

Lunar Group A/S
Hack Kampmanns Plads 10
8000 Aarhus C
CVR no. 36 94 57 45

LUNAR[®]

INTERIM REPORT

FIRST HALF 2022

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Company information

Company

Lunar Group A/S
Hack Kampmanns Plads 10
8000 Aarhus C
CVR no. 36 94 57 45

Financial period:
1 January – 30 June 2022

www.lunar.app

Board of Directors

Henning Kruse Petersen (chairman)
Claus Okholm
Lars Andersen
Vibeke Bak Solok
Ken Villum Guldbrandt Klausen
Klaus Østergaard
Jens Mikael Kristoffer Ismunden
Erika Söderberg Johnson

Executive Board

Ken Villum Guldbrandt Klausen (CEO)

Auditors

Pricewaterhousecoopers statsautoriseret revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Company information

Ownership

The following shareholders hold more than 5 % of the share capital on 30 June 2022:

CHR. AUGUSTINUS FABRIKKER AKTIESELSKAB

Sankt Annæ Plads 13, st. th.

1250 København K

Percentage of share capital: 6.24

LWOH ApS

Langelinieparken 18, 2. th.

8000 Aarhus C

Percentage of share capital: 9.98

Brightfolk A/S

Inge Lehmanns Gade 2

8000 Aarhus C

Percentage of share capital: 12.36

SEED Capital Denmark III K/S

Højbro Plads 10

1200 København K

Percentage of share capital: 10.76

Kinnevik Online AB

Box 2094

10313 Stockholm, Sweden

Percentage of share capital: 6.7

Orbit Launch AB

Narvavägen 12

11522 Stockholm, Sweden

Percentage of share capital: 7.89

Orbit Alliance AB

Narvavägen 12

11522 Stockholm, Sweden

Percentage of share capital: 7.87

Tencent Cloud Europe B.V.

Buitenveldertselaan 1-5

1082VA Amsterdam, Holland

Percentage of share capital: 5.43

Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the interim report – first half 2022 of Lunar Group A/S.

The interim report of Lunar Group 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').

In our opinion, the consolidated financial statement and Parent Company financial statement gives a true and fair view of the financial position of the Group and the Parent Company at 30 June 2022 and of the results of Lunar Group's operations for the period of 1 January – 30 June 2022.

Further, in our opinion, the Management's review gives a true and fair review of the development in Group's and the Parent Company's operations and financial matters, the results for the first half year and Lunar Groups financial position.

The interim report has not been subject to audit or review.

Copenhagen, 16 September 2022

Executive Board:

Ken Villum Guldbrandt Klausen
CEO

Board of Directors:

Henning Kruse Petersen
Chairman

Claus Okholm

Lars Andersen

Vibeke Bak Solok

Ken Villum Guldbrandt Klausen

Klaus Østergaard

Erika Söderberg Johnson

Jens Mikael Kristoffer Ismunden

Management's review

Our business

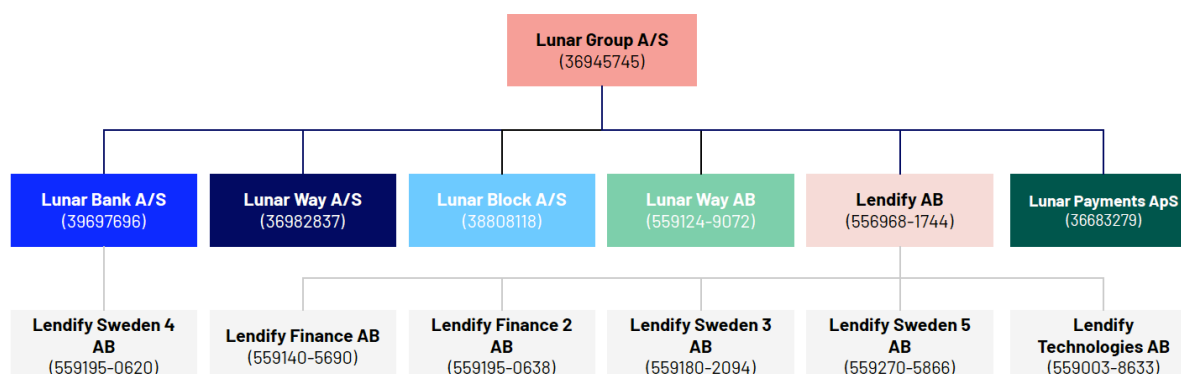
Lunar Group (Lunar) is a financial technology company powering consumers and businesses in the Nordics. Lunar believes the power of money belongs to everyone and gives consumers and businesses all the power they need to bank, pay, and invest. Lunar offers a range of financial services and products to consumers and businesses that lets everyone manage their money in a new, transparent, and convenient way.

