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

LUNAR®

ANNUAL REPORT

1 JANUARY – 31 DECEMBER 2021

Approved at the Company's annual general meeting on / 2022

Chairman:

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Company information

Company	Lunar Group A/S Hack Kampmanns Plads 10 8000 Aarhus C CVR no. 36 94 57 45 Financial period: 1 January – 31 December 2021 www.lunar.app
Board of Directors	Henning Kruse Petersen (chairman) Claus Okholm Lars Andersen Vibeke Bak Solok Ken Villum Guldbrandt Klausen Klaus Østergaard Jens Mikael Kristoffer Ismunden Erika Söderberg Johnson
Executive Board	Ken Villum Guldbrandt Klausen (CEO)
Auditors	Deloitte Statsautoriseret Revisionspartnerselskab Weidekampsgade 6 2300 København S

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Company information

Ownership

The following shareholders hold more that 5 % of the share capital at 31 December 2021:

LWOH ApS
Langelinieparken 18, 2. th.
8000 Aarhus C
Percentage of share capital: 10.4

Brightfolk A/S
Inge Lehmanns Gade 2
8000 Aarhus C
Percentage of share capital: 10.1

SEED Capital Denmark III K/S
Højbro Plads 10
1200 København K
Percentage of share capital: 11.22

Kinnevik Online AB
Box 2094
10313 Stockholm, Sweden
Percentage of share capital: 5.48

Orbit Launch AB
Narvavägen 12
11522 Stockholm, Sweden
Percentage of share capital: 7.7

Orbit Alliance AB
Narvavägen 12
11522 Stockholm, Sweden
Percentage of share capital: 7.53

CHR. AUGUSTINUS FABRIKKER AKTIESELSKAB
Sankt Annæ Plads 13, st. th.
1250 København K
Percentage of share capital: 6.41

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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 2021.

The consolidated financial statements and the Parent Company financial statements have been prepared in accordance with 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 2021 and of the results of its operations for the financial year 1 January – 31 December 2021.

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

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

Copenhagen, 31 March 2022

Executive Board:

DocuSigned by:
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Ken Villum Guldbrandt Klausen
CEO

Board of Directors:

DocuSigned by:
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Henning Kruse Petersen
Chairman

DocuSigned by:
Claus Okholm
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Claus Okholm

DocuSigned by:
Lars Andersen
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Lars Andersen

DocuSigned by:
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Vibeke Bak Solok

DocuSigned by:
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Ken Villum Guldbrandt Klausen

DocuSigned by:
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Klaus Østergaard

DocuSigned by:
Erika Söderberg Johnson
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Erika Söderberg Johnson

DocuSigned by:
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Jens Mikael Kristoffer Ismunden

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Independent auditor's report

To the shareholders of Lunar Group A/S

Opinion

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

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the parent financial statements" section of this auditor's 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.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the 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 consolidated financial statements and the parent 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

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Independent auditor's report

guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

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.

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Independent auditor's report

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 31 March 2022
Deloitte Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33 96 35 56

DocuSigned by:
5FE8826EBEBA47C...
Kasper Bruhn Udam
State Authorized Public Accountant
Identification No (MNE) mne29421

DocuSigned by:
Jakob Lindberg
8C51716FC124472...
Jakob Lindberg
State Authorized Public Accountant
Identification No (MNE) mne40824

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Management's review

Our business

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

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

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

Lunar Group has more than 450,000 customers across Denmark, Sweden and Norway and +450 employees by December 2021.

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

Financial review

The result of 2021 shows a loss after tax of DKK 732.6 million. The negative financial result was expected as Lunar has invested massively in developing new products, markets and growth, acquisitions and the launch of new products across tiers. The positive monthly earnings figures expected in the 2020 financial statement did not materialize due to reasons described above. The restrictions in our societies and travel activities also led to reduced short term earnings as a major part of Lunar's value is targeted social activities and traveling.

In May and July, Lunar Group successfully secured additional funding of DKK 2,294 million to accelerate Lunar's future growth. The funding rounds brought in a number of new tier 1 investors that have a long term vision and the financial means to realize Lunar's long term growth plans. During 2021, Lunar has increased its focus on cost and invested in making the organization scalable to support future growth.

The equity position in Lunar totaled DKK 1,831 million including capital increase of DKK 2,294 million. The growing balance sheet has resulted in the subsidiary Lunar Bank now being a group 3 bank in terms of the Danish FSA's size groupings.

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

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Management's review

Outlook

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

Due to continued heightened investments and expenses related to establishing a footprint across the Nordics, Lunar expects to realize a loss after tax in 2022 lower than the loss realized in 2021. However, Lunar is launching a number of new products the financial forecast comes with some degree of uncertainty.

Capital and liquidity

On 31 December Lunar's capital base, less deductions, amounted to DKK 1,114.8 million including Tier 2 capital instruments. In accordance with Commission Delegated Regulation (EU) 2020/2176 entering into force 23 December 2020, Lunar is now able to recognise software assets in Common equity tier 1 capital which accounts for DKK 152.8 million at the end of 2021. Other intangible assets including goodwill amounting to DKK 736.2 million are deducted in the capital base.

The consolidated solvency need is calculated as DKK 500 million or 21.4% of REA at 31 December 2021. With a capital target including the capital conservation buffer and a stress buffer the excess capital is DKK 222.4 million. The excess capital adequacy is considered to be sufficient to support further development and future growth ambitions based on the budget. The capital target inclusive stress buffer at the end of 2021 amounts to DKK 892.4 million or 38.2%.

Lunar calculated the liquidity requirements on the basis of the Liquidity Coverage Ratio (LCR). On 31 December 2021 LCR was calculated at 1,139% against 1,738% in 2020. Lunar's Board of Directors has set an internal limit for LCR of 150 %. Based on the current requirements, the institute has a significant excess in relation to liquidity coverage in relation to regulatory requirements.

