Revolut EEA Group

Revolut EEA Group

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

Revolut EEA Group

Annual Report for the year ended 31 December 2022

Contents

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 Holdings Europe UAB (further referred to as RHEUAB or the Parent) and on a consolidated basis (further referred as EEA Group).

2. Overview of the company status and development

RHEUAB is a financial holding company incorporated and licensed in the Republic of Lithuania with company number 305820090 and whose registered office is at Konstitucijos ave. 21B, 08130 Vilnius, the Republic of Lithuania.

RHEUAB was included into a public list of the entities belonging to the financial conglomerate on 21 July 2022 by the Bank of Lithuania (further referred to as BoL). In 2022, RHEUAB acquired in each case 100% of the outstanding shares of:

- **Revolut Bank UAB** (further referred to as Bank), 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. RHEUAB acquired the shares of the Bank as of 7 June 2022.
- **Revolut Insurance Europe UAB** (further referred to as RIE), a private limited liability company incorporated and registered in the Enterprise Register of the Republic of Lithuania, at Konstitucijos ave. 21B, LT-08130 Vilnius, Lithuania with legal entity code 305910164. The Company was authorised by the Bank of Lithuania and entered into the list of Insurance Brokerage Undertakings as an insurance intermediary from 25 January 2022. RHEUAB acquired the shares of RIE as of 7 June 2022.
- **Revolut Securities Europe UAB** (further referred to as RSE), a private limited liability company incorporated and registered in the Enterprise Register of the Republic of Lithuania, at Konstitucijos ave. 21B, LT-08130 Vilnius, Lithuania with registration number 305799582. The Company was granted a category B financial brokerage firm licence on 22 November 2021 but it did not carry out licensed activities during the reporting period. RHEUAB acquired the shares of RSE as of 3 August 2022.

RHEUAB is a wholly owned subsidiary of Revolut Group Holdings Ltd and does not operate any own branches.

The purpose of the company is to bundle the EEA business activities of the Revolut Group by holding the shares of the subsidiaries regulated in the EU. RHEUAB does not pursue any own client related activities.

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 consolidated equity of the Revolut EEA Group was at EUR 401.2 million as of 31 December 2022 (EUR 253.5 million as of 31 December 2021). Total Assets of the group were at EUR 8,784.6 million as of 31 December 2022 (EUR 4,879 million as of 31 December 2021). During 2022, the Revolut EEA Group earned EUR 40.4 million of interest income and EUR 443.8 million commission income (EUR 1.3 million and EUR 247.6 million in 2021). In 2022, the Revolut EEA Group incurred a profit of EUR 23.3 million (EUR 43.6 million in 2021).

The Revolut EEA Group compliance with prudential ratios as of 31 December 2022 (per cent) is presented in the table below:

Capital adequacy	24.1
Liquidity coverage	1436.3

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

RHEUAB did not carry out any research and development activities during the reporting period.

In 2022 and 2021 the Revolut EEA Group did not monitor the impact of its own activities on the environment, because the 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 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 BoL adopted the decision to designate the subsidiary Revolut Bank UAB as an other systemically important institution (O-SII) on 20 December 2022. Pursuant to the legal regulations, BoL had to forward 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 the near future. Revolut Bank UAB is preparing for the additional supervision by these EU level authorities in close consultation with its parent company RHEUAB.

3. Strategy and plans

RHEUAB aims to consolidate the business activities of the Revolut Group in the EEA in a single regulated financial holding company. Its primary purpose is to hold the shares of typically regulated EU Revolut entities and downstream capital injections from its parent company to its subsidiaries to support the planned expansion of their business activities.

RHEUAB does not pursue any own client related activities.

4. Organisational structure

The organisational structure of RHEUAB represents the specifics of the business model as a financial holding company without any own client related business activities. RHEUAB receives day-to-day support by its parent company and from its controlled regulated subsidiaries via service level agreements.

The shareholder general meeting of the company nominated the Management Board, which was composed of three executives. The Management Board elects the Chief Executive Officer (CEO), implements the strategy set by the shareholders and is responsible for the decision making in relation to that implementation.

In 2022 no Supervisory Council was established.

In addition to other responsibilities related with chairing and being member of the Management Board, the CEO heads the administration of the company and manages the 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.

As of 3 March 2023 the articles of association of the company were amended to:

- remove the Management Board as this collective management body is optional under the Law on Companies of the Republic of Lithuania;
- Introduce the Supervisory Council consisting of 4 members. Initially 3 Revolut Group Holdings Ltd ("Revolut Group") executives: (i) Chief Risk Officer Pierre Bernard Decote, (ii) Chief Financial Officer Mikko Helander Salovaara, and (iii) Chief Banking Executive Siddhartha Jajodia were appointed.
- Introduce the Deputy CEO function to assist the CEO with daily functioning of the RHEUAB

5. Strategy execution

Revolut's EU 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 competitive advantage stems from the following client-centric principles:

- All-in-one mobile application ('financial super app');
- Fair and Transparent Pricing.;
- Single Digital Channel of Service Delivery.

All EEA Revolut entities utilise 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

In 2022 the bodies of the company were (i) the shareholder general meeting, (ii) the Management Board and (iii) the head of the company - the director / CEO.

The supreme body of the company is the shareholder general meeting. Management bodies of the company are the Management Board and the director / CEO.

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

- Elect and recall the director (CEO);
- Analyse and approve:
  - annual and interim reports of the company;
  - Management structure of and positions held in the company;

    - Positions to which employees are admitted on tender basis;
    - Regulations of the branches and representative offices of the company;
    - The companies business strategy;
    - The draft annual financial statements and draft profit (loss) distribution of the company and submit them together with the annual report of the company to the shareholder general meeting for approval.
- Analyse and evaluate the the material provided by the director on:
    - Organisation of activity of the company
    - Financial situation of the company
    - Business results, income and expense estimates, data of stocktaking and other value accounting in the company

The key responsibilities of **CEO** include:

- Implementation of the strategy set by the Management Board;
- Issue orders regulating the work of the employees of the company;
- Appoint and dismiss employees, conclude and terminate employment contracts, provide incentives to and sanction employees;
- Represent the company in court, arbitration and other institutions and in relation with third parties;
- Issue and revoke power of attorneys to act on behalf of the company;
- Ensure protection of the company's assets, creation of normal working conditions for the employees, protection of commercial secrets and confidential information;
- Draw annual and interim financial statements and reports;
- Conclude the contract with the auditor;
- Submit information and documents to the shareholder general meeting and Management Board

As of 3 March 2023 the articles of association of the company have been amended to reduce the complexity of the company given its limited purpose. The Management Board has been dissolved and replaced by the Supervisory Council. The CEO remained as the sole management body of the company.

The Supervisory Council is composed of three non-executive directors who set out the strategy of the company and supervise executive management in its decision making in relation to the strategy implementation. All three Supervisory Council members are executives directors of the parent organisation.

The Supervisory Council elects the CEO of the company. The CEO implements the strategy set by the Supervisory Council and is responsible for the day to day decision making in relation to that implementation.

7. Risk management and internal control

The Revolut group including the EEA Group recognises that every employee within the organisation has responsibility for the effectiveness of the risk management and internal control framework.

Revolut group 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;

- 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 group entities. 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 group entities 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 Revolut group Chief Risk Officer, is responsible for:

- Implementing and maintaining the Risk Management Framework with all of its components:
  - Definition of the three lines of defence model;
  - 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;
  - Implementation and maintenance of the Risk Appetite framework, including the processes and methodologies used for stating and cascading risk appetite;
  - 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;
  - Facilitating the development and improvement of Revolut group 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;
  - 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 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 Revolut group Supervisory Council and administratively to the Revolut group CEO.

The Compliance Function is split into the Regulatory Compliance, the Regulatory Affairs and the Financial Crime Functions.

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 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 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.

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

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

8. Employees

As of 31 December 2022, the RHEUAB had no employees, (as of 31 December 2021 - 0 employees).

As of 31 December 2022, the EEA Group had 340 employees, (as of 31 December 2021 - 46 employees).

EEA Group	31 December 2022	31 December 2021
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	340	46
Actual number of employees (excluding those on maternity/paternity leave)	335	46

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

EEA Group	Number of employees		Average monthly salaries (EUR)	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Managerial staff	11	14	11873	9458
Specialists	329	130	4819	4203
Total	340	144	-	-

9. Remuneration policy

Remuneration policy was not approved as of the end of financial year 2022 and will be adopted during the first meetings of management bodies of RHEUAB in 2023. No staff received remuneration from RHEUAB in 2022.

Please note that the Remuneration Policy of Revolut Bank UAB is disclosed in the financial statements of Revolut Bank UAB as required by law.

