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# Fourth quarter results 2023

Morrow Bank ASA

# Q4 2023 highlights: Solid growth, improved margins and efficiency

## Solid loan growth



- Underlying growth of 4% in Q4 (5% in Q3), year-end balance at NOK 12 billion
- Balance growth of 22% y-o-y; continuous improvement increase 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 remain stable at NOK ~80 million in Q4 (78 million in Q3)
- Efficiency initiatives drive cost down by ~20% y-o-y: C/I at 28% in Q4

## Credit risk control



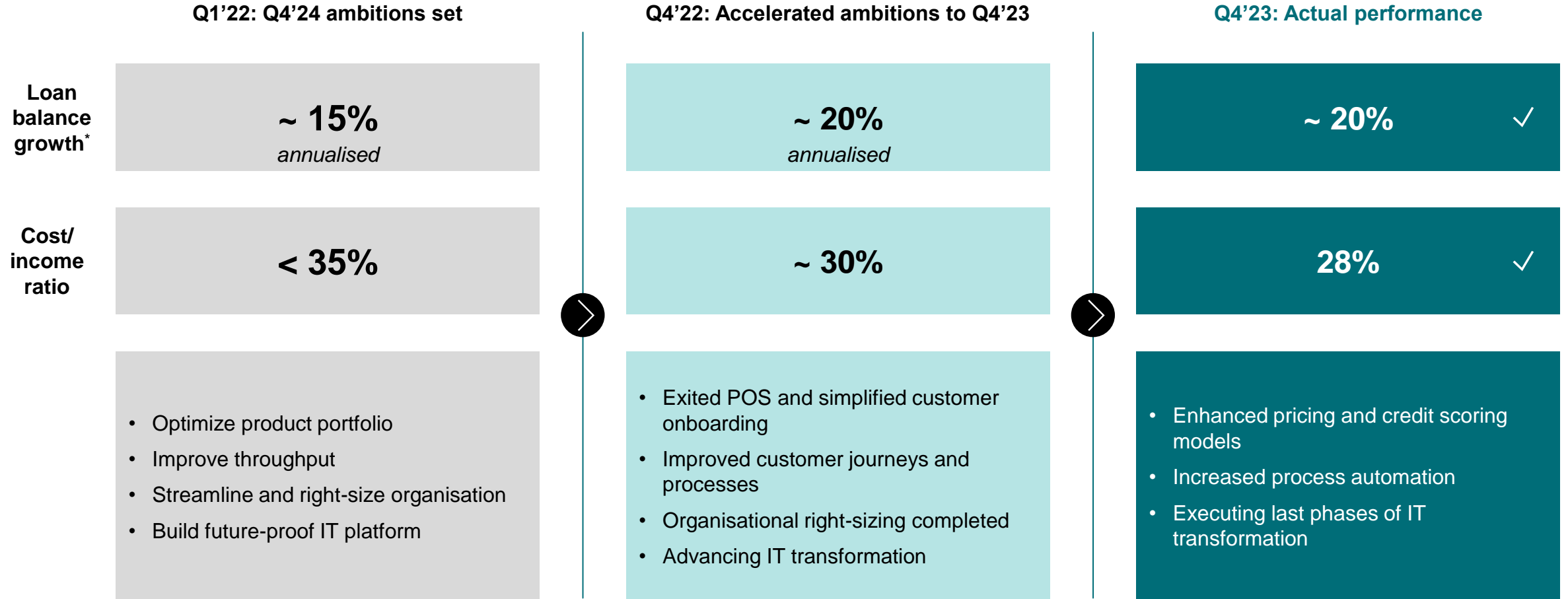
- Loan loss ratio at 5.4%, up 0.4%p in Q4 driven by growth and macro
- Increase more than offset by income growth: in quarter and y-o-y

Pre-tax profit of NOK 51 million in Q4 ... and NOK 206 million for full year 2023