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

Lunar Group has more than 500,000 customers across Denmark, Sweden, and Norway and +600 employees by June 2022.

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.

The group structure as of 30 June 2022 is disclosed below. All group subsidiaries are fully owned (100 %) by Lunar Group.



Financial review

The result of the first half of 2022 shows a loss after tax of DKK 486.7 million. The negative financial result was expected as Lunar has invested massively in developing new products, markets and growth, acquisitions, and the launch of new products across tiers.

In March, Lunar Group successfully secured additional funding of DKK 521 million to accelerate Lunar's future growth. During the first half of 2022, Lunar has increased its focus on cost and invested in making the organization scalable to support future growth and ensuring a road to profitability.

The equity position in Lunar Group totaled DKK 1,819 million on 30 June 2022 compared to DKK 1,831 million on 31 December 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. In H2 2022 Lunar will continue growth in the user base – both private and business users. Further, a number of new products will be introduced across the 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 H2 2022 in same level as H1 2022. However, Lunar is launching a number of new products the financial forecast comes with some degree of uncertainty.

Capital and liquidity

On 30 June Lunar Group's own funds, less deductions, amounted to DKK 1,009.9 million including Tier 2 capital instruments. In accordance with Commission Delegated Regulation (EU) 2020/2176 entering into force on 23 December 2020, Lunar is able to recognise software assets in Common equity tier 1 capital which accounts for DKK 117.2 million on 30 June. Other intangible assets including goodwill amounting to DKK 816.7 million are deducted in the capital base.

The solvency need is calculated as DKK 332 million or 13.0 % of REA on 30 June 2022. The capital target amounts DKK 726 million or 28.5 % and the excess to the capital target is DKK 284 million.

Lunar's bid (March 2022) to acquire all shares in Instabank ASA has proven more difficult to fulfill than expected. The change in the economic environment during Q2 2022 has made it difficult to secure binding commitment on the necessary capital raise to meet the Norwegian FSA and the Danish FSA's capital requirements in time to secure their approval ahead of the drop dead date on 30 September 2022. Lunar continues its dialogue with investors, both in terms of the Instabank acquisition and in terms of future growth ambitions. Lunar Bank has hedged the purchase price via a NOK forward contract. The forward contract has a negative impact on equity of DKK 84.6 million on 30 June 2022.

Lunar calculated the liquidity requirements on the basis of the Liquidity Coverage Ratio (LCR). On 30 June 2022 LCR was calculated at 814% against 1,008% on 31 December 2021. 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.

Management's review

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.

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 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 the first half of 2022 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 15.

Events after the balance sheet date

In September 2022 Lunar Group has raised an additional DKK 212 million in capital, which was injected to Lunar Bank as a capital raise of DKK 212 million. Furthermore, NOK has strengthened lowering the potential loss on the forward contract covering the acquisition cost of Instabank.

During Q3 2022, Lunar has been in continuous dialogue with the management and the largest shareholders of Instabank regarding the transaction and the regulatory approval that is yet to be obtained from the Norwegian FSA. The management of Lunar is of the belief that all reasonable efforts have been used to obtain the regulatory approval, and Lunar Group has been actively and diligently seeking to obtain the required capital after the rejection of the ownership application by the Norwegian FSA.

