Lunar Bank A/S
Hack Kampmanns Plads 10
8000 Aarhus C
CVR no. 39 69 76 96

ANNUAL REPORT

1 JANUARY – 31 DECEMBER 2021

Approved at the Company's annual general meeting on 24 February 2022

Chairman:

Claus Okholm

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Company information

Company	Lunar Bank A/S Hack Kampmanns Plads 10 8000 Aarhus C CVR no. 39 69 76 96 Financial period: 1 January – 31 December 2021 www.lunar.app
Ownership	The company is fully owned by: Lunar Group A/S Hack Kampmanns Plads 10 8000 Aarhus C
Board of Directors	Claus Okholm (chairman) Jens Peter Leschly Neergaard Lotte Mollerup van Hauen Vibeke Bak Solok Lisa Lund Holst
Executive Board	Anders Hartlev (CEO) Morten Strande Sønderskov (COO)
Audit & Risk Committee	The Board of Directors in its entirety
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lunar Bank A/S for the financial year 1 January – 31 December 2021.

The annual report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the financial position of Lunar Bank A/S at 31 December 2021 and of the results of Lunar Bank's operations for the financial year 1 January – 31 December 2021.

Further, in our opinion, the Management's review gives a true and fair review of the development in Lunar Banks operations and financial matters, the results for financial year and Lunar Banks financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 24 February 2022

Executive Board:

Anders Hartlev CEO	Morten Strande Sønderskov COO

Board of Directors:

Claus Okholm Chairman	Jens Peter Leschly Neergaard	Lisa Lund Holst
Lotte Mollerup van Hauen	Vibeke Bak Solok	

Independent auditor's report

To the shareholder of Lunar Bank A/S

Opinion

We have audited the financial statements of Lunar Bank A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2021 and of its financial performance for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Business Act. Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Lunar Bank A/S for the first time on 16.04.2020 for the financial year 2020. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 2 years up to and including the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 01.01.2021 - 31.12.2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

<table>
<tr><th>Key audit matter: Impairment charges for loans</th><th>How the Key audit matter was addressed in our audit</th></tr>
<tr><td>Loans for the Bank amounted to DKK 1,044,676 thousand at 31 December 2021 (DKK 12,895 thousand at 31 December 2020), and the total allowance account for the Bank amounted to DKK 48,427 thousand at 31 December 2021 (DKK 7,329 thousand at 31 December 2020).

Measurement of loan impairment charges for loans is deemed a key audit matter as the determination of assumptions for expected credit losses is highly subjective due to the level of judgement applied by Management.

The most significant judgements are:

· Assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.

· Post-model adjustments for portfolios, which are not appropriately captured in the expected credit loss model.

Management has provided further information about the loan impairment charges in notes 1, 2, 11, 14 and 28.</td><td>Based on our risk assessment and industry knowledge, we have examined the impairment charges for loans and evaluated the methodology applied as well as the assumptions made according to the description of the key audit matter.

Our examination included the following elements:
· Testing of key controls over assumptions used in the expected credit loss models to assess the credit risk related to the exposure and the expected future cash flows of the customer.

· Obtaining and substantively testing evidence to support the assumptions used in the expected credit loss models concerning methods applied to derive loss given default.

· Testing of key controls over post-model adjustments applied to manage non-linearity that are not included in the modelled expected credit losses

· Obtaining and substantively testing evidence of post-model adjustments with particular focus on the rationale of the adjustment.</td></tr>
</table>

Independent auditor's report

Key audit matter: Accounting for goodwill derived from the Group's business combinations	**How the Key audit matter was addressed in our audit**
Goodwill amounted to DKK 613,540 thousand at 31 December 2021 (DKK 0 at 31 December 2020). As part of Lunar Group's acquisition of the Swedish Lender, Lendify AB, Lunar Bank has simultaneously acquired all future activity from Lendify which entails that goodwill from the Group's acquisition is recognized in Lunar Bank. The allocation of the purchase price in business combinations to assets and liabilities acquired relies on assumptions and judgements made by Management. Management has performed fair value calculations, which include judgements and estimates, including the future cash flow anticipated from the acquired activity and the discount rate applied. Management has provided further information about the goodwill in notes 1, 2 and 15.	Our audit procedures included assessing the Entity's accounting policies and accounting judgement. We involved our internal specialists in assessing the accounting treatment applied by Management as supported by an external accounting expert advice obtained by Management. We have further assessed and challenged Management's assumptions used in its fair value models for identifying and measuring the acquired assets and liabilities, including: • The future cash flow projections by discussing with Management, key employees and management's experts • Consulted with subject matter experts regarding the valuation methodologies applied • Tested the valuation model, including mathematical accuracy and obtained supporting evidence for future cash flow projections, estimates and key assumptions • Assessed the accounting judgement embedded in the accounting treatment of the transaction.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

Independent auditor’s report

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with thefinancial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 24 February 2022

Kasper Bruhn Udam
State Authorized Public Accountant
Identification No (MNE) mne29421

Jakob Lindberg
State Authorized Public Accountant
Identification No (MNE) mne40824

Management's review

Our business

Lunar Bank (Lunar) is a financial technology company powering consumers and businesses in the Nordics. Lunar believes the power of money belongs to everyone, and gives consumers and businesses all the power they need to bank, pay and invest. You need interfaces that connect you with everything money to enter the next level of payments and banking. That is what Lunar is building. Lunar offers a range of financial services and products to consumers and businesses that lets everyone manage their money in a new, transparent and convenient way.

Lunar sees an opportunity to offer subscription based banking services tailored to the everyday needs of forward-thinking people and entrepreneurs and has in 2021 rolled out a number of new features and products across the different tiers.

In April 2021 Lunar introduced a positive interest rate in Denmark and Sweden and experienced a spike in customer intake. Lunar expects to continue a best-in-class interest rate offering in the form of term deposits and activity based interest. Furthermore Lunar Group acquired the Swedish lender, Lendify in June and hence enabled a broader offering in consumer lending in Sweden. Lunar Group also acquired Danish Paylike in Q4 to enable a broader offering within the payments space.

Lunar Group has more than 400,000 customers across Denmark, Sweden and Norway and +400 employees by December 2021.

The business model for Lunar is not based on heavy gearing of the capital, but rather a range of products being able to generate a stable and recurring revenue. The primary income will therefore be distributed between consumer and business tiers, interchange fees, financial products and third-party services.

Financial review

The result of 2021 shows a loss after tax of DKK 515 million. The negative financial result was expected as Lunar has invested heavily in growth, acquisitions and the launch of new products across tiers. The positive monthly earnings figures expected in the 2020 financial statement did not materialise due to reasons described beforehand. The restrictions in our societies and travel activities also led to reduced short term earnings as a major part of Lunar's value is targeted social activities and travelling.

In May and July, Lunar Group successfully secured additional funding of DKK 2,272 million to accelerate Lunar's future growth. The funding rounds brought in a number of new tier 1 investors that have a long term vision and the financial means to realise Lunar's long term growth plans. During 2021, Lunar has increased its focus on cost and invested in making the organization scalable to support future growth.

Equity in Lunar totaled DKK 1,447 million including capital increase of DKK 1,623 million from the parent company Lunar Group. The growing balance sheet has resulted in the subsidiary Lunar Bank now being a group 3 bank in terms of the Danish FSA's size groupings.

There is no proposed dividend for the financial year of 2021.

Management's review

Outlook

Lunar will continue to have a very strong focus to meet user expectations and continue to be the highest rated financial app in the Nordics. During 2022 Lunar will continue growth in the user base – both private and business users. Further a number of new products will be introduced across markets.

Due to continued heightened investments and expenses related to establishing a footprint across the Nordics, Lunar expects to realize a loss after tax in 2022 in the range of DKK 200-300 million. As Lunar is launching a number of new products the financial forecast comes with some degree of uncertainty.

