Monzo Bank Ltd
Annual Report & Group Financial Statements 2020

29 February 2020

Registered number:
09446231

Registered office:
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London EC2A 2AG

What's in this report?

03 Strategic report
- 04 Who we are and why we're here
- 05 History
- 06 Monzo at a glance
- 07 Our Board team
- 11 Our Executive team
- 12 Chair's review
- 14 President's review
- 16 Chief Executive's review
- 17 Our statement on COVID-19
- 20 Our business model and strategy
- 22 A review of our performance
- 30 Risk management at Monzo
- 44 Governance at Monzo

55 Non-Financial Reporting requirements
- 58 Our approach to the environment
- 59 Our approach to people
- 66 Our community and social matters
- 69 Respect for human rights, anti-corruption and anti-bribery

71 Group Directors' report

77 Statement of Directors' responsibilities

79 Independent auditor's report

91 Statement of comprehensive income

93 Statement of financial position

95 Statement of changes in equity

97 Statement of cash flows

99 Notes to the financial statements

Strategic report

Who we are and why we're here

We're Monzo, a bank that lives on your phone. For too long, banking has been harder than it needs to be. By solving your problems, treating you fairly and being transparent, we believe we can make banking better.

Traditional banking wasn't built for the way we use money as part of our everyday lives. So we've made it our mission to make money work for everyone. Managing your money should be effortless, not complicated or stressful.

We want to make sure you get the most out of your money, whether that's by easily switching your savings provider or understanding your credit score. And with the help of our amazing community who suggest features, give feedback and help us test the app, we can build the kind of bank you want to use, together.

More than four million people now have our hot coral cards to manage their money and spend around the world. But it's not just about how many people have Monzo, it's also about who those people are. More than one million people in the UK don't have access to vital banking services. We want to help the financially excluded access bank accounts, support vulnerable customers and develop an empathetic approach to debt management. Through clear communications and educational content, we'll do our part to improve financial literacy and help everyone understand their money better.

History

FY2016[1]

Our co-founder Tom Blomfield set out our mission in a blog post on 1 June 2015:

"Mondo is a new challenger bank in the UK, focused on making your financial life easier, rather than trying to catch you out with penalty fees and charges. We're building a current account that lives on your smartphone and gives you control of your money."

We started out with a prepaid account and around 5,000 Alpha cards.

FY2017

We released the Mondo public Beta app.

We ran the fastest crowdfund in history: people pledged £1 million in just 96 seconds.

We changed our name! Around 10,000 Mondo customers suggested new names, with the only criteria being it needed to start with 'M'... and we became Monzo.

FY2018

The big one: we got our full UK banking licence.

Another crowdfund, aiming for £2.5 million... In the end, 41,267 people pledged more than £12 million.

We started rolling out our first full current accounts to early testers.

FY2019

We finished upgrading from prepaid to full UK current accounts, and 94% of active account holders moved their accounts over.

We announced a new investment round of £85 million.

Crowdfunding time again – we raised £20 million in record time and welcomed more than 36,000 customers as investor shareholders.

FY2020

Over the course of FY2020, 2.3 million people joined Monzo.

We announced a new investment round of £113 million.

We launched our first TV ads and were named the UK's most recommended brand by YouGov.

The Current Account Switch Service (CASS) announced that Monzo had the highest net switching gains of any UK bank for the first time.

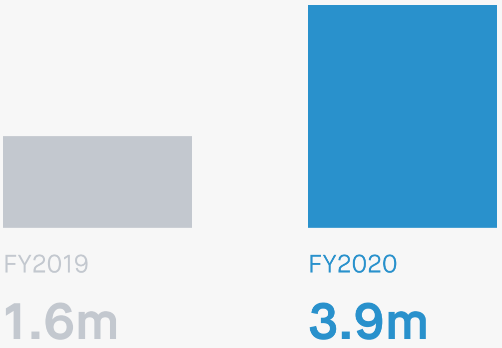
The Monzo app got even better, with the introduction of Salary Sorter, Bills Pots, Get Paid Early, loans, overdrafts, energy switching and a savings marketplace.

We launched a first test of business accounts to 2,500 small businesses.

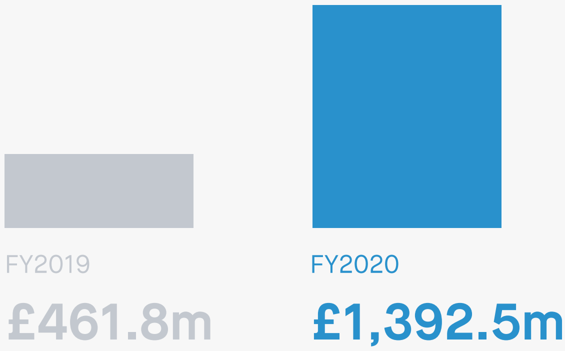
1 Our Financial Year (FY) runs from 1st of March to 28th/29th of February.

Monzo at a glance

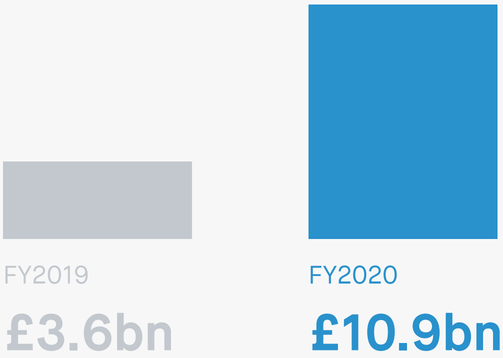
Customers increased by 2.3m



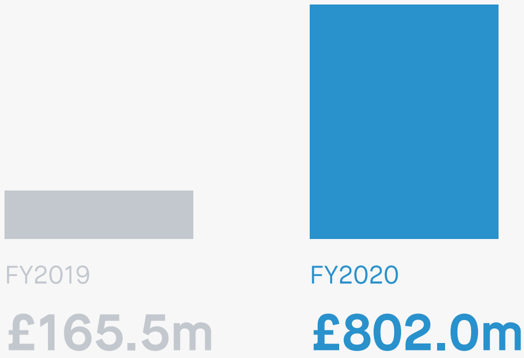
Customer deposits increased by £930.7m



Customer spend using Monzo increased by £7.3bn



Savings Marketplace increased by £636.5m



Our Board team

Gary Hoffman
Chair of the Board of Directors

Gary joined Monzo on 1 February 2019. He started his career at Barclays where he stayed for 25 years and he took on several senior roles before becoming the CEO of Northern Rock, steering them successfully through the 2008 financial crisis. He then went on to become the CEO of NBNK Investments and later CEO for Hastings Insurance Group which he led through an IPO, as well as serving as Non-Executive Chair of Visa Europe and Non-Executive Director of Visa Inc.

He has extensive experience in financial services including retail banking, insurance and consumer lending and led significant growth stories and turnarounds while also innovating along the way. He has led companies of significantly different scale and ownership structures while making sure customers and colleagues are served in a resilient and reliable way with the right frameworks and governance in place.

External appointments: Gary currently serves as Chair of Coventry Building Society and Chair of the Premier League.