In case the regulatory approval is not obtained in due time ahead of the drop dead date, Lunar is of the belief that no liability can be imposed on the company as the transaction is conditional upon approval by the relevant authorities. As the condition is currently not fulfilled there is consequently no binding obligation for Lunar to acquire the shares in Instabank.

In mid-July it has been decided to slow down lending growth in Sweden due to macroeconomic movements in general challenging the business model involving brokers in the short term. This could impact the associated goodwill, and updates to the underlying impairment tests have hence been initiated. These are not yet complete and finalized but will be so in late Q3 2022.

No further events have occurred after the balance sheet date, which could affect the assessment of the interim financial statements.

Uncertainty relating to recognition and measurement

On an ongoing basis, management assesses the group's capital resources in order to assess the soundness of the group's investments in expansion. Based on Lunar's approved budgets, management assesses that through 2022 the group 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 933.9 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 as of 30 June 2022.

Consolidated financial statements 1 January – 30 June

Income statement and comprehensive income (Group)

Note	DKK'000	First half 2022	First half 2021	Full year 2021
	Interest income	84,865	4,362	71,779
	Interest expense	46,160	6,390	74,520
	Net interest income	38,705	-2,028	-2,741
	Fee and commission income	74,264	30,812	93,739
	Fees and commission paid	23,584	14,207	35,647
	Net interest and fee income	89,385	14,577	55,351
G4	Market value adjustments	-342	-309	-2,542
	Other operating income	0	43	0
	Staff costs and administrative expenses	457,279	188,855	525,870
	Amortisation, depreciation and impairment charges	36,743	12,753	45,742
G5	Loan impairment charges etc.	82,885	7,793	89,989
	Profit/loss before tax	-487,864	-195,090	-608,792
	Tax for the year	-1,150	-76	123,803
	Profit/loss after tax	-486,714	-195,014	-732,595
	Exchange rate adjustments	28,989	0	142
	Other comprehensive income after tax	-84,648	0	-50,602
	Total comprehensive income	-542,373	-195,014	-783,055

Consolidated financial statements 1 January – 30 June

Balance sheet (Group)

Note	DKK'000	30 June 2022	30 June 2021	31 December 2021
ASSETS				
	Cash in hands and demand deposits with central banks	6,976,340	3,979,588	7,468,404
G6	Receivables from credit institutions and central banks	167,958	135,847	352,160
G7	Loans and other amounts due at amortised costs	2,531,357	1,722,813	2,358,171
	Bonds at amortised costs	1,315,936	234,273	255,754
	Goodwill	669,278	0	669,278
	Other intangible assets	264,635	869,923	219,794
	Property, land and equipment	34,206	33,477	40,115
	Other tangible assets	12,657	3,375	8,607
	Deferred tax assets	0	0	0
	Other assets	174,301	57,529	93,661
	Prepayments	45,428	18,113	47,384
	TOTAL ASSETS	12,192,096	7,054,938	11,513,328
LIABILITIES AND EQUITY				
Liabilities				
	Credit institutions and central banks	0	43,713	0
G8	Deposits	9,475,538	3,923,139	8,039,081
	Other liabilities	812,004	1,748,589	1,551,799
	Tax liabilities	4,047	3,788	6,773
	Deferred income	17,877	12,941	17,838
	Total liabilities	10,309,466	5,732,170	9,615,491
Provisions				
	Impairment charges on unused credit facilities	106	682	221
	Deferred tax liabilities	29,593	0	34,003
	Other provisions	3,183	1,874	3,259
	Total provisions	32,882	2,556	37,483
Subordinated debt				
	Subordinated debt	29,825	29,765	29,795
	Total subordinated debt	29,825	29,765	29,795
Equity				
	Share capital	1,152	731	1,105
	Share premium	3,474,833	1,899,909	2,954,123
	Retained earnings	-1,656,062	-610,193	-1,124,669
	Total equity	1,819,923	1,290,447	1,830,559
	TOTAL LIABILITIES AND EQUITY	12,192,096	7,054,938	11,513,328

