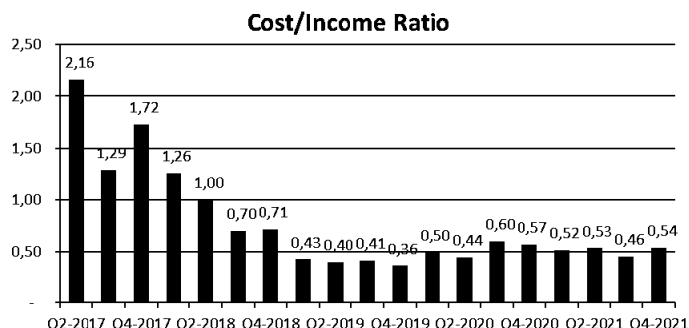
The principle of assessing financial instruments measured at fair value may lead to significant variation of the Bank's result between quarters.

Net commissions amounted to USD 72 187 in Q4 (USD 303 571 in Q4-2020).

Total operating expenses before impairments and losses

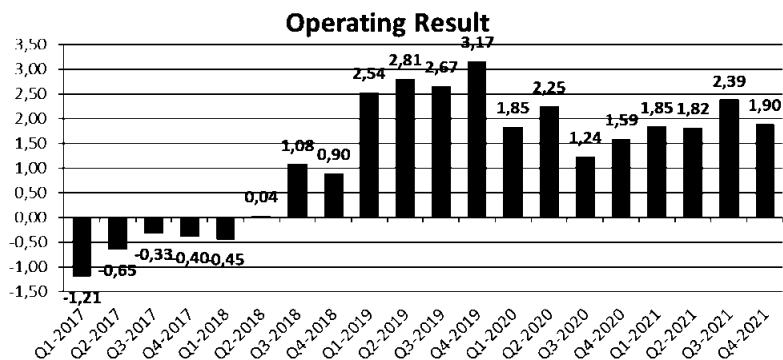
Operating expenses before impairments and losses totalled USD 2 230 653 in Q4 (USD 2 093 957 in Q4-2020). Salaries and personnel expenses, including social costs, amounted to USD 1 405 989 (USD 1 358 446 in Q4-2020) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 301 377 (USD 289 362 in Q4-2020). The Cost/Income ratio came in at 54% in Q4 (56.8% in Q4-2020).



Operating result

Operating result in Q4 amounted to USD 1 899 547 (USD 1 594 827 in Q4-2019).





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Loan and Loan Loss provisions

Maritime & Merchant Bank ASA has lent USD 315 519 007 (USD 269 994 403 in 2020) to customers.

The Bank has made USD 1 445 296 (USD 1 428 614) in loss allowance (IFRS 9). Change in loss allowance through the year amounts to USD 16 682 (USD 616 193).

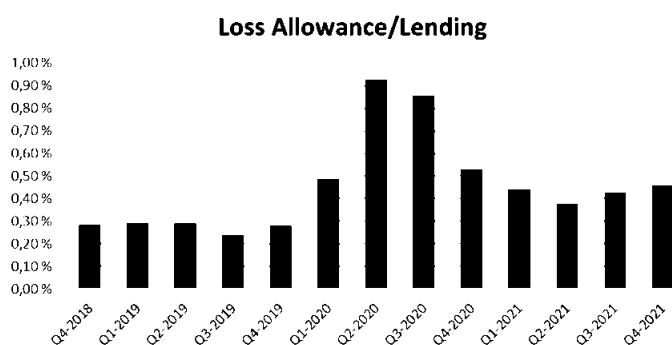
The credit quality of the majority of the loans (measured by PD – Probability of Default) to the bulker and container segments has rebounded significantly throughout the year, due to the improvement in rates and market values in those segments. The average PD of both bulkers and containers have migrated to levels measured prior to the Covid 19 crisis.

There has, however, been a small deterioration of the credit quality (measured by PD) of the bulk and tanker portfolio during Q4, which is reflected in the slightly increased Loss Allowances at the end of Q4 compared to those at the end of Q3 2021. The increase in Loss Allowances at 31.12.2021 compared to 31.12.20 is due to our overall portfolio being larger.

The majority of the commitments (95.2 %) are in step 1 (89.5% in Q4-2020).

The bank has no defaulted or non-performing loans by the end of the Q4.

Loss allowance	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Step 1	618 860	659 824	822 991	665 727
Step 2	826 436	779 360		36 322
Step 3	0	0		
Sum	1 445 296	1 428 614	822 991	702 059
Allowance Loans not disbursed		10 570		
Allowance/Loans Ratio	0.46%	0.53 %	0.28 %	0.28 %
Impairments (Credit Loss)	0	386 435	0	0
Non performing Loans	0	0	0	0





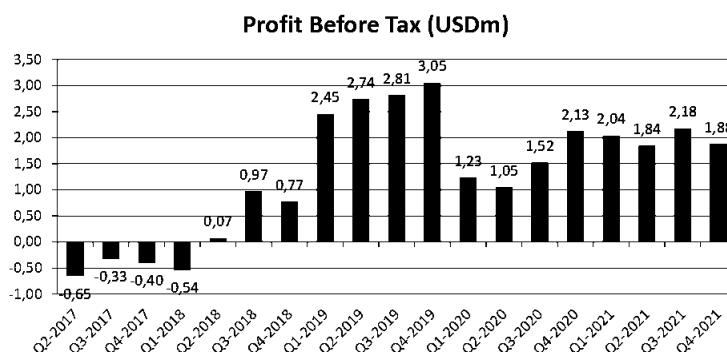
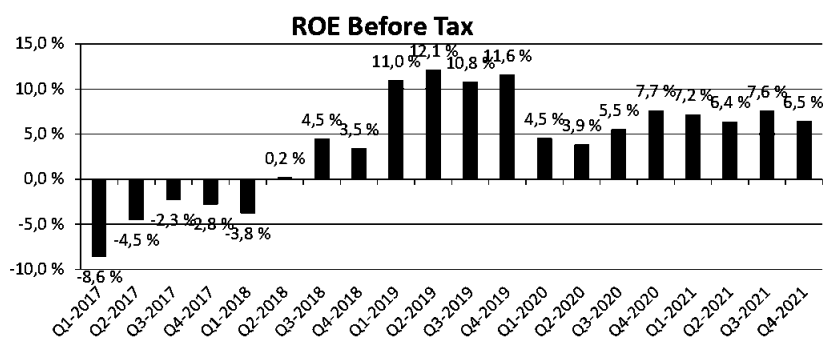
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Profit before tax

Profit before tax amounted to USD 1 883 520 in Q4 (USD 2 126 789 in Q4-2020).

Return on equity before tax was 6.5% (7.7% in Q4-2020).



Deferred Taxes and payable tax

The Bank operates with USD as functional currency.

In the tax accounting, both P&L and the major part of assets and liabilities are being converted from USD to NOK, including any effect currency fluctuations would have on the equity of the Bank.

The volatility of the NOK against the USD has given the Bank an unintended volatility in the tax expense, due to currency gains/losses related to our equity.

The Bank has started a process for a rule adjustment for the basis of tax calculation that prevents unintended effects for the future. Common 25% corporate tax rate is used in the first three quarters of 2021.

Ministry of Finance has not concluded regarding the tax rule adjustment. The Bank will on that basis incorporate a full agio effect for the year 2021 in Q4 2021.

The agio effect (unintended taxable income/cost) for 2021 is positive NOK 30 173 574 (USD 3 421 971). This "phantom" income will result in an increased calculated (not payable) tax of NOK 7 543 394 or USD 855 493 (USD -787 287 in 2020).

Exchange rate (USD/NOK) 31.12.2021 was 8,8176 compared to USD 8.5451 31.12.2020.

See Note 9, Tax Calculation.

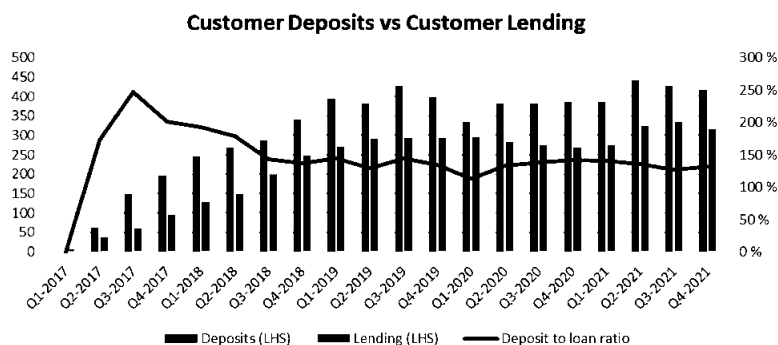


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Deposit and Liquidity

Customer deposits amounted to USD 417 025 594 in Q4-2021 (USD 384 727 502 in Q4-2020).



The deposit to loan ratio was 132% at the end of 2021 (142% in 2020).

