# Maritime & Merchant Bank ASA

# Financial Report

# 30.09.2023

## Table of Contents

**FINANCIAL REPORT 30.09.2023 — 2**

**STATEMENT OF PROFIT & LOSS — 13**

**STATEMENT OF EQUITY — 15**

**STATEMENT OF CASH FLOWS — 16**

**NOTES 30.09.2023. — 17**

- NOTE 1, REPORTING ENTITY — 17
- NOTE 2, GENERAL ACCOUNTING PRINCIPLES — 17
- NOTE 3, FUNCTIONAL AND PRESENTATION CURRENCY — 17
- **RISK** — 17
- NOTE 4, RISK — 17
  - *Risk Management and Capital Adequacy — 17*
  - *Capital Adequacy — 18*
  - *Credit Risk — 18*
  - *Loss allowance — 19*
  - *Interest Rate Risk — 25*
  - *Reference rates — 25*
  - *Currency Risk — 25*
  - *Liquidity Risk — 26*
  - *Operational Risk — 26*
- **INCOME AND COST** — 26
- NOTE 5, TAXATION OF PROFIT — 26
- **ASSETS** — 27
- NOTE 6, FINANCIAL INSTRUMENTS AT FAIR VALUE. — 27
- NOTE 7, FINANCIAL PLEDGES — 28
- NOTE 8, OTHER INTANGIBLE ASSETS AND FIXED ASSETS — 28
- **LIABILITIES** — 28
- NOTE 9, OTHER ASSETS AND FINANCIAL DERIVATIVES. — 28
- NOTE 10, OTHER LIABILITIES AND ACCRUED COST — 29
- NOTE 11, SHARE CAPITAL AND SHAREHOLDER INFORMATION — 29

**APPENDIX 1, ALTERNATIVE PERFORMANCE MEASURES — 30**

# Financial Report 30.09.2023

The profit for the period before tax is USD 13 735 113 (USD 9 389 448 - 30.09.2022)). ROE is 13.7% for the period (11.8% 30.9.2022). Credit loss (impairments) was USD 0 (USD 0 - 30.9.2022).

The tanker market continues to steal the headlines in market reports and in the media in general, and there are good reasons for that. An aframax tanker (eco, 110.000 dwt) had a daily average earnings of USD 18.000 in 2021 compared to the 2023 average of USD 47.000 in daily income. The major disruptions in the tanker market due to the war between Ukraine and Russia lead to a marked increase in the number of ton-miles. The said aframax type, 5 years old, had a price tag of around USD 40 mill by the year-end in 2021, while the price level at present is estimated to region USD 70 mill. It goes without saying that the risk has a corresponding upward curve and from an investment angle the main question is how long the particular market situation will last.  In analyst circles, there is probably a form of consensus that there is likely to be a continued strong tanker market during 2024 on the basis that the various disruptions will persist even if the ongoing war situation were to be scaled down next year. A relatively moderate order book for tanker newbuildings also lends support to a positive view.

The dry cargo market experienced some long-waited recovery during the third quarter after a consistently weak first half of the year, but the main trend is still volatile. The much talked about stimulus measures in China are linked to the further development of the dry cargo market. Several measures have been implemented to stimulate domestic demand and general industrial production. The real estate sector has challenges which are also the subject of measures by the authorities. According to figures from OECD and IMF the GDP growth in 3rd quarter was 4.9% while the industrial production grew with 4.5%. Corresponding figures from Europe is 0.6% and -1.5% so there is no doubt that China will continue to be the main driving force in the dry cargo market.

The container market is described from many quarters as a ''predicted disaster'' in view of decreasing volumes and increasing newbuilding orderbooks, and a look at the current rates isolated reinforces this statement. A 4400 TEU (gearless) made USD 92.000 per day in average in 2022 and the average so far in 2023 is USD 16.500 and the figures speaks for itself. However, it is too early to pass a ''falling judgement'' on the future container market, even if the short picture looks bad.  A wide range of economic (both macro and micro) geo-political elements and not at least tCo2 emission regulations, will have an influence on the future market, not merely the supply/demand balance alone. The liner companies themselves were the leading buyers of tonnage during the boom period and will thus influence the supply side to an even greater extent than before, for example through phasing out of overaged tonnage.

The market for ship-financing continues to develop with strong competition between the various players, with downward pressure on margins. The supply of credit come from a wide range of providers; banks, various fund constellations and different lending platforms.  For the borrower it is a question of choosing what fulfills the purpose best in the light of the situation at hand.  Whether interest rates have peaked in the US and Europe is the big question if we look ahead to the turn of the year. Statements from the Federal Reserve and European state banks can interpret in the direction of a sideways development of the interest rate, at least in the short term. In 2021 SOFR (converted from LIBOR) was 0.04%. The present level 5.32% might be a pain threshold for many project calculations. A stabilization of the interest level and subsequent gradual reduction would doubtless give a stimulus to the demand for credit.

***Profit for the period (01.01-30.09)***

The profit for the period before tax is USD 13 735 113 (USD 9 389 448 - 30.09.2022) and profit after tax is USD 10 301 267 (USD 7 042 086 - 30.09.2022).

Net interest income and related income totalled USD 19 576 855 (USD 15 681 554), and other Income (including financial derivatives and fixed income instruments) was USD 685 489 (USD -97 825 ).

Operating expenses before impairments and losses totalled USD 6 606 794 (USD 6 124 195). The Cost/Income ratio came in at 32.6% (39.3%).

Loss allowance (Expected Loss) decreased with USD 79 562 (increased USD 70 085). Credit Loss (Write Offs) was USD 0 (USD 0).

| | **2023** | **2022** | **2023** | **2022** | **2022** |
|---|---|---|---|---|---|
| | **01.07 - 30.09** | **01.07 - 30.09** | **01.01- 30.09** | **01.01 - 30.09** | **01.01 - 31.12** |
| Interest Income | 11 608 537 | 8 277 745 | 33 916 898 | 20 909 393 | 30 289 164 |
| Interest Expense | -4 909 621 | -2 491 184 | -14 340 043 | -5 227 839 | -8 683 851 |
| **Net Interest Income** | **6 698 916** | **5 786 562** | **19 576 855** | **15 681 554** | **21 605 313** |
| Other Income | 133 715 | -230 470 | 685 489 | -97 825 | 535 387 |
| **Total Income** | **6 832 631** | **5 556 092** | **20 262 345** | **15 583 729** | **22 140 701** |
| Operating Expense | -2 374 730 | -2 187 795 | -6 606 794 | -6 124 195 | -8 044 695 |
| **Operating Result** | **4 457 901** | **3 368 297** | **13 655 551** | **9 459 534** | **14 096 006** |
| Loss Allowance | -158 416 | 160 250 | 79 562 | -70 085 | -468 723 |
| Write Off (Credit Loss) | | | | | |
| **Sum Impairment** | **-158 416** | **160 250** | **79 562** | **-70 085** | **-468 723** |
| **Profit Before Tax** | **4 299 484** | **3 528 548** | **13 735 113** | **9 389 448** | **13 627 283** |
| Tax* | -1 074 871 | -882 137 | -3 433 846 | -2 347 362 | -6 438 587 |
| **Profit After Tax*** | **3 224 613** | **2 646 411** | **10 301 267** | **7 042 086** | **7 188 696** |

**see deferred taxes and payable tax on page 8*

***Profit for the period (01.07-30.09)***

The profit for the period before tax is USD 4 299 484 (USD 3 528 548 in Q3 2022) and profit after tax is USD 3 224 613 (USD 2 646 411 Q3 2022).

