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First quarter results 2023

Morrow Bank ASA

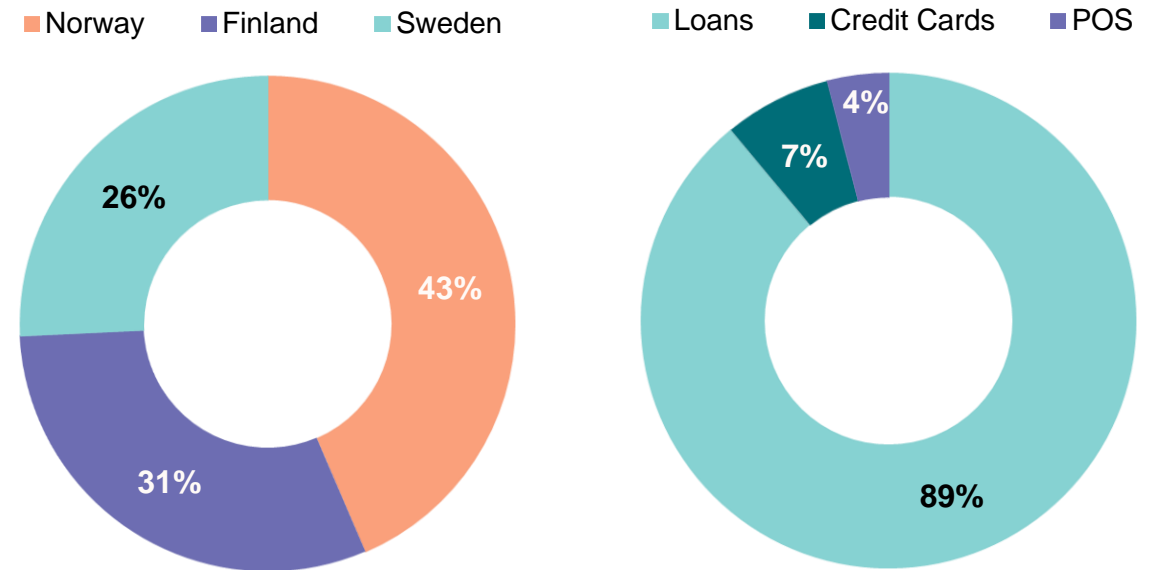
Morrow Bank ASA

– a diversified Nordic consumer finance company

Key facts

- Established in 2014, listed in 2017
- Norwegian banking license (EU passporting)
- Fully centralised operations (~80 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



Euronext Oslo Børs

Ticker: MOBA

Market cap

BNOK 1.1

Book value of equity

BNOK 2.1

Loan growth vs Q2 2022

44%

FTE reductions y-o-y

43%

Q1 2023 highlights: Improved performance driving increased profitability

MNOK	Q1 2023	vs Q4 22	vs Q1 22
Gross loans	10,790	+12%	+35%
Total income	235	+6%	+19%
Operating expenses	81	-60%	-24%
Profit after tax	40	N/M	+12%

Solid income growth and stable net yield

- 12% loan balance growth vs. Q4 2022, (7% adjusted)
- Increase of loan book interest rates continued, stable net yield
- Total income growth of 6%, vs. Q4 and 19% vs. Q1 2022

Cost/income further reduced, material ROE improvement

- Number of full-time employees (FTEs) reduced by 43% year-on-year
- Cost/income ratio of 35% vs. 44% (adj.) in the previous quarter
- Return on equity (ROE) was 8%, the highest level since Q2 2021

Outlook for further growth and cost/income reduction

- 100 MNOK equity issue successfully completed in Q1 to support growth
- Additional 100 MNOK Tier 2 subordinated loan successfully placed in May
- Ongoing IT transformation to increase efficiency and reduce cost

Strategic initiatives driving growth and efficiency improvements

2022 initiatives delivered, focus on IT in 2023

Reorganisation: new management team & organisational structure in place, decision to outsource front-office

Balance sheet clean-up: sold MNOK 700 NPL portfolio, NPL ratio <3%. Forward flow covering all new defaults

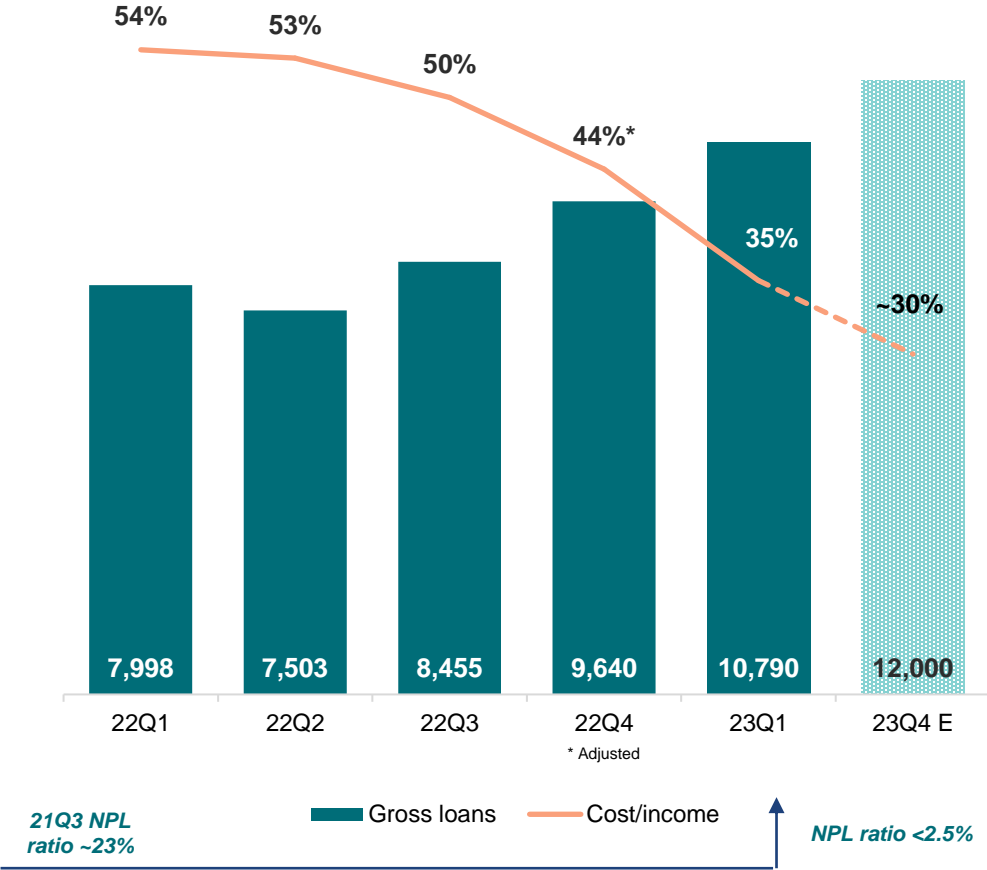
Product performance improved: new scorecards, improved analytics and more process automation