Tim Brooke
Senior Independent Non-Executive Director

Tim Brooke is also Chair of our Audit Committee and joined our Board on 15 September 2015. He has extensive risk and governance experience in the financial and professional services industry, gained through a number of senior executive roles at JP Morgan Chase & Co., PwC and Protiviti.

He also has board leadership and corporate strategy skills having served as both Board Chair, Audit and Risk Committee Chair and Non-Executive Director for a number of companies including PIB Group Limited, Capita plc and Charter Court Financial Services Group plc.

External appointments: Tim is currently a non-executive director of Butterfield Mortgages Ltd and director of several PIB Group companies.

Keith Woollard
Independent Non-Executive Director

Keith Woollard is also Chair of our Risk Committee and joined our Board on 23 May 2016. Keith is a risk and compliance specialist with more than 40 years' experience in a number of senior positions across the financial services sector including M&S Bank where he was also a Board member, Post Office Limited and Financial Services Authority. His key areas of expertise include governance frameworks, supporting growth through risk management and retail banking.

External appointments: None.

Amy Kirk
Independent Non-Executive Director

Amy Kirk is also Chair of our Remuneration Committee and joined Monzo's Board on 24 January 2017. She brings more than 25 years' of UK and international retail banking and consumer lending experience, having held executive positions in lending, risk and operations at Wonga Group Ltd, OneSavings Bank plc and Bank of America Europe Card Services. Prior to her move to the UK, Amy was the Director of Credit for the largest credit card issuer in the United States, MBNA America. Amy has deep experience in credit and fraud strategy, and portfolio risk management.

External appointments: Amy is a non-executive director of FCMB Bank (UK) Ltd.

Phillip Riese
Independent Non-Executive Director

Phillip Riese joined Monzo's Board on 1 July 2019. He brings more than 20 years' of high performance operating experience, in key executive roles within consumer financial services including 18 years at American Express and chairing the Board of Zopa. Phillip then established his own investment company Riese & Others where he applies his strategic, operating and data analytics expertise to investing in and advising fintech companies globally.

External Appointments: Phillip serves as a non-executive/investor director for several Riese & Others portfolio companies.

Fiona McBain
Independent Non-Executive Director

Fiona McBain is our newest independent non-executive director, joining the Board on 1 January 2020. She has more than 35 years' of regulated retail financial services experience, in industry and as an auditor, both in the UK and US. Fiona brings wide-ranging strategic and operational experience at both board and senior executive management level. She was Chief Executive of a dual regulated financial services group operating across the UK and the Republic of Ireland for 11 years.

External Appointments: Fiona McBain is the Chair of Scottish Mortgage Investment Trust plc and also serves as an independent non-executive director of Dixons Carphone plc and Direct Line Insurance Group plc.

Eileen Burbidge
Investor Non-Executive Director

Eileen joined our Board on 21 April 2015 as a representative from Passion Capital, our major shareholder. In addition to her role in helping establish and lead Passion, Eileen also serves as HM Treasury Special Envoy for Fintech. She previously acted as Chair of Tech Nation and was a member of the Prime Minister's Business Advisory Group. She brings extensive technical knowledge from a broad range of industries including wireless/mobile, internet consumer application, and communications. Her particular expertise includes product, business, and market development.

External Appointments: Eileen Burbidge serves as an independent non-executive director of Dixons Carphone plc and also serves as a non-executive/investor director for several of Passion Capital portfolio companies.

Miles Grimshaw
Investor Non-Executive Director

Miles has been a General Partner at Thrive Capital since 2013 and joined our Board on 21 February 2017. Thrive Capital is one of our main investors. An expert in software and internet investments in private companies, Miles graduated with BA. in Economics from Yale University.

External Appointments: Miles Grimshaw serves as a non-executive/investor director for several of Thrive Capital portfolio companies.

Alwyn Jones
Chief Financial Officer
and Executive Director

Alwyn is our Chief Financial Officer and joined the Board on 9 April 2019. Alwyn is a highly experienced retail banker with more than 20 years' experience having specialised in the sector both from an advisory perspective with Citigroup and Bain & Company, and directly at Barclays where he led their consumer lending business, the largest digital lender in the UK. He brings deep experience of the financial services sector across multiple countries covering strategy development, capital markets, corporate finance, retail and digital financial services and operational execution.

External Appointments: None

TS Anil
Chief Executive Officer
and Executive Director[1]

TS is a highly respected financial services and payments leader, with more than 25 years' of retail banking experience. As Monzo's new CEO, he brings his expertise from Visa, Standard Chartered, Citigroup and Capital One in roles that have spanned the world, including the US, Singapore, Canada, Japan and India. He has a wealth of experience launching new products, developing innovative payment technologies, transitioning existing business towards new growth opportunities and much more.

External Appointments: None

1 Subject to PRA approval

Our Executive team

Tom Blomfield
Co-founder and President

TS Anil
Chief Executive Officer and Executive Director[1]

Alwyn Jones
Chief Financial Officer and Executive Director

Sujata Bhatia
Chief Operations Officer[1]

Mike Hudack
Chief Product Officer

Lisa Nowell
Chief Risk Officer

Jonas Templestein
Co-founder and Chief Technology Officer

1 Subject to PRA approval

Chair's review

Gary Hoffman
Chair, Board of Directors

As I reflect on my first year as Chair, I feel very proud that it's been a year when Monzo has truly shown it can be a real challenger to the high street banks.

Looking back over the year, we've accomplished a huge amount.

- We've grown from 1.6 million customers to over 4 million, becoming really important to the UK banking industry. We wouldn't have managed this without the hard work and dedication of our colleagues, so thank you to them.
- We've greatly enhanced our capabilities across all areas of the business by hiring even more experienced people.
- We strengthened our Executive team with Lisa Nowell joining as our Chief Risk Officer, Mike Hudack as Chief Product Officer and Sujata Bhatia as Chief Operating Officer.
- We've improved our governance and continued to build on our regulatory relationships.
- We launched a debit card in the US and submitted our US Banking Charter application.

As I look to the year ahead, I'm clear about the responsibilities that flow from our success and our planned growth. Responsibilities which we take seriously. We might make mistakes, but we learn quickly and we're open and honest. So, I believe these are our key areas to focus on over the next year.

- Building and implementing our long-term business model to help us, and our customers, through the ongoing COVID-19 pandemic and set us on a path to become profitable and more sustainable.
- Being operationally robust and resilient to serve our loyal customers who use Monzo every day.
- Continuing to improve our risk management and controls by building the right tools and applying them properly.
- Continuing to develop our financial crime control framework to keep our customers safe, reduce financial crime, and to be in line with our regulators' expectations.
- Further evolving our governance model to meet new challenges, like the COVID-19 pandemic and growing our business in the US.
- Continuing to strengthen our Executive team, and most importantly to grow in line with regulatory expectations and maintain customer delight.