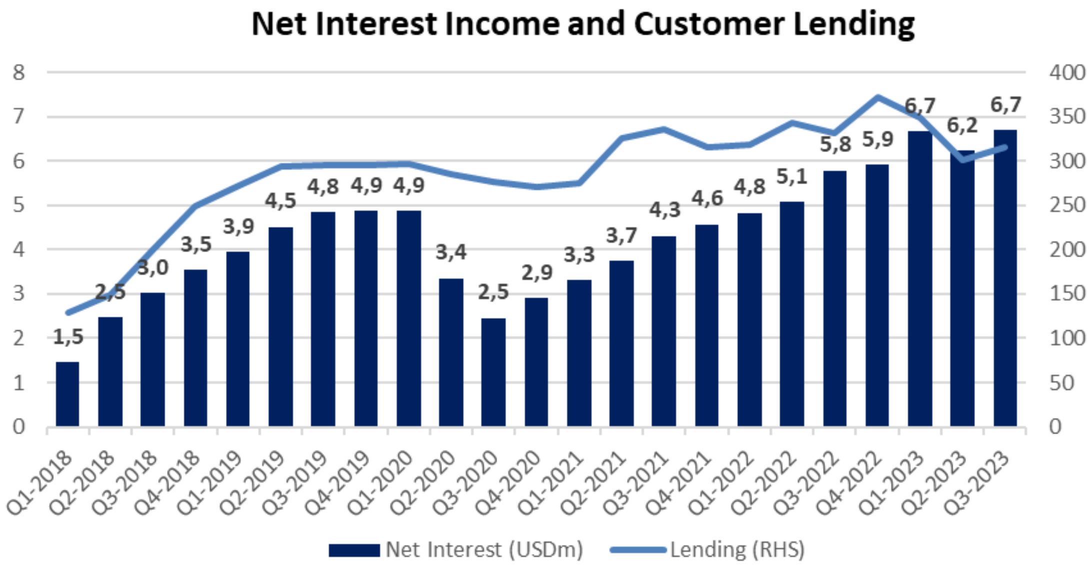
Net interest income and related income totalled USD 6 698 916 (USD 5 786 562), and other Income (including financial derivatives and fixed income instruments) was USD 133 715 (USD -230 470).

Operating expenses before impairments and losses totalled USD 2 374 730 (USD 2 187 795). The Cost/Income ratio came in at 34.8% (39.4%).

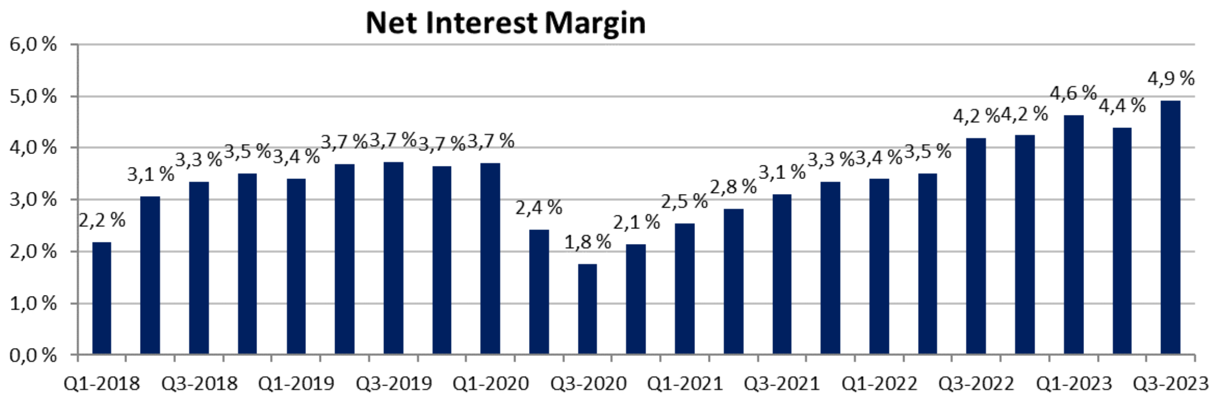
Loss allowance (Expected Loss) increased USD 158 416 (decreased USD 160 250). Credit Loss (Impairments) was USD 0 (USD 0)

***Net interest income and related income***

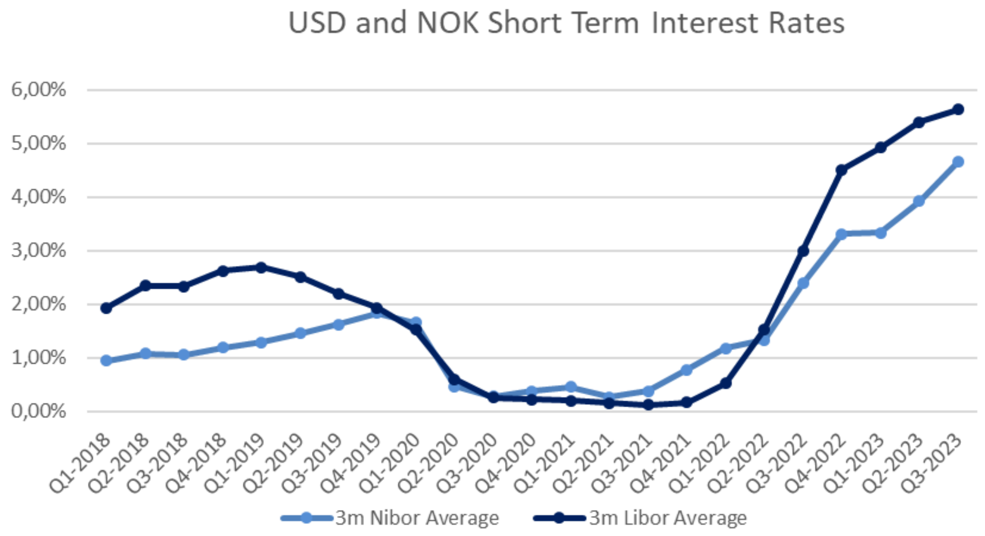
Net interest income and related income totalled USD 6 698 916 in Q3 (USD 5 786 562 in Q3 2022).




Net interest margin increased to 4.9% in Q3-2023 from 4.2% in Q3-2022. Higher marked rates more than offset decreased lending.




Money market rates (daily average) in USD and NOK are on an upward trend caused by Central Banks hiking rates.




*(Source: Infront, Maritime & Merchant Bank ASA)*

***Net other Income***

Net other income amounted to USD 133 715 in Q3 2023 (USD -230 470 in Q3-2022 ).

Value adjustments on derivatives and hedging instrument in Q3 was USD -83 285 (USD -165 747 in Q3-2022).

Net value adjustments on bonds was USD 199 792 (USD -155 070 in Q3-2022).

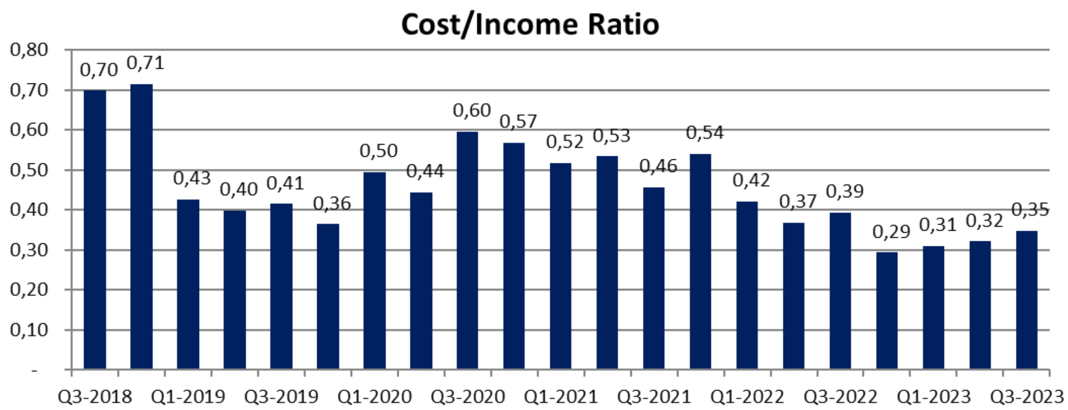
The principle of assessing financial instruments measured at fair value may lead to significant variation of the Bank's result between quarters.

Net commissions amounted to USD 17 209 in Q3 (USD 90 347 in Q3-2022).

