



Interim report

FOURTH QUARTER 2023

Q4 2023 highlights: Solid loan growth, improved interest margins and efficiency

Solid loan growth

- Underlying loan balance growth of 4% in Q4 (5% in Q3), year-end balance at NOK ~12 billion
- 22% growth y-o-y as better customer processes and automation have driven throughput

Improved margins

- Net interest margin up 0.2%p in Q4 driven by extensive pricing measures
- Total income surpassed NOK 1 billion in 2023, up 30% y-o-y

Improved cost efficiency

- Operating expenses remained stable at NOK 80 million in Q4 vs. NOK 78 million in Q3
- ~20% normalised cost reduction y-o-y driven by cost efficiency initiatives: C/I at 28% in Q4

Credit risk control

- Loan loss ratio at 5.4%, up 0.4%p vs Q3 driven by macro and growth
- Loan loss increase more than offset by income growth both in quarter and y-o-y

Profitability maintained

- Profit after tax of NOK 35 million (NOK 36), impacted by NOK 4 million higher tax expense; pre-tax profits of NOK 51 million (NOK 48)
- ROE (return on equity) of 6.1%, equal to the level in Q3
- Full-year 2023 profit before tax of NOK 206 million vs NOK 2 million in 2022

Comment from the CEO, Øyvind Oanes:

“Q4 2023 marked another quarter with healthy growth and improved efficiency. We are pleased to see that a large portion of new loans now have both higher yield and lower risk than older loans. As we conclude 2023, we have delivered on the roadmap and ambitions we set in Q1 2022. We’ve grown the loan book by more than 50%, reduced the cost/income ratio to highly competitive levels below 30% and we’ve managed to keep the net interest margin stable amid a challenging macro backdrop.

With a loan balance of close to NOK 12 billion and a scalable banking platform in place, our ambition is to deliver steady growth around 10% annually while generating attractive returns. A key driver will be reduced loan losses, reflecting our stricter credit policy, improved collection processes and maturing loan book. Growing the loan book while keeping costs stable around current levels, combined with higher risk-adjusted margins, should take us to 10-12% ROE by the end of 2025.”

About Morrow Bank

Morrow Bank ASA (the “Bank” or “Morrow Bank”), previously Komplet Bank ASA, started operations in March 2014 when the Bank received its banking licence from the Norwegian authorities. Morrow Bank offers convenient consumer financing to creditworthy individuals. This provides individuals with financial flexibility which in turn contributes to economic activity and growth for the society at large.

The Bank’s main products are consumer loans, comprising Morrow Bank’s annuity loans as well as a flexible loan product with functionality that gives the customer more flexibility in use of the credit line. In addition, the Bank offers “Morrow Bank Mastercard”, a credit card with product features tailored for online shopping. The Bank offers these products in Norway, Sweden and Finland. Moreover, Morrow Bank offers deposit products with highly attractive interest rates in Norway, Sweden, Germany, and as of 2024 in Austria and Ireland. As a member of the Norwegian Banks’ Guarantee Fund, customer deposits are guaranteed up to NOK 2 million in Norway, and EUR 100,000 in EU countries, per customer.

The Bank follows a strategic roadmap based on geographical and product-wise diversification and expansion. The Bank is pursuing a strategy of building a digital, scalable and efficient operating model combined with strong risk control. In the near- to medium-term, lending operations will be focused on the Nordic region.

The Bank operates on a cross-border basis from Lysaker, outside of Oslo. The Norwegian banking license provides for passporting of the Bank’s offering throughout the entire European Economic Area (EEA).

Financial figures for Q4 2023

All figures are prepared and presented in accordance with the International Financial Reporting Standards (IFRS).

Gross loans to customers amounted to NOK 11.8 billion at the end of Q4 2023, an increase of 4.3% compared to Q3 2023. Split on product segments, loans increased by NOK 622 million and credit cards increased by NOK 79 million. The point of sales (POS) financing product, where new sales were discontinued in Q2, decreased by NOK 216 million and migrated to our standard loan product by the end of the year. Adjusted for currency effects and forward-flow sales, total gross loans increased by 4%.

Net interest income amounted to NOK 278.1 million in Q4 2023, up 8.9% compared to Q3 2023. Loan interest rates were increased across markets during Q4 2023 to mitigate the margin impact of increasing deposit rates, with a limited impact on the inflow of loan applications.

The yield increased to 14.3% for performing consumer loans (13.5% in Q3 2023) while the performing credit card yield increased to 16.5% (16.2%). The deposits yield increased to 3.8% from 3.2% in the previous quarter. The net interest margin increased to 9.1% in the quarter from 8.9%, mainly due to pricing measures.