10. Information about positions held by key management personnel

Information on other titles held by the Chief Executive Officer and Supervisory Council Members of Revolut Holding Europe UAB:

Name and surname	**Management Body of Revolut Holding Europe UAB**	**Main workplace**	**Title**	**Other companies where management functions are held**	**Title**
Joseph Heneghan	CEO, Management Board (until 03/03/2023)	Revolut Bank UAB Revolut Payments UAB (*Until 30 June 2022 - merger with Bank)*	Chief Executive Officer of Revolut Bank UAB; Member and Chairman of the Management Board Chief Executive Officer of Revolut Payments UAB; Member and Chairman of the Management Board (*Until 30 June 2022 - merger with Bank)*	Revolut Holdings Europe UAB Revolut Holdings Europe Ltd *(until 27 Feb 2023, entity dissolved)* Revolut Payments Ireland Limited *(until 27 Feb 2023, entity dissolved)*	Board Member
Pierre Decote	Management Board (until 03/03/2023) Supervisory Council (since 03/03/2023)	Revolut Group Holdings Ltd, Revolut Ltd	Chief Risk Officer	n/a	n/a
Mikko Salovaara	Management Board (until 03/03/2023) Supervisory Council (since 03/03/2023)	Revolut Group Holdings Ltd, Revolut Ltd	Chief Finance Officer	n/a	n/a

Name and surname	Management Body of Revolut Holding Europe UAB	Main workplace	Title	Other companies where management functions are held	Title
Siddhartha Jajodia	Supervisory Council (since 0/303/2023)	Revolut Group Holdings Ltd, Revolut Ltd *Revolut US:* Revolut Holdings US Inc. Revolut Technologies Inc., Revolut Securities Inc., Global Retail Technology LLC	Chief Banking Officer Chief Executive Officer Managing Director	n/a	n/a

11. Events after the reporting period

Events after the reporting period are disclosed in Note 36.

DocuSigned by:
Vytautas Valvonis
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Vytautas Valvonis
Chief Executive Officer of Revolut Holdings Europe UAB

April 26, 2023

Statement of profit or loss and other comprehensive income

EURth	Notes	EEA Group 2022	EEA Group 2021 Combined*	RHE standalone* 2022	RHE standalone* 2021
Interest income calculated using the effective interest method	7	40,398	1,298	-	-
Interest expense	8	(12,528)	(13,823)	(6)	-
Net interest income		**27,870**	**(12,525)**	**(6)**	**-**
Fee and commission income	9	443,761	247,631	-	-
Fee and commission expense	10	(113,066)	(97,142)	-	-
Net fee and commission income		**330,695**	**150,489**	**-**	**-**
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	-	-
Net operating income		**389,969**	**136,892**	**(6)**	**-**
Personnel expenses	12	(22,899)	(6,513)	-	-
Depreciation and amortisation	21, 22	(374)	(213)	-	-
Other operating expenses	13	(336,822)	(77,233)	(13)	-
Total operating expenses		**(360,095)**	**(83,959)**	**(13)**	**-**
Profit (loss) before tax		**29,874**	**52,933**	**(19)**	**-**
Tax charge	15	(6,562)	(9,357)	-	-
Profit (loss) for the year		**23,312**	**43,576**	**(19)**	**-**
Net change in fair value of debt instruments at FVOCI		400	(400)		-
Foreign currency translation		15	5		-
Other comprehensive income for the year		415	(395)	-	-
Total comprehensive income for the year, net of tax		**23,727**	**43,181**	**(19)**	**-**
Attributable to:					
Equity holders of the parent		**23,727**	**43,181**	**(19)**	**-**

** Business combination disclosure under common control and presentation of 2021 comparative figures are described in the note 5.4 significant accounting judgement and note 35.*

The accompanying notes on pages 15 to 84 are an integral part of these financial statements.

Statement of financial position

		EEA Group		RHE standalone*	
EURth	**Notes**	**2022**	**2021**	**2022**	**2021**
Assets			**Combined***		
Cash and balances with central banks	16	6,921,501	3,448,913	-	-
Due from banks	17	13,377	115,091	-	3
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	1,450	1,702	-	-
Investments in subsidiaries		-	-	330,160	
Intangible assets	22	-	33	-	-
Deferred tax assets	15	4,712	1,547	-	-
Other assets	23	486,675	123,170	3	-
Total assets		**8,784,587**	**4,879,047**	**330,163**	**3**
Liabilities					
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	105,096	49,039	19	-
Provisions	28	103	32	-	-
Total liabilities		**8,383,398**	**4,625,597**	**19**	**-**
Equity attributable to equity holders of parent					
Share capital	29	1,483	3	1,483	3
Share premium	29	1,858,620	-	1,858,620	-
Reserve capital		-	-	-	-
Retained earnings		(1,464,777)	44,378	(1,529,959)	-
Other reserves		5,863	2,009	-	-
Net Parent investment		-	207,060	-	-
Total equity		**401,189**	**253,450**	**330,144**	**3**
Total liabilities and equity		**8,784,587**	**4,879,047**	**330,163**	**3**

** Business combination disclosure under common control and presentation of 2021 comparative figures are described in the note 5.4 significant accounting judgement and note 35.*

The accompanying notes on pages 15 to 84 are an integral part of these financial statement

Statement of changes in equity

EEA Group
for the year ended 31 December 2022

EURth	Notes	Total attributable to equity holders of the parent							
		Share capital	Share Premium	Translation reserve	Fair value reserve	Retained earnings	Other reserves	Net Parent investment	Total equity
As at 1 January 2022		3	-	5	(400)	44,378	2,404	207,060	253,450
Profit for the year						23,312			23,312
Other comprehensive income				15	400				415
Total comprehensive income		-	-	**15**	**400**	**23,312**	-	-	**23,727**
Issue of share capital		1,480	1,858,620						1,860,100
Formation of reserve capital	29					(2,527)	2,527		-
Profit (loss) of the reporting financial year not recognized in the profit (loss) report						(1,529,940)		(207,060)	(1,737,000)
Share based payments	30						912		912
As at 31 December 2022		**1,483**	**1,858,620**	**20**	-	**(1,464,777)**	**5,843**	-	**401,189**

Combined* comparatives for the year ended 31 December 2021

EURth	Notes	Total attributable to equity holders of the parent							
		Share capital	Share Premium	Translation reserve	Fair value reserve	Retained earnings	Other reserves	Net Parent investment	Total equity
As at 1 January 2021		-	-	-		**1,680**	**283**	**46,815**	**48,778**
Profit for the year						43,576			**43,576**
Other comprehensive income				5	(400)				-395
Total comprehensive income		-	-	**5**	**(400)**	**43,576**	-	-	**43,181**
Issue of share capital		3						31,458	**31,461**
Formation of reserve capital	29					(878)	878	128,787	**128,787**
Share based payments	30						1,243		**1,243**
As at 31 December 2021		**3**	-	**5**	**(400)**	**44,378**	**2,404**	**207,060**	**253,450**

** Business combination disclosure under common control and presentation of 2021 comparative figures are described in the note 5.4 significant accounting judgement and note 35.*

RHE standalone

for the year ended 31 December 2022

EURth	Notes	Share capital	Share Premium	Translation reserve	Retained earnings	Other reserves	Total equity
		Total attributable to equity holders of the parent					
As at 1 January 2022		3	-	-	-	-	3
Profit for the year					(19)		(19)
Other comprehensive income							-
Total comprehensive income		**-**	**-**	**-**	**(19)**	**-**	**(19)**
Issue of share capital	29	1,480	1,858,620				1,860,100
Profit (loss) of the reporting financial year not recognized in the profit (loss) report					(1,529,940)		(1,529,940)
As at 31 December 2022		**1,483**	**1,858,620**	**-**	**(1,529,959)**	**-**	**330,144**

for the year ended 31 December 2021*

EURth	Notes	Share capital	Share Premium	Translation reserve	Retained earnings	Other reserves	Total equity
		Total attributable to equity holders of the parent					
As at 1 January 2021		-	-	-	-	-	-
Profit for the year							-
Other comprehensive income							
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
Issue of share capital	29	3					3
As at 31 December 2021		**3**	**-**	**-**	**-**	**-**	**3**

** Business combination disclosure under common control and presentation of 2021 comparative figures are described in the note 5.4 significant accounting judgement and note 35.*

The accompanying notes on pages 15 to 84 are an integral part of these financial statements

Statement of cash flows

EURth	Notes	EEA group 2022	EEA group 2021 Combined**	RHE standalone* 2022	RHE standalone* 2021
Operating activities					
Profit before tax		29,874	52,933	(19)	-
Adjustment for:					
Interest income	7	(40,398)	(1,298)	-	-
Interest expense	8	12,528	13,823	6	-
Credit impairments	14	(21,408)	(7,088)	-	-
Depreciation and amortisation	21,22	374	213	-	-
Changes in operating assets and liabilities					
Net change in derivative financial instruments	24	(2,008)	(253)	-	-
Net change in loans and unauthorised overdrafts	19	(184,730)	(20,023)	-	-
Net change in financial assets at FVOCI	18	1,015,288	(1,015,506)	-	-
Net change in financial assets at HTC	18	(1,110,165)	-	-	-
Change in other operating assets	23	(360,871)	(52,031)	(3)	-
Change in other operating liabilities	26,27	237,019	35,212	19	-
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	(3,165)	(1,085)	-	-
Income tax paid		(19,830)	(1,221)	-	-
Interest paid		(12,588)	(13,855)	(6)	-
Interest received		39,420	1,221	-	-
Net cash flows from operating activities		**3,082,537**	**751,328**	**(3)**	**-**
Investing activities					
Purchase of property and equipment	21	(21)	(17)	-	-
Net cash flows used in investing activities		**(21)**	**(17)**	**-**	**-**
Financing activities					
Proceeds from formation of share capital and share premium	29	94,000	3	94,000	3
Principal payments of lease liabilities		(349)	(168)	-	-
Parent investment into subsidiaries		-	-	(94,000)	-
Proceeds from parent investments in subsidiaries*		29,100	160,245	-	-
Net cash flows from financing activities		**122,751**	**160,080**	**-**	**3**
Net increase in cash and cash equivalents		**3,205,267**	**911,391**	**(3)**	**3**
Net foreign exchange difference		37,481	(4,160)	-	-
Cash and cash equivalents at 1 January	16,17	3,693,488	2,786,257	3	-
Cash and cash equivalents at 31 December	16,17	**6,936,236**	**3,693,488**	**-**	**3**