***Total operating expenses before impairments and losses***

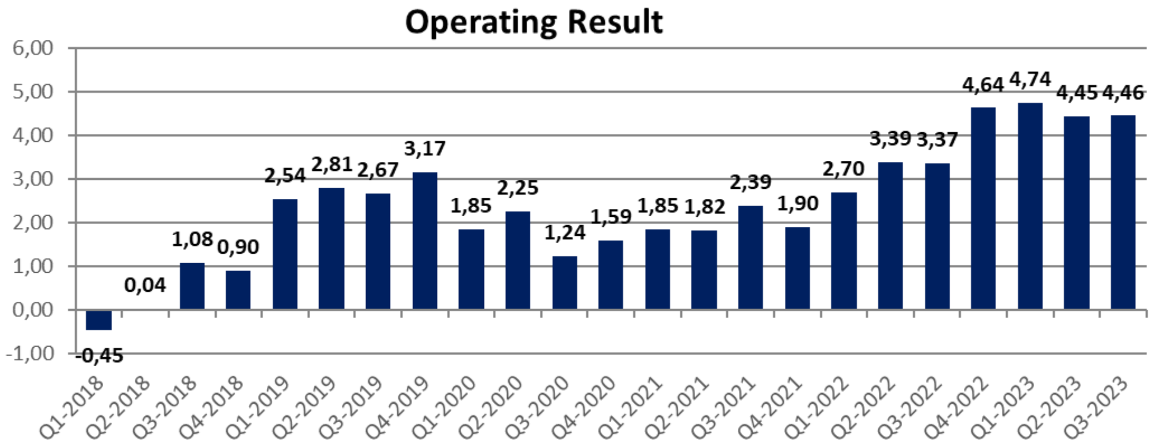
Operating expenses before impairments and losses totalled USD 2 374 730 in Q3 (USD 2 187 795 in Q3-2022). Salaries and personnel expenses, including social costs, amounted to USD 2 295 371 (USD 2 059 272 in Q3-2022) and account for the largest proportion of the overall operating expenses.

Total depreciation and impairment of fixed and intangible assets amounted to USD 79 359 (USD 128 522 in Q3-2022). The Cost/Income ratio came in at 34.8% in Q3 (39.4% in Q3-2022).



***Operating result***

Operating result in Q3 amounted to USD 4 457 901 (USD 3 368 297 in Q3-2022).




***Loan and Loan Loss provisions***

Maritime & Merchant Bank ASA has lent USD 315 884 084 (USD 331 808 243 in Q3 2022) to customers.

The Bank has made USD 1 834 457 (USD 1 515 382) in loss allowance (IFRS 9). Change in loss allowance this quarter amounts to USD 158 416 (USD -160 250).

The credit quality of the majority of the loans (measured by PD – Probability of Default) to the bulker and container segment continues to be on satisfactory levels, although we have seen a minor increase due to the volatile rates and some downward pressure in the market value of the vessels. The bulk market has seen a slight recovery toward the end of the quarter. The credit quality (measured by PD) of the tanker portfolio has improved some over the last quarter due to the increase in values in the tanker segment.

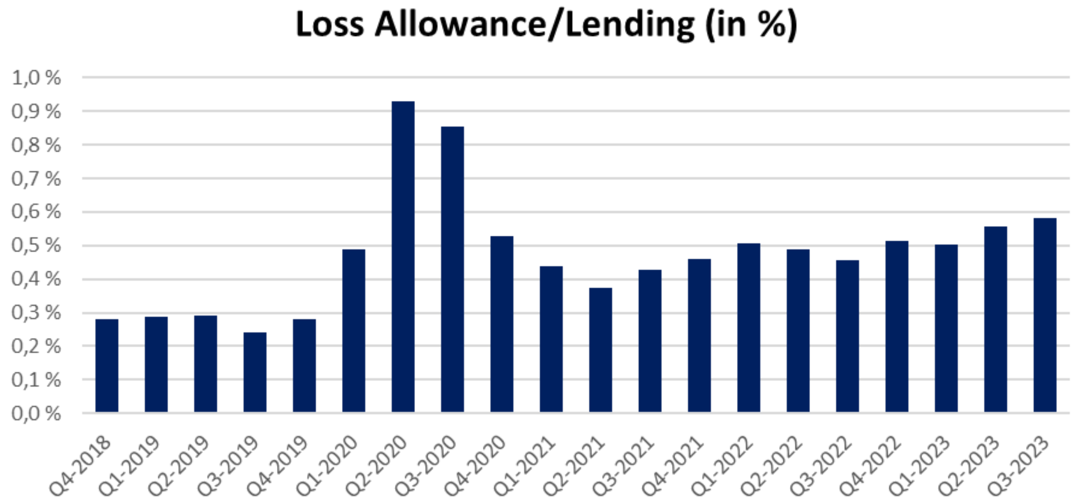
Loss Allowances at the end of Q3 compared to those at the end of Q2 2023 has increased some.

All commitments (100 %) are in step 1 (100% in Q3-2022).

The bank has no defaulted or non-performing loans by the end of the Q3.

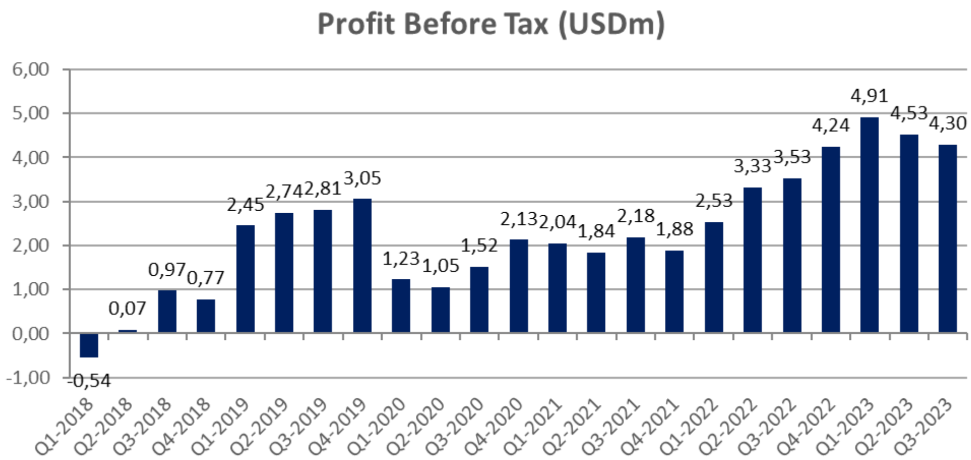
| Loss allowance | **30.09.2023** | **30.09.2022** | **31.12.2022** | **31.12.2021** |
|---|---|---|---|---|
| Step1 | 1 411 778 | 686 910 | 1 345 649 | 618 860 |
| Step2 | 422 679 * | 828 471* | 568 370* | 826 436 |
| Step3 | 0 | 0 | 0 | 0 |
| Sum | 1 834 457 | 1 515 382 | 1 914 019 | 1 445 296 |
| Loss Allowance/Loan Ratio | 0.58 % | 0,46 % | 0.51% | 0.46% |
| Impairments | 0 | 0 | 0 | 0 |
| Non performing Loans | 0 | 0 | 0 | 0 |

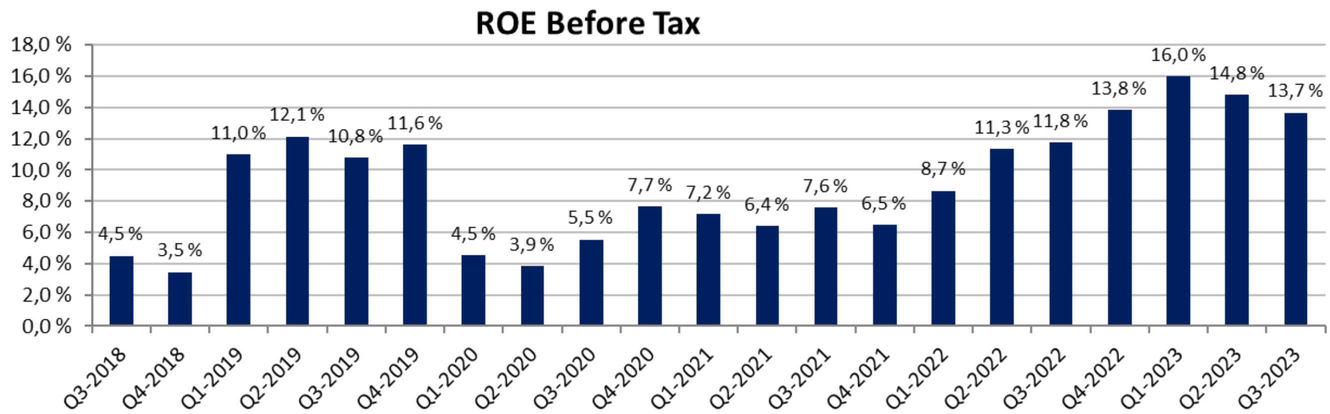
**Loss allowance in step 2 is a result of anticipated migration in the negative macro scenario*




***<u>Profit before tax</u>***

Profit before tax amounted to USD 4 299 484 in Q3 (USD 3 528 548 in Q3-2022). Return on equity before tax was 13.7% (11.8% in Q3-2022).



