



Interim report

FIRST QUARTER 2024

Q1 2024 highlights: Income growth, cost efficiency and improving loan loss ratio yield higher returns

Solid income growth

- Continued strong Nordic consumer financing demand, gross loans exceeding NOK 12 billion
- Net interest margin stable around 9%, in line with the four previous quarters
- Total income of NOK 296 million in Q1, up 3.4% vs Q4 2023

Improved cost efficiency

- Operating expenses remaining stable at NOK 80 million
- Cost/income ratio at industry-leading 27% (28%) driven by continued cost focus

Credit risk control

- Loan loss ratio at 5.2% (5.4%) as growth is stabilising and tightened credit policies in H2 2023 are starting to weigh in
- Initiatives to improve collection processes have yielded early positive results

Higher returns

- Profit before tax of NOK 58 million (NOK 51 million) and profit after tax of NOK 44 million (NOK 35 million)
- ROE (return on equity) of 7.4% (6.1%)

On track for 2025 targets

- Year-end 2025 targets of ~10% annualised loan growth, cost/income ratio of ~26% and ROTE (return on target equity) of 10-12%
- With capital requirements similar to Swedish peers, ROTE could reach 15-18%

Comment from the CEO, Øyvind Oanes:

“Over the past two years, Morrow Bank has optimised its product portfolio, improved customer processes, increased automation and right sized the organisation. This has enabled us to deliver solid loan growth and highly competitive cost-efficiency for the past five consecutive quarters. Based on this, we set new and more ambitious medium-term targets at the beginning of the year and the performance this quarter demonstrates that we are on track.

In Q1 2024, we delivered higher revenues while keeping costs stable. We were particularly pleased to see the effect of the tightened credit policies and improved collection processes implemented last year. With a maturing loan book, these initiatives are now materialising through a lower loan loss ratio which was down 0.2%p from the previous quarter. As such, we are set to improve our risk-adjusted margins and returns.

With a scalable and robust banking platform established, and a positive medium to long-term macro-outlook in the Nordics, we will focus on continuous organic improvements while pursuing opportunities that can drive further value creation.

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 the 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 Austria, Ireland and the Netherlands. 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 other EU/EEA 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 Q1 2024

All figures are prepared and presented in accordance with IFRS® Accounting Standards.

Gross loans to customers amounted to NOK 12.2 billion at the end of Q1 2024, an increase of 3.9% compared to Q4 2023. Split on product segments, loans increased by NOK 394 million and credit cards increased by NOK 61 million. The point of sale (POS) financing product was discontinued in Q2 2023 and existing balances migrated to the Bank’s standard loan product by the end of that year. Adjusted for currency effects and forward-flow sales, total gross loans increased by 1.0%.

Net interest income amounted to NOK 286.4 million in Q1 2024, up 3.0% compared to Q4 2023. Loan interest rates were increased across markets during Q1 2024 to mitigate the margin impact of increasing deposit rates, with a limited impact on the inflow of loan applications.

The yield increased to 14.8% for performing consumer loans (14.3% in Q4 2023) while the performing credit card yield increased to 17.5% (16.5%). The yield on deposits decreased to 3.7% from 3.8% in the previous quarter. The overall net interest margin was 8.8% in the quarter (9.1%). The decline was driven by a larger share of other interest-bearing assets (mainly placements in other banks and securities held for liquidity purposes) that have a lower yield than our main lending products, as well as the fact that the Bank now has a higher portion of defaulted (non-performing) loans where a lower effective interest is recognised (cf. below).

Net commissions and fees amounted to NOK 0.4 million in the quarter, up from NOK -3.4 million in the previous quarter.

Net gains on certificates, bonds and currency were NOK 9.1 million (NOK 11.4 million) due to gains on market-based instruments.

Total income was NOK 295.9 million, up 3.4% from the previous quarter driven by loan growth and loan interest rate increases.

Total operating expenses were NOK 80.1 million, level with the previous quarter.

Personnel expenses increased to NOK 27.4 million in the quarter from NOK 26.9 million in the previous quarter. The number of FTEs was 75 at the end of the quarter vs. 74 at the end of Q4 2023.

General and administrative expenses including direct marketing expenses were NOK 35.6 million, up from NOK 34.1 million in Q4 2023.

The cost/income ratio was 27%, down from 28% in Q4 2023, driven by loan growth and benefits from scale.

