



Interim report

SECOND QUARTER AND FIRST HALF YEAR
2023

Q2 2023 highlights: Improving efficiency and solid overall performance

Reducing loan growth to adjust to a more challenging macroeconomic environment near-term – H2 profitability expected below H1 2023.

Solid growth and stable net yield in Q2

- +3% loan balance growth vs. Q1 2023
- Stable net yield enabled by increased loan book interest rates
- Total income growth of 15% vs. Q1 2023 mainly driven by loan growth

Cost/income ratio target met ahead of plan

- Total operating expenses before depreciation stable vs. Q1 2023 despite a larger balance
- Cost/income ratio of 31% vs. 35% in the previous quarter (Q4 2023 target 30%)
- Number of full-time employees (FTEs) reduced by ~45% since peak in H1 2022
- IT transformation progressing according to plan, further efficiency gains expected

Increased credit losses, stable profitability

- Loan loss ratio of 4.8%, up from 3.9% in Q1 2023 driven by change in customer payment behaviour towards the end of the quarter
- Profit after tax of NOK 41 million vs. NOK 40 million in the previous quarter

Reducing growth in H2 amid more challenging macroeconomic picture

- Higher market interest rate trajectory expected to put pressure on margins
- Further tightening of credit policies and close dialogue with customers
- Some downside risk seen vs. normalised loan loss ratio of 4-5%; H2 2023 profits hence expected below H1 2023 levels
- Solid capital position with CET1 ratio of 20.6% vs. 19.4% at the end of Q2 2023, and a regulatory CET1 requirement of 17.9%
- Management evaluating further initiatives to support long-term growth and increase return on equity (ROE) from 8% in H1 2023 to above 12%

Comment from the CEO, Øyvind Oanes:

“During 2022 and the first half of 2023, we’ve managed to significantly increase throughput, protect our yield and bring down the cost/income ratio towards our target 30% mark – which is a very competitive level for our industry. As part of our mission to build a new and future-proof bank, we’ve also rebranded in Q2 and I’m delighted to see the alignment and engagement across our highly capable organisation. Combining that with a diversified Nordic consumer loans portfolio and a solid financial position, we are well-positioned for delivering long-term growth and value creation. Near-term, however, we see a more challenging macroeconomic picture where the balance between credit risk and growth needs to be carefully managed. As a result, we’ve tightened our credit policies and reduced sales which will slow loan balance growth in H2 2023. While the macro-outlook is more positive for the medium term, our focus in the near term continues to be on improving operational efficiency.”

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 Q2 2023

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

Gross loans to customers amounted to NOK 11.1 billion at the end of Q2 2023, an increase of 3% compared to Q1 2023. Split on product segments, loans increased by NOK 376 million and credit cards increased by NOK 53 million. The point of sales (POS) financing product, where new sales have been discontinued in Q2, decreased by NOK 104 million. Adjusted for currency effects, gross loans increased by 2%. As previously announced, the Bank discontinued its POS financing product effective as of 1 May 2023.

Net interest income amounted to NOK 257.1 million in Q2 2023, up 12% compared to Q1 2023. Loan interest rates were increased across markets during Q2 2023 to mitigate the margin impact of increasing deposit rates, with a limited impact on the inflow of loan applications. However, increased interest rates were offset by higher deposit rates. 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 13.6% for performing loans (13.3% in Q1 2023) while the performing credit card yield declined to 16.2% (16.4%). Deposits increased to 2.6% from 2.2% in the previous quarter. The net interest margin increased to 9.3% in the quarter from 8.8%, mainly due to decreased deposits volumes.

Net commissions and fees amounted to NOK 5.5 million in the quarter, up from NOK 0.7 million in the previous quarter.

Net gains on certificates, bonds and currency were NOK 6.2 million compared to NOK 4.3 million in Q1 2023 due to mark-to-market gains on liquidity placed in market-based instruments.

Total income was NOK 268.8 million, up 14.5% from the previous quarter driven by loan growth, loan interest rate increases and higher commission income and fees. The net impact from one-off items was positive by NOK 5 million in the quarter.

Total operating expenses were relatively stable at NOK 82.7 million compared to NOK 81.3 million in the previous quarter.

Personnel expenses were reduced to NOK 23.5 million in the quarter from NOK 24.4 million in the previous quarter. The number of FTEs was 77 at the end of Q2 2023, a reduction of ~45% since the peak in 2022.

General and administrative expenses including direct marketing expenses were NOK 34.7 million, up from NOK 33.9 million in Q1 2023.