** Proceeds are related to investments into subsidiaries paid by Revolut Ltd previous parent entity prior to the restructuring*
***Business combination disclosure under common control and presentation of 2021 comparative figures are described in the note 5.4 significant accounting judgement and note 35.*

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Notes to the Financial Statements

1. Corporate information

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The purpose of the company is to bundle the EEA business activities of the Revolut Group by holding the shares of the subsidiaries regulated in the EU. RHEUAB does not pursue any own client related activities.

2. Basis of preparation

Revolut Holding Europe 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. RHEUAB presents its statement of financial position in order of liquidity, based on the financial holdings 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 RHEUAB:

- **Annual Improvements to IFRS: 2018-2020 cycle,** witch 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 assessing 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 RHEUAB's financial statements and so have not been discussed in detail in the notes to the financial statements..

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 RHEUAB 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 RHEUAB is currently assessing the impact of these new accounting standards and amendments. The management of the RHEUAB 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, except as noted below:

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:

- 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 RHEUAB is currently assessing the impact of these new accounting standards and amendments. The management of the RHEUAB 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 RHEUAB in future periods.

4. Summary of significant accounting policies

The following are the significant accounting policies applied by the RHEUAB 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 RHEUAB 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 RHEUAB only includes interest on those financial instruments that are set out in Note 4.2.1 above. The RHEUAB 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 RHEUAB 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 RHEUAB reverts to calculating interest income on a gross basis. The RHEUAB also holds financial assets with negative interest rates. The RHEUAB discloses interest on these financial assets as interest expense.

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

Net loss 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 Payments 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 Payments 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 Payments revenue contracts do not typically include multiple performance obligations. When Revolut Payments provides a service to its customers, consideration is generally due immediately upon satisfaction of a service provided at a point in time. Revolut Payments 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 Payments performs. Revolut Payments 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 RHEUAB becomes a party to the contractual provisions of the instrument. Loans and unauthorised overdrafts 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 RHEUAB 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 were the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the RHEUAB has access to at the measurement date. The RHEUAB 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 were 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 RHEUAB will classify the instruments as Level 3.

- Level 3 financial instruments – Those that include one or more unobservable inputs that are 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.

The RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB'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 RHEUAB's original expectations, the RHEUAB 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 RHEUAB 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 RHEUAB 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.

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 RHEUAB 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 RHEUAB 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 23.

4.7. Reclassification of financial assets and liabilities

The RHEUAB does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the RHEUAB 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 RHEUAB 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 RHEUAB 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

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 RHEUAB records a modification gain or loss, to the extent that an impairment loss has not already been recorded. For financial liabilities, the RHEUAB 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 RHEUAB also derecognises the financial asset if it has both transferred the financial asset and the transfer qualifies for derecognition.

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

- The RHEUAB 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 RHEUAB 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 RHEUAB has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates
- The RHEUAB cannot sell or pledge the original asset other than as security to the eventual recipients

- The RHEUAB has to remit any cash flows it collects on behalf of the eventual recipients without material delay.

In addition, the RHEUAB 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 RHEUAB has transferred substantially all the risks and rewards of the asset

or

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

The RHEUAB 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.

When the RHEUAB 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 RHEUAB's continuing involvement, in which case, the RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB's policies for determining if there has been a significant increase in credit risk are set out in Note 19. The 12mECL is 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. 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 RHEUAB's policy for grouping financial assets measured on a collective basis is explained in Note 19. The RHEUAB 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 RHEUAB groups its loans into Stage 1, Stage 2, Stage 3, as described below:

- Stage 1: When loans are first recognised, the RHEUAB 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.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB records an allowance for the LTECL. The mechanics are similar to those explained above, including the use of 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 RHEUAB 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 RHEUAB 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 RHEUAB 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 the credit loss expense.

4.11. Forborne and modified loans

The RHEUAB sometimes makes concessions or modifications to the original terms of loans as a response to the borrower's financial difficulties. The RHEUAB 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 RHEUAB 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 RHEUAB 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 2021 reporting date the RHEUAB does not have forborne assets.

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 RHEUAB 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 RHEUAB recognises the right-of-use assets and respective lease liabilities based on all the lease arrangements where the RHEUAB 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

RHEUAB 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 RHEUAB 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 RHEUAB 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 residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the RHEUAB. 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 RHEUAB 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 RHEUAB 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 RHEUAB 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 RHEUAB 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.

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 RHEUAB 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 RHEUAB's intention to settle on a net basis.

5. Significant accounting judgements, estimates and assumptions

The preparation of the RHEUAB'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 RHEUAB'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 RHEUAB'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 as primary investment of RHEUAB has become profit making in 2022 following the merger with Revolut Payment UAB,

- the Bank has grown its customer base substantially resulting in a material increase of revenues both from interest income and commission income and is expected to remain profit making in 2023,
- The EEA Revolut group consolidated has a solid capital base well above the regulatory minimum ratios and a strong liquidity position, and
- RHEUAB 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 posted 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.

The Inter-company agreement for financial and general support services with Revolut Ltd and EEA Group significant subsidiary may be terminated with 6 months notice. Revolut Ltd explicitly confirmed to have no intention to terminate the agreement in the next 12 months. The directors of Revolut Group Holdings Ltd and 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.

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 RHEUAB'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 7 June 2022, Revolut Ltd, a company incorporated and domiciled in the United Kingdom, transferred its direct 100% ownership in Revolut Payments UAB ('PUAB') incorporated and domiciled in Lithuania, Revolut Bank UAB ('BUAB') incorporated and domiciled in Lithuania and Revolut Insurance Europe UAB ('RIE') incorporated and domiciled in Lithuania to Revolut Holdings Europe UAB via a share for share exchange in order to establish a European Union sub-group headed by RHEUAB. At the time of the share deal, the immediate parent of RHEUAB was Revolut Ltd. On 3 August 2022, Revolut Ltd transferred its direct 100% ownership in Revolut Securities Europe UAB ('RSE') incorporated and domiciled in Lithuania, via a share for share exchange to European Union sub-group headed by RHEUAB. As of 25 October 2022, as part of a Revolut group restructuring, following the incorporation of Revolut Group Holdings Ltd and the subsequent insertion of Revolut Group Holdings Ltd as the new parent of Revolut Ltd, Revolut Ltd paid a dividend in specie consisting of 100% of the Revolut Ltd investment in Revolut Holdings Europe UAB.

Although this consolidated financial information has been released in the name of Revolut Holdings Europe UAB, the reorganisation of the European Union incorporated entities represents in-substance a continuation of the European Union sub-group of entities formerly headed by Revolut Ltd, and the following accounting treatment has been applied to account for the restructuring of RHEUAB:

- RHEUAB's investment in subsidiary entities were recognised and measured at their pre-restructuring carrying amounts, without restatement to fair value;
- the consolidated assets and liabilities of the RHEUAB sub-group of entities were recognised and measured at their pre-restructuring carrying amounts, without restatement to fair value;
- Equity instruments issued by RHEUAB to Revolut Ltd were recognised at fair value;
- Any difference between the consideration paid by RHEUAB and the carrying amounts of assets and liabilities received in the restructuring were recognised directly in equity;
- comparative numbers presented in the consolidated financial statements are the combined results of Revolut Payments UAB, Revolut Bank UAB, Revolut Securities Europe UAB and Revolut Insurance Europe UAB reported in their respective individual financial statements for the year ended 31 December 2021 with any inter company transactions and balances eliminated on consolidation, except for the presentation of the share capital, share premium and other reserves excluding Retained Earnings, Currency translation reserve, Fair Value Through Other Comprehensive Income, which have been combined and presented as a single component under "Net parent investment" as if RHEUAB had been the intermediate parent company during such periods. Subsequent to the restructuring, the equity structure reflects the applicable movements in equity of RHEUAB, including the equity instruments issued to effect the Restructuring.

6. Risk management

6.1 Macroeconomic environment risk and uncertainties

Revolut's EEA 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 tightening macroeconomic policy stance is needed to bring down inflation, while helping vulnerable households and viable firms weather the energy crisis. Tightening macroeconomic policy has a negative effect on household spending.

