



Interim report

FIRST QUARTER 2023

Q1 2023 highlights:

Improved performance driving increased profitability

Solid income growth enabled by improved throughput and stable net yield

- 12% loan balance growth vs. Q4 2022, 7% growth when adjusting for currency effects
- Increase of loan book interest rates continued, stable net yield
- Total income growth of 6% vs. Q4 2022 driven by net loan growth

Initiatives to reduce cost base continued to materialise

- Number of full-time employees (FTEs) reduced by 43% year-on-year
- Total operating expenses before depreciation and write-offs down by 18% vs. Q4 2022
- Cost/income ratio of 35% vs. 44% (adjusted) in the previous quarter

Stable credit quality development and ROE improvement

- Loan loss ratio of 3.9%, down from 5.4% (adjusted) in Q4 2022, driven by lower loan growth and stable underlying credit quality
- Profit after tax of NOK 40 million vs. NOK -89 million in the previous quarter
- Return on equity (ROE) was 8%, the highest level since Q2 2021

Outlook for further growth and cost/income reduction

- The Bank successfully completed a NOK 100 million capital (equity) increase during the quarter in order to strengthen its solidity for further growth
- Strategic initiatives focusing on simplifying IT in 2023; first product successfully transferred to the new IT platform during the quarter, enabling increased efficiency
- Growth to continue, but pace reduced during the quarter due to slight tightening of credit models and weakening of NOK vs. EUR reducing growth capacity

Comment from the CEO, Øyvind Oanes:

“Since the current management team was introduced in January 2022, our focus has been on building a bank that is competitive and positioned for long-term growth and value creation. For three consecutive quarters, we have delivered strong growth while significantly reducing the cost base. A 20%-points reduction in the cost/income ratio since Q1 2022 is illustrative for the progress we have made on efficiency. Going forward, we plan for continued growth and further cost reductions. I am pleased to have a highly motivated team and we now look forward to continuing building a bank for the future under the new brand Morrow Bank.”

About Morrow Bank ASA

Morrow Bank ASA (the “Bank”), previously Komplet Bank, 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 launched in May 2019 as well as a flexible loan product with functionality that gives the customer more flexibility in use of the credit line. In July 2022, the Bank launched a new refinancing product in Norway. 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, Germany and Sweden. As a member of the Norwegian Banks’ Guarantee Fund, customer deposits are guaranteed up to NOK 2 million (EUR 100,000 in Germany and Sweden) 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 2023

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

Gross loans to customers amounted to NOK 10.8 billion at the end of Q1 2023, an increase of 12% compared to Q4 2022. Split on product segments, loans increased by NOK 1,074 million, credit cards increased by NOK 73 million and point of sales (POS) financing increased by NOK 3 million. Adjusted for currency effects, gross loans increased by 7% vs a 15% growth in the previous quarter. As previously announced, the Bank discontinued its POS financing product effective as of 1 May 2023.

Net interest income amounted to NOK 229.6 million in Q1 2023, up 10.4% compared to Q4 2022. Loan interest rates were increased across markets during Q1 2023 to mitigate the margin impact of increasing deposit rates, with limited impact on the inflow of loan applications. However, increased interest rates were offset by higher deposit rates, and mandatory rate adjustment notification periods in Norway and Finland. Additionally, new customers are on lower interest rates than the average in the Bank’s existing loan book, as loan interest rates in general have declined over the past years due to lower market interest rates and increased competition.

The yield increased to 13.3% for performing loans (13.0% in Q4 2022) and 16.4% for performing credit card balances (15.8%), while deposits increased to 2.2% from 1.7% in the previous quarter. The net yield remained stable in the quarter.

Net commissions and fees amounted to NOK 0.7 million in the quarter, down from NOK 3.5 million in the previous quarter.

Net gains/losses on certificates, bonds and currency were NOK 4.3 million compared to NOK 8.8 million in Q4 2022 due to mark-to-market losses on liquidity placed in market-based instruments.

Total income was NOK 234.7 million, up 6.5% from the previous quarter driven by loan growth and loan interest rate increases.