After five years as CEO, in May 2020, Tom announced he would be stepping into the new role of President. This gives him more time to focus on the longer-term vision, investor relations, and how to stay close to and best serve customers. I'd like to thank Tom for his brilliant leadership to date and I look forward to continuing to work with him. I'm pleased to welcome TS Anil as our new CEO, subject to regulatory approval, who joined us in February 2020 as our US CEO and interim Head of Borrowing. TS brings a wealth of banking and financial services experience from his previous executive roles at Visa, Standard Chartered Bank and Citi.

We've also strengthened our Board of Directors in the last financial year. And I'd like to welcome Phillip Riese and Fiona McBain, who we appointed as Independent Non-Executive Directors in July 2019 and January 2020 respectively.

As I mentioned last year, Phillip is an experienced non-executive who comes with a wealth of board experience in banking and fintech.

Fiona brings a huge amount of board and management experience. Formerly CEO of Scottish Friendly, she now sits on a number of company boards including Dixon Carphone, Direct Line Insurance and Scottish Mortgage Investment Trust plc, which she chairs.

I am looking forward to overcoming the current economic climate we face this year and continuing Monzo's journey to challenge the banking industry.

Gary Hoffman
Chair, Board of Directors
29 July 2020

President's review

Tom Blomfield
President

The last 12 months have been really significant for Monzo, with over 2 million people joining us, helped by a wildly successful TV campaign and being named the UK's most recommended brand by YouGov. We now have more than 4 million customers and with a Net Promoter Score® (NPS)[1] of +75, those customers continue to tell their friends about us.

But, the impact of the COVID-19 pandemic poses a significant risk to the UK and global economy, and this year will be a challenging time for many businesses, including Monzo. With this unexpected change in landscape, we've seen organic customer growth slow as word-of-mouth drops, and we'll see reductions in revenues and higher credit losses. We've been able to adapt quickly to this change, and I'm proud of how well the team has responded to the pandemic, launching features and improvements that really help our customers at this time.

Our focus right now is on becoming a sustainable company that's here for the long haul. In last year's annual report, I wrote that "we've just crossed £40m of annual run rate revenue", and at year-end we'd more than doubled that to £90m. This was mainly a result of our growing customer base spending and borrowing more with us, helping us earn more fee and interest income.

We've recently closed a new funding round bringing in a significant amount of new money, which will help to see us through the economic downturn and ensure Monzo can continue to grow. From a product perspective, we'll be releasing features and products that solve customer problems and bring in new revenue streams. We're also focusing on reducing costs by making our customer service even more efficient, and making it as hard as possible for people to use Monzo to commit financial crime. Our aim here is to make Monzo the safest bank for customers in the UK and reduce the costs of financial crime, so as Gary mentioned in the Chair's review we'll be focussing on this area in the coming year.

1 Net Promoter, Net Promoter System, Net Promoter Score, NPS and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc. The Net Promoter Score is calculated based on responses to a single question: How likely is it that you would recommend our company/product/service to a friend or colleague? The scoring for this answer is most often based on a 0 to 10 scale. The score is given on a scale from lowest, -100, to highest, +100.

Over the last year, we continued to launch products and features that give people better visibility and more control over all their money. Customers who get their salary paid into Monzo can now get paid a day early and use features like Salary Sorter and Bills Pots to manage their money better.

We launched Monzo Business and already have more than 36,000 businesses banking with us. Over the course of this year, we'll continue to build new features for our business customers, and we plan to bring Monzo Business accounts to thousands more. Our business accounts look set to become a substantial revenue stream over the next 12 months.

On top of this, I'm proud to say we've maintained our focus on financial inclusion and education. Only last year, 2.4 million people read our financial education articles online and we piloted our Banking 101 financial education initiative with 10 charities in the social inclusion sector. This has already helped vulnerable people across society with things like opening a bank account and managing money. As this pandemic shifts how people run their day to day lives, it's important that we respond with content and products that really bring value at this time.

During the past 12 months we've also massively strengthened our Executive team. Lisa Nowell joined as our Chief Risk Officer, Mike Hudack has joined us full time as Chief Product Officer and Sujata Bhatia joined us as Chief Operating Officer in June. Together they bring an invaluable amount of experience to the team and I'm excited to have them onboard. Looking after our customers' money is our priority and we'll continue to work hard to keep the trust they place in us. Additionally, I'm especially excited that TS Anil will be taking on the role of UK CEO, as I step into the role of President.

This year will be pivotal. We're all working towards our mission of making money work for everyone, which is even more important in these difficult times.

Tom Blomfield
President
29 July 2020

Chief Executive's review

TS Anil
CEO

First and foremost, I want to thank Tom and the whole company for welcoming me to the team in February. Tom's passion, commitment and drive is something I admire hugely and I look forward to working with him even more closely.

When I joined Monzo earlier this year, I knew I was joining an innovative and exciting company, but could never have imagined what it was really like on the inside. During my short time here, I've had the opportunity to work with some of the smartest, most ambitious and empathetic people I've ever worked with. It's clear we're building something special. I've witnessed the incredible problem solving, creativity and dedication of this whole company in the face of one of the most stressful global situations that any of us have faced, or will ever face, and I'm honoured to be part of this community.

As I sit here and write this, Monzo is at a defining moment in its journey. We're ready to take the next step up and it's exciting, but also challenging. We have some hugely powerful ingredients to work with, including a brand that our customers love, industry-leading product and design, and award-winning customer support.

The next step involves taking all of that, and combining it with the best in risk management, compliance, and governance. And in doing so, building a sustainable, profitable business that's here for years to come. This won't be easy, and we won't get it perfect every time. But I'm fully committed to making it work, together with the exceptional Executive team the founding members have built here at Monzo.

Similar to many businesses, we're seeing a significant impact from COVID-19 and the resulting economic downturn. While I'm confident these are short-term, we've taken decisive measures to reduce the financial impact. Over the coming months, we'll launch powerful new products that help people manage their money better, as well as drive revenue, and cement our place as the UK's most recommended and fastest growing bank.

At the core of Monzo, we have something that truly helps people, makes their lives better, and that is on the road to making money work for everyone.

TS Anil
CEO
29 July 2020

Our statement on COVID-19

We have plans in place to reduce the risks

At the end of our 2020 financial year (FY2020), we were only just starting to understand the impact COVID-19 would have on the world. We've set out the key risks to our customers, colleagues and business, and how we plan to reduce them.

We'll continue to operate as usual for our customers

Many businesses face risks to their operations as a result of lockdown measures. The advantage of being an app-based business is that our customers can continue to use the app without interruption. Most of our colleagues work remotely either full-time, part-time or at least once a fortnight. The move to fully remote working has been a smooth transition for most of us. Our work is mostly done in the cloud, so we're well prepared to serve customers as usual.

The Financial Conduct Authority (FCA) announced new guidance for UK banks to help support customers financially affected by COVID-19. As part of this guidance, we've capped interest charges and given up to a £500 interest-free buffer for customers with existing arranged overdrafts who use Monzo as their main account. We're also allowing loan customers to request a 3 month payment break. We've activated 811 payment holidays so far in FY2021.

We've gained assurance over the resilience of our key suppliers, and how they have managed the transition to remote working. We'll continue to actively monitor and manage these relationships, and don't expect there to be any significant issues.