Growth engine re-started: 44% loan book growth Q2 22 to Q1 23 following successful initiatives to increase throughput

Organisation right-sized: FTEs reduced to 77, down 43% year-on-year, moving to right-sized offices at lower rent

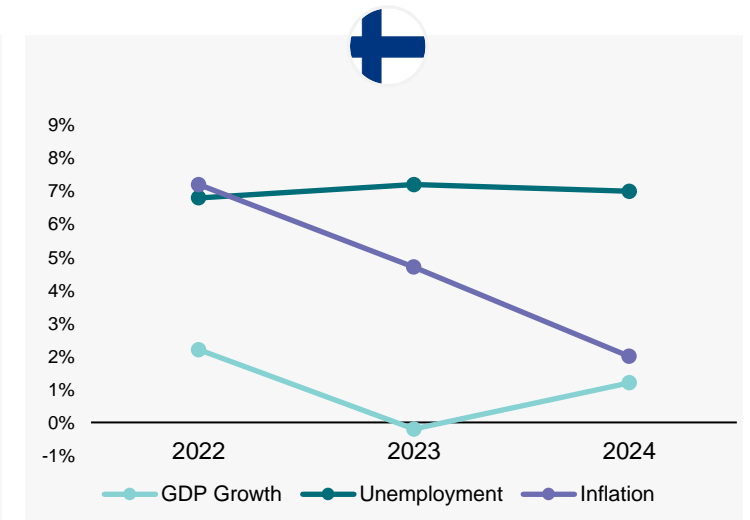
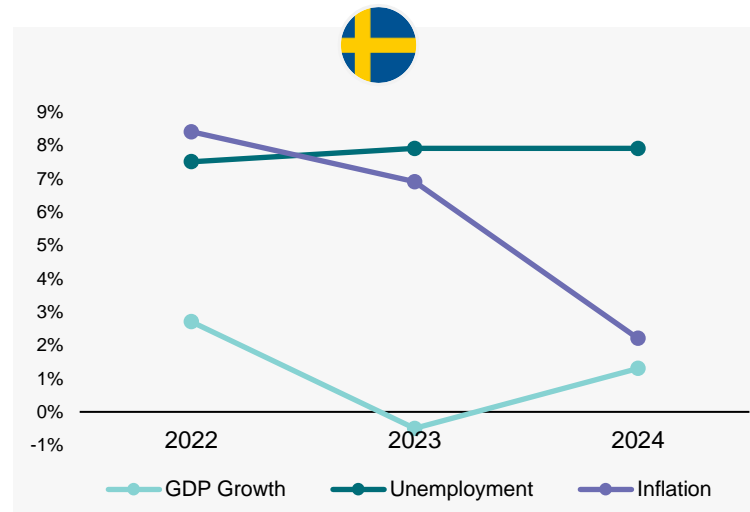
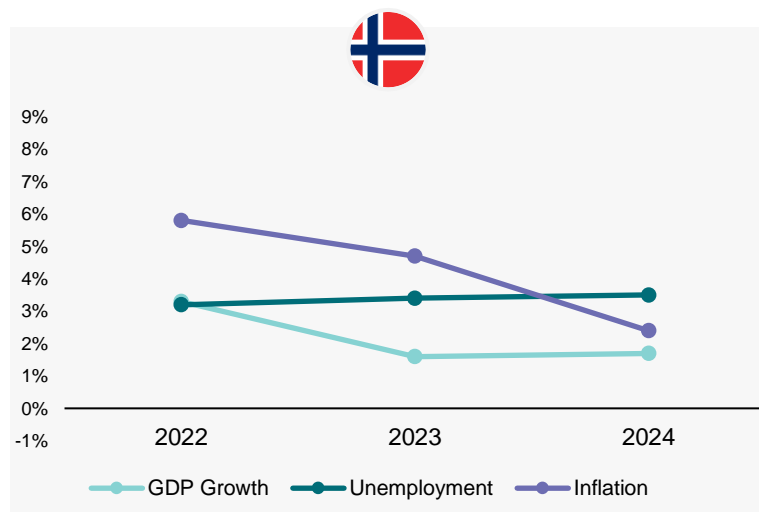
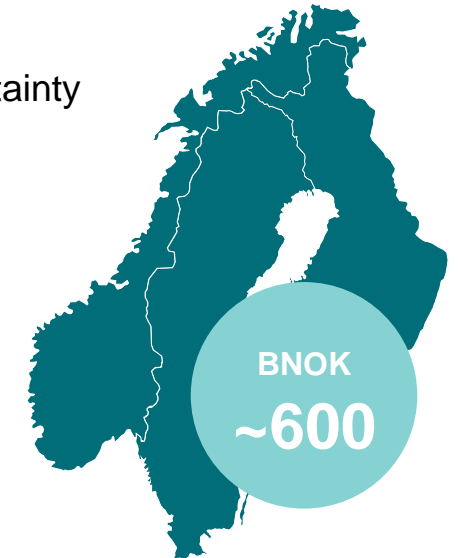
IT transformation ongoing: migrating products to new platform, enabling increased efficiency and scalability

Gross loans (MNOK) and cost/income (%)



