



Revolut Bank UAB
Annual report and financial statements
for the year ended 31 December 2019

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Annual Report

1. Reporting period covered by this report

This annual report is prepared for the annual period of 2019. Annual report covers the information on Revolut Bank UAB (further referred to as the Bank).

2. Overview of the Bank's status and development

The Bank was incorporated in 2017 as a wholly owned subsidiary of Revolut Ltd (further referred to as Revolut) which holds 100% direct ownership of Revolut Bank UAB shares and voting rights. Revolut Ltd is authorised and regulated by the UK Financial Conduct Authority as an Electronic Money Institution.

Revolut Bank UAB was granted a specialised banking license on 6th of December 2018 with the intention to offer deposit acceptance and consumer credit services.

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

The Bank's primary business premises are located in Vilnius, Lithuania and its core business will be accepting deposits and issuing retail credit products via the Revolut global money app. The Bank has been established to utilise Revolut's existing mobile digital technology to facilitate the provision of efficient and cost-effective banking services. There will be no physical branches, no cash transactions and all customer support will be provided via in-app chat.

The Bank was not fully operational by the end of 2019, however it started internal testing and the first 20 clients - internal employees were on-boarded to test the functionality and processes.

Equity of the Bank was at EUR 9.5 million as of 31 December 2019 (EUR 5.5 million as of 31 December 2018). Assets of the Bank were at EUR 10.2 million as of 31 December 2019 (EUR 5.6 million as of 31 December 2018).

The Bank compliance with prudential ratios as of 31 December 2019 (per cent) is presented in the table below:

Capital adequacy	33.63
Liquidity coverage	397.35

3. Strategy and plans

With full public launch of the services in the second quarter of 2020 the Bank intends to offer instant access non-interest-bearing demand deposit accounts to retail clients in Lithuania and other 13 CEE countries later in the year.

We expect that more than 50% of Revolut's existing clients in the above mentioned markets will migrate to the Bank forming a solid funding base for lending activities.

The Bank is planning to launch credit products in Lithuania in Q2 and Poland in Q3 of 2020. The Bank will introduce consumer credits and credit cards in conjunction with payment and card services provided by Revolut Payments UAB. The Bank will not provide any payment services to its clients, as all of the Bank's clients will already be clients of Revolut Payments UAB using its payment services.

4. Risk management and internal control

Risk Management Framework applied by the Bank provides management with confidence that the Bank is operating within the defined risk appetite while providing appropriate flexibility to meet the specific needs and regulations.

Revolut Bank UAB Risk Management Framework ensures:

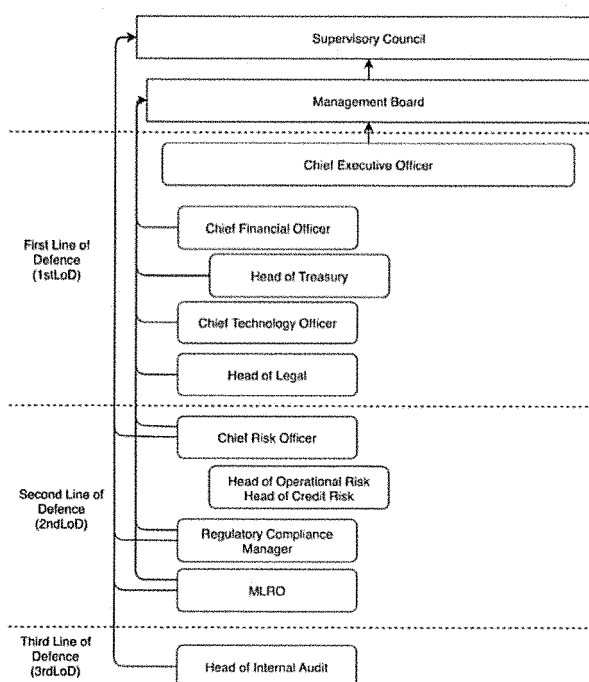
- The process of risk management is developed and managed throughout Revolut Bank UAB in a consistent and sound manner;
- Risk management is embedded throughout Revolut Bank UAB promoting a culture of risk awareness and risk ownership;
- Revolut Bank UAB has sound systems of risk management in place and is able to demonstrate that if requested; and
- To provide Revolut Bank UAB with the tools required to enhance risk decisions throughout the organisation.

Following the effective risk management principles, it helps to support the achievement of Revolut's objectives. Also it enables Revolut Bank UAB to focus on the risk driven priorities of the business and delivers better assessment of risk in the decision making processes through open discussion about risks and opportunities.

Risk Management Operating Model and Organization

Revolut Bank UAB recognises that everyone contributes to its risk profile and thus has responsibility for the effectiveness of the risk management and internal control framework.

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



First line of Defence. This describes all the risk-taking functions of Revolut. Under the 1LoD, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

Second line of Defence. This describes the risk monitoring and oversight functions of Revolut, defined as the Risk Management Function, the Regulatory Compliance Function and the Financial Crime Function. In addition to the above, it ensures:

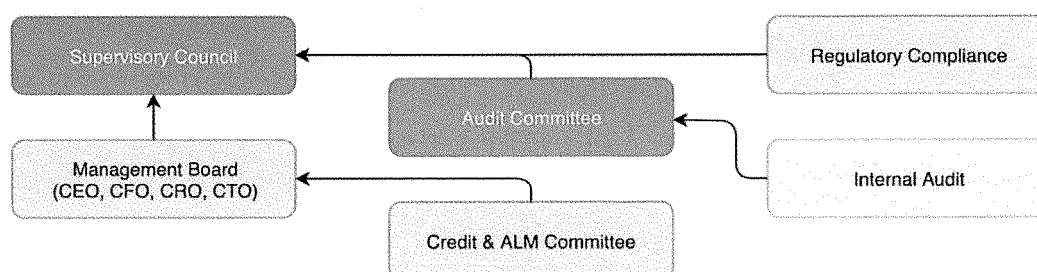
(i) The Risk Management Function provides training and guidance to develop and facilitate Risk Owners to identify, manage and monitor risks, and to review and update the risk register with appropriate controls and management actions; and

(ii) The Regulatory Compliance and Financial Crime Functions use the information contained within the risk register to assess the effectiveness of management controls and to ensure accuracy, completeness and compliance with policies and regulatory obligations.