Risk Management

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

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

Risk Governance

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

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Management's review

Risk Taxonomy & Risk Appetite

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

Risk culture

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

Control Environment & Reporting

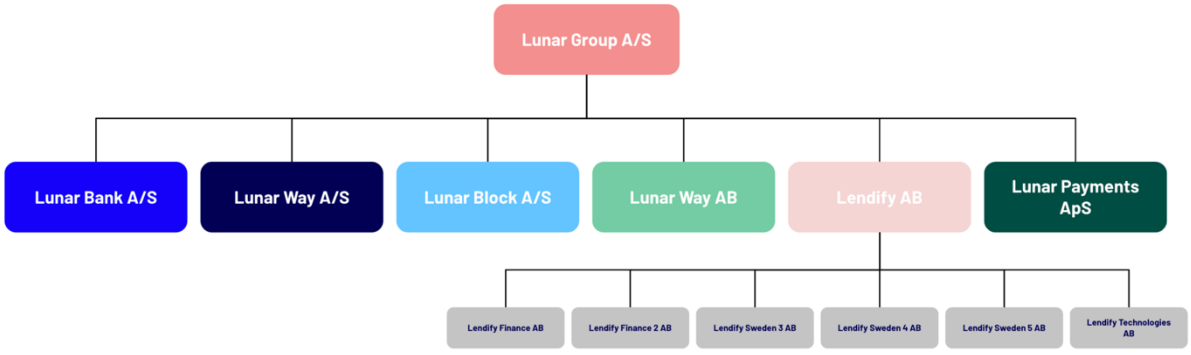
Lunar's ambition is to build an integrated offering within banking, payments and investments and Lunar will aggressively target growth in revenue and in customers while staying within risk appetite. This strategy entails significant requirements for controls and reporting as evidenced by the 2021 Lendify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

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

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

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

The group structure at 31 December 2021 is disclosed below. All group subsidiaries are fully owned (100 %) by Lunar Group.



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Management's review

Events after the balance sheet date

In March 2022 Lunar Group raised an additional EUR 70 million in capital and a public bid on Instabank in Norway was announced on March 28th, 2022.

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

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

Knowledge resources

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

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

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

Management

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

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

The Board of Directors appoints an Executive Board consisting of one to three members. The Board of Directors has appointed Ken Villum Guldbrandt Klausen to the Executive Board as CEO.

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

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Management's review

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

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

Target figures for the underrepresented gender on the board

The gender distribution among the board members in 2021 is as follows: 75% men and 25% women. Hence, Lunar Group meets the gender composition target of 25 %, but the area remains a key focus.

Policy for other management levels

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

Lunar has set the following specific targets:

1. Lunar's employees must experience the same career and management opportunities regardless of their gender.
2. The proportion of female managers will increase from 20% to 40% by the end of 2022.

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

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

Uncertainty relating to recognition and measurement

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

Lunar has recognized intangible assets at a carrying amount of DKK 889.1 million. Intangible assets include customer relations, IT platform and goodwill. The measurement of intangible assets is supported by earnings expectations to which inherent uncertainties in realizing these expectations exists. Management assesses that no indication of impairment of the intangible assets exists. Please refer to the description in note G2.

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Management's review

Overview - executive team

Ken Villum Guldbrandt Klausen (CEO)	Private-sector directorships: • 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 • Lunar Payments ApS, executive officer • Lunar Way A/S, executive officer • Lunar Block ApS, executive officer

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Management's review

Overview – Board of Directors

Henning Kruse Petersen (chairman)	Private-sector directorships: • 2KJ A/S, executive officer and legal owner • Den Danske Forskningsfond, chairman • Komplementarselskabet Midgaard Denmark ApS, executive officer • Midgaard Denmark K/S, chairman • Det Østasiatiske Kompagnis Almennyttige fond, board member • Firstaiders A/S, chairman • Lunar Way A/S, chairman • Cursum A/S, chairman • Orangutang Fonden, board member • ProScion ApS, legal owner
Claus Okholm	Private-sector directorships: • Lunar Bank A/S, chairman • CEJ Ejendomsadministration A/S, board member • CEJ Aarhus A/S, board member • HC Okholm I/S, legal owner
Klaus Østergaard	Private-sector directorships: • PUA INVEST ApS, legal owner • Halfspace.io ApS, legal owner • Qblue Balanced A/S, legal owner

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Management's review

Overview – Board of Directors (continued)

Vibeke Bak Solok

Private-sector directorships:

- Lunar Bank A/S, board member
- November First A/S, board member
- Nordic Solar A/S, board member
- Fintech Solution Lab ApS, board member
- VBSolok ApS, executive officer and legal owner

Lars Andersen

Private-sector directorships:

- Growth Manager ApS, executive officer, board member and legal owner
- SEED CAPITAL DENMARK IV I/S, board member
- SEED CAPITAL DENMARK III I/S, board member and legal owner
- SEED CAPITAL DENMARK II K/S, executive officer and board member
- SEED CAPITAL DENMARK II 2019 K/S, legal owner
- SEED CAPITAL DENMARK I I/S, legal owner
- GM INVEST ApS, executive officer and legal owner
- C WorldWide Holding A/S, board member
- C WorldWide Group Holding A/S, board member
- C WorldWide Asset Management Fondsmæglerselskabet A/S, board member
- TEMPLAFY ApS, board member
- Det bliver en god dag ApS, executive officer and legal owner
- Grant Compass A/S, board member
- RISIKA A/S, board member
- Value4Money ApS, executive officer
- Lunar Way A/S, board member

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Management's review

Overview – Board of Directors (continued)

Ken Villum Guldbrandt Klausen

Private-sector directorships:

- 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
- Lunar Payments ApS, executive officer
- Lunar Way A/S, executive officer
- Lunar Block ApS, executive officer