A growing and resilient BNOK 600 Nordic market

- The Nordic region proven to be a stable and resilient market during times of global macro-economic uncertainty
- Higher cost of living drives demand for new credit and debt consolidation across the region
- Increased demand from higher-income individuals expected to drive some upward shift of segments
- Stable volume in Norway since the introduction of debt register, some growth in Credit Card
- Sweden to remain the largest market with a stable growth outlook
- Finland most profitable market: higher loan yields and efficient EUR funding
- Higher market interest rate levels set to improve net yield over time



First quarter Financial review



10.8 BNOK loan balance: all-time high – Q growth 12%

Norway

Stable development

Underlying loan Q1 growth: MNOK 37 (+1%)

Finland

Strong new sales

Underlying loan Q1 growth: MNOK 615 (+22%)

Sweden

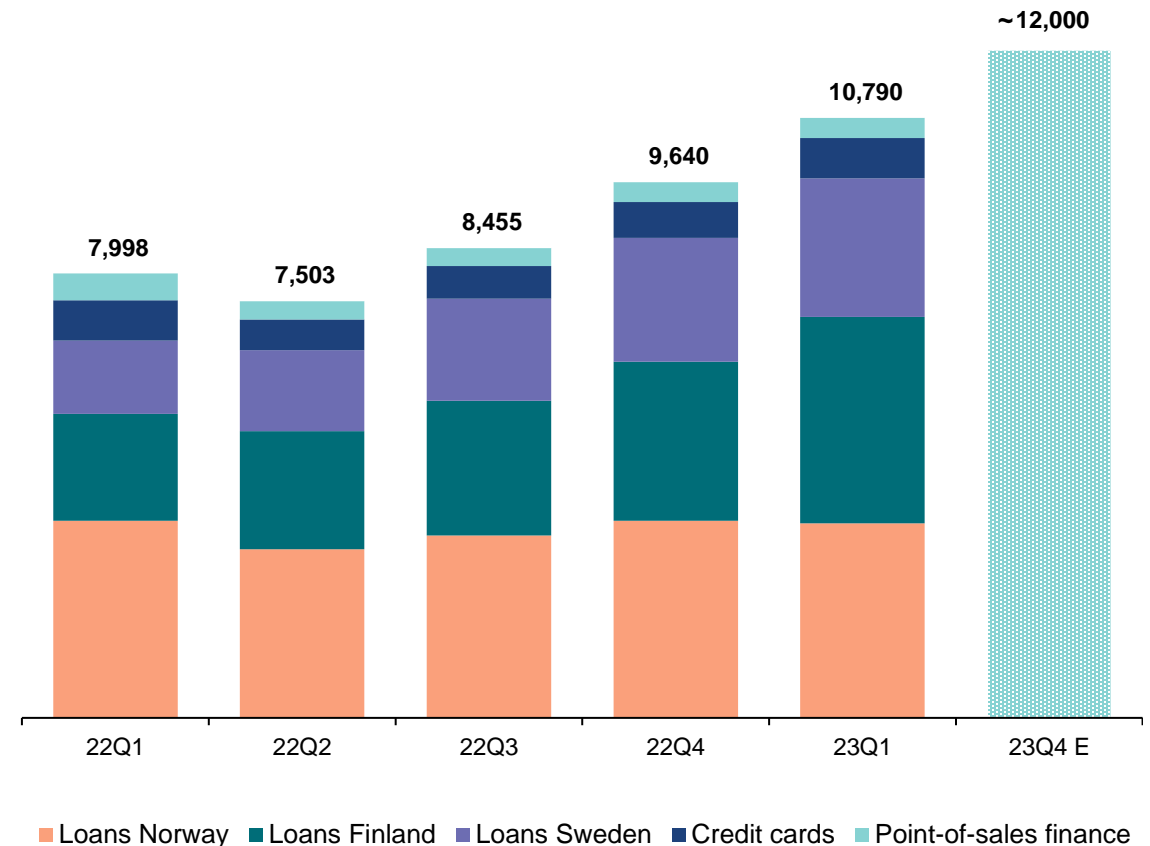
Positive development continuing

Underlying loan Q1 growth: MNOK 166 (+7%)

Key contributors to growth in Q1

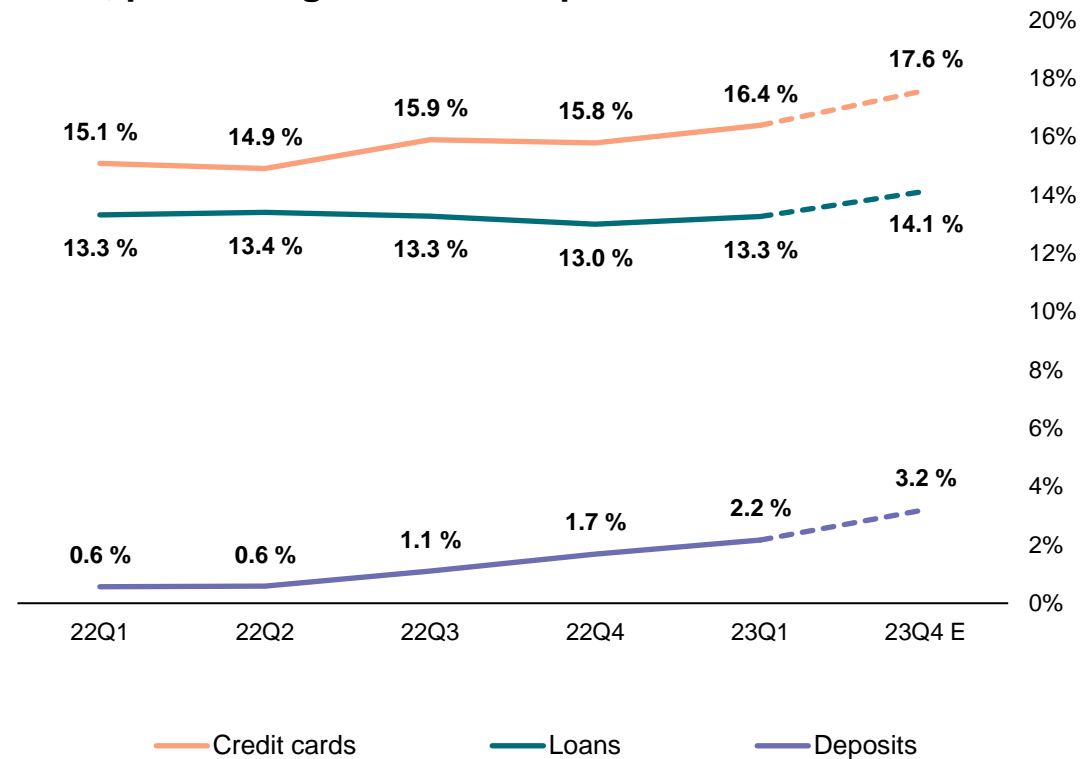
- Enhanced pricing analytics and credit scoring
- Simplified onboarding processes
- Increased level of automation in approval and disbursement processes
- Adjusted for fx, Q-growth was 7%