Third line of Defence. This refers to the Internal Audit function which is governed by the Management Board and which performs in-depth reviews of the effectiveness of the controls managing Revolut Bank UAB key risks. External audit routinely opines on the effectiveness of Revolut Bank UAB internal controls in the context of the financial statements.

Risk Governance

The structure to maintain oversight on risk and (strategic) operations is formed by respective committees that assist The Supervisory Council to ensure oversight, control and compliance with all relevant regulations regarding risk management and The Management Board to ensure oversight and direction for the implementation and consistent application of the Bank's Risk Management Framework. The committee structure is depicted as follows:



The Bank's Audit Committee ("BAC") supports the Supervisory Council in ensuring Internal Audit (whose role is to independently control the adequacy of Bank's internal controls) functions adequately and has sufficient authority. It also monitors the remediation by all functions of audit issues raised by the internal audit function. Further, the committee assists The Supervisory Council in monitoring the adequacy and integrity of Bank's financial statements. Membership consists of the same members of the Supervisory Council.

The Credit and Asset Liability Management Committee ("CALMco") is a committee of The Board set up for controlling and monitoring the risk profile of the Bank, monitoring exceptions to risk policies, risk issues and control issues, tracking their timely remediations and pre approving new or material changes to Products and Services. The CALMco also supports The Management Board overseeing the day to day credit and treasury operations of the business within the risk appetite set out by the Supervisory Council and the Management Board. The CALMco reports to the Management Board and is chaired by CRO who is also a member of the Management Board.

The Bank risk governance is primarily driven by the activity of the Local Executive Risk Committee, the primary committee for decision making. However, being part of the Revolut Group, Revolut Bank UAB significantly is relying on Group Risk Management Functions and Group Executive Risk Committee support to the extent that many 1LoD functions outsourced to the Revolut Group as well as majority of 2LoD functions.

Risk Appetite

The Bank expresses its risk appetite using both qualitative appetite statements supported by quantitative limits documented as Key Risk Indicators (KRIs). In order to set the risk appetite the Bank follows a strategy and vision set out by the Revolut Group which ensures Revolut Group meets customers' expectations, regulatory requirements and regulators' expectation of every jurisdiction Revolut Group operates in, and across the entire product suite. Revolut Group as well as Revolut Bank UAB relies on its people, who are motivated to change banking for the best, and sound governance to ensure Revolut Group manages the risks to its strategy within appetite.

5. Employees

As of 31 December 2019, the Bank had 109 employees, (as of 31 December 2018 - 4 employees). The increase in the number of employees was due to the preparation of the Bank for operationalisation and establishing a team for Revolut customer support in Lithuania. In 2020 this number is expected to decrease as employees working in customer support functions are to be transferred to Revolut Ltd Filialas.

	31 December 2018	31 December 2019
Regular employees (working under labour contracts with and without a fixed term, including those on maternity/paternity leave)	4	109
Actually number of employees (excluding those on maternity/paternity leave)	4	109

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

	Number of employees		Average monthly salaries (EUR)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Managerial staff	4	1	7,571	5,827
Specialists	105	3	2,614	2,539
Total	109	4	-	-

6. Remuneration policy

The following information is prepared following the requirements set out in para. 14 of the Resolution No 03-82 of the Board of the Bank of Lithuania approving the List of Minimal Requirements for Employee Remuneration Policies of Credit Institutions and Financial Brokerage companies dated 8/5/2015 that refers to Article 450 of the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

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

Remuneration Policy of Revolut Bank UAB was approved by Revolut Bank UAB by the Supervisory Council on 11 November 2019 (in consultation with the Remuneration Committee at Revolut Ltd; Revolut Ltd. is the sole shareholder of Revolut Bank UAB). There is no Remuneration Committee formed in Revolut Bank UAB.

The services of external consultants - WALLESS law firm (Advokatų profesinė bendrija "WALLESS Burgienė, Rečiūnas ir partneriai") - have been used with regards to drafting the Remuneration Policy of Revolut Bank UAB. It is a law firm that provides advice for Revolut Bank UAB on the relevant laws and regulations, including, in this case, in the area of remuneration. The Remuneration Policy has been prepared taking into account the relevant Bank of Lithuania decrees, applicable national and EU requirements.

Information on link between pay and performance

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

The Remuneration system applied by Revolut Bank UAB aims to:

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

Revolut Bank UAB continuously monitors and ensures that the above goals are properly implemented and do not raise conflicts of interests (with the customers of Revolut Bank UAB or otherwise) following a review process described in detail in the Remuneration Policy. Internal Auditor will at least once per year carry out an independent internal review of the Remuneration Policy and practice (recording its results in audit reports), which shall measure whether the Bank's overall remuneration policy, practice, and processes are working as intended, are aligned with the national and international rules, principles, and standards. Risk

control functions at Revolut Bank UAB help to monitor if provisions of the Policy are aligned with the Bank's position, business strategy, goals, values, if the Policy is duly enforced in practice. In addition to his/her other functions and authorizations, the Regulatory Compliance function shall analyze the impact of the Policy on Revolut Bank UAB compliance with the legislation, regulations, internal procedures.

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

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

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

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

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

All variable remuneration is paid to the employees in share options with a deferral and a vesting period defined in the Remuneration Policy which depends on the type of the share options awarded. Additional requirements in the Revolut Bank UAB Remuneration Policy are set to the Identified Staff.