Capital and liquidity

At 31 December Lunar's capital base, less deductions, amounts to DKK 792 million including Tier 2 capital instruments. In accordance with Commission Delegated Regulation (EU) 2020/2176 entering into force 23 December 2020, Lunar is now able to recognise software assets in Common equity tier 1 capital which accounts for DKK 30 million at the end of 2021. Other intangible assets including goodwill amounting to DKK 675 million are deducted in the capital base.

The solvency need is calculated as DKK 284.6 million or 29.2% of REA at 31 December 2021. With a capital target including regulatory buffers and the minimum requirement of eligible liabilities (MREL) requirement calculated to be DKK 328 million or 33.7 % as per 31 December 2021 the excess capital is DKK 463 million. The excess capital adequacy is considered to be sufficient to support further development of the bank and future growth ambitions based on the budget. The capital target inclusive stress buffer end 2021 amounts to DKK 662.5 million or 68 %. This includes MREL requirements of 2.0 %, MREL requirements will increase to 4.3% in 2024.

Lunar calculated the liquidity requirements on the basis of the Liquidity Coverage Ratio (LCR). At 31 December 2020 LCR was calculated at 1,008 % against 1,738 % in 2020. Lunar's Board of Directors has set an internal limit for LCR of 150 %. Based on the current requirements, the institute has a significant excess in relation to liquidity coverage in relation to regulatory requirements.

Risk Management

Lunar operates in a dynamic environment, therefore constantly affected by external and internal risks.

The Risk Management Standard Operating Procedure (RM SOP) stipulates the common standard for how activities should be coordinated in terms of identifying and controlling the risks Lunar is exposed to. The purpose of the RM SOP is to ensure an enterprise wide understanding and handling of risk management and it forms the basis for a uniform approach for working with risks across the three lines in Lunar. By adhering to the principles in the RM SOP Lunar enables the organization to be well-prepared and proactive in relation to the challenges and opportunities that the identified risks pose.

Risk Governance

Lunar has a structure with relevant committees at board level and below to decide on all relevant risks, and to monitor and perform oversight of risk exposure across risk types. Delegation of decisions-making competences as well as relevant escalation routes are formalised. This goes hand in hand with clear roles and responsibilities establishing an organization with a relevant functional separation between risk ownership and oversight.

Management's review

Risk Taxonomy & Risk Appetite

Identifying, defining and assessing the relevant risks and ensuring a common language regarding risk types is key for efficient risk management. As a natural next step on the Lunar journey, Lunar has developed a new and broader Risk Taxonomy in 2021 to reflect the increasing complexity of the business. This will enable the entity to define risk appetite with more granularity going forward. The financial risk appetite is expressed through limits for all areas where Lunar is exposed and is reflected in a number of risk appetite statements embedded in the relevant policies.

Risk culture

Management openly expresses the mindset and necessary qualifications Lunar wishes for our organization to possess. Risk is not a topic for leaders or functions only, but a widespread task across the entire organisation. Employees at all levels are encouraged to ask for help and share any concerns they might have, and a whistleblower setup is in place. The policy on healthy company culture has been approved by the Board of Directors and implemented.

Control Environment & Reporting

Lunar's ambition is to build an integrated offering within banking, payments and investments and Lunar will aggressively target growth in revenue and in customers while staying within risk appetite. This strategy entails significant requirements for controls and reporting as evidenced by the 2021 Lendify acquisition, which increased the credit risk reporting requirements significantly in order for Lunar management and board to be informed and enable them to discuss and challenge.

Well-functioning control and reconciliation routines are a prerequisite for calculating correct and credible values in risk and financial reporting. Reporting supports personnel at all levels to understand the relationships between risk, culture, and performance and to improve decision-making in strategy- and objective-setting, governance, and day-to-day operations.

Lunar has matured the control and reporting setup in 2021 and will continue to do so in the coming years to ensure the extent and quality is sufficient given the stages Lunar will go through on its ambitious voyage.

The main categories of financial risks are elaborated in note 28.

Events after the balance sheet date

In January Lunar acquired the SPV4 containing loans of DKK 487 million from Lendify AB, a sister company within Lunar Group.

Furthermore, Lunar has established an internal audit function in January in accordance with regulatory requirements.

No events have occurred after the balance sheet date, which could affect the assessment of the Financial Statements.

Management's review

Knowledge resources

The Lunar team is the key to realizing the vision of shaping the future of banking. With employees as the key knowledge resources, massive investments are being made in attracting and retaining the best team. Lunar regularly measures employee engagement and development with monthly questions. The employee is secured 100% anonymity and can also communicate on sensitive matters with the direct manager - also with anonymity.

The organization is involved in the results and action points are openly discussed and handled.

Lunar wants to change banking with a healthy and thriving organization, and the wellbeing and development of employees is taken very seriously in Lunar. Additionally, our Next Level initiative strives to support mental wellbeing both inside and outside the organization. Lunar works to improve the mental and physical health of the employees with meditation, yoga, healthy foods and exercise both during work hours and after.

Management

The Board of Directors is elected by the general meeting for the period of time until the next ordinary general meeting. For an overview of management and directorships for the Board of Directors and Executive Board, please refer to the last section of the Management's review.

The Board of Directors continuously and at least once a year assesses the overall risk factors and the individual risk factors associated with Lunar's activities. The Board of Directors maintains guidelines for the key risk areas, follows developments and ensures the presence of plans for the management of the individual risk factors, including financial and non-financial risks.

The Board of Directors appoints an Executive Board consisting of one to three members. The Board of Directors has appointed Anders Hartlev and Morten Sønderskov to the Executive Board, and Anders Hartlev has been appointed CEO.

The Board of Directors has the overall responsibility and the Executive Board handles the daily operations and secures compliance with outlined policies and regulation. This includes securing sufficient internal controls and risk management in the financial reporting process, including compliance with relevant legislation and other adjustments in connection with preparation of the Financial Statements. The charter for remuneration committee and detailed information on the remuneration of executive board and board of directors is disclosed on Lunar's website (https://www.lunar.app/dk/privat/corporate).

Statement on the representation of gender in the board of directors and other management levels

Lunar is convinced that diversity helps in creating a better culture and ultimately a better organisation. Lunar strives to improve diversity on a daily basis throughout the organisation as a whole.

Management's review

Target figures for the underrepresented gender on the board

The gender distribution among the Bank's board members in 2021 is as follows: 40% men and 60% women. There is no underrepresentation of one gender on the Board of Directors.

Policy for other management levels

It is Lunar's overall objective to provide an appropriate equal distribution of men and women in management positions. Lunar wants to be able to follow up on the gender composition in management and to have the opportunity to adjust efforts along the way in relation to targets set. Lunar considers targets and target numbers as an effective tool to ensure progress and reach goals.

Lunar has set the following specific targets:

1. Lunar's employees must experience the same career and management opportunities regardless of their gender.
2. The proportion of female managers will increase from 20% to 40% before 2023.

Lunar aims for a more equal distribution between the genders in management. Initiatives must be launched in those areas where it is needed. The bank wants an open-minded culture, where the individual employee can utilize their competencies in the best possible way, regardless of gender. Lunar employs managers on the premise that the most suitable person is always hired or appointed regardless of gender, and wants to inspire all employees to become part of management.

Lunar offers all employees the opportunity to develop professional and personal competencies through participation in e.g. management training. It is Lunar's goal that all genders in general participate equally in these offers.

