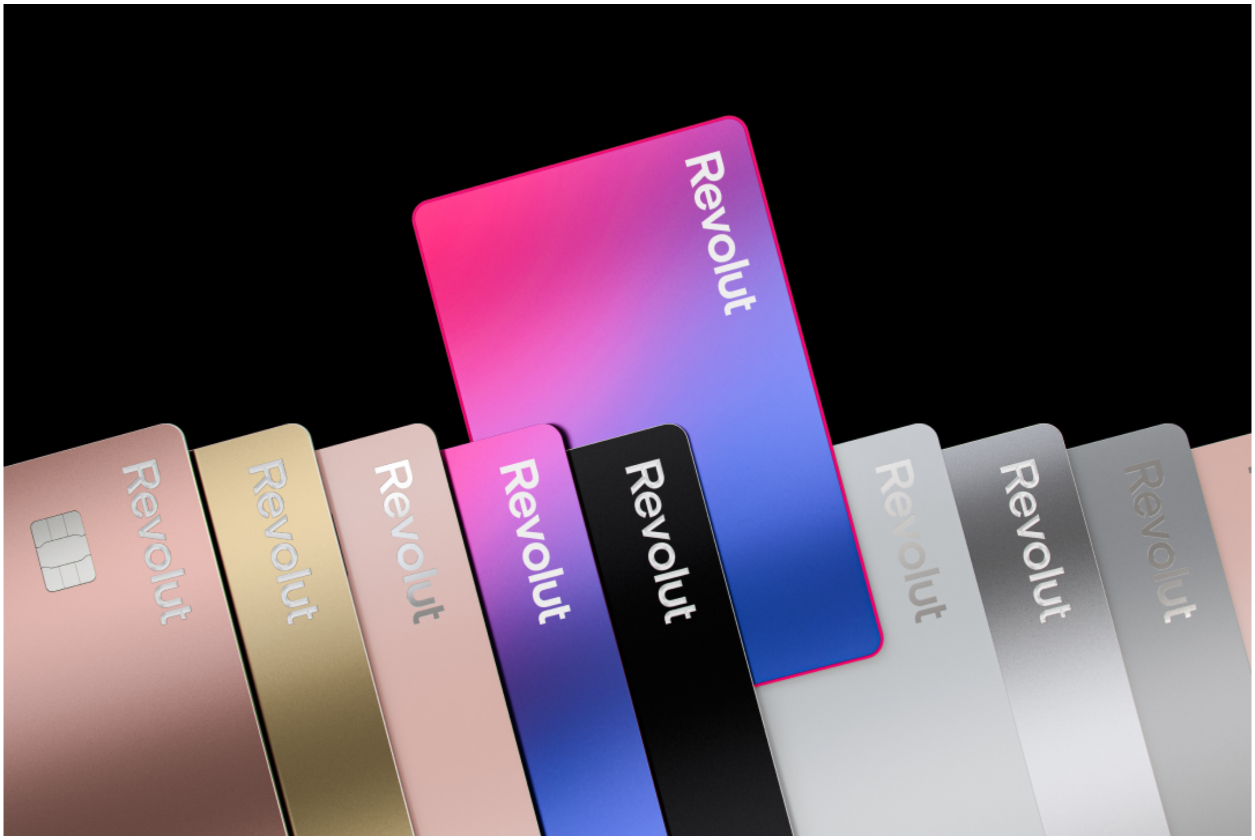
Revolut EEA Group



Revolut
EEA Group

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 Holdings Europe UAB (RHEUAB) 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'. The Pillar 1 defines minimum capital requirements for credit, market and operational risk. The 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 Group 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 EEA Group holding company is 485100FX5Y9YLAQLNP12.

Overview of the company status and development

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

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

- **Revolut Bank UAB** (further referred to as Bank), a credit institution incorporated and licensed in the Republic of Lithuania with company number 304580906 and authorisation code LB000482 and whose registered office is at Konstitucijos ave. 21B, 08130 Vilnius, the Republic of Lithuania. RHEUAB acquired the shares of the Bank as of 7 June 2022.
- **Revolut Insurance Europe UAB** (further referred to as RIE), a private limited liability company incorporated and registered in the Enterprise Register of the Republic of Lithuania, at Konstitucijos ave. 21B, LT-08130 Vilnius, Lithuania with legal entity code 305910164. The Company was authorised by the Bank of Lithuania and entered into the list of Insurance Brokerage Undertakings as an insurance intermediary from 25 January 2022. RHEUAB acquired the shares of RIE as of 7 June 2022.