# Status and medium-term outlook

2025 ambitions for growth and value creation

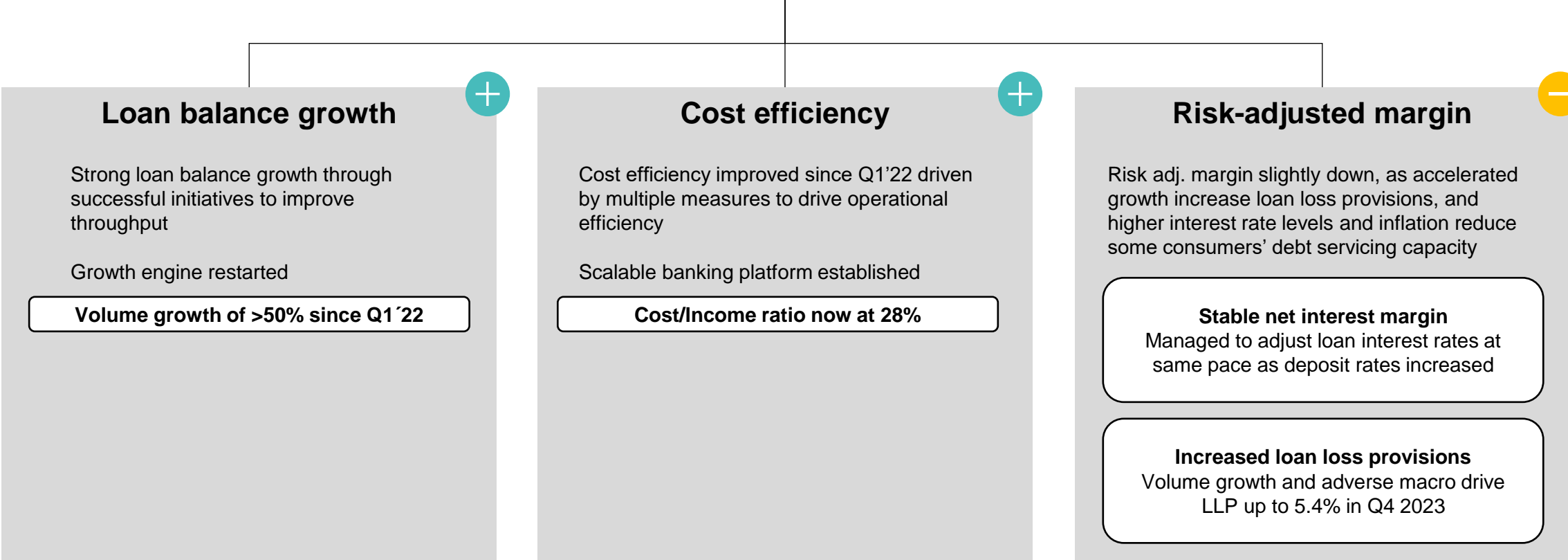
# Delivered on roadmap and ambitions



\* Ambition set to achieve >50 growth in net loan balance by year-end 2024

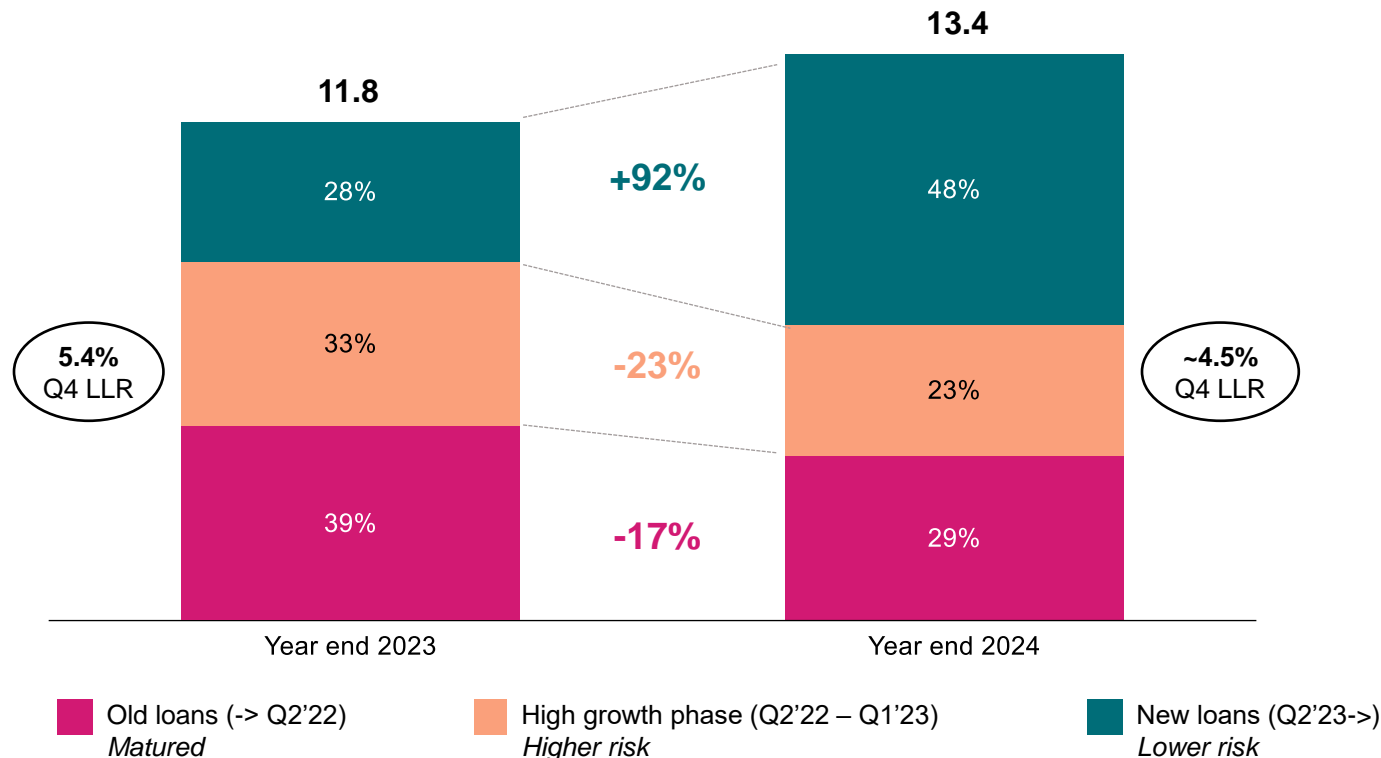
# Delivered on growth, efficiency and pricing - focus on improving risk-adjusted margin and returns

## Key factors impacting returns (ROE)



# Tighter credit policy, improved collection processes and maturing loan book to reduce loan losses

## Gross loan balance (BNOK)



## Drivers reducing loan losses

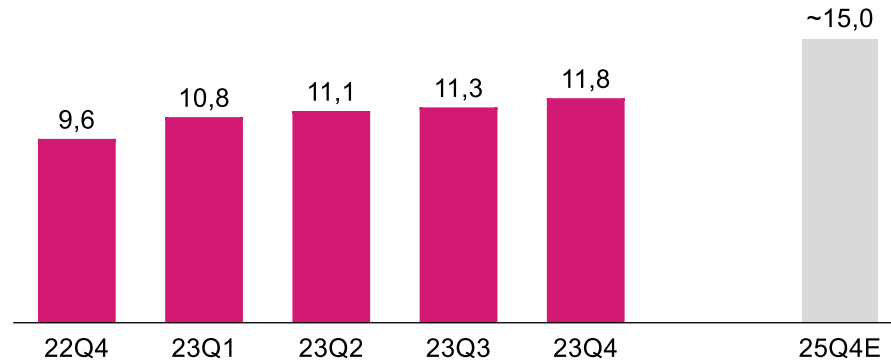
- Invested in growth during “high growth phase” driving balance up >40%. Initially higher risk but non-performing portion now “rolling off”
- “New loans” have ~15% lower risk due to stricter credit policy and will over time constitute a larger share of the loan book
- Enhanced collection processes with better analytics and customer follow-up
- Improving macro-economic environment reducing strain on consumers

Risk adjusted margin set to improve by 80 - 100 bps during 2024

# 2025 ambitions for growth and value creation

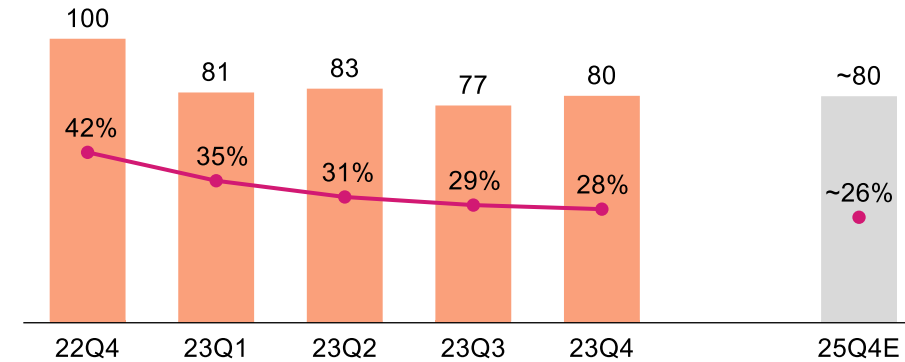
## Loan balance growth to stabilise at ~10% annually

Loan balance (BNOK)

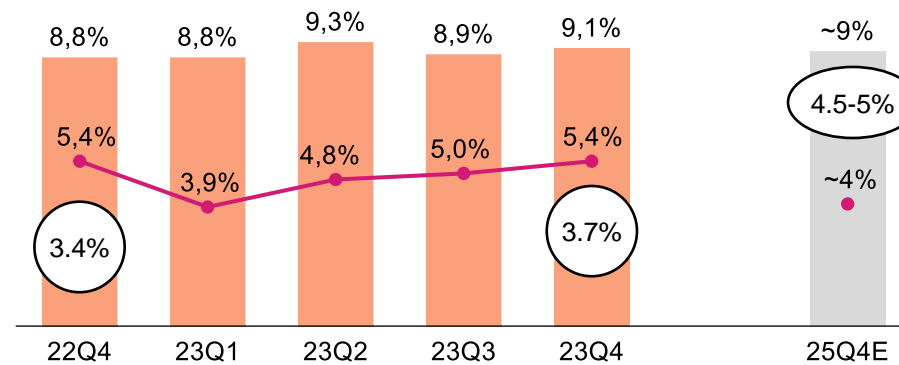


## Scalability driving down cost/income ratio

Normalised OPEX (MNOK), cost/income ratio (%)