Identified Staff is defined as Revolut Bank UAB employees (including members of the Bank's executive staff, managing and supervisory bodies) whose professional activity and/or decisions have a material impact on the Bank's risk profile, and who are identified based on the analysis of quantitative and qualitative parameters under the criteria established in Articles 3 and 4 of Commission Delegated Regulation (EU) No 604/2014 dated 4 March 2014. Identified Staff shall comprise the following: (i) members of the Board, the CEO, and his/her deputies; (ii) other employees authorized to make decisions that can materially affect the Bank's performance; (iii) persons engaged in the risk management, compliance, or internal audit functions; (iv) employees authorized to enter into transactions or assume liabilities and/or make decisions and capable to significantly affect the Bank's exposure levels.

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

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

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

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

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

Employee performance results shall be evaluated and the fund of Variable Remuneration shall be made upon the evaluation of Revolut Bank UAB performance results in a direct relation with Revolut Group performance results, considering the current and future risks, the costs of working capital and liquidity upkeep.

Variable Remuneration shall be awarded considering the financial performance results of Revolut Bank UAB (in a direct relation with Revolut Group) and the relevant structural unit for the period under evaluation, and assessing quantitative and qualitative (including financial and non-financial) criteria for the evaluation of employee performance. Qualitative criteria shall include achievements of strategic goals, compliance with the internal and external rules, leadership, teamwork, creativity, motivation, pro-activeness and initiative, loyalty, cooperation with other employees, achievement of goals and tasks formulated by direct supervisors, feedback from direct supervisors and the clients, etc.

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

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

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

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

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

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

Aggregate quantitative information

The aggregate quantitative information on remuneration is provided in the tables below. It is provided as of 31 December 2019.

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Table 1: Aggregate quantitative information on remuneration, broken down by business area:

Revolut Bank UAB	Retail banking (except independent control functions)	Business banking	Independent control functions	Other	Total
Fixed remuneration (thousand EUR)	384	N/A for financial year of 2019	194	926	1,503
Number of beneficiaries	18	N/A for financial year of 2019	5	104	127
Variable remuneration paid in cash (thousand EUR)	-	N/A for financial year of 2019	1	22	23
Number of beneficiaries	-	N/A for financial year of 2019	5	43	48

Retail banking staff - staff directly involved in banking services provision (this number does not include human resources and similar support functions which are included in "other").

Please note that business banking services will be launched in the future, therefore, this report provides that no staff has been working on business banking services in 2019.

Independent control functions - Staff active in the independent risk management, compliance and internal audit functions as described in the EBA's guidelines on internal governance.

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Table 2 – Quantitative information about Revolut Bank UAB remuneration for 2019 (fixed, variable and severance payments), separately providing information on the senior management (Management Board) and members of staff whose actions have a material impact on the risk profile of the institution (identified staff):

Revolut Bank UAB	Management Board	Identified Staff, except for Management Board	Other Staff	Total
Fixed remuneration (thousand EUR)	212	135	1,180	1,527
Number of beneficiaries of fixed remuneration (persons) (at the end of financial year)	3	4	102	109
Severance payments (thousand EUR)	-	-	6	6
Number of beneficiaries (persons)	-	-	3	3
Highest severance payment awarded to one person	-	-	3	-

Please note that as provided above, variable remuneration and sign on payments consist of share options of Revolut Ltd. (the sole shareholder of Revolut Bank UAB). This is not disclosed in the table above, since the share options of Revolut Ltd. are not in any way reflected and / or included in the balance sheets of Revolut Bank UAB.

7. Information about positions held by key management personnel

Information on other titles held by the Chief Executive Officer, Board and Supervisory Council Members of Revolut Bank UAB is presented in the table below:

Name and surname	Management Body of Revolut Bank UAB	Main workplace	Title	Other companies where management functions are held	Title
Virgilijus Mirkes	Management Board	Revolut Bank UAB Revolut Payments UAB	Chief Executive Officer of Revolut Bank UAB; chairman of the Management Board Chief Executive Officer of Revolut Payments UAB; Member and Chairman of the Management Board	-	-
Jurgita Sauciuniene	Management Board	Revolut Bank UAB Revolut Payments UAB	Chief Financial Officer of Revolut Bank UAB; Deputy Director and Member of the Board Chief Financial Officer of Revolut Payments UAB; Member of the Board	-	-
Raimondas Berniunas	Management Board	Revolut Bank UAB Revolut Payments UAB	Chief Risk Officer of Revolut Bank UAB and Member of the Board Chief Risk Officer of Revolut Payments UAB, Member of the Board	-	-

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Name and surname	Management Body of Revolut Bank UAB	Main workplace	Title	Other companies where management functions are held	Title
Peter Stevens	Supervisory Council	N/A	N/A	<p>Company name: Cirdan Capital Management Limited</p> <p>Companies House registration number: 08853583</p> <p>Address of company: 1 Knightsbridge Green London SW1X 7NE</p> <p>Company name: Digital Drama Productions Limited</p> <p>Companies House registration number: 08443055</p> <p>Address of company: Unit 2 Castle Business Village, Station Road, Hampton, England, TW12 2BX</p> <p>Company name: Gulf Capital Ltd (former name Gulf Capital Credit Partners Ltd)</p> <p>DIFC registration number: 1803</p> <p>Address of company: Tower 2 Dubai IFC PO box 506965 UAE</p> <p>Company name: Marie Collins Foundation</p> <p>Companies House registration number: 07657115</p> <p>Address of company: Triune Court, Monks Cross Drive, Huntingdon, York, England, YO32 9GZ</p> <p>Company name: P F Stevens Consultancy Limited</p> <p>Companies House registration number: 08719245</p> <p>Address of company: Invision House, Wilbury Way, Hitchin, Herts, United Kingdom, SG4 0TY</p>	<p>Chairman Non-Executive Director</p> <p>Director</p> <p>Consultant and member of the Investment Committee for GCCP Funds I and II</p> <p>Director</p> <p>Director</p>