6.1.1 Funding and liquidity risk

(a) Overview of the framework for consolidated entities

Liquidity risk is the risk that the entity cannot meet its financial obligations when they fall due. Funding risk is the risk that the entity 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 decrease in liabilities can also create funding and liquidity risk.

The Revolut EEA Group 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 other senior management.

The Revolut EEA Group'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. Specifically, the Revolut EEA Group complies with this policy by holding surplus cash in the form of overnight deposits with central banks and highly-rated financial institutions.

(b) Monitoring metrics and limits for consolidated entities

The Revolut EEA Group has a low risk appetite for liquidity risk. At all times, the respective entities seek to maintain liquidity resources that are adequate in size and in quality, to ensure they can meet their liabilities as they fall due and meet all regulatory minimum requirements.

The Revolut EEA Group’s consolidated 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 to measure and limit liquidity and funding risk are the LCR and the NSFR.

The LCR is designed to ensure that the Revolut EEA Group holds a sufficient reserve of high-quality liquid assets (HQLA) to survive a period of significant liquidity stress lasting 30 calendar days. The 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 Revolut EEA Group 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 liquidity sufficiency expressed in a notional amount (LSE metric) as well as survival days (Stress Survival Horizon or SSH metric).

Various additional metrics and early warning indicators are followed up to enhance daily liquidity management.

(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 of the Bank for the entire EEA Group and other senior management.

Liquidity stress testing timeline covers the 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 bank deposit outflows of stable and less stable funding, disruptions in the expected cash inflows from the bank's loan and investment portfolio or an 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 Revolut EEA Group runs stress tests daily. Key inputs are reviewed at least annually in conjunction with business plan updates with outputs being reviewed by the senior management and committees 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 the Revolut EEA Group 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 management bodies to follow the level and development of credit risk profile.

Credit risk measurement

(a) Loans to customers

The Revolut EEA Group 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, the Revolut EEA Group consumer loan portfolio remained small compared to total assets.

The Revolut EEA Group'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 the Revolut EEA Group 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 Revolut EEA Group'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 Revolut EEA Group'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 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

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

The Revolut EEA Group 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 Revolut EEA Group'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 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.

The Revolut EEA Group 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 Revolut EEA Group 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 The Revolut EEA Group had EUR 13.4 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 Revolut EEA Group held EUR 436 million (2021: EUR 3,449 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 Revolut EEA Group had EUR 544.5 million (2021: EUR 225 million) of receivables and EUR 346 million (2021: EUR 27 million) of payables related with other Revolut Group entities. In addition, the Revolut EEA Group executed FX swaps with Revolut Ltd throughout 2022, therefore, the Revolut EEA Group had corresponding exposures as disclosed in Note 24.

General Expected Credit Loss assessment principles

The Revolut EEA Group recognises the credit losses in accordance with the requirements of IFRS 9.

The credit portfolio is divided to three Stages as described in accounting principles above (Note 4.9).

Default definition

The Revolut EEA Group 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 for classification of financial instruments as credit-impaired (Stage 3) under IFRS 9.

The group 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;
B. the obligor is considered unlikely to pay its credit obligations.

For the purpose of criterion (A), counting of days past due is performed at obligor level. The Revolut EEA Group 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:

- 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 include the following:

1. The Revolut EEA Group 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 the Revolut EEA Group stops charging interest and/or has direct write-offs;
2. The Revolut EEA Group recognises a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to taking on the exposure;
3. The Revolut EEA Group sells the credit obligation at a material credit-related economic loss;
4. The Revolut EEA Group 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.

The Revolut EEA Group 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, RHEUAB 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, the Revolut EEA Group 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. The Revolut EEA Group 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 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 Revolut EEA Group.

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, % (sqr)	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 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

		Scenario			
Country	**Product type**	**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%)
	All	**421.3**	**-3.7 (-0.9%)**	**-19.5 (-4.6%)**	**14.0 (3.3%)**
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%)
	All	**3,120.3**	**-43.2 (-1.4%)**	**-259.8 (-8.3%)**	**146.9 (4.7%)**
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%)
	All	**2,137.7**	**-37.7 (-1.8%)**	**-193.0 (-9.0%)**	**130.4 (6.1%)**
RO	Fixed Term Credit	720.0	-26.9 (-3.7%)	-132.4 (-18.4%)	98.0 (13.6%)
	All	**720.0**	**-26.9 (-3.7%)**	**-132.4 (-18.4%)**	**98.0 (13.6%)**
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%)
	All	**6,399.3**	**-111.5 (-1.7%)**	**-604.7 (-9.4%)**	**389.3 (6.1%)**

6.1.3 Interest rate risk

Interest rate risk in the banking book (IRRBB) is the risk that the Revolut EEA Group'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 Revolut EEA Group 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 Revolut EEA Group 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.

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 the fast growth of the deposit and customer lending portfolios as well as investments in fixed income securities. 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 Revolut EEA Group is still at the early stage of building up its fixed-term asset portfolio, while any uninvested current accounts, e.g. central bank reserves and nostro accounts, are sensitive to downward shocks not to be compensated by the non-interest bearing deposits. The Revolut EEA Group is 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 Revolut EEA Group. 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.

As of 31 December 2022, the Revolut EEA Group 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 Revolut EEA Group uses a statistical value-at-risk (VaR) model to forecast a potential loss due to movements in FX rates. Considering the 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 the Revolut EEA Group'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%
Open position	**N/A**	**(15)**	**0.00%**

The table below summarises the Revolut EEA Group'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%
Open position	**N/A**	**(455)**	**0.50%**

6.2 Non-financial risk

6.2.1 Conduct and regulatory compliance risk

The Revolut EEA Group operates in a highly regulated industry. Consequently, the Revolut EEA Group 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.

The Revolut EEA Group 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 Revolut group 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 Revolut EEA Group 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.

The Revolut EEA Group has established accountability for its risk profile and senior management risk reporting to the Management Board and the Supervisory Council.

In addition, the 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.

The successful execution of the strategy is reliant on recruiting and retaining the right people to support the growth and quality of the outsourced services provided by its parent company Revolut Ltd. The Revolut EEA Group 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 Revolut EEA Group is reliant in its operations on certain third parties as well as its main outsourcing services provider, parent company Revolut Ltd.

The group 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 services. Close collaboration with these third parties is ensuring the resilience and continuity of the Revolut EEA Group services delivery with no or minimal disruption.

6.2.4 Financial crime risk

The Revolut EEA Group 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 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 group 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 Revolut EEA Group 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 Revolut EEA Group is exposed to cyber security threats which might attempt to access the 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 Revolut EEA Group, 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 Revolut EEA Group 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 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 Revolut EEA Group'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 Revolut EEA Group 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 Revolut 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 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 Management / Supervisory Board as well as to the Group's relevant governance forum.

7. Interest income, calculated using the effective interest method

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Due from banks	20,156	126	-	-
Debt instruments at AMC	10,414	-	-	-
Loans and unauthorised overdrafts	8,857	661	-	-
Debt instruments at FVOCI	971	511	-	-
Total	**40,398**	**1,298**	**-**	**-**

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

8. Interest expense

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Negative interest on interest bearing assets	(12,468)	(13,791)	(6)	-
Interest expense on lease liabilities	(60)	(32)	-	-
Total	**(12,528)**	**(13,823)**	**(6)**	**-**

9. Fee and commission income

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**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	-	-
Total	**443,442**	**247,631**	**-**	**-**

10. Fee and commission expense

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**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)	-	-
Total	**(113,066)**	**(97,142)**	**-**	**-**

11. Other operating income

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Net foreign exchange gain	37,466	12,958	0	0
Chargeback	8,745	1,415	0	0
Total	**46,211**	**14,373**	**0**	**0**

12. Personnel expense

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Wages and salaries	(18,383)	(4,843)	-	-
Social security costs	(2,702)	(311)	-	-
Share based payments (Note 30)	(912)	(1,243)	-	-
Pension costs	(580)	(48)	-	-
Employee benefits	(318)	(41)	-	-
Staff Recruitment & HR Expenses	(4)	(27)	-	-
Total	**(22,899)**	**(6,513)**	**-**	**-**

13. Other operating expenses

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Recharges from Revolut Group	(287,214)	(46,880)	-	-
Client referrals	(40,377)	(19,517)	-	-
Irrecoverable VAT	(1,561)	(7,597)	-	-
Professional fees	(2,708)	(582)	(13)	-
Administrative	(209)	(282)	-	-
Other expenses	(4,434)	(2,375)	-	-
Total	**(336,503)**	**(77,233)**	**(13)**	**-**

EEA Group recognizes significant recharges from Revolut LTD related 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

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**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)	-	-
Impairment gains or (losses) (IFRS 9)	(5,836)	(652)	-	-
Provision for unauthorised overdraft	**(5,886)**	**(7,547)**	-	-
Write-offs and recoveries				
Total write-offs	(9,847)	-	-	-
Reversal of allowances for write-offs	-	-	-	-
Write-offs previously not provided for	-	-	-	-
Recoveries from previous write-offs	-	-	-	-
Net write-offs	**(9,847)**	-	**-**	**-**
Net expected credit losses	**(21,569)**	**(8,199)**	-	-

