Revolut Ltd

Annual Report & Financial Statements

For the year ended
31 December 2021

One app, all things money

Contents

2021 Highlights

$800m
raised in Series E funding round

Reached
£7.4bn
in customer liabilities

Our customers donated
£6.5m
through Revolut's donations platform

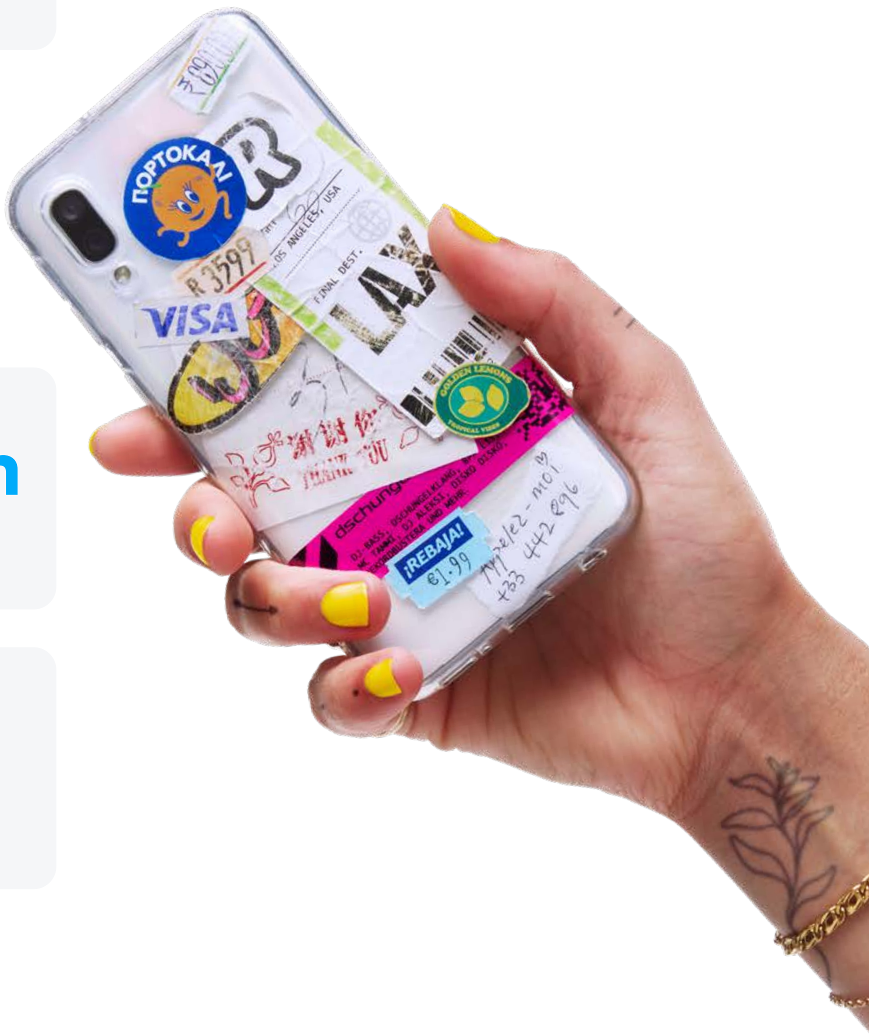
5m
new retail customers added

50%
increase in weekly active users

£636m
in Revenue

75%
increase in number of users paying subscriptions

£26m
in Net Profit



Chairman's statement

In 2021 we made considerable progress in meeting our ambitious goals, notably, hitting our first full year of profitability. This is an important milestone for Revolut and proves the strength and success of the business model that we've been building over the last seven years.

We continued to focus relentlessly on improving our offering to customers through innovative new products, excellent service and highly competitive pricing, with particularly strong growth in the UK, Ireland, the European Economic Area (EEA) and the US.

Financial performance

When profitability often plays second fiddle to growth for FinTechs, we showed that a company as young as Revolut can continue to accelerate its growth while also being profitable. Our Revenue increased nearly threefold, resulting in £59.1 million profit from operations for 2021. Such strong financial performance and profitability demonstrates Revolut efficiently moving from the 'start-up' that is only focused on growth, to the 'scale-up' looking to grow profitably.

In July 2021, we raised $800 million in Series E funding, valuing the business at $33 billion. We were also pleased to gain the confidence of a number of new major investors. The Series E funding demonstrates investors' confidence that we can deliver a best-in-class digital banking experience for customers around the world. The investment strengthens our ability to continue to build products that exceed customers' everyday financial needs and expectations, continuing to drive fast growth, particularly in the US and international markets.

Board and governance

We further strengthened the Board in August 2021 with the appointment of John Sievwright as a Non-Executive Director and Chair of the Board Risk & Compliance Committee.

John brings a wealth of experience in both Executive and Non-Executive roles within the financial services sector. He joined us following a 20 year career with Merrill Lynch holding global leadership positions, latterly Chief Operating Officer - International.

John has been a Director of Burford Capital (a leading global finance and asset management firm) since May 2020 and serves on its Audit and Compensation Committees, having previously been a senior independent director and Chairman of the Audit and Risk Committee at ICAP plc (later NEX Group), an inter-broker dealer focused on electronic financial markets and post-trade business for financial institutions.

We welcome John's deep knowledge, passion and experience of the financial services industry. We continue to develop our approach to governance across the organisation. Our Board and committee structures continue to mature, supported by our Global Corporate Governance Framework. The Board is committed to ensuring that Revolut continues to develop and embed governance best practice across all of its legal entities.

CHAIRMAN

Martin Gilbert

"When profitability often plays second fiddle to growth for FinTechs, we showed that a company as young as Revolut can continue to accelerate its growth while also being profitable."

Outlook

As we emerged from the global pandemic, and life returned to normal - or at least to the new normal - we were all closely watching to see how society had changed for good.

There has been a huge evolution in consumer behaviours including in the new world of hybrid or remote work and the accelerated trend away from cash to contactless and online payments, and more recently with the rising cost of living and customers' efforts to make their money work harder. Many people are keenly watching the FinTech sector to see which companies have adapted.

It's difficult to think of a company as well-positioned for success as we are. Revolut's adaptability, ambition, innovation, and pace of product roll-out means that we are prepared to do amazing things.

Martin Gilbert
Chair
27 February 2023

Chief Executive Officer's review

2021 was a pivotal point in Revolut's journey - a year marked by three key themes: our business model proving its profitability through revenue growth, expanding our product range and continued global expansion.

Landmark achievements in profitability, product and expansion in 2021 saw our transition from a high-growth FinTech to an established leader in the new era of banking.

But before anything else, I need to acknowledge and thank our people - our dream team - that enable Revolut to achieve its goals. We would not be where we are today without the talent, experience and intellect of our hard-working team. Our rapid growth, expansion and rate of innovation means that every Revoluter rises to new challenges every day. I and the executive team thank them for their incredible contribution.

Profitability

On the first theme, I am delighted to report that we were profitable for the full year of 2021 (net profit 2021: £26.3 million). This is a key metric for fast-growth start-ups in the FinTech and banking sectors, and shows that our business model works and is resilient.

Our revenue nearly tripled, from £220 million in 2020 to over £636 million in 2021 and our Gross Margin improved from 33% in 2020 to nearly 70% in 2021. This strong revenue growth came from across all business lines including Payments, Revolut Business and Wealth & Trading, proving our diversified model, and was a significant factor in us becoming profitable.

Our profitability in 2021 was despite the economy suffering a significant prolonged shock from global lockdowns, continued travel bans and COVID-19 effects. But at the same time, the accelerated shift to digital services and remote working boosted our number of customers and the amount that they used our app.

CHIEF EXECUTIVE OFFICER

Nik Storonsky

"The accelerated shift to digital services and remote working boosted our number of customers and the amount that they used our app."

Expanding our product range

Secondly, we have continued to grow our product portfolio with another strong year of innovative product launches.

We entered the travel vertical with Stays, enabling customers to benefit from up to 10% cashback on bookings at over 750,000 hotels and locations. We provided greater choice in how and when people are paid with On-Demand Pay, which allows customers to withdraw up to half of their earned salary up to a month before their scheduled payday.

Revolut's Wealth & Trading platform, where customers can securely trade equities and crypto assets, has continued to grow too. In response to customer demand, we strengthened considerably our crypto offering. Customers saw a significant rise in the number of tokens available to buy or sell. At the start of 2021, 10 tokens were available. This increased to 60 cryptocurrencies by the end of the year. Customers can view real-time price charts and market data to show current rates and historical performance, and can set price alerts at their chosen thresholds. As we expand our crypto offering, this is increasingly within a robust regulatory framework, which we welcome.

The number of Revolut Business customers continued to grow with businesses from family-owned SMEs to technology decacorns. In 2021 we launched multiple new services for businesses, including enabling online card payments acceptance for businesses through our acquiring product. We also enabled WooCommerce and Prestashop plugins to accept payments from these eCommerce sites and acquired Nobly, an ePOS business, to expand services to the hospitality sector.

Global expansion

And thirdly, in our quest to become a global financial super app, we have continued to grow our international footprint - with more presence and customers in the countries we're already in, and new countries too.

We also increased both deposit and electronic money (e-money) balances and transaction sizes. We have seen rapid growth in customer engagement and satisfaction, with higher monthly and daily active users. As our customers' trust and confidence in Revolut continues to grow, they are weaving us even more into the fabric of their financial lives.

Despite the FinTech sector taking a knock in recent months with funding down rounds and some job cuts, Revolut continues to grow and to hire. Our Series E funding in July 2021 is a significant capital investment that positions us well to withstand financial headwinds.

We rolled out banking services to 18 European countries in 2021 and closed the year with almost two million customers signed up to Revolut Bank UAB, more than ten times the number the previous year.

We expanded our footprint in the US where our app meets the needs of the modern US consumer with a low cost US/Mexico remittance corridor and fee-free pricing on ATM withdrawals, international transfers, Revolut <18 (formerly Junior) subscriptions and crypto trading.

In September 2021, our US broker-dealer licence application was approved and in January 2022 we launched our commission-free stock trading platform in the US with more than 1,100 NASDAQ- and NYSE-listed securities, including more than 200 exchange-traded funds (ETFs). Revolut retail investors can see real-time market data and charts showing current rates and historical performance, and can set price alerts at their chosen thresholds.

We continue to receive an enthusiastic reception in other global expansion markets.

In India we acquired Arvog Forex, a local foreign exchange business, as part of our multi-million dollar investment into India. We also hired seasoned individuals to lead our expansion in India, as well as in two of our other strategic growth markets, Mexico and Brazil. In Australia, we received authorisation to offer securities trading and formally submitted an application to the local prudential regulator to become an authorised deposit-taking institution in Australia.

Fintech as a force for good

We've been busy in other areas too - using the power of finance to be a force for good in the world. The more successful we are, the more we can make a positive difference to our customers and within our communities.

In March 2022 we launched a free payments services offer for refugees fleeing Ukraine following the Russian invasion. This service can be used to send and receive money, as well as exchange currency. We ensured individuals displaced by the invasion had quick and easy access to their money, as well as waiving a number of foreign exchange and top-up fees. We have helped more than 250,000 refugees gain access to money and payments services, in multiple currencies, when they needed it most. Thanks to the generosity of our customers, and in partnership with the British Red Cross, we were also able to raise over €10 million for the British Red Cross's Ukraine Crisis Appeal.

I look forward to continuing to grow and develop Revolut into the world's first financial super app.

And if you're reading this and haven't already downloaded Revolut, what are you waiting for...?

Nikolay Storonsky
Chief Executive Officer & Co-founder
27 February 2023

Chief Financial Officer's review

We had a strong year in 2021, growing across the board and achieving our first year of profitability.

These financial results were driven by a more than 50% expansion in our weekly active retail customer base, as well as growth across all of our major product lines and margin expansion driven by product mix and cost control.

As the post-COVID-19 environment provided us with greater certainty and with the added capital of our Series E $800 million fundraising in the summer of 2021, we decided to refocus our efforts on the growth of our customer base, expanding our marketing spend beyond our historical referrals channel and entering performance marketing where we saw a good return on investment.

We expect our improved financial resilience to continue to allow for greater and faster growth in the future. Additionally, looking forward, we expect to be able to generate a steady income based on the low-cost funding provided by our customer liabilities.

Keen management of our balance sheet, alongside improvements to financial systems, processes and controls, stand as the two priorities of the finance and treasury teams. Within the treasury we have built teams in order to meet a bank-grade standard at the group level and across our relevant entities. Our focus has been to develop the infrastructure and monitoring capabilities to ensure compliance with capital and liquidity requirements while also developing a treasury management strategy and execution capability to optimise our balance sheet.

We have made improvements to our financial controlling function in order to continue to match and support the fast growth of the business. The team is working hard to continue to develop world-class and real-time accounting and control technology in order to provide this support, which we expect to bear fruit for the FY22 audit cycle.

Finally, the Group has for the first time produced its financial information under International Financial Reporting Standards (IFRS). This is in line with the ambitions of the Group allowing for more transparency and the ability to compare the Group's results against its peers.

CHIEF FINANCIAL OFFICER

Mikko Salovaara

"We expect our improved financial resilience to continue to allow for greater and faster growth in the future."

Mikko Salovaara
Chief Financial Officer
27 February 2023

Our business model and strategy

Who we are

Revolut is building the world's first global financial super app. We give people and businesses more control over their finances, and offer data-driven insights and personalisation that empower our customers to make smarter decisions about how they spend, save or grow their money.

Revolut was established in 2015 in the UK, offering transfers and foreign exchange that are faster and cheaper than legacy banks. Seven years later, over 25 million retail customers in over 35 countries (as at November 2022) around the world now use Revolut to manage their finances across an ever-growing suite of powerful and easy-to-use products.

Our values

Revolut's unique culture is built on five core values. By working to these values every day, we create a fertile environment for success. Our values define 'the Revolut way', and we put them into practice every day across our organisation. They keep us on the right path, motivate us and ensure we hire the best people. Our values are:

Dream team
We are like a professional sports team. We hire, develop, and retain talent like elite sports teams train top athletes - we place them in the right spots to win.

Never settle
Revolut is for those who always strive for excellence, for those who want to become the best in the world at what they do, for those who would never settle for less. Revolut is making financial services 10x easier for customers.

Think deeper
Logic, reason, and common sense prevail over everything else in decision-making at Revolut. We are open-minded, we listen, and we are always in search of the truth.

Get it done
Revoluters always push through. We don't care for excuses - we care about results. We believe that grit, determination, skill, smartness and courage can break through almost any wall.

Deliver WOW
We love building great products, we love delighting our customers, we love turning the complexity of a chaotic world into the simplicity of a beautiful solution that truly solves customer needs.

Our Code of Conduct

We introduced Revolut's Group Code of Conduct which emphasises the expectation that our employees act with integrity and in the best interests of our customers, colleagues and wider stakeholders.

We believe that brilliant people, working together in an honest, high-achieving culture, are the key to delivering amazing products that delight our customers. We know that our behaviour towards one another is critical to that success. Our Code of Conduct sets out the principles that guide the ways we behave and the decisions we make and ensure we act with integrity and in the best interests of our customers, people, communities and stakeholders, at all times.

Our history and progress

2021

- $800 million Series E funding
- Licensed as a bank in Europe
- Launched banking across 18 EEA countries (as of November 2022 live in 30 EEA countries)
- Laid foundations for expansion into India, Mexico, New Zealand and Brazil
- Launched Stays, a travel and accommodation booking feature
- Launched On-Demand Pay early salary withdrawals
- Launched first out-of-app services with Web App and Google Chrome 'Shopper' extension

2020

- Launched Revolut Insurance
- Launched in US and Japan
- Launched Open Banking in UK and EEA
- Launched Revolut banking services in Lithuania and Poland
- Launched Merchant Acquiring for Revolut Business customers
- $580 million Series D fundraising

2019

- First expansion to Australia and Singapore
- Launched Trading - offering access to fractional shares to millions of customers
- Launched Donations - partnering with international charities to support global causes

2018

- First Banking licence granted by Bank of Lithuania
- Launched Revolut Metal
- $250 million Series C fundraising

2017

- Launched Revolut Business
- Launched Crypto Trading across EEA
- Launched Revolut Premium
- $66 million Series B fundraising

2016

- 100,000 personal customers
- $15 million Series A fundraising

2015

- Revolut founded in the UK

Business model and strategy

Our ambition is to become 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, we give our customers greater control over their finances. With a service that is both data-driven and personalised, we empower customers to achieve financial independence and security through smarter, more informed decisions about how they spend, save or grow their money.

Our products and services

Revolut was founded in 2015 in the UK, offering transfers and foreign exchange services that were faster and cheaper than legacy banks. Seven years later, millions of customers around the world use Revolut to manage their finances across an ever-growing suite of simple-to-use yet sophisticated products.

Revolut is a virtual, app-based financial service. We offer retail customers e-money or bank accounts, which they use for their daily spending and financial management. With four tiers, starting from our free Standard plan, customers can choose the plan which best suits their financial lifestyle. We offer a broad range of financial products including - but not limited to - instant peer-to-peer payments, low-cost foreign exchange and multi-currency cards, junior accounts, investment services for equities, commodities and crypto assets, savings, budgeting and analytics, donations, insurance for travel, purchase protection, and missed event and ticket cover.

Revolut also provides business users with everything they need to run the day-to-day finances of their organisation - with the speed and ease they have come to know and love from our retail product. As the retail and business ecosystems grow, we continue to add value at the touchpoints and relationships between the two, such as the business-employer relationship (with Early Salary and On-Demand Pay) and the business-customer relationship where we offer rewards and discounts to Revolut customers.

Our customers

At the beginning of 2021 we had 11 million customers. Despite extended COVID-19 restrictions on travel and socialising, we continued to drive growth of daily users. Over the course of 2021, we added more than five million retail customers (more than 15,000 per day on average) and thousands of business customers. In 2022, we reached the milestone of 25 million retail customers.

As Revolut was built to solve a customer need (high bank fees), customer-centricity is in our DNA. The customer is at the centre of everything we do. Their requests are the genesis of many of our major products, their feedback has shaped how products evolve, and their satisfaction is our ultimate objective.

During the course of 2021, our customers developed a deeper engagement with Revolut. They put more money into their Revolut accounts, they spent more using Revolut, and used Revolut to grow their money, via investing, budgeting and savings vaults.

Business performance

Despite the ongoing impact of the COVID-19 pandemic, 2021 was another year of continued innovation and growth in which we made progress towards our goal of delivering the first truly global financial services super app.

Customers	2021	2020	Change
Total retail customers	16.42 million	11.27 million	+46%

Customer growth in the year was strong. We grew from 11 million customers globally to more than 16 million customers by year-end. The number of users engaging more deeply with Revolut through commitment to our paid plans - Plus, Premium and Metal - increased significantly during the year. The total number of users on paid plans increased by 75% throughout 2021 - signalling customers' eagerness to access more of our features and benefits.

The number of weekly active users grew by 50%. This increase, combined with the increase in average spend per user, which grew by 10%, indicates a deeper integration into our customers' daily spending habits and financial lives.

From a customer experience perspective, we continued to enhance our in-app navigation and our out-of-app features, launching a browser extension that helps users find discounts when shopping online and quickly verifies Revolut card purchases.

Customer protection

Revolut has dedicated more resources to detecting and preventing fraud, as well as educating our customers on how they can protect themselves from scammers of all types, in accordance with regulatory requirements and industry recognised best practice. Where our customers are at risk of being vulnerable to exploitation by fraudsters, Revolut has introduced additional controls to alert us to such activity, via the deployment of sophisticated machine learning models, and to interact with the customer to break the spell of such scams occuring.

Product innovation

In 2021, we continued to rapidly deploy customer-centric products and expanded our services in line with our customers' growing needs. In addition to the multiple feature and design enhancements rolled out throughout the year, the following landmark products were launched:

Stays: Stays builds on the travel-centric origins of Revolut, by enabling users to book hotels and accommodation in the Revolut app and earn up to 10% cashback on their booking. In February 2022, Stays was updated to enable 'book now, pay at property' bookings, positioning Stays as a true alternative to other booking services in the travel-tech sector.

On-Demand Pay: On-Demand Pay is Revolut's new earned-wage access product that gives Revolut users the power to instantly access a portion of their salary as they earn it. It is easy to use and gives employees more control and flexibility over their finances. On-Demand Pay is an exciting example of the potential and opportunity that Revolut has by offering a business product alongside a retail product. In this instance, we can add value to both employer and consumer, as well as at other touchpoints where businesses and customers interact.

Vaults with interest: In the context of a high-inflationary economy, users are increasingly diligent about where they store their savings. As it is our mission to help people achieve financial independence and get the most out of their money, we continue to improve our interest rate offering on savings vaults by teaming up with selected partner banks. Having first launched vaults with interest in the US in 2020, in 2021 we rolled out interest offers to customers in the UK and Poland.

Expenses: In March we launched Expenses, an expense management tool for Revolut Business users. By using Expenses, business owners can have full visibility over their business finances and outgoings. They can receive spending notifications in real-time, set up spending limits, block and freeze company cards, and expenses can be reviewed in-app.

Alongside more control and visibility, Expenses also reduces the administrative load of expense management: employees receive automatic reminders to submit receipts after each transaction, and Revolut can read the receipt and automatically attach it to the matching expense. Expenses can also categorise expenses for ease of review. Business owners can also use Revolut's automated bookkeeping tools and can set custom categories and tax rates. This tool can reduce the hours accountants and finance managers spend on a company's books, and files can be quickly exported as a CSV file to use on any external accounting platform or software. Xero users can easily connect their profile to a Revolut Business account allowing them to better manage their accounting and finances.

Revolut Shopper: To build on our out-of-app offering, we launched a free Revolut Shopper Google Chrome extension. Once installed, Shopper will automatically find and apply discount codes at online stores' checkouts. When shopping with reward partners, customers can also receive cashback to their Revolut account, on top of any discount codes applied by the extension, when shopping with our partners.

The Shopper extension can securely store card details using Revolut's single-use virtual cards, which delete card details after a single purchase, and will auto-populate at checkout for an easier shopping experience.

Wealth & Trading

Our ambition is to be the safest and simplest place to trade, use and learn about shares and cryptocurrencies. 2021 saw a number of key accomplishments and developments in the Wealth & Trading function of our business. In December, our application for our MiFID licence was approved by the financial market supervision committee of the Bank of Lithuania, which enables us to offer trading services to all EEA customers.

We also received trading authorisations in Australia and Singapore, with trading services launching in Australia in February 2022 and later in 2022 in Singapore.

In the US, our broker-dealer licence application was approved by the Financial Industry Regulatory Authority (FINRA) in September 2021, and we subsequently launched trading services for our US customers in January 2022.

In the UK, we launched our new Social Trading feature, which enables users to see what other top traders are investing in. Trading customers can use the Social Trading feature to learn from other top stock traders and inform their own investment strategies.

Crypto

2021 was the year in which crypto asset investing transitioned from early adopters to mainstream investors. We saw increased interest and crypto activity in financial media, financial markets and institutions, and of course from our own users. During the course of the 2021, we increased the number of tradeable tokens we offer from 10 to 60, offering users the opportunity to invest in a diverse set of crypto tokens.

Global expansion

As part of our vision to become a truly global financial super app, global expansion is key. We took our first steps in 2019, expanding our services to Australia and Singapore. We followed suit, in 2020, opening up our US and Japan operations. This has not only widened the addressable market for our offering but also enhanced our offering in our core markets by opening up corridors and network effects with countries that are highly complementary to our core geographies. We're currently focusing on expanding our services to India, Brazil and Mexico, while strengthening our core offering in the jurisdictions in which we're already live.

United States

The US market remains one of our key strategic focuses and is a priority market for growth opportunities. It is perhaps the most competitive market globally, with many major mature and local FinTechs operating in the region with large customer bases.

In spite of these challenges, we made great headway growing our customer base in the US during 2021. We also managed to grow the product offering; as noted above, we secured a broker-dealer licence from FINRA (Q2 2021), enabling us to launch equity trading in the US (which we subsequently launched in Q1 2022).

Latin America

In 2021 we started to lay the foundations for the rollout of Revolut in Latin America. The increasing penetration of digital payments, the intricacies of the regional foreign exchange markets, the rising attractiveness of crypto and lack of banking penetration make Latin America a very attractive market opportunity for Revolut, and Brazil and Mexico both stood out as clear markets for the region due to the high synergies with our current geographic footprint.
Over the course of the year, we incorporated Revolut Tecnologia Brasil LTDA and Revolut de Mexico S.A. de C.V., and built teams in both countries to be led by Glauber Mota (CEO Brazil) and Juan Miguel Guerra (CEO Mexico) respectively.

Asia-Pacific

Australia

Australia continues to be a high-growth, high-potential market for Revolut. In 2021, we continued to strengthen our product offering by securing the authorisation to offer a trading feature (we have since launched trading in 2022). We also laid the foundations for our ambition to become a bank in Australia, appointing an Advisory Board, building out key members of the local team including Head of Technology and Head of Lending, before formally submitting an application with the Australian Prudential Regulatory Authority (APRA) in September 2021. We were also granted an Australian Credit Licence from the Australian Securities Investment Commission (ASIC) in 2022.

India

During 2021, we started our rollout in India by establishing Revolut Payments India Private Limited and hiring the initial team, led by Paroma Chatterjee as CEO. In line with our ambitions, in February 2022, Revolut announced the acquisition of Arvog Forex, a money transfer firm regulated by the Reserve Bank of India (RBI), as a first step to service the Indian market. Over the course of the year, in parallel to working on localising the product and securing the relevant regulatory authorisations, we have started to build a Technology and Operations hub in India. Our Indian tech entity will also serve as a technology and operations hub for Revolut's global and Indian businesses.

Japan

2021 was about expanding our product offering in Japan, and continuing to build the foundation of the business by improving product localisation, operational efficiency, and regulatory relationships. Our customer base doubled by the end of the year thanks to our continued growth effort. During 2022, we have continued to enrich product lineups to enhance customer satisfaction in Japan and bring the product line closer to parity with the UK.

Singapore

Throughout 2021, our Singapore customer base nearly tripled while our daily active users more than doubled. In January 2021 we applied for a Capital Markets Services licence to enable our Trading product in Singapore, and were awarded this licence in November 2021. In October 2021, we joined the Singapore FinTech Association (SFA) and were elected Chair of its Payments Group (PG) subcommittee. Through this key industry body, continue to strengthen industry engagement with the Monetary Authority of Singapore regarding the Payment Services Act.

Europe

After launching Revolut Bank in Lithuania and Poland in 2020, we rolled out to a total of 18 EEA countries by the end 2021. In 2022 we added additional new EEA countries taking the total to 30. In December 2021, the European Central Bank granted Revolut a full banking licence, upgrading it from the previous specialised banking licence. This allowed us to complete the merger during 2022 between our Payments (e-money) and Bank entities to offer banking services to all our EEA customers. Revolut Bank UAB also grew its credit business in Lithuania and Poland, followed by launches in Ireland and Romania in 2022.

Financial performance

Our financial performance during 2021 reflects a continuation of the sequential improvements made in 2020, culminating in our first year of profitability. We maintained customer growth and strength in core products, while reaping the benefits of diversifying into new capabilities. We chose to reinvest profits in our marketing function, supported by improved unit economics.

Financial highlights

Revenue grew by 190% year on year, to £636 million (2020: £220 million). Revenue was driven by continued customer growth across both our Retail and Business ecosystems, with 46% increase in retail customers year-on-year. Acquisition through marketing and sales, for the Retail and Business ecosystems respectively, complemented continued organic growth. Revenue growth was achieved across all revenue streams, with particular acceleration in Foreign Exchange and Wealth, and Other Income.

Gross Margin increased to almost 70%, compared to 33% in 2020, as a result of increased share of revenue from higher margin products, such as Foreign Exchange and Wealth, as well as improved margins across our payments operations due to cost optimisation initiatives. Our business continued to observe operating leverage due to execution on cost discipline, with operating expenses increasing by 37% from 2020, while Gross Profit increased by 512% year-on-year. We chose to reinvest profit in customer growth by scaling our marketing function through the launch of digital marketing and referral campaigns. Due to improvement in Gross Margin and operating leverage, we achieved profitability for the first time in 2021, reporting £59.1 million of profit from operations in 2021, and £19.7 million of total comprehensive income for the year.

Balance sheet strength

Customer deposit balances continue to grow significantly year-on-year, totalling £7.4 billion as of December 2021 (2020: £4.6 billion), as we onboarded 5 million customers. Loans and advances to customers grew to £17.8 million (2020: £1.4 million), following the launch of our credit card and consumer loan products in Lithuania and Poland in 2021.

In July 2021, we closed our $800 million Series E equity funding. This round of funding supports our growth, geographic expansion and new product development, as well as continued investment in our systems, people and infrastructure. Our ratio of Equity to Total Assets has increased from 7.9% at 31 December 2020 to 12.5% as at 31 December 2021. The Group is well capitalised as of December 2021 with £1 billion of total equity.

Engaging with stakeholders

As a fast-growing company, as of the date of publication operating in over 35 countries, with over 25 million users and over 5,000 staff, Revolut has numerous critical stakeholders around the world. These include our customers, regulators, investors, partners, suppliers, our own staff and beyond.

Revolut's success depends on building and maintaining successful relationships with our stakeholders. When making business decisions, the Board is mindful of its responsibilities under s172(1) of the Companies Act 2006 to promote the long-term success of the company having regard to its range of stakeholders, as discussed in this section and in our Directors' Report below.

Customers

Revolut distinguishes itself from competitors by taking a customer-centric approach and providing customers with a best-in-class experience. Revolut has developed new technology to solve old problems.

In 2021 we initiated the Deliver WOW project to provide positive memorable interactions for customers when they need support. We are also building a new team of Customer Experience Managers who will listen to customer feedback through all support and social media channels. They work closely with Product and Services teams to prioritise improvements and future developments and optimise the customer journey.

Partners and suppliers

With the increasing complexity of the FinTech sector, there is a growing importance on cross-industry partnerships and collaborations. As our network of global third-party providers continues to grow, we take a very deliberate approach to vendor/partner relationships - conducting thorough due diligence to mitigate risks, while fostering a mutually beneficial relationship that always has the potential to grow into further commercial opportunities.

Our investors

Our investors are key stakeholders in Revolut's success to date. Their capital has enabled us to grow quickly. With the benefit of a solid and stable capital base Revolut is well positioned to withstand the challenging global economic headwinds.

We value their trust, confidence and insights and provide regular updates on financial performance, strategy, culture and business developments.

In July 2021, we raised $800 million in Series E funding, valuing the business at $33 billion. The investment was an endorsement of our mission to create a global financial super app, and has enabled the company to further growth plans, in particular ongoing product innovation aimed at meeting customers' everyday financial needs and aspirations.

Fraud prevention and customer safety

Fraud is an endemic issue on a global scale. It is corrosive and has a harmful effect on all parts of the economy and society. At Revolut we are strongly committed to working collaboratively with industry, law enforcement, regulators, governments and consumer groups to combat fraud. Revolut has invested significantly in 2021 to protect customers from fraud through a combination of advanced machine learning technologies, in-app warnings and customer education campaigns.

Revolut has taken an active role in advocacy efforts to reduce the threat of fraud, for example by campaigning for fraud to be included in the Online Safety Bill and for powers which allow financial services companies to share intelligence. Revolut's senior management has met with Government Ministers and officials to share insights on our efforts to address fraud through our investment in personnel and machine learning technologies. Revolut's Chief Risk Officer Pierre Decote attended the Economic Crime Strategic Board - the most senior forum for tackling economic crime chaired by the United Kingdom's Chancellor of the Exchequer and Home Secretary - to share Revolut's expertise. Revolut also joined the Joint Money Laundering Intelligence Taskforce, a partnership between law enforcement and the financial sector to exchange and analyse information relating to money laundering and wider economic threats.

Our employees

At Revolut, we want every member of our dream team to feel as if they belong, and to be able to reach their ultimate potential.

In 2021 we instituted two paid wellbeing days to employees to acknowledge their hard work over a challenging year, supported by our move to permanent flexible working.

We are also building our diversity and inclusion (D&I) programme because we know it's critical in our mission to become the world's first truly global financial super app. More information on Revolut's approach and progress on diversity and inclusion is available on pages 32 of the report.

Donations

While 2021 was yet another challenging year for charities around the world (being largely restricted to virtual fundraising only), we made it easier than ever for customers looking to donate to their favourite charities to do so using Revolut's Donations feature. During 2021, we continued to enhance our charity partnerships, offering customers the opportunity to donate seamlessly to 17 new charities from the app, with 100% of each donation going directly to the relevant organisation.

