

# Revolut Bank



## Revolut Bank UAB

Annual report and financial statements  
for the year ended 31 December 2022

# Revolut Bank

Annual Report for the year ended 31 December 2022

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## Annual Report

### 1. Reporting period covered by this report

This annual report is prepared for the annual period of 2022. Annual report covers the information on Revolut Bank UAB (further referred to as the Bank).

### 2. Overview of the Bank's status and development

The Bank is a credit institution incorporated and licensed in the Republic of Lithuania with company number 304580906 and authorisation code LB000482 and whose registered office is at Konstitucijos ave. 21B, 08130 Vilnius, the Republic of Lithuania. The Bank was granted a specialised banking licence in December 2018, and a full banking licence in December 2021 to offer payment, deposit, credit products and other services to its customers in accordance with Articles 4(2), 4(3) and Article 9 (2-1) of the Law on Banks of the Republic of Lithuania. The entity is directly supervised by the Bank of Lithuania (further referred to as BOL).

Since 7 June 2022 the Bank is a wholly owned subsidiary of Revolut Holdings Europe UAB (further referred to as RHE) which in turn is a wholly owned subsidiary of Revolut Group Holdings Ltd (further referred to as Group TopCo).

On the 1st July 2022, the Bank merged with Revolut Payments UAB, thereby simplifying the offering to its customers as well as streamlining the organisational structure.

Revolut Bank UAB has registered the following branches in the EU:

- Revolut Bank UAB (Belgian Branch), which was incorporated on 19th April 2021, registered address: Louise Centre, Stephanie Square Centre, Avenue Louise 65, 1050 Brussels, Belgium
- Revolut Bank UAB (Netherlands Branch), which was incorporated on 9th August 2022, registered address: Avenue Barbara Strozzi 201, 1083HN Amsterdam, Netherlands
- Revolut Bank UAB (Sp z o.o.) Oddział w Polsce (Polish Branch), which was incorporated on 26th January 2021, registered address: Podium Park, al. Jana Pawła II, 43a, 31-864 Kraków, Polska
- Revolut Bank UAB - Sucursal em Portugal (Portugal Branch), which was incorporated on 18th May 2022, registered address: Sitio, Rua do Campo Alegre, 774 Distrito: Porto Concelho: Porto Freguesia: Lordelo do Ouro e Massarelos 4150 171 Porto, Portugal
- Revolut Bank UAB Magyarországi Fióktelepe (Hungarian Branch), which was incorporated on 14th January 2021, registered address: Radnóti Miklós utca 2, 1137 Budapest, Hungary
- Revolut France succursale de Revolut Bank UAB (French Branch), which was incorporated on 12th July 2022, registered address: 3 Rue de Stockholm (Patchwork) Saint Lazare, 75008 Paris, France
- Revolut Bank UAB (Irish Branch), which was incorporated on 4th May 2022, registered address: 2 Dublin Landings, North Dock, Dublin 1, Ireland
- Revolut Italia, Branch di Revolut Bank UAB (Italian Branch), which was incorporated on 19th April 2022, registered address: Via Archievescovo, Calabiana, 6, 20139 Milano, Italy
- Revolut Bank UAB, Zweigniederlassung Deutschland, Germany, which was incorporated on 17th January 2023, registered address: Gontardstraße 11, 10178 Berlin, Germany
- Revolut Bank UAB Sucursal En España, which was incorporated on 7th March 2023, registered address: C/ Serrano 20 - Cloudworks Madrid, 28001 Madrid, Spain. NIF code W0250845E.

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The Bank has no investments into subsidiaries and/or associated companies.

The Bank was fully operationalised in May 2020 by offering insured deposit accounts. The Bank is currently offering the following products via the Revolut financial app:

- **Deposits.** Instant access demand deposit accounts to retail clients in over 31 currencies.
- **Physical/virtual payment cards.** debit and credit cards with and without additional membership plans.
- **Payment services.** Payments and top-ups with Mastercard / Visa Card, SEPA payments and direct debits, international transfers via Swift and other vendors, e.g. Currency Cloud, peer2peer payments between Revolut users.
- **Retail credit.** consumer credit in the form of unsecured consumer loans, credit cards and pay-later instalment products in currently five countries, Lithuania, Poland, Ireland, Romania and Spain (since Jan 2023). Not all loan types are offered in all five countries.
- **Saving vaults.** Interest bearing deposit accounts held with third party banks. Currently the Bank does not offer its own interest bearing deposit accounts.
- **Junior accounts.** Revolut <18 is the account for everyone, aged 6-17.

The Revolut Group's ambition is to provide a global financial super app. By offering retail and business customers an ever-expanding range of financial services that are superior to legacy banks in both speed and quality and with greater control over their finances. With a service that is both data-driven and personalised, Revolut empowers customers to achieve financial independence and security through smarter, more informed decisions about how they spend, save or grow their money.

There are no physical branches and all customer support is provided via mobile-app/web-app chat.

The Equity of the Bank was at EUR 396.8 million as of 31 December 2022 (EUR 252.9 million as of 31 December 2021). Total Assets of the Bank were at EUR 8,779.5 million as of 31 December 2022 (EUR 4,878.4 million as of 31 December 2021). During 2022, the Bank earned EUR 40.4 million of interest income and EUR 443.5 million commission income (EUR 1.3 million and EUR 247.6 million in 2021). In 2022, the Bank incurred a profit of EUR 23.6 million (EUR 43.6 million in 2021).

The Bank's compliance with prudential ratios as of 31 December 2022 (per cent) is presented in the table below:

Capital adequacy	22.1
Liquidity coverage	1,424.3

As at 31 December 2022 and 2021 Revolut Bank UAB did not hold its own shares. No treasury shares were acquired or transferred during the reporting period.

Revolut Bank UAB did not carry out any research and development activities during the reporting period.

In 2022 and 2021 Revolut Bank UAB did not monitor the impact of its own activities on the environment, because Revolut Group already measures its impact at a global level. Revolut measures its global carbon footprint, in line with industry standards, following the Greenhouse Gas Protocol, and including all Scope 1, 2 and 3 emissions in our calculations.

Revolut is committed to measuring and reducing its global carbon footprint and, in summer 2021, we engaged an independent adviser, Watershed, to help us measure our carbon footprint in real-time, establish clear strategies to

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reduce our impact in every aspect of our business, and report on those emissions. See here for further details on Revolut's sustainability activities: <https://www.revolut.com/sustainability>.

The Bank of Lithuania adopted the decision to designate the Bank as another systemically important institution (O-SII) on 20 December 2022. Pursuant to the legal regulations, the Bank of Lithuania has forwarded this decision to the European Systemic Risk Board (ESRB) and Revolut Bank UAB should fall under direct supervision of the European Central Bank (Single Supervisory Mechanism) and the Single Resolution Board (Single Resolution Mechanism) in near future. Revolut Bank UAB is preparing for the additional supervision by these EU level authorities.

### 3. Strategy and plans

Revolut Bank UAB has successfully completed public launches of the services in all EEA countries in 2021/22 via passporting. The Bank offers many of its products and services to customers at low cost. This model has proven significant in building a customer base and increasing customer usage of the Bank's services. The main aim of the Bank is to become the primary account for its customers. An important step to achieve this target is the ability to offer current accounts with local IBANs. The Bank has planned the establishment of branches in 11 EEA member states (Poland, Romania, Hungary, Spain, Portugal, Italy, France, Germany, Belgium, the Netherlands and Ireland), in order to facilitate the provision of local account details to Revolut customers in each country, once they have migrated to their respective branch. As of the end of 2022, all EEA customers have Lithuanian denominated account details (i.e. have Lithuanian IBANs), except Romanian customers who have Romanian IBANs in addition to Lithuanian IBANs and customers of the French branch who have French IBANs.

Furthermore, the Bank aims to deliver on its strategy offering different forms of consumer finance across all EU markets with clear emphasis on localisation.

In addition, Revolut Bank UAB is seeking a Swiss Representative Office licence from FINMA, the Swiss regulator, to provide banking services to Swiss customers. Once this licence has been authorised by FINMA, the existing Swiss customer base will be migrated from Revolut Ltd to the Bank. The Bank will only use the Representative Office to market its services in Switzerland and new Swiss customers will be onboarded directly to the Bank.

In 2023, Revolut Bank UAB will extend the cooperation with its EU sister entities, Revolut Insurance Europe UAB to provide insurance products to the Bank's customers and Revolut Securities Europe UAB, which will provide investment services.

### 4. Organisational structure

The organisational structure of the Bank represents the specifics of the business model, where provision of the banking services is backed by advanced technologies and where a number of services and support functions are partially or fully outsourced to affiliates and other third parties.

The Supervisory Council is composed of four non-executive directors who set out the strategy of the Bank and supervise executive management in its decision making in relation to the strategy implementation.

The Supervisory Council nominates the Bank's Management Board, which is currently composed of six executives from the key areas of the business: the Chief Executive Officer (CEO), the Deputy Chief Executive Officer (the Deputy CEO), the Chief Information Officer (CIO), the Chief Financial Officer (CFO), the Chief Compliance Officer (CCO) / Deputy CEO and the Chief Risk Officer (CRO). The Management Board implements the strategy set by the Supervisory Council and is responsible for the day to day decision making in relation to that implementation.

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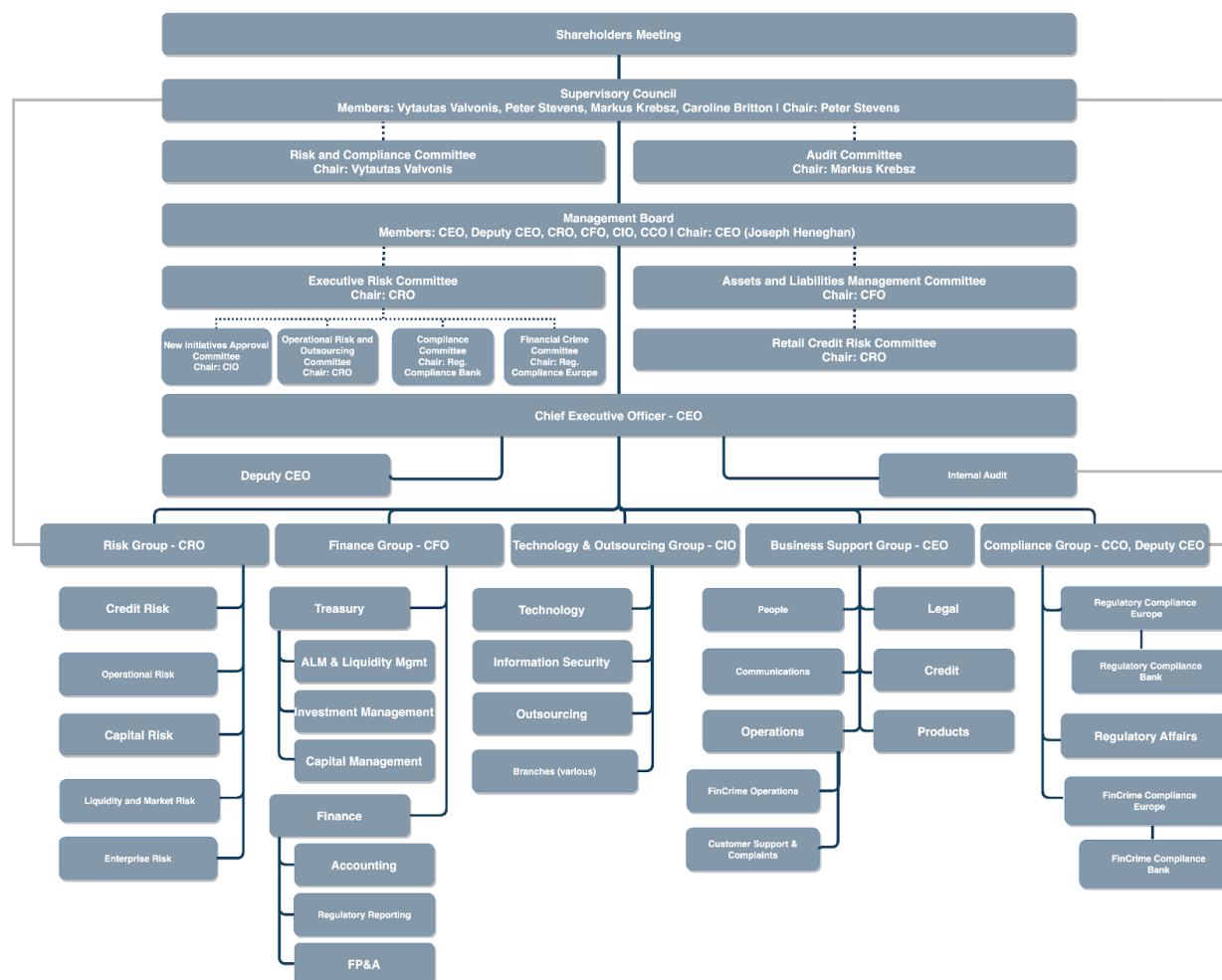
The Supervisory Council delegates specific duties to the Bank's Audit Committee. The Audit Committee consists of the three out of four members of the Supervisory Council.

The Management Board has established an Executive Risk Committee (ERC) for controlling and monitoring the risk profile of the Bank as well as Asset and Liability Management Committee (ALCO) for controlling and monitoring day to day credit and treasury related operations of the business within the risk appetite set out by the Supervisory Council and the Management Board.

In addition to other responsibilities related with chairing and being member of the Management Board and leading Business Support Group, the CEO heads the administration of the Bank and manages day to day commercial operations with responsibilities of:

- administration of the office and infrastructure;
- day to day supervision of the staff;
- routine communication with the regulatory authorities.

Table: organisational structure - roles and responsibilities of the SC, the MB and the committees



## 5. Strategy execution

The Bank's strategy execution is driven by the product offering which is designed to target mass consumers who are not satisfied with the way they are served by traditional banks. The Bank's competitive advantage stems from the following client-centric principles:

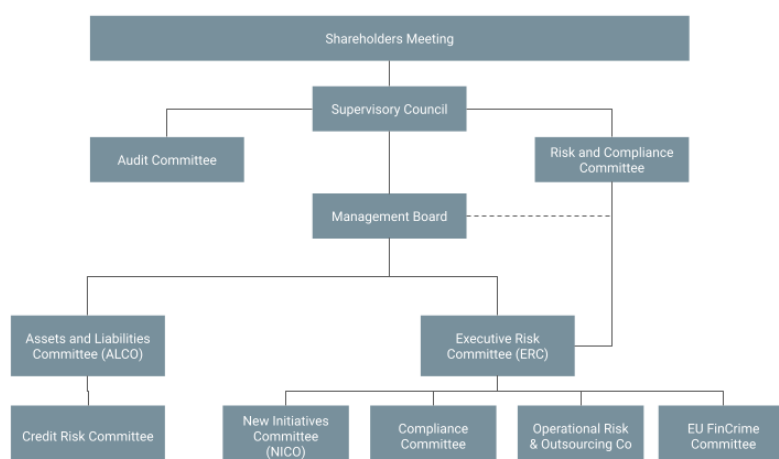
- All-in-one mobile application;
- Fair and Transparent Pricing.;
- Single Digital Channel of Service Delivery.

Revolut Bank UAB utilises an outsourcing model, mainly through outsourcing arrangements to other Revolut Group entities. This includes using Revolut Group's proprietary, mobile digital platform that delivers a seamless client experience across a wide range of financial services.

## 6. Governance structure

The Supervisory Council, which is composed of independent financial sector experts, and the Management Board team ensure efficiency of Revolut Bank UAB's governance framework.

The structure to maintain oversight of risk and (strategic) operations is formed by respective committees that provide assistance for the Supervisory Council in ensuring oversight and control of risk management and compliance with all relevant regulatory requirements and for the Management Board in ensuring oversight of the implementation of the Risk Management Framework (RMF).



**The Supervisory Council** is the custodian of Revolut Bank UAB shareholders interests. This involves:

- Delivery of legal and regulatory compliance in the local jurisdictions, where the Bank operates, ensuring that risks are identified, assessed, controlled and managed taking into account local idiosyncrasies;
- Overseeing the processes being implemented within Revolut Bank UAB, including outsourcing arrangements to other Revolut Group's entities;
- Ensure that the Management Board has continuous access and audit rights onto sister companies within Revolut Group with which the Bank has outsourcing agreements;
- Setting and approving the strategy, whose execution is delegated to the Chief Executive Officer and to the Management Board;
- Setting Revolut Bank UAB tolerance to the risks involved in delivering that strategy and monitoring the Bank's risk profile ensuring it remains within the set risk appetite;
- Providing the business oversight and control in accordance with the expectations of shareholders, customers and regulators in order to achieve the objectives set out in Revolut Bank UAB strategic and operational plans.

The key responsibilities of **the Management Board** include:

- Implementation of the strategy set by the Supervisory Council;
- Monitoring of the activities of Revolut Bank UAB staff;



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- Delivery of the financial services by Revolut Bank UAB in compliance with the legal and regulatory requirements;
- Defining and implementing the organisational structure of Revolut Bank UAB;
- Ensuring effective functioning of internal control system;
- Oversight that risks taken are within the Bank's risk appetite.

The Management Board plays an important role with respect to the risk management within Revolut Bank UAB. It provides direction and oversees for the implementation and consistent application of the Risk Management Framework (RMF) of Revolut Bank UAB. The Management Board is accountable to the Supervisory Council for the ongoing confirmation that Revolut Bank UAB risks are being effectively managed and that the risk management policies and procedures continue to be appropriate. This involves:

- Recommendation of the Risk Management Framework (RMF) for the Supervisory Council approval;
- Recommendation on the Bank's Risk Appetite Statement to the Supervisory Council on approval;
- Monitoring of the organisation's risk profile across all relevant risks, relying on material produced by the Executive Risk Committee and the Assets and Liabilities Management Committee;
- Scrutinization and, if required, triggering review of decisions made by the Executive Risk Committee and the Assets & Liabilities Management Committee that impact the organisation's risk profile;
- Ensuring that appropriate risk management system and controls necessary to manage Revolut Bank UAB risks have been implemented (including development and approval of the risk policies) and review these regularly;
- Championing risk management as well as risk exposure management and monitoring within Revolut Bank UAB in order to ensure that the level of risks assumed by Revolut Bank UAB do not exceed the risk tolerance limits approved by the Supervisory Council;
- Ensuring that Revolut Bank UAB complies with all prudential requirements;
- Providing recommendations and reporting to the Supervisory Council on the significant risks affecting the Bank and how such risks are being managed;
- Coordination of the strategic planning activities Revolut Bank UAB, which includes the assessment and quantification of the existing and future risks, monitoring the progress of the implementation of the risk mitigation measures of the respective units;
- Identification of the risks and assessment of their significance to the achievement of Revolut Bank UAB objectives, strategies and plans;
- Providing the Supervisory Council regularly with reports on exceptions that will enable the Supervisory Council to be aware of any situations in which assumed risks may occur to be not in accordance with the Bank's risk appetite, limits or policies;
- Assessment whether Revolut Bank UAB risk management policies remain appropriate in the adverse or crisis circumstances and are being followed.

**The Executive Risk Committee** is a committee of the Management Board, which focuses mainly on the non-financial risk related aspects in such areas as operational risk, financial crime risk, conduct and compliance risk, strategic risk.

The key responsibilities of the Executive Risk Committee include:

- Monitoring the Bank's risk profile against its risk appetite and approval of risk mitigation measures in case of risk limit breaches or risk incidents;

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- Setting, allocation to the relevant units and periodical review of risk limits and controls within organisation that are supplementary to the Bank's risk appetite and help managing risks on a more granular level;
- Monitoring the timely closure of risk management, controls and compliance deficiencies;
- Pre-approving new or material changes to products and services;
- Considering and approving proposed changes to policies, for which approval is delegated to the committee, and reviewing policies to be approved by the Management Board and/or the Supervisory Council;
- Exercising oversight with regard to risk assessment and risk management in relation to the Bank's change activities that impact cross-functional areas;
- Consideration and decision making on the escalation of the matters to the Management Board and/or the Supervisory Council.

The Executive Risk Committee is chaired by the Chief Risk Officer.

**The Assets and Liabilities Management Committee** is a committee of the Management Board responsible for the Bank's financial performance management, including such areas as optimisation of the Bank's balance sheet and financial asset investments, capital adequacy, management of credit risk, liquidity and funding risks, financial projections, internal transfer pricing of funds, interest rate risks and other market risks. The committee takes into account in its decisions the current and desired risk profile and risk appetite of the organisation in order to ensure that the targeted risk adjusted return is achieved.

The Assets and Liabilities Management Committee is chaired by the Head of Treasury or the Chief Financial Officer.

**The Audit Committee** supports the Supervisory Council in its activities, whilst ensuring the internal audit function (whose role is to independently control the adequacy of Revolut Bank UAB internal controls) is efficient and has sufficient authority. Further, the committee assists the Supervisory Council in assuring the quality of financial statements of Revolut Bank UAB. The members of the Supervisory Council hold the membership of the committee. The Audit Committee may also be attended by other invitees (such as the Chief Financial Officer, Head of Internal Audit or Head of Regulatory Compliance) as observers when the respective matters are handled by the Audit Committee.

**The Risk and Compliance Committee** assists the Supervisory Council in the oversight of risk and compliance related matters and the principal risks impacting the Bank, including risk governance and internal control systems, as well as overseeing the effectiveness of the Bank's Enterprise Risk Management Framework. The Risk and Compliance Committee was established in October 2022. The members of the Supervisory Council hold the membership of the committee.

## 7. Risk management and internal control

Revolut Bank UAB recognises that every employee within the organisation has responsibility for the effectiveness of the risk management and internal control framework.

Revolut Bank UAB uses the "three lines of defence" (3LoD) operating model for risk management. The three lines of defence model enhances the understanding of risk management and control by clarifying the different roles and duties expected from each employee.

The three lines of defence model distinguishes among three groups (or lines) involved in effective risk management:

- Functions that take risks and manage them;

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- Functions that are responsible for control of risks;
- Functions that perform independent assessments of the efficiency of risk management processes and internal control framework.