- **Revolut Securities Europe UAB** (further referred to as RSE), a private limited liability company incorporated and registered in the Enterprise Register of the Republic of Lithuania, at Konstitucijos ave. 21B, LT-08130 Vilnius, Lithuania with registration number 305799582. The Company was granted a category B financial brokerage firm licence on 22 November 2021 but it did not carry out licensed activities during the reporting period. RHEUAB acquired the shares of RSE as of 3 August 2022.

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

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

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

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

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

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

Capital adequacy	24.1
Liquidity coverage	1436.3

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

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

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

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

The BoL adopted the decision to designate the subsidiary Revolut Bank UAB as an other systemically important institution (O-SII) on 20 December 2022. Pursuant to the legal regulations, BoL had to forward this decision to the European Systemic Risk Board (ESRB) and Revolut Bank UAB should fall under direct supervision of the European Central Bank (Single Supervisory Mechanism) and the Single Resolution Board (Single Resolution Mechanism) in the near future. Revolut Bank UAB is preparing for the additional supervision by these EU level authorities in close consultation with its parent company RHEUAB.

Remuneration policy

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

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

Risk management

Risk management and internal control

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

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

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

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

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

The second line of defence involves the risk monitoring and oversight functions of Revolut group entities and consists of the Risk Management Function and the Compliance Function ..

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

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

The Chief Risk Officer functionally reports to the Revolut Group Board Risk and Compliance Committee and administratively to the Revolut Group's CEO.

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

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

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

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

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

- Providing independent opinions to the group management board on whether the main risks have been appropriately identified and that existing controls are adequate and effective;

- Engagement with Revolut group top management and leading people of different functional areas providing findings about detected deficiencies, insights and recommendations in order to improve Revolut group's internal control and risk management framework;
- Providing independent evaluation to the regulators on specific risks and controls.

Financial Risk - Principal risks and uncertainties

Macroeconomic environment risk and uncertainties

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

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

Funding and liquidity risk

Overview of the framework for consolidated entities

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

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

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

(b) Monitoring metrics and limits for consolidated entities

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

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

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

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

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

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

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

(c) Stress testing

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

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

The main stress factors used include bank deposit outflows of stable and less stable funding, disruptions in the expected cash inflows from the bank's loan and investment portfolio or an increase in undrawn credit lines. For the market-wide stress scenario it is assumed that the wholesale funding market becomes completely inaccessible for new funding transactions and all callable funding transactions are assumed to be terminated at the earliest possible date. 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 Revolut EEA Group runs stress tests daily. Key inputs are reviewed at least annually in conjunction with business plan updates with outputs being reviewed by the senior management and committees as necessary.

Credit risk

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

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

Credit risk for the Revolut EEA Group arises from retail lending to private individuals and the exposures to banks and other financial institutions.

The regular reports are prepared and presented to the management bodies to follow the level and development of credit risk profile.

Credit risk measurement

(a) Loans to customers

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

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

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

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

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

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

- Loan impairment calculation under IFRS 9.

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

(b) Due from banks and other financial institutions

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

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

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

The Revolut EEA Group's counterparty risk management covers:

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

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

Nostro accounts

As of 31 December 2022, the The Revolut EEA Group had EUR 13.4 million (2021: EUR 115 million) of cash equivalent at other banks. All the above balances were held in the foreign (with a minimum of BB- long-term borrowing rating assigned by international rating agencies Standard & Poor's, Fitch & Moody's) and Lithuanian banks (not rated externally by rating agencies on a stand-alone basis but being significant subsidiaries of the foreign banks having a minimum of A long-term borrowing rating assigned by Standard & Poor's, Fitch & Moody's).

Central Bank accounts

As of 31 December 2022, the Revolut EEA Group held EUR 436 million (2021: EUR 3,449 million) of cash equivalent at the Bank of Lithuania and EUR 6,485 million (2021: EUR 0 million) of cash equivalent at the European Central Bank (SEPA STEP2 and RT1 accounts operated by EBA Clearing - ABE CLEARING S.A.S. À CAPITAL VARIABLE).

