Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2020 - GENERELL INFORMASJON

Enheten

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

Regnskapsår

Årsregnskapets periode:	01.01.2020 - 31.12.2020

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:	18.02.2021

Grunnlag for avgivelse

År 2020: Årsregnskapet er elektronisk innlevert

År 2019: Tall er hentet fra elektronisk innlevert årsregnskap fra 2020

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, 15.06.2022

Resultatregnskap

Beløp i: USD	Note	2020	2019
RESULTATREGNSKAP			
Renteinntekter og lignende inntekter			
Renteinntekter beregnet etter effektivrentemetoden av utlån til og fordringer på kredittinstitusjone		257 617	1 174 197
Renteinntekter beregnet etter effektivrentemetoden av utlån til og fordringer på kunder		19 325 904	25 154 631
Renteinntekter beregnet etter effektivrentemetoden av rentebærende verdipapirer		1 672 510	2 557 478
Sum renteinntekter og lignende inntekter		**21 256 031**	**28 886 306**
Rentekostnader og lignende kostnader			
Rentekostnader beregnet etter effektivrentemetoden på gjeld til kredittinstitusjoner og finansiering		103 735	
Rentekostnader beregnet etter effektivrentemetoden på innskudd fra og gjeld til kunder		6 883 187	8 377 592
Øvrige rentekostnader		668 936	2 338 839
Sum rentekostnader og lignende kostnader		**7 655 858**	**10 716 431**
Netto renteinntekter		**13 600 173**	**18 169 875**
Provisjonsinntekter og inntekter fra banktjenester		779 947	614 559
Provisjonskostnader og kostnader ved banktjenester		32 111	66 808
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		56 190	-185 735
Netto verdiendring og gevinst/tap på valuta og finansielle derivater		61 966	98 425
Sum netto verdiendring og gevinst/tap på valuta og finansielle instrumenter		**118 156**	**-87 310**
Lønn og andre personalkostnader		4 866 312	4 501 034
Andre driftskostnader		**1 539 158**	**1 747 954**

Resultatregnskap

Beløp i: USD	Note	2020	2019
Av-/nedskrivninger, verdiendringer og gevinst/tap på ikke-finansielle eiendeler			
Avskrivninger	14	1 126 358	1 200 342
Sum av-/nedskrivninger, verdiendringer og gevinst tap på ikke-finansielle eiendeler		**-1 126 358**	**-1 200 342**
Kredittap på utlån, garantier mv. og rentebærende verdipapirer			
Kredittap på utlån målt til amortisert kost eller virkelig verdi med verdiendring over andre inntekt	5,7	1 002 627	120 932
Sum kredittap på utlån, garantier og rentebærende verdipapirer		**1 002 627**	**120 932**
Resultat før skatt fra videreført virksomhet		**5 931 710**	**11 060 054**
Skatt på resultat fra videreført virksomhet	5,9	698 996	2 983 370
Resultat etter skatt fra videreført virksomhet		**5 232 714**	**8 076 684**
Resultat før andre inntekter og kostnader		**5 232 714**	**8 076 684**
Andre inntekter og kostnader			
Sum andre inntekter og kostnader		**0**	**0**
Totalresultat for regnskapsåret		**5 232 714**	**8 076 684**

Balanse

Beløp i: USD	Note	2020	2019
BALANSE - EIENDELER			
Kontanter og kontantekvivalenter		7 746 507	7 432 474
Utlån til og fordringer på kredittinstitusjoner og finansieringsforetak			
Utlån og fordringer på kredittinstitusjoner og finansieringsforetak til amortisert kost		49 294 414	63 052 606
Sum utlån og fordringer på kredittinstitusjoner og finansieringsforetak		**49 294 414**	**63 052 606**
Utlån til og fordringer på kunder			
Utlån og fordringer på kunder til amortisert kost	7	268 565 789	294 301 518
Sum utlån og fordringer på kunder		**268 565 789**	**294 301 518**
Rentebærende verdipapirer			
Rentebærende verdipapirer til virkelig verdi	7	212 183 694	151 334 685
Sum rentebærende verdipapirer		**212 183 694**	**151 334 685**
Finansielle derivater			
Finansielle derivater	16	2 839 018	581 080
Aksjer, andeler og andre egenkapitalinstrumenter			
Aksjer, andeler og andre egenkapitalinstrumenter		83 759	45 270
Immaterielle eiendeler			
Immaterielle eiendeler	14	1 209 188	2 036 782
Varige driftsmidler			
Andre varige driftsmidler	14	668 390	940 232
Sum varige driftsmidler		**668 390**	**940 232**
Andre eiendeler			
Andre eiendeler		272 182	321 421
Sum andre eiendeler		**272 182**	**321 421**
SUM EIENDELER		**542 862 941**	**520 046 068**

Balanse

Beløp i: USD	Note	2020	2019
BALANSE - GJELD OG EGENKAPITAL			
GJELD			
Innlån fra kredittinstitusjoner og finansieringsforetak			
Innlån fra kredittinstitusjoner og finansieringsforetak til amortisert kost		35 199 014	
Sum innlån fra kredittinstitusjoner og finansieringsforetak		**35 199 014**	**0**
Innskudd og andre innlån fra kunder			
Innskudd og andre innlån fra kunder til amortisert kost	15	384 727 502	398 238 850
Sum innskudd og andre innlån fra kunder		**384 727 502**	**398 238 850**
Gjeld stiftet ved utstedelse av verdipapirer			
Sum gjeld stiftet ved utstedelse av verdipapirer		**0**	**0**
Finansielle derivater			
Finansielle derivater	16	5 026 074	8 579 392
Annen gjeld			
Annen gjeld	17	2 146 485	2 649 035
Avsetninger			
Forpliktelser ved periodeskatt	17	1 682 334	413 993
Forpliktelser ved utsatt skatt	17	519 228	2 006 476
Sum avsetninger		**2 201 562**	**2 420 469**
Ansvarlig lånekapital			
Sum ansvarlig lånekapital		**0**	**0**
Fondsobligasjonskapital			
Sum fondsobligasjonskapital		**0**	**0**
Sum gjeld		**429 300 637**	**411 887 746**
EGENKAPITAL			
Innskutt egenkapital			
Aksjekapital/eierandelskapital	18	9 708 655	9 708 655

Balanse

Beløp i: USD	Note	2020	2019
Overkursfond		94 148 865	94 148 865
Sum innskutt egenkapital		**103 857 520**	**103 857 520**
Opptjent egenkapital			
Annen egenkapital		9 704 784	4 300 802
Sum opptjent egenkapital		**9 704 784**	**4 300 802**
Sum egenkapital		**113 562 304**	**108 158 322**
SUM GJELD OG EGENKAPITAL		**542 862 941**	**520 046 068**

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 intemasjonale 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 intemasjonalt 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: skatteetaten.no/sendepost	22 17 08 60

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 samarbeidpartnere.

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

Deloitte.

Deloitte AS
Dronning Eufemias gate 14
Postboks 221 Sentrum
NO-0103 Oslo
Norway

Tel: +47 23 27 90 00
www.deloitte.no

To the General Meeting of Maritime & Merchant Bank ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maritime & Merchant Bank ASA, which comprise the balance sheet as at 31 December 2020, 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 accompanying financial statements are prepared in accordance with laws and regulations and gives a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 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.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements 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 laws, regulations, and auditing standards and practices generally accepted in Norway, including 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.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including 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 those charged with governance 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.

Report on Other Legal and Regulatory Requirements
Opinion on the Board of Directors' report
Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statement on Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance*

Deloitte.

Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 February 2021
Deloitte AS

Roger Furholm
State Authorised Public Accountant (Norway)

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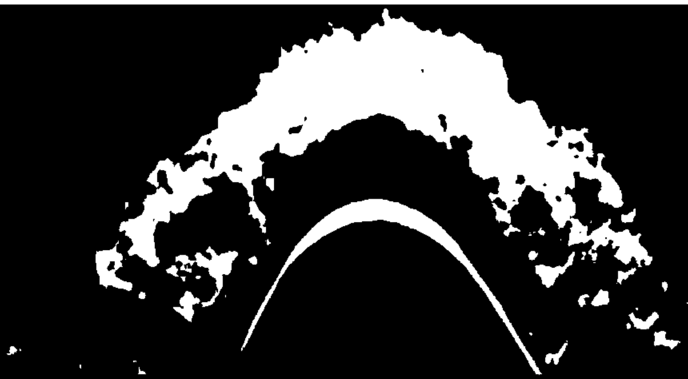
The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

"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
IP: 217.173.xxx.xxx
2021-02-18 18:11:20Z

bank ID

Penneo document key: 0LMY6-MN2TO-U7PK7-LIEIV-2K7XL-ZF300



Maritime & Merchant Bank ASA

Financial Report

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The bank had a profit before tax of USD 2 126 789 in Q4 2020 (USD 1 524 937 Q3 2020). The net interest margin was 2.1% (1.8% in Q3 2020) and a Return on Equity of 7.7% before tax. (5.5% in Q3 2020).

The profit for 2020 before tax is USD 5 931 710. The bank has no defaulted exposures by the end of 2020.

The Board propose a dividend of USD 0.18 per share (USD 1 470 609).

Covid-19 continues to affect the society and the bank has been run during 2020 in accordance with the recommendations from the authorities on infection control.

The shipping markets during 4th quarter 2020 were largely characterized by the strong and unexpected upswing in the global container market. Freight rates increased from August until year-end with an average between 35-40% for the different size types between 1.700 and 6.800 TEU. The dry bulk segment continued its positive development during 4th quarter and the prospects are described as favourable, with a newbuilding orderbook at around 6% of the sailing fleet and an estimated growth (Clarkson Research) in seaborne dry bulk trade of 4% in 2021. The tanker segment has been extremely weak during last quarter 2020, a negative trend which started after the summer of 2020 and has continued into the new year, and generally analysts are cautious to predict when a supply and demand balance can re-emerge in the market.

The significant improvements within both container and dry bulk contributed to an improvement in the credit quality of the Bank's loan portfolio and offset a minor deterioration of the loans to the tank sector.

The GDP estimate from IMF and OECD 2021 of 5.5% is isolated good news for the shipping industry as such. The global logistic unbalance is already clearly expressed in the heated container market and expectations for a "post corona" period is certainly on the agenda. However, the fight against the virus still goes on with full force and the many obstacles and restrictions are still hampering the daily life in most parts of the world. Hopefully, the vaccine programs will give a positive effect during the first half of 2021 and by this reducing the risk for further comprehensive lockdowns.

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.

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Profit for the period (01.01-31.12)

The profit for the period before tax is USD 5 931 710 (USD 11 060 054) and profit after tax* is USD 5 232 714 (USD 8 076 684).

Net interest income and related income totalled USD 13 600 173 (USD 18 169 875), and other Income (including financial derivatives and fixed income instruments) was USD 865 992 (USD 460 441).

Operating expenses before impairments and losses totalled USD 7 531 828 (USD 7 449 329). The Cost/Income ratio came in at 52% (40%).

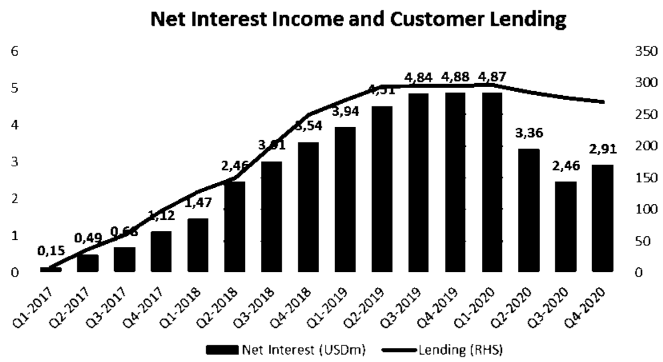
For the whole year, loss allowance (Expected Loss) corresponding to USD 616 193 (USD 120 932) were expensed. Credit Loss (Impairments) was USD 386 435 (USD 0 in 2019,2018 and 2017)

(*) see Deferred Taxes and payable tax below

	2020 Q4	2019 Q4	2020 01.01 - 31.12	2019 01.01 - 31.12
Interest Income	4 158 758	7 118 079	21 256 031	28 886 306
Interest Expense	-1 246 230	-2 242 443	-7 655 858	-10 716 432
Net Interest Income	**2 912 527**	**4 875 637**	**13 600 173**	**18 169 875**
Other Income	776 257	106 366	865 992	460 441
Total Income	**3 688 784**	**4 982 003**	**14 466 165**	**18 630 316**
Operating Expense	-2 093 957	-1 813 534	-7 531 828	-7 449 329
Operating Result	**1 594 827**	**3 168 469**	**6 934 337**	**11 180 987**
Loss Allowance	918 397	-114 676	-616 193	-120 932
Impairments (Credit Loss)	-386 435		-386 435	
Profit Before Tax	**2 126 789**	**3 053 793**	**5 931 710**	**11 060 054**
Tax	252 234	-7 967	-698 996	-2 983 371
Profit After Tax	**2 379 023**	**3 045 826**	**5 232 714**	**8 076 684**

Net interest income and related income

Net interest income and related income totalled USD 2 912 527 in Q4 (USD 4 875 637 in Q4 2019). This correspond to an increase from USD 2 458 826 in Q3 2020.



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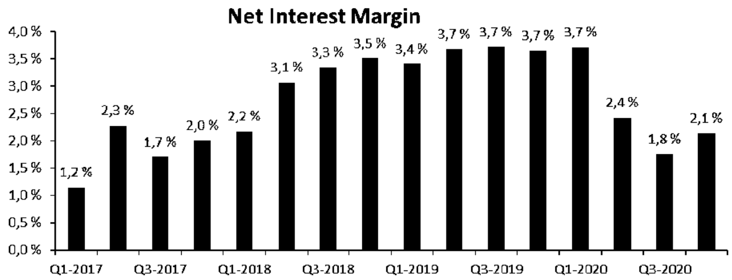
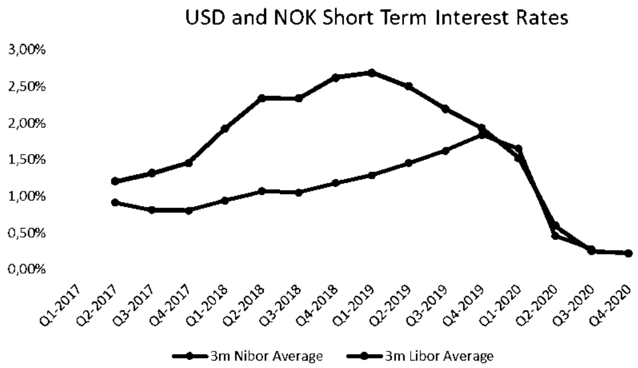
Net interest margin increased from 1.8% in Q3 to 2.1% in Q4 (3.7% in Q4-2019). Lower deposit and stable money market rates resulted in lower funding cost and improved Net Interest Margin.



Money market rates (daily average) in USD and NOK seems to have stabilized at a low level.



