LUNAR



Lunar Group

Beyond Banking.

Annual report 2023.

At Lunar we strive to go beyond banking.
We want to put our users back in control by empowering them and simplifying their financial lives.

We make it easier for our users by offering a rich ecosystem of highly used financial products across savings, investments, payments, business management and commerce enablement.

Pioneering how we all engage and thrive with money.



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Company information.

Company

Lunar Group A/S
Hack Kampmanns Plads 10 8000 Aarhus C
CVR no. 36945745

Financial period:
1 January – 31 December 2023

www.lunar.app

Board of Directors

Henning Kruse Petersen (Chairman)
Claus Okholm
Lars Andersen
Ken Villum Guldbrandt Klausen
Klaus Østergaard
Jens Mikael Kristoffer Ismunden
Ola Reinhold Nordbye

Executive Board

Ken Villum Guldbrandt Klausen (CEO)

Auditors

PwC Statsautoriseret Revisionspartnerselskab
Strandvejen 44
2900 Hellerup

Company information.

Ownership

The following shareholders hold more that 5% of the share capital on 31 December 2023:

LWOH ApS
Langelinieparken 18, 2. th.
8000 Aarhus C

Brightfolk A/S
Store Torv 1, 3.
8000 Aarhus C

SEED Capital Denmark III K/S
Højbro Plads 10
1200 København K

Kinnevik Online AB
Box 2094
10313 Stockholm, Sweden

Orbit Alliance AB
Narvavägen 12
11522 Stockholm, Sweden

Tencent Cloud Europe B.V.
Buitenveldertselaan 1-5
1082VA Amsterdam, Netherlands

Overview – Executive Team

Ken Villum Guldbrandt Klausen
(CEO)

Private-sector directorships:

Lunar Payments ApS, Executive Officer
Lunar Journey AB, Executive Officer
Lunar Way A/S, Executive Officer and Board member
Lunar Block A/S, Executive Officer and Board member
HOLDYN ApS, Executive Officer and legal owner
VXK ApS, Executive Officer and legal owner
VXG ApS, Executive Officer and legal owner
LWOH ApS, Executive Officer and legal owner
Arosource ApS, Chairman

Overview – Board of Directors

Henning Kruse Petersen (Chairman)

Private-sector directorships:

FIRSTAIDERS A/S, Chairman
DEN DANSKE FORSKNINGSFOND, Board member
Cursum A/S, Chairman
MIDGARD DENMARK K/S, Chairman (Resigned 29.01.2024)
2KJ A/S, Executive Officer and legal owner
KOMPLEMENTARSELSKABET MIDGARD DENMARK ApS, Executive Officer (Resigned 31.01.2024)
Mimir Advisory Services SL, Chairman
Asgard Ltd., Deputy Chairman
Midgard Group Inc., Board member
Dekka Holding Limited, Board member

Claus Okholm

Private-sector directorships:

Lunar Bank A/S, Chairman
CEJ EJENDOMSADMINISTRATION A/S, Board member
CEJ AARHUS A/S, Board member

Klaus Østergaard

Private-sector directorships:

PUA INVEST ApS, legal owner
Gammel Jernbanevej 32 ApS, real owner

Ola Nordbye

Private-sector directorships:

Sure Inc. (US), Board member
Monese Ltd. (UK), Board member
Omnipresent Ltd. (UK), Board member
89 Harcourt Terrace Ltd. (UK), Board member
Kontakt East AB (SE), Board member

Lars Andersen

Private-sector directorships:

Growth manager ApS, Executive Officer
GM Invest ApS, Executive Officer
Det bliver en god dag ApS, Executive Officer
Value4money ApS, Executive Officer
Seed Capital Denmark II K/S, Director
SEED Capital Management III I/S, Board member
SEED Capital Management IV I/S, Board member
Growth manager ApS, Board member
C WorldWide Asset Management Fondsmæglerselskab A/S, Board member
C WorldWide Holding A/S, Board member
C WorldWide Group Holding A/S, Board member
Risika A/S, Board member
Flatpay ApS, Board member
Flatpay Financial services A/S, Board member
Templafy Holding Inc., Board member

Ken Villum Guldbrandt Klausen

Private-sector directorships:

Lunar Payments ApS, Executive Officer
Lunar Journey AB, Executive Officer
Lunar Way A/S, Executive Officer and Board member
Lunar Block A/S, Executive Officer and Board member
HOLDYN ApS, Executive Officer and legal owner
VXK ApS, Executive Officer and legal owner
VXG ApS, Executive Officer and legal owner
LWOH ApS, Executive Officer and legal owner
Arosource ApS, Chairman

Jens Mikael Kristoffer Ismunden

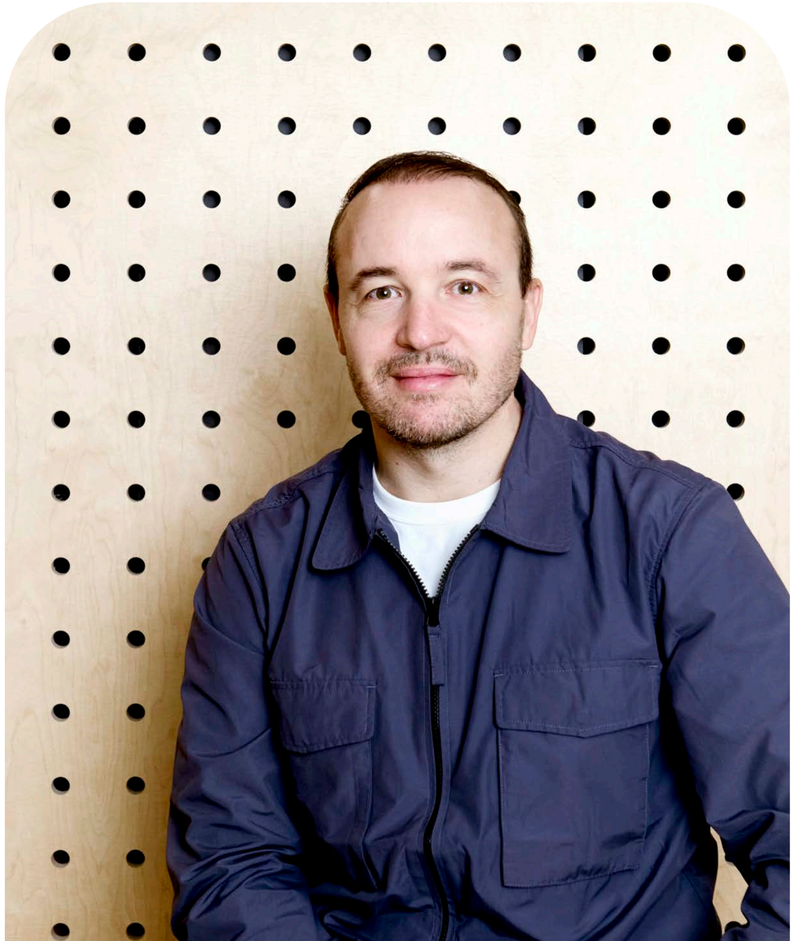
Private-sector directorships:

Trianon AB, Board member
Bosam Fund I AB, Board member (chairperson)
Orbit Alliance AB, Board member (chairperson)


Strategic
report.

Founder & CEO letter.

Ken Villum Guldbrandt Klausen
Founder & CEO



“In 2023, we proved our ability to stay laser-focused on our users and our mission, despite external uncertainties.”

After a challenging 2022, especially for fintechs that were facing consolidations and increasing awareness of profitable business models, Lunar entered 2023 on slightly new premises. We adapted to the shifting market dynamics, and in many ways 2023 became the year of operational excellence. A year to truly strengthen and sharpen our organisation on the path to profitability, where cost-effectiveness and efficiency remained a top priority throughout the year - an objective that will continue into 2024, and on our journey ahead.

We increased our focus on the journey to profitability without compromising with the essence of who we are - a challenger - while reaching the next level of compliance with banking regulation.

Our foundation, centered around innovation and user centricity, remained steadfast as we adapted to the shifting market demands.

Yet again we proved the ability to stay laser-focused on what is important - to build the best everyday Nordic bank. We are now stronger and leaner than ever before, ready to expand our offering and take on the Nordics.

In 2023 we reached **850 k** users in the Nordics, a big win reflecting our DNA of being user-centric. More than **150 k** new users signed up for our banking offer. Paying users increased by almost **30%**, while number of transactions increased by **44%** from 2022 to 2023. Moreover, our commitment to support entrepreneurs gain access to basic banking remains steadfast. Our focus going into 2024 is to further enhance support for SMEs.

Furthermore, we introduced a groundbreaking addition to our portfolio with the launch of Banking Services. By opening up our infrastructure to partners we unlocked a highly complex Nordic banking environment and enabled more banks and fintechs to do business in the Nordics. As a product, Banking Service aims to revolutionise the financial sector and surpass the limitations of outdated systems. It will help accelerate innovation and competition in the region as we enable some of the most innovative powerhouses to enter the Nordics and compete with local incumbents.

However, the start of 2024 presented us with some initial hurdles to overcome. Our attempt to acquire the Norwegian bank Instabank in 2022, fell through due to the inability to secure regulatory approval for the acquisition. This resulted in a dispute involving the majority of Instabank’s investors. In February 2024, we received an unfavorable verdict in the case, which we immediately appealed. This outcome came as a surprise and, naturally, a setback, particularly for a scale-up company like ours.

In light of this situation, and to fortify our financial stability, we took the prudent action of allocating the full amount to our solvency, thereby covering potential losses from the Instabank verdict. Collaborating closely with our boards and executive management from both Lunar Group and Lunar Bank, and thereby some of our largest investors, we created a capital preservation plan to enhance our solvency. Throughout this process, we maintained a close collaboration with the DFSA, who also gave the green light to the plan.

As I reflect on both the beginning of 2024 and the overall progress of 2023, I am deeply grateful for the hard work and dedication of our team in driving Lunar forward towards our goal of becoming the best everyday bank in the Nordics.

I also want to emphasize the invaluable support of our investors. With their backing, Lunar Group secured **413 mDKK** in funding in both Q1 and Q4 of 2023, and **45 mDKK** in Q1 2024, ensuring that we can launch new products, grow and contiue on our road towards profitability.

Additionally, in response to the Instbank verdict, they contributed a total of **180 mDKK** as part of the capital preservation plan. This demonstrates the unwavering belief our investors have in us, and with that and our team, I am confident that we are on the right path towards profitability and beyond.

Ken



Our business model & strategic outlook

Being a Nordic digital challenger bank, Lunar strives to be the best everyday bank in the Nordics.

More than **830 k** private users across Denmark, Sweden and Norway have a Lunar account today, and close to **20 k** businesses have chosen to bank with Lunar. Private users starting from a young age and up, businesses customers characterised by having a small business set up and with simple financial needs.
The new business segment - Banking Services - enables our customers to leverage on Lunar's infrastructure and access to clearing in Denmark, Sweden and Norway.

For our business and private customers, we provide in-app products that inspire a new customer-centric era. Where we put the customer front and centre, and don't leave them in the backseat. That is why Lunar is loved by our users as demonstrated with our Trustpilot rating of **4.6.**

Helping customers in Lunar in their everyday life by adding transparency, flexibility, and fun to their financial life is our purpose.

Focus is on providing simple ways to handle day-to-day finances as well as offering relevant products through third-party integrations. Strong focus and our high standards against financial crime help keep our customers safe.

Lunar aims to go beyond banking and will therefore play a natural role in being a frontrunner in bringing new products into a regulated environment.

Trust score 4.6

Rated "Excellent" on Trustpilot

+52

Net Promoter Score
Average

DI Danish Innovation Index

Most innovative bank
2023-2024

63%

Monthly active users DK

200 k

Goals created

The business model for Lunar is based on a range of products that all contribute with different revenue streams, to create a resilient approach to an ever-changing market. Our focus stays on transparency and fair banking.
We therefore strive to offer high interest to our customers on all tiers, fair transparent fee structures and a highly scalable tech platform that will provide a lower cost to serve while enabling easy scaling opportunities.

The Lunar app is supplemented with a web-portal for business customers and "Share-It" app for our private users and non-banking users. Through these platforms Lunar offers all relevant services such as banking and payment products, and third-party products.

Combined, these multiple revenue channels generate a stable and recurring revenue, where the primary income is distributed between consumer and business tiers, interchange and transactional fees, financial products and third-party services.

In H1 2023 Lunar launched a new tier structure, first for consumers and later for businesses. The new structure offers an entry fee as standard, allowing customers to experience some of the benefits from the paid tiers at a lower price point. Aside from giving the customers more flexibility, the new tiers have also increased the overall number of subscription paying business and consumer users with **70k** to **118k**, an increase of around **70%**. The response and conversion rate has exceeded all expectations with **75%** staying on a new upgraded tier after the trial period has ended. Overall this contributed to an increase in subscription based revenue of **45%**. In addition a number of other improvements have been launched to the business offering, for instance the ability to add multiple owners to business accounts. In the media Lunar also spoke out on behalf of smaller businesses and entrepreneurs on the need to reduce red tape and make bank solutions more accessible.

