



Maritime & Merchant Bank ASA
Financial Report
31.03.2019



MARITIME & MERCHANT
BANK ASA

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Financial Report 31.03.2019

Operation and Strategy

First quarter of 2019 confirmed the trend we saw during last year; the interest for investing in modern/semi-modern tonnage continued within the main segments; dry bulk, tankers (product, crude and easy chemical/chemical) and LPG. The enquiries are coming from all the main shipping hubs, among them Oslo, Hamburg, Athens, London and Singapore and represent a wide variety of customers. Traditional shipowners, different financial investor constellations, joint ventures between different capital sources and management environments; our universe of customers is expanding. We are in view of this development constantly refining and adjusting our product and competence level in order to meet the expectations from customers. We are in the process of strengthening our client relationship department with adequate competence, as well within the field of KYC/AML, in order to ensure that we can maintain our services with an increasing loan book.

The portfolio of disbursed loans increased from USD 249 mill to USD 272 mill in Q1. In addition, a considerable order reserve was built up during the period and it will be disbursed during the second quarter.

The freight markets have been mixed during the first quarter. The dry bulk market has been very disappointing, in particular within the larger segments. The operational challenges in Brazil has caused a great deal of uncertainties regarding the shipments of iron ore to China, which again had a negative effect on the entire dry bulk sentiment. In addition, we have still the unsettled matters related to the Sino-US trade war. The crude tanker market has been basically weak during the period, while parts of the product tanker market has improved significantly. The container market has given owners of 6-8000 TEU vessels a huge encouragement in form of significant rate increases, while there has been a flat and even weakening tendency in most of the feeder segments. In the offshore sector there is new optimism and spirit in view of increasing oil prices and rising subsea activity. There are certain signs for the supply ship segment pointing in the right direction, even though overcapacity and the lay-up figures are still challenging.

Profit for the period

The profit for the period before tax is USD 2 451 543 (- 550 381) and profit after tax is USD 2 179 758 (320 663).

Deferred Taxes and payable tax

The Bank's functional currency is USD. In tax accounting, the equity is denominated in NOK, hence, the taxable result will fluctuate with the USDNOK exchange rate.

Net interest income and similar income

Net interest income and similar income totalled USD 3 941 836 (USD 1 465 186). The Board of Directors expect net interest income to increase further as a result of higher lending volume.

Total operating expenses before impairments and losses

Total operating expenses before impairments and losses totalled USD 1 888 612 (USD 2 201 884). Salaries and personnel expenses, including social costs, amount to USD 1 143 503 (USD 919 236) and account for the largest proportion of the overall operating expenses.

Loan and Loan Loss provisions

Maritime & Merchant Bank ASA has lent USD 272 157 115 (USD 123 719 352) to customers. There has not been any default on these loans.

The Bank has made USD 786 792 (USD 502 933) in loss allowance (IFRS 9). Change in expected loss through the year amounts to USD 84 733 and is primarily caused by increased loan volume.

Deposit

Customer deposits amounted to USD 394 479 570 (USD 246 388 126).

RISK FACTORS

Credit risk

The average weighted quality of the portfolio is moderate risk and all credits, when granted, had a Default Probability that qualified them to be classified as low or moderate risk. The credit portfolio has a risk concentration around the mid-point.

The majority of the commitments are secured with ship mortgages within 50% of appraised values (when the loan was granted) in addition to security in cash and earnings. In combination with an estimated moderate Default Probability, this provides for a sound credit portfolio with a marginal potential for future losses.

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 average weighted Loss Given Default for the loan portfolio is very satisfactory.

The Bank's estimated risk cost, Expected Loss, is calculated as Probability of Default multiplied by 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 internal risk classification. The total committed portfolio was distributed with 25% in bulk carriers, 3% in gas carriers, 44% in tankers, 25% in container vessels and specialized vessels 3%.

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 are within the Bank's credit strategy.

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 in the first years of operation has been equity and NOK deposits. The Bank has liquidity portfolio/buffers well above the minimum requirement. Liquidity stress tests show satisfactory liquidity.

	31.03.2019	31.03.2018	31.12.2018	31.12.2017
LCR	584%	560%	444%	457%
Deposit coverage (1)	80%	80%	78%	77%

(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 on-going 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. Exposure to foreign exchange risk (not USD) is hedged.