We have a strong liquidity position

Businesses also face the risk of not having enough cash to operate, including needing to pay colleagues and suppliers on time. This is an especially big risk for banks because we hold deposits from customers who may need them at any time.

Our business is highly liquid. We hold enough High Quality Liquid Assets (HQLA) to cover all our customers' deposits, with the vast majority being held on overnight deposit in central banks. This means that we're easily able to cover the day-to-day needs of our customers and our business.

We're working hard to avoid further redundancies

We're very aware that, if we want to continue with our mission, we have to become a sustainable business and that means having the right number of colleagues to meet the needs of our customers. During the year, we looked at how we can provide the best overnight support, for customers who need it, at a cost we can afford. We decided that we could only do this with our staff in the UK and we've therefore closed our Customer Operations office in Las Vegas.

The disruption caused by COVID-19 including social distancing, travel restrictions and other measures, have also changed our customers' needs. Our existing customers are making fewer transactions, fewer customers are joining us and lower interest rates, have all reduced our income.

All of our senior management team and Board, and many others across our business, have volunteered to take pay cuts to minimise the financial impact on our business and keep as many of our colleagues as possible. We also made use of the UK Coronavirus Job Retention Scheme, furloughing colleagues where possible, to help us retain as many colleagues for as long as we could.

We hoped that the furlough scheme and salary sacrifices would be enough to avoid redundancies. However, we expect the economic impact of COVID-19 to be greater and to last longer than the benefits of the furlough scheme and salary sacrifices. After exhausting all of our other options to avoid job losses, we have sadly had to announce redundancies in the UK, in addition to the closure of our Vegas office. We're doing as much as we can to support all of our colleagues who have been impacted, including helping them to prepare for interviews and offering generous packages.

We're adapting our business model and strategy

The pandemic and the response of governments and central banks, along with the impact of social distancing and restrictions on international travel, create a significant risk to our revenue streams. Both overseas and UK spending has decreased significantly, reducing our fee income while restrictions remain in place. The Bank of England also dropped interest rates from 0.75% to 0.10%, reducing the amount we earn on our cash deposits.

We've made the difficult decision to delay some of our product launches, as we didn't feel they were the right products for our customers at this time. These measures have resulted, and will continue to result, in a reduction to both our variable revenues and costs.

We continue to look for ways to reduce our costs to meet our customers' needs and to run our business. We're applying ways to be more effective with what we have, increasing revenues and reducing costs in ways which are fair to our customers and minimise waste.

The economic uncertainty surrounding COVID-19 increases the risk that customers default on loans and overdrafts. We're holding more money aside, to cover the higher expected credit losses on our loans and overdrafts, in case our customers can't repay us.

Our Board is closely monitoring the impact on our stakeholders

A Coronavirus Response Team made up of representatives from key areas across the business meet several times a week to discuss new information, review ongoing activity and assess the effectiveness of our response. In addition to the Response team, the Executive Committee met on a weekly basis to discuss any developments and consider any strategic responses.

Our Board also held regular meetings to review and discuss the impact of COVID-19 on all our key stakeholders and agree any actions needed to mitigate and reduce risks on the business, while also making sure the business remains sustainable in the long-term.

Our going concern assessment is more challenging

COVID-19 is testing the sustainability and resilience of businesses in all industries, making going concern assessments more demanding and judgemental. We're no different, and are exposed to the risk that revenues are significantly lower for a period of time. For a growing business, it also makes the fundraising environment more challenging. These indicate that the ability of the Group to continue as a going concern is subject to material uncertainties.

But, we have a highly liquid balance sheet, great products and customers, a focused team and supportive investors. We're confident that although we've had to make, and will continue to make, difficult decisions, such as announcing redundancies, we'll come out stronger and deliver fantastic products and services to our customers. You can find more details and related uncertainties in the Directors' report on page 71.

Our business model and strategy

Here's what we're focusing on for the financial year ending 28 February 2021 (FY2021).

We'll adapt to the challenges of the global pandemic

Although the outlook for FY2021 remains uncertain, we've developed a business plan which accounts for the expected impact to our key revenue streams while also giving us enough flexibility to absorb unforeseen impacts.

We'll continue to grow, in a controlled way

In FY2020 we welcomed over 2 million new Monzo customers. We're planning to welcome at least another 1 million customers while continuing to grow safely and in control.

We want our customers to get the most from Monzo

We want to encourage more customers to use us as their main bank account. In FY2021, we'll focus on giving enhanced features and an all round better user experience to people who have their main source of income paid into Monzo.

The launch of our premium products will also be a key focus for FY2021. We've listened to customer feedback and learned we must now launch more finished products from the start as opposed to our previous launch and iterate philosophy. Despite initial launch delays because of COVID-19, we launched Monzo Plus in July 2020. We plan to roll out another market leading premium banking product in FY2021. These products will help people get more from their Monzo accounts, both at home and when they travel.

We’re bringing Monzo to businesses

In FY2020, we launched a beta Monzo Business product to a few thousand businesses. We spent the year building an account that’s as seamless as our personal account. So far in FY2021, we’ve rolled out two tiers of account so businesses can choose the one that best meets their needs. We’ve also designed robust tools and processes to help us safely assess and onboard new business customers. We’ll use these tools over the coming year so we can scale in a controlled way, at low cost.

We’ll continue our fair and flexible approach to lending

Our focus has always been on building fair and flexible lending products that help customers stay in control while borrowing. We’ve restricted access to borrowing as we strengthen our control environment and our capital, in response to our high rate of growth. We’ll continue to build fair and flexible lending products which balance the needs of our customers with our own internal risk, capital and liquidity control parameters.

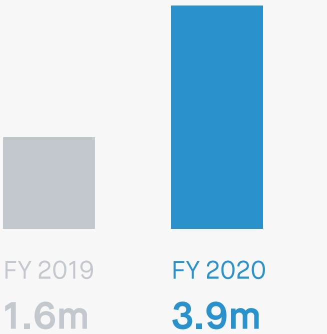
We’ll continue our gradual and steady growth in the USA

Independently of our UK Customer Operations closing in Vegas, we’re looking forward to the opportunity to roll out our beta product to more US customers in a controlled manner, from the new US head office in San Francisco. We’ll continue to get feedback from our early users to learn and iterate on the product. We’ve now formally filed for a US banking charter and we hope to secure our provisional license in FY2021. A US banking charter is another step in our US development, preparing us to serve the needs of customers in the US, which we are largely set up to develop independently of our resources in the UK.