Losses on loans amounted to NOK 157.5 million, versus NOK 155.3 million in Q4 2023. The increase was driven by loan growth, whereas the loan loss ratio of 5.2% was 0.2%p lower than the previous quarter. The declining loan loss ratio was a result of loan growth stabilising and the implementation of stricter credit policies after Q2 2023, which are starting to weigh in. Additionally, the Bank experienced early positive results from its initiatives to improve collection processes during the quarter.

Underlying credit quality was stable in the quarter, with a 10-15% lower risk for newer loans acquired after the stricter credit policies were implemented.

Profit after tax increased to NOK 43.7 million compared to NOK 35.1 million in the previous quarter. The improvement was driven by solid loan growth, stable costs and a declining loan loss ratio.

The return on equity was 7.4% (6.1%).

Total assets as of 31 March 2024 amounted to NOK 14,501 million (compared to NOK 13,665 million as of 31 December 2023). Net loans to customers ended at NOK 11,373 million (NOK 11,076 million). Deposits from customers amounted to NOK 11,096 million (NOK 9,954 million). The Bank is no longer selling but retaining most of our defaulted loans on our books. As a consequence, the portion of defaulted loans has increased to MNOK 1,139 (MNOK 754). The value of these loans is, however, impaired by an expected credit loss of MNOK 476 (MNOK 318).

Total equity was NOK 2,318 million as of 31 March 2024 (NOK 2,279 million). The Bank had a total capital ratio of 22.7% by the end of the quarter (23.6%), and a CET1 ratio of 19.3% (20.0%). The Bank's CET1 ratio requirement and management target decreased to 15.8% (16.1%) and 16.8% (17.1%), respectively as a result of a relatively larger Finnish loan book.

Loans and deposits with credit institutions and certificates and bonds amounted to NOK 2,982 million (NOK 2,456 million) corresponding to 20.6% (18.0%) 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 12.2 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 Q1 2024, 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 two years 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.

Despite current uncertainties such as the geo-political picture, the macroeconomic outlook for the Nordic region remains robust, supporting a stable environment in the medium term. During Q1, GDP growth was weak across the Nordic countries, however improving in Norway, Sweden and Finland. Inflation was high but declining, while unemployment levels were stable across the Nordics. For 2024, the market outlook is improving across the Nordics with increased GDP growth driving demand for consumer financing while reduced inflation and stable unemployment rates limit credit risk.

Cost inflation has affected personnel costs somewhat throughout 2023 and into 2024, but the impact of inflation on overall costs is still expected to be moderate in the near to medium 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 a stricter credit policy implemented in H2 2023, improved collection processes and a maturing loan book – are expected to drive risk-adjusted margins.

In Q2 2024, Morrow Bank's capital requirement is set to increase by approximately 0.5%p in Q2 due to an increase in the Finnish systemic risk buffer requirement from 0 % to 1.0%. At the same time, Norway is in process to harmonise regulations with EU, which, if fully implemented, could lower capital requirements somewhat from 1 January 2025.

Based on continued organic improvements, Morrow Bank targets an annual loan balance growth of around 10%, a cost/income ratio of around 26% and a ROE in the 10-12% range by Q4 2025 based on current regulatory capital requirements. With capital requirements similar to Swedish peers, Morrow Bank's Q4 2025 ROTE could increase to 15-18%.

Further, the Bank has increased its focus on potential measures to increase returns beyond the organic improvements.

Management considers its current business plan to be fully funded for future operations and foreseen development.

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 2023. 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 ensuing higher interest rates may lead to an increased part of Morrow Bank's outstanding loans going into default. While no material 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 2023 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 2023 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.

Significant events after the 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 Q1 2024 that significantly impacted Morrow Bank's financial position or results for the period.

COMPREHENSIVE INCOME STATEMENT

<i>Amounts in NOK million</i>	Note	Q1 2024	Q1 2023	2023
Interest income	2, 6	408.6	292.7	1,380.0
Interest expenses	2, 6	-122.1	-63.0	-359.8
Net interest income		286.4	229.6	1,020.2
Commission income and fees	2, 6	13.9	13.3	62.7
Commission expenses and fees	2, 6	-13.5	-12.6	-57.6
Net commissions and fees		0.4	0.7	5.1
Net gains/(losses) on certificates, bonds and currency		9.1	4.3	28.6
Total income		295.9	234.7	1,053.9
Personnel expenses		-27.4	-24.4	-102.3
General and administrative expenses	7	-35.6	-33.9	-135.3
Other expenses	7	-7.4	-15.5	-47.6
Depreciation		-9.8	-7.5	-35.7
Total operating expenses		-80.1	-81.3	-320.9
Losses on loans	2	-157.5	-100.2	-526.7
Profit/(loss) before tax		58.2	53.1	206.4
Tax expenses		-14.6	-13.3	-54.5
Profit/(loss) after tax		43.7	39.9	151.9
<i>Attributable to</i>				
Shareholders		38.9	35.6	133.7
Additional Tier 1 capital investors		4.8	4.2	18.2
Profit/(loss) after tax		43.7	39.9	151.9
Earnings per share (NOK)		0.17	0.18	0.62
Diluted earnings per share (NOK)		0.17	0.18	0.61
Comprehensive income				
Profit/(loss) after tax		43.7	39.9	151.9
Other comprehensive income		-	-	-
Comprehensive income for the period		43.7	39.9	151.9