Operational risk

Maritime & Merchant Bank ASA has established operational risk policy and guidelines. Contingency plans have been established, and insurance (professional responsibility, crime and Board of Directors' responsibility) is purchased in order to reduce risk.

Ratios

Ratios	Q1-2019	Full year 2018
Cost/Income	42.7%	84.93%
Return on Equity before tax	11.1%	1.61%
Net Income Margin	3.82%	2.96%
Net Interest Margin	3.40%	3.10%
Deposit to loan	145%	137%
LCR	584%	444%
NPL Ratio	0%	0%

Ratio formulas

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

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

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

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

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

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

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

Outlook

In total, we expect a continued high activity level for investments in the maritime sector both domestically and abroad, and consequently, a steady inflow of new enquiries. We are looking forward to cooperating with our clients in order to materialize new projects within the main shipping segments.

Oslo, 13 May 2019

Board of Directors, Maritime & Merchant Bank ASA



Income Statement

<i>- In USD</i>	<i>Note</i>	2019	2018	2018
		01.01 - 31.03	01.01 - 31.03	01.01 - 31.12
Interest income and related income				
Interest and other operating income from loans to customers		5 856 296	2 140 054	14 979 900
Interest from certificates and bonds		534 497	522 026	1 928 497
Interest from loans to and receivables from credit institutions		245 296	66 556	646 238
Total interest income and related income		6 636 089	2 728 636	17 554 636
Interest expenses				
Interest and similar expenses of loans to and receivables from customers		-1 932 406	-1 090 965	-5 329 798
Net interest expenses from financial derivatives		-652 235	-163 926	-1 713 133
Other fees and commissions		-109 612	-8 559	-34 235
Net interest expenses and related expenses		-2 694 254	-1 263 450	-7 077 166
Net interest income and similar income		3 941 836	1 465 186	10 477 470
Commissions, other fees and income from banking		179 641	70 799	317 498
Commissions, other fees and expenses from banking		-7 532	-4 792	-26 614
Net gains/losses on foreign exchange and financial instrument				
Net value adjustments and gains/ losses on foreign exchange and financial derivatives		249 002	215 961	-715 629
Net gains/losses on foreign exchange		249 002	215 961	-715 629
Net gains/losses on financial instruments				
Net value adjustments and gains/ losses on commercial papers, bonds and other interest-bearing securities		61 941		
Net gains/losses on financial instruments		61 941		
Total income		4 424 888	1 747 154	10 052 725
Salaries, administration and other operating expenses				
Salaries and personnel expenses		-1 143 503	-919 236	-3 989 116
Administrative and other operating expenses		-436 871	-574 888	-2 140 779
Net salaries, administration and other operating expenses		-1 580 374	-1 494 124	-6 129 895
Total depreciation and impairment of fixed and intangible assets	9	-308 238	-707 760	-2 378 008
Total operating expenses		-1 888 612	-2 201 884	-8 507 903
Operating result		2 536 276	-454 730	1 544 822
Loan loss provisions (IFRS - 9)	5	-84 733	-95 651	-294 777
Profit (+) / Loss (-) for the period before tax		2 451 543	-550 381	1 250 045
Income tax	6	-271 785	871 044	-1 586 960
Income tax		-271 785	871 044	-1 586 960
Result for the period after tax		2 179 758	320 663	-336 915

* Quarterly number for 2018 have been recalculated using average USDNOK exchange rate (does not have any impact on net result)