(Source: Infront, Maritime & Merchant Bank ASA)

Net other Income

Net other income amounted to USD 776 257 in Q4 2020 (USD 106 366 in Q4-2019).

Value adjustments on derivatives and hedging instrument in Q4 was USD 388 030 due to an depreciation of the USD against NOK (USD 128 316 in Q4-2019). An abnormal USD appreciation against NOK in Q1 led to a negative value adjustment of USD 1 137 222. Value adjustment YTD is USD 61 966 (USD 98 425 in 2019).

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 303 571 in Q4 (USD 166 257 in Q4-2019).

Total operating expenses before impairments and losses

Operating expenses before impairments and losses totalled USD 2 093 957 in Q4 (USD 1 813 534 in Q4-2019). Salaries and personnel expenses, including social costs, amounted to USD 1 358 446 (USD 1 039 077 in Q4-2019) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 289 362 (USD 290 405 in Q4-2019). The Cost/Income ratio came in at 56.8% in Q4 (36.4% in Q4-2019).

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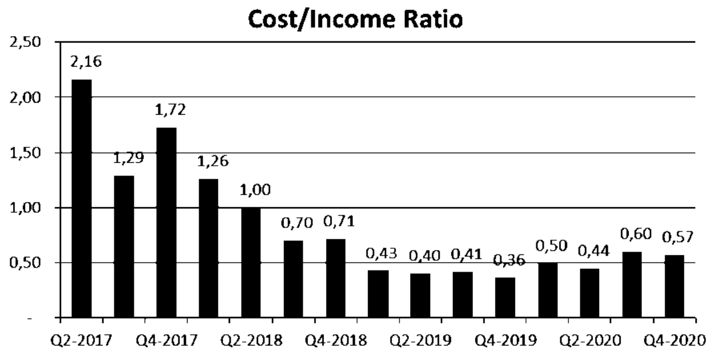
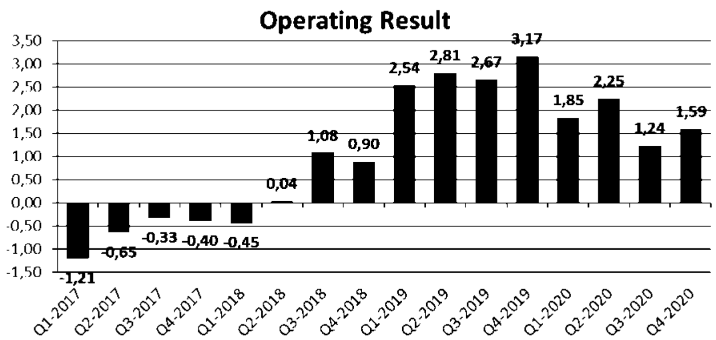


Operating result

Operating result in Q4 amounted to USD 1 594 827 (USD 3 168 469 in Q4-2019).



Loan and Loan Loss provisions

Maritime & Merchant Bank ASA has lent USD 269 994 403 (USD 295 124 509 in 2019) to customers.

The Bank has made USD 1 428 614 (USD 822 991) in loss allowance (IFRS 9). Change in loss allowance through the year amounts to USD 616 193 (USD 120 932).

The credit quality of the majority of the loans (measured by PD – Default probability) to the bulker and container segments deteriorated significantly from Q1 to Q2, due to the reduction in cargoes to be lifted in those segments, reduced rates and uncertainty regarding future market conditions. The deterioration has however flattened out and returned to more normal levels for both container vessels and bulkers towards the end of Q4. The average PD of both bulkers and containers are however still above the PD levels measured prior to the Covid 19 crisis.

There has been a small deterioration of the credit quality (measured by PD) of the tanker portfolio during Q4, but this has been more than balanced out by the improved quality of the container and bulker exposures.

As a consequence, hereof, the total credit portfolio has migrated positively through Q4 which is reflected in the reduced Loss Allowances at the end of Q4 compared to those at the end of Q3 2020.

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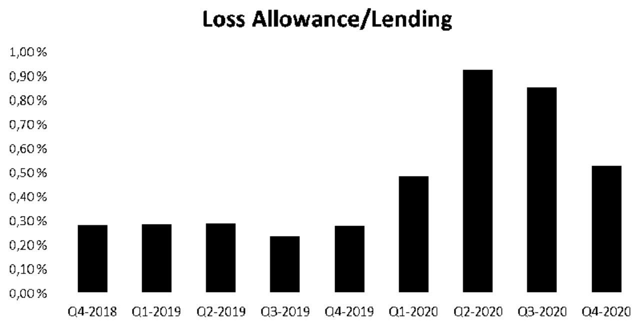
The majority of the commitments (89.5 %) are in step 1 (77 % in Q2-2020, 79.7 % in Q3-2020).

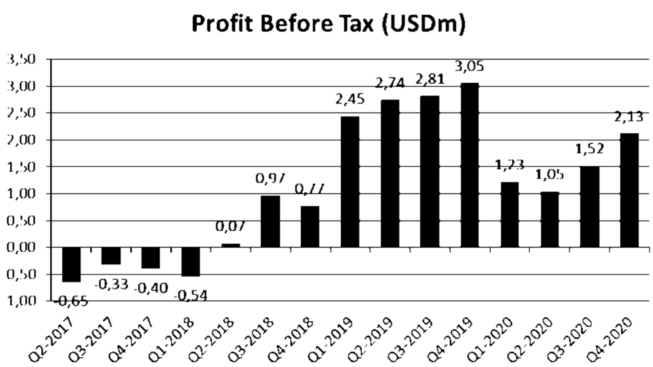
The bank has no defaulted or non-performing loans by the end of the Q4.

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



Profit before tax

Profit before tax amounted to USD 2 126 789 in Q4 (USD 3 053 793 in Q4-2019).
Return on equity before tax was 7.7% (11.6% in Q4-2019).



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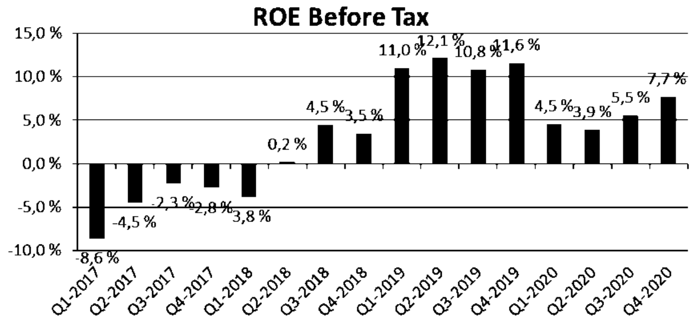


Deferred Taxes and payable tax

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 extreme 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 2020.

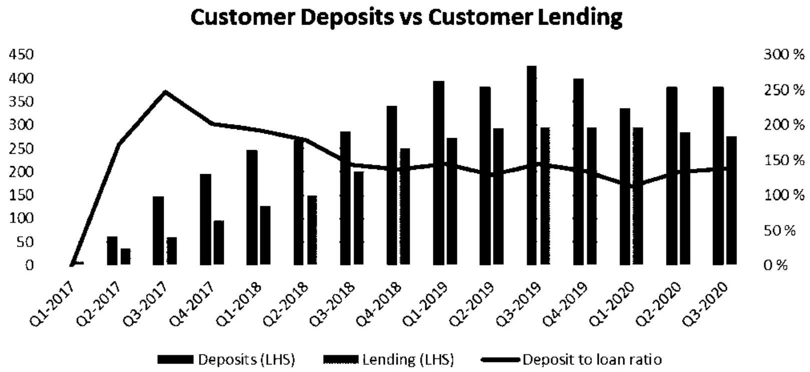
Ministry of Finance has not concluded regarding the tax rule adjustment. The Bank will on that basis incorporate a full agio effect in Q4 2020.