Total gross loans (MNOK)



Margins maintained: deposit interest increases successfully passed on to loan customers

Yield, performing loans and deposits



Stable net yields

- Deposit rates trending upwards reflecting market development
- Multiple yield increases on loans implemented to defend margin
- Increasing yields on credit cards due to higher interest rates and a shift towards a more revolving base
- Some time lag in repricing loan book due to notification requirements in Norway and Finland

Total income driven by loan growth and interest rate increases

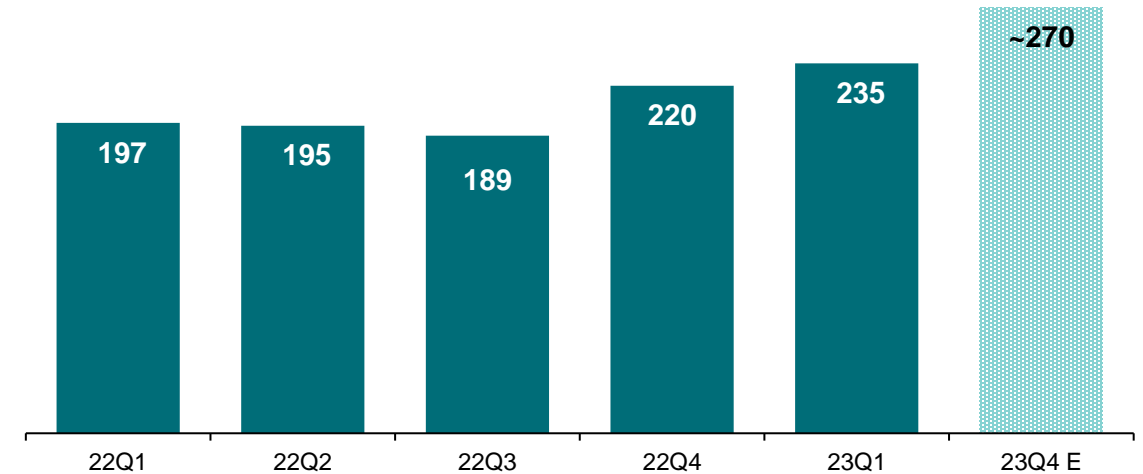
Q1 total income of MNOK 235, up 6.5% from Q4-2022

- Increase in interest income of MNOK 39 vs. Q4, partly offset by higher interest expenses
- MNOK 4 in gain on investments in financial instruments in Q1 vs. MNOK 9 in Q4-2022

Outlook

- Total income in Q4 2023 to improve, driven by continued balance growth and increased loan interest rates

Total income (MNOK)



Initiatives to reduce cost base continue to materialise

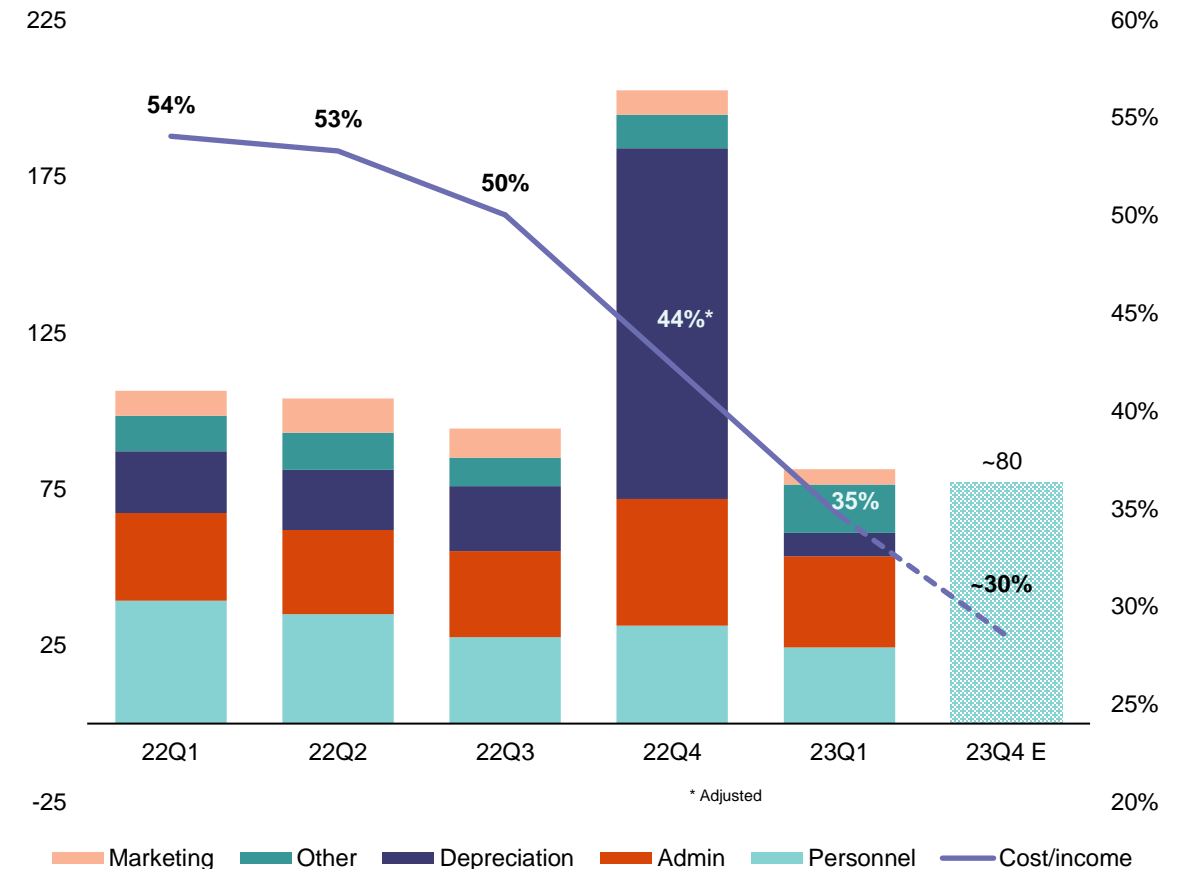
Opex trending down: cost/income ratio at 35% in Q1