**The first line of defence** comprises all the risk-taking functions of Revolut Bank UAB. The functions comprising the first line of defence such as Products, Credits, Operations, Treasury, Finance, Legal or Technology are considered to be Risk Owners.

**The second line of defence** involves the risk monitoring and oversight functions of Revolut Bank UAB and consists of the Risk Management Function and the Compliance Function covering the Regulatory Compliance, the Regulatory Affairs and the Financial Crime Functions.

The Risk Management Function, headed by the Chief Risk Officer, is responsible for:

- Implementing and maintaining the Risk Management Framework with all of its components:
  - o Definition of the three lines of defence model;
  - o Definition, on-going improvement and maintenance of the risk policies and the risk taxonomy, including the risk measurement and assessment tools, models and methodologies across all material risks as well as stress testing, in line with best practices;
  - o Implementation and maintenance of the Bank's Risk Appetite framework, including the processes and methodologies used for stating and cascading risk appetite;
  - o Risk reporting, including internal reporting to the Supervisory Council, Risk and Compliance Committee, the Management Board, the Executive Risk Committee, the Assets & Liabilities Management Committee and other risk reports;
  - o Facilitating the development and improvement of Revolut Bank UAB governance structure, with a focus on the processes for risk reporting, risk monitoring and remediation of risk limit breaches, risk incidents and any other deficiencies in risk management;
  - o Development, improvement and maintenance of risk management IT solutions, which ensure the automation of the different components of Risk Management Framework;
- Risk oversight and control of the first line of defence through the on-going quality assurance and review of the the Bank's controls, which the first line of defence is responsible to comply with;
- Providing risk insights based on performed stress testing.

The Chief Risk Officer functionally reports to the Supervisory Council via the Risk and Compliance Committee and administratively to the CEO.

The Compliance Function is split into the Regulatory Compliance, the Regulatory Affairs and the Financial Crime Compliance Functions. The Compliance function is headed by the Chief Compliance Officer.

The Regulatory Compliance Function is responsible for conduct and compliance risks excluding fraud related risk, anti-money laundering, counter terrorist financing and sanctions controls (but including modern slavery, anti-bribery and corruption related risks). It has responsibility for implementing the Revolut Bank UAB conduct and compliance risk control framework. This involves (i) supporting the first line of defence in identifying actual and potential conduct and compliance related risks and implementing controls to mitigate these risks; and (ii) monitoring and testing the effectiveness of the control environment to prevent or minimise conduct and compliance risks.

The Financial Crime Compliance Function has the same responsibilities as the Regulatory Compliance function, but solely in relation to the financial crime risk, namely, fraud, anti-money laundering, counter terrorist financing and sanctions controls.

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The Regulatory Affairs Function is responsible for engaging with the regulators, scanning the horizon for new legal acts relevant to the Bank, coordinating regulatory inquiries and regulatory requirements implementation.

The Chief Compliance Officer (CCO) functionally reports to the Supervisory Council via the Risk and Compliance Committee and administratively to the CEO.

**The third line of defence** refers to the Internal Audit Function. The function is independent of the first line and second lines of defence, and its responsibilities include:

- Providing independent opinions to the Audit Committee on whether the main risks have been appropriately identified and that existing controls are adequate and effective;
- Engagement with Revolut Bank UAB top management and leading people of different functional areas providing findings about detected deficiencies, insights and recommendations in order to improve Revolut Bank UAB's internal control and risk management framework;
- Providing independent evaluation to the regulators on specific risks and controls.

The Head of Internal Audit functionally reports to the Supervisory Council (via the Audit Committee) and administratively to the CEO.

External audit routinely opines on the effectiveness of Revolut Bank UAB's internal controls in the context of the financial statements.

## 8. Employees

As of 31 December 2022, the Revolut Bank had 337 employees, (as of 31 December 2021 - 144 employees).

	31 December 2022	31 December 2021
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	337	144
Actual number of employees (excluding those on maternity/paternity leave)	332	144

A table below contains information on the number of Bank's actually working employees and average monthly salaries (before taxes).

	Number of employees		Average monthly salaries (EUR)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Managerial staff	26	6	8,430	11,929
Specialists	311	138	5,016	4,883
Total	337	144	-	-

## 9. Remuneration policy

The following information is prepared following the requirements set out in Clause 11 of the Resolution No 03-82 of the Board of the Bank of Lithuania approving the List of Minimal Requirements for Employee Remuneration Policies of Credit Institutions and Financial Brokerage companies dated 8/5/2015 that refers to Article 450 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

### *Information concerning the decision-making process used for determining the remuneration policy*

The Remuneration Policy of Revolut Bank UAB is approved by the Supervisory Council. There is no Remuneration Committee formed in Revolut Bank UAB and the Supervisory Council determines and oversees the remuneration of the members of the management function and directly oversees the remuneration of the senior management in the independent control functions, including the risk management and compliance functions. The Supervisory Council's meetings are being held at least quarterly.

The Remuneration Policy is being reviewed in order to take into consideration recent changes to the relevant EU and national legal requirements and also additional requirements to become applicable to Revolut Bank UAB as a significant institution. This review is, inter alia, based on the recommendations issued by external consultants.

### *Information on link between pay and performance*

Remuneration system applied in Revolut Bank UAB is designed to attract, maintain and motivate Bank's employees possessing the required skills and competences, promote solid performance results, trustworthy conduct, and effective risk management. Remuneration system is designed to encourage employees to consistently adhere to the ethical principles and values of Revolut Bank UAB in their work, and to act in line with the business and risk management strategy of Revolut Bank UAB.

The Remuneration system applied by Revolut Bank UAB aims to:

- ensure that the employees are paid competitive Remuneration;
- ensure that the cases of setting and principles of payment of Variable Remuneration are in the long-term interests of the Bank's continuous operation, business strategy, goals and values, promote a reliable and effective risk management, help prevent conflicts of interests, and make sure that the Remuneration paid is not providing any incentive to the employees for excessive risk-taking;
- link employee salaries to the individual evaluation of the employee's performance.

Revolut Bank UAB continuously monitors and ensures that the above goals are properly implemented and do not raise conflicts of interests (with the customers of Revolut Bank UAB or otherwise) following a review process described in detail in the Remuneration Policy. Internal Auditor will at least once per year carry out an independent internal review of the Remuneration Policy and practice (recording its results in audit reports), which shall measure whether the Bank's overall remuneration policy, practice, and processes are working as intended, are aligned with the national and international rules, principles, and standards. Risk control functions at Revolut Bank UAB help to monitor if provisions of the Policy are aligned with the Bank's position, business strategy, goals, values, if the Policy is duly enforced in practice. In addition to other functions and authorizations, the Regulatory Compliance function shall analyse the impact of the Policy on Revolut Bank UAB compliance with the legislation, regulations, internal procedures.

Remuneration principles are linked to the evaluation results of the employees. All personal conduct is first of all assessed in the context of the goals of the remuneration system of Revolut Bank UAB (as defined above) and in the light of adherence to the core values of Revolut Bank UAB.

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*Most important design characteristics of the remuneration system, including information on the criteria used for performance measurement and risk adjustment, deferral policy and vesting criteria (covering the main parameters and rationale for variable component scheme)*

The Remuneration Policy is applicable to all employees of Revolut Bank UAB as well as management and supervisory bodies who make executive decisions relating to the setting and payment of remuneration to the employees.

The remuneration of the Revolut Bank UAB consists of fixed remuneration and variable remuneration.

Fixed remuneration is the remuneration set in the employment contract with the employee or any other agreement with the employee and other long-term performance-non-related payments.

Variable Remuneration is the Share Options of Revolut Ltd. granted to employees as part of Remuneration based on sustainable and risk-adjusted performance of the Bank and Revolut Group and/or individual performance of the employee in excess of the target performance set forth in his/her function description or terms of employment (a different method for granting share options is used to grant share options to new staff being hired by the Bank as a sign-on bonus or as a bonus / reward for referral/severance or retention bonus).

The Variable Remuneration of the internal control functions is being awarded for performed work and results related to the performance of the functions assigned to them. The methods applied for the determination of the remuneration of internal control functions shall not undermine their objectivity and independence. All variable remuneration is paid to the employees in share options with a deferral and a vesting period defined in the Remuneration Policy which depends on the type of the share options awarded. Additional requirements in the Revolut Bank UAB Remuneration Policy are set to the Identified Staff (Material Risk Takers).

Identified Staff is defined as Revolut Bank UAB employees (including members of the Bank's executive staff, managing and supervisory bodies) whose professional activity and/or decisions have a material impact on the Bank's risk profile, and who are identified based on the analysis of quantitative and qualitative parameters under the criteria established in Commission Delegated Regulation (EU) 2021/923 of 25 March 2021. The list of identified staff members has been reviewed in 2022 based on the changes in staff and changes in staff responsibilities at Revolut Bank UAB.

Identified Staff comprises of the staff categories as they are listed in Commission Delegated Regulation (EU) 2021/923 of 25 March 2021 and clarified in EBA Regulatory technical standards on criteria to define managerial responsibility and control functions, a material business unit and a significant impact on its risk profile, and categories of staff whose professional activities have a material impact on an institution's risk profile (EBA/RTS/2020/05).

The Fixed Remuneration payable to Identified Staff shall reflect their professional experience and the level of responsibility at the Bank, taking into account their education, rank, competences and skills and professional experience, respective business operations, and the level of remuneration on the market.

*Ratios between fixed and variable remuneration set in accordance with Article 94(1)(g) of Directive*

Variable remuneration awarded may not exceed 100% of the Fixed Remuneration of the relevant employee for the relevant year. The General Meeting of Shareholders of the Bank may increase this ratio to 200% where all the conditions set out in the Remuneration Policy and relevant regulations are met.

*Information on the performance criteria on which the entitlement to shares, options or variable components of remuneration is based*

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Variable remuneration is awarded solely in share options. The different types of the share options that may be awarded are defined in the Remuneration Policy.

The fund / forecast for the variable remuneration for the financial year is made only after the evaluation of the Bank's (and the relevant unit's) financial performance results considering the current and future risks, the costs of working capital and liquidity upkeep. Since the variable remuneration is granted in Revolut Ltd share options by Revolut Ltd, this evaluation needs to ensure that by granting share options, Revolut Ltd shall not in any way restrict the Bank's ability to strengthen its capital base.

Variable Remuneration shall be awarded considering the financial performance results of Revolut Bank UAB (in a direct relation with Revolut Group) and the relevant structural unit for the period under evaluation and assessing quantitative and qualitative (including financial and non-financial) criteria for the evaluation of employee performance. Qualitative criteria shall include achievements of strategic goals, compliance with the internal and external rules, leadership, teamwork, creativity, motivation, proactiveness and initiative, loyalty, cooperation with other employees, achievement of goals and tasks formulated by direct supervisors, feedback from direct supervisors and the clients, etc. In all cases, this assessment shall include an assessment on how the employee complies with the high professional standards of the financial sector and how well the employee demonstrates compliance with the ethical principles of the Bank, its values and the risk management culture. The performance criteria shall be formed so that they do not incentivise excessive risk taking or mis-selling of products and shall always balance compliance and risk averseness with business goals.

Variable Remuneration may be awarded only if the respective employee has been acting fairly, no legal violations have been identified in his/her activities, and his/her activities have been given a positive evaluation over the past period of evaluation (or throughout the term of his/her employment with the Bank).

Variable Remuneration may not be awarded and awarded Variable Remuneration may not be disbursed when:

- this would run counter to the Bank's performance for a respective period and the results of performance evaluation of the employee;
- this would jeopardise and run counter to reliable and effective management of the Bank's risks;
- the payment of Variable Remuneration would encourage excessive risk-taking;
- this would not be in line with the Bank's operating strategy, goals, values, and long-term interests.

No Variable Remuneration which has already been awarded shall be paid if labour relations with an employee are terminated through the failure to execute the employee's, who is qualified as Identified Staff, obligations or such employee, qualified as Identified Staff, has decided to resign from the position and/or terminate his/her employment contract.

Revolut Bank UAB may reduce, withhold, or recover a share or the entire variable remuneration paid in cases defined in the Remuneration Policy.

Remuneration Policy also foresees mechanisms to ensure that Revolut Bank UAB employees do not use personal hedging strategies or, if applicable, insurance against decrease in Variable Remuneration to minimise the impact of the risks envisaged in the models of calculating their Variable Remuneration.

Quantitative information on remuneration is published in the Capital Adequacy and Risk Management Report (Pillar III).

## 10. Information about positions held by key management personnel

Information on other titles held by the Chief Executive Officer, Board and Supervisory Council Members of Revolut Bank UAB

Name and surname	Management Body of Revolut Bank UAB	Main workplace	Title	Other companies where management functions are held	Title
Joseph Heneghan	Management Board	Revolut Bank UAB	Chief Executive Officer of Revolut Bank UAB; Member and Chairman of the Management Board	Revolut Holdings Europe Ltd-Revolut Payments Ireland Limited  Revolut Payments Ireland Limited Dissolved 04/03/2023  Revolut Holdings Europe UAB (removed as CEO from 2023/04/13)	Board Member    Chief Executive Officer
Andrius Bičeika	Management Board	Revolut Bank UAB  Revolut Ltd branch	Deputy Chief Executive Officer of Revolut Bank UAB; Member of the Management Board  Branch Manager of Revolut Ltd branch	-	-
Oliver Schreiber	Management Board	Revolut Bank UAB	Chief Financial Officer of Revolut Bank UAB; Member of the Management Board	-	-



## Annual Report for the year ended 31 December 2022

David Corrigan	Management Board	Revolut Bank UAB	Chief Risk Officer of Revolut Bank UAB and Member of the Management Board	-	-
Vytautas Danta	Management Board	Revolut Bank UAB	Deputy CEO, Chief Compliance Officer of Revolut Bank UAB; Member of the Management Board;	<p>Revolut Securities UAB</p> <p>Association of Lithuanian Banks, Vilnius (Lithuania)</p> <p>Anti-Money Laundering Competence Center (Lithuania)</p>	<p>Member of Management Board; Chief Compliance Officer</p> <p>Member of the Compliance Committee and Financial Crime Committee</p> <p>Co-owner (Revolut) representative</p>
Felipe Penacoba Martinez	Management Board	Revolut Bank UAB	Chief Information Officer of Revolut Bank UAB; Member of the Management Board	Vesta Digital Consulting Ltd	Director

## Annual Report for the year ended 31 December 2022

Peter Stevens	Supervisory Council	N/A	N/A	<p>Company name: Cirdan Capital Management Limited Companies House registration number: 08853583 Registered address: 54 Baker street London W1U 7BU</p> <p>Company name: Gulf Capital Ltd (former name Gulf Capital Credit Partners Ltd) DIFC registration number: 1803 Registered address: Tower 2 Dubai IFC PO box 506965 UAE</p> <p>Company name: Marie Collins Foundation Companies House registration number: 07657115 Registered address: Triune Court, Monks Cross Drive, Huntington, York, England, YO32 9GZ</p> <p>Company name: P F Stevens Consultancy Limited Companies House registration number: 08719245 Registered address: Invision House, Wilbury Way, Hitchin, Herts, United Kingdom, SG4 0TY</p> <p>Company name: SME Platform Limited Companies House registration number: 09321861 Registered address: 1 Knightsbridge Green London SW1X 7NE</p> <p>Company name: Turnaround Management Association (UK) Companies House registration number: 04153243 Registered address: Insight House Riverside Business, Park Stoney Common Road, Stansted Mounrfitchet, Essex, CM24 8PL</p>	<p>Chairman Non-Executive Director</p> <p>Consultant and member of the Investment Committee for GCCP Funds I and II</p> <p>Director</p> <p>Director</p> <p>Senior Advisor and Chair of Credit Committee</p> <p>Director</p>
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## Annual Report for the year ended 31 December 2022

Markus Krebsz	Supervisory Council & Audit committee chair	N/A	N/A	Company name: Citizen Shareholders International Ltd Companies House Registration number: 12154909 Registered address: Level 39, One Canada Square, Canary Wharf, London, United Kingdom, E14 5AB	Advocate
				Company name: Citizen Shareholders Ltd. Companies House Registration number: 11596817 Registered address: Level 39, One Canada Square, Canary Wharf, London, United Kingdom, E14 5AB	NED & Co-founder
				Company name: CitizenShared CIC Companies House Registration number: 13097117 Registered address: Level 39, One Canada Square, Canary Wharf, London, United Kingdom, E14 5AB	Company Secretary
				Company name: De-Risking Solutions Ltd. Companies House Registration number: 09900565 Registered address: 8 Quarles Park Road, Romford, United Kingdom, RM6 4DE	Director & Founder
				Company name: Yamgo Ltd. Companies House Registration number: 03597254 Registered address: Unit 4 Kings Road, Swansea, Wales, SA1 8PH	NED
				Company name: Transparency Task Force Ltd. Companies House Registration number: 09698368 Registered address: 45 Creech View, Denmead, Waterlooville, Hants, United Kingdom, PO7 6SU	Ambassador
				Company name: Chartered Institute for Securities and Investments (Services) Limited, FinTech Forum Companies House Registration number: 02903287 Registered address: 20 Fenchurch Street, 3rd Floor, City of London, London, United Kingdom, EC3M 3BY	Chairman (Ex-officio)

## Annual Report for the year ended 31 December 2022

				<p>Company name: Institute of Risk Management, ERM in Banking &amp; Financial Services Special Interest Group</p> <p>Companies House Registration number: 02009507</p> <p>Registered address: 2nd Floor, Sackville House, 143 - 149 Fenchurch Street, City of London, London, United Kingdom, EC3M 6BN</p>	Advisor
				<p>Organisation name: UNECE GRM, United Nations Economic Commission for Europe, Group of Experts for Risk Management in Regulatory Systems (Intergovernmental organisation)</p> <p>Registration number: N/A (UN Charter)</p> <p>Registered address: UNECE GRM Secretary, Working Party on Regulatory Cooperation and Standardization Policies United Nations Economic Commission for Europe Office 441 - Palais des Nations - 8-14 avenue de la Paix CH - 1211 Geneva 10 Switzerland</p>	Member

## Annual Report for the year ended 31 December 2022

Caroline Britton	Supervisory Council			<p>Company name: Revolut Ltd  Registration number: 0880441  Registered address: 7 Westferry Circus, Canary Wharf, London, England, E14 4HD  Activities: financial technology company that provides banking services</p>	Non-executive Director
				<p>Organisation name: Make a Wish International  Activities: MAWI is the umbrella organisation for the national wish granting charities. Its role is to licence the brand and leverage global initiatives to support individual affiliate organisations.</p>	Audit, Finance Risk and Investment Committee Member
				<p>Company name: MoneySupermarket Group plc  Registration number: 06160943  Registered address: Moneysupermarket House, St David's Park, Ewloe, Chester, United Kingdom, CH5 3UZ</p>	Non-executive director
				<p>Company name: Sirius Real Estate Limited  Registration number: 05980788  Registered address: Birchin Court, 20 Birchin Lane, London, EC3V 9DJ</p>	Non-executive director
				<p>Organisation name: Royal Opera House Covent Garden Foundation  Registered address: Covent Garden, London, WC2E 9DD</p>	Non-Executive Director

## Annual Report for the year ended 31 December 2022

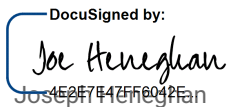
Vytautas Valvonis	Supervisory Council	-	-	<p>Organisation name: EU Delegation to Moldova Registered address: 12, M. Kogalniceanu Street, MD-2001 Chisinau, Republic of Moldova</p> <p>Revolut Holdings Europe UAB (appointed from 2023/04/12)</p>	<p>High Level Advisor on Financial Services - EU Delegation to Moldova</p> <p>Chief Executive Officer</p>
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Annual Report for the year ended 31 December 2022

## 11. Events after the reporting period

Events after the reporting period are disclosed in Note 36.

DocuSigned by:

Joe Heneghan

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Chief Executive Officer of Revolut Bank UAB

April 15, 2023

## Statement of profit or loss and other comprehensive income

EURth	Notes	2022	2021
Interest income calculated using the effective interest method	7	40,386	1,298
Interest expense	8	(12,519)	(13,823)
<b>Net interest income</b>		<b>27,867</b>	<b>(12,525)</b>
Fee and commission income	9	443,442	247,631
Fee and commission expense	10	(113,066)	(97,142)
<b>Net fee and commission income</b>		<b>330,376</b>	<b>150,489</b>
Net gains and losses on financial items	24	6,762	(7,246)
Credit loss expense on financial assets	14	(21,569)	(8,199)
Other operating income	11	46,211	14,373
<b>Net operating income</b>		<b>389,647</b>	<b>136,892</b>
Personnel expenses	12	(22,525)	(6,447)
Depreciation and amortisation	21, 22	(373)	(213)
Other operating expenses	13	(336,582)	(77,226)
<b>Total operating expenses</b>		<b>(359,480)</b>	<b>(83,886)</b>
<b>Profit before tax</b>		<b>30,167</b>	<b>53,006</b>
Tax expense	15	(6,612)	(9,357)
<b>Profit for the year</b>		<b>23,555</b>	<b>43,649</b>
Net change in fair value of debt instruments at FVOCI		400	(400)
Foreign currency translation		15	5
<b>Other comprehensive income for the year</b>		<b>415</b>	<b>(395)</b>
<b>Total comprehensive income for the year, net of tax</b>		<b>23,970</b>	<b>43,254</b>
Attributable to:			
<b>Equity holders of the parent</b>		<b>23,970</b>	<b>43,254</b>

The accompanying notes on pages 28 to 98 are an integral part of these financial statements.