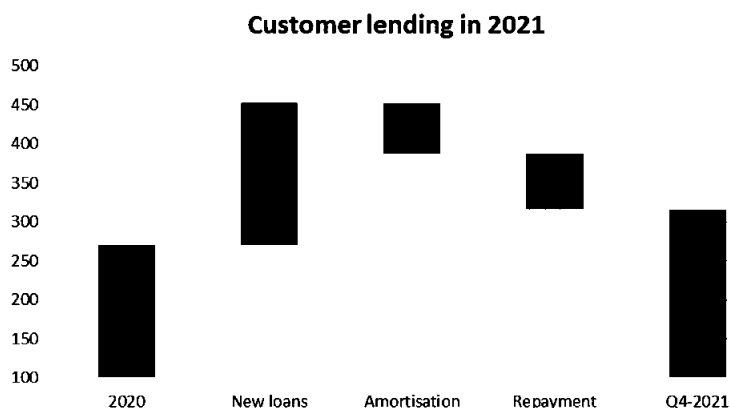
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 228 million was mainly invested in interest-bearing securities, deposits in major Norwegian banks and in Norges Bank. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 564% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 178% (above a minimum requirement of 100%).

Total Assets and Lending

Total assets ended at USD 544 385 987 in 2021 (USD 542 862 941 in 2020).

Lending to customer increased from USD 269 994 403 in 2020 to USD 315 519 007 in 2021.



Solvency

Core equity ratio (CET1) was 30.5% 31.12.2021 (36.1% 31.12.2020).

The Bank has not issued any subordinated or perpetual bonds.

The Bank paid USD 0.18 per share as dividend for 2020.

The board propose a dividend of USD 0.187 per share for 2021.



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ESG

ESG stands for Environmental, Social and Governance. ESG is a collective term for sustainability and positive change.

Maritime & Merchant Bank ASA strives to always behave responsibly and ethically, and the behaviour we expect from our clients is mirrored by the standards we hold to ourselves. The Bank focuses on responsible lending, to be a secure bank for our deposit customers, safeguarding customer privacy, preventing financial crime while caring for our employees.

The goal of the Bank is to support sustainable clients and partners in the long term, and we believe these results can be achieved through continued development of our own business while encouraging the positive development of customers and other partners. Being a sustainable Bank will change with the requirements we face, and this will be a gradual and on-going process. The regulations and business standards within this area are continuously changing and the bank is following this area closely. We have drawn up the Banks internal ESG Guidelines and has assigned the ESG responsibility to selected employees.

Environment

Shipping Industry

Shipping is a very important component of international trade, and currently represents the most efficient way of transporting large volumes of commodities and goods. Shipping transport the worlds need for energy, food and goods between the different markets. The total CO2 emissions for shipping accounts for about 3% of global CO2 emitted.

Making the shipping industry more sustainable is a collective challenge, requiring engagement from all actors across the value chain when it comes to decarbonisation, responsible ship recycling, or safeguarding labour and human rights for seafarers and other shipping workers. As a financial institution we have the ability to provide guidance and support by sharing our knowledge and choose our partners and customers to bring about positive change.

We believe that the financial sector can be a driving force for change and can enable the transition to a more sustainable shipping industry. We intend to fulfil this responsibility to the best of our abilities. All requirements to the Bank's clients, related to the environmental aspect are regulated in the bilateral loan agreements, as covenants, formal undertakings and conditions precedent prior to imbursement of the loans. Such requirements to the clients are, inter alia, compliance with all IMO regulations (UN's International Maritime Organisation), environmental laws, compliance with international conventions and legal requirements related to ship dismantling (scrapping) which would be in compliance with the Hong Kong convention for the Safe and Environmentally Sound recycling of ship, ISM code and ISPS code. As the Bank does not finance any newbuildings at present time, we assume it will be a while before the latest trends in ship design and fuel consumption will be financed by us. We will, however, look favourably upon alternations made to existing vessels for optimizing fuel consumption and reduction in CO2.

In June 2021, the IMO adopted extensive new CO2 emission regulations applicable to existing ships. The regulations are divided into 3 different components; the Energy Efficiency Ship Index (EEXI) addressing the technical efficiency of ships, the Carbon Intensity Indicator (CII) rating scheme focusing the operational efficiency, while the Ship Energy Efficiency Management Plan (SEEMP) is concentrating on the management system. The regulations will be effective from January 2023.

EU, through European Commission presented in July for the European Parliament and European Council an extensive package of proposals for the intention of reducing the EU's total Green House Gas (GHG) emissions by 55% by 2030 in conjunction with EU's overall goal for full decarbonization by 2050. The



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package contains comprehensive regulations of both operational and fiscal character for the maritime industry which gradually be imposed from start of 2023.

IMO's and EU's proposed regulation are important steps towards radically reduced total emissions from the shipping industry. Maritime & Merchant Bank ASA will follow the thorough work for implementation of the respective regulations closely during the forthcoming years and, to our best ability and where need be, support our clients in the work for adapting to the new rules.

MM Bank

Compared to other industries, MM Bank as a financial institution has a low level of direct carbon emissions. Nevertheless, we are doing what we can to reduce our own direct impact on the environment. For instance, we are conscious with business travelling, usage of electricity, do waste management and we encourage our employees to use public transport or bike to work as we have chosen to rent offices that are in close proximity to public transport.

Social

The Bank continuously work to ensure that women and men have equal opportunities, and that no individual shall experience any form of discrimination based on gender, colour, religion, age, sexual orientation, marital status, ethnicity, disabilities, political opinion, or any other personal preference. The Bank promotes equality, which is reflected in the business' processes for recruitment and staff/management development. We want to be an equal opportunities workplace, and as of December 31st 2021, 47% of the employees are female, and of the management group 20% are female. Our board consist of 7 members of which 43% are female.

MM Bank has its office in Oslo, Norway and hence do not come across any major human rights issues in our daily activities. However, in our choice of customers, suppliers and products, the bank will work to encourage support and compliance with internationally recognised human rights.

Sickness absence in 2021 was 0.42% in the Bank. No serious occupational accident or incidents resulting in significant material damage or personal injury have occurred or been reported during the year.

Governance

The Bank has and shall continue to build a strong compliance culture. This ensures that the bank adheres to applicable laws, rules and regulations in the market and countries we operate in. As regulatory requirements continue to evolve, we will also continue to invest in developing our risk management framework and capabilities to ensure that any new requirements remain firmly embedded in our daily activities.

The main target in relation to corporate governance is matters related to ownership of clients, GDPR, Anti Money Laundering, KYC (Know Your Customer) information, and CFT (Combating the Financing of Terrorism). The Bank has developed an extensive template/questionnaire, which is sent to each potential corporate customer prior to opening of a business relationship. The Bank has several AML policies and procedures in this area.

All loan agreements with the Bank's customers have, as described above, clauses and restrictions related to the customers' compliance with international laws and regulations as well as international sanctions.



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Risk factors

Credit risk

The average weighted quality of the portfolio is moderate risk, and the portfolio has again migrated back to a strong concentration around the mid-point compared to the more diversified distribution in 2020 and early 2021. The average risk for both bulkers and container has seen the most improvements due to higher earnings and subsequently vessel values. For tankers we have seen a slight deterioration throughout the year, with minor movements through Q4.

All commitments are secured with 1st priority mortgage on vessels, and the large majority of those were secured within 50% of appraised values when granted, and in combination with an estimated moderate Default Probability, this provided for a sound credit portfolio with a limited potential for future losses, and the vessels' values for most clients have a good margin in relation to the outstanding exposures.

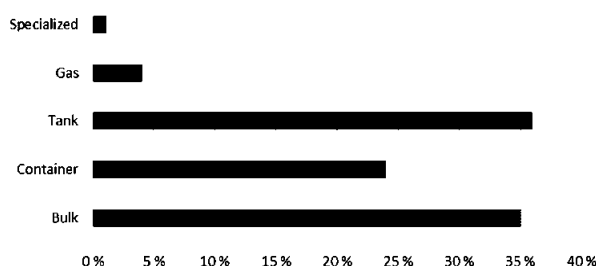
Based on the soft freight markets for the tanker vessels, a small number of clients has been granted relief on their contractual debt obligations towards the bank – this was only related to scheduled instalment payments and not to interest payments. The loans concerned are adequately secured and well within the agreed minimum value clauses, both prior and post amendments. All waivers were done in combination with the ultimate owners of the borrowers providing new equity into the borrowing entities to strengthen their financial position.

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 (35%), tankers (36%), container vessels (24%), LPG (gas) (4%) and specialized (1%).

The loan portfolio



The Bank's internal credit strategy has limits for maximum exposure to the various shipping segments, and Acceptable Risk Criteria form guidelines for the lending strategy. All present loan exposures were within the Bank's credit strategy when granted.



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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.

	31.12.2021	31.12.2020	31.12.2019	31.12.2018
LCR	564%	353%	636%	444%
Deposit Ratio (1)	77%	78%	77%	78%

(1) % of total assets

Interest rate risk

Maritime & Merchant Bank ASA has defined guidelines that set limits for the maximum interest rate risk. Any exposure exceeding the interest rate risk limits shall be mitigated by using hedging instruments. Routines have been established for ongoing monitoring and reporting of the interest rate risk to the Board of Directors.