Jens Mikael Kristoffer Ismunden

Private-sector directorships:

- Aktiebolaget Bahirrba, board member and legal owner
- Bahirrba Bahirrba AB, board member and legal owner
- Bata-Loyal AB, chairman
- Bosam Fund I AB, chairman
- Fastighets Aktiebolaget Trianon, board member
- Orbit Alliance AB, chairman
- Orbit Launch AB, chairman
- Radinn AB, chairman
- Youple AB, board member
- Youple Holding AB, board member

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Management's review

Overview – Board of Directors (continued)

Erika Söderberg Johnson Private-sector directorships:

- SAAB AB, board member and member of the audit committee
- Vaxonia AB, board member and legal owner
- Royalvik AB, board member
- Förvaltningsaktiebolaget Eris & Co, board member
- Invik & Co AB, board member
- Friends of CS AB, board member
- Kinnevik New Ventures AB, board member
- Kinnevik Online AB, board member
- Kinnevik Consumer Finance Holding AB, board member
- Kinnevik Media Holding AB, board member
- Kinnevik Internet 1 AB, board member
- Kinnevik East AB, board member
- Kinnevik Sweden Holding AB, board member
- Kinnevik US Holding AB, board member
- Kinnevik Capita Ltd., board member

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Consolidated financial statements 1 January – 31 December

Income statement and comprehensive income (Group)

Note	DKK'000	2021	2020
G4,G5	Interest income	71,779	579
G4,G6	Interest expense	74,520	5,733
	Net interest income	**-2,741**	**-5,154**
G4,G7	Fee and commission income	93,739	22,366
G4	Fees and commission paid	35,647	17,968
	Net interest and fee income	**55,351**	**-756**
G8	Market value adjustments	-2,542	-321
	Other operating income	0	52
G9,G10	Staff costs and administrative expenses	525,870	220,529
G15,G16	Amortisation, depreciation and impairment charges	45,742	10,821
	Other operating costs	0	431
G11	Loan impairment charges etc.	89,989	4,207
	Profit/loss before tax	**-608,792**	**-237,013**
G12	Tax for the year	123,803	8,964
	Profit/loss after tax	**-732,595**	**-245,977**
	Exchange rate adjustments	142	-11
	Other comprehensive income after tax	-50,602	-8,123
	Total comprehensive income	**-783,055**	**-254,111**

Consolidated financial statements 1 January – 31 December

Balance sheet (Group)

Note	DKK'000	31 December 2021	31 December 2020
	ASSETS		
	Cash in hands and demand deposits with central banks	7,468,404	9,200
G13	Receivables from credit institutions and central banks	352,160	1,023,115
G14	Loans and other amounts due at amortised costs	2,358,171	12,895
	Bonds at amortised costs	255,754	193,261
G15	Goodwill	669,278	0
G15	Other intangible assets	219,794	54,956
G16	Property, land and equipment	40,115	15,852
G16	Other tangible assets	8,607	0
G17	Other assets	93,661	24,526
	Prepayments	47,384	6,794
	TOTAL ASSETS	**11,513,328**	**1,340,599**
	LIABILITIES AND EQUITY		
	Liabilities		
G18	Deposits	8,039,081	928,280
G19	Other liabilities	1,551,799	76,540
	Tax liabilities	6,773	0
	Deferred income	17,838	8,475
	Total liabilities	**9,615,491**	**1,013,295**
	Provisions		
	Impairment charges on unused credit facilities	221	892
G20	Deferred tax liabilities	34,003	0
G21	Other provisions	3,259	1,874
	Total provisions	**37,483**	**2,766**
	Subordinated debt		
G22	Subordinated debt	29,795	29,735
	Total subordinated debt	**29,795**	**29,735**
	Equity		
	Share capital	1,105	691
	Share premium	2,954,123	710,753
	Retained earnings	-1,124,669	-416,641
	Total equity	1,830,559	294,803
	TOTAL LIABILITIES AND EQUITY	**11,513,328**	**1,340,599**

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Statement of changes in equity (Group)

	DKK'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2020	**508**	**296,939**	**-177,437**	**120,010**
	Capital increase	183	421,937	0	422,120
	Exchange rate adjustments	0	0	-11	-11
	Share based payments	0	0	6,784	6,784
	Net profit/loss for the year	0	0	-245,977	-245,977
	Other comprehensive income	0	-8,123	0	-8,123
	Equity at 1 January 2021	**691**	**710,753**	**-416,641**	**294,803**
	Capital increase	414	2,293,972	0	2,294,386
	Exchange rate adjustments	0	0	142	142
G23	Net profit/loss for the year	0	0	-732,595	-732,595
G24	Share based payments	0	0	24,425	24,425
	Other comprehensive income	0	-50,602	0	-50,602
	Equity at 31 December 2021	**1,105**	**2,954,123**	**-1,124,669**	**1,830,559**

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Capital and solvency (Group)

DKK'000	31 December 2021	31 December 2020
Equity	1,830,559	294,803
Intangible assets [1]	-736,224	-5,126
Total core capital after deductions	**1,094,335**	**289,677**
Total core capital	**1,094,335**	**289,677**
Subordinated loan capital	20,500	26,500
Total capital base	**1,114,835**	**316,177**
Credit risk	2,191,569	102,621
Market risk	9,816	535
Operational risk [2]	134,122	43,023
Total risk exposure	**2,335,507**	**146,179**
Key figures		
Core capital after deductions, ratio (%)	46.9	198.2
Core capital ratio (%)	46.9	198.2
Solvency ratio (%)	47.7	216.3

[1] Goodwill and customer rights are fully deducted in Common equity tier 1 capital. Software assets are recognized with a prudent valuation in accordance with Commission Delegated Regulation (EU) 2020/2176 entering into force 23 December 2020. Software assets included in Common equity tier 1 capital amounts to DKK 152,848 thousand (2020: DKK 49,830 thousand).