The agio effect (unintended taxable income/cost) for 2020 is negative NOK 26 909 791 (USD 3 149 149). This “phantom” cost will result in a tax relief of NOK 6 727 448 (USD 787 287) and bring our annual effective tax rate down to 11.8%.

See Note 9, Tax Calculation.

Deposit and Liquidity

Customer deposits amounted to USD 384 727 502 in Q4-2020 (USD 398 238 850 in Q4-2019).



The deposit to loan ratio was 142% at the end of 2020 (135% in 2019).

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The bank raised an F-loan from Norges Bank of NOK 200 million in March that matured in September 2020 and NOK300 maturing in March 2021. Loans from the central bank amounted to NOK 300 million as of end 2020. Bonds are pledged as collateral.

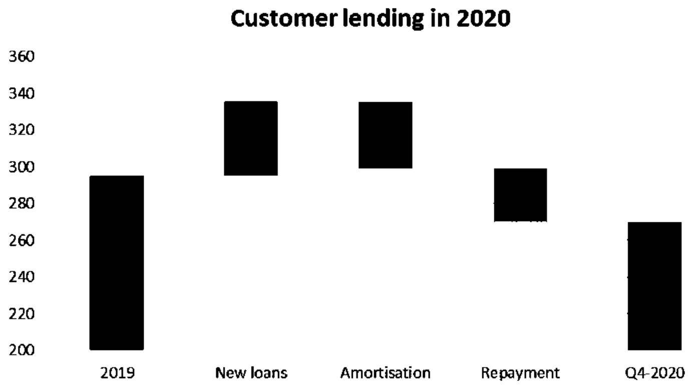
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 269 million was mainly invested in interest-bearing securities, deposits in major banks and in Norges Bank. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 353% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 185% (above a minimum requirement of 100%).

Total Assets and Lending

Total assets ended at USD 542 862 941 in 2020 (USD 520 046 068 in 2019).

Lending to customer declined from USD 295 124 509 in 2019 to USD 269 994 403 in in 2020.



Solvency

Core equity ratio (CET1) was 36.1% 31.12.2020 (33.1% 31.12.2019).
The Bank has not issued any subordinated or perpetual bonds.
The Bank did not pay any dividend for 2019.
The Board propose a dividend of USD 0.18 per share.

ESG «Environmental, Social and Governance» reporting

The Bank has not one specific overruling document / report or instruction / policy describing and reporting all matters related to environmental issues, corporate social responsibility and corporate governance. Those matters and issues are dealt with in separate documents like the Bank's Credit Policy, The Bank's Ethical Guidelines, the Bank's Insider Manual and the Bank's Personnel Handbook.

Work environment, equality and discrimination.

The Board considers the work environment in the Bank to be good. The Bank is focusing on creating a good work environment that makes it an attractive workplace. This is regarded as a criterion of success for the operation and development of the business.

The Bank has established a HR function with a well-functioning HSE system. Sickness absence in 2020 was 1% in Maritime & Merchant Bank ASA. No serious occupational accidents or incidents resulting in significant material damage or personal injury have occurred or been reported during the year.

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MARITIME & MERCHANT BANK ASA

The Board of Directors consists of three women and four men, in total seven directors. The Bank has employed 38% women and 62% men as of 31.12.2020. The company 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, sexual orientation or any other personal preference. The Bank is working actively to promote equality, which is reflected in the business' processes for recruitment and staff/management development.

Environmental reporting

The Company does not pollute the environment itself, but is also concerned not to support or finance clients which do not meet international rules and regulations related to emission, social relations for work force, use of underaged labour force, Human Rights and compliance with legislation related to Anti Money Laundering.

All requirements to the Bank's clients, related to the environmental aspect are regulated in the loan agreements, either as covenants, formal undertakings or 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), compliance with international conventions and legal requirements related to ship dismantling (scrapping) which could be compliance with the Hong Kong convention for the Safe and Environmentally Sound recycling of ships or the specific legislation given by the EU.
The IMO regulations put restrictions on emission, pollution and treatment of ballast water, with various time aspects for implementation.

The Bank screens the standard of all vessels financed in regarding to pollution and safety of the seas.

Corporate Governance and Corporate Social Responsibility (CSR)

Maritime & Merchant Bank ASA's main target in relation to Corporate Governance is matters related to ownership of clients, 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 from its start up in December 2016 implemented the EU's 4e directive (4th AMLD active from 26.06.2017), which implies a full scanning and approval of all Beneficial Owners holding more than 10%.

The Bank has, in certain cases, refused client relationship due to the lack of transparency to ultimate ownership.

As to CSR and corporate governance matters related to external suppliers, the Bank has a limited number of external suppliers, mainly related to IT services and insurances. Those suppliers are well known Nordic and international companies (EU based) with both high ethical and corporate governance standards. The Bank has not established any specific routines to CSR check its suppliers.

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, but the whole portfolio has migrated from a strong concentration around the mid-point at the beginning of 2020 to a more diversified distribution with a tail into high risk classification – the average risk for both bulkers and container vessels migrated to higher risk classes through Q2, but a significant part of those have migrated positively through Q3 and Q4 – however not yet back to the levels experienced by the beginning of the year, due to months with low or none earnings. For tankers and gas where we saw a stable credit quality or positive migration through Q2, we have experienced an insignificant negative migration in Q3 which has continued 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 bulkers and container vessels in Q2 and Q3, a limited number of clients within those segments, were granted relief on their contractual debt obligations towards the bank – this was only related to scheduled instalment payments and not to interest payments. All clients who were granted relief on their instalment obligations, were in compliance with all financial covenants prior to waivers being granted, and all the loans concerned were 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.

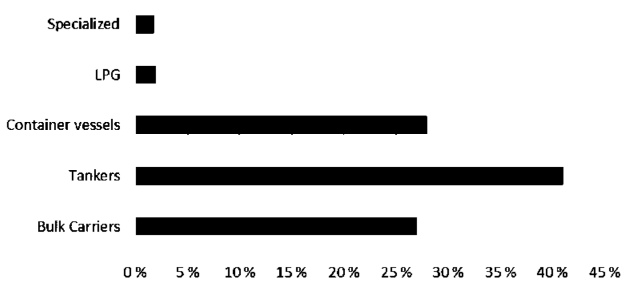
The bank had one defaulted exposure by the end of Q3 which has been resolved in Q4.

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 (27%), tankers (41%), container vessels (28%), LPG (gas) (2%) and specialized (2%).

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.

	31.12.2020	31.12.2019	31.12.2018
LCR	353%	636%	444%
Deposit Ratio *(1)*	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	2020	2019
Cost/Income Ratio	52%	39.98%
Return on Equity before tax	5.5%	11.77%
Net Income Margin	2.74%	3.91%
Net Interest Margin	2.58%	3.81%
Deposit to loan Ratio	142%	135%
LCR	353%	636%
NPL Ratio	0%	0%
Equity Ratio (CET1)	36.1%	33.1%

Ratio formulas, se Appendix 1

Outlook

Adjusted for a number of uncertainties associated with the pandemic, the projections for growth in the world economy support an optimistic view of the shipping markets in 2021, which in turn should result in a growth in lending volumes for the bank. The last part of 4th quarter 2020 and the start of 2021 confirms this assumption.

