Maritime & Merchant Bank ASA

Financial Report

31.12.2022

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The bank had a profit before tax of USD 4 237 835 in Q4 2022 (USD 1 883 520 in Q4 2021). The net interest margin was 4.2% in Q4 2022 (3.3% in Q4 2021). The profit before tax for the year 2022 is USD 13 627 283 (USD 7 950 395 in 2021). Return on Equity before tax in 2022 is 11.6% (6.5% in 2021). The bank has no distressed loan and 2022 was a new year with zero credit losses. The cost/income ratio came in at 29.3% in Q4 (54% in Q4 2021). The Board propose a dividend of USD 0.489 per share (USD 4 000 000).

The tragic outbreak of war in Ukraine has naturally overshadowed all other news in 2022 and has left its mark on the entire world. International shipping is no exception to this. The world community can only hope that this senseless game with human lives and material values must be ended.

The net loan portfolio increase was 18% during the year and ended at USD 370 398 794. The super-cycle within the container segment and a strong dry bulk market resulted in a massive gain for the owners and investors and a huge number of vessels were sold and the loans were repaid, However, there was a high number of new projects launched and the demand for financing was maintained at a stable level and the bank was able to deploy the capital coming in from repayments. The much talked about and historic period that the container market has gone through has during 2022 come to an end and leaves us with a great deal of uncertainties. The fact that values and earnings massively will be revised seems to be beyond discussion; it is probably more a question whether it will be a ''soft landing'' or not.

The dry bulk market had overall a strong performance overall in 2022 but faced an abrupt downturn towards the end of the year. The Chinese economic stimulus package and the effect of same will most likely be the decisive factor for the further development.

The tanker market, driven partly by disruptions caused by the Russian- Ukrainian war, underwent a total change from a +/- opex freight rate level to a market with very attractive figures both for spot and period earnings. The forecasts for 2023 are generally very positive for the tanker market which is to a large extent confirmed by the strong interest for investments in second-hand tonnage. Again, the war situation and expectations for increased ton-miles in combination with a record-low newbuilding order book fuels a fundamental optimism.

By the end of 2022 the bank had the following diversification of the loan portfolio (2021 figures in parentheses)

- Dry bulk 48% (35%)
- Tankers 39% (36 %)
- Containers 9 % (24%)
- LPG 4% (4%)
- Specialized 0% (1%)

IMF forecasted in October 2022 a modest 2.7% global GDP growth for 2023, which represent a reduction from the estimate of 3.2% for 2022, which isolated is no good news for the shipping markets. The main reasons for this rather pessimistic view are uncertainties in USA and China, growing global inflation and in general a series of geopolitical tensions. Clarkson Research estimates though an increase of 2% in world seaborne trade (expressed by the demand for ton-miles) mainly driven by disruptions in the tanker market. The development of the Ukrainian-Russian war with all its ripple effects will continue to be the wild card in all further forecasts for the global economy.

Going concern assumption

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

Profit for the period (01.01-31.12)

The profit for the period before tax is USD 13 627 283 (USD 7 950 395) and profit after tax* is USD 7 188 696 (USD 5 093 351).

Net interest income and related income totalled USD 21 605 313 (USD 15 939 393), and other Income (including financial derivatives and fixed income instruments) was USD 535 387 (USD 333 203).

Operating expenses before impairments and losses totalled USD 8 044 695 (USD 8 305 519). The Cost/Income ratio came in at 36.3% (51%).

For the whole year, loss allowance (Expected Loss) corresponding to USD 468 723 (USD 16 682) were expensed. The increase in loss allowance is mainly due to increased lending. Credit Loss (Impairments) was USD 0 (USD 0)

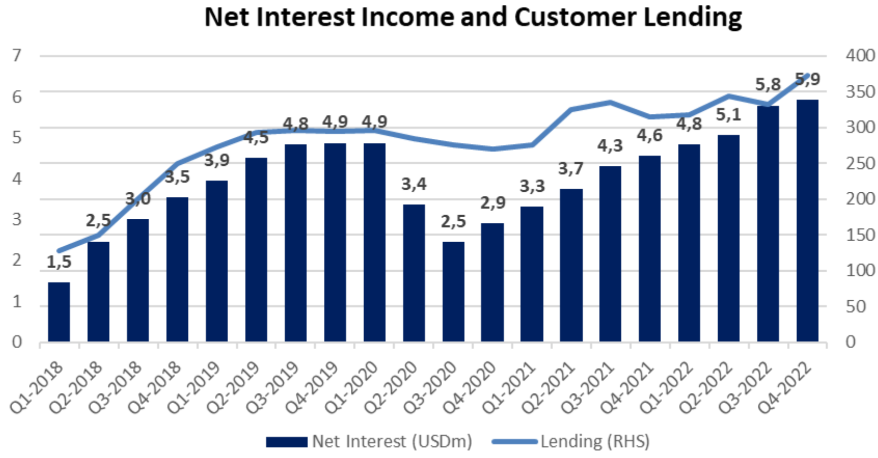
(*) see Deferred Taxes and payable tax below

	2022	**2021**	**2022**	**2021**
	01.10 - 31.12	**01.10 - 31.12**	**01.01 - 31.12**	**01.01 - 31.12**
Interest Income	9 379 771	5 337 019	30 289 164	19 847 004
Interest Expense	-3 456 011	-770 585	-8 683 851	-3 907 611
Net Interest Income	**5 923 759**	**4 566 435**	**21 605 313**	**15 939 393**
Other Income	633 213	-436 234	535 387	333 203
Total Income	**6 556 972**	**4 130 200**	**22 140 701**	**16 272 596**
Operating Expense	-1 920 500	-2 230 653	-8 044 695	-8 305 519
Operating Result	**4 636 472**	**1 899 547**	**14 096 006**	**7 967 077**
Loss Allowance	-398 637	-16 027	-468 723	-16 682
Write Off (Credit Loss)		0		
Sum Impairment	**-398 637**	**-16 027**	**-468 723**	**-16 682**
Profit Before Tax	**4 237 836**	**1 883 520**	**13 627 283**	**7 950 395**
Tax	-4 091 225	-1 340 325	-6 438 587	-2 857 044
Profit After Tax	**146 611**	**543 195**	**7 188 696**	**5 093 351**

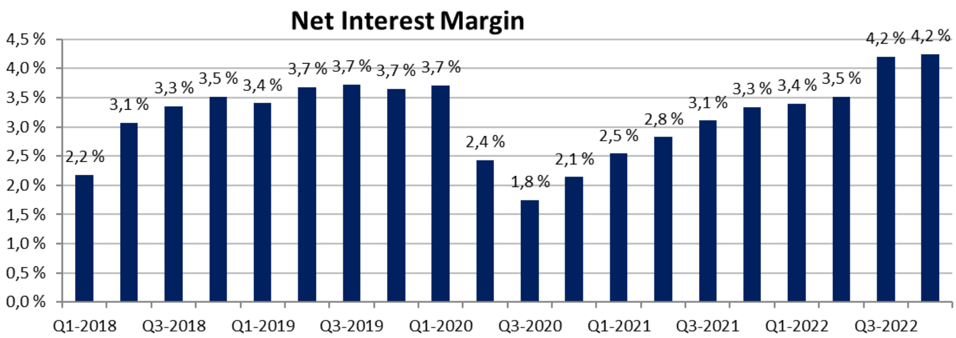
Q4: 01.10- 31.12.2022

Net interest income and related income

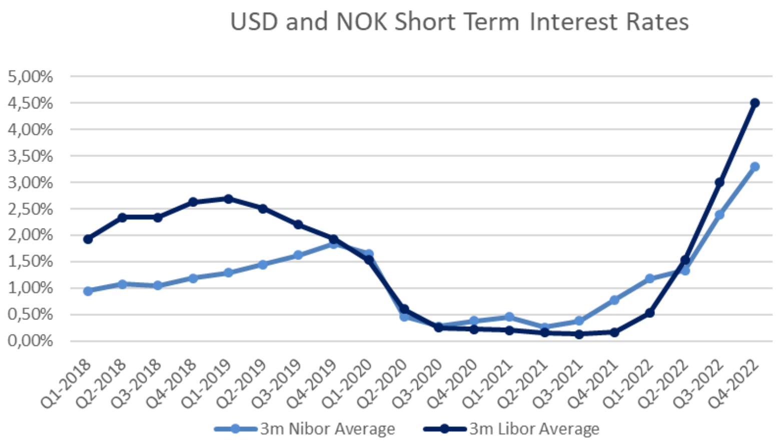
Net interest income and related income totalled USD 5 923 759 in Q4 (USD 4 566 435 in Q4 2021).



Net interest margin increased from 3.3% in Q4-21 to 4.2% in Q4-22. Favorable lending cost, higher money market rates and increased lending improved Net Interest Margin.



Money market rates (daily average) in USD and NOK increased during the year due to rate hikes by the central banks. The Bank's deposit rates increased less than money market rates resulting in lower net funding cost.