Consolidated financial statements 1 January – 30 June

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- G2 Significant accounting estimates, assumptions and uncertainties
- G3 Financial highlights
- G9 Contractual obligations and contingencies, etc.
- G10 Financial risks and policies and objectives for the management of financial risks
- G11 Related Parties
- G12 Fair value information for financial instruments

Consolidated financial statements 1 January – 30 June

Statement of changes in equity (Group)

DKK'000	Share capital	Share premium	Retained earnings	Total
Equity at 1 January 2021	691	710,753	-416,641	294,803
Capital increase	414	2,293,972	0	2,294,386
Exchange rate adjustments	0	0	142	142
Share based payments	0	0	24,425	24,425
Net profit/loss for the year	0	0	-732,595	732,595
Other comprehensive income	0	-50,602	0	-50,602
Equity at 1 January 2022	1,105	2,954,123	-1,124,669	1,830,559
Capital increase	47	520,710	0	520,757
Share based payments	0	0	10,980	10,980
Exchange rate adjustments	0	0	28,989	28,989
Net profit/loss for the year	0	0	-486,714	-486,714
Other comprehensive income ¹	0	0	-84,648	-84,648
Equity at 30 June 2022	1,152	3,474,833	-1,656,062	1,819,923

¹ Other comprehensive income comprises market value adjustments of NOK forward contracts"

Consolidated financial statements 1 January – 30 June

Capital and solvency (Group)

DKK'000	30 June 2022	30 June 2021	31 December 2021
Equity	1,819,923	1,290,447	1,830,559
Intangible assets and other deductions ¹	-816,766	-623,990	-736,224
Total core capital after deductions	1,003,157	666,457	1,094,335
Total core capital	1,003,157	666,457	1,094,335
Subordinated loan capital	30,000	30,000	30,000
Deductions in terms of maturity	-23,175	-6,500	-9,000
Total own funds	1,009,982	689,957	1,114,835
Credit risk	2,412,775	2,075,254	2,191,569
Market risk	35,515	9,625	9,816
Operational risk ²	102,430	179,614	134,122
Total risk exposure	2,550,720	2,264,493	2,335,507
Key figures			
Core capital after deductions, ratio (%)	39.3	29.4	46.9
Core capital ratio (%)	39.3	29.4	46.9
Solvency ratio (%)	39.6	30.5	47.7

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 137,901 thousand (30 June 2021: DKK 245,933 thousand). The deductions are included in the credit risk.

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

Consolidated financial statements 1 January – 30 June

Financial highlights

Income Statement (DKK'000)	First half 2022	First half 2021	Full year 2021	Full year 2020	Full year 2019
Net interest and fee income	89,385	14,577	55,351	-756	-26,888
Market value adjustments	-342	-309	-2,542	-321	10
Staff costs and administrative expenses	457,279	188,855	525,870	220,529	101,887
Write-downs on loans and receivables, etc.	82,885	7,793	89,989	4,207	0
Profit/loss for the year	486,714	-195,014	-732,595	-245,977	-133,932

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

Loans	2,531,357	1,722,813	2,358,171	12,895	0
Total assets	12,192,096	7,054,938	11,513,328	1,340,599	156,40
Deposits	9,475,538	3,923,139	8,039,081	928,280	0
Equity	1,819,923	1,290,447	1,830,559	294,803	120,010

Ratios and key figures

Own funds	1,009,982	692,957	1,114,835	316,177	84,545
Solvency ratio (%)	39.6	38.8	48.0	216.3	62.4
Core capital ratio (%)	39.3	37.5	47.2	198.2	62.4
Return on equity before tax (%)	-37.1	-26.5	-57.3	-114.3	-352
Return on equity after tax (%)	-37.0	-26.5	-68.9	-118.6	-349
Interest-rate risk	0.4	0.1	2.3	0.2	0
Currency position	3.5	0.1	0.9	0.1	0
Loans relative to deposits (%)	26.7	43.9	29.3	1.4	0
Gearing of loans, end of year (%)	139.1	133.5	128.8	4.4	0
Cover relative to statutory liquidity requirements (%)	948.0	1,854.0	1,139.4	1,737.7	413.8
Net impairment ratio (%)	6.9	4.4	6.4	24.6	0
Return on assets (%)	-4.0	-2.8	-6.4	-18.3	-85.6
Average number of full-time employees	581	302	439	140	86

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

As Lunar received its banking license in August 2019, no ratios have been calculated for previous periods.