Net commissions and fees amounted to NOK -3.4 million in the quarter, down from NOK 2.3 million in the previous quarter. The decrease was mainly a result of one-offs and accruals on various items.

Net gains on certificates, bonds and currency were NOK 11.4 million compared to NOK 6.7 million in Q3 2023 due to gains on market-based instruments.

Total income was NOK 286.1 million, up 8.2% from the previous quarter driven by loan growth, loan interest rate increases and financial gains.

Total operating expenses were NOK 80.1 million compared to NOK 76.7 million in the previous quarter.

Personnel expenses decreased to NOK 26.9 million in the quarter from NOK 27.4 million in the previous quarter. The number of FTEs was stable in the mid-seventies at the end of Q4 2023, vs mid-eighties in Q4 2022.

General and administrative expenses including direct marketing expenses were NOK 34.1 million, up from NOK 32.6 million in Q3 2023.

The cost/income ratio was 28%, down from 29% in Q3 2023, and in line with the Bank's target of a ratio of less than 30%.

Losses on loans amounted to NOK 155.3 million, versus NOK 140.0 million in Q3 2023. The increase was mainly driven by increased model-based provisions due to a more challenging macro environment in the quarter as well as effects from higher growth rates in previous quarters. Loan losses typically increase after periods with strong growth due to higher loan loss provisions early in the loan cohort life cycle. Underlying credit quality was nevertheless stable in the quarter, with a 10-15% lower risk for newer loans acquired after Q2 2023 when a stricter credit policy was implemented. The loan loss ratio was 5.4% compared to 5.0% in the previous quarter.

Profit after tax decreased to NOK 35.1 million compared to NOK 35.7 million in the previous quarter. The decline was driven by a higher tax expense, up NOK 3.7 million in Q4 compared to Q3. Pre-tax profits were NOK 50.6 million up from NOK 47,6 million.

The return on equity was 6.1%.

Total assets as at 31 December 2023 amounted to NOK 13,665 million (compared to NOK 12,511 million as at 30 September 2023). Net loans to customers ended at NOK 11,076 million (NOK 10,665 million). Deposits from customers amounted to NOK 11,096 million (NOK 9,954 million).

Total equity was NOK 2,279 million as at 31 December 2023 (NOK 2,249 million as at 30 September 2023). The Bank had a total capital ratio of 23.6% (24.0%) by the end of the quarter, and a CET1 ratio of 20.0% (20.5%). The Bank's CET1 ratio requirement was 16.1% (17.8%) as regulatory capital requirement decreased by 1.7%p in Q4 due to the introduction of reciprocity for the systemic risk buffer.

Loans and deposits with credit institutions and certificates and bonds amounted to NOK 2,456 million (NOK 1,702 million) corresponding to 18.0% (13.6%) of total assets.

Development and outlook

Morrow Bank maintains a positive outlook for growth and increased returns in the medium term. The outlook is founded on the Bank having a well-diversified NOK 12 billion gross loan book, a continued strong inflow of loan applications, profitable operations, continuous improvements of operational efficiency and exposure to a growing Nordic consumer financing market that has demonstrated strong resilience historically.

During Q4, the Bank had good sales volumes driven by generally benign market demand in Finland and Sweden as well as enhanced conversion rates. The latter is chiefly a result of systematic efforts by the Bank to improve conversion and throughput.

To achieve increased throughput without accepting riskier client segments, the Bank has over the past eight quarters deployed several strategic initiatives – focusing on product performance, process automation and tech simplification. The initiatives related to product performance and process automation have been successfully implemented while the transfer to a new IT platform is progressing well and will further reduce the cost of IT ownership.

The macroeconomic outlook for the Nordic region remains robust, supporting a stable environment in the medium term. During Q4, GDP growth was weak across the Nordic countries, however improving in Sweden and Finland, and inflation was high but declining. Market interest rates continued to increase driving up the Bank's funding costs, however, more than compensated for with loan interest rate increases. For 2024, the market outlook is improving across the Nordics with increased GDP growth driving demand, and reduced inflation and stable unemployment rates limiting credit risk.

Cost inflation has affected personnel costs somewhat throughout 2023, but the impact of inflation on overall costs is still expected to be moderate in the near term. Going forward, costs are expected to stabilise around current levels and continued loan growth is set to further drive cost efficiency.

Pricing optimisations are set to continue going forward to maintain net interest margins around current levels, while reduced loan losses – reflecting our stricter credit policy, improved collection processes and maturing loan book – are expected to drive risk-adjusted margins.

Based on continued organic improvements, Morrow Bank targets an annual loan balance growth of around 10%, a cost/income ratio in the upper 20's % and a ROE in the 10-12% range by Q4 2025. Further, the Bank is exploring measures to increase returns beyond the organic improvements.

