

Financial Report

31.03.2017



**MARITIME & MERCHANT
BANK ASA**

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Maritime & Merchant Bank ASA

Operation and Strategy

The Company is a niche bank for the shipping and offshore industry. The strategy is to combine first class banking craftsmanship with deep industrial and market insight for building up a diversified and profitable portfolio of loans secured by 1st priority mortgage in liquid and standardized ships. Our customers is ship-owning companies in Norway and abroad. Our sole product is secured lending and we will emphasize to offer a swift handling of the enquiries by account managers with the prudent competence and experience.

The funding of the Company will consist of equity and deposits in the first phase of the operation. The Company will plan to issue bonds as a part of its funding.

Statement regarding capital increase

The company conducted a capital increase of USD 5 200 000 in March, in which the share capital was increased by USD 477 533 to USD 5 590 977, and the remaining amount was recorded as share premium.

Deficit for the period

The net income for the company is showing a deficit of USD 1 206 666.

Outlook

The Company consider that the market for ship-financing in general is providing interesting business opportunities for our services and we register a steady inflow of inquiries. The combination of a limited supply of credit to our target customers and growing investment activities in several segments should give a sound platform for growth during the forthcoming period. We have focused primarily on our domestic market during the upstart phase of the operation, but will gradually direct our focus towards a broader international customer base.

During the second quarter the Company will enter the market for deposits from both retail and corporate sector based on our on-line solution.

Oslo, April 27th 2017

Board of Directors, Maritime & Merchant Bank ASA

Maritime & Merchant Bank ASA - Profit & Loss

<u>- In USD</u>	Note	Q1 2017	2016
Interest income and related income			
Interest from loans to customers		60 468	
Interest from certificates and bonds		7 114	
Interest from loans to and receivables from credit institutions		81 269	1 603
Total interest income and related income		148 851	1 603
Interest expenses			
Interest expenses on debt to credit institutions		-2 114	-40 527
Net interest expenses and related expenses		-2 114	-40 527
Net gains / losses on foreign exchange			
Net gains / losses on foreign currency		-19 795	53 023
Net gains / losses on foreign exchange		-19 795	53 023
Net gains / losses on financial instruments			
Net gains / losses on financial instruments		11 300	
Net gains / losses on financial instruments		11 300	0
Salaries and general administration expenses			
Salaries and personnell expenses		-637 667	-329 643
Net salaries and general administration expenses		-637 667	-329 643
Depreciation of fixed and intangible assets			
Depreciation		-229 421	-123
Total depreciation of fixed and intangible assets		-229 421	-123
Other operating expenses			
Other operating expenses		-477 819	-1 389 756
Total other operating expenses		-477 819	-1 389 756
Profit /(Loss) for the financial year before tax		-1 206 665	-1 705 424
Income tax		301 666	389 622
Income tax		301 666	389 622
Profit / Loss for the financial year		-904 999	-1 315 802
Allocations			
Transferred to retained earnings		-904 999	-1 315 802
Total allocations		-904 999	-1 315 802

Maritime & Merchant Bank ASA - Balance Sheet

Assets

<u>- In USD</u>	<u>Note</u>	<u>31.03.2017</u>	<u>31.12.2016</u>
Lending to and receivables from credit institutions			
Lending to customers	1	8 236 819	
Lending to and receivables from credit institutions	2	40 679 941	49 047 234
Total lending to and receivables from credit institutions		48 916 760	49 047 234
Intangible assets			
Deferred tax assets		1 227 625	925 958
Other intangible assets		4 301 865	4 528 279
Total intangible assets		5 529 490	5 454 237
Tangible assets			
Machinery and equipment		91 469	1 813
Total tangible assets		91 469	1 813
Certificates, bonds and other receivables		4 073 887	10
Expenses paid on advance			
Earnet, not received income, and prepaid expenses		242 135	64 253
Total prepaid expenses		242 135	64 253
TOTAL ASSETS		58 853 741	54 567 547

Shareholders equity and liabilities

<u>- In USD</u>	<u>31.12.2016</u>	<u>31.12.2016</u>
Liabilities		
Debt to credit institutions	0	0
Debt to credit institutions	0	0
Other liabilities	760 473	769 281
Total other liabilities	760 473	769 281
Total Liabilities	760 473	769 281
Shareholders equity		
Paid-in capital		
Share capital	5 590 977	5 113 444
Share premium account	55 123 645	50 401 178
Total paid-in capital	60 714 622	55 514 622
Retained earnings		
Retained earnings	-2 621 355	-1 716 357
Total retained earnings	-2 621 355	-1 716 357
Total shareholder equity	58 093 268	53 798 265
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES	58 853 741	54 567 547