Consolidated financial statements 1 January – 30 June

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G1 Basis of preparation

The interim report of Lunar Group 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's annual report.

The interim report is presented in DKK thousands.

G2 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 Group'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.

On an ongoing basis, management assess the Group's capital resources in order to assess the soundness of the Group's investments in expansion. Based on the Group's approved budgets, management assess that through 2022 the Group 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 level of own funds.

G3 Financial highlights

Financial highlights are disclosed on page 14.

Consolidated financial statements 1 January – 30 June

Notes

DKK'000	First half 2022	First half 2021	Full year 2021
G4 Market value adjustments			
Bonds at amortised cost	-1,461	-539	-1,006
Foreign exchanges	-7,484	230	-3,872
Financial instruments measured at fair value	9,739	0	2,396
Other liabilities	452	0	-60
	-342	-309	-2,542
G5 Loan impairment charges etc.			
ECL on new assets	40,423	8,108	50,872
Final losses on loans previously written down	56,808	0	10,462
Other movements	-14,346	-315	28,655
	82,885	7,793	89,989
G6 Receivables from credit institutions and central banks		30 June 2021	31 December 2021
Credit institutions	167,958	135,847	352,160
Total	167,958	135,847	352,160
Distribution of terms by maturity			
Overnight	167,958	135,847	352,160
Total	167,958	135,847	352,160
G7 Loans and other amounts due at amortised costs			
Customer loans	2,531,357	1,772,813	2,358,171
Total	2,531,357	1,772,813	2,358,171
Distribution by maturity			
Overnight	436	2,485	5,341
Up to three months	2,096	11,960	2,517
From three months to one year	11,814	67,400	13,872
From one year to five years	296,404	1,690,968	230,161
More than five years	2,220,607	0	2,106,280
	2,531,357	1,772,813	2,358,171

See note G10 for a detailed description of financial risks incl. Lunar's credit exposure.

Consolidated financial statements 1 January – 30 June

Notes

DKK'000	30 June 2022	30 June 2021	31 December 2021
G8 Deposits broken down on maturity			
Deposits	9,570,358	3,923,139	7,984,268
Total	9,570,358	3,923,139	7,984,268
Distribution of terms by maturity			
Overnight	9,304,757	3,923,139	7,934,234
One to five years	265,601	0	50,034
Total	9,570,358	3,923,139	7,984,268

All deposits are related to customer transaction accounts.

G9 Contractual obligations and contingencies, etc.

Contingent liabilities

On 30 June 2022 unaccepted loan commitments and unused credit facilities amounts to DKK 1,483 thousand (30 June 2021: DKK 8,617 thousand).

Of the total value of bond holdings, DKK 255,641 thousand have been provided as collateral to other credit institutions (30 June 2021: DKK 163,208 thousand).

G10 Financial risks and policies and objectives for the management of financial risks

Lunar Group is exposed to different types of risks. The purpose of the 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
- Capital and profitability: The risk of not having sufficient capital which can result in having to issue instruments at excessive costs, inability to pursue the business strategy, or failing payment obligations. The risk of failure to optimise earnings in business strategy.

The Management's report provides a detailed description of Lunar Groups risk management practises.

Credit risk

Lunar Group strives to differentiate itself in the marketplace through convenient and transparent financing products and an ambition of a state-of-the-art credit decision engine leveraging Lunar data - not by taking above normal credit risk. Further, want to limit impairment volatility.