Management considers its current business plan to be fully funded.

Risks and uncertainties

Morrow Bank's operations and results are subject to a range of risks and uncertainties. The Bank's framework for managing financial risks is described in the Annual report 2022. Below is a description of selected major risk factors that may affect Morrow Bank, including macroeconomic risks, reputation risks and regulatory risks.

While the war in Ukraine has had no direct impact on Morrow Bank's business so far, it has contributed to increased macroeconomic uncertainty. Reduced economic growth, increasing unemployment and diminishing savings rates could reduce demand for consumer financing from creditworthy individuals, reduce existing customers' ability to service their loans and limit the Bank's access to capital. Implemented mitigating actions include Morrow Bank's geographical diversification, strengthening of refinancing offering, and continuous surveillance of risk development in the loan portfolio.

Although rising unemployment rates historically have had the largest negative impact on the consumer finance market, an increased rate of inflation and higher interest rates may lead to an increased part of Morrow Bank's outstanding loans going into default. While no such impact has been experienced so far, the Bank is monitoring this situation closely.

Damage to the Bank's reputation could reduce access to customers, capital and liquidity. Actions undertaken to minimise such risk include the implementation of a strong corporate governance framework and regular training of all employees in anti-money laundering and terrorist financing.

Regulatory tightening could reduce the Bank's ability to grow its profitability and increase the cost of capital. In addition to the geographical and product-wise diversification, Morrow Bank has implemented processes to continuously strengthen the Bank's agile culture and adaptability.

Please refer to the Annual Report 2022 for a thorough review of the Bank's corporate governance practices including policies, guidelines and routines related to managing credit risk, operational risk, liquidity risk and market risk. The Bank's Annual Report 2022 is available at ir.morrowbank.com.

Dividend policy

Morrow Bank's dividend policy is to distribute excess capital not allocated to growth to its shareholders. Based on the current profitability levels and growth outlook, the Bank does not foresee distributing dividends for 2023.

Significant events after balance sheet date

There were no significant events after the balance sheet date.

Related parties

There have not been any transactions with related parties in Q4 2023 that significantly impacted Morrow Bank's financial position or results for the period.

COMPREHENSIVE INCOME STATEMENT

<i>Amounts in NOK million</i>	Note	Q4 2023	Q4 2022	2023	2022
Interest income	2, 6	398.2	254.0	1,380.0	907.0
Interest expenses	2, 6	-120.1	-45.9	-359.8	-113.7
Net interest income		278.1	208.1	1,020.2	793.3
Commission income and fees	2, 6	13.5	15.7	62.7	53.0
Commission expenses and fees	2, 6	-16.9	-12.2	-57.6	-43.3
Net commissions and fees		-3.4	3.5	5.1	9.8
Net gains/(losses) on certificates, bonds and currency		11.4	8.8	28.6	-2.1
Total income		286.1	220.3	1,053.9	800.9
Personnel expenses		-26.9	-31.4	-102.3	-133.4
General and administrative expenses	7	-34.1	-48.3	-135.3	-159.0
Other expenses	7	-9.1	-10.7	-47.6	-43.1
Depreciation		-10.0	-112.1	-35.7	-171.8
Total operating expenses		-80.1	-202.5	-320.9	-507.3
Losses on loans	2	-155.3	-135.8	-526.7	-292.1
Profit/(loss) before tax		50.6	-118.0	206.4	1.6
Tax expenses		-15.6	29.3	-54.5	-0.6
Profit/(loss) after tax		35.1	-88.7	151.9	0.9
<i>Attributable to</i>					
Shareholders		30.2	-92.9	133.7	-13.8
Additional Tier 1 capital investors		4.9	4.2	18.2	14.8
Profit/(loss) after tax		35.1	-88.7	151.9	0.9
Earnings per share (NOK)		0.13	-0.50	0.62	-0.07
Diluted earnings per share (NOK)		0.13	-0.50	0.61	-0.07
Comprehensive income					
Profit/(loss) after tax		35.1	-88.7	151.9	0.9
Other comprehensive income		-	-	-	-
Comprehensive income for the period		35.1	-88.7	151.9	0.9

BALANCE SHEET

<i>Amounts in NOK million</i>	Note	31.12.2023	31.12.2022
Loans and deposits with credit institutions		1,530.0	807.8
Net loans to customers	2	11,076.0	9,110.7
Certificates and bonds		926.1	1,453.5
Other receivables		14.7	29.2
Deferred tax asset		29.5	77.9
Fixed assets		22.0	3.5
Intangible assets		66.9	45.3
Total assets		13,665.2	11,528.0
Deposits from and debt to customers		11,096.0	9,347.6
Other debt		125.3	162.1
Subordinated loans (Tier 2)	5	165.0	65.0
Total liabilities		11,386.3	9,574.8
Additional Tier 1 capital		199.6	199.6
Share capital		229.4	187.6
Share premium		936.9	786.7
Other paid-in capital		56.5	56.4
Retained earnings		856.7	723.0
Total equity		2,278.9	1,953.3
Total liabilities and equity		13,665.2	11,528.0