Balance Sheet

<u>Assets</u>		2019	2018	2018
<i>- In USD</i>	<u>Note</u>	<u>31.03.2019</u>	<u>31.03.2018</u>	<u>31.12.2018</u>
Cash and balances at central bank		13 258 589	7 742 932	7 448 034
Lending to and receivables from credit institutions		78 079 533	36 454 130	66 924 966
Lending to customers	5	272 157 115	123 719 352	249 024 326
Loss provisions on loans to customers	5	-786 792	-502 933	-702 059
Net lending to customers		271 370 323	123 216 419	248 322 267
Certificates, bonds and other receivables				
Commercial papers and bonds valued at market value	5, 7	127 049 952	120 007 184	112 552 377
Commercial papers and bonds valued at amortised cost		0	5 005 245	0
Certificates, bonds and other receivables		127 049 952	125 012 429	112 552 377
Shares		48 425	52 159	49 295
Intangible assets				
Deferred tax assets	6	303 929	3 238 905	569 403
Other intangible assets	9	2 723 409	4 572 275	2 910 996
Total intangible assets		3 027 337	7 811 181	3 480 399
Fixed assets				
Fixed assets	4, 9	1 201 783	0	56 544
Total fixed assets		1 201 783	0	56 544
Other assets				
Financial derivatives		262 481	4 108 792	0
Other assets		141 447	2 471 599	136 735
Total other assets		403 929	6 580 391	136 735
Expenses paid in advance				
Prepaid, not accrued expenses		319 026	149 163	255 617
Total prepaid expenses		319 026	149 163	255 617
TOTAL ASSETS		494 758 896	307 018 805	439 226 234
Liabilities and shareholders equity				
<i>- In USD</i>		31.03.2019	31.03.2018	31.12.2018
Liabilities				
Deposits from and liabilities to customers				
Deposits from and liabilities to customers		394 479 570	246 388 126	340 508 505
Total deposits from and liabilities to customers		394 479 570	246 388 126	340 508 505
Other liabilities				
Financial derivatives	10	7 536 492		9 438 597
Other liabilities	6, 11	1 742 024	2 451 328	675 845
Total other liabilities		9 278 516	2 451 328	10 114 442
Accrued expenses and received unearned income				
Accrued expenses and received unearned income	11	715 324	551 654	569 655
Total accrued expenses and received unearned income		715 324	551 654	569 655
Total Liabilities		404 473 409	249 391 108	351 192 602
Shareholders equity				
Paid-in capital				
Share capital	12	8 630 639	5 590 977	8 630 639
Share premium account		83 296 586	54 716 362	83 296 586
Total paid-in capital		91 927 225	60 307 339	91 927 225
Other Equity				
Other free equity		-484 274		-556 371
Retained earnings		-1 157 464	-2 679 643	-3 337 221
Total other equity		-1 641 738	-2 679 643	-3 893 592
Total shareholder equity		90 285 487	57 627 696	88 033 633
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		494 758 896	307 018 805	439 226 234

Statement of Equity

<u>- In USD</u>	Share capital	Share premium	Retained earnings	Other free equity	Total equity
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				23 682	23 682
Profit	0	0	-336 915		-336 915
Equity as per 31.12.2018	8 630 639	83 296 586	-3 337 221	-556 371	88 033 633
Employee stock option				72 097	72 097
Profit			2 179 758		2 179 758
Equity as per 31.03.2019	8 630 639	83 296 586	-1 157 464	-484 274	90 285 487

Statement of Cashflows

	2019	2018
	31.03	31.12
<i>- In USD</i>		
CASHFLOW FROM OPERATIONAL ACTIVITIES		
Profit before tax	2 451 543	1 250 045
Change in loans to customers excluding accrued interest	-20 918 781	-153 496 098
Change in deposits from customers	52 067 883	145 664 596
Change in certificates and bonds	-14 497 575	-5 055 707
Change in shares, mutual fund units and other securities	870	-49 295
Interest income and related income	-6 636 089	-17 554 635
Interest received	4 506 814	14 555 481
Net interest expenses and related expenses	2 694 254	5 364 033
Interest paid	-791 072	-5 364 033
Ordinary depreciation	308 238	2 378 008
Change in financial derivatives	-2 164 586	9 821 707
Change in other assets and other liabilities	-6 713	-366 729
Net cash flow from operating activities	17 014 786	-2 852 627
CASHFLOW FROM INVESTING ACTIVITIES		
Payments for acquisition of assets	-121 762	-716 176
Net cash flow from investing activities	-121 762	-716 176
CASHFLOW FROM FINANCIAL ACTIVITIES		
Paid in capital	0	31 212 599
Net cash flow from financial activities	0	31 212 599
Effect of exchange rate changes and other	72 097	-17 069
Sum cash flow	16 965 121	27 626 727
Net change in cash and cash equivalents	16 965 121	27 626 727
Cash and cash equivalent as per 01.01.	74 373 001	46 746 274
Cash and cash equivalent as per 31.03.	91 338 122	74 373 001

Notes 31.03.2019

Note 1, Reporting entity

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

Note 2, General accounting principles

The interim report for the first quarter 2019 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU.

