Revolut Bank

Revolut Bank UAB

Capital adequacy and risk management report (Pillar 3)
31 December 2022

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Introduction

Notes on basis of preparation

This report is prepared in accordance with the requirements of the Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation No 575/2013 (CRR).

Pillar 3 disclosures complement those disclosed in the Revolut Bank UAB 2022 Annual report and financial statements and provide additional information about the Bank's risk profile, including its regulatory capital, risk weighted assets (RWAs), liquidity, leverage exposures as well as information about the Bank's approach to managing risk.

The Basel framework is structured around three 'pillars'. Pillar 1 defines minimum capital requirements for credit, market and operational risks. Pillar 2 defines Supervisory Review and Evaluation Process (SREP) requiring the Bank to carry out an internal capital adequacy assessment process (ICAAP), identifying and assessing all the relevant risks which are not covered within Pillar 1 and supporting adequate capital level and an internal liquidity adequacy assessment process (ILAAP) primarily concentrating on the funding and liquidity risk management. Pillar 3 stands for market discipline with the aim to produce disclosures that allow market participants to assess the scope of application by banks of the Basel framework and the rules in their jurisdiction, their capital condition, risk exposures and risk management processes, and hence their capital adequacy.

The Bank prepares 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).

Disclosures are prepared on an individual basis.

LEI code of the Bank is 485100NUOK3CEDCUTW40.

Overview of the company status and development

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

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

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

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

- Revolut Bank UAB (Belgian Branch), which was incorporated on 19th April 2021, registered address: Louise Centre, Stephanie Square Centre, Avenue Louise 65, Briussels 1050

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

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

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

- **Deposits**. Instant access demand deposit accounts to retail clients in over 30 currencies.
- **Physical/virtual payment cards.** debit and credit cards with and without additional membership plans.
- **Payment services.** Payments and top-ups with Mastercard / Visa Card, SEPA payments and direct debits, international transfers via Swift and other vendors, e.g. Currency Cloud, peer2peer payments between Revolut users.
- **Retail credit.** consumer credit in the form of unsecured consumer loans, credit cards and pay-later instalment products in currently five countries, Lithuania, Poland, Ireland, Romania and Spain (since Jan 2023). Not all loan types are offered in all five countries.
- **Saving vaults.** Interest bearing deposit accounts held with third party banks. Currently the Bank does not offer its own interest bearing deposit accounts.
- **Junior accounts.** Revolut <18 is the account for everyone, aged 6-17.

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

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

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

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

Capital adequacy	22.1
Liquidity coverage	1424.3

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

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

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

Revolut is committed to measuring and reducing its global carbon footprint and, in summer 2021, it engaged an independent adviser, Watershed, to help measure Revolut's carbon footprint in real-time, establish clear strategies to reduce impact in every aspect of company's business, and report on those emissions. See here for further details on Revolut's sustainability activities: https://www.revolut.com/sustainability.

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

Remuneration policy

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

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

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

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

Information on link between pay and performance

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

The Remuneration system applied by Revolut Bank UAB aims to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk management

Risk management and internal control

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

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

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

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

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

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

<u>The Risk Management Function,</u> headed by the Chief Risk Officer, is responsible for:

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

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

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

<u>The Regulatory Compliance Function</u> is responsible for conduct and compliance risks excluding fraud related risk, anti-money laundering, counter terrorist financing and sanctions controls (but including modern slavery, anti-bribery

and corruption related risks). It has responsibility for implementing the Revolut Bank UAB conduct and compliance risk control framework. This involves (i) supporting the first line of defence in identifying actual and potential conduct and compliance related risks and implementing controls to mitigate these risks; and (ii) monitoring and testing the effectiveness of the control environment to prevent or minimise conduct and compliance risks.

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

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

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

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

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

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

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

Financial Risk - Principal risks and uncertainties

Macroeconomic environment risk and uncertainties

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

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

Funding and liquidity risk

Overview of the framework

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

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

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

Monitoring metrics and limits

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

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

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

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

The Bank calculates both metrics on a monthly basis with daily proxies. Corresponding figures as of 31 December 2022 were exceeding internal targets and regulatory limits with a big margin due to high concentration of cash and ECB-eligible securities within the liquidity buffer and relatively stable deposit outflows.

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

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

Stress testing

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

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

The main stress factors used include deposit outflows of stable and less stable funding, disruptions in the expected cash inflows from the Bank’s loan portfolio, increase in undrawn credit lines. For the market-wide stress scenario it is assumed that the wholesale funding market becomes completely inaccessible for new funding transactions and all callable funding transactions are assumed to be terminated at the earliest possible date. The market-wide stress scenario also considers an increase in margin stress requirements from derivatives. The combined stress scenario assumes both firm related turbulence and systemic shocks happening at the same time.