We continued our partnership with the Royal British Legion to support the Poppy Appeal. In 2021 we released a limited edition poppy card with the support of Visa. The card prominently featured the Royal British Legion's red poppy and was made from recycled materials - it was available to all UK customers who donated at least £5 to the Royal British Legion. The campaign was well received by customers and the limited edition order of 8,000 cards were fulfilled in record time and raised £80,000 in October and November.

In Ireland, Revolut partnered with the RTÉ Toy Show appeal, enabling customers across Ireland, the UK and Europe to donate instantly through the Revolut app to support children's charities across Ireland. This partnership with Ireland's biggest televised charity event saw customers donate more than €2 million via Revolut, with Revolut Co-Founder Vlad Yatsenko personally giving an additional €1 million in matched donations.

Revolut's support for the Disaster Emergency Committee in their efforts to support the people of India at the peak of COVID-19 enabled our customers to donate £200,000 in a single week.

And as part of our ongoing support for humanitarian efforts in Ukraine, Revolut enabled millions of its customers worldwide to instantly donate to the British Red Cross Ukraine Crisis Appeal, targeted at supporting victims of the war in Ukraine. We also matched our customers' donations and contributed £1.5 million to the appeal.

Community engagement

We have also engaged with a range of community organisations and advocates to gather insight on the financial services needs of our communities around the US, and complement our efforts towards our US bank charter.

In 2021, Revolut's first work experience programme, in partnership with 'Work in FinTech', provided students from diverse backgrounds with a day of immersive learning at our London HQ. Students met employees from across the business and saw first hand how Revolut's products and services are built and deployed.

Impact of operations on the community and the environment

Revolut investigated the impact of our operations on the environment in 2021.

This is why we have partnered with Watershed to help measure our global carbon footprint, establish clear strategies to reduce the impact of our activities, and report on those emissions.

Revolut also set up more sustainability-oriented office policies at a global level. This includes clear waste management procedures allowing for sorting and recycling of general waste across locations, and strict E-waste management (meaning discarded electrical and electronic technologies). As such, whenever possible, Revolut donates or refurbishes any redundant electronic equipment when it reaches its end-of-life and when the equipment is not yet at the end of its useful life, Revolut relies on the services of a trusted global partner to recycle E-waste and ensure none of it goes to landfill.

Revolut also introduced a sustainable business travel policy to reduce and compensate emissions linked to travel. All UK employees also have access to the Cycle to Work scheme to encourage the use of environmentally friendly transport. Also, we closed one floor of our London head office to reduce energy consumption while the energy used at our London and Vilnius offices is from 100% renewable sources.

In 2021, Revolut also joined the Tech Zero initiative, an initiative gathering British and global tech companies ready to fight the climate crisis through technology, data and science.

We continued to run sustainability-oriented charity partnerships on our Donations platform. During 2021, Revolut customers donated £400,000 to the NGO WWF, and £160,000 in partnership with the Rainforest Alliance to protect rainforests.

Maintain a reputation for high standards of business conduct

Revolut takes a world-class global approach to standards and business conduct.

In our view, customer trust is the most valuable asset a financial institution can have. Banks consistently score the lowest in consumer trust ratings, so trust is a differentiator and can provide a competitive edge in the banking and financial sector.

With this in mind, we maintain the highest possible standards for every aspect of our business, in all regions. It is no longer acceptable for companies to simply meet the regulatory minimums in each operating country. We take a global approach to business conduct, taking the best practices from each region and using them to inform best-in-class policies that earn the trust of all of our stakeholders.

From a regulatory perspective, we engage collaboratively with regulators and governments around the world. With trusting relationships and open dialogue, we exchange information and ideas on how customers and citizens can best be protected. By sharing knowledge and data-driven insights, we can assist regulators in shaping policies in a rapidly changing environment. From the beginning of the pandemic we provided governments with real-time spending data on their local economies, which served as a valuable data point for fiscal interventions and critical business support throughout the pandemic.

From an internal and employee perspective, we continue to invest in compliance training and initiatives for all of our staff - no matter what department they sit in. We have built bespoke educational programmes for our internal 'RevoLearn' platform, and both the completion and regular renewal of training certificates is tied to employee Key Performance Indicators (KPIs) and rewards. This includes educating employees on Anti-Bribery and Corruption, Treating Customers Fairly, Internal Fraud Awareness, Conflicts of Interest and Anti-Harassment and Bullying.

We also educate employees on what to do if they observe or suspect any wrongdoing in the organisation. We provide training on whistleblower reporting and protections, and have a whistleblower champion to assist any employees who do not feel comfortable reporting to line managers.

From a third-party perspective, Revolut is committed to complying with all applicable anti-bribery and corruption laws and regulations and does not tolerate bribery or corruption in any form. We require transparency and integrity in all our business dealings to avoid any improper advantage or the appearance of questionable conduct by our employees or associated third parties. All material third parties with whom Revolut proposes to contract are subject, prior to contracting, to stringent due diligence assessments by our third-party risk team and these assessments are refreshed at regular intervals. Third parties associated with Revolut are prohibited from offering, promising, giving or authorising any form of solicitation, agreement to receive, or accepting anything that constitutes or could be perceived as constituting bribery or corruption and, as noted above, all employees are provided with training on how to identify this behaviour.

And lastly, from a customer perspective, we aim to provide the best service, robust protections, and the most relevant, actionable insights that can assist customers in achieving financial independence. It is by consistently serving, protecting and educating our customers that we can build a long-term trusting relationship.

Risk & Compliance Management

Risk & Compliance is at the core of Revolut, working across functions, products and regions to monitor performance and ensure that our business can perform and grow on a safe footing. Last year we reported a significant expansion and upskilling of our Risk & Compliance function in terms of people, processes, tools and infrastructure, which was commensurate with Revolut's customer and commercial development. Over the course of 2021, we continued this journey, increasing the function's headcount from 147 to 206, further enhancing our risk technology platform and adding to our set of risk identification, assessment and monitoring tools.

Our annual Risk & Compliance Strategic Programme focuses on improving and enhancing our capabilities in respect of identifying, assessing and monitoring our key strategic risks, improving risk culture and engagement, maintaining and ensuring a robust control environment is in place and continuing to evolve a world-class and innovative set of risk tools, systems and processes.

Elements of our approach to risk management

Revolut operates a comprehensive Enterprise Risk Management Framework (ERMF), which establishes our approach to identifying, measuring, monitoring, mitigating and reporting risks of all types. It documents the methods, tools and governance structures within our 'three lines of defence' operating model. The ERMF clearly articulates roles and responsibilities across the Group, while setting the ground rules applied to measuring, reporting and escalating risk matters.

We evolved the ERMF during 2021 to reflect the risk management implications of growth and complexity in our corporate structure, geographical reach and product breadth. We designed and incorporated additional tools and approaches to strengthen our grip on our risk profile. Examples of this include:

- Risk & Compliance management augmented by connected-data that links risk and control events (such as Key Risk Indicators (KRIs) and incidents) to core risk assets (such as risk and control registers) in real time, enabling quick remediations of control failures and gaps to keep risk profile healthy and within appetite
- A 'Watchlist' framework used to identify areas of the business that warrant a heightened level of oversight from the Risk & Compliance function
- Strengthening and broadening of our emerging risk identification, management and reporting process to capture a broader set of emerging risks and derive more insight from the business on how our risk profile may change in the future
- A new approach to regulatory obligation and policy management (Aurora) enabled by technology allowing mapping of externally sourced, up-to-date and granular obligations to internal policies and underlying process and control data

Risk & Compliance culture

We define our Risk & Compliance culture as the shared beliefs and values concerning risk that affect and are affected by our risk taking and control decisions and the outcome of these decisions. Revolut believes that a strong Risk & Compliance culture is supported by an understanding of individuals' roles and responsibilities within the three lines of defence, and an alignment with the company goals and values.

Activities undertaken by the Risk & Compliance function to positively influence Revolut's Risk & Compliance culture include:

- Training and awareness building; considering specific and data-driven training needs (e.g. informed by reporting and resolution of risk incidents, engagement with governance processes, etc.)
- Investment in improving risk processes and tooling to ensure they are accessible, engaging and easy to use
- Incentivisation through positive reinforcement and consequence management through specific KPIs aligned to our 'Trust and Reputation' company goal, as well as our 'Karma' awards mechanism, a points-based system driven by an evaluation of individuals' engagement with Second Line processes, which converts into a portion of departmental bonus remuneration
- Embedding risk management discipline through our growing network of Business Risk Officers situated in our key product and service teams

Operating the Karma mechanism for over a year has given us a vast and granular data set which informs our view on risk culture and where attention is needed to strengthen it.

In 2021, we also introduced Revolut's Group Code of Conduct which emphasises the expectations that employees act with integrity and in the best interests of our customers, colleagues and wider stakeholders.

Risk strategy and appetite

Our risk strategy is the bridge between the Group's strategy and our Group risk appetite. It is based on the following guiding principles:

- Responsible, controlled and sustainable growth
- Prioritising our prudential risk obligations by maintaining adequate capital and liquidity resources to support growth in a safe and appropriate manner
- Complying with regulatory requirements across all of our jurisdictions
- Building and maintaining confidence of all our business stakeholders (internal and external)
- Developing and retaining people with a growth and mature risk mindset who are committed to balancing speed and quality of delivery with sound governance processes

This strategy is supported by the Group Risk Appetite Statement, where Revolut's Board determines the significant risks and aggregate risk levels that it is willing to accept in order to achieve its objectives. In some cases, we are not willing to accept exposure to certain risks and a strategy of full risk reduction is adopted. In other cases, we are willing to accept a moderate level of risk inherent in our chosen business model as long as the risk is taken rationally and is subject to appropriate levels of internal control.

Revolut expresses risk appetite using qualitative statements and quantitative limits for KRIs. Qualitative statements are articulated for each risk type in our risk taxonomy. These are set and approved at least annually by the Board, taking into account the risk and reward trade-off of business activities. KRIs act as automated preventive and detective controls. Board level KRIs are supported by executive level monitoring KRIs across the risk spectrum.

Risk governance and policies

Revolut's risk governance approach defines governance as the combination of processes and structures implemented by the Board and management to inform, direct, manage and monitor Revolut's activities to achieve its objectives for the benefit of its stakeholders. Oversight of risk and strategic operations is conducted through the committee structure illustrated in the Directors' report on page 36.

Our policy framework ensures that each risk across the risk taxonomy is addressed through appropriate policies and procedures that act as directive controls for the operation of the business. These are established in a hierarchy including: i) tier 1, Board approved policies; ii) tier 2, executive-level committee approved policies; and iii) tier 3, departmental management approved policies. In 2021, we invested heavily in the technology deployed to manage our policy library and enable linkage between regulations, policies and underlying processes and controls to monitor and ensure compliance.

Risk and control assessment and monitoring

Risk assessment provides management with a view of events that could impact the achievement of its objectives. It is integrated into management processes and conducted using a top-down approach (see principal risks and uncertainties, below) that is complemented by a bottom-up assessment process. Our three-level risk taxonomy ensures adequate coverage and enables risk data aggregation at multiple levels. This assessment process combines probability (from almost certain to unlikely/rare) with impact, using a framework that incorporates metrics that assess financial impact, impact on customers, regulators and employees as well as the media and other external stakeholders.

Business Risk Officers conduct First Line risk and control assessment within our Product and Service Lines. These assessments are dynamic so that our view of risks and controls keeps pace with changes to our organisation, product offering and the risks we face. While assessment of risks and controls is first and foremost the responsibility of our First Line teams, the outputs of those are subject to oversight by Second Line Risk & Compliance. We gain additional assurance over our control environment through conducting dedicated Compliance Assurance reviews and through our Third Line Internal Audit reviews.

Scenario analysis and stress testing

Scenario analysis refers to the quantification and explanation of the impact of the risks contained within a scenario which allows the Group and its entities to assess the risks and propose appropriate mitigating actions. Revolut conducts this analysis as part of its various stress testing activities whereby analysis is performed based on quantitative techniques, supplemented with qualitative overlays, to provide quantitative assessments of a defined scenario. In addition to the standard stress testing exercises, we deployed ad-hoc scenario analyses on a series of high impact / low probability ('black swan') events that could derail our strategy.

Principal risks and uncertainties

The table below enumerates our main risks, aligned to the risk taxonomy, with commentary on how these risks are managed and a forward-looking view on how they may evolve.

Principal Risk	Mitigants and Controls	Outlook
Strategic Risk		
Strategic Risks are those risks that threaten to disrupt the assumptions underpinning Revolut's business model and strategy, thereby materially affecting the achievement of our strategic objectives. Revolut approaches Strategic Risk management from two perspectives: 1. Strategic planning 2. Strategic execution The top Strategic Risks Revolut is most focussed on include: • External factors, such as the inability to identify, assess and manage macroeconomic, regulatory, political and societal factors that may hinder the execution of our strategy • This additionally entails our ability to plan for or prevent high impact and low probability events • Skills and competency, due to rapid growth of headcount and talent management, to ensure we hire, develop and retain a high-performing team to execute our ambitious strategy • Reputation risk from the perspective of our various stakeholder groups, which arises often as a second-order impact of risks emanating from our chosen strategy • Sustainability of growth initiatives entailing the risk of short-term gains coming at the expense of long-term detriment • Bottlenecks slowing down the operationalisation of our product offerings and entity structure; and • Inability to adapt and iterate our product offering to fit several target markets	Revolut's strategy is defined by the Board and overseen by the Executive Committee. The strategy is articulated through company goals and measured by (KPIs). Threats to our strategy are monitored through KRIs and other automated monitoring tools with formal processes to investigate and remediate potential or actual breaches to appetite. Revolut's top Strategic Risks are defined with the Group CEO and executive team and regularly analysed and reviewed. A report which details the top Strategic Risks, their impact on company goals, their mitigants and future developments is presented on a quarterly basis to the Group Executive Risk Committee and Board Risk & Compliance Committee.	Revolut closely monitors changes to the macroeconomic, political and regulatory landscapes to ensure the impact on our operations are understood and contained. Multiple work streams are underway to ensure our framework for talent management and internal culture is robust and facilitates the achievement of our strategic objectives. Our approach to monitoring and acting upon reputation risks has been significantly enhanced in the past year where internal and external data is acted upon to improve products and processes and mitigate reputation risk. Regarding sustainable growth, we are conscious of the significant pace at which the business is growing and we continue to invest in building our processes and governance that serve as a guard against uncontrolled growth.

Principal Risk	Mitigants and Controls	Outlook
Capital Risk		
Capital Risk is the risk that Revolut does not hold adequate capital to support its business activities based on its regulatory requirements and risk profile. Revolut identifies the following risks as the top risks related to capital: • Capital adequacy in an idiosyncratic or market stress scenario or to support growth • Ability to raise funds on commercially acceptable terms based on dynamic market conditions, such as periods of high interest rates or recession	Capital Risk is mitigated using KRIs that trigger immediate intervention if the Group's capital position deteriorates. The Group holds capital buffers, ensuring that it has sufficient capital based on its risk profile to mitigate the impact of a stress. Capital requirements for the Group are set on an annual basis through the Internal Capital Adequacy Assessment Process (ICAAP). Recovery planning is also performed on an annual basis. With respect to the top Capital Risks, the Group is mitigating them by: • Having a well established process to monitor the capital position at a group level, including quarterly forecasting taking into account planned growth and launch of new entities, with a range of capital KRIs and a detailed Recovery Plan to manage scenarios where there is a risk of any capital shortfall • Establishing macroeconomic monitoring and incorporating this into the Recovery Plan framework, to allow appropriate actions to be taken in response to changes in the macroeconomic environment	Revolut has, and expects to have in the future, sufficient capital to support its risk profile.

Principal Risk	Mitigants and Controls	Outlook
Liquidity Risk		
Liquidity Risk is the risk that Revolut cannot meet its financial obligations when they fall due. Funding Risk is the risk that Revolut does not have sufficient stable sources of funding to meet its financial obligations when they fall due or can do so only at excessive cost. Risk arises when assets maturing during a particular period are lower than corresponding liabilities maturing during the same period. An unexpected increase in assets or a decrease in liabilities can also create Liquidity Risk.	Revolut'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 its financial obligations in business-as-usual circumstances and in stress conditions. Liquidity requirements for the Group are set on an annual basis through the Internal Liquidity Adequacy Assessment Process (ILAAP).	Revolut has, and expects to have in the future, sufficient excess unencumbered liquidity to support its business-as-usual and contingent financial obligations.
Market Risk		
Market Risk is the risk that Revolut's earnings, capital or ability to meet business objectives could be adversely affected by changes in the level or volatility of market variables, which might include changes in interest rates, credit spreads, commodity prices, equity prices, cryptocurrency prices and foreign exchange rates. Revolut provides foreign exchange, commodity and cryptocurrency services to its customers via multi-currency wallets that allow spending in different currencies, creating exposure to various market risk drivers. Revolut is also exposed to foreign exchange risk arising from various corporate activities and stemming from revaluation of contractual cash flows or assets and liabilities denominated in foreign currencies. Interest rates and foreign exchange rate movements can affect the market value of some assets which exposes Revolut to fair value risks.	Revolut's Market Risk is managed by monitoring its exposures using KRIs for the key risk drivers, setting appropriate risk limits and using hedging transactions where appropriate.	Foreign exchange, commodity and cryptocurrency exposure is maintained at relatively low levels through a standard hedging policy. Revolut maintains some structural foreign exchange positions which are managed and monitored using the existing Market Risk metrics. Revolut expects an increase in fair value risk arising from specific assets in the Treasury portfolio which are used to back e-money deposits, but monitors and manages this risk through the use of dedicated risk metrics and limits.
Interest Rate Risk in the Banking Book		
Interest Rate Risk in the Banking Book (IRRBB) refers to the current or prospective risk to Revolut's capital and earnings arising from adverse movements in interest rates that affect our banking book positions. Revolut is exposed to IRRBB to the extent that there is a structural repricing mismatch between assets and liabilities. Revolut uses client deposits and equity to fund lending activity with excess funding being held in the form of cash and liquid securities, generating interest income with various repricing profiles.	Revolut's approach for timely identification, measurement, monitoring and control of IRRBB is set out in specific policies and procedures. Revolut monitors its IRRBB exposure on an ongoing basis by reviewing metrics for sensitivity of net interest income and economic value of equity.	Revolut began formally monitoring IRRBB during 2021. Revolut's balance sheet is expected to evolve as clients migrate from payments entities to banks, the credit offering is increased and the investment portfolio is developed. These changes will influence the interest rate risk to which Revolut is exposed. Revolut will continue to monitor its IRRBB and manage it through the design of its products and the asset selection within its investment portfolio.

Principal Risk	Mitigants and Controls	Outlook
Credit Risk		
Revolut is exposed to wholesale, retail and business Credit Risk. The majority of its wholesale Credit Risk arises through the placement of corporate funds and safeguarded client funds with financial institutions, plus exposure to high-quality sovereign and corporate counterparties through the Treasury asset portfolio. Revolut's retail and business credit portfolios comprise lending to individuals, primarily unsecured personal loans and credit cards, and credit exposure to individual businesses due to Revolut's merchant acquiring services, both in a range of countries.	Revolut's Credit Risk is governed by a suite of policies and procedures covering the different sources of Credit Risk. All wholesale counterparties giving rise to Credit Risk are assessed at least annually and assigned a Credit Risk limit commensurate with their risk profile, subject to approved materiality thresholds. Exposure to individual financial institutions is gradually being diversified through the growth of the Treasury asset portfolio. Retail and business credit products are subject to appropriate underwriting procedures and monitoring, and governed by relevant Group-level and entity-level risk committees.	Revolut's exposure to financial institutions is expected to evolve over time with the Group's intention to obtain bank licences in the UK, US and Australia, alongside plans to grow a high-quality liquid asset portfolio to support compliance with regulatory large exposure requirements. Revolut intends to continue scaling up its product offering for retail and business customers in a controlled manner, which will result in growth in retail and business credit exposure during the coming year.
Model Risk		
Revolut uses models for a variety of reasons, including for example prediction of expected customer support headcount capacity, meeting accounting and regulatory requirements (e.g. Expected Credit Loss) provisions, detection of fraud among 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 exposes Revolut to the potential for adverse consequences from decisions we make based on incorrect or misused model outputs.	The Group has a detailed and robust Model Risk Framework, which is periodically refined to reflect industry developments and align with regulatory pronouncements. The Model Risk team is independent of revenue-producing units, model developers, model owners and model users, and reports directly to the Chief Risk Officer. It has primary responsibility for assessing, monitoring and managing Model Risk through oversight across Revolut's businesses. The Model Risk Committee (a sub-committee of the Group Executive Risk Committee) is the primary governance body overseeing this risk. It provides oversight and challenge to the identification, analysis and validation of material models. Revolut continues to increase the use of models for business decision-making, customer onboarding, monitoring of customer accounts using automated alerts and preventing and detecting fraud and money laundering.	Model Risk management is integral to our risk management strategy as we will intensify our use of machine learning models and data analytics to responsibly grow our businesses, improve our customers' experience and comply with regulations.

Principal Risk	Mitigants and Controls	Outlook
Conduct Risk		
Revolut is a customer-focused company that operates in a highly regulated industry. Revolut is exposed to many risks related to compliance with a wide range of laws and regulations in different global jurisdictions. These include the Conduct Risks associated with customer outcomes, business practices and incentives, market stability and effective competition.	Revolut mitigates Conduct Risk through its Enterprise Risk Management Framework. Key controls, processes and governance oversight exist throughout the product life-cycle and customer journeys to mitigate potential risks, with clear roles, responsibilities and oversight arrangements defined at operational and organisation levels as well as mechanisms to incentivise good conduct. Governance is exercised through the Compliance, Operational & Conduct Risk Committee, with clear escalation lines to the Group Executive Risk Committee & Board Risk & Compliance Committee.	Revolut is seeing an increase in the inherent risks associated with Conduct Risk, which are directly aligned to the expansion of products, jurisdictions and volume of customers. We continue to mitigate this through our Enterprise Risk Management Framework.
Regulatory Risk		
Revolut is committed to comply with the relevant regulatory requirements in the jurisdictions in which it operates and to provide accurate, reliable and timely reports to external stakeholders, authorities and regulators.	Revolut mitigates Regulatory Risk through its Enterprise Risk Management Framework. Regulatory Risk management is enhanced by comprehensive policies and procedures underpinned by an extensive mandatory training programme. Governance is exercised through the Compliance, Operational & Conduct Risk Committee, with clear escalation lines to the Group Executive Risk Committee & Board Risk & Compliance Committee. Revolut has a well established Horizon Scanning process to detect early signs of important regulatory, legislative and policy developments and / or changes. Revolut actively contributes and provides inputs to consultation papers issued by regulators.	We seek to operate within all relevant laws and regulations and establish strong working relationships with regulators. Regulatory requirements may be complex and require careful interpretation, including consideration of their underlying spirit and intent. We are committed to comply with applicable laws, rules and regulations and monitor for changes to the regulatory landscapes and will maintain robust systems and controls.

Principal Risk	Mitigants and Controls	Outlook
Financial Crime Risk		
Financial Crime Risk is the risk of failing to effectively mitigate criminal or illegal activity through Revolut's products and services, third parties and employees. This includes money laundering, violations of sanctions, bribery and corruption, fraud, tax evasion, and terrorist and proliferation financing. Revolut may be adversely impacted if it fails to appropriately identify and mitigate the risk that employees or third parties facilitate, or that Revout's products and services are used to facilitate financial crime. Non-compliance may lead to enforcement action including fines, public censure, suspensions, restrictions, conditions, limitations and disciplinary prohibitions, which could result in a material financial and reputational impact to the business.	Revolut takes its responsibility to prevent and detect financial crime seriously. Revolut mitigates these risks by ensuring it has robust governance, effective risk management procedures and a strong control framework to manage Financial Crime Risk. We continue to improve the effectiveness of our financial crime systems and controls, including real-time monitoring of transactions, daily screening of all customers for sanctions and adverse media, and enhanced staff mandatory training on Financial Crime Risk. Revolut continues to invest significant attention and resources to strengthen the overall financial crime framework, systems and controls.	Financial institutions remain under significant regulatory scrutiny regarding their ability to prevent and detect financial crime. As Revolut continues to expand into new jurisdictions, products and services, this increases and introduces new risks that require continued focus to manage Financial Crime Risks effectively. Changes concerning virtual assets, particularly with regards to the scope of regulation and an increasing focus on customer harm linked to these assets, continues to be an area of significant focus and speed of change. Revolut continues to evaluate, monitor and strengthen the effectiveness of its Financial Crime framework and is committed to maintaining a risk and control environment that enables it to respond promptly and effectively to emerging financial crime threats.
External Fraud Risk		
Revolut defines External Fraud risk as losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third-party. Significant External Fraud Risks for Revolut include Acquiring Fraud, Issuing Fraud (Card / Payment / Lending). Account Takeover Fraud and Application Fraud (Identity Fraud). Revolut has a low appetite for External Fraud Risk. In particular, Revolut focuses on managing the risk that customers are victims of Account Takeover Fraud, Authorised Push Payments Fraud, lost or stolen Card Fraud. Revolut is committed to comply with the relevant regulatory requirements and recommendations, furthermore failing to be compliant may lead to enforcement action including fines, public censure, suspensions, restrictions, conditions, limitations and disciplinary prohibitions.	Revolut aims to minimise External Fraud Risk by maintaining robust, risk-based, systems and controls which are designed to meet prevailing legislative and regulatory requirements and to deter, prevent, identify, manage and report occurrences of External Fraud. Where fraud does occur, Revolut has a policy of investigating all events in order to learn and take the necessary steps to further strengthen its systems and controls, therefore protecting Revolut and its customers from future fraud risk(s) and to protect Revolut's reputation. In addition, the group is mitigating the specific top risks through mandatory training for all employees and specific KRIs to identify trends in fraud events.	Revolut aims to minimise External Fraud Risk by maintaining robust, risk-based, systems and controls which are designed to meet prevailing legislative and regulatory requirements and to deter, prevent, identify, manage and report occurrences of External Fraud. Revolut continues to evaluate, monitor and strengthen the effectiveness of its External Fraud Framework and is committed to maintaining a risk and control environment that enables it to respond promptly and effectively to any emerging fraud threats and advanced technology.

Principal Risk	Mitigants and Controls	Outlook
Third Party Risk		
Revolut relies on third parties and outsourcing service providers across a number of channels, including payment processing, regulatory compliance, foreign & crypto exchange, trading services, KYC/AML and other business services. A significant portion of the services provided to Revolut customers depend on third-party arrangements. Consequently, this presents operational and, sometimes, concentration risk, for which we have a defined risk appetite and monitoring procedures. Furthermore, a number of our third parties rely on a large number of staff with dedicated training required to support our services.	The Group mitigates this risk through its third-party and outsourcing risk management framework. This includes ongoing monitoring of outsourced services, Service Level Agreements and contingency planning efforts. We work closely with third parties to ensure we are resilient and can continue to deliver our services with minimal disruption. We continue to reduce our dependencies on third parties via diversification and building products and processes in-house where practical.	As our network of third parties grows as a result of our business growth, we continue to closely monitor this risk. As a regulated institution, we review our procedures and processes regularly. In 2021, our third-party due diligence process has evolved and will continue to do so going forward.
Cyber and Data Security Risk		
As a global financial super app provider, cyber security threats which might attempt to access Revolut systems or customer and payment data are a significant risk. Revolut handles significant amounts of personal data provided by its customers, as well as employee data and confidential corporate information, and must comply with strict data protection and privacy laws and regulations in global jurisdictions in which it operates, while protecting its own reputation and corporate position. The top Cyber and Data Security Risks that Revolut is focussed on are unauthorised access to Revolut's data and systems and the risk of inadequate processes around data privacy.	Alongside the advanced security features it provides to customers, Revolut has implemented technical and organisational controls to reduce these risks. These include dedicated internal team-led application security testing, vulnerability management, a company-wide training and phishing threat simulation programme, logical access controls, advanced endpoint threat protection, a dedicated cyber threat intelligence team, monitoring and alerting across our key infrastructure and systems, security due-diligence and monitoring of third parties as well as regular external penetration testing and audits. Revolut also implements industry-leading security features into its customer offerings, including location-based card security features and 3D Secure push notifications and contextual multi-factor authentication, to ensure that customers can trust the service provided. Revolut continues to invest in its digital platforms and security posture, and builds resilient and secure technologies and processes to minimise the risk of breaches of data security.	As a cloud-based fully digital company, Revolut operated with minimal disruption throughout COVID-19 and its aftermath, with employees able to work fully remotely. The cyber risks that follow a remote-working model, an innovative digital and growing company, and the continuing opportunism and motivation of criminals have been closely monitored with additional controls implemented both for customer, staff and data protection. Revolut operates a continuous improvement approach to security controls, adapting to the threat landscape as it evolves, and as a result of on-going testing and audit activities. Revolut will continue to mature its governance in this area and look to align to external Information Security standards, e.g. SOC2, to provide assurance on Revolut's control environment for customers, partners and vendors utilising Revolut's services.

Principal Risk	Mitigants and Controls	Outlook
Change Management Risk		
Inherent in our strategy is rapid and complex business change, through product innovation, geographic and market expansion and to support technological enhancement. This risk arises from organisational change, product introduction/enhancement and changes to our technology platform and supporting infrastructure.	While all business areas and staff manage continued change and development as part of the normal course of business, projects of significant materiality and requiring cross-functional and/or cross-divisional coordination are managed through dedicated governance processes, including a robust New Initiatives Approval Process ('NIAP') to ensure that changes are effectively managed and delivered with executive and, where appropriate, Board oversight, and that the risks associated with changes are reviewed & approved by control owners (e.g. InfoSec, Finance, Credit, and Risk). Revolut's approach to managing change has matured significantly over the past year. The roll-out and embedding of the change policy, change risk assessment to mitigate change risks, increased awareness of departmental interdependencies and continued development of programme management and helped to reduce change risk. Improving maturity of these processes and formal training has helped in driving accountability within Revolut to manage change more effectively. Revolut has developed a robust mechanism for governance around logging and resolving bugs as part of the resilient change management process. More broadly, Revolut has established strong governance around managing remediation activity to ensure any control gap is properly addressed, through a dedicated committee ('PHIX') and company-wide Control Enhancement Programmes (CEPs).	The pace and volume of change at Revolut will continue as we roll out new products and features, establish new entities in expansion territories, and continue organisational changes such as corporate restructuring to better enable internal group service delivery. Our change management policies, processes and governance will ensure that these changes are effected in a controlled and consistent manner.

Principal Risk	Mitigants and Controls	Outlook
Availability and Continuity Risk		
Operational Resilience is an outcome which Revolut strives to achieve by effectively managing its Availability and Continuity Risk and responding to operational disruptions in a timely manner. Operational disruptions can have many causes including, for example, technology failures or when making changes to systems. Some disruptions may also be caused by matters outside of a firm's control, such as a cyber-attack or wider telecommunications or power failure. Operational disruptions always remain a risk, however as Revolut continues to grow, launching new products and entering new markets, the risk of an operational disruption occurring is likely to increase. As our customer base grows, the potential impacts may also increase. Maintaining Operational Resilience is important for Revolut to protect its customers, and achieve its growth goals.	The Group has established an Operational Resilience Framework which sets out the policy, procedures and governance structures to enable us to monitor and manage the resiliency of our most Important Business Services for customers. The Operational Resilience Framework is formed of nine capability pillars which cover a variety of potential sources of operational disruption and support us in defining 'resilience practices' under each pillar. Revolut maintains a suite of Business Continuity Plans and Disaster Recovery Plans which contain recovery measures for business processes and technology to enable services to be resumed within a timely manner. These plans are tested regularly to ensure they remain fit for purpose. A dedicated Operational Resilience Manager is in-place to maintain oversight of the framework across the Group and local entities.	Our Operational Resilience Framework has identified our most Important Business Services for customers, and set tolerance limits for their disruption in a major incident. We will continually work to enhance the resiliency of these important services, by investing in additional technology, people and third-party resources. The aim of this is to limit the likelihood of a major disruption occurring, and also to limit the harm to customers and Revolut should a disruption impact the Group. We are establishing a robust testing regime to monitor the effectiveness of our resiliency measures across the Group.

Our people

We place a high value on attracting, retaining and developing talented people throughout our business and promoting a diverse and inclusive culture. Our team is key to our success and we work hard to develop our colleagues' skills and talents and to improve their experience in the workplace.

Like many in 2021, we enhanced our focus on employee well-being, recognition, strategic centric communications and promotions. We introduced two additional paid days' leave to our employees for well-being purposes, with nearly 4,000 booked globally. To celebrate our employees' commitment to our goals we launched a custom recognition programme that highlights and acknowledges their dedication.