Intragroup accounts

As of 31 December 2022, the Revolut EEA Group had EUR 544.5 million (2021: EUR 225 million) of receivables and EUR 346 million (2021: EUR 27 million) of payables related with other Revolut Group entities. In addition, the Revolut EEA Group executed FX swaps with Revolut Ltd throughout 2022, therefore, the Revolut EEA Group had corresponding exposures as disclosed in Note 24.

General Expected Credit Loss assessment principles

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

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

Default definition

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

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

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

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

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

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

1. The Revolut EEA Group puts the credit obligation on non-accrued status due to the decrease of the credit quality of the obligation. Non-accrued status covers situations where the Revolut EEA Group stops charging interest and/or has direct write-offs;
2. The Revolut EEA Group recognises a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to taking on the exposure;
3. The Revolut EEA Group sells the credit obligation at a material credit-related economic loss;

4. The Revolut EEA Group consents to a distressed restructuring of the credit obligation by the material forgiveness or postponement of principal, interest or, where relevant, fees where this is likely to result in a diminished financial obligation;
5. Bankruptcy of the obligor or similar protection;
6. Credit fraud;
7. Death of a customer;
8. Obligor "pulling effect" due to significant overdue on a facility level (applicable for retail exposures only);
9. Disappearance of an active market for a financial instrument because of financial difficulties of the customer (applicable for non-retail exposures only);
10. Observable data indicating a measurable decrease in estimated future cash flows from a group of financial assets, such that the counterparty is not capable of servicing its debt (applicable for non-retail exposures only);
11. For previously defaulted exposures in 'probation' status, where the exposure in probation becomes 30 days or more past due (applicable for non-retail exposures only).

Migration between Stages

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

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

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

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

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

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

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

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

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

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

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

12-month and lifetime expected credit losses

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

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

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

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

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

(all amounts in EUR thousand unless stated otherwise)

Macroeconomic scenarios

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

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

Table with Macroeconomic forecast for Lithuania

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

Table with Macroeconomic forecast for Poland

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

Table with Macroeconomic forecast for Ireland

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

Table with Macroeconomic forecast for Romania

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

Sensitivity analysis towards macroeconomic scenarios

In general, worsening of macroeconomic scenarios shall both increase migration from Stage 1 to Stage 2, and increase the ECL level itself through the impact on forward-looking PDs. The opposite effect is expected from improvement of the economic outlooks. Currently we can only quantify the impact of the second effect. Table below provides an overview of ECL levels (expressed in thousand EUR) in the following cases based on the portfolio as of end of year 2022:

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

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

Interest rate risk

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

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

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

Both metrics are managed against a control framework, which is defined with set limits in place. 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 matching the duration of assets and liabilities, hedging, 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 Revolut EEA Group 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 other senior management.

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. The YoY change is explained by the fast growth of the deposit and customer lending portfolios as well as investments in fixed income securities. IRRBB sensitivity in terms of NII under parallel downwards interest rate shift scenario has breached the internally set limit towards the end of year 2022. The main reason for that was interest rate hikes in the market, which eliminated regulatory floor protection from the calculation equation. 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 Revolut EEA Group is still at the early stage of building up its fixed-term asset portfolio, while any uninvested current accounts, e.g. central bank reserves and nostro accounts, are sensitive to downward shocks not to be compensated by the non-interest bearing deposits. The Revolut EEA Group is developing interest rate hedging capabilities, which shall further protect it from interest rate drops in the future that are unlikely to happen at least in the short-term.

(all amounts in EUR thousand unless stated otherwise)

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

** Interest rate floor considered*

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

Foreign currency risk

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

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

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

Sensitivity of foreign exchange risk

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

(all amounts in EUR thousand unless stated otherwise)

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

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

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

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

Non-financial risk

Conduct and regulatory compliance risk

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

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

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

Operational risk

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

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

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

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

Third party risk

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

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

Financial crime risk

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

Cyber risk

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

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

Data security risk

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

Change risk

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

Model risk

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

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

Concentration risk

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

- Single name concentrations, as managed within the Wholesale Credit Risk Management Policy and Procedures;
- Geographic or country risk concentrations;

.Sector concentrations;
.Product concentrations;

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

Capital

The main objectives of Revolut EEA Group in capital management are as follows:

- The capital planning and the capital hold by the RHEUAB at any time are consistent with the Bank's strategy and support its implementation;
- Ensuring that the RHEUAB 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 RHEUAB 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 RHEUAB 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

RHEUAB 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]

(all amounts in EUR thousand unless stated otherwise)

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

Capital requirements as of 31 December 2022

	CET1 capital	Total capital
Minimum Pillar 1 requirement	4.5 %	8.0 %
Pillar 2 requirement (P2R)*	3.2 %	3.2 %
Combined buffer requirement (CBR)	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, RHEUAB has received a SREP decision, changing Pillar 2 requirement to 3.7% and introducing Pillar 2 guidance of 1.0%

** RHEUAB 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.

RHEUAB 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.

RHEUAB's CET1 capital ratio and total capital ratio were both at the level of 22.45% by the end of 2022 ensuring robust capitalisation.

RHEUAB calculates its minimum Pillar 1 capital requirement in accordance with the CRR as follows:

- For credit and counterparty risk using standardised approach;
- For operational risk based on the permission from the Bank of Lithuania to amend the calculation of Pillar 1 operational risk capital requirement under the Basic Indicator approach referencing the CRR Article 315(3). The approach uses data from 2021 onwards to calculate the three year's average for the Basic Indicator;
- For market risk using standardised approaches;

[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.

- For credit valuation adjustment under standardised method.

	Actual	Required
EURm	**2022**	**2022**
Common Equity Tier1 (CET1) capital	370.7	31.8
Other Tier 2 capital instruments	-	-
Total capital	**370.7**	31.8
Risk weighted assets	1,651.6	
CET1 capital ratio	22.45%	
Total capital ratio	22.45%	

RHEUAB's leverage ratio was 4.52% by the end of 2022 indicating strong capitalisation from this perspective too.

RHEUAB'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 RHEUAB and quantify the risks not covered or not fully covered by the capital under minimum Pillar 1 requirements;
- Ensure that RHEUAB is adequately capitalized to cover RHEUAB'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 capital planning as well as for determination of the internally targeted capital levels, which are approved by the Supervisory Council. Finanicials based on prudential consolidation scope is used for the ICAAP process.

The ICAAP of RHEUAB 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 RHEUAB of 2022 covers the forecast horizon extending until the end of 2025. RHEUAB 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.

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

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

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

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

Impact on RHEUAB'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 RHEUAB'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 RHEUAB current and future capitalisation is strong and adequate to cover the risks to which RHEUAB 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
	Available capital (amounts)			
1	Common Equity Tier 1 (CET1)	370,726	352,955	261,869
2	Tier 1	370,726	352,955	261,869
3	Total capital	370,726	352,955	261,869
	Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	1,651,644	1,510,463	760,826
	Risk-based capital ratios as a percentage of RWA			
5	Common Equity Tier 1 ratio (%)	22.45	23.37	34.42
6	Tier 1 ratio (%)	22.45	23.37	34.42
7	Total capital ratio (%)	22.45	23.37	34.42
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0.72%	0	0
11	Total of bank CET1 specific buffer requirements (%)	3.22%	2.50%	2.50%
12	CET1 available after meeting the bank's minimum capital requirements (%)	11.25	18.87	29.92
	Leverage ratio			
13	Total leverage ratio exposure measure	8,806,892	8,098,992	6,809,438
14	Leverage ratio (%) (row 2 / row 13)	4.21	4.36	3.85
	Liquidity Coverage Ratio			
15	Total HQLA	7,449,472	6,602,527	2,616,247
16	Total net cash outflow	518,581	270,754	972,729
17	LCR ratio (%)	1436.51%	2438.57%	268.96%

Table 2: Overview of risk weighted assets

		RWA		Minimum capital requirements
		31-Dec 2022	30-Sep 2022	31-Dec
1	**Credit risk (excluding counterparty credit risk)**	905,248	922,311	72,420
2	Of which: standardised approach (SA)	905,248	922,311	72,420
6	Counterparty credit risk (CCR)	22,403	24,302	1,792

(all amounts in EUR thousand unless stated otherwise)