The cost/income ratio was 30.8%, down from 34.7% in Q1 2023.

Further cost efficiencies are expected to materialise in the coming quarters including lower personnel cost, reductions in IT platform costs and office rent. The Bank will continue its investments in structural changes to reduce cost and automation/IT enhancements going forward.

Losses on loans amounted to NOK 131.2 million, up from NOK 100.2 million in Q1 2023. The increase was mainly driven by a change in customer payment behaviour towards the end of Q2. The loan loss ratio was 4.8% compared to 3.9% in the previous quarter.

Profit after tax increased to NOK 41.2 million compared to NOK 39.9 million in the previous quarter, mainly driven by loan growth and increased loan interest rates for performing loans.

Total assets as at 30 June 2023 amounted to NOK 12,026 million (compared to NOK 12,750 million as at 31 March 2023). Net loans to customers ended at NOK 10,523 (NOK 10,241 million). Deposits from customers amounted to NOK 9,516 million (NOK 10,466 million).

Total equity was NOK 2,218 million as at 30 June 2023 (NOK 2,085 million as at 31 March 2023). The Bank successfully completed a NOK 100 million capital (equity) increase during the quarter in order to strengthen the Bank's solidity. The Bank had a total capital ratio of 24.1% (22.3%) by the end of the quarter, and a CET1 ratio of 20.6% (19.4%). The Bank's CET1 ratio requirement was 17.9% (17.7%).

Loan and deposits with credit institutions and certificates and bonds amounted to NOK 1,358 million (NOK 2,351 million) corresponding to 11.3% (18.4%) of total assets.

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

There were no significant events after the balance sheet date.

Development and outlook

Morrow Bank maintains a positive outlook for growth and increased profitability in the medium to long term. The outlook is founded on the Bank having a well-diversified NOK 11.1 billion gross loan book, a continued strong inflow of loan applications, profitable operations, and exposure to a growing Nordic consumer financing market that has demonstrated strong resilience historically.

Most new NPL loans are sold on forward flow agreements which limits the balance sheet risk.

During Q2, the Bank had good sales volumes across all geographical markets driven by a generally benign market demand as well as enhanced conversion rates. The latter is chiefly a result of systematic work by the Bank to improve conversion and throughput.

To achieve increased throughput without accepting riskier client segments, the Bank has over the past six 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 with more to come from tech simplification which is expected to positively impact operational efficiency in 2023.

Overall, the medium to long-term macroeconomic outlook for the Nordic region remains robust, supporting an expected increase in consumption and demand for consumer financing. Nevertheless, there is uncertainty related to the geopolitical situation, inflationary pressure and the impact from the interest rate trajectory which has moved upwards since last quarter.

Cost inflation has affected personnel costs somewhat during the first half of 2023, but the impact from inflation on overall costs is still expected to be moderate in the near term.

Further, over the past quarters, the Bank has successfully passed on its higher funding costs to customers as increased loan interest rates. Gradual repricing of loan interest rates is expected to continue to during Q3 2023. However, the Bank sees a risk that further loan interest rate increases near term could result in increased churn and/or higher credit losses given the recent change in customer payment behaviour.

By the end of Q2 2023, consumers' loan servicing capacity started to show signs of deterioration with an increasing number of customers asking for forbearance.

Combined, this points to a more challenging near-term outlook and, as a result, Morrow Bank further tightened its credit models and engaged in closer customer dialogue to adjust to the situation. The Bank expects growth levels in H2 2023 to be lower than Q1 and Q2 2023 and sees a risk for its loan loss ratio to notch above the previously targeted normalised range of 4-5% for the coming quarters. Furthermore, as the general interest rates increase to levels above prior consensus, the Bank also foresees a near-term squeeze on its margins. Consequently, profit after tax in Q4 2023 is expected to come in below the previous target exceeding NOK 40 million.

Based on the current macroeconomic outlook, the Bank targets an annual loan balance growth of around 10%, a cost/income ratio of less than 30% and a return on target equity above 12%.

While the medium to long-term outlook remains positive, the Bank is currently evaluating further initiatives to support growth and ROE levels of more than 12%.

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 in the remaining six months of 2023, 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 This 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 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 Q2 2023 that significantly impact Morrow Bank's financial position or results for the period.