In 2021, we also accelerated our commitment to a more agile global workforce. To build on our hybrid and work-from-home options, we launched a 60-day work-from-anywhere policy, enabling our employees to temporarily work from a different location to their employment country.

We launched a new real estate policy in 2021 in light of COVID-19. We moved towards a hybrid model, repurposing all our offices as flexible collaborative spaces. In response to employees' clearly expressed preferences, we now enable the vast majority of our employees to choose when and how often they would like to work-from-home or visit the workplace.

Our internal surveys showed that our employees responded positively to remote working - with over 56% confirming they would prefer to work-from-home between two and four times a week, while 36% would like a 100% remote policy. Only 2% of all respondents would prefer to work from the office everyday. 95% of Revolut employees responding to the surveys consider that working from home didn't impact personal productivity or the change was positive, same for team performance, with 97% mentioning no change or positive change. Team collaboration was also unchanged or the change was positive according to 89% of respondents.

Diversity and inclusion

At Revolut, we want every member of our dream team to feel as if they belong, and to be able to reach their ultimate potential. We prioritise D&I because we know it's a critical component of our mission to become the world's first truly global financial super app.

In 2021, Revolut also introduced the following initiatives in support of D&I:

- We began to collect diversity data from our colleagues to make better informed decisions on our D&I strategy
- We set recruitment targets for diverse hires across all of our functions
- We released our first UK Gender Pay Gap report and will continue to hold ourselves accountable for progress on gender equality
- We launched five inclusive guilds: Women, Pride, Parents and Carers, BAME and Wellbeing, to provide opportunities for colleagues to connect with like-minded peers, and to drive positive change initiatives. Each inclusive guild has executive sponsorship to provide leadership and support

Despite the advancements made in support of D&I, we recognise that we still have plenty of work to do. In late 2021, we launched our inaugural D&I Framework, aimed at accelerating our progress on this important topic. The framework is made up of eight strategic pillars, which include 'Tone from the Top' and 'Inclusive Workplace'. Our progress is reported to our Group Board and Group Executive Committee as well as on our website. Successes since we launched our D&I Framework include the following:

- Implemented a company-wide female representation target of 30% of women in leadership roles by the end of 2025
- Attended our first ever in-person Pride event in New York City and held parties in offices across the world during Pride Month
- Held D&I training for Executive Committee
- Supported the career development of diverse Revoluters through successful Reverse Mentoring, Speed Mentoring and Yes You Can initiatives

Engagement with employees

Our in-house engagement product 'Revolut Voices' captures employee feedback on a weekly basis to assess employee engagement and satisfaction. The data is closely monitored within the talent department to ensure necessary action is taken to continue to drive positive employee engagement within Revolut. The data is discussed with the Board at every scheduled Board meeting and also regularly with Heads of Departments and their teams by our dedicated HR people partners.

Revolut has a variety of communication mechanisms to ensure staff stay abreast of key company information. The CEO runs quarterly town halls and regularly shares newsletters updating progress against our company goals and KPIs, as well as focus for the next quarter. Key company announcements are shared through dedicated slack channels and our weekly newsletter provides a roundup of key company and product news for all our Revoluters.

Equal opportunities

All employees and job applicants must be treated equally without any discrimination and be given the same set of opportunities. By 'Equal' we mean fair treatment of each other and by 'Discrimination' we mean unfair treatment based on age, gender, race, disability, pregnancy, marital status, sexual orientation, gender reassignment, culture, or religious background, and any other personal characteristic that might be discriminated against as well as any other protected characteristics under applicable laws in your location of work. We also believe that we should treat each other with mutual respect at all times.

Revolut strives to achieve a harmonious work environment free of harassment, bullying and victimisation so that everyone is treated with dignity and respect. It is an important aspect of ensuring equal opportunities in our employment. To support this, we have separate policies on anti-harassment and bullying.

Employing people with disabilities

We're committed to employing and supporting colleagues in line with the Equality Act 2010 and our Equal Opportunities policy. We make reasonable adjustments to support all disabled job applicants and colleagues.

Reward and employee share ownership

Revolut encourages employee share ownership and a proportion of employees' total reward package (including performance bonuses) is paid in Revolut share-based awards. Historically, these awards have been made in the form of share options.

The Revolut Partner programme

In 2021 we were pleased to launch the Revolut's global Partner programme, a dedicated bonus scheme designed to reward exceptionally high-performing employees, who have demonstrated an exceptional personal character and integrity, a track record of contribution to the business, and a consistent commitment to Revolut's mission and values as a culture champion.

This partnership lays the foundation for senior leaders to propel our business forward in the years to come. Our partners are a small group of highly-talented colleagues, elected based on their contribution to the entire organisation and ongoing commitment to our core values.

In this first year, we elected just 17 people to the partnership across the group. Election to the partnership is extremely difficult and we would like to acknowledge the hard work of many who were not selected this year. We look forward to others joining our partners in future years and intend this to be a partnership to which every colleague can aspire.

Board of Directors

CHAIRMAN

Martin Gilbert

Martin Gilbert co-founded Aberdeen Asset Management in 1983, leading the company for 34 years and overseeing its 2017 merger with Standard Life. Until November 2019 he was chairman of the UK's Prudential Regulation Authority's Practitioner Panel and was Deputy Chairman of the Board of Sky PLC until 2018. Before this he was the Chairman of FirstGroup. In 2015 he was ranked no. 22 of the Harvard Business Review's 900 top performing CEOs in the world. Martin holds an LLB from the University of Aberdeen and an MA in accountancy. He qualified as a chartered accountant with Deloitte.

CEO & CO-FOUNDER

Nik Storonsky

Nik Storonsky launched Revolut in 2015 to transform the way we spend and transfer money abroad. Since then, he has put Revolut on the path to becoming a global financial super app. Before founding Revolut he was an emerging markets equity derivatives trader at Credit Suisse and Lehman Brothers, where he traded more than $2 billion across various options, swaps and foreign exchange instruments. Nik holds an MS in Applied Physics and Mathematics from the Moscow Institute of Physics and Technology and an MA in Economics from the New Economic School, Moscow.

CTO & CO-FOUNDER

Vlad Yatsenko

Vlad Yatsenko co-founded Revolut with Nik Storonsky in 2015 and is its Chief Technology Officer. His software engineering experience spans industries including travel and finance and includes creating real-time billing systems at Comarch and booking engines for Sabre Airline Solutions. Having built financial software systems at tier one investment banks including UBS, Deutsche Bank and Credit Suisse, he realised that to deliver a next-generation digital banking service he would need to build it himself. He holds a MS in Computer Science from the National University of Kyiv, Mohyla Academy.

NON-EXECUTIVE DIRECTOR
CHAIR, GROUP REMUNERATION COMMITTEE

Michael Sherwood

Michael Sherwood retired as Vice Chairman of Goldman Sachs and Co-Chief Executive Officer of Goldman Sachs International in 2016, after 31 years with the company and 22 years as a partner. He is a Board Member of Moscot Inc and of Credit Benchmark Ltd, a Trustee of Greenhouse Sports, Chair of Grenada Schools, and a former Trustee of the Mayor's Fund for London and the Serpentine Galleries. He was a founding sponsor of Harefield Academy and a member of the Westminster Abbey Development Board.

NON-EXECUTIVE DIRECTOR
CHAIR, GROUP AUDIT COMMITTEE

Caroline Britton

Caroline Britton was at Deloitte LLP for 30 years until 2018 and was an audit partner for 18 years. She is a Non-Executive Director and Chair of the Audit Committee at both MoneySupermarket Group and Sirius Real Estate Limited. She is also a member of the Audit, Finance Risk and Investment Committee for Make-A-Wish International and a Trustee and Chair of the Audit and Risk committee at the Royal Opera House. Caroline holds an MA in Economics from the University of Cambridge. She is a fellow of the Institute of Chartered Accountants of England and Wales.

NON-EXECUTIVE DIRECTOR
(CHAIR, GROUP RISK & COMPLIANCE COMMITTEE FROM 21/02/21 TO 1/07/21)

Ian Wilson

Ian Wilson spent much of his career with Royal Bank of Scotland, latterly as Director of Credit, retail banking. Later executive roles included Managing Director business banking at Santander UK, Chief Risk Officer for GE Money UK, Tesco Bank, Charter Court Financial Services and Monzo Bank, Strategic Risk Director for Virgin Money and Executive Director for Charter Court Financial Services. He is a chartered banker, a fellow and former Vice President of the Chartered Banker Institute in Scotland and a fellow of the Institute of Financial Services.

NON-EXECUTIVE DIRECTOR
CHAIR, GROUP RISK & COMPLIANCE COMMITTEE FROM 1/07/21

John Sievwright

John Sievwright joined the Revolut Board in August 2021. He had a 20 year career with Merrill Lynch holding global leadership positions, latterly Chief Operating Officer - International. He earlier worked in finance and accounting roles at Bankers Trust and Bank of Tokyo International, having begun his career as an auditor at Ernst & Young where he qualified as a Chartered Accountant. While at Merrill Lynch he was President of the Futures Industry Association. He has been a Director of Burford Capital since May 2020 and serves on its Audit and Compensation Committees. He is a former Senior Independent Director (SID) and Chairman of the Audit and Risk Committee at ICAP plc (later NEX Group) and former SID and Chairman of the Audit Committee of FirstGroup plc. He has an MA in Accountancy and Economics from the University of Aberdeen.

COMPANY SECRETARY

Tom Hambrett

Tom is Revolut's Group General Counsel and Company Secretary. He joined Revolut in 2017 and is responsible for defining and executing the group's legal, regulatory, corporate affairs & investor strategy. This includes the structuring of investments, navigating complex regulatory and government environments in multiple markets and working with policymakers to facilitate innovation in financial services. Before joining Revolut, Tom was a solicitor at Herbert Smith Freehills, where he advised clients on a wide range of corporate and securities law matters.

Directors' Report

The Directors present their report and the audited financial statements of the Group and Company for the year ended 31 December 2021.

Matters covered in the Directors' Report

The Directors have addressed the following matters in the relevant sections of the Strategic Report:

- Review of the business performance: Business Performance and Financial Performance
- Strategy and future developments: Our Business Model and Strategy
- Engagement with suppliers, customers and others in a business relationship with the Group: Engaging with stakeholders
- Employee engagement
- Employing people with disabilities
- Principal risks and uncertainties: Risk management

Results and dividends

The Total Comprehensive Income for the year amounted to £19.7 million (2020 - loss £185.2 million). No dividend was paid in 2021 (2020: nil).

Political donations

The Group has not made any political donations to, nor incurred any political expenses in relation to, any registered political parties, organisations or candidates.

Corporate governance

Corporate Governance Standards

Whilst Revolut is not subject to the provisions of the UK Corporate Governance Code 2018 (CG Code'), it is acknowledged as industry best practice and the spirit of the principles are applied throughout the Group's corporate governance arrangements. Information contained within this Governance section demonstrates how Revolut embeds the principles within the CG Code in its corporate governance arrangements, processes and practices.

Revolut operates in accordance with all corporate governance legislative and regulatory requirements applicable to the Group, in addition to the expectations set by its regulators.

Group Corporate Governance Framework

The Board is ultimately responsible for the Group's corporate governance arrangements, policies and practices. In August 2021, the Board established a Revolut Corporate Governance Framework (RCGF) which sets out the Group's corporate governance arrangements, systems and controls operated throughout Revolut. The RCGF details the Group's internal control framework, including, but not limited to, the Group's: (i) legal entity structure; (ii) decision-making processes; (iii) Three Lines of Defence model; and (iv) subsidiary governance framework. The RCGF underpins effective decision-making and embeds a culture of accountability throughout the Group.

Legal Entity Structure

As Revolut expands into new markets and incorporates additional legal entities, a more efficient legal entity structure has been designed, with a number of those legal entity changes having taken place during 2021. The legal entity structure has continued to evolve during 2022 and will be kept under review by the Board as Revolut continues to expand, to ensure that it remains effective.

Revolut Group Board of Directors

The Board is appointed by the Company's shareholders and is collectively responsible for promoting the long-term success of the Group and delivering sustainable value to shareholders and customers. The Board establishes and oversees the Group's strategic direction, following due consideration of strategies proposed by executive management. The Board is responsible for embedding an organisational culture which promotes accountability, integrity, transparency and diversity by leading the tone from the top through organisational values and behaviours.

The Board is chaired by Mr Martin Gilbert, who promotes and facilitates open and constructive challenge and debate at Board meetings. There is a clear division of responsibilities between the leadership of the Board and the executive leadership of the Company's business, which is led by Mr Nik Storonsky as the Group CEO.

We further strengthened the Board of Revolut Ltd in August 2021 with the appointment of John Sievwright as a Non-Executive Director and Chair of the Board Risk & Compliance Committee. John brings a wealth of experience in both Executive and Non-Executive roles within the financial services sector.

Bruce Wallace stepped down from the Revolut Board in February 2021 on his appointment as prospective CEO of Brex Bank.

Profiles for each of the current Board members are set out in the Board of Directors section.

The Board performs an annual self-assessment of the individual and collective skills held by the Board, which is used to inform the Board's Succession Plan and Board Training Programme. The Board continues to operate with an appropriate balance of skills, knowledge and experience to collectively lead the Group now and into the future. In addition, there is an appropriate balance of independence which is demonstrated at Board and sub-committee meetings through objective thought and constructive challenge.

Time Commitment

Non-Executive Directors are required to devote the appropriate time as is necessary for them to discharge their duties in an effective manner. The minimum time commitment for Non-Executive Directors is 36 days per annum, which includes preparation for and attendance at meetings of the Board and its Sub-Committees and each director's ongoing professional development.

Effectiveness

An evaluation is conducted on an annual basis to review and consider the performance and effectiveness of the Board and its sub-committees and to identify their strengths and development areas. An internal effectiveness evaluation was undertaken in the fourth quarter of 2021. The overall sentiment of the evaluation was positive and demonstrated the strength of the Board and its sub-committees. However, a number of actions were agreed to further enhance the performance and effectiveness of the Board and its sub-committees which are being implemented. The Board intends for an external Board evaluation to be conducted once every three years.

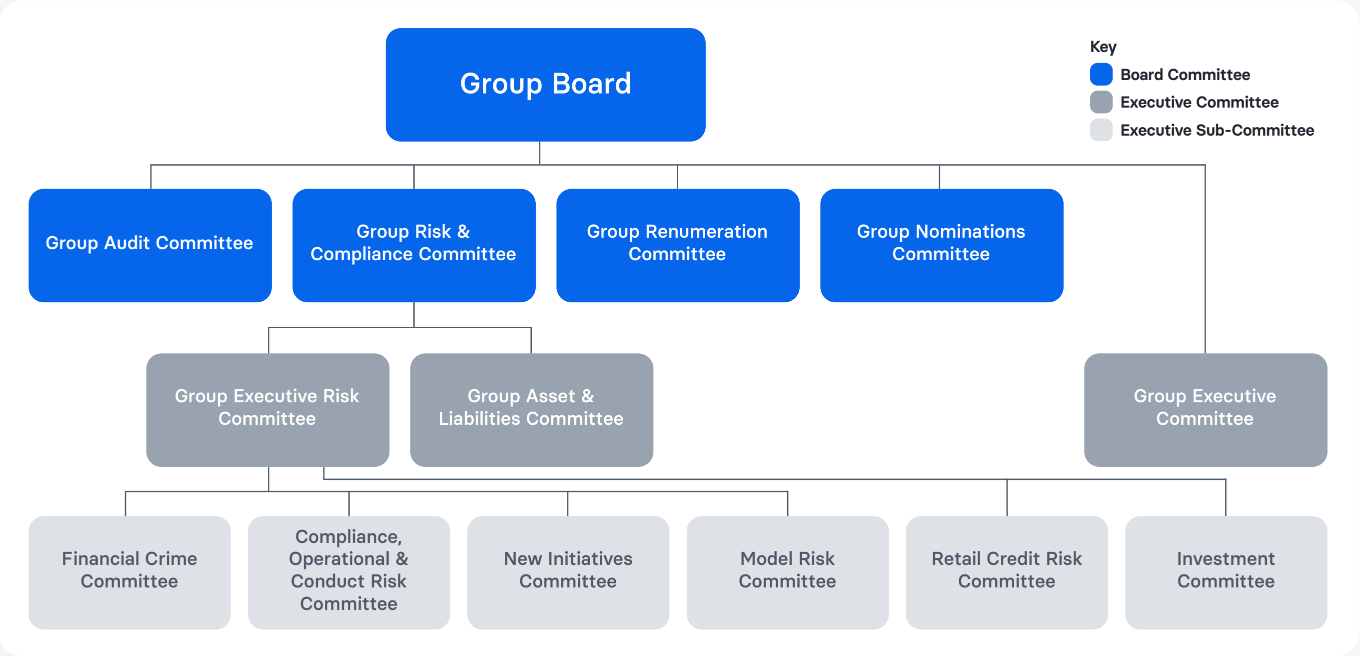
Group Board Meeting Arrangements & Reporting

The Chair leads the agenda setting process for each Board meeting and is supported by the Group CEO and Company Secretary. In addition, the Chair is guided by a work programme which details the calendar of reporting to the Board. The Board receives regular updates on strategic and operational matters from Executive Management and the Heads of Internal Control functions, enabling the Board to monitor and challenge the Group's strategic performance and the management of the Group's operations. Throughout meeting deliberations, the Board considers the views and interests of Revolut's stakeholders such as customers, employees, shareholders and regulators.

Meetings of the Group Board are held at intervals of six weeks, or convened ad hoc as required. In 2021, there were 11 meetings of the Group Board convened, of which three were ad-hoc.

Board Sub-Committees

The Board maintains effective oversight of the Group through sub-committees which were established to assist the Board in discharging its duties. The Board has established four sub-committees: (i) Board Risk & Compliance Committee; (ii) Board Audit Committee; (iii) Nominations Committee; and (iv) Remuneration Committee. The sub-committees operate under delegated authority from the Group Board, in each case as defined in the respective Committee's Terms of Reference. The sub-committee Chairs provide a high-level overview of Committee deliberations at each scheduled meeting of the Board.



Group Risk & Compliance Committee

The Group Risk & Compliance Committee is responsible for supporting the Board in fulfilling its duties with regards to risk and compliance management, which includes but is not limited to, the following:

- Reviewing and recommending the Group's Enterprise Risk Management Framework (ERMF) and risk appetite statement to the Board for approval, and monitoring the Group's performance against the ERMF and risk appetite profile
- Approving the Group's suite of risk and compliance policies considered 'tier 1'
- Reviewing matters pertaining to the Group's material and emerging risks which includes a strong control environment
- Overseeing the implementation of the ERMF, with the purpose of embedding a risk-aware culture throughout the Group
- Monitoring the performance and independence of the Second Line of Defence function;
- Reviewing the capital and liquidity positions of the Group
- Reviewing and recommending to the Board the Group's wind-down plan
- Reviewing matters pertaining to stress testing activity and any actions from regulatory engagements;
- Defining and implementing the Group's risk culture that is communicated effectively and supported with appropriate metrics and indicators embedded within the business
- Advise the Remuneration Committee and advise on whether the proposed incentive and remuneration plans are consistent with risk culture expectations
- Ensuring the Group maintains an open and transparent dialogue with its regulators and governmental bodies
- Considering any potential conflicts of interest in accordance with the Company's Act 2006 and the Group's Articles of Association
- Arranging periodic assessments of its own performance and periodically reviews its and other sub-committee terms of references
- Consider external advice and/or assurance on risk and compliance matters where appropriate to challenge risk and compliance functions' analysis and assessments

Group Audit Committee

The Group Audit Committee is responsible for supporting the Board in fulfilling its duties with regards to oversight of prudential, financial and audit matters which includes but is not limited to, the following:

- Monitoring the integrity of the Group's financial statements and disclosures
- Reviewing the effectiveness of the Group's internal system of financial controls
- Monitoring the performance and independence of the Internal Audit function
- Overseeing and leading the engagement with the Group's external auditor
- Reviewing the whistleblowing arrangements by which staff may raise concerns about possible improprieties in matters of financial reporting, internal controls in relation to financial reporting and other systems or auditing

Group Nominations Committee

The Group Nominations Committee is responsible for supporting the Board in fulfilling its duties with regards to the assessment, selection and nomination of candidates for Board and Executive Management positions, which includes, but is not limited to, the following

- Reviewing the structure, size, composition and independence of the Board and its sub-committees and making recommendations with regard to any changes it considers necessary
- Overseeing the succession planning process for the Board and Executive Management positions
- Ensuring that a Board appointment procedure is established which includes the completion of robust due diligence to assess candidates considered for nomination
- Approving Non-Executive Director appointments to major regulated subsidiaries

Group Remuneration Committee

The Group Remuneration Committee is responsible for supporting the Board in fulfilling its duties with regards to the remuneration arrangements for the Group and ensuring that they align with risk strategy in terms of incentivisation, which includes, but is not limited to, the following:

- Setting the remuneration for the Group Chairman, Executive Directors, Executive Committee members and Material Risk Takers
- Agreeing the policy for authorising claims for expenses from Directors on the Board
- Establishing the Group's Remuneration Policy, ensuring that it is benchmarked appropriately
- Overseeing any major changes in employee benefits structures

Executive Sub-Committees

Executive Governance

The Board delegates authority for the day-to-day management of the Group to the Group CEO. The Group CEO is supported by an Executive Committee, operating under delegated authority from the Board, who are responsible for developing the Group's strategic direction and proposing the same to the Board for approval.

Executive Risk Committee

- The Board delegates authority for the day-to-day risk and compliance management of the Group to the Group Chief Risk Officer. The Group Chief Risk Officer is supported by an Executive Risk Committee (ERC), operating under delegated authority from the Group Risk & Compliance Committee who are responsible for the following;
- Monitoring the risk profile of the Group against the ERMF, RAS and KRIs and reviewing and approving risk mitigation plans in case of any breaches
- Setting, allocating and periodically reviewing limits and controls that are supplementary to the RAS and help managing risks on a more granular level
- Reviewing and monitoring the implementation of the ERMF across Revolut
- Evaluating the risk and compliance awareness and maturity of each department or risk-taking unit
- Monitoring the timely closure of risk, control and compliance issues
- Considering and approving proposed changes to 'tier 2' Executive management policies and reviewing 'tier 1' policies for the Board's approval
- Exercising oversight with regard to risk assessments and risk management of change activities that impact cross-functional areas
- Reviewing and deciding on matters escalated from the ERC sub-committees or Revolut's subsidiaries

Assets and Liability Committee

The Board delegates authority for the day-to-day financial asset and liability management of the Group to the Group CFO and/or Head of Treasury. The Group CFO and/or Head of Treasury are supported by an Asset and Liability Committee (ALCO), operated under delegated authority from the Group Risk & Compliance Committee who are responsible for the following;

- Management and optimisation of the balance sheet and firm's financial asset investments in line with Board approved appetite
- Reviewing and monitoring the controls in relation to safeguarding obligations
- Reviewing and monitoring the capital (ICAAP) and liquidity (ILAAP) adequacy of the Group
- Reviewing contingency funding plans (CFP) and recovery and resolution plans
- Reviewing and monitoring the RAS with respect to financial risks
- Reviewing and monitoring the liquidity risk profile of the Group
- Reviewing the credit risk and market risk limit utilisations
- Reviewing and approving liquidity transfer pricing and capital allocation frameworks and policies
- Reviewing and approving forward-looking capitalisation and funding plans
- Reviewing and approving future business plans with respect to capital adequacy and liquidity risk profile

Culture and people

A corporate culture that prioritises good governance, risk management and transparency is essential for ensuring that Revolut delivers the best customer outcomes and stable long-term growth. The Revolut Board ensures that a strong and healthy corporate culture cascades from the top down, enabling Revolut to excel in the highly regulated environment in which it operates.

This culture is fostered by Revolut's people, who are the heart of our business. We place a lot of importance on the hiring process, making sure that we hire and retain employees of the highest calibre and integrity, with values consistent with Revolut's. We believe that brilliant people operating in a great culture will produce the best outcomes. Our company values, found on our website at www.revolut.com/our-culture, set the foundation for our company culture.

By nurturing our employees and by enabling them to develop and offer the best-in-class products within an environment that prioritises regulatory compliance, internal controls and strong risk management, we deliver the best outcomes for our customers and, by extension, for our shareholders, the community and our regulators.

Directors' liabilities

Revolut indemnifies Company directors against third-party liability, subject to the conditions set out in section 234 of the Companies Act 2006. This qualifying third-party indemnity provision was in force during the 2021 financial year.

Research and development

The Group undertakes research and development activities in respect of the development and enhancement of its technology platform. Revolut incurred research and development costs during 2021 of £58.7 million and these are recognised in the statement of comprehensive income (2020: £31.1 million).

Financial instruments

Revolut enters into a series of material financial instruments for the purposes of its business operations. Details of the Group's financial instruments are set out in notes 29 of the consolidated financial statements.

The Group's financial risk management objectives and policies are set out in the Risk Management section of the Strategic Report, along with the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk.

Licences and authorisations

Revolut Ltd offers e-money services to UK customers acting under its e-money licence, issued by the FCA. Revolut is in the advanced stages of its application to the PRA for a UK banking licence.

During 2021, Revolut provided payments and banking services to customers in the EEA through Revolut Payments UAB, which was incorporated in Lithuania and authorised and regulated by the Bank of Lithuania as an EMI, and Revolut Bank UAB, which has a banking licence and is regulated by the Bank of Lithuania and the European Central Bank. During 2022, Revolut Payments UAB and Revolut Bank UAB merged into a single combined entity, Revolut Bank UAB. Revolut's EEA customers are now customers of Revolut Bank UAB.

In 2021, Revolut Bank UAB deposit passporting was granted in the following countries: Austria, Belgium, Denmark, Finland, France, Germany, Iceland, Italy, Liechtenstein, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden and Revolut Bank UAB credit passporting was granted in Ireland and Romania.

Revolut has obtained a number of other regulatory permissions across the globe so as to be able to operate in different countries and work towards achieving Revolut's long-term goal of becoming an international, multi-currency exchange and electronic payments processing bank. In 2021 Revolut received the following licences:

Licence Type	Country
Trading	US, Lithuania, Australia, Singapore
Bank Licence*	Lithuania

** Upgrading from the existing specialised licence to a full banking licence*

The Group also has a number of subsidiaries which are regulated and provide similar services in non-UK and non-EEA jurisdictions. These include Revolut Securities Inc, which in January 2022 launched its trading product to Revolut's US customers, as well as Revolut Payments Australia Pty Ltd which holds an Australian Financial Services Licence issued by the Australian Securities & Investments Commission (ASIC). Full details are listed in the notes to the consolidated financial statements.

Branches outside the UK

The Group operates through a number of branches outside the UK, the details of which are disclosed in note 14 of the consolidated financial statements.

Energy usage and greenhouse gas emissions

	Year ended 31 December 2021		Year ended 31 December 2020
	UK and offshore	**Global (excluding UK and offshore)**	**UK and offshore**
Energy consumption used to calculate emissions (Scope 1 & 2)	**679,900 kWh**	**761,191 kWh**	**687,869 kWh**
Emissions from combustion of gas tCO_2e (Scope 1)	0 tCO_2e	0 tCO_2e	0 tCO_2e
Emissions from combustion of fuel for transport purposes (Scope 1)	0 tCO_2e	0 tCO_2e	0 tCO_2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	0 tCO_2e	0 tCO_2e	0 tCO_2e
Emissions from purchased electricity, heat, steam, and cooling (Scope 2, location-based)	144.4 tCO_2e	337.9 tCO_2e	160.4 tCO_2e
Total gross tCO_2e based on above fields	144.4 tCO_2e	337.9 tCO_2e	160.4 tCO_2e

	UK and offshore	Global (including UK and offshore)	UK and offshore
Intensity ratio: tCO_2e per £ million of revenue	**0.23**	**0.76**	**0.72**

Methodology

Emissions were calculated following the GHG Reporting Protocol (Corporate Standard) using the Watershed platform. Energy usage data was collected or estimated based on building square-footage for all facilities, and was combined with emissions factors from the US EPA, Ecoinvent, TCR and other data sources to calculate GHG emissions. Electricity emissions factors are chosen based on geography to reflect the emissions intensities of the facilities' local grid.

Energy efficiency actions

We have taken a number of steps to reduce its carbon footprint. This includes clear waste management procedures allowing for sorting and recycling of general waste across locations, and strict E-waste management (meaning discarded electrical and electronic technologies). As such, whenever possible we donate or refurbish any redundant electronic equipment when it reaches its end-of-life and when it is not, Revolut relies on the services of a trusted global partner to recycle E-waste and ensure none of it is directed to landfill. Revolut also introduced a sustainable business travel policy to reduce and compensate emissions linked to these travels. All United Kingdom employees also have access to the Cycle to Work scheme to encourage the use of environmentally friendly transport. Also, the energy used at our London and Vilnius offices is from 100% renewable sources. We expect our policy to expand to other areas as we grow.

For more details on Revolut's sustainability efforts, please refer to the Impact of operations on the community and the environment section of this report.

COVID-19

Employees and employee safety

Revolut operated during the pandemic with no disruption to services to customers. The vast majority of Revolut employees worked from home for the duration of the pandemic, supported by the company throughout. From February 2020, Revolut actively monitored the COVID-19 situation around the world and provided daily updates, information and instructions to employees focussed on their safety and wellbeing. From February and early March 2020 onwards Revolut required employees returning from high-risk jurisdictions to quarantine at home. Revolut required employees to work-from-home, in most cases, before government-mandated lockdowns, making arrangements for employees to receive desktops and other office equipment at their homes within the first week of home-working.

As countries prepared to lift certain lockdown restrictions and encourage workers to return to offices, Revolut developed an office booking tool and check-in app to ensure that numbers visiting the office were monitored and controlled, subject to daily limits, and attendance tracked. Workstations and communal areas were adapted to ensure that the office infrastructure and all office employees and contractors complied with government safety guidelines.

Post balance sheet events

Australian Licence

In February 2022, Revolut was granted an Australian Credit License by the Australian Securities and Investments Commission (ASIC) to offer credit and personal lending products to the Australian Market.

Arvog Forex acquisition

In February 2022, Revolut acquired Arvog Forex, the international money transfers and currency exchange company, as part of its multi-million dollar investment into India. The acquisition will strengthen Revolut's foundation in India and accelerate its plans to offer a best-in-class remittance service and multi-currency accounts to Indian customers, building on the strengths of its core business around the world.

War in Ukraine

In March 2022, following the Russian invasion of Ukraine in late February 2022, Revolut focused first on safeguarding our employees in Ukraine and on supporting them and their families. Revolut offered relocation support to all of our Ukraine-based employees and engaged a global security solutions partner to provide us with guidance, emergency logistical support and the latest security updates in the country. We also offered relocation services to our employees in Russia.

Revolut also supported people in Ukraine impacted by the war. Revolut waived transfer fees for customers sending money to or from banks in Ukraine. Revolut supported humanitarian relief with our long-standing charity partner, the British Red Cross.

As a UK business operating globally, regulated by the FCA and many others, Revolut operates in compliance with all applicable sanctions, laws and legislation. Revolut will continue to monitor the situation carefully and will take further action as necessary.

Crypto authorisations

In September 2022, we received registration as a crypto asset firm in the UK with the FCA. Additionally, to prepare for future regulation of crypto asset firms in Europe, in August we were awarded the first crypto authorisation from the Cyprus Securities and Exchange Commission (CYSEC). This entity will act as a new European crypto asset hub to provide additional crypto services to our European customers.

Refer also to Note 34 to the financial statements.

Going concern

After reviewing the Group and Company's annual budget, business plan and forecast and the financial arrangements as well as the economic situation in the context of the COVID-19 pandemic discussed in note 3 to the consolidated financial statements, the directors are satisfied that the Group and the Company have adequate resources to continue to operate for the foreseeable future and for at least twelve months from the date of signing of the balance sheet and confirm that the Group and Company are a going concern. For this reason, both the Group and Company continue to adopt the going concern basis in the preparation of these financial statements.

The Group continued during 2021 to successfully navigate the macroeconomic challenges arising from the COVID-19 pandemic, the market volatility arising from the pandemic being a core driver of increased client activity. Having raised $580 million during 2020 at a valuation of $5.5 billion, Revolut was rewarded for our resilience, innovation, vision and focus during the pandemic by raising $800 million in July 2021 at a valuation of $33 billion, representing a 6x valuation growth on the 2020 valuation.