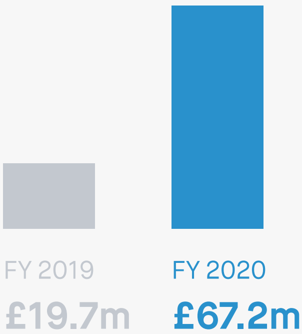
A review of our performance

Key performance indicators

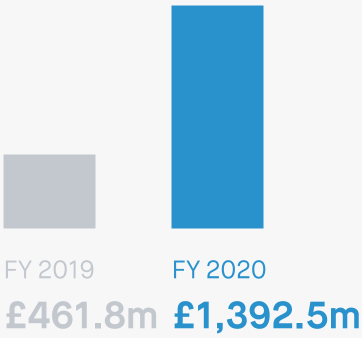
2.3m new customer increase



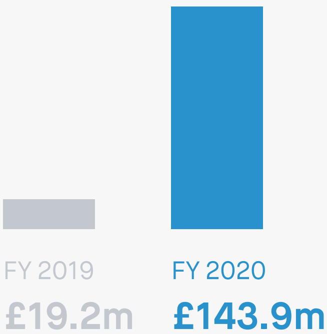
£47.5m revenue increase



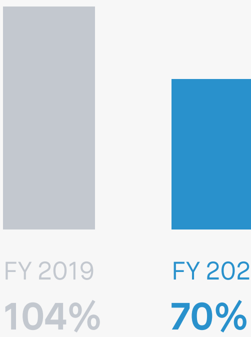
£930.7m customer deposits increase



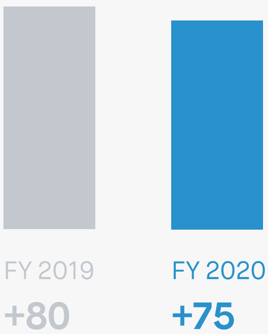
£124.7m gross lending increase



-34% Common Equity Tier 1 (CET1) Ratio



-5 Net Promoter Score (NPS) decrease



Certain capital ratios, buffers and operational risk weighted asset figures as at 28 February 2019 have been updated to reflect Monzo's three-year average revenue calculation and replace those included in last year's report. The updated unaudited CET1 ratio supersedes the unaudited figure included within the Annual Report as at 28 February 2019.

Our business review: our non-financial performance

Even more customers recommend us

We accelerated our growth, increasing from 1.6m to 3.9m customers, with the majority coming from word-of-mouth referrals and our first TV ad campaign. We continued to satisfy customers, becoming the UK's Most Recommended Brand according to YouGov and maintaining a high Net Promoter Score (NPS) of +75 (FY2019: +80).

We provide award-winning service

Our Customer Operations team won a host of awards highlighting the great work they do to help our customers. A great example of this is Natalie, from our Vulnerable Customers team, who won the Which? Consumer Champion award for our gambling block feature.

New features make Monzo an even better main account

Our new features are helping Monzo customers manage their money. Helping our customers get their salary a day early, automatically setting money aside to pay bills using Bill Pots[1], and using Salary Sorter to help customers manage their money.

1 Bill Pots let you pay by Direct Debit and standing orders directly from one of your Pots, instead of from your main account balance. At the moment you can't pay subscriptions from Bills Pots.

Our savings marketplace now has five providers for customers to pick from with competitive interest rates, helping customers achieve their savings goals. We've also reduced the minimum deposit for Savings Pots, from £500 to £10, to make it easier for customers to start saving and earn interest.

Proportionally, more people are switching their current account to Monzo, compared to those switching away, than any other bank in the UK. The Current Account Switch Service (CASS) recently showed that 18 customers switch to Monzo for every 1 customer that switches away, making Monzo the top bank of the table by most recent results.

We have five core principles for helping customers borrow

We're lending in a responsible, transparent, clear, fair and compassionate way, by addressing the problems customers typically face when they borrow, like hidden fees and unclear terms.

In FY2020 we continued to roll out our lending products, offering increased limits for loans and overdrafts. We also increased the number of people who could take out loans and overdrafts by improving our decisioning and affordability models. This means we can build a more complete picture of each customer and whether a loan would be affordable for them.

Customers can now also build a more complete credit history by banking with us, as we began reporting to a second Credit Reference Agency, Experian, in addition to TransUnion.

We're focused on growing Monzo safely

Our team grew from 713 to 1,495 by February 2020, allowing us to continue to safely build a bank that scales to meet the needs of our growing number of customers. We've also added more skilled and experienced people to our management team, providing the leadership we need to stay in control as we grow.

We're building technology in-house to reduce our reliance on third parties. This year we built our own Faster Payments Service (FPS) Gateway, reducing the risk of downtime when customers transfer money in the UK.

We're investing in our controls

As we become a larger and more complex business, we need to continue investing in our core controls in line with the expectations of our Board and regulatory requirements. So we're continuing to develop our risk appetite and control framework, and ensuring as we grow, our operational resilience also continues to improve.

We launched to a small number of customers in the USA and hired our US CEO

We launched a prepaid account in the US in partnership with Sutton Bank of Ohio. Our early customers are using the app to manage and control their money, spending using our hot coral debit card and shaping the future of Monzo in the US.

By listening to customers we've launched Pots, bill splitting, contactless payments and more. We've also laid out our plans in a public product roadmap so we can continue to get feedback on the features customers want.

In February 2020, TS Anil joined us to lead our US business, bringing with him a wealth of financial services experience including retail banking, payments and credit cards. In May 2020, TS was also appointed CEO for the UK business, when Tom took up his new role as President.

We're building the financial control centre for businesses

We launched an account for sole traders and limited companies with a quick and easy signup process, so they can manage their finances on their phone.

Businesses get the best of Monzo, plus features built especially for their business, including integrations with popular accounting software helping them to centralise control of their finances, Tax Pots for automatically setting money aside for tax, instant notifications, team access, and a web app to manage their finances on a bigger screen.

We're sticking to our community roots

We're learning from feedback, refining our approach and trying to create a bank that customers would be proud to call their own. Our Monzo Investival and Future of Monzo events in FY2020 brought more of our community together than ever before. And we continued working towards financial inclusion with our No Barriers to Banking campaign, aiming to help over a million adults in Britain who don't have access to a bank account.

Awards

Best Bank Overall
Finder Banking Customer
Satisfaction Awards 2019

Number 1 in the customer services poll
Money Savings Expert 2020

Gold – Large Contact Centre of the Year
UK Contact Centre Forum

Bronze – Best Customer Experience
UK Contact Centre Forum

1st Place in Customer Experience
Fairer Finance

Number 1 most sought-after startup in the UK
LinkedIn Top Startups 2019 and 2018

Best Banking App
British Banking Awards 2020

UK most recommended brand
YouGov 2019

Consumer Champion Award
Which? 2019

Our financial review

Profit and loss – our income and expenses for the year

			Group
	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018
	£'000	£'000	£'000
Net interest income	24,429	4,918	150
Net fee and commission income	29,404	6,567	1,367
Other operating income	2,079	1,553	309
Expected Credit Losses	(20,254)	(3,880)	(12)
Net Operating Income	**35,658**	**9,158**	**1,814**
Personnel expenses	(77,486)	(25,654)	(9,214)
Depreciation	(3,210)	(799)	(250)
Other operating expenses	(70,433)	(33,421)	(25,426)
Total Expenses	**(151,129)**	**(59,874)**	**(34,890)**
Tax	1,655	3,552	2,530
Loss for the year	**(113,816)**	**(47,164)**	**(30,546)**

Loss for the year after tax was £113.8m
That's an increase from £47.2m in FY2019. This reflects our increased investment both in marketing and in building teams, products and systems. Investments that help us make money work for our growing number of customers and build Monzo into a sustainable business that's profitable and in control.