15. Income tax

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Current tax	(9,727)	(10,443)	-	-
Deferred tax:				
Relating to origination and reversal of temporary differences	3,165	1,086	-	-
Total income tax	**(6,562)**	**(9,357)**	**-**	**-**

15.1 Reconciliation of the total tax charge

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Accounting profit (loss) before tax	**29,874**	**52,933**	**(19)**	**-**
At statutory income tax rate of 15%-20% (2021: 15%-20%)	(6,031)	(9,135)	4	-
Non-deductible expenses	(3,692)	(1,297)	-	-
Increase in deferred tax assets	3,165	1,086	-	-
Unrecognised deferred tax	(4)	(11)	(4)	
Income tax cost reported in the income statement	**(6,562)**	**(9,357)**	**-**	**-**

15.2 Deferred tax

	EEA Group		Parent Company	
EURth	**Deferred tax asset**	**Income statement**	**Deferred tax asset**	**Income statement**
31 December 2022				
Provision for tax losses carried forward	4,712	3,165	0	0

EURth	**Deferred tax asset**	**Income statement**	**Deferred tax asset**	**Income statement**
31 December 2021				
Provision for tax losses carried forward	1,547	1,086	0	0

16. Cash and balances with central banks

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Current account with the Central Bank of Lithuania	436,012	3,448,913	0	0
Current account with the European Central Bank	6,485,489	0	0	0
Total	**6,921,501**	**3,448,913**	**0**	**0**

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

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Placements with other banks - demand deposits	13,377	115,091	0	3
Placements with other financial institutions - demand deposits	1,358	129,484	0	0
Total	**14,735**	**244,575**	**0**	**3**

18. Debt Securities

18.1 Debt instruments measured at FVOCI

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Government debt securities			-	-
United Kingdom	-	721,869	-	-
United States	-	293,212	-	-
Total debt instruments measured at FVOCI	-	**1,015,081**	-	-

Revolut EEA Group 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 EEA Group 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 EEA Group 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

	EEA Group		Parent Company		
EURth	**Stage 1**		**Stage 1**		
	Fair value	**ECL**	**Fair value**		**ECL**
At 1 January 2022	**1,015,081**	**193**	-	-	-
Increases due to origination and acquisition	-	-	-	-	-
Decreases due to bond maturity	(1,015,081)	(193)	-	-	-
Changes in fair value	-	-	-	-	-
At 31 December 2022	**-**	**-**	-	-	-

31 December 2022

	EEA Group			Parent Company		
EURth	**Stage 1**			**Stage 1**		
Internal rating grade	12-month Basel PD range	Gross carrying amount	ECL	12-month Basel PD range	Gross carrying amount	ECL
Performing						
High grade	0.00% - 0.50%	-	-	0.00% - 0.50%	-	-
Total		-	-		-	-
Coverage ratio		0.00%			0.00%	

31 December 2021	31 December 2021		31 December 2021	
	EEA Group		Parent Company	
EURth	Stage 1		Stage 1	
	Fair value	ECL	Fair value	ECL
At 1 January 2021	-	-	-	-
Increases due to origination and acquisition	1,014,488	193	-	-
Changes in fair value	593	-	-	-
At 31 December 2021	**1,015,081**	**193**	-	-
ECL change for the year		**193**		-

The table below shows the fair value of the debt instruments measured at FVOCI by credit risk, based on the Revolut EEA Group 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	31 December 2021			31 December 2021		
	EEA Group			Parent Company		
EURth	Stage 1			Stage 1		
Internal rating grade	12-month Basel PD range	Gross carrying amount	ECL	12-month Basel PD range	Gross carrying amount	ECL
Performing						
High grade	0.00% - 0.50%	1,015,081	193	0.00% - 0.50%	-	-
Total		**1,015,081**	**193**		-	-
Coverage ratio		**0.02%**			**0.00%**	

18.2 Debt instruments measured at amortised cost

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Financial institutions				
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	-	-	-
Total	**487,915**	-	-	-
Government debt securities				
Belgium	99,316	-	-	-
France	696	-	-	-
Germany	157,842	-	-	-
Luxembourg	70,366	-	-	-
Netherland	564	-	-	-
Spain	103,890	-	-	-
Sweden	3,745		-	
United States	186,013	-	-	-
Total	**622,432**	-	-	-
Total debt instruments measured at amortised cost	**1,110,347**	-	-	-

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

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 EEA Group 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	31 December 2022		31 December 2022	
	EEA Group		Parent Company	
EURth	Stage 1		Stage 1	
	Carrying amount	ECL	Carrying amount	ECL
At 1 January 2022	**-**	**-**	-	-
Increases due to origination and acquisition	1,110,347	91	-	-
Decreases due to bond maturity	-	-	-	-
At 31 December 2022	**1,110,347**	**91**	-	-

31 December 2022	31 December 2022			31 December 2022		
	EEA Group			Parent Company		
EURth	Stage 1			Stage 1		
Internal rating grade	12-month Basel PD range	Gross carrying amount	ECL	12-month Basel PD range	Gross carrying amount	ECL
Performing						
High grade	0.00% - 0.50%	1,110,347	91	0.00% - 0.50%	-	-
Total		-	-		-	-
Coverage ratio		0.01%			0.00%	

31 December 2021				31 December 2021		
	EEA Group			Parent Company		
EURth	Stage 1			Stage 1		
	Carrying amount		ECL	Carrying amount		ECL
At 1 January 2021	-	-	-	-	-	-
Increases due to origination and acquisition	-	-	-	-	-	-
At 31 December 2021	-	-	-	-	-	-
ECL change for the year			-			-

The table below shows the fair value of the debt instruments measured at amortised cost by credit risk, based on the Revolut EEA Group 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				31 December 2021		
	EEA Group			Parent Company		
EURth	Stage 1			Stage 1		
Internal rating grade	12-month Basel PD range	Gross carrying amount	ECL	12-month Basel PD range	Gross carrying amount	ECL
Performing						
High grade	0.00% - 0.50%	-	-	0.00% - 0.50%	-	-
Total		-	-		-	-
Coverage ratio		-			-	

19. Loans and unauthorised overdrafts

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**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)	-	-
Total	**230,837**	**23,548**	**-**	**-**

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

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

19.1 Impairment allowance for loans and unauthorised overdrafts

EEA Group

The table below shows the credit quality and the maximum exposure to credit risk based on the Revolut EEA Group 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 internal grading system and the 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%		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%	Low	70,325	4,239	-	-	74,564
8	2.00% - 3.00%		11,495	1,877	-	-	13,372
9	3.00% - 5.00%	Moderate	8,226	3,702	-	-	11,928
10	5.00% - 8.00%		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%	High	10	1	3,077	-	3,088
Total			**210,308**	**19,901**	**3,077**	**-**	**233,286**

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%		-	-	-	-	-
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%	Low	2,043	60	-	-	2,103
8	2.00% - 3.00%		1,336	127	-	-	1,463
9	3.00% - 5.00%	Moderate	2,094	241	-	-	2,335
10	5.00% - 8.00%		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%	High	-	2	95	-	97
Total			**20,425**	**1,111**	**109**	**-**	**21,645**

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
At 1 January 2022	20,425	244	1,111	127	109	71	21,645	442
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	-
At 31 December 2022	210,308	2,539	19,901	1,554	3,077	2,216	233,286	6,309

EURth	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL	Gross carrying amount	ECL
At 1 January 2021	1,545	10	-	-	-	-	1,545	10
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	-
At 31 December 2021	20,425	244	1,111	127	109	71	21,645	442

Parent Company

During the reporting period and comparative period the parent company (Revolut Holding Europe UAB) did not grant any credits applicable for disclosure in this note.

