Maritime & Merchant Bank ASA

Financial Report

30.06.2021

Table of Contents

Financial Report 30.06.2021

The profit for the period 01.01.21 - 30.6.2021 (H1 2021) before tax was USD 3 886 299 (USD 2 279 981 in H1 2020) and profit after tax is USD 2 914 724 in H1 2021 (USD 1 709 986 in H1 2020). The amount of disbursed loans increased with 20.5% during the period 01.01.21 - 30.6.2021 from USD 268 mill to USD 324 mill. The bank has in addition a considerable amount of loans in process which will be disbursed during the first part of 3rd quarter. There has been no credit losses and the bank have no non-performing loans.

The headlines from the shipping scene during Q2 has continued to be marked by the historical development in the container market. The freight rates have risen to record levels in all size segments and there are no clear signs the situation will ease down within the short-term horizon which is a result of a series of specific events. The pandemic has caused a comprehensive unbalance in the global manufacturing and distribution which is deeply reflected in seaborne trade. The various setbacks in the fight against Covid-19 has led to new temporary lock-down of production plants, ports, terminals and distribution channels, especially in Asia which again has resulted in sharp increase in handling time of each container due to the congestion. The final result of this is an extraordinarily high utilization rate in the segment and corresponding increase in freight rates and asset values.

The dry-bulk sector has as well, continued its very positive development during Q2 driven by a general increase in demand for raw materials and a modest increase in the tonnage supply. The prospects for the remaining part of the year is generally being commented as most positive - in particular for the smaller and medium sized segments.

The tanker segment is still hampered by low utilization and freight rates below operational costs for the larger ship types, and we have to go back many decades to find a market with the same poor characteristics. Hopefully the second half of 2021 will show improvements, while the prevailing forecasts and analysis points in different directions.

For a project-oriented bank like ourselves, the general current sentiment is favourable as the interest for investing in shipping projects is high and leads to an increase in opportunistic sale and purchase activity. With the general background picture of the shipping industry at present we are looking into the next two quarters with a great deal of excitement and ambitions for our lending activities.

Profit for the period (01.01-30.06)

The profit for the period before tax is USD 3 886 299 (USD 2 279 981 in 30.06.2020) and profit after tax is USD 2 914 724 (USD 1 709 986 30.06.2020).

Net interest income and related income totalled USD 7 064 141 (USD 8 275 518), and other Income (including financial derivatives and fixed income instruments) was USD 685 055 (USD – 566 723).

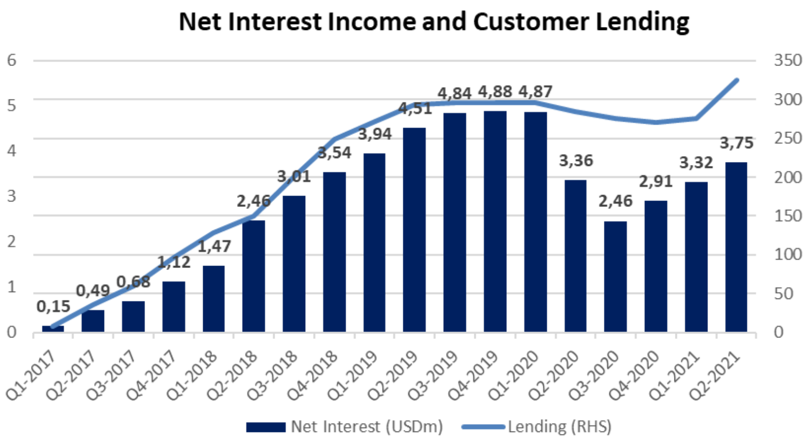
Operating expenses before impairments and losses totalled USD 4 072 722 (USD 3 607 351). The Cost/Income ratio came in at 52,6% (46,8%).

Loss allowance (Expected Loss) fell USD 209 824 (increased USD 1 821 463). Credit Loss (Write Offs) was USD 0 (USD 0).

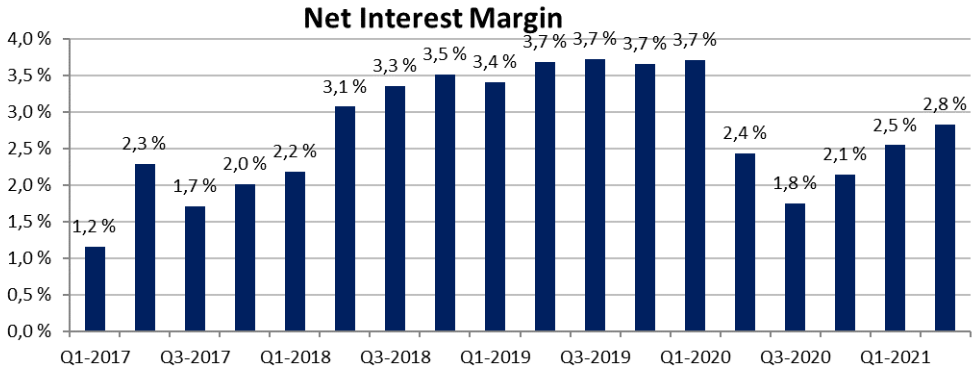
	2021 01.04 - 30.06	2020 01.04 - 30.06	2021 01.01- 30.06	2020 01.01 - 30.06	2020 01.01 - 31.12
Interest Income	4 820 682	5 409 279	9 072 188	12 652 906	21 256 031
Interest Expense	-1 072 094	-2 010 200	-2 008 047	-4 377 389	-7 655 858
Net Interest Income	**3 748 589**	**3 399 078**	**7 064 141**	**8 275 518**	**13 600 173**
Other Income	163 183	651 879	685 055	-566 723	865 992
Total Income	**3 911 772**	**4 050 957**	**7 749 196**	**7 708 795**	**14 466 165**
Operating Expense	-2 087 155	-1 796 141	-4 072 722	-3 607 351	-7 531 828
Operating Result	**1 824 617**	**2 254 816**	**3 676 475**	**4 101 444**	**6 934 337**
Loss Allowance	18 557	-1 203 113	209 824	-1 821 463	-616 193
Write Off (Credit Loss)					-386 435
Sum Impairment	**18 557**	**-1 203 113**	**209 824**	**-1 821 463**	**-1 002 628**
Profit Before Tax	**1 843 173**	**1 051 703**	**3 886 298**	**2 279 981**	**5 931 709**
Tax	-460 793	-262 926	-971 575	-569 996	-698 996
Profit After Tax	**1 382 380**	**788 777**	**2 914 723**	**1 709 986**	**5 232 713**