The Group has continued to demonstrate its ability to continue to operate successfully despite the requirements at different times of the year and in different locations in which the Group has employees for a significant proportion of its workforce to continue to work from home. The Group has prioritised the safety of its employees, the continuity of service to the Group's customers and the compliance with the Group's regulatory requirements. This has been achieved through ensuring that the Group has the appropriate IT infrastructure in place to enable employees to work effectively from home, assessing the risk and monitoring the performance of the Group's third-party suppliers to address the risks of customer service interruption arising from failures in the provision of services to the Group, regular assessment of employee wellbeing and working preferences and actively monitoring a number of KPIs and KRIs to ensure that issues are appropriately identified and addressed on a timely basis.

The significant equity funding raised during 2021 has provided the Group with additional capital and liquidity to invest in the Group's product growth and international expansion as well as to withstand future business stresses.

Group reorganisation

As noted in the Legal Entity Structure section, Revolut has been undertaking a restructuring of its corporate group, with restructuring beginning in 2021. As part of this, during 2022, Revolut inserted a new holding company, Revolut Group Holdings Ltd, which now sits as the top company of the Revolut group and holds 100% of the shares of Revolut Ltd. From the 2022 financial year onwards, Revolut Group Holdings Ltd will report through its annual report on the Revolut group's consolidated financials.

In addition, in July 2022 we completed the successful merger of our Lithuanian e-money institution, Revolut Payments UAB, with our Lithuanian bank, Revolut Bank UAB. As a result of the merger, all of our e-money institution customers across the EEA became customers of Revolut Bank UAB, which has a full banking licence granted by the European Central Bank and is supervised by the Bank of Lithuania.

Directors' responsibilities statement

Revolut Ltd's directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

The directors have chosen to prepare the Group Financial Statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the United Kingdom ("UK") and the Companies Act 2006 and the Company Financial Statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The law provides that the directors may only approve the financial statements if they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for the financial year to which they relate.

In preparing the financial statements, the directors are required to:

- Maintain appropriate accounting records which enable the directors to understand the Company's and Group's transactions and financial position;
- Select appropriate accounting policies and apply them consistently;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Make judgements and accounting estimates that are reasonable and prudent;
- Provide additional disclosures in certain circumstances to ensure that readers of the financial statements can understand the impact of particular transactions and matters on the Group and Company's financial position and financial performance;
- Ensure that the financial statements comply with the requirements of the Companies Act 2006;
- Make an assessment of the Group and Company's ability to continue as a going concern.
- The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Financial Reporting Council's Audit Quality Review

During the year the Financial Reporting Council's Audit Quality Review team (AQR) reviewed BDO's audit of the Group's 31 December 2020 financial statements as part of its annual inspection of audit firms. The Audit Committee received and reviewed the final report from the FRC in March 2022. The Audit Committee was satisfied that the matters raised by the AQR were appropriately incorporated into the 2021 audit plan, and having considered the areas identified and changes made to the audit strategy and approach, the Audit Committee concluded that it was satisfied with the response from the external auditor, the audit was effective and that none of the matters raised brought into question the integrity of the prior year financial statements.

Disclosure of information to auditors

Each of the Revolut Ltd directors as of the date of approval of this Directors' Report has confirmed that:

- so far as the directors are aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- each of the directors has taken all of the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Auditor

BDO LLP have indicated their willingness to be reappointed as auditors for another term and appropriate arrangements will be put in place for them to be deemed reappointed.

This report was approved by the Board on 27 February 2023 and signed on its behalf.

Nikolay Storonsky
Director

27 February 2023

Independent auditor's report to the members of Revolut Ltd

Opinion on the financial statements

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Revolut Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 31 December 2021 which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

Basis for qualified opinion

The Group's activities are digital and IT dependent. The Group's control environment continues to develop but for the year ending 31 December 2021 the IT systems were not designed in such a way that would allow for IT or business process controls to be effectively tested throughout the year.

Certain transactions are initiated by users directly into the Group's IT environment, and are then processed, executed and settled within the Group's IT systems. Where an entity conducts activities using IT and no reliable documentary evidence of those activities is produced or maintained outside of the IT system, substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level, except for the accuracy of processing, recording and settlement of those activities within that IT system. Verification procedures are not able to provide sufficient appropriate assurance over Subscription, Card Delivery and Foreign Exchange and Wealth revenue streams. As a result we were unable to satisfy ourselves by the execution of such procedures or by alternative means concerning the completeness and occurrence of revenue within these streams totalling £476,856k which is included in the Statement of Comprehensive Income and Note 6 of the financial statements for the year ended 31 December 2021. Consequently, we were unable to determine whether any adjustments to this amount or related amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We are independent of the Group and Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group or Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and consolidated financial statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the completeness and occurrence of certain revenues for the year ended 31 December 2021. We have concluded that where the other information refers to revenue or related balances these may be materially misstated for the same reason.

Other Companies Act 2006 reporting

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' report have been prepared in accordance with applicable legal requirements.

Except for the possible effects of the matters described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

Arising solely from the limitation on the scope of our work relating to the completeness and occurrence of certain revenues, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the Parent Company.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

Responsibilities of Directors

As explained more fully in the Directors' responsibility statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Identifying and assessing potential risks related to irregularities.

In identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- The legal and regulatory framework applicable to Revolut Limited and the industry in which it operates and considered the risk of acts by Revolut Limited which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Financial Conduct Authority ("FCA") regulations, other relevant regulatory bodies, pension legislation and tax legislation. We focused on laws and regulations that could give rise to a material misstatement in the Group and Parent Company financial statements.
- The susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by considering the nature of the industry, sector and control environment and controls established by the Group to address risks identified by the Group or that otherwise seek to prevent, deter or detect fraud.
- Due to the acute dependency of the Group on its IT infrastructure we performed an assessment of the IT landscape, performed bidirectional data flow assessments across product cycles identified as key, and assessed the design of the IT environment and relevant activity level controls across the customer lifecycle for those products and services.

Audit response to the risks identified

As a result of assessing the above we identified the underdeveloped financial control environment as the key risk in respect of how the audit was capable of detecting irregularities including fraud.

As we were unable place reliance on relevant IT and business process controls we designed our audit procedures to obtain evidence from substantive procedures and due to the nature of operations focused our procedures on the existence of own cash balances, the existence of cash and commodities held in client designated bank accounts, and the completeness of client liabilities associated with those cash and commodities balances held in third party bank accounts.

Risk - Existence of own and client cash and commodities held by the entity as at the year end

Our procedures included the following:

We obtained independent confirmation of 100% of cash balances held on behalf of customers with third parties.

We obtained independent confirmation of 100% of commodities held with third parties.

We obtained independent confirmation of 99.99% of own cash, other high quality liquid assets (HQLAs), and short term financial assets held with third parties, with appropriate rationalisation and alternative procedures performed on the remaining immaterial 0.01%.

Risk - Completeness of customer liabilities recognised as at the year end

Our procedures included the following:

We performed a reconciliation of brought forward and year end client liabilities via recalculation of transactional e-money activity in the year.

We used data analytics techniques to independently recalculate total e-money in issue at an individual user level by direct interrogation of the entity's IT environment for evidence of understatement of customer liabilities.

We performed analytics over e-money transactional revenues to identify anomalies and outliers in fees levied for indications of fraudulent revenue recognition.

We performed analytics over certain third party internet review sites for customer sentiment.

We performed analytics of customer account activity behaviours and tested a sample based on risk criteria for evidence of misallocation and/or misappropriation of customer liabilities.

We reviewed available external complaints data including that recorded by the Bank of Lithuania and compared to internal data source(s) to assess potential incompleteness of customer complaints recorded by the entity.

We reviewed and performed analytics over customer complaints and tested a sample based on a number of risk criteria for indications of systemic evidence of understatement of customer liabilities.

We included as part of our substantive procedures in respect of the revenue and treasury cycles verification of customer existence procedures (onboarding) for indicators of fictitious customers and accounts.

As we were unable to rely on reconciliation controls, we identified certain reconciliation processes with the entity's IT systems as a basis to perform substantive procedures in respect of the operation of those reconciliations and interactions with third parties including verification to cash settlements recorded in the entity's third party bank accounts.

We obtained confirmations over a number of customer balances and year end transactions direct from customers based on specific risk criteria and characteristics.

Certain BDO team members opened accounts for the purposes of the audit to initiate customer transactions which we then verified in the entity's systems to identify contra-indicators in respect of the completeness and accuracy of transactional behaviours in Revolut's internal systems and the completeness, accuracy and existence of transactional flows initiated in the app.

In addition to the above our procedures to response to risks included, but were not limited to:

Review of correspondence with and reports to the regulators, including the FCA, the Bank of Lithuania, and other regulatory bodies;

- Review of management's reporting to the Board Audit and Risk Committee in respect of compliance and legal matters;
- Enquiring of management and review of internal audit reports in so far as they related to the financial statements;
- Identifying and testing journal entries, including those posted with double entries to unusual account combinations;
- Reviewing dispute logs, breaches/incidents log, legal expenses and whistleblowing reports.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it. In addition, the extent to which the audit was capable of detecting irregularities, including fraud was limited by the matters described in the basis for qualified opinion section of our report.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Matthew Hopkins (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 February 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Financial statements

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note	2021 £000	2020 (restated) £000
Revenue	6	**636,205**	219,931
Cost of sales		**(196,015)**	(148,063)
Gross profit		**440,190**	71,868
Administrative expenses	8	**(367,478)**	(274,701
Depreciation and amortisation expense	12,13	**(9,079)**	(9,629)
Impairment (loss) / credit		**(1,034)**	220
Other operating (expense) / income		**3,508)**	6,781
Profit / (loss) from operations		**59,091**	(205,461)
Interest expense	7	**(21,026)**	(17,373)
Interest income	7	**1,726**	2,129
Profit / (loss) before tax		**39,791**	(220,705)
Tax (expense) / credit	11	**(13,451)**	(2,917)
Net profit / (loss) for the year		**26,340**	(223,622)
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Revaluation gain on intangible assets (cryptocurrencies)		**-**	38,659
Items that are or may be reclassified subsequently to profit or loss			
Currency translation differences		**(9,237)**	(328)
Fair value gain on financial assets held at fair value through comprehensive income		**2,602**	-
Other comprehensive (loss)/income, net of tax		**(6,635)**	38,331
Total comprehensive income / (loss) for the year		**19,705**	(185,291)

The accompanying notes form an integral part of these financial statements.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The Company profit for the year ended 31 December 2021 amounted to £19.7m (2020 (restated): loss -£201.6m)

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000
Assets				
Current assets				
Cash and cash equivalents	20	**7,052,609**	5,055,023	2,462,986
Financial assets at FVOCI	18	**1,236,481**	-	-
Investment in commodities at FVTPL	19	**66,356**	50,366	-
Trade and other receivables	16	**206,880**	153,242	209,825
Inventories	15	**7,396**	11,282	13,042
Current tax assets		**7,291**	3,856	1,693
Loans and advances to customers	17	**4,870**	415	-
Derivative financial assets	29	**9,294**	121	-
Total current assets		**8,591,177**	5,274,305	2,687,546
Non-current assets				
Property, equipment and right-of-use assets	13	**25,128**	37,497	38,424
Intangible assets	12	**721**	411	93,927
Loans and advances to customers	17	**12,946**	961	-
Deferred tax assets	11	**1,783**	345	42
Total non-current assets		**40,578**	39,214	132,393
Total assets		**8,631,755**	5,313,519	2,819,939
Liabilities and equity				
Current liabilities				
Trade and other payables	22	**165,248**	143,663	203,830
Loans at amortised cost	24	**122**	81,812	972
Customer liabilities	21	**7,361,196**	4,637,230	2,367,200
Current tax liabilities		**9,374**	1,670	-
Lease liability		**5,161**	5,985	3,593
Derivative financial liabilities	29	**2,454**	1,970	-
Total current liabilities		**7,543,555**	4,872,330	2,575,595

	Note	**31 December 2021 £000**	31 December 2020 (restated) £000	1 January 2020 (restated) £000
Non-current liabilities				
Loans at amortised costs	24	**-**	-	119,546
Provisions for liabilities	23	**1,812**	1,788	1,775
Lease liability		**9,085**	18,943	23,104
Deferred tax liabilities	11	**243**	18	-
Total non-current liabilities		**11,140**	20,749	144,425
Total liabilities		**7,554,695**	4,893,079	2,720,020
Equity				
Share capital	25	**-**	-	-
Share premium	26	**1,287,452**	697,444	248,814
Accumulated deficit		**(317,960)**	(344,300)	(159,337)
Other reserves	26	**107,568**	67,296	10,442
Total equity		**1,077,060**	420,440	99,919
Total liabilities and equity		**8,631,755**	5,313,519	2,819,939

The accompanying notes form an integral part of these financial statements. The financial statements on pages 51 to 123 were approved and authorised for issue by the Board and were signed on its behalf on 27 February 2023.

Nikolay Storonsky
Director

Registered Company number: 08804411

Company Statement of Financial Position

As at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 (restated) £000
Assets			
Current assets			
Cash and cash equivalents	20	**3,984,868**	2,562,779
Financial assets at FVOCI	18	**383,670**	-
Investment in commodities at FVTPL	19	**66,356**	50,366
Trade and other receivables	16	**200,228**	119,043
Inventories	15	**7,101**	11,161
Current tax assets		**6,427**	3,856
Derivative financial assets	29	**16,255**	3,707
Total current assets		**4,664,905**	2,750,912
Non-current assets			
Property, equipment and right-of-use assets	13	**23,164**	32,762
Intangible assets	12	**204**	351
Deferred tax assets	11	**470**	186
Investment in subsidiaries	14	**264,886**	90,875
Total non-current assets		**288,724**	124,174
Total assets		**4,953,629**	2,875,086
Liabilities and equity			
Current liabilities			
Trade and other payables	22	**320,135**	198,593
Loans at amortised cost	24	**-**	81,812
Customer liabilities	21	**3,516,981**	2,121,085
Current tax liabilities		**432**	1,178
Lease liability		**4,798**	5,030
Derivative financial liabilities		**6,434**	2,139
Total current liabilities		**3,848,780**	2,409,837

	Note	31 December 2021 £000	31 December 2020 (restated) £000
Non-current liabilities			
Provisions for liabilities	23	**1,801**	1,788
Lease liability		**7,916**	15,037
Deferred tax liabilities	11	**240**	-
Total non-current liabilities		**9,957**	16,825
Total liabilities		**3,858,737**	2,426,662
Equity			
Share capital	25	**-**	-
Share premium	26	**1,287,452**	697,444
Accumulated losses		**(306,830)**	(316,543)
Other reserves	26	**114,270**	67,523
Total equity		**1,094,892**	448,424
Total liabilities and equity		**4,953,629**	2,875,086

The accompanying notes form an integral part of these financial statements. The financial statements on pages 51 to 123 were approved and authorised for issue by the Board and were signed on its behalf on 27 February 2023.

Nikolay Storonsky
Director

Registered Company number: 08804411

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£000	**£000**	**£000**	**£000**	**£000**
As at 1 January 2020 (restated)	**-**	**248,814**	**10,442**	**(159,337)**	**99,919**
Loss for the year	-	-	-	(223,622)	(223,622)
Other comprehensive income for the year	-	-	(328)	38,659	38,331
Total comprehensive loss for the year	**-**	**-**	**(328)**	**(184,963)**	**(185,291)**
Transactions with owners					
Equity-settled share-based compensation	-	-	57,182	-	57,182
Shares issued during the year		448,535	-	-	448,535
Exercise of share options	-	95	-	-	95
Total transactions with owners	**-**	**448,630**	**57,182**	**-**	**505,812**
As at 31 December 2020 (restated)	**-**	**697,444**	**67,296**	**(344,300)**	**420,440**
As at 1 January 2021	**-**	**697,444**	**67,296**	**(344,300)**	**420,440**
Profit for the year	-	-	-	26,340	26,340
Other comprehensive loss for the year	-	-	(6,635)	-	(6,635)
Total comprehensive income for the year	**-**	**-**	**(6,635)**	**26,340**	**19,705**
Transactions with owners					
Shares issued during the year	-	590,008	-	-	590,008
Equity-settled share-based compensation	-	-	47,352	-	47,352
Employee Benefit Trust purchase of own shares			(445)		(445)
Total transactions with owners	**-**	**590,008**	**46,907**	**-**	**636,915**
As at 31 December 2021	**-**	**1,287,452**	**107,568**	**(317,960)**	**1,077,060**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£000	£000	£000	£000	£000
As at 1 January 2020 (restated)	**-**	**248,814**	**10,456**	**(153,126)**	**106,144**
Loss for the year	-	-	-	(202,076)	(202,076)
Other comprehensive income for the year	-	-	(115)	38,659	38,544
Total comprehensive loss for the year	**-**	**-**	**(115)**	**(163,417)**	**(163,532)**
Transactions with owners					
Equity-settled share-based compensation	-	-	57,182	-	57,182
Shares issued during the year	-	448,630	-	-	448,630
Total transactions with owners	**-**	**448,630**	**57,182**	**-**	**505,812**
As at 31 December 2020 (restated)	**-**	**697,444**	**67,523**	**(316,543)**	**448,424**
As at 1 January 2021	**-**	**697,444**	**67,523**	**(316,543)**	**448,424**
Profit for the year	-	-	-	9,713	9,713
Other comprehensive income for the year	-	-	(149)	-	(149)
Total comprehensive income for the year	**-**	**-**	**(149)**	**9,713**	**9,564**
Transactions with owners					
Shares issued during the year	-	590,008	-	-	590,008
Equity-settled share-based compensation	-	-	47,341	-	47,341
Employee Benefit Trust purchase of own shares			(445)		(445)
Total transactions with owners	**-**	**590,008**	**46,896**	**-**	**636,904**
As at 31 December 2021	**-**	**1,287,452**	**114,270**	**(306,830)**	**1,094,892**

The accompanying notes form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2021

	2021	2020
	£000	£000
Cash flows from operating activities		
Profit / (loss) before tax	**39,791**	(220,705)
Adjustments for non-cash items:		
Interest expense	**21,026**	17,373
Interest income	**(1,726)**	(2,129)
Operating profit/(loss)	**59,091**	(205,461)
Amortisation of intangible assets	**176**	174
Depreciation of tangible assets	**8,903**	9,455
Impairment of intangible assets	**7,278**	-
Impairment of financial assets	**1,034**	(220)
Share based payment expense	**47,351**	57,182
Fair value losses on customer liabilities in respect of cryptocurrencies	**-**	38,659
Increase in provisions net of payments made	**6,913**	10,625
Net fair value (gains)/losses on derivative financial instruments	**(8,689)**	1,850
Operating cash flows before changes in customer balances and hedging arrangements and changes in working capital	**122,057**	(87,736)
Working capital movements:		
• Decrease in inventories	**3,886**	1,760
• Loans extended to directors	**(3,200)**	-
• Loans settled by directors	**3,216**	-
• Increase in trade and other receivables	**(69,468)**	(27,337)
• Increase/(decrease) in trade and other payables	**94,489**	(1,147)
Operating cash flows before changes in customer balances and hedging arrangements	**150,980**	(114,460)
Cashflows from customer balances and hedging activities:		
• Net increase in e-money in issue	**2,174,430**	2,263,427
• Increase in negative customer balances	**(8,186)**	(7,687)
• (Increase)/decrease in net settlement balances	**(63,979)**	17,447
• Increase in customer liability in respect of cryptocurrencies	**-**	136,142
• Increase in cryptocurrencies	**-**	(135,970)
• Increase in customer liability in respect of commodities	**15,543**	49,904
• Increase in investment in commodities at FVTPL	**(15,990)**	(50,366)
• Net increase in loans and advances to customers	**(16,440)**	(1,389)
• Net increase in customer deposits	**533,970**	49,875
	2,770,328	2,206,923

R&D Credit Received	**3,856**	1,342
Tax paid	**(9,901)**	(301)
Net cash flows from operating activities	**2,764,283**	2,207,964

Cash flows from investing activities		
Purchases of property and equipments	**(1,684)**	(6,326)
Payments to develop or acquire intangible assets	**(5,168)**	(6)
Interest received	**1,726**	2,129
Purchase of financial assets at FVOCI	**(1,242,842)**	-
Net cash used in investing activities	**(1,247,968**	(4,203)

Cash flows from financing activities		
Proceeds from issue of ordinary shares net of transaction costs	**601,878**	448,535
Proceeds from exercise of share options	**-**	95
Interest paid (including interest paid on lease liabilities)	**(19,213)**	(18,329)
Principal payments on lease liabilities	**(4,740)**	(3,759)
Loans repaid	**(81,690)**	(37,734)
Net cash from financing activities	**496,235**	388,808

Net increase in cash and cash equivalents	**2,012,550**	2,592,568
Cash and cash equivalents at beginning of year	**5,055,023**	2,462,986
Effect of exchange rates on cash and cash equivalents	**(14,964)**	(531)
Cash and cash equivalents at end of year	**7,052,609**	5,055,023

Cash and Cash equivalents at the end of the year comprise of		
Own cash and cash equivalents	**1,572,726**	486,743
Cash held at central banks and other banks in respect of customers	**5,479,883**	4,568,280
Cash and cash equivalents at end of year	**7,052,609**	5,055,023

The accompanying notes form an integral part of these financial statements.

Notes to the consolidated financial statement

1. General information

Revolut Ltd (the "Company") and its subsidiaries (together, the "Group") provides electronic money and payment services through a prepaid card, currency exchange, peer to peer payments, cryptocurrency and commodity exposures, share trading and consumer loans and credit cards for retail users. It also offers a similar proposition to business customers encompassing multi-currency exchange, prepaid corporate cards, and international and domestic bank transfers to freelancers, and Small and Medium Enterprises.

The Company is a private company limited by shares and incorporated in England & Wales. The registered office and the principal place of business is 7 Westferry Circus, Canary Wharf, London E14 4HD.

2. Basis of preparation

The consolidated financial statements of the Group have been prepared in compliance with the International Financial Reporting Standard ("IFRS") as adopted by the United Kingdom ("UK") and the Companies Act 2006. The individual financial statements of Revolut Ltd have been prepared in accordance with Financial Reporting standard 101, 'Reduced Disclosure Framework' (FRS 101) and the Companies Act 2006.

The consolidated and individual financial statements are prepared on a going concern basis (as disclosed in note 3), under the historical cost convention, as modified by the recognition of certain financial assets at fair value, namely financial assets at fair value through other comprehensive income ('FVOCI') and Investment in commodities at fair value through profit and loss ('FVTPL').

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group and Company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

The Company has taken advantage of the exemption in section 408 of the Companies Act from presenting its individual profit and loss account.

2.1 Separate financial statement of the Company Exemption under FRS 101

The following exemptions from the requirements of IFRS have been applied in the preparation of individual financial statements of Revolut Ltd, in accordance with FRS 101:

- IAS 7, 'Statement of Cash flows'.
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures', to disclose related party transactions entered into between two or more members of a group.

3. Going concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Group has the available resources to continue in business for a period of at least 12 months from the date of approval of the financial statements.

The going concern assessment is based on the detailed forecast prepared by management and approved by the Board. As part of the going concern review, the Directors have considered severe, but plausible, downside scenarios to stress test the viability of the business. These downside scenarios covered reduction in revenues, profitability, cash position and liquidity as well as the Group's ability to meet its regulatory capital and liquidity requirements.

Appropriate assumptions have been made in respect to revenue growth and profitability, based on the economic outlook over the forecast period. Appropriate sensitivities have been applied in order to stress test the base plan, considering situations in which future costs are substantially higher than the forecast and future trading is less than forecasted. Management expects that sufficient liquidity and regulatory capital requirement headroom is maintained throughout the forecast period.

The Directors have made inquiries of management and considered forecasts for the Group and have, at the time of approving these financial statements, a reasonable expectation that the Group has adequate resources to continue in operations for a period of at least 12 months from the date of approval of the financial statements.

4. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

4.1 Adoption of new and revised standards

a. Changes in accounting policy

The Group consolidated financial statements were historically presented under Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ("FRS 102"). As of 1 January 2020, the Group transitioned to IFRS and Revolut Ltd adopted FRS 101 as its accounting framework for individual financial statements.

The historical information previously reported was restated as of the 'date of transition' being 1 January 2020, as well as in the comparative period i.e. 31 December 2020. The impact of the change in policy on the financial statements of the Group and the Company is presented in note 4.24. The Company has taken the disclosure exemption available under FRS 101 and has not presented a statement of financial position at the date of transition.

b. New standards, interpretations, and amendments adopted from January 1, 2021

New standards impacting the Group that have been adopted in the financial statements for the year ended December 31, 2021 are:

- Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.
- The adoption of the new standards listed above have not had a significant impact on the consolidated financial statements of the Group for the year ended December 31, 2021.

c. New standards, interpretations, and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

New standards or amendments	Effective for annual periods beginning on or after
COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendments to IFRS 16	1-Apr-21
Onerous Contracts – Cost of Fulfilling a Contract - Amendments to IAS 37	1-Jan-22
Annual Improvements to IFRS Standards 2018–2020 – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1-Jan-22
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	1-Jan-22
Reference to the Conceptual Framework - Amendments to IFRS 3	1-Jan-22
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1-Jan-23
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1-Jan-23
Disclosure of Accounting Policy - Amendments to IAS 1 and IFRS Practice Statement 2	1-Jan-23
Definition of Accounting Estimate - Amendments to IAS 8	1-Jan-23
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 and IFRS 1	1-Jan-23
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Deferred indefinitely

Management does not expect that the adoption of the standards listed above will have a material impact on the annual financial statements of the Group in future periods.

4.2 Basis of consolidation

The Group consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 1 January 2020, 31 December 2020 and 31 December 2021.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and are de-consolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between companies within the Group are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Group accounting policies are consistently applied to all entities and transactions.

Where a subsidiary has different accounting policies to the group, adjustments are made to those subsidiary financial statements to apply the group's accounting policies when preparing the consolidated financial statements.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Adjustments are made to eliminate the profit or loss arising on transactions with associates and equity accounted joint ventures to the extent of the Group's interest in the entity.

4.3 Foreign currency translation

Functional and presentation currency

The Group consolidated financial statements are presented in pound sterling. The Company's functional and presentation currency is the pound sterling.

Transactions and balances

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss. Non-monetary assets and liabilities carried at fair value and denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Translation

On consolidation, the results of overseas operations are translated into sterling at the average exchange rates for the year. All assets and liabilities of overseas operations are translated at the exchange rate ruling at the statement of financial position date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

4.4 Revenue

The Group recognises revenue according to the principles of IFRS 15 using the five-step model:

1. Identify the contracts with customers
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction to the performance obligations in the contract
5. Recognise the revenue when (or as) the entity satisfies the performance obligation

The group derives its revenue from contracts with customers by transferring the following services:

Card and interchange fees

Card and payments revenue represents transactional related fees, including interchange fees receivable from the Group's card issuing partners, merchant acquiring fees, fair usage fees for cash withdrawals outside of customer plans allowances and top up fees.

Card and interchange revenue is deemed to include a single performance obligation under IFRS 15 'Revenue from contracts with customers', namely the completion of a card transaction for a customer and as such, revenue is recognised at the time of the transaction.

Subscription fees

Subscription revenue represents monthly and annual subscription fees charged to retail and business customers. Subscription service has two distinct performance obligations: a card delivery service and an ongoing payment processing service. Revenue for the card delivery is recognised on the day the card is ordered by the customer. Revenue for the subscription service is recognised in the month to which the subscription relates. Where subscription fees are received in advance (namely annual subscription fees) they are initially recognised as contract liabilities and are recognised as revenue in the income statement on a straight-line basis over the period of the subscription.

Any termination fees for existing subscriptions services ending early are recognised upon the termination date.

Foreign exchange fees

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

Foreign exchange revenue has a single performance obligation namely the exchange of one currency for another between customer's currency pockets. The revenue is recognised at the point of this exchange.

Wealth

Wealth comprises revenues from the Group's cryptocurrency, commodities, trading and vault products. Where the Group acts as an agent on behalf of its customers to buy or sell cryptocurrencies and listed company shares, the revenue represents any exchange markup/commission charged, and any applicable fair usage fees.

Buying or selling cryptocurrencies or listed company shares has a single performance obligation, namely the execution of a customer's order and as a result, revenue is recognised at the time of the transaction.

Prior to 27 July 2020 the Group had exposure to cryptocurrencies and the underlying commodities when entering into contracts with customers.

When entering into these contracts with customers the Group charges a markup on the market exchange rate for the exchange of E-Money, and similarly when the customer settles the contract and receives E-Money.

Entering into or closing commodities contracts (and cryptocurrency contracts prior to 27 July 2020) comprises two performance obligations, namely one when the contract is entered into and one when it is settled. Each of these obligations incurs a separate fee and as such the relevant markup is recognised as revenue when the contract is entered into and when it is settled.

While open, the customer contracts are accounted for at fair value through profit or loss within revenue. The policies and methodologies associated with the determination of fair value are included in note 29.2.

The Group hedges its exposure to these customer contracts through holding its own investments in commodities (and cryptocurrencies prior to 27 July 2020). The net amount representing the change in fair value of the contracts with customers and the associated hedging investments are presented net in the Wealth revenue line. The policies and methodologies associated with the determination of fair value are included in note 29.2.

The exception to this is fair value gains on cryptocurrencies above their original cost (prior to 27 July 2020) which is recognised in other comprehensive income (see note 4.14).

Other

Other revenue mainly comprises:

- commission earned on the sale of insurance products to customers and is recognised at the time of the transaction.
- fees charged to customers in respect of remittances facilitated at customers request.
- *Remaining performance obligations*
- IFRS 15 allows the Group to exclude from its remaining performance obligations disclosure any performance obligations which are part of a contract with an original expected duration of one year or less. Additionally, any variable consideration, for which it is probable that a significant reversal in the amount of cumulative revenue recognized will occur when the uncertainty associated with the variable consideration is subsequently resolved, is not subject to the remaining performance obligations disclosure because such variable consideration is not included in the transaction price (e.g. investment management fees).

4.5 Cost of sales

Cost of sales primarily relates to fees incurred by the Group in the processing and settlement of transactions, the costs of providing cards to customers and the costs of any redress payments made to customers who have been the subject of fraudulent transactions.

Processing and settlement of transactions

These are costs primarily payable to the card schemes of which Revolut is a member. Processing and settlement of transaction costs are presented net of rebates received from payment scheme providers for scheme fee costs.

Providing cards to customers

These are the costs incurred by the Group to purchase, personalise and distribute cards to customers. Card stock is initially recognised as inventory until the card is shipped to a customer at which point it is expensed.

Redress payments

These are amounts that the Group incurs where customers have been subject to fraudulent transactions or where charges have caused a customer's account to have a negative balance.

4.6 Employee benefits

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements, defined contribution pension plans and share-based payments.

Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Share-based payments

Group

The Group operates two share option plans, a Company Share Option Plan ("CSOP") and an Unapproved Option Plan ("UOP") and a share scheme, the Growth Shares scheme. The purpose of these plans is to incentivise and remunerate the Group's employees. Further details on these schemes are out in note 27. These schemes meet the definition of equity settled share-based payment schemes.

Estimating fair value for share-based compensation transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share awards, volatility and dividend yield and making assumptions about them. The Group measures the fair value of equity-settled transactions with employees at the grant date using a Black-Scholes Model.

The fair value of the awards is recognised as an expense in the Consolidated Statement of Comprehensive Income over the vesting period. The cumulative expense at each reporting date is based on the total number of awards that are expected to vest, taking into account the service conditions and any non-market performance conditions such that the total cumulative amount recognised as an expense over the vesting period is based on the number of options that eventually vest. The Group has to estimate the expected yearly percentage of employees that will stay within the Group at the end of the vesting period of the share awards in order to determine the amount of share-based compensation expense charged to the statement of operations.

Where the terms and conditions of options are modified before they vest, to the extent that there is an increase in the fair value of the options, measured immediately before and after the modification, this increase is also recognised as an expense in the Consolidated Statement of Comprehensive Income over the remaining vesting period.

Share based payments - Company

Where the Company grants share options to employees of subsidiary companies, the relevant charge is recognised as an increase in cost of investment in subsidiaries.

4.7 Interest expense

Interest expenses are charged to interest expense in the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument.

Issue costs are initially recognised as a reduction in the proceeds of the associated instrument, when considered incremental and directly attributable to the instrument issued.

4.8 Interest income

Interest income using the Effective Interest Rate method

Interest income is recognised using the effective interest rate on: credit cards and loans arrangements entered into with customers; financial assets held at fair value through other comprehensive income; safeguarded funds and cash and cash equivalents.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset (before adjusting for expected credit losses).

Interest income from non-credit impaired financial assets is recognised by applying the effective interest rate to the gross carrying amount of the asset; for credit impaired financial assets, the effective interest rate is applied to the net carrying amount after deducting the allowance for expected credit losses.