Oslo, 2021, February 18th

Board of Directors, Maritime & Merchant Bank ASA

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MARITIME & MERCHANT BANK ASA

Statement of Profit & Loss

- In USD	Note	2020 01.10 - 31.12	2019 01.10 - 31.12	2020 01.01 - 31.12	2019 01.01 - 31.12
Interest income and related income					
Interest income from customers (effective Interest method)		3 995 357	5 973 231	19 325 904	25 154 631
Interest from certificates and bonds		165 184	787 739	1 672 510	2 557 478
Interest from credit institutions (effective interest method)		-1 783	357 109	257 617	1 174 197
Total interest income and related income		**4 158 758**	**7 118 079**	**21 256 031**	**28 886 306**
Interest expenses					
Interest and similar expenses of loans to credit institutions		-24 880	0	-103 735	0
Interest and related expenses of loans to customers		-1 182 064	-2 122 384	-6 883 187	-8 377 592
Net interest expenses from financial derivatives		9 910	-312 418	-484 983	-2 210 013
Other fees and commissions		-49 196	192 359	-183 953	-128 826
Net interest expenses and related expenses		**-1 246 230**	**-2 242 443**	**-7 655 858**	**-10 716 432**
Net interest income and related income		**2 912 527**	**4 875 637**	**13 600 173**	**18 169 875**
Commissions, other fees and income from banking		311 648	168 353	779 947	614 559
Commissions, other fees and expenses from banking		-8 077	-2 096	-32 111	-66 808
Net value adjustments on foreign exchange and financial derivatives		388 030	128 316	61 966	98 425
Net value adjustments on interest-bearing securities		84 656	-188 207	56 190	-185 735
Total income		**3 688 784**	**4 982 003**	**14 466 165**	**18 630 316**
Salaries, administration and other operating expenses					
Salaries and personnel expenses		-1 358 446	-1 039 077	-4 866 312	-4 501 034
Administrative and other operating expenses		-446 150	-484 051	-1 539 158	-1 747 954
Net salaries, administration and other operating expenses		**-1 804 595**	**-1 523 128**	**-6 405 470**	**-6 248 988**
Total depreciation and impairment of fixed and intangible assets	**14**	**-289 362**	**-290 405**	**-1 126 358**	**-1 200 342**
Total operating expenses		**-2 093 957**	**-1 813 534**	**-7 531 828**	**-7 449 329**
Operating result		**1 594 827**	**3 168 469**	**6 934 337**	**11 180 987**
Loan loss provisions (IFRS - 9)	**5,7**	918 397	-114 676	-616 193	-120 932
Impairments (Credit Loss)	**5,7**	-386 435		-386 435	
Profit (+) / Loss (-) for the period before tax		**2 126 789**	**3 053 793**	**5 931 710**	**11 060 054**
Income tax	**5,9**	252 234	-7 967	-698 996	-2 983 371
Result for the period after tax		**2 379 023**	**3 045 826**	**5 232 714**	**8 076 684**
Comprehensive result for the period		**2 379 023**	**3 045 826**	**5 232 714**	**8 076 684**

- *Q4 numbers (2020 and 2019) are not audited.*

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MARITIME & MERCHANT BANK ASA

Balance Sheet

Assets		2020	2019	2018
- In USD	Note	31.12.2020	31.12.2019	31.12.2018
Cash and balances at Central Bank		7 746 507	7 432 474	7 448 034
Lending to and receivables from credit institutions		49 294 414	63 052 606	66 924 966
Lending to customers	7	269 994 403	295 124 509	249 024 326
Loss provisions on loans to customers	7	-1 428 614	-822 991	-702 059
Net lending to cutomers		268 565 789	294 301 518	248 322 267
Certificates, bonds and other receivables				
Commercial papers and bonds valued at market value	7	212 183 694	151 334 685	112 552 377
Commercial papers and bonds valued at amortised cost		0	0	0
Certificates, bonds and other receivables		212 183 694	151 334 685	112 552 377
Shares		83 759	45 270	49 295
Intangible assets				
Deferred tax assets		0	0	569 403
Other intangible assets	14	1 209 188	2 036 782	2 910 996
Total intangible assets		1 209 188	2 036 782	3 480 399
Fixed assets				
Fixed assets	14	668 390	940 232	56 544
Total fixed assets		668 390	940 232	56 544
Other assets				
Financial derivatives	16	2 839 018	581 080	0
Other assets		51 736	21 665	136 735
Total other assets		2 890 754	602 746	136 735
Expenses paid in advance				
Prepaid, not accrued expenses		220 446	299 755	255 617
Total prepaid expenses		220 446	299 755	255 617
TOTAL ASSETS		542 862 941	520 046 068	439 226 234

Liabilities and shareholders equity				
- In USD		31.12.2020	31.12.2019	31.12.2018
Liabilities				
Loans and deposits from credit institutions		35 199 014		
Deposits from and liabilities to customers	15	384 727 502	398 238 850	340 508 505
Total loans and deposits		419 926 516	398 238 850	340 508 505
Other liabilities				
Financial derivatives	16	5 026 074	8 579 392	9 438 597
Other liabilities	17	3 612 853	4 355 395	675 845
Total other liabilities		8 638 926	12 934 787	10 114 442
Accrued expenses and received unearned income				
Accrued expenses and received unearned income	17	735 195	714 110	569 655
Total accrued expenses and received unearned income		735 195	714 110	569 655
Total Liabilities		429 300 638	411 887 746	351 192 602
Shareholders equity				
Paid-in capital				
Share capital	18	9 708 655	9 708 655	8 630 639
Share premium account		94 148 864	94 148 865	83 296 586
Total paid-in capital		103 857 519	103 857 520	91 927 225
Other Equity				
Retained earnings, other		-267 393	-438 660	-556 371
Retained earnings		9 972 177	4 739 462	-3 337 221
Total other equity		9 704 784	4 300 802	-3 893 592
Total shareholder equity		113 562 303	108 158 322	88 033 633
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		542 862 941	520 046 068	439 226 234

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MARITIME & MERCHANT BANK ASA

Statement of Equity

- In USD

	Share capital	Share premium	Retained earnings	Other free equity	Total equity
Equity as per 31.12.2017	5 590 977	55 123 649	-3 000 306	0	57 714 320
Loss allowance in accordance with IFRS 9				-407 282	-407 282
Share issue	3 039 662	28 172 937		-172 771	31 039 828
Employee stock option				23 683	23 683
Profit	0	0	-336 915		-336 915
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			5 232 714		5 232 714
Equity as per 31.12.2020	9 708 655	94 148 865	9 972 176	-267 393	113 562 303

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MARITIME & MERCHANT BANK ASA

Statement of Cash Flows

- In USD	2020	2019
Cashflow from operational activities		
Profit before tax	5 931 710	11 060 054
Change in loans to customers excluding accrued interest	24 857 163	-45 550 976
Change in deposits from customers excluding accrued interest	-13 511 348	57 730 345
Change in loans and deposits from credit institutions	35 199 014	
Change in certificates and bonds	-60 849 008	-38 782 308
Change in shares, mutual fund units and other securities	-38 489	4 025
Change in financial derivatives	-5 811 256	-1 440 286
Change in other assets and other liabilities	-672 218	580 386
Interest income and related income from customers	-19 325 904	-28 886 306
Interest received from customers	20 204 470	28 337 099
Net interest expenses and related expenses to customers	6 883 187	10 716 432
Interest paid to customers	-6 883 187	-10 716 432
Ordinary depreciation	1 123 637	1 200 342
Other non cash items	-281 515	117 414
Net cash flow from operating activities	**-13 173 743**	**-15 630 211**
Payments for acquisition of assets	-26 811	-54 010
Net cash flow from investing activities	**-26 811**	**-54 010**
Issuance of equity	0	11 930 295
Lease payments	-324 108	-296 695
Net cash flow from financing activities	**-324 108**	**11 633 600**
Effect of exchange rate changes and other	**80 505**	**162 700**
Sum cash flow	**-13 444 158**	**-3 887 921**
Net change in cash and cash equivalents	-13 444 158	-3 887 920
Cash and cash equivalent as per 01.01.	70 485 080	74 373 001
Cash and cash equivalent as per 31.12.	**57 040 922**	**70 485 080**

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MARITIME & MERCHANT BANK ASA

Notes 31.12.2020

Note 1, Reporting entity

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

Note 2, 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 15th of February 2020. 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.