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

Credit risk

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

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

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

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

Credit risk measurement

(a) Loans to customers

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

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

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

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

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

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

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

(b) Due from banks and other financial institutions

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

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

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

The Bank's counterparty risk management covers:

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

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

Nostro accounts

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

Central Bank accounts

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

Intragroup accounts

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

General Expected Credit Loss assessment principles

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

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

Default definition

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

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

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

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

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

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

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

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

Migration between Stages

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

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

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

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

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

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

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

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

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

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

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

12-month and lifetime expected credit losses

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

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

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

The risk parameter EAD represents the total exposure of a facility at the moment of default. For products with contractual repayment schedules, the EAD term structure is shaped by the amortisation profile. For revolving products, the credit limit utilisation approach is used to estimate EAD term. Certain instruments, like Buy Now Pay Later loans have a hybrid behaviour in terms of the repayment schedule. These loans have a credit limit, which can be used for multiple drawdowns both simultaneously or sequentially. Each of the drawdowns have their own payment schedules, however there is no contractual schedule for the future drawdowns. To reflect this duality in the EAD calculation, the EAD for the individual drawdowns should be calculated based on the amortisation profile. For the undrawn part the Credit Conversion Factor (CCF) should be used. Finally, as a last step of the calculation, the EAD should be aggregated to facility level.

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

Macroeconomic scenarios

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

(all amounts in EUR thousand unless stated otherwise)

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	**3120.3**	**-43.2 (-1.4%)**	**-259.8 (-8.3%)**	**146.9 (4.7%)**
IE	Fixed Term Credit	2134.9	-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	**2137.7**	**-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	5255.5	-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	**6399.3**	**-111.5 (-1.7%)**	**-604.7 (-9.4%)**	**389.3 (6.1%)**

Interest rate risk

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

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

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. EVE and NII are measured weekly relative to CET1. Treasury Function is responsible for IRRBB management on an on-going basis using mitigation approaches such as the use of hedging derivatives, matching structural gaps in repricing buckets by developing fixed-term assets portfolio aligned with modelled non-maturing deposits duration, and dynamic adjustment of in-app rate offerings to influence uptake behaviour. 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.

IRRBB is a significant element of the Internal Capital Adequacy Assessment Process (ICAAP) to determine Pillar 2 capital provision from interest rate risk. The approach taken for this assessment is subject to review and challenge by the ALCO and approval by the senior management. The methodology used to assess both additional Pillar 2 requirements in respect to IRRBB and perform regular computations is reviewed on an ongoing basis, particularly in light of changes to regulatory requirements. The key document is EBA Guidelines on IRRBB and CSRBB.

Sensitivity to IRRBB

Interest rate volatility can lead to significant deviations to planned capital and earnings, therefore stress testing is an important risk management tool and an integral part of interest rate risk management framework. The stress testing methodology is mostly prescribed in the supervisory regulations and where deemed necessary adjusted considering business strategy and scope. The Bank models non-maturity deposits duration and lending prepayments using market standard techniques. The assumptions and scenarios used are reviewed regularly with changes being presented to the Assets and Liabilities Management Committee and/or the Management Board.

Interest rate risk in the banking book (IRRBB) sensitivity in terms of EVE (disclosed as a ratio versus CET1 capital) was within internal and regulatory limits at the end of 2022 considering six EBA stress scenarios. The YoY change is explained by fast growth of deposit portfolio, development of debt securities and lending portfolios. IRRBB sensitivity in terms of NII under parallel downwards interest rate shift scenario has breached an 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. Another reason is that Revolut is maintaining a relatively short duration asset portfolio which reduces the volatility of the market value of the portfolio during a period where interest rates are rising. The Bank 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 downwards shock. The Bank 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

(all amounts in EUR thousand unless stated otherwise)

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)

Foreign currency risk

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

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

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

Sensitivity of foreign exchange risk

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

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

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

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

(all amounts in EUR thousand unless stated otherwise)

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%**

Non-financial risk

Conduct and regulatory compliance risk

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

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

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

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

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

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

exposure ratio requirement at the highest level of consolidation for a short period of time.

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

i) the average of the end-of-day balances of the reserve account of Revolut Bank UAB during the maintenance period from December 21, 2022 to February 07 2023 registered at a level lower than its obligation to constitute compulsory reserves for a daily amount of 2,161,000 EUR. As a result of this non-compliance with the reserve requirement, sanction proceedings have been initiated by the ECB against the credit institution. 15,442.15 EUR fine imposed for not opening a HAM (Home Account Module) account till 7 February 2023 and breach a regulatory requirement regarding minimum reserves in France.