The interim report for the first quarter 2019 is prepared using the same accounting principles and calculation methods as described in the Annual Report 2018, except changes 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

2.1 Leases

The Bank adopted IFRS 16 with an initial application date of 1 January 2019. The Bank has applied the modified retrospective transition method and therefore the comparative information has not been restated. The entity also elected to apply the practical expedient for short-term leases to leases for which the lease term ends within 12 months of the date of initial application. The amounts disclosed in the extracts are expressed in Norwegian kroner.

2.2 Significant accounting policy

Policy applicable from 1 January 2019

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Bank assesses whether:

- the contract involves the right to use of an identified asset
- the Bank has the right to obtain the economic benefits from use of the asset throughout the period of use

Policy applicable before 1 January 2019

All direct costs and payments incurred in a lease contract were booked as accrued expenses.

As a lessee

The Bank recognizes a right-to-use asset and a lease liability at the lease commencement date. The right-to-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date. The right-to-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-to-use asset is periodically adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date and discounted using the Bank's borrowing rate. Lease payments include fixed payments known at the commencement date. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future payments arising from change in an index or rate. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-to-use asset.

Short-term lease and leases of low-value assets

The Bank has elected not to recognize right-to-use assets and lease liabilities for short term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Bank recognize the lease payments associated with these leases as an expense on a straight-line basis over the lease term or as a direct accrued payment.

2.3 Effect of IFRS 16, Leases

The only lease that is affected by the IFRS 16 implementation is office rental.

Details

Fixed Lease payments per quarter:	NOK 679 942
Expiry date:	31.12.2022
Borrowing rate:	2.1%
Right-to-use asset:	NOK 10 466 415 (as of 1 January 2019)
Lease liability:	NOK 10 466 415 (as of 1 January 2019)

Changes in Profit & Loss statement for Q1-2019 using 2019 vs 2018

Item	2018 policy	2019 policy	Change
Interest expenses (NOK)	0	(50 964)	(50 964)
Administrative and other operating expenses (NOK)	(679 942)	0	679 942
Depreciation (NOK)	0	(654 151)	(654 151)
Sum in NOK	(679 942)	(705 115)	(25 173)
Sum in USD	(79 079)	(82 007)	(2 928)

Negative number in brackets

Net negative effect for Q1-2019 in USD: 2 928

Changes in Balance sheet for Q1-2019 using 2019 vs 2018

Assets	2018 policy	2019 policy	Change
Intangible assets (NOK)	0	9 812 264	9 812 264
Intangible assets (USD)	0	1 141 200	1 141 200

Liabilities	2018 policy	2019 policy	Change
Other Liabilities (NOK)	0	9 837 438	9 837 438
Other Liabilities (USD)	0	1 144 128	1 144 128

RISK

Note 5, Risk

Risk Management and Capital Adequacy

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

Credit risk

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

Operational risk

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

Market risk

The market risk of the Bank is modest and is calculated using the standardized approach in Pillar 1.

Capital Adequacy

Amounts in USD - thousands	31.03.2019	31.03.2018	31.12.2018
Share capital	8 631	5 591	8 631
+ Other reserves	81 655	52 037	79 740
- Deferred tax assets and intangible assets	-3 027	-7 811	-3 480
- This year's result	-2 180		-337
- Adjustments to CET1 due to prudential filters	-		-113
Common Equity Tier 1 (CET 1)	85 078	49 817	84 441
Credit Risks			
+ Bank of Norway	-	-	-
+ Local and regional authorities	-	-	-
+ Institutions	15 616	10 449	13 385
+ Companies	270 036	117 617	243 733
+ Covered bonds	11 621	10 722	10 177
+ Shares	48	52	49
+ Other assets	-	1 380	-
Total Credit risks	297 321	140 220	267 344
+ Operational risk	11 669	4 233	11 669
+ Counterparty risk derivatives (CVA-risk)	3 029	5 672	2 619
Total calculation basis	312 019	150 124	281 632
Capital Adequacy			
Common Equity Tier 1%	27.27%	33.18%	29.98%
Total capital %	27.27%	33.18%	29.98%

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.