## Statement of financial position

EURth	Notes	2022	2021
<b>Assets</b>			
Cash and balances with central banks	16	6,921,501	3,448,265
Due from banks	17	8,396	115,091
Due from other financial institutions	17	1,358	129,484
Debt securities	18	1,110,256	1,015,081
Equity instruments		25	25
Loans and unauthorised overdrafts	19	230,837	23,548
Due from intermediaries	20	13,135	15,716
Derivatives	24	1,261	4,737
Property and equipment and right-of-use assets	21	1,447	1,701
Intangible assets	22	-	33
Deferred tax assets	15	4,660	1,547
Other assets	23	486,599	123,169
<b>Total assets</b>		<b>8,779,475</b>	<b>4,878,397</b>
<b>Liabilities</b>			
Derivatives	24	2,800	8,284
Due to customers	25	8,083,838	4,544,087
Due to other financial institutions	26	191,561	24,155
Other liabilities	27	104,416	48,964
Provisions	28	103	32
<b>Total liabilities</b>		<b>8,382,718</b>	<b>4,625,522</b>
<b>Equity attributable to equity holders of parent</b>	29		
Share capital		36,815	36,815
Reserve capital		279,008	169,600
Retained earnings		75,071	44,451
Other reserves		5,863	2,009
<b>Total equity</b>		<b>396,757</b>	<b>252,875</b>
<b>Total liabilities and equity</b>		<b>8,779,475</b>	<b>4,878,397</b>

The accompanying notes on pages 28 to 98 are an integral part of these financial statements.

## Statement of changes in equity

for the year ended 31 December 2022

EURth	Notes	Total attributable to equity holders of the parent							
		Share capital	Reserve capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Other reserves	Total equity
<b>As at 1 January 2022</b>		<b>36,815</b>	<b>169,600</b>	<b>878</b>	<b>5</b>	<b>(400)</b>	<b>44,451</b>	<b>1,526</b>	<b>252,875</b>
Profit for the year							23,555		23,555
Other comprehensive income					15	400			415
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>	<b>400</b>	<b>23,555</b>	<b>-</b>	<b>23,970</b>
Loss cover from reserve capital			(9,592)				9,592		-
Formation of reserve capital	29		119,000	2,527			(2,527)		119,000
Share based payments	30							912	912
<b>As at 31 December 2022</b>		<b>36,815</b>	<b>279,008</b>	<b>3,405</b>	<b>20</b>	<b>-</b>	<b>75,071</b>	<b>2,438</b>	<b>396,757</b>

The accompanying notes on pages 28 to 98 are an integral part of these financial statements

**for the year ended 31 December 2021**

EURth	Notes	Total attributable to equity holders of the parent							
		Share capital	Reserve capital	Legal reserve	Translation reserve	Fair value reserve	Retained earnings	Other reserves	Total equity
<b>As at 1 January 2021</b>		<b>6,002</b>	<b>40,813</b>				<b>1,680</b>	<b>283</b>	<b>48,778</b>
Profit for the year							43,649		43,649
Other comprehensive income (loss)					5	(400)			(395)
<b>Total comprehensive income</b>					<b>5</b>	<b>(400)</b>	<b>43,649</b>	<b>-</b>	<b>43,254</b>
Issue of share capital		30,813	(30,813)						-
Formation of reserve capital	29		159,600	878			(878)		159,600
Share based payments	30							1,243	1,243
<b>As at 31 December 2021</b>		<b>36,815</b>	<b>169,600</b>	<b>878</b>	<b>5</b>	<b>(400)</b>	<b>44,451</b>	<b>1,526</b>	<b>252,875</b>

The accompanying notes on pages 28 to 98 are an integral part of these financial statements

## Statement of cash flows

EURth	Notes	2022	2021
<b>Operating activities</b>			
Profit before tax		30,167	53,006
<i>Adjustment for:</i>			
Interest income	7	(40,386)	(1,298)
Interest expense	8	12,519	13,823
Financial assets impairment	14	21,625	(7,088)
Depreciation and amortisation	21,22	373	213
<i>Changes in operating assets and liabilities</i>			
Net change in derivative financial instruments	24	(2,008)	(253)
Net change in loans and unauthorised overdrafts	19	(227,763)	(20,023)
Net change in financial assets	18	(94,877)	(1,015,506)
Change in other operating assets	23	(360,796)	(52,030)
Change in other operating liabilities	26,27	236,364	35,137
Increase in deposits	25	3,539,751	1,754,878
Gain(-)/loss (+) from exchange differences		(37,466)	4,165
Share based payments to employees	30	912	1,243
Provision for deferred assets	15	(3,113)	(1,085)
Income tax paid		(19,830)	(1,221)
Interest paid		(12,579)	(13,855)
Interest received		39,408	1,221
<b>Net cash flows from operating activities</b>		<b>3,082,301</b>	<b>751,327</b>
<b>Investing activities</b>			
Purchase of property and equipment	21	(18)	(16)
<b>Net cash flows used in investing activities</b>		<b>(18)</b>	<b>(16)</b>
<b>Financing activities</b>			
Proceeds from formation of reserve capital	29	119,000	159,600
Principal payments of lease liabilities		(349)	(168)
<b>Net cash flows from financing activities</b>		<b>118,651</b>	<b>159,432</b>
<b>Net increase in cash and cash equivalents</b>		<b>3,200,934</b>	<b>910,743</b>
Net foreign exchange difference		37,481	(4,160)
<b>Cash and cash equivalents at 1 January</b>	16,17	<b>3,692,840</b>	<b>2,786,257</b>
<b>Cash and cash equivalents at 31 December</b>	16,17	<b>6,931,255</b>	<b>3,692,840</b>

The accompanying notes on pages 28 to 98 are an integral part of these financial statements

## Notes to the Financial Statements

### 1. Corporate information

The Bank is a credit institution incorporated and licensed in the Republic of Lithuania with company number 304580906 and authorisation code LB000482 and whose registered office is at Konstitucijos ave. 21B, 08130 Vilnius, the Republic of Lithuania. The Bank was granted a specialised banking licence in December 2018, and a “full” banking licence in December 2021 to offer payment, deposit, credit products and other services to its customers in accordance with Articles 4(2), 4(3) and Article 9 (2-1) of the Law on Banks of the Republic of Lithuania. The entity is directly supervised by the Bank of Lithuania (further referred to as BOL).

Since 7 June 2022 the Bank is a wholly owned subsidiary of Revolut Holding Europe UAB (further referred to as RHE) with company number 305820090, whose registered office is at Konstitucijos ave. 21B, 08130 Vilnius, the Republic of Lithuania which in turn is a wholly owned subsidiary of Revolut Group Holdings Ltd (further referred to as Group TopCo) with Companies House number 12743269, whose registered office is at 7 Westferry Circus, Canary Wharf, London, England, E14 4HD.

On the 1st July 2022, the Bank merged with Revolut Payments UAB, thereby simplifying the offering to its customers as well as streamlining the organisational structure.

Revolut Bank UAB has registered the following branches in the EU:

- Revolut Bank UAB (Belgian Branch), which was incorporated on 19th April 2021, registered address: Louise Centre, Stephanie Square Centre, Avenue Louise 65, Brussels 1050
- Revolut Bank UAB (Netherlands Branch), which was incorporated on 9th August 2022, registered address: Avenue Barbara Strozzi 2011083HN Amsterdam, Netherlands
- Revolut Bank UAB (Sp z o.o.) Oddział w Polsce (Polish Branch), which was incorporated on 26th January 2021, registered address: Podium Park, al. Jana Pawła II, 43a, Kraków, 31-864, Polska
- Revolut Bank UAB - Sucursal em Portugal (Portugal Branch), which was incorporated on 18th May 2022, registered address: Sitio, Rua do Campo Alegre, 774 Distrito: Porto Concelho: Porto Freguesia: Lordelo do Ouro e Massarelos 4150 171 Porto
- Revolut Bank UAB Magyarországi Fióktelepe (Hungarian Branch), which was incorporated on 14th January 2021, registered address: 1137 Budapest, Radnóti Miklós utca 2, Hungary
- Revolut France succursale de Revolut Bank UAB (French Branch), which was incorporated on 12th July 2022, registered address: 3 Rue de Stockholm (Patchwork) Saint Lazare, 75008, Paris France
- Revolut Bank UAB (Irish Branch), which was incorporated on 4th May 2022, registered address: 2 Dublin Landings, North Dock, Dublin 1, Ireland
- Revolut Italia, Branch di Revolut Bank UAB (Italian Branch), which was incorporated on 19th April 2022, registered address: Via Archievescovo, Calabiana, 6, 20139 Milano, Italy
- Revolut Bank UAB, Zweigniederlassung Deutschland, Germany, which was incorporated on 17th January 2023, registered address: Gontardstraße 11, 10178 Berlin, Germany
- Revolut Bank UAB Sucursal En España, which was incorporated on 7th March 2023, registered address: C/ Serrano 20 - Cloudworks Madrid 28001-Madrid, NIF code W0250845E.

The Bank has no investments into subsidiaries and/or associated companies.

## 2. Basis of preparation

Revolut Bank UAB has prepared the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). The financial statements have been prepared on a historical cost basis with the exception for derivative financial instruments. The financial statements are presented in euros and all values are rounded to the nearest thousands, except when otherwise indicated. The Bank presents its statement of financial position in order of liquidity based on the Bank's intention and perceived ability to recover/settle the majority of assets/liabilities of the corresponding financial statement line item.

## 3. Changes in accounting policies and disclosures

### 3.1 New and/or amended standards and interpretations effective from 1 January 2022

The following standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union (further – EU) are effective for the current period and were adopted by the Bank:

- **Annual Improvements to IFRS: 2018-2020 cycle**, which issued minor amendments to IFRS 1 *First – time Adoption of International Financial reporting standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture* and the *Illustrative Examples* accompanying IFRS 16 *Leases* (effective for annual periods beginning on or after 1 January 2022).
- **Amendment to IFRS 3 *Business Combinations*** updated a reference to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. The amendments introduce an exception to the general recognition requirement for liabilities and contingent liabilities acquired in a business combination that is within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 12 *Service Concession arrangements* (effective for annual periods beginning on or after 1 January 2022).
- **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*** added paragraph 68A to specify which costs an entity includes in determining the cost of fulfilling a contract for the purposes of assess whether the contract is onerous (effective for annual periods beginning on or after 1 January 2022).
- **Amendments to IAS 16 *Property, Plant and Equipment*** prohibit from deducting amounts received from selling items produced while the asset is prepared for its intended use from the cost of property, plant and equipment. Instead, such sales proceeds should be recognised and any related costs in profit or loss rather than offset against the cost of the property (effective for annual periods beginning on or after 1 January 2022).

The application of these standards, amendments and interpretations had not a material impact on the Bank's financial statements and so have not been discussed in detail in the notes to the financial statements..

## Annual Report for the year ended 31 December 2022

### 3.2 Standards, amendments and interpretations to existing standards issued by IASB, adopted by EU, but not yet effective

At the date of authorisation of these financial statements, the Bank has not early adopted the following new and revised IFRS standards, amendments and interpretations that have been issued but are not yet effective:

- **Amendments to IFRS 17 Insurance Contracts** introduces an internationally consistent approach to the accounting for insurance contracts. The new standard takes the view that insurance contracts combine features of a financial instrument and a service contract, and that many generate cash flows that vary substantially over time. It therefore takes the approach of:
  - Combining current measurement of future cash flows with recognising profit over the period that services are provided under the contract
  - Presenting insurance service results (including insurance revenue) separately from insurance finance income or expenses, and
  - Requiring an entity to make an accounting policy choice for each portfolio whether to recognise all insurance finance income or expenses for the reporting period in profit or loss, or to recognise some in other comprehensive income.
  - IFRS 17 is effective for annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting Policies.** Amendments to IAS 1 change the disclosure requirements with respect to accounting policies from 'significant accounting policies' to 'material accounting policy information'. The amendments provide guidance on when accounting policy information is likely to be considered material. The amendments to IAS 1 are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. As IFRS Practice Statements are non-mandatory guidance, no mandatory effective date has been specified for the amendments to IFRS Practice Statement 2;
- **Amendments to IAS 8 Accounting Policies: Definition of Accounting Estimate** added the definition of Accounting Estimates in IAS 8. The amendments also clarified that the effects of a change in an input or measurement technique are changes in accounting estimates, unless resulting from correction of prior period errors (effective for annual periods beginning on or after 1 January 2023);
- **Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction** which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously. The amendments introduce an additional criterion for the initial recognition exemption under IAS 12.15, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences (effective for annual periods beginning on or after 1 January 2023);

The Bank is currently assessing the impact of these new accounting standards and amendments. The management of the Bank does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the consolidated financial statements of the Group in future periods.

### 3.3 Standards, amendments and interpretations to existing standards that are not yet effective and have not been endorsed by EU

IFRSs currently endorsed by EU are not significantly different from the standards endorsed by IASB, except the standards, amendments and interpretations that were not endorsed by EU (the effective dates are applicable to IFRS to full extent). These standards, amendments and interpretations are listed below:

## Annual Report for the year ended 31 December 2022

- Amendments to IFRS 16 *Leases: Lease Liability in a Sale and Leaseback* provide a requirement for the seller-lessee to determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* require that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement for at least twelve months after the reporting period (effective for annual periods beginning on or after 1 January 2024);
- Amendments to IAS 1 *Presentation of Financial Statements Non-current Liabilities with Covenants*. If an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, such conditions affect whether that right exists at the end of the reporting period, if the entity is required to comply with the condition on or before the end of the reporting period and not if the entity is required to comply with the conditions after the reporting period. The amendments also provide clarification on the meaning of 'settlement' for the purpose of classifying a liability as current or non-current (effective for annual periods beginning on or after 1 January 2024);

The Bank is currently assessing the impact of these new accounting standards and amendments. The management of the Bank does not expect that the adoption of these standards, amendments and interpretations listed above will have a material impact on the financial statements of the Bank in future periods.



## 4. Summary of significant accounting policies

The following are the significant accounting policies applied by the Bank in preparing its financial statements:

### 4.1. Foreign currency translation

The financial statements are presented in euros (EUR). Transactions in foreign currencies are initially recorded in the functional currency at the spot rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot rate of exchange at the reporting date. All foreign exchange differences arising on non-trading activities are taken to other operating income/expense in the income statement. Non-monetary items that are measured at historical cost in a foreign currency are translated using the spot exchange rates as at the date of recognition.

### 4.2. Recognition of interest income

#### 4.2.1. The effective interest rate method

Under IFRS9 interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest expense is also calculated using the EIR method for all financial liabilities held at amortised cost. The EIR is the rate that accurately discounts estimated future cash receipts through the expected life of the financial asset or liability or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on the acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Bank recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, the EIR calculation also takes into account the effect of potentially different interest rates that may be charged at various stages of the financial asset's expected life, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

#### 4.2.2. Interest and similar expense

Net interest income comprises interest income and interest expense calculated using both the effective interest method and other methods. These are disclosed separately on the face of the income statement for both interest income and interest expense to provide comparable information. In its Interest income/expense calculated using the effective interest method, the Bank only includes interest on those financial instruments that are set out in Note 4.2.1 above. The Bank calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset. When a financial asset becomes credit-impaired and is therefore regarded as 'Stage 3', the Bank calculates interest income by applying the EIR to the net amortised cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis. The Bank also holds financial assets with negative interest rates. The Bank discloses interest on these financial assets as interest expense.

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### 4.3. Net result on financial assets and liabilities designated at fair value through profit or loss

Net result on financial instruments at FVTPL represents non-trading derivatives held for risk management purposes used in economic hedge relationships. The line item includes fair value changes and foreign exchange differences.

### 4.4. Fee and commission income

Revolut Bank UAB earns fee and commission income from a range of services it provides to its customers. Fee and commission income is recognised at an amount that reflects the consideration to which Revolut Bank UAB expects to be entitled in exchange for providing the services.

The performance obligations, as well as the timing of their satisfaction, are identified, and determined, at the inception of the contract. Revolut Bank UAB revenue contracts do not typically include multiple performance obligations. When Revolut Bank UAB provides a service to its customers, consideration is generally due immediately upon satisfaction of a service provided at a point in time. Revolut Bank UAB has generally concluded that it typically controls the services before transferring them to the customer.

Performance obligations satisfied over time include payment cards related services, where the customer simultaneously receives and consumes the benefits provided as Revolut Bank UAB performs. Revolut Bank UAB fee and commission income from services where performance obligations are satisfied over time includes Premium and Metal subscription fees and interchange fees. The fees vary based on a number of transactions processed and are structured as either a fixed rate per transaction processed or at a fixed percentage of the underlying transaction. The variable interchange fees are allocated based on the number and value of transactions processed that day and the allocated revenue is recognised as the entity performs.

#### *Card and interchange*

Card and payments income represents transactional related income including interchange fees receivable from the Group's card issuing partners, fair usage fees for cash withdrawals outside of customer plans allowances, and top up fees and is recognised at the time of the transaction.

#### *Subscription fees*

Subscription fee income represents monthly and annual subscription fees for retail and business customers. Subscription fees received in advance are initially recognised as deferred income and are recognised as revenue in the income statement on a straight-line basis over the period of the subscription. It also includes termination fees for early termination of the contract which are recognised upon the termination date.

#### *Foreign exchange*

Foreign exchange revenue represents mark ups on market exchange rates for weekend transactions and less frequently traded currencies, and fair usage fees where customers undertake additional exchange transaction volumes outside of their plan allowances, which is recognised at the point of exchange. It also includes the fair value movements on derivative financial instruments used to hedge the Group's foreign exchange exposure as a result of its customer foreign exchange activities.

### 4.5. Other and administrative expenses

Other and administrative expenses are recognised on an accrual basis in the reporting period when the income related to those expenses was earned, irrespective of the time the cash was transferred. Costs that are not directly related to the specific income are expensed as incurred.

## 4.6. Financial instruments – initial recognition

### 4.6.1. Date of recognition

Financial assets and liabilities with the exception of loans and unauthorised overdrafts are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument. Loans and unauthorised overdrafts to customers are recognised when funds are transferred to the customers' accounts.

### 4.6.2. Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value.

### 4.6.3. Measurement categories of financial assets and liabilities

The Bank classifies financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost
- FVOCI
- FVTPL

Financial liabilities are measured at amortised cost or at FVPL when they are held for trading and derivative instruments.

### 4.6.4. Determination of fair value

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole. These techniques are generally based on extrapolating from observable inputs for similar instruments, analysing historical data or other analytical techniques. Examples of Level 3 financial instruments are instruments for which there is currently no active market or binding quotes, such as unlisted equity instruments.

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The Bank evaluates the levelling at each reporting period on an instrument-by-instrument basis and reclassifies instruments when necessary, based on the facts at the end of the reporting period.

### 4.6.5. Due from banks

The Bank measures Due from banks at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

#### 4.6.5.1. Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected). The expected frequency, value and timing of sales are also important aspects of the Bank's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### 4.6.5.2. The SPPI test

As a second step of its classification process the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Bank applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

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### 4.6.6. Derivative financial instruments recorded at fair value through profit or loss

A derivative is a financial instrument with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, it is not specific to a party to the contract (i.e., the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts expected to have a similar response to changes in market factors.
- It is settled at a future date.

The Bank enters into cross-currency swaps transactions with Revolut Group entities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in net trading income.

### 4.6.7. Undrawn loan commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position. These contracts are in the scope of the ECL requirements with the changes in provisions recognised in the financial statements. The nominal values of undrawn loan commitments together with the corresponding ECL are disclosed in Note 28.1.

## 4.7. Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Bank acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

## 4.8. Derecognition of financial assets and liabilities

### 4.8.1. Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan
- Introduction of an equity feature
- Change in counterparty
- If the modification is such that the instrument would no longer meet the SPPI criterion

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If the modification does not result in cash flows that are substantially different, as set out below, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the Bank considers a modification substantial based on qualitative factors and if it results in a difference between the adjusted discounted present value and the original carrying amount of the financial liability of, or greater than, ten percent. For financial assets, this assessment is based on qualitative factors.

### 4.8.2. Derecognition other than for substantial modification

#### 4.8.2.1. Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Bank also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset

or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term unauthorised overdrafts with the right to full recovery of the amount lent plus accrued interest at market rates
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents, including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients.

A transfer only qualifies for derecognition if either:

- The Bank has transferred substantially all the risks and rewards of the asset

or

- The Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

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When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

### 4.8.2.2. Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

## 4.9. Impairment of financial assets

### 4.9.1. Overview of the ECL principles

The Bank records an allowance for expected credit loss for all loans and other debt financial assets not held at FVPL, together with loan commitments. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit losses or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit losses (12mECL). The Bank's policies for determining if there has been a significant increase in credit risk are set out in Notes 18 and 19. The 12mECL is the portion of LTECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments. The Bank's policy for grouping financial assets measured on a collective basis is explained in Notes 18 and 19. The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans into Stage 1, Stage 2, Stage 3, as described below:

- Stage 1: When loans are first recognised, the Bank recognises an allowance based on 12mECL. Stage 1 loans also include facilities where the credit risk has improved, and the loan has been reclassified from Stage 2.

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- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. Stage 2 loans also include facilities, where the credit risk has improved, and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit impaired. The Bank records an allowance for the LTECL.

The ECL allowance is only recognised or released to the extent that there is a subsequent change in the expected credit losses. For financial assets for which the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

### 4.9.2. The calculation of ECL

The Bank calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 6.1.2.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments. The EAD is further explained in Note 6.1.2.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan and not required to be recognised separately. It is usually expressed as a percentage of the EAD. The LGD is further explained in Note 6.1.2.

When estimating the ECL, the Bank considers three scenarios (a base case, an optimistic, and pessimistic). Each of these is associated with different PDs, EADs and LGDs, as set out in Note 6.1.2. The maximum period for which the credit losses are determined is the contractual life of a financial instrument (5 years for credit card limits). Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are summarised below:

- Stage 1: The 12mECL is calculated as the portion of LTECL that represents the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Bank calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by EIR or, where relevant by an approximation to the EIR. This calculation is made for each of the three scenarios, as explained above.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Bank records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of



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multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument (5 years for credit card limits). The expected cash shortfalls are discounted by EIR or, where relevant by an approximation to the EIR.

- Stage 3: For loans considered credit-impaired the Bank recognises the lifetime expected credit losses for these loans. The method is similar to that for Stage 2 assets, with the PD set at 100%.
- Loan commitments. When estimating LTECL for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at EIR or where relevant at an approximation to the expected EIR on the loan. For credit cards and revolving facilities that include both a loan and an undrawn commitment, ECL is calculated and presented together with the loan. For loan commitments the ECL is recognised within Provisions.

### 4.10. Write-offs

Financial assets are written off either partially or in their entirety when the Bank has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expenses.