***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.

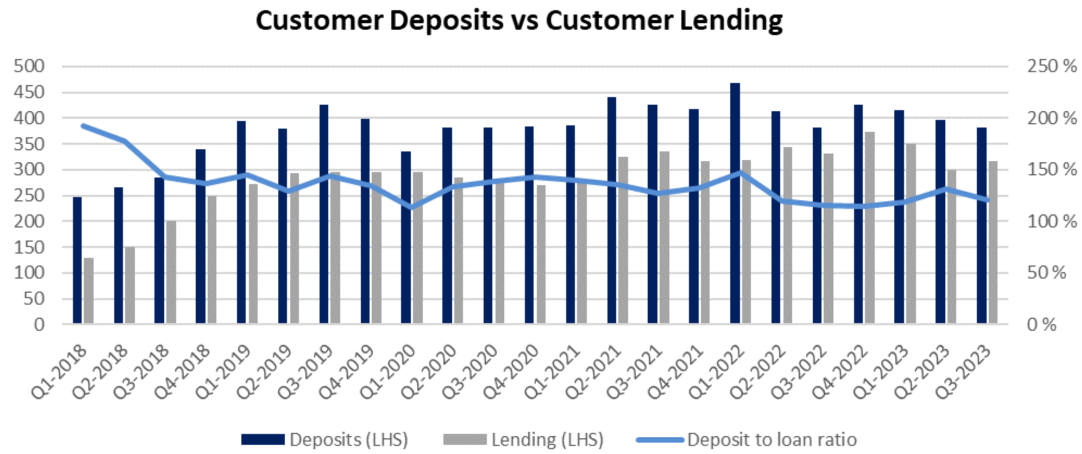
Common 25% corporate tax rate is used in the first three quarters of 2023.
If there is no decision (or a negative one) from the Ministry of Finance within the fiscal year, we will incorporate a full agio effect in Q4 2023. The agio effect (extra taxable income/cost) will be a result of the USDNOK exchange rate at year end. USDNOK 31.12.2022 was 9.85535, and ended at 10.6262 as of 30.09.2023.

The agio effect (unintended taxable income/cost) for YTD 2023 is positive NOK 95 183 867. This "phantom" income will result in an increased tax of NOK 23 795 967 (USD 2 239 367).

See Note 5, Tax Calculation.

***Deposit and Liquidity***

Customer deposits amounted to USD 381 981 139 in Q3-2023 (USD 382 037 622 in Q3-2022).




The deposit to loan ratio was 121% at the end of Q3 2023 (115% in Q3 -2022).

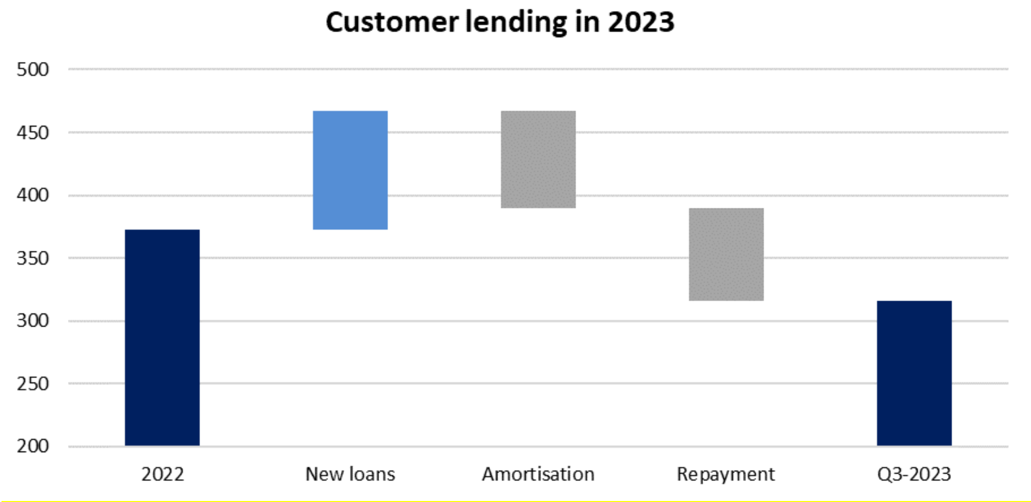
The liquidity situation has been good throughout the quarter. Surplus liquidity of about USD 218 million was mainly invested in interest-bearing securities, deposits in major banks and in Bank of Norway. The securities investments are in bonds with good liquidity and very low risk.

The Bank's short-term liquidity risk measured by LCR (Liquidity Coverage Ratio) was 798% (above a minimum requirement of 100%), and the long-term liquidity risk measured by NSFR (net Stable Funding Ratio) was 145% (above a minimum requirement of 100%).

***Total Assets and Lending***

Total assets ended at USD 534 000 915 in Q3 2023 (USD 546 036 658 in Q3 2022).

Lending to customer decreased from USD 372 312 813 in Q4 2022 to USD 315 884 084 in Q3 2023 (USD 331 808 243 in Q3-2022).




***Solvency***

Core equity ratio (CET1) was 36.01% 30.06.2023 (34.85% 30.09.2022).
The Bank has not issued any subordinated or perpetual bonds.
The Bank paid USD 4 000 000 in dividend for 2022 in May-2023.

## *Risk factors*

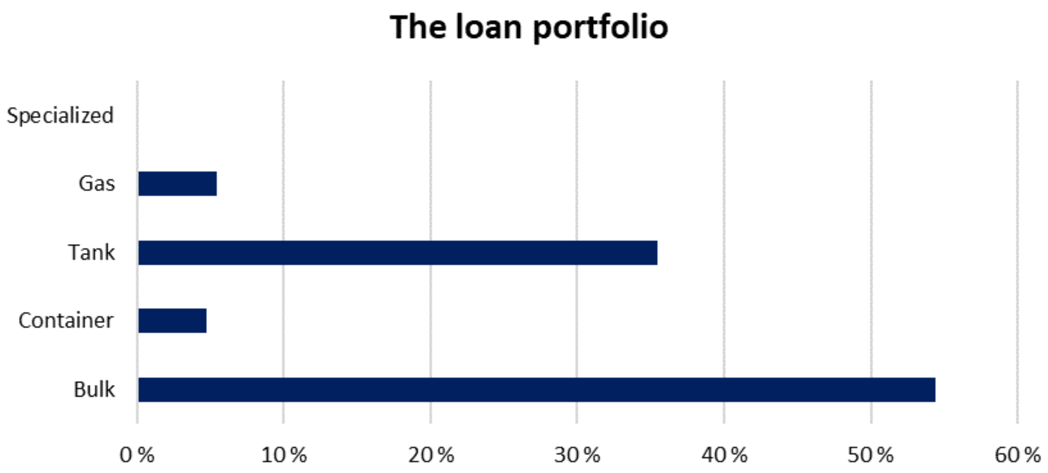
***Credit risk***

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 2021.
There has been some minor increase in the bulker segment year to date due to the volatile bulk market and some downward movement in the 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.

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 (54.4%), tankers (35.5%), container vessels (4.7%), LPG (gas) (5.4%) 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.

***ESG risk***

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. The trajectory to obtain the rating classes A to E is lowered each year, thereby becoming increasingly rigorous towards 2030.

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, and we will monitor this closely going forward to be able to pick up on trends in the market that might influence our portfolio and when doing new facilities.

***Liquidity risk***

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

| | **30.09.2023** | **30.09.2022** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
|---|---|---|---|---|---|
| LCR | 798% | 724% | 450% | 564% | 353% |
| Deposit Ratio *(1)* | 71% | 77% | 74% | 77% | 78% |

*(1) % of total assets*

***Interest rate risk***

Maritime & Merchant Bank ASA has defined guidelines that set limits for the maximum interest rate risk. Any exposure exceeding the interest rate risk limits shall be mitigated by using hedging instruments.

***Market risk***

Maritime & Merchant Bank ASA has developed guidelines and limits for counterparty exposure, maturity per counterpart, average duration of portfolio and foreign exchange risk.