Net interest income and related income

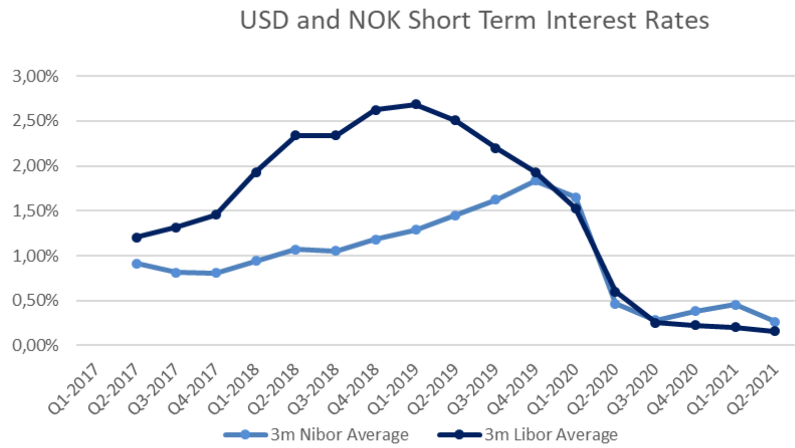
Net interest income and related income totalled USD 3 748 589 in Q2 (USD 3 399 078 in Q2 2020). This correspond to an increase from USD 2 912 527 in Q4 2020.



Net interest margin increased from to 2.5% in Q1-2021 to 2.8% in Q2-2021 (2.4% in Q2-2020). Increased lending 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 163 183 in Q2 2021 (USD 651 879 in Q2-2020).

Value adjustments on derivatives and hedging instrument in Q2 was USD 26 171 due to an depreciation of the USD against NOK (USD 565 814 in Q2-2020, caused by an USD depreciation against NOK).

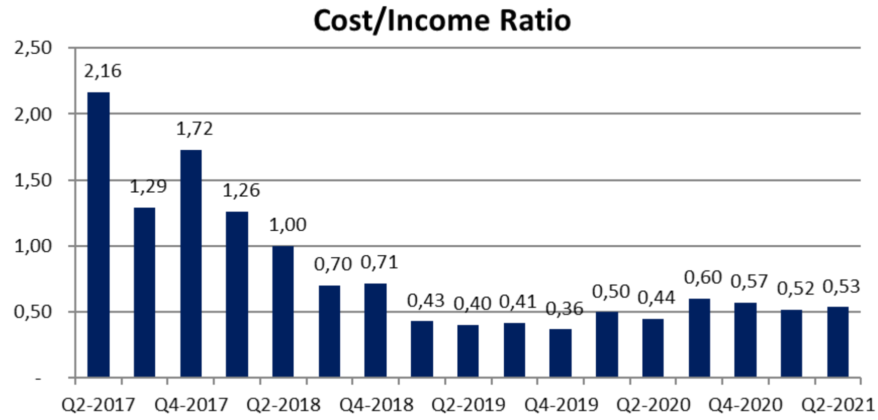
The principle of assessing financial instruments measured at fair value may lead to significant variation of the Bank’s result between quarters.

Net commissions amounted to USD 117 591 in Q2 (USD 134 581 in Q2-2020).

Total operating expenses before impairments and losses

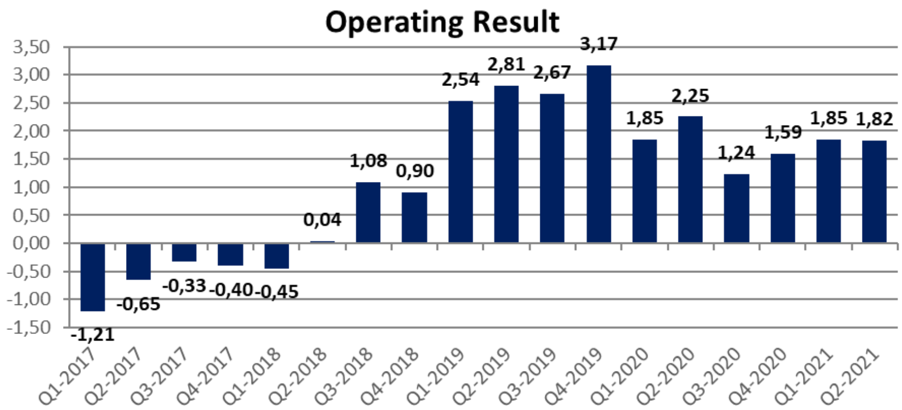
Operating expenses before impairments and losses totalled USD 2 087 155 in Q2 (USD 1 796 141 in Q2-2020). Salaries and personnel expenses, including social costs, amounted to USD 1 280 112 (USD 1 170 405 in Q2-2020) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 299 379 (USD 265 408 in Q2-2020). The Cost/Income ratio came in at 53.4% in Q2 (44.3% in Q2-2020).



Operating result

Operating result in Q2 amounted to USD 1 824 617 (USD 2 254 816 in Q2-2020).



Loan and Loan Loss provisions

Maritime & Merchant Bank ASA has lent USD 324 894 803 (USD 284 818 995 in Q2 2020) to customers.

The Bank has made USD 1 218 790 (USD 2 644 454) in loss allowance (IFRS 9). Change in loss allowance this quarter amounts to USD -18 557 (USD 1 203 113).

The credit quality of the majority of the loans (measured by PD – Default probability) to the bulker and container segments returned to more normal levels for both container vessels and bulkers towards the end of Q4-2020, and has further improved during the first half of 2021. The average PDs for bulkers and containers are above the PD level measured prior to the Covid 19 crisis.