(Source: Infront, Maritime & Merchant Bank ASA)

Net other Income

Net other income amounted to USD 633 213 in Q4 2022 (USD -436 234 in Q4-2021).

Value adjustments on derivatives and hedging instruments in Q4 was USD 187 038 due to an depreciation of the USD against NOK (USD -218 666 in Q4-2021). Value adjustment YTD is USD 541 603 (USD -121 493 in 2021).

Value adjustments on interest-bearing securities was USD 282 801 in Q4-2022 (USD -289 754 in Q4-2021). Year to date adjustmens is USD -549 100 (USD -144 314 in 2021).

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

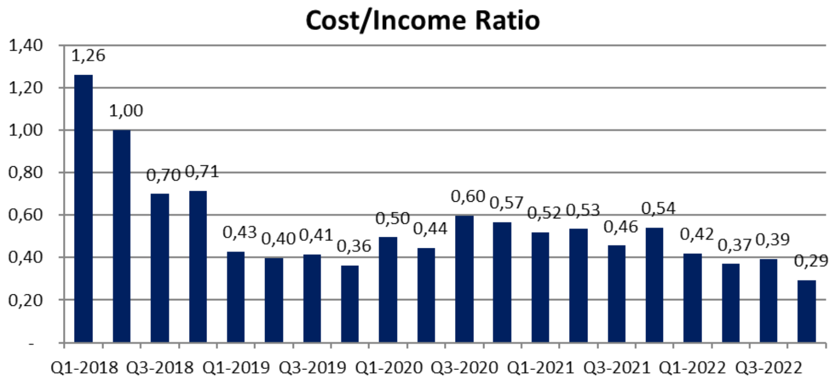
Net commissions amounted to USD 163 374 in Q4 (USD 72 187 in Q4-2021).

Total operating expenses before impairments and losses

Operating expenses before impairments and losses totalled USD 1 920 500 in Q4 (USD 2 230 653 in Q4-2021), due to reduced depreciation and USDNOK appreciation.

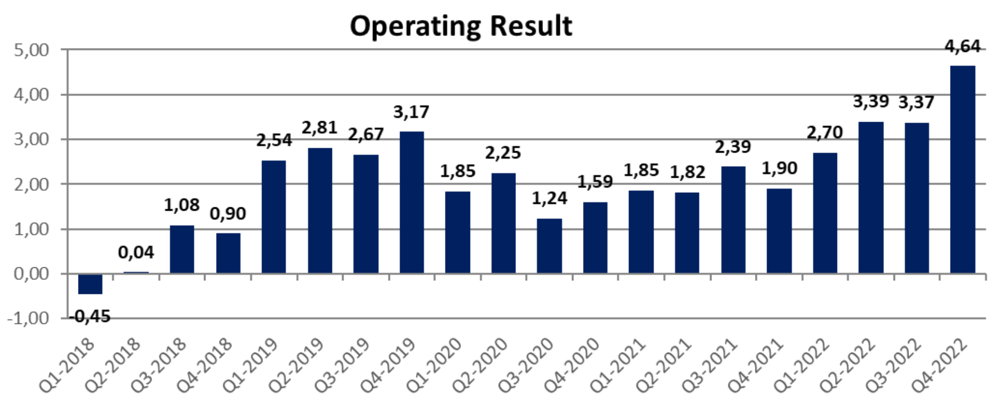
Salaries and personnel expenses, including social costs, amounted to USD 1 350 233 (USD 1 405 989 in Q4-2021) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 123 089 (USD 301 377 in Q4-2021). The Cost/Income ratio came in at 29.3% in Q4 (54% in Q4-2021).



Operating result

Operating result in Q4 amounted to USD 4 636 472 (USD 1 899 547 in Q4-2021).



MARITIME & MERCHANT BANK ASA

Loan and Loan Loss provisions

Maritime & Merchant Bank ASA has lent USD 372 312 813 (USD 315 519 007 in 2021) to customers.

The Bank has made USD 1 914 019 (USD 1 445 296) in loss allowance (IFRS 9). Change in loss allowance through the year amounts to USD 468 723 (USD 16 682).

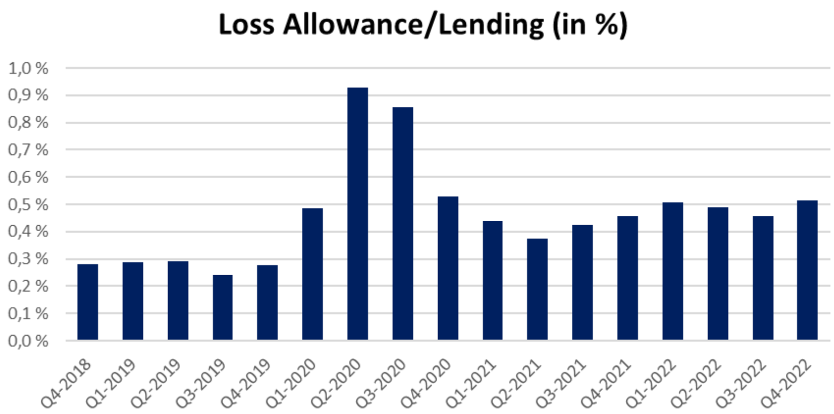
The credit quality of the majority of the loans (measured by PD – Probability of Default) to all segments has been strong throughout the year, due to the improvement in rates and market values in the segments the bank is involved in. The increase in Loss Allowances at 31.12.2022 compared to 31.12.21 is due to our overall portfolio being larger and that we forecast in the IFRS 9 calculations that we might see corrections predominantly within the bulk and container segments resulting in an increased allowance to loans ratio.

All of the commitments (100 %) are in step 1 (95.2% in Q4-2021). Step 2 Expected loss is due to assumed migration in the macro scenario analysis. No commitments are currently identified in step 2.

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

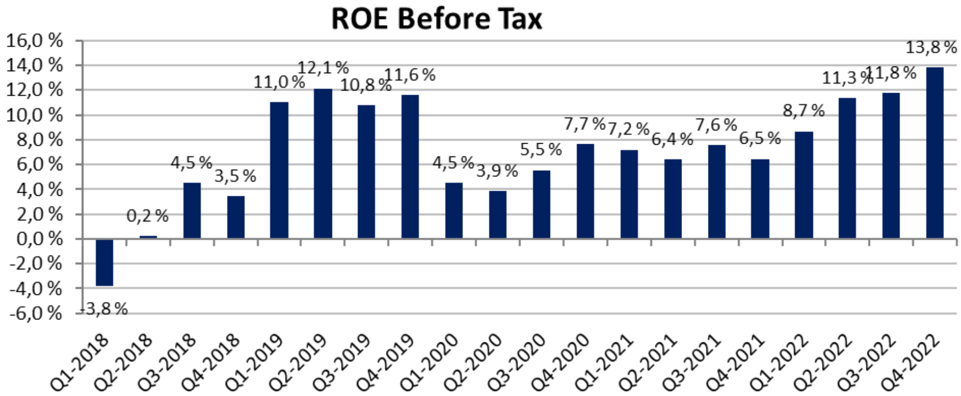
Loss allowance	**31.12.2022**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Step 1	1 345 649	618 860	659 824	822 991
Step 2	568 370*	826 436	779 360	
Step 3	0	0	0	
Sum	1 914 019	1 445 296	1 428 614	822 991
Allowance Loans not disbursed			10 570	
Allowance/Loans Ratio	0.51%	0.46%	0.53 %	0.28 %
Impairments (Credit Loss)	0	0	386 435	0
Non performing Loans	0	0	0	0

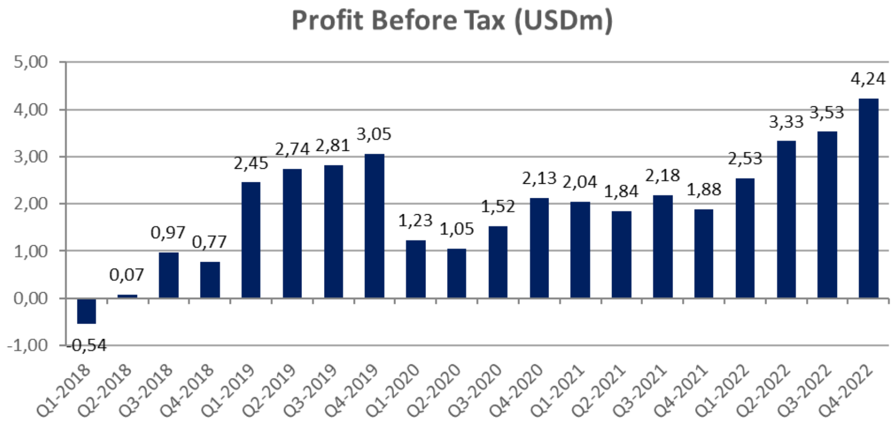
**Loss allowance in step 2 is a result of anticipated migration in the negative macro scenario*



Profit before tax

Profit before tax amounted to USD 4 237 835 in Q4 (USD 1 883 520 in Q4-2021).
Return on equity before tax was 13.8% (6.5% in Q4-2021).





