Lunar Bank A/S & Lunar Group A/S

H1-2025 disclosure report

1. Introduction

The purpose of the report is to meet the disclosure requirements in Danish Financial Business Act, the Executive Order regarding Risk exposure, Own funds and Solvency need and the BRRD disclosure requirements.

2. Internal process and method

2.1 Internal process

The Board of Directors and executive management discuss the principles and methods for determining Lunar's Individual solvency need on an annual basis as part of the ICAAP process.

The Board of Directors discusses which variables to include in the model, which benchmarks to employ and which risk areas to consider in determining the Solvency need. The discussion is based on a recommendation by the executive management. Based on the discussion the Board of Directors decides on the Solvency need deemed adequate to cover Lunar's risks, cf. FIL § 124, sections 1 and 2.

Further to the annual ICAAP process the BoD discusses and approves the solvency need on a quarterly basis.

In addition to deciding on the Solvency need, the Board of Directors approves a capital plan on an annual basis at least. This entails setting a capital target, deciding on principles for stress testing and approving a contingency plan.

2.2 Method

Lunar calculates the solvency need according to the 8+ model after the Danish Financial Supervisory Authority's (D-FSA) guidelines on determining the individual solvency need, cf. Vejledning om tilstrækkeligt kapitalgrundlag og solvensbehov for kreditinstitutter.

The 8+ model is based on the 8-pct. minimum capital requirement (Pillar I). The total risk exposure amount (REA) calculated according to Pillar I-requirements is not considered to sufficiently reflect all risk areas, and thus the 8 pct. capital requirement is not fully adequate. The 8+ model identifies several risk areas subject to capital add-ons, to cover the areas of risk not fully considered under the Pillar I requirement.

D-FSA's guidelines establish benchmarks for when the authority considers the Pillar I requirements to be insufficient, thus requiring capital add-ons for the respective risk areas. These capital add-ons constitute Lunar's individual solvency need (ISN) under Pillar II.

Furthermore, the D-FSA's guidelines present specific methods to calculate the size of the capital add-ons. Lunar considers the D-FSA's methods to be adequate and sufficient to cover Lunar's risk profile.

Lunar considers the following risk areas:

Risk areas
Earnings
Lending growth
Credit risk
Market risk
Liquidity risk
Operational risk, incl. ICT risk
Leverage risk
Other risks • E.g. Regulatory requirements such as initial capital requirements according to CRR article 93 • E.g. Strategic risk

The D-FSA guidelines specify that the Solvency need is to be forward looking, to ensure that the adequate level of capital is sufficient to cover future activities and planned growth. The Solvency need is therefore an integral part of the annual budget process, in which the Board of Directors and executive management decide on the upcoming budget.

3. Lunar Bank solvency need

The adequate level of capital is DKK 234m in June 2025, equivalent to a solvency need of 13.3 pct.

The table below specifies the risk areas and the associated Pillar II add-ons:

Solvency need 30.06.2025		
	mDKK	
Pillar I	***140***	**8.0%**
1) Earnings	*17*	1.0%
2) Lending growth	*0*	0.0%
3) Credit risk	*9*	0.5%
4) Market risk	*28*	1.6%
5) Liquidity risks	*0*	0.0%
6) Operational risk	*40*	2.3%
8) Other	*0*	0.0%
Pillar II total	***94***	**5.3%**
Solvency need	*234*	13.3%
Risk exposure amount	*1,756*	

4. Comments on the solvency need

4.1 Pillar I requirement

The pillar I requirement is 8 pct. of the total risk exposure amount (REA). REA is 1,756m which results in a pillar I requirement of DKK 140m.

4.2 Pillar II requirement

Earnings

The D-FSA guidelines consider the ability to generate sufficient earnings when assessing the adequacy of own funds. If an institution makes a reservation regarding weak earnings while also considering the impact on net interest income (NII) through stress only, the largest amount of these two reservations is made.

Lunar Bank has determined an earnings/NII add-on of DKK 17m.

Lending growth

The D-FSA guidelines consider a YoY lending growth of 10 pct. to be associated with an increased risk to be addressed under Pillar II.

Lunar Bank does not make a capital reservation regarding lending growth.

Credit risk

Lunar Bank's credit risk derives from *other credit risk*, i.e. exposures below 2 pct. of own funds.

Lunar Bank makes a capital reservation of DKK 9m regarding *other credit risk*.

Market risk

D-FSA guidelines stipulate a range of benchmark calculations to address market risk that is not covered by Pillar I requirements.

Based on the D-FSA guidelines Lunar Bank makes a capital reservation of DKK 28m.

Liquidity risk

Lunar Bank does not make a capital reservation regarding liquidity risk.

Operational risk

Operational risk refers to the risk of financial loss due to inappropriate or inadequate internal procedures, human or systematic errors, legal risks, etc.

Lunar Bank makes a capital reservation of DKK 40m, equivalent to 2.3 pct. of REA, regarding operational risk.

Leverage risk

Lunar Bank does make a capital reservation regarding leverage risk.