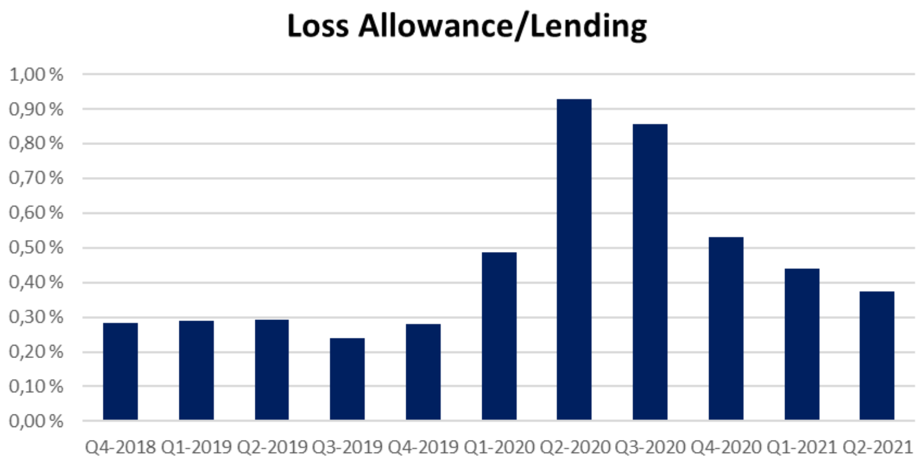
There has been a further deterioration of the credit quality (measured by PD) of the tanker portfolio during Q2, but this has been more than balanced out by the improved quality of the container and bulker exposures.

As a consequence of the increase in total lending which brings the loss allowance up and the total credit portfolio migrating positively through Q2 which reduces the loss allowance, the net effect is a small reduction in the Loss Allowances at the end of Q2 2022 compared to those at the end of Q1 2021.

The majority of the commitments (96.6 %) are in step 1 (77.1 % in Q2-2020, 89.5 % in Q4-2020).

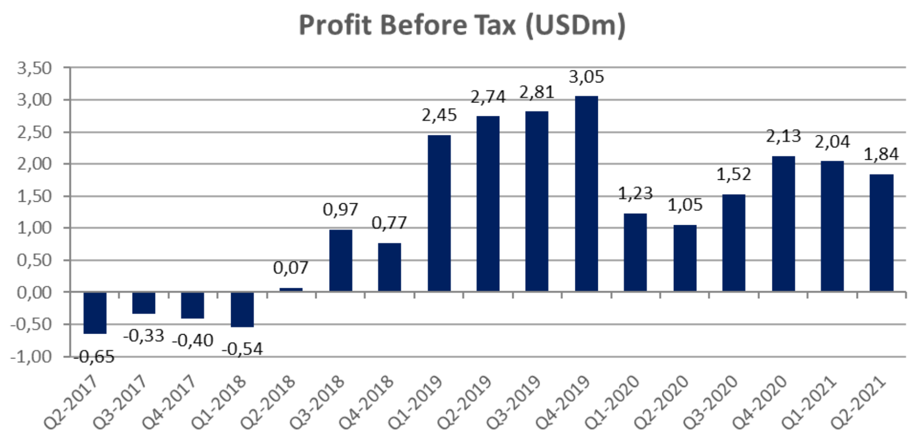
The bank has no defaulted or non-performing loans by the end of the Q2.

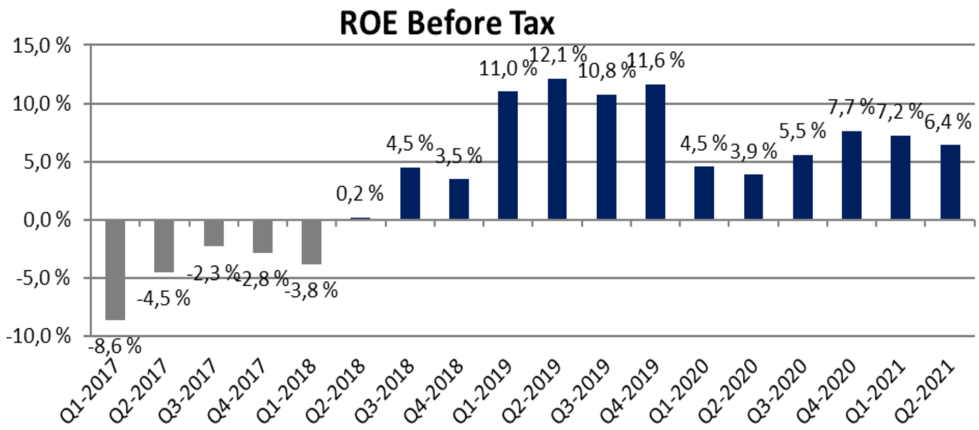
Loss allowance	30.06.2021	30.06.2020	31.12.2020	31.12.2019
Step1	637 295	681 501	659 824	822 991
Step2	581 495	1 178 117	779 360	0
Step3	0	784 836	0	0
Sum	1 218 790	2 644 454	1 439 184	822 991
Loss Allowance/Loan Ratio	0,38 %	0,93 %	0,53 %	0,28 %
Impairments	0	0	0	0
Non performing Loans	0	2 282 135	0	0



Profit before tax

Profit before tax amounted to USD 1 843 173 in Q2 (USD 1 051 703 in Q2-2020).
Return on equity before tax was 6.4% (3.9% in Q2-2020).





Deferred Taxes and payable tax

The Bank operates with USD as functional currency.

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

The volatility of the NOK against the USD has given the Bank an unintended volatility in the tax expense, due to currency gains/losses related to our equity.
The Bank has started a process for a rule adjustment for the basis of tax calculation that prevents unintended effects for the future.