Responsibility statement

We confirm that, to the best of our knowledge, the condensed set of financial statements for the period 1 January to 30 June 2023 has been prepared in accordance with the applicable accounting standards with such additional information as required by the Accounting Act and gives a true and fair view of the Bank's assets, liabilities, financial position and results of operations, and that the financial review provides a true and fair view of the development and performance of the business and the position of the Bank, together with a description of the key risks and uncertainty factors that the Bank is facing for the remaining six months of 2023.

Stig Eide Sivertsen
Chair

Bodil Palma Hollingsæter
Vice Chair

Anna-Karin Østlie
Member of the board

Nicolai Lunde
Member of the board

Thomas Bjørnstad
Member of the board

Jonna Kyllönen
Member of the board

Per Olav Mikaelson
Member of the board

Øyvind Oanes
CEO

COMPREHENSIVE INCOME STATEMENT

<i>Amounts in NOK million</i>	Note	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
Interest income	2, 6	337.2	209.3	629.8	431.2	907.0
Interest expenses	2, 6	-80.0	-22.1	-143.1	-39.5	-113.7
Net interest income		257.1	187.2	486.8	391.7	793.3
Commission income and fees	2, 6	22.2	16.9	35.5	25.8	53.0
Commission expenses and fees	2, 6	-16.7	-8.4	-29.3	-20.2	-43.3
Net commissions and fees		5.5	8.5	6.2	5.7	9.8
Net gains/(losses) on certificates, bonds and currency		6.2	-0.6	10.5	-5.5	-2.1
Total income		268.8	195.1	503.5	391.9	800.9
Personnel expenses		-23.5	-35.0	-47.9	-74.3	-133.4
General and administrative expenses	7	-34.7	-37.9	-68.6	-73.9	-159.0
Other expenses	7	-15.7	-11.9	-31.2	-23.2	-43.1
Depreciation		-8.8	-19.2	-16.2	-39.0	-171.8
Total operating expenses		-82.7	-104.0	-164.0	-210.4	-507.3
Losses on loans	2	-131.2	-42.7	-231.4	-86.0	-292.1
Profit/(loss) before tax		55.0	48.4	108.1	95.5	1.6
Tax expenses		-13.7	-12.1	-27.0	-23.9	-0.6
Profit/(loss) after tax		41.2	36.3	81.1	71.6	0.9
Attributable to						
Shareholders		36.8	32.7	72.5	64.7	-13.8
Additional Tier 1 capital investors		4.4	3.6	8.6	7.0	14.8
Profit/(loss) after tax		41.2	36.3	81.1	71.6	0.9
Earnings per share (NOK)		0.18	0.17	0.36	0.35	-0.07
Diluted earnings per share (NOK)		0.17	0.17	0.35	0.34	-0.07
Comprehensive income						
Profit/(loss) after tax		41.2	36.3	81.1	71.6	0.9
Other comprehensive income		-	-	-	-	-
Comprehensive income for the period		41.2	36.3	81.1	71.6	0.9

BALANCE SHEET

Amounts in NOK million

	Note	30.06.2023	30.06.2022	31.12.2022
Loans and deposits with credit institutions		544,7	724,4	807,8
Net loans to customers	2	10 523,4	7 022,0	9 110,7
Certificates and bonds		813,4	882,6	1 453,5
Other receivables		27,5	72,6	29,2
Deferred tax asset		53,8	49,5	77,9
Fixed assets		1,0	7,7	3,5
Intangible assets		62,2	134,7	45,3
Total assets		12 026,0	8 893,5	11 528,0
Deposits from and debt to customers		9 516,4	6 691,0	9 347,6
Other debt		127,0	105,6	162,1
Subordinated loans (Tier 2)	5	165,0	65,0	65,0
Total liabilities		9 808,4	6 861,7	9 574,8
Additional Tier 1 capital		199,6	199,6	199,6
Share capital		229,1	187,4	187,6
Share premium		937,1	786,7	786,7
Other paid-in capital		56,4	56,7	56,4
Retained earnings		795,5	801,6	723,0
Total equity		2 217,6	2 031,8	1 953,3
Total liabilities and equity		12 026,0	8 893,5	11 528,0