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	2021	2020
Cost/Income Ratio	51%	52%
Return on Equity before tax	7.0%	5.5%
Net Income Margin	3.0%	2.74%
Net Interest Margin	2.95%	2.58%
Deposit to loan Ratio	132%	142%
LCR	564%	353%
NPL Ratio	0%	0%
Equity Ratio (CET1)	30.5%	36.1%

Ratio formulas, se Appendix 1

Outlook

The bank has over 5 years built a solid competence driven platform and we feel that we are well prepared for further expansion of our activities. Maritime & Merchant Bank ASA has established a clear footprint in the market and clients are recognizing the bank for good craftsmanship and competence. We are optimistic for the market for our services going forward and looking forward to continue to strengthen and develop our organization.

Oslo, February 14th, 2022

Board of Directors, Maritime & Merchant Bank ASA



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Statement of Profit & Loss

<i>- In USD</i>	Note	2021	2020	2021	2020
		01.10 - 31.12	01.10 - 31.12	01.01 - 31.12	01.01 - 31.12
Interest income and related income					
Interest income from customers (effective Interest method)		5 091 655	3 995 357	18 889 590	19 325 904
Interest from certificates and bonds		219 471	165 184	929 010	1 672 510
Interest from credit institutions (effective interest method)		25 893	-1 783	28 404	257 617
Total interest income and related income		5 337 019	4 158 758	19 847 004	21 256 031
Interest expenses					
Interest and similar expenses of loans to credit institutions		0	-24 880	-24 447	-103 735
Interest and related expenses of loans to customers		-1 032 069	-1 182 064	-4 195 172	-6 883 187
Net interest expenses from financial derivatives		288 129	9 910	473 022	-484 983
Other fees and commissions		-26 644	-49 196	-161 014	-183 953
Net interest expenses and related expenses		-770 585	-1 246 230	-3 907 611	-7 655 858
Net interest income and related income		4 566 435	2 912 527	15 939 393	13 600 173
Commissions, other fees and income from banking		95 385	311 648	653 214	779 947
Commissions, other fees and expenses from banking		-23 198	-8 077	-54 204	-32 111
Net value adjustments on foreign exchange and derivatives		-218 667	388 030	-121 493	61 966
Net value adjustments on interest-bearing securities		-289 754	84 656	-144 314	56 190
Total income		4 130 200	3 688 784	16 272 596	14 466 165
Salaries, administration and other operating expenses					
Salaries and personnel expenses		-1 405 989	-1 358 446	-5 135 448	-4 866 312
Administrative and other operating expenses		-523 287	-446 150	-1 944 230	-1 539 158
Net salaries, administration and other operating expenses		-1 929 276	-1 804 595	-7 079 678	-6 405 470
Total depreciation and impairment of fixed and intangible assets	14	-301 377	-289 362	-1 225 841	-1 126 358
Total operating expenses		-2 230 653	-2 093 957	-8 305 519	-7 531 828
Operating result		1 899 547	1 594 827	7 967 077	6 934 337
Loan loss provisions (IFRS - 9)	7	-16 027	918 397	-16 682	-616 193
Impairments (Credit Loss)		0	-386 435		-386 435
Profit (+) / Loss (-) for the period before tax		1 883 520	2 126 789	7 950 395	5 931 710
Tax Payable	9			-1 817 285	-1 682 334
Deferred tax	9			-1 039 760	983 338
Total tax	9	-1 340 325	252 234	-2 857 044	-698 996
Result for the period after tax		543 195	2 379 023	5 093 351	5 232 714
Comprehensive result for the period		543 195	2 379 023	5 093 351	5 232 714

- Q4 numbers (2021 and 2020) are not audited.



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Balance Sheet

<i>- in USD</i>	Note	31.12.2021	31.12.2020
Cash and balances at Central Bank		7 832 345	7 746 507
Lending to and receivables from credit institutions		90 907 732	49 294 414
Lending to customers	7	315 519 007	269 994 403
Loss provisions on loans to customers	7	-1 445 296	-1 428 614
Net lending to customers		314 073 711	268 565 789
Certificates, bonds and other receivables			
Commercial papers and bonds valued at market value	7	128 910 217	212 183 694
Commercial papers and bonds valued at amortised cost		0	0
Certificates, bonds and other receivables		128 910 217	212 183 694
Shares		111 713	83 759
Intangible assets			
Deferred tax assets		0	0
Other intangible assets	14	309 619	1 209 188
Total intangible assets		309 619	1 209 188
Fixed assets			
Fixed assets	14	325 356	668 390
Total fixed assets		325 356	668 390
Other assets			
Financial derivatives	16	1 548 715	2 839 018
Other assets		30 692	51 736
Total other assets		1 579 407	2 890 754
Expenses paid in advance			
Prepaid, not accrued expenses		335 888	220 446
Total prepaid expenses		335 888	220 446
TOTAL ASSETS		544 385 987	542 862 941
Liabilities and shareholders equity			
<i>- in USD</i>		31.12.2021	31.12.2020
Liabilities			
Loans and deposits from credit institutions		0	35 199 014
Deposits from and liabilities to customers		417 025 594	384 727 502
Total loans and deposits		417 025 594	419 926 516
Other liabilities			
Financial derivatives	16	5 089 149	5 026 074
Other liabilities	17	4 604 940	3 612 853
Total other liabilities		9 694 089	8 638 926
Accrued expenses and received unearned income			
Accrued expenses and received unearned income	17	729 588	735 195
Total accrued expenses and received unearned income		729 588	735 195
Total Liabilities		427 449 270	429 300 638
Shareholders equity			
Paid-in capital			
Share capital	18	9 708 655	9 708 655
Share premium account		94 148 865	94 148 864
Total paid-in capital		103 857 520	103 857 519
Other Equity			
Retained earnings, other		-499 651	-267 393
Retained earnings		13 578 849	9 972 177
Total other equity		13 079 198	9 704 784
Total shareholder equity		116 936 717	113 562 303
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		544 385 987	542 862 941



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Statement of Equity

<i>- In USD</i>	Share capital	Share premium	Retained earnings	Other free equity	Total equity
Equity as per 31.12.2018	8 630 639	83 296 586	-3 337 221	-556 370	88 033 634
Share issue	1 078 016	10 852 279		-164 303	11 765 992
Employee stock option				282 013	282 013
Profit			8 076 683		8 076 683
Equity as per 31.12.2019	9 708 655	94 148 865	4 739 462	-438 660	108 158 322
Employee stock option				171 267	171 267
Profit			5 232 715		5 232 715
Equity as per 31.12.2020	9 708 655	94 148 865	9 972 177	-267 393	113 562 304
Employee stock option				11 159	11 159
Profit			1 532 344	0	1 532 344
Equity as per 31.03.2021	9 708 655	94 148 865	11 504 520	-256 234	115 105 806
Employee stock option				22 839	22 839
Dividend payment			-1 486 680		-1 486 680
Profit			1 382 380	0	1 382 380
Equity as per 30.06.2021	9 708 655	94 148 865	11 400 221	-233 395	115 024 346
Employee stock option				11 737	11 737
Profit			1 635 432	0	1 635 432
Equity as per 30.09.2021	9 708 655	94 148 865	13 035 653	-221 658	116 671 515
Employee stock option				-277 993	-277 993
Profit			543 195	0	543 195
Equity as per 31.12.2021	9 708 655	94 148 865	13 578 848	-499 651	116 936 717



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Statement of Cash Flows

- In USD

	<u>2021</u>	<u>2020</u>
Cashflow from operational activities		
Profit before tax	7 950 395	5 931 710
Change in loans to customers excluding accrued interest	-45 231 158	24 857 163
Change in deposits from customers excluding accrued interest	32 298 092	-13 511 348
Change in loans and deposits from credit institutions	-35 199 014	35 199 014
Change in certificates and bonds	83 273 477	-60 849 008
Change in shares, mutual fund units and other securities	-27 954	-38 489
Change in financial derivatives	1 353 378	-5 811 256
Change in other assets and other liabilities	892 081	-672 218
Interest income and related income from customers	-18 889 590	-19 325 904
Interest received from customers	18 612 826	20 204 470
Net interest expenses and related expenses to customers	4 195 172	6 883 187
Interest paid to customers	-4 195 172	-6 883 187
Ordinary depreciation	1 225 840	1 123 637
Other non cash items	-399 882	-281 515
Net cash flow from operating activities	45 858 491	-13 173 743
Payments for acquisition of assets	0	-26 811
Net cash flow from investing activities	0	-26 811
Issuance of equity	0	0
Lease payments	-319 453	-324 108
Dividend Payments	-1 486 680	
Net cash flow from financing activities	-1 806 133	-324 108
Effect of exchange rate changes and other	-2 353 203	80 505
Sum cash flow	41 699 155	-13 444 158
Net change in cash and cash equivalents	41 699 155	-13 444 158
Cash and cash equivalent as per 01.01.	57 040 922	70 485 080
Cash and cash equivalent as per 31.12.	98 740 077	57 040 922



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Note 1, Reporting entity

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

Note 2, Basis of accounting

These consolidated financial statements have been prepared in accordance with IFRS. They were authorised for issue by the Bank's Board of Directors on 14th of February 2022. Changes to significant accounting policies are described in Note 4.

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.

USD/NOK exchange rate 31.12.2021: 8.8176 (31.12.2020: 8,5451)

Note 4, Changes in accounting policies

Changes in accounting rules and conceptual framework have no significant effect on the Bank's accounting practices.