### 4.11. Forborne and modified loans

The Bank sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties. The Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties and the Bank would not have agreed to them if the borrower had been financially healthy. Forbearance involves changing of loan conditions. Typically, interest-only period and/or maturity extension is granted. If modifications are substantial, the loan is derecognised, as explained in Note 4.7.1. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original EIR as calculated before the modification of terms. The Bank also reassesses whether there has been a significant increase in credit risk and whether the assets should be classified as Stage 3. Derecognition decisions and classification between Stage 2 and Stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired Stage 3 forborne asset until it is collected or written off. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. In order for the loan to be reclassified out of the forborne category, the customer has to meet all of the following criteria:

- All of its facilities have to be considered performing
- The probation period of two years has passed from the date the forborne contract was considered performing
- Regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period
- The customer does not have any contracts that are more than 30 days past due.

As of 31 December 2022 reporting date the Bank has forborne assets, which are disclosed in the note 19.

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### 4.12. Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, non-restricted current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

### 4.13. Property, plant and equipment

Property and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Depreciation of owned assets is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

- Computer hardware 3 years
- Other furniture and equipment 4 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

### 4.14. Lease

The Bank assesses at contract inception day whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### 4.14.1 Bank as a lessee

The Bank recognises the right-of-use assets and respective lease liabilities based on all the lease arrangements where the Bank is the lessee, excluding short-term lease (lease with a term of 12 months or less) and low-value asset lease (e.g., lease of tablets and personal computers, small office furniture and phones). For this lease, the Bank recognises lease payments as operating expenses by using the straight-line method over the lease term, excluding cases when another systematic method is more representative of the time period during which the economic benefits from the leased assets are consumed.

The Bank recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under

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residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Lease liabilities are subsequently discounted using the interest rate provided in the lease agreement. If no interest rate is specified in the lease agreement, the Bank shall use its borrowing rate. Lease liabilities are measured by increasing the carrying value to reflect the related interest rate (by using the effective interest rate method), and by decreasing the carrying value to reflect the lease payments made.

### 4.15. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets. An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

### 4.16. Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the effect of the time value of money is material, the Bank determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the income statement net of any reimbursement in other operating expenses.

### 4.17. Taxes

#### 4.17.1. Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in Lithuania where the Bank operates and generates taxable income.

Current income tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income respectively and not in the statement of profit or loss.

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### 4.17.2. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for taxable temporary differences. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement. The Bank only offsets its deferred tax assets against liabilities when there is both a legal right to offset its current tax assets and liabilities and it is the Bank's intention to settle on a net basis.

## 5. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Bank's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date.

### 5.1. Going concern

The Revolut Bank's financial statements have been prepared on a going concern basis as, after making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

In making their assessments, the directors have given regard to the fact that

- the Bank has become profitable in 2022 following the merger with Revolut Payment UAB,
- has grown its customer base substantially resulting in a material increase of revenues both from interest income and commission income,
- has a solid capital base well above the regulatory minimum ratios,
- has a strong liquidity position, and
- continues to receive strong support from its parent companies in form of expected additional capital injections to bolster future growth, the use of the Group's technology platform and app, and the provision of certain centralised support functions.

The Group has also continued to demonstrate its ability to continue to operate successfully and post a net profit for 2021 despite the requirements for a significant proportion of its workforce to work from home as a reaction to the Coronavirus pandemic, following the implementation of the Group's contingency plans.

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The directors of Revolut Ltd have confirmed their intention and financial ability to continue to provide the company with the required financial, technological and operational support in order for it to continue to operate as a going concern. The Inter-company agreement for financial and general support services with Revolut Ltd may be terminated with 6 months notice. Revolut Ltd explicitly confirmed to have no intention to terminate the agreement in the next 12 months.

### 5.2. Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Although tax losses can be utilised indefinitely, judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits.

### 5.3. Impairment of financial assets

The measurement of impairment losses both under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

### 5.4. Business combination under common control

On 1st of July 2022 the merger of two entities Revolut Bank UAB ("BUAB") and Revolut Payments UAB ("PUAB") was completed and all the customers of the PUAB became customers of the BUAB. The merger was executed as a "share for share exchange" where all the net assets and retained earnings of PUAB had been transferred to BUAB without issuing any cash or capital. In exchange for Revolut Holdings Europe UAB shares in PUAB, BUAB had issued an equal number of its own shares to Revolut Holdings Europe UAB.

The above transaction represents a business combination under common control and is outside of scope of IFRS 3. Accounting judgement and assumptions applied are disclosed in more details in note 35.

## 6. Risk management

### 6.1 Macroeconomic environment risk and uncertainties

Revolut Bank UAB business is sensitive to global macroeconomic conditions because its revenue is linked to the number and value of user transactions. The latter depends on a user's income and opportunity to spend.

The war in Ukraine is taking a growing toll on Europe's economies. The worsening energy crisis has depressed households' purchasing power and raised firms' costs, only partly offset by new government support. Central banks in the region and the world are acting more forcefully to bring high and persistent inflation down to targets, and global financial conditions have tightened. European policymakers are facing severe trade-offs and tough policy choices. A

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tightening macroeconomic policy stance is needed to bring down inflation, while helping vulnerable households and viable firms weather the energy crisis.

### 6.1.1 Funding and liquidity risk

#### (a) Overview of the framework

Liquidity risk is the risk that the Bank cannot meet its financial obligations when they fall due. Funding risk is the risk that the Bank does not have sufficient stable sources of funding to meet its financial obligations when they fall due, or can do so only at excessive cost. Risk arises when assets maturing during a particular period are lower than corresponding liabilities maturing during the same period; an unexpected increase in assets or a decrease in liabilities can also create funding and liquidity risk.

The Bank is, or may in the future be, exposed to a number of liquidity and funding risks, including retail funding run-off, wholesale funding reduction, increase in pre-funding requirements, decrease in value of marketable and non-marketable assets, contingent off-balance sheet exposures and commitment drawdowns, increase in intraday and collateral requirements, funding concentration, and currency liquidity. These risks are managed by the Treasury Function, with control and oversight provided by the Risk Management Function, the Assets and Liabilities Management Committee and the Management Board.

The Bank's key liquidity policy is to maintain a portfolio of unencumbered, high-quality cash instruments and securities that are readily convertible to cash to ensure that it can meet all of its financial obligations in business-as-usual circumstances and in stress conditions. The Bank complies with this policy by holding surplus cash in the form of overnight deposits with banks and the Bank of Lithuania.

#### (b) Monitoring metrics and limits

The Bank has a low risk appetite for liquidity risk. At all times, the Bank seeks to maintain liquidity resources that are adequate in size and in quality, to ensure it can meet its liabilities as they fall due and meet all regulatory minimum requirements.

The Bank's liquidity position must always be strong enough to fulfil the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) requirements as specified in the Capital Requirements Regulation of the European Union. Accordingly, the key normative metrics the Bank uses to measure and limit liquidity and funding risk are the LCR and the NSFR.

The LCR is designed to ensure that the Bank holds a sufficient reserve of high-quality liquid assets (HQLA) to survive a period of significant liquidity stress lasting 30 calendar days. The Bank's LCR should always exceed the internal target of 160%, whereas the regulatory minimum is 100%.

The NSFR is calculated as total available stable funding divided by total required stable funding, and shall always be above the internal target of 130%, exceeding a minimum regulatory requirement by 30 percentage points.

The Bank calculates both metrics on a monthly basis with daily proxies. Corresponding figures as of 31 December 2022 were exceeding internal targets and regulatory limits with a big margin.

The main internal liquidity and funding risk metric is Liquidity Stress Excess (LSE), which covers multiple time horizons (30-day, 3-month, and 12-month) and stress scenarios (idiosyncratic, market-wide and combined) ensuring a comprehensive evaluation of risks tailored to its business model that are assessed under varying stress conditions and durations. The key output of each internal test is a measure of the Bank's liquidity sufficiency expressed in a notional amount (LSE metric) as well as survival days (Stress Survival Horizon or SSH metric).

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Various additional metrics and early warning indicators are followed up to enhance daily liquidity management. The Assets and Liabilities Management Committee may introduce new limits upon its mandate.

### (c) Stress testing

Liquidity stresses are low-probability, but high-impact events, therefore stress testing is an important risk management tool and an integral part of the funding and liquidity risk management framework and the ILAAP (Internal Liquidity Adequacy Assessment Process). The stress testing methodology is prepared considering business strategy and scope. The assumptions and scenarios used are reviewed regularly with changes being presented to the Assets and Liabilities Management Committee and/or the Management Board.

Liquidity stress testing timeline covers the Bank's expected cash flows during the one-year horizon. Liquidity requirement for a particular scenario is calculated by stressing expected cash flows and liquidity buffer, including deposits, credit and off-balance sheet related items. Stress testing captures both market-wide and idiosyncratic risk effects, as well as a combined scenario.

The main stress factors used include deposit outflows of stable and less stable funding, disruptions in the expected cash inflows from the Bank's loan portfolio, increase in undrawn credit lines. For the market-wide stress scenario it is assumed that the wholesale funding market becomes completely inaccessible for new funding transactions and all callable funding transactions are assumed to be terminated at the earliest possible date.

As part of the ongoing risk management, the Bank runs stress tests daily. Key inputs are reviewed at least annually in conjunction with business plan updates with outputs being reviewed by the Chief Risk Officer, the Management Board, and escalated to the Supervisory Council as necessary.

### 6.1.2 Credit risk

Credit risk is the risk of loss to the entity resulting from the failure of customers or counterparties to meet their financial obligations.

Credit risk also includes counterparty credit risk, settlement risk and credit concentration risk, which covers geographic, sector and single-name concentration risks.

Credit risk for Revolut Bank UAB arises from retail lending to private individuals and the exposures to banks and other financial institutions. The regular reports are prepared and presented to the entity's management bodies to follow the level and development of credit risk profile.

For financial assets recognised on the balance sheet maximum exposure to credit risk equals their carrying amount.

### Credit risk measurement

#### (a) Loans to customers

Revolut Bank UAB launched its retail lending activities to private individuals in 2020, starting in Lithuania and Poland and from 2022 in Ireland and Romania. Unsecured consumer lending is performed in the form of personal loans, credit card limits and pay later limits. These products have been introduced on a gradual basis, and, as of 31 December 2022 despite rapid growth throughout the year, Revolut Bank UAB consumer loan portfolio remained small.

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Entity's key objective in its retail lending activities is to ensure the risk adjusted return meets shareholders' requirements while targeting prime and near-prime risk customers and maintaining a solid credit risk profile of the loan portfolio.

Loans are originated only in case they meet Revolut Bank UAB (the Bank) credit standards which are consistent with its risk appetite. The key elements of the assessment of the customer's ability to repay loan and, consequently, of the decision making on loan approval are sufficiency and sustainability of its income and its rating assigned based on the rating model.

Loans are subject to continuous monitoring after their disbursal in order to identify deterioration in credit quality of individual loans at an early stage, track loan portfolio risk profile and proactively take relevant measures at individual loan level and at loan portfolio level to keep the risk level within the Bank's risk appetite.

Risk models are key elements of the credit processes. Credit risk is quantified using rating models that estimate probability of default (PD), loss given default (LGD) parameters and exposure at default (EAD) parameters, which are used for multiple purposes within the Bank, including:

- Decision making in loan origination process;
- Risk adjusted pricing;
- Monitoring of changes in credit risk and its management;
- Risk reporting, including to the Bank's management bodies;
- Loan impairment calculation under IFRS 9.

The Bank's rating models for estimation of probability of default (PD) are based on jurisdiction specific scoring models provided by external vendors, which are internally adapted and calibrated to fit the Bank's needs. All retail customers are classified by risk using these rating models at loan origination (also every time a commitment is renewed) and at least once a year afterwards.

### **(b) Due from banks and other financial institutions**

Revolut Bank UAB is exposed to counterparty credit risk, which is the risk that a counterparty to the Bank will fail to meet its obligation to settle outstanding amounts (this risk includes settlement risk that arises when payments are not exchanged simultaneously, i.e. the risk that the counterparty may default before making the counter-payment).

The Bank's counterparty credit risk arises, for instance, from funds held at Central bank, with respect to other banks where the Bank places funds at accounts or deposits, from intra-group exposures to other Revolut Group entities, including from FX swaps with Revolut Ltd.

Revolut Bank UAB aims to maintain its counterparty credit risk low by selecting high quality banks and other financial institutions as its counterparties avoiding excessive exposures to higher risk counterparties.

The Bank's counterparty risk management covers:

- Comprehensive analysis of creditworthiness of counterparties, including consideration of their ratings, before establishing limits or reviewing of limits;
- Consideration and approval of credit limits by the Bank's Assets & Liabilities Management Committee or, where relevant, by the Management Board;
- Monitoring of all counterparties on a continuous basis, including tracking of early warning indicators, a quarterly update of ratings and, if necessary, review of limits;
- Thorough annual review of individual counterparties, which includes credit risk assessment, review of ratings and limits.



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The Bank relies on ratings assigned by external rating agencies for internal risk classification and determination of probability of default (PD) for its counterparties, which are banks, other financial institutions, sovereigns (central governments) or central banks. For this purpose, the Bank recognizes and checks availability of external ratings from Moody's, Standard & Poor's (S&P) and Fitch. In exceptional cases ratings of other external rating agencies might be used. Externally unrated counterparties are assigned internal ratings based on the expert judgement supported by the credit risk analysis of the particular counterparty.

### Nostro accounts

As of 31 December 2022, the Bank had EUR 8.4 million (2021: EUR 115 million) of cash equivalent at other banks. All the above balances were held in the foreign (with a minimum of BB- long-term borrowing rating assigned by international rating agencies Standard & Poor's, Fitch & Moody's) and Lithuanian banks (not rated externally by rating agencies on a stand-alone basis but being significant subsidiaries of the foreign banks having a minimum of A long-term borrowing rating assigned by Standard & Poor's, Fitch & Moody's).

### Central Bank accounts

As of 31 December 2022, the Bank held EUR 436 million (2021: EUR 3,448 million) of cash equivalent at the Bank of Lithuania and EUR 6,485 million (2021: EUR 0 million) of cash equivalent at the European Central Bank (SEPA STEP2 and RT1 accounts operated by EBA Clearing - ABE CLEARING S.A.S. À CAPITAL VARIABLE).

### Intragroup accounts

As of 31 December 2022, the Bank had EUR 462.8 million (2021: EUR 225 million) of receivables and EUR 263.7 million (2021: EUR 27 million) of payables related with Revolut Group entities. In addition, the Bank executed FX swaps with Revolut Ltd throughout 2022, therefore, the Bank had corresponding exposures as disclosed in Note 24.

## General Expected Credit Loss assessment principles

Revolut Bank UAB recognises the credit losses in accordance with the requirements of IFRS 9.

In Revolut Bank UAB, the credit portfolio is divided into three Stages as described in accounting principles above (Note 4.9).

## Default definition

Revolut Bank UAB uses the definition of default according to the Article 178 of the CRR (Capital Requirements Regulation) and EBA Guidelines on definition of default. The same definition is used by the Bank for classification of financial instruments as credit-impaired (Stage 3) under IFRS 9.

The Bank identifies defaults at obligor level when either one or both of the following have taken place:

- A. the obligor is past due more than 90 days on any material credit obligation to the Bank;
- B. the obligor is considered unlikely to pay its credit obligations to the Bank.

For the purpose of criterion (A), counting of days past due is performed at obligor level. RBUAB assesses all credit obligations of a customer past due as material according to absolute and relative thresholds relative to the total amount of all on-balance sheet exposures to the obligor. The number of days past due will be counted as the consecutive number of days that the amount owed by an obligor has been above the materiality threshold and counting stops only when the amount past due drops below the threshold. Per the EBA Regulatory Technical Standards (EBA/RTS/2016/06) materiality threshold is set as follows:

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- For retail exposures: absolute threshold of >100 EUR and relative threshold of >1% from the total amount of all on-balance sheet exposures to the obligor.
- For non-retail exposures: absolute threshold of >500 EUR and relative threshold of >1% from the total amount of exposures owed by the obligor to the Revolut Group.

For the purpose of criterion (B), elements taken as indications of unlikeliness to pay by the Bank include the following:

1. The Bank puts the credit obligation on non-accrued status due to the decrease of the credit quality of the obligation. Non-accrued status covers situations where RBUAB stops charging interest and/or has direct write-offs;
2. The Bank recognises a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the Bank taking on the exposure;
3. The Bank sells the credit obligation at a material credit-related economic loss;
4. The Bank consents to a distressed restructuring of the credit obligation by the material forgiveness or postponement of principal, interest or, where relevant, fees where this is likely to result in a diminished financial obligation;
5. Bankruptcy of the obligor or similar protection;
6. Credit fraud;
7. Death of a customer;
8. Obligor "pulling effect" due to significant overdue on a facility level (applicable for retail exposures only);
9. Disappearance of an active market for a financial instrument because of financial difficulties of the customer (applicable for non-retail exposures only);
10. Observable data indicating a measurable decrease in estimated future cash flows from a group of financial assets, such that the counterparty is not capable of servicing its debt (applicable for non-retail exposures only);
11. For previously defaulted exposures in 'probation' status, where the exposure in probation becomes 30 days or more past due (applicable for non-retail exposures only).

## Migration between Stages

IFRS-9 requires at each reporting date measurement of loss allowance for each financial instrument at an amount equal to the ECL according to 3 different stages. The stages are determined by the current credit risk, as well as, absolute and relative changes of credit risk since initial recognition - capturing the presence of significant increase of credit risk (SICR):

1. Forborne performing as of reporting date.
2. Obligors not eligible for forbearance measures based on their risk assessment.
3. Return to a non-impaired status and in 3 month probation period.
4. Significant increase in lifetime point-in-time forward looking PD as of reporting date compared to initial recognition.
5. More than 30 days past due as of reporting date, calculated on facility level and using the regulatory DPD definition.

SICR flags 1,2,3 above are evaluated at obligor level, while flags 4, 5 are evaluated at individual financial instrument level.

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Revolut Bank UAB sets absolute and relative thresholds for change in forward looking lifetime PD mentioned as SICR indicator under point 4 above. Significant increase in the lifetime PD occurs if both of the following thresholds are breached:

- relative threshold of PD change by more than 2.5 times;
- absolute threshold of PD change by more than 0.5 percentage point (to avoid classification as Stage 2 of obligors still being with low risk despite PD change exceeding 2.5 times).

As an exception from general principles for identification of SICR described above, Revolut Bank UAB considers the following triggers of SICR for the purposes of wholesale credit exposures:

1. Counterparty is on Creditwatch as of the respective reporting date;
2. Counterparty has been downgraded by 2 notches or more due to a deterioration in the credit risk profile and this results in an increase to PD of at least 0.5%.

Wholesale obligors are included into Creditwatch where material deterioration in their credit risk profile is identified in accordance with the Group Wholesale Credit Risk Procedures. Obligors on Creditwatch are moved to Stage 2 irrespective of their ratings at initial recognition.

In addition, Revolut Bank UAB applies low credit risk exemption for its wholesale exposures which are externally rated investment grade by the three major rating agencies, to be considered Stage 1 exposures. In line with the Group Internal Ratings Procedures, Revolut relies on the ratings of external rating agencies Moody's, S&P and Fitch and will assign each externally rated counterparty a rating per the approach noted in the Internal Rating Procedures. Exposures subject to low credit risk exemption are always kept in Stage 1 unless objective evidence of credit-impairment is identified triggering transfer to Stage 3.

Transfer from Stage 2 to Stage 1 will be performed when none of SICR indicators are present as of reporting date.

Obligors who return to a non-defaulted status are moved from Stage 3 to Stage 2 no matter whether any of SICR indicators are identified. They can be transferred to Stage 1 only after a probation period of at least 3 months subject to no presence of SICR indicators by the end of this probation period.

## 12-month and lifetime expected credit losses

The expected credit loss is calculated as the weighted average of losses expected in different macroeconomic scenarios. The ECL for a particular macroeconomic scenario is calculated as the product of the marginal probability of default (PD), loss given default (LGD) and exposure at default (EAD). Future cash flows in ECL are discounted using nominal rate as approximation of the effective interest rate.

Macroeconomic scenario adjusted marginal PD is the probability that the performing exposure defaults during a particular time period under certain macroeconomic conditions. Three macroeconomic scenarios are used to reflect different development paths for this risk driver.

The risk parameter LGD is the share of an exposure that would be lost in case of a default event. Revolut Bank UAB uses the EBA Risk dashboard as the benchmarking approach for this driver.

The risk parameter EAD represents the total exposure of a facility at the moment of default. For products with contractual repayment schedules, the EAD term structure is shaped by the amortisation profile. For revolving products, the credit limit utilisation approach is used to estimate EAD term. Certain instruments, like Buy Now Pay Later loans have a hybrid behaviour in terms of the repayment schedule. These loans have a credit limit, which can be used for multiple drawdowns both simultaneously or sequentially. Each of the drawdowns have their own payment

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schedules, however there is no contractual schedule for the future drawdowns. To reflect this duality in the EAD calculation, the EAD for the individual drawdowns should be calculated based on the amortisation profile. For the undrawn part the Credit Conversion Factor (CCF) should be used. Finally, as a last step of the calculation, the EAD should be aggregated to facility level.

All risk parameters - PD, LGD, EAD curves and the discount factor are estimated on the monthly basis till the maturity date of a facility. Monthly estimates are used to produce either the 12-month ECL (for facilities in Stage 1) or the lifetime ECL (for facilities in Stage 2 and 3). In case an exposure has short maturity (e.g., overnight deposits), the risk parameters are adjusted accordingly.

### Macroeconomic scenarios

Estimation of ECL is performed under three economic scenarios (baseline, optimistic and pessimistic) for potential development of the key macroeconomic variables. The economic scenarios are country specific; they are based on benchmarking against the publicly available macroeconomic scenarios from recognized organisations such as European Central Bank, International Monetary Fund, European Commission, Organisation for Economic Co-operation and Development and National Banks. The forecasted macroeconomic scenarios are updated at least semi-annually. Probability of occurrence of each scenario might be reviewed even without update to the forecasted macroeconomic scenarios themselves. As a rule of thumb, the baseline scenario gets the highest weight in ECL calculation. The scenarios and likelihood of their realisation are approved by the relevant bodies of the Bank.