***AML risk:***

Risk related to money laundering and terrorist financing represents an inherent operational risk. The bank works systematically to prevent products and services from being used to criminal activity. To understand the risk in own business, a business-oriented risk assessment has been prepared. The risk assessment sheds light on how the business can be misused for money laundering or terrorist financing, hereunder including vulnerabilities of the bank, and it forms thus the basis for the customer measures which are implemented. The risk assessment is based on external sources, own insight and experience. The assessment is updated at least annually, but more frequently in connection with relevant changes in threats against or vulnerabilities of the bank, e.g. new relevant criminal modes that the bank becomes aware of or new systems taken into usage.

Systematic work is being done to strengthen professional competence in the day-to-day execution of anti-money laundering work. All employees receive regular training in the money laundering regulations, both through e-learning and classroom teaching.

Customer portfolios and customer information will be regularly reviewed and followed up. The bank must know its own customers and information is therefore obtained about the customers both at establishment and on an ongoing basis in the customer relationship. The knowledge of who the customers are and how they plan to use the bank will contribute to reveal whether a customer's use of the bank can entail a risk of money laundering or terrorist financing.

All transactions are subject to transaction monitoring. If something suspicious is discovered, this is investigated in more detail and possibly reported to Økokrim.

***Sanction risk:***

The Bank is subject to the Sanctions Act, and through it imposed a number of duties to prevent violations of or circumvention of international sanctions. The sanctions regulations are complex and changing rapidly. That is why it is important that the bank has a focus on and knowledge of sanctions and regulations, and has a risk-based routine work in place.

In order to comply with the Sanctions Act, there is close follow-up of own customers through familiarity with customers' business, monitoring of transactions and screening of international payments against sanctions lists. A separate risk assessment relating to sanction risk is prepared.

***Operational risk***

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

## *Ratios*

| Ratios | YTD 2023 | YTD 2022 | 2022 |
|---|---|---|---|
| Cost/Income Ratio | 32.6% | 39.3% | 36.3% |
| Return on Equity before tax | 14.9% | 10.7% | 11.6% |
| Net Income Margin | 4.88% | 3.82% | 4.0% |
| Net Interest Margin | 4.71% | 3.84% | 3.9% |
| Deposit to loan Ratio | 121% | 115% | 114% |
| LCR | 798% | 754% | 450% |
| NPL Ratio | 0% | 0% | 0% |
| Equity Ratio (CET1) | 36.0% | 34.8% | 33.3% |
| Loss allowance/Loan ratio | 0.58% | 0.46% | 0.51% |

*Ratio formulas, se Appendix 1*

## Outlook

We look forward to the 4th quarter of this year and feel we are constantly improving our skills to serve our customers in the best possible way. The world's geo-political situation is difficult and complex, and the international shipping industry will play a key role in securing vital deliveries to the world community. Our signature is a customer-oriented focus where good joint solutions are always the goal.

**-----------------------------------**

**Oslo November 15th, 2023**

Board of Directors, Maritime & Merchant Bank ASA

# Statement of Profit & Loss

| *- In USD* | *Note* | 2023 01.07 - 30.09 | 2022 01.07 - 30.09 | 2023 01.01 - 30.09 | 2022 01.01 - 30.09 | 2022 01.01 - 31.12 |
|---|---|---|---|---|---|---|
| **Interest income and related income** | | | | | | |
| Interest income from customers (effective Interest method) | | 9 077 688 | 7 214 607 | 27 505 565 | 18 603 854 | 26 240 049 |
| Interest from certificates and bonds | | 1 490 112 | 599 140 | 3 771 312 | 1 612 300 | 2 588 594 |
| Interest from credit institutions (effective interest method) | | 1 040 737 | 463 998 | 2 640 021 | 693 239 | 1 460 521 |
| **Total interest income and related income** | | **11 608 537** | **8 277 745** | **33 916 898** | **20 909 393** | **30 289 164** |
| **Interest expenses** | | | | | | |
| Interest and similar expenses of loans to credit institutions | | 0 | 0 | 0 | 0 | 0 |
| Interest and related expenses of loans to customers | | -4 029 799 | -1 870 291 | -10 795 257 | -4 587 178 | -7 405 406 |
| Net interest expenses from financial derivatives | | -804 830 | -570 846 | -3 323 538 | -488 357 | -1 073 021 |
| Other fees and commissions | | -74 993 | -50 046 | -221 248 | -152 304 | -205 424 |
| **Net interest expenses and related expenses** | | **-4 909 621** | **-2 491 184** | **-14 340 043** | **-5 227 839** | **-8 683 851** |
| **Net interest income and related income** | | **6 698 916** | **5 786 562** | **19 576 855** | **15 681 554** | **21 605 313** |
| Commissions, other fees and income from banking | | 44 089 | 123 055 | 314 014 | 485 778 | 681 786 |
| Commissions, other fees and expenses from banking | | -26 881 | -32 708 | -70 257 | -106 268 | -138 902 |
| Net value adjustments on foreign exchange and financial | | -83 285 | -165 747 | 308 654 | 354 566 | 541 603 |
| Net value adjustments on interest-bearing securities | | 199 792 | -155 070 | 133 078 | -831 901 | -549 100 |
| **Total income** | | **6 832 631** | **5 556 092** | **20 262 345** | **15 583 729** | **22 140 701** |
| **Salaries, administration and other operating expenses** | | | | | | |
| Salaries and personnel expenses | | -1 678 012 | -1 471 621 | -4 528 835 | -4 261 059 | -5 611 292 |
| Administrative and other operating expenses | | -617 359 | -587 651 | -1 797 287 | -1 411 192 | -1 858 370 |
| **Net salaries, administration and other operating expenses** | | **-2 295 371** | **-2 059 272** | **-6 326 122** | **-5 672 251** | **-7 469 662** |
| **Total depreciation and impairment of fixed and intangible assets** | **8** | **-79 359** | **-128 522** | **-280 671** | **-451 944** | **-575 033** |
| **Total operating expenses** | | **-2 374 730** | **-2 187 795** | **-6 606 794** | **-6 124 195** | **-8 044 695** |
| **Operating result** | | **4 457 901** | **3 368 297** | **13 655 551** | **9 459 534** | **14 096 006** |
| Loan loss provisions (IFRS - 9) | **4** | -158 416 | 160 250 | 79 562 | -70 085 | -468 723 |
| Impairments (Credit Loss) | | 0 | 0 | 0 | 0 | |
| **Profit (+) / Loss (-) for the period before tax** | | **4 299 484** | **3 528 548** | **13 735 113** | **9 389 448** | **13 627 283** |
| Income tax | **5** | -1 074 871 | -882 137 | -3 433 846 | -2 347 362 | -6 438 587 |
| **Result for the period after tax** | | **3 224 613** | **2 646 411** | **10 301 267** | **7 042 086** | **7 188 697** |
| **Comprehensive result for the period** | | **3 224 613** | **2 646 411** | **10 301 267** | **7 042 086** | **7 188 697** |

- *Q3 numbers (2023 and 2022) are not audited.*
- *Income Tax: see page 7 ”Deferred Tax and payable tax” and note 5 “Taxation of profit”*
- *Income Tax will affect “Result after Tax”, “Total Equity”, and “Other liabilities”*