Uncertainty relating to recognition and measurement

On an ongoing basis, management assesses the bank's capital resources in order to assess the soundness of the bank's investments in expansion. Based on Lunar's approved budgets, management assesses that through 2022 the bank will comply with all regulatory capital requirements. In the nature of budget planning there are uncertainties related to realizing those and in the event of a lack in meeting expected growth estimates management has established several contingency options and management will continue to focus on maintaining a sound and adequate capital base.

Lunar has recognized intangible assets at a carrying amount of DKK 715 million. Intangible assets include customer relations, IT platform and goodwill. The measurement of intangible assets is supported by earnings expectations to which inherent uncertainties in realizing these expectations exists. Management assesses that no indication of impairment of the intangible assets exists. Please refer to the description in note 2.

Management's review

Supervisory diamond

The Danish FSA has identified a number of specific risk indicators for banks and mortgage institutions and has set threshold values with which all Danish banks must comply. The requirements are known as the Supervisory Diamond.

As of December 31, 2021, Lunar Bank has complied with the three thresholds as per below. Lending growth is breached as Lunar is a newly established bank and the loan book is in a build-up phase.

(%)	Threshold	31 December 2021	31 December 2020
Sum of large exposures	<175	0.9	4.1
Lending growth	<20	8,001	-
Real property exposure	<25	0	0
Liquidity indicator	>100	1,008.0	1,737.8

Management's review

Overview - executive team

Anders Hartlev (CEO)	Private-sector directorships: · AH 1879 ApS, executive officer and legal owner
Morten Strande Sønderskov (COO)	Private-sector directorships: · Strande-Sønderskov ApS, executive officer and legal owner

Management's review

Overview - Board of Directors

Claus Okholm (chairman)	Private-sector directorships: · Lunar Group A/S, board member · CEJ Ejendomsadministration A/S, board member · CEJ Aarhus A/S, board member · HC Okholm I/S, legal owner
Jens Peter Leschly Neergaard	Private-sector directorships: · Rex Invest Holding, executive officer and legal owner · Leschly & Neergaard ApS, executive officer and legal owner · Qblue Balanced A/S, chairman · Laika Invest ApS, executive officer and legal owner · L&N Apollo ApS, executive officer and legal owner
Lotte Mollerup Van Hauen	Private-sector directorships: · Qblue Balanced A/S, board member · Mollerup - van Hauen ApS, executive officer and legal owner
Vibeke Bak Solok	Private-sector directorships: · Lunar Group A/S, board member · November First A/S, board member · Nordic Solar A/S, board member · Fintech Solution Lab ApS, board member · VBSolok ApS, executive officer and legal owner
Lisa Lund Holst	Private-sector directorships: · Sundhedsfagliges Ejendomsaktieselskab, board member · Pensionskassen for Sundhedsfaglige, board member

Financial statements 1 January – 31 December

Income statement and comprehensive income

Note	DKK'000	2021	2020
4,5	Interest income	19,198	579
4,6	Interest expense	30,638	4,467
	Net interest income	**-11,440**	**-3,888**
4,7	Fee and commission income	95,209	16,506
4	Fees and commission expenses	32,278	9,408
	Net interest and fee income	**51,491**	**3,210**
8	Market value adjustments	-1,154	-286
	Other operating income	0	43
9,10	Staff costs and administrative expenses	496,687	159,544
	Amortisation, depreciation and impairment charges	25,020	13,855
11	Loan impairment charges etc.	44,005	4,207
	Profit/loss before tax	**-515,375**	**-174,639**
12	Tax for the year	0	1,332
	Profit/loss after tax	**-515,375**	**-175,971**
	Other comprehensive income after tax	728	0
	Total comprehensive income	**-514,647**	**-175,971**

Financial statements 1 January – 31 December

Balance sheet

Note	DKK'000	31 December 2021	31 December 2020
	ASSETS		
	Cash in hands and demand deposits with central banks	7,468,404	9,200
13	Receivables from credit institutions and central banks	59,830	1,000,214
14	Loans and other amounts due at amortised costs	1,044,676	12,895
	Bonds at amortised costs	255,754	118,187
15	Goodwill	613,540	0
15	Other intangible assets	91,538	109,163
16	Other assets	57,970	15,631
	Prepayments	40,210	6,102
	TOTAL ASSETS	**9,631,922**	**1,271,392**
	LIABILITIES AND EQUITY		
	Amounts due		
17	Deposits	7,984,268	928,280
18	Other liabilities	150,548	45,557
	Deferred income	17,838	8,475
	Total amounts due	**8,152,654**	**982,312**
	Provisions		
	Impairment charges on unused credit facilities	221	892
19	Other provisions	2,666	0
	Total provision	**2,887**	**892**
	Subordinated debt		
20	Subordinated debt	29,795	29,735
	Total subordinated debt	**29,795**	**29,735**
	Equity		
21	Share capital	42,077	41,926
	Share premium	2,018,207	395,574
	Retained earnings	-613,698	-179,047
	Total equity	1,446,586	258,453
	TOTAL LIABILITIES AND EQUITY	**9,631,922**	**1,271,392**

Financial statements 1 January – 31 December

Statement of changes in equity

	DKK'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2020	**37,500**	**138,000**	**-4,717**	**170,783**
	Capital increase	4,426	257,574	0	262,000
	Net profit/loss for the year	0	0	-175,971	-175,971
	Share-based payments	0	0	1,641	1,641
	Other comprehensive income	0	0	0	0
	Equity at 1 January 2021	**41,926**	**395,574**	**-179,047**	**258,453**
21	Capital increase	151	1,622,633	0	1,622,784
	Group contributions	0	0	75,000	75,000
22	Net profit/loss for the year	0	0	-515,375	-515,375
23	Share-based payments	0	0	4,996	4,996
	Other comprehensive income	0	0	728	728
	Equity at 31 December 2021	**42,077**	**2,018,207**	**-613,698**	**1,446,586**

Financial statements 1 January – 31 December

Capital and solvency

DKK'000	31 December 2021	31 December 2020
Equity	1,446,586	258,453
Intangible assets [1]	-674,787	-59,333
Total core capital after deductions	**771,799**	**199,120**
Total core capital	**771,799**	**199,120**
Subordinated loan capital	20,500	26,500
Total capital base	**792,299**	**225,620**
Credit risk	932,188	76,630
Market risk	2,558	536
Operational risk [2]	39,253	43,023
Total risk exposure	**973,999**	**120,189**
Key figures		
Core capital after deductions, ratio (%)	79.2	165.7
Core capital ratio (%)	79.2	165.7
Solvency ratio (%)	81.3	187.7

[1] Goodwill and customer rights are fully deducted in Common equity tier 1 capital. Software assets are recognized with a prudent valuation in accordance with Commission Delegated Regulation (EU) 2020/2176 entering into force 23 December 2020. Software assets included in Common equity tier 1 capital amounts to DKK 30,921 thousand (2020: DKK 49,830 thousand).

[2] Operational risk is partly derived based on budget figures as Lunar Bank has not realised core earnings for the last three years.

Financial statements 1 January – 31 December

Financial highlights

Income Statement (DKK'000)	2021	2020	2019	2018
Net interest and fee income	51,491	3,210	-820	-7
Market value adjustments	-1,154	-286	-17	0
Staff costs and administrative expenses	496,687	159,544	7,083	463
Write-downs on loans and receivables, etc.	44,005	4,207	0	0
Profit/loss for the period	-515,375	-175,971	-4,679	-470

Balance sheet (end of period) (DKK'000)

Loans at amortised costs	1,044,676	12,895	0	0
Total assets	9,631,922	1,271,392	193,504	500
Deposits	7,984,268	928,280	7	0
Equity	1,446,586	258,453	170,783	480

Ratios and key figures

Capital base	792,299	225,620	73,951	-
Solvency ratio (%)	81.3	187.7	64.0	-
Core capital ratio (%)	79.2	165.7	64.0	-
Return on equity before tax (%)	-60.5	-81.4	-7.0	-
Return on equity after tax (%)	-60.5	-82.0	-5.4	-
Interest-rate risk	0.8	0.2	0	-
Currency position	0.3	0.1	0	-
Loans relative to deposits (%)	13.1	1.4	-	-
Gearing of loans, end of year (%)	72.2	5.0	-	-
Cover relative to statutory liquidity requirements (%)	1,008.0	1,737.7	413.8	-
Net impairment ratio (%)	4.2	24.6	0	-
Return on assets (%)	-5.4	-13.8	-2.4	-
Average number of full-time employees	95	19	2	-

Financial ratios and key figures are calculated in accordance with the Danish Finance Society's guidelines.