 Lysaker, Bærum, 13 February 2024
 Board of Directors and CEO, Morrow Bank ASA

STATEMENT OF CHANGES IN EQUITY

Amounts in NOK million

	Additional Tier 1 capital	Share capital	Share premium	Other paid-in capital	Retained earnings	Total Equity
Equity as at 01.01.2022	199.6	187.1	786.7	53.8	736.9	1,964.1
Profit after tax	14.8	-	-	-	-13.8	0.9
Share capital increases due to exercised share options	-	0.5	-	-	-	0.5
Changes in equity due to share option programs	-	-	-	2.6	-	2.6
Net interest paid to additional Tier 1 capital investors	-14.8	-	-	-	-	-14.8
Equity as at 31.12.2022	199.6	187.6	786.7	56.4	723.0	1,953.3
Equity as at 01.01.2023	199.6	187.6	786.7	56.4	723.0	1,953.3
Profit after tax	18.2	-	-	-	133.7	151.9
Share capital increases due to share issue	-	40.4	150.2	-	-	190.6
Share capital increases due to exercised share options	-	1.4	-	-	-	1.4
Changes in equity due to share option programs	-	-	-	0.0	-0.0	-
Net interest paid to additional Tier 1 capital investors	-18.2	-	-	-	-	-18.2
Equity as at 31.12.2023	199.6	229.4	936.9	56.5	856.7	2,278.9

CASH FLOW STATEMENT

Amounts in NOK million

	YTD 2023	YTD 2022	2022
Profit/(loss) before tax	206.4	1.6	1.6
Taxes paid	-	-0.2	-0.2
Depreciation	35.7	171.8	171.8
Change in impairments on loans to customers	183.1	-292.9	-292.9
Change in gross loans to customers	-2,148.4	-1,420.0	-1,420.0
Effects of currency on loans to customers	334.0	72.4	72.4
Change in deposits from and debt to customers	1,748.4	1,413.7	1,413.7
Effects of currency on deposits from and debt to customers	-440.6	-71.4	-71.4
Change in certificates and bonds	617.8	-465.9	-465.9
Change in accruals and other adjustments	-63.4	183.0	183.0
Net cash flow from operating activities	473.0	-408.0	-408.0
Payments for investments in fixed assets	-3.9	-0.3	-0.3
Payments for investments in intangible assets	-48.3	-57.6	-57.6
Net cash flow from investing activities	-52.2	-57.9	-57.9
Paid-in equity	190.6	0.5	0.5
Payment to AT1 capital investors	-24.3	-19.7	-19.7
Net receipts from AT2 capital	98.0	-	-
Lease payments	-4.3	-4.7	-4.7
Dividend payment	-	-	-
Net cash flow from financing activities	260.0	-23.9	-23.9
Net cash flow for the period	680.8	-489.8	-489.8
Cash and cash equivalents at the start of the period	807.8	1,301.8	1,301.8
Effects of currency on loans and deposits with credit institutions in the period	41.4	-4.3	-4.3
Cash and cash equivalents at the end of the period	1,530.0	807.8	807.8
<i>Of which:</i>			
Loans and deposits with credit institutions	1,530.0	807.8	807.8

Note 1 – General accounting principles

The condensed interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

All numbers in this report are in NOK 1,000,000 unless otherwise specified.

Note 2 – Loans to customers

The Bank is applying forward looking elements for its credit loss model, see the Annual Report 2022 for more information regarding the credit loss model.

There are uncertainties related to the estimates as they are forward looking. As at 31 December 2023, the total loan loss provision related to macroeconomic factors amounted to NOK 33.9 million (31 December 2022: NOK 24.2 million).

Loans to customers

<i>Amounts in NOK million</i>	31.12.2023	31.12.2022
Gross loans to customers	11,788.5	9,640.1
Impairment of loans	-712.5	-529.4
Net loans to customers	11,076.0	9,110.7

Defaulted loans

<i>Amounts in NOK million</i>	31.12.2023	31.12.2022
Gross defaulted loans to customers *	754.2	429.7
Impairment of loans (stage 3)	-317.6	-195.0
Net defaulted loans to customers	436.6	234.7

* Defaulted loans comprise loans that are 91 days or more overdue according to agreed payment schedule, and loans with other indications of unlikelihood to pay. Such loans continue to be considered defaulted regardless of future payment status. As at 31 December 2023, the gross closing balances of customers remaining behind their repayment schedule for three or more consecutive months, but less than 90 days past due) amounted to NOK 271.5 million, with corresponding impairment amounted to NOK 59.6 million (31 December 2022: NOK 172.7 million and NOK 35.3 million). These are included in "Gross defaulted loans to customers".