 Lysaker, Bærum, 9 August 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	7.0	-	-	-	64.7	71.7
Share capital increases due to exercised share options	-	0.3	-	-	-	0.3
Changes in equity due to share option programs	-	-	-	2.8	-	2.8
Net interest paid to additional Tier 1 capital investors	-7.0	-	-	-	-	-7.0
Equity as at 30.06.2022	199.6	187.5	786.7	56.6	801.6	2,031.8
Equity as at 01.01.2023	199.6	187.6	786.7	56.4	723.0	1,953.3
Profit after tax	8.6	-	-	-	72.5	81.1
Share capital increases due to share issue	-	40.4	150.4	-	-	190.8
Changes in equity due to share option programs	-	1.1	-	-	-	1.1
Net interest paid to additional Tier 1 capital investors	-8.6	-	-	-	-	-8.6
Equity as at 30.06.2023	199.6	229.1	937.1	56.4	795.5	2,217.6

CASH FLOW STATEMENT

<i>Amounts in NOK million</i>	H1 2023	H1 2022	2022
Profit/(loss) before tax	108,1	95,5	1,6
Taxes paid	-	0,1	-0,2
Depreciation	16,2	39,0	171,8
Change in impairments on loans to customers	61,1	-341,4	-292,9
Change in gross loans to customers	-1 473,8	717,2	-1 420,0
Effects of currency on loans to customers	466,0	55,3	72,4
Change in deposits from and debt to customers	168,8	-1 242,9	1 413,7
Effects of currency on deposits from and debt to customers	-549,4	-68,1	-71,4
Change in certificates and bonds	717,8	-1,0	-465,9
Change in accruals and other adjustments	-137,2	183,3	183,0
Net cash flow from operating activities	-622,3	-563,0	-408,0
Payments for investments in fixed assets	-0,4	-0,3	-0,3
Payments for investments in intangible assets	62,2	-18,1	-57,6
Net cash flow from investing activities	61,8	-18,3	-57,9
Paid-in equity	190,8	0,3	0,5
Payment to AT1 capital investors	-11,5	-9,3	-19,7
Net receipts from AT2 capital	100,0	-	-
Lease payments	-2,4	-1,6	-4,7
Net cash flow from financing activities	276,8	-10,6	-23,9
Net cash flow for the period	-283,7	-592,0	-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	20,6	14,5	-4,3
Cash and cash equivalents at the end of the period	544,7	724,4	807,8
<i>Of which:</i>			
Loans and deposits with credit institutions	544,7	724,4	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 30 June 2023, the total loan loss provision related to macroeconomic factors amounted to NOK 27.4 million (30 June 2022: NOK 15.8 million).

Loans to customers

<i>Amounts in NOK million</i>	30.06.2023	30.06.2022	31.12.2022
Gross loans to customers	11,113.9	7,502.9	9,640.1
Impairment of loans	-590.5	-480.9	-529.4
Net loans to customers	10,523.4	7,022.0	9,110.7

Defaulted loans

<i>Amounts in NOK million</i>	30.06.2023	30.06.2022	31.12.2022
Gross defaulted loans to customers *	497.4	436.4	429.7
Impairment of loans (stage 3)	-211.4	-183.1	-195.0
Net defaulted loans to customers	279.0	253.3	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 30 June 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 201.2 million, with corresponding impairment amounted to NOK 41.7 million (30 June 2022: NOK 177.7 million and NOK 34.9 million)

Information on products and geographical distribution

NO = Norway, FI = Finland, SE = Sweden

Amounts in NOK million

Q2 2023	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	86.2	135.6	64.4	31.6	10.9	8.5	337.2
Interest expenses	-24.0	-29.7	-18.6	-5.5	-2.3	-	-80.0
Net interest income	62.2	105.9	45.8	26.1	8.6	8.5	257.1
Commission income and fees	3.0	2.4	2.0	11.9	0.5	2.5	22.2
Commission expenses and fees	0.0	-0.4	-	-14.3	-	-2.0	-16.7
Net commissions and fees	3.0	2.0	2.0	-2.4	0.5	0.5	5.5
Losses on loans	-5.3	-74.5	-41.1	-7.4	-1.4	-1.5	-131.2
Total income incl. loan losses	59.9	33.4	6.7	16.3	7.6	7.6	131.4
Gross loans to customers	3,262.8	4,237.3	2,567.8	774.0	272.0	-	11,113.9
Impairment of loans	-121.9	-224.9	-173.8	-31.8	-38.1	-	-590.5
Net loans to customers	3,140.9	4,012.4	2,394.0	742.2	233.9	-	10,523.4

