

kompassbank

interim report

H1 2023





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interim report

01.01.2023 - 30.06.2023

kompasbank a/s

Frydenlundsvej 30
2950 Vedbæk

CVR-nr. 38 80 36 11



➤ Our ambition is to help SMEs reach their full potential, and we will do that by delivering, in due course, above and beyond banking services to become a prime growth enabler for SMEs.

Introduction & business activities. kompasbank a/s is a Danish bank catering for small- and medium-sized (SMEs) companies, and provides loans and credit facilities for fixed- and current assets, working capital, property and minor acquisition financing, and green transitions.

Purpose. Our ambition is to help SMEs reach their full potential, and we will do that by delivering, in due course, above and beyond banking services to become a prime growth enabler for SMEs.

The market we are addressing. The SMEs are by far the single most important contributors to the Danish, Scandinavian, and European economy. They account for most of the job creation, most of the economic value add, and they serve a critical role in local communities. The market in Denmark alone runs into tens of billions of EUR, or hundreds of billions of DKK. And the market in Europe runs into trillions of EUR.

kompasbank is addressing this market with new technology and modular infrastructure. We are scaling across borders and we can select customers across industries in a type and manner not previously seen in the industry.

Looking back at the first half of 2023

Macro environment. H1 2023 was characterised by rising interest rates, the ongoing war in Ukraine, but also a recession that didn't quite materialise as many economists predicted, as we saw a decrease in inflation rates in Europe, mainly driven by a fall in energy prices, and still showing low unemployment rates across Europe. We also saw an expansion of AI tools – mostly due to the late-2022 premiere of ChatGPT, and a technology stock market (Nasdaq) that rose +30% (highest return in 40 years for a H1).

And then, there was SVB and the ramifications of the collapse which caused banks to be re-priced on contagion fear, just before reporting record profits, boosting bank valuations once again.

Despite these uncertainties we have stayed on course to execute our strategy of building a diversified SME loan portfolio, and build out our business both in terms of products and geographies. Our long term business plan has not changed despite these quite significant events.

Business lines. We operate three distinct business lines. First, SME lending, in which we provide loans for our SME customers. Second, deposits & savings, in which we provide competitive savings yields for our deposit customers. Third, our platform services, which operates our marketplace that provides digital optimization opportunities for our customers.

➤ At its core, KompasBank is using technology and people to efficiently perform the original purpose of banking; to help allocate capital resources to where they create the most value.

Lending growth. Lending has shown acceptable and satisfactory growth during the first half year. We started the year with mDKK 802.4 in loans, and at the end of June 2023 we managed mDKK 1,147.5 in loan balance (43% YTD growth) and loan commitments balance was mDKK 45.1. The loans have been disbursed to companies in numerous industries, loan sizes, geographical locations, and durations.

Deposit growth. Deposits have shown acceptable and satisfactory growth during the first six months of 2023. We started the year with mDKK 1,537 in deposits, and at the end of June 2023 we managed mDKK 2,236 (46% YTD growth) providing us with a comfortable deposit base to support our continued expansion in lending activities.

Platform Services. In 2022 we launched our first version of our B2B digital marketplace, called "Navigator", which almost immediately onboarded +30 new partners; during 2023 this number has expanded to +60 partners. The 9 areas covered by our partners and the marketplace are administration, sustainability, accounting & bookkeeping, HR & people management, legal, marketing, finance, risk management, and sales. The marketplace provides an easy overview of digital services that removes friction in the customers day-to-day life, saves money, and releases a lot of time, otherwise spent on administrative responsibilities

Customers. We have grown to have thousands of retail deposit customers, and hundreds of SME lending customers. Each and every customer has their own reason for doing business with us, and we need to be able to service all of them, including their individual needs and requirements. This all sounds quite straightforward and obvious. But it's really not, it requires continuous investments and focus to maintain our relevance and ability to perform in a manner that persuades customers to move their business with us.

As a bank, we hold a special position in society. We are safeguarding and growing people's financial savings, but we are also a provider of buying power. Credit provides our SME customers with immediate buying power. Giving businesses, municipalities and public owned companies the ability to buy goods and services, hire people, make investments and grow their communities are a good and necessary thing. At its core, KompasBank is using technology and people to efficiently perform the original purpose of banking; to help allocate capital resources to where they create the most value.

People & Culture. In the first half year of 2023 we've net onboarded 9 new employees (we call them navigators), taking our total headcount to 72. Over the course of the next 12-24 months one of our biggest focus areas in the people and culture area will be to make implicit structures and beliefs explicit. To ensure that all of our people are very clear on our vision and how their specific role contributes.