Information on products and geographical distribution

NO = Norway, FI = Finland, SE = Sweden

Amounts in NOK million

Q4 2023	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	97.0	166.8	79.0	35.5	2.6	17.3	398.2
Interest expenses	-31.1	-52.4	-27.0	-9.0	-0.7	-	-120.1
Net interest income	65.9	114.5	52.0	26.6	1.9	17.3	278.1
Commission income and fees	2.5	2.7	1.9	6.3	-0.0	0.1	13.5
Commission expenses and fees	0.0	-2.1	-	-13.3	-	-1.4	-16.9
Net commissions and fees	2.5	0.6	1.9	-7.0	-0.0	-1.4	-3.4
Losses on loans	-10.3	-102.3	-36.8	-12.5	6.7	0.0	-155.3
Total income incl. loan losses	58.0	12.7	17.1	7.1	8.6	15.9	119.3
Gross loans to customers	3,018.7	5,184.7	2,700.3	884.7	-	-	11,788.5
Impairment of loans	-102.1	-366.7	-195.0	-48.7	-	-	-712.5
Net loans to customers	2,916.6	4,818.0	2,505.3	836.0	-	-	11,076.0

Amounts in NOK million

Q4 2022	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	81.9	78.9	49.8	31.9	4.2	7.3	254.0
Interest expenses	-17.2	-13.2	-10.5	-3.1	-1.8	-	-45.9
Net interest income	64.6	65.7	39.4	28.8	2.3	7.3	208.1
Commission income and fees	2.6	1.6	4.2	7.2	0.5	-0.4	15.7
Commission expenses and fees	0.0	-0.8	-	-10.1	-	-1.3	-12.2
Net commissions and fees	2.6	0.8	4.2	-2.8	0.5	-1.7	3.5
Losses on loans	-33.2	-45.0	-48.9	-5.7	-3.0	-	-135.8
Total income net of losses on loans	34.0	21.5	-5.4	20.3	-0.2	5.6	75.8
Gross loans to customers	3,544.6	2,852.8	2,220.8	648.7	373.3	-	9,640.1
Impairment of loans	-164.6	-151.5	-149.9	-28.2	-35.1	-	-529.4
Net loans to customers	3,380.0	2,701.2	2,070.9	620.5	338.1	-	9,110.7

Amounts in NOK million

Full year 2023	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	361.0	540.2	269.4	129.9	35.6	44.1	1,380.0
Interest expenses	-95.2	-129.2	-74.9	-23.3	-6.5	-30.7	-359.8
Net interest income	265.8	410.9	194.4	106.5	29.0	13.4	1,020.2
Commission income and fees	11.2	9.6	7.7	30.4	1.2	2.6	62.7
Commission expenses and fees	0.0	-3.7	-	-47.0	-	-6.9	-57.6
Net commissions and fees	11.2	5.9	7.7	-16.7	1.2	-4.3	5.1
Losses on loans	-20.4	-317.8	-151.2	-35.4	-2.0	0.0	-526.7
Total income net of losses on loans	256.7	99.1	50.9	54.4	28.2	9.2	498.6
Gross loans to customers	3,018.7	5,184.7	2,700.3	884.7	-	-	11,788.5
Impairment of loans	-102.1	-366.7	-195.0	-48.7	-	-	-712.5
Net loans to customers	2,916.6	4,818.0	2,505.3	836.0	-	-	11,076.0

Amounts in NOK million

YTD 2022	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	341.6	250.3	158.9	94.0	50.7	11.5	907.0
Interest expenses	-45.4	-31.2	-23.2	-8.5	-5.3	-	-113.7
Net interest income	296.2	219.1	135.7	85.5	45.4	11.5	793.3
Commission income and fees	10.3	6.1	4.4	21.8	0.5	10.0	53.0
Commission expenses and fees	0.0	-1.9	-	-33.9	-	-7.5	-43.3
Net commissions and fees	10.3	4.2	4.4	-12.1	0.5	2.5	9.8
Losses on loans	-144.3	-35.7	-102.6	-2.9	-6.5	-0.0	-292.1
Total income incl. loan losses	162.2	187.6	37.5	70.5	39.3	13.9	511.0
Gross loans to customers	3,544.6	2,852.8	2,220.8	648.7	373.3	-	9,640.1
Impairment of loans	-164.6	-151.5	-149.9	-28.2	-35.1	-	-529.4
Net loans to customers	3,380.0	2,701.2	2,070.9	620.5	338.1	-	9,110.7