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Name and surname	Management Body of Revolut Bank UAB	Main workplace	Title	Other companies where management functions are held	Title
				<p>Company name: SME Platform Limited</p> <p>Companies House registration number: 09321861</p> <p>Address of company: 1 Knightsbridge Green London SW1X 7NE</p> <p>Company name: Turnaround Management Association (UK)</p> <p>Companies House registration number: 04153243</p> <p>Address of company: Insight House Riverside Business, Park Stoney Common Road, Stansted Mounrfitchet, Essex, CM24 8PL</p>	<p>Senior Advisor and Chair of Credit Committee</p> <p>Director</p>
Markus Krebsz	Supervisory Council	<p>Company name: Coriolis Technologies Ltd.</p> <p>Companies House Registration number: 10755395</p> <p>Address of company: C/O Bennett Brooks & Co Limited Suite 345 50 Eastcastle Street, Fitzrovia London, England W1W 8EA</p>	COO/CRO	<p>Company name: Coriolis Technologies Ltd.</p> <p>Companies House Registration number: 10755395</p> <p>Address of company: C/O Bennett Brooks & Co Limited Suite 345 50 Eastcastle Street, Fitzrovia London, England W1W 8EA</p> <p>Company name: Citizen Shareholders International Ltd</p> <p>Companies House Registration number: 12154909</p> <p>Address of company: Level 39 One Canada Square Canary Wharf, London United Kingdom, E14 5AB</p> <p>Company name: Citizen Shareholders Ltd.</p> <p>Companies House Registration number: 11596817</p> <p>Address of company: Level 39 One Canada Square Canary Wharf, London United Kingdom, E14 5A</p>	<p>COO/CRO</p> <p>Advocate</p> <p>Advocate</p>

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Name and surname	Management Body of Revolut Bank UAB	Main workplace	Title	Other companies where management functions are held	Title
				<p>Company name: De-Risking Solutions Ltd.</p> <p>Companies House Registration number: 09900565</p> <p>Address of company: 8 Quarles Park Road, Romford United Kingdom, RM6 4DE</p>	Director
				<p>Company name: Transparency Task Force Ltd.</p> <p>Companies House Registration number: 09698368</p> <p>Address of company: 45 Creech View, Denmead, Waterlooville, Hants United Kingdom, PO7 6SU</p>	Ambassador
				<p>Company name: "Chartered Institute for Securities and Investments (Services) Limited, FinTech Forum"</p> <p>Companies House Registration number: 02903287</p> <p>Address of company: 20 Fenchurch Street, 3rd Floor City of London, London, United Kingdom, EC3M 3BY</p>	Chairman (Ex-officio)
				<p>Company name: "Institute of Risk Management, ERM in Banking & Financial Services Special Interest Group"</p> <p>Companies House Registration number: 02009507</p> <p>Address of company: 2nd Floor, Sackville House, 143 - 149 Fenchurch Street, City of London, London, United Kingdom, EC3M 6BN</p>	Advisor
				<p>Name of the organization: UNECE GRM, United Nations Economic Commission for Europe, Group of Experts for Risk Management in Regulatory Systems (Intergovernmental organisation)</p>	Member

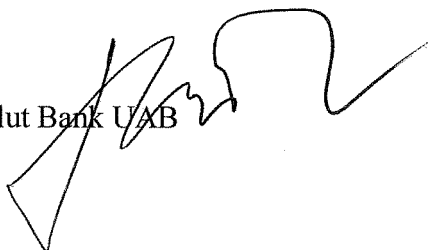
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Name and surname	Management Body of Revolut Bank UAB	Main workplace	Title	Other companies where management functions are held	Title
				<p>Company registration number: N/A (UN Charter)</p> <p>Registered address: UNECE GRM Secretary, Working Party on Regulatory Cooperation and Standardization Policies United Nations Economic Commission for Europe Office 441 - Palais des Nations - 8-14 avenue de la Paix CH - 1211 Geneva 10 Switzerland</p>	

8. Events after the reporting period

The Bank started to onboard external customers in February of 2020 focusing initially on Lithuanian residents and non-interest bearing demand deposit accounts.

Virgilijus Mirkès
Chief Executive Officer of Revolut Bank UAB



April 23, 2020

Statement of income and other comprehensive income

In € thousand	Notes	2019	2018
Interest income		-	-
Interest expense	5	(1)	(2)
Net interest income		(1)	(2)
Fee and commission income		-	-
Fee and commission expense		-	-
Net fee and commission income		-	-
Other income	19	1,548	258
Total income		1,547	256
Personnel expenses	6	1,618	149
Depreciation and amortisation		14	-
Other operating expenses	7	1,086	100
Total operating expenses		2,718	249
Profit before tax		(1,171)	7
Tax (income) expense	8	(166)	1
Profit (loss) for the year		(1,005)	6
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		(1,005)	6
Attributable to:			
Equity holders of the parent		(1,005)	6

The accompanying notes on pages 20 to 39 are an integral part of these financial statements.

Statement of financial position

In € thousand		2019	2018	As at 1 January 2018
Assets	Notes			
Cash and balances with central banks	10	99	-	-
Due from banks		8,353	5,286	1,523
Property, plant and equipment	12	61	2	-
Intangible assets	13	93	-	-
Deferred tax assets	9	166	-	-
Other assets	14	1,423	359	84
Total assets		10,195	5,647	1,607
Liabilities				
Due to customers	15	1	-	-
Other liabilities	16	687	83	51
Debt issued and other borrowed funds	20	-	52	50
Total liabilities		688	135	101
Equity attributable to equity holders of parent				
Share capital	17	5,503	5,503	1,503
Reserve capital	17	5,000	-	-
Retained earnings		(996)	9	3
Total equity		9,507	5,512	1,506
Total liabilities and equity		10,195	5,647	1,607

The accompanying notes on pages 20 to 39 are an integral part of these financial statements.