Consolidated financial statements 1 January – 30 June

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G10 Financial risks and policies and objectives for the management of financial risks (continued)

Credit risk

Lunar Group 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

Below, the gross credit exposure on 30 June 2022 is distributed in rating scales:

DKK'000	Stage 1	Stage 2	Stage 3	Total
3	3,024	377	0	3,401
2a	118,059	397,065	13,511	528,635
2b	1,133,072	78,371	0	1,211,443
2c	844,549	8,373	0	852,922
1	0	61,813	60,907	122,720
Gross carrying amount at 30 June 2022	2,098,704	545,999	74,418	2,719,121
Distribution in segments				
Public institutions	0	0	0	0
<i>Business, including:</i>				
Construction	133	93	318	544
Retail	326	128	177	631
Transport, hotels and restaurants	191	40	234	465
Information and communication	276	48	79	403
Finance and insurance	41	12	89	142
Other segments	1,203	323	750	2,276
Business, total	2,170	644	1,647	4,461
Private	2,096,534	545,355	72,771	2,714,660
Total	2,098,704	545,999	74,418	2,719,121

Loans are issued without any provided security.

Consolidated financial statements 1 January – 30 June

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G10 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	2,392	0	0	2,392
2a	816,352	8,417	0	824,769
2b	1,054,476	80,109	0	1,134,585
2c	148,503	347,121	0	495,624
1	0	0	63,817	63,817
Gross carrying amount at 31 December 2021	2,021,723	435,646	63,817	2,521,186
Distribution in segments				
Public institutions	0	0	0	0
<i>Business, including:</i>				
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	2,021,373	435,491	63,816	2,520,680
Total	2,021,723	435,646	63,817	2,521,186

The maximum loan granted to individual customers is DKK 370 / SEK 501 thousand. Lunar Group 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.

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G10 Financial risks and policies and objectives for the management of financial risks (continued)

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

The table below shows the changes in total impairment charges recognised at 30 June 2022 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 2022	60,025	60,192	42,798	163,015
ECL on new assets	22,845	10,853	6,630	40,328
Transfer from stage 1 to stage 2	-5,519	-11,601	0	-17,120
Transfer from stage 1 to stage 3	0	25,914	0	25,914
Transfer from stage 2 to stage 1	0	0	8,353	8,353
Transfer from stage 2 to stage 3	-1,426	0	0	-1,426
Transfer from stage 3 to stage 1	0	0	-7,842	-7,842
Transfer from stage 3 to stage 2	-1,267	0	0	-1,267
Unchanged	0	-689	0	-689
Write offs debited to the allowance account	0	0	-16,176	-16,176
Other movements	-11,119	-5,310	11,103	-5,326
Impairment charges at 30 June 2022	63,539	79,359	44,866	187,764

The table below shows the changes in total impairment charges recognised at 31 December 2021 for 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
Acquired operations	7,873	42,264	18,120	68,257
ECL on new assets	25,969	11,606	13,242	50,817
Transfer to Stage 1	-2,451	44,767	13,277	55,593
Transfer to Stage 2	23,861	-24,942	1,101	20
Transfer to Stage 3	20	447	-848	-381
Assets derecognised	-1,468	-13,180	-6,059	-20,707
Unchanged	0	0	0	0
Write offs debited to the allowance account	0	0	0	0
Other movements	5,244	-1,554	-1,603	2,087
Impairment charges at 31 December 2021	60,025	60,192	42,798	163,015

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G10 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 2022	68	0	153	221
ECL on new assets	92	3	0	95
Transfer from stage 1 to stage 2	0	0	0	0
Transfer from stage 1 to stage 3	0	0	-1	-1
Transfer from stage 2 to stage 1	0	0	0	0
Transfer from stage 2 to stage 3	0	0	-1	-1
Transfer from stage 3 to stage 1	0	0	0	0
Transfer from stage 3 to stage 2	0	0	0	0
Unchanged	6	0	0	6
Write offs debited to the allowance account	0	0	-11	-11
Other movements	-64	1	-140	-203
Impairment charges at 30 June 2022	102	4	0	106