- Total operating expenses before depreciation and write-offs reduced by 18% vs. Q4 2022
- Organisational restructuring completed: FTEs down by 43% year-on-year. Total FTEs now below 80
- Q4 2022 impacted by MNOK 91 write-down of assets related to historical IT investments (intangibles)
- Depreciation levels reduced to new normal

Outlook

- Targeting cost/income ratio of ~30% in Q4 2023
- Driven by cost cuts including personnel and lower depreciation
- IT cost of ownership expected to further decrease

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

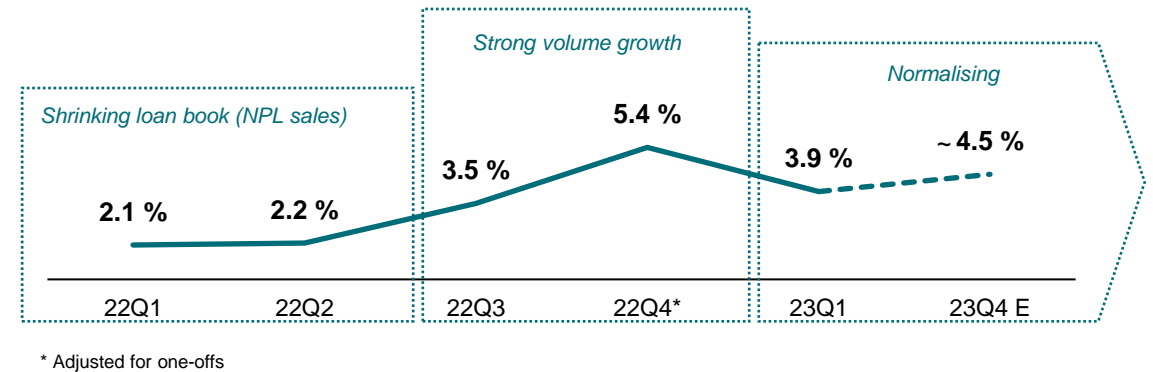


Loan loss ratio normalising – stable underlying credit quality

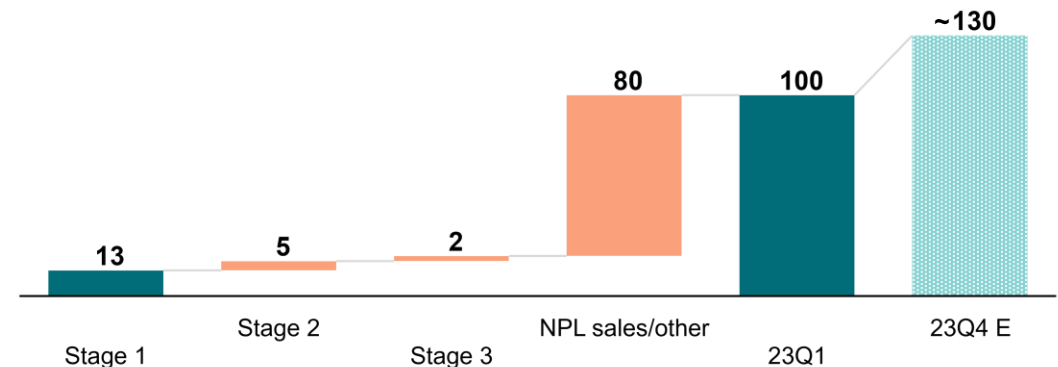
Loan loss ratio closely linked to growth

- The development of underlying credit quality in Q1 was stable and most NPLs are sold on forward flow
- Lower loan loss ratio in Q1 compared to the previous quarter
- The increased loan loss ratio in Q4 2022 was mainly driven by strong loan growth, prompting provision increase (Stage 1) and one-offs. Adjusting for Stage 1 and excluding one-off write-down, loan loss ratio would have been 4.0% in Q4 2022
- No significant adverse portfolio behaviour observed. Closely monitoring market development and adjusting models and risk appetite

Loan loss ratio (LLR)



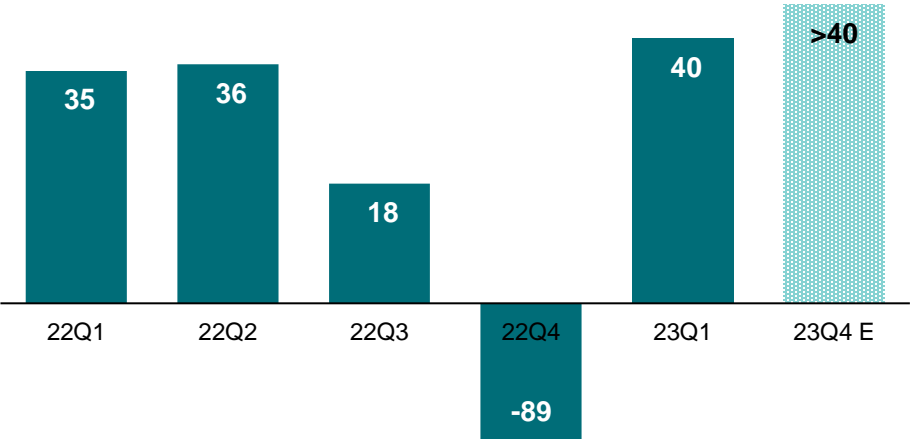
Loan loss break-down Q1 (MNOK)



Note: IFRS 9 requires loan loss provisioning to be taken based on future losses according to credit loan loss models. One of the mechanisms of IFRS 9 is that losses for 12 months must be recognized at loan origination, rather than being spread out proportionally over time. As a result, accelerated growth will incur temporary loan loss provisions above the levels of the credit loan loss models.