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Tables below show the scenarios for development of key macroeconomic parameters used in ECL estimation for end of year 2022.

Table with Macroeconomic forecast for Lithuania

	Baseline scenario					Optimistic scenario					Pessimistic scenario				
Macroeconomic variable	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Annual change in real GDP, %	2.17%	1.39%	2.76%	2.70%	2.83%	4.07%	3.11%	3.70%	3.60%	3.90%	1.10%	-0.66%	1.26%	1.83%	2.30%
Unemployment rate, %	6.68%	6.84%	6.62%	6.72%	6.41%	5.70%	5.89%	5.90%	5.72%	5.28%	7.40%	8.10%	8.29%	8.38%	8.58%
Scenario weights	60%					10%					30%				

Table with Macroeconomic forecast for Poland

	Baseline scenario					Optimistic scenario					Pessimistic scenario				
Macroeconomic variable	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Annual change in real GDP, % (1y lag)	5.12%	4.53%	2.08%	3.31%	3.33%	5.12%	6.21%	5.50%	4.45%	4.00%	5.12%	3.20%	0.32%	2.33%	2.42%
Unemployment rate, % (sq)	0.24%	0.23%	0.20%	0.17%	0.16%	0.10%	0.09%	0.09%	0.09%	0.09%	0.34%	0.36%	0.36%	0.28%	0.25%
Scenario weights	60%					10%					30%				

Table with Macroeconomic forecast for Ireland

	Baseline scenario					Optimistic scenario					Pessimistic scenario				
Macroeconomic variable	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Euro Area Annual change in real GDP, %	2.81%	0.49%	1.75%	1.70%	1.49%	3.30%	2.70%	2.50%	2.37%	2.38%	1.70%	-1.40%	0.90%	1.21%	1.02%
Unemployment rate, %	4.90%	4.93%	5.04%	5.19%	5.23%	4.60%	4.00%	4.32%	4.65%	4.50%	5.80%	5.86%	5.72%	6.21%	6.75%
Scenario weights	60%					10%					30%				

Table with Macroeconomic forecast for Romania

	Baseline scenario					Optimistic scenario					Pessimistic scenario				
Macroeconomic variable	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026	2022	2023	2024	2025	2026
Annual change in real GDP, %	4.97%	3.07%	3.61%	3.26%	3.10%	7.00%	5.00%	5.30%	4.09%	3.60%	3.20%	0.48%	2.70%	2.12%	2.11%
Unemployment rate, % (1y lag)	5.59%	5.45%	5.30%	5.11%	4.89%	5.59%	5.00%	4.88%	4.60%	4.30%	5.59%	5.70%	5.88%	5.93%	5.99%
Scenario weights	60%					10%					30%				

## Sensitivity analysis towards macroeconomic scenarios

In general, worsening of macroeconomic scenarios shall both increase migration from Stage 1 to Stage 2, and increase the ECL level itself through the impact on forward-looking PDs. The opposite effect is expected from improvement of the economic outlooks. Currently we can only quantify the impact of the second effect. Table below

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provides an overview of ECL levels (expressed in thousand EUR) in the following cases based on the portfolio as of end of year 2022:

- Current weights - 60% baseline scenario, 10% optimistic scenario, 30% pessimistic scenario
- Baseline - 100% weight is assigned to baseline scenario
- Optimistic - 100% weight is assigned to optimistic scenario
- Pessimistic - 100% weight is assigned to pessimistic scenario

Country	Product type	Scenario			
		Current weights (tEUR)	Baseline (tEUR)	Optimistic (tEUR)	Pessimistic (tEUR)
LT	Fixed Term Credit	323.5	-2.6 (-0.8%)	-13.0 (-4.0%)	9.6 (3.1%)
	Revolving Credit	97.8	-1.1 (-1.1%)	-6.5 (-6.6%)	4.4 (4.5%)
	<b>All</b>	<b>421.3</b>	<b>-3.7 (-0.9%)</b>	<b>-19.5 (-4.6%)</b>	<b>14.0 (3.3%)</b>
PL	Fixed Term Credit	2077.1	-23.8 (-0.9%)	-171.4 (-8.3%)	104.7 (5.0%)
	Revolving Credit	1035.4	-11.6 (-1.1%)	-80.6 (-7.8%)	50.1 (4.8%)
	Buy Now Pay Later	7.8	-7.8 (-100%)	-7.8 (-100%)	-7.8 (-100%)
	<b>All</b>	<b>3,120.3</b>	<b>-43.2 (-1.4%)</b>	<b>-259.8 (-8.3%)</b>	<b>146.9 (4.7%)</b>
IE	Fixed Term Credit	2,134.9	-34.9 (-1.6%)	-190.2 (-8.9%)	133.2 (6.2%)
	Revolving Credit	0.0	0.0 (-2.3%)	0.0 (-16.3%)	0.0 (11.6%)
	Buy Now Pay Later	2.8	-2.8 (-100%)	-2.8 (-100%)	-2.8 (-100%)
	<b>All</b>	<b>2,137.7</b>	<b>-37.7 (-1.8%)</b>	<b>-193.0 (-9.0%)</b>	<b>130.4 (6.1%)</b>
RO	Fixed Term Credit	720.0	-26.9 (-3.7%)	-132.4 (-18.4%)	98.0 (13.6%)
	<b>All</b>	<b>720.0</b>	<b>-26.9 (-3.7%)</b>	<b>-132.4 (-18.4%)</b>	<b>98.0 (13.6%)</b>
Total	Fixed Term Credit	5,255.5	-88.2 (-1.7%)	-507.0 (-9.6%)	345.5 (6.6%)
	Revolving Credit	1133.2	-12.7 (-1.1%)	-87.1 (-7.7%)	54.4 (4.8%)
	Buy Now Pay Later	10.6	-10.6 (-100.0%)	-10.6 (-100.0%)	-10.6 (-100.0%)
	<b>All</b>	<b>6,399.3</b>	<b>-111.5 (-1.7%)</b>	<b>-604.7 (-9.4%)</b>	<b>389.3 (6.1%)</b>

### 6.1.3 Interest rate risk

Interest rate risk in the banking book (IRRBB) is the risk that the Bank's balance sheet and profitability are structurally exposed to unexpected movements in interest rates. This risk stems from maturity and repricing mismatch between assets and liabilities, which would materialise with changes in the shape of the yield curve ("gap risk"), or from options (embedded and explicit), where the Bank or its customer can alter the level and timing of their cash flows ("option risk"), or with changes in the relationship between various yield curves ("basis risk").

To quantify the IRRBB, the Bank uses two metrics: net interest income (NII) sensitivity and economic value of equity (EVE) sensitivity. NII is computed as the impact of parallel shock in interest rates on the earnings generated by the banking book items based on their repricing profiles. EVE is assessed through a measurement of changes in the net present value of the interest rate sensitive instruments (excluding CET1 instruments and other perpetual own funds) over their remaining life resulting from interest rate movements assuming at least six different shock scenarios.

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In line with regulatory guidelines and internal judgement, a floor is prescribed for downward shocks to stop the simulated interest rates from being unrealistically negative.

Both metrics are managed against a control framework, which is defined with set limits in place. Treasury Function is responsible for IRRBB management on an on-going basis using mitigation approaches such as the use of hedging and dynamic adjustment of in-app rate offerings to influence uptake behaviour. Interest rate characteristics of funding shall be matched as far as possible to lending and investments into securities. Risk Management Function closely monitors IRRBB exposures, proposes limits and calculation assumptions, and performs stress testing. Any breach of the limit is escalated to the senior management with mitigating actions taken.

### Sensitivity to IRRBB

Interest rate risk in the banking book (IRRBB) sensitivity in terms of EVE (disclosed as a ratio versus CET1 capital) under stress was within internal and regulatory limits at the end of 2022. The YoY change is explained by fast growth of deposit portfolio, development of debt securities and lending portfolios. IRRBB sensitivity in terms of NII has breached the internally set limit towards the end of year 2022. The main reason for that was interest rate hikes in the market, which eliminated regulatory floor protection from the calculation equation. The Bank is still at the early stage of building up its fixed-term asset portfolio, while any uninvested current accounts are sensitive to downwards shock. The Bank is also developing interest rate hedging capabilities, which shall further protect it from interest rate drops in the future that are unlikely to happen at least in the short-term.

IRRBB metric	2022	2021
EVE Parallel Up scenario	1.1%	5.9%
EVE Parallel Down scenario*	-6.5%	-7.3%
NII Parallel +2% scenario	55.9%	18.5%
NII Parallel -2% scenario*	-55.7%	-4.6%

\* Interest rate floor considered

Interest rate sensitivity	2022	2021
+1% scenario effect on the economic value of equity	1,972	5,311
-1% scenario effect on the economic value of equity	(12,135)	(6,264)

### 6.1.4 Foreign currency risk

Based on the current business model, the foreign exchange (FX) risk related to users' balances kept in non-base currencies imply a low foreign exchange risk for the Bank. The monitoring is performed on a daily basis to ensure proper control of this risk.

Majority of FX position within the banking book arises from the Treasury Function activities. This includes profit on the banking products, interest earned on nostro balances, intra-group accrual and fee transactions, and various costs (all in non-base currency). A small FX position is allowed as defined in the Risk Appetite Statement. Any material foreign exchange risk arising from Treasury Function activities is hedged on a day-to-day basis and is subject to ongoing monitoring.

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As of 31 December 2022, the Bank was insignificantly exposed to foreign exchange risk. Sales and purchases for the year end were executed primarily in EUR currency. Therefore, the foreign currency exposure arising from future commercial transactions, recognized in assets and liabilities, was insignificant.

### Sensitivity of foreign exchange risk

The Bank uses a statistical value-at-risk (VaR) model to forecast a potential loss due to movements in FX rates. Considering the Bank's low net FX exposure at the end of 2022, any market turbulence leading to significant change in FX rates would not cause material impact for the earnings.

The table below summarises Bank's exposure to foreign currency exchange rate risk at the 31 December 2022.

Currency	Rates	Position	Percentage of capital
Romanian Leu (RON)	4.9495	(12)	0.00%
The remaining long position	N/A	0	0.00%
The remaining short position	N/A	(3)	0.00%
<b>Open position</b>	<b>N/A</b>	<b>(15)</b>	<b>0.00%</b>

The table below summarises Bank's exposure to foreign currency exchange rate risk at the 31 December 2021.

Currency	Rates	Position	Percentage of capital
Polish zloty (PLN)	4.596	(346)	0.37%
UK Pound Sterling (GBP)	0.8393	(105)	0.11%
U.S. Dollars (USD)	1.1334	6	0.01%
The remaining long position	N/A	0	0.00%
The remaining short position	N/A	(10)	0.01%
<b>Open position</b>	<b>N/A</b>	<b>(455)</b>	<b>0.50%</b>

## 6.2 Non-financial risk

### 6.2.1 Conduct and regulatory compliance risk

The Bank operates in a highly regulated industry. Consequently, the Bank is exposed to many forms of risk related to compliance with a wide range of laws and regulations in a number of jurisdictions, covering areas including general organisational and governance requirements, capital and liquidity requirements, product, consumer protection and anti-financial crime requirements.

On 15th March 2022 the Board of the Bank of Lithuania made a decision on the imposition of an impact measure on Revolut following a routine inspection on AML/CFT conducted from March to June 2021 :

- i) Findings that both Revolut Payments UAB and Revolut Bank UAB did not include in their internal control procedures for the prevention of money laundering and terrorist financing all the risk factors set out in the legislation, which need to be assessed before the onboarding;
- ii) Findings that both Revolut Payments UAB and Revolut Bank UAB did not in all cases ensure that the legal requirement to obtain the approval of a senior manager to start or continue business relationships with clients at higher risk of money laundering and terrorist financing and with politically exposed persons was adequately implemented;
- iii) Findings of breaches and deficiencies related to the collection of information regarding the purpose and



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intended nature of the client's business relations.

As a result, the Bank of Lithuania issued a public warning and imposed a penalty of EUR 50,000 to Revolut Bank UAB and EUR 150,000 to Revolut Payments UAB, and required both entities to remedy the said breaches.

On 10th November 2022 the Board of the Bank of Lithuania took a decision on the imposition of impact measures on Revolut Bank, UAB:

- i) A warning issued for the findings that Revolut Payments UAB (which was merged with Revolut Bank UAB in July 2022) did not handle payment services user complaints in accordance with legislation, by providing incomplete, unsubstantiated answers and failing to comply with the regulatory deadlines for dealing with complaints;
- ii) A fine of EUR 70,000 imposed for the findings that Revolut Payments UAB (which was merged with Revolut Bank UAB in July 2022) failed to (i) approve the annual financial statements, (ii) make a decision on the distribution of profit (loss) within the set deadlines, as well as failed to (iii) submit to the Bank of Lithuania the audited annual financial statements and the conclusion of the auditor in due time;
- iii) A public announcement regarding the breach made for the finding that Revolut Bank UAB did not meet the large exposure ratio requirement at the highest level of consolidation for a short period of time.

On 8th February 2023 Bank of France on behalf of European Central Bank took the decision to impose penalty on Revolut Bank UAB (French branch) :

- i) the average of the end-of-day balances of the reserve account of Revolut Bank UAB during the maintenance period from December 21, 2022 to February 07 2023 registered at a level lower than its obligation to constitute compulsory reserves for a daily amount of 2,161,000.00 euros. As a result of this non-compliance with the reserve requirement, sanction proceedings have been initiated by the ECB against the credit institution. 15 442,15 EUR fine imposed for not opening a HAM (Home Account Module) account till 7 February 2023 and breach a regulatory requirement regarding minimum reserves in France.

The Bank's management team is focused on responding effectively and in a timely manner to any changes in regulation to ensure that compliance with regulatory requirements is maintained.

Compliance and conduct risks are managed in line with the Bank's Compliance Policy with dedicated functions and governance bodies responsible for the implementation of controls and oversight of compliance and conduct risks.

### 6.2.2 Operational risk

The Bank relies on the Revolut Group's operational infrastructure, technology, processes and employees with the majority functions being outsourced to its parent company Revolut Ltd. The Revolut Group continues to invest in its operational risk mitigation, including enhancement of operational resilience capability, to enable prompt and effective risk identification, assessment and response to operational risk events.

Revolut Bank UAB has established accountability for its risk profile and senior management risk reporting to the Management Board and the Supervisory Council.

In addition, the Bank's active risk management approach has been further embedded, driving key risk and control initiatives from initiation to design and implementation, including internal fraud management, operational resilience, enhanced outsourcing governance and oversight over high risk processes.

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The successful execution of the strategy is reliant on recruiting and retaining the right people to support the Bank's growth and quality of the outsourced services provided by its parent company Revolut Ltd. The Bank continues to invest in strengthening its core functions, including at the executive management level as well as in people engagement related initiatives.

### 6.2.3 Third party risk

The Bank is reliant in its operations on certain third parties as well as its main outsourcing services provider, parent company Revolut Ltd.

The Bank mitigates this risk with a thorough third party and outsourcing risk management framework, policy and governance structure, with ongoing monitoring of outsourced services. A number of our third parties rely on a high level of staff to support the Bank's services. Close collaboration with these third parties is ensuring the Bank's resilience and continuity of the Bank's services delivery with no or minimal disruption.

### 6.2.4 Financial crime risk

The Bank's activities involve volumes of transactions in client funds and it is subject to a heightened risk of criminal activity and potential losses due to breaches of the Bank's service delivery requirements by its customers (e.g. use of false identity to open an account or the laundering of illicit funds). To address this type of risk, the Bank utilises robust Know Your Customer ("KYC"), Anti-Money Laundering ("AML"), and Sanctions policies and procedures, performs ongoing monitoring of transactions in real-time and screens all customers on a daily basis. The Bank and the whole Revolut Group is committed to maintaining a control environment that enables it to respond promptly and effectively to emerging financial crime threats.

### 6.2.5 Cyber risk

As a digital app-only financial services provider, the Bank is exposed to cyber security threats which might attempt to access the Bank's systems or customer and payment data. Alongside the advanced security features it provides to customers via the app, Revolut Group has also implemented several technical and organisational controls to reduce these risks. These controls include dedicated internal team-led application security testing, vulnerability management, a group wide training and phishing threat simulation programme, advanced endpoint threat protection, external threat intelligence, monitoring and alerting across our key infrastructure and systems, 24/7 incident response coverage, security assurance of third parties, and regular external testing and audit activities.

The Bank, being a cloud-based fully digital institution, ensures that fully remote-working is possible for staff. The cyber risks that follow a remote-working model are closely monitored with additional controls implemented both for customer protection and entity's staff and data security.

### 6.2.6 Data security risk

The Bank handles significant amounts of personal data provided by its customers, as well as employee data and confidential corporate information, and therefore must comply with strict data protection and privacy laws and regulations, while also protecting its own reputation and corporate position. The Bank, as well as Revolut Group, continues to invest in its digital platforms and is focused on building resilient and secure technologies in order to prevent breaches of data security. Additionally, regular penetration testing, to ensure the robustness of systems, is performed. The Bank's business processes and policies exist to drive best practice in the classification and handling of both structured and unstructured sensitive data by employees.

## 6.2.7 Change risk

Inherent in the Bank's strategy is rapid and complex business change, through product innovation, geographic and market expansion and supporting technological enhancement. This risk arises from organisational change, product introduction and enhancement and changes to technology platforms and supporting infrastructure. Whilst all business areas and staff manage continued change and development as part of the normal course of business, projects of significant materiality that require cross-functional or cross-divisional coordination are managed through dedicated governance including a robust new initiatives approval process, to ensure the changes are effectively managed and delivered with senior management oversight.

## 6.2.8 Model risk

The Bank as well as the Group uses models for a variety of reasons, including (but not limited to) prediction of expected support headcount capacity, meeting regulatory requirements (e.g., impairment assessment under IFRS 9), detection of fraud among its customers, stress-testing exposures to simulate severe market stress conditions, identification of control indicators for measuring conduct risk, and detection of Money Laundering / Terrorism Financing. The extensive use of models leads to the potential for adverse consequences from decisions made relying on incorrect or misused model outputs.

The Revolut Group Model Risk team has been established, and is independent of the revenue-producing units, model developers, model owners and model users. It has primary responsibility for assessing, monitoring and managing model risk through oversight across all Group entities, and provides periodic updates to senior management and relevant governance bodies. Group Model Risk reviews the model methodology, reasonableness of model assumptions, and may perform or require additional testing. Model reviews are approved by the Group Model Risk Management Committee, chaired by the Group Head of Model Risk.

## 6.2.9 Concentration risk

Concentration Risk in Revolut Bank is managed in accordance with the approved Credit Concentration Risk Management Policy. Revolut Bank manages concentrations in our credit risk profile through setting restrictions (limits) on exposures against certain concentration types. Common credit risk concentrations covered within the scope of this policy include, but are not limited to:

- I. Single name concentrations, as managed within the Wholesale Credit Risk Management Policy and Procedures;
- II. Geographic or country risk concentrations;
- III. Sector concentrations;
- IV. Product concentrations.

Concentrations within credit exposures will be identified as part of the ongoing wholesale and retail credit risk management processes, which require second line Credit Risk review and approval for new products, initiatives and counterparty exposures. Risk management function monitors and reports concentration risks to the ALCO, which further decides whether escalation is required to the Bank's Management Board as well as to the Group's relevant governance forum.

## 7. Interest income, calculated using the effective interest method

EURth	2022	2021
Due from banks	20,144	126
Debt instruments at AMC	10,414	-
Loans and unauthorised overdrafts	8,857	661
Debt instruments at FVOCI	971	511
<b>Total</b>	<b>40,386</b>	<b>1,298</b>

The interest income is recorded using the EIR method according to IFRS9.

## 8. Interest expense

EURth	2022	2021
Negative interest on interest bearing assets	(12,459)	(13,791)
Interest expense on lease liabilities	(60)	(32)
<b>Total</b>	<b>(12,519)</b>	<b>(13,823)</b>

## 9. Fee and commission income

EURth	2022	2021
Card and interchange fees	216,652	106,088
Subscription - Retail	106,830	70,077
Wealth and Foreign exchange	65,156	44,371
Client onboarding	30,272	17,138
Subscription - Business	9,945	5,798
Remittance fees	9,989	3,056
Credit card fees	92	5
Other income	4,506	1,098
<b>Total</b>	<b>443,442</b>	<b>247,631</b>

## 10. Fee and commission expense

EURth	2022	2021
Interchange fee expense	(72,975)	(50,943)
Insurance	(8,472)	(9,098)
Cashback	(7,042)	(3,925)
Scheme fees	(5,726)	(20,589)
Cards	(5,278)	(7,707)
Loan servicing activities	(2,335)	(315)
Other transaction fees	(11,238)	(4,565)
<b>Total</b>	<b>(113,066)</b>	<b>(97,142)</b>

## 11. Other operating income

EURth	2022	2021
Net foreign exchange gain	37,466	12,958
Chargeback	8,745	1,415
<b>Total</b>	<b>46,211</b>	<b>14,373</b>

## 12. Personnel expense

EURth	2022	2021
Wages and salaries	(18,017)	(4,778)
Social security costs	(2,695)	(310)
Share based payments (Note 30)	(912)	(1,243)
Pension costs	(580)	(48)
Employee benefits	(317)	(41)
Staff Recruitment & HR Expenses	(4)	(27)
<b>Total</b>	<b>(22,525)</b>	<b>(6,447)</b>

## 13. Other operating expenses

EURth	2022	2021
Recharges from Revolut Group	(287,282)	(46,880)
Client referrals	(40,377)	(19,517)
Irrecoverable VAT	(1,560)	(7,597)
Professional fees	(2,669)	(577)
Administrative	(209)	(282)
Other expenses	(4,485)	(2,373)
<b>Total</b>	<b>(336,582)</b>	<b>(77,226)</b>

Recharges from Revolut Group relate to the general transfer pricing methodology implemented in 2022. As usual, the new methodology has not already been reviewed and has not been approved by the Lithuanian State tax authority. We cannot preclude that such final reviews may require adjustments.