Other risk

Lunar Bank does make a capital reservation regarding *other* risks.

5. Own funds and eligible liabilities

After deductions Lunar Bank's Own funds & eligible liabilities amount to DKK 585m as of June 2025.

Own funds statement 30.06.2025		
	mDKK	
Equity	***541***	
Intangible assets deduction	*(83)*	
Other deductions	*(3)*	
CET1 (after deductions)	*456*	25.9%
Tier 2 capital	*130*	7.4%
Own Funds	***585***	**33.3%**
Eligible liabilities	*0*	
Own funds and eligible liabilities	***585***	**33.3%**
Risk exposure amount	*1,756*	

6. Capital coverage

The table below shows Lunar Bank's coverage to risk- and leverage- based requirements to *Own funds* and *Own funds & eligible liabilities*.

Capital coverage 30.06.2025		
	mDKK	
Own funds	***585***	*33.3%*
Solvency need	*234*	*13.3%*
Combined buffer requirement	*88*	*5.0%*
Capital requirements	*322*	*18.3%*
Coverage	***263***	
Own funds and eligible liabilities	***585***	33.3%
Risk based MREL requirement	*321*	*18.3%*
Combined buffer requirement	*88*	*5.0%*
Total	*409*	23.3%
Coverage	***176***	
Leverage based MREL requirement	*371*	
Coverage	***214***	

7. BRRD disclosure requirements

Lunar Bank template EU ILAC

M 03.00 - Internal MREL and internal TLAC (ILAC)		
		Internal MREL
		0010
0010	Level of application	Individual
Total risk exposure amount and total exposure measure		
0100	**Total risk exposure amount**	1,755,960,039
0110	**Total exposure measure**	10,910,595,838
	Eligible own funds and eligible liabilities	
0200	**Eligible own funds and eligible liabilities**	585,135,704
0210	**Eligible Own funds**	585,135,704
0220	Common Equity Tier 1 capital (CET1)	455,539,871
0230	Eligible Additional Tier 1 instruments	0
0240	Eligible T2 instruments	129,595,833
0250	**Eligible liabilities and guarantees**	0
0260	Eligible liabilities (excluding guarantees)	0
0270	Guarantees provided by the resolution entity and permitted by the resolution authority	0
0280	Memorandum item: Collateralised part of the guarantee	0
0290	**(-) Deductions or equivalent**	
Ratios of eligible own funds and eligible liabilities		
0400	**Own funds and eligible liabilities as a percentage of the total risk exposure amount**	33.3%
0410	of which permitted guarantees	33.3%
0420	**Own funds and eligible liabilities as a percentage of the total exposure measure**	5.4%
0430	of which permitted guarantees	0
0440	**CET1 (%) available after meeting the entity's requirements**	15.0%
Memorandum items		

0500	**Combined buffer requirement (%)**	
0510	of which: capital conservation buffer requirement	
0520	of which: countercyclical buffer requirement	
0530	of which: systemic risk buffer requirement	
0540	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
0550	**Excluded liabilities**	

Lunar Group KM2

M 01.00 - Key metrics for MREL and TLAC (resolution groups / entities) (KM2)		
		Minimum requirement for own funds and eligible liabilities (MREL)
		0010
Total risk exposure amount and total exposure measure		
0100	**TOTAL RISK EXPOSURE AMOUNT (TREA)**	1,829,032,121
0110	**TOTAL EXPOSURE MEASURE (TEM)**	10,978,820,287
Own funds and eligible liabilities		
0200	**OWN FUNDS AND ELIGIBLE LIABILITIES**	607,000,752
0210	Of which: own funds and subordinated liabilities	607,000,752
0220	Of which governed by third country law	0
0230	Of which containing a write down and conversion clause pursuant to Article 55 BRRD	0
Other bailinable liabilities		
0250	**OTHER BAILINABLE LIABILITIES**	
0260	Of which governed by third country law	0
0270	Of which containing a write down and conversion clause pursuant to Article 55 BRRD	0
0280	Residual maturity of < 1 year	
0285	Residual maturity of >= 1 year and < 2 years	0

0290	Residual maturity of >= 2 years	0
Ratios and subordination exemptions		
0300	**OWN FUNDS AND ELIGIBLE LIABILITIES AS A PERCENTAGE OF THE TOTAL RISK EXPOSURE AMOUNT**	33.2%
0310	Of which: own funds and subordinated liabilities	33.2%
0320	**OWN FUNDS AND ELIGIBLE LIABILITIES AS A PERCENTAGE OF THE TOTAL EXPOSURE MEASURE**	5.5%
0330	Of which own funds and subordinated liabilities	5.5%
0340	Does the subordination exemption in Article 72b(4) of the CRR apply? (5% exemption)	
0350	Aggregate amount of permitted non-subordinated eligible liabilities instruments if the subordination discretion as per Article 72b(3) CRR is applied (max 3.5% exemption)	
0360	Share of the total non-subordinated liabilities that is included in own funds and eligible liabilities	