Investments to increase scale and efficiency now yielding results

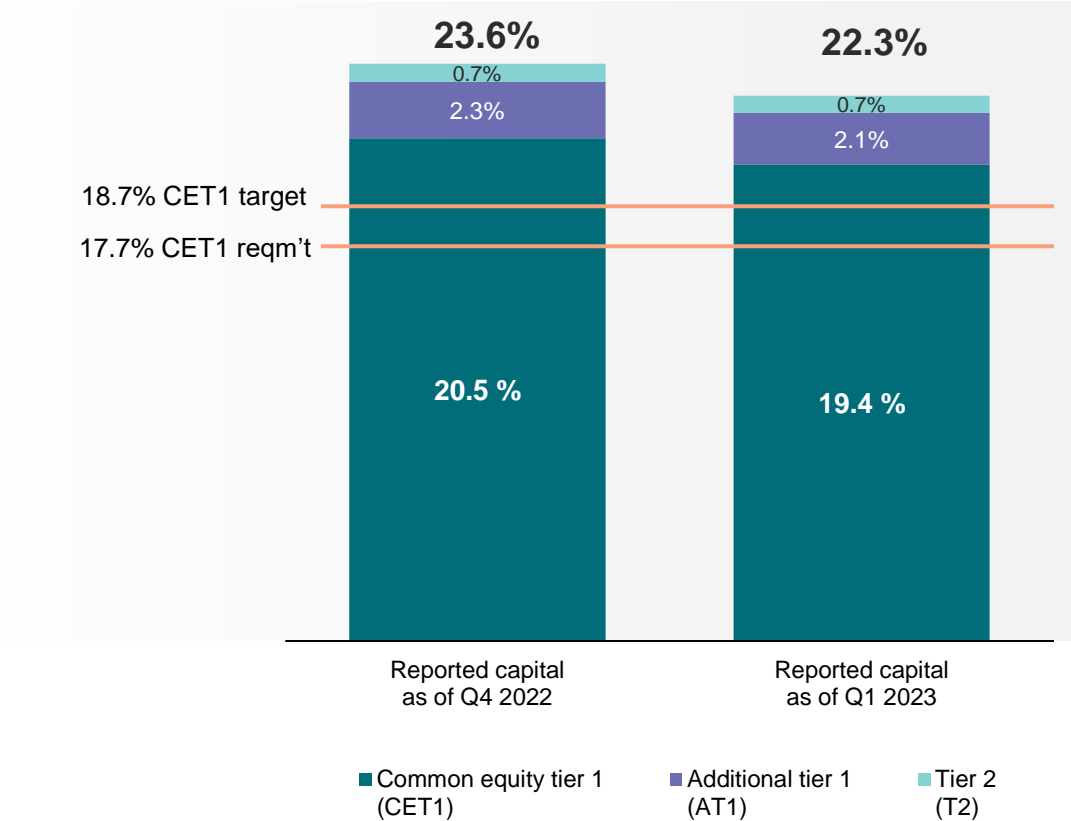
Profit after tax (MNOK)



- Q1 profits result from loan balance growth, stable yields, and reducing operating expenses and loan losses.
- Investment in scale in order to deliver attractive returns over time
- 8% ROE at highest level since Q2 2021 confirming successful turnaround; medium to long term ambition to improve ROE from current levels.

Capital ratios impacted by high growth, balanced by strong earnings and equity issue

Regulatory capital structure (%) Q-o-Q



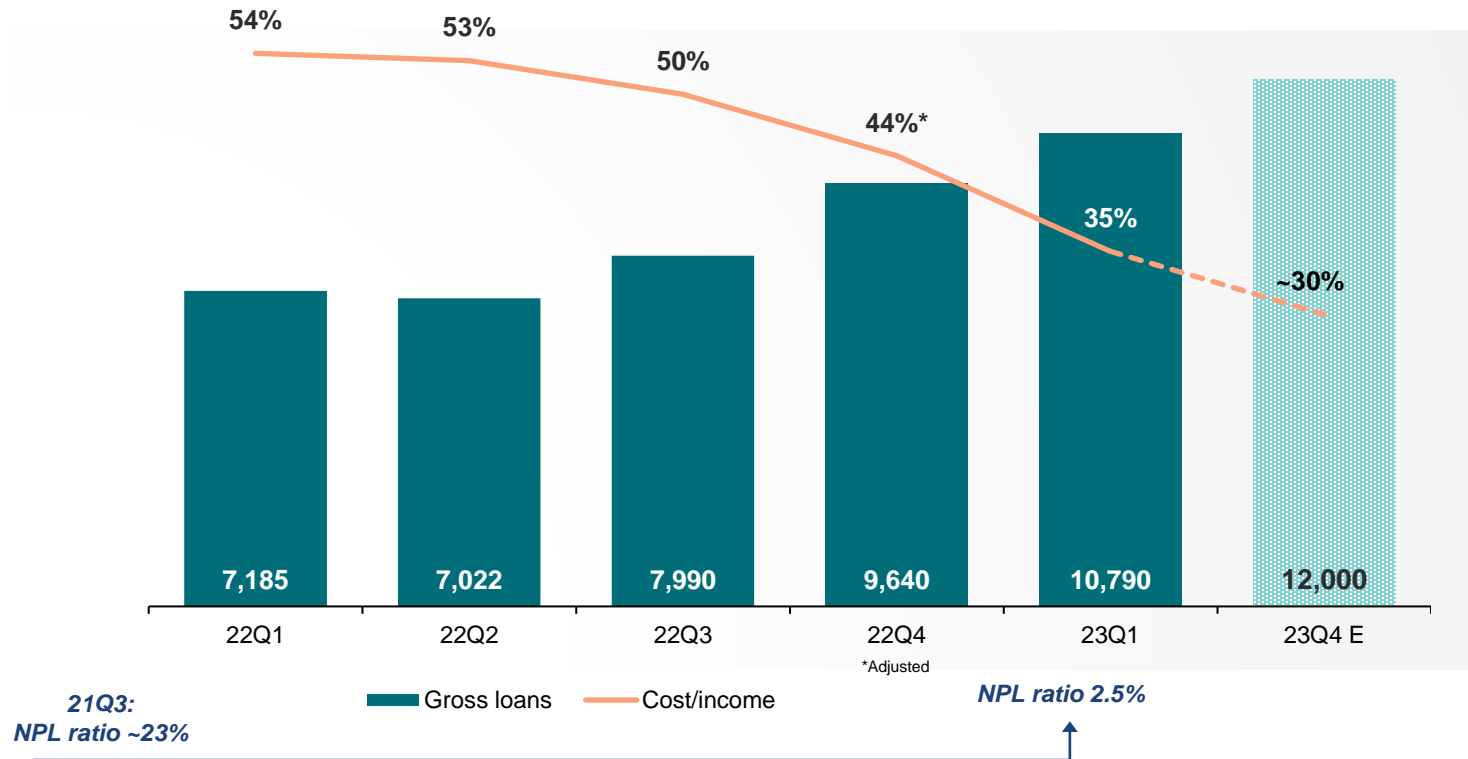
- To support strong growth, the Bank raised MNOK 100 of equity in Q1 2023
- To further optimise its capital structure, the Bank issued a MNOK 100 Tier 2 issue in May 2023