4.9 Current and deferred taxation

The tax charge/(credit) comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax credit is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future. Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the Statement of Financial Position date.

4.10 Property, equipment and right of use assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Fixtures and fittings	- 10% straight line
Office equipment	- 25% straight line
Computer equipment	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in Administrative expenses in the Consolidated Statement of Comprehensive Income.

4.11 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. As at December 31, 2021 and 2020, and January 1, 2020, the Group is a lessee in its lease arrangements, and is not a lessor.

The Group applies a single recognition and measurement approach for all lessee leases, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets (defined as leased assets, when new, with a value of five thousand pounds or less). The Group recognizes lease liabilities representing obligations to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset, otherwise the right of use asset is amortised over the duration of the lease agreement. The depreciation starts at the commencement date of the lease.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in note 4.13 , Impairment of non-financial assets.

The right-of-use assets are presented as along with property and equipment in the consolidated statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line general and administrative expense in the statement of operations (unless they are incurred to produce inventories, whereby they will be included as part of cost of goods sold).

In calculating the present value of lease payments, the Group uses the rate implicit in the lease if it is readily determinable. However, if the rate implicit in the lease is not readily determinable, the Group uses its Incremental Borrowing Rate (IBR) at the lease commencement date. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected this practical expedient and will not separate lease and non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. The Group recognised £0.9m in lease expense related to short-term and low-value assets for the period (2020:£1.7m). The Company had nil expense for short-term and low value leases in the same period (2020:£0.4m).

4.12 Intangible assets

Cryptocurrencies

Pre-27 July 2020

Prior to 27 July 2020, the legal and beneficial ownership of the cryptocurrencies were held by Revolut Ltd, and they were determined to meet the definition of cryptocurrencies included in the FCA policy statement issued on 22 July 2019 and were recognised on the Group's Statement of Financial Position applying the following accounting policy.

There remains limited guidance in respect of the treatment of cryptocurrencies under IFRS.

The International Financial Reporting Interpretations Committee ("IFRIC" or "the Committee") reached an agenda decision in June 2019 in respect of the recognition and measurement of cryptocurrencies under IFRS. The agenda paper "Holdings of Cryptocurrencies" concluded that where cryptocurrencies are not held for sale in the ordinary course of business an entity applies IAS 38 (Intangible Assets). Consistent with the tentative agenda decision of March 2019, the Committee concluded that cryptocurrencies do not meet the criteria of financial assets, or cash and cash equivalents.

Therefore, in the absence of a specific standard, the Group recognised its cryptocurrencies as intangible assets.

The cryptocurrencies that the Group held are subject to significant trading volume on a number of cryptocurrency exchanges, including trading to and from fiat currencies, and therefore an active market had been identified for all the cryptocurrencies held by the Group.

Therefore, up to 27 July 2020 cryptocurrencies were recognised at fair value using the revaluation model under IAS 38. Any revaluation gains and losses above the assets' original cost were recognised in other comprehensive income, with the revaluation gains and losses below the assets' original cost being recognised in profit or loss. The corresponding fair value movements on the customer liability were recognised in profit or loss as set out in accounting policy 4.21 below.

The Group's cryptocurrencies, subject to annual review, were considered to have indefinite lives and as such were not subject to amortisation.

Post-27 July 2020

On 27 July 2020, the contractual arrangements with the Group's customers were amended such that from that date Revolut Ltd is acting as an agent and nominee on behalf of the customer to facilitate the purchase of cryptocurrencies in the customer's name. As a result, the customer holds the beneficial interest in the cryptocurrencies and therefore is subject to the risks and rewards of the asset. As Revolut Ltd is no longer exposed to the risks and rewards of the cryptocurrencies, they have been derecognised from the Group's statement of financial position, along with the corresponding liability to the customer in relation to the assets.

Intangible assets acquired separately - Computer software

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Computer software is amortised on a straight-line basis over its estimated useful life, which is assessed to be 3 years.

Intangible assets acquired in the business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognised initially at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible asset

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

4.13 Impairment of non-financial assets

At each statement of financial position date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the profit and loss account, unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the profit and loss account.

4.14 Financial instruments

Recognition of financial assets

Financial assets are recognised when the Group enters into a contract that results in current or future economic value to the Group. Financial assets are initially measured at fair value and are accounted for on a trade date basis.

Classification and measurement of financial assets

The Group classifies its financial assets at either amortised cost, fair value through profit or loss or fair value through other comprehensive income.

In order to determine the appropriate classification of non-derivative financial assets, the Group assesses the objective of the business model in which the financial asset is held, and for those measured at amortised cost whether the contractual cash flows of the financial asset are "solely payments of principal and interest" (SPPI).

The Group assesses its business models at a portfolio level based on its objective for the relevant portfolio, how performance of the portfolio is measured and reported, how management are compensated and the frequency and reasons for asset sales from the portfolio. Financial assets are reclassified when, and only when, the Group changes its business model for managing the assets.

Financial assets at amortised cost

Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flows, and where those cash flows represent solely payments of principal and interest, are measured at amortised cost.

Financial assets measured at amortised cost are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue (with the exception of trade and other receivables with an expected term of less than one year where the Group applies the practical expedient to recognise these amounts at transaction price), and are subsequently measured at amortised cost using the effective interest rate method, less expected credit loss allowances as stipulated in IFRS 9.

Financial assets at amortised cost include cash and cash equivalents, loans and advances to customers, trade and other receivables, settlement receivables and amounts recoverable under long term contracts.

Financial assets at fair value through other comprehensive income

Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flow or to be sold and where those cash flows represent solely payments of principal and interest.

Financial assets measured at fair value through other comprehensive income are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition and are subsequently measured at fair value.

Unrealised gains or losses, other than loss allowances for expected credit losses, arising from financial investments measured at fair value through other comprehensive income are reported in equity (in the financial investment reserve) and in other comprehensive income in the Statement of Comprehensive Income, until such investments are sold, collected or otherwise disposed of.

On disposal of an investment, the accumulated unrealised gain or loss included in equity is recycled to the Income Statement for the period and reported in Other operating (expense)/income. Gains and losses on disposal are determined using the fair value of the investment at the date of derecognition.

Financial assets at fair value through profit or loss
Financial assets that do not meet the criteria to be measured at amortised cost or fair value through other comprehensive income are measured at fair value, with changes in fair value recognised in profit or loss in the consolidated statement of comprehensive income. These financial instruments include derivative financial instruments.

Derecognition
Financial assets are derecognised when the contractual right to receive cash flows has expired or when the Group has transferred its contractual right to receive the cash flows from the assets and either (i) substantially all of the risks and rewards of ownership have been transferred; or (ii) the Group has neither retained nor transferred substantially all of the risks and rewards but has transferred control.

Impairment of financial assets
In accordance with IFRS 9, the Group recognises impairment loss allowances for expected credit losses ("ECLs") on financial assets that are measured at amortised cost or fair value through other comprehensive income. These include loans and advances to customers, trade and other receivables, settlement receivables, debt securities and amounts recoverable under long term contracts.

Changes to the IFRS 9 model for impairment of financial assets are approved by the Group Credit Risk Committee or Group Model Risk Committee depending on the nature of the change. Material changes are escalated to the Group Asset and Liability Committee and to the Board where applicable.

There are three approaches to recognising ECL provisions under IFRS 9:

- **The Simplified Approach** – which applies on a mandatory basis to trade receivables and contract assets that do not contain a significant financing component. It may also be applied on an optional basis to trade receivables and contract assets that do contain a significant financing component or to lease receivables;
- **The Credit Adjusted Approach** – which applies to assets that are credit impaired on initial recognition (i.e., origination or acquisition); and
- **The General Approach** – which applies to all loans and receivables not eligible for the above two approaches.

All of the Group's trade receivables are considered to qualify for the simplified approach (as they have terms of less than one year and therefore do not contain a significant financing component), and therefore on initial recognition an impairment provision is required for expected credit losses arising from default events expected to occur over the life of the financial asset ("lifetime ECL").

The Group currently does not have any purchased or originated credit impaired financial assets.

For loans and advances to customers, amounts recoverable on long term contracts, and amounts due from other Group companies in the Company financial statements, the general approach to impairment is applied. This follows a three-stage model and requires these financial assets to be assigned to one of the following three stages:

- **Stage 1** – Financial assets which have not experienced a significant increase in credit risk since initial recognition, against which an expected credit loss provision is required for expected credit losses resulting from default events expected within the next 12 months (a "12-month ECL") is required on initial recognition - when a financial asset is first recognised it is assigned to Stage 1;
- **Stage 2** – Financial assets which have experienced a significant increase in credit risk since initial recognition, against which a lifetime ECL provision is required; and
- **Stage 3** – Financial assets which are credit impaired, for which objective evidence of an impairment exists, and which also requires a lifetime ECL provision.

Interest income on assets in Stages 1 and 2 is recognised using the effective interest rate method on the gross carrying value of the assets. For assets in Stage 3 interest income is recognised using the effective interest rate method on the carrying value of the assets net of the ECL provisions.

Significant increase in credit risk
Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition, but that do not have objective evidence of being credit impaired.

For retail credit risks, Stage 2 includes assets for which any of the following SICR indicators are present as at the reporting date, that were not present at initial recognition:

1. Obligors on watchlist status;
2. Obligors on forborne performing status (i.e., forbearance with material concession);
3. Obligors not eligible for forbearance measures based on their risk assessment;
4. Facilities more than 30 days past due;
5. Facilities with a significant increase in lifetime point-in-time forward looking PD compared to initial recognition. This occurs if:
   a. The PD has increased by more than 2.5 times (this would be equivalent to downgrade by approximately 2 or more notches according to Revolut's internal rating scale)
   b. The PD has increased by more than 0.5% in absolute terms (to avoid classification as Stage 2 of obligors still being with low risk despite a relative PD change exceeding 2.5 times).

SICR indicators in points 1 to 3 above are evaluated at obligor level, while the ones in points 4 and 5 are evaluated at individual financial instrument level.

For wholesale credit risks, a low-risk exemption applies, such that all investment grade obligors will be allocated to Stage 1. Stage 2 assets will include non-investment grade exposures which have experienced a downgrade by 2 or more notches based Revolut's internal rating scale as at the reporting date compared to initial recognition and this results in a PD increase of more than 0.5% in absolute terms.

Transfers from Stage 2 back to Stage 1 will be performed when none of SICR indicators are present as of the reporting date. Any changes in the criteria used to determine SICR follow the same approval pathway described for the overall IFRS 9 model.

Definition of default and credit impaired asset
Assets which are past due by more than 90 days, or where the Group considers it unlikely that the obligor will be able to pay its obligations, are considered to be in default for IFRS 9. Events that trigger inclusion in default include:

- the customer filing for bankruptcy or Individual Voluntary Agreement
- the customer is deceased
- tthe overdraft or loan has been renegotiated because the customer's condition has deteriorated. As an example, this includes cases where a specific repayment plan has been agreed and interest has been frozen
- the customer has requested 'breathing space' i.e. when the Bank agrees to give the customer some time in which they won't be contacted about their arrears at all and fees or interest is frozen.

Default status will be applied at an obligor level such that where any one facility is in default, all facilities of that obligor will be considered in default.

Calculation of expected credit losses
The expected credit loss provision is calculated using the three following inputs:

- **Probability of default ("PD")** – the likelihood of default within a given time frame, either 12-months (for Stage 1 assets) or the life of a financial asset (for Stages 2 and 3 assets). PD is determined with reference to internal and external scorecards based on customer characteristics at origination and are subsequently measured based on client behaviour;
- **Loss given default ("LGD")** – the net value of loss in the event of a default; and
- **Expected balance at default ("EAD")** – the gross value of loss in the event of a default. EAD is determined as the gross carrying amount for drawn balances and a fraction of the available credit based on the utilisation of credit lines for undrawn balances.

The expected credit loss provision on the outstanding financial assets at the statement of financial position date is calculated by multiplying the PD (dependent on the stage of the asset) by the LGD and EAD, taking into account the contractual period of credit risk exposure from initial recognition in the case of loans. For credit cards, where the exposure to credit risk is not limited to the contractual period, the expected life is calculated based on the estimated life of the loan and undrawn facility.

The measurement of the ECL provisions also takes into account all reasonable and supportable information, including forward looking economic scenarios to calculate a probability weighted forward looking estimate.

Economic scenarios are currently derived from macro forecasts sourced from external providers and weightings determined according to expert judgement.

Details on the ECL calculation approach are contained in jurisdiction specific methodologies, respectively for wholesale and retail credit exposures.

Modification of contractual terms
Where the contractual terms of financial assets are renegotiated or modified and the financial asset was not derecognised, its gross carrying value is adjusted to reflect the new contractual cash flows discounted at the original effective interest rate with a gain or loss recognised in the consolidated statement of comprehensive income.

Write offs
Financial assets will be written off, either partially or in full, against the related allowance once there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recovery of amounts written off are recognised against the amount of impairment losses recognised in the consolidated statement of comprehensive income.

Recognition and measurement of financial liabilities
Financial liabilities that are not measured at fair value through profit or loss are classified as at amortised cost. Financial liabilities designated as at amortised cost are initially measured at fair value (net of issue costs in the case of loans and borrowings) and subsequently measured at their amortised cost using the effective interest rate method. They include loans and borrowings, trade and other payables, and customer liabilities for E-Money in issue and customer deposits.

Non-derivative financial liabilities that are measured at fair value through profit or loss are measured at fair value with changes in fair value recognised in the Consolidated Statement of Comprehensive Income . These financial instruments include financial liabilities initially designated as fair value through profit or loss to avoid an accounting mismatch including customer liabilities in respect of cryptocurrencies (prior to 27 July 2020) and commodities, where the associated assets are accounted for at fair value.

Derivatives, including foreign currency and precious metals swaps and foreign currency forward contracts are measured at fair value through profit or loss. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

Interest expense is charged to the Consolidated Statement of Comprehensive Income using the effective interest rate method.

Financial liabilities are derecognised when the Group has either discharged the liability through settlement, or where it has been legally released from primary responsibility for the liability by process of law or by the creditor.

Offsetting of financial instruments
Financial assets and liabilities are offset, and the net amount is reported in the Statement of Financial Position when, and only when, there is a legally enforceable right to offset the recognised amounts with an intention to settle on a net basis, or alternatively to realise the asset and settle the corresponding liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards.

Hedge accounting
The Group hedges its net investment in foreign operations. To achieve this the Group enters into derivative currency contracts to hedge changes in the net investment of foreign operations arising from movements in the forward exchange rate. To the extent that the hedge is effective, gains and losses arising on the derivative are recognised in other comprehensive income. The ineffective portion of such hedges is recognised in profit or loss.

4.15 Investments in subsidiaries

Investments in subsidiaries which are stated in the accounts of the Company are measured at cost less accumulated impairment.

4.16 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In Europe client funds are held in segregated accounts with authorised credit institutions as part of the Group's safeguarding policy. In other jurisdictions the funds are held separately from the Group's own cash resources and are safeguarded through the provision of a bank guarantee from a third party authorised credit institution.

In the US, E-Money services are provided through partnerships with authorised credit institutions to provide the consumer protection, and the client funds and the associated customer liability are held on the statement of financial position of the relevant financial institution, and therefore are not recognised on the Group's Statement of Financial Position.

4.17 Investment in commodities

These investments represent holdings in precious metals that are held to hedge the Group's exposure to movements in commodity prices on its customer contracts. As these investments are not held for sale in the ordinary course of business, in the process of production for such sale, or in the form of materials or supplies to be consumed in the production process or in the rendering of services they are not considered to meet the definition of inventory.

Accordingly, they are classified as other current asset investments in the Statement of Financial Position, and as they are highly liquid assets, which are frequently traded in an active market, with an observable market price, the Group's accounting policy is to account for these investments at fair value through profit or loss. The fair value gains and losses on investments in commodities are recognised in revenue along with the corresponding fair value gains and losses on the associated customer liability (see note 4.21).

4.18 Settlement receivables

Settlement receivables include balances arising from timing differences in the Group's settlement process between the cash settlement of a transaction and the recognition of the associated liability (for example, customer liabilities – E-Money in issue). When customers fund their E-Money account using their bank account, or a credit or debit card, or sell stocks or cryptocurrencies via our trading and cryptocurrency exchange partners, there is a clearing period before the cash is received or settled. This period is usually within 5 business days.

4.19 Inventories

Inventories are stocks of Basic, Premium and Metal plan cards for new and existing users held at the Group's fulfilment partner warehouses and are stated at the lower of cost (adjusted for loss of service potential if applicable) and net realisable value (NRV or replacement cost). Inventories are recognised as an expense when the card is shipped to a customer.

Cost is determined using the weighted average cost to produce, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

At each statement of financial position date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell and the impairment loss is recognised immediately in profit or loss. Where a reversal of the impairment charge is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in profit or loss.

4.20 Provisions and contingencies

Provisions

Provisions are made where an event has taken place that gives rise for the Group to a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation and are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

Contingencies

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured reliably at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the group's control.

Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised, but might be disclosed in the notes to the financial statements.

4.21 Customer liabilities

E-Money in issue

The Group recognises a liability upon the issue of electronic money to its customers equal to the amount of electronic money that has been issued.

Customer deposits

The Group recognises a liability to customers when a customer makes a deposit. This liability is initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method.

Cryptocurrencies

Prior to the amendment to the terms and conditions relating to cryptocurrencies on 27 July 2020, the customer liabilities in respect of cryptocurrencies are financial liabilities with an embedded derivative. The Group's accounting policy was not to separate the embedded derivative and to measure the entire instrument at fair value through profit or loss.

Commodities

Customer liabilities in respect of contracts relating to the commodities offering are financial liabilities with an embedded derivative. The Group's accounting policy is not to separate the embedded derivative and to measure the entire instrument at fair value through profit or loss.

4.22 Share capital

Ordinary shares are classified as equity. Incremental costs that are directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

4.23 Reserves

The Group and Company reserves are as follows:

- The share premium account includes the premium on issue of equity shares, net of any issue cost.
- Other Reserves represent the cost of shares held for options granted to employees and revaluation of foreign currency at the statement of financial position date.
- Profit and loss account represents cumulative profits or losses, net of dividends paid, and any other adjustments.

4.24 First time adoption of IFRS

These financial statements, for the year ended 31 December 2021, are the first Group financial statements prepared in accordance with IFRS (UK). Revolut Ltd has adopted FRS 101 for the first time to prepare its individual financial statements. For periods up to and including the year ended 31 December 2020, the Group and Company prepared its financial statements in accordance with FRS 102, and had chosen to apply the recognition and measurement provisions of IFRS 9 Financial Instruments and the presentation and disclosure requirements of Sections 11 and 12 of the FRS 102.

Accordingly, the Group and Company have prepared financial statements that comply with IFRS (UK) and FRS 101 respectively applicable as at 31 December 2021, together with the comparative period data for the year ended 31 December 2020, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared as at 1 January 2020, the Group and Company's date of transition to IFRS (UK). This note explains the principal adjustments made by the Group and Company in restating its FRS 102 financial statements, including the statement of financial position as at 1 January 2020 and the financial statements as of, and for, the year ended 31 December 2020.

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group and the Company has applied the following exemptions:

- IFRS 2 Share-based Payment has not been applied to equity instruments in share-based payment transactions that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2020. For cash settled share-based payment transactions, the Group has not applied IFRS 2 to liabilities that were settled before 1 January 2020.
- The Group assessed all contracts existing at 1 January 2020 to determine whether a contract contains a lease based upon the conditions in place as at 1 January 2020.
- Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2020. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position immediately before 1 January 2020. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS (UK) and leases for which the underlying asset is of low value have been recognized as an expense on either a straight-line basis over the lease term or another systematic basis.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 January 2020.
- The Group has applied the transitional provisions in IFRS 15.C5 Revenue from Contracts with Customers and will not restate contracts that were completed before the 1 January 2020.

Estimates

The estimates at 1 January 2020 and at 31 December 2020 are consistent with those made for the same dates in accordance with FRS 102 (after adjustments to reflect any differences in accounting policies):

- Share-based payment transactions
- Investments in equity instruments - unquoted equity shares IFRS 1.14
- The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2020, the date of transition to IFRS and as at 31 December 2020.

Group reconciliation of equity as at 1 January 2020 (date of transition to IFRS)

	Notes	FRS 102	Reclassification and remeasurement	IFRS
		£000	£000	£000
Assets				
Current assets				
Cash and cash equivalents		2,462,986	-	2,462,986
Trade and other receivables	C,D	-	209,825	209,825
Inventories		13,042	-	13,042
Current tax assets	D	-	1,693	1,693
Debtors	D	211,560	(211,560)	-
Total current assets		**2,687,588**	**(42)**	**2,687,546**
Non-current assets				
Property, equipment and right-of-use assets	B, D	-	38,424	38,424
Intangible assets		93,927	-	93,927
Deferred tax asset	D	-	42	42
Tangible assets	D	11,940	(11,940)	-
Total non-current assets		**105,867**	**26,526**	**132,393**
Total assets		**2,793,455**	**26,484**	**2,819,939**
Liabilities and equity				
Current liabilities				
Trade and other payables	D	-	203,830	203,830
Loans	D	-	972	972
Customer liabilities		2,367,200	-	2,367,200
Lease liability	B	-	3,593	3,593
Creditors	D	206,163	(206,163)	-
Total current liabilities		**2,573,363**	**2,232**	**2,575,595**
Non-current liabilities				
Loans	D	-	119,546	119,546
Provisions for liabilities	B	904	871	1,775
Lease liability	B	-	23,104	23,104
Creditors: amounts falling due after more than one year	D	123,247	(123,247)	-
Total non-current liabilities		**124,151**	**20,274**	**144,425**
Total liabilities		**2,697,514**	**22,506**	**2,720,020**

	Notes	FRS 102	Reclassification and remeasurement	IFRS
		£000	£000	£000
Equity				
Share capital		-	-	-
Share premium		248,814	-	248,814
Accumulated deficit	B,C,C	-	(159,337)	(159,337)
Other reserves	D	10,370	72	10,442
Foreign exchange reserve	D	73	(73)	-
Profit and loss account	D	(163,316)	163,316	-
Total equity		**95,941**	**3,978**	**99,919**
Total liabilities and equity		**2,793,455**	**26,484**	**2,819,939**

Group reconciliation of equity as at 31 December 2020

	Notes	FRS 102	Reclassification and remeasurement	IFRS
		£000	£000	£000
Assets				
Current assets				
Cash and cash equivalents		5,055,023	-	5,055,023
Investment in commodities		50,366	-	50,366
Trade and other receivables	C,D	-	153,242	153,242
Inventories		11,282	-	11,282
Current tax assets	D		3,856	3,856
Loan and advances to customers	D	-	415	415
Derivative financial assets	D	-	121	121
Debtors	D	156,432	(156,432)	-
Total current assets		**5,273,103**	**1,202**	**5,274,305**
Non-current assets				
Property, equipment and right-of-use assets	B,D	-	37,497	37,497
Intangible assets		411	-	411
Loans and advances to customers	D	-	961	961
Deferred tax assets	D	-	345	345
Tangible assets	D	15,004	(15,004)	-
Total non-current assets		**15,415**	**23,799**	**39,214**
Total assets		**5,288,518**	**25,001**	**5,313,519**
Liabilities and equity				
Current liabilities				
Trade and other payables	D	-	143,663	143,663
Loans	D	-	81,812	81,812
Customer liabilities		4,637,230	-	4,637,230
Current tax liabilities	D	-	1,670	1,670
Lease liability	B	-	5,985	5,985
Derivative financial liabilities	D	-	1,970	1,970
Creditors	D	230,507	(230,507)	-
Total current liabilities		**4,867,737**	**4,593**	**4,872,330**

	Notes	FRS 102	Reclassification and remeasurement	IFRS
		£000	**£000**	£000
Non-current liabilities				
Provisions for liabilities	B	858	930	1,788
Lease liability	B	-	18,943	18,943
Deferred tax liabilities	D	-	18	18
Creditors: amount falling due after more than one year	D	2,716	(2,716)	-
Total non-current liabilities		**3,574**	**17,175**	**20,749**
Total liabilities		**4,871,311**	**21,768**	**4,893,079**
Equity				
Share capital		-	-	-
Share premium		697,444	-	697,444
Accumulated deficit	A,B,C,D	-	(344,300)	(344,300)
Other reserves	A,D	50,819	16,477	67,296
Foreign exchange reserve	D	(366)	366	-
Profit and loss account	D	(330,690)	330,690	-
Total equity		**417,207**	**3,233**	**420,440**
Total liabilities and equity		**5,288,518**	**25,001**	**5,313,519**

Group reconciliation of total comprehensive income for the year ended 31 December 2020

	Notes	FRS 102	Reclassification and remeasurement	IFRS
Revenue	C	222,142	(2,211)	219,931
Cost of sales		(152,412)	4,349	(148,063)
Gross profit		**69,730**	**2,138**	**71,868**
Administrative expenses	A,B	(266,159)	(8,542)	(274,701)
Depreciation and amortisation expense	B	-	(9,629)	(9,629)
Impairment reversal		220	-	220
Other operating (expense) / income	D	(4,440)	11,221	6,781
Loss from operations		**(200,649)**	**(4,812)**	**(205,461)**
Interest expense	B,D	(9,254)	(8,119)	(17,373)
Interest income	D	2,028	101	2,129
Loss before tax		**(207,875)**	**(12,830)**	**(220,705)**
Tax credit	A,B,C	1,843	(4,760)	(2,917)
Net loss for the year		**(206,032)**	**(17,590)**	**(223,622)**

Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Revaluation gain on intangible assets (cryptocurrencies)		38,659	-	38,659
Currency translation differences	B	(439)	111	(328)
Other comprehensive income, net of tax		**38,220**	**111**	**38,331**
Total comprehensive loss for the year		**(167,812)**	**(17,479)**	**(185,291)**

Company reconciliation of equity as at 31 December 2020

	Notes	FRS 102	Reclassification and remeasurement	IFRS
		£000	£000	£000
Assets				
Current assets				
Cash and cash equivalents		2,562,779	-	2,562,779
Investment in commodities		50,366	-	50,366
Trade and other receivables	C,D	124,809	(5,766)	119,043
Inventories		11,161	-	11,161
Current tax assets	D	-	3,856	3,856
Derivative financial assets	D	-	3,707	3,707
Total current assets		**2,749,115**	**1,797**	**2,750,912**
Non-current assets				
Property, equipment and right-of-use assets	B,D	-	32,762	32,762
Intangible assets		351	-	351
Deferred tax assets	D	-	186	186
Investment in subsidiaries	A	87,858	3,017	90,875
Tangible assets	D	14,344	(14,344)	-
Total non-current assets		**102,553**	**21,621**	**124,174**
Total assets		**2,851,668**	**23,418**	**2,875,086**
Liabilities and equity				
Current liabilities				
Trade and other payables	D	285,119	(86,526)	198,593
Loans	D	-	81,812	81,812
Customer liabilities		2,121,085	-	2,121,085
Current tax liabilities	D	-	1,178	1,178
Lease liability	B	-	5,030	5,030
Derivative financial liabilities	D	-	2,139	2,139
Total current liabilities		**2,406,204**	**3,633**	**2,409,837**
Non-current liabilities				
Provisions for liabilities	B	560	1,228	1,788
Lease liability	B	-	15,037	15,037
Creditors: amount falling due after more than one year	D	2,716	(2,716)	-
Total non-current liabilities		**3,276**	**13,549**	**16,825**
Total liabilities		**2,409,480**	**17,182**	**2,426,662**

	Notes	FRS 102	Reclassification and remeasurement	IFRS
		£000	£000	£000
Equity				
Share capital		-	-	-
Share premium		697,444	-	697,444
Accumulated deficit	A,B,C,D	(305,981)	(10,562)	(316,543)
Other reserves	A	50,817	16,706	67,523
Foreign exchange reserves	A	(92)	92	-
Total equity		**442,188**	**6,236**	**448,424**
Total liabilities and equity		**2,851,668**	**23,418**	**2,875,086**

A. Share based compensation

Under FRS 102, the Group elected to apply the "straight-line" method to account for share-based payment awards subject to graded vesting based on a service condition only. Under IFRS, the accelerated method is used i.e. 'front loading' of the rewards' costs resulting from their graded features. At the date of transition to IFRS, the Group applied the "accelerated" method under IFRS 2 to all unvested share-based payment awards subject to graded vesting. This resulted in the acceleration of compensation cost from what had been originally reported under UK GAAP, with increase of the share based payment reserve of £16.0m, and an decrease in accumulated deficit of the same amount at January 1, 2020. At December 31, 2020 The higher share based payments charge had a corresponding impact on profit before tax and the share based payments charge shown in the cash flow statement.

B. Leases

Under IFRS, as explained in Note 4.11, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets and recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At the date of transition to IFRS, the Group applied the transitional provision and measured lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of transition to IFRS. Right-of-use assets were measured at the amount equal to the lease liabilities adjusted by the amount of any prepaid or accrued lease payments. As a result, the Group recognized an increase in lease liabilities of £26.7m and £24.9m as at January 1, 2020 and December 31, 2020, respectively; an increase in right-of-use assets of £26.5m and £22.5m as at January 1, 2020 and December 31, 2020, respectively. The difference between lease liabilities and right-of-use assets has been recognized in equity.

Under IFRS, right-of-use assets are presented on the same financial statement line item as property and equipment for respectively £26.5m and £22.5m as at January 1, 2020 and December 31, 2020. Additionally, depreciation increased by £6.1m and was included in general and administrative expenses) and interest expenses increased by £1.5m for the year ended December 31, 2020.

Cash flows arising from operating lease payments are classified as operating activities whereas cash flows related to finance leases are shown as a component of financing activities. Under IFRS 16 'Leases', a lessee generally applies a single recognition and measurement approach for all leases and recognizes lease liabilities. Cash flows arising from payments of principal portion of lease liabilities are classified as financing activities. Therefore, cash outflows from operating activities decreased by £5.3m and cash outflows from financing activities increased by the same amount for the year ended December 31, 2020. Note that the interest component related to these lease liabilities are shown under previous GAAP as well as under IFRS as a component of operating activities.

C. Revenue recognition

As part of the transition to IFRS 15, under FRS 102 the physical card delivery fee was bundled as part of the subscription fee for premium and metal subscription plans, and as this is a separate performance obligation, under IFRS 15, the amount is unbundled from the subscription fee and recognised upfront while the remaining balance is spread over the life of the contract as the performance obligation is satisfied. As a result, the Group recognized a decrease in contract liabilities of £1.23m and £2.1m as at 1 January 2020 and 31 December 2020, respectively; a decrease in accumulated deficit of £1.2m as at 1 January 2020 and an increase in revenue of £0.9m as at 31 December 2020. This transition amount has impacted the profit before tax and trade and other payables in the statement of cash flows.

D. Reclassification

As part of IFRS transition, balances under the following line items of the statement of financial position were reclassified into either new line items reflecting the taxonomy used by IFRS or disaggregated into new items for better presentation and relevance; The Debtors and Creditors reclassifications have impacted the classification of movements within the statement of cash flows.

Under UK GAAP	Under IFRS
Tangible assets	Property, equipment and right of use assets
Debtors	Deferred tax asset
Debtors	Derivative assets
Creditors	Derivative liability
Creditors	Loans
Foreign exchange reserves	Other reserves

5. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical judgments in applying the Group's accounting policies

Recognition of deferred tax asset
The Company has substantial carried forward tax losses. Where carried forward tax losses can be utilised against future taxable profits, a deferred tax asset should only be recognised to the extent that it is probable that there will be sufficient taxable profits against which it can be recovered.

Whilst the directors are forecasting the Group to reach sustained profitability from 2022, as deferred tax assets are recognised on an entity basis in order for the Company to reach consistent profitability further monetisation of its intellectual property and services via new product offerings or expansion into new territories (thus requiring regulatory licence approvals for banking and EMI authorised entities) is required.

As a result, the directors have concluded that the criteria to recognise a deferred tax asset in the Company in relation to the carried forward losses has not yet been met, and therefore no deferred tax asset has been recognised as at 31 December 2021 in respect of the carried forward losses in the Company.

Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Share-based payments
The estimate of share-based payments costs requires management to select an appropriate valuation model and make decisions about various inputs into the model, including volatility of its own share price, the probable life of the options, the vesting date of options where non-market performance conditions have been set and the risk-free interest rate. The key assumptions used in the models, and a sensitivity analysis of the impact of varying those assumptions, are disclosed in note 27.

Investment in subsidiaries (Company only)
The carrying value of investments in subsidiaries requires management to select an appropriate discount rate for the valuation of future cash flows in assessing each investment for impairment. The key assumptions used in making this assessment and the sensitivity analysis of the impact of varying these assumptions are disclosed in note 14.