Results. The result for the first half of 2023 shows a loss before tax of mDKK 59.7 (mDKK 32.3 for H1 2022). Our monthly net interest and fee income has increased by 258% since December 2022 while the operational cost base increased by 15.9% throughout H1.

Our H1 2023 balance sheet stands at mDKK 2,458 (mDKK 1,756 at end-2022).

Looking forward

Financial Outlook. During the first half of 2023 the bank's financial position has improved on a monthly basis, and is expected to continue with an increasing loan book. However, the bank is expected to post a loss for the full year 2023 in the range of mDKK 75-100, an uptick from the previously expected loss of mDKK 50-70. The reason for the changed full year expected result is due to a regulator-imposed temporary pause in lending activities in Spain and build up of impairments.

Being able to show growth in revenues and keep an attractive margin are affected by both internal and external factors. Internally, financial cost discipline, sales scalability, operational efficiency all contribute to the equation. Externally, interest rates, regulatory requirements, competition, macro economic development and more all play a role. That is why we focus on building a robust operating engine on one side, and profitable customer products on the other. A combination which should be able to prosper even during difficult circumstances.

➤ We will continue to make investments to deliver on our mission and vision statements over the coming years, supported by raising additional equity capital both in the coming quarters and going forward.

We will continue to make investments to deliver on our mission and vision statements over the coming years, supported by raising additional equity capital both in the coming quarters and going forward. Our commitment to deliver on our mission means that we are carefully balancing our investments in present and future income streams. We expect that such investments will result in growing diversified revenues, while accepting that investments of such magnitude take time to fully materialise. This approach is prioritised with a strong focus on our long-term RoE potential.

➤ We plan to continue to invest in building a cohesive SME product- and service experience that includes, but also goes above and beyond, traditional banking products.

Product Outlook. At the end of 2022 we entered into the Spanish SME lending market in cooperation with a local partner, and this relationship has since developed into a deeper collaboration.

We plan to continue to invest in building a cohesive SME product- and service experience that includes, but also goes above and beyond, traditional banking products. In 2023 and 2024, we expect few, but impactful, product launches during the year.

Over the course of the next 12-24 months we expect to expand our deposit taking products, in order to further diversify our funding structure and provide new services for our customers.

Operational Outlook. 2023 will be an important year from an operational point of view. As we continue to grow, we must ensure that our foundation is both stable and robust, in order to efficiently and safely manage an increasing customer inflow and an increasing product suite. We have therefore decided to make several important investments in this area, the effects of which will be seen already in 2023, and more clearly in 2024. This covers both KYC/AML, regulatory reporting, customer relationship management, sales- and marketing automation and financial reconciliation.

Our investments in – and leverage of – the technology opportunities available also requires the bank to be attentive towards legislative changes and sustainability expectations. We do not view this as a standalone project, but an integrated part of our daily operations and milestones.

Please note that financial, product and operational outlooks are always uncertain, and as such may change due to numerous factors which the bank does not control.

Capital and Liquidity

Capital. At end-June 2023 the bank's capital base was mDKK 208.5, which consists of common equity tier 1 capital. The risk weighted exposure was mDKK 868.2 and the capital ratio was 24.0%.

Management has determined the required own funds by taking the expected growth of the lending book into account, and allocating capital for all relevant risks for the next 12 months. The bank's required own funds including regulatory buffers has been determined to be mDKK 184.4 at end of June 2023 and with a total capital of mDKK 208.5, the excess capital is mDKK 24.1. The bank will raise additional capital during 2023 to support growth opportunities and aspirations.

The Danish FSA has set the minimum requirement for own funds and eligible liabilities (MREL) to 16.1% of the risk-weighted exposure and 3% of the bank's total exposure measure (as defined by CRR article 429) at end-June 2023.

Liquidity. At end-June 2023 the bank had an adequate liquidity coverage measured by an LCR ratio of 479% and NSFR ratio of 212%. The bank has set internal limits for LCR at 150% and NSFR at 110%.

Supervisory Diamond. The Danish FSA has identified four risk indicators for banks and has set limit values with which all Danish banks must comply. The requirements are known as the Supervisory Diamond.

The limits of the Supervisory Diamond and the bank's current figures per 30 June are as follows:

Indicator	Limit	H1 2023
Sum of large exposures	< 175%	164%
Property exposure	< 25%	11%
Lending growth	< 20%	154%
Liquidity indicator	> 100%	431%

As of 30 June 2023, the bank complies with 3 of the 4 thresholds in the diamond. The benchmark for lending growth is breached since the lending book is in the build-up phase.