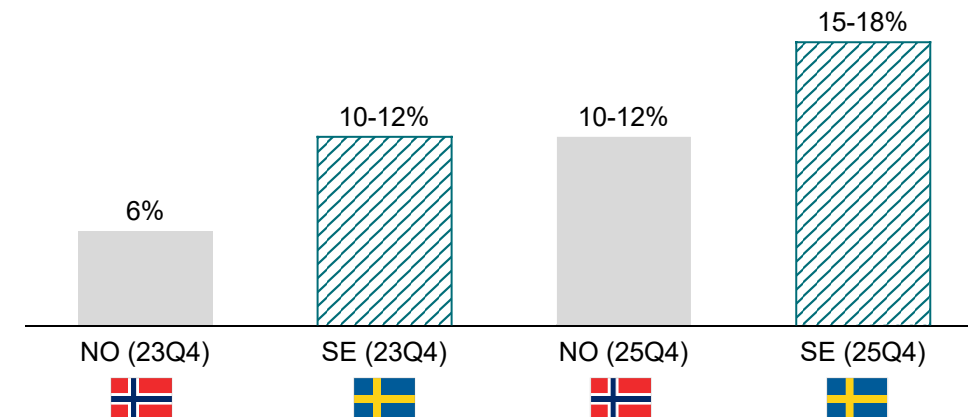
## Risk-adjusted margin driven by lower losses



(%) Risk-adjusted margin    Net interest margin    Loan loss ratio

## Improving ROE, upside in regulatory requirements

Swedish figures as illustration



Note: Upside in regulatory requirements is illustrative and based on publicly available data on Swedish competitors' capital requirements, which differ between banks based on a set of factors including solvency and solidity

# Fourth quarter Financial review





# Allocating growth capacity to most profitable markets

Underlying loan growth of 4% in Q4 (vs. 5% in Q3) in local currencies and excluding NPL sales, up 22% year-on-year

## Finland

- Underlying loan Q4 development: MNOK 489 (+10.6%)
- Focus on profitable growth and capturing market share

## Norway

- Underlying loan Q4 development: MNOK -168 (-5.3%)
- Focus on maintaining margin

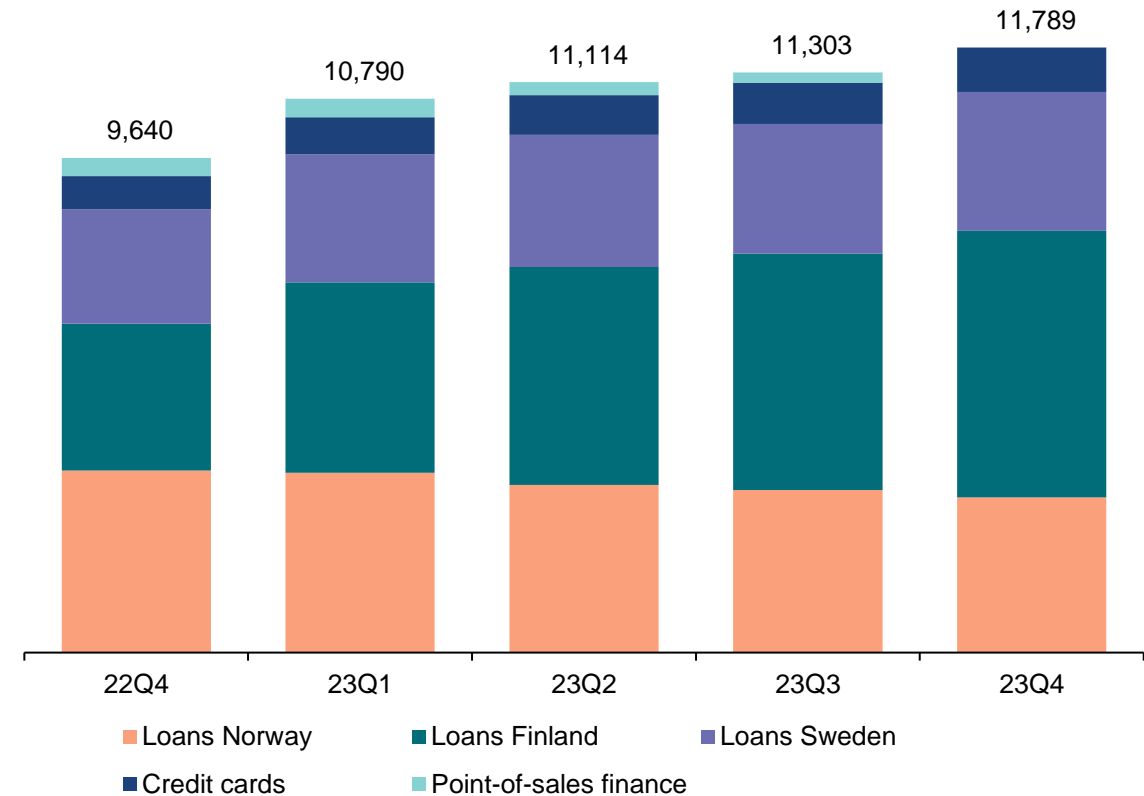
## Sweden

- Underlying Q4 loan development: MNOK 68 (+2.7%)
- Focus on continued controlled growth

## Credit Cards and point-of-sale (POS)

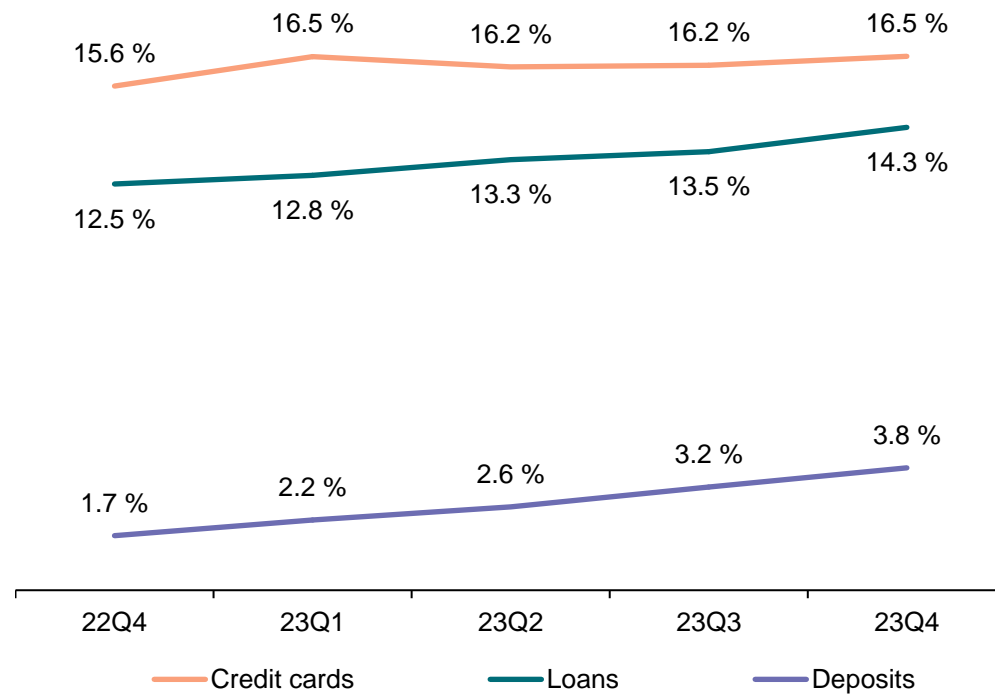
- Balance growth of 8.9% in Q4 to MNOK 885
- Remaining POS balance of MNOK 97 migrated to loans