Summary



Strong performance in the quarter, well on track for year-end estimates

Gross loans (MNOK) and cost/income ratio (%)



Q4 2023 estimates

2023 Loan balance growth
~ 20%

Cost/income ratio
~ 30%

Return on target equity
~ 10%

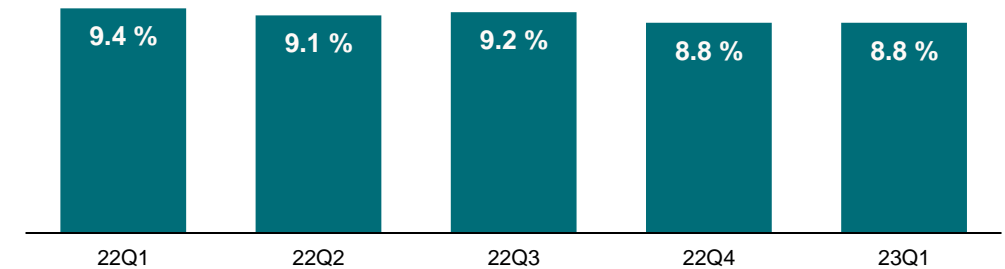
Q&A

APPENDIX

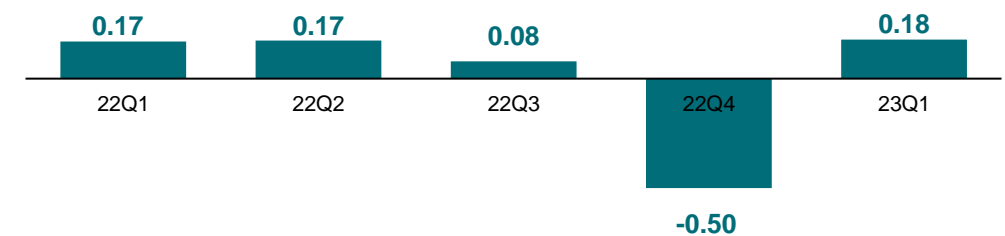
Profit and loss

<i>Amounts in MNOK</i>	Q1 2023	Q4 2022	2022	2021
Interest income	292.7	254.0	907.0	965.5
Interest expenses	-63.0	-45.9	-113.7	-81.8
Net interest income	229.6	208.1	793.3	883.7
Commission income and fees	13.3	15.7	53.0	51.6
Commission expenses and fees	-12.6	-12.2	-43.3	-62.9
Net commissions and fees	0.7	3.5	9.8	-11.3
Net gains / losses (-) on certificates and bonds, and currency	4.3	8.8	-2.1	4.0
Total income	234.7	220.3	800.9	876.4
Personnel expenses	-24.4	-31.4	-133.4	-162.0
General and administrative expenses	-33.9	-48.3	-159.0	-141.2
Other expenses	-15.5	-10.7	-43.1	-34.8
Depreciation	-7.5	-112.1	-171.8	-77.3
Total operating expenses	-81.3	-202.5	-507.3	-415.4
Losses on loans	-100.2	-135.8	-292.1	-739.1
Profit/(loss) before tax	53.1	-118.0	1.6	-278.1
Tax expenses	-13.3	29.3	-0.6	69.4
Profit/(loss) after tax	39.9	-88.7	0.9	-208.7
Earnings per share (NOK)	0.18	-0.50	-0.07	-1.19

Net interest margin* (%)



Earnings per share (NOK)



* Net interest margin (NIM) = 4 * (Net interest income / Average interest-bearing assets excl. certificates and bonds). Sales provision to agents presented as part of "Interest income" (earlier "Expense commissions and fees")

Balance sheet

Amounts in MNOK 31.03.2023 31.12.2021

Assets

Loans and deposits with credit institutions	745.9	807.8
Net loans to customers	10,241.1	9,110.7
Certificates and bonds	1,605.1	1,453.5
Other intangible assets	54.5	45.3
Deferred tax assets	66.0	77.9
Fixed assets	2.4	3.5
Other receivables	34.5	29.2
Total assets	12,749.5	11,528.0