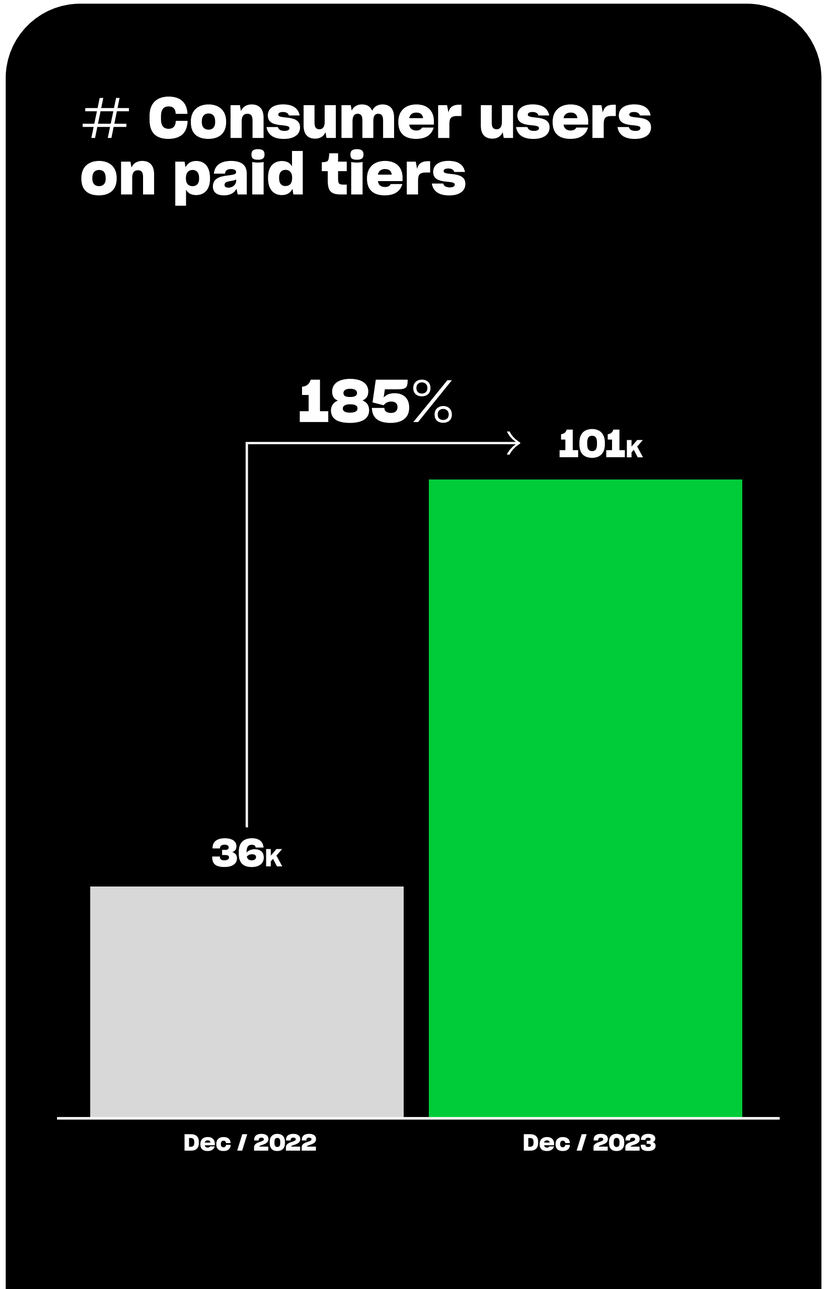
In 2023 Lunar further expanded our offering with the launch of Banking Service in H2. A product leveraging many years of investment in state-of-the-art infrastructure.
The interest and organic inflow of requests for this new service have been tremendous and many contracts have been signed during Q4.

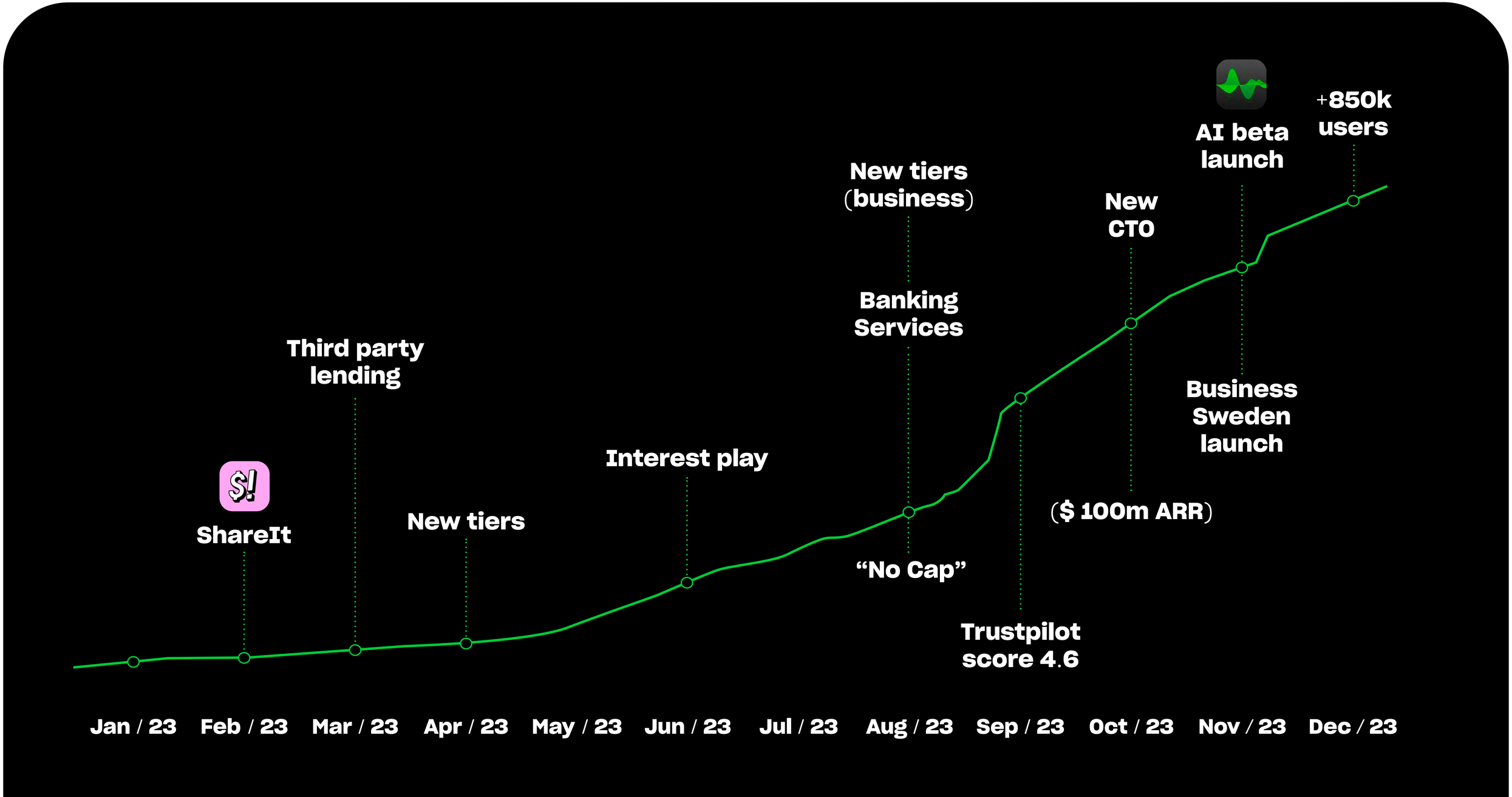
Among other important milestones for 2023 was the beta launch of an AI Co-pilot, which in a compliant setup is guiding and supporting our customers to reach clarity of their financials as well as setting and reaching goals.

→ Strategic outlook

Lunar will continue to invest in building our latest new offering Banking Services to monetise on the high organic interest from potential partners as well as continue our investment in a strong compliant monitoring and screening setup.

Furthermore, ongoing investments are directed to launch new consumer and business products in Sweden in 2024.




ShareIt
Third party lending
New tiers
Interest play
New tiers (business)
Banking Services
“No Cap”
Trustpilot score 4.6
New CTO
($ 100m ARR)
AI beta launch
Business Sweden launch
+850k users
Jan / 23
Feb / 23
Mar / 23
Apr / 23
May / 23
Jun / 23
Jul / 23
Aug / 23
Sep / 23
Oct / 23
Nov / 23
Dec / 23

Our values.

Be **brave**

Simplify & go

Empower our users

Push through **together**


Financial
review.

Chief Financial Officer's review.

Rie Ruby
Chief Financial Officer



"Despite a challeging environment Lunar has managed to grow the business and improve the underlying financial health"

As the second half of 2022 forewarned, 2023 has been a challenging year for many, not least in the fintech industry. As a result, Lunar has continued efforts during 2023 to adjust to the new market conditions and macro-economic environment. An increased focus on cost and efficiency is therefore still high on the agenda and will continue to be in the coming year, where break-even is a key target.

While the economic environment has been challenging, Lunar has still managed to grow topline by **74%** and increased net income by **83%**, driven by continued inflow of new customers, good conditions on interest rates as well as an uptake in fee generating income.

Our customer deposit increased by **0.7 bnDKK** ending the year on a total deposit size of **10.6 bnDKK**.

Based on a mandate given by the Board of Directors and to optimise potential interest income from the free liquidity, the Treasury department through 2023 increased the bond portfolio from **2.446 mDKK** to **4.826 mDKK**, which is distributed between **327 mDKK** of Norwegian government bonds and **4.499 mDKK** of Danish AAA-rated covered bonds. Hence a portfolio with low credit and interest rate risk. Given the many interest hikes from the Central Banks in 2023 and the nature of the bonds, where a significant part have quarterly interest fixings, the portfolio has generated a decent interest income for Lunar in 2023.

While top line grew, efforts and initiatives to drive automation and to do more with less has proven successful as operational cost has been reduced year-on-year by **24%**.

A key focus on our path to breakeven is the monetisation of our broad range of offerings as well as continued high engagement of our users. In testament to this effort, **72%** of new users joining us in 2023 were active within 28 days.

With the launch of our latest new offering Banking Services in the second half of 2023, additional investments have been made to facilitate the set up for handling the high organic interest from potential partners.

On the 19th of Feb. 2024 Lunar received the first verdict in the Instabank court case. Our counsel and an independent second legal opinion finds it more likely than not that Lunar will win the appeal case and hence the full amount is regarded as a contingent liability in the annual accounts for 2023.

The result of 2023 for Lunar Group shows a loss after tax of **-411 mDKK**. The result was in line with H1 adjusted expectations of **-375** to **-425 mDKK** and an improvement year-on-year of **72%**.

Lunar Group successfully secured funding of **413 mDKK** during 2023 to ensure operations, new product launches and capital requirements are met on Lunar's path to profitability.

The capital raises have occurred over two rounds in February and December amounting to **260 mDKK** and **153 mDKK** respectively from existing investors.

Further, as stated in section events after the balance sheet date Lunar Group successfully secured additional funding of **45 mDKK** from existing investors in February 2024. As a consequence of the Instabank verdict an additional capital raise of **180 mDKK** has been conducted in April 2024 in accordance with the capital preservation plan.

Equity in Lunar Group amounts to **941 mDKK** at year end. There is no proposed dividend for the financial year of 2023.

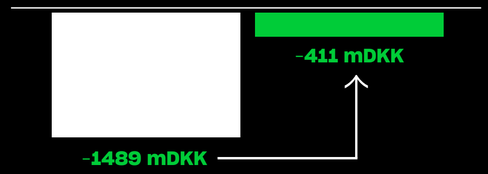
Key Performance Indicators.