## Total gross loans



# Successful loan repricing supporting solid margins

## Yield, performing loans and deposits



## Increased interest rates across loan book

- Strengthened pricing capabilities for both loans and deposits
- Repriced loan rates on new and existing customers
- Deposit rates peaking

## Outlook

- Continuing price optimisation to support margins
- Lower market rates to drive margins up in the medium term

# Total income improved

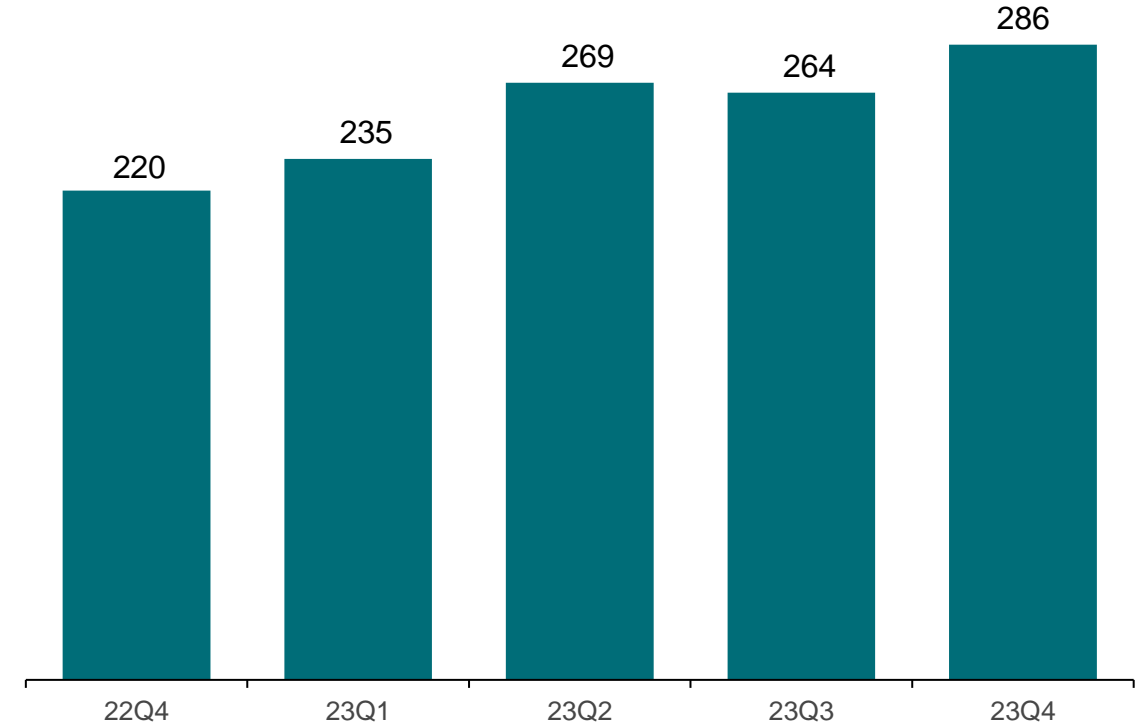
## Q4 total income of MNOK 286

- Increase in net interest income of MNOK ~23 vs. Q3, despite higher interest expenses
- MNOK ~11 in gain on investments in financial instruments in Q4 vs. MNOK ~7 in Q3 2023
- Year-on-year income up 30% compared to 22% loan balance growth in the same period

## Outlook

- Total income expected to continue to grow

Total income (MNOK)



# Delivering on target cost efficiency level

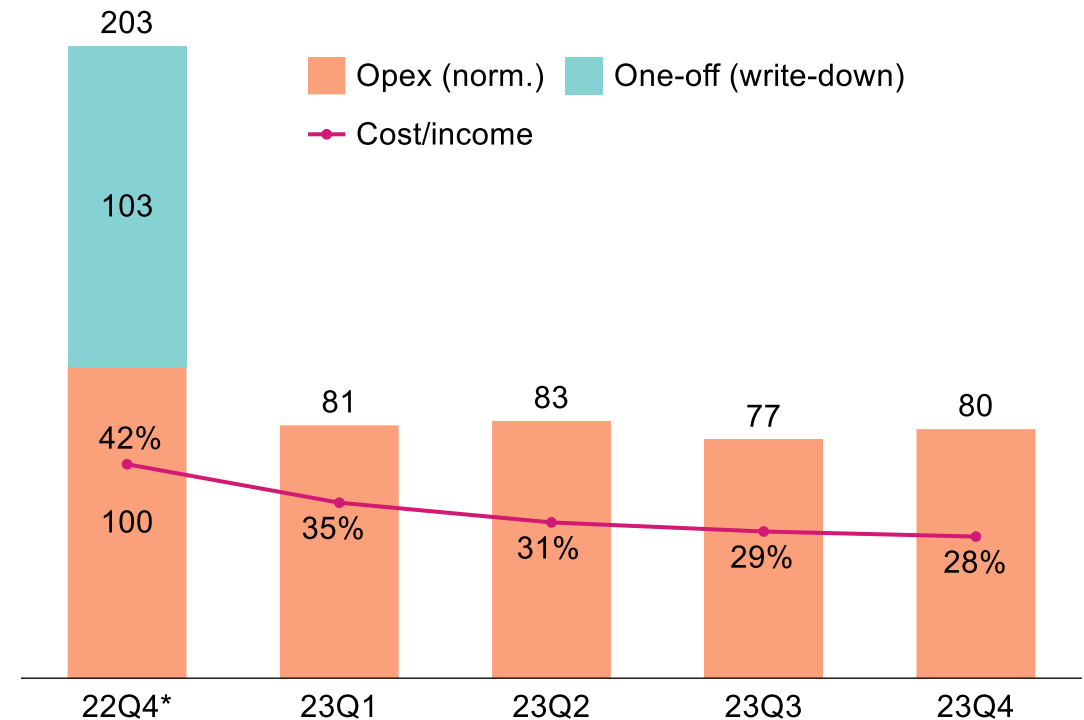
## Cost/income ratio reduced to 28% in Q4

- Total operating expenses amounted to MNOK 80.1 in Q4 (MNOK 76.6 in Q3 2023)
- Result of strategic initiatives and other measures to improve cost efficiency
- Normalised cost base reduced by ~20% since Q4 2022 while loan balance has increased by 22%

## Outlook

- Costs to stabilise around current levels
- Cost/income ratio in upper 20%'s going forward

Operational expenses (MNOK) and cost/income ratio (%)



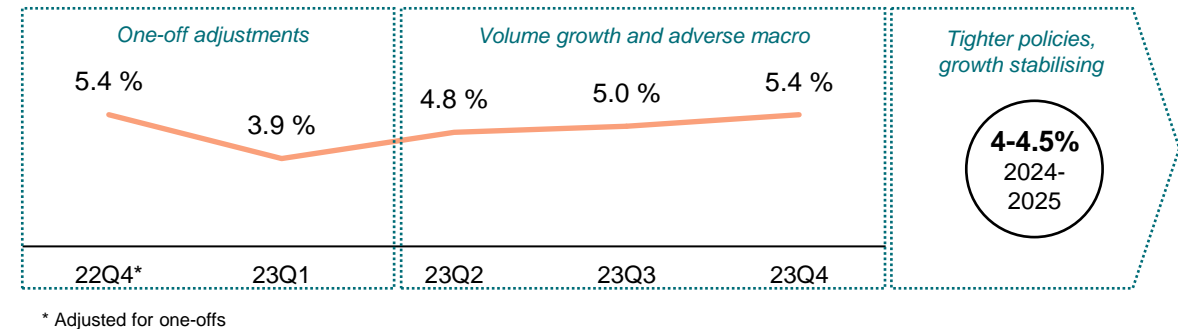
\* 22Q4 cost/income ratio normalized (write-down related to impairment of intangible assets)