Deferred Taxes and payable tax

The Bank operates with USD as functional currency.

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

The volatility of the NOK against the USD has given the Bank an unintended volatility in the tax expense, due to currency gains/losses related to our equity.
The Bank has started a process for a rule adjustment for the basis of tax calculation that prevents unintended effects for the future. Common 25% corporate tax rate is used in the first three quarters of 2022.

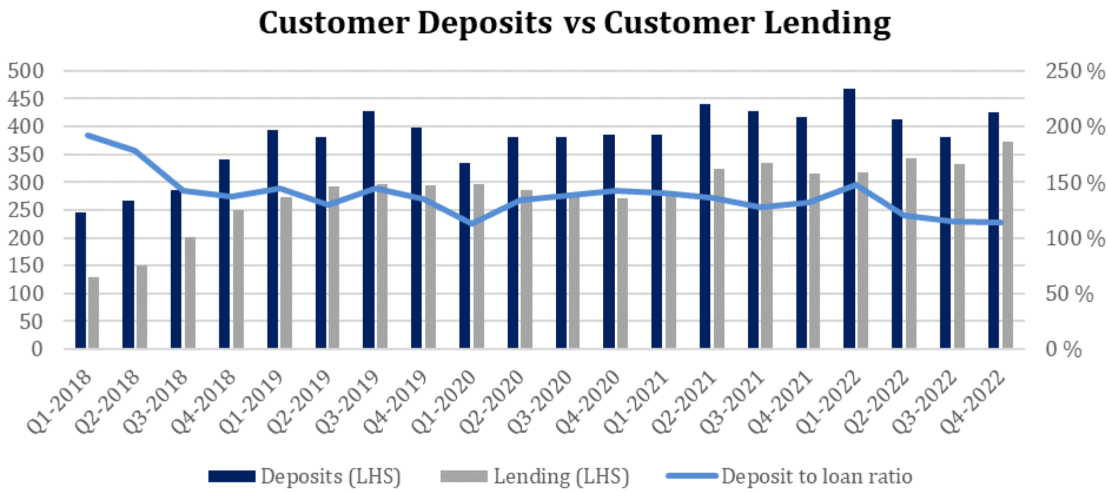
Ministry of Finance has not concluded regarding the tax rule adjustment. The Bank will on that basis incorporate a full agio effect for the year 2022 in Q4 2022.

The agio effect (unintended taxable income/cost) for 2022 is positive NOK 119 513 585 (USD 12 126 772).
This "phantom" income will result in an increased calculated (not payable) tax of NOK 29 878 396 or USD 3 031 693 (USD 855 493 in 2021).
Exchange rate (USDNOK) 31.12.2022 was 9.85535 compared to USD 8.8176 31.12.2021.

See Note 9, Tax Calculation.

Deposit and Liquidity

Customer deposits amounted to USD 425 583 838 in Q4-2022 (USD 417 025 594 in Q4-2021).



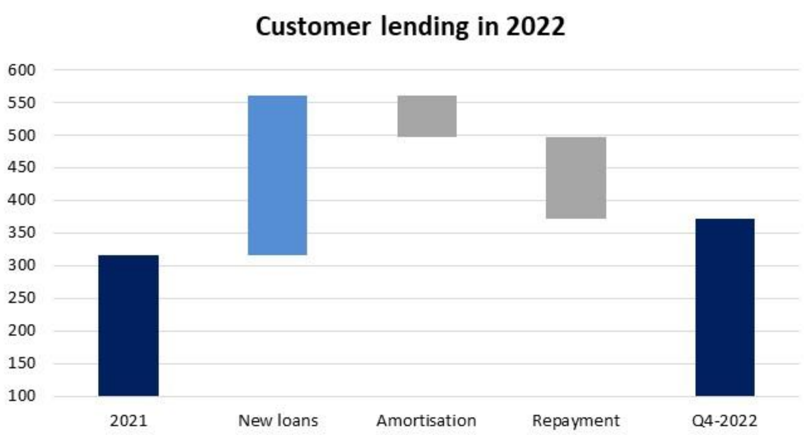
The deposit to loan ratio was 114% at the end of 2022 (132% in 2021).
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 201 million was mainly invested in interest-bearing securities, deposits in major Norwegian banks and in Norges Bank. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 450% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 143% (above a minimum requirement of 100%).

Total Assets and Lending

Total assets ended at USD 574 594 991 in 2022 (USD 544 385 987 in 2021).

Lending to customer increased from USD 315 519 007 in 2021 to USD 372 312 813 in 2022.



Solvency

Core equity ratio (CET1) was 33.3% 31.12.2022 (30.5% 31.12.2021).
The Bank has not issued any subordinated or perpetual bonds.
The Bank paid USD 0.187 per share as dividend for 2021.
The board propose a dividend of USD 0.489 per share for 2022 (Total USD 4 000 000).

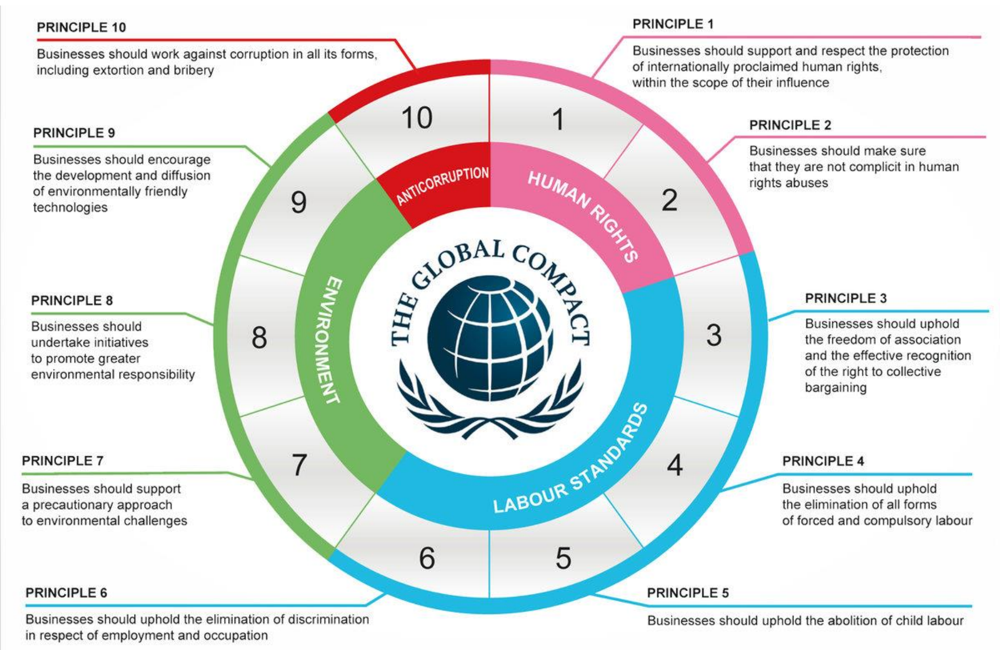
ESG

Environmental, Social and Governance factors (ESG) are included in the Bank's decision making process and analysis from the first contact with our customers and throughout the customer relationship. Our focus areas within ESG are responsible lending within the shipping and offshore industry, being a reliable bank for our clients, a safe bank for our deposit customers, safeguarding our customers' privacy and preventing financial crime while at the same time taking good care of our employees.

We believe that the sustainability challenges facing the shipping industry cannot be solved by one company alone but requires joint action and collaboration between companies throughout the value chain across borders, governments, and international agencies. Therefore, we are involved in various initiatives that aim to drive the industry in the right direction.

The Bank supports the Net Zero 2050-ambition set forward by UN to cut greenhouse gas emission as close to zero as possible and keep global warming below 1.5 degrees. The Bank became a member of the UN Global Compact programme in February 2022.

As a member, the Bank has undertaken to support the 10 principles of the UNGC in our business which are:



As part of the program, the Bank is required to do an annual submission of a Communication on Progress that describes our company's efforts to implement the Ten Principles. This will be conducted for the first time in February 2023.

The Bank has selected UN's sustainability targets number 5 (Gender Equality), 8 (Decent Work and Economic Growth), 14 (Life Below Water) and 16 (Peace, Justice and Strong Institutions) as particularly important in view of our market segment, risks and opportunities to contribute to a sustainable development. These goals are guiding our efforts within the ESG area.

In July 2021, EU adopted "Fit for 55" setting out how EU intends to reduce the net greenhouse gas emission by at least 55% by 2030, compared to 1990 levels. The aim is to reduce emissions to become climate-neutral by 2050.