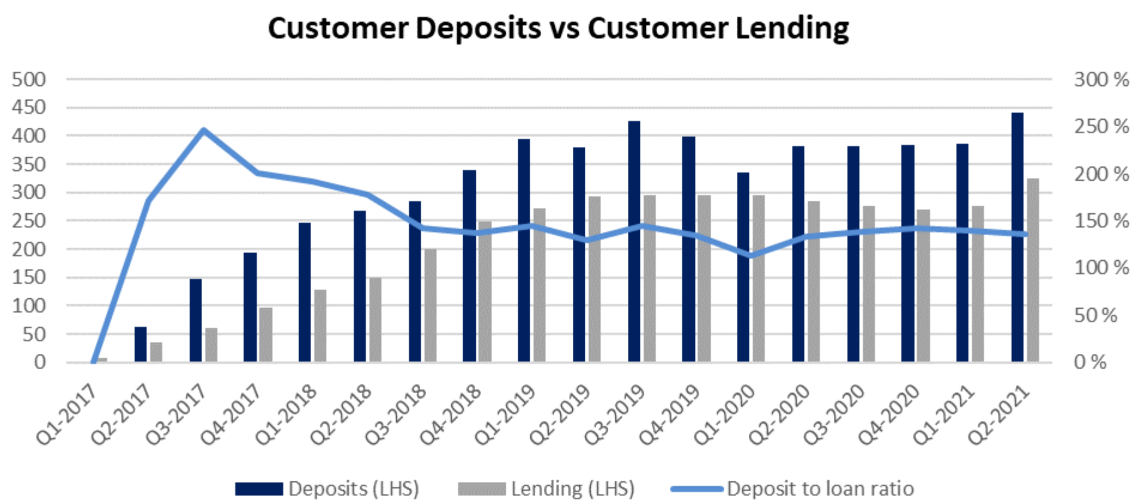
Common 25% corporate tax rate is used in the first two quarters of 2021.
If there is no decision (or a negative one) from the Ministry of Finance within the fiscal year, we will incorporate a full agio effect in Q4 2021. The agio effect (extra taxable income/cost) will be a result of the USDNOK exchange rate at year end.

The agio effect (unintended taxable income/cost) for YTD 2021 is positive NOK 1 437 358. This “phantom” income will result in an increased tax of NOK 359 340 (USD 41 973).

See Note 5, Tax Calculation.

Deposit and Liquidity

Customer deposits amounted to USD 440 271 452 in Q2-2021 (USD 380 740 624 in Q2-2021).



The deposit to loan ratio was 135% at the end of Q2 2021 (134% in Q2 -2020).

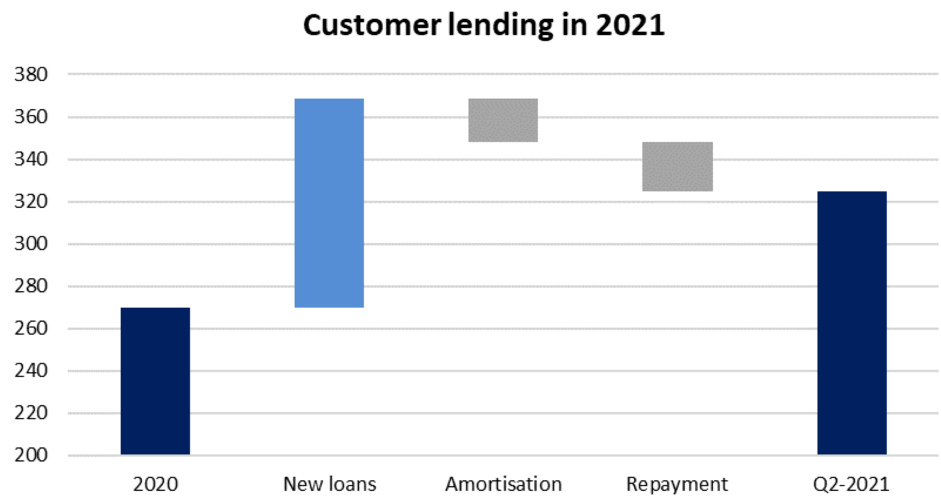
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 233 million was mainly invested in interest-bearing securities, deposits in major banks and in Norges Bank. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 298% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 177% (above a minimum requirement of 100%).

Total Assets and Lending

Total assets ended at USD 562 129 474 in Q2 2021 (USD 573 378 128 in Q2 2020).

Lending to customer increased from USD 269 994 403 in Q4 2020 to USD 324 894 803 in Q2 2021.



Solvency

Core equity ratio (CET1) was 29.4% 30.06.2021 (33.8% 30.06.2020).
The Bank has not issued any subordinated or perpetual bonds.

The Bank paid USD 1 486 680 in dividend for 2020.

Risk factors

Credit risk

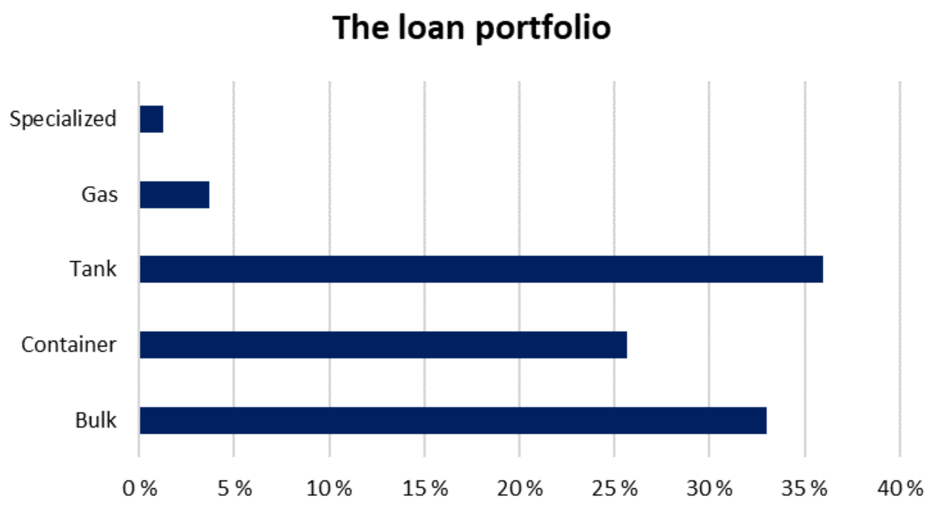
The average weighted quality of the portfolio is moderate risk, but the whole portfolio has migrated from a strong concentration around the mid-point at the beginning of 2020 to a slightly more diversified distribution. The migration we saw through 2020 into higher risk classes has been rectified during the first half of 2021, and on average we are back at pre Covid-19 levels.

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.

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 (33%), tankers (36%), container vessels (26%), LPG (gas) (4%) and specialized (1%).



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

Liquidity risk

Maritime & Merchant Bank ASA has adopted guidelines for management of the Bank's liquidity position to ensure that the Bank maintains a solid liquidity. The Bank has a low liquidity risk profile. Main funding sources are equity and NOK deposits. The Bank has liquidity portfolio/buffers well above minimum requirement. Liquidity stress tests show satisfactory liquidity.