Net interest income was almost five times higher at £24.4m
An increase from £4.9m in FY2019.

We've grown interest income from lending to £18.4m, from £3.2m in FY2019. This was mostly driven by more customers using our overdrafts in the year. We launched loans of up to £15,000 to eligible customers in August.

As our cash balances grew, the interest we earned on our cash held at central banks increased to £6.2m, from £1.7m in FY2019. We also started earning interest, £0.4m (2019: £Nil), by investing in UK Government debt, helping to diversify our sources of liquidity.

We now have £0.6m of interest expense, mainly from interest on the leases of our office buildings, since adopting IFRS 16 Leases this financial year (Note 15).

Net fee and commission income was over four times higher at £29.4m
An increase from £6.6m in FY2019. The growth has come from customers spending and saving more with Monzo.

Customers spent a total of £10.9bn on their cards this year, compared with £3.6bn in 2019, with net interchange income growing to £29.4m, from £6.5m in FY2019. The increase came from having more customers who, on average, spend more through Monzo.

Net banking services expense increased to £1.4m, from £0.05m in FY2019. Income increased as customers paid cash into their accounts via PayPoint more regularly and increased the amount of cash they withdrew outside of the UK. But that was more than offset by the cost to us of customers withdrawing cash, both in and outside the UK.

Partnership commission increased to £1.4m, from £0.1m in FY2019. More customers used Monzo and our partners to switch to cheaper and greener energy providers, send money abroad and earn interest on their savings. Competitive savings rates attracted customers to hold £802.0m (up from £165.5m in FY2019) of their savings with our partners through the savings marketplace.

Our Expected Credit Losses (ECL) charge was £20.3m

Compared to £3.9m in FY2019. This amount represents the amount we forecast to lose on our lending business for customers that can't repay us. The ECL increased in FY2020 broadly reflecting the higher amount customers have borrowed in the year and also due to the emerging credit risk associated with the COVID-19 pandemic. We booked an additional £4.1m of ECL in February 2020 to reflect this risk.

We're investing in our team

Personnel expenses increased to £77.5m, from £25.7m in FY2019.

We continued to invest in our team, growing to 1,495 from 713 people in FY2019. During the year we moved our US office from Los Angeles to San Francisco to get better access to the talent we need. However we made the difficult decisions in March 2020 to close the Las Vegas office and in June 2020 we put a number of roles at risk of redundancy in the UK.

Share-based payments have also increased to £14.4m, from £2.5m in FY2019, as the team grows. They help the team share in our long-term success.

We're more efficient with our operating costs

Other operating expenses increased to £70.4m from £33.4m in FY2019.

Our cost efficiency continues to improve as we build processes that grow with the business. The average number of customers using Monzo in the year grew to 2.7m, from 1.0m in FY2019. But our variable customer costs, current account operating costs and technology costs only increased to £35.7m, from £18.6m in FY2019. This means that on average variable costs per customer fell from £18.60 to £13.22.

We invested £16.8m in marketing this year, up from £2.7m in FY2019. We launched our first TV adverts and ran our 'Give £5 Get £5' campaign, helping us to add 2.3m new customers at an average acquisition cost of £7.30 per new customer. New customers are just as engaged as our early adopters, with about 60% of customers using their account on a weekly basis.

Other operating expenses increased to £17.9m from £12.1m. These mainly relate to admin, office and professional service fees. These have grown as we become a larger and more complex organisation.

Balance sheet – our assets and liabilities at the end of the year

	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 28 February 2018
Balance Sheet	**£'000**	**£'000**	**£'000**
Cash and balances at bank	1,373,722	549,847	96,943
Loans and advances to customers	123,913	16,054	160
Other assets	223,773	48,489	42,717
Total assets	**1,721,408**	**614,390**	**139,820**
Customer deposits	1,392,517	461,821	71,276
Other liabilities	199,887	36,899	12,365
Total liabilities	**1,592,404**	**498,720**	**83,641**
Equity	**129,004**	**115,670**	**56,179**
Total liabilities and equity	**1,721,408**	**614,390**	**139,820**

High quality liquid assets make up most of our balance sheet

Our total assets grew substantially to £1,721.4m, from £614.4m in FY2019. This was mainly due to cash increasing to £1,373.7m, from £549.8m in 2019, as our customers deposited more money with us. Our cash is mostly held overnight with central banks, or invested in short-term government bonds. This is so we can easily cover the day-to-day needs of our customers and our business. We'll continue to explore sustainable ways to invest in safe, liquid assets that maximise the interest we earn.

We're lending more to customers and improving our processes

We increased the gross amount (excluding ECL) we lent to our customers to £143.9m, from £19.2m in FY2019. Improvements in our decisioning and affordability models have allowed us to offer loans and overdrafts to more customers. This also meant, for eligible customers, we could increase our £1,000 limits to £15,000 on loans, and £3,000 on overdrafts.

We're developing our Treasury function
We started varying our sources of liquidity and building out the capabilities of our Treasury function by investing in UK Government debt. We'll continue to build our Treasury portfolio in FY2021.

We moved to long-term homes in London and Cardiff
We signed new leases in London and Cardiff, confirming our commitment to the two cities and giving our UK-based teams more permanent homes. These leases appear on our balance sheet for the first time within property, plant and equipment as we adopted a new accounting standard for leases (IFRS 16).

Customers are depositing more of their money with us
Customer deposits grew to £1,392.5m, from £461.8m in FY2019. We added 2.3m more customers and, on average, our customers kept more of their money with us. This also reflects the higher number of customers using us as their main account.

Equity – our shareholders' interest in the business

Our capital ratios are in excess of minimum capital requirements
Our Common Equity Tier 1 (CET1) ratio, a core measure of a bank's financial strength from a regulator's point of view, reduced to 70%, from 104%[1] in 2019. We calculate the ratio by dividing our equity that qualifies as regulatory capital, by our "Risk Weighted Assets", a regulatory measure of our exposure to market, credit and operational risk. The decrease in CET1 from last year reflects the increase in risk weighted assets from customers borrowing more money from us this year. The ratio remains well in excess of our current minimum capital requirements.

We raised an additional £113m of equity
This additional funding brings our total equity funding to £313m, letting us continue investing in building a secure and sustainable bank. On 15 June 2020 we secured an additional £58m.

1 Certain capital ratios, buffers and operational risk weighted asset figures as at 28 February 2019 have been updated to reflect Monzo's three-year average revenue calculation and replace those included in last year's report. The updated unaudited CET1 ratio supersedes the unaudited figure included within the Annual Report as at 28 February 2019.

Risk management at Monzo

Over the past five years we've successfully grown to a bank with over 4 million customers and are committed to making money work for everyone. A key part of this journey in FY2021 will be continuing to develop our risk management approach, capabilities and culture to make sure that we have strong controls and can safely manage further growth. In FY2020 we've invested heavily in the foundation blocks of an effective risk management framework. Our primary focus in FY2021 is to build on those foundations to meet the expectations of our Customers, Board and Regulators.