2022 vs 2023

Revenue +74% **Gross** Revenue growth +83% **Net** Revenue

Cost -24% **OPEX** reduction x4 → x1.7 Cost/Income ratio

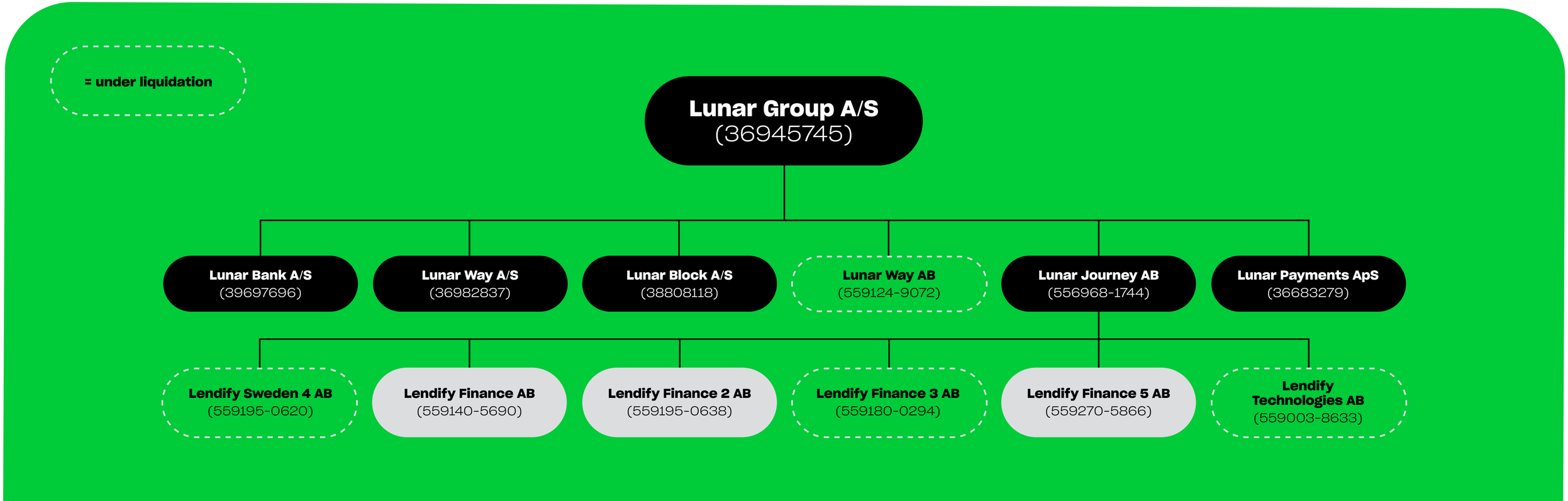
Profit +72% **Earnings after tax** improvement



Overview of legal structure.

In an effort to streamline and reduce complexity, the legal group structure has been revised with the redemption of SPV3 and SPV4 during 2023.

The Group structure at 31 December 2023 is disclosed below. All group subsidiaries are fully owned (100 %) by Lunar Group.



→ Events after balance sheet date.

On 30 September 2022 a public offer made by Lunar on Instabank ASA lapsed. A majority of the shareholders in Instabank subsequently filed a subpoena against Lunar Bank seeking damages for their loss of **681 mNOK**. On 19 February 2024, the Oslo Tingrett in Oslo voted in favour of the shareholders of Instabank, whereafter Lunar is to pay **632 mNOK (416 mDKK)** plus interest rates. We do not agree with the ruling, and have appealed to Lagmannsretten (High Court).

We have obtained an independent 2nd legal opinion that states that Lunar most likely (>50%) will win in the appeal court. Management and our legal advisors agree with the conclusion from the independent lawyer that the shareholders are not entitled to damages or any other compensation. In accordance with the accounting rules, no loss is recognised in the balance sheet in the annual statement for 2023, but regarded a contingent liability.

Lunar has in 2024 increased the individual solvency need with the potential loss including interest.

→ Assumptions and uncertainties

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 capital preservation plan and actual status of the inherent initiatives, the approved budgets and planned initiatives to ensure a road to profitability, management assesses that Lunar will live up to the capital requirements set by the Danish FSA in their order of 23 February 2024 during Q2 2024, and thereafter through 2024 will comply with regulatory capital requirements.

In the nature of realising plans, budget planning, internal and external factors may create uncertainties related to realising those and in the event of delayed time to profitability or delayed impact of new product offerings, management has established several contingency options related to the capital base which is considered sufficient to enable the bank to comply with regulatory capital requirements throughout 2024.

→ Capital and liquidity

On 31 December Lunar Group's consolidated own funds, less deductions, amounted to **770.6 mDKK**. With a total risk exposure (REA) of **2,183.4 mDKK** the capital ratio is **35.3%**.
In accordance with Commission Delegated Regulation (EU) 2020/2176 entering into force 23 December 2020, Lunar is able to recognise software assets in Common equity tier 1 capital which accounts for **110.6 mDKK** at the end of 2023. Other intangible assets amounting to **174.3 mDKK** are deducted in the own funds.

The consolidated solvency need is calculated as **380 mDKK** or **17.4%** of REA at 31 December 2023. The overall capital requirement, including the combined buffer requirement, amounted to **483.5 mDKK** or **22.1%** of REA at 31 December 2023. Excess to the capital requirement amounts to **287.1 mDKK**.

As a consequence of the court ruling received 19 February 2024, Lunar has in 2024 increased the individual solvency need with the potential loss including interest, which has led to a breach with the solvency need.

→ Financial outlook

Lunar aspires to be the best everyday bank in the Nordics through a digitalised and user-centric approach to the market. A key focus for 2024 is to build on product parity and have an aligned product offering across the Nordic's taking local needs into account. The product portfolio will be updated continuously with offerings that support the overall Lunar strategy and aim.

Due to the initial verdict on the Instabank court case, Lunar has found it necessary to pause our ambitions within lending on own book and focus more on 3rd partner solutions for our customers. The postponement is causing a delay in our expected path to profitability, however it is still a key focus to reach break-even during H2 in 2024. Lunar will continue to invest in our new offering within Banking Services and in creating parity across the Nordics. Lunar expects to realise a loss after tax in 2024 in the range of **-250 mDKK** to **-150 mDKK.**





Risk.

Risk Management.

2023 proved to be an extraordinary year from a Risk Management perspective. Factors, such as the war in Europe, rapidly increasing interest rates, soaring energy prices and accompanying record-breaking inflation levels led to intensified risk focus across all risk types.

The organisation has worked hard on addressing all findings from previous year's DFSA visit. During the last part of 2023 we were once more under inspection, and will receive orders within Credit and Governance. The number and nature of findings show a positive development compared to previous inspections. Besides the Credit area, it is positive to see this development compared to earlier. The findings will receive the same level of attention as the outcome of previous inspections.

During 2023, the updated Risk Taxonomy was in process of being rolled out across Lunar Group with the purpose of obtaining a fixed frame to navigate the rapidly changing risk picture. This will take us towards a widely uniform and analytical approach across pre-defined risk types minimising the risk of blind spots.

→ Risk Governance

Ensuring a stable and robust Risk Management framework influences all parts of our operations, as it supports a balance between strong awareness of risks and promoting innovation. It empowers the organisation to make informed, prudent decisions considering the balance between risk, return, and market situation. Upholding this standard is crucial for retaining the confidence of our customers, investors, and regulators. Risk Management in Lunar Group is structured in accordance with the three lines of defence model. Relevant committees are anchored at Board and Executive Management level in mainly Lunar Bank to decide on all relevant risks, and to monitor and perform oversight of risk exposure across risk types. Delegation of decision-making competences as well as relevant escalation routes are formalised. This goes hand in hand with clear roles and responsibilities in the organisation with relevant functional separation between risk ownership and oversight.

During 2024 there will be a continued focus on further developing the risk governance and risk culture as the foundation for being a digital challenger bank.

→ Risk Taxonomy & Risk Appetite

The risk landscape in Lunar Group is defined by a Risk Taxonomy, constituting a common reference point and ensures focus on all significant risk areas. All risk types are assigned to managers with sufficient authority and decision mandate in the 1st line of defence, to ensure accountability and ownership. The Risk Taxonomy is key in the foundation to protect Lunar and our customers. It is updated yearly to reflect the current activities of Lunar Group.

Risk appetite is defined in relevant policies covering the entire group. For financial risk areas, the defined risk appetite is accompanied by relevant limits. To clarify our risk appetite within operational risk we also recently introduced a nominal limit. For risks that are not quantifiable, the risk appetite reflects our willingness to incur impact on e.g. customers, reputation or of regulatory character.

Management openly expresses the mindset and necessary qualifications Lunar wishes for our organisation to possess. Risk is not a topic for leaders or specific 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. Both 1st and 2nd line continuously carry out activities supporting a sound risk culture partly through day-to-day activities, and partly through activities with specific educational purposes.

→ Control Environment & Reporting

Lunar's fundamental ambition to build an integrated offering within banking, payments and investments remains unchanged, despite the shift of focus to the road to profitability. This is supported by the risk appetite level set by the Board of Directors in Lunar Group and Lunar Bank. To support the risk framework and the risk appetite level, Lunar has in 2023 further enhanced the controls performed by the 2nd line and the reporting routines for selected risk focus areas and for incident reporting in particular. This gives a higher level of transparency for all levels of stakeholders from Board of Directors and Executive Management to the employees, which in turn enables fast re-prioritisation if needed.

Even with evident continued improvement in 2023, we will maintain focus on the governance around controls and reporting during 2024 for all risk types, also to mitigate effects of fast growth. This focus is natural as the business evolves, but it also reflects our ambition to conduct solid risk management across all three lines of defence.

The main categories of financial risks are elaborated in note G29.


Governance.

People & Culture review.

Sarah Wahlström
Chief People & Culture Officer



”In 2023, People and Culture focused on building a strong foundation for the future by working with people products and employee experiences. We’re infusing the Lunar DNA into everything we do to embrace the culture that makes Lunar a truly special place.”

→ People & culture

The Lunar team is the key to realising the vision of shaping the future of banking. The Lunar team is the most valuable asset to continued business success. In 2023, significant focus and investment was made in attracting and retaining top talent within tech and banking. People programs and products have been co-developed with the Lunar team with the singular goal to build an even stronger foundation in which to grow. This includes a new employee growth tool to help guide in professional development, new offices in Stockholm and Copenhagen provides a great space to work, redefining our core values to reflect the Lunar DNA, and amplifying this externally to attract new talent.

In order to ensure the efforts are effective, Lunar regularly measures employee engagement and development questionnaire with monthly questionnaires. The entire organisation is involved in the results and action points are openly discussed and handled at the Board of Director level, throughout the organisation and within each departments and teams. Lunar also trains managers on how to conduct sessions on engagement with their teams.

Lunar wants to go beyond banking with a healthy and thriving organisation, and the wellbeing and development of employees is taken very seriously in Lunar. Additionally, our Next Level initiative strives to support mental and physical wellbeing both inside and outside the organisation. 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. We also encourage and support activities which encourage team spirit and interaction such as runs, charity events, tournaments or cups.

→ 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 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. Detailed information on the remuneration of Executive Board and Board of Directors is disclosed on Lunar’s website.
www.lunar.app

→ Statement on the representation of gender in the Board of Directors and other Management levels

Lunar strongly believes that diversity and inclusion is essential in creating a better culture and strengthens the organisation by ensuring different perspectives are represented and valued. In 2022, Lunar launched their first ESG report with a strong focus on the social element and within that, targets for gender representation in its Board and Management. Lunar identified a pay gap in 2022 and has therefore put in place a new salary review process including pay grades which assists in identifying pay gaps at different levels. This information helped guide the 2023 salary review process and we are committed to continue this work in 2024 and therefore close this gap.

Target figures for the underrepresented gender on the board

In 2023, two female Board members stepped down from the Lunar Group Board of Directors, one of which became the CEO of Lunar Bank. We remain committed to strive for a balance of **40%** of the underrepresented gender. Focus is both on competences and gender when selecting members to both board and manager positions throughout Lunar.

The gender distribution among the Group's Board members end of 2023 is **100%** men and **0%** women.

Policy for other Management levels

Lunar Group had set a target to increase the proportion of female members of the Executive Team to **40%.** Lunar Group had **30%** females by 2022, which has increased to **50%** during 2023.

Lunar Group also outlined a goal for female managers at all Management levels to go from **20%** to **40%** before 2023 and to **45%** end of 2024 and 2025. Lunar Group reached a **36%** proportion at the end of 2022, which increased to **38%** end of 2023. 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 aims for a more equal distribution between the genders in Management. The bank wants an open-minded culture, where the individual employee can utilise 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.

In addition, Lunar offers professional development plans as a part of the growth conversations for all employees in order to ensure each individual's needs are met and our development is inclusive for all regardless of gender.

Underrespresented gender percentage

	2022	2023		Target 2025
Board (All)	23%	**1 out of 11**	**9%**	40%
Board (Only Lunar Group)	25%	**0 out of 7**	**0%**	40%
Executive Management Team*	30%	**5 out of 10**	**50%**	40%
All Managers	36%	**31 out of 82**	**38%**	45%

*Executive Management Team = CEO and C-suite members across Lunar

Board (All)

During 2023, we had changes in our Group Board resulting in us regressing in our progress towards our target in this area. Despite the large gap to our target, one such move was a great example of internal mobility wherein our female board member became the new Cheif Banking Officer and Bank CEO of Lunar Group and Bank. In 2024, we will continue to have changes in the board in which we are committed to consider placements which help us to achieve our target by the end of 2025.

Board (Only Lunar Group)

During 2023, we had changes in our Group Board resulting in us regressing in our progress towards our target in this area. Despite the large gao to our target, one such move was a great example of internal mobility wherein our female board member became the new Cheif Banking Officer and Bank CEO of Lunar Group and

Lunar has set the following specific targets:

- → Lunar's employees must experience the same career and Management opportunities regardless of their gender
- → Lunar's employees must be paid equitably in terms of males and females

Bank. In 2024, we will continue to have changes in the board in which we are committed to consider placements which help us to achieve our target by the end of 2025.