	30.06.2021	30.06.2020	31.12.2020	31.12.2019	31.12.2018
LCR	298%	405%	353%	636%	444%
Deposit Ratio *(1)*	78%	66%	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.

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	YTD 2021	YTD 2020	2020
Cost/Income Ratio	52.6%	46.8%	52%
Return on Equity before tax	6.8%	4.21%	5.5%
Net Income Margin	2.8%	2.83%	2.74%
Net Interest Margin	2.57%	3.04%	2.58%
Deposit to loan Ratio	135%	134%	142%
LCR	298%	405%	353%
NPL Ratio	0%	0.8%	0%
Equity Ratio (CET1)	29.4%	33.8%	36.1%
Loss allowance/Loan ratio	0.38%	0.93%	0,53%

Ratio formulas, se Appendix 1

Outlook

We maintain an optimistic view on the container and dry bulk markets during the remaining part of the year, while the tanker sector is related to a series of question marks. We expect a high activity in the second-hand market and we are therefore optimistic that we will continue our growth in lending volumes during the next two quarters.

Oslo August 12th, 2021

Board of Directors, Maritime & Merchant Bank ASA

Statement of Profit & Loss

- In USD	*Note*	2021 01.04 - 31.06	2020 01.04 - 31.06	2021 01.01 - 30.06	2020 01.01 - 30.06	2020 01.01 - 31.12
Interest income and related income						
Interest income from customers (effective Interest method)		4 567 358	4 832 993	8 536 558	11 065 185	19 325 904
Interest from certificates and bonds		253 325	555 027	535 631	1 328 222	1 672 510
Interest from credit institutions (effective interest method)		0	21 259	-1	259 500	257 617
Total interest income and related income		**4 820 682**	**5 409 279**	**9 072 188**	**12 652 906**	**21 256 031**
Interest expenses						
Interest and similar expenses of loans to credit institutions		0	0	-24 447	0	-103 735
Interest and related expenses of loans to customers		-1 082 112	-1 853 231	-2 063 081	-3 866 209	-6 883 187
Net interest expenses from financial derivatives		53 627	-114 068	174 304	-422 160	-484 983
Other fees and commissions		-43 609	-42 902	-94 823	-89 020	-183 953
Net interest expenses and related expenses		**-1 072 094**	**-2 010 200**	**-2 008 047**	**-4 377 389**	**-7 655 858**
Net interest income and related income		**3 748 589**	**3 399 078**	**7 064 141**	**8 275 518**	**13 600 173**
Commissions, other fees and income from banking		128 302	142 237	395 053	262 914	779 947
Commissions, other fees and expenses from banking		-10 711	-7 656	-20 507	-15 778	-32 111
Net value adjustments on foreign exchange and financial		26 171	565 814	195 061	-571 408	61 966
Net value adjustments on interest-bearing securities		19 421	-48 516	115 448	-242 451	56 190
Total income		**3 911 772**	**4 050 957**	**7 749 197**	**7 708 795**	**14 466 165**
Salaries, administration and other operating expenses						
Salaries and personnel expenses		-1 280 112	-1 170 405	-2 493 071	-2 339 467	-4 866 312
Administrative and other operating expenses		-507 665	-360 328	-978 117	-719 600	-1 539 158
Net salaries, administration and other operating expenses		**-1 787 777**	**-1 530 733**	**-3 471 188**	**-3 059 067**	**-6 405 470**
Total depreciation and impairment of fixed and intangible assets	**8**	**-299 379**	**-265 408**	**-601 534**	**-548 284**	**-1 126 358**
Total operating expenses		**-2 087 155**	**-1 796 141**	**-4 072 722**	**-3 607 351**	**-7 531 828**
Operating result		**1 824 617**	**2 254 816**	**3 676 475**	**4 101 445**	**6 934 337**
Loan loss provisions (IFRS - 9)	**4**	18 557	-1 203 113	209 824	-1 821 463	-616 193
Impairments (Credit Loss)		0				-386 435
Profit (+) / Loss (-) for the period before tax		**1 843 173**	**1 051 703**	**3 886 299**	**2 279 982**	**5 931 710**
Income tax	**5**	-460 793	-262 926	-971 575	-569 996	-698 996
Result for the period after tax		**1 382 380**	**788 777**	**2 914 724**	**1 709 987**	**5 232 714**
Comprehensive result for the period		**1 382 380**	**788 777**	**2 914 724**	**1 709 987**	**5 232 714**

- *Q2 numbers (2021 and 2020) are not audited.*

Balance Sheet

Assets - In USD	Note	2021 30.06.2021	2020 30.06.2020	2020 31.12.2020
Cash and balances at Central Bank		**8 072 504**	**6 721 788**	**7 746 507**
Lending to and receivables from credit institutions		**85 038 310**	**110 776 137**	**49 294 414**
Lending to customers	4	324 894 803	284 818 995	269 994 403
Loss provisions on loans to customers	4	-1 218 790	-2 644 454	-1 428 614
Net lending to cutomers		**323 676 013**	**282 174 541**	**268 565 789**
Certificates, bonds and other receivables				
Commercial papers and bonds valued at market value	4	140 471 232	170 413 130	212 183 694
Commercial papers and bonds valued at amortised cost		0	0	0
Certificates, bonds and other receivables		**140 471 232**	**170 413 130**	**212 183 694**
Shares		**117 323**	**76 152**	**83 759**
Intangible assets				
Deferred tax assets		0	0	0
Other intangible assets	8	762 903	1 450 033	1 209 188
Total intangible assets		**762 903**	**1 450 033**	**1 209 188**
Fixed assets				
Fixed assets	8	526 709	729 880	668 390
Total fixed assets		**526 709**	**729 880**	**668 390**
Other assets				
Financial derivatives	9	2 927 962	658 336	2 839 018
Other assets		136 210	19 454	51 736
Total other assets		**3 064 172**	**677 790**	**2 890 754**
Expenses paid in advance				
Prepaid, not accrued expenses		400 307	358 677	220 446
Total prepaid expenses		**400 307**	**358 677**	**220 446**
TOTAL ASSETS		**562 129 474**	**573 378 128**	**542 862 941**