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

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

Operational risk

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

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

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

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

Third party risk

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

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

Financial crime risk

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

Cyber risk

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

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

Data security risk

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

Change risk

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

Model risk

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

The Bank uses Revolut Group Model Risk team to ensure an independent model validation process. It is a team 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.

Concentration risk

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

I. Single name concentrations;
II. Geographic or country risk concentrations;
III. Sector concentrations;
IV. Product concentrations.

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

Capital

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

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

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

Regulatory capital requirements

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

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

As of 31 December 2022, the total capital requirement of Revolut Bank UAB (in accordance with the regulatory requirements) is equal to 10.9% for CET1 capital ratio and 14.4% for total capital ratio.

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

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

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

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

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

The Bank's CET1 capital ratio and total capital ratio were both at the level of 22.13% by the end of 2022 (2021: 351.72%) ensuring robust capitalisation.

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

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

EURm	Actual 2022	Required 2022	Actual 2021	Required 2021
Common Equity Tier1 (CET1) capital	366.1	180.3	92.7	2.7

(all amounts in EUR thousand unless stated otherwise)

Other Tier 2 capital instruments	-	-	-	-
Total capital	**366.1**	**180.3**	**92.7**	**2.7**
Risk weighted assets	1,654.0		26.3	
CET1 capital ratio	22.13%		351.72%	
Total capital ratio	22.13%		351.72%	

The Bank's leverage ratio was 4.16% by the end of 2022 (2021: 11.00% indicating strong capitalisation from this perspective too.

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

Internal capital assessment

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

- Identify material risks for the Bank and quantify the risks not covered or not fully covered by the capital under minimum Pillar 1 requirements;
- Ensure that Revolut Bank UAB is adequately capitalised to cover the Bank's risks, support implementation of its strategy and pursue business objectives;
- Comprehensively assess whether the capital levels - current, projected and stressed - are adequate in the context of the regulatory requirements and internal targeted capital levels set by the Supervisory Council.

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

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

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

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

- Collateral (residual) risk.

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

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

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

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

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

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

(all amounts in EUR thousand unless stated otherwise)

Tables

Table 1: Key Metrics

		31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
Available capital (amounts)						
1	Common Equity Tier 1 (CET1)	366,104	346,697	175,346	88,664	91,327
2	Tier 1	366,104	346,697	175,346	88,664	91,327
3	Total capital	366,104	346,697	175,346	88,664	91,327
Risk-weighted assets (amounts)						
4	Total risk-weighted assets (RWA)	1,653,998	1,512,920	392,125	63,897	24,500
Risk-based capital ratios as a percentage of RWA						
5	Common Equity Tier 1 ratio (%)	22.13	22.92	44.72	138.76	372.77
6	Tier 1 ratio (%)	22.13	22.92	44.72	138.76	372.77
7	Total capital ratio (%)	22.13	22.92	44.72	138.76	372.77
Additional CET1 buffer requirements as a percentage of RWA						
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.72%	0.00%	0.00%	0.00%	0.00%
11	Total of bank CET1 specific buffer requirements (%)	3.22%	2.50%	2.50%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	10.93	11.72	33.52	127.56	361.57
Leverage ratio						
13	Total leverage ratio exposure measure	8,801,833	8,094,305	2,340,614	1,618,010	840,558
14	Leverage ratio (%) (row 2 / row 13)	4.16	4.28	7.49	5.48	10.87
Liquidity Coverage Ratio						
15	Total HQLA	7,449,472	6,602,527	1,763,593	1,517,131	798,881
16	Total net cash outflow	523,031	270,704	60,369	144,919	97,353
17	LCR ratio (%)	1424.29%	2439.02%	2921.33%	1046.88%	820.60%

Table 2: Overview of risk weighted assets

		RWA		Minimum capital requirements
		31-Dec 2022	30-Sep **2022**	**31-Dec 2022**
1	**Credit risk (excluding counterparty credit risk)**	904,205	921,370	72,336
2	Of which: standardised approach (SA)	904,205	921,370	72,336

(all amounts in EUR thousand unless stated otherwise)

6	Counterparty credit risk (CCR)	22,403	24,302	1,792
10	Credit valuation adjustment (CVA)	12,729	13,808	1,018
15	Settlement risk	-	-	-
16	Securitisation	-	-	-
20	**Market risk**	17,614	13,052	1,409
21	Of which: standardised approach (SA)	17,614	13,052	1,409
24	**Operational risk**	697,047	540,388	55,764
27	**Total**	1,653,998	1,512,920	132,320