All Managers
During 2023, we increased our % of the underrepresented group to 38%, however we fell short of our target. We are close to our target and are confident that all of the equal opportunities to growth and development will continue to allow for woman to take on managerial roles. We are also aware of this while hiring these roles.

During 2023, Lunar has completed the following actions:

- Collaboration with various non-profit organisations to remove plastic from the ocean. By the end of 2023, Lunar has removed 60 tons of plastic.
- Heightening the level of waste Management by collaborations with “Pant for Pant”, “My Trash” and “Atea”.
- Building the new Lunar office in Copenhagen using mainly recycled materials.

→ Environmental, Social and Governance Responsibility

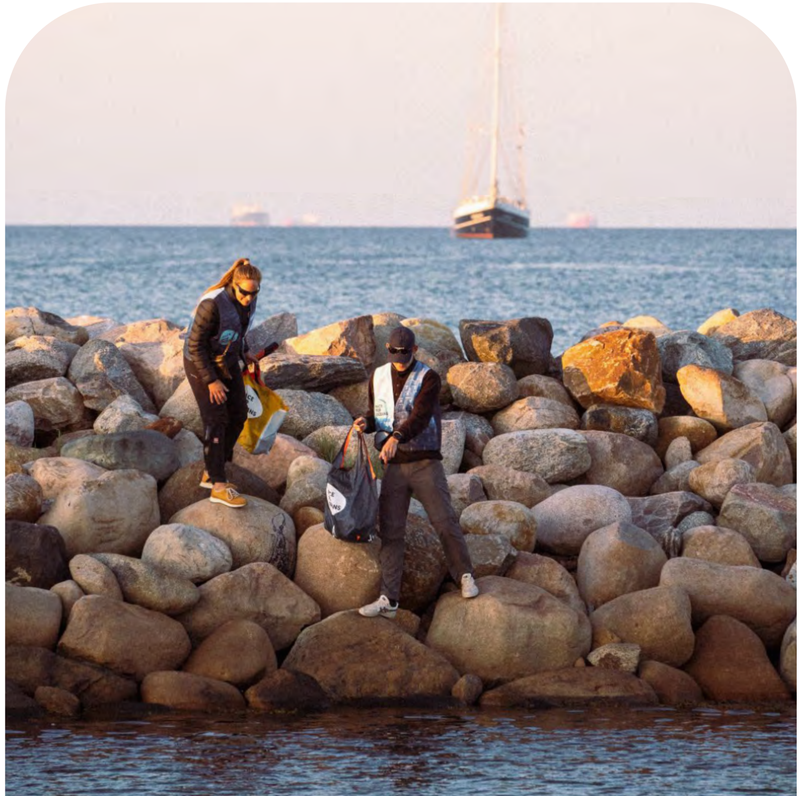
Policies on environmental impact
Lunar’s activity have minimal impact on the environment, which is why a policy for reducing impact on the environment has not been set. Our focus is directed towards partnerships etc. to fulfil our social responsibility for reducing environmental impact.

The Board of Directors and Executive Management will ongoingly reassess whenever policies should be implemented to further the work with Lunar’s environmental impact.

Policies on climate impact
Likewise, Lunar has no policies on reducing climate impact following activities of the company. The limited climate impact of Lunar’s activities suggests that other areas should be prioritised. Starting in 2022 Lunar has published its first ESG report where independent experts measured the total emissions from Lunar’s activities (direct and indirect emissions) and following the process, Lunar made a commitment to reduce emissions. It has been assessed that the commitments are sufficient to fulfil Lunar’s social responsibility on reducing climate impact.

In short term Lunar will pursue a “removal strategy” through a partnership with Klimate.co that specialises in removing carbon emissions through a number of initiatives. Lunar will also engage in reducing the carbon footprint via awareness campaigns, encouraging employees to reduce emissions from transportation and by choosing suppliers and consultants that share the same mentality.

Policies on the social responsibility for ensuring respect to human rights
The Board and Management of Lunar considers respect for human rights as fundamental and will not engage in business that breaches this. The Board and Management are yet to agree on formal commitments to actively further human rights, and will ongoingly assess if Lunar lives up to social responsibility ensuring respect to human rights.



Policies on the social environment (Incl. staff relations)
Lunar considers their staff and the environment they work in as an integral part of succeeding with the targets set in the business model. Therefore, Lunar has adopted an overarching Policy for Healthy Corporate Culture which is approved by the Board of Directors. The policy stipulates the overall strategy for ensuring a healthy corporate culture and stipulates certain initiatives for the Executive Management to implement. Furthermore, the Board has adopted a Diversity Policy which includes target figures for furthering the underrepresented gender. Lunar is committed to achieving a 40/60 balance of gender representation in both Board and Management.

Policies on anti bribery- & corruption
With Lunar Group being a financial holding company and the sole-owner of Lunar Bank, the company has a great responsibility to report any suspicious activities, including those that may involve corruption and bribery. Lunar's commitments to prevent bribery and corruption is described in Lunar's anti bribery- & corruption program. The strategy is laid out in the before mentioned Policy for Healthy Corporate Culture and even though Lunar has very low risk of being part of bribery- & corruption actions it is still considered absolutely crucial and all employees receive training on an ongoing basis.

Significant risks in relation to ESG related activities
In 2021 and 2022 Lunar went through a transition going from being a start-up to now being considered a scale-up size company which entails a different risk outlook. Some of the significant risks are outlined below.

Environmental risks
Lunar is present in three countries, each with its own set of environmental regulations and compliance requirements. This can make it more difficult to ensure that the Lunar remains compliant with all relevant laws and regulations.

The sheer level of emissions has also increased with the growth and will remain high, since the business plans do not include scaling down any time soon. As Lunar's operations grow, it may also begin to have a larger environmental impact, such as increased greenhouse gas emissions or water usage. This can attract the attention of regulators and the public and may lead to increased scrutiny and potential fines or penalties.

With the growth also comes larger reputational risks since more people are now aware of Lunar and the activities being conducted and Lunar may therefore also face additional reputational risks if it is perceived as not doing enough to address environmental issues, such as climate change.

Risks related to the social environment and staff relations
Lunar continuously measures employee engagement including providing an anonymous tool for feedback regarding the social environment and other relevant areas. In addition, Lunar implemented new programs to provide growth and development for all employees based on a framework of positive psychology. In 2024, we commit to continue on this journey including a more detailed review of our framework and its effectiveness.

Lunar employs a diverse workforce which can bring a range of challenges, such as managing cultural differences and conflicts. Even though Lunar has a considerate framework for ensuring the social environment there are still risks associated with the growth. Lunar has taken measures in 2023 to assess the organisation and human capailites with a focus on personal growth and competencies. This framework is a baseline that we can lean on for inclusive dialogue as we prepare for future growth in more markets.



→ Anti-bribery and corruption risks

With Lunar operating in three countries, each with its own set of laws and regulations regarding bribery and corruption it remains more difficult to ensure compliance and avoid violations. Lunar may also face increased pressure to win contracts or gain access to resources, which can increase the risk of bribery and corruption. With the growth of Lunar, more interaction with government officials is to be expected, which can increase the risk of bribery and corruption, as well as reputational risks if Lunar is perceived as not acting ethically.

→ Non-financial KPI's

The board and Management expect to establish KPIs on each relevant ESG component during 2024. Further information can be found in the ESG report for 2023 that will be published on www.lunar.app in May 2024.

Climate & Environmental impact:

Carbon emissions:
This measures the amount of carbon dioxide and other greenhouse gases emitted by a company's operations.

Energy consumption:
This measures the amount of energy used by a company's operations, which can be broken down by source (e.g. electricity, natural gas) and end use (e.g. lighting, heating).

Water consumption:
This measures the amount of water used by a company's operations, which can be broken down by source (e.g. surface water, groundwater) and end use (e.g. irrigation, cooling).

Waste generation:
This measures the amount of waste generated by a company's operations, which can be broken down by type (e.g. solid, liquid) and disposal method (e.g. recycling, landfilling).

Biodiversity loss:
This measures the effect of a company's operations on wildlife, habitats, and ecosystems.

Renewable energy:
This measures the proportion of energy generated by a company that comes from renewable sources such as wind and solar power.

Respect for human rights:

Occupational health and safety:
This measures the incidence of workplace accidents and injuries, as well as the steps taken to prevent them.

Discrimination and harassment:
This measures the incidence of discrimination and harassment within a company, as well as the steps taken to prevent and address them.

Forced labour:
This measures the amount and kind of forced labour in a company's supply chain.

Social environment:

Employee engagement:
This measures the level of engagement, motivation, and satisfaction among a company's employees (via Peakon).

Employee turnover:
This measures the rate at which employees leave a company and need to be replaced.

Diversity and inclusion:
This measures the representation of different groups within a company, such as by gender, race, and ethnicity.

Anti-bribery and corruption:

Training and education:
This measures the amount of training and education provided to employees on the topics of bribery and corruption.


Statements.

Independent auditor's report.

To the shareholder of Lunar Group A/S

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023, and of the results of the Group's and the Parent Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Business Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Lunar Group A/S for the financial year 1 January - 31 December 2023, which comprise income statement, other comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies, for both the Group and the Parent Company ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Group 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.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement in Management's Review

Management's Responsibilities for the Financial Statements

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

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 the 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design andperform audit procedures res ponsive 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.We focused on expected credit losses, as the accounting estimate is by nature complex and influenced by subjectivity and thus to a large extent associated with estimation uncertainty.

- 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 Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accountingpolicies used and the reasonableness ofaccounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related toevents or conditions that may cast significantdoubt on the Group's and the Parent 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 Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial-Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report

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.

Hellerup, 29 April 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Business registration no 33 77 12 31

Per Rolf Larssen
State Authorised Public Accountant
mne24822

Lars Dalgaard Agersted
State Authorised Public Accountant
mne46258

Statement by Management.

The Board of Directors and the Executive Board have today discussed and approved the annual report of Lunar Group A/S for the financial year 1 January – 31 December 2023.

The consolidated financial statements and the Parent Company financial statements have been prepared in accordance with statutory requirements, including - but not exclusively - the specific accouting rules in the Danish Financial Business Act.

In our opinion, the consolidated financial statement and the Parent Company financial statement give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2023 and of the results of its operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a true and fair review of the development in Lunar Group's operations and financial matters and describes the significant risks and uncertainty factors that may affect the Company and the Group.

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

Copenhagen, 29 April 2024

Executive Board:

Ken Villum Guldbrandt Klausen
CEO

Board of Directors:

Henning Kruse Petersen
Chairman

Claus Okholm

Lars Andersen

Jens Mikael Kristoffer Ismunden

Ken Villum Guldbrandt Klausen

Klaus Østergaard

Ola Reinhold Nordbye


Financial statements.
LUNAR®

Consolidated financial statements 1 January – 31 December

→ Income statement and comprehensive income (Consolidated).

Note	DKK'000	2023	2022
G4, G5	Interest income	423,879	199,042
G4, G6	Interest expenses	141,384	85,316
	Net interest income	**282,495**	**113,726**
G4, G7	Fee and commission income	202,384	161,901
G4	Fees and commission expense	59,986	42,148
	Other operating income	3,117	0
	Net interest and fee income	**428,010**	**233,479**
G8	Market value adjustments	-3,308	58,196
G9, G10	Staff costs and administrative expenses	709,486	931,997
G15, G16	Amortisation, depreciation and impairment charges	102,775	643,345
G11	Loan impairment charges etc.	33,571	213,740
	Profit/loss before tax	**-421,131**	**-1,497,407**
G12	Tax for the year	-10,194	-8,733
	Profit/loss after tax	**-410,937**	**-1,488,674**
	Currency adjustments	-33,153	-172,626
	Other comprehensive income after tax	29,920	0
	Total comprehensive income	**-414,170**	**-1,661,300**

Consolidated financial statements 1 January – 31 December

→ Balance sheet (Consolidated).

1/2

Note	DKK'000	31 December 2023	31 December 2022
	ASSETS		
	Cash in hands and demand deposits with central banks	5,276,804	6,302,866
G13	Receivables from credit institutions and central banks	131,545	124,615
G14	Loans and other amounts due at amortised cost	1,215,877	2,226,416
G26	Bonds at amortised cost	4,830,384	2,453,557
G15	Goodwill	55,738	55,738
G15	Other intangible assets	229,156	258,636
G16	Property, land and equipment	95,176	21,874
G16	Other tangible assets	19,132	13,928
G17	Other assets	123,411	171,976
	Prepayments	64,359	31,425
	TOTAL ASSETS	**12,041,583**	**11,661,031**

Consolidated financial statements 1 January – 31 December

→ Balance sheet (Consolidated).