BALANCE SHEET

<i>Amounts in NOK million</i>	Note	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Loans and deposits with credit institutions		2,037.6	745.9	1,530.0
Net loans to customers	2	11,373.1	10,241.1	11,076.0
Certificates and bonds		944.2	1,605.1	926.1
Other receivables		41.1	34.5	14.7
Deferred tax asset		16.5	66.0	29.5
Fixed assets		20.5	2.4	22.0
Intangible assets		68.3	54.5	66.9
Total assets		14,501.3	12,749.5	13,665.2
Deposits from and debt to customers		11,856.7	10,466.1	11,096.0
Other debt		161.7	133.8	125.3
Subordinated loans (Tier 2)	5	165.0	65.0	165.0
Total liabilities		12,183.5	10,664.9	11,386.3
Additional Tier 1 capital		199.6	199.6	199.6
Share capital		229.4	205.8	229.4
Share premium		936.9	864.3	936.9
Other paid-in capital		56.5	56.4	56.5
Retained earnings		895.6	758.7	856.7
Total equity		2,317.9	2,084.6	2,278.9
Total liabilities and equity		14,501.3	12,749.5	13,665.2

 Lysaker, Bærum, 6 May 2024

Board of Directors and CEO, Morrow Bank ASA

STATEMENT OF CHANGES IN EQUITY

<i>Amounts in NOK million</i>	Additional Tier 1 capital	Share capital	Share premium	Other paid- in capital	Retained earnings	Total Equity
Equity as at 1 January 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 December 2023	199.6	229.4	936.9	56.5	856.7	2,278.9
Equity as at 1 January 2024	199.6	229.4	936.9	56.5	856.7	2,278.9
Profit after tax	4.8	-	-	-	38.9	43.7
Share capital increases due to share issue	-	-	-	-	-	-
Share capital increases due to exercised share options	-	-	-	-	-	-
Changes in equity due to share option programs	-	-	-	-	-	-
Net interest paid to additional Tier 1 capital investors	-4.8	-	-	-	-	-4.8
Equity as at 31 March 2024	199.6	229.4	936.9	56.5	895.6	2,317.9

CASH FLOW STATEMENT

<i>Amounts in NOK million</i>	Q1 2024	Q1 2023	2023
Profit/(loss) before tax	58.2	53.1	206.4
Taxes paid	-	-	-
Depreciation	9.8	7.5	35.7
Change in impairments on loans to customers	157.3	19.1	183.1
Change in gross loans to customers	-454.4	-1,149.5	-2,148.4
Effects of currency on loans to customers	208.5	419.2	334.0
Change in deposits from and debt to customers	760.8	1,118.5	1,748.4
Effects of currency on deposits from and debt to customers	-232.0	-495.8	-440.6
Change in certificates and bonds	-	-96.1	617.8
Change in accruals and other adjustments	-1.2	-28.3	-63.4
Net cash flow from operating activities	507.1	-152.3	473.0
Payments for investments in fixed assets	-	-0.4	-3.9
Payments for investments in intangible assets	-10.2	-15.3	-48.3
Net cash flow from investing activities	-10.2	-15.6	-52.2
Paid-in equity	-	95.8	190.6
Payment to AT1 capital investors	-6.4	-5.6	-24.3
Net receipts from AT2 capital	-	-	98.0
Lease payments	-0.6	-1.2	-4.3
Dividend payment	-	-	-
Net cash flow from financing activities	-6.9	88.9	260.0
Net cash flow for the period	489.9	-79.0	680.8
Cash and cash equivalents at the start of the period	1,530.0	807.8	807.8
Effects of currency on loans and deposits with credit institutions in the period	17.7	17.1	41.4
Cash and cash equivalents at the end of the period	2,037.6	745.9	1,530.0
<i>Of which:</i>			
Loans and deposits with credit institutions	2,037.6	745.9	1,530.0

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 2023 for more information regarding the credit loss model.