10	Credit valuation adjustment (CVA)	12,729	13,808	1,018
15	Settlement risk	-	-	-
16	Securitisation	-	-	-
20	**Market risk**	17,615	13,052	1,409
21	Of which: standardised approach (SA)	17,615	13,052	1,409
24	**Operational risk**	693,649	536,990	55,492
27	**Total**	1,651,644	1,510,463	132,132

Table 3: Own funds disclosure

		Amounts	**Cross reference to balance sheet**
	Common Equity Tier 1 capital: instruments and reserves		
1	Capital instruments	1,860,103	
	– ordinary shares	1,483	a
2	Retained earnings	(1,464,777)	b
	Profit/Loss	(23,312)	
3	Accumulated other comprehensive income (and other reserves)	3,425	c
7	Prudent valuation adjustments	-	
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	-	d
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	(4,712)	e
28	Total regulatory adjustments to Common Equity Tier 1	(4,712)	
29	Common Equity Tier 1 capital (CET1)	370,726	
44	Additional Tier 1 capital (AT1)	-	
45	Tier 1 capital (T1 = CET1 + AT1)	370,726	
	Tier 2 capital: instruments and provisions		
58	Tier 2 capital (T2)	-	
59	Total regulatory capital (TC = T1 + T2)	370,726	
60	Total risk-weighted assets	1,651,644	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	22.81	
62	Tier 1 (as a percentage of risk-weighted assets)	22.81	

63	Total capital (as a percentage of risk-weighted assets)	22.81
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)	0.032
65	Of which: capital conservation buffer requirement	0.025
66	Of which: bank-specific countercyclical buffer requirement	0.007
68	Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirements	11.61

Table 4: Main features of regulatory capital instruments

	Capital instruments main features template	
1	Issuer	Revolut Holdings Europe UAB
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	485100FX5Y9YLAQLNP12
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)	1.483
9	Par value of instrument	1 483
10	Accounting classification	Share capital
11	Original date of issuance	2021-07-08
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
23	Convertible or non-convertible	Non-cumulative
24	If convertible, conversion trigger(s)	N/A

(all amounts in EUR thousand unless stated otherwise)

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: Differences between the accounting scope and the scope of prudential consolidation and mapping of financial statement categories with regulatory risk categories

			Carrying values of items		
	Carrying values as reported in published financial statements	Carrying values under scope of prudential consolidation	Subject to the credit risk framework	Subject to the CCR framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements					
Cash and balances with central banks	6,921,501	6,921,501	6,921,501		
Due from banks	13,377	13,377	13,377		
Derivatives	1,261	1,261		1,261	
Due from other financial institutions	-	-	-		
Debt securities at amortized cost	1,110,256	1,110,256	1,110,256		
Financial assets at fair value through other comprehensive income	25	25	25		
Loans and advances to customers	232,195	232,195	232,195		
Property, plant and equipment	1,450	1,450			
Intangible assets	0	0			
Deferred tax assets	4,712	4,712			4,712
Other assets	499,810	499,810	485,764		14,046
Total assets	**8,784,587**	**8,784,587**	**8,763,118**	**1,261**	**18,758**
Breakdown by liability classes according to the balance					

sheet in the published financial statements				
Derivatives	2,800	2,800		2,800
Due to customers	8,275,399	8,275,399		
Due to other financial institutions	1,464	1,464		
Other liabilities	103,632	103,632		
Provisions	103	103		
Total liabilities	**8,383,398**	**8,383,398**	**-**	**2,800**

Table 6: Main sources of differences between regulatory exposure amounts and carrying values in financial statements

	Total	Items subject to	
		Credit risk framework	CCR framework
Assets carrying value amount under the scope of prudential consolidation (as per template LI1)	8,764,379	8,763,118	1,261
Liabilities carrying value amount under the scope of prudential consolidation (as per template LI1)	2,800		2,800
Total net amount under the scope of prudential consolidation	8,764,379	8,763,118	1,261
Off-balance-sheet amounts	47,273	47,273	
Differences in valuations			
Differences due to different netting rules, other than those already included in row 2			
Differences due to consideration of provisions	23,053	23,053	
Differences due to the use of credit risk mitigation techniques (CRMs)			
Differences due to credit conversion factors			
Differences due to Securitisation with risk transfer			
Other differences	21,837	695	21,142
Exposure amounts considered for regulatory purposes	8,856,542	8,834,139	22,403

Table 7: Outline of the differences in the scopes of consolidation (entity by entity)