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Note	DKK'000	31 December 2023	31 December 2022
	LIABILITIES AND EQUITY		
	Liabilities		
G18	Deposits and other debt	10,593,727	9,929,780
G19	Issued bonds at amortised cost	151,725	350,249
G20	Other liabilities	279,934	345,242
	Tax liabilities	3,682	3,016
	Deferred income	27,965	21,256
	Total liabilities	**11,057,033**	**10,649,543**
	Provisions		
G29	Impairment charges on unused credit facilities	158	106
G21	Deferred tax liabilities	13,605	27,457
	Other provisions	346	3,536
	Total provisions	**14,109**	**31,099**
	Subordinated debt		
G23	Subordinated debt	29,915	29,855
	Total subordinated debt	**29,915**	**29,855**
	Equity		
	Share capital	1,696	1,186
	Share premium	4,129,801	3,723,388
	Retained earnings	-3,190,970	-2,774,040
	Total equity	**940,527**	**950,534**
	TOTAL LIABILITIES AND EQUITY	**12,041,583**	**11,661,031**

Consolidated financial statements 1 January – 31 December

→ Statement of changes in equity (Consolidated).

Note	DKK'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2022	**1,105**	**2,954,123**	**-1,129,210**	**1,826,018**
	Capital increase	81	769,265	0	769,346
	Exchange rate adjustments	0	0	-172,626	-172,626
	Net profit/loss for the year	0	0	-1,488,674	-1,488,674
	Share based payments	0	0	16,470	16,470
	Other comprehensive income	0	0	0	0
	Equity at 1 January 2023	**1,186**	**3,723,388**	**-2,774,040**	**950,534**
	Capital increase	511	406,413	0	406,924
	Exchange rate adjustments	0	0	-33,153	-33,153
G24	Net profit/loss for the year	0	0	-410,937	-410,937
G25	Share based payments	0	0	1,198	1,198
	Other comprehensive income	0	0	29,920	29,920
	Other equity movements	0	0	-3,958	-3,958
	Equity at 31 December 2023	**1,696**	**4,129,801**	**-3,190,970**	**940,527**

Consolidated financial statements 1 January – 31 December

→ Capital and solvency (Consolidated).

DKK'000	31 December 2023	31 December 2022
Equity	940,527	950,534
Deductions[1]	-175,039	-147,291
Total core capital after deductions	**765,488**	**803,243**
Total Tier 1 capital	**765,488**	**803,243**
Subordinated loan capital	5,074	0
Total capital base	**770,562**	**803,243**
Credit risk	1,829,598	2,055,443
Market risk	30,827	67,154
Operational risk	322,951	99,017
Total risk exposure	**2,183,376**	**2,221,614**
Key figures		
Core capital after deductions, ratio (%)	35,1	36.2
Tier 1 capital ratio (%)	35,1	36.2
Total capital ratio (%)	35,3	36.2

[1] Goodwill and customer rights are fully deducted in Common equity tier 1 capital. Software assets are recognised 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 110,618 thousand (2022: DKK 167,280 thousand).



Notes.

Consolidated financial statements 1 January – 31 December

→ Overview of notes in the consolidated financial statements

G1 Basis of preparation

G2 Significant accounting estimates, assumptions and uncertainties

G3 Financial highlights

G4 Segments

G5 Interest income

G6 Interest expenses

G7 Fee and commission income

G8 Market value adjustments

G9 Staff costs and administrative expenses

G10 Fees paid to auditor appointed at the annual general meeting

G11 Loan impairment charges and reconciliation of total allowance account

G12 Tax for the year

G13 Receivables from credit institutions and central banks

G14 Loans and other amounts due at amortised cost

G15 Intangible assets

G16 Property, land and equipment

G17 Other assets

G18 Deposits

G19 Issued bonds at amortised cost

G20 Other liabilities

G21 Deferred tax liabilities

G22 Other provisions

G23 Subordinated debt

G24 Proposed distribution of profit/loss

G25 Share-based payments

G26 Fair value information for financial instruments

G27 Contractual obligations and contingencies, etc.

G28 Related parties

G29 Financial risks, policies and objectives for the Management of financial risks

Consolidated financial statements 1 January – 31 December

Note G1 Basis of preperation 1/8

The annual 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.

The annual report is presented in DKK thousands.

Consolidated financial statements
The consolidated financial statements comprise the Parent Company Lunar Group A/S and subsidiaries controlled by the Parent Company.

Control means the power to exercise decisive influence over a subsidiary's financial and operating decisions. Moreover, the possibility of yielding a return from the investment is required.

In assessing whether the Parent Company controls an entity, de facto control is also taken into consideration.

The existence of potential voting rights that may currently be exercised or converted into additional voting rights is considered when assessing whether an entity may become empowered to exercise decisive influence over other entities financial and operating decisions.
The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, intra-group balances as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiaries' financial statement items are included 100% in the consolidated financial statements.

Business combinations
Newly acquired or established entities are recognised 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 recognised if they can be separated or if they arise from a contractual right. Deferred tax on the revaluations is recognised.

Acquisition date is the date from which Lunar Group gains actual control of the acquired business.
Any excess of the consideration paid for the business over the fair value of the acquired assets, liabilities and contingent liabilities, is recognised as goodwill under intangible assets. Goodwill is not amortised 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 Group is 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 recognised in the income statement at the acquisitions date.

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 affected as described below for each financial statement item.

Consolidated financial statements 1 January – 31 December

Note G1 Basis of preperation 2/8

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 recognised 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.

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 recognised in the period in which the change is made, and the future periods affected.

Foreign currencies and other comprehensive income
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 recognised in the income statement as value adjustments.
Assets and liabilities of units outside Denmark are translated into DKK at the applicable exchange rates at the balance sheet date. Income and expenses are translated at the applicable exchange rates at the transaction date. Gains and losses arising at the translation of net investments in units outside Denmark are recognised under Other comprehensive income. Net investments include the net assets and goodwill of the units.

Interest income and expenses
Interest income and expenses are accrued over the lifetime of the transactions and recognised 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 recognised as income when received and sales of services, which include subscriptions, are recognised as income on a straight-line basis over the subscription period.

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 Group.

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.

Consolidated financial statements 1 January – 31 December

Note G1 Basis of preperation 3/8

The expected useful lives of the assets are as follows:

Customer relations	**5 years**
Software	**3-5 years**
Land & buildings	**5 years**
Other equipment	**3-5 years**

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

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 Danish 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 amortised cost
The account comprehends bonds that are measured at amortised cost until maturity. See section Financial assets at amortised cost below for further description of the criteria's that are fulfilled to apply amortised cost as measurement method and the interest income recognition principles.

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.

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.

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 amortisations and depreciations. Amortisation is based on the estimated useful lives of the assets, which is set at 5 years.
Each year Finance conducts a process in securing the necessary impairment of the main projects/themes within Lunar.

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.

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Note G1 Basis of preperation 4/8

Property, plant and equipment
Leasehold improvements are recognised in the balance sheet at cost less straight-line depreciations. The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are 3-5 years.

Leasing
Leasing agreements are recognised and measured in accordance with IFRS-16 principles. The standard stipulates the booking in lessee's balance sheet of all leasing contracts in the form of Right of Use (ROU) of the leased asset booked under tangibles and leases (and related payments) as a Liability during the entire lease period. The ROU asset will be amortised and the leases payments in Liabilities will be capitalised during the entire lease period.

Other tangible assets
Operating equipment is recognised in the balance sheet at cost less straight-line depreciations The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives of the assets are 3-5 years.

Equity investments in group undertakings
Equity investments in subsidiaries are measured according to the equity method in the parent company financial statements.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding the consolidated financial statements above.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses. Holdings in group undertakings with negative value are recognised as provisions.

Identified increases in value other than goodwill, if any, compared to the underlying entity's net asset value are amortised. Goodwill is tested for impairment annually and negative goodwill is recognised in the income statement.

Dividend received is deducted from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Financial assets
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. Financial assets are measured at amortised cost, at fair value through shareholders' equity (on a separate line), or at fair value through profit or loss.

Financial assets at amortised cost
Financial assets are classified at amortised 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.

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Note G1 Basis of preperation 5/8

Financial assets (continued)

Financial assets at amortised cost

Financial assets are classified at amortised 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 recognised at fair value, including transaction costs directly attributable to the transaction and commissions related to the provision of loans. They are subsequently measured at amortised 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 recognised in shareholders' equity is transferred to profit or loss.

Financial assets at fair value through profit or loss

All debt instruments not eligible for classification at amortised 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.

Loans and deposits under P2P

On initial recognition, loans and deposits under P2P are measured at fair value including transaction costs directly attributable to the transaction. The loans are subsequently measured at amortised cost, including accrued interest and net of principal repayments and interest payments made during the period. The deposits are subsequently measured at amortised cost.
Due to credit enhancements in the contracts, no expected credit losses are recognised from the loans under P2P, since defaulted loan amounts will reduce the deposits with the corresponding amount.

Impairment

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

General impairment model

Lunar Group 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.

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Note G1 Basis of preperation 6/8

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 20 or 30 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, debt restructuring, private bankruptcy and suspensions of payments.
- 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 is not consistent with the applied default definition as all defaulted financial assets according to CRR, artikel 178 are defaulted after 90 DPD are classified as stage 3 financial assets.

Financial assets are derecognised when reliable information indicates that the debtor is in serious financial difficulty and recovery seems unrealistic or when non-performing exposures are sold. Recoveries are recognised in profit or loss.

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 recognised 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.

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 categorisation 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 characterised by the absence of a significant increase in credit risk. The credit risk is considered low for loans at amortised cost 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 1 to 29 days past due. 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.

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Note G1 Basis of preperation 7/8

In practice, 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 Group 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.

Due to models' uncertainty a management overlay has been added to cover for such uncertainty. Future macroeconomic developments are also taken into consideration via an applied LOPI factor and a scenarios approach, i.e., estimations of optimistic, baseline and pessimistic macroeconomic evolution and impact on the Expected Credit Losses are weighted based on the likelihood of the different scenarios to materialise.
The resulting impairment losses are recognised 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 amortised 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. If 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.

Contigent liabilities
These liabilities encompass obligations that might arise from past events but hinge on the occurrence of future events. Notably, for a liability to be recognized, there must be a present obligation with a probability exceeding 50%. Otherwise, it falls under the category of contingent liabilities.

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.

Consolidated financial statements 1 January – 31 December

Note G1 Basis of preperation 8/8

Income tax
Current tax charges are recognised 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 local tax rates applicable in the country segment 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-amortisable goodwill.

Deferred tax assets are measured at the value at which they are expected to be utilised, 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.

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Note 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 reviews Lunar Group's capital resources in order to assess the soundness of the Group's investments in expansion. After the Instabank ruling in the city court of Oslo, that has been appealed to the High court, Lunar included in 2024 the potential loss in the individual solvency need. This led to a breach with the individual solvency need.

The Capital Preservation Plan has been accepted by DFSA, that within some months will ensure that Lunar has the necessary capital to be compliant with the regulatory solvency requirements. The plan includes several initiatives including a capital raise of **180 mDKK** that was obtained during April 2024.

In the nature of realising plans, budget planning, internal and external factors may create uncertainties related to realising those plans and in the event of delayed time to profitability or delayed impact of new product offerings, management has established several contingency options related to the capital base in addition to the options included in the capital preservation plan. This has been considered sufficient to enable the bank to comply with regulatory capital requirements throughout 2024.

Intangible assets
Lunar Group has recognised intangible assets at a carrying amount of **284,894 tDKK**. Intangible assets include customer relations, IT platforms, software and goodwill. Impairment tests are performed to assess the performance of the assets.

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 a LOPI factor and 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 materialise.

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 the current macro environmental uncertainty related to energy prices and interest rates.

Due to model risk inherent in the underlying models for ECL estimate, a management overlay has been added.