There are uncertainties related to the estimates as they are forward looking. As at 31 March 2024, the total loan loss provision related to macroeconomic factors amounted to NOK 35.0 million (31 March 2023: NOK 25.4 million).

Loans to customers

<i>Amounts in NOK million</i>	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Gross loans to customers	12,242.9	10,789.6	11,788.5
Impairment of loans	-869.8	-548.5	-712.5
Net loans to customers	11,373.1	10,241.1	11,076.0

Defaulted loans

<i>Amounts in NOK million</i>	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Gross defaulted loans to customers *	1,139.0	457.6	754.2
Impairment of loans (stage 3)	-475.8	-198.2	-317.6
Net defaulted loans to customers	663.2	259.4	436.6

* 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 March 2024, 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 330.2 million, with corresponding impairment amounted to NOK 72.2 million (31 March 2023: NOK 185.0 million and NOK 37.3 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

Q1 2024	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	93.8	179.3	80.9	38.0	-	16.6	408.6
Interest expenses	-28.6	-56.2	-28.0	-9.3	-	-	-122.1
Net interest income	65.2	123.1	52.9	28.7	-	16.6	286.4
Commission income and fees	2.4	3.1	2.1	6.3	-	-	13.9
Commission expenses and fees	0.0	-0.5	-	-10.7	-	-2.3	-13.5
Net commissions and fees	2.4	2.6	2.1	-4.4	-	-2.3	0.4
Losses on loans	-19.0	-109.7	-13.8	-15.1	-	-	-157.5
Total income incl. loan losses	48.7	16.0	41.2	9.2	-	14.2	129.3
Gross loans to customers	2,742.7	5,737.1	2,817.6	945.5	-	-	12,242.9
Impairment of loans	-107.2	-491.0	-211.5	-60.0	-	-	-869.8
Net loans to customers	2,635.5	5,246.1	2,606.1	885.5	-	-	11,373.1

Amounts in NOK million

Q1 2023	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	89.6	98.0	58.5	28.8	13.3	4.5	292.7
Interest expenses	-21.5	-20.5	-14.6	-4.1	-2.2	-	-63.0
Net interest income	68.1	77.5	43.9	24.6	11.0	4.5	229.6
Commission income and fees	3.1	2.0	1.9	5.9	0.5	-	13.3
Commission expenses and fees	0.0	-0.5	-	-10.1	-	-1.9	-12.6
Net commissions and fees	3.1	1.4	1.9	-4.2	0.5	-1.9	0.7
Losses on loans	-1.0	-57.8	-33.0	-7.7	-0.7	-	-100.2
Total income net of losses on loans	70.2	21.2	12.8	12.7	10.8	2.5	130.2
Gross loans to customers	3,495.2	3,707.9	2,488.8	721.4	376.3	-	10,789.6
Impairment of loans	-130.2	-189.0	-165.4	-26.5	-37.3	-	-548.5
Net loans to customers	3,365.0	3,518.9	2,323.4	694.9	338.9	-	10,241.1

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

Reconciliation of gross loans to customers

Q1 2024

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Closing balance	10,014.4	1,019.9	754.2	11,788.5
Transfer from stage 1 to stage 2	-502.2	502.2	-	-
Transfer from stage 1 to stage 3	-141.5	-	141.5	-
Transfer from stage 2 to stage 3	-	-306.3	306.3	-
Transfer from stage 3 to stage 2	-	51.1	-51.1	-
Transfer from stage 2 to stage 1	189.9	-189.9	-	-
Transfer from stage 3 to stage 1	9.3	-	-9.3	-
New assets	1,253.5	-7.1	67.2	1,313.7
Assets derecognized	-745.9	-43.6	-69.8	-859.3
Closing balance	10,077.6	1,026.3	1,139.0	12,242.9

Q1 2023

<i>Amounts in NOK million</i>	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	-336.1	336.1	-	-
Transfer from stage 1 to stage 3	-170.7	-	170.7	-
Transfer from stage 2 to stage 3	-	-96.8	96.8	-
Transfer from stage 3 to stage 2	-	49.0	-49.0	-
Transfer from stage 2 to stage 1	180.3	-180.3	-	-
Transfer from stage 3 to stage 1	9.2	-	-9.2	-
New assets	1,842.5	49.5	4.4	1,896.3
Assets derecognized	-456.2	-104.9	-185.8	-746.9
Closing balance	9,560.2	771.8	457.6	10,789.6