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:

	EEA Group								
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**
Per product									
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	0	1	0.13%	0.00%	50.00%
Total	**210,308**	**19,901**	**3,077**	**2,539**	**1,554**	**2,216**	1.21%	7.81%	72.02%
Per country									
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	0	280	440	0	0.93%	12.48%	0.00%
Spain	0	8	0	0	3	0	0.00%	37.50%	0.00%
Total	**210,308**	**19,901**	**3,077**	**2,539**	**1,554**	**2,216**	1.21%	7.81%	72.02%

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**
Per product									
Consumer loans	-	-	-	-	-	-	0.00%	0.00%	0.00%
Credit cards	-	-	-	-	-	-	0.00%	0.00%	0.00%
BNPL	-	-	-	-	-	-	0.00%	0.00%	0.00%
Total	**0**	**0**	**0**	**0**	**0**	**0**	0.00%	0.00%	0.00%
Per country									
Lithuania	-	-	-	-	-	-	0.00%	0.00%	0.00%
Poland	-	-	-	-	-	-	0.00%	0.00%	0.00%
Ireland	-	-	-	-	-	-	0.00%	0.00%	0.00%
Romania	-	-	-	-	-	-	0.00%	0.00%	0.00%
Spain	-	-	-	-	-	-	0.00%	0.00%	0.00%
Total	**0**	**0**	**0**	**0**	**0**	**0**	0.00%	0.00%	0.00%

20. Due from intermediaries

EURth	EEA Group 2022	EEA Group 2021	Parent Company 2022	Parent Company 2021
Amounts due from card acquirers	13,135	15,716	-	-
Total	**13,135**	**15,716**	**-**	**-**

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

	EEA Group				Parent Company			
EURth	Computer hardware	Other furniture and equipment	Right-of-use assets	Total	Computer hardware	Other furniture and equipment	Right-of-use assets	Total
Cost								
At 1 January 2021	82	2	-	84	-	-	-	-
Additions	16	-	1,821	1,837	-	-	-	-
At 31 December 2021	**98**	**2**	**1,821**	**1,921**	-	-	-	-
Additions	21	-	68	89	-	-	-	-
At 31 December 2022	**119**	**2**	**1,889**	**2,010**	-	-	-	-
Depreciation								
At 1 January 2021	**(39)**	**(1)**	**-**	(40)	-	-	-	-
Depreciation charge for the year	(28)	-	(151)	(179)	-	-	-	-
At 31 December 2021	**(67)**	**(1)**	**(151)**	**(219)**	-	-	-	-
Depreciation charge for the year	(23)	-	(318)	(341)	-	-	-	-
At 31 December 2022	**(90)**	**(1)**	**(469)**	**(560)**	-	-	-	-
Net book value								
At 31 December 2021	**31**	**1**	**1,670**	**1,702**	-	-	-	-
At 31 December 2022	**29**	**1**	**1,420**	**1,450**	-	-	-	-

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:

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
At 1 January	**1,685**	**-**	-	-
Additions	68	1,821	-	-
Accretion of interest	60	32	-	-
Payments	(349)	(168)	-	-
At 31 December	**1,464**	**1,685**	-	-
Current	302	279	-	-
Non-current	1,162	1,406	-	-

The following are the amounts recognised in profit or loss:

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Depreciation expense of right-of-use assets	(318)	151	-	-
Interest expense on lease liabilities (Included in Note 8)	60	32	-	-
Total amount recognised in profit or loss	**(258)**	**183**	-	-

22. Intangible assets

	EEA Group	Parent Company
EURth	**Computer software**	**Computer software**
Cost		
At 1 January 2021	**101**	-
Additions	-	-
At 31 December 2021	**101**	-
Additions	-	-
At 31 December 2022	**101**	-
Amortisation		
At 1 January 2021	**(35)**	-
Amortisation charge for the year	(33)	-
At 31 December 2021	**(68)**	-
Amortisation charge for the year	(33)	-
At 31 December 2022	**(101)**	-
Net book value		
At 31 December 2021	**33**	-
At 31 December 2022	-	-

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

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Trade receivables	461,505	114,781	-	-
Accrued income	11,780	1	-	-
Receivable VAT	8,322	6	-	-
Accrued payment scheme rebates	4,067	8,171	-	-
Prepaid expenses	671	16	3	-
Rent deposits	207	165	-	-
Other	123	30	-	-
Total	486,675	123,170	3	-

Revolut EEA Group 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

EEA Group

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)	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 gross-settled directly with the counterparty. Swaps are fully collateralised. Margins are assessed and settled on a daily basis.

Offsetting

The Revolut EEA Group 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.

Parent Company

During the reporting period and comparative period the parent company (Revolut Holding Europe UAB) did not grant any credits applicable for disclosure in this note.

25. Due to customers

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Retail customers - Current accounts	8,083,838	4,544,087	0	0
Total	**8,083,838**	**4,544,087**	**0**	**0**

26. Due to other financial institutions

Revolut Bank UAB as part of EEA Group 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.

Revolut Holdings Europe UAB did not have any deposits from financial institutions at 31 December 2022 and 2021.

27. Other liabilities

	EEA Group		Parent Company	
EURth	**2022**	**2021**	**2022**	**2021**
Trade payables	73,619	10,162	7	-
Deferred revenue	23,075	15,735	-	-
Accrued expenses	4,700	10,433	12	-
Payroll payable	1,611	716	-	-
Lease liability (Note 21)	1,464	1,685	-	-
Other liabilities	400	10,277	-	-
Corporate tax payable	227	31	-	-
Total	**105,096**	**49,039**	**19**	**-**

28. Provisions

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

	EEA Group	Parent Company
EURth	**Undrawn commitments**	**Undrawn commitments**
31 December 2020	**5**	**-**
Changes in ECL	27	-
31 December 2021	**32**	**-**
Changes in ECL	71	-
31 December 2022	**103**	**-**

28.1 Undrawn commitments

EEA Group

To meet the financial needs of customers, EEA Group entities 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.

Revolut Bank UAB as part of EEA Group 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 Revolut EEA Group via the Bank 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 Revolut EEA Group 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%		-	-	-		-
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%	Low	3,986	142	-		**4,128**
8	2.00% - 3.00%		2,818	119	-		**2,937**
9	3.00% - 5.00%	Moderate	1,599	291	-		**1,890**
10	5.00% - 8.00%		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%	High	-	-	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 Revolut EEA Group 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%		-	-	-	-	-
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%	Low	875	11	-	-	**886**
8	2.00% - 3.00%		558	13	-	-	**571**
9	3.00% - 5.00%	Moderate	670	47	-	-	**717**
10	5.00% - 8.00%		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%	High	-	-	-		-
Total			**8,970**	**187**	**-**	**-**	**9,157**

Parent Company

During the reporting period and comparative period Revolut Holding Europe UAB did not issue loan commitments applicable for disclosure in this note.

29. Share capital and reserves

Authorised shares	**2022**	**2021**	**1 January 2020**
	Thousands	Thousands	Thousands
Ordinary shares of €1 each	1,483	3	0

Ordinary shares issued and fully paid	**Thousands**	**EURth**
At 1 January 2021	0	0
Issued ordinary shares	3	3
At 31 December 2021	3	3
Issued ordinary shares	1,480	1,480
At 31 December 2022	1,483	1,483

Reserves

EURth	**Share premium**	**Other reserves**
At 1 January 2021	**-**	**2,404**
Issue of share capital from reserves		
Formation of the reserve capital by shareholder contributions		
At 31 December 2021	**-**	**2,404**
Formation of the reserve capital by shareholder contributions	1,858,620	3,439
At 31 December 2022	**1,858,620**	**5,843**

30. Share based payments

EEA Group

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 EEA Group 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 EEA Group.

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.

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	-	-	0.11	(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	0
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	0
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	0
20 April 2022	20 April 2032	0.0000001	3,921	0
1 October 2022	1 October 2032	0.0000001	2,458	0
Total			**34,682**	**21,497**

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.

	2022	2021
Expected term (years)	0 - 4	0 - 4
Fair value of ordinary share	174.05 EUR-185.35 EUR	74.98 EUR-392.73 EUR
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:

EURth	2022	2021
Unapproved share option scheme	912	1,243

Parent Company

RHEUAB did not have employees in 2022 and 2021, therefore no share options cost booked at RHEUAB.

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.

	EEA Group			Parent Company		
As at 31 December 2022 EURth	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Assets						
Cash and balances with central banks	6,921,501	-	6,921,501	-	-	-
Due from banks	13,377	-	13,377	-	-	-
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 overdrafts	32,002	198,835	230,837	-	-	-
Due from intermediaries	13,135	-	13,135	-	-	-
Derivatives	1,261	-	1,261	-	-	-
Property, plant and equipment	-	1,450	1,450	-	-	-
Investments in subsidiaries	-	-	-	-	330,160	330,160
Intangible assets	-	-	-	-	-	-
Deferred tax assets	-	4,712	4,712	-	-	-
Other assets	486,675	-	486,675	3	-	3
Total assets	**7,480,078**	**1,304,509**	**8,784,587**	**3**	**330,160**	**330,163**
Liabilities						
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	105,096	-	105,096	19	-	19
Provisions	103	-	103	-	-	-
Total liabilities	**8,383,398**	**-**	**8,383,398**	**19**	**-**	**19**

	EEA Group			Parent Company		
As at 31 December 2021 EURth	**Within 12 months**	**After 12 months**	**Total**	**Within 12 months**	**After 12 months**	**Total**
Assets						
Cash and balances with central banks	3,448,913	-	3,448,913	-		-
Due from banks	115,091	-	115,091	3		3
Due from other financial institutions	129,484	-	129,484	-		-
Debt securities	1,015,081	-	1,015,081	-		-
Equity instruments	-	25	25	-		-
Loans and unauthorised overdrafts	8,141	15,407	23,548	-		-
Due from intermediaries	15,716	-	15,716	-		-
Derivatives	4,737	-	4,737	-		-
Property, plant and equipment	-	1,702	1,702	-		-
Investments in subsidiaries	-	-	-	-		
Intangible assets	-	33	33	-		-
Deferred tax assets	-	1,547	1,547	-		-
Other assets	123,170	-	123,170	-		-
Total assets	**4,860,333**	**18,714**	**4,879,047**	**3**	**-**	**3**
Liabilities						
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	49,039	-	49,039	-		-
Provisions	32	-	32	-		-
Total liabilities	**4,625,597**	**-**	**4,625,597**	**-**	**-**	**-**