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Note G3 Financial highlights 1/2

Income Statement (**DKK'000**)	**2023**	**2022**	**2021**	**2020**	**2019**
Net interest and fee income	424.892	233,479	50,766	-756	-26,888
Market value adjustments	-3,308	58,196	-2,542	-321	10
Staff costs and administrative expenses	709,486	931,997	523,927	220,529	101,887
Write-downs on loans and receivables, etc.	33,571	213,740	91,932	4,207	0
Profit/loss for the year	-410,937	-1,488,674	-737,180	-245,977	-133,932

Balance sheet (**end of period**) (**DKK'000**)	**2023**	**2022**	**2021**	**2020**	**2019**
Loans at amortised cost	1,215,877	2,226,416	2,762,081	12,895	0
Total assets	12,041,583	11,661,031	11,901,282	1,340,599	156,404
Deposits	10,593,727	9,929,780	8,431,577	928,280	0
Equity	940,527	950,534	1,826,018	294,803	120,010

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Note G3 Financial highlights 2/2

Ratios and key figures DKK'000	2023	2022	2021	2020	2019
Capital base (own funds)	770,562	803,243	1,110,294	316,177	84,545
Total capital ratio (%)	35.3	36.2	47.5	216.3	62.4
Tier 1 capital ratio (%)	35.1	36.2	46.7	198.2	62.4
Return on equity before tax (%)	-44.5	-107.9	-57.8	-114.3	-352.0
Return on equity after tax (%)	-43.5	-107.2	-69.5	-118.6	-349.0
Interest-rate risk	0	0.0	2.3	0.2	0
Currency position	4.0	0.7	0.9	0.1	0
Loans relative to deposits (%)	13.1	24.8	34.7	1.4	0
Gearing of loans, end of year (%)	147.8	234.2	151.3	4.4	0
Lending growth	-45.4	-19.4	21,320	0	0
Sum of large exposures	0	0	0	0	0
Net impairment ratio (%)	12.5	10.7	5.9	24.6	0
Return on assets (%)	-3.4	-12.7	-9.3	-18.3	-85.6
Average number of full-time employees	487	565	439	140	86
Income/cost ratio	-0.5	0.2	0.1	0	-0.3

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

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Note G4 Segments 1/2

	2023			
DKK'000	**DK**	**SE**	**Other**	**Total**
Interest income	385,639	38,240	0	423,879
Interest expenses	118,902	22,481	0	141,384
Net interest income	**266,737**	**15,758**	**0**	**282,495**
Fee and commission income	194,569	7,815	0	202,384
Fee and commission expenses	59,986	0	0	59,986
Net fee income	**134,582**	**7,815**	**0**	**142,397**
Net interest and fee income	**401,319**	**23,573**	**0**	**424,892**

DKK'000	**Business Tiers**	**Private Tiers**	**Financial Products**	**Total**
Interest income	0	0	423,879	423,879
Interest expenses	0	0	141,384	141,384
Net interest income	**0**	**0**	**282,495**	**282,495**
Fee and commission income	61,263	109,722	31,398	202,384
Fee and commission expenses	18,158	32,521	9,306	59,986
Net fee income	**43,105**	**77,201**	**22,092**	**142,397**
Net interest and fee income	**43,105**	**77,201**	**304,587**	**424,892**

Business and private tier revenue includes subscription based income as well as the transactional based revenues generated by these users. Financial products covers our interest driven incomes as well as larger stand alone product offerings such as BaS, Payments and wealth services.

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Note G4 Segments 2/2

	2022			
DKK'000	**DK**	**SE**	**Other**	**Total**
Interest income	165,335	33,707	0	199,042
Interest expenses	57,465	27,834	17	85,316
Net interest income	**107,870**	**5,873**	**-17**	**113,726**
Fee and commission income	128,553	29,731	3,617	161,901
Fee and commission expenses	25,757	15,857	534	42,148
Net fee income	**102,796**	**13,874**	**3,083**	**119,753**
Net interest and fee income	**210,666**	**19,747**	**3,066**	**233,479**

DKK'000	**Business Tiers**	**Private Tiers**	**Financial Products**	**Total**
Interest income	0	0	199,042	199,042
Interest expenses	0	0	85,316	85,316
Net interest income	**0**	**0**	**113,726**	**113,726**
Fee and commission income	46,583	74,425	40,893	161,901
Fee and commission expenses	12,978	20,963	8,207	42,148
Net fee income	**33,605**	**53,462**	**32,686**	**119,753**
Net interest and fee income	**33,605**	**53,462**	**146,412**	**233,479**

Business tiers include the subscription fees for business customers as well as their usage of various transaction based services. The same logic applies for private tiers where the subscription fees combined with various transaction based services make up the revenue, but also including invest.
Financial tiers are lending based products as well as central bank deposits, bonds etc.

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Note G5 Interest income

DKK'000	2023	2022
Loans and other receivables	163,987	173,885
Interests on deposits and other debt	151	3,078
Interest income investments in bonds	124,489	794
From credit institutions and central banks	135,251	21,285
Total	**423,879**	**199,042**

Note G6 Interest expenses

DKK'000	2023	2022
Negative interest paid on deposits in credit institutions and central banks	0	23,281
Subordinated debt	3,818	2,900
Interests on deposits and other debt	113,695	19,035
Other interest expenses	23,871	40,100
Total	**141,384**	**85,316**

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Note G7 Fee and commission income

DKK'000	2023	2022
Payment service fees	78,292	53,534
Lending and guarantee fees	11,441	9,400
Other fees and commission income	112,652	98,967
Total	**202,384**	**161,901**

Note G8 Market value adjustments

DKK'000	2023	2022
Bonds at amortised cost	0	0
Foreign exchanges	2,371	30,876
Financial instruments measured at fair value	-5,619	27,260
Other liabilities	-60	60
Total	**-3,308**	**58,196**

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Note G9 Staff costs and administrative expenses

DKK'000	2023	2022
Wages and salaries	320,447	362,236
Pensions	37,720	30,013
Social Security costs	13,427	24,413
Share-based payments	5,142	16,470
Capitalised wages and salaries	-44,330	-61,610
	332,406	**371,522**
Other administrative expenses	377,080	560,475
Total	**709,486**	**931,997**

Number of employees in the financial year		
Full-time equivalent employees	487	565
Executive Board	1	1
Employees whose activities have a significant impact on the bank's risk profile	7	8
Board of Directors	7	8

Salaries and remuneration to employees whose activities have a significant impact to the bank's risk profile accounted for 4,011 tDKK (2022: 7,512 tDKK) of which incentive programs account for 162 tDKK (2022: 531 tDKK). Salaries and remuneration to the Executive Board and Board of Directors was 4,867 tDKK (2022: 2,996 tDKK) of which incentive programs account for 6 tDKK (2022: 15 tDKK).

The numbers above reflect the cost on the warrant programs which have to be recognised in relation to the vesting periods relatively. No Board members or Executive Board members were granted warrants in 2023.

Details on remuneration of the Executive Board and Board of Directors are disclosed on Lunar's website www.lunar.app

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Note G10 Fees paid to auditor appointed at the annual general meeting

DKK'000	2023	2022
PwC	4,658	3,118
Total	**4,658**	**3,118**
Total fees include:		
Statutory audit	4,606	3.115
Other assurance engagements	52	0
Tax services	0	0
Non-audit services	0	3
Total	**4,658**	**3.118**

Fees for non-audit services provided by PwC in 2023, includes preparation of XBRL, submission of a statement on the liquidation contingency, and certificate for Lunar Way and Lunar Tech for liquidation/merger.

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Note G11 Loan impairment charges

DKK'000	2023	2022
Change in ECL during year	-59,433	94,475
Realised losses	92,664	119,355
Other movements	340	-89
Total	**33,571**	**213,740**

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 G29.

Note G12 Tax for the year

DKK'000	2023	2022
Current year tax charges	3,294	-301
Adjustment of current tax previous years	365	44
Deferred tax adjustment for the year	-13,852	-8,475
Total	**-10,194**	**-8,733**

On June 17, 2021, Lunar Group A/S acquired the shares in Lunar Journey AB. In connection to the acquisition Lunar Bank acquired the regulated activities in Lunar Journey AB, thus the transaction led to a tax asset of 113,377 tDKK. Management assessed the transaction to be an internal restructuring and thereby recognised a write-down of the entire amount in 2021. At 31 December 2023 the Group has unrecognised deferred tax assets in the level of 490 mDKK that can be set off against future taxable income.

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Note G13 Receivables from credit institutions and central banks

DKK'000	2023	2022
Central banks	0	0
Credit institutions	131,545	124,615
Total	**131,545**	**124,615**
Distribution of terms by maturity		
Overnight	131,545	124,615
Up to three months	0	0
Total	**131,545**	**124,615**

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Note G14 Loans and other amounts due at amortised cost

DKK'000	2023	2022
Loans and other amounts due at amortised cost		
Customer loans	1,215,877	1,896,778
P2P loans	0	329,638
Total	**1,215,877**	**2,226,416**
Overnight	0	0
Up to three months	562	1,221
From three months to one year	7,007	10,506
From one year to five years	161,090	275,561
More than five years	1,047,218	1,939,128
Total	**1,215,877**	**2,226,416**

See note G29 for a detailed description of financial risks incl. Lunar's credit exposure.

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Note G15 Intangible assets 1/3

DKK'000	Goodwill	Customer relations	Software	Software in process	Total
Cost at 1 January 2023	615,944	3,325	386,049	10,189	1,015,507
Exchange rate adjustment	0	0	140	0	140
Additions	0	0	41,735	9,705	51,440
Transfers	0	0	7,707	-7,707	0
Cost at 31 December 2023	615,944	3,325	435,631	12,187	1,067,087
Amortisation and impairment at 1 January 2023	560,206	3,325	137,602	0	701,133
Exchange rate adjustment	0	0	382	0	382
Amortisation	0	665	77,349	0	78,014
Impairment	0	1,829	388	447	2,664
Correction Prior Year	0	-2,494	2,494	0	0
Amortisation and impairment losses at 31 December 2023	560,206	3,325	218,215	447	782,193
Carrying amount at 31 December 2023	**55,738**	**0**	**217,416**	**11,740**	**284,894**
Amortised over		5 years	3-5 years		

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Note G15 Intangible assets 2/3

DKK'000	Goodwill	Customer relations	Software	Software in process	Total
Cost at 1 January 2022	669,278	3,325	283,928	11,178	967,709
Exchange rate adjustment	-53,334	0	-4,168	-471	-57,973
Additions	0	0	95,582	10,189	105,771
Transfers	0	0	10,707	-10,707	0
Cost at 31 December 2022	615,944	3,325	386,049	10,189	1,015,507
Amortisation and impairment at 1 January 2022	0	166	78,471	0	78,637
Exchange rate adjustment	0	0	-2,443	0	-2,433
Amortisation	0	128	61,574	0	61,702
Impairment	560,206	3,031	0	0	563,237
Amortisation and impairment losses at 31 December 2022	560,206	3,325	137,612	0	701,143
Carrying amount at 31 December 2022	**55,738**	**0**	**248,437**	**10,189**	**314,364**
Amortised over		5 years	3-5 years		

Goodwill arose from Lunar Group's acquisition of Lendify AB and Lunar Payments, both in 2021.

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Note G15 Intangible assets 3/3

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 recognised as an impairment loss on intangible or tangible assets, if any.

In 2022 following dialogue with the Danish FSA, Lunar Bank revised underlying assumptions in the impairment test of goodwill and intangible assets. The underlying assumptions reflects Q3 strategic changes implemented across Lunar Group which resulted in a reduction in consumer lending activities in Sweden. This resulted in the goodwill associated with the Swedish consumer financing activities was fully impaired and completely written down to 0 tDKK and an impairment loss of 588,387 tDKK was recognised in the income statement.

The performance development of the business activities of Lunar Payments related to the cash-generation unit has been in line with the business case at the time of the acquisition.

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Note G16 Property, land and equipment 1/2

DKK'000	Land & buildings	Other equipment	Total
Cost at 1 January 2023	41,017	23,040	64,057
Exchange rate adjustment	60	10	70
Acquired operations	0	0	0
Additions	89,457	15,649	105,107
Disposals	-16,802	-2,570	-19,371
Correction to prior year	537	-213	323
Cost at 31 December 2023	114,269	35,917	150,186
Amortisation and impairment at 1 January 2023	19,143	9,112	28,255
Exchange rate adjustment	46	8	54
Acquired operations	-1,722	0	-1,722
Depreciation	13,203	6,597	19,799
Disposals	-12,683	1,428	-11,255
Correction to prior year	1,106	-360	746
Amortisation and impairment losses at 31 December 2023	19,093	16,785	35,878
Carrying amount at 31 December 2023	**95,176**	**19,132**	**114,308**
Here off lease assets	95,130		
Amortised over	5 years	3-5 years	

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Note G16 Property, land and equipment 2/2

DKK'000	Land & buildings	Other equipment	Total
Cost at 1 January 2022	59,442	12,739	72,181
Exchange rate adjustment	-1,424	-295	-1,719
Acquired operations	0	0	0
Additions	631	10,596	11,227
Disposals	-17,632	0	-17,632
Cost at 31 December 2022	41,017	23,040	64,057
Amortisation and impairment at 1 January 2022	19,327	4,132	23,459
Exchange rate adjustment	-842	-185	-1,027
Acquired operations	0	0	0
Depreciations	13,234	5,171	18,405
Disposals	-12,576	-6	-12,582
Amortisation and impairment losses at 31 December 2022	19,143	9,112	28,255
Carrying amount at 31 December 2022	**21,874**	**13,928**	**35,802**
Here off lease assets	17,298		
Amortised over	5 years	3-5 years	

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Note G17 Other assets

DKK'000	2023	2022
Positive market value of financial instruments	4,698	29,193
Deposits & Guarantees	31,986	41,034
Other assets	86,728	101,749
Total	**123,411**	**171,976**

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Note G18 Deposits and other debt

DKK'000	2023	2022
Deposits	9,994,699	9,160,406
Term deposits	599,027	399,146
P2P deposits	0	370,228
Total	**10,593,727**	**9,929,780**
Deposits of terms by maturity		
Overnight	9,994,699	9,179,506
Up to three months	104,479	353
From three months to one year	157,836	41,802
From one year to five years	336,712	452,462
More than five years	0	255,657
Total	**10,593,727**	**9,929,780**

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Note G19 Issued bonds at amortised cost

Lunar Group has Issued bonds measured at amortised cost of 151,725 tDKK per 31 December 2023 (31 December 2022: 350,249 tDKK).
Loan details are disclosed in detail in the table below.