Name of the entity	Method of accounting consolidation	Method of prudential consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Revolut Holdings Europe UAB	*Full consolidation*	*X*					*Credit institution*
Revolut Bank UAB	*Full*	*X*					*Credit*

(all amounts in EUR thousand unless stated otherwise)

	consolidation			*institution*
Revolut Securities UAB	*Full consolidation*	*X*		*Investment firm*
Revolut Insurance Europe UAB	*Full consolidation*		X	*Insurance firm*

Table 8: 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	13,377	
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	1,450	
Intangible assets	0	d
Deferred tax assets	4,712	
of which deferred tax assets that rely on future profitability excluding those arising from temporary differences	*4,712*	e
Other assets	499,810	
Total assets	8,784,587	
Liabilities		
Derivatives	2,800	
Due to customers	8,275,399	
Due to other financial institutions	1,464	
Other liabilities	103,632	
Provisions	103	
Total liabilities	**8,383,398**	
Equity attributable to equity holders of parent		
Issued capital	1,483	
of which CET1 paid-in share capital	*1,483*	a
Share premium	1,858,620	
Reserve capital	3,425	c

(all amounts in EUR thousand unless stated otherwise)

Retained earnings	-1,464,777	b
Other reserves	2,438	
Total equity	**401,189**	
Total liabilities and equity	8,784,587	

Table 9: Geographical distribution of credit exposures used in the countercyclical capital buffer

	General credit exposures		Trading book exposure	Own funds requirements	Risk-weighted exposure amounts	Own funds requirement weights
Breakdown by country	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Of which: General credit exposures		
Lithuania	59,361	-	-	4,052	50,645	7.38
United Kingdom	478,865	-	-	38,309	478,865	69.82
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
Bulgary	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
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	**743,345**	**-**	**-**	**54,872**	**685,895**	

(all amounts in EUR thousand unless stated otherwise)

Table 10: Amount of institution-specific countercyclical capital buffer

		a
1	Total risk exposure amount	1,651,644
2	Institution specific countercyclical capital buffer rate	0.7171
3	Institution specific countercyclical capital buffer requirement	11,843

Table 11: Summary comparison of accounting assets vs leverage ratio exposure measure

		31-Dec 2022
1	Total consolidated assets as per published financial statements	8,784,587
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
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	(4,712)
13	Leverage ratio exposure measure	8,806,892

Table 12: 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)	8,783,326	9,517,266
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(4,712)	(1,453,624)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	8,778,614	8,063,642
	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	370,726	352,955
21	Total exposures	8,806,892	8,098,992
	Leverage ratio		
22	Leverage ratio	4.21%	4.36%

Table 13: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		31-Dec
1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	8,778,614
2	Trading book exposures	
3	Banking book exposures, of which:	8,778,614
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	505,633
8	Secured by mortgages of immovable properties	
9	Retail exposures	229,839
10	Corporates	485,621
11	Exposures in default	879
12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	16,942

(all amounts in EUR thousand unless stated otherwise)

Table 14: Analysis of counterparty credit risk (CCR) exposure by approach

		Replacement cost (RC)	Potential future exposure (PFE)	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
EU1	EU - Original Exposure Method (for derivatives)			1.4				
EU2	EU - Simplified SA-CCR (for derivatives)			1.4				
1	SA-CCR (for derivatives)		16,002	1.4	22,487	22,403	22,403	22,403
2	IMM (for derivatives and SFTs)							
2a	Of which securities financing transactions netting sets							
2b	Of which derivatives and long settlement transactions netting sets							
2c	Of which from contractual cross-product netting sets							
3	Financial collateral simple method (for SFTs)							
4	Financial collateral comprehensive method (for SFTs)							
5	VaR for SFTs							
6	**Total**				**22,487**	**22,403**	**22,403**	**22,403**

Table 15: Transactions subject to own funds requirements for CVA risk

		Exposure value	RWA
1	Total transactions subject to the Advanced method		
2	(i) VaR component (including the 3× multiplier)		
3	(ii) stressed VaR component (including the 3× multiplier)		
4	Transactions subject to the Standardised method	22,403	22,403
EU-4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)		
5	Total transactions subject to own funds requirements for CVA risk	22,403	22,403

(all amounts in EUR thousand unless stated otherwise)