Table 3: Own funds disclosure

		Amounts	**Cross reference to balance sheet**
	Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments	36,815.10	
	– ordinary shares	36,815.10	a
2	Retained earnings	75,071.00	b
	Profit/Loss	(23,555.00)	
3	Accumulated other comprehensive income (and other reserves)	282,433.00	c
7	Prudent valuation adjustments	(0.03)	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	(0.03)	d
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	(4,660.00)	e
28	Total regulatory adjustments to Common Equity Tier 1	(4,660.03)	
29	Common Equity Tier 1 capital (CET1)	366,104.04	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	366,104.00	
	Tier 2 capital: instruments and provisions		
58	Tier 2 capital (T2)	-	
59	Total regulatory capital (TC = T1 + T2)	366,104.00	
60	Total risk-weighted assets	1,653,998.22	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	22.13	
62	Tier 1 (as a percentage of risk-weighted assets)	22.13	
63	Total capital (as a percentage of risk-weighted assets)	22.13	
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency	0.03	

	requirement, expressed as a percentage of risk-weighted assets)	
65	Of which: capital conservation buffer requirement	0.03
66	Of which: bank-specific countercyclical buffer requirement	-
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	17.63
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	11,582.60

Table 4: Main features of regulatory capital instruments

	Capital instruments main features template	
1	Issuer	Revolut Bank UAB
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	485100NUOK3CEDCUTW40
3	Governing law(s) of the instrument	Republic of Lithuania Law on Companies
	Regulatory Treatment	
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/group/group and solo	Solo and (Sub)-Consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	36.815
9	Par value of instrument	36 815
10	Accounting classification	Share capital
11	Original date of issuance	2017-07-18
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step-up or other incentive to redeem	Fully discretionary
22	Non-cumulative or cumulative	Non-cumulative

(all amounts in EUR thousand unless stated otherwise)

23	Convertible or non-convertible	Non-cumulative
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	-
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	-
29	If convertible, specify issuer of instrument it converts into	N/A
30	Writedown feature	No
31	If writedown, writedown trigger(s)	N/A
32	If writedown, full or partial	-
33	If writedown, permanent or temporary	N/A
34	If temporary write-own, description of writeup mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	-
37	If yes, specify non-compliant features	N/A

Table 5: Balance sheet reconciliation

	31-Dec-22	Cross reference to the own funds
Assets		
Cash and balances with central banks	6,921,501	
Due from banks	8,396	
Derivatives	1,261	
Due from other financial institutions	0	
Debt securities at amortized cost	1,110,256	
Financial assets at fair value through other comprehensive income	25	
Loans and advances to customers	232,195	
Property, plant and equipment	1,447	
Intangible assets	0	d
Deferred tax assets	4,660	
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*4,660*	e
Other assets	499,734	
Total assets	**8,779,475**	
Liabilities		
Derivatives	2,800	
Due to customers	8,275,399	
Due to other financial institutions	1,464	

(all amounts in EUR thousand unless stated otherwise)

Other liabilities	102,952	
Provisions	103	
Total liabilities	**8,382,718**	
Equity attributable to equity holders of parent		
Issued capital	36,815	
of which CET1 paid-in share capital	*36,815*	a
Reserve capital	282,433	c
Retained earnings	75,071	b
Other reserves	2,438	
Total equity	**396,757**	
Total liabilities and equity	**8,779,475**	

Table 6: Geographical distribution of credit exposures used in the countercyclical capital buffer

	General credit exposures		**Own funds requirements**			
Breakdown by country	Exposure value for SA	Exposure value IRB	Of which: General credit exposures	Of which: Trading book exposures	**Risk-weighted exposure amounts**	**Own funds requirement weights**
Lithuania	59,255	-	4,043		50,540	7.37
United Kingdom	478,865	-	38,309	-	478,865	69.83
Ireland	100,977	-	6,063	-	75,793	11.05
Poland	58,847	-	3,541	-	44,260	6.45
Romania	33,589	-	2,015	-	25,193	3.67
United States	9,311	-	745	-	9,311	1.36
France	681	-	42	-	519	0.08
Spain	204	-	12	-	155	0.02
Italy	189	-	12	-	145	0.02
Hungary	135	-	8	-	102	0.01
Sweden	125	-	8	-	94	0.01
Germany	124	-	8	-	94	0.01
Netherlands	95	-	6	-	73	0.01
Portugal	85	-	5	-	65	0.01
Belgium	84	-	5	-	64	0.01
Bulgaria	82	-	5	-	63	0.01
Greece	77	-	5	-	58	0.01
Latvia	76	-	5	-	57	0.01
Hungary	70	-	4	-	53	0.01
Malta	57	-	3	-	43	0.01
Czech Republic	55	-	3	-	43	0.01