# Tighter risk control and stable growth to improve loan loss provisions in the medium term

## Increased provisions impacting loan loss ratio

- Loan loss ratio increased to 5.4% vs. 5.0% in Q3
- Mainly driven by model-based provisions and a result of high growth levels last 12-18 months peaking; growth now moderate
- Tightened credit policies and strengthened collection processes in the quarter
- Continue to closely monitor credit risk development and adjust models accordingly

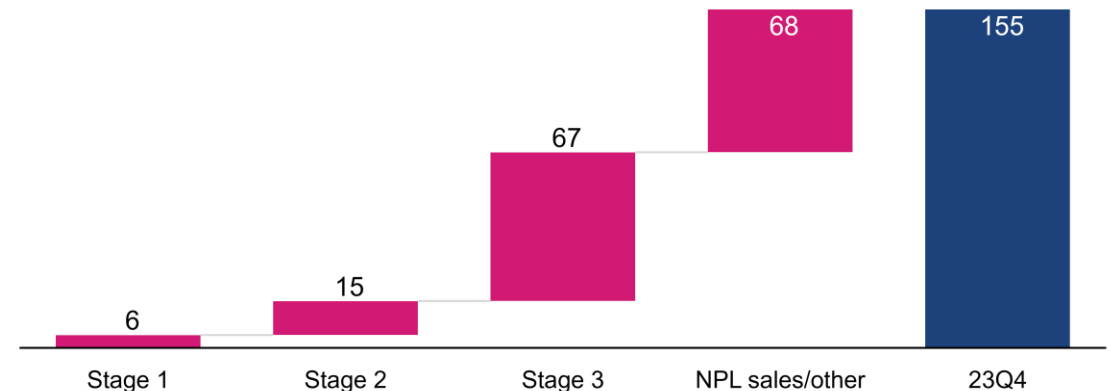
## Loan loss ratio (LLR)



## Outlook

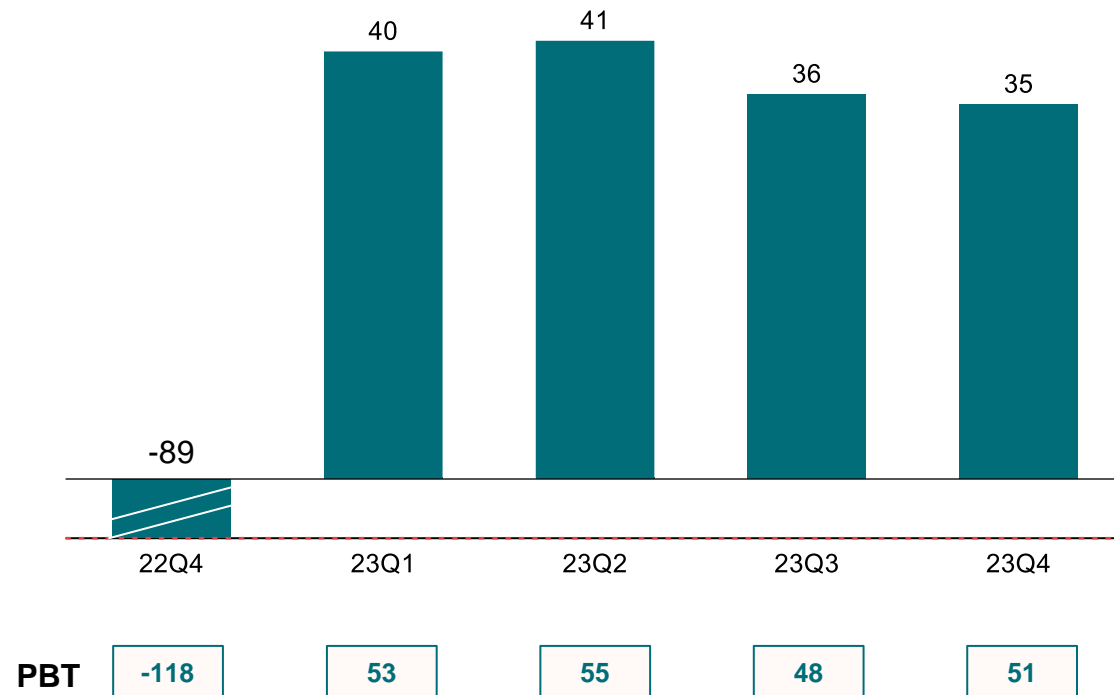
- Tightened credit policies will start to weigh in and reduce overall loan loss in portfolio
- Improved macro-outlook to reduce provision levels in near to medium term
- Loan loss ratio expected to stabilise around 4.0%-4.5% over time

## Loan loss break-down Q4 (MNOK)



# Stable Q4 profits

## Profit after tax (MNOK)



## Q4 profit of MNOK 35

- Total income increased
- Cost/income ratio continued to improve
- Increased loan loss provisions more than offset by total income growth
- Pre-tax profit of MNOK 51 vs MNOK 48 in Q3
- ROE of 6.1% in quarter (ROTE of 7.1%)

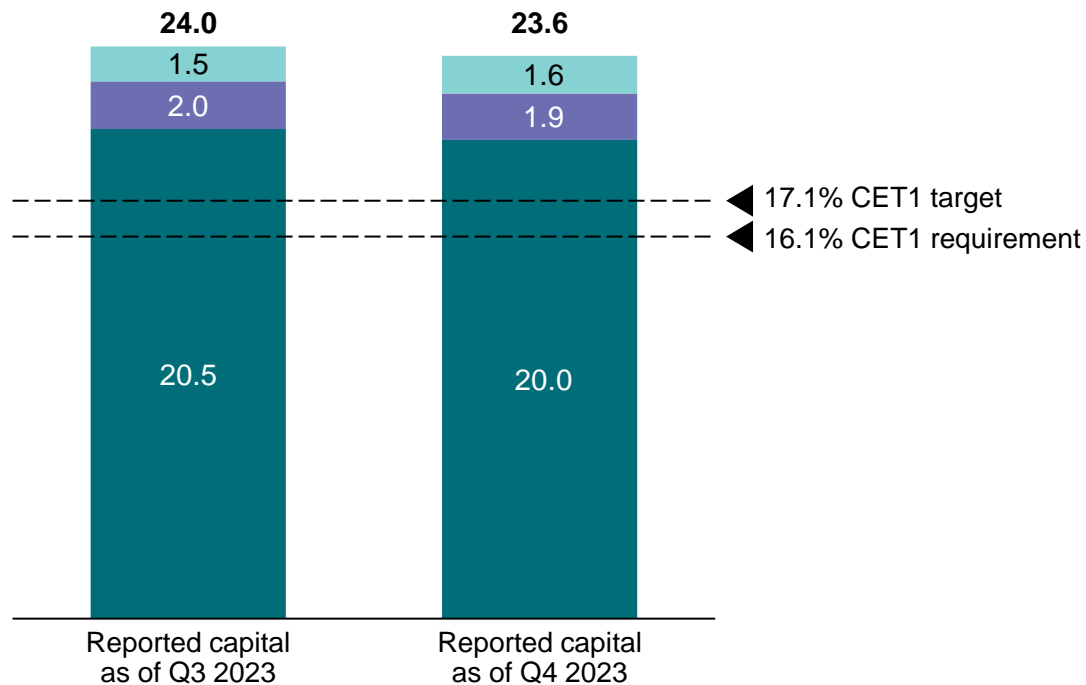
## Outlook

- Stable level expected in the near-term
- Clear upside to current profitability and return levels in the medium term