Our approach to risk management

In FY2020, our approach to risk management continued to improve across the business and we've invested, in particular in credit risk, financial risk, financial crime, technology and information security. We also appointed a new Chief Risk Officer, Lisa Nowell, in November 2019 and recruited an additional 20 people to strengthen our risk management skills.

Our Enterprise Risk Management Framework (ERMF) reflects our continuing growth and our commitment to keeping Monzo safe. We've further developed our approach to stress testing which is being embedded in our Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and operational resilience process.

Our approach to risk management is underpinned by five key elements, explained on the following pages:

- Risk strategy and culture.
- Enterprise Risk Management Framework.
- Risk appetite.
- Risk governance and policies.
- Stress testing and scenario modelling.

Risk strategy and culture

The risk strategy sets out our risk management objectives that support the achievement of our strategic goals. The risk strategy objectives are to:

- increase our understanding of risk and control across the business;
- embed risk and control in day-to-day thinking and decision making for all colleagues;

- identify material and significant risks from the day-to-day operations and make appropriate plans to mitigate the risk;
- proactively advise and challenge our strategic planning; and
- enhance the internal risk and control governance structure for effective delivery of risk management.

A sound risk culture supports appropriate risk awareness, behaviours and judgments about risk-taking. At Monzo, we have a suite of values, one of which is focused on making sure we're operating safely and in control for our customers, colleagues and wider stakeholders. This value is critical to the future success of our business. We have a detailed and robust Risk Development Plan to drive the delivery and embedding of our risk strategy over 18 months. We are 9 months into our journey and will continue through FY2021 to make sure all aspects of our strategy are delivered and embedded throughout Monzo.

Enterprise Risk Management Framework

Our business and risk strategy is translated into the ERMF which makes sure that we have consistent risk standards and processes across the business. The ERMF describes the activities, techniques and tools we use to identify, measure, control, manage, monitor, report and challenge risk. It gives an integrated, comprehensive and consistent structure which all our colleagues can understand easily. The ERMF also drives clear accountability, responsibility and engagement at appropriate levels in the organisation.

1. Enterprise Risk Management Framework (ERMF)

Monzo's Business and Risk Strategy is translated into the ERMF which forms the apex of a hierarchical structure of Risk Frameworks, Risk policies and more detailed Processes and Procedures which together describe Monzo's Risk Management arrangements.

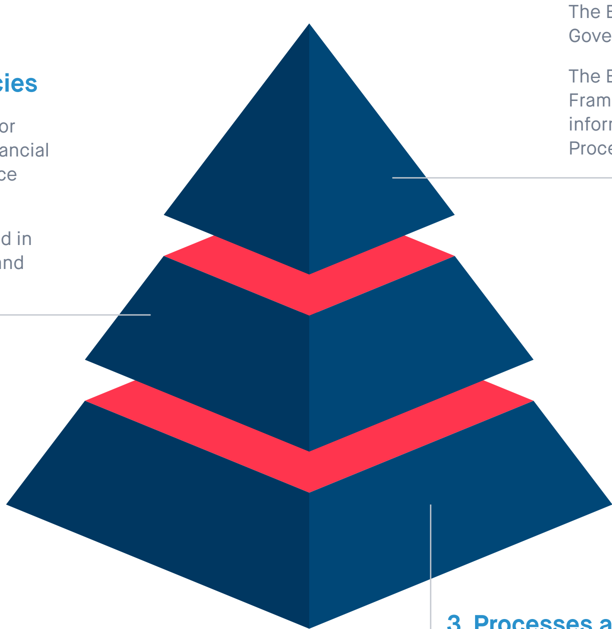
The ERMF outlines the key Enterprise Wide Risk Governance and Control processes and systems.

The ERMF is supported by the Risk Appetite Framework (RAF), Risk Appetite Statement (RAS) and informs the Individual Capital Adequacy Assessment Process (ICAAP)

2. Risk Class Frameworks and Policies

Individual Risk Class Frameworks and Policies for each of Monzo's Principal risks: Credit Risk, Financial Risk, Strategic Risk, Operational Risk, Compliance Risk and Customer Outcome & Conduct Risk.

Expands on the principles and standards defined in the ERMF and sets out risk specific processes and methodologies to manage the risk class.



3. Processes and Procedures

More detailed process and procedures which outline the steps and activities required to implement the processes and methodologies set out in the individual Risk Class Frameworks and Policies.

This framework is underpinned by risk-specific frameworks and procedures for key risk types. The Board Risk Committee (BRC) oversees and reviews the design and effectiveness of this framework. Responsibility for risk management sits at all levels across Monzo – from the Board and Executive Committee down to the individual teams in the First Line of Defence.

The ERMF covers all of the different types of risk that Monzo faces as a business. These are, at the top level: credit risk, financial risk, strategic risk, operational risk, compliance risk and customer outcome & conduct risk. We've now established the foundation blocks of the framework including individual risk policies, enhanced risk reporting and risk appetite. As part of our Risk Development Plan we have 9 more months of activities to mature and embed these foundations.

1 Credit Risk

1.1 Default Risk
1.2 Retail Concentration Risk
1.3 Wholesale Issuer Risk
1.4 Wholesale Credit Risk
1.5 Wholesale Concentration Risk
1.6 Wholesale Settlement Risk

2 Financial Risk

2.1 Capital Adequacy Risk
2.2 Liquidity Risk
2.3 Intraday Liquidity Risk
2.4 Funding Risk
2.5 Non-Traded Market Risk

3 Strategic Risk

3.1 Business Model
3.2 Regulatory Environment
3.3 Completion Risk
3.4 Monzo Brand

4 Operational Risk

4.1 Model Risk
4.2 Business Change Management
4.3 Financial Crime
4.4 Internal Fraud
4.5 Cyber and Data Risk
4.6 Technology Risk
4.7 Financial Management
4.8 Operational Resilience
4.9 People and Facilities
4.10 Supplier & Outsourcing
4.11 Key Business Processes
4.12 Governance
4.13 Legal Risk

5 Compliance Risk

5.1 Regulatory Risk

6 Customer Outcome & Conduct Risk

6.1 Product Design
6.2 Customer Servicing and Treating Customers Fairly
6.3 Complaint Handling
6.4 Financial Diff. & Vulnerability

Risk type	Definition
Credit Risk	The risk of losses that arise from our customers and counterparties not paying us back for loans we extend to them contained within the terms of the arrangement.
Financial Risk	The risks to the adequacy of our financial position, including solvency risks and our ability to meet our payment obligations. A variety of factors can result in financial risks, such as our failure to achieve or manage financial objectives; the loss of liquidity and funding from a run-off in the retail book; exposures to our operations or to external market factors; or the unwillingness of investors to inject further capital. Financial risks are not necessarily independent of each other.
Strategic Risk	The risk that we don't successfully execute on our business plan, or our business model is not sustainable over the long-term.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes and systems, financial crime, people risks and risks from external events.
Compliance Risk	The risk of incorrect interpretation, implementation, and compliance with regulatory requirements applicable to Monzo.
Customer Outcome & Conduct Risk	The risk that any action, or inaction, of a Monzo colleague or individual associated with Monzo that leads to customer detriment, or has an adverse impact on market stability or effective competition.