Total operating expenses were NOK 81.3, down from NOK 202.5 million in the previous quarter which was impacted by write-downs of NOK 92.8 million.

Personnel expenses was reduced to NOK 24.4 million in the quarter from NOK 31.4 million in the previous quarter, driven by a reduction in number of FTEs. The number of FTEs was 77 at the end of Q1 2023, a reduction of ~43% year-over-year, and is expected to stabilise at ~70 in H2 2023.

General and administrative expenses including direct marketing expenses was NOK 33.9, down from NOK 48.3 million in Q4 2022, partly driven by a reduction of NOK 2.9 in direct marketing expenses. Additionally, the general and administrative expenses in the previous quarter was impacted by NOK 9 million in restructuring costs.

The cost/income ratio was 34.7%, down from 44.0% (adjusted) in Q4 2022.

While further cost efficiencies are expected to materialise in the coming quarters – including, lower personnel cost, reductions in IT platform costs and office rent – structural changes to reduce cost and automation/IT enhancements may continue to require some investments going forward. The 2023 wage settlement will impact personnel expenses from Q2 2023.

Losses on loans amounted to NOK 100.2 million, down from NOK 135.8 million in Q4 2022. The decrease was mainly driven by reduced loan growth in the quarter as underlying credit quality was stable. In addition, loan losses in the previous quarter were impacted by a non-recurring NOK 14 million write-down related to older cases. The loan loss ratio was 3.9% compared to 5.4% in the previous quarter.

Profit after tax increased to NOK 39.9 million, mainly driven by loan growth and reduced costs, whereas the profit after tax of NOK -88.7 million in the previous quarter was impacted by the aforementioned write-downs.

Total assets as at 31 March 2023 amounted to NOK 12,750 million (compared to NOK 11,528 million as at 31 December 2022). Net loans to customers ended at NOK 10,241 (NOK 9,111 million). Deposits from customers amounted to NOK 10,466 million (NOK 9,348 million).

Total equity was NOK 2,085 million as at 31 March 2023 (NOK 1,953 million as at 31 December 2022). The Bank successfully completed an NOK 100 million capital (equity) increase during the quarter in order to strengthen its solidity for further growth. The Bank had a total capital ratio of 22.3% (23.6%) by the end of the quarter, and a CET1 ratio of 19.5% (20.5%). The Bank's CET1 ratio requirement was 17.7%.

Loan and deposits with credit institutions and certificates and bonds amounted to NOK 2,351 million (NOK 2,261 million) corresponding to 18.4% (19.6%) of total assets.

Exiting POS finance and terminating brand royalty agreement

During Q4 2022, the Bank agreed with Komplett Group to exit the cooperation related to POS financing. This was a reflection of the jointly developed POS finance product no longer meeting the expected returns

as well as the progress made on the strategic re-positioning of the Bank. Additionally, the parties agreed to terminate the agreement related to the use of the Komplet brand. As such, the POS Finance product is in the process of being closed down with new sales having been terminated, and the brand royalty agreement was terminated effective as of 1 May 2023. The new name was registered in the Norwegian Register of Business Enterprises on 25 April 2023 and the Bank launched under its new name, Morrow Bank ASA, on 1 May 2023. Morrow Bank is pleased with the long-standing cooperation with Komplet Group which has contributed to building its position in the Nordic market and has appreciated the open dialogue between the parties as the conditions for the cooperation has changed over time.

Dividend policy

Morrow Bank's dividend policy is to distribute excess capital not allocated to growth to its shareholders.

Significant events after balance sheet date

The Annual General Meeting of Morrow Bank ASA was held on Thursday 13 April 2023. All proposals on the agenda were adopted in accordance with the proposals in the notice dated 22 March 2023.

On Wednesday 3 May 2023, the Bank completed the placement of a new NOK 100 million subordinated tier 2 bond issue to support further loan growth. The new bond was priced at 3 months NIBOR + 700 basis points and will be applied for listing at Nordic ABM.