Risk factors and uncertainties

Risk Landscape. The overall objective when managing risk at kompasbank is to enable the best decision making, in a sensible and risk adjusted manner. With an outset in the bank's business model, the bank is implementing an enterprise risk management approach based on the bank's risk assessment and the resulting Risk Landscape. The bank's Risk Landscape consists of the following risk areas, which all have more granular sub-risks :

- Credit Risk
- Liquidity & Funding Risk
- Market Risk
- Operational Risk
- Financial Crime Risk
- Information Security & Cyber Risk
- Strategic Risk
- Regulatory Compliance Risk

Risk areas of the bank. The Financial Crime Risk area has been elevated to a level 1 risk area (previously it was covered as a sub-risk area). This is done in order to ensure adequate attention and prioritisation in light of the bank's recent expansion into new markets. A further elaboration of the bank's risks, policies and objectives can be found in the Annual Risk Report (Pillar 3 Disclosures).

3 Lines of Defence. The bank has adopted the three lines of defence model, with the bank's external auditor constituting the third line of defence. As part of the three lines of defence set-up, risk ownership as well as risk culture is continuously matured with the build-up of the organisation in order to obtain the appropriate control environment.

Emerging Risks. We still see a significant risk of a genuine economic crisis, however, the low unemployment across Europe and the US along with falling, however still high, inflation rates have mildend the risk picture compared to what we saw when we entered into 2023. The continued tense geopolitical situation with China and the continued war in Ukraine still imposesignificant risks in H2 2023. The capital markets have continued to show whipsaw performance with Nasdaq having its best H1 in 40 years, and SP500 and MSCI World ending H1 markedly higher. On the other side, IPOs have been very quiet and not provided meaningful opportunities to attract new capital for companies world wide – this picture has also continued in the private markets, evidenced by several high profile tech companies having valuations readjusted lower.

Events since the balance sheet date

No events have occurred in the period up to the presentation of the interim report H1 2023, which materially affect the bank's financial position.



The Executive Management and the Board of Directors have today reviewed and approved the interim report for 1 January – 30 June 2023 of kompasbank a/s.

The Financial Statements have been prepared in accordance with the Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

In our opinion, the Financial Statements give a true and fair view of the bank's assets, liabilities, equity and financial position at 30 June 2023 and of the results of the bank's operations for the financial period 1 January - 30 June 2023.

Further, in our opinion, the Management Report gives a fair review of the development in the operations and financial circumstances of the bank as well as a description of the material risk and uncertainty factors which may affect the bank.

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

Vedbæk, 25 September 2023

Board of Directors

Jeppe Brøndum, chairman

Karin Cecilia Hultén

Johan Lorenzen

Christian Motzfeldt

Ian Douglas Wilson

Executive Management

Michael Hurup Andersen



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Income statement and comprehensive income

DKK '000	Note	H1 2023	H1 2022
INCOME STATEMENT			
Interest income		60,653	4,685
Negative interest income		14	412
Interest expenses		24,030	207
Net interest income		36,609	4,066
Fee and commission income		774	91
Fee and commission expenses		15,102	276
Net interest and fee income		22,281	3,881
Value adjustments	4	1,771	-457
Staff and administrative expenses		46,413	30,731
Depreciation, amortisation and impairment charges for intangible and tangible assets		5,807	1,079
Impairment charges for loans, advances and receivables	5	31,528	3,871
Profit before tax		-59,696	-32,257
Tax	6	0	0
Profit for the period		-59,696	-32,257
COMPREHENSIVE INCOME			
Profit for the period		-59,696	-32,257
Other comprehensive income		0	0
Comprehensive income for the period		-59,696	-32,257
Proposed distribution of profit			
Retained earnings		-59,696	-32,257
Total proposed distribution of profit		-59,696	-32,257

Balance sheet

DKK '000	Note	H1 2023	2022
ASSETS			
Receivables from credit institutions and central banks		141,178	206,064
Loans, advances and other receivables at amortised cost	7	1,147,482	802,370
Bonds at fair value		1,116,909	702,729
Intangible asset		31,518	27,683
Land and buildings			
Leased domicile property		5,970	7,348
Other tangible asset		1,729	1,281
Other assets		6,671	2,041
Prepayments		6,602	6,911
Total Assets		2,458,062	1,756,427
LIABILITIES AND EQUITY			
Deposits and other debt		2,236,268	1,537,084
Other liabilities		10,067	10,511
Period accruals		3,178	3,842
Total liabilities		2,249,515	1,551,437
Share capital		50,700	48,391
Share premium		367,485	306,927
Retained earnings		-209,639	-150,329
Equity		208,547	204,990
Total liabilities and equity		2,458,062	1,756,427