Liabilities and shareholders equity - In USD	Note	30.06.2021	30.06.2020	31.12.2020
Liabilities				
Loans and deposits from credit institutions		0	51 344 623	35 199 014
Deposits from and liabilities to customers		440 271 452	380 740 624	384 727 502
Total loans and deposits		**440 271 452**	**432 085 247**	**419 926 516**
Other liabilities				
Financial derivatives	9	3 064 436	26 778 314	5 026 074
Other liabilities	10	3 204 572	3 619 636	3 612 853
Total other liabilities		**6 269 008**	**30 397 950**	**8 638 926**
Accrued expenses and received unearned income				
Accrued expenses and received unearned income	10	564 670	947 736	735 195
Total accrued expenses and received unearned income		**564 670**	**947 736**	**735 195**
Total Liabilities		**447 105 129**	**463 430 933**	**429 300 638**
Shareholders equity				
Paid-in capital				
Share capital	11	9 708 655	9 708 655	9 708 655
Share premium account		94 148 865	94 148 865	94 148 864
Total paid-in capital		**103 857 520**	**103 857 520**	**103 857 519**
Other Equity				
Retained earnings, other		-233 395	-359 774	-267 393
Retained earnings		11 400 220	6 449 448	9 972 177
Total other equity		**11 166 825**	**6 089 675**	**9 704 784**
Total shareholder equity		**115 024 345**	**109 947 195**	**113 562 303**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**562 129 474**	**573 378 128**	**542 862 941**

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	9 972 177	-267 393	113 562 304
Employee stock option				11 159	11 159
Profit			1 532 343	0	1 532 343
Equity as per 31.03.2021	9 708 655	94 148 865	11 504 520	-256 234	115 105 806
Employee stock option				22 839	22 839
Dividend payment			-1 486 680		-1 486 680
Profit			1 382 380	0	1 382 380
Equity as per 30.06.2021	9 708 655	94 148 865	11 400 220	-233 395	115 024 345

Statement of Cash Flows

- In USD	30.06.2021	30.06.2020	31.12.2020
Cashflow from operational activities			
Profit before tax	3 886 299	2 279 982	5 931 710
Change in loans to customers excluding accrued interest	-55 102 921	9 756 150	24 857 163
Change in deposits from customers excluding accrued interest	53 519 755	-21 305 082	-13 511 348
Change in loans and deposits from credit institutions	-35 199 014	51 344 623	35 199 014
Change in certificates and bonds	71 712 461	-19 078 445	-60 849 008
Change in shares, mutual fund units and other securities	-33 564	-30 882	-38 489
Change in financial derivatives	-2 050 582	18 121 667	-5 811 256
Change in other assets and other liabilities	-843 142	-558 844	-672 218
Interest income and related income from customers	-8 536 558	-12 652 907	-19 325 904
Interest received from customers	8 529 255	13 202 271	20 204 470
Net interest expenses and related expenses to customers	2 063 081	4 377 389	6 883 187
Interest paid to customers	-38 886	-570 533	-6 883 187
Ordinary depreciation	590 485	547 069	1 123 637
Other non cash items	0	1 890 480	-281 515
Net cash flow from operating activities	**38 496 669**	**47 322 939**	**-13 173 743**
Payments for acquisition of assets	0	-26 811	-26 811
Net cash flow from investing activities	**0**	**-26 811**	**-26 811**
Issuance of equity	0	0	0
Lease payments	-166 213	-69 017	-324 108
Dividend Payments	-1 486 680	0	0
Net cash flow from financing activities	**-1 652 893**	**-69 017**	**-324 108**
Effect of exchange rate changes and other	**-773 884**	**-214 267**	**80 505**
Sum cash flow	**36 069 892**	**47 012 844**	**-13 444 158**
Net change in cash and cash equivalents	36 069 892	47 012 844	-13 444 158
Cash and cash equivalent as per 01.01.	57 040 922	70 485 081	70 485 080
Cash and cash equivalent as per 30.06.	**93 110 814**	**117 497 925**	**57 040 922**

Notes 30.06.2021.

Note 1, Reporting entity

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

Note 2, General accounting principles

The interim report for the first two quarters of 2021 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU. The interim report for the first two quarters of 2021 is prepared using the same accounting principles and calculation methods as described in the Annual Report 2020.

Note 3, Functional and presentation currency

These consolidated financial statements are presented in USD, which is the Bank's functional currency. The Bank's taxation currency is NOK.

RISK

Note 4, Risk

Risk Management and Capital Adequacy

The Capital Adequacy figures for Maritime & Merchant Bank ASA are based on the calculation by means of the standardised approach.

Credit risk
The Bank has chosen the basic approach for calculation credit risk (Risk-Weighted Assets).

Operational risk
The Bank has chosen to apply the basic approach under Pilar 1 for calculating operational risk. This applies a capital requirement of 15 per cent of the annual income reported in the last three years.

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

Capital Adequacy

Amounts in 1000 USD	30.06.2021	31.12.2020	30.06.2020
Share capital	9 709	9 709	9 709
+ Other reserves	105 316	102 354	100 239
- Dividend			
- Deferred tax assets and intangible assets	-763	-1 209	-1 450
- This year's result	-2 915		-1 710
- Adjustments to CET1 due to prudential filters	-147	-220	-198
Common Equity Tier 1 (CET 1)	**111 200**	**110 633**	**106 589**
Calculation basis			
Credit Risks			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	17 645	10 347	18 525
+ Companies	316 878	246 245	258 862
+ Covered bonds	12 483	19 148	15 667
+ Shares	117	84	76
+ Other assets	1 063	941	1 089
Total Credit risks	**348 187**	**276 765**	**294 219**
+ Operational risk	27 482	27 416	19 423
+ Counterparty risk derivatives (CVA-risk)	2 324	2 437	1 591
Total calculation basis	**377 994**	**306 618**	**315 233**
Capital Adequacy			
Common Equity Tier 1 %	**29.42 %**	**36.08 %**	**33.81 %**
Total capital %	**29.42 %**	**36.08 %**	**33.81 %**

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.

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

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

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

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

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

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

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

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

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

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

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 The Annual Report 2020, 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 1,4232.

Exposure in the scenario model is the same as at 30.06.2021.