Note 4, Changes in accounting policies

Changes in accounting rules (such as IFRS 16 and Covid-19 rate concession) and conceptual framework (such as IFRS3, IAS 1 & 8) have no significant effect on the Bank's accounting practices.

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 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.

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

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:
- 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.

Note 6, Accounting estimates and discretional 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.

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 Pilar 1 for calculating operational risk. This applies a capital requirement of 15 per cent of the annual income reported in the last three years.

Market risk
The market risk of the Bank is modest and is calculated using the standardised approach in Pilar 1.

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Capital Adequacy

Amounts in 1000 USD	**31.12.2020**	**31.12.2019**
Share capital	9 709	9 709
+ Other reserves *(1)*	102 354	98 450
- Deferred tax assets and intangible assets	-1 209	- 2 037
- This year's result	-	0
- Adjustments to CET1 due to prudential filters	-220	- 161
Common Equity Tier 1 (CET 1)	**110 633**	**105 961**
Calculation basis		
Credit Risks		
+ Bank of Norway	-	-
+ Local and regional authorities	-	-
+ Institutions	10 347	11 613
+ Companies	246 245	271 531
+ Covered bonds	19 148	13 662
+ Shares	84	45
+ Other assets	941	1 262
Total Credit risks	**276 765**	**298 112**
+ Operational risk	27 416	19 423
+ Counterparty risk derivatives (CVA-risk)	2 437	2 342
Total calculation basis	**306 618**	**319 878**
Capital Adequacy		
Common Equity Tier 1 %	**36.08 %**	**33.13 %**
Total capital %	**36.08 %**	**33.13 %**

(1) The proposed dividend payment has been deducted

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

Credit Risk

Credit risk is the major risk to the Bank. Maritime & Merchant Bank ASA may face a loss if the borrower is not able to pay interest or principal as agreed upon, provided the pledged collateral is not sufficient to cover the Bank's exposure.

The Bank monitors market developments in segments where it has exposure and takes a proactive approach towards the risks taken.

The Bank's internal credit strategy has limits for maximum exposure to the various shipping segments, and Acceptable Risk Criteria form guidelines for the lending strategy.

The Bank uses an internally developed scorecard model for assessing the credit risk in the loan portfolio. The scorecard model predicts Probability of Default (PD), Loss Given Default (LGD) and risk class (from 1 to 10). Default is failure to satisfy the terms of a loan obligation or failure to pay back a loan.

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Significant judgements are required when assessing models and assumptions, and resulting estimates are thus uncertain in nature. The model is based on experience and criteria well known in scoring models. The model is validated on a regular basis.
Forward looking factors, like expected freight earnings and ship values, are based on one year forward estimates. Time charter rates for each specific segment and interest rates that are used in the model are those prevailing at the time of scoring.

Input in the scoring model for establishing the PD for one specific exposure can either be the actual earnings based on freight contracts entered into, or shipbrokers earnings estimates for the next 12 months, normally expressed in the time charter rates for the period going 12 months forward.

When a loan is granted, the PD is estimated for the full tenor of the loan, and projected future cash flow is based on long term time charter rates for similar tenor (if available) in combination with consideration of low rate scenarios.

Risk classification is done once per year as a minimum in connection with annual renewal of exposures, or more frequently if there are shifts in input factors which are not regarded as temporary.

Risk classes and credit score:

Very low risk	Credit score: 1-2	PD:	0.00 – 0.25%
Low risk	Credit score: 3-4	PD:	0.25 – 1.00%
Medium risk	Credit score: 5-7	PD:	1.00 – 3.00%
High risk	Credit score: 8-9	PD:	3.00 – 8.00%
Loss exposed	Credit score: 10-11	PD:	> 8.00%

Factors in scorecard PD - model:

Quantitative factors:
- Loan to value (LTV) – Value Adjusted Equity
- Interest coverage – Cash flow to support interest payment
- Instalment coverage – Cash flow to support instalments
- Current Ratio
- Free Cash

Qualitative factors
- Corporate structure
- Ownership
- Technical management
- Commercial management

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

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 have an impact on shipping markets and value appraisal of vessels financed in our portfolio in the respective markets. Each scenario gets assigned a probability and a factor. The factor represent change in Expected Loss or Loss Allowance. The forecast, probability assignment and factor estimation are based on own judgment and experience.

The following factors are included in the macro evaluation process:

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

The probability weighted macro factor (MF) will be multiplied with the Expected Loss and give Loss Allowance (or Macro Scenario adjusted Expected Loss). The factor (MF) is calculated to be 1,2693.

Exposure in the scenario model is the same as at year-end (31.12.2020).

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Loss Allowance and Impairments

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

Based on the soft freight markets for bulkers and container vessels in Q2 and Q3, a limited number of clients within those segments, were granted relief on their contractual debt obligations towards the bank – this was only related to scheduled instalment payments and not to interest payments. All clients who were granted relief on their instalment obligations, were in compliance with all financial covenants prior to waivers being granted, and all the loans concerned were 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.

Loans where no loss provision has been recognized due to collateral:
31.12.2020: 0
31.12.2019: 0

Remaining exposure from credit impaired loans and loss exposed loans:

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

31.12.2019	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%	910 000
Unchanged	1 126 000
Vessel value down 30%	2 612 000

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Loss allowance per credit score

Risk Class	2020	2019
Very low risk	-	-
Low risk	47 134	150 643
Moderate risk	931 147	672 348
High risk	450 334	-
Loss exposed	-	-
Sum	**1 428 614**	**822 991**

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	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
Lending to customers 31.12.2019	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**
Lending to customers 31.12.2020	241 576 445	*28 417 958*	-	*269 994 403*
Loans not disbursed	4 300 000			
Allowanse: 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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31.12.2019

	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 31.12.2018	665 727	36 332	-	702 059
Lending to customers 31.12.2018	245 124 326	3 900 000	-	249 024 326
Changes				
Transfer to Step 1	6 645	- 6 645	-	
Transfer to Step 2	-	-	-	
Transfer to Step 3	-	-	-	
Reclassification [1)]	- 32 826	- 26 833		- 59 659
Amortisation	- 114 615	- 2 854		- 117 469
New commitments	196 991			196 991
Scenario Adjustment	101 069			101 069
Allowance as of 31.12.2019	**822 991**	**-**	**-**	**822 991**
Lending to customers 31.12.2019	295 124 509	-	-	295 124 509
Net Change in Loss allowance	**157 264**	**-36 332**	**0**	**120 932**

1) *Reclassification: Change in Expected Loss calculation*

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Credit risk: Total

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			

End of Year 2019

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	7 432 474					7 432 474
Deposits with credit institution	63 052 606					63 052 606
Certificates and bonds	151 334 685					151 334 685
Shares and other securities			45 270			45 270
Loans to customers		77 808 751	217 315 758	0		295 124 509
Total	221 819 765	77 808 751	217 361 028	0	0	516 989 544