The International Maritime Organization's (IMO) regulations with regards to the Carbon Intensity Indicator (CII) was introduced on 1 January 2023. This measures how much CO2 each ship emits annually. The vessels will be measured throughout 2023 for a 12-month emission period based on a detailed and extensive formula. During the beginning of 2024 each vessel will be assigned a rating from A to E based on the prior year's data.

Vessels that receive an A to C rating are in the clear and compliant, however, vessels receiving a D rating for three consecutive years or an E rating will have to put forward a corrective action plan on how to receive a C rating or better during the coming 12 months. Example of a corrective action plan might be installation of Engine Power Limitation (EPL), permanent slow steaming, or for the vessel to change fuel. An EPL establishes a semi-permanent, overridable limit on a ship's maximum power, and therefore its speed. The trajectory to obtain the rating classes A to E is lowered each year, thereby becoming increasingly rigorous towards 2030.

As always with the introduction of new regulations, there are many different opinions about how the rules should be understood with CII being no exception. As an example, CII is calculated based on Annual Efficiency Ratio (AER). The most efficient use of a vessel is to optimize voyages with available cargos; however, the CII rating calculation does not take this into account. Another example is that if a vessel at the end of the year might receive a high CII rating, the vessel can simply ballast certain distances to improve the rating to an acceptable rating category.

The Bank and the shipping industry do not know yet how these CII ratings will impact second hand values and time charter rates, if at all. We have done a theoretical calculation of the vessels financed by the Bank, and only a couple of the vessels in our portfolio will receive the rating E before corrective measures have been implemented. At present time the introduction of these rules does not have any impact on our financial accounts or credit quality.

Making the shipping industry more sustainable is a collective challenge that requires commitment from all actors in the entire value chain in terms of de-carbonisation, responsible recycling of ships and securing labour and human rights for seafarers and other workers. There are very many developments within the shipping industry in an effort to try to meet the net zero targets.

The international shipping industry is investing enormous resources to adapt operations, ships, and equipment to comply with the new regulations. This ability to adapt to new rules, which has characterized the international shipping industry for years, never ceases to impress and The Bank feels privileged to work closely with the shipowners and to follow this work. With the growing pressure on the shipping industry to reduce CO2 emissions, the collective innovative power and ability to implement that, will be the decisive factors in reaching ambitious goals for the benefit of all.

The uptake of alternative fuels on the global orderbook has been on an upwards trajectory over the recent years. Alternative fuel is being tested out like LNG, methanol, green ammonia and hydrogen. The world fleet counts in the region of about 60,000 vessels. As of now only 104 LNG fuel vessels have been delivered with 222 in order, and for hydrogen there are 18 vessels on order while the number being 35 vessels for methanol. Replacing the full shipping fleet will take many years, and there is also a necessity to invest heavily in the onshore terminals to ensure that the new fuels are available at port. Even though LNG is the most preferred alternative fuel option, and lower the CO2 emission with about 20-25%, it is not down to zero. Hence, the solution for net zero in 2050 for the shipping industry has not been fully concluded on.

Hundreds of ships are recycled every year, a process that often entails significant environmental pollution and health risks for people. Ship recycling should always be performed according to strict standards for protecting human health, safety and the environment including ensuring that hazardous material are not dumped but disposed of responsibly. The Bank requires that vessels financed by us will follow the Hong Kong convention from 2009 and the Environmentally Sound recycling of ships legislation given by the EU for the safe and environmentally friendly recycling of ships. In most cases the vessels we finance are repaid in full before they reach the age of recycling.

The Bank ensures that the vessels financed are docked in accordance with the ships' docking schedules and remain in a good shape for further trading. This is regulated in the loan agreement, and we require that the vessel inspection report meet our criteria before financing a vessel. The Bank has increasingly set focus on our clients having sufficient funds to dock the vessels in line with the docking schedule and require in most cases financial covenants for funds to be built up on the minimum cash account to fully serve the next scheduled drydocking.

Ballast water is essential for safe and efficient shipping operations, however, loading and unloading untreated ballast water poses serious ecological, economic and health risks as ships become a vector for the transfer of organisms between ecosystems. The spread of invasive species is recognized as one of the greatest threats to the ecological well being of the planet, and the damage to the environment is often irreversible.

There are many different IMO regulations that 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, and make sure funds are set aside to meet the requirements. Being compliant with the applicable IMO regulations is regulated in our loan agreements with the clients. If there is a non-compliance this will be a breach of the loan agreement, which, if not rectified, will lead to an event of default.

The taxonomy for sustainable economic activity is a classification system with the aim to channel capital to profitable sustainable activities and projects. The new law came into force in Norway from 1 January 2023. The reporting obligation applies to listed companies as well as all banks and insurance companies, which have over 500 employees and are considered large companies according to the EU's accounting directive. The Bank has less than 500 employees and hence do not fall within the requirement to report at present time.

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

The main target in relation to corporate governance is matters related to ownership of clients, 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 Board is the ultimate responsible for the ESG area in the Bank. The Bank faces credit, regulatory and reputational risk in the ESG area. The Bank has its own ESG guidelines which are updated by the management and approved by the Board on a yearly basis. By requiring information and asking the right questions we believe that we also raise the customer's awareness towards the different ESG risk area. The Bank's credit memo has sections on ESG and KYC for each client, and new credit memos and clients are always reviewed by the Board or the Board's credit committee (holds 4 Board members) depending on size of the credit. ESG is also a part of our credit scoring models, and we will continue to develop these models in line with the new regulations and requirements within the shipping industry. Changes in the credit scoring models are approved by the Board. ESG is a part of the weekly management meetings and the change and challenges facing the industry is high on the agenda. No financial KPIs are in place for this area as of yet.

The Transparency Act (Åpenhesloven) came into force in Norway on 1 July 2022. The act was put in place to promote enterprises' respect for fundamental human rights and decent working conditions with the production of goods and services. The Bank is in the process of carrying out a due diligence in accordance with this act, and will publish the findings on the Bank's homepage no later than 30 June 2023.

Social

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

31st 2022, 38.5% of the employees are female, and of the management group 20% are female. Our board consist of 7 members of which 43% are female.

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

Sickness absence in 2022 was 4.36% in the Bank. No serious occupational accident or incidents resulting in significant material damage or personal injury have occurred or been reported during the year.

Risk factors

Credit risk

The average weighted quality of the portfolio is moderate risk, and the portfolio has a strong concentration around the mid-point compared to the more diversified distribution in 2020 and early 2021. The average risk for bulkers and container has slightly improved throughout the year and tankers improved towards the second half of 2022, due to higher earnings and subsequently vessel values.

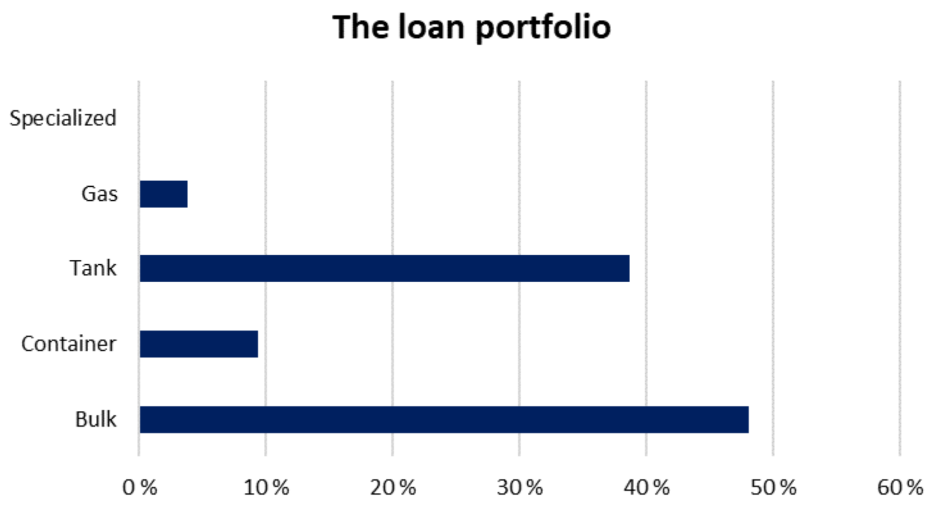
All commitments are secured with 1st priority mortgage on vessels, and the large majority of those were secured within 50-55% of appraised values when granted. In combination with an estimated moderate Default Probability, the moderate loan-to-value ratios provide for a sound credit portfolio with a limited potential for future losses, in particular since the vessels' values for most clients have a good margin in relation to the outstanding exposures.

During 1Q of 2022 a small number of tanker and product tanker clients were granted relief on their contractual debt obligations towards the bank, but this was only related to scheduled instalment payments and not to interest payments. All waivers were done in combination with the ultimate owners of the borrowers providing liquidity and/or equity into the borrowing entities to strengthen their financial position. The loans concerned were rectified during 1H 2022 due to the substantial increase in rates for these segments.

In addition to estimating the Default Probability, we also estimate the Loss Given Default on each exposure. Based on the low leverage of financing in combination with financing non-specialized tonnage with strict covenants, the Loss Given Default for the loan portfolio is satisfactory.