Loss Allowance and Impairments

Loss allowance	30.06.2021	30.06.2020	31.12.2020	31.12.2019	31.12.2018
Step1	637 295	681 501	659 824	822 991	665 727
Step2	581 495	1 178 117	779 360	0	36 322
Step3	0	784 836	0	0	0
Sum	1 218 790	2 644 454	1 439 184	822 991	702 049
Allowance/Loan Ratio	0,38 %	0,93 %	0,53 %	0,28 %	0,28 %
Impairments	0	0	0	0	0

Based on the improved market for bulkers and container vessels in Q1 and Q2, the loss allowance has improved compared to yearend 2020.

Loans where no loss provision has been recognized due to collateral:
30.06.2021: 0
30.06.2020: 0

Remaining exposure from credit impaired loans and loss exposed loans:

30.06.2021	**Gross Loans**	**First-Priority pledge in vessel**	**Cash Pledge**	**Other Collateral**
Remaining exposure from credit impaired loans	**0**	**0**	**0**	**0**
Loss exposed loans	**0**	**0**	**0**	**0**

30.06.2020	**Gross Loans**	**First-Priority pledge in vessel**	**Cash Pledge**	**Other Collateral**
Remaining exposure from credit impaired loans	**0**	**0**	**0**	**0**
Loss exposed loans	**0**	**0**	**0**	**0**

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

Scenario	**Expected Loss allowance**
Vessel value up 30%	805 000
Unchanged	856 000
Vessel value down 30%	1 824 000

30.06.2021

	Step 1	Step 2	Step 3	
	Classification by first time recognition	**Significantly increase in credit risk since first time recognition**	**Significantly increase in credit risk since first recognition and objective proof of loss**	
	Expected loss next 12 months	**Expected loss over the life of instrument**	**Expected loss over the life of instrument**	**Sum**
Loss allowance as of 31.12.2020	649 254	779 360	-	1 428 614
Lending to customers 31.12.2020	241 576 445	28 417 958	-	269 994 403
				-
Changes				-
Transfer to Step 1	334 158	- 334 158	-	-
Transfer to Step 2	- 31 044	31 044	-	-
Transfer to Step 3	-	-	-	-
Reclassification	- 389 106	54 209	-	- 334 897
Amortization	- 140 726	- 28 988		- 169 714
New commitments	235 488			235 488
Effect of Scenario Adjustment	- 20 729	80 028		59 299
Allowance as of 30.06.2021	**637 295**	**581 495**	**-**	**1 218 790**
Lending to customers 30.06.2021	313 981 514	*10 913 289*	-	*324 894 803*
Loans not disbursed	0			
Allowanse: Loans not dispursed	-			-
Net Change in Loss allowance	**-11 959**	**-197 865**	**0**	**- 209 824**

Reclassification: Change in Expected Loss calculation

30.06.2020

	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 31.12.2019	822 991			822 991
Lending to custmers 31.12.2019	295 124 509			295 124 509
Changes				
Transfer to Step 1				
Transfer to Step 2	- 183 320	183 320		
Transfer to Step 3	- 8 336		8 336	
Reclassification	155 167	945 145	776 500	1 876 812
Amortisation	- 63 961			- 63 961
New committments	31 305			31 305
Scenario Adjustment	- 72 345	49 652		- 22 693
Allowance as of 31.03.2020	**681 501**	**1 178 117**	**784 836**	**2 644 454**
Lending to custmers 31.03.2020	218 984 344	63 552 516	2 282 135	284 818 995
Net Change in Loss allowance	**-141 490**	**1 178 117**	**784 836**	**1 821 463**

1) *Reclassification: Change in Expected Loss calculation*

Credit risk: Total

30.06.2021

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	8 072 504					8 072 504
Deposits with credit institution	85 038 310					85 038 310
Certificates and bonds	140 471 232					140 471 232
Shares and other securities			117 323			117 323
Loans to customers		96 605 891	228 288 912	0	0	324 894 803
Total	**233 582 047**	**96 605 891**	**228 406 235**	**0**	**0**	**558 594 173**

Committed loans, not disbursed			28 787 000			

30.06.2020

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	6 721 788					6 721 788
Deposits with credit institution	110 776 137					110 776 137
Certificates and bonds	170 413 130					170 413 130
Shares and other securities			76 152			76 152
Loans to customers		62 810 833	168 540 662	51 185 365	2 282 135	284 818 995
Total	**287 911 056**	**62 810 833**	**168 616 814**	**51 185 365**	**2 282 135**	**572 806 203**

Lending to customers by segment

	Q2 2021		Q2 2020		Q4 2020	
Sector	**USD**	**Share %**	**USD**	**Share %**	**USD**	**Share %**
Bulk	107 215 285	33 %	64 938 731	22,8 %	71 548 517	27 %
Container	84 472 649	26 %	78 610 043	27,6 %	76 678 410	28 %
Tank	116 962 129	36 %	130 731 919	45,9 %	111 507 688	41 %
Gas	12 995 792	4 %	5 696 380	2,0 %	5 399 888	2 %
Specialized	3 248 948	1 %	4 841 923	1,7 %	4 859 899	2 %
Offshore	-	0 %	-	0,0 %	-	0 %
Sum	**324 894 803**	**100,00 %**	**284 818 995**	**100 %**	269 994 403	100 %

Bonds and certificates: Risk Weight

Risk Weight	Q2 2021 Fair Value	Q2 2020 Fair Value	2020 Fair Value
0 %	15 640 952	13 740 286	20 707 570
10 %	124 830 280	156 672 844	191 476 124
20 %			
100 %			
Total	**140 471 232**	**170 413 130**	**212 183 694**

Bonds and certificates: Rating

Rating	Q2 2021 Fair Value	Q2 2020 Fair Value	2020 Fair Value
AAA	134 361 351	167 848 279	206 037 546
AA+	6 109 881	2 564 851	6 146 147
AA	0	0	
A	0	0	
Total	**140 471 232**	**170 413 130**	**212 183 694**

Bonds and certificates: Sector

Sector	Q2 2021 Fair Value	Q2 2020 Fair Value	2020 Fair Value
Supranationals	2 512 893	5 011 229	7 528 807
Local authority	13 128 099	8 729 057	13 178 763
Credit Institutions	124 830 240	156 672 844	191 476 124
Bank			
Total	**140 471 232**	**170 413 130**	**212 183 694**

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). Some of these reference rates will be replaced with other reference rates, which could have an impact on interest income, interest expenses, fair value of derivatives and financial assets/liabilities.