Contractual obligations and contingencies

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Statement of changes in equity

DKK '000	Share capital	Share Premium	Retained Earnings	Total
2022				
Equity, 1 January 2022	44,756	217,951	-77,593	185,114
Profit for the period	0	0	-32,257	-32,257
Capital Increase	50	15	0	64
Share-based payments	0	0	664	664
Equity, 30 June 2022	44,806	217,966	-109,186	153,585
Equity, 1 July 2022				
Equity, 1 July 2022	44,806	217,966	-109,186	153,585
Profit for the period	0	0	-41,739	-41,739
Capital Increase	3,586	88,961	0	92,547
Share-based payments	0	0	596	596
Equity, 31 December 2022	48,391	306,927	-150,329	204,989
2023				
Equity, 1 January 2023	48,391	306,927	-150,329	204,989
Profit for the period	0	0	-59,696	-59,696
Capital Increase	2,309	60,558	0	62,867
Share-based payments	0	0	386	386
Equity, 30 June 2023	50,700	367,485	-209,639	208,546

notes



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1. Accounting policies

BASIS OF PREPARATION

The interim report of kompasbank 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 are unchanged compared with the annual report for 2022.

All figures in the Financial Statements are rounded to the nearest 1,000 DKK, unless otherwise specified.

The totals stated are calculated on the basis of actual figures prior to rounding. Due to rounding-off to the nearest 1,000 DKK, the sum of individual figures and the stated totals may differ slightly.

2. Capital and capital adequacy

DKK '000	H1 2023	2022
Equity	208,547	204,990
Intangible Assets	0	-16,512
Total core capital after deductions	208,547	188,478
Credit risk	823,633	601,305
Market risk	71	23,937
Operational risk	44,472	44,472
Total risk exposure amount	868,176	669,714
Core capital after deductions ratio, %	24.0	28.1
Core capital ratio, %	24.0	28.1
Total capital ratio, %	24.0	28.1

Software assets are recognised in the capital base when taking into use and with 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 mDKK 31.5 at 30 June 2023, (31 December 2022: mDKK 11.2).

3. Five-year financial highlights

DKK'000	H1 2023	H1 2022	H1 2021	H1 2020	H1 2019
SUMMARY INCOME STATEMENT					
Net interest and fee income	22,281	3,881	-177	-5	0
Value adjustments	1,771	-457	-112	-5	-3
Staff and administrative expenses	46,413	30,731	11,761	7,512	10,742
Depreciation, amortisation and impairment charges for intangible and tangible assets	5,807	1,079	0	69	0
Impairment charges for loans, advances and receivables	31,528	3,871	0	0	0
Profit (loss) before tax	-59,696	-32,257	-12,050	-7,591	-10,745
Tax	0	0	0	0	0
Profit (loss) for the period	-59,696	-32,257	-12,050	-7,591	-10,745
SUMMARY BALANCE SHEET, END OF PERIOD					
Loans, advances and other receivables	1,147,482	452,036	0	0	0
Equity	208,547	153,586	129,845	3,233	2,291
Total Assets	2,458,062	660,954	134,629	8,396	7,500
FINANCIAL RATIOS					
Total capital ratio, %	24.0	44.8	279.8	-	-
Tier 1 capital ratio, %	24.0	44.8	279.8	-	-
Return on equity before tax, %	-28.9	-19.1	-18.4	-	-
Return on equity after tax, %	-28.9	-19.1	-18.4	-	-
Income:Cost ratio	0.3	0.1	0.0	-	-
Interest rate risk, %	2.6	1.4	0.4	-	-
Currency position	252.6	0.0	0.0	-	-
Currency risk	0.1	0.0	0.0	-	-
Loans and advances: deposits	0.5	0.9	0.0	-	-
Loans and advances: equity	5.5	2.9	0.0	-	-
LCR, %	479	7,378	-	-	-
Sum of large exposures, %	164	163	0	-	-
Growth in loans and advances for the period, %	43	841	-	-	-
Impairment charges for the period, %	2.7	0.8	0.0	-	-
Return on assets (%)	2.4	-4.9	-9.0	-	-

kompasbank a/s received the bank licence in March 2021, no ratios have been calculated for the prior interim periods.