As Lunar Bank were established on 27 June 2018, only key figures the period 2019 – 2021 are disclosed. As Lunar Bank received the bank licence in August 2019, no ratios have been calculated for previous periods.

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Notes

1 Basis of preparation

The annual report of Lunar Bank A/S has been prepared in accordance with the Danish Financial Business Act and the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. ('the Executive order').

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

The annual report is presented in DKK thousands.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Bank and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Bank, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value except intangible and tangible assets which are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

At recognition and measurement anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered.

In the income statement income is recognised as it is earned, whereas cost is recognised by the amounts attributable to this financial year. Purchases and sales of financial instruments are recognized on the trading day and recognition ceases when the right to receive/dispense cash flows from the financial asset or liability has expired or if it has been transferred and the Bank has substantially transferred all risks and rewards associated with ownership.

Business combinations

Newly acquired or established entities are recognized in the financial statements from the date of the acquisition. Comparative figures are not adjusted to reflect acquisitions.

The purchase method is applied on acquisitions if the parent company gains control of the respective company. Identifiable assets, liabilities and contingent liabilities in the acquired company are measured at their fair value at the date of acquisition. Intangible assets are recognized if they can be separated or if they arise from a contractual right. Deferred tax on the revaluations is recognized.

Acquisition date is the date from which Lunar Bank gains actual control of the acquired business.

Financial statements 1 January – 31 December

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1 Basis of preparation (continued)

Any excess of the consideration paid for the business over the fair value of the acquired assets, liabilities and contingent liabilities, is recognized as goodwill under intangible assets. Goodwill is not amortized but is annually tested for impairment. The first impairment test is performed before the end of the year of acquisition. On acquisition, goodwill is allocated to the cash-generating units that will subsequently form the basis for the future impairment tests. Goodwill and fair value adjustments in connection with acquisition of a foreign entity with a different functional currency than the presentation currency to Lunar Bank are treated as assets and liabilities belonging to the foreign entity and converted to the entity's functional currency with the rate of the translation date. Negative discrepancies, negative goodwill, is recognized in the income statement at the acquisitions date.

Significant accounting estimates

The measurement of certain assets and liabilities requires the management to estimate the influence of future events on the value of these assets and liabilities.

The accounting estimates are based on assumptions which, according to management, are reasonable, but inherently uncertain. The estimates and assumptions are based on future expectations, historical experience and a range of other factors considered reasonable given the prevailing circumstances. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made, and the future periods affected.

Foreign currencies

Foreign currencies transactions are translated using the exchange rate at the transaction date. Receivables, liabilities and other monetary items are translated using the rate of exchange at the balance sheet date. Exchange rate differences between the transaction date and the settlement date or the balance sheet date, respectively, are recognized in the income statement as value adjustments.

Financial statements 1 January – 31 December

Notes

1 Basis of preparation (continued)

Interest income and expenses

Income and expenses are accrued over the lifetime of the transactions and recognized in the income statement at the amounts relevant to the financial reporting period.

Fee and commission income and expenses

Fee and commission income are measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts and rebates granted are deducted in the income.

Fees are recognized as income when received and sales of services, which include subscriptions, are recognised as income on a straight-line basis over the subscription period.

Other operating income

Other operating income comprises items secondary to the Lunar Banks activities, including income from the sales of insurances.

Market value adjustments

Market value adjustments include value adjustments of assets and liabilities measured at fair value. Foreign currencies adjustments are also included.

Staff costs and administrative expenses

Wages, salaries and other types of remuneration are expensed in the income statement as earned. Compensated absence commitments are expensed as the actual number of holidays are earned and spent.

Administrative expenses comprise expenses paid in the year to manage and administer the Bank, including expenses related to outsourcing and IT services.

Amortisation, depreciation and impairment charges

The item comprises amortisations, depreciation and impairment charges of intangible assets. Impairment charges derives from impairment tests performed on intangibles as elaborated below. The basis of amortisation/ depreciation, which is calculated as cost less any residual value, is amortised/ depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are as follows:

Customer relations	5 years
Software	3-5 years

Loan impairment charges etc.

After initial recognition, amounts due to the bank are measured at amortised cost less impairment losses. Accounting principles for impairment charges etc. are elaborated in subsequent sections on Loans and Impairment.

Financial statements 1 January – 31 December

Notes

1 Basis of preparation (continued)

Taxes

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/ loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/ loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Cash in hands and demand deposits with central banks

At initial recognition, cash in hands and demand deposits with central banks are measured at fair value. Subsequently, they are measured at amortised cost.

Receivables from credit institutions and central banks

At initial recognition, receivables from credit institutions and central banks are measured at fair value. Subsequently, they are measured at amortised cost, using the effective interest method, less impairment charges for expected credit losses. The impairment charges are based on the three-stage impairment model elaborated in subsequent sections on Loans and impairment.

Bonds at amortized cost

The account comprehends bonds that are measured at amortized cost until maturity.

Intangible assets

Goodwill is calculated as the difference between the purchase price of the business transfer and the fair value of its net assets, including contingent liabilities, at the time of the transaction.

Other intangible assets consist of customer relations and software investments. At initial recognition, customer relations and software are measured at cost, corresponding to the estimated fair value at the time of acquisition. Subsequently, customer relations and software are measured at cost less accumulated amortizations and depreciations. Amortization is based on the estimated useful lives of the assets, which is set at 5 years.

An impairment test is performed for intangible assets if there is objective evidence of impairment. The impairment test is made for the activity or business area to which the intangible assets relate.

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Notes

1 Basis of preparation (continued)

Goodwill is tested for impairment once a year or more frequently if indications of impairment exist. Impairment testing requires management to estimate the present value of future cash flows. A number of factors affect the value of such cash flows, including discount rates, changes in the economic outlook, customer behavior and competition.

Intangible assets are written down to the higher of the value in use and the net selling price for the activity or the business area to which the intangible assets relate, if it is lower than the carrying amount.

Loans and impairment

Classification and measurement

According to IFRS 9, classification and measurement of financial assets depend on the business model and the contractual characteristics of the instruments. On initial recognition, financial assets are measured at amortized cost, at fair value through shareholders' equity (on a separate line), or at fair value through profit or loss.

Financial assets at amortized cost

Financial assets are classified at amortized cost if both of the following criteria are met: the business model objective is to hold the financial instrument in order to collect contractual cash flows (collection business model) and the cash flows consist solely of payments relating to principal and interest on the principal. Disposal of portfolios close to the maturity date and for an amount close to the remaining contractual cash flows or due to a credit risk increase of the customer (debt sale of non-performing portfolio) is compatible with a "collection" business model. Sales imposed by regulatory constraints or to manage the concentration of credit risk (without increasing credit risk) are also compatible with this management model as long as they are infrequent or insignificant in value.

Upon initial recognition, these financial assets are recognized at fair value, including transaction costs directly attributable to the transaction and commissions related to the provision of loans. They are subsequently measured at amortized cost, including accrued interest and net of principal repayments and interest payments made during the period. These financial assets are also initially subject to an impairment calculation for expected credit risk losses (see impairment note). Interest is calculated using the effective interest rate method determined at the inception of the contract.