2023

<i>Amounts in NOK million</i>	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

Reconciliation of impairment of loans

Q1 2024

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance	230.9	164.0	317.6	712.5
Transfer from stage 1 to stage 2	-12.2	12.2	-	-
Transfer from stage 1 to stage 3	-3.6	-	3.6	-
Transfer from stage 2 to stage 3	-	-63.4	63.4	-
Transfer from stage 3 to stage 2	-	11.5	-11.5	-
Transfer from stage 2 to stage 1	29.6	-29.6	-	-
Transfer from stage 3 to stage 1	1.3	-	-1.3	-
New financial assets originated	19.8	5.3	0.1	25.2
Increased expected credit loss	8.6	89.4	127.3	225.3
Assets derecognized	-3.7	-4.9	-13.1	-21.7
Decreased expected credit loss	-40.8	-9.9	-13.4	-64.1
Exchange rate movements	-10.0	-9.5	-6.2	-25.6
Macroeconomic model changes	-	-	-0.0	-0.0
Other changes	5.3	3.7	9.3	18.2
Closing balance	225.3	168.7	475.8	869.8

Q1 2023

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance at quartal	205.5	128.9	195.0	529.4
Transfer from stage 1 to stage 2	-8.0	8.0	-	-
Transfer from stage 1 to stage 3	-3.1	-	3.1	-
Transfer from stage 2 to stage 3	-	-18.1	18.1	-
Transfer from stage 3 to stage 2	-	10.1	-10.1	-
Transfer from stage 2 to stage 1	29.7	-29.7	-	-
Transfer from stage 3 to stage 1	2.4	-	-2.4	-
New financial assets originated	39.2	6.6	4.9	50.7
Increased expected credit loss	8.1	58.2	41.0	107.3
Assets derecognized	-6.2	-24.1	-56.4	-86.7
Decreased expected credit loss	-44.0	-8.0	-3.8	-55.9
Exchange rate movements	-20.4	0.7	-0.0	-19.7
Macroeconomic model changes	0.0	-0.0	-0.0	0.0
Other changes	10.7	7.5	8.9	27.1
Closing balance	213.7	140.2	198.2	552.1

2023

<i>Amounts in NOK million</i>	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

Losses on loans

<i>Amounts in NOK million</i>	Q1 2024	Q1 2023	2023
+/- Losses stage 1 and stage 2, movement	9.3	17.6	67.3
+/- Losses stage 3, movement	154.3	2.4	130.8
Other effects (NPL, sales parameter updates etc.)	-6.0	80.2	328.5
Losses on loans	157.6	100.2	526.7

Note 3 – Capital adequacy

<i>Amounts in NOK million</i>	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Book equity	2,317.9	2,084.6	2,278.9
Additional Tier 1 capital	-199.6	-199.6	-199.6
Additions:			
Phase-in effect of IFRS 9	14.7	68.1	84.8
Deductions:			
Additional value adjustment (AVA)	-0.9	-1.6	-0.9
Other equity not included in core capital (Foreseeable dividends)	-	-4.0	-15.1
Deferred tax assets and other intangible assets and deductions	-84.8	-120.5	-96.4
Common equity Tier 1	2,047.2	1,827.0	2,051.6
Additional Tier 1 capital	199.6	199.6	199.6
Core capital	2,246.8	2,026.6	2,251.2
Subordinated loans (Tier 2)	165.0	65.0	165.0
Total capital	2,411.8	2,091.6	2,416.2

Capital excluding phase-in effects of IFRS 9

<i>Amounts in NOK million</i>	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Common equity Tier 1 excluding phase-in effect of IFRS 9	2,032.6	1,759.0	1,966.8
Core capital excluding phase-in effect of IFRS 9	2,232.1	1,958.5	2,166.4
Total capital excluding phase-in effect of IFRS 9	2,397.1	2,023.5	2,331.4

Calculation basis

<i>Amounts in NOK million</i>	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Loans and deposits with credit institutions	407.5	149.2	306.0
Loans to retail customers and IFRS 9 phase-in effect	8,708.6	7,802.9	8,489.2
Covered bonds	41.3	8.1	40.8
Other assets	61.6	36.9	36.7
Calculation basis credit risk	9,219.1	7,997.1	8,872.6
Calculation basis operational risk (standardized approach)	1,365.6	1,388.9	1,365.6
Total calculation basis	10,584.7	9,385.9	10,238.2