Statement of changes in equity

In € thousand	Share capital	Reserve capital	Retained earnings	Total equity
As at 1 January 2019	5,503	-	9	5,512
Formation of reserve capital (Note 17)	-	5,000	-	5,000
Profit (loss) for the year	-	-	(1,005)	(1,005)
As at 31 December 2019	5,503	5,000	(996)	9,507

In € thousand	Share capital	Reserve capital	Retained earnings	Total equity
As at 1 January 2018	1,503	-	3	1,506
Issue of share capital (Note 17)	4,000	-	-	4,000
Profit (loss) for the year	-	-	6	6
As at 31 December 2018	5,503	-	9	5,512

The accompanying notes on pages 20 to 39 are an integral part of these financial statements.

Statement of cash flows

In € thousand	2019	2018
Operating activities		
Profit before tax	(1,171)	7
Adjustment for:		
Depreciation and amortisation	14	-
Net gain/(loss) from financing activities	1	2
Change in operating assets	(898)	(275)
Change in operating liabilities	603	32
Increase in deposits	1	-
Provision for deferred assets	(166)	-
Income tax paid	-	(1)
Net cash flows from operating activities	(1,616)	(235)
Investing activities		
Purchase of property and equipment	(72)	(2)
Purchase of intangible assets	(94)	-
Net cash flows used in investing activities	(166)	(2)
Financing activities		
Repayment of long term loan	(52)	-
Proceeds from formation of reserve capital	5 000	-
Proceeds from issues of shares	-	4,000
Net cash flows from/(used in) financing activities	4 948	4,000
Net increase in cash and cash equivalents	3,166	3,763
Cash and cash equivalents at 1 January	5,286	1,523
Cash and cash equivalents at 31 December	8,452	5,286

The accompanying notes on pages 20 to 39 are an integral part of these financial statements.

Notes to the Financial Statements

1. Corporate information

Revolut Bank UAB is a closed joint stock company incorporated and domiciled in Lithuania. The Bank has been granted a specialised banking license on 6th of December 2019 and intends to offer instant access demand deposit and consumer credit services.

2. Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). For the period up to and including the year ended 31 December 2018, the Bank prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). These financial statements for the year ended 31 December 2019 are the first the Bank has prepared in accordance with IFRS. For the year ended 31 December 2018, the Bank prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP). There were no adjustments made in restating Bank's Local GAAP financial statements.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in euros and all values are rounded to the nearest thousand, except when otherwise indicated. The Bank's balance sheets are primarily based on an assessment of the liquidity of the assets and liabilities.

3. Summary of significant accounting policies

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

3.1. Interest and similar expense

Under IFRS 9, interest expense is recorded using the EIR method for all financial liabilities measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial liability or, when appropriate, a shorter period, to the gross carrying amount of the financial liability.

3.2. 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.

3.3. Financial instruments – initial recognition

3.3.1. Date of recognition

Financial assets and liabilities with the exception of loans and advances to customers are initially recognised on the trade date, i.e., the date on which the Bank becomes a party to the contractual provisions of the instrument.

3.3.2. 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.

3.3.3. Measurement categories of financial assets and liabilities

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

- Amortised cost
- FVOCI
- FVTPL

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

3.3.4. Determination of fair value

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

- Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Bank has access to at the measurement date. The Bank considers markets as active only if there are sufficient trading activities with regards to the volume and liquidity of the identical assets or liabilities and when there are binding and exercisable price quotes available on the balance sheet date.
- Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Bank will classify the instruments as Level 3.
- Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

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

3.3.5. Due from banks

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

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

The details of these conditions are outlined below.

3.3.5.1. Business model assessment

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

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

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

3.3.5.2. The SPPI test

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

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

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

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

In such cases, the financial asset is required to be measured at FVPL.

3.4. Reclassification of financial assets and liabilities

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

3.5. Derecognition of financial assets and liabilities (other than for substantial modification)

3.5.1. Financial assets

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

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

- The Bank has transferred its contractual rights to receive cash flows from the financial asset
- or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement

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

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

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

A transfer only qualifies for derecognition if either:

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

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

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

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

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

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

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

3.5.2. 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.

3.6. 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.

3.7. 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.

3.8. 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.

3.9. Taxes

3.9.1. Current tax

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

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

3.9.2. Deferred tax

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

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

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

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

3.10. Standards issued but not yet effective Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

3.10.1. IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts, covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4). IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. This standard is not applicable to the Bank.

3.10.2. Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments. The amendments will not affect financial statements of the Bank.

3.10.3. Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have impact on the Bank's financial statements.

4. Significant accounting judgements, estimates and assumptions

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

4.1. Going concern

The Bank reported a loss for the financial year 2019 and is fully dependent on the parent company. The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt on the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

4.2. 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. Risk management

5.1. Liquidity risk

5.1.1 Identification of liquidity risks

As part of Individual Liquidity Adequacy Assessment Process (ILAAP) and according to ECB's (CRD IV) requirements, the Bank identifies and analyzes risks that impacts Banks' liquidity and funding position. Risks areas are analyzed for materiality and include:

- wholesale secured and unsecured funding risk,
- retail funding risk,
- intra-day liquidity risk,
- intra-group liquidity risk,
- cross currency liquidity risks,
- off-balance sheet liquidity risk,
- franchise viability liquidity risk,
- marketable assets risk,
- non-marketable assets risks,
- funding concentration and correlation risk.

Material risks are monitored and limits set.