## - Balance Sheet

| Assets | | 2023 | 2022 | 2022 |
|---|---|---|---|---|
| *- In USD* | **Note** | **30.09.2023** | **30.09.2022** | **31.12.2022** |
| **Cash and balances at Central Bank** | | **6 204 134** | **5 947 581** | **6 554 349** |
| **Lending to and receivables from credit institutions** | | **82 084 540** | **87 538 813** | **63 206 540** |
| **Lending to customers** | 4 | 315 884 084 | 331 808 243 | 372 312 813 |
| Loss provisions on loans to customers | 4 | -1 834 457 | -1 515 382 | -1 914 019 |
| **Net lending to cutomers** | | **314 049 626** | **330 292 861** | **370 398 794** |
| **Certificates, bonds and other receivables** | | | | |
| Commercial papers and bonds valued at market value | 4 | 129 698 178 | 119 237 964 | 131 190 110 |
| Commercial papers and bonds valued at amortised cost | | 0 | 0 | 0 |
| **Certificates, bonds and other receivables** | | **129 698 178** | **119 237 964** | **131 190 110** |
| **Shares** | | **232 552** | **175 175** | **191 844** |
| **Intangible assets** | | | | |
| Deferred tax assets | | 0 | 0 | 0 |
| Other intangible assets | 8 | 59 610 | 86 870 | 48 823 |
| **Total intangible assets** | | **59 610** | **86 870** | **48 823** |
| **Fixed assets** | | | | |
| Fixed assets | 8 | 1 386 822 | 1 632 350 | 1 660 196 |
| **Total fixed assets** | | **1 386 822** | **1 632 350** | **1 660 196** |
| **Other assets** | | | | |
| Financial derivatives | 9 | 0 | 767 322 | 913 996 |
| Other assets | | 10 222 | 133 373 | 97 282 |
| **Total other assets** | | **10 222** | **900 695** | **1 011 277** |
| **Expenses paid in advance** | | | | |
| Prepaid, not accrued expenses | | 275 230 | 224 348 | 333 056 |
| **Total prepaid expenses** | | **275 230** | **224 348** | **333 056** |
| **TOTAL ASSETS** | | **534 000 915** | **546 036 658** | **574 594 991** |

| Liabilities and shareholders equity | | | | |
|---|---|---|---|---|
| *- In USD* | | **30.09.2023** | **30.09.2022** | **31.12.2022** |
| **Liabilities** | | | | |
| Loans and deposits from credit institutions | | 0 | 0 | 0 |
| Deposits from and liabilities to customers | | 381 981 139 | 382 037 622 | 425 583 838 |
| **Total loans and deposits** | | **381 981 139** | **382 037 622** | **425 583 838** |
| **Other liabilities** | | | | |
| Financial derivatives | 9 | 15 157 063 | 34 879 551 | 15 053 429 |
| Other liabilities | 10 | 6 911 893 | 5 896 926 | 10 606 751 |
| **Total other liabilities** | | **22 068 956** | **40 776 477** | **25 660 180** |
| **Accrued expenses and received unearned income** | | | | |
| Accrued expenses and received unearned income | 10 | 971 289 | 723 934 | 693 109 |
| **Total accrued expenses and received unearned income** | | **971 289** | **723 934** | **693 109** |
| **Total Liabilities** | | **405 021 385** | **423 538 033** | **451 937 127** |
| **Shareholders equity** | | | | |
| **Paid-in capital** | | | | |
| Share capital | 11 | 9 708 655 | 9 708 655 | 9 708 655 |
| Share premium account | | 94 148 866 | 94 148 866 | 94 148 865 |
| **Total paid-in capital** | | **103 857 521** | **103 857 521** | **103 857 520** |
| **Other Equity** | | | | |
| Retained earnings, other | | -417 486 | -450 512 | -437 885 |
| Retained earnings | | 25 539 495 | 19 091 618 | 19 238 229 |
| **Total other equity** | | **25 122 009** | **18 641 105** | **18 800 344** |
| **Total shareholder equity** | | **128 979 530** | **122 498 625** | **122 657 864** |
| **TOTAL SHAREHOLDERS EQUITY AND LIABILITIES** | | **534 000 915** | **546 036 658** | **574 594 991** |

- *Income Tax: see page 7 "Deferred Tax and payable tax" and note 5 "Taxation of profit"*
- *Income Tax will affect "Result after Tax", "Total Equity", and "Other liabilities"*

# 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 |
| Equity as per 31.12.2019 | 9 708 655 | 94 148 865 | 4 739 462 | -438 660 | 108 158 322 |
| Equity as per 31.12.2020 | 9 708 655 | 94 148 865 | 9 972 177 | -267 393 | 113 562 304 |
| 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 |
| Employee stock option | | | | 8 781 | 8 781 |
| Declared dividend | | | -4 000 000 | | -4 000 000 |
| Profit | | | 3 679 592 | 0 | 3 679 592 |
| Equity as per 31.03.2023 | 9 708 655 | 94 148 865 | 18 917 822 | -429 104 | 122 346 238 |
| Employee stock option | | | | 7 296 | 7 296 |
| Profit | | | 3 397 061 | 0 | 3 397 061 |
| Equity as per 30.06.2023 | 9 708 655 | 94 148 865 | 22 314 883 | -421 808 | 125 750 595 |
| Employee stock option | | | | 4 322 | 4 322 |
| Profit | | | 3 224 613 | 0 | 3 224 613 |
| Equity as per 30.09.2023 | 9 708 655 | 94 148 865 | 25 539 496 | -417 486 | 128 979 530 |

- *Income Tax: see page 7, "Deferred Tax and payable tax" and note 5 "Taxation of profit"*
- *Income Tax will affect "Result after Tax", "Total Equity", and "Other liabilities"*

# Statement of Cash Flows

| *- In USD* | **30.09.2023** | **30.09.2022** | **31.12.2022** |
|---|---|---|---|
| **Cashflow from operational activities** | | | |
| Profit before tax | 13 735 113 | 9 389 448 | 13 627 283 |
| | | | |
| Change in loans to customers excluding accrued interest | 55 980 774 | -14 979 891 | -54 791 545 |
| Change in deposits from customers excluding accrued interest | -53 906 447 | -38 873 921 | 8 558 244 |
| Change in loans and deposits from credit institutions | 0 | 0 | 0 |
| Change in certificates and bonds | 1 491 933 | 9 672 253 | -2 279 893 |
| Change in shares, mutual fund units and other securities | -40 708 | -63 462 | -80 131 |
| Change in financial derivatives | 1 017 630 | 30 571 795 | 10 599 000 |
| Change in other assets and other liabilities | -3 271 793 | 1 295 191 | 5 901 575 |
| Interest income and related income from customers | -27 505 565 | -18 603 854 | -26 240 049 |
| Interest received from customers | 27 873 959 | 17 364 595 | 24 706 511 |
| Net interest expenses and related expenses to customers | 10 795 257 | 4 587 178 | 7 405 406 |
| Interest paid to customers | -491 509 | -701 229 | -7 405 406 |
| Ordinary depreciation | 279 834 | 448 764 | 575 032 |
| Other non cash items | 61 976 | -1 787 983 | 435 585 |
| **Net cash flow from operating activities** | **26 020 454** | **-1 681 117** | **-18 988 389** |
| | | | |
| Payments for acquisition of assets | 0 | -5 835 | -4 398 |
| **Net cash flow from investing activities** | **0** | **-5 835** | **-4 398** |
| | | | |
| Issuance of equity | 0 | 0 | 0 |
| Lease payments | -262 357 | -232 619 | -303 660 |
| Dividend Payments | -4 000 000 | -1 529 318 | -1 529 318 |
| **Net cash flow from financing activities** | **-4 262 357** | **-1 761 936** | **-1 832 978** |
| | | | |
| **Effect of exchange rate changes and other** | **-3 230 311** | **-1 804 794** | **-8 153 424** |
| | | | |
| **Sum cash flow** | **18 527 785** | **-5 253 682** | **-28 979 189** |
| | | | |
| Net change in cash and cash equivalents | 18 527 785 | -5 253 682 | -28 979 189 |
| Cash and cash equivalent as per 01.01. | 69 760 889 | 98 740 077 | 98 740 077 |
| Cash and cash equivalent as per 30.06. | **88 288 674** | **93 486 395** | **69 760 889** |

# Notes 30.09.2023.

## 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 Bans lending is towards the corporate market.

## Note 2, General accounting principles

The interim report for the first three quarters of 2023 is prepared according to IAS 34 Interim Financial Reporting and IFRS as adopted by EU. The interim report for the first three quarters of 2023 is prepared using the same accounting principles and calculation methods as described in the Annual Report 2022.