Financial asset at fair value through shareholders' equity

Financial assets are classified in this category if the business model is achieved by both holding the financial assets in order to collect contractual cash flows and selling the assets and if the cash flows solely consist of payments relating to principal and interest on the principal.

Upon disposal, amounts previously recognized in shareholders' equity is transferred to profit or loss.

Financial statements 1 January – 31 December

Notes

1 Basis of preparation (continued)

Financial assets at fair value through profit or loss

All debt instruments not eligible for classification at amortized cost or at fair value through shareholders' equity are presented at fair value through profit or loss.

Investments in equity instruments such as shares is also classified as instruments at fair value through profit and loss.

Impairment

Lunar Banks credit risk impairment model is based on expected losses. This model applies to loans and debt instruments classified at amortized cost, loan commitments and financial guarantee contracts that are not recognized at fair value, as well as to trade receivables.

General impairment model

Lunar Bank identifies three stages each corresponding to a specific situation with respect to the development of the credit risk of the counterparty since the initial recognition of the asset.

Stage 1: if, at closing date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is subject to a provision for depreciation for an amount equal to expected credit losses at 12 months (resulting from risks of default in the next 12 months).

Stage 2: the provision for depreciation is measured for an amount equal to the expected credit losses over the full lifetime (at maturity) if the credit risk of the financial instrument has increased significantly since initial recognition without the financial asset being impaired.

Credit-Impaired financial assets

Stage 3: a financial asset is impaired and classified as stage 3 when one or more events that have a negative impact on the future cash flows of that financial asset have occurred. At the individual level, an objective indication of impairment includes any observable data relating to the following events:

- The existence of unpaid instalment for at least 90 days
- The knowledge or observation of significant financial difficulties of the customer indicating the existence of a credit risk, even if there is no unpaid instalment, including suspected fraud cases
- Concessions granted to the terms and condition of the loans, which would not have been granted in the absence of financial difficulties of the customer

This general model is applied to all instruments in the scope of the impairment of IFRS 9 measured at amortised cost.

The expected credit loss approach under IFRS 9 is symmetrical, meaning that if some expected credit losses at maturity have been recognized in a previous closing period, and if there is no longer any indication of significant increase in credit risk for the financial instrument during the current closing period since its initial recognition, then the provision is calculated on the basis of expected credit losses at 12 months.

Financial statements 1 January – 31 December

Notes

1 Basis of preparation (continued)

Significant increase in credit risk (SICR)

Significant increase in the credit risk will be assessed on an individual basis or on a collective basis (by grouping the financial instruments according to common credit risk characteristics) by taking into consideration all reasonable and supportable information and comparing the default risk of the financial instrument at the closing date with the default risk on the date of its initial recognition. Assessment of deterioration will be measured by comparing probability of default on the date of initial recognition and those existing at the reporting date.

The categorization in stages and calculation of the expected loss is based on Lunar's models in the form of PD models developed by third parties and internally. In assessing the development in credit risk, it is assumed that there has been a significant increase in risk compared to the time of initial recognition in the following situations:

- An increase in PD for the expected remaining maturity of the financial asset of 100% and an increase in 12-month PD of 0.5% when the 12-month PD at initial recognition was below 1.0%.
- An increase in PD for the expected residual maturity of the financial asset of 100% or an increase in 12-month PD on initial recognition of 2.0 percentage points when 12-month PD on initial recognition was 1.0% or more.

However, if the credit risk on the financial asset is considered low at the balance sheet date, the asset is maintained in stage 1, which is characterized by the absence of a significant increase in credit risk. The credit risk is considered low when the customer's 12-month PD is below 0.2%.

Under the general impairment model, there is also a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are 30 days past due or more. Such financial assets are classified in stage 2.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of cash shortfalls) over the expected lifetime of the financial instrument.

In practise, for exposures classified in stage 1 and stage 2, the expected credit losses are calculated as the product of the probability of default ("PD"), the loss given default ("LGD") and the Exposure at Default ("EAD") discounted at the effective interest rate of the exposure. They result from the risk of default in the next 12 months (stage 1) or the risk of default over the lifetime of the exposure (stage 2). In the specific business of consumer finance and given the characteristics of the portfolios, the method used by Lunar Bank is based on probabilities of transition into the default stage and on discounted loss rates at default. Calculation of the parameters are made statistically by homogeneous populations which also include cyclical fluctuations.

For exposures classified in stage 3, the expected credit losses are calculated as the discounted value at the effective interest rate of the cash shortfall over the life of the instrument. Cash shortfall is the difference between the cash flows that are due by the customer in accordance with the contract and the cash flow that the bank expects to receive.

Financial statements 1 January – 31 December

Notes

1 Basis of preparation (continued)

Due to models' uncertainty a Managerial Overlay has been added to cover for such uncertainty. Future macroeconomic developments are also taken into consideration via a scenarios approach, i.e., estimations of positive, baseline and pessimistic macroeconomic evolution and impact on the Expected Credit Losses are weighted based on the likelihood of the different scenarios to materialize.

The resulting impairment losses are recognized in the income statement under "Loan impairment charges etc.".

Other assets

Other assets, including trade and other receivables, are measured at amortised cost. Financial instruments with positive market values are measured at fair value based on observable market prices.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Deposits

Deposits and other amounts due include deposits with counterparties that are not credit institutions or central banks. Deposits and other amounts due are initially measured at fair value and subsequently amortized cost.

Other liabilities

Other financial liabilities, including trade and other payables, are on initial recognition measured at fair value. The liabilities are subsequently measured at amortised cost. Financial instruments with negative market values are measured at fair value based on observable market prices.

Deferred income

Deferred income is the obligation to transfer services to a customer for which the Bank has received consideration from the customer. I f a customer pays consideration before the Bank transfers services to the customer, a contract liability is recognised when the payment is made. Contract liabilities are recognised as fee income when the Bank performs under the contract.

Other provisions

At initial recognition, other provisions are measured at fair value. Subsequently, they are measured at amortised cost.

Financial statements 1 January – 31 December

Notes

1 Basis of preparation (continued)

Subordinated debt

Subordinated debt comprises of Tier 2 capital instruments which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be redeemed until the claims of ordinary creditors have been met.

At initial recognition subordinated debt is measured at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost.

Share-based payments

The value of share-based payments is recognised in the income statement. The most significant conditions of the warrants are disclosed in the notes.

Income tax

Current tax charges are recognized in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

Deferred tax

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortizable goodwill.

Deferred tax assets are measured at the value at which they are expected to be utilized, either through elimination against tax on future earnings or as a set-off against deferred tax liabilities. Due to uncertainty to realising budget no deferred tax assets has been recognised in the balance sheet.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively

Segments

Lunar Bank's segments are in accordance with its business model and internal management reporting.

Financial statements 1 January – 31 December

Notes

2 Significant accounting estimates, assumptions and uncertainties

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Bank's accounting policies.

The judgments, estimates and the related assumptions made are based on future expectations, historical experience and other factors that Management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise.

Intangible assets

Lunar Bank has recognized intangible assets at a carrying amount of DKK 705,078 thousand. Intangible assets include customer relations, IT platforms, software and goodwill.

Goodwill: On June 17, 2021, Lunar Group A/S acquired the shares in Lendify AB and simultaneously Lunar Bank acquired the regulated activities in Lendify AB. The regulated activities and associated goodwill were hence transferred to Lunar Bank.

When assessing the future projected cash flow management has based its estimates on the budgets in place to reflect the expected effect of business decisions and market development in the Swedish loan books. Required returns are based on management's requirements for returns of the individual cash generation units and are not expected to change significantly in the foreseeable future. The assessment is subject to uncertainty related to realizing budgets.