Currency Risk

All exposure on the balance sheet, outside the balance sheet and estimated income and expense items will be identified. Market exposure will be limited and within limits and authorisations granted by the Board. Routines have been established for on-going monitoring and reporting of the currency risk to the Board of Directors.

Funding in NOK is swapped to USD using cross currency basis swaps, with duration around 3 years. Using cross currency swaps match funding in NOK with lending in USD. Assets and liabilities are currency matched. The Bank has income in USD and most of the operating cost in NOK. Current strategy is to hedge between 0 and 12 months forward.

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.

Volatility of the exchange rate between NOK and USD will give the Bank an unintended volatility in the tax expense, due to currency gains/losses related to our equity.

Liquidity Risk

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

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

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

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

Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed processes or systems, from human error, fraud, or external events including legal risk, compliance risk and reputational risk. This type of risk also encompasses administrative risk, i.e. that the day-to-day operations of the Bank do not function properly.

The Bank Measures operational risk through incident reporting on main operational areas. The management team handle incidents in the management meetings. This incident reporting is summarized and communicated to the Risk Committee.

The Bank reduces operational risk through prudent management and supervision by establishing efficient control procedures, a well-established set of routines, a compliance function, as well as insurance cover against attempts at defrauding the Bank.

INCOME AND COST

Note 5, Taxation of profit

1) Present tax calculation (Ordinary 25% tax on profit/loss)

	USD	NOK
Profit Before Tax	3 886 299	33 271 384
Tax related agio on equity	-	-
Basis for Tax Calculation	3 886 299	33 271 384
Calculated Tax (25%)	**971 575**	**8 317 846**

2) Full currency agio on Equity (Previous method)

	USD	NOK
Profit Before Tax	3 886 299	33 271 384
Tax related agio on equity	167 892	1 437 358
Basis for Tax Calculation	4 054 191	34 708 742
Calculated Tax (25%)	**1 013 548**	**8 677 185**

The calculated tax for the period is 26.1% of the ordinary result before tax.
The main reason is that even though the Bank's functional currency is USD, it is required to translate both P&L and the majority of assets and liabilities to NOK for tax purposes. Changes in net assets (equity) resulting from exchange rate will be subject to tax.

ASSETS

Note 6, Financial instruments at fair value.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not observable, and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

30.06.2021

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	140 471	0	140 471
Shares and other securities	0	0	0	0
Financial derivatives	0	2 928	0	2 928
Total financial assets	**0**	**143 399**	**0**	**143 399**
Financial derivatives	0	3 064	0	3 064
Total financial liabilities	**0**	**3 064**	**0**	**3 064**

30.06.2020

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	161 684	8 729	170 413
Shares and other securities	0	0	0	0
Financial derivatives	0	658	0	658
Total financial assets	**0**	**162 342**	**8 729**	**171 071**
Financial derivatives	0	26 778	0	26 778
Total financial liabilities	**0**	**26 778**	**0**	**26 778**

Note 7, Financial pledges

The Bank has pledged NOK 3 850 000 of deposits as collateral for financial derivatives.

Note 8, Other intangible assets and fixed assets

- In USD	30.06.2021		30.06.2020	
	Other intangible assets	Property, plant and equipment	Other intangible assets	Property, plant and equipment
Cost or valuation at 01.01	4 446 666	1 400 057	4 318 219	1 334 652
Exchange and other adjustments	-8 362	-2 633	-419 989	-134 085
Introduction of right to use-asset				0
Additions			0	26 811
Disposals			0	0
Cost or valuation at end of period	**4 438 304**	**1 397 424**	**3 898 229**	**1 227 379**
Accumulated depreciation and impariment at 01.01.	-3 237 478	-731 667	-2 281 437	-394 420
Exchange and other adjustments	19 078	5 484	223 564	53 667
Depreciation charge this year	-457 001	-144 532	-390 323	-156 746
Disposals				
Accumulated depreciation and impariment at end of period	**-3 675 401**	**-870 715**	**-2 448 196**	**-497 499**
Balance sheet amount at end of period	**762 903**	**526 709**	**1 450 033**	**729 880**
Economic lifetime	*5 years*	*3 years*	*5 years*	*3 years*
Depreciation schedule	*Linear*	*Linear*	*Linear*	*Linear*

Fixed assets	**30.06.2021**	**30.06.2020**
Right to use assets	500 371	682 426
Other	26 338	47 454
Sum fixed assets	526 709	729 880

LIABILITIES

Note 9, Other assets and financial derivatives.

30.06.2021

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	175 000		1 497 200	2 763	2 812
Buy/Sell EUR against NOK		12 456	125 574	165	252
Total Currency Derivatives	**175 000**	**12 456**	**1 622 774**	**2 928**	**3 064**

30.06.2020

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	0	0	0	0	0
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	190 000		1 605 155	658	25 868
Buy/Sell EUR against NOK		7 641	74 938	0	911
Total Currency Derivatives	**190 000**	**7 641**	**1 680 093**	**658**	**26 778**

Note 10, Other Liabilities and accrued cost

- In USD	**30.06.2021**	**30.06.2020**
Account payables	320 596	117 233
Tax withholdings	294 478	192 380
VAT payable	75 302	32 969
Tax payable	-	
Deferred tax	1 539 114	2 380 215
Lease liability	490 183	693 238
IFRS-9 Allowance (loans not disbursed)	-	
Other liabilities	484 900	203 601
Total other liabilities	**3 204 572**	**3 619 636**
Holiday pay and other accrued salaries	452 794	552 153
Other accrued costs	111 876	395 583
Total accrued costs	**564 670**	**947 736**

Note 11, Share capital and shareholder information

The Bank has 8 170 048 shares at NOK 10.

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

The Bank has 55 shareholders.

The ten largest shareholders of the Bank are:

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

Appendices

Appendix 1, Alternative Performance Measures

Formulas for calculation of Alternative Performance Measures

Ratio formulas

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

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

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

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

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

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

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

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

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

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