6. Revenue

The following table shows the disaggregation of revenue recognized during the reporting period:

Group

	2021	2020 (restated)
Disaggregation of revenue	**£000**	£000
Type of service		
Cards and interchange revenue	**149,354**	95,465
Subscription revenue	**107,268**	70,866
Foreign exchange and wealth	**348,733**	40,541
Card delivery	**20,855**	12,724
Others	**9,995**	335
Total revenue	**636,205**	219,931
Type of service		
Transferred at a point in time	**528,241**	148,872
Transferred over time	**107,964**	71,059
Total revenue	**636,205**	219,931
Geographical markets		
United Kingdom	**195,885**	62,091
Europe (excluding UK)	**432,865**	154,603
Rest of the world	**7,455**	3,237
Total revenue	**636,205**	219,931

The Group determines the disaggregation of Total Revenue by major geographical area based on customer address.

There were no material net impairment losses on contract receivables in 2021 (2020: nil). The Group did not recognize any contract assets during 2021 (2020: nil).

Prior to 27 July 2020 the Group hedged its exposure to cryptocurrencies contracts with customers. Therefore, of the £40.5m of Foreign exchange and wealth revenue reported for the year ended 31 December 2020, there is a £38.7m charge (2021:nil) in respect of the fair value remeasurment of cryptoassets liability to customers deducted from the gross revenue of £79.2m under IFRS15 for that revenue stream. Refer also to note 4.12 for the change in accounting for cryptoassets.

Capitalised costs

During the year, the Group capitalised £19.1m (2020: nil) as cost to obtain customer contracts out of which £2.4m was released (2020: nil). The capitalised cost to obtain customer contracts is amortised over three years.

Remaining performance obligations

Due to the nature of its commercial arrangements, the Group does not have any material remaining performance obligations related to contracts with duration over one year.

7. Interest income and expense

Interest income and expense for the year ended 31 December 2021 are as follows:

Group

	2021 £000	2020 (restated) £000
Interest income		
Cash and bank balances	**14**	-
Interest accretion on financial investments	**692**	-
Interest on loans and advances to customers	**564**	24
Interest income on safeguarded funds	**329**	113
Total interest income using EIR method	**1,599**	137
Other interest income	**127**	1,992
	1,726	2,129
Interest expense		
Interest expense on customer deposits	**7**	-
Negative interest on safeguarded funds	**(16,984)**	(6,563)
Other borrowed funds	**(3,190)**	(9,254)
Interest expense on lease liabilities	**(859)**	(1,543)
Total interest expense using EIR method	**(21,026)**	(17,360)
Other interest expense		(13)
	(21,026)	(17,373)
Net interest expense	**(19,300)**	(15,244)

Interest expense is charged on the outstanding balance of lease liabilities. The interest rate charged is the proxy for the incremental borrowing rate used to calculate the lease liability at the inception of the lease.

The other loan interest payable for 2021 of £3.1m (2020: 9.3m) represents the interest cost on the loan facility as detailed in note 24.

8. Administrative expenses

	2021 £000	2020 (restated) £000
Total staff costs	**204,320**	186,636
Other costs	**163,158**	88,061
	367,478	274,701

In addition, the profit/(loss) from operations is stated after charging/(crediting) the following items which are to be disclosed separately:

	2021 £000	2020 (restated) £000
Research and development charged as an expense	**58,720**	31,106
Amortisation (included in administration costs)	**176**	174
Depreciation of property, equipment and right-of-use assets	**8,903**	9,456
Impairment of other financial assets held at amortised cost	**12,097**	9,029
Fair value changes in intangible assets below original cost	**-**	(38,961)
Inventory recognised as expense	**16,156**	15,596
Foreign exchange differences	**3,574**	(2,021)
Operating lease costs	**4,665**	2,333
Other expense - impairment of acquired intangible assets*	**7,278**	-

*During 2021, Revolut Ltd acquired all the issued share capital of Global Retail Technology Limited ("Nobly") a developer of the electronic point of sale (ePOS) system for the total consideration of £7.4 million, including £2.6 million as a non-cash element. The Group has not treated this as a business combination, instead it recognised acquired software and subsequently impaired the related cost to nill due to the delays with integration of the acquired technology into the existing Group's infrastructure.

During the year the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors:

	2021 £000	2020 (restated) £000
Fees payable for the audit of the parent company and the group's consolidated financial statements	**3,351**	650
Fees payable for the audit of the company's subsidiaries	**776**	128
Fees payable to the company's auditors with respect of the prior year	**225**	185
Fees payable to the company's auditor for other assurance services	**111**	-

9. Total staff costs

Total staff costs, including directors' remuneration, were as follows:

	Group 2021 £000	Group 2020 (restated) £000	**Company 2021 £000**	Company 2020 (restated) £000
Wages & Salaries	**136,742**	115,191	**105,578**	93,010
Share based payments	**47,351**	57,182	**41,581**	48,595
Social Security Costs	**16,494**	12,850	**13,547**	11,385
Cost of defined contribution scheme	**3,733**	1,413	**2,861**	863
	204,320	186,636	**163,567**	153,853

The average monthly number of employees, including the executive directors, during the year was as follows:

	Group 2021 No.	Group 2020 No.	**Company 2021 No.**	Company 2020 No.
Product	**799**	670	**579**	551
Service	**3,854**	1,486	**1,756**	1,246
Staff	**4,653**	2,156	**2,335**	1,797
Executive directors	**2**	2	**2**	2
	4,655	2,158	**2,337**	1,799

The increase in headcount reflects the continued investment in growth and capability throughout the business, including enhancing the Group's Risk, Compliance and Control functions.

10. Directors' remuneration

	2021 £000	2020 (restated) £000
Director emoluments	**652**	211
Share based payments	**3,084**	366
Company contributions to defined contribution pension schemes	**3**	2
Social security cost and other benefits	**-**	1
	3,739	580

From April 2020, the non-executive directors agreed to forego their cash remuneration in exchange for compensation in the form of shares in the company. From May 2021, all the directors were fully remunerated in cash. During the year five *(2020: five)* of the directors received shares under this arrangement. See note 27 for further details.

During the year the company made nil contributions to a defined contribution pension scheme for directors *(2020: two directors)*, and no directors *(2020: none)* exercised share options during the year.

	2021 £000	2020 (restated) £000
Highest paid director		
Director emoluments	**200**	65
Company contributions to defined contribution pension schemes	**-**	1
	200	66

Key management personnel include all directors and a number of senior managers across the group who together have authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £9.2m *(2020: £2.5m)*.

11. Taxation

Income tax expense

11.1 Income tax expense

Group

	2021 £000	2020 £000
UK corporation tax		
Current tax at 19% (2020: 19%) on the profit/ loss for the year	**14,535**	3,207
Adjustment in respect of previous years	**138**	-
Total current tax	**14,673**	3,207
Deferred tax		
Current year credit recognised	**(924)**	61
Adjustments in respect of previous periods	**-**	(351)
Impact of change in tax rates	**(298)**	-
Total deferred tax (credit)	**(1,222)**	(290)
Total tax charge / (credit) on continuing operations	**13,451**	2,917

11.2 Reconciliation of effective tax rate

The tax assessed in each year differs from the standard rate of corporation tax in the UK for the relevant year. The differences are explained below:

Group

	2020 £000	2019 (restated) £000
Profit/(Loss) before tax	**39,791**	(220,705)
Profit/(Loss) before tax at the standard UK tax rate of 19% (2020:19%)	**7,560**	(41,934)
Effects of:		
Expenses not deductible for tax purposes	**6,322**	6,402
Adjustments in respect of previous periods	**138**	(350)
Difference in overseas tax rates and overseas tax credits	**(3,190)**	528
Impact of change in tax rates	**(299)**	-
Losses and other timing differences	**(4,031)**	-
Movements in other comprehensive income	**-**	7,345
Unrecognised deferred tax	**6,951**	30,926
Total tax charge / (credit)	**13,451**	2,917

11.3 Deferred tax

Composition of deferred tax balance

The group's deferred tax asset consists of the following as of 31 December:

Group	Income statement	Equity	Total
Net Deferred tax asset/(liability) as at 1 January 2021	327	-	327
Fixed asset differences	(113)	-	(113)
Short term timing differences	190	-	190
Share options	-	-	-
Capital gains/ (losses)	-	-	-
Losses and other deductions	1,145	-	1,145
Losses and other deductions	(9)	-	(9)
Net Deferred tax asset/(liability) at 31 December 2021	1,540	-	1,540

The company's deferred tax asset consists of the following as of 31 December:

Company	Income statement	Equity	Total
Net Deferred tax asset/(liability) as at 1 January 2021	186	-	186
Fixed asset differences	(189)	-	(189)
Short term timing differences	242	-	242
Share options	-	-	-
Capital gains/ (losses)	-	-	-
Losses and other deductions	-	-	-
Foreign exchange movements	(9)	-	(9)
Net Deferred tax asset/(liability) at 31 December 2021	230	-	230

Unrecognised deferred tax asset and tax losses carried forward

Deferred tax assets have not been recognised in respect of the group tax losses carried forward totalling £215m (2020: £244m) and Company tax losses carried forward totalling £185m (2020: £221m) as there is insufficient evidence as to their recoverability. See note 4 for further details on the consideration of the recognition of deferred tax assets in relation to carried forward losses. There is no expiry date to utilise unused tax losses.

Factors that may affect future tax changes

In March 2021, the UK Government stated in its Budget announcement that the main UK corporation tax rate would increase to 25% from 1 April 2023. This was legislated for in the Finance Act 2021, which received Royal Assent on 10 June 2021. On 14 October 2022, and again on 17 November 2022 in the Chancellor's Autumn Statement, the UK Government reiterated that the main UK corporation tax rate will increase to 25% from 1 April 2023 as already legislated for. As at 31 December 2021, the Group did not hold any deferred tax assets that have been valued using the 25% UK corporation tax rate.

12. Intangible assets

Group	Crypto currencies £000	Purchased software £'000	Total £000
Cost			
At 1 January 2020 (restated)	132,311	590	132,901
Additions	338,026	6	338,032
Disposals	(470,337)	-	(470,337)
Foreign exchange movements	-	5	5
At 31 December 2020 (restated)	**-**	**601**	**601**
At 1 January 2021	-	601	601
Additions	-	7,736	7,736
Disposals	-	-	-
Foreign exchange movements	-	-	-
At 31 December 2021	**-**	**8,337**	**8,337**
Accumulated amortisation and impairment losses			
At 1 January 2020 (restated)	(38,961)	(13)	(38,974)
Charge for the year	77,620	(174)	77,446
Disposals	(38,659)	-	(38,659)
Foreign exchange movements	-	(3)	(3)
At 31 December 2020 (restated)	**-**	**(190)**	**(190)**
At 1 January 2021	-	(190)	(190)
Charge for the year	-	(7,426)	(7,426)
Disposals	-	-	-
Foreign exchange movements	-	-	-
At 31 December 2021	**-**	**(7,616)**	**(7,616)**
Carrying amount			
At 31 December 2021	**-**	**721**	**721**
At 31 December 2020 (restated)	-	411	411
At 1 January 2020 (restated)	93,350	577	93,927

Intangible assets (continued)

Company	Crypto currencies £000	Purchased software £'000	Total £000
Cost			
At 1 January 2020 (restated)	132,311	510	132,821
Additions	338,026	-	338,026
Disposals	(470,337)	-	(470,337)
Foreign exchange movements	-	-	-
At 31 December 2020 (restated)	**-**	**510**	**510**
At 1 January 2021	-	510	510
Additions	-	-	-
Disposals	-	-	-
Foreign exchange movements	-	-	-
At 31 December 2021	**-**	**510**	**510**
Accumulated amortisation and impairment losses			
At 1 January 2020 (restated)	(38,961)	(12)	(38,973)
Charge for the year	77,620	(147)	77,473
Disposals	(38,659)	-	(38,659)
Foreign exchange movements	-	-	-
At 31 December 2020 (restated)	**-**	**(159)**	**(159)**
At 1 January 2021	-	(159)	(159)
Charge for the year	-	(147)	(147)
Disposals	-	-	-
Foreign exchange movements	-	-	-
At 31 December 2021	**-**	**(306)**	**(306)**
Carrying amount			
At 31 December 2021	**-**	**204**	**204**
At 31 December 2020 (restated)	-	351	351
At 1 January 2020 (restated)	93,350	498	93,848

Up until 27 July 2020, at which time the contractual arrangements related to the cryptocurrency product were amended, the cryptocurrencies were recognised as intangible assets at fair value, which was based upon the quoted prices in their respective active markets. Upon the amendment to the legal arrangements Revolut Ltd is now acting as agent on behalf of its customers and therefore no longer recognises the cryptocurrencies, nor the corresponding customer liability, in its Statement of Financial Position.

The historical cost less impairment of the intangible assets at 31 December 2021 was therefore nil (2020: nil) *(2019: £93.4m)*.

13. Property, equipment and right of use assets

Group's property, equipment and right-of-use assets consisted of the following as of 31 December:

Group	Fixtures & fittings £000	Office equipment £'000	Computer equipment £000	Right-of-use assets £000	Total £000
Cost					
At 1 January 2020 (restated)	7,573	1,553	4,737	26,483	40,346
Additions	4,322	158	1,846	1,633	7,959
Foreign exchange movements	(24)	(16)	(26)	426	360
At 31 December 2020 (restated)	**11,871**	**1,695**	**6,557**	**28,542**	**48,665**
At 1 January 2021	11,871	1,695	6,558	28,542	48,666
Additions	108	79	1,497	302	1,986
Disposal/ Derecognition	-	-	-	(6,677)	(6,677)
Foreign exchange movements	(136)	(272)	(145)	(246)	(799)
At 31 December 2021	**11,843**	**1,502**	**7,910**	**21,921**	**43,176**
Accumulated depreciation and impairment losses					
At 1 January 2020 (restated)	(612)	(136)	(1,174)	-	(1,922)
Charge for the year	(1,148)	(320)	(1,897)	(6,090)	(9,455)
Foreign exchange movements	58	16	94	41	209
At 31 December 2020 (restated)	**(1,702)**	**(440)**	**(2,977)**	**(6,049)**	**(11,168)**
At 1 January 2021	(1,702)	(440)	(2,977)	(6,049)	(11,168)
Charge for the year	(1,188)	(351)	(2,196)	(5,168)	(8,903)
Disposal/ Derecognition	-	-	-	1,733	1,733
Foreign exchange movements	8	80	90	112	290
At 31 December 2021	**(2,882)**	**(711)**	**(5,083)**	**(9,372)**	**(18,048)**
Carrying value					
At 31 December 2021	**8,961**	**791**	**2,827**	**12,549**	**25,128**
At 31 December 2020 (restated)	10,169	1,255	3,580	22,493	37,497
At 1 January 2020 (restated)	6,961	1,417	3,563	26,483	38,424

13. Property, equipment and right of use assets (continued)

Company property, equipment and right-of-use assets consisted of the following as of 31 December:

Company	Fixtures & fittings £000	Office equipment £'000	Computer equipment £000	Right-of-use assets £000	Total £000
Cost					
At 1 January 2020	7,495	1,202	3,871	21,200	33,768
Additions	4,294	205	1,792	1,633	7,924
Foreign exchange movements	19	3	(28)	576	570
At 31 December 2020	**11,808**	**1,410**	**5,635**	**23,409**	**42,262**
At 1 January 2021	11,808	1,410	5,635	23,409	42,262
Additions	108	9	1,268	104	1,489
Disposal/ Derecognition	-	-	-	(3,103)	(3,103)
Foreign exchange movements	(62)	(149)	(169)	(535)	(915)
At 31 December 2021	**11,854**	**1,270**	**6,734**	**19,875**	**39,733**
Accumulated depreciation and impairment losses					
At 1 January 2020	(611)	(116)	(880)	-	(1,607)
Charge for the year on owned assets	(1,178)	(333)	(1,626)	(4,973)	(8,110)
Foreign exchange movements	89	25	121	(18)	217
At 31 December 2020	**(1,700)**	**(424)**	**(2,385)**	**(4,991)**	**(9,500)**
At 1 January 2021	(1,700)	(424)	(2,385)	(4,991)	(9,500)
Charge for the year on owned assets	(1,188)	(297)	(1,910)	(4,656)	(8,051)
Disposal/ Derecognition	-	-	-	629	629
Foreign exchange movements	2	63	130	158	353
At 31 December 2021	**(2,886)**	**(658)**	**(4,165)**	**(8,860)**	**(16,569)**
Carrying value					
At 31 December 2021	**8,968**	**612**	**2,569**	**11,015**	**23,164**
At 31 December 2020	10,108	986	3,250	18,418	32,762
At 1 January 2020	6,884	1,086	2,991	21,200	32,161

14. Investments in subsidiaries

Company

Investments in subsidiary companies	**£000**
Cost or valuation	
At 1 January 2020 (restated)	15,554
Additions	75,321
At 31 December 2020 (restated)	**90,875**
Additions	174,011
At 31 December 2021	**264,886**

Net book value	
At 31 December 2021	**264,886**
At 31 December 2020 (restated)	90,875
At 1 January 2020 (restated)	15,554

The increase in investments in subsidiaries represents £10m (2020: £5.6m) related to share-based payments where the Company has issued share options to employees of its subsidiaries. In 2021, the Company invested additional equity funding of £164m (2020:£66.7m) to the Group's overseas subsidiaries in order to meet local regulatory requirements and/or fund local expansion.

When the Company's investments in subsidiary companies are not supported by their net assets, the Company assesses the net present value of the future cash flows of the subsidiary. Where this occurs, management forecasts of the subsidiaries financial performance are extrapolated to produce a terminal value. Financial performance over the first five years are consistent with the forecasts prepared by management. Terminal values are calculated with reference to growth rates applied in years one through five and a pre-tax discount rate of 14%. The directors do not consider the net present values of future cash flows to be materially sensitive to the assumptions applied in the calculation.

Other than the write down of Revolut Securities Europe Ltd and Revolut Technologies Ltd during the year, the Directors consider the carrying value of the Company's investments to be supported by either the net assets or net present value of future cash flows.There was an impairment charge in the year ended 31 December 2021 of £537,000 (year ended 31 December 2020: £nil).

The list of subsidiary undertakings of the Company is set out below. All trading subsidiary undertakings are included in the consolidation.

Company	Class of share	Paid up capital	Principal activity	Registered address	Effective interest held 2021	2020	1 Jan 2020
Revolut Travel Ltd	Ordinary		Insurance Intermediary	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100%	100%	100%
Revolut Trading Ltd	Ordinary		Security dealing activities	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100%	100%	100%
OOO Revolut Technologies***	Ordinary		Software development	125047, Moscow, Butyrskiy Val street, bld. 10, office 05-155 Total	100%	100%	100%
Revolut Bank UAB (formerly Revolut Technologies UAB)	Ordinary		Deposits acceptance and consumer lending	Konstitucijos ave. 21B, Vilnius, LT-08130	100%	100%	100%
Revolut Payments UAB***	Ordinary		Payments services, e-money issuance and insurance brokerage	Konstitucijos ave. 21B, Vilnius, LT-08130	100%	100%	100%
Revolut Technologies Singapore Pte. Ltd	Ordinary		Payments services, e-money issuance and insurance brokerage	30 Cecil Street, #19-08, Prudential Tower, S049712	100%	100%	100%
Revolut Technologies Ltd	Ordinary		Technology Services, payments services through Metropolitan Commercial Bank	Suite 2300, Bentall 5, 550 Burrard Street Vancouver, British Columbia V6C 2B5	100%	100%	100%
Revolut Technologies S.A.	Ordinary		Dormant at reporting date	19 rue du Bitbourg 1273 Luxembourg	100%	100%	100%
Revolut Technologies Limited	Ordinary		Dormant at reporting date	13/F, Gloucester Tower, The Landmark, 15 Queen's Road Central, Central, Hong Kong	100%	100%	100%
Revolut Technologies Poland Sp z o.o	Ordinary		Inactive, to be dissolved	Podium Park, Jana Pawła, 43a, Krakow, 31-864	100%	100%	100%
Revolut Technologies Japan, Inc.	Ordinary		Payments services, e-money issuance and insurance brokerage	Roppongi 7-7-7, Minato-ku, Tokyo 1060032	100%	100%	100%
Revolut Securities Japan, Inc	Ordinary		Payments services, e-money issuance and insurance brokerage	Roppongi 7-7-7, Minato-ku, Tokyo 1060032	100%	100%	100%
Revolut Payments Ireland Limited	Ordinary		Financial Services	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland	100%	100%	100%
Revolut Securities Europe Limited	Ordinary		Payments services, e-money issuance and insurance brokerage	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland	100%	100%	100%
Revolut Holdings US Inc.	Ordinary		Technology Services, payments services	1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware	100%	100%	100%
Revolut Securities Inc.*	Ordinary		Anticipates licence as broker-dealer for trading services	1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware	100%	100%	100%
Revolut Technologies Inc*	Ordinary		Business Development	1209 Orange Street, Wilmington DE, 19801, County of New Castle, Delaware	100%	100%	100%
Revolut Australia NOHC Pty Ltd	Ordinary		Financial Services	Level 6, 152 Elizabeth Street, Melbourne VIC 3000	100%	100%	100%
Revolut Payments Australia Pty Ltd*	Ordinary		Financial services	Level 6, 152 Elizabeth Street, Melbourne VIC 3000	100%	100%	100%
Revolut Holdings International Ltd	Ordinary		Holding company	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100%	100%	100%

Company	Class of share	Paid up capital	Principal activity	Registered address	Effective interest held 2021	2020	1 Jan 2020
Revolut NewCo UK Ltd**	Ordinary		Dormant at reporting date	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100%	100%	100%
Revolut Payments New Zealand Pty Ltd*	Ordinary		Dormant at reporting date	Level 6, 152 Elizabeth Street, Melbourne VIC 3000	100%	100%	100%
Revolut Holdings Europe Limited	Ordinary		Holding company	Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland	100%	100%	100%
Global Retail Technology LLC	Ordinary		Software development	The Corporation Trust Company 1209 Orange Street Wilmington, DE 19801	100%	-	-
Revolut Tecnologia Brasil LTDA	Ordinary		Business Development	Av Dra Ruth Cardoso 8501 - Sala 1750 Andar 17 - Pinheiros, São Paulo - SP, 05425-070, Sao Paulo, Brazil	100%	-	-
Revolut Payments India Private Limited	Ordinary		Business Development	1B - 1003, Parinee Crescenzo G Block BKC, Bandra Kurla Comple, Bandra East Mubai, Maharashtra MH400051	100%	-	-
Revolut Securities Singapore Pte. Ltd.	Ordinary		Anticipates licence for trading services	1 Marina Boulevard #28-00 One Marina Boulevard, Singapore, 018989	100%	-	-
Revolut de Mexico SA de CV	Ordinary		Business Development	"Avenida Paseo de las Palmas 405, Int. 1702 Miguel Hidalgo Lomas de Chapultepec 11000, Ciudad de Mexico"	100%	-	-
Revolut Holdings Europe UAB	Ordinary		Holding company	Konstitucijos ave. 21B, Vilnius, LT-08130	100%	-	-
Revolut Insurance Europe UAB	Ordinary		Insurance Intermediary	Konstitucijos ave. 21B, Vilnius, LT-08130	100%	-	-
Revolut Securities UAB	Ordinary		Security dealing activities	Konstitucijos ave. 21B, Vilnius, LT-08130	100%	-	-
Revolut Technologies Ukraine LLC	Ordinary		Software development	Ukraine, 03038, Kyiv city, Mykola Hrinchenko str., House 4	100%	-	-
Global Retail Technology Limited	Ordinary		Software development	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100%	-	-
Revolut FIC Ltd (formerly Revolut Digital Assets Ltd)	Ordinary		Dormant at reporting date	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100%	-	-
Revolut Trading Nominees Ltd	Ordinary		Dormant at reporting date	7 Westferry Circus, Canary Wharf, London, England, E14 4HD	100%	-	-

Branches

Revolut Ltd conducts business through branches in Germany, Lithuania, Poland and Portugal.

- Revolut Limited (Sp z o.o.) Oddzial w Polsce. Registered address - Podium Park, Jana Pawła, 43a, Krakow, 31-864, Polska
- Revolut Ltd - Sucursal em Portugal. Registered address - Rua Roberto Ivens, n.1353 4450-208 Matosinhos, Porto, Portugal
- Revolut Ltd filialas. Registered address - Vilniaus m. sav. Vilniaus m. Lvovo g. 105A
- Revolut Ltd Zweigniederlassung Deutschland. Registered address - Friedrichstrasse 76, c/o WeWork, 10117 Berlin, Germany

** Held indirectly*

** See note 34 Post balance sheet events for further details regarding this subsidiary.

15. Inventories

	Group			Company	
	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000	**31 December 2021 £000**	31 December 2020 (restated) £000
Inventory - Cards	**7,396**	11,282	13,042	**7,101**	11,161

Inventories comprise prepaid cards not yet distributed to customers.The difference between purchase price of inventories and their replacement cost is not material. Inventory recognised in cost of sales during the year as an expense was £16.3m (2020 - £15.6m).

There were no impairment losses recognised in cost of sales during the year in respect of obsolete inventory (2020 - nil).

16. Trade and other receivables

	Group			Company	
	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000	**31 December 2021 £000**	31 December 2020 (restated) £000
Amounts falling due within one year					
Financial assets:					
Trade receivables	**5,409**	359	4,290	**419**	810
Amounts owed by group undertakings	**-**	-	-	**30,761**	30,747
Settlement receivables	**64,741**	73,666	150,860	**48,372**	23,768
Negative customer balances	**3,105**	1,808	4,815	**1,058**	1,067
Other receivables*	**107,343**	53,057	25,106	**93,876**	38,721
Amounts recoverable on long term contracts**	**21,488**	21,488	21,452	**21,488**	21,488
	202,086	**150,378**	**206,523**	**195,974**	**116,601**
Non-financial assets:					
Prepayments and accrued income	**4,794**	2,864	3,302	**4,254**	2,442
	4,794	2,864	3,302	**4,254**	2,442
Total debtors	**206,880**	**153,242**	**209,825**	**200,228**	**119,043**

* Other receivables primarily represent balances due from card schemes as part of the existing contractual agreements and collateral balances.

** Amount recoverable on long term contracts represents the collateral held with our partners for the settlement process.

Management assessed that the carrying amounts of debtors approximate their fair values.

Debtors are stated after provision for impairment. The following tables show movement in the ECL provision for trade receivables and negative customer balances. The provision for impairment recorded for other Debtor balances is nil (2020: nil).

	Group		Company	
	Trade receivables	Negative customer balances	Trade receivables	Negative customer balances
At 1 January 2020 (restated)	**8**		**8**	
Charged	-	13,270	-	10,327
Written-off	-	-	-	-
Unused amount reversed	(8)	-	(8)	-
At 31 December 2020 (restated)	**-**	**13,270**	**-**	**10,327**
Charged	-	9,296	-	1,0699
Written-off		(2,407)	-	(70)
Unused amount reversed	-	-	-	-
At 31 December 2021	**-**	**20,159**	**-**	**11,325**

17. Loans and advances to customers

	31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)
Group	**£000**	£000	£000
Loans and advances to customers	**18,187**	1,380	-
Less: impairment loss allowance	**(371)**	(4)	-
Net loans and advance to customers	**17,816**	**1,376**	**-**
Analysed into:			
Non-current assets	**12,946**	961	-
Current assets	**4,870**	415	-
Net loans and advance to customers	**17,816**	**1,376**	**-**

The Company does not have any loans and advances to customers (2020: £nil).

18. Financial instruments at FVOCI

	Group			Company	
	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000	**31 December 2021 £000**	31 December 2020 (restated) £000
Restricted bonds held in respect of customers	**1,236,481**	-	-	**383,670**	-
	1,236,481	-	-	**383,670**	-

Financial investment represents holdings in investment in High Quality Liquid Assets ("HQLA"). These investments are accounted for at Fair Value through Other Comprehensive Income ("FVOCI"). Restricted bonds held in respect of customers represent safeguarded funds related to the Group's regulated E-Money services.

19. Investment in commodities at FVTPL

	Group			Company	
	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000	**31 December 2021 £000**	31 December 2020 (restated) £000
Commodities	**66,356**	50,366	-	**66,356**	50,366
	66,356	50,366	-	**66,356**	50,366

Investments in commodities represent holdings in precious metals that are held to hedge the Group's exposure to commodity price risk on its customer liabilities related to precious metals. These investments are accounted for at fair value through profit or loss.

20. Cash and cash equivalents

	Group			Company	
	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000	**31 December 2021 £000**	31 December 2020 (restated) £000
Own cash and cash equivalents	**1,572,726**	486,743	403,102	**787,244**	502,871
Restricted cash held at central banks and other banks in respect of customers	**5,479,883**	4,568,280	2,059,884	**3,197,624**	2,059,908
	7,052,609	**5,055,023**	**2,462,986**	**3,984,868**	**2,562,779**

Own cash and cash equivalents represent the Group's own funds held for liquidity requirements, including cash from customer deposits, and its own operating cash balances for general corporate purposes.

Restricted cash held at central banks and other banks in respect of customers represents safeguarded funds related to the Group's regulated E-Money services. In EEA territories client funds are held in segregated accounts with authorised credit institutions as part of the Group's safeguarding policy. In other jurisdictions the funds are held separately from the Group's own cash resources and are safeguarded through the provision of a bank guarantee from a third-party authorised credit institution.

Not included in restricted cash held at central banks and other banks in respect of customers are balances related to the provision of E-Money services in the US. These services are provided through partnerships with authorised credit institutions to provide consumer protection. In this arrangement, the client funds and the associated customer liability are not recognised on the Group's Statement of Financial Position and rather are held on the statement of financial position of the relevant partnership credit institution. There is no impairment recognised on the carrying value of cash and cash equivalents as amounts placed are with institutions rated A or above having immaterial probability of default.

21. Customer liabilities

	Group			Company	
	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000	**31 December 2021 £000**	31 December 2020 (restated) £000
E-Money in issue	**6,711,889**	4,537,459	2,274,008	**3,451,682**	2,071,260
Customer liabilities in respect of cryptocurrencies	**-**	(23)	93,177	**-**	(23)
Customer liabilities in respect of commodities	**65,462**	49,918	14	**65,299**	49,898
Customer liabilities in respect of deposits	**583,845**	49,876	1	**-**	(50)
	7,361,196	4,637,230	2,367,200	**3,516,981**	2,121,085

22. Trade and other payables

	Group			Company	
	31 December 2021 £000	31 December 2020 (restated) £000	1 January 2020 (restated) £000	**31 December 2021 £000**	31 December 2020 (restated) £000
Trade creditors	**6,441**	2,438	17,778	**4,908**	2,273
Amounts owed to group undertakings	**-**	-	-	**188,054**	68,110
Settlement payables	**30,312**	103,216	163,189	**26,413**	98,190
Other taxation and social security	**12,002**	5,433	3,906	**10,262**	5,182
Other creditors	**22,411**	735	3,333	**21,290**	1,367
Contract liabilities	**22,449**	13,817	8,548	**8,729**	11,072
Accruals	**71,633**	18,024	7,076	**60,479**	12,399
	165,248	**143,663**	**203,830**	**320,135**	**198,593**

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

23. Provisions for liabilities

The Group and the Company provision consists of dilapidation provision as of 31 December:

	Group	Company
	£000	**£000**
At 1 January 2020 (restated)	1,775	1,775
Provided during the year	338	338
Other movements	(325)	(325)
As 31 December 2020 (restated)	**1,788**	**1,788**
At 1 January 2021	1,788	1,788
Provided during the year	24	13
As 31 December 2021	**1,812**	**1,801**

The property dilapidation provision is based on a calculation of the best estimate for the leases the Group is party to. Uncertainty associated with these factors may result in the ultimate liability being different from the reported provision. Dilapidation provisions are expected to be utilised in 1 to 5 years.

24. Loans at amortised cost

	31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)
Group	**£000**	£000	£000
Secured	**-**	-	-
Unsecured	**122**	81,812	120,518
Loans at amortised cost	**122**	**81,812**	**120,518**
Analysed into:			
Non-current assets	**-**	-	119,546
Current assets	**122**	81,812	972
Loans at amortised cost	**122**	**81,812**	**120,518**

	31 December 2021	31 December 2020 (restated)
Company	**£000**	£000
Secured	**-**	-
Unsecured	**-**	81,812
Loans at amortised cost	**-**	**81,812**
Analysed into:		
Non-current assets	**-**	-
Current assets	**-**	81,812
Loans at amortised cost	**-**	**81,812**

In 2019 the Company entered into a €200m facility agreement which bears interest at 10% per annum and is repayable on or before November 2021.In April 2021 the Company fully repaid the €200m facility agreement entered in 2019. Interest charged in the year was £1.6m (2020: £9.3m). In the same month the Company entered into a £100M revolving credit facility agreement which subsequently was terminated in November 2021. Interest charged in the year was £1.5m.