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	Total
Impairment charges at 1 January 2021	199	2	691	892
ECL on new assets	44	0	11	55
Transfer from stage 1 to stage 2	0	0	10	0
Transfer from stage 1 to stage 3	0	0	0	0
Transfer from stage 2 to stage 1	2	0	0	2
Transfer from stage 2 to stage 3	0	0	10	10
Transfer from stage 3 to stage 1	6	0	0	6
Transfer from stage 3 to stage 2	0	0	0	0
Unchanged	0	0	0	0
Write offs debited to the allowance account	0	0	0	0
Other movements	-181	10	-583	-754
Impairment charges at 31 December 2021	68	12	153	221

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

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G11 Related Parties

The ownership of Lunar Group is disclosed at page 3.

Group entities comprises the following legal entities:

- Lunar Group A/S (parent company), Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Bank A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Way A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Card A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Payments ApS, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Way AB, Stockholm, Sweden
- Lendify AB, Stockholm, Sweden

G12 Fair value information for financial instruments

In 2022 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 30 June 2022 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 30,500	-49	0	49
Swaps – EUR	EUR 5,000	1	1	0
Swaps - NOK	NOK 145,000	-221	697	918
Swaps – SEK	SEK 3,055,000	37,115	38,137	1,022
Forwards – NOK	NOK 1,290,000	-13,899	0	13,899

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.

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Income statement and comprehensive income (Parent)

Note	DKK'000	First half 2022	First half 2021	Full year 2021
	Interest income	156	75	0
	Interest expense	9,815	13	1,469
	Net interest and fee income	-9,659	62	-1,469
	Market value adjustments	1,661	-144	-1,232
	Staff costs and administrative expenses	14,197	11,754	24,643
P1	Income from group undertakings	-464,519	-183,178	-705,251
	Profit/loss before tax	-486,714	-195,014	-732,595
	Tax for the year	0	0	0
	Profit/loss after tax	-486,714	-195,014	-732,595
	Exchange rate adjustments	28,989	0	142
	Other comprehensive income after tax	-84,648	0	-50,602
	Total comprehensive income	-542,373	-195,014	-783,055

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Balance sheet (Parent)

Note	DKK'000	30 June 2022	30 June 2021	31 December 2021
	ASSETS			
	Receivables from credit institutions and central banks	52,892	12,289	72,722
P1	Holdings in group undertakings	1,778,348	1,290,747	2,384,635
	Bonds at amortised costs	0	35,053	0
P2	Other assets	24,963	305	31,948
	Prepayments	1,167	9,513	1,993
	TOTAL ASSETS	1,857,370	1,347,907	2,491,298
	LIABILITIES AND EQUITY			
	Liabilities			
P3	Other liabilities	32,064	5,542	655,143
	Total Liabilities	32,064	5,542	655,143
	Provisions			
P1	Holding in group undertakings with negative values	5,383	51,918	5,596
	Total Provisions	5,383	51,918	5,596
	Equity			
P4	Share capital	1,152	731	1,105
	Share premium	3,474,833	1,899,909	2,954,123
	Retained earnings	-1,656,062	-610,193	-1,124,669
	Total equity	1,819,923	1,290,447	1,830,559
	TOTAL LIABILITIES AND EQUITY	1,857,370	1,347,907	2,491,298
P5	Contractual obligations and contingencies, etc.			
P6	Related parties			

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Statement of changes in equity (Parent)

Note	DKK'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2021	691	710,753	-416,641	294,803
P4	Capital increase	414	2,293,972	0	2,294,386
	Exchange rate adjustment	0	0	142	142
	Share based payments	0	0	24,425	24,425
	Net profit/loss for the year	0	0	-732,595	-732,595
	Other comprehensive income	0	-50,602	0	-50,602
	Equity at 1 January 2022	1,105	2,954,123	-1,124,669	1,830,559
P4	Capital increase	47	520,710	0	520,757
	Share based payments	0	0	10,980	10,980
	Exchange rate adjustment	0	0	28,989	28,989
	Net profit/loss for the year	0	0	-486,714	-486,714
	Other comprehensive income	0	0	-84,648	-84,648
	Equity at 30 June 2022	1,152	3,474,833	-1,656,062	1,819,923