5.1.2. Monitoring metrics and limits

The Bank's liquidity position must always be strong enough to fulfil the liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) requirements as specified in the Capital Requirements Regulation of the European Union. Accordingly, the key metrics the Bank uses to measure and limit liquidity risk is the LCR and the NSFR.

The detailed process of calculation of these metrics is described in detail within the Individual Liquidity Adequacy Assessment Process document.

The LCR measures the number of months the Bank is able to fulfil all its payment obligations stemming from ongoing business operations under a severe stress scenario. LCR is calculated as total HQLA eligible assets divided over stressed 30-day net cash flow amount. The Bank's minimum LCR should always exceed the internal minimum of 150% which corresponds to a liquidity survival horizon of 45 days.

The Bank uses the ECB's standard weighing methodology to calculate the liquidity requirements under severe stress conditions. LCR captures generic market wide stress over a 30-day period.

Cash outflows are assumed to be 15% of current account balances (Less Stable deposits) and 5% of term deposits (Stable deposits), over the 30-day stress period. Cash inflows from retail loans are expected to be 50% of 30-day receivables and retail overdrafts 50% of 30-day exposure.

NSFR is calculated as total available stable funding divided over total required stable funding. The Bank's minimum internal NSFR limit shall always exceed 110%, representing a minimum stable regulatory funding of 100% plus a surplus of 10% above required stable funding.

Bank's stable funding comes from equity (100%), customer term deposits (assuming 90% under base case scenario) and customer accounts (assuming 90%).

Bank's required stable funding mainly builds on loans (100%) and overdrafts (assuming 50% in NSFR calculation). Nostros and deposits with other banks attract 15% of required funding in the Bank's assumptions.

The Bank monitors and manages liquidity risk over two distinct horizons using appropriate metrics as summarized in the table below:

Liquidity Horizon	Risk Description	Metric	Tolerance	Monitoring Frequency
Short Term	Ability to survive a 30-day cash outflow under severely stressed market conditions	LCR	150% (net)/ 130%	Monthly
Long Term	Ratio of stable funding to one year required outflows under base case conditions	NSFR	130%	Monthly

These limits as per Risk Appetite Statement are Level 3 limits.

Additionally, in order to optimise cash management process, the Bank will produce daily short-term cash flow projections by individual currency for each future day on the horizon of 1 month and aggregate for 1, 2, 3 month period. This is used for individual currency and net in and out cash flow gap analysis. FX swaps will be used to mitigate (and optimise) currency gap risk.

To monitor currency gap risk LCR per significant currencies (currently EUR, GBP, USD) will be required to have an internal ratio of 130%.

Additional limits might be set by the Risk Management and Credit Asset Liability Committee (CALMCO).

5.1.3. Stress testing

Stress-testing constitutes an integral part of the liquidity risk management process and is reviewed regularly as part of ILAAP process which is presented to the Board and CALMCO. Chief Risk Officer approves stress testing methodology as per Liquidity Risk Governance section.

Principles of liquidity risk stress testing are covered in this Policy below and implemented in ILAAP.

Stress testing timeline is based on Bank's expected cash in- and out flows during one year horizon. Liquidity requirement is then calculated by applying the stress scenario on the expected cash in- and outflows and the Liquidity Buffer, including undrawn overdraft demand, for different categories of deposits and credit. Stress testing captures both market-wide and idiosyncratic risk effects (and combined).

The main stress factors used include:

- deposit outflows for less stable funding, which includes demand deposits and term deposits with maturity less than 90-days;
- deposit outflows for stable funding, which includes term deposits with maturity greater than 90-days;
- loan and overdraft demand;
- off-balance sheet exposure due to undrawn overdraft limits which can be unilaterally withdrawn by the Bank, but may be drawn down during operational implementation under stress.

Macro stress scenario assumes a rapid deterioration of the economic environment, causing disruptions in the expected cash inflows from the Bank's loan portfolio. It is assumed that all loans are paid back at their final maturities (no prepayments). The demand for new lending transactions is expected to remain at the planned level.

The wholesale funding market is assumed to become completely inaccessible for new funding transactions and all callable funding transactions are assumed to be terminated at the earliest possible date.

Valuation haircuts will not be required for HQLA Level 1 assets (initial Liquidity Buffer portfolio) and valuation haircuts for the Level 2 HQLA assets and less liquid or creditworthy assets will be calculated based on credit spreads and in accordance to regulatory requirements.

Remaining cash flows are assumed to be received or paid out according to their contractual specifications.

As part of ongoing risk management, the Bank will run the stress tests annually with key outputs being reviewed by the Chief Risk Officer, Board, and escalated to the Supervisory Board as necessary.

In conducting the stress testing, the Bank applies:

- a base-case stress derived from those stresses applied within ECB guidelines;
- an idiosyncratic /own-firm stress;
- a market-wide stress;
- a combined stress.

Current liquidity stress scenarios (idiosyncratic(own-firm), market-wide, and combined stresses are set in ILAAP) are as follows.

Stress-scenario (90 day horizon)	Outflow of stable deposits (term deposits)	Outflow of less stable deposits (current accounts)	Increase in unwithdrawn credit
Base case stress	-5%	-15%	5%
Idiosyncratic (own-firm) stress	-15%	-25%	8%
Market-wide stress	-15%	-20%	8%
Combined stress	-17.5%	-30%	10%

5.2. Foreign currency risk

Current business model between Revolut Bank UAB and Revolut Payments UAB defines that FX conversions on the back of user transactions are executed at Revolut Payments UAB implying 1:1 FX hedging for Revolut Bank UAB or, in other words, that the Bank is flat of FX spot risk on the back of user transactions. This is currently being monitored by daily Group FX position report (which is based on user transactions). In addition to user activity, FX position of the Banking book (managed by Treasury) also arises from Bank's activity - this includes profit on the banking products (in non-base currency), interest earned on nostro balances and various costs (in non-base currency). Small FX position is allowed as defined per Risk Appetite statement. Any material FX risk arising from Treasury activities should be hedged on a day and furthermore monitored at least monthly as part of monthly balance sheet review. In the future, the Bank aims to have a daily balance sheet (and hence a full FX position daily).