Reconciliation of gross loans to customers

Q4 2023

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Opening balance	9,827.6	882.4	593.0	11,303.0
Transfer from stage 1 to stage 2	-408.1	408.1	-	-
Transfer from stage 1 to stage 3	-122.0	-	122.0	-
Transfer from stage 2 to stage 3	-	-243.4	243.4	-
Transfer from stage 3 to stage 2	-	49.4	-49.4	-
Transfer from stage 2 to stage 1	152.2	-152.2	-	-
Transfer from stage 3 to stage 1	14.6	-	-14.6	-
New assets	1,648.6	111.9	10.4	1,770.8
Assets derecognized	-1,033.1	-101.6	-150.7	-1,285.4
Closing balance	10,079.6	954.7	754.2	11,788.5

Q4 2022

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Opening balance	7,358.3	683.4	413.0	8,454.7
Transfer from stage 1 to stage 2	-290.9	290.9	-	-
Transfer from stage 1 to stage 3	-124.9	-	124.9	-
Transfer from stage 2 to stage 3	-	-88.8	88.8	-
Transfer from stage 3 to stage 2	-	39.7	-39.7	-
Transfer from stage 2 to stage 1	159.8	-159.8	-	-
Transfer from stage 3 to stage 1	10.3	-	-10.3	-
New assets	2,158.2	79.4	7.0	2,244.6
Assets derecognized	-779.4	-125.7	-154.0	-1,059.2
Closing balance	8,491.2	719.2	429.7	9,640.1

2023

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Opening balance	8,491.2	719.2	429.7	9,640.1
Transfer from stage 1 to stage 2	-1,529.8	1,529.8	-	-
Transfer from stage 1 to stage 3	-555.3	-	555.3	-
Transfer from stage 2 to stage 3	-	-601.0	601.0	-
Transfer from stage 3 to stage 2	-	176.6	-176.6	-
Transfer from stage 2 to stage 1	655.0	-655.0	-	-
Transfer from stage 3 to stage 1	44.2	-	-44.2	-
New assets	6,126.2	268.2	-258.2	6,136.1
Assets derecognized	-3,151.8	-483.2	-352.8	-3,987.7
Closing balance	10,079.6	954.7	754.2	11,788.5

2022

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance	6,621.9	535.8	1,062.4	8,220.1
Transfer from stage 1 to stage 2	-1,059.0	1,059.0	-	-
Transfer from stage 1 to stage 3	-506.0	-	506.0	-
Transfer from stage 2 to stage 3	-	-350.6	350.6	-
Transfer from stage 3 to stage 2	-	117.5	-117.5	-
Transfer from stage 2 to stage 1	567.2	-567.2	-	-
Transfer from stage 3 to stage 1	46.8	-	-46.8	-
New assets	5,710.8	341.8	19.9	6,072.6
Assets derecognized	-2,890.5	-417.3	-1,344.9	-4,652.7
Closing balance	8,491.2	719.2	429.7	9,640.1

Reconciliation of impairment of loans
Q4 2023

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance at quartal	228.0	149.3	261.0	638.3
Transfer from stage 1 to stage 2	-9.7	9.7	-	-
Transfer from stage 1 to stage 3	-3.1	-	3.1	-
Transfer from stage 2 to stage 3	-	-49.2	49.2	-
Transfer from stage 3 to stage 2	-	12.6	-12.6	-
Transfer from stage 2 to stage 1	23.6	-23.6	-	-
Transfer from stage 3 to stage 1	4.5	-	-4.5	-
New financial assets originated	24.0	13.3	2.1	39.4
Increased expected credit loss	15.4	78.6	63.0	156.9
Assets derecognized	-3.7	-10.1	-26.9	-40.6
Decreased expected credit loss	-37.5	-9.5	-10.2	-57.2
Exchange rate movements	-5.7	-4.1	-7.6	-17.4
Macroeconomic model changes	-	-	-	-
Other changes	-4.9	-3.0	0.9	-7.0
Closing balance	230.9	164.0	317.6	712.5

Other changes mainly consist of quarterly review of PD.