Lending to customers by segment

	2020		2019	
Sector	**USD**	**Share %**	**USD**	**Share %**
Bulk	71 548 517	27 %	66 888 122	23 %
Container	76 678 410	28 %	78 080 591	26 %
Tank	111 507 688	41 %	136 094 014	46 %
Gas	5 399 888	2 %	6 222 709	2 %
Specialized	4 859 899	2 %	7 839 073	3 %
Offshore	-	0 %	-	
Sum	**269 994 403**	**100 %**	**295 124 509**	**100 %**

Lending to customers by geographical location

	31.12.2020		31.12.2019	
	USD	Share	USD	Share
Norway	131 848 872	49 %	132 343 006	45 %
Europe (ex Norway)	82 570 699	31 %	92 926 107	31 %
Asia	10 241 723	4 %	11 943 477	4 %
Oceania	34 375 383	13 %	39 988 541	14 %
Central America	7 419 043	3 %	13 994 067	5 %
Liberia	3 538 683	1 %	3 929 311	1 %
Total	**269 994 403**	**100 %**	**295 124 509**	**100 %**

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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

	2020		2019	
LTV Bracket	**Loan Amount**	**Pledge in vessel**	**Loan Amount**	**Pledge in vessel**
< 40%	46 467 473	46 467 473	78 587 464	78 587 464
40-50%	123 374 713	123 374 713	125 521 153	125 521 153
50-55%	52 215 717	52 215 717	88 639 252	88 639 252
55-60%	26 754 076	26 754 076	2 376 640	2 376 640
>60%	21 182 424	21 182 424	-	
Sum	269 994 403		295 124 509	

Bonds and certificates: Risk Weight

	2020		2019	
Risk Weight	Fair Value	Amortised Cost	Fair Value	Amortised Cost
0 %	20 707 570		14 710 190	
10 %	191 476 124		136 624 495	
20 %				
100 %				
Total	**212 183 694**		**151 334 685**	

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Bonds and certificates: Rating

Rating	2020 Fair Value	2019 Fair Value
AAA	206 037 546	148 484 335
AA+	6 146 147	2 850 350
AA	0	0
A	0	0
Total	**212 183 694**	**151 334 685**

Bonds and certificates: Sector

Sector	2020 Fair Value	2019 Fair Value
Supranational	7 528 807	6 848 949
Local authority	13 178 763	7 963 314
Credit Institutions	191 476 124	136 522 422
Bank		
Total	**212 183 694**	**151 334 685**

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). These reference rates might be replaced with other reference rates, which 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)

Notional in USD mio	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	49				
Certificates and bonds	212				
Loans to customers	270				
Derivatives	132				
Sum Assets	**672**				
Loans from credit institutions	35				
Deposits	385				
Derivatives	132				
Sum liabilities	**552**				

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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.

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**

Estimated Monthly Operational Cost	4 725 000	NOK
Number of months with hedging	1,3	

Assets (2019)	**NOK**	**EUR**
Deposit with Central Bank	65 277 223	
Deposit with Banks	307 577 604	351 309
Bonds	1 286 756 822	
Loans		8 642 850
Derivatives	1 686 874 841	
Other Assets	11 460 499	
Total Assets	**3 357 946 990**	**8 994 159**

Liabilities	**NOK**	**EUR**
Deposits	3 293 885 167	650 000
Derivatives		8 333 750
Other Liabilities	43 782 215	
Total Liabilities	**3 337 667 382**	**8 983 750**
Net Currency	**20 279 607**	**10 409**

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Estimated Monthly Operational Cost	4 556 083	NOK
Number of months with hedging	4.5	

Liquidity Risk

Maritime & Merchant Bank ASA aims to maintain a low liquidity risk, which means high liquidity buffers and good deposit coverage.

The Bank's liquidity level is assessed by calculating the Liquidity Coverage Ratio (LCR) and the Net Stable Financing Ratio (NSFR). These ratios describe the short liquidity level and the level of stable funding.

The Bank calculates liquidity surplus, which appears as available funding less future liabilities within the defined time interval and required liquidity buffers.

Maritime & Merchant Bank ASA has adopted guidelines for management of the Bank's liquidity position to ensure that the Bank maintains a solid liquidity.

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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End of 2019

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	7 432 474					7 432 474
Loans and receivables from credit institutions	63 052 606					63 052 606
Loans to and receivables from customers	6 105 000	5 469 000	43 510 000	240 040 509	0	295 124 509
Commercial papers and bonds		10 378 298	28 004 615	112 951 772	0	151 334 685
Shares, funds and other securities					45 270	45 270
Assets	**76 590 080**	**15 847 298**	**71 514 615**	**352 992 281**	**45 270**	**516 989 544**
Deposits from credit institutions						
Deposits from and liabilities to customers	376 496 421		2 415 000	19 327 429		398 238 850
Debt from issuance of bonds						
Subordinated loan capital						
Liabilities	**376 496 421**	**0**	**2 415 000**	**19 327 429**	**0**	**398 238 850**
Financial derivatives (net settlement)			-695 871	687 872		-7 998
Total	**-299 906 340**	**15 847 298**	**68 403 744**	**334 352 724**	**45 270**	**118 742 696**

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 - 2020

- In USD	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**

- In USD	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 Thorbum	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

- In USD	Proposed Fee			Total
Audit Committee				
Ingrid Elvira Leisner, chair	9 341			9 341
Karin Thorbum	6 422			6 422
Anne-Margrethe Firing	6 422			6 422
Risk Committee				
Karin Thorbum, 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**

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Management and Board of Directors - 2019

- In USD	Fixed Salary	Other remuneratio	Bonus *(1)*	Total Remuneration	No. Of shares	%	Number of options
Management							
Halvor Sveen (CEO)	409 740	2 819	36 482	449 042	11 063	0.1%	61 102
Per Ugland (CCO)	284 278	2 819	23 690	310 788	-	-	-
Tor Stenumgard (CFO)	255 850	2 819	21 321	279 991	-	-	48 008
Lars Fossen (CRO/CCO)	284 278	2 819	23 690	310 788	-	-	-
Total management	**1 234 147**	**11 278**	**105 183**	**1 350 607**	**11 063**	**0.1%**	**109 110**

(1) In 2019, it was agreed that all employees would be paid an extra 1 month's salary.

- In USD	Proposed Fee	Other Remuneratio	Bonus	Total Remuneration	No. Of shares *(2)*	%
Board of Directors						
Endre Røsjø, Chair	56 856	-	-	56 856	2 041 979	25.0%
Henning Oldendorff	28 428	-	-	28 428	2 041 979	25.0%
Arne Blystad	28 428	-	-	28 428	559 881	6.9%
Nikolaus Oldendorff	28 428	-	-	28 428	431 394	5.3%
Magnus Roth	28 428	-	-	28 428	438 899	5.4%
Ingrid Elvira Leisner	28 428	-	-	28 428	-	-
Karin Thorburn	28 428			28 428	9 500	0.1%
Vibeke Gwendoline Fængsrud	28 428			28 428	-	-
Linda Christin Hoff	28 428	-	-	28 428	-	-
Total Board of Directors	**284 278**	**-**	**-**	**284 278**	**5 523 632**	**67.6%**

- In USD	Proposed Fee			Total
Audit Committee				
Ingrid Elvira Leisner, chair	9 097			9 097
Karin Thorburn	6 254			6 254
Vibeke Gwendoline Fængsrud	6 254			6 254
Risk Committee				
Karin Thorburn, chair	9 097			9 097
Ingrid Elvira Leisner	6 254			6 254
Vibeke Gwendoline Fængsrud	6 254			6 254
Total Audit and Risk Committee	**43 210**			**43 210**

Number of Employees

	2020	**2019**
Number of employees at December 31st	22	19
Number of full-time equivalents	21.6	18.6
Average number of employees	20.5	17.5
Average number of full-time equivalents	20.1	16.9

Remuneration

- In USD	**2020**	**2019**
Salaries	3 850 357	3 520 406
Employer's national insurance contribution	750 528	700 168
Pension expenses	241 723	210 987
Other personnel expenses	23 704	69 473
Salaries and personnel expenses	**4 866 312**	**4 501 034**

Pension Cost

The employees will have the following pension/insurance arrangements covered

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.