Interest Rate Benchmark Reform — Phase 2

The IBOR reform phase 2 is completed with amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The amendments are effective for annual reporting periods beginning on or after 1 January 2021. The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

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

Note 5, Significant accounting policies

Recognition of interest

Interest income is recognised using the internal rate of return method. This involves recognising nominal interest with the addition of the amortisation of arrangement fees less direct arrangement costs. The recognition of interest by the internal rate of return method is used both for balance sheet items valued at amortised cost and for balance sheet items valued at fair value through profit or loss. Interest income on written down credit commitments is calculated as the internal rate of return on the written down value.

Fees and commissions that are not interest rate related will be displayed as Commissions, other fees and income from banking.

Accrual of interest and charges

Interest and commission are recognised in the income statement as it is earned as income or accrues as expense. Charges that are direct payment for services rendered are taken to income when they are paid. Arrangement fees are included in the cash flows when calculating amortised costs and recognised as



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income in the line item "Interest expenses and similar expenses of loans to and receivables from customers" using the internal rate of return method.

Lease, right to use assets

Office rental

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Tangible fixed assets

Fixed assets are classified as tangible fixed assets and valued at acquisition cost less accumulated depreciation and write-downs. Acquisition cost includes expenses related directly to the acquisition. Repairs and maintenance are expensed on an on-going basis in the income statement. Tangible fixed assets are depreciated on a straight-line basis over their expected useful life. Fixtures and fittings etc. and computer equipment are amortised over a period of 3 years. The residual values and useful lives of the assets are assessed on an annual basis and adjusted as necessary. The need for write-downs is also assessed on a regular basis.

Intangible assets

Purchased software/licences are classified as intangible assets and recognised in the balance sheet at acquisition cost with the addition of the expenses required to make the software ready for use. These are amortised in line with the duration of the contracts and the expected economic life of the asset. The development of software is recorded in the balance sheet and, where the value is assessed as substantial and is expected to have lasting value, it is amortised over the course of its estimated useful life. The residual values and useful lives of the assets are assessed on an annual basis and adjusted as necessary. The need for write-downs is also assessed on a regular basis.

Pensions

The Bank has a defined contribution pension scheme for its employees and the scheme is managed by a life assurance company. The Bank pays an annual contribution to the Bank pension savings scheme of the individual employee. The Bank has no further commitments beyond the payment of the annual contribution.

Taxes

The year's tax cost comprises taxes payable for the financial year as well as changes in deferred tax on temporary differences. Temporary differences are the differences between the accounting and tax values of balance sheet items. Deferred tax is determined using the tax rates and tax rules applicable on the reporting date, and such assumed will be applied when the deferred tax asset is realised or when the deferred tax is settled. Deferred tax asset is recognised in the balance sheet in so far as it is probable that it can be charged to future taxable income. In tax accounting the equity is denominated in NOK, hence the taxable result will fluctuate with the USDNOK exchange rate.

Statement of Cash Flows

The Statement of Cash Flows has been prepared using the indirect method.

Translation of transactions in foreign currencies

The financial statements are presented in USD, which is also the functional currency of the Bank. Monetary items in foreign currencies are translated at the rate of exchange applicable on the balance sheet date. Changes in value as a consequence of changes in the rate of exchange between the transaction date and the balance sheet date are recognised in the income statement.



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Financial instruments

Financial assets with fixed or determinable payments that are not quoted in an active market, other than designated on initial recognition as assets at fair value through profit or loss are classified as "Loans and receivables". Financial assets with fixed or determinable payments that Maritime & Merchant Bank ASA intends and is able to hold to maturity and that do not meet the definition of loans and receivables and are not designated on initial recognition as assets at fair value through profit or loss are classified as "Held-to-maturity" investments. Loans and receivables and Held-to-maturity investments are measured at amortised cost. Financial assets and liabilities are recognised in the balance sheet on the trading date, i.e. at the point in time when the Bank becomes party to the contractual provisions of the instrument. Financial assets are removed from the balance sheet when the contractual obligations have been sold, cancelled or have expired.

Classification

Contractual obligations and the business model of the Bank will be used to classify financial assets and liabilities in IFRS 9. The measurement categories are:

- Financial assets measured at amortised cost
- Financial assets measured at fair value through profit or loss
- Financial liabilities measured at amortised cost
- Financial liabilities measured at fair value through profit or loss

Financial assets

The Bank's financial assets and classifications are as follows:

Assets	Classification/Measurement
Cash and deposits with central banks	Amortised cost
Cash and deposits with credit institutions	Amortised cost
Certificates and bonds (liquidity portfolio)	Fair value through profit or loss
Financial derivatives	Fair value through profit or loss
Shares and other securities	Fair value through profit or loss
Loans to customer	Amortised cost

Loans are classified using the Business model of the Bank and an assessment of the characteristics of the contractual cash flows that aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI-test).

The liquidity portfolio represents a significant part of our operation, and fair value is monitored and managed. Certificates and bonds are on that basis classified as "Fair value through profit or loss".

Liabilities	Classification/Measurement
Deposits without fixed terms	Amortised cost
Deposit with fixed terms	Fair value through profit or loss
Debt securities issues with fixed rates	Fair value through profit or loss
Debt securities issues with floating rates	Amortised cost
Financial Derivatives	Fair value through profit or loss



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Measurement

All financial assets that are not recognised at fair value through profit or loss are initially recognised in the balance sheet at fair value with the addition of transaction costs. Other liabilities recognised at amortised cost are initially recognised in the balance sheet at fair value less transaction costs. Financial assets and liabilities recognised at fair value through profit or loss are recognised at the time of acquisition at fair value and transaction costs are recognised in the income statement. Financial assets and liabilities at fair value through profit or loss are measured in subsequent periods at fair value. Loans and receivables and other financial commitments are measured at amortised cost using the effective interest method.

Fair value measurement

Fair value is the price that would be received by selling an asset or a liability and can be settled in a transaction between independent parties. The going concern assumption is applied in the calculation and a provision for the credit risk associated with the instrument is included in the valuation. Financial instruments are measured at the price within the bid-ask spread where a corresponding market risk can be shown to be present to a sufficient degree of probability.

Financial assets and liabilities traded in an active market, quoted prices are used. In so far as no quoted prices for the instrument are obtainable, the instrument will be decomposed and valued on the basis of the prices of the individual components. This applies to the majority of derivatives such as forward exchange contracts and interest rate swaps, as well as to certificates and bonds.

In the case of other financial instruments such as deposits and loans by customers and credit institutions with locked-in rates, contractual cash flows are determined, discounted by the market rate including a credit risk margin at the reporting date.

Amortised cost measurement

Financial instruments that are not measured at fair value are measured at amortised cost and income is calculated using the effective rate of interest of the instrument (internal rate of return). The internal rate of return is determined by discounting contractual cash flows within the anticipated term. The cash flow includes arrangement fees and direct transaction costs not payable by the customer, as well as any residual value at the end of the anticipated term. Amortised cost is the present value of these cash flows discounted at the internal rate of return.

Impairment

The Bank recognises loss allowances for EL (expected loss) on the following financial instruments that are not measured at fair value through profit and loss:

- Financial assets that are debt instruments
- Loan commitments issued

No impairment loss is recognised on equity investments. The Bank measures loss allowances at an amount equal to 12-month or Life-time EL, and the assessment is performed on an individual basis.

12-month EL are the portion of EL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month EL is recognised are referred to as "Step 1 financial instruments".

Life-time EL are the EL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime EL is recognised but which are not credit-impaired are referred to as "Step 2 financial instruments" (See Note 6).

Measurement of EL

EL are a probability-weighted estimate of credit losses. They are measured as follows:



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- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive).
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets

Where there have been renegotiations with substantially different terms, or there has been a substantial modification of the terms of an existing loan, this transaction is accounted for as an extinguishment of the original loan and the recognition of a new loan. A gain or loss from extinguishment of the original loan is recognised in profit or loss.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired (referred to as "Step 3 financial assets"). A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as a default or past due event
- The restructuring of a loan or advance by the Bank on terms that the Bank would not consider otherwise
- It is becoming probable that the borrower will enter bankruptcy or another financial reorganisation
- The disappearance of an active market for a security because of financial difficulties

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered credit-impaired even when the regulatory definition of default is different.

Presentation of Loss allowance in the statement of financial position

Loss allowances for EL are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets
- Loan commitments and financial guarantee contracts: generally, as a provision

Write-off

Loans and debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Bank's procedures for recovery of amounts due.



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Note 6, Accounting estimates and discretionary assessments

Application of estimates

The Bank's financial reporting will to some extent be based on estimates and discretionary assessments, which are based on historical experience and expectations about future events. The outcome will most likely differ from accounting estimates and represents a risk for future changes in the book value of financial instruments and intangible assets.

Value measurement at fair value

Fair value is the amount an asset can be exchanged for, or an obligation can be settled in between independent parties. Fair value of financial instruments not traded in an active market, is determined by the use of valuation techniques. The Bank assesses and uses methods and assumptions that as far as possible are based on market conditions on the balance sheet date. This includes the Bank's holdings of certificates, bonds and financial derivatives.

Impairment of financial assets

Expected credit loss (IFRS-9) must be measured reflecting an objective probability weighted outcome, determined by considering several possible scenarios, time value of money and affordable and documentable information related to past, present, and future economic conditions.