Table 16: CCR exposures by regulatory exposure class and risk weights

	Exposure classes	Risk weight 100%	Total exposure value
1	Central governments or central banks		
2	Regional government or local authorities		
3	Public sector entities		
4	Multilateral development banks		
5	International organisations		
6	Institutions		
7	Corporates	22,403	22,403
8	Retail		
9	Institutions and corporates with a short-term credit assessment		
10	Other items		
11	**Total exposure value**	**22,403**	**22,403**

Table 17: Market risk under the standardised approach

		31-Dec-22 RWA
	Outright products	
1	Interest rate risk (general and specific)	
2	Equity risk (general and specific)	
3	Foreign exchange risk	17,615
9	**Total**	17,615

(all amounts in EUR thousand unless stated otherwise)

Table 18: 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	5,751,807
CASH - OUTFLOWS							
2	Retail deposits and deposits from small business customers, of which:	2,098,571	5,228,339	5,786,466	182,863	462,897	486,471
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*	*3,241,935*	131,866	370,397	359,245
5	Unsecured wholesale funding	697	982,435	897,011	647	467,374	429,783
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*	*712,747*	*647*	*436,256*	*383,717*
8	*Unsecured debt*						
9	*Secured wholesale funding*						
10	Additional requirements	25,731	29,836	39,444	10,084	18,859	24,081
11	*Outflows related to derivative exposures and other collateral requirements*	*9,260*	*18,281*	*23,273*	*9,260*	*18,281*	*23,273*
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	168,413	47,884	133,900	149,116
15	Other contingent funding obligations	77	4,961	4,097	-	85	75
16	TOTAL CASH OUTFLOWS				241,478	1,083,114	1,089,527

(all amounts in EUR thousand unless stated otherwise)

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CASH - INFLOWS							
17	Secured lending (e.g. reverse repos)						
18	Inflows from fully performing exposures	183,766	311,957	204,640	182,849	304,704	198,554
19	Other cash inflows	5,882	152,108	205,603	5,882	152,108	205,603
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	410,242	188,731	456,812	404,157
EU-20a	*Fully exempt inflows*						
EU-20b	*Inflows subject to 90% cap*						
EU-20c	*Inflows subject to 75% cap*	*189,648*	*464,065*	*410,242*	*188,731*	*456,812*	*404,157*
TOTAL ADJUSTED VALUE							
EU-21	**LIQUIDITY BUFFER**				**1,763,593**	**5,260,594**	**5,751,807**
22	**TOTAL NET CASH OUTFLOWS**				**60,369**	**627,301**	**685,371**
23	**LIQUIDITY COVERAGE RATIO**				**2921.3300%**	**1084.9800%**	**913.3100%**

Table 19: 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	-	375,438	375,438
2	*Own funds*			*375,438*	*375,438*
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:	105,306	-	-	-
12	*NSFR derivative liabilities*	-	-	-	
13	*All other liabilities and capital instruments not included in the above categories*	258,410	-	-	-
14	**Total available stable funding (ASF)**	8,450,398	-	375,438	**7,685,594**
Required stable funding (RSF) Items					
15	Total high-quality liquid assets (HQLA)				-
17	Performing loans and securities:	54,747	31,013	650,719	590,213
18	*Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut*			*618,196*	-
20	*Performing loans to non- financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*	*54,747*	*31,013*	*158,621*	*171,930*
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:	478,177	79	30,484	269,202
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*	*476,638*	*79*	*30,484*	*269,126*
32	Off-balance sheet items	47,273	-	-	2,064
33	**Total RSF**				**861,479**
34	**Net Stable Funding Ratio (%)**				**892.1392%**

Table 20: Credit risk exposure and CRM effects

	Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
Asset classes	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	-	7,310,753	-	-	0%
Public sector entities	158,352	-	158,352	-	-	0%
Multilateral development banks	70,594	-	70,594	-	-	0%
Institutions	505,633	-	505,633	-	241,756	48%
Corporates	485,621	12,061	485,621	2,461	488,083	100%
Retail exposures	229,839	35,082	229,839	-	172,379	75%
Exposures in default	879	11	879	-	889	101%
Equity exposures	25	-	25	-	25	100%
Other assets	2,116	-	2,117	-	2,117	101%
Total	**8,763,812**	**47,154**	**8,763,813**	**2,461**	**905,249**	100%

RWA density: Total risk-weighted exposures/exposures post CCF and post CRM.