Note: ROTTE defined as return on target equity

# Capital levels provide headroom and support growth

Regulatory capital structure (%) Q-o-Q

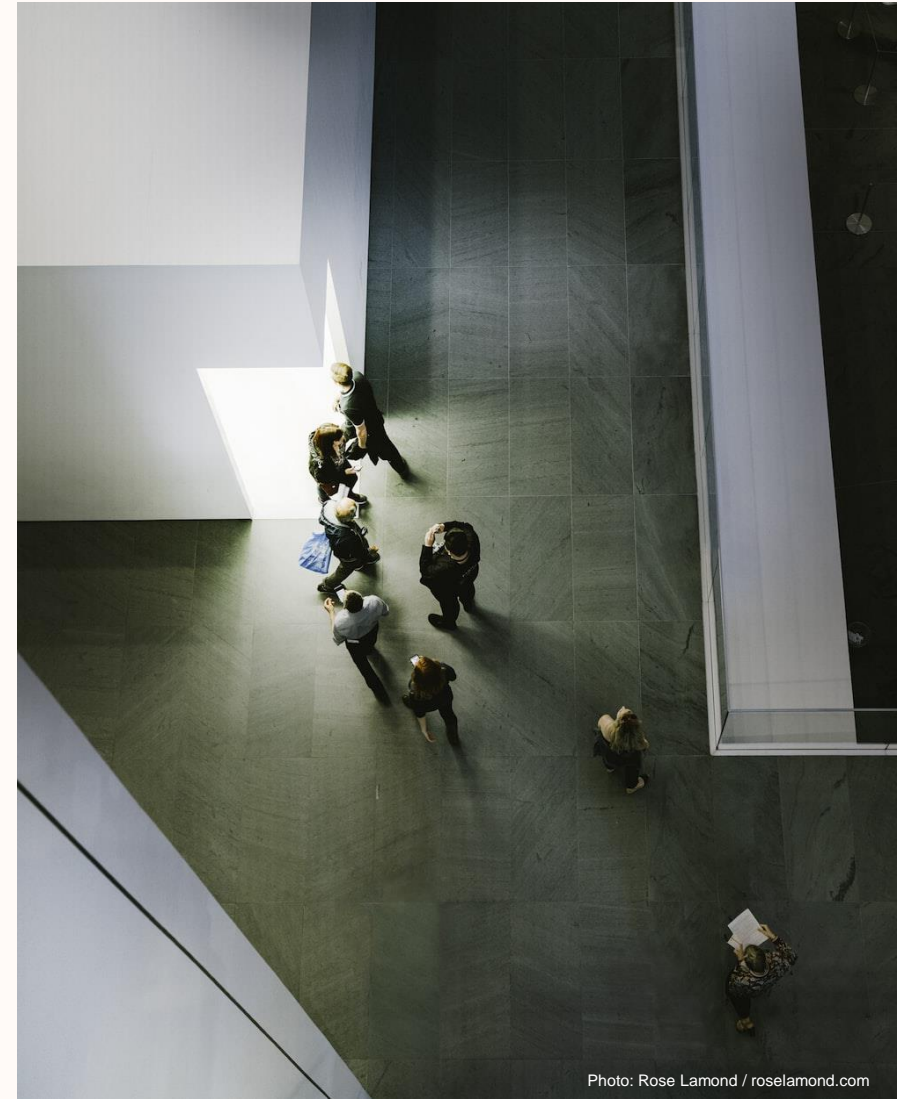


- Regulatory capital requirement decreased by 1.7%p in Q4 as a result of systemic risk buffer reciprocity
- Current capital situation combined with stable profit generation provide headroom for growth
- Capital is allocated to the most profitable product/market

Tier 2 (T2) Additional Tier 1 (AT1) Common equity Tier 1 (CET1)

Note: Capital ratios reflect Q4 2023 profit inclusion

# Summary





# Highlights: Delivering on roadmap and ambitions

## Solid loan balance growth

- Delivered on loan balance growth ambitions: loan book at NOK 12 billion
- Targeting a stable ~10% annual growth going forward

## Scalability driving cost efficiency

- Improved throughput + reduced costs = scalable banking platform
- Highly competitive cost/income ratio of 28% in Q4 2023

## Reducing loan losses going forward

- Stricter credit policy and improved collection processes
- “New loans” have ~15% lower risk, driving loan losses down during 2024

## Improving returns – regulatory upside

- Growth, cost-efficiency and lower loan losses to drive ROE over time
- Regulatory change could increase Q4'25 ROE to 15-18% from 10-12%

# Q&A

# APPENDIX

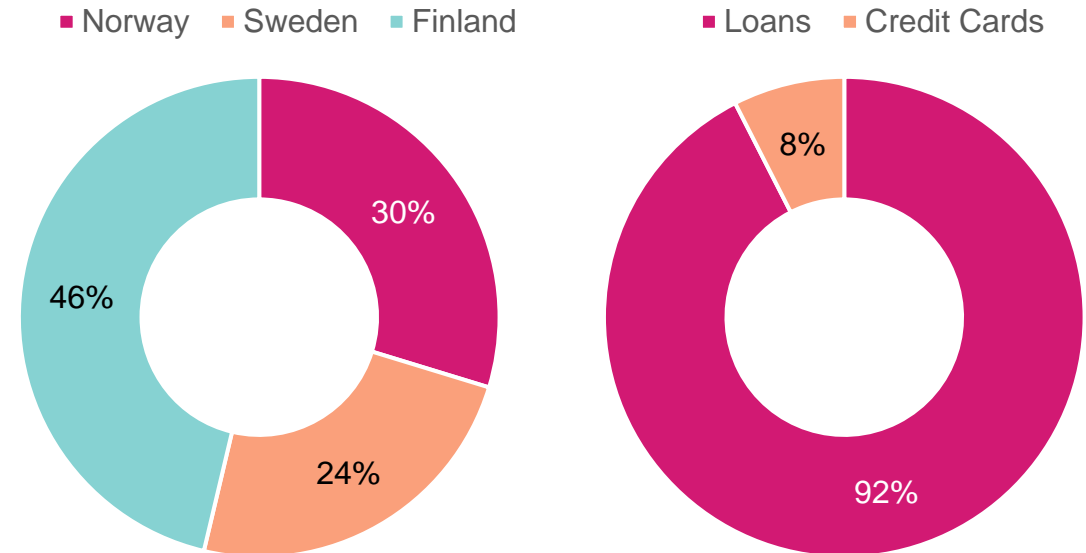
# Morrow Bank ASA

– a diversified Nordic consumer finance company

## Key facts

- Established in 2014, listed in 2017
- Norwegian banking license (EU passporting)
- Fully centralised operations (<75 FTEs)
- Consumer loans and cards in Norway, Sweden and Finland. Partner based distribution
- Deposits funded in Norway, Sweden and Germany
- Re-branded to Morrow Bank in May 2023