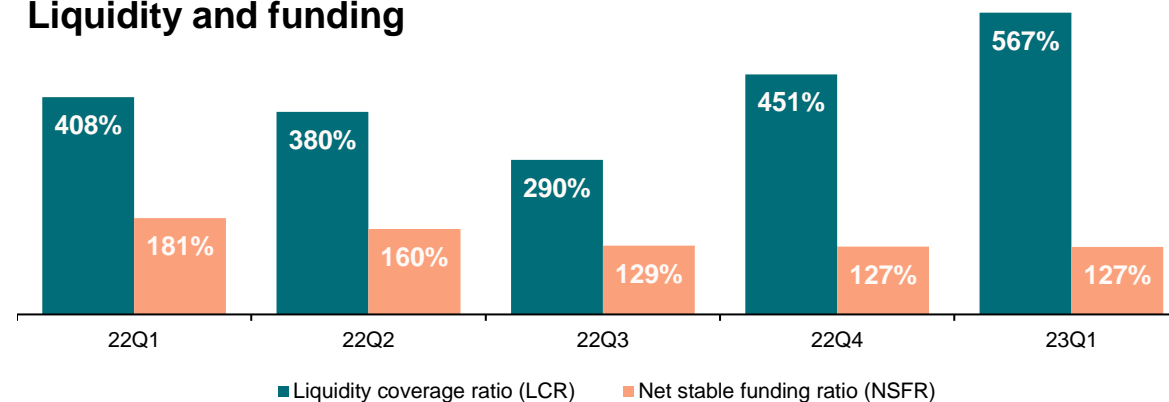
Equity and liabilities

Deposits from and debt to customers	10,466.1	9,347.6
Other debt	133.8	162.1
Subordinated loans (Tier 2)	65.0	65.0
Tax payable	-	-
Total liabilities	9,574.8	9,574.8

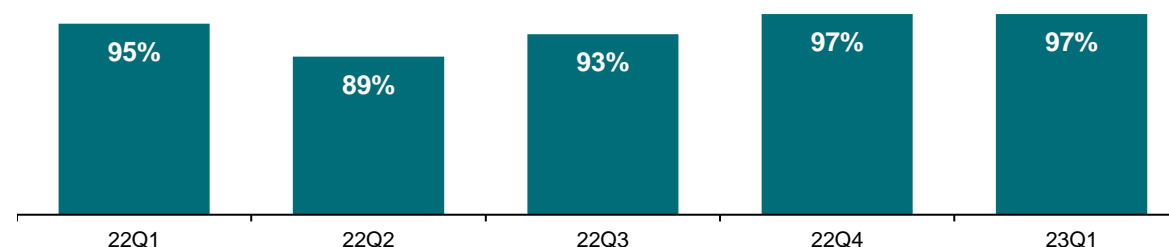
Share capital	205.8	187.6
Share premium reserve	864.3	786.7
Other paid-in equity	56.4	56.4
Retained earnings	758.7	723.0
Additional Tier 1 capital	199.6	199.6

Total equity	2,084.6	1,953.3
Total equity and liabilities	12,749.5	11,528.0

Liquidity and funding



Deposit coverage* (%)



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

Shareholder overview

Largest 20 shareholders

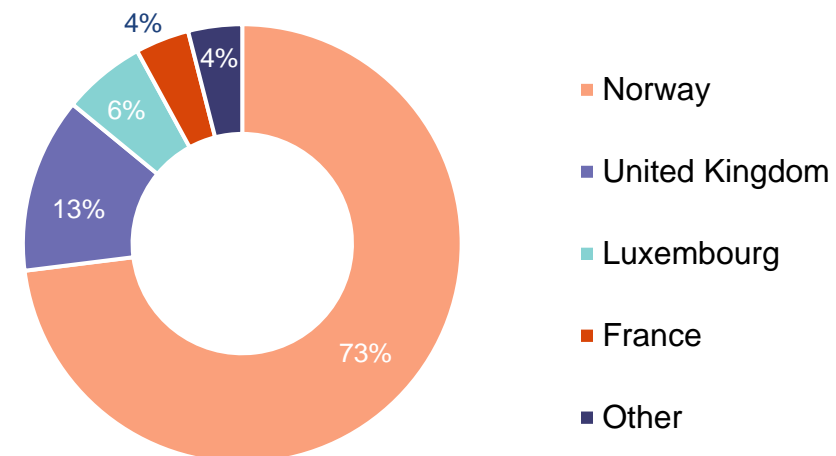
#	Shareholder	Shares (thousand)	%
1	Kistefos AS	40,293	19.5%
2	UBS AG	17,493	8.5%
3	DNB Bank	10,266	5.0%
4	Alfab 1 AS	9,996	4.8%
5	The Bank of New York Mellon SA/NV	7,507	3.6%
6	Skandinaviska Enskilda Banken AB	7,000	3.4%
7	The Bank Of New York Mellon SA/NV	5,843	2.8%
8	OM Holding AS	4,209	2.0%
9	Melesio Invest AS	3,825	1.9%
10	Directmarketing Invest AS	3,415	1.7%
11	RBC Investor services bank S.A.	3,263	1.6%
12	Christiania Skibs AS	3,101	1.5%
13	AS Audley	3,050	1.5%
14	Obligasjon 2 AS	2,580	1.2%
15	Khaya AS	2,371	1.1%
16	Skandinaviska Enskilda Banken AB	2,000	1.0%
17	Dingja Holding AS	1,905	0.9%
18	The Bank of New York Mellon SA/NV	1,880	0.9%
19	Stiftelsen Kistefos-Museets Driftsfond	1,682	0.8%
20	Camak Management AS	1,647	0.8%
Sum top 20		133,327	64.6%
Other shareholders		73,171	35.4%
Total		206,498	100.0%
Shares held by management and the members of the Board of Directors		4,143	2.3%

* Kistefos including ownership through nominees and related parties hold 24.5% of the shares.
Updated as at 10 May 2023

Management and members of the Board of Directors

Role	Name	Shares (thousand)	Share options (thousand)	Warrants (thousand)
COO	Wilhelm B. Thomassen	1,949	336	800
CFO	Eirik Holtedahl	1,597	110	800
CEO	Øyvind Oanes	303	-	1,200
CCRO	Annika Ramstedt	148	307	800
CCO	Enok Hanssen	109	394	800
CTO interim	Martin Valland	36	-	800
Members of the Board of Directors		250	17	-
Total		4,143	1,147	5,250

Shareholders geographical distribution



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