Amounts in NOK million

Q2 2022	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	177.6	108.8	72.3	40.1	31.9	0.5	431.2
Interest expenses	-17.0	-10.1	-6.9	-3.3	-2.3	-	-39.5
Net interest income	160.6	98.8	65.5	36.8	29.6	0.5	391.7
Commission income and fees	5.2	3.0	0.1	9.3	-0.4	8.7	25.8
Commission expenses and fees	0.0	-0.8	-	-14.5	-	-4.9	-20.2
Net commissions and fees	5.2	2.3	0.1	-5.2	-0.4	3.8	5.7
Losses on loans	-75.2	9.5	-24.9	6.6	-2.0	0.0	-86.0
Total income incl. loan losses	90.6	110.5	40.7	38.2	27.2	4.3	311.4
Gross loans to customers	3,027.8	2,124.4	1,450.6	552.3	347.8	-	7,502.9
Impairment of loans	-161.7	-151.5	-110.9	-24.9	-31.8	-	-480.9
Net loans to customers	2,866.1	1,972.8	1,339.7	527.4	316.0	-	7,022.0

Amounts in NOK million

H1 2023	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	175.8	233.6	123.0	60.4	24.1	13.0	629.8
Interest expenses	-45.5	-50.2	-33.2	-9.7	-4.5	-	-143.1
Net interest income	130.3	183.4	89.8	50.7	19.6	13.0	486.8
Commission income and fees	6.0	4.3	2.0	17.8	0.9	2.5	33.6
Commission expenses and fees	0.0	-0.8	-	-14.5	-	-4.9	-20.2
Net commissions and fees	6.0	3.6	2.0	3.4	0.9	-2.4	13.5
Losses on loans	-6.3	-132.2	-74.1	-15.1	-2.1	-1.5	-231.4
Total income net of losses on loans	130.1	54.8	17.6	39.0	18.4	9.1	268.9
Gross loans to customers	3,262.8	4,237.3	2,567.8	774.0	272.0	-	11,113.9
Impairment of loans	-121.9	-224.9	-173.8	-31.8	-38.1	-	-590.5
Net loans to customers	3,140.9	4,012.4	2,394.0	742.2	233.9	-	10,523.4

Amounts in NOK million

H1 2022	Consumer loans			Cards NO/FI/SE	POS NO/SE	Not allocated	Total
	NO	FI	SE				
Interest income	177.6	108.8	72.3	40.1	31.9	0.5	431.2
Interest expenses	-17.0	-10.1	-6.9	-3.3	-2.3	-	-39.5
Net interest income	160.6	98.8	65.5	36.8	29.6	0.5	391.7
Commission income and fees	5.2	3.0	2.0	9.3	-0.4	8.7	27.7
Commission expenses and fees	0.0	-0.8	-	-14.5	-	-4.9	-20.2
Net commissions and fees	5.2	2.3	2.0	-5.2	-0.4	3.8	7.6
Losses on loans	-75.2	9.5	-24.9	6.6	-2.0	0.0	-86.0
Total income net of losses on loans	90.6	110.5	42.6	38.2	27.2	4.3	313.3
Gross loans to customers	3,027.8	2,124.4	1,450.6	552.3	347.8	-	7,502.9
Impairment of loans	-161.7	-151.5	-110.9	-24.9	-31.8	-	-480.9
Net loans to customers	2,866.1	1,972.8	1,339.7	527.4	316.0	-	7,022.0

Amounts in NOK million

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

Q2 2023

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Opening balance	9 560,2	771,8	457,6	10 789,6
Transfer from stage 1 to stage 2	-395,7	395,7	-	-
Transfer from stage 1 to stage 3	-167,3	-	167,3	-
Transfer from stage 2 to stage 3	-	-102,6	102,6	-
Transfer from stage 3 to stage 2*	-	40,6	-40,6	-
Transfer from stage 2 to stage 1	140,2	-154,3	-	-14,1
Transfer from stage 3 to stage 1*	24,3	-	-10,2	14,1
New assets	1 385,3	64,3	6,8	1 456,4
Assets derecognized	-817,7	-123,8	-190,5	-1 132,1
Closing balance	9 729,3	891,6	493,0	11 113,9
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	<i>-16,1</i>	<i>-185,1</i>	<i>201,2</i>	<i>-</i>

Q2 2022

Amounts in NOK million

	Stage 1	Stage 2	Stage 3	Total
Opening balance	6,468.6	585.5	943.7	7,997.6
Transfer from stage 1 to stage 2	-263.0	263.0	-	-
Transfer from stage 1 to stage 3	-120.6	-	120.6	-
Transfer from stage 2 to stage 3	-	-82.1	82.1	-
Transfer from stage 3 to stage 2*	-	30.9	-30.9	-
Transfer from stage 2 to stage 1	114.9	-114.9	-	-
Transfer from stage 3 to stage 1*	24.7	-	-24.7	-
New assets	930.1	37.6	4.0	971.6
Assets derecognized	-704.3	-103.8	-658.3	-1,466.5
Closing balance	6,450.4	616.1	436.4	7,502.9
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	<i>-17.9</i>	<i>-159.8</i>	<i>177.7</i>	<i>-</i>

* mainly movements related to "lazy payers."