## Note 3, Functional and presentation currency

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

# RISK

## Note 4, Risk

***Risk Management and Capital Adequacy***

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

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

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

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

***Capital Adequacy***

| Amounts in 1000 USD | 30.09.2023 | 31.12.2022 | 30.09.2022 |
|---|---|---|---|
| Share capital | 9 709 | 9 709 | 9 709 |
| + Other reserves | 119 271 | 112 949 | 112 790 |
| - Dividend | | - 4 000 | |
| - Deferred tax assets and intangible assets | - 60 | - 49 | - 87 |
| - This year's result | -10 301 | | - 7 042 |
| - Adjustments to CET1 due to prudential filters | -145 | - 147 | - 155 |
| **Common Equity Tier 1 (CET 1)** | **118 474** | **118 462** | **115 215** |
| **Calculation basis** | | | |
| **Credit Risks** | | | |
| + Bank of Norway | - | - | - |
| + Local and regional authorities | - | - | - |
| + Institutions | 15 253 | 12 278 | 13 417 |
| + Companies | 269 005 | 295 641 | 274 321 |
| + Covered bonds | 11 709 | 11 753 | 10 676 |
| + Shares | 233 | 192 | 175 |
| + Other assets | 1 672 | 2 091 | 1 990 |
| **Total Credit risks** | **297 872** | **321 955** | **300 579** |
| + Operational risk | 28 544 | 30 777 | 26 691 |
| + Counterparty risk derivatives (CVA-risk) | 2 555 | 3 268 | 3 335 |
| **Total calculation basis** | **328 971** | **356 000** | **330 605** |
| **Capital Adequacy** | | | |
| **Common Equity Tier 1 %** | **36.01 %** | **33.28 %** | **34.85 %** |
| **Total capital %** | **36.01 %** | **33.28 %** | **34.85 %** |

***Credit Risk***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Macro scenarios**

Expected Loss from the Bank's risk score model will be adjusted with a macro scenario factor (MF). The Bank estimates three macro-economic scenarios consisting of factors that will or can have an impact on shipping markets and value appraisal of vessels financed in our portfolio in the respective markets. Each scenario gets assigned a probability and a factor. The factor represent change in Expected Loss or Loss Allowance. The forecast, probability assignment and factor estimation are based on own judgment and experience.

The following factors are included in the macro evaluation process:

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

The probability weighted macro factor (MF) will be multiplied with the Expected Loss and give Loss Allowance (or Macro Scenario adjusted Expected Loss). The factor (MF) is calculated to be 1,8224.

Exposure in the scenario model is the same as at 30.09.2023.

**Loss Allowance and Impairments**

| Loss allowance | **30.09.2023** | **30.09.2022** | **31.12.2022** | **31.12.2021** | **31.12.2020** |
|---|---|---|---|---|---|
| Step1 | 1 411 778 | 686 910 | 1 345 649 | 618 860 | 659 824 |
| Step2 | 422 679 | 828 471 | 568 370 | 826 436 | 779 360 |
| Step3 | 0 | 0 | 0 | 0 | 0 |
| Sum | 1 834 457 | 1 515 382 | 1 914 019 | 1 445 296 | 1 439 184 |
| Allowance/Loan Ratio | 0.58 % | 0,46 % | 0,51 % | 0.46 % | 0,53 % |
| Impairments | 0 | 0 | 0 | 0 | 0 |

The loss allowance has decreased since year-end 2022 based on an decrease in the overall portfolio.

**Loans where no loss provision has been recognized due to collateral:**
30.09.2023: 0
30.09.2022: 0

**Remaining exposure from credit impaired loans and loss exposed loans:**

| 30.09.2023 | Gross Loans | First-Priority pledge in vessel | Cash Pledge | Other Collateral |
|---|---|---|---|---|
| Remaining exposure from credit impaired loans | **0** | **0** | **0** | **0** |
| Loss exposed loans | **0** | **0** | **0** | **0** |

| 30.09.2022 | 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** |

**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 | 969 000 |
| Unchanged | 1 057 000 |
| Vessel value down | 3 630 000 |

**30.09.2023**

| | **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 31.12.2022 | 1 345 649 | 568 370 | - | 1 914 019 |
| *Lending to customers 31.12.2022* | 317 388 832 | 54 923 981 | - | 372 312 813 |
| | | | | - |
| **Changes** | | | | - |
| Transfer to Step 1 | - | - | - | - |
| Transfer to Step 2 | - | - | - | - |
| Transfer to Step 3 | - | - | - | - |
| Reclassification | - 26 870 | - | - | - 26 870 |
| Amortization | - 307 350 | - | | - 307 350 |
| New commitments | 357 422 | | | 357 422 |
| Effect of Scenario Adjustment | 42 927 | - 145 691 | | - 102 764 |
| **Allowance as of 30.09.2023** | **1 411 778** | **422 679** | **-** | **1 834 457** |
| *Lending to customers 30.09.2023* | 287 491 385 | *28 392 699* | - | *315 884 084* |
| *Loans not disbursed* | 0 | | | |
| Allowance: Loans not disbursed | - | | | - |
| **Net Change in Loss allowance** | **66 129** | **-145 691** | **0** | **- 79 562** |

1) *Reclassification: Change in Expected Loss calculation*
2) Step 2 Expected loss is due to assumed migration in the macro scenario analysis. No commitments are currently identified in step 2.

**30.09.2022**

| | 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 | - 73 918 | - | - | - 73 918 |
| Amortization | - 317 115 | - | | - 317 115 |
| New commitments | 414 535 | | | 414 535 |
| Effect of Scenario Adjustment | - 29 638 | 76 221 | | 46 583 |
| **Allowance as of 30.09.2022** | **686 910** | **828 471** | **-** | **1 515 382** |
| *Lending to customers 30.09.2022* | 331 808 243 | - | - | *331 808 243* |
| *Loans not disbursed* | 0 | | | |
| Allowance: Loans not disbursed | - | | | - |
| **Net Change in Loss allowance** | **68 050** | **2 035** | **0** | **70 085** |

*3) Reclassification: Change in Expected Loss calculation*
**Loss allowance in step 2 is a result of anticipated migration in the negative macro scenario*

## Credit risk: Total

### 30.09.2023

| Amounts in USD | Very low risk | Low risk | Moderate risk | High risk | Loss exposed | Sum |
|---|---|---|---|---|---|---|
| Deposit with Central Bank | 6 204 134 | | | | | 6 204 134 |
| Deposits with credit institution | 82 084 540 | | | | | 82 084 540 |
| Certificates and bonds | 129 698 178 | | | | | 129 698 178 |
| Shares and other securities | | | 232 552 | | | 232 552 |
| Loans to customers | | 93 665 550 | 222 218 534 | 0 | 0 | 315 884 084 |
| **Total** | **217 986 852** | **93 665 550** | **222 451 086** | **0** | **0** | **534 103 488** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Committed loans, not disbursed | | | 25 500 000 | | | |

### 30.09.2022

| Amounts in USD | Very low risk | Low risk | Moderate risk | High risk | Loss exposed | Sum |
|---|---|---|---|---|---|---|
| Deposit with Central Bank | 5 947 581 | | | | | 5 947 581 |
| Deposits with credit institution | 87 538 813 | | | | | 87 538 813 |
| Certificates and bonds | 119 237 964 | | | | | 119 237 964 |
| Shares and other securities | | | 175 175 | | | 175 175 |
| Loans to customers | | 109 845 069 | 221 963 174 | 0 | 0 | 331 808 243 |
| **Total** | **212 724 359** | **109 845 069** | **222 138 349** | **0** | **0** | **544 707 777** |

| | | | | | | |
|---|---|---|---|---|---|---|
| Committed loans, not disbursed | | | 34 500 000 | | | |

## Lending to customers by segment

| | Q3 2023 | | Q3 2022 | | Q4 2022 | |
|---|---|---|---|---|---|---|
| **Sector** | **USD** | **Share %** | **USD** | **Share %** | **USD** | **Share %** |
| Bulk | 171 840 942 | 54 % | 155 717 609 | 47 % | 179 082 463 | 48 % |
| Container | 14 846 552 | 5 % | 45 457 729 | 14 % | 34 997 404 | 9 % |
| Tank | 112 138 850 | 36 % | 113 047 068 | 34 % | 144 085 059 | 39 % |
| Gas | 17 057 741 | 5 % | 15 163 637 | 5 % | 14 147 887 | 4 % |
| Specialized | - | 0 % | 2 422 200 | 1 % | - | 0 % |
| Offshore | - | 0 % | - | 0 % | - | 0 % |
| **Sum** | **315 884 084** | **100 %** | **331 808 243** | **100,00 %** | **372 312 813** | **100 %** |