## 14. Credit loss expense on financial assets

EURth	2022	2021
Impairment gain or loss - Stage 1	(2,240)	(445)
Impairment gain or loss - Stage 2	(1,446)	(136)
Impairment gain or loss - Stage 3	(2,150)	(71)
<b>Impairment gains or (losses) (IFRS 9)</b>	<b>(5,836)</b>	<b>(652)</b>
<b>Provision for unauthorised overdraft</b>	<b>(5,886)</b>	<b>(7,547)</b>
<b>Write-offs and recoveries</b>		
Total write-offs	(9,847)	-
Reversal of allowances for write-offs	-	-
Write-offs previously not provided for	-	-
Recoveries from previous write-offs	-	-
<b>Net write-offs</b>	<b>(9,847)</b>	<b>-</b>
<b>Net expected credit losses</b>	<b>(21,569)</b>	<b>(8,199)</b>

## 15. Income tax

EURth	2022	2021
Current tax	(9,725)	(10,443)
<i>Deferred tax</i>		
Relating to origination and reversal of temporary differences	3,113	1,086
<b>Total income tax</b>	<b>(6,612)</b>	<b>(9,357)</b>

### 15.1 Reconciliation of the total tax charge

EURth	2022	2021
<b>Accounting profit (loss) before tax</b>	<b>30,167</b>	<b>53,006</b>
At statutory income tax rate of 20% (2021: 15%-20%)	(6,033)	(9,146)
Non-deductible expenses	(3,692)	(1,297)
Increase in deferred tax assets	3,113	1,086
Income tax cost reported in the income statement	<b>(6,612)</b>	<b>(9,357)</b>

### 15.2 Deferred tax

EURth	Deferred tax asset	Income statement
<b>31 December 2022</b>		
Provision for tax losses carried forward	4,660	3,113

EURth	Deferred tax asset	Income statement
<b>31 December 2021</b>		
Provision for tax losses carried forward	1,547	1,086

## 16. Cash and balances with central banks

EURth	2022	2021
Current account with the Central Bank of Lithuania	436,012	3,448,265
Current account with the European Central Bank	6,485,489	-
<b>Total</b>	<b>6,921,501</b>	<b>3,448,265</b>

The Bank has met the minimum reserve requirements set by the Bank of Lithuania.

As of 31 December 2022 the Bank's obligatory reserve was EUR 75,780 thousand (2021 EUR 4,694 thousand).

The Bank's monthly average correspondent account (in EUR) in the Bank of Lithuania should exceed the specified minimum, however, the funds in each particular day could be used in an unrestricted manner.

## 17. Due from banks and other financial institutions

EURth	2022	2021
Placements with other banks - demand deposits	8,396	115,091
Placements with other financial institutions - demand deposits	1,358	127,864
Collateral for derivative contracts paid	-	1,620
<b>Total</b>	<b>9,754</b>	<b>244,575</b>

## 18. Debt instruments measured at FVOCI

### 18.1 Debt instruments measured at FVOCI

EURth	2022	2021
Government debt securities		
United Kingdom	-	721,869
United States	-	293,212
<b>Total debt instruments measured at FVOCI</b>	<b>-</b>	<b>1,015,081</b>



## Annual Report for the year ended 31 December 2022

Revolut Bank UAB did not have any debt instruments measured at FVOCI which were pledged as collateral as at 31 December 2022 (2021: nil).

During the year ended 2021, Debt Securities were held at fair value through Other Comprehensive Income, owing to the way that the portfolio was managed, and in particular management's ability to monetise the debt securities to satisfy the safeguarding condition. As a mix of UK, US and European government bonds the credit ratings of these bonds were very high. To account for the credit risk in the portfolio, Revolut Bank UAB reduced the value of the assets on the balance sheet using an Impairment Loss Allowance (provision) under IFRS 9.

During 2022, this portfolio of bonds held at fair value through Other Comprehensive Income matured and no further purchases of this bond type were completed. As a consequence, at the year ended 31 December 2022, Revolut Bank UAB does not hold any debt securities at fair value through Other Comprehensive Income and does not account for any associated Impairment Loss Allowance (provision) under IFRS 9.

### 18.1 (a) Impairment allowance for debt instruments measured at FVOCI

A reconciliation of changes in the fair value and corresponding allowance for ECL by stage for debt instruments measured at FVOCI is, as follows:

#### 31 December 2022

EURth	Stage 1	
	Fair value	ECL
<b>At 1 January 2022</b>	<b>1,015,081</b>	<b>193</b>
Increases due to origination and acquisition	-	-
Decreases due to bond maturity	(1,015,081)	(193)
Changes in fair value	-	-
<b>At 31 December 2022</b>	<b>-</b>	<b>-</b>

#### 31 December 2022

EURth	Stage 1		
	12-month Basel PD range	Gross carrying amount	ECL
Internal rating grade			
<i>Performing</i>			
High grade	0.00% - 0.50%	-	-
Total		-	-
Coverage ratio		0.00%	

## Annual Report for the year ended 31 December 2022

31 December 2021

EURth	Stage 1	
	Fair value	ECL
<b>At 1 January 2021</b>	-	-
Increases due to origination and acquisition	1,014,488	193
Changes in fair value	593	-
<b>At 31 December 2021</b>	<b>1,015,081</b>	<b>193</b>
<b>ECL change for the year</b>		<b>193</b>

The table below shows the fair value of the debt instruments measured at FVOCI by credit risk, based on the Revolut Banks' internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

31 December 2021

EURth	Stage 1		
	12-month Basel PD range	Gross carrying amount	ECL
<b>Internal rating grade</b>			
<i>Performing</i>			
High grade	0.00% - 0.50%	1,015,081	193
<b>Total</b>		<b>1,015,081</b>	<b>193</b>
<b>Coverage ratio</b>		<b>0.02%</b>	

## 18.2 Debt instruments measured at amortised cost

EURth	2022	2021
<i>Financial institutions</i>		
Switzerland	19,968	-
Germany	29,696	-
Spain	79,412	-
Finland	28,338	-
France	112,737	-
United Kingdom	100,454	-
Sweden	22,777	-
United States	94,533	-
<b>Total</b>	<b>487,915</b>	-
<i>Government debt securities</i>		
Belgium	99,316	-
France	696	-
Germany	157,842	-
Luxembourg	70,366	-
Netherland	564	-
Spain	103,890	-
Sweden	3,745	-
United States	186,013	-
<b>Total</b>	<b>622,432</b>	-
<b>Total debt instruments measured at amortised cost</b>	<b>1,110,347</b>	-

Revolut Bank UAB did not have any debt instruments measured at amortised cost which were pledged as collateral as at 31 December 2022 (2021: nil).

## Annual Report for the year ended 31 December 2022

During 2022, a portfolio of held to maturity debt securities were purchased. These debt securities are held at amortised cost, owing to the way that the portfolio is managed, and in particular management's intention to not trade these bonds but hold these bonds until maturity. As a mix of high quality financial institutions and government bonds, the credit ratings of these bonds are very high. To account for the credit risk in the portfolio, Revolut Bank UAB reduces the value of the assets on the balance sheet using an Impairment Loss Allowance (provision) under IFRS 9.

### 18.2 (a) Impairment allowance for debt instruments measured at amortised cost

A reconciliation of changes in the carrying amount and corresponding allowance for ECL by stage for debt instruments measured at amortised cost is, as follows:

#### 31 December 2022

EURth	Stage 1	
	Carrying amount	ECL
<b>At 1 January 2022</b>	-	-
Increases due to origination and acquisition	1,110,347	91
Decreases due to bond maturity	-	-
<b>At 31 December 2022</b>	<b>1,110,347</b>	<b>91</b>

#### 31 December 2022

EURth	Stage 1		
	12-month Basel PD range	Gross carrying amount	ECL
<b>Internal rating grade</b>			
<i>Performing</i>			
High grade	0.00% - 0.50%	1,110,347	91
Total		-	-
Coverage ratio		0.01%	

#### 31 December 2021

EURth	Stage 1		
	Carrying amount		ECL
<b>At 1 January 2021</b>	-	-	-
Increases due to origination and acquisition	-	-	-
<b>At 31 December 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>
ECL change for the year			-

## Annual Report for the year ended 31 December 2022

The table below shows the fair value of the debt instruments measured at amortised cost by credit risk, based on the Revolut Banks' internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL.

### 31 December 2021

EURth	Stage 1		
	12-month Basel PD range	Gross carrying amount	ECL
Internal rating grade			
<i>Performing</i>			
High grade	0.00% - 0.50%	-	-
<b>Total</b>		-	-
Coverage ratio		-	

## 19. Loans and unauthorised overdrafts

EURth	2022	2021
Consumer lending	233,286	21,645
Less: Allowance for ECL	(6,309)	(442)
Unauthorised overdraft	20,379	13,126
Less: impairment	(16,519)	(10,781)
<b>Total</b>	<b>230,837</b>	<b>23,548</b>

As at 31 December 2022, forbearance of EUR 176,806 has been applied to loans to customers. as at 31 December 2022 (2021: nil).

10 m EUR of unauthorised overdraft were written off in 2022.

## 19.1 Impairment allowance for loans and unauthorised overdrafts

The table below shows the credit quality and the maximum exposure to credit risk based on the Bank's internal credit rating system, 12-month Basel PD range and year-end stage classification. The amounts presented are gross of allowance for ECL. Details of the Bank's internal grading system and the Bank's impairment assessment and measurement approach are set out in Note 6.1.2.

### 31 December 2022

Internal rating grade	12-month Basel PD range	Risk level	Stage 1	Stage 2	Stage 3	POCI	Total
1	0.03% - 0.10%	Low	4,427	17	-	-	4,444
2	0.10% - 0.20%		19,701	10	-	-	19,711
3	0.20% - 0.30%		5,851	25	-	-	5,876
4	0.30% - 0.50%		48,993	529	-	-	49,522
5	0.50% - 0.80%		6,348	252	-	-	6,600
6	0.80% - 1.30%		14,347	1,024	-	-	15,371
7	1.30% - 2.00%		70,325	4,239	-	-	74,564
8	2.00% - 3.00%	Moderate	11,495	1,877	-	-	13,372
9	3.00% - 5.00%		8,226	3,702	-	-	11,928
10	5.00% - 8.00%	High	12,517	3,705	-	-	16,222
11	8.00% - 13.00%		2,453	985	-	-	3,438
12	13.00% - 20.00%		5,002	1,949	-	-	6,951
13	20.00% - 100%		613	1,586	-	-	2,199
14	100%		10	1	3,077	-	3,088
<b>Total</b>			<b>210,308</b>	<b>19,901</b>	<b>3,077</b>	-	<b>233,286</b>

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**31 December 2021**

Internal rating grade	12-month Basel PD range	Risk level	Stage 1	Stage 2	Stage 3	POCI	Total
1	0.03% - 0.10%	Low	-	-	-	-	-
2	0.10% - 0.20%		5,877	34	14	-	5,925
3	0.20% - 0.30%		1,662	27	-	-	1,689
4	0.30% - 0.50%		2,224	46	-	-	2,270
5	0.50% - 0.80%		1,392	13	-	-	1,405
6	0.80% - 1.30%		2,620	80	-	-	2,700
7	1.30% - 2.00%		2,043	60	-	-	2,103
8	2.00% - 3.00%	Moderate	1,336	127	-	-	1,463
9	3.00% - 5.00%		2,094	241	-	-	2,335
10	5.00% - 8.00%	High	521	90	-	-	611
11	8.00% - 13.00%		254	36	-	-	290
12	13.00% - 20.00%		392	127	-	-	519
13	20.00% - 100%		10	228	-	-	238
14	100%		-	2	95	-	97
<b>Total</b>			<b>20,425</b>	<b>1,111</b>	<b>109</b>	-	<b>21,645</b>

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A reconciliation of changes in gross carrying amount and corresponding allowance for ECL by stage for consumer lending is as follows:

EURth	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<b>At 1 January 2022</b>	<b>20,425</b>	<b>244</b>	<b>1,111</b>	<b>127</b>	<b>109</b>	<b>71</b>	<b>21,645</b>	<b>442</b>
Increases due to origination and acquisition	256,843	3,183	50	27	18	13	256,911	3,223
Changes due to change in credit risk (net)	(53,561)	(703)	19,298	1,446	2,874	2,150	(31,389)	2,893
Decreases due to derecognition	(14,167)	(185)	(672)	(46)	(29)	(18)	(14,868)	(249)
Accrued interest	768	-	114	-	105	-	987	-
<b>At 31 December 2022</b>	<b>210,308</b>	<b>2,539</b>	<b>19,901</b>	<b>1,554</b>	<b>3,077</b>	<b>2,216</b>	<b>233,286</b>	<b>6,309</b>

EURth	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
<b>At 1 January 2021</b>	<b>1,545</b>	<b>10</b>	-	-	-	-	<b>1,545</b>	<b>10</b>
Increases due to origination and acquisition	23,005	286	-	-	-	-	23,005	286
Changes due to change in credit risk (net)	(2,431)	(40)	1,114	127	107	71	(1,210)	158
Decreases due to derecognition	(1,761)	(12)	(7)	-	-	-	(1,768)	(12)
Accrued interest	67	-	4	-	2	-	73	-
<b>At 31 December 2021</b>	<b>20,425</b>	<b>244</b>	<b>1,111</b>	<b>127</b>	<b>109</b>	<b>71</b>	<b>21,645</b>	<b>442</b>



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## 19.2 Credit risk analysis by product and country

An analysis of risk concentration in gross carrying amounts and corresponding ECL in the loans portfolio by type of lending and geographical location is presented below:

At 31 December 2022	Gross carrying amount			Allowance for ECL			ECL coverage %		
EURth	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
<b>Per product</b>									
Consumer loans	194,207	17,761	2,556	2,147	1,257	1,854	1.11%	7.08%	72.54%
Credit cards	13,819	2,095	519	389	297	361	2.81%	14.18%	69.56%
BNPL	2,282	45	2	3	-	1	0.13%	0.00%	50.00%
<b>Total</b>	<b>210,308</b>	<b>19,901</b>	<b>3,077</b>	<b>2,539</b>	<b>1,554</b>	<b>2,216</b>	<b>1.21%</b>	<b>7.81%</b>	<b>72.02%</b>
<b>Per country</b>									
Lithuania	32,992	2,024	375	120	56	231	0.36%	2.77%	61.60%
Poland	48,959	11,047	1,596	1,078	858	1,108	2.20%	7.77%	69.42%
Ireland	98,366	3,297	1,106	1,061	197	877	1.08%	5.98%	79.29%
Romania	29,991	3,525	-	280	440	-	0.93%	12.48%	0.00%
Spain	-	8	-	-	3	-	0.00%	37.50%	0.00%
<b>Total</b>	<b>210,308</b>	<b>19,901</b>	<b>3,077</b>	<b>2,539</b>	<b>1,554</b>	<b>2,216</b>	<b>1.21%</b>	<b>7.81%</b>	<b>72.02%</b>

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At 31 December 2021	Gross carrying amount			Allowance for ECL			ECL coverage %		
EURth	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
<i>Per product</i>									
Consumer loans	16,836	790	64	156	51	41	0.90%	6.50%	64.10%
Credit cards	3,589	321	45	88	76	30	2.50%	23.70%	66.70%
<b>Total</b>	<b>20,425</b>	<b>1,111</b>	<b>109</b>	<b>244</b>	<b>127</b>	<b>71</b>	<b>1.20%</b>	<b>11.40%</b>	<b>65.10%</b>
<i>Per country</i>									
Lithuania	9,917	250	65	26	7	40	0.30%	2.80%	61.50%
Poland	10,508	861	44	218	120	31	2.10%	13.90%	70.50%
<b>Total</b>	<b>20,425</b>	<b>1,111</b>	<b>109</b>	<b>244</b>	<b>127</b>	<b>71</b>	<b>1.20%</b>	<b>11.40%</b>	<b>65.10%</b>

## 20. Due from intermediaries

EURth	2022	2021
Amounts due from card acquirers	13,135	15,716
<b>Total</b>	<b>13,135</b>	<b>15,716</b>

## 21. Property and equipment and right-of-use assets

EURth	Computer hardware	Other furniture and equipment	Right-of-use assets	Total
<b>Cost</b>				
At 1 January 2021	82	2	-	84
Additions	16	-	1,821	1,837
<b>At 31 December 2021</b>	<b>98</b>	<b>2</b>	<b>1,821</b>	<b>1,921</b>
Additions	18	-	68	86
<b>At 31 December 2022</b>	<b>116</b>	<b>2</b>	<b>1,889</b>	<b>2,007</b>

<b>Depreciation</b>				
At 1 January 2021	(39)	(1)	-	(40)
Depreciation charge for the year	(29)	-	(151)	(180)
<b>At 31 December 2021</b>	<b>(68)</b>	<b>(1)</b>	<b>(151)</b>	<b>(220)</b>
Depreciation charge for the year	(22)	-	(318)	(340)
<b>At 31 December 2022</b>	<b>(90)</b>	<b>(1)</b>	<b>(469)</b>	<b>(560)</b>
<b>Net book value</b>				
<b>At 31 December 2021</b>	<b>30</b>	<b>1</b>	<b>1,670</b>	<b>1,701</b>
<b>At 31 December 2022</b>	<b>26</b>	<b>1</b>	<b>1,420</b>	<b>1,447</b>

## 21.1 Right-of-use assets

Revolut Bank has a lease contract for office space, Quadrum, that is disclosed under right-of-use assets with maturity of July 14, 2027.

Set out below are the carrying amounts of lease liabilities (included under other liabilities) and the movements during the period:

EURth	2022	2021
<b>At 1 January</b>	<b>1,685</b>	<b>-</b>
Additions	68	1,821
Accretion of interest	60	32
Payments	(349)	(168)
<b>At 31 December</b>	<b>1,464</b>	<b>1,685</b>
Current	302	279
Non-current	1,162	1,406

The following are the amounts recognised in profit or loss:

EURth	2022	2021
Depreciation expense of right-of-use assets	(318)	151
Interest expense on lease liabilities (Note 8)	60	32
<b>Total amount recognised in profit or loss</b>	<b>(258)</b>	<b>183</b>

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## 22. Intangible assets

EURth	Computer software
<b>Cost</b>	
At 1 January 2021	101
Additions	-
<b>At 31 December 2021</b>	<b>101</b>
Additions	-
<b>At 31 December 2022</b>	<b>101</b>
<b>Amortisation</b>	
At 1 January 2021	(35)
Amortisation charge for the year	(33)
<b>At 31 December 2021</b>	<b>(68)</b>
Amortisation charge for the year	(33)
<b>At 31 December 2022</b>	<b>(101)</b>
<b>Net book value</b>	
<b>At 31 December 2021</b>	<b>33</b>
<b>At 31 December 2022</b>	<b>-</b>

Intangible assets are amortised over the useful economic life of 3 years. The remaining useful life of intangible assets was 12 months as at 31 December 2022.

## 23. Other assets

EURth	2022	2021
Trade receivables	461,536	114,781
Accrued income	11,774	-
Receivable VAT	8,322	6
Accrued payment scheme rebates	4,067	8,171
Prepaid expenses	664	16
Rent deposits	207	165
Other	29	30
<b>Total</b>	<b>486,599</b>	<b>123,169</b>

Revolut Bank UAB has analysed potential uncertainty related to receivable VAT recoverability, and recognised the asset to the extent, which is expected to be received. VAT claim has not been reviewed and has not been approved by the Lithuanian State tax authority. Therefore, there is uncertainty that it might be adjusted.

## 24. Derivatives

At 31 December 2022 EURth	Carrying value assets	Carrying value liabilities	Notional amount
Derivatives at fair value through profit or loss			
Foreign exchange contracts (swaps)	1,261	2,800	2,000,494

At 31 December 2021 EURth	Carrying value assets	Carrying value liabilities	Notional amount
Derivatives at fair value through profit or loss			
Foreign exchange contracts (swaps)	4,737	8,284	891,913

All foreign exchange contracts outstanding at 31 December 2022 and 2021 were executed with Revolut Ltd.

There were no changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability.

### Swaps

Foreign exchange swaps are contractual agreements between two parties to exchange a set amount of currency at contract date as well as exchange same amount back at agreed future date at agreed future rate. FX swaps are grossly settled directly with counterparty. Swaps are fully collateralized. Margin is assessed and settled on a daily basis.

### Offsetting

The bank has netting agreements in place with counterparties to manage the associated credit risks for over-the-counter traded derivatives and loans, deposits transactions. These netting agreements generally enable the counterparties to set-off liabilities against available assets received in the ordinary course of business and/or in the event of the counterparty's default. The offsetting right is a legal right to settle, or otherwise eliminate, all or a portion of an amount due by applying an amount receivable from the same counterparty against it, thus, reducing credit exposure. IAS 32 offsetting is not applied.

## 25. Due to customers

EURth	2022	2021
Retail customers - Current accounts	8,083,838	4,544,087
<b>Total</b>	<b>8,083,838</b>	<b>4,544,087</b>

## 26. Due to other financial institutions

The Bank uses a multi-currency facility with Revolut Ltd to deposit funds. At 31 December 2022 the Bank had a negative balance in EUR currency of 181,024 thousand (2021: EUR 24,155) recognised in liabilities and positive balance EUR 1,358 (2021: EUR 127,864) in assets.

As at 31 December 2022 the Bank has received from Revolut Ltd variation margin of EUR 10,537.

## 27. Other liabilities

EURth	2022	2021
Trade payables	73,023	10,099
Deferred revenue	23,075	15,735
Accrued expenses	4,646	10,431
Payroll payable	1,595	706
Lease liability (Note 21)	1,464	1,685
Corporate tax payable	225	10,277
Other liabilities	388	31
<b>Total</b>	<b>104,416</b>	<b>48,964</b>

## 28. Provisions

The movement in provisions during 2022 and 2021 respectively is, as follows:

EURth	Undrawn commitments
<b>31 December 2020</b>	<b>5</b>
Changes in ECL	27
<b>31 December 2021</b>	<b>32</b>
Changes in ECL	71
<b>31 December 2022</b>	<b>103</b>

### 28.1 Undrawn commitments

To meet the financial needs of customers, the Bank may enter into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other commitments to lend. Even though these obligations may not be recognised on the statement of financial position, they contain credit risk and, therefore, form part of the overall risk of the Bank.