Other intangible assets: Management has assessed that no indication of impairment of customer relations, IT platforms and software exists, but there is still uncertainty related to other intangible assets as well.

Loans and other amounts due at amortised costs

The expected credit loss (ECL) is calculated on loan level as a function of probability of default (PD), exposure at default (EAD) and loss given default (LGD) and it takes into consideration forward-looking information. The estimation of ECL is forecasting future economic conditions over the coming lifetime of all loans in the book. Such forecasts are based on a statistical combined with a judgmental approach, and as such are prone for uncertainties that may have significant risk of resulting in a material adjustment to a carrying amount in future reporting periods. The incorporation of forward-looking elements reflects the expectations of the management team and involves the creation of scenarios (base case, optimistic and pessimistic), including an assessment of the probability for each scenario weighted based on the likelihood of the different scenarios to materialize. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the ECL.

Financial statements 1 January – 31 December

Notes

2 Significant accounting estimates, assumptions and uncertainties (continued)

The weighting of the scenarios was defined as 30 % optimistic, 50 % baseline and 20 % pessimistic. The rationale for this distribution of weight is mostly based on the expected short- and long-term effects of COVID-19. The projections of macroeconomic indicators specifically due to the COVID-19 and its impact on defaults are currently still uncertain, however, consensus among the specialists who project evolution of micro/macro indicators in the short to medium term agree on an improvement in the coming years. Because of this the weights indicated, take into account expected unemployment rates will fall more than 10% over the coming years. Fixed rates are applied as the portfolios consist of large quantities of smaller exposures.

Due to models' uncertainty a Managerial Overlay of around DKK 9 million has been added to cover for PD such uncertainty in the form of potential biased predictive power of PD 12 month and potential cliff effect when receivables are transitioning from Application Score to Behavior Score.

3 Financial highlights

Financial highlights are disclosed on page 21.

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Notes

4 Segments

DKK'000	DK	SE	Other	Total
	2021			
Interest income	6,624	12,559	15	19,198
Interest expenses	30,572	42	24	30,638
Net interest income	**-23,948**	**12,517**	**-9**	**-11,440**
Fee and commission income	71,293	22,287	1,629	95,209
Fees and commission expenses	24,170	7,556	552	32,278
Net fee income	**47,123**	**14,731**	**1,077**	**62,931**
Net interest and fee income	**23,175**	**27,248**	**1,068**	**51,491**

DKK'000	Business Tiers	Private Tiers	Financial Products	Total
	2021			
Interest income	0	0	19,198	19,198
Interest expenses	0	0	30,638	30,638
Net interest income	**0**	**0**	**-11,440**	**-11,440**
Fee and commission income	31,860	43,818	19,531	95,209
Fees and commission expenses	10,802	14,855	6,621	32,278
Net fee income	**21,058**	**28,963**	**12,910**	**62,931**
Net interest and fee income	**21,058**	**28,963**	**1,470**	**51,491**

DKK'000	2021	2020
5 Interest income		
Loans and other receivables	18,056	441
Interests on deposits and other debt	872	138
Other interest income	270	0
	19,198	**579**

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Notes

DKK'000		2021	2020
6	**Interest expenses**		
	Negative interest paid on deposits in credit institutions and central banks	21,495	2,338
	Subordinated debt	2,768	2,062
	Interests on deposits and other debt	6,362	0
	Other interest expenses	13	67
		30,638	**4,467**
7	**Fee and commission income**		
	Payment service fees	25,812	6,052
	Lending and guarantee fees	3,748	0
	Other fees and commission income	65,649	10,454
		95,209	**16,506**
8	**Market value adjustments**		
	Bonds at amortised cost	-1,006	-267
	Foreign exchanges	-2,484	-19
	Financial instruments measured at fair value	2,396	0
	Other liabilities	-60	0
		-1,154	**-286**
9	**Staff costs and administrative expenses**		
	Wages and salaries	45,607	18,487
	Pensions	2,445	943
	Social Security costs	313	120
	Share-based payments	4,996	1,219
		53,361	**20,769**
	Other administrative expenses	443,326	138,775
		496,687	**159,544**
	Number of employees in the financial year		
	Full-time equivalent employees	95	19
	Executive board	2	1
	Employees whose activities have a significant impact on the bank's risk profile	7	7
	Board of directors	5	4

Salaries and remuneration to employees whose activities have a significant impact to the bank's risk profile accounted for DKK 6,522 thousand (2020: DKK 5,499 thousand) of which incentive programs account for DKK 1,141 thousand (2020: DKK 440 thousand).

Financial statements 1 January – 31 December

Notes

9 Staff costs and administrative expenses (continued)

Salaries and remuneration to the executive board was DKK 7,367 thousand (2020: DKK 3,395 thousand) of which incentive programs account for DKK 1,516 thousand (2020: DKK 131 thousand). Salaries and remuneration to the board of directors was DKK 858 thousand (2020: DKK 504 thousand) of which incentive programs account for DKK 71 thousand.

The numbers above reflect the cost on the warrant programs which have to be recognized in relation to the vesting periods relatively. For executive board in total, variable payments in 2021 at grant date where DKK 346 thousand. No board members were granted warrants in 2021.

10 Fees paid to auditor appointed at the annual general meeting

With reference to the Executive Order on financial reports for credit institutions and stockbrokers (regnskabsbekendtgørelsen) § 118, section 2, fees paid to auditors are not reported separately for subsidiaries. Fees paid to auditor appointed at the annual general meeting are disclosed in the Consolidated Financial Statements of Lunar Group A/S.

	DKK'000	2021	2020
11	**Loan impairment charges**		
	ECL on new assets	44,265	8,221
	Final losses on loans previously written down	617	0
	Other movements	-877	-4,014
		44,005	**4,207**

Loan impairment charges include impairment charges for expected credit losses on loans and overdraft facilities.

Changes in total allowance account during the year is further elaborated in note 28.

		2021	2020
12	**Tax for the year**		
	Current tax for the year	0	0
	Deferred tax adjustment for the year	0	1,332
		0	**-1,332**

At 31 December 2021 the Bank has unrecognised deferred tax assets in the level of DKK 152 million that can be set off against future taxable income.

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DKK'000		2021	2020
13	**Receivables from credit institutions and central banks**		
	Central banks	0	993,000
	Credit institutions	59,830	7,214
	Total	**59,830**	**1,000,214**
	Distribution of terms by maturity		
	Overnight	59,830	7,214
	Up to three months	0	993,000
	Total	**59,830**	**1,000,214**
14	**Loans and other amounts due at amortised costs**		
	Customer loans	1,044,676	12,895
	Total	**1,044,676**	**12,895**
	Distribution of terms by maturity		
	Overnight	5,341	2,013
	Up to three months	2,387	988
	From three months to one year	9,283	8,550
	From one year to five years	88,395	1,344
	More than five years	939,270	0
	Total	**1,044,676**	**12,895**

See note 28 for a detailed description of financial risks incl. Lunar's credit exposure.

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15 Intangible assets

DKK'000	Goodwill	Customer relations	Software	Software in process	Total
Cost at 1 January 2021	0	46,000	75,803	1,215	123,018
Additions	613,540	0	0	7,395	621,935
Transfers	0	0	7,050	-7,050	0
Cost at 31 December 2021	613,540	46,000	82,853	1,560	743,953
Amortisation and impairment at 1 January 2021	0	5,367	8,488	0	13,855
Amortisation	0	9,200	15,820	0	25,020
Amortisation and impairment losses at 31 December 2021	0	14,567	24,308	0	38,875
Carrying amount at 31 December 2021	**613,540**	**31,433**	**58,545**	**1,560**	**705,078**
Amortised over		5 years	3-5 years		

Goodwill arises from Lunar Groups acquisition of Lendify AB where all future regulatory activities were sold to Lunar Bank as part of the transaction. In the purchase price allocation, it has been concluded that goodwill in the transaction solely relates to the regulatory activities. Massive synergies from the transaction are expected, especially in the funding structure of the lending business.