(all amounts in EUR thousand unless stated otherwise)

Cyprus	52	-	3	-	39	0.01
Denmark	44	-	3	-	36	0.01
Norway	38	-	2	-	29	0.00
Estonia	38	-	2	-	29	0.00
Slovakia	23	-	1	-	18	0.00
Austria	18	-	1	-	14	0.00
Finland	18	-	1	-	14	0.00
Slovenia	15	-	1	-	11	0.00
Luxembourg	6	-	0	-	4	0.00
Island	3	-	0	-	3	0.00
Liechtenstein	1	-	0	-	0	0.00
Total	**743,240**	**-**	**54,863**	**-**	**685,790**	

Table 7: Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	1 653 998 217,08
2	Institution specific countercyclical capital buffer rate	7,172
3	Institution specific countercyclical capital buffer requirement	11 862 021,19

Table 8: Summary comparison of accounting assets vs leverage ratio exposure measure

		31-Dec 2022
1	Total consolidated assets as per published financial statements	8,779,475
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference	-
4	Adjustments for temporary exemption of central bank reserves (if applicable)	-
5	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
6	Adjustments for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustments for eligible cash pooling transactions	-
8	Adjustments for derivative financial instruments	21,145

(all amounts in EUR thousand unless stated otherwise)

9	Adjustment for securities financing transactions (ie repurchase agreements and similar secured lending)	-
10	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	5,873
11	Adjustments for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital	-
12	Other adjustments	(4,660)
13	Leverage ratio exposure measure	8,801,833

Table 9: Leverage ratio common disclosure

		31-Dec 2022	**30-Sep 2022**
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	8,778,214	8,058,962
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,660)	(8)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	8,773,554	8,058,954
	Derivatives exposure		
11	Total derivative exposures	22,406	32,952
	Securities financing transaction exposures		
16	Total securities financing transaction	-	-
	Other off-balance sheet exposures		
19	Off-balance sheet items	5,873	2,399
	Capital and total exposures		
20	Tier 1 capital	366,104	346,697
21	Total exposures	8,801,833	8,094,305
	Leverage ratio		
22	Leverage ratio	4.16%	4.28%

(all amounts in EUR thousand unless stated otherwise)

Table 10: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31-Dec 2022
1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	8,768,597
2	Trading book exposures	
3	Banking book exposures, of which:	8,768,597
4	Covered bonds	
5	Exposures treated as sovereigns	7,539,699
6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	
7	Institutions	500,944
8	Secured by mortgages of immovable properties	
9	Retail exposures	229,839
10	Corporates	485,522
11	Exposures in default	879
12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	11,714

(all amounts in EUR thousand unless stated otherwise)

Table 11: Quantitative information of LCR

		Total unweighted value (average)			Total weighted value (average)		
EU 1a	Quarter ending on (30 June 2022)	**6/30/2022**	**9/30/2022**	**12/31/2022**	**6/30/2022**	**9/30/2022**	**12/31/2022**
HIGH-QUALITY LIQUID ASSETS							
1	Total high-quality liquid assets (HQLA)				1,763,593	5,260,594	4,485,995
CASH - OUTFLOWS							
2	Retail deposits and deposits from small business customers, of which:	2,098,571	5,228,339	4,499,077	182,863	462,897	347,378
3	*Stable deposits*	*1,019,941*	*1,019,941*	*2,544,531*	*50,997*	*92,500*	*127,227*
4	*Less stable deposits*	*1,078,630*	*3,378,333*	*1,954,546*	*131,866*	*370,397*	*220,151*
5	Unsecured wholesale funding	697	982,435	381,575	647	467,374	185,694
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	-	124,470	184,264	-	31,117	46,066
7	*Non-operational deposits (all counterparties)*	*697*	*857,965*	*197,311*	*647*	*436,256*	*139,628*
8	*Unsecured debt*						
9	*Secured wholesale funding*						
10	Additional requirements	25,731	29,836	35,224	10,084	18,859	19,861
11	*Outflows related to derivative exposures and other collateral requirements*	*9,260*	*18,281*	*19,053*	*9,260*	*18,281*	*19,053*
12	*Outflows related to loss of funding on debt products*						
13	*Credit and liquidity facilities*	16,471	11,554	16,172	824	578	809
14	Other contractual funding obligations	48,252	164,058	131,478	47,884	133,900	128,979
15	Other contingent funding obligations	77	4,961	4,097	-	85	75
16	TOTAL CASH OUTFLOWS				241,478	1,083,114	681,987

(all amounts in EUR thousand unless stated otherwise)