The Bank's estimated risk cost, Expected Loss, is calculated as Probability of Default multiplied with Loss Given Default. It is included in all internal return on capital estimations in connection with granting new loans.

The portfolio is distributed in risk classes according to collateral and internal risk classification. The loan portfolio is diversified and is distributed on bulk carriers (48%), tankers (39%), container vessels (9%), LPG (gas) (4%) and specialized (0%).



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

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.

	31.12.2022	**31.12.2021**	**31.12.2020**	**31.12.2019**
LCR	450%	564%	353%	636%
Deposit Ratio *(1)*	74%	77%	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 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	2022	2021
Cost/Income Ratio	36.3%	51%
Return on Equity before tax	11.6%	7.0%
Net Income Margin	4.0%	3.0%
Net Interest Margin	3.9%	2.95%
Deposit to loan Ratio	114%	132%
LCR	450%	564%
NPL Ratio	0%	0%
Equity Ratio (CET1)	33.3%	30.5%

Ratio formulas, se Appendix 1

Outlook

The bank continues through organic growth to strengthen its operational platform and preparing the organization for further growth and expansion. Maritime & Merchant Bank ASA has established itself as preferred alternative for many shipowners and project companies around the world. We believe in that our competence driven platform is well positioned for new steps forward in the market. We are optimistic for the market for our services ahead and will work incessantly to strengthen our quality and performance.

Oslo, February 13th, 2023

Board of Directors, Maritime & Merchant Bank ASA

Statement of Profit & Loss

- In USD	*Note*	2022 01.10 - 31.12	2021 01.10 - 31.12	2022 01.01 - 31.12	2021 01.01 - 31.12
Interest income and related income					
Interest income from customers (effective Interest method)		7 636 195	5 091 655	26 240 049	18 889 590
Interest from certificates and bonds		976 294	219 471	2 588 594	929 010
Interest from credit institutions (effective interest method)		767 282	25 893	1 460 521	28 404
Total interest income and related income		**9 379 771**	**5 337 019**	**30 289 164**	**19 847 004**
Interest expenses					
Interest and similar expenses of loans to credit institutions		0	0	0	-24 447
Interest and related expenses of loans to customers		-2 818 229	-1 032 069	-7 405 406	-4 195 172
Net interest expenses from financial derivatives		-584 664	288 129	-1 073 021	473 022
Other fees and commissions		-53 119	-26 644	-205 424	-161 014
Net interest expenses and related expenses		**-3 456 011**	**-770 585**	**-8 683 851**	**-3 907 611**
Net interest income and related income		**5 923 759**	**4 566 435**	**21 605 313**	**15 939 393**
Commissions, other fees and income from banking		196 008	95 385	681 786	653 214
Commissions, other fees and expenses from banking		-32 633	-23 198	-138 902	-54 204
Net value adjustments on foreign exchange and financial		187 038	-218 667	541 603	-121 493
Net value adjustments on interest-bearing securities		282 801	-289 754	-549 100	-144 314
Total income		**6 556 972**	**4 130 200**	**22 140 701**	**16 272 596**
Salaries, administration and other operating expenses					
Salaries and personnel expenses		-1 350 233	-1 405 989	-5 611 292	-5 135 448
Administrative and other operating expenses		-447 178	-523 287	-1 858 370	-1 944 230
Net salaries, administration and other operating expenses		**-1 797 411**	**-1 929 276**	**-7 469 662**	**-7 079 678**
Total depreciation and impairment of fixed and intangible a	**14**	**-123 089**	**-301 377**	**-575 033**	**-1 225 841**
Total operating expenses		**-1 920 500**	**-2 230 653**	**-8 044 695**	**-8 305 519**
Operating result		**4 636 472**	**1 899 547**	**14 096 006**	**7 967 077**
Loan loss provisions (IFRS - 9)	**7**	-398 637	-16 027	-468 723	-16 682
Impairments (Credit Loss)		0	0		
Profit (+) / Loss (-) for the period before tax		**4 237 836**	**1 883 520**	**13 627 283**	**7 950 395**
Tax Payable	**9**	-4 091 225	-1 340 325	-6 438 587	-1 817 285
Deferred Tax					-1 039 760
Total Tax		**-4 091 225**	**-1 340 325**	**-6 438 587**	**-2 857 044**
Result for the period after tax		**146 612**	**543 195**	**7 188 697**	**5 093 351**

- *Q4 numbers (2022 and 2021) are not audited.*

Balance Sheet

Assets		2022	2021
- In USD	Note	31.12.2022	31.12.2021
Cash and balances at Central Bank		**6 554 349**	**7 832 345**
Lending to and receivables from credit institutions		**63 206 540**	**90 907 732**
Lending to customers	7	372 312 813	315 519 007
Loss provisions on loans to customers	7	-1 914 019	-1 445 296
Net lending to cutomers		**370 398 794**	**314 073 711**
Certificates, bonds and other receivables			
Commercial papers and bonds valued at market value	7	131 190 110	128 910 217
Commercial papers and bonds valued at amortised cost		0	0
Certificates, bonds and other receivables		**131 190 110**	**128 910 217**
Shares		**191 844**	**111 713**
Intangible assets			
Deferred tax assets		0	0
Other intangible assets	14	48 823	309 619
Total intangible assets		**48 823**	**309 619**
Fixed assets			
Fixed assets	14	1 660 196	325 356
Total fixed assets		**1 660 196**	**325 356**
Other assets			
Financial derivatives	16	913 996	1 548 715
Other assets		97 282	30 692
Total other assets		**1 011 277**	**1 579 407**
Expenses paid in advance			
Prepaid, not accrued expenses		333 056	335 888
Total prepaid expenses		**333 056**	**335 888**
TOTAL ASSETS		**574 594 991**	**544 385 987**

Liabilities and shareholders equity			
- In USD		31.12.2022	31.12.2021
Liabilities			
Loans and deposits from credit institutions		0	0
Deposits from and liabilities to customers		425 583 838	417 025 594
Total loans and deposits		**425 583 838**	**417 025 594**
Other liabilities			
Financial derivatives	16	15 053 429	5 089 149
Other liabilities	17	10 606 751	4 604 940
Total other liabilities		**25 660 180**	**9 694 089**
Accrued expenses and received unearned income			
Accrued expenses and received unearned income	17	693 109	729 588
Total accrued expenses and received unearned income		**693 109**	**729 588**
Total Liabilities		**451 937 127**	**427 449 270**
Shareholders equity			
Paid-in capital			
Share capital	18	9 708 655	9 708 655
Share premium account		94 148 865	94 148 865
Total paid-in capital		**103 857 520**	**103 857 520**
Other Equity			
Retained earnings, other		-437 885	-499 651
Retained earnings		19 238 229	13 578 849
Total other equity		**18 800 344**	**13 079 198**
Total shareholder equity		**122 657 864**	**116 936 717**
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		**574 594 991**	**544 385 987**

Statement of Equity

- In USD	Share capital	Share premium	Retained earnings	Other free equity	Total equity
Equity as per 31.12.2018	8 630 639	83 296 586	-3 337 221	-556 370	88 033 634
Share issue	1 078 016	10 852 279		-164 303	11 765 992
Employee stock option				282 013	282 013
Profit			8 076 683		8 076 683
Equity as per 31.12.2019	9 708 655	94 148 865	4 739 462	-438 660	108 158 322
Employee stock option				171 267	171 267
Profit			5 232 715		5 232 715
Equity as per 31.12.2020	9 708 655	94 148 865	9 972 177	-267 393	113 562 304
Employee stock option				11 159	11 159
Profit			1 532 344	0	1 532 344
Equity as per 31.03.2021	9 708 655	94 148 865	11 504 520	-256 234	115 105 806
Employee stock option				22 839	22 839
Dividend payment			-1 486 680		-1 486 680
Profit			1 382 380	0	1 382 380
Equity as per 30.06.2021	9 708 655	94 148 865	11 400 221	-233 395	115 024 346
Employee stock option				11 737	11 737
Profit			1 635 432	0	1 635 432
Equity as per 30.09.2021	9 708 655	94 148 865	13 035 653	-221 658	116 671 515
Employee stock option				-277 993	-277 993
Profit			543 195	0	543 195
Equity as per 31.12.2021	9 708 655	94 148 865	13 578 849	-499 651	116 936 717
Employee stock option				17 843	17 843
Declared dividend			-1 529 318		-1 529 318
Profit			1 901 112	0	1 901 112
Equity as per 31.03.2022	9 708 655	94 148 865	13 950 643	-481 808	117 326 354
Employee stock option				16 746	16 746
Profit			2 494 564	0	2 494 564
Equity as per 30.06.2022	9 708 655	94 148 865	16 445 207	-465 062	119 837 664
Employee stock option				14 550	14 550
Profit			2 646 411	0	2 646 411
Equity as per 30.09.2022	9 708 655	94 148 865	19 091 618	-450 512	122 498 625
Employee stock option				12 627	12 627
Profit			146 612	0	146 612
Equity as per 31.12.2022	9 708 655	94 148 865	19 238 230	-437 885	122 657 864