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

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Financial highlights

Income Statement (DKK'000)	2021	2020	2019
Net interest and fee income	55,351	-756	-26,888
Market value adjustments	-2,542	-321	10
Staff costs and administrative expenses	525,870	220,529	101,887
Write-downs on loans and receivables, etc.	89,989	4,207	0
Profit/loss for the year	-732,595	-245,977	-133,932

Balance sheet (end of period) (DKK'000)			
Loans	2,358,171	12,895	0
Total assets	11,513,328	1,340,599	156,404
Deposits	8,039,081	928,280	0
Equity	1,830,559	294,803	120,010

Ratios and key figures			
Capital base	1,114,835	316,177	84,545
Solvency ratio (%)	48.0	216.3	62.4
Core capital ratio (%)	47.2	198.2	62.4
Return on equity before tax (%)	-57.3	-114.3	-352
Return on equity after tax (%)	-68.9	-118.6	-349
Interest-rate risk	2.3	0.2	0
Currency position	0.9	0.1	0
Loans relative to deposits (%)	29.3	1.4	0
Gearing of loans, end of year (%)	128.8	4.4	0
Cover relative to statutory liquidity requirements (%)	1,139.4	1,737.7	200.1
Net impairment ratio (%)	6.4	24.6	0
Return on assets (%)	-6.4	-18.3	-85.6
Average number of full-time employees	439	140	86

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

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

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Overview over notes in the consolidated financial statement

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G1 Basis of preparation

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 controllered 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 another 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 recognized in the financial statements from the date of the acquisition. Comparative figures are not adjusted to reflect acquisitions.

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

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G1 Basis of preparation (continued)

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

Recognition and measurement

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

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

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

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

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

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.

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G1 Basis of preparation (continued)

Changes in estimates are recognized in the period in which the change is made, and the future periods affected.

Foreign currencies

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

Interest income and expenses

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

Fee and commission income and expenses

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

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

Other operating income

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

Market value adjustments

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

Staff costs and administrative expenses

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

Administrative expenses comprise expenses paid in the year to manage and administer the Group.

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G1 Basis of preparation (continued)

Amortisation, depreciation and impairment charges

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

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

Other operating expenses

Other operating expenses comprises items secondary to the Lunar Group's activities.

Loan impairment charges etc.

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

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.

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G1 Basis of preparation (continued)

Receivables from credit institutions and central banks

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

Bonds at amortized cost

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

Intangible assets

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

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 amortizations and depreciations. Amortization is based on the estimated useful lives of the assets, which is set at 5 years.

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

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.

Property, plant and equipment

Leasehold improvements are recognized 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 disclosed in accordance with IFRS-16 principals. The standard 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 amortized and the leases payments in Liabilities will be capitalized during the entire lease period.

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G1 Basis of preparation (continued)

Other tangible assets

Operating equipment is recognized 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. The Parent Company has chosen to consider the equity method a measurement method.

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 and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies in the consolidated financial statements. 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.

Loans and impairment

Classification and measurement

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

Financial assets at amortized cost

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

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G1 Basis of preparation (continued)

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

Financial asset at fair value through shareholders' equity

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

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

Financial assets at fair value through profit or loss

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

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

Impairment

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

General impairment model

Lunar 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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G1 Basis of preparation (continued)

Credit-Impaired financial assets

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

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

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

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

Significant increase in credit risk (SICR)

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

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

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

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

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

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Notes

G1 Basis of preparation (continued)

Measurement of expected credit losses

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

In practise, for exposures classified in stage 1 and stage 2, the expected credit losses are calculated as the product of the probability of default ("PD"), the loss given default ("LGD") and the Exposure at Default ("EAD") discounted at the effective interest rate of the exposure. They result from the risk of default in the next 12 months (stage 1) or the risk of default over the lifetime of the exposure (stage 2). In the specific business of consumer finance and given the characteristics of the portfolios, the method used by Lunar 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 Managerial Overlay has been added to cover for such uncertainty. Future macroeconomic developments are also taken into consideration via a scenarios approach, i.e., estimations of positive, baseline and pessimistic macroeconomic evolution and impact on the Expected Credit Losses are weighted based on the likelihood of the different scenarios to materialize.

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

Other assets

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Deposits

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

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Notes

G1 Basis of preparation (continued)

Other liabilities

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

Deferred income

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

Other provisions

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

Subordinated debt

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

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

Share-based payments

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

Income tax

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

Deferred tax

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

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G1 Basis of preparation (continued)

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

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

Segments

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

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 Bank's accounting policies.

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

Intangible assets

Lunar Group has recognized intangible assets at a carrying amount of DKK 889,072 thousand. Intangible assets include customer relations, IT platforms, software and goodwill.

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

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

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Notes

G2 Significant accounting estimates, assumptions and uncertainties (continued)

Loans and other amounts due at amortised costs

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

The weighting of the scenarios was defined as 30 % optimistic, 50 % baseline and 20 % pessimistic. The rationale for this distribution of weight is mostly based on the expected short- and long-term effects of COVID-19. The projections of macroeconomic indicators specifically due to the COVID-19 and its impact on defaults are currently still uncertain due to the potential different waves of infections, variants and the numerous governments supports at different levels, however, consensus among the specialists who project evolution of micro/macro indicators in the short/medium term agree on an improvement in the coming years, therefore the weights indicated above, where expected unemployment rates will fall more than 10% over the coming years.

An additional Due to models' uncertainty a Managerial Overlay of around DKK 32 million has been added to cover for PD such uncertainty in the form of potential biased predictive power of PD 12 month and potential cliff effect when receivables are transitioning from Application Score to Behaviour Score.

G3 Financial highlights

Financial highlights are disclosed on page 22.