Development and outlook

Morrow Bank maintains a positive outlook for growth and increased profitability. The outlook is founded on the Bank having a well-diversified NOK 10.8 billion gross loan book, a continued strong inflow of loan applications, profitable operations, and exposure to a growing and a resilient Nordic consumer financing market.

The underlying credit quality is stable and the loan loss ratio normalised in Q1 2023. Most new NPL loans are sold on forward flow agreements, limiting risk in the balance sheet.

During Q1, the Bank maintained strong sales volumes, although at somewhat lower level than in Q4 2022. The sales, taking place across all geographical markets, are driven by generally benign market conditions as well as improvement in conversion rates. The latter is a result of systematic work by the Bank to improve conversion and throughput, and the positive development seen since H2 2022.

To achieve increased throughput, the Bank has over the past five quarters launched several strategic initiatives – focusing on product performance, process automation and tech simplification. The initiatives related to product performance and process automation were successfully implemented during the quarter with more to come from tech simplification – increasing scalability and reducing costs – in 2023.

The improvement initiatives on both customer and internal processes resulted in increased conversion rates in all markets compared to earlier quarters in 2022. In Q1, the Bank has passed on the increasing market rates to customers as increased loan interest rates. Gradual repricing of loan interest rates is expected to continue to contribute to improving yields during 2023.

Cost inflation has started to affect personnel costs somewhat, but the impact from inflation on overall costs is expected to be moderate in the near term.

The medium-term macroeconomic outlook for the Nordic region remains robust, supporting expected increase in consumption and demand for consumer financing. Nevertheless, there is uncertainty related to the geopolitical situation and inflationary pressure, cf. below.

During Q1 2023, Morrow Bank tightened its credit models somewhat while currency movements reduced the capacity for growth. As a result, the Bank reduced the pace of growth throughout the quarter.

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 near term, including macroeconomic risks, reputation risk and regulatory risks.

While the war in Ukraine has had no direct impact on Morrow Bank's business so far, it contributes 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.

While rising unemployment rates historically have had the largest negative impact on the consumer finance market, the observed increased rate of inflation and higher interest rates, although coming from record-low levels, could negatively impact consumers' loan servicing capacity to an extent where a larger part of Morrow Bank's outstanding loans goes into default. While no such impact has been experienced so far, the Bank is monitoring this situation closely. Mitigating the risk of an increase in default levels and potential impacts is a strict Nordic regulatory framework for consumer financing, Morrow Bank's risk policies and procedures related to creditworthiness assessments and stress testing of the credit portfolio, and the Bank's capital buffer.

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 within 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.

Related parties

There have not been any transactions with related parties in Q1 2023 that significantly impact Morrow Bank's financial position or results for the period.

COMPREHENSIVE INCOME STATEMENT

<i>Amounts in NOK million</i>	Note	Q1 2023	Q1 2022	2022
Interest income	2, 6	292.7	221.9	907.0
Interest expenses	2, 6	-63.0	-17.4	-113.7
Net interest income		229.6	204.6	793.3
Commission income and fees	2, 6	13.3	9.0	53.0
Commission expenses and fees	2, 6	-12.6	-11.8	-43.3
Net commissions and fees		0.7	-2.8	9.8
Net gains/(losses) on certificates, bonds and currency		4.3	-4.9	-2.1
Total income		234.7	196.8	800.9
Personnel expenses		-24.4	-39.3	-133.4
General and administrative expenses	7	-33.9	-36.0	-159.0
Other expenses	7	-15.5	-11.3	-43.1
Depreciation	8	-7.5	-19.7	-171.8
Total operating expenses		-81.3	-106.4	-507.3
Losses on loans	2	-100.2	-43.3	-292.1
Profit/(loss) before tax		53.1	47.1	1.6
Tax expenses		-13.3	-11.8	-0.6
Profit/(loss) after tax		39.9	35.3	0.9
Attributable to				
Shareholders		35.6	35.3	-13.8
Additional Tier 1 capital investors		4.2	3.4	14.8
Profit/(loss) after tax		39.9	38.7	0.9
Earnings per share (NOK)		0.18	0.17	-0.07
Diluted earnings per share (NOK)		0.18	0.17	-0.07
Comprehensive income				
Profit/(loss) after tax		39.9	35.3	0.9
Other comprehensive income		-	-	-
Comprehensive income for the period		39.9	35.3	0.9