CASH - INFLOWS							
17	Secured lending (e.g. reverse repos)						
18	Inflows from fully performing exposures	183,766	311,957	71,308	182,849	304,704	69,675
19	Other cash inflows	5,882	152,108	181,037	5,882	152,108	181,037
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)						
EU-19b	(Excess inflows from a related specialised credit institution)						
20	TOTAL CASH INFLOWS	189,648	464,065	252,346	188,731	456,812	250,712
EU-20a	*Fully exempt inflows*						
EU-20b	*Inflows subject to 90% cap*						
EU-20c	*Inflows subject to 75% cap*	*189,648*	*464,065*	*252,346*	*188,731*	*456,812*	*250,712*
TOTAL ADJUSTED VALUE							
EU-21	**LIQUIDITY BUFFER**				**1,763,593**	**5,260,594**	**4,485,995**
22	**TOTAL NET CASH OUTFLOWS**				**60,369**	**627,301**	**432,122**
23	**LIQUIDITY COVERAGE RATIO**				**2921.33%**	**1084.98%**	**1248.60%**

Table 12: Net Stable Funding Ratio

(in thousands EUR)		Unweighted value by residual maturity			
		< 6 months	6 months to < 1yr	≥ 1yr	**Weighted value**
Available stable funding (ASF) Items					
1	Capital items and instruments	2,438	-	370,764	370,764
2	*Own funds*			*370,764*	*370,764*
4	Retail deposits	7,616,726	-	-	7,110,877
5	*Stable deposits*	*5,116,485*	-	-	*4,860,661*
6	*Less stable deposits*	*2,500,240*	-	-	*2,250,216*
7	Wholesale funding:	725,929	-	-	199,278
8	*Operational deposits*	*327,372*	-	-	-
9	*Other wholesale funding*	*398,557*	-	-	*199,278*
11	Other liabilities:	104,416	-	-	-
12	*NSFR derivative liabilities*	*0*	-	-	-
13	*All other liabilities and capital instruments not included in the above categories*	258,409	-	-	-
14	**Total available stable funding (ASF)**	8,449,509	-	370,744	**7,680,920**
Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)				-
17	Performing loans and securities:	50,058	31,013	650,719	589,744
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*			*618,196*	*0*
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*	*50,058*	*31,013*	*158,621*	*171,461*
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*			*492,098*	*418,283*
26	Other assets:	479,165	79	30,336	269,547
29	*NSFR derivative assets*	*1,539*			*77*

(all amounts in EUR thousand unless stated otherwise)

31	*All other assets not included in the above categories*	*477,626*	*79*	*30,336*	*269,471*
32	Off-balance sheet items	47,273	0	0	2,064
33	**Total RSF**				**861,355**
34	**Net Stable Funding Ratio (%)**				**891.73%**

Table 13: Credit quality of forborne exposures

		Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	
		Performing forborne	Non-performing forborne	Of which defaulted	Of which impaired	On performing forborne exposures	On non-performing forborne exposures
5	Cash balances at central banks and other demand deposits	-	-	-		-	-
10	Loans and advances	147	30	30	30	(11)	(24)
20	Central banks	-	-	-	-	-	-
30	General governments	-	-	-	-	-	-
40	Credit institutions	-	-	-	-	-	-
50	Other financial corporations	-	-	-	-	-	-
60	Non-financial corporations	-	-	-	-	-	-
70	Households	147	30	30	30	(11)	(24)
80	Debt Securities	-	-	-	-	-	-
90	Loan commitments given	-	-	-	-	-	-
100	Total	147	30	30	30	(11)	(24)

(all amounts in EUR thousand unless stated otherwise)

Table 14: Credit quality of performing and non-performing exposures by past due days

		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
5	Cash balances at central banks and other demand deposits	6,929,219	6,929,219	-	-	-	-	-	-	-	-	-	-
10	Loans and advances	238,375	233,774	4,601	16,855	329	4,126	7,788	2,670	1,914	22	6	16,855
20	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
30	*General governments*	-	-	-	-	-	-	-	-	-	-	-	-
40	*Credit institutions*	-	-	-	-	-	-	-	-	-	-	-	-
50	*Other financial corporations*	1,359	1,358	-	3	-	1	-	2	-	-	-	3
60	*Non-financial corporations*	183	67	117	502	-	124	134	115	130	-	-	502
70	*Of which SMEs*	-	-	-	-	-	-	-	-	-	-	-	-
80	*Households*	236,833	232,349	4,484	16,350	329	4,001	7,654	2,554	1,784	22	6	16,350
90	Debt securities	1,110,347	1,110,347	-	-	-	-	-	-	-	-	-	-
100	*Central banks*	-	-	-	-	-	-	-	-	-	-	-	-
110	*General governments*	389,303	389,303	-	-	-	-	-	-	-	-	-	-
120	*Credit institutions*	721,044	721,044	-	-	-	-	-	-	-	-	-	-
130	*Other financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-
140	*Non-financial corporations*	-	-	-	-	-	-	-	-	-	-	-	-