## Bonds and certificates: Risk Weight

| Risk Weight | **Q3 2023**<br>Fair Value | **Q3 2022**<br>Fair Value | **2022**<br>Fair Value |
|---|---|---|---|
| 0 % | 12 604 260 | 12 479 081 | 13 660 675 |
| 10 % | 117 093 917 | 106 758 884 | 117 529 435 |
| 20 % | | | |
| 100 % | | | |
| **Total** | **129 698 178** | **119 237 964** | **131 190 110** |

**Bonds and certificates: Rating**

| Rating | Q3 2023 Fair Value | Q3 2022 Fair Value | 2022 Fair Value |
|---|---|---|---|
| AAA | 124 855 859 | 114 458 499 | 125 949 320 |
| AA+ | 4 842 318 | 4 779 465 | 5 240 790 |
| AA | 0 | 0 | 0 |
| A | 0 | 0 | 0 |
| **Total** | **129 698 178** | **119 237 964** | **131 190 110** |

**Bonds and certificates: Sector**

| Sector | Q3 2023 Fair Value | Q3 2022 Fair Value | 2022 Fair Value |
|---|---|---|---|
| Supranationals | 1 959 973 | 1 946 771 | 2 129 494 |
| Local authority | 10 644 288 | 10 532 309 | 11 531 180 |
| Credit Institutions | 117 093 917 | 106 758 884 | 117 529 435 |
| Bank | - | - | - |
| **Total** | **129 698 178** | **119 237 964** | **131 190 110** |

***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 SOFR, NIBOR and EURIBOR). USD Libor were replaced with a 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 can have an impact on interest income, interest expenses, fair value of derivatives and financial assets/liabilities.

***Currency Risk***

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

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

Calculated tax will be affected by changes in USDNOK exchange rate (see note 5)

***Liquidity Risk***

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

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

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

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

***Operational Risk***

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

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

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

# INCOME AND COST

## Note 5, Taxation of profit

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

| | USD | NOK |
|---|---|---|
| Profit Before Tax | 13 735 113 | 145 952 054 |
| Tax related agio on equity | - | - |
| Basis for Tax Calculation | 13 735 113 | 145 952 054 |
| | | |
| **Calculated Tax (25%)** | **3 433 778** | **36 488 013** |

**2) Full currency agio on Equity (Previous method)**

| | USD | NOK |
|---|---|---|
| Profit Before Tax | 13 735 113 | 145 952 054 |
| Tax related agio on equity | 8 957 470 | 95 183 867 |
| Basis for Tax Calculation | 22 692 583 | 241 135 921 |
| | | |
| **Calculated Tax (25%)** | **5 673 146** | **60 283 980** |

The calculated tax for the period is 41.3% of the ordinary result before tax (compared to 25% tax rate for banks with Norwegian krone as functional currency).

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

## ASSETS

### Note 6, Financial instruments at fair value.

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

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

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

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

**30.09.2023**

| Amounts in USD 1000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates and bonds | 0 | 129 698 | 0 | 129 698 |
| Shares and other securities | 0 | 0 | 0 | 0 |
| Financial derivatives | 0 | -0 | 0 | -0 |
| **Total financial assets** | **0** | **129 698** | **0** | **129 698** |
| | | | | |
| Financial derivatives | 0 | 15 157 | 0 | 15 157 |
| **Total financial liabilities** | **0** | **15 157** | **0** | **15 157** |

**30.09.2022**

| Amounts in USD 1000 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Certificates and bonds | 0 | 119 238 | 0 | 119 238 |
| Shares and other securities | 0 | 0 | 0 | 0 |
| Financial derivatives | 0 | 767 | 0 | 767 |
| **Total financial assets** | **0** | **120 005** | **0** | **120 005** |
| | | | | |
| Financial derivatives | 0 | 34 880 | 0 | 34 880 |
| **Total financial liabilities** | **0** | **34 880** | **0** | **34 880** |

## Note 7, Financial pledges

The Bank has pledged NOK 181 300 000 of deposits as collateral for financial derivatives.

## Note 8, Other intangible assets and fixed assets

| | 30.09.2023 | 30.09.2023 | 30.09.2022 | 30.09.2022 |
|---|---|---|---|---|
| | **Other intangible assets** | **Property, plant and equipment** | **Other intangible assets** | **Property, plant and equipment** |
| Acquisition cost at 01.01 | 3 855 490 | 2 983 100 | 4 309 246 | 1 356 789 |
| Exchange and other adjustments | -179 348 | -129 776 | -797 944 | -604 710 |
| Additions during the year | - | - | - | 1 965 799 |
| Disposals during the year | - | - | - | - |
| **Acquisition cost at end of period** | **3 676 143** | **2 853 324** | **3 511 302** | **2 717 878** |
| | | | | |
| Accumulated depreciation and impairment at 01.01. | -3 806 667 | -1 322 905 | -3 999 627 | -1 031 433 |
| Disposal and retirement | - | - | - | - |
| Depreciation charges this year | - 41 907 | -238 764 | -190 374 | -258 390 |
| Exchange and other adjustments | 232 042 | 95 166 | 765 568 | 204 295 |
| **Accumulated depreciation and impairment at end of period** | **-3 616 532** | **-1 466 502** | **-3 424 432** | **1 085 528** |
| **Balance sheet amount at end of period** | **59 610** | **1 386 822** | **86 870** | **1 632 350** |

| **Fixed assets** | **30.09.2023** | **30.09.2022** |
|---|---|---|
| Right to use assets | 1 369 881 | 1 623 787 |
| Other | 96 621 | 8 563 |
| **Sum fixed assets** | 1 386 822 | 1 632 350 |

## LIABILITIES

## Note 9, Other assets and financial derivatives.

**30.09.2023**

| 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 | 185 000 | | 2 068 820 | 0 | 14 629 |
| Buy/Sell EUR against NOK | | 6 200 | 64 201 | 0 | 528 |
| **Total Currency Derivatives** | **185 000** | **6 200** | **2 133 021** | **0** | **15 157** |

**30.09.2022**

| 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 | 205 000 | | 1 863 863 | 767 | 34 628 |
| Buy/Sell EUR against NOK | | 8 600 | 87 961 | 0 | 252 |
| **Total Currency Derivatives** | **205 000** | **8 600** | **1 951 824** | **767** | **34 880** |

## Note 10, Other Liabilities and accrued cost

| *- In USD* | **30.09.2023** | **30.09.2022** |
|---|---|---|
| Account payables | 63 660 | 90 572 |
| Tax withholdings | 137 351 | 124 676 |
| VAT payable | 46 153 | 73 220 |
| Tax payable | 3 433 846 | - |
| Deferred tax | 1 200 361 | 1 294 662 |
| Lease liability | 1 433 028 | 1 658 240 |
| IFRS-9 Allowance (loans not disbursed) | - | - |
| Other liabilities | 597 495 | 2 655 557 |
| Total other liabilities | **6 911 893** | **5 896 926** |
| Holiday pay and other accrued salaries | 897 180 | 673 397 |
| Other accrued costs | 74 109 | 50 536 |
| Total accrued costs | **971 289** | **723 934** |

## Note 11, Share capital and shareholder information

The Bank has 81 700 480 shares at NOK 1.

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

The Bank has 48 shareholders.

The ten largest shareholders of the Bank are:

| No | Shareholder | Numb. of shares | % |
|---|---|---|---|
| 1 | Centennial AS | 20 419 790 | 24.99 % |
| 1 | Henning Oldendorff | 20 419 790 | 24.99 % |
| 3 | Société Générale | 8 170 000 | 9.9999 % |
| 3 | Skandinaviska Enskilda Banken AB | 8 170 000 | 9.9999 % |
| 5 | Deutsche Bank Aktiengesellschaft | 6 667 000 | 8.1603 % |
| 6 | Canomaro Bulk AS | 4 388 990 | 5.3720 % |
| 7 | Titan Venture AS | 3 633 535 | 4.4474 % |
| 8 | Ole Einar Bjørndalen | 1 409 625 | 1.7254 % |
| 8 | Rock Dove Holdings Limited. | 770 000 | 0.9425 % |
| 10 | DNB Luxembourg S.A. | 755 000 | 0.9241 % |
| | Others | 6 896 750 | 8.4415 % |
| | **Total** | **81 700 480** | **100 %** |

# Appendices

## Appendix 1, Alternative Performance Measures

Formulas for calculation of Alternative Performance Measures

***Ratio formulas***

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

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

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

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

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

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

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

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

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

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