Specification of acquired net assets from Lendify AB's regulatory activities at acquisition date:

DKK'000	
Cash and cash equivalents	36,072
Other receivables	714
Other provisions	-740
Other liabilities	-4,958
Net assets acquired	31,088
Goodwill	613,540
Purchase price	**644,628**

The Bank's goodwill is tested for impairment at least once a year by testing at the level of identifiable cash-generating units to which goodwill has been allocated. Further, if goodwill in a cash-generating unit is fully impaired, a further impairment loss is recognized as an impairment loss on intangible or tangible assets, if any.

The performance of the business activities related to the cash-generating unit is in line with business case at the time of the acquisition.

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16 Other assets

DKK'000	2021	2020
Positive market value of financial instruments	4,633	0
Deposits & Guarantees	16,731	11,751
Intercompany receivables	1,207	25
Other assets	35,399	3,855
	57,970	**15,631**

17 Deposits

DKK'000	2021	2020
Deposits	7,984,268	928,280
Total	**7,984,268**	**928,280**
Deposits of terms by maturity		
Overnight	7,934,234	928,280
One to five years (term deposit)	50,034	0
Total	**7,984,268**	**928,280**

18 Other liabilities

DKK'000	2021	2020
Negative market value of financial instruments	2,236	0
Trade payables	19,315	4,290
Intercompany payables	25,252	12,794
Other liabilities	103,745	28,473
	153,101	**45,557**

19 Other provisions

Other provisions consist of funds to cover potential losses in Lunars brokerage of loans between private investors and lenders.

20 Subordinated debt

Lunar Bank has taken out the following subordinated loans:

DKK'000		Interest rate		Carrying amount	
Loan	Maturity	2021	2020	31 December 2021	31 December 2020
Loan 1, Nominal DKK 30,000	2025	9.420% + CIBOR 3M	9.420% + CIBOR 3M	29,795	29,735
				29,795	**29,735**

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20 Subordinated debt (continued)

The subordinated loan of is qualified as a Tier 2 instrument pursuant CRR regulation. In 2021 the costs from subordinated loans amounts to DKK 2,768 thousand (2020: DKK 2,062 thousand) whereas DKK 2,072 thousand (2020: DKK 1,615 thousand) are interests paid. On 31 December 2021 the carrying amount of amortized borrowing costs amounts to DKK 205 thousand (2020: DKK 265 thousand).

The loan has no instalments before repayment of the fully amount at July 1st 2025. Due to amortization profile of the subordinated debt, the Tier 2 weighting has been reduced by 1/60 part each month over the 5 years maturity. At 31 December DKK 20.500 thousand is recognized in the capital base.

21 Share capital

DKK'000	2021	2020
Share capital at 1 January	41,926	37,500
Capital increase	151	4,426
Share capital at 31 January	**42,077**	**41,926**
Number of shares	42,077,074	41,926,000

Lunar Bank does not hold own shares.

22 Proposed distribution of profit/loss

DKK'000	2021	2020
Retained earnings	-515,375	-175.971
Total	**-515,375**	**-175.971**

23 Share-based payments

In 2017, a warrant program was established for the benefit of Management and certain key employees. The program allows the Board of the parent company to issue up to 10% warrants to be allocated over a period of 3-5 years with a grant of 20-33.3% yearly. In case of an Exit, the rest of the warrants will be granted to the employees. Exercising warrants is only an option by an Exit (sale of Lunar Group A/S), the owner is entitled to subscribe shares in Lunar Group A/S at a strike-price defined as the market price when the warrants was issued. The warrants must be exercised by 31 August 2028, otherwise they will be void unless special circumstances according to the warrants agreement are fulfilled. Until 2020 the valuation principles have been using the guidance in the Tax assessments Act. From 2021, black-scholes calculation has been introduced and used for the recognition of share-based payments

During 2021 costs related to the warrant program of DKK 4,996 thousand has been recognized in the income statement (2020: DKK 1,641 thousand).

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24 Fair value information for financial instruments

In 2021 Lunar entered financial instruments with a maturity up to 3 months. Those financial instruments are mainly FX swaps which are entered to reduce the liquidity mismatch, since Lunar has large deposit surplus in DKK, while the loan book is mainly in SEK.

Lunar's position of financial instruments at 31 December 2021 is disclosed in the table below.

	Nominal position (thousand)	Net market value (DKK'000)	Positive market value (DKK'000)	Negative market value (DKK'000)
Spot, buy	SEK 852,000	-1,649	0	1,649
Swaps – EUR	EUR 1,450	2	2	0
Swaps – NOK	NOK 4,000	-23	0	23
Swaps – SEK	SEK 1,632,000	2,418	4,631	2,213

Of the total nominal net position of SEK swaps at 31 December 2021 SEK 735,000 thousand are placed in a long position, while SEK 2,367,000 thousand are placed in a short position.

25 Contractual obligations and contingencies, etc.

Contingent liabilities

On 31 December 2021 unaccepted loan commitments and unused credit facilities amounts to DKK 1,634 thousand (2020: DKK 5,289 thousand).

Of the total value of bond holdings, DKK 213,291 thousand have been provided as collateral to other credit institutions (2020: DKK 58,131 thousand).

Lunar Bank participates in a Danish joint taxation arrangement in which Lunar Group A/S serves as the administrative company. According to the joint taxation provisions of the Danish Corporation Tax Act, Lunar Bank is therefore liable for income taxes etc. for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities.

26 Related parties

Lunar Bank is 100 % owned by Lunar Group A/S, Hack Kampmanns Plads 10, 8000 Aarhus C. Lunar Group A/S is the ultimate parent company, and the consolidated financial statements are available from The Central Business Register's website; www.cvr.dk.

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27 Principles for intra-group trading

Intra-group transactions and services are settled on an arm's length basis.

DKK'000	2021	2020
Income statement		
Re-invoiced staff costs to parent company	78	29
Outsourcing fee to Lunar Way A/S *	260,328	110,236
Outsourcing fee to Lendify AB Group **	82,268	0
Development projects invoiced to affiliated companies	16,954	0
Service fee invoiced to affiliated companies	7,689	0
Intercompany interest income from parent company	150	0
Intercompany interest income from affiliated companies	14	
Share-based payments	4,996	1,641
Balance sheet:		
Business transfer from affiliated companies	674,073	0
Receivables to affiliated companies	1,197	25
Receivables to parent company	10	0
Payables to affiliated companies	25,252	12,794

* Services purchased from Lunar Way A/S according to an intra-group outsourcing agreement. These services include general administration, marketing and costs related to tech staff.

** Services purchased from Lendify AB and subsidiaries according to an intra-group outsourcing agreement. These services include general administration, marketing and costs related to software licenses.

Remuneration of the Executive Board and the Board of Directors are disclosed in note 9.

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28 Financial risks and policies and objectives for the management of financial risks

Lunar Bank is exposed to different types of risks. The purpose of Lunar's risk management policies is to actively manage risks that may arise as a result of e.g., unpredictable development in financial markets. The main categories of financial risks are the following:

- Credit risk: The risk of loss arising from the failure of a borrower or obligor to meet its contractual obligation towards Lunar

- Market and liquidity risk: The risk of loss on on-/off-balance sheet positions arising from adverse movements in market prices and the risk of not having sufficient liquidity to meet obligations

Credit risk

Lunar Bank strives to differentiate itself in the market through convenient and transparent financing products by leveraging Lunar's state-of-the-art credit decision engine based on internal and external data including PSDII data. Furthermore the ambition is to limit impairment volatility and ensure adequate management overlays to cover for risks not included in the impairment calculations.