(all amounts in EUR thousand unless stated otherwise)

150	Off-balance-sheet exposures	47,257			16								16
160	*Central banks*	-			-								-
170	*General governments*	-			-								-
180	*Credit institutions*	-			-								-
190	*Other financial corporations*	12,000			-								-
200	*Non-financial corporations*	61			-								-
210	*Households*	35,196			16								16
220	***Total***	8,325,198	8,273,340	4,601	16,872	329	4,126	7,788	2,670	1,914	22	6	16,872

Table 15: Quality of non-performing exposures by geography

	Gross carrying/nominal amount				Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given
		Of which non-performing				
			Of which defaulted	Of which subject to impairment		
On-balance-sheet exposures	**8,294,824**	**16,855**	**16,855**	**8,294,823**	**(23,053)**	
Germany	6,674,383	678	678	6,674,383	(780)	
Lithuania	473,141	512	512	473,141	(572)	
United States	281,382	-	-	281,382	-	
Spain	183,489	836	836	183,489	(995)	
France	118,594	3,970	3,970	118,594	(4,509)	
Ireland	104,347	1,638	1,638	104,347	(2,991)	
United Kingdom	101,797	8	8	101,795	(8)	
Belgium	99,352	311	311	99,352	(377)	
Poland	65,140	2,277	2,277	65,140	(3,941)	
Romania	40,328	2,574	2,574	40,328	(3,814)	

(all amounts in EUR thousand unless stated otherwise)

Other countries	152,872	4,052	4,052	152,872	(5,065)	
Off-balance-sheet exposures	**47 273**	**16**	**16**			**119**
Poland	19 120	11	11			**102**
United Kingdom	12 000	-	-			**-**
Lithuania	11 854	3	3			**15**
Ireland	4 238	2	2			**1**
Netherlands	18	-	-			**-**
Germany	10	-	-			**-**
Estonia	10	-	-			**-**
Spain	10	-	-			**-**
Norway	4	-	-			**-**
Romania	3	-	-			**-**
Sweden	2	-	-			**-**
Other countries	6	-	-			**-**
Total	**8,342,137**	**16,872**	**16,872**	**8,294,823**	**(23,053)**	**119**

Table 16: Credit quality of loans and advances to non-financial corporations by industry

	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which defaulted			
Agriculture, forestry and fishing	2	2	2	2	(2)	-
Mining and quarrying	-	-	-	-	-	-

Manufacturing	66	44	44	66	(54)	-
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-
Water supply	-	-	-	-	-	-
Construction	62	47	47	62	(54)	-
Wholesale and retail trade	46	34	34	46	(39)	-
Transport and storage	53	36	36	53	(44)	-
Accommodation and food service activities	31	23	23	31	(26)	-
Information and communication	88	69	69	88	(78)	-
Financial and insurance activities	-		-	-	-	-
Real estate activities	7	5	5	7	(6)	-
Professional, scientific and technical activities	103	63	63	103	(81)	-
Administrative and support service activities	50	42	42	50	(45)	-
Public administration and defence, compulsory social security	1	1	1	1	(1)	-
Education	18	16	16	18	(17)	-
Human health services and social work activities	1	1	1	1	(1)	-
Arts, entertainment and recreation	1	1	1	1	(1)	-
Other services	155	120	120	155	(135)	-
Total	685	502	502	685	(583)	-

Table 17: Credit risk exposure and CRM effects

Asset classes	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
Central governments and central banks	7,310,753	0	7,310,753	0	0	

(all amounts in EUR thousand unless stated otherwise)

Public sector entities	158,352	0	158,352	0	0	
Multilateral development banks	70,594	0	70,594	0	0	
Institutions	500,944	0	500,944	0	240,818	48%
Corporates	485,522	12,061	485,522	2,461	487,983	100%
Retail exposures	229,839	35,082	229,839	0	172,379	75%
Exposures in default	879	11	879	0	889	101%
Equity exposures	25	0	25	0	25	100%
Other assets	2,110	0	2,111	0	2,111	101%
Total	**8,759,018**	**47,154**	**8,759,019**	**2,461**	**904,205**	100%