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Capital and solvency (Parent)

Note	DKK'000	30 June 2022	30 June 2021 ¹	31 December 2021
	Equity	1,819,923	1,290,447	1,830,559
	Intangible assets and other deductions ²	-669,278	-580,015	-669,278
	Total core capital after deductions	1,150,645	710,432	1,161,281
	Total core capital	1,150,645	710,432	1,161,281
	Total own funds	1,150,645	710,432	1,161,281
	Credit risk	1,140,394	722,703	1,758,315
	Market risk	13,443	61	4,636
	Operational risk ³	0	0	0
	Total risk exposure	1,153,837	722,764	1,762,951
Key figures				
	Core capital after deductions, ratio (%)	99.7	98.3	65.9
	Core capital ratio (%)	99.7	98.3	65.9
	Solvency ratio (%)	99.7	98.3	65.9

¹ In 2021 the value of holdings in group undertakings of DKK 1,778,348 thousand (30 June 2020: DKK 1,290,747 thousand) is included in Lunars credit risk with a weighting of 100 %. The value of group undertakings is corrected for goodwill of DKK 580,015 thousand (2020: DKK 669,278) that is directly related to the holdings in group undertakings. Comparative figures for 30 June 2021 have been adjusted accordingly.

¹ Goodwill of DKK 669,278 thousand is related to holdings in group undertakings and is fully deducted in Common equity tier 1 capital.

³ Operational risk is partly derived based on budget figures as Lunar Group has not realised core earnings for the last three years.

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DKK'000	30 June 2022	30 June 2021	31 December 2021
P1 Holdings in group undertakings			
Cost at beginning of period	3,525,425	340,170	676,170
Additions	575,000	336,000	2,849,255
Total cost at period end	4,100,425	676,170	3,525,425
Value adjustment at beginning of period	-1,146,386	-167,858	-460,131
Foreign exchange rate adjustment	688	-11	141
Share-based payments	8,439	6,784	18,855
Dividend	-641,034	0	0
Other movements	-84,648	0	0
Profit/loss for the year	-464,519	-299,046	-705,251
Total value adjustment at period end	-2,327,460	-460,131	-1,146,386
Net carrying amount at period end	1,772,965	216,039	2,379,039
Negative equity values, incl. internal gains, transferred to provisions	5,383	47,285	5,596
Carrying amount at period end	1,778,348	263,324	2,384,635

Name and registered office	Voting rights and ownership
Lunar Bank A/S, Aarhus, DK	100 %
Lendify AB, Stockholm, SE	100 %
Lunar Payment ApS, Aarhus, DK	100 %
Lunar Way A/S, Aarhus, DK	100 %
Lunar Block A/S, Aarhus, DK	100 %
Lunar Way AB, Stockholm, SE	100 %

P2 Other assets

Other assets include receivables to affiliates of DKK 6,763 thousand (30 June 2021: 305 thousand).

P3 Other liabilities

Other liabilities include payables to affiliates of DKK 29,766 thousand (30 June 2021: 0).

DKK'000	30 June 2022	30 June 2021	31 December 2021
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P4 Share capital

Opening amount	1,105	691	691
Capital increases (by cash payment)	47	40	414
Closing amount	1,152	731	1,105
Number of shares	1,152,189	730,735	1,105,274

Lunar Group A/S does not hold own shares.

P5 Contractual obligations and contingencies, etc.

Contingent liabilities

Lunar Group A/S has issued a Letter of Financial Support to enable Lunar Way A/S to meet its ongoing financial obligations as and when they fall due for the foreseeable future and in any event in the period of 1 January to 31 December 2022.

Lunar Group A/S 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 Group 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.

P6 Related parties

The ownership of Lunar Group is disclosed at page 3.

Group entities comprises the following legal entities:

- Lunar Group A/S (parent company), Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Bank A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Way A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Card A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Way AB, Stockholm, Sweden
- Lendify AB, Stockholm, Sweden

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