Q4 2022

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance at quartal	175.0	116.1	174.1	465.2
Transfer from stage 1 to stage 2	-6.7	6.7	-	-
Transfer from stage 1 to stage 3	-2.2	-	2.2	-
Transfer from stage 2 to stage 3	-	-16.0	16.0	-
Transfer from stage 3 to stage 2	-	7.5	-7.5	-
Transfer from stage 2 to stage 1	24.4	-24.4	-	-
Transfer from stage 3 to stage 1	1.4	-	-1.4	-
New financial assets originated	50.9	14.8	5.2	70.9
Increased expected credit loss	3.9	50.4	48.6	102.9
Assets derecognized	-5.7	-19.1	-36.5	-61.3
Decreased expected credit loss	-33.4	-6.0	-4.6	-44.0
Exchange rate movements	-2.0	-1.1	-1.1	-4.2
Macroeconomic model changes	-	-	-	-
Other changes	-	-	-	-
Closing balance	205.5	128.9	195.0	529.4

2023

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Opening balance at year	205.5	128.9	195.0	529.4
Transfer from stage 1 to stage 2	-48.8	48.8	-	-
Transfer from stage 1 to stage 3	-85.7	-	85.7	0.0
Transfer from stage 2 to stage 3	-	-125.2	125.2	-
Transfer from stage 3 to stage 2	-	39.0	-39.0	-
Transfer from stage 2 to stage 1	106.8	-106.8	-	0.0
Transfer from stage 3 to stage 1	9.9	-	-9.9	0.0
New financial assets originated	229.6	40.4	9.3	279.4
Increased expected credit loss	51.3	266.8	216.4	534.5
Assets derecognized	-67.4	-84.8	-248.1	-400.4
Decreased expected credit loss	-162.5	-30.8	-22.2	-215.6
Exchange rate movements	-10.4	-14.4	-0.6	-25.5
Macroeconomic model changes	2.0	1.4	0.6	3.9
Other changes	0.7	0.7	5.3	6.8
Closing balance	231.0	164.0	317.6	712.5

2022

Amounts in NOK million	Stage 1	Stage 2	Stage 3	Total
Opening balance	201.9	89.8	530.7	822.3
Transfer from stage 1 to stage 2	-29.0	29.0	-	-
Transfer from stage 1 to stage 3	-9.6	-	9.6	-
Transfer from stage 2 to stage 3	-	-66.3	66.3	-
Transfer from stage 3 to stage 2	-	23.8	-23.8	-
Transfer from stage 2 to stage 1	85.5	-85.5	-	-
Transfer from stage 3 to stage 1	12.1	-	-12.1	-
New financial assets originated	146.8	39.3	17.3	203.5
Increased expected credit loss	17.7	200.1	146.6	364.3
Assets derecognized	-29.8	-67.5	-519.1	-616.4
Decreased expected credit loss	-130.9	-27.3	-26.2	-184.4
Exchange rate movements	0.5	0.6	0.3	1.4
Macroeconomic model changes	4.5	2.4	0.7	7.6
Other changes	-64.1	-9.5	4.7	-68.9
Closing balance	205.5	128.9	195.0	529.4

Losses on loans

Amounts in NOK million	Q4 2023	Q4 2022	2023	2022
+/- Change in impairment on stage 1 and 2 in the period	17.6	43.3	-60.6	42.8
+/- Change in stage 3 impairment in the period	-56.6	20.9	-122.6	-335.7
Realized losses and effects of portfolio sales in the period	194.4	71.7	709.8	585.0
Losses on loans	155.3	135.8	526.7	292.1

Note 3 – Capital adequacy

Total capital		
<i>Amounts in NOK million</i>	31.12.2023	31.12.2022
Book equity	2,278.9	1,953.3
Additional Tier 1 capital	-199.6	-199.6
Additions:		
Phase-in effect of IFRS 9	84.8	150.3
Deductions:		
Additional value adjustment (AVA)	-0.9	-1.5
Other equity not included in core capital (Foreseeable dividends)	-15.1	-0.1
Deferred tax assets and other intangible assets and deductions	-96.4	-123.2
Common equity Tier 1	2,051.6	1,779.3
Additional Tier 1 capital	199.6	199.6
Core capital	2,251.2	1,978.8
Subordinated loans (Tier 2)	165.0	65.0
Total capital	2,416.2	2,043.8

Capital excluding phase-in effects of IFRS 9		
<i>Amounts in NOK million</i>	31.12.2023	31.12.2022
Common equity Tier 1 excluding phase-in effect of IFRS 9	1,966.8	1,651.4
Core capital excluding phase-in effect of IFRS 9	2,166.4	1,828.5
Total capital excluding phase-in effect of IFRS 9	2,331.4	1,893.5

Calculation basis		
<i>Amounts in NOK million</i>	31.12.2023	31.12.2022
Loans and deposits with credit institutions	306.0	161.6
Loans to retail customers and IFRS 9 phase-in effect	8,489.2	7,018.3
Covered bonds	40.8	70.0
Other assets	36.7	32.8
Calculation basis credit risk	8,872.6	7,282.7
Calculation basis operational risk (standardized approach)	1,365.6	1,388.9
Total calculation basis	10,238.2	8,671.5