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G4 Segments

	2021			
DKK'000	**DK**	**SE**	**Other**	**Total**
Interest income	6,683	65,081	15	71,779
Interest expenses	33,005	41,491	24	74,520
Net interest income	**-26,322**	**23,590**	**-9**	**-2,741**
Fee and commission income	73,385	18,725	1,629	93,739
Fees and commission expenses	26,338	8,757	552	35,647
Net fee income	**47,047**	**9,968**	**1,077**	**58,092**
Net interest and fee income	**20,725**	**33,558**	**1,068**	**55,351**

	2021			
DKK'000	**Business Tiers**	**Private Tiers**	**Financial Products**	**Total**
Interest income	0	0	71,779	71,779
Interest expenses	0	0	74,520	74,520
Net interest income	**0**	**0**	**-2,741**	**-2,741**
Fee and commission income	31,867	43,824	18,048	93,739
Fees and commission expenses	10,802	14,855	9,990	35,647
Net fee income	**21,065**	**28,969**	**8,058**	**58,092**
Net interest and fee income	**21,065**	**28,969**	**5,317**	**55,351**

In 2020 Lunar Group disclosed its net interest and fee income on a total level that was considered Lunar Group's segment, hence no comparative figures have been disclosed.

DKK'000	**2021**	**2020**
G5 Interest income		
Loans and other receivables	70,665	441
Interests on deposits and other debt	872	138
Other interest income	242	0
	71,779	**579**

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Notes DKK'000		2021	2020
G6	**Interest expenses**		
	Negative interest paid on deposits in credit institutions and central banks	22,927	3,604
	Subordinated debt	2,768	2,062
	Interests on deposits and other debt	6,362	0
	Other interest expenses	42,463	67
		74,520	**5,733**
G7	**Fee and commission income**		
	Payment service fees	27,703	6,052
	Lending and guarantee fees	4,062	0
	Other fees and commission income	61,974	16,314
		93,739	**22,366**
G8	**Market value adjustments**		
	Bonds at amortised cost	-1,006	-306
	Foreign exchanges	-3,872	-15
	Financial instruments measured at fair value	2,396	0
	Other liabilities	-60	0
		-2,542	**-321**
G9	**Staff costs and administrative expenses**		
	Wages and salaries	189,592	92,976
	Pensions	9,644	3,986
	Social Security costs	7,153	1,033
	Share-based payments	24,428	6,362
	Capitalized wages and salaries	-16,802	0
		214,015	**104,357**
	Other administrative expenses	311,855	116,172
		525,870	**220,529**
	Number of employees in the financial year		
	Full-time equivalent employees	439	140
	Executive board	1	1
	Employees whose activities have a significant impact on the bank's risk profile	8	7
	Board of directors	8	5

Salaries and remuneration to employees whose activities have a significant impact to the bank's risk profile accounted for DKK 9,103 thousand (2020: DKK 11,473 thousand) of which incentive programs account for DKK 2,332 thousand (2020: DKK 861 thousand).

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G9 Staff costs and administrative expenses (continued)

Salaries and remuneration to the executive board and board of director was DKK 2,109 thousand (2020: DKK 1,155 thousand) of which incentive programs account for DKK 32 thousand (2020: DKK 0 thousand).

G10 Fees paid to auditor appointed at the annual general meeting

DKK'000	2021	2020
Statutory audit	4,560	948
Other assurance engagments	238	44
Tax services	2,874	344
Non-audit services	467	397
	8,139	**1,733**

G11 Loan impairment charges

ECL on new assets	50,872	8,221
Final losses on loans previously written down	10,462	0
Other movements	28,655	-4,014
	89,989	**4,207**

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

Changes in total allowance account during the year is further elaborated in note G29.

G12 Tax for the year

Current year tax charges	10,426	0
Adjustment of current tax previous years	0	7,632
Deferred tax adjustment for the year	113,377	1,332
	123,803	**8,964**

On June 17, 2021, Lunar Group A/S acquired the shares in Lendify AB. In connection to the acquisition Lunar Bank acquired the regulated activities in Lendify AB, thus the transaction let to a tax asset of DKK 113,377 thousand. Management assessed the transaction to be a internal restructuring and thereby recognised a write-down of the entire amount in 2021.

At 31 December 2021 the Group has unrecognised deferred tax assets in the level of DKK 210 million that can be set off against future taxable income.

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DKK'000		2021	2020
G13	**Receivables from credit institutions and central banks**		
	Central banks	0	993,000
	Credit institutions	352,160	30,115
	Total	**352,160**	**1,023,115**
	Distribution of terms by maturity		
	Overnight	352,160	30,115
	Up to three months	0	993,000
	Total	**352,160**	**1,023,115**
G14	**Loans and other amounts due at amortised costs**		
	Customer loans	2,358,171	12,895
	Total	**2,358,171**	**12,895**
	Distribution of terms by maturity		
	Overnight	5,341	2,013
	Up to three months	2,517	988
	From three months to one year	13,872	8,550
	From one year to five years	230,161	1,344
	More than five years	2,106,280	0
	Total	**2,358,171**	**12,895**

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

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G15 Intangible assets

DKK'000	Goodwill	Customer relations	Software	Software in process	Total
Cost at 1 January 2021	0	0	73,258	1,214	74,472
Exchange rate adjustment	0	0	-417	-48	-465
Acquired operations	0	0	50,008	4,797	54,805
Additions	669,278	3,325	124,420	41,874	838,897
Transfers	0	0	36,659	-36,659	0
Cost at 31 December 2021	669,278	3,325	283,928	11,178	967,709
Amortisation and impairment at 1 January 2021	0	0	19,516	0	19,516
Exchange rate adjustment	0	0	-245	0	-245
Acquired operations	0	0	24,447	0	24,447
Amortisation	0	166	34,753	0	34,919
Amortisation and impairment losses at 31 December 2021	0	166	78,471	0	78,637
Carrying amount at 31 December 2021	**669,278**	**3,159**	**205,457**	**11,178**	**889,072**
Amortised over		5 years	3-5 years		

Goodwill arises from Lunar Groups acquisition of Lendify AB and Lunar Payments. Massive synergies from the transaction are expected, especially in the funding structure of the lending business. The purchase price allocation is disclosed in note G28.