As of 31 December 2019, the Bank being part of international group was insignificantly exposed to foreign exchange risk arising from currency exposures primarily with respect to Swedish krona (SEK). Sales and purchases for the year ended 31 December 2019 were executed primarily in Euro. Therefore, there the foreign currency exposure arising from future commercial transactions, recognized in assets and liabilities, was insignificant.

Cash balance

In € thousand	EUR	SEK	Total
Cash and balances with central banks	99	-	99
Due from banks	8,351	2	8,353
Percentage from all cash	99.88%	0.02%	
Results if currency rate changes +/-5%	-	-	-

5.3. Credit risk

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

The Bank is exposed to credit risk from Counterparty credit risk, which is the risk that a counterparty to the Bank will fail to meet its obligation to settle outstanding amounts (this risk includes Settlement Risk that arises when payments are not exchanged simultaneously, i.e. the risk that the counterparty may default before making the counter-payment). Counterparty credit risk arises, for instance, with respect to banks where the Bank places funds at accounts or deposits. The Bank relies on ratings assigned by external rating agencies for internal risk classification and determination of probability of default (PD) for its counterparties, which are banks, other financial institutions, sovereigns (central governments) or central banks. For this purpose, the Bank recognizes and checks availability of external ratings from Moody's, Standard & Poor's (S&P) and Fitch. In exceptional cases other types of ratings or ratings of other official external rating agencies might be used. Reasons for the choice of their usage and mapping to internal ratings are specified in documentation.

Nostro accounts

As of 31 December 2019, the Bank had EUR 8.351 thousand and SEK 26 thousands of cash equivalent at institutions. All the above balances were held in the Swedish (with a minimum of A+ long-term borrowing rating assigned by international rating agency Standard & Poor'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).

Central Bank accounts

As of 31 December 2019, the Bank had EUR 99 thousand of cash equivalent at Central Bank.

Intragroup accounts

As of 31 December 2019, the Bank had EUR 1,135 thousand of receivables and EUR 100 thousands of payables related with Revolut Group entities.

6. Interest expense

In € thousand	2019	2018
Debt issued and other borrowed funds (Note 20)	1	2

7. Personnel expense

In € thousand	2019	2018
Wages and salaries	1,590	115
Social security costs	28	34
	1,618	149

8. Other operating expenses

In € thousand	2019	2018
IT applications and equipment	275	-
Administrative	256	17
Rental charges payable under operating leases	184	1
Professional fees	149	53
Travel expenses	78	24
Recruitment	77	-
Other	67	5
	1,086	100

9. Income tax

In € thousand	2019	2018
Current tax	-	1
Deferred tax		
Relating to origination and reversal of temporary differences	(166)	-
	(166)	1

9.1. Reconciliation of the total tax charge

In € thousand	2019	2018
Accounting profit before tax	(1,171)	7
At statutory income tax rate of 15% (2018: 15%)	-	1
Increase in deferred tax assets	(166)	-
Income tax expense reported in the income statement	(166)	1

9.2. Deferred tax

31 December 2019

In € thousand	Deferred tax assets	Income statement
Provision for tax losses carried forward	(166)	(166)

10. Cash and balances with central banks

In € thousand	2019	2018
Current account with the Central Bank of Lithuania	99	-

11. Due from banks

In € thousand	2019	2018
Placements with other banks - demand deposits	8,353	5,286

12. Property, plant and equipment

In € thousand	Computer hardware
Cost	
At 1 January 2018	-
Additions	2
At 31 December 2018	2
Additions	72
At 31 December 2019	74
Depreciation	
At 1 January 2018	-
Depreciation charge for the year	-
At 31 December 2018	-
Depreciation charge for the year	13
At 31 December 2019	13
Net book value	
At 31 December 2018	2
At 31 December 2019	61

13. Intangible assets

In € thousand		Computer software
Cost		
At 1 January 2018		
Additions		-
At 31 December 2018		-
Additions		94
At 31 December 2019		94
Amortisation		
At 1 January 2018		-
Amortisation charge for the year		-
At 31 December 2018		-
Amortisation charge for the year		1
At 31 December 2019		1
Net book value		
At 31 December 2018		-
At 31 December 2019		93

14. Other assets

In € thousand	2019	2018
Trade receivables*	1,135	347
Receivable VAT	179	11
Prepaid expenses	109	1
	1,423	359

*Trade receivables consist of receivables from group entities as disclosed in Note 20. No impairment is recognised as it is an intragroup balance with the parent company and expected to settle in the first half of 2020.

15. Due to customers

In € thousand	2019	2018
Retail customers:		
Current deposit accounts	1	-

16. Other liabilities

In € thousand	2019	2018
Payroll payable	298	-
Accrued expenses	236	9
Trade payables	153	73
Payable income tax	-	1
	687	83

17. Share capital and reserves

<i>Authorised shares</i>	2019 Thousands	2018 Thousands	1 January 2018 Thousands
Ordinary shares of €1 each	5,503	5,503	1,503
<i>Ordinary shares issued and fully paid</i>		Thousands	€000
At 1 January 2018		1,503	1,503
Issued ordinary shares		4,000	4,000
At 31 December 2018 and 31 December 2019		5,503	5,503

According to Shareholders resolution dated 23 March 2018, the authorised share capital was increased by €4,000,000 by the issue of 4,000,000 ordinary shares of €1 each.