32. Fair value measurement

32.1 Assets and liabilities by fair value hierarchy

EEA Group

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
Assets measured at fair value on a recurring basis				
Derivative financial instruments				
Foreign exchange contracts	-	1,261	-	1,261
Debt instruments at fair value through OCI				
Debt instruments	-	-	-	-
Equity Instruments at fair value through OCI				
Equity instruments	-	-	25	25
Total financial assets measured at fair value	**-**	**1,261**	**25**	**1,286**
Liabilities measured at fair value on a recurring basis				
Derivative financial instruments				
Foreign exchange contracts	-	2,800	-	2,800
Total financial liabilities measured at fair value	**-**	**2,800**	**-**	**2,800**

At 31 December 2021 EURth	Level 1	Level 2	Level 3	Total
Assets measured at fair value on a recurring basis				
Derivative financial instruments				
Foreign exchange contracts	-	4,737	-	4,737
Debt instruments at fair value through OCI				
Debt instruments	101,581	-	-	101,581
Equity Instruments at fair value through OCI				
Equity instruments	-	-	25	25
Total financial assets measured at fair value	**101,581**	**4,737**	**25**	**106,343**
Liabilities measured at fair value on a recurring basis				
Derivative financial instruments				
Foreign exchange contracts	-	8,284	-	8,284
Total financial liabilities measured at fair value	**-**	**8,284**	**-**	**8,284**

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

Parent Company

During the reporting period and comparative period the parent company (Revolut Holding Europe UAB) did not hold any financial assets or liabilities at amortised cost in its books.

32.2 Fair value of financial instruments not measured at fair value

EEA Group

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

As at 31 December 2022 EURth	Carrying value	Fair value		
Assets		Level 1	Level 2	Level 3
Cash and balances with central banks	6,921,501	-	-	6,921,501
Due from banks	13,377	-	-	13,377
Due from other financial institutions	1,358	-	-	1,358
Debt securities	1,110,256	1,070,454	-	
Loans and unauthorised overdrafts	230,837	-	-	220,773
Due from intermediaries	13,135	-	-	13,135
Other financial assets	485,881	-	-	485,881
Total financial assets valued at amortised cost	**8,776,345**	**1,070,454**	**-**	**7,656,025**
Liabilities				
Due to customers	8,083,838	-	-	8,083,838
Due to other financial institutions	191,561	-	-	191,561
Other financial liabilities	77,094	-	-	77,094
Total financial liabilities valued at amortised cost	**8,352,493**	**-**	**-**	**8,352,493**

As at 31 December 2021 EURth	Carrying value	Fair value		
Assets		**Level 1**	**Level 2**	**Level 3**
Cash and balances with central banks	3,448,913	-	-	3,448,913
Due from banks	115,091	-	-	115,091
Due from other financial institutions	129,484	-	-	129,484
Debt securities*	-	-	-	-
Loans and unauthorised overdrafts	23,548	-	-	23,073
Due from intermediaries	15,716	-	-	15,716
Other financial assets	123,124	-	-	123,124
Total financial assets valued at amortised cost	**3,855,876**	**-**	**-**	**3,855,401**
Liabilities				
Due to customers	4,544,087	-	-	4,544,087
Due to other financial institutions	191,561	-	-	191,561
Other financial liabilities	22,840	-	-	22,840
Total financial liabilities valued at amortised cost	**4,758,488**	**-**	**-**	**4,758,488**

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

Parent Company

As at 31 December 2022 EURth	Carrying value	Fair value		
Assets		**Level 1**	**Level 2**	**Level 3**
Other financial assets	-	-	-	-
Total financial assets valued at amortised cost	**-**	**-**	**-**	**-**
Liabilities				
Other financial liabilities	7	-	-	7
Total financial liabilities valued at amortised cost	**7**	**-**	**-**	**7**

As at 31 December 2021 EURth	Carrying value	Fair value		
Assets		**Level 1**	**Level 2**	**Level 3**
Other financial assets	-	-	-	-
Total financial assets valued at amortised cost	**-**	**-**	**-**	**-**
Liabilities				
Other financial liabilities	-	-	-	-
Total financial liabilities valued at amortised cost	**-**	**-**	**-**	**-**

33.1 Regulatory capital requirements

The Revolut EEA Group, being classified as a regulated financial holding, 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, banks and financial holding companies 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 the Revolut EEA Group (in accordance with the regulatory requirements) is equal to 10.9% 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)	0.0 %	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, Revolut EEA Group has received a SREP decision, changing Pillar 2 requirement to 3.7% and introducing Pillar 2 guidance of 1.0%

** Revolut Bank UAB as part of the Revolut EEA Group 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.

The Revolut EEA Group 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.

The Revolut EEA Group CET1 capital ratio and total capital ratio were both at the level of 24.09% by the end of 2022 ensuring robust capitalisation.

Revolut EEA Group 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;
- For market risk using standardised approaches;
- For credit valuation adjustment using the standardised method.

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

EURm	Actual 2022	Required 2022
Common Equity Tier1 (CET1) capital	397.9	31.8
Other Tier 2 capital instruments	-	-
Total capital	**397.9**	31.8
Risk weighted assets	1,651.6	
CET1 capital ratio	24.09%	
Total capital ratio	**24.09%**	

The Revolut EEA Group's leverage ratio was 4.52% by the end of 2022 indicating adequate capitalisation from this perspective too.

The Revolut EEA Group'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 group and quantify the risks not covered or not fully covered by the capital under minimum Pillar 1 requirements;
- Ensure that the group is adequately capitalised to cover its risks, support implementation of its strategy and pursue business objectives;
- 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 capital planning as well as for determination of the internally targeted capital levels, which are approved by the Supervisory Council. Finanicials based on prudential consolidation scope are used for the ICAAP process.

The ICAAP of Revolut EEA Group 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 EEA Group of 2022 covered the forecast horizon extending until the end of 2025. Revolut EEA Group 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.

The group 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:

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

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

The Impact on Revolut EEA Group'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 groups 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 the Revolut EEA Group current and future capitalisation is strong and adequate to cover the risks to which it 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	Parent until 2022-06	Other Related Parties	Parent	Other Related Parties
	Revolut Group Holdings Ltd	Revolut Ltd			
	2022	2022	2022	2021	2021
Assets					
Due from other financial institutions	0	1,358	0	129,484	0
Derivatives	0	1,261	0	4,737	0
Loans and unauthorised overdrafts	0	0	0	0	0
Other assets	0	448,928	94,228	78,935	17,580
Total assets	**0**	**451,547**	**94,228**	**213,156**	**17,580**
Liabilities					0
Due to other financial institutions	0	191,561	0	24,155	0
Derivatives	0	2,800	0	8,284	0
Other liabilities	0	147,174	7,310	3,055	0
Total liabilities	**0**	**341,535**	**7,310**	**35,494**	**0**
Income and expenses					
Sales to related parties	0	6,636	82	478,186	28
Purchases from related parties	0	287,214	585	484,386	1,151

Amounts due from other financial institutions and due to other financial institutions include positive and negative balances 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 Holdings Europe received fixed remuneration of EUR 1,487 thousand in 2022 (2021: EUR 1,421 thousand) and variable (share options) of EUR 712 thousand in 2022 (2021: EUR 280 thousand). Revolut Holdings Europe did not provide post-employment, termination, or other long-term benefits to its employees.

Revolut Holdings Europe UAB was acquired wholly by Revolut Group Holdings Ltd in October 2022. Revolut Holdings Europe UAB became sole shareholders of the following companies located in lithuania; Revolut Bank UAB (which has branches in the European Union), Revolut Securities Europe UAB and Revolut Insurance Europe UAB

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

35. Combined comparatives for 2021

On 7 June 2022, Revolut Ltd, a company incorporated and domiciled in the United Kingdom, transferred its direct 100% ownership in Revolut Payments UAB ('PUAB') incorporated and domiciled in Lithuania, Revolut Bank UAB ('BUAB') incorporated and domiciled in Lithuania and Revolut Insurance Europe UAB ('RIE') incorporated and domiciled in Lithuania to Revolut Holdings Europe UAB via a share for share exchange in order to establish a European Union sub-group headed by RHEUAB. At the time of the share deal, the immediate parent of RHEUAB was Revolut Ltd. On 3 August 2022, Revolut Ltd transferred its direct 100% ownership in Revolut Securities Europe UAB ('RSE') incorporated and domiciled in Lithuania, via a share for share exchange to European Union sub-group headed by RHEUAB. As of 25 October 2022, as part of a Revolut group restructuring, following the incorporation of Revolut Group Holdings Ltd and the subsequent insertion of Revolut Group Holdings Ltd as the new parent of Revolut Ltd, Revolut Ltd paid a dividend in specie consisting of 100% of the Revolut Ltd investment in Revolut Holdings Europe UAB.