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

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

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G16 Property, land and equipment

DKK'000	Land & buildings	Other equipment	Total
Cost at 1 January 2021	18,151	2,373	20,524
Exchange rate adjustment	-143	-30	-173
Acquired operations	13,223	3,134	16,357
Additions	30,561	7,262	37,823
Disposals	-2,350	0	-2,350
Cost at 31 December 2021	59,442	12,739	72,181
Amortisation and impairment at 1 January 2021	4,334	338	4,672
Exchange rate adjustment	-84	-19	-103
Acquired operations	8,236	1,889	10,125
Amortisation	9,191	1,924	11,115
Reversal at sale	-2,350	0	-2,350
Amortisation and impairment losses at 31 December 2021	19,327	4,132	23,459
Carrying amount at 31 December 2021	**40,115**	**8,607**	**48,722**
Here off lease assets	35,206		
Amortised over	5 years	3-5 years	

G17 Other assets

DKK'000	2021	2020
Positive market value of financial instruments	4,633	0
Deposits & Guarantees	38,649	16,018
Other assets	50,379	8,508
	93,661	**24,526**

G18 Deposits

DKK'000	2021	2020
Deposits	8,039,081	928,280
Total	**8,039,081**	**928,280**
Deposits of terms by maturity		
Overnight	8,039,081	928,280
One to five years (term deposit)	0	0
Total	**8,039,081**	**928,280**

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G19 Other liabilities

DKK'000	2021	2020
Negative market value of financial instruments	2,236	0
Trade payables	38,316	15,995
Leasing obligations	33,765	12,489
Loan obligations	1,280,405	0
Other liabilities	197,077	48,056
	1,551,799	**76,540**

Lunar Group has during 2021 acquired Lendify AB that holds loan obligations of DKK 1,280,405 thousand at 31 December 2021 (2020: DKK 0). Loan details are disclosed in detail in the table below.

DKK'000		Interest rate	Carrying amount
Loan obligations	Maturity	2021	31 December 2021
Senior obligation 1	2036	STIBOR 1m + 4,3%	161,333
Senior obligation 2	2036	STIBOR 1m + 4.875%	370,265
Senior obligation 3	2037	STIBOR 1m + 3.5%	548,291
Mezzanine obligation 1	2036	STIBOR 1m + 16,5%	109,758
Mezzanine obligation 2	2037	STIBOR 1m + 12%	90,758
			1,280,405

G20 Deferred tax liabilities

DKK'000	2021	2020
Deferred tax liability at 1 January	0	0
Deferred tax adjustment for the year	34,003	0
Deferred tax liability at 31 December	**34,003**	**0**

In relation to the acquisition of Lendify AB and Lunar Payments ApS in 2021 a deferred tax liability of DKK 31,893 thousand arose. The purchase price allocation of both acquisitions is disclosed in note G28.

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G21 Other provisions

Onerous contracts

The Company has signed contracts with payment processing providers with a maximum period of interminability until December 2023. 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 DKK 593 thousand (2020: DKK 1,874 thousand).

Other provisions

Other provisions consist of funds of DKK 2,666 thousand to cover potential losses in Lunars brokerage of loans between private investors and lenders (2020: DKK 0).

G22 Subordinated debt

Lunar Group has taken out the following subordinated loans:

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

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

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

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G23 Proposed distribution of profit/loss

DKK'000	2021	2020
Retained earnings	-732,595	-245,977
Total	**-732,595**	**-245,977**

G24 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 2021 costs related to the warrant program of DKK 24,425 thousand has been recognized in the income statement (2020: DKK 6,784 thousand).

G25 Fair value information for financial instruments

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

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

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

Lunar held no financial instruments at 31 December 2020.

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

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G26 Contractual obligations and contingencies, etc.

Contingent liabilities

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

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

G27 Related parties

The ownership of Lunar Group is disclosed on page 3.

Group entities comprises the following legal entities:

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

G28 Acquired operations

During 2021, Lunar Group made two acquisitions of subsidiaries. In June, Lunar Group acquired the shares in Lendify AB (Sweden). Lendify operates a lending business in Sweden with competitive interest rates based on data-driven credit score models. In the Lendify acquisition all regulatory activities were sold to Lunar Bank A/S as part of the transaction. In the purchase price allocation, it has been concluded that goodwill in the transaction solely relates to the regulatory activities. Hence, the goodwill is recognised at the balance sheet of Lunar Bank A/S. Massive synergies from the transaction are expected, especially in optimizing the funding structure of the lending business.

Lunar Payments ApS[1] was acquired in October 2021. The company's activities within payments are aimed at strengthening the Group's strategic investment in the payment area. With the acquisition, Lunar Group will have access to technology and customers in the payment area.