## Gross loan balance of BNOK 11.8



Loan balance growth y-o-y

**22%**

Income growth y-o-y

**30%**

Cost reduction y-o-y\*

**20%**

Profit growth y-o-y\*

**90%**

\* Normalised: excluding one-off write-down (cost) of MNOK ~100 in 2022

# Attractive and resilient Nordic market

## Resilient Nordic market

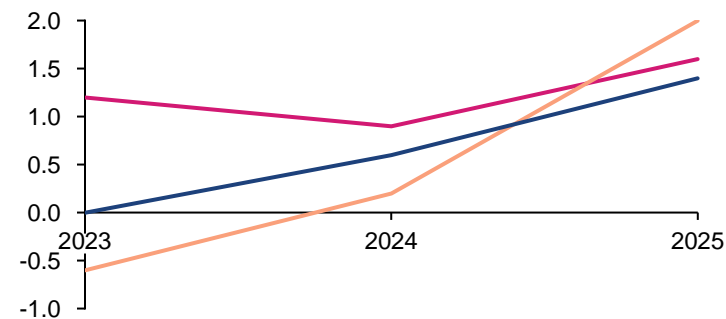
- The Nordic region has proven to be stable with a strong demand for consumer lending products

## Macroeconomic outlook improving in the medium term

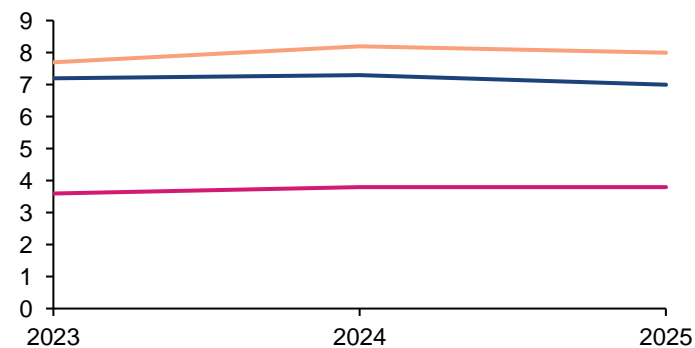
- GDP growth outlook supportive of spending increase and consumer finance demand
- Inflation outlook indicating that interest rate peak is near
- Stable employment outlook limiting credit risk



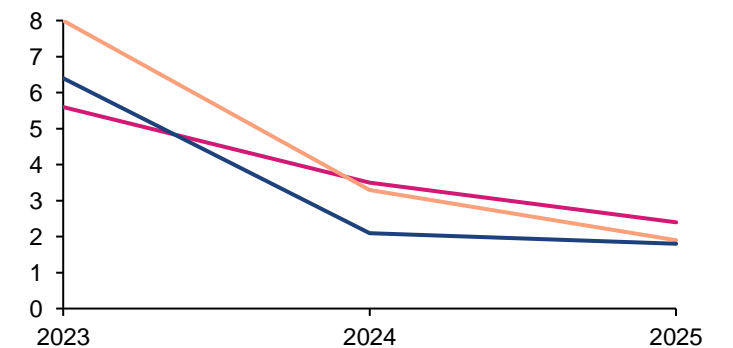
**GDP growth (%)**



**Unemployment (%)**



**Inflation (%)**

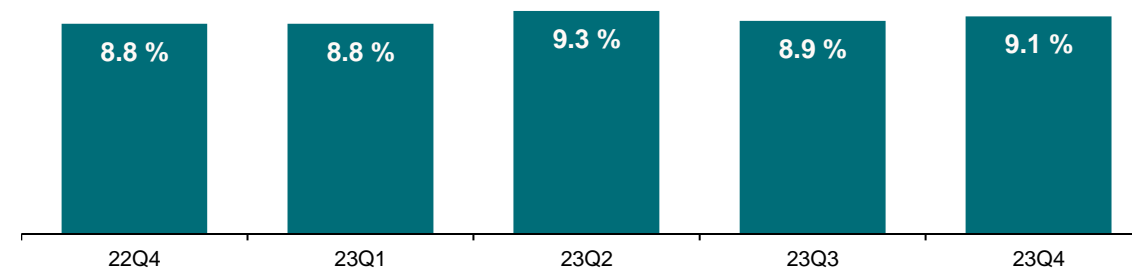


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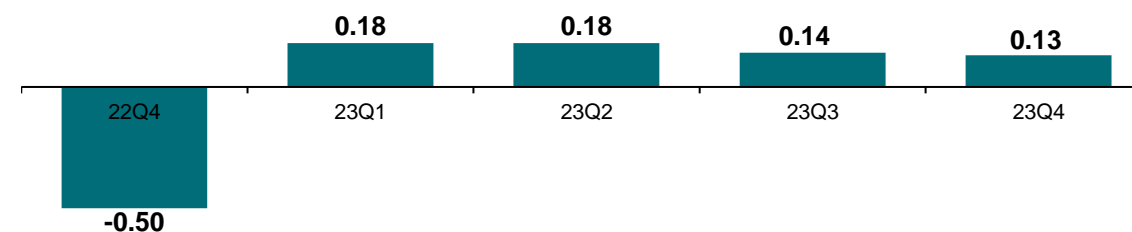
# Profit and loss

<i>Amounts in MNOK</i>	Q4 2023	Q3 2023	2023	2022
Interest income	398.2	352.0	1,380.0	907.0
Interest expenses	-120.1	-96.6	-359.8	-113.7
<b>Net interest income</b>	<b>278.1</b>	<b>255.4</b>	<b>1,020.2</b>	<b>793.3</b>
Commission income and fees	13.5	13.7	62.7	53.0
Commission expenses and fees	-16.9	-11.4	-57.6	-43.3
<b>Net commissions and fees</b>	<b>-3.4</b>	<b>2.3</b>	<b>5.1</b>	<b>9.8</b>
Net gains / losses (-) on certificates and bonds, and currency	11.4	6.7	28.6	-2.1
<b>Total income</b>	<b>286.1</b>	<b>264.4</b>	<b>1,053.9</b>	<b>800.9</b>
Personnel expenses	-26.9	-27.4	-102.3	-133.4
General and administrative expenses	-34.1	-32.6	-135.3	-159.0
Other expenses	-9.1	-7.2	-47.6	-43.1
Depreciation	-10.0	-9.4	-35.7	-171.8
<b>Total operating expenses</b>	<b>-80.1</b>	<b>-76.7</b>	<b>-320.9</b>	<b>-507.3</b>
Losses on loans	-155.3	-140.0	-526.7	-292.1
<b>Profit/(loss) before tax</b>	<b>50.6</b>	<b>47.6</b>	<b>206.4</b>	<b>1.6</b>
Tax expenses	-15.6	-11.9	-54.5	-0.6
<b>Profit/(loss) after tax</b>	<b>35.1</b>	<b>35.7</b>	<b>151.9</b>	<b>0.9</b>
<b>Earnings per share (NOK)</b>	<b>0.13</b>	<b>0.14</b>	<b>0.62</b>	<b>-0.07</b>

## Net interest margin\* (%)



## Earnings per share (NOK)



\* Net interest margin (NIM) = 4 \* (Net interest income / Average interest-bearing assets excl. certificates and bonds).