The method of measuring expected credit loss depends of whether the credit risk has increased significantly since initial recognition as this will influence whether the write-downs are based on 12 months expected loss or expected loss over the expected remaining life.

This means that the calculations will be based on discretion, among other things, related to how one defines what constitutes a significant increase in credit risk and how one considers future-oriented information.

The model for calculating expected losses and the loan portfolio is described in note 7.



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RISK

Note 7, 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 Pillar 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 Pillar 1.

Capital Adequacy

Amounts in 1000 USD	31.12.2021	31.12.2020
Share capital	9 709	9 709
+ Other reserves	107 228	102 354
- Dividend	-1 528	
- Deferred tax assets and intangible assets	-310	-1 209
- This year's result	-	-
- Adjustments to CET1 due to prudential filters	-136	-220
Common Equity Tier 1 (CET 1)	114 963	110 633
Calculation basis		
Credit Risks		
+ Bank of Norway	-	-
+ Local and regional authorities	-	-
+ Institutions	17 893	10 347
+ Companies	313 960	246 245
+ Covered bonds	11 378	19 148
+ Shares	112	84
+ Other assets	692	941
Total Credit risks	344 035	276 765
+ Operational risk	30 545	27 416
+ Counterparty risk derivatives (CVA-risk)	1 867	2 437
Total calculation basis	376 447	306 618
Capital Adequacy		
Common Equity Tier 1 %	30.54 %	36.08 %
Total capital %	30.54 %	36.08 %

The proposed dividend payment has been deducted



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

IT

Given the inherent IT-risks for a bank, this area is subject to continuous monitoring. IT-related risks are closely monitored and included in the Bank's risk reporting to the Board and executive management team. The Internal Audit also carries out independent reviews in this area

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



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- Current Ratio
- Free Cash

Qualitative factors

- Corporate structure
- Ownership
- Technical management
- Commercial management

Factors in LGD model:

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

Expected Loss (EL)

$$EL = PD * LGD * EAD$$

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

Loss allowance

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

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

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

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

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

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

Macro scenarios

Expected Loss from the Bank's risk score model will be adjusted with a macro scenario factor (MF). The Bank estimates three macro-economic scenarios consisting of factors that will or can



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

The probability weighted macro factor (MF) will be multiplied with the Expected Loss and give Loss Allowance (or Macro Scenario adjusted Expected Loss). The factor (MF) is calculated to be 1,8015.

Exposure in the scenario model is the same as at year-end (31.12.2021).

Loss Allowance and Impairments

Loss allowance	31.12.2021	31.12.2020	31.12.2019	31.12.2018
Step1	618 860	659 824	822 991	665 727
Step2	826 436	779 360	0	36 322
Step3	0	0		
Sum	1 445 296	1 439 184	822 991	702 049
Allowance/Loan Ratio	0.46 %	0,53 %	0,28 %	0,28 %
Impairments (Credit Loss)		386 435	0	0

Forbearance

Based on the soft freight markets for the tanker vessels, a small number of clients has been granted relief on their contractual debt obligations towards the bank – this was only related to scheduled instalment payments and not to interest payments. The loans concerned are adequately secured and well within the agreed minimum value clauses, both prior and post amendments. All waivers were done in combination with the ultimate owners of the borrowers providing new equity into the borrowing entities to strengthen their financial position.

31.12.2021					
Stage	Number of loans	Exposure 2021	Amortization relief	Interest relief	Owner contribution
1	1	1 957 344	300 000	0	350 000
2	0				
Total	1	1 957 344	300 000	0	350 000

31.12.2020						Status 2021	
Stage	Number of loans	Exposure 2020	Amortization relief	Interest Relief	Owner Contribution	Exposure 2021	Number of loans
1	5	23 266 245	2 025 000	0	3 425 000	10 052 966	3
2	1	4 073 489	282 500	0	500 000		0
Total	6	27 339 735	2 307 500	0	3 925 000	10 052 966	3

Status 2021: Status year end 2021 for loans given reliefs in 2020.

Loans with reliefs given before 2020 are either repaid or individually assessed to be moderate or low risk.



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

31.12.2021: 0

31.12.2020: 0

Remaining exposure from credit impaired loans and loss exposed loans:

31.12.2021	Gross Loans	First-Priority pledge in vessel	Cash Pledge	Other Collateral
Remaining exposure from credit impaired loans	0	0	0	0
Loss exposed loans	0	0	0	0

31.12.2020	Gross Loans	First-Priority pledge in vessel	Cash Pledge	Other Collateral
Remaining exposure from credit impaired loans	0	0	0	0
Loss exposed loans	0	0	0	0

Loss allowance sensitivity

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

Scenario	Expected Loss allowance
Vessel value up 30%	755 000
Unchanged	815 000
Vessel value down 30%	2 310 000

Loss allowance per credit score

Risk Class	2021	2020
Very low risk	-	
Low risk	230 880	47 134
Moderate risk	1 214 416	931 147
High risk		450 334
Loss exposed		
Sum	1 445 296	1 428 614



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	Step 1	Step 2	Step 3	
	Classification by first time recognition	Significantly increase in credit risk since first time recognition	Significantly increase in credit risk since first recognition and objective proof of loss	
	Expected loss next 12 months	Expected loss over the life of instrument	Expected loss over the life of instrument	Sum
Loss allowance as of 31.12.2020	649 254	779 360	-	1 428 614
Lending to customers 31.12.2020	241 576 445	28 417 958	-	269 994 403
				-
Changes				
Transfer to Step 1	264 010	- 264 010	-	-
Transfer to Step 2	- 43 512	43 512	-	-
Transfer to Step 3	-	-	-	-
Reclassification	- 237 220	72 088	-	- 165 132
Amortization	- 422 312	- 58 236	-	- 480 548
New commitments	322 440			322 440
Effect of Scenario Adjustment	86 200	253 722		339 922
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
Loans not disbursed	0			
Allowance: Loans not disbursed	-			-
Net Change in Loss allowance	-30 394	47 076	0	16 682

Reclassification: Change in Expected Loss calculation



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31.12.2020

	Classification by first time recognition	Significantly increase in credit risk since first time recognition	Significantly increase in credit risk since first recognition and objective proof of loss	
	Expected loss next 12 months	Expected loss over the life of instrument	Expected loss over the life of instrument	Sum
Loss allowance as of 31.12.2019	822 991	-	-	822 991
<i>Lending to customers 31.12.2019</i>	295 124 509	-	-	295 124 509
				-
Changes				
Transfer to Step 1	-	-	-	-
Transfer to Step 2	- 88 371	88 371	-	-
Transfer to Step 3	-	-	-	-
Reclassification	106 802	361 774	-	468 576
Amortization	- 131 137	- 7 806	-	- 138 943
New commitments	73 958			73 958
Effect of Scenario Adjustment	- 134 989	337 021		202 032
Allowance as of 31.12.2020	649 254	779 360	-	1 428 614
<i>Lending to customers 31.12.2020</i>	241 576 445	28 417 958	-	269 994 403
<i>Loans not disbursed</i>	4 300 000			
Allowance: Loans not dispursed	10 570			
Net Change in Loss allowance	-163 167	779 360	0	616 193

Reclassification: Change in Expected Loss calculation



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Credit risk: Total

End of year 2021

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	7 832 345					7 832 345
Deposits with credit institution	90 907 732					90 907 732
Certificates and bonds	128 910 217					128 910 217
Shares and other securities			111 713			111 713
Loans to customers		86 589 753	228 929 254	0	0	315 519 007
Total	227 650 294	86 589 753	229 040 967	0	0	543 281 014
Committed loans, not disbursed			34 000 000			

End of year 2020

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	7 746 507					7 746 507
Deposits with credit institution	49 294 414					49 294 414
Certificates and bonds	212 183 694					212 183 694
Shares and other securities			83 759			83 759
Loans to customers		20 343 949	228 996 402	20 654 052	0	269 994 403
Total	269 224 615	20 343 949	229 080 161	20 654 052	0	539 302 778
Committed loans, not disbursed			4 300 000			

Lending to customers by segment

Sector	2021		2020	
	USD	Share %	USD	Share %
Bulk	111 378 209	35 %	71 548 517	27 %
Container	76 986 638	24 %	76 678 410	28 %
Tank	112 955 804	36 %	111 507 688	41 %
Gas	10 727 646	3 %	5 399 888	2 %
Specialized	3 470 709	1 %	4 859 899	2 %
Offshore	-	0 %	-	0 %
Sum	315 519 007	100.000 %	269 994 403	100 %



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Lending to customers by geographical location

	31.12.2021		31.12.2020	
	USD	Share	USD	Share
Norway	123 065 586	39 %	131 848 872	49 %
Europe (ex Norway)	93 012 866	29 %	82 570 699	31 %
Asia	47 620 406	15 %	10 241 723	4 %
Oceania	48 682 205	15 %	34 375 383	13 %
Central America	0	0 %	7 419 043	3 %
Liberia	3 137 944	1 %	3 538 683	1 %
Total	315 519 007	100 %	269 994 403	100 %

Collateral held and other credit enhancements

Lending to customers

The general creditworthiness of a corporate customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security. The Bank takes collateral in the form of a first priority charge over vessels, pledged cash deposits, assignment of earnings and insurances as well as other liens and guarantees.