H1 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	-731,8	731,8	-	-
Transfer from stage 1 to stage 3	-338,0	-	338,0	-
Transfer from stage 2 to stage 3	-	-199,4	199,4	-
Transfer from stage 3 to stage 2	-	89,6	-89,6	-
Transfer from stage 2 to stage 1	320,4	-334,6	-	-14,1
Transfer from stage 3 to stage 1	33,6	-	-19,4	14,1
New assets	3 227,8	113,7	11,2	2 849,7
Assets derecognized	-1 273,9	-228,7	-376,4	-1 375,9
Closing balance	9 729,3	891,6	493,0	11 113,9
Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)	-16,1	-185,1	201,2	-

H1 2022

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance	201.9	89.7	530.7	822.2
Transfer from stage 1 to stage 2	-15.2	15.2	-	-
Transfer from stage 1 to stage 3	-5.1	-	5.1	-
Transfer from stage 2 to stage 3	-	-36.3	36.3	-
Transfer from stage 3 to stage 2	-	7.6	-7.6	-
Transfer from stage 2 to stage 1	40.2	-40.2	-	-
Transfer from stage 3 to stage 1	9.4	-	-9.4	-
New financial assets originated	44.4	11.7	7.4	63.6
Increased expected credit loss	8.8	110.2	68.9	187.9
Assets derecognized	-17.4	-32.8	-436.0	-486.2
Decreased expected credit loss	-66.5	-15.6	-18.4	-100.4
Exchange rate movements	1.6	0.4	0.0	2.0
Macroeconomic model changes	1.3	0.3	0.0	1.6
Other changes	-10.1	-5.8	6.0	-9.9
Closing balance	193.4	104.4	183.1	480.8
Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)	-0.5	-34.4	34.9	-

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
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

Q2 2023

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance	213,7	140,2	198,2	552,1
Transfer from stage 1 to stage 2	-15,2	15,2	-	-
Transfer from stage 1 to stage 3	-76,5	-	76,5	-
Transfer from stage 2 to stage 3	-	-26,4	26,4	-
Transfer from stage 3 to stage 2	-	8,4	-8,4	-
Transfer from stage 2 to stage 1	22,9	-22,3	-0,7	-0,0
Transfer from stage 3 to stage 1	22,7	-22,0	-0,7	-
New financial assets originated	142,3	13,5	1,8	157,7
Increased expected credit loss	-6,0	92,8	39,6	126,4
Assets derecognized	-54,5	-27,1	-121,2	-202,7
Decreased expected credit loss	-37,0	-7,3	-3,3	-47,6
Exchange rate movements	0,9	1,0	2,7	4,6
Macroeconomic model changes	-	-	-	-
Other changes	-	-	-	-
Closing balance	213,4	166,2	210,9	590,5
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	-0,3	-41,4	41,7	-

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”

Q2 2022

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance	197.5	99.7	515.3	812.3
Transfer from stage 1 to stage 2	-7.8	7.8	-	-
Transfer from stage 1 to stage 3	-2.2	-	2.2	-
Transfer from stage 2 to stage 3	-	-15.5	15.5	-
Transfer from stage 3 to stage 2	-	6.6	-6.6	-
Transfer from stage 2 to stage 1	18.2	-18.2	-	-
Transfer from stage 3 to stage 1	7.6	-	-7.6	-
New financial assets originated	25.2	7.1	4.2	36.5
Increased expected credit loss	4.8	37.4	26.1	68.3
Assets derecognized	-9.7	-14.0	-365.6	-389.3
Decreased expected credit loss	-33.7	-7.5	-5.9	-47.2
Exchange rate movements	5.7	2.6	2.8	11.1
Macroeconomic model changes	1.4	0.3	0.0	1.7
Other changes	-13.5	-1.8	2.5	-12.8
Closing balance	193.4	104.4	183.1	480.9
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	-0.5	-34.4	34.9	-