Although this consolidated financial information has been released in the name of Revolut Holdings Europe UAB, the reorganisation of the European Union incorporated entities represents in-substance a continuation of the European Union sub-group of entities formerly headed by Revolut Ltd, and the following accounting treatment has been applied to account for the restructuring of RHEUAB:

- RHEUAB's investment in subsidiary entities were recognised and measured at their pre-restructuring carrying amounts, without restatement to fair value;
- the consolidated assets and liabilities of the RHEUAB sub-group of entities were recognised and measured at their pre-restructuring carrying amounts, without restatement to fair value;
- Equity instruments issued by RHEUAB to Revolut Ltd were recognised at fair value;
- Any difference between the consideration paid by RHEUAB and the carrying amounts of assets and liabilities received in the restructuring were recognised directly in equity;
- comparative numbers presented in the consolidated financial statements are the combined results of Revolut Payments UAB, Revolut Bank UAB, Revolut Securities Europe UAB and Revolut Insurance Europe UAB reported in their respective individual financial statements for the year ended 31 December 2021 with any inter company transactions and balances eliminated on consolidation, except for the presentation of the share capital, share premium and other reserves excluding Retained Earnings, Currency translation reserve, Fair Value Through Other Comprehensive Income, which have been combined and presented as a single component under "Net parent investment" as if RHEUAB had been the intermediate parent company during such periods. Subsequent to the restructuring, the equity structure reflects the applicable movements in equity of RHEUAB, including the equity instruments issued to effect the Restructuring.

The standalone financial statements for RHEUAB, RIE, RSE and combined financial statements of the Revolut EEA Group for the year ended 31 December 2021 were not audited. The standalone financial statements of BUAB and PUAB for the year ended 31 December 2021 were audited.

35.1 Statement of financial position combined comparatives for 2021

EURth	BUAB 2021	PUAB 2021	RIE UAB 2021	RSE UAB 2021	RHE UAB 2021	BUAB IG elimination	PUAB IG elimination	Reclass	2021 combined
Assets									
Cash and balances with central banks	803,575	2,644,690	59	586	3	-	-	-	3,448,913
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		-	-	-	1,702
Intangible assets	33	-				-	-	-	33
Deferred tax assets	1,547	-				-	-	-	1,547
Other assets	1,091	151,981	1			(270)	(25,484)	(4,149)	123,170
Total assets	**840,802**	**4,069,959**	**60**	**587**	**3**	**(10,410)**	**(46,109)**	**24,155**	**4,879,047**

Liabilities									
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	3	72		(15,158)	(195)	-	49,039
Provisions	32	-				-	-	-	32
Total liabilities	**746,711**	**3,911,175**	**3**	**72**	**-**	**(46,184)**	**(10,335)**	**24,155**	**4,625,597**
Equity attributable to equity holders of parent									
Share capital	5,503	31,312	59	586	3	-	-	(37,460)	3
Reserve capital	97,000	72,600				-	-	(169,600)	-
Retained earnings	(9,592)	54,043	(2)	(71)		-	-	-	44,378
Other reserves	1,180	829				-	-	-	2,009
Net Parent investment	-	-	-	-	-	-	-	207,060	207,060
Total equity	**94,091**	**158,784**	**57**	**515**	**3**	**-**	**-**	**-**	**253,450**
Total liabilities and equity	**840,802**	**4,069,959**	**60**	**587**	**3**	**(46,184)**	**(10,335)**	**24,155**	**4,879,047**

35.2 Statement of profit or loss and other comprehensive income combined comparatives for 2021

EURth	BUAB 2021	PUAB 2021	RIE UAB 2021	RSE UAB 2021	RHE UAB 2021	BUAB IG elimination	PUAB IG elimination	Reclasses	2021 combined
Interest income calculated using the EIR	661	637				-	-	-	1,298
Interest expense	(1,668)	(12,155)				-	-	-	(13,823)
Net interest income	**(1,007)**	**(11,518)**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,525)**
Fee and commission income	6	247,625				-	-	-	247,631
Fee and commission expense	(357)	(96,812)				27	-	-	(97,142)
Net fee and commission income	**(351)**	**150,813**	**-**	**-**	**-**	**27**	**-**	**-**	**150,489**
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
Net operating income	**3,084**	**144,078**	**-**	**-**	**-**	**(4,876)**	**4,903**	**(10,297)**	**136,892**
Personnel expenses	(3,229)	(3,218)		(66)		-	-	-	(6,513)
Depreciation and amortisation	(213)	-		-		-	-	-	(213)
Other operating expenses	(7,610)	(79,886)	(2)	(5)		(45)	18	10,297	(77,233)
Total operating expenses	**(11,052)**	**(83,104)**	**(2)**	**(71)**	**-**	**(45)**	**18**	**10,297**	**(83,959)**
Profit (loss) before tax	**(7,968)**	**60,974**	**(2)**	**(71)**	**-**	**(4,921)**	**4,921**	**-**	**52,933**
Tax charge	1,086	(10,443)				-	-	-	(9,357)
Profit (loss) for the year	**(6,882)**	**50,531**	**(2)**	**(71)**	**-**	**(4,921)**	**4,921**	**-**	**43,576**
Other comprehensive income	-	(395)				-	-	-	(395)
Total comprehensive income for the year, net of tax	**(6,882)**	**50,136**	**(2)**	**(71)**	**-**	**(4,921)**	**4,921**	**-**	**43,181**
Attributable to:									
Equity holders of the parent	**(6,882)**	**50,136**	**(2)**	**(71)**	**-**	**(4,921)**	**4,921**	**-**	**43,181**

36. Events after the reporting period

As of 3 March 2023 the articles of association of the company have been amended to reduce the complexity of the company given its limited purpose. The Management Board has been dissolved and replaced by the Supervisory Council. The CEO remained as the sole management body of the company.

On March 24, 2023 the parent company of Revolut Holdings Europe UAB, completed a share capital increase in a total amount of EUR 59 million. The proceeds from the capital increase were immediately distributed to the 100% subsidiary, Revolut Bank UAB, in the form of an increase of the capital reserve.

On 19 April 2023 Revolut Ltd entered into a one year GBP 75m facility agreement as borrower with JP Morgan Chase Bank as lender. Part of the security package provided to JP Morgan includes: (i) a pledge over the shares in Revolut Holdings Europe UAB and (ii) a guarantee given by Revolut Bank UAB of EUR 10m.

The financial statements were on April 26, 2023 and signed by:

DocuSigned by: Vytautas Valvonis 4588B66424B5476...	DocuSigned by: Dalia Garbuziene 2C3792A4B2EE4EE...
Vytautas Valvonis	Dalia Garbuziene
Chief Executive Officer	Head of Finance

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Revolut Holdings Europe, UAB

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying standalone and consolidated financial statements of UAB „Revolut Holdings Europe" (hereinafter - the Company) and its subsidiaries (hereinafter - the Group), which comprise the standalone and consolidated statements of financial position as at 31 December 2022, the standalone and consolidated statements of profit (loss) and other comprehensive income, the standalone and consolidated statements of cash flows and the standalone and consolidated statements of changes in equity for the year then ended, and notes to the standalone and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the standalone and consolidated financial statements present fairly, in all material respects the standalone and consolidated financial position of the Company and the Group as at December 31, 2022, and of its standalone and consolidated financial performance and its standalone and consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

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 Group 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 Group significant dependence on Revolut Ltd technological and operational support

The accompanying consolidated 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 Group is fully dependent on the Group ultimate parent company, Revolut Ltd, for the use of the 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 Group 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 Group 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 Group 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 Group 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 Notes 5.4 and 35 of the accompanying notes to the financial statements, which discloses that Revolut Ltd transferred to the Company its direct 100% ownership of Revolut Payments UAB, Revolut Bank UAB, Revolut Insurance Europe UAB and Revolut Securities Europe UAB for share exchange in order to establish an European Union sub-group in 2022. The opening balances of the Group for FY2021 were presented as if the Group was operating together from the beginning, therefore the combined opening balances for FY2021 are not comparable with the Group's consolidated financial statements for the year ended 31 December 2022. Our opinion is not qualified in respect of this matter.

Other matter

The standalone financial statements of the Company and the combined financial statements of the Group for the year ended 31 December 2021 were not audited.

Other Information

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

Our opinion on the standalone and consolidated 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 standalone and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone and consolidated 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 Company's and the Group'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 Company's and the Group's annual report for the financial year for which the standalone and the consolidated financial statements are prepared is consistent with the standalone and consolidated financial statements; and
- The Company's and the Group's annual report has been prepared in accordance with the requirements of the Law on Consolidated Financial Reporting by Groups of entities of the Republic of Lithuania.

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Management and Those Charged with Governance for the Standalone and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the standalone and consolidated 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 standalone and consolidated financial statements, management is responsible for assessing the Company's and the Group'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 Company and the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone and consolidated 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 Company's and the Group'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 Company's and the Group'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 standalone and consolidated 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 Company or the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Standalone and Consolidated Financial Statements (continued)

- Evaluate the overall presentation, structure and content of the standalone and consolidated financial statements, including the disclosures, and whether the standalone and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We are required to 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.

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
26 April, 2023

Dokumentą elektroniniu parašu
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