The credit worthiness of the corporate customer is based on a combination of the customer's value adjusted equity and the customer's cash flow and cash balance. Due to the fact that shipping in general is regarded as a cyclical industry, all loan agreements have provisions related to maximum loan to value, and valuations are assessed on a semi-annual basis, or more often when needed, to establish compliance with the loan agreements.

Valuations of collateral are updated if and when a loan is put on watch list, and the loan is monitored closely.

The following table stratify credit exposures to shipping customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for shipping loans is based on the collateral value of the last appraisal (semi-annual), the Bank's estimation or observable transactions in the market. For credit-impaired loans the value of collateral is based on the most recent appraisals.

LTV ratio and pledge in vessel

LTV Bracket	2021		2020	
	Loan Amount	Pledge in vessel	Loan Amount	Pledge in vessel
< 40%	199 297 071	199 297 071	46 467 473	46 467 473
40-50%	67 119 608	67 119 608	123 374 713	123 374 713
50-55%	31 928 089	31 928 089	52 215 717	52 215 717
55-60%	12 222 498	12 222 498	26 754 076	26 754 076
>60%	4 951 742	4 951 742	21 182 424	21 182 424
Sum	315 519 007		269 994 403	



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Bonds and certificates: Risk Weight

Risk Weight	2021		2020	
	Fair Value	Amortised Cost	Fair Value	Amortised Cost
0 %	15 127 481		20 707 570	
10 %	113 782 736		191 476 124	
20 %	0			
100 %	0			
Total	128 910 217		212 183 694	

Bonds and certificates: Rating

Rating	2021	2020
	Fair Value	Fair Value
AAA	123 003 838	206 037 546
AA+	5 906 379	6 146 147
AA	0	0
A	0	0
Total	128 910 217	212 183 694

Bonds and certificates: Sector

Sector	2021	2020
	Fair Value	Fair Value
Supranational	2 408 519	7 528 807
Local authority	12 718 962	13 178 763
Credit Institutions	113 782 736	191 476 124
Bank	-	
Total	128 910 217	212 183 694

ESG

The Bank focuses on responsible lending to our shipping customers, to be a secure bank for our deposit customers, safeguarding customer privacy and preventing financial crime while caring for our employees.

Ship financing and the life cycle of a vessel includes a variety of ESG risks starting at construction, through trade during its life at ports and on oceans and in the end recycling at the end of the lifetime. In addition to this there are aspects in running a shipping company when it comes to for example social welfare for the crew, complying with health and safety regulation, anti-corruption and money laundering regulations. As a financial institution we have the ability to provide guidance and support by sharing our knowledge.

MM Bank is working to further integrate ESG assessments into the risk and credit discussions and will continue to follow the developments within the ESG area closely. IMO has adopted new CO2 emission regulations applicable to existing ships when it comes to energy efficiency which will lead to an index addressing the technical efficiency, carbon intensity and energy efficient management plan. This index will be effective from January 2023.

EU approved in July 2021 an extensive package of proposals intended to reduce the EU's total Green House Gas (GHG) emissions by 55% by 2030 in conjunction with EU's overall goal for full decarbonization by 2050. The package contains comprehensive regulations of both operational and fiscal character for the maritime industry which will gradually be imposed from 2023.



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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 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 could have an impact on interest income, interest expenses, fair value of derivatives and financial assets/liabilities.

The table below shows notional amounts per interest rate period (time bucket)

<i>Notional in USD mio</i>	Up to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years
Deposits with central bank	8				
Deposits with banks	91				
Certificates and bonds	129				
Loans to customers	316				
Derivatives	196				
Sum Assets	740				
Loans from credit institutions	0				
Deposits	417				
Derivatives	196				
Sum liabilities	613				
Net	126				

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. The following table shows assets and liabilities in other currencies than USD.



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Assets (2021)	NOK	EUR
Deposit with Central Bank	69 062 488	
Deposit with Banks	464 484 910	851 584
Bonds	1 136 678 729	
Loans	-	11 035 363
Derivatives	1 732 099 650	
Other Assets	3 232 353	
Total Assets	3 405 558 131	11 886 947

Liabilities	NOK	EUR
Loans from credit institutions	-	
Deposits	3 378 828 318	1 432 863
Derivatives		10 520 000
Tax	15 974 599	
Other Liabilities	6 433 213	
Total Liabilities	3 401 236 130	11 952 863

Net Currency	4 322 000	-65 916	
Estimated Monthly Operational Cost		5 263 260	NOK
Number of months with hedging		1,3	

Assets (2020)	NOK	EUR
Deposit with Central Bank	66 194 681	
Deposit with Banks	303 948 470	305 571
Bonds	1 770 308 730	
Loans	-	7 316 666
Derivatives	1 267 102 276	
Other Assets	2 325 816	
Total Assets	3 409 879 973	7 622 238

Liabilities	NOK	EUR
Loans from credit institutions	300 779 098	
Deposits	3 077 705 348	650 000
Derivatives		6 966 134
Tax	18 812 567	
Other Liabilities	6 262 192	
Total Liabilities	3 403 559 206	7 616 134

Net Currency	6 320 767	6 104	
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Estimated Monthly Operational Cost		4 725 000	NOK
Number of months with hedging		1,3	

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 Financing Ratio (NSFR). These ratios describe the short liquidity level and the level of stable funding.



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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.

End of 2021

USD	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Over 5 years	Total
Cash and claims on central banks	7 832 345					7 832 345
Loans and receivables from credit institutions	90 907 732					90 907 732
Loans to and receivables from customers	2 625 000	19 187 701	70 431 229	223 275 077	0	315 519 007
Commercial papers and bonds		19 084 559	68 646 516	30 485 783	10 693 359	128 910 217
Shares, funds and other securities					111 713	111 713
Assets	101 365 077	38 272 260	139 077 745	253 760 860	10 805 072	543 281 014
Deposits from credit institutions		0				0
Deposits from and liabilities to customers	395 790 799	1 154 863	3 611 918	16 468 014		417 025 594
Debt from issuance of bonds						
Subordinated loan capital						
Liabilities	395 790 799	1 154 863	3 611 918	16 468 014	0	417 025 594
Financial derivatives (net settlement)	-	-794 598	-293 246	-2 452 590		-3 540 434
Total	-294 425 722	36 322 799	135 172 581	234 840 257	10 805 072	122 714 986

End of 2020

USD	Up to 1 month	1 to 3 months	3 to 12 months	Over 1 year	Over 5 years	Total
Cash and claims on central banks	7 746 507					7 746 507
Loans and receivables from credit institutions	49 294 414					49 294 414
Loans to and receivables from customers	1 785 000	9 021 175	49 611 858	209 576 370	0	269 994 403
Commercial papers and bonds		5 011 311	78 651 209	122 375 027	6 146 147	212 183 694
Shares, funds and other securities					83 759	83 759
Assets	58 825 922	14 032 486	128 263 067	331 951 397	6 229 906	539 302 778
Deposits from credit institutions		35 199 014				35 199 014
Deposits from and liabilities to customers	364 272 650	0	3 439 726	17 015 126		384 727 502
Debt from issuance of bonds						
Subordinated loan capital						
Liabilities	364 272 650	35 199 014	3 439 726	17 015 126	0	419 926 516
Financial derivatives (net settlement)	-1 159 542	-643 410	-2 914 939	2 530 835		-2 187 056
Total	-306 606 270	-21 810 188	121 908 402	317 467 106	6 229 906	117 188 956



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The time buckets are contractual maturity. Assets and liabilities without any time restrictions are put in the "up to 1 month" time bucket.

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.



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INCOME AND COST

Note 8, Remuneration

Management and Board of Directors - 2021

<i>- In USD</i>	Fixed Salary	Other Remuneratio	Bonus	Total Remuneration	No. Of shares	%	Number of options
Management							
Halvor Sveen (CEO)	505 846	2 415	41 111	549 372	2 063	0.0%	147 070
Linda Christin Hoff (CCO) (1)	166 334	1 610	15 594	183 538	-	-	-
Per Ugland (Executive Director)	306 902	1 088	21 123	329 112	-	-	-
Tor Stenumgard (CFO)	313 303	2 415	26 462	342 181	-	-	80 000
Lars Fossen (CRO/CCO)	344 805	2 415	28 352	375 572	-	-	-
Total management	1 637 189	9 944	132 642	1 779 775	2 063	0.0%	227 070

(1) Linda Christin Hoff, employed from April 1st

<i>- In USD</i>	Proposed Fee	Other Remuneratio	Bonus	Total Remuneration	Number of shares (1)	%
Board of Directors						
Endre Røsjø, Chair	62 375	-	-	62 375	2 041 979	25.0%
Henning Oldendorff	31 188	-	-	31 188	2 041 979	25.0%
Magnus Roth	31 188	-	-	31 188	438 899	5.4%
Nikolaus Oldendorff	31 188	-	-	31 188	431 394	5.3%
Ingrid Elvira Leisner	31 188	-	-	31 188	-	-
Karin Thorburn	31 188	-	-	31 188	9 500	0.1%
Anne-Margrethe Firing	31 188	-	-	31 188	-	-
Total Board of Directors	249 501	-	-	249 501	4 963 751	60.8%