H1 2023

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance	175,0	116,1	174,1	465,2
Transfer from stage 1 to stage 2	-23,3	23,3	-	-
Transfer from stage 1 to stage 3	-79,5	-	79,5	-
Transfer from stage 2 to stage 3	-	-44,5	44,5	-
Transfer from stage 3 to stage 2	-	18,4	-18,4	-
Transfer from stage 2 to stage 1	52,6	-51,9	-0,7	-
Transfer from stage 3 to stage 1	25,1	-22,0	-3,1	-
New financial assets originated	181,5	20,1	6,8	84,1
Increased expected credit loss	32,6	163,9	101,4	359,9
Assets derecognized	-60,6	-51,2	-177,6	-256,2
Decreased expected credit loss	-81,0	-15,3	-7,2	-102,5
Exchange rate movements	-20,4	0,7	-0,0	-19,7
Macroeconomic model changes	0,0	-0,0	-0,0	0,0
Other changes	11,6	8,6	11,6	59,8
Closing balance	213,4	166,2	210,9	590,5
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	-0,3	-41,4	41,7	-

H1 2022

<i>Amounts in NOK million</i>	Stage 1	Stage 2	Stage 3	Total
Opening balance	201,9	89,7	530,7	822,2
Transfer from stage 1 to stage 2	-15,2	15,2	-	-
Transfer from stage 1 to stage 3	-5,1	-	5,1	-
Transfer from stage 2 to stage 3	-	-36,3	36,3	-
Transfer from stage 3 to stage 2	-	7,6	-7,6	-
Transfer from stage 2 to stage 1	40,2	-40,2	-	-
Transfer from stage 3 to stage 1	9,4	-	-9,4	-
New financial assets originated	44,4	11,7	7,4	63,6
Increased expected credit loss	8,8	110,2	68,9	187,9
Assets derecognized	-17,4	-32,8	-436,0	-486,2
Decreased expected credit loss	-66,5	-15,6	-18,4	-100,4
Exchange rate movements	1,6	0,4	0,0	2,0
Macroeconomic model changes	1,3	0,3	0,0	1,6
Other changes	-10,1	-5,8	6,0	-9,9
Closing balance	193,4	104,4	183,1	480,8
<i>Lazy payers reclassified at balance sheet date (from stage 1 and 2 to stage 3)</i>	-0,5	-34,4	34,9	-

2022

<i>Amounts in NOK million</i>	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	-9,4	4,7	-68,8
Closing balance	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	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
+/- Change in stage 3 impairment of loans in the period	12.7	-332.2	36.8	-347.6	-335.7
+/- Change in impairment on stage 1 and 2 of loans to customers in the period	-25.7	0.6	-88.5	6.2	42.8
Realized losses and effects of portfolio sales in the period	144.1	374.3	343.9	427.4	585.0
Losses on loans	131.2	42.7	231.4	86.0	292.1

Note 3 – Capital adequacy

Total capital

Amounts in NOK million

	30.06.2023	31.12.2022
Book equity	2,217.6	1,953.3
Additional Tier 1 capital	-199.6	-199.6
Additions:		
Phase-in effect of IFRS 9	78.1	150.3
Deductions:		
Additional value adjustment (AVA)	-0.8	-1.5
Other equity not included in core capital (Foreseeable dividends)	-8.1	-0.1
Deferred tax assets and other intangible assets and deductions	-115.9	-123.2
Common equity Tier 1	1,971.3	1,779.3
Additional Tier 1 capital	199.6	199.6
Core capital	2,170.9	1,978.8
Subordinated loans (Tier 2)	165.0	65.0
Total capital	2,335.9	2,043.8

Capital excluding phase-in effects of IFRS 9

Amounts in NOK million

	30.06.2023	31.12.2022
Common equity Tier 1 excluding phase-in effect of IFRS 9	1,893.2	1,629.0
Core capital excluding phase-in effect of IFRS 9	2,092.8	1,828.5
Total capital excluding phase-in effect of IFRS 9	2,257.8	1,893.5

Calculation basis

Amounts in NOK million

	30.06.2023	31.12.2022
Loans and deposits with credit institutions	109.0	161.6
Loans to retail customers and IFRS 9 phase-in effect	8,027.9	7,018.3
Covered bonds	8.1	70.0
Other assets	28.5	32.8
Calculation basis credit risk	8,173.6	7,282.7
Calculation basis operational risk (standardized approach)	1,388.9	1,388.9
Total calculation basis	9,562.5	8,671.5