25. Share capital

	31 December 2021 £	31 December 2020 (restated) £	1 January 2020 (restated) £
Allotted, called up and fully paid			
32,330,225 (2020 - 13,827,741) Ordinary shares	**3.23**	1.38	1.37
Nil (2020 - 18,051,576) A Ordinary shares	**-**	1.81	0.62
Nil (2020 - Nil) B Ordinary shares	**-**	-	0.50
Nil (2020 - Nil) C Ordinary shares	**-**	-	0.69
6,044,294 (2020 - 6,085,463) D Ordinary shares	**0.60**	0.61	0.59
4,828,923 (2020 - 4,833,694) E Ordinary shares	**0.48**	0.48	-
1,695,374 (2020 - nil) F Ordinary shares	**0.17**	-	-
1,770,754 (2020 - nil) G Ordinary shares	**0.18**	-	-
12,508,401 (2020 - nil) H Ordinary shares	**1.25**	-	-
	5.91	4.28	3.77

The movements in the number of shares during the year can be summarised as follows:

	1 Jan 2020 (restated)	**Shares issued**	**Shares converted**	**Share options exercised**	**31 Dec 2020 (restated)**	**Shares issued**	**Shares converted**	**Share options exercised**	**31 Dec 2021**
	In '000	In '000	In '000	In '000	**In '000**	In '000	In '000	In '000	**In '000**
Ordinary shares	**13,664**	-	(53)	217	**13,828**	-	18,150	283	**32,261**
Ordinary shares A	**6,187**	-	11,865	-	**18,052**	-	(18,052)	-	**-**
Ordinary shares B	**4,989**	-	(4,989)	-	**-**	-	-	-	**-**
Ordinary shares C	**6,879**	-	(6,879)	-	**-**	-	-	-	**-**
Ordinary shares D	**5,890**	195	-	-	**6,085**	-	(41)	-	**6,044**
Ordinary shares E	**-**	4,778	56	-	**4,834**	-	(5)	-	**4,829**
Ordinary shares F	**-**	-	-	-	**-**	1,312	384	-	**1,696**
Ordinary shares G	**-**	-	-	-	**-**	1,783	(12)	-	**1,771**
Ordinary shares H	**-**	-	-	-	**-**	12,934	(426)	-	**12,508**
Total	**37,609**	**4,973**	**-**	**217**	**42,799**	**16,029**	**(2)**	**283**	**59,109**

All shares have a nominal value of £0.0000001 each. The G Shares and H Shares were issued to fulfil the Group's growth shares scheme.

Rights attaching to the shares – Income

All Eligible Shares shall rank pari passu in respect of dividends and dividends shall be paid to the Eligible Shareholders pro rata according to the number of Eligible Shares held by each Eligible Shareholder respectively. The G Shares and H Shares shall not confer any rights to participate in dividends.

Rights attaching to the shares - Capital

On a return of capital, on a liquidation, reduction of capital or otherwise (including following an Asset Sale), the surplus assets of the Company remaining after payment of its liabilities:

First, (i) £1 in aggregate to the holders of G Shares (as a class), (ii) £1 in aggregate to the holders of H Shares (as a class) and (iii) £1 in aggregate to the holders of Deferred Shares (as a class), in each case on a pro rata basis; and

Secondly, pro rata to the holders of Ordinary Shares and Ordinary Series Shares according to the number of Shares held by each Shareholder respectively (in the case of the Ordinary Series Shares, as though they had been fully converted into Ordinary Shares, which shall apply, mutatis mutandis.

In the event of a Sale, the proceeds of such Sale (net of any costs associated with such Sale) ("Net Sale Proceeds") shall, save in respect of any Shares not sold in connection with that Sale, be distributed between the Shareholders as follows:

First, to each Ordinary F Shareholder, in priority to all other Shareholders, an amount equal to the Subscription Price for each Ordinary F Share held (as if the Ordinary F Shares constituted the same class of Shares) plus any arrears or accruals of dividend (if any) on the Ordinary F Shares (as the case may be) due or declared but unpaid down to the date of the proceeds of such Sale being returned, provided that if there are insufficient Net Sale Proceeds to pay such amounts to all Ordinary F Shareholders, in full, the available Net Sale Proceeds shall be distributed to the Ordinary F Shareholders in proportion to the Subscription Price of the Ordinary F Shares held by them and arrears or accruals of dividend due to them respectively;

Second, to each Ordinary D/E Shareholder, in priority to all other Shareholders other than Ordinary F Shareholders, an amount equal to:

1. the Subscription Price for each Ordinary D/E Share held (as if the Ordinary D/E Shares constituted the same class of Shares) plus
2. any arrears or accruals of dividend (if any) on the Ordinary D/E Shares (as the case may be) due or declared but unpaid down to the date of the proceeds of such Sale being returned, provided that
3. if there are insufficient Net Sale Proceeds to pay such amounts to all Ordinary D/E Shareholders, in full, the available Net Sale Proceeds shall be distributed to the Ordinary D/E Shareholders in proportion to the Subscription Price of the Ordinary D/E Shares held by them and arrears or accruals of dividend due to them respectively ((i) and (ii), or (iii), as the case may be, being the "Price Protection Proceeds");

Third, to each Ordinary Shareholder including any Ordinary Shares arising from conversion of the Ordinary Series Shares, and Vested In-The-Money H Shareholder in proportion to the number of Ordinary Shares and Vested In-The-Money H Shares held by them, respectively, as if such Ordinary Shares, and Vested In-The-Money H Shares constituted the same class of Shares up to such amount of the remaining Net Sale Proceeds as is less than or equal to the First Hurdle Amount;

Fourth, any amount of the Net Sale Proceeds which exceeds the First Hurdle Amount and is less than or equal to the Second Hurdle Amount (for the avoidance of doubt, if there is no Second Hurdle Amount, this paragraph (c) shall not apply, and instead paragraph (e) below shall apply) shall be distributed among the Ordinary Shareholders (including any Ordinary Shares arising from conversion of the Ordinary Series Shares), the Vested G First Hurdle Shareholders and the Vested In-The-Money H Shareholders in the proportion that the aggregate number of Ordinary Shares, Vested G First Hurdle Shares and Vested In-The-Money H Shares held by each holder bears to all of the Ordinary Shares, Vested G First Hurdle Shares and Vested In-The-Money H Shares then in issue;

Then, the following step to be applied for each Nth Hurdle Amount which has been set in respect of the tranche of G Shares, starting with the Second Hurdle Amount (if any): any amount of the Net Sale Proceeds which exceeds the Nth Hurdle Amount and is less than or equal to the N+1th Hurdle Amount shall be distributed among the Ordinary Shareholders (including any Ordinary Shares arising from conversion of the Ordinary Series Shares), Vested G First Hurdle Shareholders to Vested G Nth Hurdle Shareholders (inclusive), and Vested In-The-Money H Shareholders in the proportion that the aggregate number of Ordinary Shares, Vested G First Hurdle Shares to Vested G Nth Hurdle Shares, and Vested In-The-Money H Shares held by each holder bears to all of the Ordinary Shares, Vested G First Hurdle Shares to Vested G Nth Hurdle Shares, and Vested In-The-Money H Shares then in issue;

Next, any amount of the Net Sale Proceeds which exceeds the Maximum Hurdle Amount (which, for the avoidance of doubt, shall be the First Hurdle Amount if no other Hurdle Amounts have been set) shall be distributed among the Ordinary Shareholders (including any Ordinary Shares arising from conversion of the Ordinary Series Shares), Vested G Shareholders and Vested In-The-Money H Shareholders in the proportion that the aggregate number of Ordinary Shares, Vested G Shares, and Vested In-The-Money H Shares held by each holder bears to all of the Ordinary Shares, Vested G Shares, and Vested In-The-Money H Shares then in issue; and

Finally, nothing, unless the holders of each Ordinary Share (including any Ordinary Shares arising from conversion of the Ordinary Series Shares), Vested G Share, and Vested In-The-Money H Share receive proceeds of £1,000,000 or more per share, in which case the holders of the Deferred Shares (as a class) shall be entitled to receive £1 in aggregate, on a pro rata basis.

Rights attaching to the shares - Conversion of Ordinary Series Shares

Immediately on the request in writing, at any time, by an Ordinary Series Shareholder, such number of his Ordinary Series Shares as such Ordinary Series Shareholder shall specify on the date of such request automatically be converted into and re-designated as Ordinary Shares at the rate of one Ordinary Share for every Ordinary Series Share (as adjusted from time to time as provided herein, the "Conversion Rate").

Rights attaching to the shares - Conversion of Ordinary D Shares
All of the fully paid Ordinary D Shares then in issue shall automatically be converted into and re-designated as Ordinary Shares at the Conversion Rate immediately upon the request in writing.

Rights attaching to the shares - Conversion of Ordinary E Shares
All of the fully paid Ordinary E Shares then in issue shall automatically be converted into and re-designated as Ordinary Shares at the Conversion Rate immediately upon the request in writing.

Rights attaching to the shares - Conversion of Ordinary F Shares
All of the fully paid Ordinary F Shares then in issue shall automatically be converted into and re-designated as Ordinary Shares at the Conversion Rate immediately upon the request in writing.

Rights attaching to the shares - Conversion of G Shares
Unless otherwise determined by the Board at any time prior thereto, all of the fully paid G Shares then in issue shall automatically be converted into and re-designated as Ordinary.

Rights attaching to the shares - Conversion of H Shares
Unless otherwise determined by the Board at any time prior thereto, all of the fully paid H Shares then in issue shall automatically be converted into and re-designated as Ordinary.

The Board shall, in such circumstances as are stated in any particular Award Letter pursuant to which H Shares have been awarded (and subsequently subscribed for or the beneficial interest therein acquired), have the right to determine that the H Shares (or relevant number thereof) held by an H Shareholder (and/or his Permitted Transferees, if applicable) shall convert into Deferred Shares (on the basis of one Deferred Share for each applicable H Share). Upon such conversion into Deferred Shares, which shall take place on the date of the Board's determination (the "H Share Conversion Date"), the Company shall be entitled to enter the H Shareholder (and/or his Permitted Transferees, if applicable) on the register of members of the Company as the holder of the appropriate number of Deferred Shares as from the H Share Conversion Date. Upon the H Share Conversion Date, the H Shareholder (and/or his Permitted Transferees, if applicable) shall deliver to the Company at its registered office the shares certificate(s) (to the extent not already in the possession of the Company) or an indemnity for lost certificate in a form acceptable to the Board for the H Shares so converting, and upon such delivery the Company shall be entitled to either (a) effect a transfer from the relevant H Shareholder to the Employee Trustee of all such Deferred Shares in consideration for an aggregate sum of one penny and, upon such transfer becoming effective the relevant Deferred Shares shall be automatically re-designated as H Shares shall apply mutatis mutandis to such transfer); or (b) issue to such H Shareholders (and/or their Permitted Transferees, if applicable) share certificate(s) for the number of Deferred Shares resulting from the relevant conversion and any remaining H Shares.

Rights attaching to the shares - Conversion of Deferred Shares
Unless otherwise determined by the Board at any time prior thereto, all of the Deferred Shares then in issue shall automatically be converted into and re-designated as Ordinary.

Rights attaching to the shares - Votes in general meeting and written resolutions
The Ordinary Series Shares shall confer on each holder of Ordinary Series Shares the right to receive notice of and to attend, speak and vote at all general meetings of the Company.

The Ordinary Shares shall confer on each holder of Ordinary Shares the right to receive notice of and to attend, speak and vote at all general meetings of the Company and to receive and vote on proposed written resolutions of the Company.

The G Shares and H Shares shall not entitle the holders of them to receive notice of, to attend, to speak or to vote at any general meeting of the Company nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions of the Company.

The Deferred Shares (if any) shall not entitle the holders of them to receive notice of, to attend, to speak or to vote at any general meeting of the Company nor to receive or vote on, or otherwise constitute an eligible member for the purposes of, proposed written resolutions of the Company.

On 12 February 2020, a bonus issue of 195,586 D Ordinary shares were issued at par from the share premium account.

In February and July 2020, the company completed a fundraising round and an extension thereto, raising $500m and $80m, with 4,118,566 E Ordinary shares allotted and fully paid at $121.4015 per share on 24 February 2020 and 658,970 E Ordinary shares allotted and fully paid at $121.4015 per share on 7 July 2020.

On 21 February 2020, 4,989,071 B Ordinary shares and 6,879,002 C Ordinary shares were redesignated as A Ordinary shares. On 5 June 2020, 48,239 Ordinary shares and 3,706 A Ordinary shares were redesignated as E Ordinary shares. On 19 June 2020, 4,213 Ordinary shares were redesignated as E Ordinary shares.

In 2020, 18,790 Ordinary Shares were allotted and fully paid at £0.0000001 each; 57,220 Ordinary Shares were allotted and fully paid at £0.03 each; 56,527 Ordinary Shares were allotted and fully paid at £0.10 each; 19,319 Ordinary Shares were allotted and fully paid at £0.32 each; 62,522 Ordinary Shares were allotted and fully paid at £0.50 each; 9,474 Ordinary Shares were allotted and fully paid at £0.75 each; and 2,587 Ordinary shares were allotted and fully paid at £13.93 each; and 342 Ordinary shares were allotted and fully paid at £22.34 each to employees as they exercised their share options under the Group's share option schemes. Proceeds of £95k *(2019: £137k)* were received from the employees.

In May 2021, all 18.1m A Ordinary shares were converted into Ordinary shares. Later between August-September, as part of capital structuring 41.2 thousand of D Ordinary shares, 4.8 thousand of E Ordinary shares, 383.4 thousand of F Ordinary shares, 11.9 thousand of G Ordinary shares and 425.8 thousand of H Ordinary shares were also converted into Ordinary shares.

All shares have full voting and dividend rights. On a return of assets, capital distributions will be made to holders of A Ordinary, D Ordinary and E Ordinary Shares in priority to all other Shareholders.

26. Reserves

Group

Share premium account

	£000
At 1 January 2020 (restated)	248,814
Premium arising on issue of ordinary shares	448,630
Expense of issue of equity shares	-
As 31 December 2020 (restated)	**697,444**
At 1 January 2021	697,444
Premium arising on issue of ordinary shares	601,878
Expense of issue of equity shares	(11,870)
As 31 December 2021	**1,287,452**

Other reserves

	Foreign exchange reserve	Share options reserve	Net investment in foreign operation reserve	Financial investment reserve	Own shares held in Employee Benefit Trusts*	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2020 (restated)	73	10,369	-	-	-	10,442
Equity settled share-based payment charge	-	57,182	-	-	-	57,182
Foreign currency translation adjustment	(328)	-	-	-	-	(328)
As 31 December 2020 (restated)	**(255)**	**67,551**	**-**	**-**	**-**	**67,296**
At 1 January 2021	(255)	67,551	-	-	-	67,296
Equity settled share-based payment charge	-	47,352	-	-	-	47,352
Foreign currency translation adjustment	(9,237)	-	-	-	-	(9,237)
Revaluation loss on finance investment	-	-	-	(763)	-	(763)
Cumulative hedge effectiveness reserve	-	-	3,365	-	-	3,365
Employee Benefit Trust purchase of own shares	**-**	**-**	**-**	**-**	**(445)**	**(445)**
As 31 December 2021	**(9,492)**	**114,903**	**3,365**	**(763)**	**(445)**	**107,568**

Company

Share premium account

	£000
At 1 January 2020 (restated)	248,814
Premium arising on issue of ordinary shares	448,630
Expense of issue of equity shares	-
As 31 December 2020 (restated)	**697,444**
At 1 January 2021	697,444
Premium arising on issue of ordinary shares	601,878
Expense of issue of equity shares	**(11,870)**
As 31 December 2021	**1,287,452**

Other reserves

	Foreign exchange reserve	Share options reserve	Financial investment reserve	Own shares held in Employee Benefit Trusts*	Total
	£000	£000	£000		£000
At 1 January 2020 (restated)	87	10,369	-	-	10,456
Equity settled share-based payment charge	-	57,182	-	-	57,182
Foreign currency translation adjustment	(115)	-	-	-	(115)
As 31 December 2020 (restated)	**(28)**	**67,551**	**-**	**-**	**67,523**
At 1 January 2021	(28)	67,551	-	-	67,523
Equity settled share-based payment charge	-	47,341	-	-	47,341
Foreign currency translation adjustment	109	-	-	-	109
Revaluation loss on finance investment	-	-	(258)	-	(258)
Employee Benefit Trust purchase of own shares	-	-	-	(445)	(445)
As 31 December 2021	**81**	**114,892**	**(258)**	**(445)**	**114,270**

The following describes the nature and purpose of the other reserves within equity:

Foreign exchange reserve	The foreign exchange reserves represent the cumulative foreign currency translation movement on the assets and liabilities of the Group's international operations at year-end exchange rates.
Share options reserve	This records the fair value of equity-settled share options issued.
Net investment in foreign operation reserve	The net investment in foreign operation reserve represents the effective portion of the gains or losses on the retranslation of investments into foreign operations due to exchange rate risks.
Financial investment reserve	The fair value through other comprehensive income reserve includes unrealised gains or losses in respect of financial instruments at FVOCI

The Group consolidates one share trust. The Group's own share reserve represents the cost of shares in the Revolut Group Employee Benefit Trust (Fiduchi) which are held for the purposes of fulfilling obligations in respect of the Group's share awards.

27. Share-based payments

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

2021 scheme and modification

In 2021, the Group introduced growth shares scheme to replace the Company Stock Option Scheme ("CSOP") and Unapproved Options Plan ("UOP") prospectively. Employees having stock options under CSOP and UOP were eligible to voluntarily exchange their existing holdings in growth shares.

Unlike Options, Growth Shares entitle the shareholder to a capital return once the value of the Company exceeds a pre-set value per share (the "Hurdle Price") set by independent valuers. Shares granted will be held in the company-held trust until exercised.

Growth shares granted as a performance bonus vest according to a schedule with 50% vesting on the grant date and 25% vesting annually on the anniversary of the grant date for the next two years. Growth shares granted as a sign-on bonus or promotion will vest on an annual basis over four years i.e., 25% at each year-end.

CSOP and Unapproved share option schemes

In 2019 the Group operated two share options schemes, the first is an HMRC approved Company Share Option Scheme ("CSOP"), for UK employees, and the second one, is an Unapproved Options Plan ("UOP"), for the non-UK employees.

In 2020, the Group issued share options under the unapproved options plan for both UK and non-UK employees of the Group and issued no share options under the CSOP plan.

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

Under both plans, options may have the following vesting periods: (i) a 4-year vesting period with the first 25% vested on the first-year anniversary of the vesting commencement date, and the remaining 75% vesting monthly over the subsequent 36 months; or (ii) a 2-year vesting period with options vesting monthly over the 2 years. Employees are required to remain in employment with the Group until the vesting period has elapsed, otherwise the awards lapse.

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

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

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

In addition to awards described above, a number of employees were granted share options in exchange for a temporary reduction in salary for a twelve-month period under the UOP. These options vest monthly over a 12-month vesting period, during which time the employees must remain in employment with the Group. The options have a fixed exercise price and a maximum term of 10 years after which they expire.

In accordance with IFRS 2, equity settled awards should be valued by measuring the fair value of services received directly where possible. In this case it was possible to measure the fair value of the employee services directly by reference to the value of the salary foregone.

Additional agreements are in place to grant up to 6,057,025 (2020: 6,057,025) additional nil cost options over ordinary shares to members of senior management at the CEO's discretion if certain conditions are met, including the completion of a qualifying fundraising or initial public offering on a recognised investment exchange, with certain share price, earnings, and operational performance targets. Such awards would be granted and vest immediately upon meeting all the required conditions, except for certain awards which may also be subject to time-based vesting requirements. No share-based payment charge has been recognised in the year ended 31 December 2021 (2020: £nil) in relation to these options as it is currently not considered to be probable that these conditions will be met.

Shares awarded to non-executive directors

Until May 2021, the non-executive directors of the Company agreed to forego a proportion of their cash salaries in exchange for payment in shares. In May 2021, all of the Company's non-executive directors' salaries returned to being paid in cash. As at 31 December 2021, the non-executive directors held shares previously granted under the salary sacrifice agreement.

Reconciliation of outstanding share-based payment awards

A reconciliation of share option movements over the year to 31 December 2021 is shown below:

	Weighted average exercise price 2021	**Number 2021**	Weighted average exercise price 2020	Number 2020
Outstanding at the beginning of the year	**0.45**	**2,446,706**	£0.69	891,765
Granted during the year	**0.77**	**422,368**	£0.60	1,973,009
Exercised during the year	**0.41**	**(250,399)**	£0.44	(216,583)
Expired/sold during the year	**0.00**	**(168,852)**	£3.04	(201,485)
Outstanding at the end of the year	**0.54**	**2,449,823**	£0.45	2,446,706
Exercisable at the end of the year	**0.79**	**2,404,513**	£0.31	1,759,322

A reconciliation of growth share movements over the year to 31 December 2021 is shown below:

	Weighted average exercise price 2021	**Number 2021**	Weighted average exercise price 2020	Number 2020
Outstanding at the beginning of the year	**-**	**-**	-	-
Granted during the year	**1,833.64**	**12,429,814**	-	-
Exercised during the year	**-**	**-**	-	-
Expired/sold during the year	**-**	**-**	-	-
Outstanding at the end of the year	**1,833.64**	**12,429,814**	-	-

The options outstanding at 31 December 2021 had an exercise price of £0 and £22.34 (2020: £0 and £22.34), and a weighted average remaining contractual life of 8.39 years (2020: 9.28 years).

The growth shares outstanding at 31 December 2021 had an exercise price;

	Weighted average exercise price 2021	Weighted average exercise price 2020
Pool 1	**11.94**	-
Pool 2	**303.50**	-
Pool 3	**303.50**	-
Pool 4	**1,187.50**	-
Pool 5	**1,187.50**	-
Pool 6	**2,093.75**	-

Measurement of fair values

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment awards was as follows:

	2021	2020
Model	**Black Scholes Model**	Black Scholes Model
Weighted average fair value	**£63.00 - £330.00**	£50.92
Expected volatility	**0% - 45.00%**	0%-37.00%
Expected term (years)	**0-4**	0-4
Risk-free rate	**(0.59)% - 0.63%**	(0.31)% - 0.57%
Expected dividend yields	**0%**	0%

Measurement of fair values

The total share-based payment expense recognised in Administrative expenses in the Statement of Comprehensive Income is as follows:

	2021	2020
Group	**£000**	£000
Equity settled schemes	**47,340**	56,426

Sensitivity analysis

The Group has conducted an analysis of the sensitivity of the share-based payment charge recognised in the profit and loss to changes in the key assumptions used to determine the fair value of the share options granted. The fair value is most sensitive to the ordinary equity value used in the Monte-Carlo simulation, which is derived from the enterprise value determined at the grant date. The fair value is not considered sensitive to reasonable changes in volatility or other assumptions used.

A 10% increase in the equity value at the valuation date for the share options granted in the year (which are not valued by reference to the salary foregone) would result in an increase in the total share-based payment expense for the year by £4.7m (2020: £3.6m), with all other assumptions remaining unchanged. A 10% decrease in equity value assumption would result in decrease in the total share-based payment expense for the year by £4.7m (2020: £3.6m), with all other assumptions remaining unchanged.

28. Pension commitments

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £3.7m (2020: £1.4m). Contributions totalling £1.2m (2020: £0.3m) were payable to the fund at the statement of financial position date and are included in creditors.

29. Financial instruments

29.1 Financial instrument by category

The following table shows the carrying amount of each of the categories of financial instruments as at the end of the reporting period.

Group	**31 December 2021 £000**	31 December 2020 (restated) £000
Financial assets measured at fair value		
Financial instruments at FVOCI	**1,236,481**	-
Derivative financial assets	**9,294**	121
	1,245,775	121
Financial assets measured at amortised cost		
Cash and cash equivalent	**7,052,609**	5,055,023
Loans and advances to customers	**17,816**	1,376
Trade and other receivables	**202,086**	150,378
	7,272,511	5,206,777
Financial liabilities measured at fair value		
Derivative financial liabilities	**(2,454)**	(1,970)
	(2,454)	(1,970)
Financial liabilities measured at amortised cost		
Customer liabilities	**(7,361,196)**	(4,637,230)
Trade and other payables – excluding lease liabilities	**(59,163)**	(120,206)
Lease liabilities	**(14,244)**	(24,928)
Loans	**(122)**	(81,812)
	(7,434,725)	(4,864,176)

Company	31 December 2021 £000	31 December 2020 (restated) £000
Financial assets measured at fair value		
Financial investment	**383,670**	-
Derivative financial assets	**16,255**	3,707
	399,925	3,707
Financial assets measured at amortised cost		
Cash and cash equivalent	**3,984,868**	2,562,779
Trade and other receivables	**195,974**	116,601
	4,180,842	2,679,380
Financial liabilities measured at fair value		
Derivative financial liabilities	**(6,434)**	(2,139)
	(6,434)	(2,139)
Financial liabilities measured at amortised cost		
Customer liabilities	**(3,516,981)**	(2,121,085)
Trade and other payables – excluding lease liabilities	**(309,874)**	(181,012)
Lease liabilities	**(12,714)**	(20,068)
Loans	**-**	(81,812)
	(3,839,569)	(2,403,977)

Customer liabilities at fair value through profit and loss consists of customer liabilities in respect of contracts relating to the commodities offering and cryptocurrencies.

Customer liabilities at amortised cost consists of customer liabilities in respect of electronic money (Group and Company) and customer deposits (Group).

29.2 Financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statement of financial position. There was no financial asset or liability measured at fair value as at 1 January 2020.

Group

As 31 December 2021	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial investment	1,236,481	1,236,481	-	-
Derivative financial assets	9,294	-	9,294	-
Financial liabilities measured at fair value				
Derivative financial liabilities	(2,454)	-	(2,454)	-
	1,243,321	**1,236,481**	**6,840**	**-**

As 31 December 2020	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial investment	-	-	-	-
Derivative financial assets	121	-	121	-
Financial liabilities measured at fair value				
Derivative financial liabilities	(1,970)	-	(1,970)	-
	(1,849)	**-**	**(1,849)**	**-**

Company

As 31 December 2021	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial investment	383,670	383,670	-	-
Derivative financial assets	16,255	-	16,255	-
Financial liabilities measured at fair value				
Derivative financial liabilities	(6,434)	-	(6,434)	-
	393,491	**383,670**	**9,821**	**-**

As 31 December 2020	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Financial investment	-	-	-	-
Derivative financial assets	3,707	-	3,707	-
Financial liabilities measured at fair value				
Derivative financial liabilities	(2,139)	-	(2,139)	-
	1,568	**-**	**1,568**	**-**

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the fair value hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between the different levels during the current reporting or prior period.

Valuation techniques

Derivative financial instruments are valued using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the relevant forward exchange rates for the currencies involved. All derivative financial instruments between the Company and its subsidiaries represent foreign currency swap contracts valued using direct and indirect observable inputs.

There were no changes to the valuation techniques during the period.

Financial instruments not measured at fair value

The carrying values of financial instruments not measured at fair value are a reasonable approximation of their fair value. The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised. If the carrying amount of the financial instruments are a reasonable approximation of fair value, they are not valued at fair value and have thus been excluded from the table below. Additionally, the fair value disclosure of lease liabilities is not required.

Group

At 31 December 2021	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at amortised cost				
Cash and cash equivalent	7,052,609	-	7,052,609	-
Loans and advances to customers	17,816	-	-	17,816
Trade and other receivables	202,086	-	202,086	-
	7,272,511		**7,254,695**	**17,816**
Financial liabilities measured at amortised cost				
Customer liabilities	(7,361,196)	-	(7,361,196)	-
Trade and other payables – excluding lease liabilities	(59,193)	-	(59,193)	-
Lease liabilities	(14,244)	-	-	(14,244)
Loans	**(122)**	**-**	**-**	**(122)**
	(7,434,755)		**(7,420,389)**	**(14,366)**

At 31 December 2020	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at amortised cost				
Cash and cash equivalent	5,055,023	-	5,055,023	-
Loans and advances to customers	1,376	-	-	1,376
Trade and other receivables	150,378	-	150,378	-
	5,206,777	**-**	**5,205,401**	**1,376**
Financial liabilities measured at amortised cost				
Customer liabilities	(4,637,230)	-	(4,637,230)	-
Trade and other payables – excluding lease liabilities	(120,206)	-	(120,206)	-
Lease liabilities	(24,928)	-	-	(24,928)
Loans	(81,812)	-	(81,812)	-
	(4,864,176)	**-**	**(4,839,248)**	**(24,928)**

At 1 January 2020	Total	Level 1	Level 2	Level 3
Financial assets measured at amortised cost				
Cash and cash equivalent	2,462,986	-	2,462,986	-
Trade and other receivables	206,523	-	206,523	-
	2,669,509	**-**	**2,669,509**	**-**

Financial liabilities measured at amortised cost				
Customer liabilities	(2,367,200)	-	(2,367,200)	-
Trade and other payables – excluding lease liabilities	(192,848)	-	(192,848)	-
Lease liabilities	(26,697)	-	-	(26,697)
Loans	(120,518)	-	(120,518)	-
	(2,707,263)	**-**	**(2,680,566)**	**(26,697)**

Company

At 31 December 2021	Total	Level 1	Level 2	Level 3
Financial assets measured at amortised cost				
Cash and cash equivalent	3,984,868	-	3,984,868	-
Trade and other receivables	195,974	-	195,974	-
	4,180,842	**-**	**4,180,842**	**-**

Financial liabilities measured at amortised cost				
Customer liabilities	(3,516,981)	-	(3,516,981)	
Trade and other payables – excluding lease liabilities	(309,874)	-	(309,874)	
Lease liabilities	(12,714)	-		(12,714)
	(3,839,569)	**-**	**(3,826,855)**	**(12,714)**

At 31 December 2020	Total	Level 1	Level 2	Level 3
Financial assets measured at amortised cost				
Cash and cash equivalent	2,562,779	-	2,562,779	-
Trade and other receivables	116,601	-	116,601	-
	2,679,380	**-**	**2,679,380**	**-**

Financial liabilities measured at amortised cost				
Customer liabilities	(2,121,085)	-	(2,121,085)	-
Trade and other payables – excluding lease liabilities	(181,012)	-	(181,012)	-
Lease liabilities	(20,068)	-	-	(20,068)
Loans	(81,812)	-	(81,812)	
	(2,403,977)	**-**	**(2,383,909)**	**(20,068)**

29.3 Derivative financial instruments

Group	At 31 December 2021			At 31 December 2020		
	Carrying amount assets	**Carrying amount liabilities**	**Notional amount**	Carrying amount assets	Carrying amount liabilities	Notional amount
	£000	**£000**	**£000**	£000	£000	£000
Total derivatives in hedge accounting relationships	**2,171**	**-**	**172,257**	-	-	-
Derivatives not in hedge accounting relationships:						
Foreign currency swaps	**6,394**	**2,143**	**783,771**	121	1,970	290,464
Foreign exchange forward contracts	**729**	**311**	**107,130**	-	-	-
Total derivatives not in hedge accounting relationships	**7,123**	**2,454**	**890,901**	121	1,970	290,464
Total derivative financial instruments	**9,294**	**2,454**	**1,063,158**	121	1,970	290,464

Company	At 31 December 2021			At 31 December 2020		
	Carrying amount assets	**Carrying amount liabilities**	**Notional amount**	Carrying amount assets	Carrying amount liabilities	Notional amount
	£000	**£000**	**£000**	£000	£000	£000
Total derivatives in hedge accounting relationships	**-**	**-**	**-**	-	-	-
Derivatives not in hedge accounting relationships:						
Foreign currency swaps	**15,526**	**6,123**	**956,028**	3,707	2,139	290,464
Foreign exchange forward contracts	**729**	**311**	**107,130**	-	-	-
Total derivatives not in hedge accounting relationships	**16,255**	**6,434**	**1,063,158**	3,707	2,139	290,464
Total derivative financial instruments	**16,255**	**6,434**	**1,063,158**	3,707	2,139	290,464

30. Financial risk management

The Group is exposed to financial risks in the ordinary course of business. The Group divides these risks into the following categories: credit risk, liquidity risk and funding management, market risk and capital risk management.