BALANCE SHEET

<i>Amounts in NOK million</i>	Note	31.03.2023	31.03.2022	31.12.2022
Loans and deposits with credit institutions		745.9	1,517.0	807.8
Net loans to customers	2	10,241.1	7,185.2	9,110.7
Certificates and bonds		1,605.1	869.0	1,453.5
Other receivables		34.5	20.0	29.2
Deferred tax asset		66.0	61.6	77.9
Fixed assets		2.4	8.8	3.5
Intangible assets		54.5	145.3	45.3
Total assets		12,749.5	9,806.9	11,528.0
Deposits from and debt to customers		10,466.1	7,616.3	9,347.6
Other debt		133.8	129.3	162.1
Subordinated loans (Tier 2)	5	65.0	65.0	65.0
Total liabilities		10,664.9	7,810.5	9,574.8
Additional Tier 1 capital		199.6	199.6	199.6
Share capital		205.8	187.4	187.6
Share premium		864.3	786.7	786.7
Other paid-in capital		56.4	53.9	56.4
Retained earnings		758.7	768.8	723.0
Total equity		2,084.6	1,996.3	1,953.3
Total liabilities and equity		12,749.5	9,806.9	11,528.0

Lysaker, Bærum, 11 May 2023

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 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 additional Tier 1 capital	-	-	-	-	-	-
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	56.3	723.0	1,953.2
Profit after tax	4.2	-	-	-	35.6	39.9
Share capital increases due to exercised share options	-	18.2	77.6	-	-	95.8
Changes in equity due to share option programs	-	-	-	0.0	-	0.0
Net interest paid to additional Tier 1 capital investors	-4.2	-	-	-	-	-4.2
Equity as at 31.03.2023	199.6	205.8	864.3	56.4	758.7	2,084.6

CASH FLOW STATEMENT

<i>Amounts in NOK million</i>	Q1 2023	Q1 2022	2022
Profit/(loss) before tax	53.1	47.1	1.6
Taxes paid	-	0.1	-0.2
Depreciation	7.5	19.7	171.8
Change in impairments on loans to customers	19.1	-9.7	-292.9
Change in gross loans to customers	-1,149.5	222.3	-1,420.0
Effects of currency on loans to customers	419.2	-103.0	72.4
Change in deposits from and debt to customers	1,118.5	-317.6	1,413.7
Effects of currency on deposits from and debt to customers	-495.8	155.7	-71.4
Change in certificates and bonds	-96.1	-1.3	-465.9
Change in accruals and other adjustments	-28.3	255.0	183.0
Net cash flow from operating activities	-152.3	268.4	-408.0
Payments for investments in fixed assets	-0.4	-0.1	-0.3
Payments for investments in intangible assets	-15.3	-10.5	-57.6
Net cash flow from investing activities	-15.6	-10.6	-57.9
Paid-in equity	95.8	0.3	0.5
Payment to AT1 capital investors	-5.6	-4.5	-19.7
Lease payments	-1.2	-1.0	-4.7
Dividend payment	-	-	-
Net cash flow from financing activities	88.9	-5.2	-23.9
Net cash flow for the period	-79.0	252.6	-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	17.1	-37.4	-4.3
Cash and cash equivalents at the end of the period	745.9	1,517.0	807.8
<i>Of which:</i>			
Loans and deposits with credit institutions	745.9	1,517.0	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 March 2023, the total loan loss provision related to macroeconomic factors amounted to NOK 25.4 million (31 March 2022: NOK 9.7 million).