Maritime & Merchant Bank ASA - Statement of Cashflows

<i>- In USD</i>	<u>31.03.2017</u>	<u>31.12.2016</u>
CASHFLOW FROM OPERATIONAL ACTIVITIES		
Profit before tax	-1 206 665	-1 705 424
Change in lending to customers	-8 236 819	
Change in certificates and bonds	-4 073 887	
Ordinary depreciation	229 421	123
Change in accounts payable	-8 808	529 621
Change in other assets and other liabilities	-177 872	48 796
Net cash flow from operating activities	<u>-13 474 630</u>	<u>-1 126 884</u>
 CASHFLOW FROM INVESTMENT ACTIVITIES		
Payments for acquisition of assets	-89 656	-1 077 437
Net cash flow from investing activities	<u>-89 656</u>	<u>-1 077 437</u>
 CASHFLOW FROM FINANCIAL ACTIVITIES		
Proceeds from issuance of long-term liabilities		-361 123
Proceeds from share issue	5 200 000	51 321 267
Net cash flow from financial activities	<u>5 200 000</u>	<u>50 960 144</u>
Effect of exchange rate changes on bank deposits, cash, etc.	<u>-3 006</u>	<u>21</u>
Net change in bank deposits, cash and cash equivalents	-8 367 293	48 755 844
Bank deposits, cash and cash equivalents as per 01.01	49 047 234	291 390
Bank deposits, cash and cash equivalents as per 31.12	<u>40 679 941</u>	<u>49 047 234</u>

Maritime & Merchant Bank ASA - Statement of equity

<i>- In USD</i>	Share capital	Share premium	Retained earnings	Total equity
Equity as per 31.12.2015	442 191	3 751 164	-400 555	3 792 800
Share issue	79 593	1 241 673		1 321 266
Share issue	4 591 659	45 408 342	-	50 000 001
Profit	-	-	-1 315 802	-1 315 802
Equity as per 31.12.2016	5 113 444	50 401 178	-1 716 357	53 798 265
Share issue	477 533	4 722 467		5 200 000
Profit	-	-	-904 999	-904 999
Equity as per 31.03.2017	5 590 978	55 123 644	-2 621 356	58 093 267

Maritime & Merchant Bank ASA - Capital adequacy

<i>Amounts in USD - thousands</i>	<i>31.03.2017</i>	<i>31.12.2016</i>
Share capital	5 591	5 113
+ Other reserves	52 502	48 685
- Deferred tax assets and intangible assets	-5 529	-5 454
Common Equity Tier 1 (CET 1)	52 564	48 344
+ Additional Tier 1 Capital (hybrid / perpetual)	-	-
Tier 1 Capital	52 564	48 344
+ Subordinated loan capital	-	-
Tier 2 Capital	52 564	48 344
Total Capital	52 564	48 344
Calculation basis		
Credit Risks		
+ Bank of Norway	-	-
+ Local and regional authorities	-	-
+ Institutions	8 136	785
+ Companies	7 400	-
+ Covered bonds	117	-
+ Shares of mutual funds	-	-
+ Other assets	293	-
Total Credit risks	15 945	785
+ Operational risk	8 763	8 763
+ Counterparty risk derivatives (CVA-risk)	-	-
Total calculation basis	24 708	9 548
Capital Adequacy		
Common Equity Tier 1 %	212,74 %	506,34 %
Tier 2 Capital	212,74 %	506,34 %
Total capital %	212,74 %	506,34 %

Accounting principles

The financial statements of Maritime & Merchant Bank ASA for 2016 has been prepared in accordance with the simplified application of international accounting standards according to the Norwegian Accounting Act § 3.9 with additional disclosure requirements laid down in legislation and regulations.

The interim financial report for Q1 2017 has been prepared in accordance with chapter 9 in the regulation of financial reporting for banks and financial institutions.

Financial statement figures are stated in USD, unless otherwise stated.

Investments in certificates and bonds

Maritime & Merchant Bank ASA has in Q1 2017 invested in Certificates and Bonds. These financial assets are classified as "Financial assets at fair value through profit or loss". Thus they are, subsequent to initial recognition, measured at fair value. There has been no other changes to accounting principles in Q1 2017.

Note 1 Lending to customers

Maritime & Merchant Bank ASA has lent 8,3 MUSD to shipping customers during Q1 2017. There has in Q1 2017 not been any defaults or impairment on these loans. In addition, loans of MUSD 22,7 has been granted in Q1 2017, but not paid out as at 31.03.2017.

Note 2 Certificates and bonds

Maritime & Merchant Bank ASA has invested 4,1 MUSD in certificates and bonds during Q1 2017. They are measured at fair value through profit or loss and categorised as Level 2 investments.