[1] Before February 2022 the name of Lunar Payments ApS was Paylike APS

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G28 Acquired operations (continued)

Specification of acquired net assets from Lendify AB and Lunar Payments ApS:

DKK'000	Lendify AB	Lunar Payments ApS
Receivables from credit institutions	135,015	1,822
Loans at amortised costs	1,643,003	0
Other intangible assets	145,668	12,339
Property, land and equipment	4,952	0
Other tangible assets	1,260	0
Deferred tax assets	114,417	0
Other assets	30,979	6,346
Prepayments	0	89
Acquired assets at fair value in total	**2,075,294**	**20,596**
Other liabilities	1,692,179	3,181
Tax liabilities	0	693
Deferred tax liabilities	29,178	2,715
Other provisions	750	0
Acquired liabilities and provisions at fair value in total	**1,722,107**	**6,589**
Acquired net assets at fair value in total	**353,187**	**14,007**
Goodwill	613,540	55,738
Purchase price	**966,777**	**69,745**

G29 Financial risks and policies and objectives for the management of financial risks

Lunar Group 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

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G29 Financial risks and policies and objectives for the management of financial risks (continued)

Credit risk

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

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

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

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

DKK'000	Stage 1	Stage 2	Stage 3	Total
3	2,392	0	0	2,392
2a	816,352	8,417	0	824,769
2b	1,054,476	80,109	0	1,134,585
2c	148,503	347,121	0	495,624
1	0	0	63,817	63,816
Gross carrying amount at 31 December 2021	**2,021,723**	**435,646**	**63,817**	**2,521,186**
Distribution in segments				
Public institutions	0	0	0	0
Business, including:				
Construction	41	38	1	80
Retail	49	15	0	64
Transport, hotels and restaurants	96	7	0	103
Information and communication	19	13	0	32
Finance and insurance	15	7	0	22
Other segments	130	75	0	205
Business, total	350	155	1	506
Private	2,021,373	435,491	63,816	2,520,680
Total	**2,021,723**	**435,646**	**63,817**	**2,521,186**

Loans are issued without any provided security.

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G29 Financial risks and policies and objectives for the management of financial risks (continued)

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

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

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

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

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

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

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G29 Financial risks and policies and objectives for the management of financial risks (continued)

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

Development on accumulated impairment charges on loans at amortised cost

DKK'000	Stage 1	Stage 2	Stage 3	Total
Impairment charges at 1 January 2021	977	784	5,568	7,329
Acquired operations	7,873	42,264	18,120	68,257
ECL on new assets	25,969	11,606	13,242	50,817
Transfer to Stage 1	-2,451	44,767	13,277	55,593
Transfer to Stage 2	23,861	-24,942	1,101	20
Transfer to Stage 3	20	447	-848	-381
Assets derecognised	-1,468	-13,180	-6,059	-20,707
Write offs debited to the allowance account	0	0	0	0
Other movements	5,244	-1,554	-1,603	2,087
Impairment charges at 31 December 2021	**60,025**	**60,192**	**42,798**	**163,015**

In 2021, the loans in "POCI" from 2020 have been transferred into stage 1-3.

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

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

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G29 Financial risks and policies and objectives for the management of financial risks (continued)

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

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

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

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

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

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G29 Financial risks and policies and objectives for the management of financial risks (continued)

Market and liquidity risk

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

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

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

Capital and profitability

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

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Income statement and comprehensive income (Parent)

Note	DKK'000	2021	2020
P1	Interest income	0	673
P2	Interest expense	1,469	374
	Net interest and fee income	**-1,469**	**299**
	Market value adjustments	-1,232	-39
P3,P4	Staff costs and administrative expenses	24,643	3,047
	Income from group undertakings	-705,251	-299,046
	Profit/loss before tax	**-732,595**	**-301,745**
P5	Tax for the year	0	-88
	Profit/loss after tax	**-732,595**	**-301,745**
	Exchange rate adjustments	142	0
	Other comprehensive income after tax	-50,602	-8,123
	Total comprehensive income	**-783,055**	**-309,868**

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Balance sheet (Parent)

Note	DKK'000	31 December 2021	31 December 2020
	ASSETS		
P6	Receivables from credit institutions and central banks	72,722	4,991
P7	Holdings in group undertakings	2,384,635	263,324
	Bonds at amortised costs	0	75,073
P8	Other assets	31,948	1,181
	Prepayments	1,993	0
	TOTAL ASSETS	**2,491,298**	**344,569**
	LIABILITIES AND EQUITY		
	Amounts due		
P9	Other liabilities	655,143	2,481
	Total amounts due	**655,143**	**2,481**
	Provisions		
P7	Holding in group undertakings with negative values	5,596	47,285
	Total Provisions	**5,596**	**47,285**
	Equity		
P10	Share capital	1,105	691
	Share premium	2,954,123	710,753
	Retained earnings	-1,124,669	-416,641
	Total equity	**1,830,559**	**344,569**
	TOTAL LIABILITIES AND EQUITY	**2,491,298**	**344,569**

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Statement of changes in equity (Parent)

Note	DKK'000	Share capital	Share premium	Retained earnings	Total
	Equity at 1 January 2020	**508**	**296,939**	**-121,669**	**175,778**
	Capital increase	183	421,937	0	422,120
	Exchange rate adjustment	0	0	-11	-11
	Share-based payments	0	0	6,784	6,784
	Net profit/loss for the year	0	0	-301,745	-301,745
	Other comprehensive income	0	-8,123	0	-8,123
	Equity at 1 January 2021	**691**	**710,753**	**-416,641**	**294,803**
P10	Capital increase	414	2,293,972	0	2,294,386
	Exchange rate adjustment	0	0	142	142
	Share-based payments	0	0	24,425	24,425
P11	Net profit/loss for the year	0	0	-732,595	-732,595
	Other comprehensive income	0	-50,602	0	-50,602
	Equity at 30 June 2021	**1,105**	**2,954,123**	**-1,124,669**	**1,830,559**

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Capital and solvency (Parent)

Note	DKK'000	31 December 2021	31 December 2020 [1]
	Equity	1,830,559	294,803
	Intangible assets [2]	-669,278	0
	Total core capital after deductions	**1,161,281**	**294,803**
	Total core capital	**1,161,281**	**294,806**
	Total capital base	**1,161,281**	**294,806**
	Credit risk	1,758,315	264,938
	Market risk	4,636	125
	Operational risk [3]	0	0
	Total risk exposure	**1,762,951**	**266,677**
	Key figures		
	Core capital after deductions, ratio (%)	65.9	110.5
	Core capital ratio (%)	65.9	110.5
	Solvency ratio (%)	65.9	110.5

[1] In 2021 the value of holdings in group undertakings of DKK 2,384,635 thousand (2020: DKK 263,324 thousand) is included in Lunars credit risk with a weighting of 100 %. The value of group undertakings is corrected for goodwill of DKK 669,278 thousand (2020: DKK 0) that is directly related to the holdings in group undertakings. Comparative figures for 2020 have been adjusted accordingly.