DKK'000		Interest rate		Carrying amount	
Loan	**Maturity**	**2023**	**2022**	**31 December 2023**	**31 December 2022**
Senior obligation 1	2036	4.3% + STIBOR 1M	4.3% + STIBOR 1M	0	102,507
Senior obligation 2	2036	4.875% + STIBOR 1M	4.875% + STIBOR 1M	0	0
Senior obligation 3	2037	3.5% + STIBOR 1M	3.5% + STIBOR 1M	151,725	247,743
Mezzanine obligation 1	2036	16.5% + STIBOR 1M	16.5% + STIBOR 1M	0	0
Mezzanine obligation 2	2037	12% + CIBOR STIBOR 1M	12% + CIBOR STIBOR 1M	0	0
				151,725	**350,249**

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Note G20 Other liabilities

DKK'000	2023	2022
Negative market value of financial instruments	14,121	10,858
Trade payables	17,748	11,233
Leasing obligations	0	17,736
Other liabilities	248,065	305,415
Total	**279,934**	**345,242**

Note G21 Deferred tax liabilities

DKK'000	2023	2022
Deferred tax liability at 1 January	27,457	34,003
Deferred tax adjustment for the year	-13,852	-6,546
Deferred tax liability at 31 December	**13,605**	**27,457**

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Note G22 Other provisions

Onerous contracts

The Company has signed contracts with payment processing providers with a maximum period of interminability until December 2024. The contracts are interdependent, and that is why Management has assessed them collectively.

Management has estimated the future cash flows showing that the contracts entered into are onerous. In the financial statements, Management has made a provision for the estimated net expense in the period of interminability that amounts to 346 tDKK (2022: 346 tDKK).

Other provisions

Other provisions consist of funds of 346 tDKK to cover potential losses in Lunar's brokerage of loans between private investors and lenders (2022: 3,536 tDKK).

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Note G23 Subordinated debt

Lunar Bank has taken out the following subordinated loans:

DKK'000		Interest rate		Carrying amount	
Loan	**Maturity**	**2023**	**2022**	**31 December 2023**	**31 December 2022**
Loan 1, Nominal DKK 30,000	2025	9.420% + CIBOR 3M	9.420% + CIBOR 3M	29,915	29,855
				29,915	**29,855**

The subordinated loan of is qualified as a Tier 2 instrument pursuant CRR regulation. In 2023 the costs from subordinated loans amounts to 3,878 tDKK (2022: 2,960 tDKK) whereas 3,818 tDKK (2022: 2,900 tDKK) are interests. On 31 December 2023 the carrying amount of amortised borrowing costs amounts to 85 tDKK(2022: 145 tDKK).
The loan has no instalments before repayment of the full amount at July 1st 2025. Due to amortisation 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 2023 9,000 tDKK is recognised in the capital base.

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Note G24 Proposed distribution of profit/loss

DKK'000	2023	2022
Retained earnings	-410,937	-1,488,674
Total	**-410,937**	**-1,488,674**

Note G25 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. This is considered to be change in accounting estimate and the effect of the method change is insignificant, hence comparative figures have not been restated.

During 2023 costs related to the warrant program of 5,142 tDKK has been recognised in the income statement (2022: 16,470 tDKK).

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Note G26 Fair value information for financial instruments

Lunar has assessed that for financial instruments measured at amortised cost the carrying amount is a reasonable approximation.
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 2023 is disclosed in the table below.

	Net Nominal position (thousand)	**Net market value** (DKK'000)	**Positive market value** (DKK'000)	**Negative market value** (DKK'000)
Forwards - SEK	SEK 17,208	-138	3,486	3,624
Forwards - NOK	NOK 180,000	-43	0	43
Swaps - EUR	EUR 1,500	0	0	0
Swaps - SEK	SEK 415,948	-9,245	1,218	10,463
Swaps - NOK	NOK 225,000	0	0	0

Of the total nominal net position of SEK swaps at 31 December 2023 827,948 tSEK are placed in a long position, while 412,000 tSEK are placed in a short position.
Lunar's position of financial instruments at 31 December 2022 is disclosed in the table below.

	Net Nominal position (thousand)	**Net market value** (DKK'000)	**Positive market value** (DKK'000)	**Negative market value** (DKK'000)
Forwards - SEK	SEK 1,200,686	-10,228	8	10,236
Forwards - NOK	NOK 1,500	2	2	0
Swaps - EUR	EUR 1,500	-1	0	1
Swaps - SEK	SEK 1,770,500	28,981	29,179	195
Swaps - NOK	NOK 20,000	53	53	0

Of the total nominal net position of SEK swaps at 31 December 2022 135,000 tSEK are placed in a long position, while 1,905,000 tSEK are placed in a short position.

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Note G27 Contractual obligations and contingencies, etc.

Contingent liabilities

On 31 December 2023 unaccepted loan commitments amounts to 50 tDKK and unused credit facilities amounts to 3,231 tDKK total 3,281 tDKK (2022: 1,265 tDKK in total).

Of the total value of bond holdings 492,157 tDKK have been provided as collateral to other credit institutions (2022: 236,386 tDKK).

The Bank participates in the Danish Guarantee Fund. The Danish Guarantee Fund is currently fully funded, but if the fund subsequently does not have sufficient means to make the required payments, extraordinary contributions of up to 0.5% of the individual institution's covered deposits may be required. Contributions are made on the basis of size and risk relative to other credit institutions in Denmark. The contribution to the Danish Resolution Fund is recognised as operating expenses. The Bank also participates in the Resolution Fund. If the fund does not have sufficient means to make the required payments, extraordinary contributions may be required. Payments to the Danish Restructuring Fund are calculated on the basis of the individual credit institution's share of covered deposits relative to other credit institutions in Denmark.

Lunar Bank participates in a Danish joint taxation arrangement in which Lunar Group serves as the administrative company. According to the joint taxation provisions of the Danish Corporation Tax Act, Lunar Bank is 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.

Lunar Bank is registered jointly with all Danish entities of Lunar Group for financial services employer tax and VAT, for which Lunar Group A/S and the entities are jointly liable.

On 30 September 2022 a public offer made by Lunar on Instabank ASA lapsed. A majority of the shareholders in Instabank subsequently filed a subpoena against Lunar Bank seeking damages for their loss of 681 mNOK. On 19 February 2024, the Oslo Tingrett in Oslo voted in favour of the shareholders of Instabank, whereafter Lunar is to pay 632 mNOK (416 mDKK) plus interest rates. We do not agree with the ruling, and has appealed to Lagmannsretten (High Court).

We have obtained an independent 2nd legal opinion that states that Lunar most likely (>50%) will win in the appeal court. Management and our legal advisors agree with the conclusion from the independent lawyer that the shareholders are not entitled to damages or any other compensation. In accordance with the accounting rules, no loss is recognised in the balance sheet in the annual statement for 2023.

Lunar has increased the individual solvency need with the potential loss including interest, whereby capital is allocated should we lose the appeal case.

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Note G28 Related parties

The ownership of Lunar Group is disclosed on page 5.

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 Payments ApS, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Block A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Way AB, Malmskillnadsgatan 44A, 111 57 Stockholm
- Lunar Journey AB, Malmskillnadsgatan 44A, 111 57 Stockholm

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Note G29 Financial risks and policies and objectives for the Management of financial risks 1/9

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
- Capital risk: The risk of insufficient capital negatively affecting the bank's ability to pursue its business strategy

Credit risk
Lunar Bank strives to differentiate itself in the market through convenient and transparent financing products by leveraging Lunar's 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 determined by the estimated PD levels outputted from Lunars PD-models consisting of two models; an application score and a behavior score. The application score model is an internally developed PD model. The application score model is applied to customers that are new to Lunar, i.e. less than 3 months on the book. For existing customers in Lunar, i.e. more than 3 months on the book, individual rules or internally developed PD-score model is applied.

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Note G29 Financial risks and policies and objectives for the Management of financial risks 2/9

Below, the gross credit exposure on 31 December 2023 is distributed in rating scales. The disclosed rating scales below are changed from the 2022 annual report to be consistent with internal management reporting.

DKK'000	Stage 1	Stage 2	Stage 3	Total
A	42,165	1,216	538	43,919
B	203,072	3,095	2,927	209,095
B-C	1,131	89	0	1,220
C	311,681	6,174	2,947	320,802
D	406,090	6,702	8,017	420,809
D-E	0	0	0	0
E	109,203	5,162	9,193	123,557
F	42,294	77,990	150,100	270,384
Gross carrying amount at 31 December 2023	**1,115,636**	**100,427**	**173,723**	**1,389,786**
Distribution in segments				
Business, including:				
Construction	132	52	533	717
Retail	44	8	218	270
Transport, hotels and restaurants	82	14	350	446
Information and communication	155	19	118	292
Finance and insurance	205	79	778	1,062
Service	14	22	107	143
Other segments	153	27	345	525
Business, total	785	220	2,449	3,454
Private	1,114,851	100,207	171,274	1,386,331
Total	**1,115,636**	**100,427**	**173,723**	**1,389,786**

Loans are issued without any provided security.

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Note G29 Financial risks and policies and objectives for the Management of financial risks 3/9

Below, the gross credit exposure on 31 December 2022 is distributed in rating scales.

DKK'000	Stage 1	Stage 2	Stage 3	Total
A	414,756	9,210	0	423,966
B	348,626	61,332	0	409,958
B-C	5,825	301	0	6,126
C	486,558	116,326	0	602,884
D	337,188	127,338	0	464,526
D-E	4,129	460	0	4,589
E	146,380	77,072	0	223,452
F	57,155	195,759	77,083	329,997
Gross carrying amount at 31 December 2022	**1,800,617**	**587,798**	**77,083**	**2,465,498**
Distribution in segments				
Business, including:				
Construction	145	107	317	569
Retail	230	51	93	374
Transport, hotels and restaurants	159	61	173	393
Information and communication	230	47	33	310
Finance and insurance	0	11	31	42
Service	728	116	410	1,254
Other segments	296	63	160	519
Business, total	1,788	456	1,217	3,461
Private	1,798,829	587,342	75,866	2,462,037
Total	**1,800,617**	**587,798**	**77,083**	**2,465,498**

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Note G29 Financial risks and policies and objectives for the Management of financial risks 4/9

Historically, the maximum loan granted to individual customers is 150 tDKK / 500 tSEK. 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. As of 31 December 2023, managerial adjustments amount to 46,3 mSEK (31 December 2022: 89,4 mDKK).

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Note G29 Financial risks and policies and objectives for the Management of financial risks 5/9

Future macroeconomic developments are also taken into consideration by utilising a LOPI factor and a scenarios approach, i.e., estimations of optimistic, baseline and pessimistic macroeconomic evolution and impact on the Expected Credit Losses are weighted based on the likelihood of the different scenarios to materialise.

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.

The table below shows the changes in total impairment charges recognised at 31 December 2023 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 2023	**54,763**	**124,562**	**59,757**	**239,082**
ECL on new assets	590	281	10,020	10,891
Transfer from Stage 1	-1,410	7,823	37,742	44,155
Transfer from Stage 2	10,664	-59,892	34,804	-14,424
Transfer from Stage 3	18	125	-17,916	-17,773
Assets derecognised	-12,967	-51,210	0	-64,177
Write offs debited to the allowance account	0	0	-23,845	-23,845
Other movements	0	0	0	0
Impairment charges at 31 December 2023	**51,659**	**21,688**	**100,562**	**173,909**

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Note G29 Financial risks and policies and objectives for the Management of financial risks 6/9

The table below shows the changes in total impairment charges recognised at 31 December 2022 for 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	20,641	30,076	13,773	64,490
Transfer from Stage 1	8,590	57,085	20,279	85,953
Transfer from Stage 2	257	-9,595	11,493	2,155
Transfer from Stage 3	42	380	-16,539	-16,117
Assets derecognised	-9,103	-28,749	0	-37,852
Write offs debited to the allowance account	0	0	-22,563	-22,563
Other movements	-25,689	15,173	10,516	0
Impairment charges at 31 December 2022	**54,763**	**124,562**	**59,757**	**239,082**

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Note G29 Financial risks and policies and objectives for the Management of financial risks 7/9

The table below show the changes in total impairment charges recognised at 31 December 2023 for unused credit facilities.