Loans to customers

<i>Amounts in NOK million</i>	31.03.2023	31.03.2022	31.12.2022
Gross loans to customers	10,789.6	7,997.8	9,640.1
Impairment of loans	-548.5	-812.6	-529.4
Net loans to customers	10,241.1	7,185.2	9,110.7

Defaulted loans

<i>Amounts in NOK million</i>	31.03.2023	31.03.2022	31.12.2022
Gross defaulted loans to customers *	457.6	943.7	429.7
Impairment of loans (stage 3)	-198.2	-515.3	-195.0
Net defaulted loans to customers	259.4	428.4	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 March 2023, the gross closing balances of *lazy payers* (clients remaining behind their repayment schedule for three or more consecutive months, but less than 90 days past due) amounted to NOK 185 million, with corresponding impairment amounted to NOK 37.3 million (31 March 2022: NOK 156 million and NOK 32.5 million)

Information on products and geographical distribution

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 incl. loan losses	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

Q1 2022	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	97.6	53.9	32.9	20.4	16.9	0.3	221.9
Interest expenses	-7.7	-4.2	-2.9	-1.5	-1.1	-	-17.4
Net interest income	89.9	49.7	30.0	18.9	15.8	0.3	204.6
Commission income and fees	2.6	1.5	0.0	4.6	-0.8	1.0	9.0
Commission expenses and fees	0.0	-0.4	-	-8.5	-	-2.9	-11.8
Net commissions and fees	2.6	1.1	0.0	-3.8	-0.8	-1.9	-2.8
Losses on loans	-70.5	33.2	-9.8	7.0	-3.2	-0.0	-43.3
Total income incl. loan losses	22.0	84.0	20.3	22.0	11.7	-1.6	158.4
Gross loans to customers	3,540.9	1,917.3	1,319.7	722.6	497.3	-	7,997.8
Impairment of loans	-386.9	-140.7	-105.6	-126.9	-52.5	-	-812.6
Net loans to customers	3,154.0	1,776.6	1,214.1	595.7	444.8	-	7,185.2

Full year 2022	Consumer loans			Cards	POS	Not allocated	Total
	NO	FI	SE	NO/FI/SE	NO/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
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

Q1 2023

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at beginning of quarter	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
Gross loans to customers as at 31 December 2022	9,560.2	771.8	457.6	10,789.6
Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)	-15.8	-169.2	185.0	-

Q1 2022

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at beginning of quarter	6,621.8	536.0	1,062.4	8,220.2
Transfer from stage 1 to stage 2	-241.6	241.6	-	-
Transfer from stage 1 to stage 3	-148.4	-	148.4	-
Transfer from stage 2 to stage 3	-	-105.7	105.7	-
Transfer from stage 3 to stage 2	-	1.9	-1.9	-
Transfer from stage 2 to stage 1	153.7	-153.7	-	-
Transfer from stage 3 to stage 1	3.7	-	-3.7	-
New assets	842.1	150.8	3.4	996.3
Assets derecognized	-762.8	-85.5	-370.4	-1,218.7
Gross loans to customers as at 31 December 2021	6,468.6	585.5	943.7	7,997.8
Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)	-12.8	-143.5	156.3	-

* mainly movements related to "lazy payers.

2022

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1 January 2022	6,621.8	536.0	1,062.4	8,220.2
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
Gross loans to customers as at 31 December 2022	8,491.2	719.2	429.7	9,640.1
Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)	-14.2	-158.5	172.7	-

* mainly movements related to “lazy payers”.

Reconciliation of impairment of loans

Q1 2023

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Impairment as at beginning of quarter	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
Impairment as at 31.03.2023	213.7	140.2	198.2	552.1
Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)	-0.3	-37.0	37.3	-

Other changes mainly consist of quarterly review of PD and LGD. See Annual Report 2022 for more information regarding these impairment calculation parameters.