Statement of Cash Flows

- In USD	**2022**	**2021**
Cashflow from operational activities		
Profit before tax	13 627 283	7 950 395
Change in loans to customers excluding accrued interest	-54 791 545	-45 231 158
Change in deposits from customers excluding accrued interest	8 558 244	32 298 092
Change in loans and deposits from credit institutions	0	-35 199 014
Change in certificates and bonds	-2 279 893	83 273 477
Change in shares, mutual fund units and other securities	-80 131	-27 954
Change in financial derivatives	10 599 000	1 353 378
Change in other assets and other liabilities	5 901 575	892 081
Interest income and related income from customers	-26 240 049	-18 889 590
Interest received from customers	24 706 511	18 612 826
Net interest expenses and related expenses to customers	7 405 406	4 195 172
Interest paid to customers	-7 405 406	-4 195 172
Ordinary depreciation	575 032	1 225 840
Other non cash items	435 585	-399 882
Net cash flow from operating activities	**-18 988 389**	**45 858 491**
Payments for acquisition of assets	-4 398	0
Net cash flow from investing activities	**-4 398**	**0**
Issuance of equity	0	0
Lease payments	-303 660	-319 453
Dividend Payments	-1 529 318	-1 486 680
Net cash flow from financing activities	**-1 832 978**	**-1 806 133**
Effect of exchange rate changes and other	**-8 153 424**	**-2 353 203**
Sum cash flow	**-28 979 189**	**41 699 155**
Net change in cash and cash equivalents	-28 979 189	41 699 155
Cash and cash equivalent as per 01.01.	98 740 077	57 040 922
Cash and cash equivalent as per 31.12.	**69 760 889**	**98 740 077**

Notes 31.12.2022

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 13th of February 2023. 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.
USDNOK exchange rate 31.12.2022: 9.85535 (31.12.2021: 8,.8176)

Note 4, Changes in accounting policies

Changes in accounting rules and conceptual framework 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 7).

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.

Capital Adequacy

Amounts in 1000 USD	**31.12.2022**	**31.12.2021**
Share capital	9 709	9 709
+ Other reserves	112 949	107 228
- Dividend	-4 000	-1 528
- Deferred tax assets and intangible assets	-49	-310
- This year's result	-	-
- Adjustments to CET1 due to prudential filters	-147	-136
Common Equity Tier 1 (CET 1)	**118 462**	**114 963**
Calculation basis		
Credit Risks		
+ Bank of Norway	-	-
+ Local and regional authorities	-	-
+ Institutions	12 278	17 893
+ Companies	295 641	313 960
+ Covered bonds	11 753	11 378
+ Shares	192	112
+ Other assets	2 091	692
Total Credit risks	**321 955**	**344 035**
+ Operational risk	30 777	30 545
+ Counterparty risk derivatives (CVA-risk)	3 268	1 867
Total calculation basis	**356 000**	**376 447**
Capital Adequacy		
Common Equity Tier 1 %	**33.28 %**	**30.54 %**
Total capital %	**33.28 %**	**30.54 %**

The proposed dividend payment has been deducted

IT

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

Credit Risk

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

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

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

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

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

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

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

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

Risk classes and credit score:

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

Factors in scorecard PD - model:

Quantitative factors:

- Loan to value (LTV) – Value Adjusted Equity
- Interest coverage – Cash flow to support interest payment
- Instalment coverage – Cash flow to support instalments
- 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
- ESG

Expected Loss (EL)
EL = PD * LGD * EAD
EAD = Exposure at Default (Notional + Accrued Interest - Cash Reserves)

<u>Loss allowance</u>
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.

<u>Macro scenarios</u>
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 1,9463.

Exposure in the scenario model is the same as at year-end (31.12.2022).

Loss Allowance and Impairments

Loss allowance	**31.12.2022**	**31.12.2021**	**31.12.2020**	**31.12.2019**
Step1	1 345 649	618 860	659 824	822 991
Step2	568 370	826 436	779 360	0
Step3	0	0	0	
Sum	1 914 019	1 445 296	1 439 184	822 991
Allowance/Loan Ratio	0,51 %	0.46 %	0,53 %	0,28 %
Impairments (Credit Loss)			386 435	0

Forbearance

Based on the soft freight markets for the tanker vessels, a small number of clients were granted relief on their contractual debt obligations towards the bank as of year-end 2021, and in Q1-22. 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.

As per year end 2022 no clients have been grated relief on their obligations.

31.12.2022

Stage	**Number of loans**	**Exposure 2022**	**Amortization relief**	**Interest relief**	**Owner contribution**
1	0	0	0	0	0
2	0	0	0	0	0
Total	**0**	**0**	**0**	**0**	**0**

Loans with reliefs given before 2022 are either repaid or individually assessed to be moderate or low risk.

31.12.2021

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

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

31.12.2022: 0
31.12.2021: 0

Remaining exposure from credit impaired loans and loss exposed loans:

31.12.2022	**Gross Loans**	**First-Priority pledge in vessel**	**Cash Pledge**	**Other Collateral**
Remaining exposure from credit impaired loans	**0**	**0**	**0**	**0**
Loss exposed loans	**0**	**0**	**0**	**0**

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

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%	788 000
Unchanged	812 000
Vessel value down 30%	2 012 000

Loss allowance per credit score

Risk Class	**2022**	**2021**
Very low risk	-	
Low risk	373 118	230 880
Moderate risk	1 540 901	1 214 416
High risk		
Loss exposed		
Sum	**1 914 019**	**1 445 296**

31.12.2022

	Step 1	Step 2	Step 3	
	Classification by first time recognition	**Significantly increase in credit risk since first time recognition**	**Significantly increase in credit risk since first recognition and objective proof of loss**	
	Expected loss next 12 months	**Expected loss over the life of instrument**	**Expected loss over the life of instrument**	**Sum**
Loss allowance as of 31.12.2021	618 860	826 436	-	1 445 296
Lending to customers 31.12.2021	299 883 739	15 635 268	-	315 519 007
				-
Changes				-
Transfer to Step 1	74 186	- 74 186	-	-
Transfer to Step 2	-	-	-	-
Transfer to Step 3	-	-	-	-
Reclassification	- 93 235	-	-	- 93 235
Amortization	- 443 178	-		- 443 178
New commitments	717 554			717 554
Effect of Scenario Adjustment	471 462	- 183 880		287 582
Allowance as of 31.12.2022	**1 345 649**	**568 370**	**-**	**1 914 019**
Lending to customers 31.12.2022	317 388 832	*54 923 981*	-	*372 312 813*
Loans not disbursed	0			
Allowanse: Loans not dispursed	-			-
Net Change in Loss allowance	**726 789**	**-258 066**	**0**	**468 723**

(1) Amortisations and changes in individual assessments

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

31.12.2021

	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	264 010	- 264 010	-	-
Transfer to Step 2	- 43 512	43 512	-	-
Transfer to Step 3	-	-	-	-
Reclassification	- 237 220	72 088	-	- 165 132
Amortization	- 422 312	- 58 236		- 480 548
New commitments	322 440			322 440
Effect of Scenario Adjustment	86 200	253 722		339 922
Allowance as of 31.12.2021	**618 860**	**826 436**	**-**	**1 445 296**
Lending to customers 31.12.2021	299 883 739	*15 635 268*	-	*315 519 007*
Loans not disbursed	0			
Allowanse: Loans not dispursed	-			-
Net Change in Loss allowance	**-30 394**	**47 076**	**0**	**16 682**

Reclassification: Change in Expected Loss calculation

Credit risk: Total

End of year 2022

Amounts in USD	Very low risk	Low risk	Moderate risk	High risk	Loss exposed	Sum
Deposit with Central Bank	6 554 349					6 554 349
Deposits with credit institution	63 206 540					63 206 540
Certificates and bonds	131 190 110					131 190 110
Shares and other securities			191 844			191 844
Loans to customers		131 761 277	240 551 536	0	0	372 312 813
Total	**200 950 999**	**131 761 277**	**240 743 380**	**0**	**0**	**573 455 657**
Committed loans, not disbursed			13 800 000			

End of year 2021

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

Lending to customers by segment

	2022		2021	
Sector	**USD**	**Share %**	**USD**	**Share %**
Bulk	179 082 463	48 %	111 378 209	35 %
Container	34 997 404	9 %	76 986 638	24 %
Tank	144 085 059	39 %	112 955 804	36 %
Gas	14 147 887	4 %	10 727 646	3 %
Specialized	-	0 %	3 470 709	1 %
Offshore	-	0 %	-	0 %
Sum	**372 312 813**	**100 %**	**315 519 007**	**100 %**