When assessing the credit exposures on loans and credit facilities, the starting point is the identification of the credit risk of the counterparty. The exposures are divided into the following rating categories:

3)	Customers with undoubtedly good credit quality
2a)	Customers with normal credit quality
2b)	Customers with certain indications of weakness
2c)	Customers with significant signs of weakness, but without indications of credit impairment
1)	Customers with indication of credit impairment, regardless of the stage of exposure

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28 Financial risks and policies and objectives for the management of financial risks (continued)

Below, the gross credit exposure on 31 December 2021 is distributed in rating scales:

DKK'000	Stage 1	Stage 2	Stage 3	Total
3	935	0	0	935
2a	306,724	340	0	307,064
2b	629,072	6,957	0	636,029
2c	104,827	26,514	0	131,341
1	0	0	17,734	17,734
Gross carrying amount at 31 December 2021	**1,041,558**	**33,811**	**17,734**	**1,093,103**
Distribution in segments				
Public institutions	0	0	0	0
Business, including:				
Construction	41	38	1	80
Retail	49	15	0	64
Transport, hotels and restaurants	96	7	0	103
Information and communication	19	13	0	32
Finance and insurance	15	7	0	22
Other segments	130	75	0	205
Business, total	350	155	1	506
Private	1,041,208	33,656	17,733	1,092,597
Total	**1,041,558**	**33,811**	**17,734**	**1,093,103**

Loans are issued without any provided security.

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28 Financial risks and policies and objectives for the management of financial risks (continued)

Below, the gross credit exposure on 31 December 2020 is distributed in rating scales:

DKK'000	Stage 1	Stage 2	Stage 3	POCI	Total
3	0	0	0	0	0
2a	365	0	0	1,491	1,856
2b	4,127	37	0	3,147	7,311
2c	1,362	954	0	3,173	5,489
1	0	0	3,413	2,155	5,568
Gross carrying amount at 31 December 2020	**5,854**	**991**	**3,413**	**9,966**	**20,224**
Distribution in segments					
Public institutions	0	0	0		0
Business, including:					
Construction	415	0	852	0	1,267
Retail	328	10	25	0	363
Hotels and restaurants	151	0	6	0	157
Other segments	230	10	94	0	334
Business, total	1,124	20	977	0	2,121
Private	5,184	542	2,411	9,966	18,103
Total	**6,308**	**562**	**3,388**	**9,966**	**20,224**

The maximum loan granted to individual customers is DKK 370 / SEK 501 thousand. Lunar Bank has established policies and processes for handling the loan portfolio and systematically conducts detailed monitoring.

As described in note 1, impairment losses on loans and credit facilities are recognised at the time of booking, provisioned with an amount equivalent to the expected credit loss in 12 months (stage 1). In case of a significant deterioration of the credit risk, the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset (stage 2). In case of objective indication of impairment is registered (stage 3), the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset but based on a probability of default of 100%.

Due to models' uncertainty managerial adjustments are added on a monthly basis to cover for such uncertainty. Future macroeconomic developments are also taken into consideration via a scenarios approach, i.e., estimations of positive, baseline and pessimistic macroeconomic evolution and impact on the Expected Credit Losses are weighted based on the likelihood of the different scenarios to materialize.

The systematic monitoring of the loan portfolio comprises reporting on relevant portfolio segmentation and is regularly prepared for internal committees with participation of the bank's management. Also, a separate reporting is prepared for scheduled Board of Directors meetings.

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28 Financial risks and policies and objectives for the management of financial risks (continued)

The table below shows the changes in total impairment charges recognised at 31 December 2021 for loans at amortised cost.

Development on accumulated impairment charges on loans at amortised cost

DKK'000	Stage 1	Stage 2	Stage 3	Total
Impairment charges at 1 January 2021	977	784	5,568	7,329
ECL on new assets	24,226	7,146	12,838	44,210
Transfer from Stage 1	-130	73	57	0
Transfer from Stage 2	51	-54	3	0
Transfer from Stage 3	20	5	-25	0
Assets derecognised	0	0	0	0
Write offs debited to the allowance account	0	0	0	0
Other movements	-299	-355	-2,458	-3,112
Impairment charges at 31 December 2021	**24,845**	**7,599**	**15,983**	**48,427**

In 2021, the loans in "POCI" from 2020 have been derecognised into stage 3.

The table below shows the changes in total impairment charges recognised at 31 December 2020 for loans at amortised cost.

DKK'000	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment charges at 1 January 2020	0	0	0	0	0
ECL on new assets	285	366	2,946	3,732	7,329
Transfer from Stage 1	0	0	0	0	0
Transfer from Stage 2	0	0	0	0	0
Transfer from Stage 3	0	0	0	0	0
Assets derecognised	0	0	0	0	0
Write offs debited to the allowance account	0	0	0	0	0
Other movements	0	0	0	0	0
Impairment charges at 31 December 2020	**285**	**366**	**2,946**	**3,732**	**7,329**

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28 Financial risks and policies and objectives for the management of financial risks (continued)

The table below show the changes in total impairment charges recognised at 31 December 2021 for unused credit facilities.

DKK'000	Stage 1	Stage 2	Stage 3	Total
Impairment charges at 1 January 2021	199	2	691	892
ECL on new assets	44	0	11	55
Transfer from Stage 1	-10	0	10	0
Transfer from Stage 2	2	-12	10	0
Transfer from Stage 3	6	0	-6	0
Assets derecognised	0	0	0	0
Write offs debited to the allowance account	0	0	0	0
Other movements	-173	10	-563	-726
Impairment charges at 31 December 2021	**68**	**0**	**153**	**221**

The table below show the changes in total impairment charges recognised at 31 December 2020 for unused credit facilities.

DKK'000	Stage 1	Stage 2	Stage 3	POCI	Total
Impairment charges at 1 January 2020	0	0	0	0	0
ECL on new assets	155	4	20	713	892
Transfer from Stage 1	0	0	0	0	0
Transfer from Stage 2	0	0	0	0	0
Transfer from Stage 3	0	0	0	0	0
Assets derecognised	0	0	0	0	0
Write offs debited to the allowance account	0	0	0	0	0
Other movements	0	0	0	0	0
Impairment charges at 31 December 2020	**155**	**4**	**20**	**713**	**892**

Only private clients have unused credit facilities, hence no distribution in business segments is disclosed.

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28 Financial risks and policies and objectives for the management of financial risks (continued)

Market and liquidity risk

Taking on market & liquidity risk is necessary as an integrated part of doing business. Lunar has low risk appetite towards market & liquidity risk and will consequently abstain from having a trading book and engaging in complex financial structures. Government bonds are used exclusively as a part of liquidity management and as collateral for other financial partners.

Recognising that we have now become a cross border bank, we also foresee that we will start utilizing other aspects for liquidity management, such as short maturity covered bonds with hold to maturity and repos. This will make us more flexible and aligned with market practice, and we also expect it to be in the interest of our shareholders.

We still limit ourselves from building up a trading book, and do not see significant increased complexity or risk-taking as a result of moving into a more flexible setup for handling our liquidity. We consider it a natural part of acting in different jurisdictions with different needs for liquidity management while continuing to work within a low risk appetite.

Capital and profitability

Lunar has been able to attract external funding to ensure capital to cover for the planned investments in the Bank and this ability is reflected in the capital planning. Lunar Bank intends for a sound capital planning, ensuring capabilities to support the Bank's customers at all times. Lunar is to be able to absorb severe macroeconomic stress as described in the budget processes.

LUNAR®