Total calculation basis excluding phase-in effect of IFRS 9

9,496.8

8,544.9

Capital ratios including phase-in effect of IFRS 9

	30.06.2023	31.12.2022
Common equity tier 1 (%)	20.6 %	20.5 %
Core capital (%)	22.7 %	22.8 %
Total capital (%)	24.4 %	23.6 %

Capital ratios excluding phase-in effect of IFRS 9

	30.06.2023	31.12.2022
Common equity tier 1 (%)	19.9 %	19.1 %
Core capital (%)	22.0 %	21.4 %
Total capital (%)	23.8 %	22.2 %

The LCR (Liquidity Coverage Ratio) was 302% and the NSFR (Net Stable Funding Ratio) was 118% as at 30 June 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>	30.06.2023	30.06.2022	31.12.2022
Certificates and bonds - level 1	246.4	-	470.5
Certificates and bonds - level 2	567.0	882.6	983.1
Total financial instruments at fair value	813.4	882.6	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>	30.06.2023	30.06.2022	31.12.2022
Loans and deposits with credit institutions	544.7	724.4	807.8
Net loans to customers	10,523.4	7,022.0	9,110.7
Other receivables	4.5	20.7	20.7
Total financial assets measured at amortised cost	11,072.6	7,767.1	9,939.3
Deposits from and debt to customers	9,516.4	6,691.0	9,347.6
Other debt	54.0	16.4	78.3
Subordinated loans (Tier 2)	165.0	65.0	65.0
Total financial liabilities measured at amortised cost	9,735.4	6,772.5	9,490.9

Note 5 - Subordinated loans

<i>Amounts in NOK million</i>	30.06.2023	30.06.2022	31.12.2022
Subordinated loan (ISIN NO0010941131)	65.0	65.0	65.0
Subordinated loan (ISIN NO0012909235)	100.0	-	-
Total subordinated loans	165.0	65.0	65.0

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

Note 6 - Net interest income and net commissions and fees

Net interest income

Amounts in NOK million	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
Interest income from loans to customers	328.6	209.1	616.9	430.8	895.5
of which sales commissions to agents	-	-	-45.4	-23.8	-130.3
Interest income from loans and deposits with credit institutions	8.5	0.2	13.0	0.5	11.5
Total interest income calculated using the effective interest rate method	337.2	209.3	629.8	431.2	907.0
Other interest income	-	-	-	-	0.0
Total interest income	337.2	209.3	629.8	431.2	907.0
Interest expense from deposit customers	-62.2	-7.8	-113.0	-16.3	-68.9
Interest expense from subordinated loan (Tier 2)	-3.1	-1.1	-4.5	-2.2	-4.7
Other interest expenses and similar expenses	-14.8	-13.2	-25.6	-21.0	-40.2
Total interest expenses	-80.0	-22.1	-143.1	-39.5	-113.7
Net interest income	257.1	187.2	486.8	391.7	793.3
Insurance services	10.4	7.9	20.3	16.0	32.2
Other fees and commissions and bank services income	11.8	9.0	15.2	9.9	20.9
Total income commissions and fees	22.2	16.9	35.5	25.8	53.0
Provisions to other bank connections	-1.7	-1.1	-3.2	-2.2	-4.3
Other expenses commissions and fees	-15.0	-7.3	-26.1	-18.0	-39.0
Total expenses commissions and fees	-16.7	-8.4	-29.3	-20.2	-43.3
Net commissions and fees	5.5	8.5	6.2	5.7	9.8

Note 7 - General administrative expenses and other expenses

Amounts in NOK million	Q2 2023	Q2 2022	H1 2023	H1 2022	2022
Direct marketing expenses	-5.1	-10.9	-9.9	-18.9	-36.0
IT-expenses	-12.9	-15.7	-25.8	-32.3	-69.4
Other general administrative expenses	-16.7	-11.3	-32.9	-22.7	-53.5
Total general and administrative expenses	-34.7	-37.9	-68.6	-73.9	-159.0
Insurance	-0.5	-0.3	-1.0	-0.6	-1.7
External audit and related services	-0.7	-0.3	-1.5	-1.2	-2.6
Other consultants	-11.1	-6.9	-19.7	-12.4	-22.2
Other expenses	-3.5	-4.4	-9.0	-9.1	-16.6
Total other expenses	-15.7	-11.9	-31.2	-23.2	-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.



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 30 June 2023, and the related condensed income statement, the statement of changes in equity and the cash flow statement for the six-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, 9 August 2023

PricewaterhouseCoopers AS

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