



**MARITIME & MERCHANT
BANK ASA**

To the Shareholders of Maritime & Merchant Bank ASA

Oslo 18 December 2017

END OF FIRST YEAR OF OPERATION

During the last Board meeting of 2017 the Directors today concluded that the first year of operation has been satisfactory for the Maritime & Merchant Bank ASA (M&M). The bank has experienced a market with a growing demand for our services enabling M&M to build a loan portfolio around USD 100 mill since the start of our operations in January. We started out with a natural focus on our domestic market in which Norwegian shipowners and investors have been active throughout the year and M&M has been involved as a provider of 1st priority mortgage loans in a series of these transactions within dry bulk, LPG, product tank and container, as well as within crude tankers.

We have over the two last quarters gradually observed a steady inflow of enquiries from abroad and we have concluded deals in Germany, Greece, Singapore and UK. The gross number of applications during 2017 has been massive, and we have had to turn down quite a few requests for loans which did not meet our stringent criteria. Through our extensive network in, among other places, in Singapore, Monaco, Athens and UK we are certain that we can able to develop a substantial amount of business going forward.

Discussions with more established banks have continued in respect of taking over a certain number of their existing shipping loans. We would not be surprised if these discussions finally would result in one or more significant transactions during first quarter 2018.

The progress of M&M means that we shall have to consider a possible new issue of shares in the bank for securing further growth and expansion. The present shareholders will certainly all be given the first right to subscribe in amounts corresponding to your present holdings. You will be contacted in due course when these plans are firming up.

The Board of Directors would like to thank the CEO and the entire team of M&M for a great job done and express our conviction that Maritime & Merchant Bank ASA starts 2018 as an institution which is here to stay.

With best seasonal greetings and sincere thanks for your continued support,

Endre Røsjø
Chairman of the Board
Maritime & Merchant Bank ASA



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To the Shareholders of
Maritime and Merchant Bank ASA
Oslo, Norway

30 June 2017

HALF YEAR STATUS REPORT

The start of a niche bank for the maritime transportation industry

Maritime & Merchant Bank ASA started its official existence in December last year after several years of preparation and development of a core banking system. Our CEO and a number of part time employees worked out formal procedures for evaluating credit proposals, made manuals and prepared for the embryonic bank to meet all relevant regulatory laws and directives in Norway and the European Economic Area (EEA).

I am pleased to report that after a slow few months the lending activities have picked up quickly during the second quarter. Your bank has as of today basically lent out its paid-in share capital to 11 separate projects which can best be characterized as project oriented, secured lending. Our CEO and his team of 11 employees have put together some 20 projects for credit review. The members of the board of directors must according to the adapted internal rules approve credits above USD 5 million. Below this amount, our executive credit committee can reach quick decisions if so desired.

Because of the timing of our start in relation to the present cycle of the maritime transportation industry, we have been able to limit our risk exposure to reasonable amounts in relation to the prevailing market values of ocean going ships of various categories but with assumed high degree of second hand liquidity. Most of these ships are changing hands today at values well below the envisaged straight value line from construction to scrapping. Statistically, this provides a cushion for our assets.

The board of directors and the CEO believe that we are experiencing a bottoming out of the recent years' reduction in second hand values of ships. This flattening of the value curve coincides with an apparent lack of appetite for new loans to smaller projects among the larger banks within maritime financing. Our bank will be very profitable if we can secure in the region of 60 ships in our portfolio on terms similar to the ones achieved so far. There are around 60,000 ocean going vessels in the world. Consequently, we are aiming for a minute market share and therefore we are not regarded as a competitive threat to the established banks.

The prime source of financing further growth of the bank's lending activities will be deposits from the retail and corporate sector. Retail deposits enjoy a Government guarantee up to NOK 2 million. At present, the bank has accepted total deposits equal to the sum of paid in equity.



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Maritime & Merchant Bank ASA is close to breaking even for the first half year before front-end fees received are allocated over the expected life of the secured lending portfolio, which is in accordance with prudent accounting practice.

A number of management and members of the board of directors represent ship finance experts as well as ship-owners who have seen loans from “the other side”, some starting back in the early 1970s. The recent employment of young members of the bank team is intended to complement and utilise the experience available in the years to come.

Ship finance has gone through periods of long loss making resulting in some instances of Government bailouts of banks. We have also seen subsequent sharp upturns and profitability leading to too much ordering of new tonnage and which again has pushed the general profitability of the industry down to break-even levels. The time it now takes to build a ship has diminished substantially over the last 40 years and coupled with the important increase in capacity represented by Chinese yards, the sea-borne transportation industry is experiencing much shorter periods of excess profitability than was the case in first 30 years following the end of WW2.

Needless to say, the ship financier of today must be analytical, methodical and light on his or her feet in order to ensure an overall limited downside risk in the bank's portfolio of loans. Risk reduction coupled with a positive bottom line is what we are aiming for, using prudent risk monitoring and management.

It is our intention to build a high quality professional firm where management and the directors share their experience as a winning team avoiding the many pitfalls of the market place. Maritime & Merchant Bank ASA will become not only an important addition to the many faceted modern finance industry, but shall strive to become a very profitable investment for our shareholders both in the short term and in the long run.

Best Regards
Endre Røsjø
Chairman of the Board
Maritime & Merchant Bank ASA