(1) All the shares owned through Centennial AS

<i>- In USD</i>	Proposed Fee	Total
Audit Committee		
Ingrid Elvira Leisner, chair	9 980	9 980
Karin Thorburn	6 861	6 861
Anne-Margrethe Firing	6 861	6 861
Risk Committee		
Karin Thorburn, chair	9 980	9 980
Ingrid Elvira Leisner	6 861	6 861
Anne-Margrethe Firing	6 861	6 861
Total Audit and Risk Committee	47 405	47 405

Exchange rates 8.8176

Management and Board of Directors - 2020

<i>- In USD</i>	Fixed Salary	Other Remuneratio	Bonus	Total Remuneration	No. Of shares	%	Number of options
Management							
Halvor Sveen (CEO)	454 629	2 025	-	456 654	2 063	0.0%	147 070
Per Ugland (CCO)	324 848	887	-	325 735	-	-	-
Tor Stenumgard (CFO)	284 078	2 025	-	286 103	-	-	80 000
Lars Fossen (CRO/CCO)	317 606	2 025	-	319 632	-	-	-
Total management	1 381 162	6 962	-	1 388 124	2 063	0.0%	227 070

<i>- In USD</i>	Proposed Fee	Other Remuneratio	Bonus	Total Remuneration	Number of shares (1)	%
Board of Directors						
Endre Røsjø, Chair	58 380	-	-	58 380	2 041 979	25.0%
Henning Oldendorff	29 190	-	-	29 190	2 041 979	25.0%
Magnus Roth	29 190	-	-	29 190	438 899	5.4%
Nikolaus Oldendorff	29 190	-	-	29 190	431 394	5.3%
Ingrid Elvira Leisner	29 190	-	-	29 190	-	-
Karin Thorburn	29 190	-	-	29 190	9 500	0.1%
Anne-Margrethe Firing	29 190	-	-	29 190	-	-
Total Board of Directors	233 521	-	-	233 521	4 963 751	60.8%

(1) 102 723 shares (1.3 %) owned through Centennial AS

<i>- In USD</i>	Proposed Fee	Total
Audit Committee		
Ingrid Elvira Leisner, chair	9 341	9 341
Karin Thorburn	6 422	6 422
Anne-Margrethe Firing	6 422	6 422
Risk Committee		
Karin Thorburn, chair	9 341	9 341
Ingrid Elvira Leisner	6 422	6 422
Anne-Margrethe Firing	6 422	6 422
Total Audit and Risk Committee	44 369	44 369

Exchange rates 9.421



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Number of Employees

	<u>2021</u>	<u>2020</u>
Number of employees at December 31st	25	22
Number of full-time equivalents	23.6	21.6
Average number of employees	23	20.5
Average number of full-time equivalents	22.6	20.1

Remuneration

<u>- In USD</u>	<u>2021</u>	<u>2020</u>
Salaries	4 008 541	3 850 357
Employer's national insurance contribution	819 253	750 528
Pension expenses	302 625	241 723
Other personnel expenses	5 029	23 704
Salaries and personnel expenses	5 135 448	4 866 312

The employees will have the following pension/insurance arrangements covered

Pension Cost

Maritime & Merchant Bank ASA is required to have an occupational pension scheme pursuant to the Act concerning occupational pension schemes and has a scheme that complies with the provisions of the Act. The Bank has a defined contribution pension scheme for all employees, which is managed by life assurance company Storebrand Livsforsikring AS.

Employee insurance cover

- Occupational Injury and Occupational Disease Insurance: 30 G
- Group Life Insurance: 40 G
- Health Insurance: To be covered by the Bank
- Business and Leisure Travel Insurance: To be covered by the Bank
- Defined Contribution Pension: 7% annual contribution up to 7.1 G and 10% additional annual contribution for salaries between 7.1 and 12 G

Remuneration to auditors

The following table shows total audit and other services delivered to the Bank by the appointed auditor. Amounts do not incl. VAT.

<u>- In USD</u>	<u>2021</u>	<u>2020</u>
Audit fee	84 048	52 662
Assurance services	-	7 022
Tax services	-	1 755
Other non-audit services	1 996	22 820
Total	86 044	84 259

Declaration on remuneration

Background

It is set out in section 15-2 (4) in regulation to the Financial Institutions Act 2015 that financial undertakings shall undertake a review of their remuneration practices at least once per annum. The undertaking shall prepare a written report concerning each annual review. The report shall be reviewed by independent control functions. The Bank uses the internal auditor from RSM Norge AS to perform the independent control function.



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Description of the remuneration scheme

Maritime & Merchant Bank ASA has established a remuneration scheme covering all employees described in the document "Remuneration Policy". This policy was adopted by the Board of Directors on May 12th, 2021 (updated February 14th, 2022).

The Bank's remuneration consists of the following main elements:

- Fixed salary
- Pension and insurance arrangements
- Other expense cover (to be agreed)
- Resignation compensation

The remuneration will be the respective employees agreed annual salary. The remuneration shall be competitive and be comparable to equivalent positions in other banks comparable to the Bank, and reflect the employee's tasks, responsibility and obtained goals. The remuneration will normally be up for evaluation once per year.

The Bank has fewer than 50 employees and less than NOK 5 billion in total assets, which means it does not need to have a separate remuneration committee.

Review

Maritime & Merchant Bank ASA has reviewed the Bank's remuneration practices. The review shows that the remuneration scheme for 2021 complies with chapter 15 of the Financial Institutions Act 2015 and The Financial Supervisory Authority of Norway's circular letter 2/2020.

Incentive Program - Option plan

Maritime & Merchant Bank ASA has established an incentive program in 2018 for certain employees of the Company. The program is implemented with the following main principles:

1. Employees are granted a number of options at the Board's discretion. The total number of options under the program is limited to 400 000 shares in the Company (as adjusted for certain capital amendments).
2. The strike price for options under the program shall be equal to the subscription price (USD 12.75) of the share capital approved on the general meeting in 2018.
3. The exercise period shall be no longer than 5 years.

The cost of the option program in this year's accounts is USD - 172 112 (171 267). The negative cost is due to a revised entry value of the options.



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Note 9, Taxation of profit

	2021	2020
<i>- in NOK</i>		
Profit before tax, USD translated to NOK	70 103 403	50 763 107
Translation of Equity to NOK	30 173 575	-26 909 791
Profit before tax NOK	100 276 978	23 853 316
Permanent differences	311 981	38 637
Change in temporary differences	-36 672 737	33 610 885
Change in tax loss carryforward	0	0
Taxable profit NOK	63 916 222	57 502 838
Tax Payable, USD translated to NOK	-16 024 088	-14 375 709
Change in deferred tax assets, USD translated to NOK	0	0
Change in deferred tax, USD translated to NOK	-9 168 184	8 402 722
Tax expense NOK	-25 192 272	-5 972 987
Tax expense USD	-2 857 044	-698 996

ASSETS

Note 10, Classification of financial instruments.

Amounts in USD 1000	2021		2020	
	Fair Value	Amortised Cost	Fair Value	Amortised Cost
Deposit with central bank		7 832		7 747
Deposits with credit institution		90 908		49 294
Certificates and bonds	128 910		212 184	
Shares and other securities		112		84
Loans to customers		315 519		269 994
Financial derivatives	1 549		2 839	
Total financial assets	130 459	414 371	215 023	327 119
Deposits from customers		417 026		384 728
Loans from credit institutions		0	35 199	
Financial derivatives	5 089		5 026	
Subordinated loans				
Total financial liabilities	5 089	417 026	5 026	419 927



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Note 11, 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.

2021

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	128 910	0	128 910
Shares and other securities	0	0	0	0
Financial derivatives	0	1 549	0	1 549
Total financial assets	0	130 459	0	130 459
Financial derivatives	0	5 089	0	5 089
Total financial liabilities	0	5 089	0	5 089

2020

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	212 184	0	212 184
Shares and other securities	0	0	0	0
Financial derivatives	0	2 839	0	2 839
Total financial assets	0	215 023	0	215 023
Financial derivatives	0	5 026	0	5 026
Total financial liabilities	0	5 026	0	5 026



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Note 12, Fair value of financial instruments recognized at amortised cost.

Amounts in USD 1000	2021		2020	
	Fair Value	Amortised Cost	Fair Value	Amortised Cost
Deposit with central bank	7 832	7 832	7 747	7 747
Deposits with credit institution	90 908	90 908	49 294	49 294
Shares and other securities	112	112	84	84
Loans to customers	315 519	315 519	269 994	269 994
Total financial assets	414 371	414 371	327 119	327 119
Deposits from customers	417 026	417 026	384 728	384 728
Loans from credit institutions	0	0	35 199	35 199
Total financial liabilities	417 026	417 026	419 927	419 927

We have divided instruments recognised at amortized cost the following items:

Assets

- lending to and receivables on credit institutions,
- lending to customers

Liabilities

- deposits from and debt to customers
- debt to credit institutions
- debt incurred by issuing securities

Assets

The Bank assesses that loans to the corporate market and credit institutions with floating interest rate has a correct market price at the balance sheet date.

The reason for this is that the floating interest rate is continuously assessed and adjusted in accordance with the interest rate level in the capital market and changes in the competitive situation.