Lending to customers by geographical location

	31.12.2022		31.12.2021	
	USD	Share	USD	Share
Norway	155 472 862	42 %	123 065 586	39 %
Europe (ex Norway)	93 331 865	25 %	93 012 866	29 %
Asia	18 136 279	5 %	47 620 406	15 %
Oceania	43 239 435	12 %	48 682 205	15 %
North America	24 260 336	7 %	0	0 %
Central America	23 999 867	6 %	0	0 %
Liberia	13 872 170	4 %	3 137 944	1 %
Total	**372 312 813**	**100 %**	**315 519 007**	**100 %**

Collateral held and other credit enhancements

Lending to customers

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

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

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

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

LTV ratio and pledge in vessel

	2022		**2021**	
LTV Bracket	**Loan Amount**	**Pledge in vessel**	**Loan Amount**	**Pledge in vessel**
< 40%	126 407 258	126 407 258	199 297 071	199 297 071
40-50%	117 787 405	117 787 405	67 119 608	67 119 608
50-55%	95 162 651	95 162 651	31 928 089	31 928 089
55-60%	26 427 018	26 427 018	12 222 498	12 222 498
>60%	6 528 482	6 528 482	4 951 742	4 951 742
Sum	372 312 813		315 519 007	

Bonds and certificates: Risk Weight

	2022		2021	
Risk Weight	Fair Value	Amortised Cost	Fair Value	Amortised Cost
0 %	13 660 675		15 127 481	
10 %	117 529 435		113 782 736	
20 %	0		0	
100 %	0		0	
Total	**131 190 110**		**128 910 217**	

Bonds and certificates: Rating

	2022	2021
Rating	**Fair Value**	**Fair Value**
AAA	125 949 320	123 003 838
AA+	5 240 790	5 906 379
AA	0	0
A	0	0
Total	**131 190 110**	**128 910 217**

Bonds and certificates: Sector

	2022	2021
Sector	**Fair Value**	**Fair Value**
Supranational	2 129 494	2 408 519
Local authority	11 531 180	12 718 962
Credit Institutions	117 529 435	113 782 736
Bank	-	-
Total	**131 190 110**	**128 910 217**

ESG

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

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

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

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

Interest Rate Risk

Maritime & Merchant Bank ASA has defined guidelines that set limits for the maximum interest rate risk. All exposure on the balance sheet and outside the balance sheet will be assessed, and any exposure exceeding the interest rate risk limits shall be mitigated by using hedging instruments. Routines have been established for on-going monitoring and reporting of the interest rate risk to the Board of Directors.

Reference rates

The Bank has assets, liabilities and derivatives linked to current money markets reference rates (LIBOR, NIBOR and EURIBOR). USD Libor will be replaced with new reference rate in June 2023 (SOFR). NIBOR and EURIBOR reference rates might be replaced with other reference rates going forward. Changes in reference rates could have an impact on interest income, interest expenses, fair value of derivatives and financial assets/liabilities.

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

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	7				
Deposits with banks	63				
Certificates and bonds	131				
Loans to customers	372				
Derivatives	218				
Sum Assets	**791**				
Loans from credit institutions	0				
Deposits	426				
Derivatives	218				
Sum liabilities	**644**				
Net	147				

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.

Calculated tax will be affected by changes in USDNOK exchange rate (see Note 9).

Assets (2022)	NOK	EUR
Deposit with Central Bank	64 595 407	
Deposit with Banks	376 904 226	758 920
Bonds	1 292 924 451	
Not settled FX spot	39 504 000	
Loans	-	6 209 597
Derivatives	2 150 086 000	
Other Assets	4 251 127	
Total Assets	**3 928 265 211**	**6 968 517**

Liabilities	NOK	EUR
Loans from credit institutions	-	
Deposits	3 892 393 788	814 193
Derivatives		6 200 000
Tax	63 454 526	
Other Liabilities	6 830 834	
Total Liabilities	**3 962 679 148**	**7 014 193**
Net Currency	**-34 413 937**	**-45 676**

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

Liabilities	NOK	EUR	
Loans from credit institutions	-		
Deposits	3 378 828 318	1 432 863	
Derivatives		10 520 000	
Tax	15 974 599		
Other Liabilities	6 433 213		
Total Liabilities	**3 401 236 130**	**11 952 863**	
Net Currency			
	4 322 000	**-65 916**	
Estimated Monthly Operational Cost		5 263 260	NOK
Number of months with hedging		1,3	

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 2022

	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	6 554 349					6 554 349
Loans and receivables from credit inst	63 206 540					63 206 540
Loans to and receivables from customers	2 966 250	9 490 000	23 963 850	335 892 713	0	372 312 813
Commercial papers and bonds		0	57 609 079	73 581 031	0	131 190 110
Shares, funds and other securities					191 844	191 844
Other assets	1 139 334					1 139 334
Assets	**73 866 473**	**9 490 000**	**81 572 929**	**409 473 744**	**191 844**	**574 594 991**
Deposits from credit institutions		0				0
Deposits from and liabilities to customers	406 710 687	998 151	3 645 411	14 229 589		425 583 838
Debt from issuance of bonds						
Subordinated loan capital						
Liabilities	**406 710 687**	**998 151**	**3 645 411**	**14 229 589**	**0**	**425 583 838**
Financial derivatives (net settlement)	0	0	-10 063 400	-4 076 033		-14 139 433
Total	**-332 844 214**	**8 491 849**	**67 864 118**	**391 168 122**	**191 844**	**134 871 719**

End of 2021

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

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.

INCOME AND COST

Note 8, Remuneration

Management and Board of Directors – 2022

- In USD	Fixed Salary	Other Remuneratio	Bonus	Total Remuneration	No. Of shares	%	Number of options
Management							
Halvor Sveen (CEO)	470 245	2 138	38 621	511 004	2 163	0.02%	147 070
Lars Fossen (CRO/CCO)	323 533	2 138	26 635	352 306	-	-	-
Linda Christin Hoff (CCO)	225 980	2 138	19 533	247 650	-	-	-
Tor Stenumgard (CFO)	296 828	2 138	24 860	323 825	-	-	80 000
Per Ugland (Executive Director)	241 184	1 033	19 976	262 194	-	-	-
Total management	**1 557 769**	**9 585**	**129 625**	**1 696 979**	**2 163**	**0.02%**	**227 070**

- In USD	Proposed Fee	Other Remuneratio	Bonus	Total Remuneration	Number of shares *(1)*	%
Board of Directors						
Endre Røsjø, Chair *(1)*	58 598	-	-	58 598	2 041 979	24.99%
Henning Oldendorff	29 299	-	-	29 299	2 041 979	24.99%
Magnus Roth	29 299	-	-	29 299	438 899	5.37%
Nikolaus Oldendorff	29 299	-	-	29 299	431 394	5.28%
Ingrid Elvira Leisner	29 299	-	-	29 299	-	-
Karin Thorburn	29 299			29 299	9 500	0.12%
Anne-Margrethe Firing	29 299			29 299	-	-
Total Board of Directors	**234 390**	**-**	**-**	**234 390**	**4 963 751**	**60.76%**

(1) Owned through Centennial AS

- In USD	Proposed Fee			Total
Audit Committee				
Ingrid Elvira Leisner, chair	9 376			9 376
Karin Thorburn	6 446			6 446
Anne-Margrethe Firing	6 446			6 446
Risk Committee				
Karin Thorburn, chair	6 446			6 446
Ingrid Elvira Leisner	9 376			9 376
Anne-Margrethe Firing	6 446			6 446
Total Audit and Risk Committee	**44 534**			**44 534**

Exchange rates 9,85535

Management and Board of Directors - 2021

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

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

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

(1) All the shares owned through Centennial AS

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

Exchange rates 8.8176

Number of Employees

	2022	2021
Number of employees at December 31st	27	25
Number of full-time equivalents	24.9	23.6
Average number of employees	25,5	23
Average number of full-time equivalents	24.3	22.6

Remuneration

- In USD	2022	2021
Salaries	4 358 309	4 008 541
Employer's national insurance contribution	853 344	819 253
Pension expenses	295 489	302 625
Other personnel expenses	104 149	5 029
Salaries and personnel expenses	**5 611 292**	**5 135 448**

The employees will have the following pension/insurance arrangements covered

Pension Cost

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

Employee insurance cover

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

Remuneration to auditors

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

- In USD	2022	2021
Audit fee	72 930	84 048
Assurance services	-	-
Tax services	-	-
Other non-audit services		1 996
Total	**72 930**	**86 044**

Declaration on remuneration

Background

The Financial Institutions Act and the Financial Institutions Regulations, section 15, regulate claims for remuneration. The regulations respect the EU capital requirement directive's (CRD IV) provisions for good remuneration schemes to reduce excessive risk taking and promote sound and efficient risk management in financial institutions. The bank's practice of the remuneration scheme is described in the annual report regarding the remuneration scheme being reviewed by the board of directors on 13 February 2023. Regulatory requirements are covered and accounted for in a satisfactory manner.