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

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

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Overview over notes in the consolidated financial statement

P1 Interest income
P2 Interest expense
P3 Staff costs and administrative expenses
P4 Audit fees
P5 Tax of the year
P6 Receivables from credit institutions and central banks
P7 Holdings in group undertakings
P8 Other assets
P9 Other liabilities
P10 Share capital
P11 Proposed distribution of profit/loss
P12 Contractual obligations and contingencies, etc.
P13 Related parties
P14 Principles for intra-group trading
P15 Acquired operations

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Notes DKK'000		2021	2020
P1	**Interest income**		
	Other interest income	0	673
		0	**673**
P2	**Interest expenses**		
	Negative interest paid on deposits in credit institutions and central banks	1,374	182
	Other interest expenses	95	192
		1,469	**374**
P3	**Staff costs and administrative expenses**		
	Wages and salaries re-involved from subsidiaries	1,330	406
	Other administrative expenses	23,313	2,640
		24,643	**3,046**
	Number of employees in the financial year		
	Full-time equivalent employees	1	1
	Executive board	1	1
	Board of directors	8	5

Salaries and remuneration to the executive board and board of director were DKK 102 thousand (2020: DKK 1,005 thousand) of which incentive programs account for DKK 0 thousand (2020: DKK 0 thousand).

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Notes DKK'000		2021	2020
P4	**Fees paid to auditor appointed at the annual general meeting**		
	Statutory audit	335	222
	Other assurance engagements	200	0
	Tax services	1,678	0
	Non-audit services	154	0
		2,367	**222**

Fees for non-audit services provided by Deloitte includes and consists of various declarations tasks, objective tax advices as well as general accounting and consulting services. Deloitte has complied with Article 4(2) of Regulation (EU) No 537/2014.

P5	**Tax for the year**		
	Adjustment of current tax previous years	0	-88
		0	**-88**

P6	**Receivables from credit institutions and central banks**		
	Credit institutions	72,722	4,991
	Total	**72,722**	**4,991**
	Distribution of terms by maturity		
	Overnight	63,855	0
	Up to three months	8,867	4,991
	Total	**72,722**	**4,991**

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DKK'000	2021	2020
P7 Holdings in group undertakings		
Cost at 1 January	676,170	340,170
Additions	2,849,255	336,000
Cost at 31 December	**3,525,425**	**676,170**
Value adjustment at 1 January	-460,131	-167,858
Foreign exchange rate adjustment	141	-11
Share-based payments	18,855	6,784
Profit/loss for the year	-705,251	-299,046
Value adjustment at 31 December	**-1,146,386**	**-460,131**
Net carrying amount at 31 December	**2,379,039**	**216,039**
Negative equity values, incl. internal gains, transferred to provisions	5,596	47,285
Carrying amount at period end	**2,384,635**	**263,324**

Name and registered office	Voting rights and ownership	Profit/loss [1] (DKK'000)	Equity (DKK'000)
Lunar Bank A/S, Aarhus, DK	100 %	-515,375	1,446,587
Lendify AB, Stockholm, SE	100 %	602,436	745,546
Lunar Payment ApS, Aarhus, DK	100 %	-177	4,194
Lunar Way A/S, Aarhus, DK	100 %	-51,967	84,599
Lunar Block A/S, Aarhus, DK	100 %	-237	4,636
Lunar Way AB, Stockholm, SE	100 %	-5,148	-5,596

[1] Profit/loss of companies acquired during the year is included for the period after the acquisition date. Profit/loss is excluding PPA-adjustments and elimination of internal gains.

P8 Other assets

DKK'000	2021	2020
Intercompany receivables	6,271	616
Deposits	18,200	0
Other assets	7,477	565
	31,948	**1,181**

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P9 Other liabilities

DKK'000	2021	2020
Intercompany debt	633,617	0
Other liabilities	21,526	2,481
	655,143	**2,481**

P10 Share capital

DKK'000	2021	2020
Share capital at 1 January	691	508
Capital increases	414	183
Share capital at 31 January	**1,105**	**691**
Number of shares	1,105,274	691,066

Lunar Group does not hold own shares.

P11 Proposed distribution of profit/loss

DKK'000	2021	2020
Retained earnings	-732,595	-301,745
Total	**-732,595**	**-301,745**

P12 Contractual obligations and contingencies, etc.

Contingent liabilities
Lunar Group A/S have issued letters of Financial Support to ensure that subsidiaries 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 2022.

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

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P13 Related parties

The ownership of Lunar Group is disclosed on page 3.

Group entities comprises the following legal entities:

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

P14 Principles for intra-group trading

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

DKK'000	2021	2020
Income statement		
Re-invoiced staff costs from subsidiaries	1,330	406
Re-invoiced costs from subsidiaries	1,667	0
Interest expenses to subsidiaries	545	0
Intercompany interest income from subsidiaries	0	673
Share-based payments	24,428	6,784
Services from companies owned by members of BoD in the parent company and subsidiaries	0	4,177
Balance sheet:		
Receivables to subsidiaries	6,271	616
Payables to subsidiaries	633,617	0

P15 Acquired operations

During the first half year of 2021, Lunar Group A/S acquired 100 % of the shares in Lendify AB and Lunar Payments ApS. Please see note G28 to the consolidated financial statement for a more detailed disclosure of the expected synergies and purchase price allocations.

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