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The Bank offers credit card and revolving loan (commercially called buy now pay later) facilities to its customers. The nominal value of the undrawn commitments was EUR 35,211 thousand at 31 December 2022 (2021: EUR 9,157). At 31 December 2022 the Bank recognised EUR 103 thousand of allowance on ECL for the outstanding exposures (2021: EUR 32).

As at 31 December 2022 the Bank had granted a revolving credit facility to Revolut Ltd. Amount specified in related parties disclosure note.

The table below sets out the credit quality of retail customers lending commitments of the Bank as at 31 December 2022.

Internal rating grade	12-month Basel PD range	Risk level	Stage 1	Stage 2	Stage 3	POCI	Total
1	0.03% - 0.10%	Low	-	-	-	-	-
2	0.10% - 0.20%		9,036	-	-	-	9,036
3	0.20% - 0.30%		2,791	-	-	-	2,791
4	0.30% - 0.50%		5,249	38	-	-	5,287
5	0.50% - 0.80%		2,776	13	-	-	2,789
6	0.80% - 1.30%		3,446	71	-	-	3,517
7	1.30% - 2.00%		3,986	142	-	-	4,128
8	2.00% - 3.00%	Moderate	2,818	119	-	-	2,937
9	3.00% - 5.00%		1,599	291	-	-	1,890
10	5.00% - 8.00%	High	1,018	186	-	-	1,204
11	8.00% - 13.00%		295	34	-	-	329
12	13.00% - 20.00%		700	192	-	-	892
13	20.00% - 100%		390	5	-	-	395
14	100%		-	-	16	-	16
Total			34,104	1,091	16	-	35,211

The table below sets out the credit quality of retail customers lending commitments of the Bank as at 31 December 2021.

Internal rating grade	12-month Basel PD range	Risk level	Stage 1	Stage 2	Stage 3	POCI	Total
1	0.03% - 0.10%	Low	-	-	-	-	-
2	0.10% - 0.20%		2,639	-	-	-	2,639
3	0.20% - 0.30%		797	-	-	-	797
4	0.30% - 0.50%		1,287	6	-	-	1,293
5	0.50% - 0.80%		928	2	-	-	930
6	0.80% - 1.30%		1,025	26	-	-	1,051
7	1.30% - 2.00%		875	11	-	-	886
8	2.00% - 3.00%	Moderate	558	13	-	-	571
9	3.00% - 5.00%		670	47	-	-	717
10	5.00% - 8.00%	High	159	19	-	-	178
11	8.00% - 13.00%		22	9	-	-	31
12	13.00% - 20.00%		10	40	-	-	50
13	20.00% - 100%		-	14	-	-	14
14	100%		-	-	-	-	-
Total			8,970	187	-	-	9,157

## 29. Share capital and reserves

<i>Authorised shares</i>	2022	2021	1 January 2020
	Thousands	Thousands	Thousands
Ordinary shares of €1 each	36,815	36,815	6,002

<i>Ordinary shares issued and fully paid</i>	Thousands	EURth
At 1 January 2021	6,002	6,002
Issued ordinary shares	30,813	30,813
<b>At 31 December 2021</b>	36,815	36,815
Issued ordinary shares	-	-
<b>At 31 December 2022</b>	36,815	36,815

### Reserves

EURth	Reserve capital	Other reserves
<b>At 1 January 2021</b>	<b>40,813</b>	<b>283</b>
<i>Issue of share capital from reserves</i>	(30,813)	-
Formation of the reserve capital by shareholder contributions	159,600	1,726
<b>At 31 December 2021</b>	<b>169,600</b>	<b>2,009</b>
Cover or prior year losses	(9,592)	-
Formation of the reserve capital by shareholder contributions	119,000	3,854
<b>At 31 December 2022</b>	<b>279,008</b>	<b>5,863</b>

Currently, the legal reserve requirement is not met. It will be rectified after the financial statements are signed during the annual profit distribution. The board proposed a transfer of EUR 277 thousand after which the legal reserve will reach 10% of share capital, as required by the Lithuanian Law on Companies.

### 30. Share based payments

The Revolut Group issues equity-settled share-based payment awards to certain employees of the Group, including those of its subsidiaries. These awards are share options which will be settled in shares of Revolut Ltd, the ultimate parent company. As there is no obligation for the Bank to settle these awards, these represent equity settled share-based payments.

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market performance vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of awards that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

#### Unapproved share option scheme

The Group operates an Unapproved Options Plan ("UOP"), for the non-UK employees, including the employees of the Bank.

The options are granted with a fixed exercise price, are exercisable after they have vested, and expire after 10 years.

There are vesting periods between 2-4 years, for the majority of the vesting programs they fall under: (i) a 4-year vesting period with the first 25% vested on the first-year anniversary of the vesting commencement date, and the remaining 75% vesting monthly over the subsequent 36 months; or (ii) a 2-year vesting period with options vesting monthly over the 2 years or (iii) 50% upfront and 25% annually thereafter. Employees are required to remain in employment with the Group until the vesting period has elapsed, otherwise the awards lapse.

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Set out below are summaries of options granted under the plan:

	Weighted average exercise price, (EUR) 2022	Number 2022	Weighted average exercise price, (EUR) 2021	Number 2021
Outstanding at the beginning of the year	0.27	21,497	0.13	12,958
Transfers during the year	0.11	7,072	0.11	6,663
Adjustments related to prior year	0	0	0.11	(878)
Granted during the year	0.14	7,192	0.26	14,749
Exercised during the year	0.01	(46)	0.08	(7,023)
Forfeited during the year	0.01	(1,033)	0.02	(4,972)
Outstanding at the end of the year	0.11	34,682	0.27	21,497
Exercisable at the end of the year	0.64	25,821	0.21	16,159

No options expired during the periods covered by the above tables

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

Grant date	Expiry date	Exercise price (EUR)	Share options 31 December 2022	Share options 31 December 2021
9 November 2018	9 November 2028	0.12	1,140	1,140
5 July 2019	5 July 2029	0.65	2,157	2,109
13 July 2019	13 July 2029	0.0004	1,234	-
19 November 2019	19 November 2029	0.89	475	819
2 October 2020	1 October 2030	0.0000001	10,050	8,958
1 January 2021	1 January 2031	0.0000001	1,776	-
1 April 2021	1 April 2031	0.0000001	5,729	3,860
3 August 2021	3 August 2031	0.0000001	2,000	2,047
11 November 2021	11 November 2031	0.0000001	1,952	1,920
22 December 2021	22 December 2031	0.0000001	14	49
24 December 2021	24 December 2031	0.0000001	1,696	595
28 January 2022	28 January 2032	11.6	80	-
20 April 2022	20 April 2032	0.0000001	3,921	-
1 October 2022	1 October 2032	0.0000001	2,458	-
<b>Total</b>			<b>34,682</b>	<b>21,497</b>

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### ***Fair value of options granted***

The fair value of the options granted during the year was determined by first valuing the total equity of the Group at the grant date. The valuation of the Group was undertaken using both a price per user basis and a revenue multiple basis using ranges of multiples based on a cohort of comparable companies to determine a range of possible equity values for the Group.

The mid-point of this range was used as an input to a Monte-Carlo simulation to determine the fair value of an ordinary share by running a large number of scenarios and attributing the resulting values to the classes of shares based on their economic rights.

The Black-Scholes option pricing model was then used to value the equity-settled share-based payment awards as the model is internationally recognised as being appropriate to value employee share schemes similar to the UOP.

The model inputs used for options granted during the year ended 31 December 2022 (excluding those where employees opted to receive a portion of their salary in share options instead of cash - see below) are set out below. As the options have vesting periods between 0 - 4 years, separate assumptions have been used for each tranche and therefore the range of inputs is shown below.

	<b>2022</b>	<b>2021</b>
Expected term (years)	0 - 4	0 - 4
Fair value of ordinary share	174.05-185.35	74.98-392.73
Volatility	30% - 40%	0% - 45%
Dividend yield	0%	0%
Risk-free interest rate	1.9% - 4.3%	(0.59)% - 0.63%

In accordance with IFRS 2, equity settled awards should be valued by measuring the fair value of services received directly where possible. Where employees opted to take a portion of their salary in share options the fair value of the employee services was measured directly by reference to the value of the salary foregone.

The total share-based payment expense recognised in the other reserves in equity is as follows:

<b>EURth</b>	<b>2022</b>	<b>2021</b>
Unapproved share option scheme	912	1,243

## 31. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

<b>As at 31 December 2022 EURth</b>	<b>Within 12 months</b>	<b>After 12 months</b>	<b>Total</b>
<b>Assets</b>			
Cash and balances with central banks	6,921,501	-	6,921,501
Due from banks	8,396	-	8,396
Due from other financial institutions	1,358	-	1,358
Debt securities	10,769	1,099,487	1,110,256
Equity instruments	-	25	25
Loans and unauthorised overdraft	32,002	198,835	230,837
Due from intermediaries	13,135	-	13,135
Derivatives	1,261	-	1,261
Property, plant and equipment	-	1,447	1,447
Intangible assets	-	-	-
Deferred tax assets	-	4,660	4,660
Other assets	486,599	-	486,599
<b>Total assets</b>	<b>7,475,021</b>	<b>1,304,454</b>	<b>8,779,475</b>
<b>Liabilities</b>			
Derivatives	2,800	-	2,800
Due to customers	8,083,838	-	8,083,838
Due to other financial institutions	191,561	-	191,561
Other liabilities	104,416	-	104,416
Provisions	103	-	103
<b>Total liabilities</b>	<b>8,382,718</b>	<b>-</b>	<b>8,382,718</b>

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<b>As at 31 December 2021</b>	<b>Within 12 months</b>	<b>After 12 months</b>	<b>Total</b>
<b>EURth</b>			
<b>Assets</b>			
Cash and balances with central banks	3,448,265	-	3,448,265
Due from banks	115,091	-	115,091
Due from other financial institutions	129,484	-	129,484
Debt securities	1,015,081	-	1,015,081
Equity instruments		25	25
Loans and unauthorised overdraft	8,141	15,407	23,548
Due from intermediaries	15,716	-	15,716
Derivatives	4,737	-	4,737
Property, plant and equipment	-	1,701	1,701
Intangible assets	-	33	33
Deferred tax assets	-	1,547	1,547
Other assets	123,169	-	123,169
<b>Total assets</b>	<b>4,859,684</b>	<b>18,713</b>	<b>4,878,397</b>
<b>Liabilities</b>			
Derivatives	8,284	-	8,284
Due to customers	4,544,087	-	4,544,087
Due to other financial institutions	24,155	-	24,155
Other liabilities	48,964	-	48,964
Provisions	32	-	32
<b>Total liabilities</b>	<b>4,625,522</b>	<b>-</b>	<b>4,625,522</b>

## 32. Fair value measurement

### 32.1 Assets and liabilities by fair value hierarchy

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

At 31 December 2022 EURth	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value on a recurring basis</b>				
<i>Derivative financial instruments</i>				
Foreign exchange contracts	-	1,261	-	1,261
<i>Debt instruments at fair value through OCI</i>				
Debt instruments	-	-	-	-
<i>Equity Instruments at fair value through OCI</i>				
Equity instruments	-	-	25	25
<b>Total financial assets measured at fair value</b>	<b>-</b>	<b>1,261</b>	<b>25</b>	<b>1,286</b>
<b>Liabilities measured at fair value on a recurring basis</b>				
<i>Derivative financial instruments</i>				
Foreign exchange contracts	-	2,800	-	2,800
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>2,800</b>	<b>-</b>	<b>2,800</b>

At 31 December 2021 EURth	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value on a recurring basis</b>				
<i>Derivative financial instruments</i>				
Foreign exchange contracts	-	4,737	-	4,737
<i>Debt instruments at fair value through OCI</i>				
Debt instruments	1,015,081	-	-	1,015,081
<i>Equity Instruments at fair value through OCI</i>				
Equity instruments	-	-	25	25
<b>Total financial assets measured at fair value</b>	<b>1,015,081</b>	<b>4,737</b>	<b>25</b>	<b>1,019,843</b>
<b>Liabilities measured at fair value on a recurring basis</b>				
<i>Derivative financial instruments</i>				
Foreign exchange contracts	-	8,284	-	8,284
<b>Total financial liabilities measured at fair value</b>	<b>-</b>	<b>8,284</b>	<b>-</b>	<b>8,284</b>



Foreign exchange related derivative contracts were transferred from level 1 to level 2 in comparative 2021 December 31 figures.

### 32.2 Fair value of financial instruments not measured at fair value

The table below summarises the carrying amounts and fair values of those financial assets and liabilities presented on the Bank's statement of financial position at amortised cost:

As at 31 December 2022 EURth	Carrying value	Fair value		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and balances with central banks	6,921,501	-	-	6,921,501
Due from banks	8,396	-	-	8,396
Due from other financial institutions	1,358	-	-	1,358
Debt securities	1,110,256	1,070,454	-	-
Loans and unauthorised overdraft	230,837	-	-	220,773
Due from intermediaries	13,135	-	-	13,135
Other financial assets	485,906	-	-	485,906
<b>Total financial assets valued at amortised cost</b>	<b>8,771,389</b>	<b>1,070,454</b>	<b>-</b>	<b>7,651,069</b>
<b>Liabilities</b>				
Due to customers	8,083,838	-	-	8,083,838
Due to other financial institutions	191,561	-	-	191,561
Other financial liabilities	76,307	-	-	76,307
<b>Total financial liabilities valued at amortised cost</b>	<b>8,351,706</b>	<b>-</b>	<b>-</b>	<b>8,351,706</b>

## Annual Report for the year ended 31 December 2022

As at 31 December 2021 EURth	Carrying value	Fair value		
		Level 1	Level 2	Level 3
<b>Assets</b>				
Cash and balances with central banks	3,448,265	-	-	3,448,265
Due from banks	115,091	-	-	115,091
Due from other financial institutions	129,484	-	-	129,484
Debt securities*	-	-	-	-
Loans and unauthorised overdraft	23,548	-	-	23,073
Due from intermediaries	15,716	-	-	15,716
Other financial assets	123,123	-	-	123,123
<b>Total financial assets valued at amortised cost</b>	<b>3,855,227</b>	<b>-</b>	<b>-</b>	<b>3,854,752</b>
<b>Liabilities</b>				
Due to customers	4,544,087	-	-	4,544,087
Due to other financial institutions	24,155	-	-	24,155
Other financial liabilities	22,767	-	-	22,767
<b>Total financial liabilities valued at amortised cost</b>	<b>4,591,009</b>	<b>-</b>	<b>-</b>	<b>4,591,009</b>

\* As at December 31 2021 Bank did not have any debt securities accounted HTC at amortised cost.

## 33. Capital

The main objectives of Revolut Bank UAB in capital management are as follows:

- The capital planning and the capital held by the Bank at any time are consistent with the Bank's strategy and support its implementation;
- Ensuring that the Bank's capital level appropriately covers all material risks to which the Bank is exposed and enables it to pursue its business objectives;
- The Bank shall comply with the regulatory capital requirements at all times;
- The Bank shall meet its internally determined capitalisation targets, which envisage appropriate additional capital cushion above the regulatory required capital in order to ensure capital adequacy in case of material deviations of the Bank's performance from the financial plan or severe adverse scenarios (both bank-specific and systemic);
- The Bank shall have a range of available and feasible management actions to restore the Bank's capitalisation in case of its deterioration;
- The optimization of the capital in order to maximise shareholder value, including usage of internal capital allocation to business and its consideration in risk adjusted pricing so that the Bank is able to deliver the level of return on risk adjusted capital required by shareholders.

## Annual Report for the year ended 31 December 2022

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may take such actions as adjustment of the amount of dividend payment to shareholders, return of capital to shareholders, issue capital securities or make structural changes to its balance sheet ensuring optimal usage of capital. The objectives, policies and processes related with the Bank's capital management are reviewed at least annually to keep them up to date.

### 33.1 Regulatory capital requirements

The Bank maintains an actively managed capital base to cover risks inherent in the business and comply with the regulatory capital adequacy requirements, which are calculated following the EU Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD).

In accordance with the regulatory capital requirements, the banks are expected to operate with their capital being equivalent to at least the sum of the minimum Pillar 1 requirements, Pillar 2 requirement (P2R), Combined buffer requirement (CBR) and Pillar 2 guidance (P2G). [1]

As of 31 December 2022, the total capital requirement of Revolut Bank UAB (in accordance with the regulatory requirements) is equal to 10.2% for CET1 capital ratio and 14.4% for total capital ratio.

#### Capital requirements as of 31 December 2022

	CET1 capital	Total capital
Minimum Pillar 1 requirement	4.5 %	8.0 %
Pillar 2 requirement (P2R)*	3.2 %	3.2 %
Combined buffer requirement (CBR)	2.5 %	2.5 %
of which: Capital conservation buffer (CCB)	2.5 %	2.5 %
of which: Countercyclical buffer (CCyB)	0.7 %	0.7 %
of which: Other systemically important institution buffer	0.0 %	0.0 %
of which: Systemic risk buffer (SyRB)	0.0 %	0.0 %
Pillar 2 guidance (P2G)*	0.0 %	0.0 %
Total capital requirement	10.9 %	14.4 %

\* In February, the Bank has received a SREP decision, changing Pillar 2 requirement to 3.7% and introducing Pillar 2 guidance of 1.0%

\*\* The Bank has been designated as another systemically significant institution by the Bank of Lithuania in December 2022. It will have to comply with the additional buffer requirement of 1.0% from July 2023.

Revolut Bank UAB has complied in full with all its externally imposed capital requirements over the reported period, including the changes in requirements that come into effect after the end of 2022.

## Annual Report for the year ended 31 December 2022

The Bank's CET1 capital ratio and total capital ratio were both at the level of 22.14% by the end of 2022 (2021: 351.72%) ensuring robust capitalisation.

Revolut Bank UAB calculates its minimum Pillar 1 capital requirement in accordance with the CRR as follows:

- For credit and counterparty risk using standardised approach;
- For operational risk based on the permission from the Bank of Lithuania to amend the calculation of Pillar 1 operational risk capital requirement under the Basic Indicator approach referencing the CRR Article 315(3). The approach uses data from 2021 onwards to calculate the three year's average for the Basic Indicator. Pro-forma merged (with Revolut Payments UAB) financial statements for 2021 are used;
- For market risk using standardised approaches;
- For credit valuation adjustment under standardised method.

[1] Under the materialisation of the severe stress scenarios, the bank's capital is allowed to fall below this level (going into P2G and CBR) on a temporary basis.

EURm	Actual 2022	Required 2022	Actual 2021	Required 2021
Common Equity Tier1 (CET1) capital	366.2	180.3	92.7	2.7
Other Tier 2 capital instruments	-	-	-	-
<b>Total capital</b>	<b>366.2</b>	<b>180.3</b>	<b>92.7</b>	<b>2.7</b>
Risk weighted assets	1,654.0		26.3	
CET1 capital ratio	22.14%		351.72%	
Total capital ratio	22.14%		351.72%	

The Bank's leverage ratio was 4.17% by the end of 2022 (2021: 11.00%) indicating strong capitalisation from this perspective too.

The Bank's regulatory eligible capital consists exclusively of CET1 capital, which comprises share capital, reserves and retained earnings less the intangible assets and deferred tax assets.

### 33.2 Internal capital assessment

The internal capital adequacy assessment process (ICAAP), as one of the key capital management tools, aims to:

- Identify material risks for the Bank and quantify the risks not covered or not fully covered by the capital under minimum Pillar 1 requirements;
- Ensure that Revolut Bank UAB is adequately capitalised to cover the Bank's risks, support implementation of its strategy and pursue business objectives;

## Annual Report for the year ended 31 December 2022

- Comprehensively assess whether the capital levels - current, projected and stressed - are adequate in the context of the regulatory requirements and internal targeted capital levels set by the Supervisory Council.

The ICAAP is integrated with the financial and strategic planning processes and plays a critical role in the capital planning as well as for the determination of the internally targeted capital levels, which are approved by the Supervisory Council.

The ICAAP of Revolut Bank UAB is subject to a regular annual update. However an ad hoc update or development of the new fit-for-purpose ICAAP may be triggered by such events as the significant changes to the business activities or economic environment or through regulatory interactions.

The ICAAP of Revolut Bank UAB of 2022 covers the forecast horizon extending until the end of 2025. The Bank identified the following material risks as not adequately covered by Pillar 1 capital requirements and assessed additional internal Pillar 2 capital add-ons during the process:

- Operational risk;
- Market risk (additional internal Pillar 2 capital assessed for FX risk);
- Credit risk (additional internal Pillar 2 capital assessed for retail loans);
- Credit concentration risk covering geographic, sector and single-name concentration risks;
- Interest rate risk in the banking book (IRRBB);
- Collateral (residual) risk.

Revolut Bank UAB conducts stress testing as part of the ICAAP in order to assess the capital adequacy under severe but plausible financial stress scenarios.

Stress testing of the ICAAP for 2022 was performed under the following scenarios:

- Bank-specific scenario assuming occurrence of the adverse circumstances, which are specific for Bank;
- Systemic scenario, which assumes the adverse macroeconomic conditions;
- Combined scenario, which covers both systemic and bank-specific nature adverse developments.

Additionally, the Bank performed a climate risk stress test to identify its vulnerabilities and assess its exposure to acute physical climate events.

Impact on the Bank's CET1 capital ratio, total capital ratio and leverage ratio was estimated under these adverse scenarios for the horizon extending until the end of 2025. The stress testing outcomes were assessed taking into account the availability and feasibility of the management actions to restore the Bank's capital and leverage ratios to the targeted levels in case of their material deterioration under the adverse circumstances of the stress scenarios.

The results of the stress testing performed under the different stress scenarios prove that Revolut Bank UAB current and future capitalisation is strong and adequate to cover the risks to which the Bank is or might be exposed to.