(all amounts in EUR thousand unless stated otherwise)

Table 21: 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	-	36,868	468,765	-	-	-	505,633
Corporates	-	-	-	-	488,083	-	488,083
Retail exposures	-	-	-	229,839	-	-	229,839
Exposures in default	-	-	-	-	861	19	879
Equity exposures	-	-	-	-	25	-	25
Other items	-	-	-	-	2,116	-	2,116
Total	**7,539,699**	**36,868**	**468,765**	**229,839**	**491,085**	**19**	**8,766,274**

Table 22: 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			On performing forborne exposures	On non-performing forborne exposures
			Of which defaulted	Of which impaired		
5 Cash balances at central banks and other demand deposits	-	-	-		-	-
10 Loans and advances	147	30	30	30	(11)	(24)
20 Central banks	-	-	-	-	-	-

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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	177	30	30	30	(11)	(24)

Table 23: 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
Cash balances at central banks and other demand deposits	6,933,908	6,933,908	-	-	-	-	-	-	-	-	-	-
Loans and advances	238,375	233,774	4,601	16,855	329	4,126	7,788	2,670	1,914	22	6	16,855
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporations	1,359	1,358	-	3	-	1	-	2	-	-	-	3
Non-financial corporations	183	67	117	502	-	124	134	115	130	-	-	502
Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
Households	236,833	232,349	4,484	16,350	329	4,001	7,654	2,554	1,784	22	6	16,350
Debt securities	1,110,347	1,110,347	-	-	-	-	-	-	-	-	-	-

(all amounts in EUR thousand unless stated otherwise)

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			16								16
Central banks	-			-								-
General governments	-			-								-
Credit institutions	-			-								-
Other financial corporations	12,000			-								-
Non-financial corporations	61			-								-
Households	35,196			16								16
Total	**8,329,887**	**8,278,029**	**4,601**	**16,872**	**329**	**4,126**	**7,788**	**2,670**	**1,914**	**22**	**6**	**16,872**

Table 24: 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 25: 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)	-

(all amounts in EUR thousand unless stated otherwise)

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 26: 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						
	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			Accumulated partial write-off
		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	6,933,908	6,933,908	-	-	-	-	-	-	-	-	-	-	-
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	8,329,887	8,308,882	21,005	16,872	-	16,867	(6,963)	(5,437)	(1,526)	(15,971)	-	(15,967)	(532)

Table 27: 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

(all amounts in EUR thousand unless stated otherwise)

Table 28: 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 29: 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 30: Operational risk own funds requirements and risk-weighted exposure amounts

	Banking activities	Relevant indicator			Own funds requirement	Total operational risk-weighted exposure amount	Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year				
1	Banking activities subject to basic indicator approach (BIA)	549,001	163,019	397,819	55,492	693,649	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	-	-	-	-	-	-	-
3	*Subject to TSA:*							
4	*Subject to ASA:*							
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-	-	-

Table 31: Encumbered and unencumbered assets

	Carrying amount of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHQLA and HQLA		of which EHQLA and HQLA		of which EHQLA and HQLA
Assets of the reporting institution	1,261	-	8,783,326	7,539,699		
Equity instruments			25		25	
Debt securities			1,110,256	618,249	1,081,261	609,268
of which: covered bonds						
of which: asset-backed securities						

of which: issued by general governments			389,303	389,303	380,142	380,142
of which: issued by financial corporations			720,953	228,946	701,119	229,126
of which: issued by non-financial corporations						
Other assets	1,261	-	7,673,045	6,921,450		

Table 32: Sources of encumbrance

	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	2,800	2,800

Table 33: Interest rate risks of non-trading book activities

	Changes of the economic value of equity		Changes of the net interest income		
	Current period	Last period	Current period	requirement	Last period
Parallel up	1.1%	5.9%	55.9%		18.5%
Parallel down	-6.5%	-7.3%	-55.7%		-4.6%
Steepener	-2.5%	-4.9%			
Flattener	0.2%	2.9%			
Short rates up	0.3%	5.0%			
Short rates down	-5.2%	-7.2%			

(all amounts in EUR thousand unless stated otherwise)

Table 34: 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 35: 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	