* mainly movements related to “lazy payers”

Q1 2022

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Impairment as at beginning of quarter	201.9	89.7	530.7	822.3
Transfer from stage 1 to stage 2	-7.4	7.4	-	-
Transfer from stage 1 to stage 3	-2.9	-	2.9	-
Transfer from stage 2 to stage 3	-	-20.7	20.7	-
Transfer from stage 3 to stage 2	-	1.0	-1.0	-
Transfer from stage 2 to stage 1	22.1	-22.1	-	-
Transfer from stage 3 to stage 1	1.8	-	-1.8	-
New financial assets originated	19.2	4.6	3.2	27.1
Increased expected credit loss	4.1	72.8	42.8	119.6
Assets derecognized	-7.7	-18.7	-70.4	-96.9
Decreased expected credit loss	-32.7	-8.1	-12.5	-53.3
Exchange rate movements	-4.2	-2.2	-2.8	-9.1
Macroeconomic model changes	-0.1	-0.0	-	-0.1
Other changes	3.4	-4.0	3.5	2.9
Impairment as at 31.03.2022	197.5	99.7	515.3	812.4
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	-0.4	-32.1	32.5	-

2022

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Impairment as at 1 January 2022	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	-9.4	4.7	-68.8
Impairment as at 31 December 2022	205.5	129.0	195.0	529.5
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	-0.3	-35.0	35.3	-

Losses on loans

Amounts in NOK million

	Q1 2023	Q1 2022	2022
+/- Change in stage 3 impairment of loans in the period	3.2	-15.4	335.7
+/- Change in impairment on stage 1 and 2 of loans to customers in the period	-19.5	5.6	-42.8
Realized losses and effects of portfolio sales in the period	116.5	53.1	-585.0
Losses on loans	100.2	43.3	-292.1

Note 3 – Capital adequacy

Total capital			
<i>Amounts in NOK million</i>	31.03.2023	31.03.2022	31.12.2022
Book equity	2,084.6	1,996.3	1,953.3
Additional Tier 1 capital	-199.6	-199.6	-199.6
Additions:			
Phase-in effect of IFRS 9	68.1	54.1	150.3
Deductions:			
Additional value adjustment (AVA)	-1.6	-0.9	-1.5
Other equity not included in core capital (Foreseeable dividends)	-4.0	-3.5	-0.1
Deferred tax assets and other intangible assets and deductions	-120.5	-206.9	-123.2
Common equity Tier 1	1,827.0	1,639.5	1,779.3
Additional Tier 1 capital	199.6	199.6	199.6
Core capital	2,026.6	1,839.1	1,978.8
Subordinated loans (Tier 2)	65.0	65.0	65.0
Total capital	2,091.6	1,904.1	2,043.8

Capital excluding phase-in effects of IFRS 9			
<i>Amounts in NOK million</i>	31.03.2023	31.03.2022	31.12.2022
Common equity Tier 1 excluding phase-in effect of IFRS 9	1,759.0	1,585.4	1,536.7
Core capital excluding phase-in effect of IFRS 9	1,958.5	1,785.0	1,736.3
Total capital excluding phase-in effect of IFRS 9	2,023.5	1,850.0	1,801.3

Calculation basis			
<i>Amounts in NOK million</i>	31.03.2023	31.03.2022	31.12.2022
Loans and deposits with credit institutions	149.2	303.4	161.6
Loans to retail customers and IFRS 9 phase-in effect	7,802.9	5,537.1	7,018.3
Covered bonds	8.1	39.5	70.0
Other assets	36.9	28.8	32.8
Calculation basis credit risk	7,997.1	5,908.8	7,282.7
Calculation basis operational risk (standardized approach)	1,388.9	1,576.2	1,388.9
Total calculation basis	9,385.9	7,485.0	8,671.5

Total calculation basis excluding phase-in effect of IFRS 9 **9,328.7** **7,444.4** **8,544.9**

Capital ratios including phase-in effect of IFRS 9	31.03.2023	31.03.2022	31.12.2022
Common equity tier 1 (%)	19.5 %	21.9 %	20.5 %
Core capital (%)	21.6 %	24.6 %	22.8 %
Total capital (%)	22.3 %	25.4 %	23.6 %

Capital ratios excluding phase-in effect of IFRS 9			
Common equity tier 1 (%)	18.9 %	21.3 %	19.1 %
Core capital (%)	21.0 %	24.0 %	21.4 %
Total capital (%)	21.7 %	24.9 %	22.2 %

The LCR (Liquidity Coverage Ratio) was 567% and the NSFR (Net Stable Funding Ratio) was 127% as at 31 March 2023. As at 31 March 2022, the LCR was 408% and the NSFR was 181%.