Loss allowance and impairments

Changes

Loss allowance	31.03.2019	31.03.2018	31.12.2018
Step1	645 195	502 933	665 727
Step2	141 597		36 322
Step3			
Sum	786 792	502 933	702 059
Impairments	-	-	-

Loss allowance as of 31.03.2019

	Step 1	Step 2	Step 3	
	Classification by first time recognition	Significant increase in credit risk since first time recognition	Significant 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				0
Transfer to Step 1	-	-	-	0
Transfer to Step 2	- 54 929	54 929	-	0
Transfer to Step 3	-	-	-	0
Reclassification*	- 27 677	50 867		23 190
Amortization	-19 595	-531		-20 126
New commitments	81 669			81 669
				0
Allowance as of 31.03.2019	645 195	141 597	-	786 792
Lending to customers 31.12.2018	260 857 115	11 300 000	-	272 157 115
Net Change in Loss allowance	-20 532	105 265	0	84 733

*Changes in individual assessments

Loss allowance as of 31.03.2018

	Step 1	Step 2	Step 3	
	Classification by first time recognition	Significant increase in credit risk since first time recognition	Significant 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 1.1.2018	407 282			407 282
Lending to customers 1.1.2018	96 849 292			96 849 292
Changes				
Transfer to Step 1				
Transfer to Step 2				
Transfer to Step 3				
Reclassification*				
Amortization				
New commitments	95 651			95 651
Allowance as of 31.03.2018	502 933			502 933
Lending to customers 31.03.2018	128 221 664			128 221 664
Net Change in Loss Allowance	95 651			95 651

*Changes in individual assessments

Credit risk: Total
31.03.2019

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central banks	13 258 589					13 258 589
Deposits with credit institutions	78 079 533					78 079 533
Certificates and bonds	127 049 952					127 049 952
Shares and other securities			48 425			48 425
Loans to customers		43 713 153	217 143 962	11 300 000		272 157 115
Total	218 388 074	43 713 153	217 192 387	11 300 000	0	490 593 614
Committed loans, not disbursed			17 000 000			

31.03.2018

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with central banks	7 742 932					7 742 932
Deposits with credit institutions	36 454 130					36 454 130
Certificates and bonds	115 360 762	4 646 422	5 005 245			125 012 429
Shares and other securities			52 159			52 159
Loans to customers			123 719 352	0		123 719 352
Total	159 557 825	4 646 422	128 776 757	0	0	292 981 003

Lending to customers by segment

Sector	31.03.2019		31.03.2018		31.12.2018	
	USD	Share %	USD	Share %	USD	Share %
Bulk	66 950 650	25%	55 673 709	45%	62 080 567	25%
Container	69 127 907	25%	13 609 129	11%	72 013 457	29%
Tank	120 565 602	44%	39 590 193	32%	99 328 907	40%
Gas	6 803 928	3%	14 846 322	12%	7 449 668	3%
Specialized	8 709 028	3%	-		7 449 668	3%
Offshore	-	0%			-	0%
Sum	272 157 115	100%	123 719 352	100%	248 322 267	100%

Bonds and certificates: Risk Weight

Risk Weight	31.03.2019 Fair Value	31.03.2019 Amortized Cost	31.03.2018 Fair Value	31.03.2018 Amortized Cost	31.12.2018 Fair Value	31.12.2018 Amortized Cost
0%	10 844 039		8 236 218		10 781 255	
10%	116 205 913		107 124 544		101 771 122	
20%			4 646 422			
100%				5 005 245		
Total	127 049 952		120 007 184	5 005 245	112 552 377	

Bonds and certificates: Rating

Rating	31.03.2019 Fair Value	31.03.2018 Fair Value	31.03.2018 Fair Value
AAA	124 134 891	112 135 434	10 781 255
AA+	2 915 061	3 225 328	101 771 122
AA	0		-
A	0	4 646 422	-
Total	127 049 952	120 007 184	112 552 377

Bonds and certificates: Sector

Sector	31.03.2019 Fair Value	31.03.2018 Fair Value	31.12.2018 Fair Value
Supranational	5 012 479	5 010 890	5 013 743
Local authorities	5 831 561	3 225 328	5 767 512
Credit Institutions	116 205 913	107 124 544	101 771 122
Banks	-	4 646 422	-
Total	127 049 952	120 007 184	112 552 377

The changes in interest rate, currency and liquidity risk since 31.12.2018 are marginal.