Setting up and carrying out the scheme

- The Policy for Remuneration were approved by the Board of Directors 14 February 2022 and is due for review from the Board of Directors in February 2023.
- The bank has reviewed the practice and results from the remuneration scheme, and prepared a report on the review for 2022, dated on 18 January 2023, signed by the CEO. The review shows that the remuneration scheme for 2022 complies with relevant regulations.
- The scheme will be evaluated and reviewed by the Board of Directors 13 February 2023.
- The bank has more than NOK 5 billion in total assets and has established a separate remuneration committee.

The remuneration scheme

- The remuneration scheme encompasses all employees.
- The scheme determines which groups of employees are considered executive employees, employees with work tasks of considerable significance to the bank's risk exposure, and employees with supervisory tasks.
- The bank will disclose information regarding the practice of remuneration in notes to the annual accounts for 2022 in the same way as last year (Note 8, 2021).
- The remuneration consists of a fixed salary and common fringe benefits such as pension and insurance arrangements, free mobile phone etc. and an option plan.
- All employees have been granted one month salary as a bonus for 2022.

Remuneration to employees in executive positions

- None of the employees considered as executive employees etc. have received salary or other benefits except fixed salary and common fringe benefits.
- The Policy for Remuneration includes principles for awarding variable remuneration to employees in executive positions (are to be partly awarded in shares and/or options, wherein 1/3 of the shares/options shall be paid or left at the discretion of the employee in each of the three following years).
- Variable remuneration is limited to 50 % of the employee's fixed salary.
- The bank's bonus scheme is within the maximum allowable rate for remuneration.

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 189 385 (-172 112).

Note 9, Taxation of profit

- in NOK	2022	2021
Profit before tax, USD translated to NOK	134 301 647	70 103 403
Translation of Equity to NOK	119 269 270	30 173 575
Profit before tax NOK	253 570 917	100 276 978
Permanent differences	247 187	311 981
Change in temporary differences	5 019 109	-36 672 737
Change in tax loss carryforward	0	0
Taxable profit NOK	258 837 214	63 916 222
Tax Payable, USD translated to NOK	-64 709 303	-16 024 088
Change in deferred tax assets, USD translated to NOK	0	0
Change in deferred tax, USD translated to NOK	1 254 777	-9 168 184
Tax expense NOK	-63 454 526	-25 192 272
Tax expense USD	-6 438 488	-2 857 044

The difference between P/L statement and Taxation note (USD 99.0) will be accounted for in 2023.

ASSETS

Note 10, Classification of financial instruments.

Amounts in USD 1000	2022 Fair Value	2022 Amortised Cost	2021 Fair Value	2021 Amortised Cost
Deposit with central bank		6 554		7 832
Deposits with credit institution		63 207		90 908
Certificates and bonds	131 190		128 910	
Shares and other securities		192		112
Loans to customers		372 313		315 519
Financial derivatives	914		1 549	
Total financial assets	**132 104**	**442 266**	**130 459**	**414 371**
Deposits from customers		425 584		417 026
Loans from credit institutions		0		0
Financal derivatives	15 053		5 089	
Subordinated loans				
Total financial liabilities	**15 053**	**425 584**	**5 089**	**417 026**

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.

2022

Amounts in USD 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	0	131 190	0	131 190
Shares and other securities	0	0	0	0
Financial derivatives	0	914	0	914
Total financial assets	**0**	**132 104**	**0**	**132 104**
Financial derivatives	0	15 053	0	15 053
Total financial liabilities	**0**	**15 053**	**0**	**15 053**

2021

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

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

	2022		2021	
Amounts in USD 1000	**Fair Value**	**Amortised Cost**	**Fair Value**	**Amortised Cost**
Deposit with central bank	6 554	6 554	7 832	7 832
Deposits with credit institution	63 207	63 207	90 908	90 908
Shares and other securities	192	192	112	112
Loans to customers	372 313	372 313	315 519	315 519
Total financial assets	**442 266**	**442 266**	**414 371**	**414 371**
Deposits from customers	425 584	425 584	417 026	417 026
Loans from credit institutions	0	0	0	0
Total financial liabilities	**425 584**	**425 584**	**417 026**	**417 026**

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 31.12.2022) will be valued by theoretical market valuation based on the current interest rate and spread curves.

Note 13, Financial pledges

The Bank has pledged NOK 145 300 000 of deposits as collateral for financial derivatives.

Note 14, Other intangible assets and fixed assets

- In USD	31.12.2022		31.12.2021	
	Other intangible assets	Property, plant and equipment	Other intangible assets	Property, plant and equipment
Cost or valuation at 01.01	4 309 246	1 356 789	4 446 666	1 400 057
Exchange and other adjustments	-453 756	1 621 913	-137 420	-43 268
Introduction of right to use-asset				
Additions		4 398		
Disposals				
Cost or valuation at end of period	**3 855 490**	**2 983 100**	**4 309 246**	**1 356 789**
Accumulated depreciation and impairment at 01.01.	-3 999 627	-1 031 433	-3 237 478	-731 667
Exchange and other adjustments	429 146	47 375	130 084	33 841
Depreciation charge this year	-236 186	-338 846	-892 233	-333 607
Disposals				
Accumulated depreciation and impairment at end of period	**-3 806 667**	**-1 322 904**	**-3 999 627**	**-1 031 433**
Balance sheet amount at end of period	**48 823**	**1 660 196**	**309 619**	**325 356**
Economic lifetime	*5 years*	*3 years*	*5 years*	*3 years*
Depreciation schedule	*Linear*	*Linear*	*Linear*	*Linear*

Fixed assets	**31.12.2022**	**31.12.2021**
Right to use assets	1 654 073	286 510
Other	6 123	38 846
Sum fixed assets	**1 660 196**	**325 356**

LIABILITIES

Note 15, Deposits

By customer group

	31.12.2022	**31.12.2021**
Private	389 744 256	383 191 381
Corporates	35 839 582	33 834 213
Total customer deposits	425 583 838	417 025 594

Customers deposits by geographical location

	31.12.2022	**31.12.2021**
Norway	404 842 098	389 585 192
Europe	10 154 590	14 721 720
Outside Europe	10 587 150	12 718 682
Sum Deposits	425 583 838	417 025 594

Note 16, Other assets and financial derivatives.

As of 2022

Amounts in 1000	Nominal Value	Nominal Value	Nominal Value	Positive market values	Negative Market values
	USD	EUR	NOK	USD	USD
Interest Rate Derivatives					
Interest rate swap	0	0	0	0	0
Currency Derivatives					
Cross currency basis swap					
Buy/Sell USD against NOK	225 000		2 085 885	914	14 963
Buy/Sell EUR against NOK		6 200	64 201	0	90
Total Currency Derivatives	**225 000**	**6 200**	**2 150 086**	**914**	**15 053**

As of 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	188 000		1 624 703	1 213	5 079
Buy/Sell EUR against NOK		10 520	107 397	336	10
Total Currency Derivatives	**188 000**	**10 520**	**1 732 100**	**1 549**	**5 089**

Note 17, Other Liabilities and accrued cost

- In USD	**31.12.2022**	**31.12.2021**
Account payables	287 450	127 818
Tax withholdings	273 867	329 376
VAT payable	36 584	65 023
Tax payable	6 565 906	1 817 285
Deferred tax	1 294 249	1 590 795
Lease liability	1 708 536	318 268
IFRS-9 Allowance (loans not disbursed)	-	-
Other liabilities	440 160	356 375
Total other liabilities	**10 606 751**	**4 604 940**
Holiday pay and other accrued salaries	655 059	663 349
Other accrued costs	38 050	66 238
Total accrued costs	**693 109**	**729 588**

Note 18, Share capital and shareholder information

The Company has 8 170 048 shares at NOK 10.

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

The Company have 56 shareholders.

The ten largest shareholders of the Company are:

No	Shareholder	Numb. of shares	%
1	Centennial AS	2 041 979	24.99%
1	Henning Oldendorff	2 041 979	24.99%
3	Société Générale	666 700	9.99%
4	Deutsche Bank Aktiengesellschaft	666 700	8.16 %
5	Canomaro Bulk AS	438 899	5.37%
6	Appollo Asset Limited	250 000	4.54%
7	Skandinaviska Enskilda Banken AB	365 000	4.47%
8	Herfo Finans AS	143 821	1.62%
9	Titan Venture AS	103 196	1.26%
10	Ole Einar Bjørndalen	80 000	0.98%
10	DNB Luxembourg S.A	80 000	0.98%
	Others	1 031981	12.63%
	Total	**8 170048**	**100 %**

Note 29, Country by country reporting

Country	Norway
Name	Maritime & Merchant Bank ASA
Address	Haakon VII gate, 0161 Oslo, Norway
Turnover	USD 30 289 164
Number of employees	27
Result before tax	USD 13 627 283
Received public support and subsidies	USD 0

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.