Total calculation basis excluding phase-in effect of IFRS 9 **10,165.2** **8,544.9**

Capital ratios including phase-in effect of IFRS 9	31.12.2023	31.12.2022
Common equity tier 1 (%)	20.0 %	20.5 %
Core capital (%)	22.0 %	22.8 %
Total capital (%)	23.6 %	23.6 %

Capital ratios excluding phase-in effect of IFRS 9		
Common equity tier 1 (%)	19.3 %	19.3 %
Core capital (%)	21.3 %	21.4 %
Total capital (%)	22.9 %	22.2 %

The LCR (Liquidity Coverage Ratio) was 310% and the NSFR (Net Stable Funding Ratio) was 125% as at 31 December 2023. As at 31 December 2022 LCR was 451% and the NSFR was 127%.

Note 4 - Financial instruments

Financial instruments at fair value

<i>Amounts in NOK million</i>	31.12.2023	31.12.2022
Certificates and bonds - level 1	175.0	470.5
Certificates and bonds - level 2	751.1	983.1
Total financial instruments at fair value	926.1	1,453.5

For further description of the financial instruments and levels, see Annual Report 2022.

Financial instruments at amortised cost

<i>Amounts in NOK million</i>	31.12.2023	31.12.2022
Loans and deposits with credit institutions	1,530.0	807.8
Net loans to customers	11,076.0	9,110.7
Other receivables	9.2	20.7
Total financial assets measured at amortised cost	12,615.2	9,939.3
Deposits from and debt to customers	11,096.0	9,347.6
Other debt	42.6	78.3
Subordinated loans (Tier 2)	165.0	65.0
Total financial liabilities measured at amortised cost	11,303.5	9,490.9

Note 5 - Subordinated loans

<i>Amounts in NOK million</i>	Issue date	Maturity date	31.12.2023	31.12.2022
Subordinated loan (ISIN NO0010941131)	03.03.2021	03.03.2031	65.0	65.0
Subordinated loan (ISIN NO0012909235)	11.05.2023	11.05.2033	100.0	-
Total subordinated loans			165.0	65.0

For further description of the subordinated loan, see ir.morrowbank.com/funding.

Note 6 - Net interest income and net commissions and fees

<i>Amounts in NOK million</i>	Q4 2023	Q4 2022	2023	2022
Interest income from loans to customers	380.9	246.7	1,335.9	895.5
<i>of which sales commissions to agents</i>	-46.5	-43.0	-186.0	-130.3
Interest income from loans and deposits with credit institutions	17.3	7.3	44.1	11.5
Total interest income calculated using the effective interest rate method	398.2	254.0	1,380.0	907.0
Other interest income	-	-	-	-
Total interest income	398.2	254.0	1,380.0	907.0
Interest expense from deposit customers	-102.1	-34.4	-288.5	-68.9
Interest expense from subordinated loan (Tier 2)	-4.8	-1.4	-14.2	-4.7
Other interest expenses and similar expenses	-13.2	-10.1	-57.1	-40.2
Total interest expenses	-120.1	-45.9	-359.8	-113.7
Net interest income	278.1	208.1	1,020.2	793.3
Insurance services	10.0	8.3	40.6	32.2
Other fees and commissions and bank services income	3.4	7.4	22.1	20.9
Total income commissions and fees	13.5	15.7	62.7	53.0
Provisions to other bank connections	-1.4	-1.0	-5.8	-4.3
Other expenses commissions and fees	-15.5	-11.1	-51.8	-39.0
Total expenses commissions and fees	-16.9	-12.2	-57.6	-43.3
Net commissions and fees	-3.4	3.5	5.1	9.8

Note 7 - General administrative expenses and other expenses

<i>Amounts in NOK million</i>	Q4 2023	Q4 2022	2023	2022
Direct marketing expenses	-7.3	-7.8	-22.6	-36.0
IT-expenses	-12.6	-23.7	-49.7	-69.4
Other general administrative expenses	-14.2	-16.8	-63.0	-53.5
Total general and administrative expenses	-34.1	-48.3	-135.3	-159.0
Insurance	-0.4	-0.5	-1.8	-1.7
External audit and related services	-0.8	-0.7	-3.0	-2.6
Other consultants	-5.6	-6.7	-30.0	-22.2
Other expenses	-2.3	-2.9	-12.7	-16.6
Total other expenses	-9.1	-10.7	-47.6	-43.1

Note 8 - Subsequent events

The Board of Directors is not aware of any other events after the balance sheet that might be of material significance to the accounts.