Table 18: Credit risk exposure standardised approach

	Risk weight						Total credit exposures amount (post CCF and post-CRM)
	0%	20%	50%	75%	100%	150%	
Central governments and central banks	7,310,753	-	-	-	-	-	7,310,753
Public sector entities	158,352		-	-	-	-	158,352
Multilateral development banks	70,594		-	-	-	-	70,594
Institutions	-	32,179	468,765	-	-	-	500,944
Corporates	-	-	-	-	487,983	-	487,983
Retail exposures	-	-	-	229,839	-	-	229,839
Exposures in default	-	-	-	-	861	19	879
Equity exposures	-	-	-	-	25	-	25
Other items	-	-	-	-	2,110	-	2 110
Total	**7,539,699**	**32,179**	**468,765**	**229,839**	**490,979**	**19**	**8,761,480**

(all amounts in EUR thousand unless stated otherwise)

Table 19: Performing and non-performing exposures and related provisions

	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off
	Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			
		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3	
Cash balances at central banks and other demand deposits	6,929,219	6,929,219	-	-	-	-	-	-	-	-	-	-	-
Loans and advances	238,375	218,460	19,915	16,855	-	16,851	(7,077)	(5,520)	(1,556)	(15,976)	-	(15,972)	(532)
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,359	1,359	-	3	-	3	-	-	-	(3)	-	(3)	-
Non-financial corporations	183	183	-	502	-	502	(81)	(81)	-	(502)	-	(502)	-
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-
Households	1,110,347	1,110,347	-	-	-	-	-	-	-	-	-	-	(532)
Debt securities	1,110,347	1,110,347	-	-	-	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	389,303	389,303	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	721,044	721,044	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	47,257	46,166	1,091	16	-	16	114	83	31	5	-	5	
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	
General governments	-	-	-	-	-	-	-	-	-	-	-	-	

Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	
Other financial corporations	12,000	12,000	-	-	-	-	-	-	-	-	-	-	
Non-financial corporations	61	61	-	-	-	-	-	-	-	-	-	-	
Households	35,196	34,105	1,091	16	-	16	114	83	31	5	-	5	
Total	8,325,198	8,304,193	21,005	16,872	-	16,867	(6.963)	(5,437)	(1,526)	(15,971)	-	(15,967)	(532)

Table 20: Maturity of exposures

	Net exposure value					
	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total
Loans and advances	9,674	158,611	41,035	22,859	-	232,178
Debt securities	-	1,110,347	-	-	-	1,110,347
Total	9,674	1,268,958	41,035	22,859	-	1,342,526

Table 21: Changes in the stock of non-performing loans and advances

	Gross carrying amount
Initial stock of non-performing loans and advances	**109**
Inflows to non-performing portfolios	16,756
Outflows from non-performing portfolios	(10)
Outflows due to write-offs	
Outflow due to other situations	
Final stock of non-performing loans and advances	**16,855**

Table 22: Changes in the stock of non-performing loans and advances and related net accumulated recoveries

	Gross carrying amount	Related net accumulated recoveries
Initial stock of non-performing loans and advances	**109**	
Inflows to non-performing portfolios	16,756	
Outflows from non-performing portfolios	(10)	
Outflow to performing portfolio		
Outflow due to loan repayment, partial or total		
Outflow due to collateral liquidations		
Outflow due to taking possession of collateral		
Outflow due to sale of instruments		
Outflow due to risk transfers		
Outflows due to write-offs		
Outflow due to other situations		
Outflow due to reclassification as held for sale		
Final stock of non-performing loans and advances	**16,855**	

(all amounts in EUR thousand unless stated otherwise)

Table 23: Remuneration awarded for the financial year

			MB Supervisory function	MB Management function	Other identified staff
1	Fixed remuneration	Number of identified staff	4	6	22
2		Total fixed remuneration	273	563	1 211
3		Of which: cash-based	273	563	1 211
7		Of which: other forms	-	-	-
9	Variable remuneration	Number of identified staff		6	22
10		Total variable remuneration		147	493
11		Of which: cash-based			17
EU-13b		Of which: share-linked instruments or equivalent non-cash instruments		147	476
EU-14b		Of which: deferred		-	-
	Total remuneration (2 + 10)			**710**	**1704**

Table 24: Information on remuneration of staff whose professional activities have a material impact on institutions' risk profile (identified staff)

	Management body remuneration								
	MB Supervisory function	MB Management function	Total MB	Retail banking	Asset management	Corporate functions	Independent internal control functions	All other	Total
Total number of identified staff									32
Of which: members of the MB	4	6	10						
Of which: other identified staff				4	2	2	12	2	
Total remuneration of identified staff	211	710	921	307	316	569	576	16	
Of which: variable remuneration	0	147	147	305	316	569	562	16	
Of which: fixed remuneration	211	563	774	2	0	0	14	0	