DKK'000	Stage 1	Stage 2	Stage 3	Total
Impairment charges at 1 January 2023	**80**	**23**	**0**	**103**
ECL on new assets	66	14	32	112
Transfer from Stage 1	-12	1	20	9
Transfer from Stage 2	3	-13	13	2
Transfer from Stage 3	0	0	6	6
Assets derecognised	-64	-11	0	-75
Write offs debited to the allowance account	0	0	0	0
Other movements	0	0	0	0
Impairment charges at 31 December 2023	**73**	**14**	**71**	**158**

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

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Note G29 Financial risks and policies and objectives for the Management of financial risks 8/9

The table below show the changes in total impairment charges recognised at 31 December 2022 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	75	22	0	97
Transfer from Stage 1	0	1	0	1
Transfer from Stage 2	0	0	0	0
Transfer from Stage 3	0	0	0	0
Assets derecognised	-45	-1	0	-46
Write offs debited to the allowance account	0	0	-11	-11
Other movements	-15	1	-142	-156
Impairment charges at 31 December 2022	**83**	**23**	**0**	**106**

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

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Note G29 Financial risks and policies and objectives for the Management of financial risks 9/9

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 engaging in complex financial structures. Hence risk mitigation for potential market risks are covered by generic products.

Besides cash deposits at the central banks, Nordic Government and highly liquid Nordic mortgage bonds (mainly Danish mortgage bonds with a minimum LCR level 1b) are used as a part of liquidity buffer, whereas the bonds as well are used for interest risk Management and as collateral for other financial counterparties.

Recognising that we have now become a cross border bank, we to a higher extent, also foresee that we will start utilising other aspects for liquidity Management, such as short maturity covered bonds in Norway and Sweden 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 do not see significant nor 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 risk

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. The objective of Lunar Bank's capital Management framework is to ensure that Lunar Bank at any time has a sufficient level and quality of capital to support its business ambitions and to absorb unexpected losses under a severe economic downturn without breaching regulatory capital requirements.

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Income statement and comprehensive income (Parent)

Note	DKK'000	2023	2022
P1	Interest income	510	1,324
P2	Interest expenses	14,302	16,763
	Net interest and fee income	**-13,793**	**-15,439**
	Market value adjustments	957	6,057
P3, P4	Staff costs and administrative expenses	12,558	27,640
P9	Amortisation, depreciation and impairment charges	4,638	0
P7	Income from group undertakings	-379,253	-1,451,653
	Profit/loss before tax	**-409,286**	**-1,488,675**
P5	Tax for the year	1,867	4
	Profit/loss after tax	**-411,154**	**-1,488,679**
	Currency adjustments	-33,153	-172,621
	Other comprehensive income after tax	29,920	0
	Total comprehensive income	**-414,386**	**-1,661,300**

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Balance sheet (Parent)

Note	DKK'000	31 December 2023	31 December 2022
	ASSETS		
P6	Receivables from credit institutions and central banks	10,151	30,019
P7	Holdings in group undertakings	985,658	964,472
P8	Goodwill	55,738	55,738
P10	Other assets	29,382	54,191
	Prepayments	2,503	303
P9	Property, land and equipment	75,220	0
	TOTAL ASSETS	**1,158,652**	**1,104,723**
	LIABILITIES AND EQUITY		
	Liabilities		
P11	Other liabilities	218,125	151,537
	Total liabilities	**218,125**	**151,537**
	Provisions		
P7	Holding in group undertakings with negative values	0	2,652
	Total Provisions	**0**	**2,652**
	Equity		
P12	Share capital	1,696	1,186
	Share premium	4,129,801	3,723,388
	Retained earnings	-3,190,970	-2,774,040
	Total equity	**940,527**	**950,534**
	TOTAL LIABILITIES AND EQUITY	**1,158,652**	**1,104,723**

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Statement of changes in equity (Parent)

Note	DKK'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2022	**1,105**	**2,954,123**	**-1,129,210**	**1,826,018**
	Capital increase	81	769,265	0	769,346
	Currency adjustments	0	0	-172,621	-172,621
	Share-based payments	0	0	16,470	16,470
	Net profit/loss for the year	0	0	-1,488,679	-1,488,679
	Other comprehensive income	0	0	0	0
	Equity at 1 January 2023	**1,186**	**3,723,388**	**-2,774,040**	**950,534**
P12	Capital increase	511	406,413	0	406,924
	Currency adjustments	0	0	-33,153	-33,153
	Share-based payments	0	0	1,198	1,198
P13	Net profit/loss for the year	0	0	-411,154	-411,154
	Other comprehensive income	0	0	29,920	29,920
	Other equity movements	0	0	-3,742	-3,742
	Equity at 31 December 2023	**1,696**	**4,129,801**	**-3,190,970**	**940,527**

The share capital comprises of shares of DKK 1 nominal value each. Total outstanding shares at 31 December 2023 are 1,696,301 (31 December 2022: 1,185,561). The increase in number of shares during 2023 corresponds to the capital increases conducted during the year.

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Capital and solvency (Parent)

Note	DKK'000	31 December 2023	31 December 2022
	Equity	940,527	950,534
	Deductions [1]	-55,738	-55,738
	Total core capital after deductions	**884,789**	**894,796**
	Total tier 1 capital	**884,789**	**894,796**
	Total capital base	**884,789**	**894,796**
	Credit risk	1,194,792	1,022,315
	Market risk	5,701	23,539
	Operational risk	488	1,444
	Total risk exposure	**1,200,981**	**1,047,298**
	Key figures		
	Core capital after deductions, ratio (%)	73,7	85.4
	Tier 1 capital ratio (%)	73,7	85.4
	Total capital ratio (%)	73,7	85.4

[1] Goodwill of 55,738 tDKK is related to holdings in group undertakings and is fully deducted in Common equity tier 1 capital (2022: 55,738 tDKK)

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Overview of notes in the parent financial statements

The financial statement of Lunar Group A/S (parent) are prepared by applying the same accounting principles as the consolidated financial statements. We refer to note G1 Basis of preparation for further descriptions.

P1 Interest income
P2 Interest expenses
P3 Staff costs and administrative expenses
P4 Fees paid to auditor appointed at the annual general meeting
P5 Tax for the year
P6 Receivables from credit institutions and central banks
P7 Holdings in group undertakings
P8 Goodwill
P9 Property, land and equipment
P10 Other assets
P11 Other liabilities
P12 Share capital
P13 Proposed distribution of profit/loss
P14 Contractual obligations and contingencies, etc.
P15 Related parties
P16 Principles for intra-group trading

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Note P1 Interest income

DKK'000	2023	2022
Interest income		
Other interest income	510	1,324
Total	**510**	**1,324**

Note P2 Interest expenses

DKK'000	2023	2022
Interest expenses		
Negative interest paid on deposits in credit institutions and central banks	0	0
Other interest expenses	14,302	16,763
Total	**14,302**	**16,763**

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Note P3 Staff costs and administrative expenses

DKK'000	2023	2022
Staff costs and administrative expenses		
Wages and salaries re-invoiced from subsidiaries	12,464	3,791
Other administrative expenses	93	23,849
Total	**12,558**	**27,640**
Number of employees in the financial year		
Full-time equivalent employees	5	3
Executive board	1	1
Board of Directors	7	8

The Board of Directors has not received remuneration in 2023 and 2022.

Details on remuneration of the Executive Board and Board of Directors are disclosed on Lunar's website www.lunar.app

Incentive programs account for 0 tDKK (2022: 0 tDKK).

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Note P4 Fees paid to auditor appointed at the annual general meeting

DKK'000	2023	2022
Fees paid to auditor appointed at the annual general meeting		
PwC	168	151
Total fees include:		
Statutory audit	155	151
Other assurance engagements	13	0
Tax services	0	0
Non-audit services	0	0
Total	**168**	**151**

Fees for non-audit services provided by PwC in 2023 includes and consists of various general accounting and consulting services. PwC has complied with Article 4(2) of Regulation (EU) No 537/2014.

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Note P5 Tax for the year

DKK'000	2023	2022
Tax for the year		
Current year tax charges	1,134	0
Adjustment of current tax previous years	733	4
Deferred tax adjustments for the year	0	0
Total	**1,867**	**4**

Note P6 Receivable from credit institutions and central banks

DKK'000	2023	2022
Receivables from credit institutions and central banks		
Credit institutions	10,151	30,019
Total	**10,151**	**30,019**
Distribution of terms by maturity		
Overnight	10,151	19,155
Up to three months	0	10,864
Total	**10,151**	**30,019**

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Note P7 Holdings in group undertakings

DKK'000	2023	2022
Holdings in group undertakings		
Cost at 1 January	4,396,687	3,469,687
Additions	410,980	927,000
Cost at 31 December	**4,807,667**	**4,396,687**
Value adjustment at 1 January	-3,434,867	-1,150,927
Foreign exchange rate adjustment	-1,419	-202,566
Dividends	0	-640,964
Share-based payments	1,198	11,243
Profit/loss for the year	-379,253	-1,451,653
Other comprehensive income	-30,754	0
Hedge accounting	29,920	0
Other movements	-6,834	0
Value adjustment at 31 December	**-3,822,009**	**-3,434,867**
Net carrying amount at 31 December	**985,658**	**961,820**
Negative equity values, incl. internal gains, transferred to provisions	0	2,652
Carrying amount at period end	**985,658**	**964,472**

Name and registered office	Voting rights and ownership	Profit/loss [1] (DKK'000)	Equity (DKK'000)
Lunar Bank A/S, Aarhus, DK	100 %	-406,839	780,588
Lunar Journey AB, Stockholm, SE	100 %	47,728	126,166
Lunar Payment ApS, Aarhus, DK	100 %	7,903	20,169
Lunar Way A/S, Aarhus, DK	100 %	-41,853	27,303
Lunar Block A/S, Aarhus, DK	100 %	-2,980	3,381
Lunar Way AB, Stockholm, SE	100 %	2,100	59

[1] Profit/loss is excluding PPA-adjustments and elimination of internal gains.

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Note P8 Goodwill

DKK'000	2023	2022
Cost at 1 January	55,738	55,738
Additions	0	0
Cost at 31 December	55,738	55,738
Amortisation and impairment at 1 January	0	0
Impairment	0	0
Amortisation and impairment losses at 31 December	0	0
Carrying amount at 31 December	**55,738**	**55,738**

Goodwill arose from Lunar Groups acquisition of Lunar Payments ApS, in 2021.

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 recognised as an impairment loss on intangible or tangible assets, if any.

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

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Note P9 Property, land and equipment

DKK'000	Land & buildings	Total
Cost at 1 January 2023	0	0
Additions	79,858	79,858
Disposals	0	0
Cost at 31 December 2023	**79,858**	**79,858**
Amortisation and impairment at 1 January 2023	0	0
Amortisation	4,638	4,638
Reversal at sale	0	0
Amortisation and impairment losses at 31 December 2023	**4,638**	**4,638**
Carrying amount at 31 December 2023	**75,220**	**75,220**

Note P10 Other assets

DKK'000	2023	2022
Intercompany receivables	9,447	35,991
Deposits	18,233	18,200
Other assets	1,702	0
Total	**29,382**	**54,191**

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Note P11 Other liabilities

DKK'000	2023	2022
Intercompany debt	125,148	135,260
Other liabilities	92,977	16,277
Total	**218,125**	**151,537**

Note P12 Share capital

DKK'000	2023	2022
Share capital at 1 January	1,186	1,105
Capital increases	511	81
Share capital at 31 January	**1,696**	**1,186**
Number of shares	1,696,301	1,185,561

Lunar Group does not hold own shares.
The share capital comprises of shares of DKK 1 nominal value each.

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Note P13 Proposed distribution of profit/loss

DKK'000	2023	2022
Retained earnings	-411,154	-1,488,679
Total	**-411,154**	**-1,488,679**

Note P14 Contractual obligations and contingencies, etc.

Contingent liabilities

Lunar Group A/S have issued letters of Financial Support in the amount of 100 mDKK to ensure that subsidiaries Lendify AB, Lunar Way A/S and Lunar Block A/S can meet their 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 2023.

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.

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Note P15 Related parties

The ownership of Lunar Group is disclosed on page 5.
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 Payments ApS, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Block A/S, Hack Kampmanns Plads 10, 8000 Aarhus C
- Lunar Way AB, Malmskillnadsgatan 44A, 111 57 Stockholm
- Lunar Journey AB, Malmskillnadsgatan 44A, 111 57 Stockholm

Note P16 Principles for intra-group trading

Intra-group transactions and services are settled on an arm's length basis and/or a cost-plus pricing basis.

DKK'000	2023	2022
Income statement		
Re-invoiced staff costs from subsidiaries	9,114	3,791
Re-invoiced costs to subsidiaries	8,266	1,531
Interest expenses to subsidiaries	12,108	16,813
Intercompany interest income from subsidiaries	492	1,324
Share-based payments	5,142	16,470
Services from companies owned by members of BoD in the parent company and subsidiaries	0	0
Balance sheet		
Receivables to subsidiaries	9,447	35,991
Payables to subsidiaries	125,148	135,260

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