Fixed rate loans and deposits with fixed rate will be subject to fair value calculation. Fair value is net present value of change in fixed rate for the remaining tenor.

Liabilities

For deposits to customers and debt to credit institutions fair value is estimated equal to book value since these in all mainly have floating interest rates. Based on the above assessments, there will be no difference between posted value and fair value in the table above.

Debt created by issuing securities and liable loan capital (none as of 31.12.2021) will be valued by theoretical market valuation based on the current interest rate and spread curves.

Note 13, Financial pledges

The Bank has pledged NOK 29 600 000 of deposits as collateral for financial derivatives.



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Note 14, Other intangible assets and fixed assets

- In USD

	31.12.2021		31.12.2020	
	Other intangible assets	Property, plant and equipment	Other intangible assets	Property, plant and equipment
Cost or valuation at 01.01	4 446 666	1 400 057	4 318 219	1 334 652
Exchange and other adjustments	-137 420	-43 268	125 944	41 097
Introduction of right to use-asset				0
Additions			2 504	24 307
Disposals			0	0
Cost or valuation at end of period	4 309 246	1 356 789	4 446 666	1 400 057
Accumulated depreciation and impairment at 01.01.	-3 237 478	-731 667	-2 281 437	-394 420
Exchange and other adjustments	130 084	33 841	-148 329	-18 603
Depreciation charge this year	-892 233	-333 607	-807 713	-318 645
Disposals				
Accumulated depreciation and impairment at end of period	-3 999 627	-1 031 433	-3 237 478	-731 668
Balance sheet amount at end of period	309 619	325 356	1 209 188	668 390
<i>Economic lifetime</i>	<i>5 years</i>	<i>3 years</i>	<i>5 years</i>	<i>3 years</i>
<i>Depreciation schedule</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>

Fixed assets	31.12.2021	31.12.2020
Right to use assets	286 510	629 655
Other	38 846	38 735
Sum fixed assets	325 356	668 390

LIABILITIES

Note 15, Deposits

By customer group

	31.12.2021	31.12.2020
Private	383 191 381	360 171 952
Corporates	33 834 213	24 555 550
Total customer deposits	417 025 594	384 727 502

Customers deposits by geographical location

	31.12.2021	31.12.2020
Norway	389 585 192	364 395 461
Europe	14 721 720	13 053 300
Outside Europe	12 718 682	7 278 741
Sum Deposits	417 025 594	384 727 502



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Note 16, Other assets and financial derivatives.

As of 2021

Amounts in 1000	Nominal Value USD	Nominal Value EUR	Nominal Value NOK	Positive market values USD	Negative Market values USD
Interest Rate Derivatives					
Interest rate swap	0	0	0	0	0
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	188 000		1 624 703	1 213	5 079
Buy/Sell EUR against NOK		10 520	107 397	336	10
Total Currency Derivatives	188 000	10 520	1 732 100	1 549	5 089

As of 2020

Amounts in 1000	Nominal Value USD	Nominal Value EUR	Nominal Value NOK	Positive Market Values USD	Negative Market Values USD
Interest Rate Derivatives					
Interest rate swap					
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	141 500		1 195 983	2 839	4 457
Buy/Sell EUR against NOK		6 949	68 156	0	569
Total Currency Derivatives	141 500	6 949	1 264 139	2 839	5 026

Note 17, Other Liabilities and accrued cost

- In USD	31.12.2021	31.12.2020
Account payables	127 818	31 236
Tax withholdings	329 376	301 847
VAT payable	65 023	41 932
Tax payable	1 817 285	1 682 334
Deferred tax	1 590 795	519 228
Lease liability	318 268	642 065
IFRS-9 Allowance (loans not disbursed)	-	10 570
Other liabilities	356 375	383 642
Total other liabilities	4 604 940	3 612 853
Holiday pay and other accrued salaries	663 349	675 913
Other accrued costs	66 238	59 282
Total accrued costs	729 588	735 195



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Note 18, Share capital and shareholder information

The Company has 8 170 048 shares at NOK 10.

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

The Company have 56 shareholders.

The ten largest shareholders of the Company are:

No	Shareholder	Numb. of shares	%
1	Henning Oldendorff	2 041 979	25.0 %
1	Centennial AS	2 041 979	25.0 %
3	Deutsche Bank Aktiengesellschaft	666 700	8.2 %
4	Société Générale	655 847	8.0 %
5	Canomaro Bulk AS	438 899	5.4 %
6	Skandinaviska Enskilda Banken AB	250 000	3.1 %
7	Klaveness Marine Finance AS	176 923	2.2 %
8	TD Veen AS	143 821	1.8 %
9	Herfo Finans AS	132 467	1.6 %
10	Sabine Elke Grothe-Ernst	127 000	1.6 %
	Others	1 494 433	18.3 %
	Total	8 170 049	100 %

Note 29, Country by country reporting

Country	Norway
Name	Maritime & Merchant Bank ASA
Address	Haakon VII gate, 0161 Oslo, Norway
Turnover	USD 19 847 004
Number of employees	25
Result before tax	USD 7 950 395
Received public support and subsidies	USD 0

Appendices



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Appendix 1, Alternative Performance Measures

Formulas for calculation of Alternative Performance Measures

Ratio formulas

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

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

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

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

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

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

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

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

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



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To the General Meeting of Maritime & Merchant Bank AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Maritime & Merchant Bank AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

Maritime & Merchant Bank AS was registered as a bank 20 December 2016. We have been the auditor of the Company for 9 years from the election by the general meeting of the shareholders on 13.08.2013 for the accounting year 2013.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Independent Auditor's Report -
Maritime & Merchant Bank AS

IT Systems and Internal Controls relevant for Financial Reporting

Key audit matter	How the matter was addressed in the audit
<p>The IT systems within Maritime & Merchant Bank AS are key in the accounting and reporting of completed transactions, in obtaining the basis for key estimates and calculations, and in obtaining relevant information to be disclosed.</p> <p>The IT systems are standardized, and the management and operation of the systems are to a great extent outsourced to external service providers. For more information regarding development, operation and management of the bank's IT systems see note 8 in the Financial Statements.</p> <p>Proper management and control of these IT systems both at Maritime & Merchant Bank AS and their service providers are of high importance in order to ensure precise, complete and reliable financial reporting, and this area is therefore a key audit matter.</p>	<p>Maritime & Merchant Bank AS has established a general governance model and control activities on its IT systems. We have obtained an understanding of the bank's IT governance model relevant for financial reporting.</p> <p>We assessed and tested the design of selected internal control activities relevant for financial reporting, including selected controls related to information security. For a sample of these controls, we tested their operating effectiveness in the reporting period.</p> <p>We also reviewed the third-party attestation report (ISAE 3402 Report) from Maritime & Merchant Bank AS's service provider of the core banking system focusing on whether they had adequate internal controls on areas that are of importance for the financial reporting of Maritime & Merchant Bank AS.</p> <p>In addition, we reviewed a third-party confirmation (ISRS 4400 Agreed-upon procedures) related to the service provider with regards to whether selected automated control activities in the IT systems, including among others the calculation of interests and fees, as well as system generated reports were satisfactorily designed and if they had operated effectively in the period.</p> <p>We engaged our internal IT experts in the work related to understanding the governance model on IT systems and in assessing and testing the internal control activities related to IT systems.</p>

Penneo document key: 65POI-NPPTC-SQ1QX-C1YQZ-UA7F1-5NKXX

Corporate loan loss provisions

Key audit matter	How the matter was addressed in the audit
<p>Maritime & Merchant Bank AS has loans in the corporate segment, and reference is made to note 8 for disclosures on credit risk and loss provisions on loans and guarantees.</p> <p>Maritime & Merchant Bank AS has considered the expected credit loss (ECL) on loans to customers in the corporate market segment. The estimate involves considerable judgement.</p> <p>The judgement relates to forward-looking information regarding the probability of default and loss given default, including judgements as to how expected credit loss is impacted by uncertainties regarding the economic development after the Covid-19 outbreak.</p>	<p>Maritime & Merchant Bank AS has established control activities related to the estimation of loss allowance on loans to customers in the corporate market segment.</p> <p>We assessed and tested the design of selected control activities concerning the estimation of expected credit loss, including selected controls related to validation of methods and assumptions used and macro scenarios.</p> <p>For a sample of these control activities, we tested if they operated effectively during the period.</p> <p>We have performed audit procedures to address the loss allowance as of year-end. We have obtained and assessed the bank's justification for the ECL and</p>



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Key audit matter	How the matter was addressed in the audit
The bank has developed internal models to estimate ECL. The assumptions and estimates used in these assessments are decisive for the size of the loss allowance and is therefore a key audit matter in the audit.	challenged management on the assumptions and assessments on which the overall estimates are based. We considered if the disclosures on loss allowance on loans to customers include relevant and significant information in accordance with requirements set forth in IFRS 7.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information presented with the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report and the other information presented with the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information presented with the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information presented with the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information presented with the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report and the other information presented with the financial statements. We have nothing to report in this regard. Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly for the statements on Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 14 February 2022
Deloitte AS

Roger Furholm
State Authorised Public Accountant

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"By my signature I confirm all dates and content in this document."

Roger Furholm

State Authorised Public Accountant (Norway)

Serial number: 9578-5999-4-1255133

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