# Balance sheet

Amounts in MNOK 31.12.2023 30.09.2023 31.12.2022

## Assets

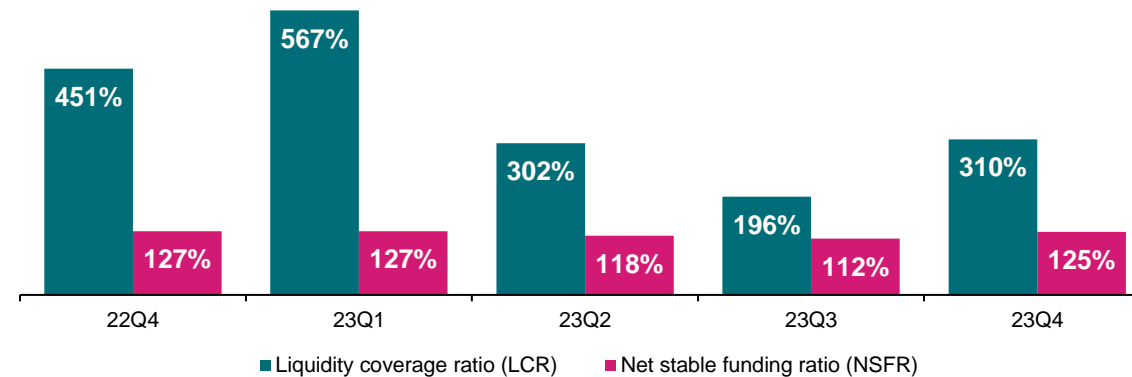
Loans and deposits with credit institutions	1,530.0	1,191.5	807.8
Net loans to customers	11,076.0	10,664.7	9,110.7
Certificates and bonds	926.1	510.9	1,453.5
Other intangible assets	66.9	62.3	45.3
Deferred tax assets	29.5	43.4	77.9
Fixed assets	22.0	22.1	3.5
Other receivables	14.7	15.9	29.2
<b>Total assets</b>	<b>13,665.2</b>	<b>12,510.8</b>	<b>11,528.0</b>

## Equity and liabilities

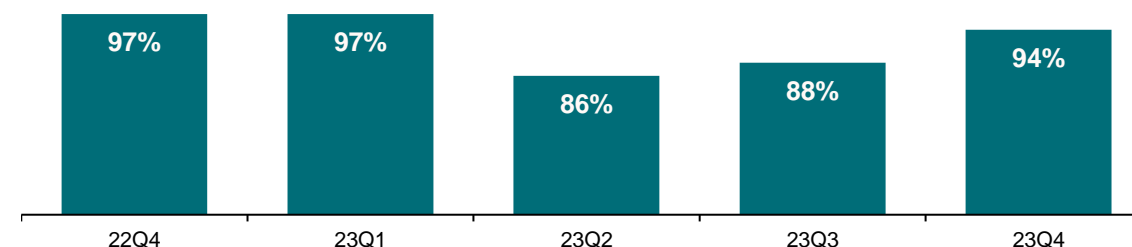
Deposits from and debt to customers	11,096.0	9,954.2	9,347.6
Other debt	125.3	143.0	162.1
Subordinated loans (Tier 2)	165.0	165.0	65.0
<b>Total liabilities</b>	<b>11,386.3</b>	<b>10,262.3</b>	<b>9,574.8</b>

Share capital	229.4	229.1	187.6
Share premium reserve	936.9	936.9	786.7
Other paid-in equity	56.5	56.4	56.4
Retained earnings	856.7	826.5	723.0
Additional Tier 1 capital	199.6	199.6	199.6
<b>Total equity</b>	<b>2,278.9</b>	<b>2,248.5</b>	<b>1,953.3</b>
<b>Total equity and liabilities</b>	<b>13,655.2</b>	<b>12,510.8</b>	<b>11,528.0</b>

## Liquidity and funding



## Deposit coverage\* (%)



\* Deposit coverage = Deposits from and debt to customers / gross loans to customers

# Shareholder overview

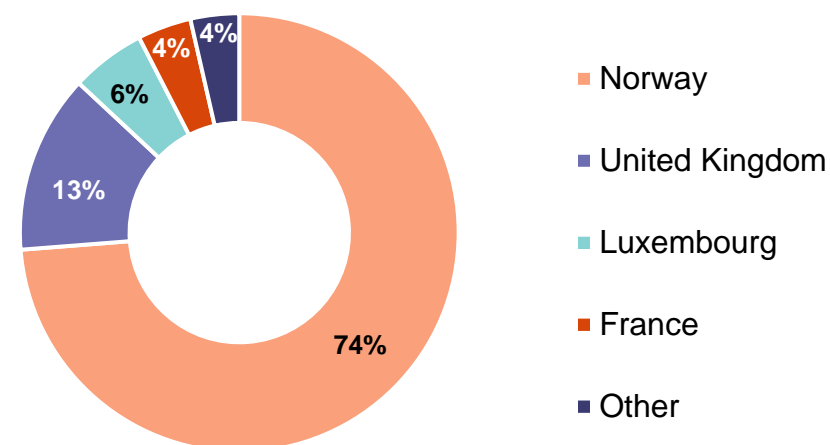
## Largest 20 shareholders

#	Shareholder	Shares (thousand)	%
1	Kistefos AS	44,927	19.6%
2	UBS AG	20,862	9.1%
3	Alfab Holding AS	11,072	4.8%
4	DNB Bank ASA	10,237	4.5%
5	The Bank of New York Mellon SA/NV	9,076	4.0%
6	Skandinaviska Enskilda Banken AB	7,800	3.4%
7	The Bank Of New York Mellon SA/NV	5,843	2.5%
8	Melesio Invest AS	4,607	2.0%
9	AS Audley	4,346	1.9%
10	OM Holding AS	4,209	1.8%
11	Stiftelsen Kistefos-Museets Driftsfond	4,000	1.7%
12	Directmarketing Invest AS	3,715	1.6%
13	Christiania Skibs AS	3,101	1.4%
14	The Bank of New York Mellon SA/NV	3,074	1.3%
15	Caceis Investor Services Bank S.A.	2,716	1.2%
16	Obligasjon 2 AS	2,540	1.1%
17	Hans Eiendom AS	2,500	1.1%
18	Belair AS	2,464	1.1%
19	Khaya AS	2,221	1.0%
20	Hellegjerde Invest AS	2,157	0.9%
<b>Sum top 20</b>		<b>151,466</b>	<b>66.0%</b>
Other shareholders		77,899	34.0%
<b>Total</b>		<b>229,364</b>	<b>100.0%</b>
Shares held by management and the members of the Board of Directors		6,625	2.9%

## Management and members of the Board of Directors

Role	Name	Shares (thousand)	Share options (thousand)	Warrants (thousand)
CFO	Eirik Holtedahl	2,464	44	800
COO	Wilhelm B. Thomassen	2,108	227	800
CEO	Øyvind Oanes	403	-	1,200
CCRO	Annika Ramstedt	148	307	800
CTO interim	Martin Valland	136	-	800
Members of the Board of Directors		1,365	9	-
<b>Total</b>		<b>6,625</b>	<b>586</b>	<b>4,450</b>

## Shareholders geographical distribution





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