30.1 Credit risk

Credit risk is the risk of financial loss should the Group's borrowers or counterparties fail to fulfil their contractual obligations in full and on time. The Group is exposed to various credit risks in the course of its operations, the majority of which arise from the placements of corporate and client safeguarded funds with financial institutions. These are typically investment grade rated institutions. The Group also has short dated credit exposure for receivables due from card schemes and merchant acquirers used to process user card top-ups, as well as credit exposures to Crypto counterparties used to facilitate trading.

The Group has retail credit risk relating to its consumer credit products. These products comprise of loans and credit cards in Lithuania and Poland.

To manage credit risk appetite, the Group's credit risk management policies and procedures require all counterparties giving rise to credit risk to be assessed at least annually and assigned a credit risk limit commensurate with their risk profile, subject to approved materiality thresholds. The Group's Credit Risk function monitors adherence to limits and appropriate management of credit risks where deterioration is identified. Key decisions are subject to review and approval by the ALCO.

The Group's exposure to financial institutions is expected to evolve over time alongside the Group's intention to obtain bank licences in the US and UK, with expectations that a high-quality liquid assets portfolio will be established to support meeting regulatory large exposure thresholds alongside licence approvals. The Group also expects substantial growth within the retail credit portfolio over the coming year.

	Group			Company	
	31 December 2021	31 December 2020 (restated)	1 January 2020 (restated)	**31 December 2021**	31 December 2020 (restated)
	£000	£000	£000	**£000**	£000
Cash and cash equivalent	**7,052,609**	5,055,023	2,462,986	**3,984,868**	2,562,779
Derivative financial assets	**9,294**	121	-	**16,255**	3,707
Financial investment	**1,236,481**	-	-	**383,670**	-
Loans and advances to customers	**17,816**	1,376	-	**-**	-
Other Assets	**214,276**	164,524	222,867	**179,329**	130,204
Undrawn commitment	**7,963**	1,155	-	**-**	-
Gross credit risk exposure	**8,538,439**	5,222,199	2,685,853	**4,564,122**	2,696,690

Undrawn commitment relates to credit card and personal loan against which a 12-month expected credit loss provision of £8k (2020: £4k) has been recognised.

Credit quality analysis

The following tables set out information about the credit quality of financial investments and loans and advances to customers without taking into account collateral or other credit enhancement. The amounts of the financial assets in the table represent gross carrying amounts.

Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' is included in note 4.14.

Group					
At 31 December 2021	**12 months PD**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial investment:					
Grades 1-4	0%-0.5%	1,236,748	-	-	1,236,748
Grades 5-6	0.5%-1.3%				
Grade 7-8	1.3%-3%				
Grade 9	3%-5%				
Grade 10	5%-8%				
Grade 11+	8%-100%				
Gross carrying amount		**1,236,748**			**1,236,748**
Loss allowance		**(267)**			**(267)**
Carrying amount		**1,236,481**			**1,236,481**
ECL coverage %		**0.02%**			**0.02%**

Loans and advances to customers:	12 months PD	Stage 1	Stage 2	Stage 3	Total
Grades 1-4	0%-0.5%	5,356	33	10	5,399
Grades 5-6	0.5%-1.3%	3,941	61	4	4,006
Grade 7-8	1.3%-3%	2,741	198	16	2,955
Grade 9	3%-5%	1,232	137	5	1,374
Grade 10	5%-8%	384	49	1	434
Grade 11+	8%-100%	493	186	17	696
Gross carrying amount		**14,147**	**664**	**53**	**14,864**
Loss allowance		**(131)**	**(43)**	**(34)**	**(208)**
Carrying amount		**14,016**	**621**	**19**	**14,656**
ECL coverage %		**0.93%**	**6.48%**	**64.15%**	**1.40%**

Credit cards:					
Grades 1-4	0%-0.5%	689	3	2	694
Grades 5-6	0.5%-1.3%	875	16	3	894
Grade 7-8	1.3%-3%	812	14	11	837
Grade 9	3%-5%	452	44	7	503
Grade 10	5%-8%	120	44	0	164
Grade 11+	8%-100%	68	149	15	232
Gross carrying amount		**3,016**	**270**	**38**	**3,324**
Loss allowance		**(79)**	**(63)**	**(22)**	**(164)**
Carrying amount		**2,937**	**207**	**16**	**3,160**
ECL coverage %		**2.62%**	**23.33%**	**57.89%**	**4.93%**

Group					
At 31 December 2020	**12 months PD**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers:					
Grades 1-4	0%-0.5%	**616**	-	-	**616**
Grades 5-6	0.5%-1.3%	**382**	-	-	**382**
Grade 7-8	1.3%-3%	**160**	-	-	**160**
Grade 9	3%-5%	**33**	-	-	**33**
Grade 10	5%-8%	**0**	-	-	**0**
Grade 11+	8%-100%	**0**	-	-	**0**
Gross carrying amount		**1,191**	-	-	**1,191**
Loss allowance		**(4)**	-	-	**(4)**
Carrying amount		**1,187**	-	-	**1,187**
ECL coverage %		**0.34%**	-	-	**0.34%**

Credit cards:					
Grades 1-4	0%-0.5%	65	-	-	65
Grades 5-6	0.5%-1.3%	70	-	-	70
Grade 7-8	1.3%-3%	54	-	-	54
Grade 9	3%-5%	8	-	-	8
Grade 10	5%-8%	-	-	-	-
Grade 11+	8%-100%	-	-	-	-
Gross carrying amount		**197**	**-**	**-**	**197**
Loss allowance		**(5)**	**-**	**-**	**(5)**
Carrying amount		**192**	**-**	**-**	**192**
ECL coverage %		**2.54%**	**-**	**-**	**2.54%**

Company					
At 31 December 2020	**12 months PD**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Financial investment:					
Grades 1-4	0%-0.5%	383,774	-	-	383,774
Grades 5-6	0.5%-1.3%	-	-	-	-
Grade 7-8	1.3%-3%	-	-	-	-
Grade 9	0%-0.5%	-	-	-	-
Grade 10	0.5%-1.3%	-	-	-	-
Grade 11+	1.3%-3%	-	-	-	-
Gross carrying amount		**383,774**	**-**	**-**	**383,774**
Loss allowance		**(104)**	**-**	**-**	**(104)**
Carrying amount		**383,670**	**-**	**-**	**383,670**
ECL coverage %		**0.03%**	**-**	**-**	**0.03%**

Credit risk concentration

An analysis of the Group's credit risk concentrations per class of financial asset is provided in the following tables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

		At 31 December 2021		**At 31 December 2020**	
Group		**Corporate**	Customers (Retail and Business)	**Corporate**	Customers (Retail and Business)
Financial investment	**Europe excluding the UK**	852,811	-	**-**	
	UK	383,670	-	**-**	
Loans and advances to customers	**Europe excluding the UK**		17,816	**-**	1,380
	UK		-	**-**	-
Total		**1,236,481**	**17,816**	**-**	**1,380**

Company		At 31 December 2021 Corporate	At 31 December 2021 Customers (Retail and Business)	At 31 December 2020 Corporate	At 31 December 2020 Customers (Retail and Business)
Financial investment	**Europe excluding the UK**	-	-	-	-
	UK	383,670	-	-	-
Loans and advances to customers	**Europe excluding the UK**	-	-	-	-
	UK	-	-	-	-
Total		**383,670**	**-**	**-**	**-**

Loss allowance

The following tables show reconciliations from the opening to the closing balance of the loss allowance by financial instruments.

Group

	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers				
Balance at 1 January 2020	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	4	-	-	**4**
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Other movements	-	-	-	-
Balance at 31 December 2020	4	-	-	**4**
Balance at 1 January 2021	4	-	-	**4**
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(1)	1	11	**11**
New financial assets originated or purchased	134	43	24	**201**
Financial assets that have been derecognised	(1)	-	-	**(1)**
Write-offs	-	-	-	**-**
Other movements	(5)	(2)	(1)	**(8)**
Balance at 31 December 2021	**130**	**43**	**34**	**207**

Credit cards				
Balance at 1 January 2020	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	5	-	-	5
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Other movements	-	-	-	-
Balance at 31 December 2020	**5**	**-**	**-**	**5**
Balance at 1 January 2021	5	-	-	5
Transfer to Stage 1	0	-	-	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	(3)	7	10	14
New financial assets originated or purchased	79	59	14	152
Financial assets that have been derecognised	(1)	-	-	(1)
Write-offs	-	-	-	-
Other movements	-	(3)	(1)	(4)
Balance at 31 December 2021	**79**	**64**	**23**	**166**

Company

	Stage 1	Stage 2	Stage 3	Total
Financial investment				
Balance at 1 January 2020	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Unwind of discount	-	-	-	-
Other movements	-	-	-	-
Balance at 31 December 2020	-	-	-	-
Balance at 1 January 2021	-	-	-	-
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	-	-
New financial assets originated or purchased	104	-	-	**104**
Financial assets that have been derecognised	-	-	-	-
Write-offs	-	-	-	-
Unwind of discount	-	-	-	-
Other movements	-	-	-	-
Balance at 31 December 2021	104	-	-	104

There were no significant changes in the gross carrying amount of financial instruments during the period that contributed to changes in the loss allowance.

30.2 Liquidity risk and funding management

Liquidity risk is the risk that the Group cannot meet its financial obligations when they fall due or is only able to do so at excessive cost. Funding risk is the risk that Revolut does not have sufficient stable sources of funding to meet its financial obligations when they fall due or can do so only at excessive cost. Risk arises when assets maturing during a particular period are lower than corresponding liabilities maturing during the same period. An unexpected increase in assets or a decrease in liabilities can also create liquidity risk. The 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, pre-funding, marketable and non-marketable assets, contingent off-balance sheet exposures and commitment drawdowns, intraday requirements, collateral requirements, funding concentration, and foreign exchange. These risks are managed by the Treasury Function, with control and oversight provided by the Risk Management Function, the Assets and Liabilities Management Committee and the Management Board. The 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. The group complies with this policy by holding surplus cash in the form of overnight deposits with banks.

Maturity analysis for financial assets and financial liabilities

The table below summarises the maturity profile of the Group's financial assets and liabilities based on contractual undiscounted payments:

Group at 31 December 2021	Carrying amount £000	Total £000	On demand £000	Up to 3 months £000	3-12 months £000	1-5 Years £000	Over 5 years £000
Financial assets							
Cash and cash equivalents	7,052,609	7,052,609	7,052,609	-	-	-	-
Financial investment	1,236,481	1,236,481	-	-	1,236,481	-	-
Loans and advances to customers	17,817	17,817	-	3,200	449	7,767	6,401
Derivative financial assets	9,294	9,294	-	9,294	-	-	-
Trade and other receivables	206,880	206,880	3,105	203,775	-	-	-
	8,523,081	**8,523,081**	**7,055,714**	**216,269**	**1,236,930**	**7,767**	**6,401**
Financial liabilities							
Customer liabilities	7,361,196	7,361,196	7,361,196	-	-	-	-
Trade and other payables	165,248	165,248	-	165,248	-	-	-
Lease liabilities	14,244	15,196	-	1,261	4,391	9,403	141
Derivative financial liabilities	2,454	2,454	2,454	-	-	-	-
Current tax liability	9,374	9,374	-	9,374	-	-	-
	7,552,516	**7,553,468**	**7,363,650**	**175,883**	**4,391**	**9,403**	**141**

Group at 31 December 2020	Carrying amount £000	Total £000	On demand £000	Up to 3 months £000	3-12 months £000	1-5 Years £000	Over 5 years £000
Financial assets							
Cash and cash equivalents	5,055,023	5,055,023	5,055,023	-	-	-	-
Derivative financial assets	121	121	-	121	-	-	-
Loans and advances to customers	1,376	1,381	-	849	34	498	-
Trade and other receivables	153,242	153,242	1,808	151,434	-	-	-
	5,209,762	**5,209,767**	**5,056,831**	**152,404**	**34**	**498**	**0**
Financial liabilities							
Customer liabilities	(4,637,230)	(4,637,230)	(4,637,230)	-	-	-	-
Derivative financial liabilities	(1,970)	(1,970)	-	(1,970)	-	-	-
Trade and other payable	(143,663)	(143,663)	-	(143,663)	-	-	-
Lease liabilities	(24,928)	(27,894)	-	(1,387)	(5,843)	(19,963)	(701)
Loans	(81,812)	(81,812)	-	-	(81,812)	-	-
Current tax liability	(1,670)	(1,670)	-	**(1,670)**	-	-	-
	(4,891,273)	**(4,894,239)**	**(4,637,230)**	**(148,690)**	**(87,655)**	**(19,963)**	**(701)**

Group at 1 January 2020	Carrying amount £000	Total £000	On demand £000	Up to 3 months £000	3-12 months £000	1-5 Years £000	Over 5 years £000
Financial assets							
Cash and cash equivalents	2,462,986	2,462,986	2,462,986	-	-	-	-
Trade and other receivables	209,825	209,825	4,815	205,010	-	-	-
	2,672,811	**2,672,811**	**2,467,801**	**205,010**	**0**	**0**	**0**
Financial liabilities							
Customer liabilities	(2,367,200)	(2,367,200)	(2,367,200)	-	-	-	-
Trade and other payables	(203,830)	(203,830)	-	(203,830)	-	-	-
Lease liabilities	(26,697)	(30,724)	-	(639)	(4,425)	(24,795)	(865)
Loans	(120,518)	(120,518)	-	-	(972)	(119,546)	-
Current tax liability	-	-	-	-	-	-	-
	(2,718,245)	**(2,722,272)**	**(2,367,200)**	**(204,469)**	**(5,397)**	**(144,341)**	**(865)**

Company at 31 December 2021	Carrying amount £000	Total £000	On demand £000	Up to 3 months £000	3-12 months £000	1-5 Years £000	Over 5 years £000
Financial assets							
Cash and cash equivalents	3,984,868	3,984,868	3,984,868	-	-	-	-
Derivative financial assets	16,255	16,255	-	16,255	-	-	-
Financial investment	383,670	383,670	-		383,670	-	-
Trade and other receivables	200,228	200,228	1,058	199,170	-	-	-
	4,585,021	**4,585,021**	**3,985,926**	**215,425**	**383,670**	**-**	**-**
Financial liabilities							
Customer liabilities	(3,516,981)	(3,516,981)	(3,516,981)	-	-	-	-
Derivative financial liabilities	(6,434)	(6,434)	-	(6,434)	-	-	-
Trade and other payables	(320,135)	(320,135)	-	(320,135)	-	-	-
Lease liabilities	(12,714)	(13,453)	-	(1,196)	(4,068)	(8,189)	
Current tax liability	(432)	(432)	-	(432)	-	-	-
	(3,856,698)	**(3,857,437)**	**(3,516,981)**	**(328,199)**	**(4,068)**	**(8,189)**	**-**

Company at 31 December 2020	Carrying amount £000	Total £000	On demand £000	Up to 3 months £000	3-12 months £000	1-5 Years £000	Over 5 years £000
Financial assets							
Cash and cash equivalents	2,562,779	2,562,779	2,562,779	-	-	-	-
Derivative financial assets	3,707	3,707	-	3,707	-	-	-
Trade and other receivables	119,043	119,043	1,067	117,976	-	-	-
	2,685,529	**2,685,529**	**2,563,846**	**121,683**	**-**	**-**	**-**
Financial liabilities							
Customer liabilities	(2,121,085)	(2,121,085)	(2,121,085)	-	-	-	-
Derivative financial liabilities	(2,139)	(2,139)	-	(2,139)	-	-	-
Trade and other payables	(198,593)	(198,593)	-	(198,593)	-	-	-
Lease liabilities	(20,068)	(22,328)	-	(1,243)	(4,761)	(15,623)	(701)
Loans	(81,812)	(81,812)	-	-	-	-	-
Current tax liability	(1,178)	(1,178)	-	-	-	-	-
	(2,424,875)	**(2,427,135)**	**(2,121,085)**	**(201,975)**	**(4,761)**	**(15,623)**	**(701)**

The Company does not expect the timing of occurrence of the cash flows estimated through the maturity date analysis will be significantly earlier, nor expect the actual cash flow amount will be significantly different.

30.3 Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as in interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates.

The Group's market risk management policies and procedures provide effective and robust mitigation. The Group monitors its exposures continually, using automated KRIs and associated processes reviewing metrics such as Value at Risk, FX stress tests for crypto currencies, FX profit and losses and interest rate risk. The Group makes hedging transactions as appropriate. Key decisions are subject to review and approval by the Asset and Liability Committee ("ALCO").

The market risks for the Group have remained stable and well contained. While The Group has grown significantly, the processes have remained robust, accurate and reliable. The Group expects the processes and market risk exposures to remain broadly consistent over the next year, although the Group anticipates that market risk will grow over time as the Group further rolls out its credit offering, increasing its exposure to interest rate risk, and as its investment portfolio grows and includes more types of liquid assets. The Group is exposed to the below market risks.

Foreign exchange risk

The Group provides foreign exchange and cryptocurrency services to its customers via multi-currency wallets that allow spending in different currencies. It is thus exposed to currency exchange rate fluctuations. The Group is exposed to foreign exchange risk arising from various corporate activities and stemming from revaluation of contractual cash-flows or assets and liabilities denominated in foreign currencies.

The Group is exposed to the risk that its earnings, capital or ability to meet business objectives could be adversely affected by changes in the level or volatility of market variables, which might include changes in interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The Group monitors its exposures continually, using automated KRIs and associated processes reviewing metrics such as FX profit and losses. The company makes hedging transactions as appropriate. Key decisions are subject to review and approval by the ALCO.

The risk management objective in relation to this hedge is to mitigate the exposure arising from retranslating the EUR net assets of Revolut Payments UAB (RPUAB) and Revolut Bank UAB (RBUAB) in the Group's GBP consolidated financial statements.

Based on the current business model, the foreign exchange risk related with user balances kept in non-base currencies results in a low foreign exchange risk for RBUAB. The exposure is monitored on a daily basis to ensure the effective management of this risk. The foreign exchange exposure of the banking book arises from the Treasury Function activities. This includes profit on the banking products, interest earned on nostro balances and various costs (all in non-functional currency). A limited foreign exchange exposure is allowed as defined per RBUAB's 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 2021, RBUAB had no material unhedged exposures to foreign exchange risk.

The carrying amounts of the Group's foreign currency denominated monetary assets, monetary liabilities and derivative instruments at the reporting date are as follows:

Group	Monetary assets £000	Monetary liabilities £000	Net position £000
At 31 December 2021			
GBP	2,340,409	(1,918,135)	422,274
EUR	4,484,902	(3,537,844)	947,058
USD	970,028	(1,060,768)	(90,740)
Others	737,748	(965,712)	(227,964)
At 31 December 2020			
GBP	1,641,700	(1,376,272)	265,428
EUR	2,129,492	(2,020,895)	108,597
USD	644,852	(765,478)	(120,626)
Others	865,941	(716,162)	149,779

Company	Monetary assets £000	Monetary liabilities £000	Net position £000
At 31 December 2021			
GBP	1,966,093	(1,729,411)	236,682
EUR	1,288,665	(837,436)	451,229
USD	665,522	(640,741)	24,781
Others	532,688	(451,377)	81,311
At 31 December 2020			
GBP	1,043,847	(1,204,825)	(160,978)
EUR	613,005	(569,675)	43,330
USD	363,195	(355,119)	8,076
Others	1,955,112	(1,401,002)	554,110

Foreign currency sensitivity analysis

The Group's foreign currency risk is managed centrally by the Group's Treasury team and the Market Making execution desk. FX risk is monitored on an ongoing basis by using a stress testing approach broadly equivalent to Value at Risk but focused on risk drivers specific to Revolut's business model:

- FX risk arising from open non-GBP currency positions that include both fiat and crypto currencies, and,
- Interest rate risk arising from instruments that are accounted for at fair value.

Under the severe stress test, a loss of £19.4m (2020: 5.8m) would arise if the USD depreciates by 5.5%, EUR appreciates by 5.1% and CHF appreciates by 3.9% against GBP.

Hedge on net investment in foreign operations

The Group hedges the currency risk of its net investment in its euro denominated foreign operations in Lithuania using GBP: EUR foreign currency swaps entered into with a third party.

The effective portion of the gains or losses on the retranslation of this borrowing due to exchange rate risks is transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. The ineffectiveness in these hedges was nil both in 2021 and 2020, respectively.

The following table shows the maturity of the hedging instruments:

Group	Carrying amount £000	On demand £000	Up to 3 months £000	3-12 months £000	1-5 Years £000	Over 5 years £000
At 31 December 2021						
Derivative financial assets	2,404	-	2,404	-	-	-
Derivative financial liabilities	-	-	-	-	-	-

Average GBP: EUR exchange rate 0.8521

The table below summarises the amounts that have affected the statement of comprehensive income as a result of applying net investment hedging:

	Carrying value			Changes in fair value of hedging instruments used for measuring hedge ineffectiveness			
					Effective portion	Hedge ineffectiveness recognised in profit or loss into	Reclassified into profit or loss into
	Notional amount £000	Assets £000	Liabilities £000	Total £000	Recognised in OCI £000	Other operating income/ (expense) £000	Other revenue £000
At 31 December 2021							
FX Swaps	174,680	2,404	-	2,404	(3,365)	-	-

Due to the short-term nature of the hedges, as well as the low interest rate environment the Group is in, any fair value changes due to anything other than the spot rate is expected to be minimal and as such the cost of hedging is deemed to be immaterial.

At 31 December 2020, the Group had no hedges on net investments in foreign operations.

IInterest rate risk

The Group's interest rate risk relates to its banking subsidiary, Revolut Bank UAB ("RBUAB"). Interest rate risk in the banking book ("IRRBB") is the risk that RBUAB's statement of financial position and profitability is structurally exposed to unexpected movements in interest rates. This risk stems from maturity and repricing mismatches between assets and liabilities, which would materialise with changes in the shape of the yield curve ("gap risk"), or from interest rate related options embedded in those that might affect future cash flows ("option risk"), or with changes in the relationship between various yield curves ("basis risk").

To quantify the IRRBB, RBUAB 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 net interest income 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 Common Equity Tier 1 ("CET1") instruments and other perpetual own funds) over their remaining life resulting from interest rate movements assuming six different shock scenarios.

In line with regulatory guidelines and internal judgment, 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. The Treasury Function is responsible for IRRBB management on an on-going basis using mitigation approaches such as the use of hedging and dynamic adjustment of in-app rate offerings to influence uptake behaviour. Interest rate characteristics of funding are matched as far as possible to lending and investments into securities. The 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.

Following table shows the sensitivities under NII and EVE approach at the group consolidated position. The exposure to interest rate risk is not material for the Group.

Group	2021	2020
Net interest income based approach	**£000**	**£000**
200 bps parallel increase	42,900	1,600
200 bps parallel decrease	(14,700)	(500)
Economic value of equity based approach		
200 bps parallel increase	22,600	2,100
200 bps parallel decrease	(10,100)	(500)

30.4 Capital risk management

Capital Risk is the risk that the Group and its individual entities do not hold adequate capital to support their business activities based on its regulatory requirements and risk profile.

Capital risk is mitigated using KRIs that trigger immediate intervention if the capital runway falls below 12 months. Revolut Ltd holds capital buffers, ensuring that the entity has sufficient capital based on its risk profile and to mitigate the impact of a stress on the firm's financial position.

The Group has and its individual entities have, and both expect to have in the future, sufficient capital to support its risk profile.

The Group's banking subsidiary, Revolut Bank UAB ("RBUAB"/ "Revolut Bank"), which is an EEA regulated bank, has regulatory capital requirements.

RBUAB's regulatory eligible capital consists exclusively of Common Equity Tier 1 ("CET1"). capital, which comprises share capital, reserves and retained earnings (including current year losses), less intangible assets and deferred tax assets.

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

In accordance with the regulatory capital requirements, banks 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").

As of 31 December 2021, the total capital requirement of RBUAB (in accordance with the regulatory requirements) is equal to 10.2% for CET1 capital ratio and 13.7% for total capital ratio.

The main objectives of RBUAB in managing its capital are as follows:

- The capital planning, and the capital held by RBUAB at any time, are consistent with RBUAB's strategy and support its implementation;
- Ensuring that RBUAB's capital level appropriately covers all material risks to which RBUAB is exposed and enables it to pursue its business objectives;
- RBUAB complies with the regulatory capital requirements;
- RBUAB shall meet its internally determined capitalisation targets, which envisage appropriate additional capital resources above the regulatory required capital in order to ensure capital adequacy in case of material deviations of RBUAB's performance from the financial plan or the severe adverse scenarios (both bank-specific and systemic); and
- RBUAB shall have a range of available and feasible management actions to restore its capitalisation in case of its deterioration.
- The optimization of the capital in order to maximise shareholder value, including usag 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.
- RBUAB 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, RBUAB 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 statement of financial position ensuring optimal usage of capital. The objectives, policies and processes related with the RBUAB's capital management are reviewed at least annually to keep them up to date.

	Actual	Required	Actual	Required
£m	**2021**	**2021**	**2020**	**2020**
Actual common equity Tier 1 (CET1) capital	77	2	11	2
Other Tier 2 capital instruments	-	-	-	-
Total capital	**77**	**2**	**11**	**2**
Risk weighted assets	21		23	5
CET1 capital ratio	**372.77%**		**47.70%**	
Total capital ratio	**372.77%**		**47.70%**	

The RBUAB has complied in full with all of its externally imposed capital requirements during 2021 and 2020.

31. Notes to the cash flow statement

Significant non-cash transactions from investing and financing activities are as follows:

Group

	2021 £000	2020 £000
Acquisition of right-of-use assets	**302**	1,633

Reconciliation of movements of liabilities to cash flows arising from financing activities

Group reconciliation of movements of liabilities to cash flows arising from financing activities as of 31 December:

	Loans £000	Lease liabilities £000	Total £000
As at 1 January 2020	**120,517**	**26,697**	**147,214**
Changes to existing lease agreements	-	2	2
New leases entered into during the year	-	1,631	1,631
Lease payments made in the year	-	(5,640)	(5,640)
Unwinding of discount	-	1,542	1,542
Interest paid	(972)	-	(972)
Impact of movement of foreign exchange rates	5,631	697	6,328
Loans repaid	(43,365)	-	(43,365)
Other	-	2	2
As at 31 December 2020	**81,811**	**24,931**	**106,742**
As at 1 January 2021	**81,812**	**24,927**	**106,739**
Changes to existing lease agreements	-	(206)	(206)
New leases entered into during the year	-	232	232
Existing leases derecognised	-	(5,520)	(5,520)
Lease payments made in the year	-	(5,640)	(5,640)
Unwinding of discount	-	900	900
Impact of movement of foreign exchange rates	(2,401)	(449)	(2,850)
Loans repaid	(79,410)	-	(79,410)
Loans included in acquisitions	122	-	122
As at 31 December 2021	**123**	**14,244**	**14,367**

32. Capital and other commitments

As at 31 December 2021, total committed but undrawn facilities in respect of consumer credit cards and loans were £7.7m (2020: £1.2m).

The Group and the Company does not have any other material commitments, capital commitments or contingencies as at 31 December 2021 and 31 December 2020.

33. Transactions with related parties

Related parties of the Group and the Company include subsidiaries and key management personnel ("KMP"). Key management personnel include all directors who together have authority and responsibility for planning, directing and controlling the activities of the group.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Information for key management compensation and particulars of transactions with related parties are tabulated below, in accordance with IAS 24 Related party disclosures requirements.

	2021 £000	2020 £000
Wages and salaries	**652**	210
Share based payments	**3,084**	366
Social security cost and other benefits	**-**	1
Cost of defined contribution scheme	**3**	2
	3,739	579

Other related party transactions
The aggregate value of transactions and outstanding balances related to other related parties were:

	2021 £000	2020 £000	1 January 2020 £000
Loan receivable – N Storonsky	-	6	6
Loan receivable – V Yatsenko	-	9	9
	-	15	15

During the year a loan of £3.2m was made to the chief executive officer, Nikolay Storonsky, to fund the purchase of the Growth Shares. The loan was repaid in full prior to 31 December 2021

During the financial years ended 31 December 2021 and 31 December 2020 there were no other material transactions with related parties of the Group.

34. Events after the balance sheet date

Australian Licence
In February 2022, Revolut was granted an Australian Credit License by the Australian Securities and Investments Commission (ASIC) to offer credit and personal lending products to the Australian Market.

Acquisition of Avrog Forex Private Limited
Subsequent to the year-end, on 11 February 2022, Revolut acquired 100% share capital of Avrog Forex Private Limited (“Avrog”), a company registered in India. Avrog provides international money transfers and currency exchange services in India and serves over 15,000 customers for a total consideration of £3.2 million. The acquisition will help Revolut expand in India as part of its global expansion strategy.

War in Ukraine
On 24 February 2022, Russian troops started invading Ukraine. The ongoing military attack has led and continues to lead to significant casualties, dislocation of population, damage to infrastructure and disruption to economic activity in Ukraine. Revolut has taken several steps to support its employees and their families affected from the war in Ukraine and donated over £1.5 million to support those in need. As a regulated business, Revolut also ensured continuity of its services and made arrangements to ensure uninterrupted provision of goods and services sourced from Ukraine.

To safeguard Revolut staff and their families, the Group offered relocation support to all Ukraine-based employees and engaged a global security solutions partner to provide them with guidance, emergency logistical support and the latest security updates in the country.

Furthermore, in March 2022 the Group made a decision and as at the date of these financial statements is in the process of winding down its Russian entity operations. Total investment of Revolut UK Ltd in OOO Revolut Technologies as at 31 December 2021 is £5.5million.

Revolut’s management and the board of developing are closely monitoring the impact of this situation on the wider group and are committed to take further actions as necessary. Based on their assessment the board of directors believe that as of the date of signing these financial statements there is no material impact on the group and its operations.

Merger of PUAB and BUAB.
Considering the significant growth and expansion in recent years, the Group formalised a reorganisation plan inline with its future plans. The Group started to implement its reorganisation plan in 2022 by creating new holding and intermediate holding companies. On 28 April 2022, Revolut Group Holdings ltd, a UK incorporated private company limited by shares and registered in England and Wales, acquired 100% share capital of Revolut Ltd in a share for share exchange transaction with the shareholders of the Company and became the new ultimate parent company of the Group. On 18 July 2022, Revolut Ltd undertook a reduction of issued share capital of £1,200m to facilitate further steps in the reorganisation plan.

In December 2021, the Bank of Lithuania (BOL) granted Revolut Bank UAB (the ‘Bank’) a full banking licence which enables the Bank to process payments independently of Revolut Payments UAB. This eliminates the need to maintain a dual entity structure in Lithuania and provides an opportunity to simplify operations by merging Revolut Payments UAB with the Bank.

The Bank and Revolut Payments UAB completed reorganisation by way of merger in Q3 2022. As a result, Revolut Payments UAB migrated its customers to the Bank. Post-merger, Revolut Payments UAB ceased its payment services activities and will be dissolved without liquidation proceedings. The Bank will continue to provide the payments services previously offered by Revolut Payments UAB to customers post-merger.

35. Controlling party

The company is owned by a number of private shareholders and companies, none of whom own more than 25% of the issued share capital of the company. Accordingly, there is no parent entity nor ultimate controlling party.

36. Capital (unaudited)

As an authorised EMI, Revolut Ltd is required by the Electronic Money Regulations 2011 (EMRs) to hold a minimum amount of capital at all times to enable absorption of losses as they might arise. The capital requirement is met through Revolut Ltd’s own holdings of capital resources, which is formed of Own Funds as defined by Article 4(1)(118) of the Capital Requirements Regulation.

As at 31 December 2021 Revolut Ltd had total capital resources, all of which is Common Equity Tier 1 (“CET1”), of £912.0m (2020: £398.2m), which represented a surplus of £603.2m (2020: £63.1m) over the total regulatory capital requirement.

Company information

Company name	Revolut Ltd
Directors	Martin Gilbert (Chairman) Nikolay Storonsky (CEO & Co-Founder) Vlad Yatsenko (CTO & Co-Founder) Michael Sherwood (Non-Executive Director and Chair, Remuneration Committee) Caroline Britton (Non-Executive Director and Chair, Audit Committee) Ian Wilson (Non-Executive Director) John Sievwright (Appointed Non-Executive Director and Chair, Risk & Compliance Committee on 01/08/2021)
Company Secretary	Thomas Bruce Hambrett
Registered number	08804411
Registered office	7 Westferry Circus Canary Wharf London E14 4HD
Independent auditors	BDO LLP 55 Baker Street London W1U 7EU

Report designed by AB **ab-uk.com**

Revolut Ltd

7 Westferry Circus,
Canary Wharf,
London,
England,
E14 4HD

revolut.com