Note 4 - Financial instruments

Financial instruments at fair value

<i>Amounts in NOK million</i>	31.03.2023	31.03.2022	31.12.2022
Certificates and bonds - level 1	399.2		470.5
Certificates and bonds - level 2	1,205.9	869.0	983.1
Total financial instruments at fair value	1,605.1	869.0	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>	31.03.2023	31.03.2022	31.12.2022
Loans and deposits with credit institutions	745.9	1,517.0	807.8
Net loans to customers	10,241.1	7,185.2	9,110.7
Other receivables	1.7	5.2	20.7
Total financial assets measured at amortised cost	10,988.7	8,707.4	9,939.3
Deposits from and debt to customers	10,466.1	7,616.3	9,347.6
Other debt	58.8	15.8	78.3
Subordinated loans (Tier 2)	65.0	65.0	65.0
Total financial liabilities measured at amortised cost	10,589.9	7,697.1	9,490.9

Note 5 - Subordinated loans

<i>Amounts in NOK million</i>	31.03.2023	31.03.2022	31.12.2022
Subordinated loan (ISIN NO0010941131)	65.0	65.0	65.0
Total subordinated loans	65.0	65.0	65.0

For further description of the subordinated loan, see Annual Report 2022.

On Wednesday 3 May 2023, the Bank completed the placement of a new NOK 100 million subordinated tier 2 bond issue (ISIN: NO001 0012909235) to support further loan growth. The new bond was priced at 3 months NIBOR + 700 basis points and will be applied for listing at Nordic ABM.

Note 6 - Net interest income and net commissions and fees

<i>Amounts in NOK million</i>	Q1 2023	Q1 2022	2022
Interest income from loans to customers	288.2	221.7	895.5
<i>of which sales commissions to agents</i>	-45.4	-23.8	-130.3
Interest income from loans and deposits with credit institutions	4.5	0.3	11.5
Total interest income calculated using the effective interest rate method	292.7	221.9	907.0
Other interest income	-	-	-
Total interest income	292.7	221.9	907.0
Interest expense from deposit customers	-50.8	-8.5	-68.9
Interest expense from subordinated loan (Tier 2)	-1.5	-1.0	-4.7
Other interest expenses and similar expenses	-10.8	-7.8	-40.2
Total interest expenses	-63.0	-17.4	-113.7
Net interest income	229.6	204.6	793.3
Insurance services	3.2	8.1	32.2
Other fees and commissions and bank services income	10.1	0.9	20.9
Total income commissions and fees	13.3	9.0	53.0
Provisions to other bank connections	-1.5	-1.1	-4.3
Other expenses commissions and fees	-11.1	-10.7	-39.0
Total expenses commissions and fees	-12.6	-11.8	-43.3
Net commissions and fees	0.7	-2.8	9.8

Note 7 - General administrative expenses and other expenses

<i>Amounts in NOK million</i>	Q1 2023	Q1 2022	2022
Direct marketing expenses	-4.8	-7.9	-36.0
IT-expenses	-12.9	-16.6	-69.4
Other general administrative expenses	-16.2	-11.4	-53.5
Total general and administrative expenses	-33.9	-36.0	-159.0
Insurance	-0.6	-0.3	-1.7
External audit and related services	-0.8	-0.9	-2.6
Other consultants	-8.7	-5.5	-22.2
Other expenses	-5.5	-4.7	-16.6
Total other expenses	-15.5	-11.3	-43.1

Note 8 - Subsequent events

The Bank changed its name from Komplet Bank ASA to Morrow Bank ASA on 25 April 2023, cf. description above. The Board of Directors is not aware of any other events after the balance sheet that may be of material significance to the accounts.

On Wednesday 3 May 2023, the Bank completed the placement of a new NOK 100 million subordinated tier 2 bond issue to support further loan growth. The new bond was priced at 3 months NIBOR + 700 basis points and will be applied for listing at Nordic ABM.



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 2023, and the related condensed 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, 11 May 2023

PricewaterhouseCoopers AS

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