INCOME AND COSTS**Note 6, Estimated Taxation of profit**

	USD	NOK
Profit Before Tax	2 451 543	21 078 857
Initial IFRS-9	-388 657	-3 341 749
Tax related agio on equity	-975 745	-8 389 650
Basis for tax	1 087 141	9 347 458
Calculated Tax (25%)	-271 785	-2 336 864

In tax accounting the equity is denominated in NOK, hence the taxable result will fluctuate with the USD/NOK exchange rate. When USD/NOK depreciate, the taxable result will be lower than the USD result.

ASSETS**Note 7, Financial instruments at fair value**

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

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

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

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

31.03.2019

Amounts in USD thousands	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	121 218	5 832	127 050
Financial derivatives	0	262	0	262
Shares and other securities	0	0	0	0
Total financial assets	0	121 481	5 832	127 312
Financial derivatives	0	7 536	0	7 536
Total financial liabilities	0	7 536	0	7 536

31.03.2018

Amounts in USD thousands	Level 1	Level 2	Level 3	Total
Certificates and bonds		116 782	3 225	120 007
Financial derivatives		4 109	0	4 109
Shares and other securities				0
Total financial assets	0	120 891	3 225	124 116
Financial derivatives		0	0	0
Total financial liabilities	0	0	0	0

Note 8, Financial pledges

The Bank has pledged NOK 105 million of bonds as collateral for financial derivatives.

Note 9, Other intangible assets and tangible assets

- In USD

	Q1 2019		31.12.2018	
	Other intangible assets	Fixed Assets	Other intangible assets	Fixed Assets
Cost or valuation at 01.01.	4 348 846	110 589	5 258 562	96 641
Exchange and other adjustments	48 202	14 527		
Introduction of right to use-asset		1 216 789		
Additions			633 198	13 948
Disposals				
Cost or valuation at 31.03.	4 397 048	1 341 905	5 891 761	110 589
Accumulated depreciation and impairment at 01.01.	-1 437 850	-54 044	-637 531	-19 270
Exchange and other adjustments	-13 767	138		
Depreciation charge for the period	-222 022	-86 216	-2 343 233	-34 774
Disposals				
Accumulated depreciation and impairment at 31.03.	-1 673 639	-140 122	-2 980 764	-54 044
Balance sheet amount at 31.03.	2 723 409	1 201 783	2 910 996	56 544
<i>Economic lifetime</i>	<i>5 years</i>	<i>3-4 years</i>	<i>5 years</i>	<i>3-4 years</i>
<i>Depreciation schedule</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>	<i>Linear</i>

Note 10, Other assets and financial derivatives

31.03.2019

Amounts in thousands	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			1 404		
Buy/Sell USD against NOK	170 000		010	46	7 536
Buy/Sell EUR against NOK		9 375	91 893	217	0
			1 495		
Total Currency Derivatives	170 000	9 375	903	262	7 536

31.03.2018

Amounts in thousands	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	85 000		691 380	4 109	0
Buy/Sell EUR against NOK		0	0	0	0
Total Currency Derivatives	85 000	0	691 380	4 109	0

Note 11, Other Liabilities and accrued cost

<i>- In USD</i>	31.03.2019	31.03.2018
Trade payables	102 308	919 160
Tax withholdings	150 113	143 620
VAT Payable	76 503	13 610
Other liabilities	268 973	1 374 936
Lease liabilities	1 144 128	
Total other liabilities	1 742 024	2 451 326
Holiday pay, Employer's NI contributions and salaries	522 663	532 213
Other accrued costs	192 661	19 340
Total accrued costs	715 324	551 553

Note 12, Share capital and shareholder information

The Company has 7 252 333 shares at NOK 10.

The total share capital is NOK 72 523 330. The Company has one share class only.

The Company has 49 shareholders.

The ten largest shareholders of the Company are:

No	Shareholder	Numb. of shares	%
1	Henning Oldendorff	1 812 642	25.0%
2	Endre Røsjø *	1 812 642	25.0%
3	Deutsche Bank Aktiengesellschaft	666 700	9.2%
4	Songa Investment AS	559 881	7.7%
5	Canomaro Bulk AS	438 899	6.1%
6	Landmark Capital Pte. Limited	303 702	4.2%
7	Apollo Asset Limited	197 236	2.7%
8	Nergaard Investment Partners AS	159 727	2.2%
9	TD Veen AS	143 821	2.0%
10	Thabo Energy AS	118 526	1.6%
	Others	1 038 557	14.3%
	Total	7 252 333	100 %

(*) 102 723 shares (1.4%) owned through Centennial AS