## 34. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

At 31 December 2022 EURth	Parent from 2022-06-07  Revolut Holdings Europe UAB	Parent until 2022-06-06  Revolut Ltd	Other Related Parties	Parent  Revolut Ltd	Other Related Parties
	2022	2022	2022	2021	2021
<i>Assets</i>					
Due from other financial institutions	-	1,358	-	129,484	-
Derivatives	-	1,261	-	4,737	-
Loans and unauthorised overdrafts	-	-	-	-	-
Other assets	8	448,928	94,253	78,935	17,580
<b>Total assets</b>	<b>8</b>	<b>451,547</b>	<b>94,253</b>	<b>213,156</b>	<b>17,580</b>
<i>Liabilities</i>					
Due to other financial institutions	-	191,561	-	24,155	-
Derivatives	-	2,800	-	8,284	-
Other liabilities	-	146,510	7,381	2,992	-
<b>Total liabilities</b>	<b>-</b>	<b>340,871</b>	<b>7,381</b>	<b>35,431</b>	<b>-</b>
<i>Income and expenses</i>					
Sales to related parties	-	6,636	83	478,186	28
Purchases from related parties	-	286,959	945	484,386	849

Amounts due from other financial institutions and due to other financial institutions include positive and negative balance within a multi-currency facility with Revolut Ltd to deposit funds. The intercompany receivables and payables classified under other assets and other payables accordingly relate to recharges of expenses between group entities and are unsecured, non-interest bearing and repayable on demand.

The management of Revolut Bank received fixed remuneration of EUR 1,255 thousand in 2022 (2021: EUR 1,421 thousand) and variable (share options) of EUR 699 thousand in 2022 (2021: EUR 280 thousand). Revolut Bank did not provide post-employment, termination, or other long-term benefits to its employees.

As at 31 December 2022 Revolut Bank had granted a committed revolving credit facility to Revolut Ltd of EUR 12 million, which was unused at the end of the year.

## Annual Report for the year ended 31 December 2022

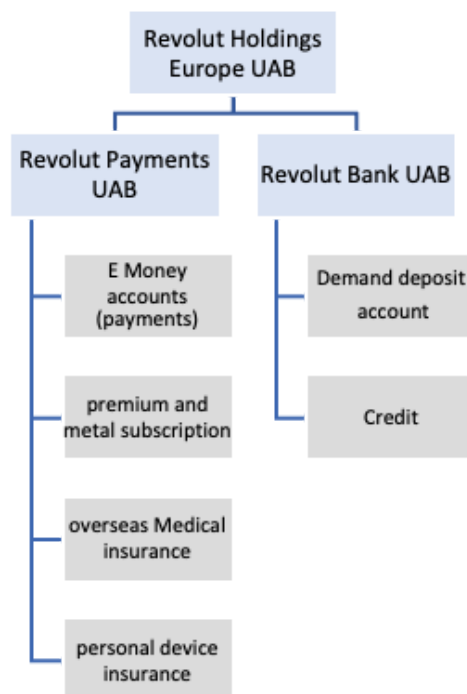
Revolut Bank UAB was acquired wholly by Revolut Holdings Europe UAB on the 7th of June 2022. On the 1st July 2022 Revolut Bank UAB and Revolut Payments UAB became merged into one legal entity, Revolut Bank UAB. The Bank is included in the consolidated financial statements prepared by Revolut Holdings Europe UAB

All related party transactions were made on terms equivalent to those that prevail in arm's length transactions. Recharges from related party relate to technology, shared services and support functions outsourced partially or entirely to Revolut Ltd.

### 35. Merger accounting disclosure

On 1st of July 2022 the merger of two entities Revolut Bank UAB ("BUAB") and Revolut Payments UAB ("PUAB") was completed and all the customers of the PUAB became customers of the BUAB. The merger was executed as a "share for share exchange" where all the net assets and retained earnings of PUAB had been transferred to BUAB without issuing any cash or capital. In exchange for Revolut Holdings Europe UAB shares in PUAB, BUAB had issued an equal number of its own shares to Revolut Holdings Europe UAB.

*Structure before the merger*



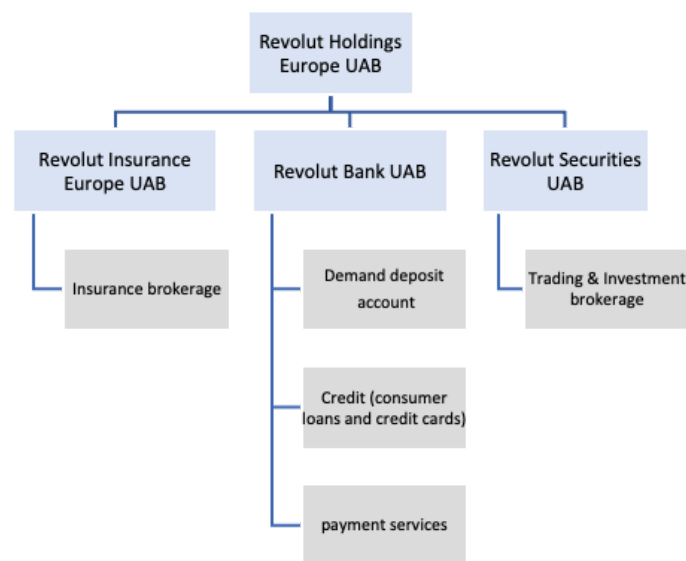
# Revolut Bank

## Annual Report for the year ended 31 December 2022

### New structure

With the regulatory approval from the central bank, BUAB was able to operate as a fully licensed retail bank and offer the services provided by PUAB. Hence, it was operationally more efficient for the group to merge PUAB into BUAB.

The merger of BUAB and PUAB was part of the wider group reorganisation plan where multiple new entities had been created and grouped as geographical holding companies owning all the legal entities in that region and ultimately getting consolidated into a group holdings' company. As part of this plan, European entities are now owned by Revolut Holdings Europe UAB as an intermediate holding company.



### Accounting treatment of the merger

Business combinations are generally dealt under IFRS 3 business combinations and requires application of acquisition accounting i.e. determining the fair value of the net assets of the transferred at the date of acquisition. However, IFRS 3 does not apply to entities under common control nor there is any other accounting standard that deals directly with merger of entities under common control.

Therefore the alternative in scenarios involving merger of entities under common control is the “Predecessor approach” where the net assets of the transferred entity are recorded at the book value. Revolut Bank considered it appropriate to elect an accounting policy to recognise assets and liabilities of the transferred entity at the carrying amounts included in the financial statements of the transferred entity.

Since the transaction occurred at the carrying value of net assets of PUAB, there was no fair value impact. BUAB added all the assets, liabilities and the retained earnings of PUAB on a line by line basis in its balance sheet against issuance of its share capital equal to the share capital of PUAB on a 1:1 basis i.e. 31,312,604 shares at nominal value of €1 to Revolut Holdings Europe UAB.

The financial statements of Revolut Bank UAB for 2021 were restated as if both companies were operating together from the beginning.



Annual Report for the year ended 31 December 2022

## 35.1 Statement of financial position restatement for 2021

<b>EURth</b>	<b>Revolut Bank 2021</b>	<b>Revolut Payments 2021</b>	<b>BUAB IG elimination</b>	<b>PUAB IG elimination</b>	<b>Reclasses</b>	<b>2021 restated</b>
<b>Assets</b>						
Cash and balances with central banks	803,575	2,644,690	-	-	-	3,448,265
Due from banks	1,487	113,604	-	-	-	115,091
Due from other financial institutions	7,402	103,525	(7,402)	-	25,959	129,484
Debt securities	25	1,015,081	-	-	(25)	1,015,081
Equity instruments	-	-	-	-	25	25
Loans and unauthorised overdrafts	21,203	20,000	-	(20,000)	2,345	23,548
Due from intermediaries	-	15,716	-	-	-	15,716
Derivatives	2,738	5,362	(2,738)	(625)	-	4,737
Property and equipment and right-of-use assets	1,701	-	-	-	-	1,701
Intangible assets	33	-	-	-	-	33
Deferred tax assets	1,547	-	-	-	-	1,547
Other assets	1,091	151,981	(270)	(25,484)	(4,149)	123,169
<b>Total assets</b>	<b>840,802</b>	<b>4,069,959</b>	<b>(10,410)</b>	<b>(46,109)</b>	<b>24,155</b>	<b>4,878,397</b>
<b>Liabilities</b>						
Derivatives	625	11,022	(625)	(2,738)	-	8,284
Due to customers	714,823	3,856,666	(20,000)	(7,402)	-	4,544,087
Due to other financial institutions	10,401	-	(10,401)	-	24,155	24,155
Other liabilities	20,830	43,487	(15,158)	(195)	-	48,964
Provisions	32	-	-	-	-	32
<b>Total liabilities</b>	<b>746,711</b>	<b>3,911,175</b>	<b>(46,184)</b>	<b>(10,335)</b>	<b>24,155</b>	<b>4,625,522</b>
<b>Equity attributable to equity holders of parent</b>						
Share capital	5,503	31,312	-	-	-	36,815
Reserve capital	97,000	72,600	-	-	-	169,600
Retained earnings	(9,592)	54,043	-	-	-	44,451
Other reserves	1,180	829	-	-	-	2,009
<b>Total equity</b>	<b>94,091</b>	<b>158,784</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>252,875</b>
<b>Total liabilities and equity</b>	<b>840,802</b>	<b>4,069,959</b>	<b>(46,184)</b>	<b>(10,335)</b>	<b>24,155</b>	<b>4,878,397</b>

## 35.2 Statement of profit or loss and other comprehensive income restatement for 2021

EURth	Revolut Bank 2021	Revolut Payments 2021	BUAB IG elimination	PUAB IG elimination	Reclasses	2021 restated
Interest income calculated using the effective interest method	661	637	-	-	-	1,298
Interest expense	(1,668)	(12,155)	-	-	-	(13,823)
<b>Net interest income</b>	<b>(1,007)</b>	<b>(11,518)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12,525)</b>
Fee and commission income	6	247,625	-	-	-	247,631
Fee and commission expense	(357)	(96,812)	27	-	-	(97,142)
<b>Net fee and commission income</b>	<b>(351)</b>	<b>150,813</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>150,489</b>
Net gains and losses on financial items	4,901	(12,147)	(4,903)	4,903	-	(7,246)
Credit loss expense on financial assets	(459)	(193)	-	-	(7,547)	(8,199)
Other operating income	-	17,123	-	-	(2,750)	14,373
<b>Net operating income</b>	<b>3,084</b>	<b>144,078</b>	<b>(4,876)</b>	<b>4,903</b>	<b>(10,297)</b>	<b>136,892</b>
Personnel expenses	(3,229)	(3,218)	-	-	-	(6,447)
Depreciation and amortisation	(213)	-	-	-	-	(213)
Other operating expenses	(7,610)	(79,886)	(45)	18	10,297	(77,226)
<b>Total operating expenses</b>	<b>(11,052)</b>	<b>(83,104)</b>	<b>(45)</b>	<b>18</b>	<b>10,297</b>	<b>(83,886)</b>
<b>Profit (loss) before tax</b>	<b>(7,968)</b>	<b>60,974</b>	<b>(4,921)</b>	<b>4,921</b>	<b>-</b>	<b>53,006</b>
Tax charge	1,086	(10,443)	-	-	-	(9,357)
<b>Profit (loss) for the year</b>	<b>(6,882)</b>	<b>50,531</b>	<b>(4,921)</b>	<b>4,921</b>	<b>-</b>	<b>43,649</b>
Other comprehensive income	-	(395)	-	-	-	(395)
<b>Total comprehensive income for the year, net of tax</b>	<b>(6,882)</b>	<b>50,136</b>	<b>(4,921)</b>	<b>4,921</b>	<b>-</b>	<b>43,254</b>
Attributable to:						
<b>Equity holders of the parent</b>	<b>(6,882)</b>	<b>50,136</b>	<b>(4,921)</b>	<b>4,921</b>	<b>-</b>	<b>43,254</b>


## 36. Events after the reporting period

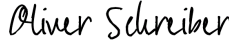
On January 17, 2023 Revolut Bank UAB established a branch in Germany Revolut Bank UAB, Zweigniederlassung Deutschland, Germany registered address Gontardstraße 11, 10178 Berlin, Germany.

On March 7, 2023 Revolut Bank UAB established a branch in Spain Revolut Bank Uab Sucursal En España registered address C/ Serrano 20 - Cloudworks Madrid 28001-Madrid, NIF code W0250845E.

On March 16, 2023 Revolut Holdings Europe UAB, the sole shareholder of Revolut Bank UAB, increased the reserve capital of Revolut Bank UAB by EUR 59 million.

The financial statements were signed on April 15, 2023 by:

DocuSigned by:  
  
4E2E7E47FF6042E  
Joseph Heneghan  
Chief Executive Officer

DocuSigned by:  
  
EAAAB68944C6430...  
Oliver Schreiber  
Chief Financial Officer

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Revolut Bank, UAB

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Revolut Bank, UAB (hereinafter - the Bank), which comprise the statement of financial position as at December 31, 2022, and the statement of profit (loss) and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union (hereinafter - IFRS (EU)).

#### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the requirements of the Law on Audit of Financial Statements of the Republic of Lithuania that are relevant to audit in the Republic of Lithuania, and we have fulfilled our other ethical responsibilities in accordance with the Law on Audit of Financial Statements of the Republic of Lithuania and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Material Uncertainty Related to the Bank significant dependence on Revolut Ltd technological and operational support

The accompanying financial statements have been prepared on a going concern basis. As described in Notes 5.1 and 6.2.2 of the accompanying notes to the financial statements, the Bank is fully dependent on the Revolut Group's ultimate parent company, Revolut Ltd, for the use of the Revolut Group's technological and operational support. These general support services set in the Inter-company agreement may be terminated by Revolut Ltd with 6 months' notice therefore the Bank obtains confirmation on the intention to provide technological support every year. These events or conditions along with other matters as set forth in Notes 5.1 and 6.2.2 indicate that a significant dependence on Revolut Ltd technological and operational support exists and that may cast significant doubt on the Bank to continue as a going concern independently from Revolut Ltd. Our opinion is not qualified in respect of this matter.

#### Emphasis of matter - Transfer pricing between related parties

We would like to draw your attention to Note 13 of the accompanying notes to the financial statements, which discloses that although the Bank implemented a new transfer pricing policy in 2022 based on new methodology, it has not been reviewed or approved by the Lithuanian tax authority, therefore the uncertainty that it might be adjusted remains. Our opinion is not qualified in respect of this matter.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Emphasis of matter - VAT receivable

We would like to draw your attention to Note 23 of the accompanying notes to the financial statements, which discloses that although the Bank recognizes receivable from VAT claim related to the transactions with Revolut Ltd and other related parties based on Article 28, Clause 3 of the VAT law of the Republic of Lithuania, this VAT claim is not submitted, reviewed and approved by the Lithuanian tax authority, therefore the uncertainty that it might be adjusted remains. Our opinion is not qualified in respect of this matter.

### Emphasis of matter - Comparability with the previous year financial statements

We would like to draw your attention to Note 23 of the accompanying notes to the financial statements, which discloses that Revolut Payments, UAB was merged into Revolut Bank, UAB on 1<sup>st</sup> of July 2022. The opening balances of the Bank for FY2021 were restated as if both companies were operating together from the beginning, therefore the opening balances for FY2021 are not comparable with the Bank's financial statement for the year ended 31 December 2021. Our opinion is not qualified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Key Audit Matters

#### How our audit addressed the key audit matter

##### Merger accounting and comparatives figures

(Refer to the Note 2 "Overview of the Bank's status and development", 5.4 "Business combination under common control", 6.2.1 "Conduct and regulatory compliance risk" and Note 35 "Merger accounting disclosure" of the accompanying financial statements)

On 1<sup>st</sup> of July 2022 the merger of two entities Revolut Bank, UAB and Revolut Payments, UAB was completed and net asset, liabilities, retained earnings, all client base and all client e-money of Revolut Payment, UAB were transferred as business merge to Revolut Bank, UAB.

The transfer of e-money, customer base together with all those customers and the income generated by them from Revolut Payments, UAB to Revolut bank, UAB had a significant impact on the increase in the Bank's activity volume and assets as revealed in Note 35 of the accompanying financial statements.

Our audit procedures included, among others, the following matters.

We have reviewed the documents related to the merger and obtained an understanding of the accounting approach of the merger of entities under common control applied by the Bank and have assessed whether it meets the relevant requirements of IFRS (EU) and other good market practices including IFRS (EU) staff consideration and discussion related with business combination under common control.

In performing those procedures, we have identified appropriate methods, assumptions, and applicable IFRS (EU) including IFRS (EU) staff considerations (in case there is no applicable standard) and assessed whether those methods, assumptions are appropriate in the light of the requirements of International Financial Reporting Standards as adopted by the European Union.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Key Audit Matters (continued)

#### Merger accounting and comparatives figures (continued)

According to the accounting standards applied by the Bank business combinations are generally addressed in IFRS 3 (EU) "Business Combinations" and requires application of acquisition accounting i.e., determining the fair value of the net assets transferred at the date of acquisition. However, IFRS 3 (EU) does not apply to the entities under common control nor there is any other International Financial Reporting Standard as adopted by the European Union that directly addresses the merger accounting of the entities under common control.

We have focused on this area because the Bank acquired significant balances through the merger and management made complex and subjective judgments in determining the accounting approach of the merger of entities under common control. Therefore, we needed to evaluate this approach by considering that this transaction is not directly regulated by International Financial Reporting Standards as adopted by the European Union.

Due to the above circumstances, we consider merger accounting to be the Key Audit Matter.

Because the management decided to present the financial statements comparative numbers retrospectively, we have performed substantive audit procedures to verify that the consolidation of the comparative financial period balances including elimination of the transactions between Revolut Bank, UAB and Revolut Payments, UAB performed correctly.

We assessed the accuracy and completeness of the merger's relevant disclosures presented in the financial statements in accordance with the requirements of the applicable International Financial Reporting Standards as adopted by the European Union.

#### Impairment of loans to customers and unauthorized overdraft receivables from customers

(Refer to the Note 4.9 "Impairment of financial assets", Note 6.1.2 "Credit risk", Note 14 "Credit loss expense on financial assets", Note 19.1 "Impairment allowance for loans and unauthorized overdraft" of the accompanying financial statements)

The carrying amount of the loans to customers amounted to EUR 233,286 thousand as at 31 December 2022. The total impairment recognized in the Bank's financial statement amounted to EUR 6,309 thousand as at 31 December 2022.

The carrying amount of the unauthorized overdraft receivables from customers amounted to EUR 20,379 thousand as at 31 December 2022. The total impairment and write-off recognized in the Bank's financial statement amounted to EUR 16,519 thousand as at 31 December 2022.

Impairment provisions reflect the management's best estimate of expected credit losses (ECL) on loans to customers and unauthorized overdraft receivables from customers at the balance sheet date.

Our audit procedures included, among others, the following matters.

We have obtained an understanding of the Bank's ECL methodology applied for loans and unauthorized overdraft receivables from customers and have assessed whether it meets the relevant requirements of IFRS 9 (EU). In performing those procedures, we have identified the relevant methods, assumptions, and sources of data, and assessed whether they are appropriate in the light of the requirements of IFRS 9 (EU).

For the randomly selected loans, we compared the loan portfolio data with internal and external information, including the dates of the contracts, the risk rate from outsourced vendor, and some other data used in the Bank's ECL model as of 31 December 2022.

For the sampled loans and model results, we performed a recalculation of the ECL for the selected units. Our recalculation included management's assumptions regarding the ECL.

## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **Key Audit Matters (continued)**

#### **Impairment of loans to customers and unauthorized overdraft receivables from customers (continued)**

We have focused on this area because the recognition and measurement of loan impairment reflected in the Bank's ECL model involves significant estimates as they require management to make judgments and use complex and subjective assumptions about both the period of impairment and its amounts.

Key areas of management's judgment include identifying loans with a significant increase in credit risk and determining correct recovery percentage for unauthorized overdraft receivables from customers and other assumptions used in the expected credit loss model, such as the borrower's financial condition, the probability of default, changes in borrowers' credit ratings and macroeconomic forecasts.

Due to the above circumstances, we consider the impairment of loans to customers and unauthorized overdraft receivables from customers to be the Key Audit Matters.

We have obtained the necessary forward-looking information and macroeconomic forecasts that the Bank uses to estimate expected credit losses for the loans. We independently evaluated the information by comparing it with publicly available information.

We have obtained an understanding of the Bank's assumptions on its unauthorized overdraft receivables from customers ECL estimates, and performed our own audit procedure to verify the reliability of the management assumptions.

We assessed the accuracy and completeness of the impairment of unauthorized overdraft receivables from customers and loans to customers disclosures in the financial statements in accordance with the requirements of the applicable International Financial Reporting Standards as adopted by the European Union.

### **Other Information**

The other information comprises the information included in the Bank's annual report but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, except as specified below.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In addition, our responsibility is to consider whether information included in the Bank's annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements and whether annual report has been prepared in compliance with applicable legal requirements. Based on the work carried out in the course of audit of financial statements, in our opinion, in all material respects:

- The information given in the Bank's annual report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Bank's annual report has been prepared in accordance with the requirements of the Law on Entities Reporting of the Republic of Lithuania.

## INDEPENDENT AUDITOR'S REPORT (continued)

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 Bank'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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## **INDEPENDENT AUDITOR'S REPORT (continued)**

### **Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We shall 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.

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, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

### **Report on Other Legal and Regulatory Requirements**

In accordance with the decision made by the Bank's shareholders meeting on 28<sup>th</sup> June 2019 we have been chosen to carry out the audit of Bank's financial statements for the first time. Our appointment to carry out the audit of Bank's financial statements in accordance with the decision made by Bank's shareholders meeting has been renewed annually (last time renewed 30<sup>th</sup> June 2022) and the period of total uninterrupted engagement is 4 years.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Bank and its Executive Risk Committee.

We confirm that in light of our knowledge and belief, services provided to the Bank are consistent with the requirements of the law and regulations and do not comprise non-audit services referred to in Article 5(1) of the Regulation (EU) No 537/2014 of the European Parliament and of the Council.

In the course of audit, we have not provided any other services except for audit of financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Virginija Sirevičienė.

BDO auditas ir apskaita, UAB  
Audit Company Certificate No.001496

Virginija Sirevičienė  
Certified auditor of the Republic of Lithuania  
Auditor Certificate No. 000250

Vilnius, the Republic of Lithuania  
15 April, 2023