4. Value adjustments

DKK'000	H1 2023	H1 2022
Bonds at fair value	1,491	-431
Foreign exchange	279	-27
Total value adjustments	1,771	-457

5. Impairment charges for loans, advances and receivables

DKK'000	H1 2023	H1 2022
New impairment provisions as a result of additions and change in credit risk	33,899	4,087
Releases as a result of change in credit risk	-2,488	-216
Previously written down for impairment, now written off	117	0
Total impairment provisions	31,528	3,871

DKK'000	Stage 1	Stage 2	Stage 3	Impairment on initial recognition	Total
Total, 1 January 2023	9,910	1,165	697	0	11,772
Previously written down for impairment, now written off	0	0	-697	0	-697
New impairment provisions as a result of additions and change in credit risk	4,690	12,604	16,603	0	33,899
Releases as a result of change in credit risk	-2,130	-358	0	0	-2,488
Transfer to stage 1	0	0	0	0	0
Transfer to stage 2	-993	993	0	0	0
Transfer to stage 3	-443	0	443	0	0
Total impairment provisions, 30 June 2023	11,036	14,404	17,046	0	42,486
IMPAIRMENT PROVISIONS					
Total, 1 January 2022	477	0	0	0	477
Impairment provisions for new loans and advances (additions)	3,722	365	0	0	4,087
Additions as a result of changes in credit risk	0	0	0	0	0
Releases as a result of change in credit risk	-216	0	0	0	-216
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
Previously written down for impairment, now written off	0	0	0	0	0
Total impairment provisions, 30 June 2022	3,983	365	0	0	4,348

Included in the impairment numbers above is an management judgement of mDKK 2.7 covering lack of forward looking information in the PD-levels allocated to the loans and to cover potential operational deficiencies related to the impairment calculation.

6. Tax

DKK '000	H1 2023	H1 2022
Current tax for the year	0	0
Deferred tax adjustment for the year	0	0
Total	0	0

As of 30 June 2023 the bank has unrecognised deferred tax assets in the level of mDKK 50-60 that can be set off against future taxable income. The effective tax rate is 0%.

7. Loans, advances and other receivables at amortised cost

DKK '000	H1 2023	2022
Bank loans and advances	1,147,482	802,370
Total	1,147,482	802,370

8. Contractual obligations and contingencies

On 30 June 2023 granted loans amounted to mDKK 45.1 (31 December 2022 mDKK 128.2).

Guarantee and resolution schemes

kompasbank a/s participates in the mandatory Danish deposit guarantee scheme and the Danish Resolution Fund, which are administered by Finansielt Stabilitet.

The purpose of the Danish Guarantee Fund is to provide cover for depositors and investors of failing institutions included in the Fund's scheme. The scheme includes both natural and legal persons, and deposits are covered by an amount equivalent to EUR 100,000 per depositor and EUR 20,000 per investor.

The Danish Resolution Fund (a finance scheme) is funded by annual contributions from participating banks, mortgage lenders and investment companies, and the assets of the scheme must make up 1% of the sector's covered deposits. Participating institutions make annual contributions to cover any losses incurred by the Danish Resolution Fund in connection with the resolution of failing institutions.

Contractual obligations to vendors

The bank has contractual obligations to IT vendors. The obligations amount to a total of mDKK 9.2 as of 30 June 2023 (31 December 2022 mDKK 8.6).

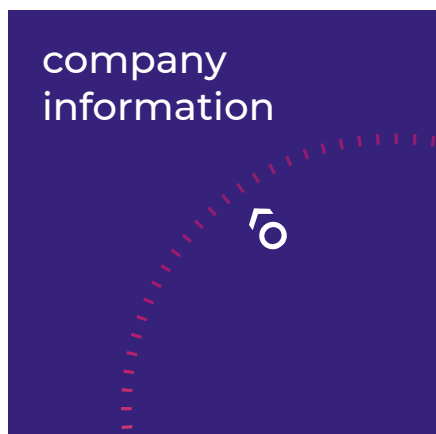
9. Related parties

Related parties include members of the Executive Management and members of the Executive Board. All transactions with related parties are carried out on market terms.

10. Shareholder relations

kompasbank a/s has registered the following shareholders with more than 5% of the share capital's voting rights or face value:

- Norby Group ApS, Aarhus C
- Equilibria ApS, København K
- Jeppe Brøndum, Charlottenlund
- Wandt Invest ApS, Hørsholm
- Oryza Capital SL, Valencia, Spain



Name	kompasbank a/s
Address	Frydenlundsvej 30 2950 Vedbæk Denmark
CVR-no	38 80 36 11
Financial period	1 January - 31 December
Homepage	www.kompasbank.dk
Board of Directors	Jeppe Brøndum, Chairman Charlottenlund Karin Cecilia Hultén Charlottenlund Christian Motzfeldt København Johan Lorenzen Frederiksberg Ian Douglas Wilson Edinburgh
Executive Management	Michael Hurup Andersen, CEO Vedbæk
Auditors	PricewaterhouseCoopers Revisionspartnerselskab Hellerup