- 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.

- In USD	**2020**	**2019**
Audit fee	52 662	66 847
Assurance services	7 022	3 373
Tax services	1 755	5 916
Other non-audit services	22 820	5 924
Total	**84 259**	**82 060**

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.

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 February 14th, 2020.

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.

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Review
Maritime & Merchant Bank ASA has reviewed the Bank's remuneration practices. The review shows that the remuneration scheme for 2020 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 171 267 (282 013).

Note 9, Taxation of profit

	2020	2019
- in NOK		
Profit before tax, USD translated to NOK	50 763 107	97 219 185
Translation of Equity to NOK	-26 909 791	12 189 762
Profit before tax NOK	23 853 316	109 408 947
Permanent differences	38 637	-4 467 092
Change in temporary differences	33 610 885	-37 446 533
Change in tax loss carryforward	0	-52 932 876
Taxable profit NOK	57 502 838	14 562 446
Tax Payable, USD translated to NOK	-14 375 709	-3 640 611
Change in deferred tax assets, USD translated to NOK	0	-4 950 105
Change in deferred tax, USD translated to NOK	8 402 722	-17 644 748
Tax expense NOK	-5 972 987	-26 235 464
Tax expense USD	-698 996	-2 983 371

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ASSETS

Note 10, Classification of financial instruments.

	2020		2019	
Amounts in USD 1000	Fair Value	Amortised Cost	Fair Value	Amortised Cost
Deposit with central bank		7 747		7 432
Deposits with credit institution		49 294		63 053
Certificates and bonds	212 184		151 335	
Shares and other securities		84		45
Loans to customers		269 994		295 125
Financial derivatives	2 839		581	
Total financial assets	**215 023**	**327 119**	**151 916**	**365 655**
Deposits from customers		384 728		398 239
Loans from credit institutions		35 199		
Financal derivatives	5 026		8 579	
Subordinated loans				
Total financial liabilities	**5 026**	**419 927**	**8 579**	**398 239**

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.

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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2019

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	143 371	7 963	151 335
Shares and other securities	0	0	0	0
Financial derivatives	0	581	0	581
Total financial assets	**0**	**143 952**	**7 963**	**151 916**
Financial derivatives	0	8 579	0	8 579
Total financial liabilities	**0**	**8 579**	**0**	**8 579**

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

	2020		2019	
Amounts in USD 1000	Fair Value	Amortised Cost	Fair Value	Amortised Cost
Deposit with central bank	7 747	7 747	7 432	7 432
Deposits with credit institution	49 294	49 294	63 053	63 053
Shares and other securities	84	84	45	45
Loans to customers	269 994	269 994	295 125	295 125
Total financial assets	**327 119**	**327 119**	**365 655**	**365 655**
Deposits from customers	384 728	384 728	398 239	398 239
Loans from credit institutions	35 199	35 199	0	0
Total financial liabilities	**419 927**	**419 927**	**398 239**	**398 239**

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 31.12.2020) will be valued by theoretical market valuation based on the current interest rate and spread curves.

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Note 13, Financial pledges

The Bank has pledged NOK 21 400 000 of deposits as collateral for financial derivatives.

Note 14, Other intangible assets and fixed assets

- In USD	31.12.2020		31.12.2019	
	Other intangible assets	**Property, plant and equipment**	**Other intangible assets**	**Property, plant and equipment**
Cost or valuation at 01.01	4 318 219	1 334 652	4 348 846	110 589
Exchange and other adjustments	125 944	41 097	-49 218	-15 292
Introduction of right to use-asset		0		1 203 936
Additions	2 504	24 307	18 590	35 420
Disposals	0	0	0	0
Cost or valuation at end of period	**4 446 666**	**1 400 057**	**4 318 219**	**1 334 653**
Accumulated depreciation and impariment at 01.01.	-2 281 437	-394 420	-1 437 850	-54 044
Exchange and other adjustments	-148 329	-18 603	14 669	-1 811
Depreciation charge this year	-807 713	-318 645	-858 256	-338 566
Disposals				
Accumulated depreciation and impariment at end of period	**-3 237 478**	**-731 668**	**-2 281 437**	**-394 421**
Balance sheet amount at end of period	**1 209 188**	**668 390**	**2 036 782**	**940 232**
Economic lifetime	*5 years*	*3 years*	*5 years*	*3 years*
Depreciation schedule	*Linear*	*Linear*	*Linear*	*Linear*

Fixed assets	**31.12.2020**	**31.12.2019**
Right to use assets	629 655	891 154
Other	38 735	49 078
Sum fixed assets	**668 390**	**940 232**

LIABILITIES

Note 15, Deposits

By customer group

	31.12.2020	**31.12.2019**
Private	360 171 952	375 671 296
Corporates	24 555 550	22 567 553
Total customer deposits	384 727 502	398 238 850

Customers deposits by geographical location

	31.12.2020	**31.12.2019**
Norway	364 395 461	378 078 043
Europe	13 053 300	11 475 725
Outside Europe	7 278 741	8 685 082
Sum Deposits	384 727 502	398 238 850

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Note 16, Other assets and financial derivatives.

As of 2020

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive Market Values	Negative Market Values
	USD	EUR	NOK	USD	USD
Interest Rate Derivatives					
Interest rate swap					
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**

As of 2019

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive market values	Negative Market values
	USD	EUR	NOK	USD	USD
Interest Rate Derivatives					
Interest rate swap	0	0	0	0	0
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	190 000		1 605 155	558	8 512
Buy/Sell EUR against NOK		8 334	81 720	23	67
Total Currency Derivatives	**190 000**	**8 334**	**1 686 875**	**581**	**8 579**

Note 17, Other Liabilities and accrued cost

- In USD	**31.12.2020**	**31.12.2019**
Account payables	31 236	166 780
Tax withholdings	301 847	258 917
VAT payable	41 932	26 261
Tax payable	1 682 334	413 993
Deferred tax	519 228	2 006 476
Lease liability	642 065	900 582
IFRS-9 Allowance (loans not disbursed)	10 570	
Other liabilities	383 642	582 387
Total other liabilities	**3 612 853**	**4 355 396**
Holiday pay and other accrued salaries	675 913	584 145
Other accrued costs	59 282	129 965
Total accrued costs	**735 195**	**714 110**

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 59 shareholders.

The ten largest shareholders of the Company are:

No	Shareholder	Numb. of shares	%
1	Henning Oldendorff	2 041 979	25.0 %
2	Endre Røsjø *	2 041 979	25.0 %
3	Deutsche Bank Aktiengesellschaft	666 700	8.2 %
4	Apollo Asset Limited	642 193	7.9 %
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	1 508 087	18.5 %
	Total	**8 170 049**	**100 %**

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

Note 19, Country by country reporting

Country	Norway
Name	Maritime & Merchant Bank ASA
Address	Haakon VII gate, 0161 Oslo, Norway
Turnover	USD 21 256 031
Number of employees	22
Result before tax	USD 5 931 710
Received public support and subsidies	USD 0

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Appendices

Appendix 1, Alternative Performance Measures

Formulas for calculation of Alternative Performance Measures

Ratio formulas

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

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

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

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

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

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

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

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

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