Reserves

In € thousand	Reserve capital
At 1 January 2018 and 31 December 2018	-
Formation of the reserve capital by shareholder contributions	5,000
At 1 January 2019	5,000

18. Maturity analysis of assets and liabilities

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

As at 31 December 2019

In € thousand

Assets

	Within 12 months	After 12 months	Total
Cash and balances with central banks	99	-	99
Due from banks	8,353	-	8,353
Property, plant and equipment	-	61	61
Intangible assets	-	93	93
Deferred tax assets	-	166	169
Other assets	1,423	-	1,423
Total assets	9,875	320	10,195

Liabilities

Due to customers	1	-	1
Other liabilities	687	-	687
Debt issued and other borrowed funds	-	-	-
Total liabilities	688	-	688

As at 31 December 2018

In € thousand

Assets

	Within 12 months	After 12 months	Total
Due from banks	5,286	-	5,286
Property, plant and equipment	-	2	2
Other assets	3593	-	359
Total assets	5,645	2	5,647

Liabilities

Other liabilities	83	-	837
Debt issued and other borrowed funds	-	52	52
Total liabilities	83	52	135

19. Capital

The Bank maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of the local banking supervisor, Central Bank of Lithuania. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Basel Committee on Banking Supervision (BIS rules/ratios) and adopted by the National Bank of Lithuania in supervising the Bank.

Revolut Bank has complied in full with all its externally imposed capital requirements over the reported period.

19.1. Capital management

The primary objectives of the Bank's capital management policy are to ensure that the Bank complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Bank manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years. However, they are under constant review by the Board.

19.2. Regulatory capital

	Actual	Required
In € thousand	2019	2019
Common Equity Tier1 (CET1) capital	9,248	2,200
Other Tier 2 capital instruments	-	-
Total capital	9,248	2,200
Risk weighted assets	27,497	
CET1 capital ratio	33.63%	
Total capital ratio	33.63%	

Regulatory capital consists of CET 1 capital, which comprises share capital, reserves and retained earnings including current year loss less intangible assets and deferred tax assets.

At 31 December 2018 regulatory capital ratios were not calculated.

20. 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.

In € thousand		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Parent entity:					
Revolut Ltd	2019	1,548	279	1,134	-
	2018	260	19	347	21
Affiliated company:					
Revolut Payments UAB	2019	-	-	1	100
	2018	-	-	-	-

* The amounts are classified as trade receivables and trade payables, respectively (see Notes 14 and Notes 16).

Loans from related parties

In € thousand		Interest paid	Amounts owed to related parties
Parent entity:			
Revolut Ltd	2019	-	-
	2018	-	52

On the 5th of October 2017 the Bank drew down €50,000 according to loan facility agreement with Revolut Ltd. The loan is repayable together with interest accrued on the 5th of October 2020. The Bank repaid the loan in full on 23 December 2019.

21. Risks caused by Covid-19

Since 31 December 2019, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

The revenue of the company is generated by remote work of staff and closure of offices did not have any substantial effect on operations of the company.

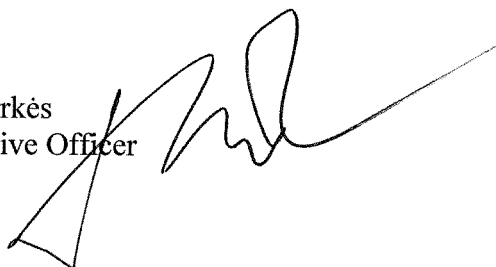
The Company continues to operate during the outbreak of COVID-19 and plans to continue operating through 2020. The Company continues to fulfil its obligations and does not reduce the workforce, it is able to comply with the terms of long-term agreements. On the contrary, the Company experiences an increase in demand for products produced by it due to the COVID-19 outbreak.

22. Events after the reporting period

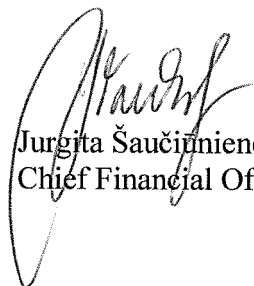
The Bank started to onboard external customers in February of 2020 focusing initially on Lithuanian residents and non-interest bearing demand deposit accounts.

The financial statements were approved by the Management Board on April 23, 2020 and signed by:

Virgilijus Mirkės
Chief Executive Officer



Jurgita Šaučiūnienė
Chief Financial Officer



INDEPENDENT AUDITOR'S REPORT

To shareholders of Revolut Bank, UAB

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Revolut Bank, UAB (hereinafter - the Bank), which comprise statement of financial position as at 31 December 2019, and statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

As described in Note 4.1 of the accompanying notes to the financial statements, Bank has incurred significant losses for the financial year 2019. The parent of the Bank is the sole source of revenue for the Bank. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Bank's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

We have not identified more key audit matters than described in Material uncertainty Related to Going Concern paragraph.

INDEPENDENT AUDITOR'S REPORT (continued)

Other matters

Financial statements of UAB Revolut Bank for the financial year 2018 have not been prepared according to International Financial Reporting Standards as adopted by the European Union. Financial statements of UAB Revolut Bank for the financial year 2018 have not been audited.

Other Information

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements (continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT (continued)**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

We 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.

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

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

Report on Other Legal and Regulatory Requirements

In accordance with the decision made by the Bank's shareholders meeting on 28th June 2019 BDO auditas ir apskaita, UAB has been chosen to carry out the audit of Bank's financial statements. Our appointment to carry out the audit of Bank's financial statements in accordance with the decision made by the Bank's shareholders meeting is renewed annually and the period of total uninterrupted engagement is one year.

We confirm that our opinion in the section 'Opinion' is consistent with the additional report which we have submitted to the Bank and those charged with governance.

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

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

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

BDO auditas ir apskaita, UAB
Audit company's certificate No.001496

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

Vilnius, the Republic of Lithuania
23 April 2020