Total calculation basis excluding phase-in effect of IFRS 9 **10,571.7** **9,328.7** **10,165.2**

Capital ratios including phase-in effect of IFRS 9	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Common equity tier 1 (%)	19.3 %	19.5 %	20.0 %
Core capital (%)	21.2 %	21.6 %	22.0 %
Total capital (%)	22.8 %	22.3 %	23.6 %

Capital ratios excluding phase-in effect of IFRS 9	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Common equity tier 1 (%)	19.2 %	18.9 %	19.3 %
Core capital (%)	21.1 %	21.0 %	21.3 %
Total capital (%)	22.7 %	21.7 %	22.9 %

The LCR (Liquidity Coverage Ratio) was 291% and the NSFR (Net Stable Funding Ratio) was 128% as at 31 March 2024. As at 31 December 2022 LCR was 310% and the NSFR was 125%.

Note 4 - Financial instruments

Financial instruments at fair value

<i>Amounts in NOK million</i>	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Certificates and bonds - level 1	-	399.2	175.0
Certificates and bonds - level 2	944.2	1,205.9	751.1
Total financial instruments at fair value	944.2	1,605.1	926.1

For further description of the financial instruments and levels, see Annual Report 2023.

Financial instruments at amortised cost

<i>Amounts in NOK million</i>	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Loans and deposits with credit institutions	2,037.6	745.9	1,530.0
Net loans to customers	11,373.1	10,241.1	11,076.0
Other receivables	8.0	1.7	9.2
Total financial assets measured at amortised cost	13,418.6	10,988.7	12,615.2
Deposits from and debt to customers	11,856.7	10,466.1	11,096.0
Other debt	53.3	58.8	42.6
Subordinated loans (Tier 2)	165.0	65.0	165.0
Total financial liabilities measured at amortised cost	12,075.0	10,589.9	11,303.5

Note 5 - Subordinated loans

<i>Amounts in NOK million</i>	Issue date	Maturity date	31 Mar. 2024	31 Mar. 2023	31 Dec. 2023
Subordinated loan (ISIN NO0010941131)	03.03.2021	03.03.2031	65.0	65.0	65.0
Subordinated loan (ISIN NO0012909235)	11.05.2023	11.05.2033	100.0	-	100.0
Total subordinated loans			165.0	65.0	165.0

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>	Q1 2024	Q1 2023	2023
Interest income from loans to customers	390.1	288.2	1,335.9
<i>of which sales commissions to agents</i>	-50.5	-45.4	-186.0
Interest income from loans and deposits with credit institutions	18.4	4.5	44.1
Total interest income calculated using the effective interest rate method	408.6	292.7	1,380.0
Other interest income	-	-	-
Total interest income	408.6	292.7	1,380.0
Interest expense from deposit customers	-103.7	-50.8	-288.5
Interest expense from subordinated loan (Tier 2)	-4.7	-1.5	-14.2
Other interest expenses and similar expenses	-13.8	-10.8	-57.1
Total interest expenses	-122.1	-63.0	-359.8
Net interest income	286.4	229.6	1,020.2
Insurance services	10.5	3.2	40.6
Other fees and commissions and bank services income	3.5	10.1	22.1
Total income commissions and fees	13.9	13.3	62.7
Provisions to other bank connections	-1.3	-1.5	-5.8
Other expenses commissions and fees	-12.2	-11.1	-51.8
Total expenses commissions and fees	-13.5	-12.6	-57.6
Net commissions and fees	0.4	0.7	5.1

Note 7 – General administrative expenses and other expenses

<i>Amounts in NOK million</i>	Q1 2024	Q1 2023	2023
Direct marketing expenses	-6.7	-4.8	-22.6
IT-expenses	-14.8	-15.5	-61.3
Other general administrative expenses	-14.1	-13.5	-51.3
Total general and administrative expenses	-35.6	-33.9	-135.3
Insurance	-0.3	-0.6	-1.8
External audit and related services	-0.7	-0.8	-3.0
Other consultants	-5.0	-8.7	-30.0
Other expenses	-1.4	-5.5	-12.7
Total other expenses	-7.4	-15.5	-47.6

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.



To the Shareholders of Morrow Bank ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed balance sheet of Morrow Bank ASA as at 31 March 2024, and the related condensed comprehensive income statement, the statement of changes in equity and the cash flow statement for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Oslo, 6 May 2024

PricewaterhouseCoopers AS

Erik Andersen
State Authorised Public Accountant
(This document is signed electronically)