Our risk activities are subject to detailed and comprehensive governance arrangements which set out how risk-based authority is delegated from the Board to Executive Management and the various risk management committees and individuals. There's more detail on risk governance and oversight on page 34.

Risk appetite

Risk appetite sets the types and level of risks we're willing to accept in achieving our objectives and successfully delivering on our business plan. Risk appetite is expressed through a series of qualitative statements and supporting quantitative measures aligned to our key risk types and sub risk types.The Board agrees and reviews these on a regular basis. The risk appetite statements give an aggregated measure of performance against risk appetite. As well as reporting benefits, they give a framework to make strategic and operational management decisions.

The risk appetite statements evolve over time to reflect and support our business objectives and our risk outlook. Over the last 6 months we've set an enhanced suite of qualitative statements and quantitative measures for each primary risk type, with risk limits based on our risk capacity and desired appetite.

Our Board Risk Committee and our Board will review our risk appetite statements on a 6 monthly basis during FY2021. The reviews will make sure the new approach adequately reflects our risk appetite and the measures are used as an integral part of management's decision making. Our Enterprise Risk Management Committee and Board Risk Committee monitors monthly reports on the status of each metric. Executive Management and the Board decide what appropriate action to take if there's a threshold breach, dependent on the scenario at the time. The primary risk appetite statements describe risk appetite against our six primary risks (as outlined above) and are supported by further detailed statements and metrics.

Risk governance and policies

Risk governance describes the way the Board allocates and delegates accountability and responsibility for risk management across the business. We've outlined oversight of the individual risk types below.

These committees and individuals are accountable for making sure that the day-to-day risks are appropriately managed within risk appetite and in line with the requirements of the ERMF. The Senior Managers and Certification Regime reinforces the risk governance and culture.

We've set out a summary of the Board and Management Committee structure in the Corporate Governance Report starting on page 45. Over the last 6 months we've established an enhanced risk governance structure to include separate committees providing oversight of Operational Risk, Compliance Risk and Customer Outcome & Conduct Risk. Throughout FY2021 the Board, Board Risk Committee and CRO will increase their scrutiny and oversight of the governance process to make sure risk management is embedded throughout Monzo. This will help us make sure we meet the 'use' test in both strategic and business decision making.

Risk type	Management (First Line of Defence)	Oversight (Second Line of Defence)	Assurance (Third Line of Defence)
Credit Risk	Chief Credit Officer (CCO)	Credit Risk Committee	Internal Audit function
Financial Risk	Chief Financial Officer (CFO)	Assets and Liabilities Committee	
Strategic Risk	Executive management and the Chief Executive Officer (CEO)	Enterprise Risk Management Committee	
Operational Risk	All business functions and the Chief Technology Officer (CTO) and Chief Operating Officer (COO)	Operational Risk Committee	
Compliance Risk	All business functions and the Chief Risk Officer (CRO)	Conduct and Compliance Risk Committee	
Customer Outcome & Conduct Risk	All business functions and the Chief Operating Officer (COO)		

We use a Three Lines of Defence Model to define the governance for risk management across the Bank. This model makes sure there is a clear delineation of responsibilities between the ownership and management of risk (First Line), oversight and challenge (Second Line) and independent validation and assurance (Third Line).

First Line of Defence

The First Line of Defence (otherwise known as the business) is responsible for day-to-day risk management and integrating risk management into business approaches and procedures. Specifically, the First Line is responsible for:

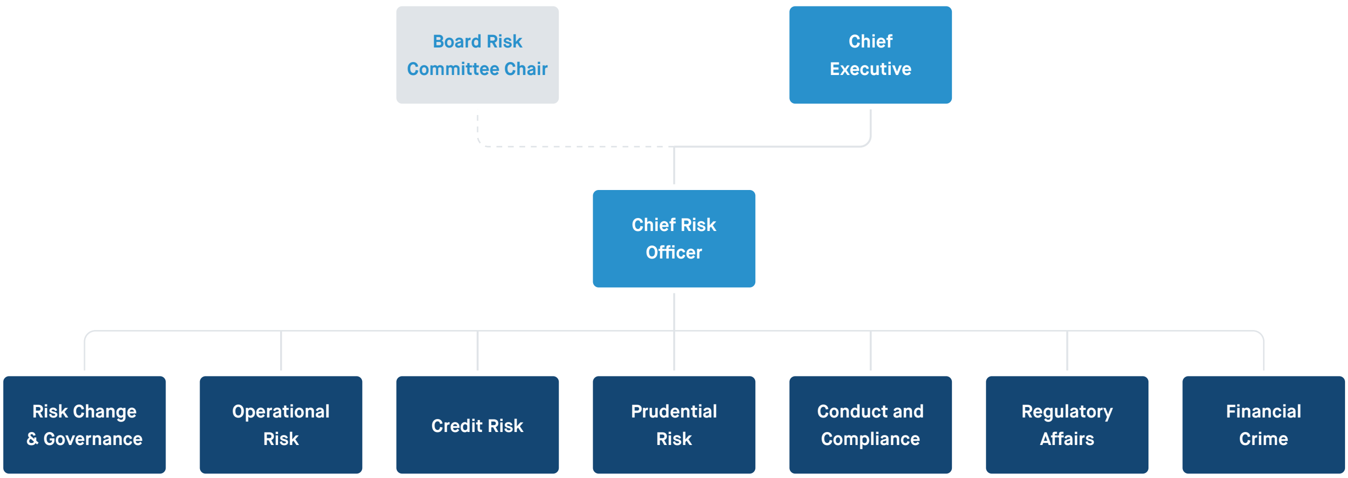
- developing and executing the overall business strategy in line with our risk strategy, vision and principles;
- developing a risk aware culture across Monzo;
- monitoring, reporting and escalating breaches of risk appetite limits;
- adhering to the principles and standards set out in the ERMF and processes and methodologies of individual risk class frameworks; and
- timely escalation and reporting of control failures and breaches of policy or risk appetite.

Second Line of Defence
Risk and Compliance give independent oversight, monitoring and challenge to the First Line and make sure that we adopt effective risk management mechanisms and controls. The organisation chart for the function is shown below.

Specifically, the Second Line is responsible for:

- developing the strategy and vision of Risk and Compliance;
- cascading the risk strategy and vision across Monzo to support a risk aware culture;
- designing and maintaining the ERMF, including the governance and roles and responsibilities to support the execution of the risk strategy and vision;
- regularly reporting our risk profile against the stated risk appetite;
- reviewing and challenging all risk matters from the First Line for the attention of the ERMC; and
- identifying new laws, regulations, and standards, and advising the First Line on how to comply with such rules.

The Second Line of defence is independent from senior management and operational functions. It has enough authority, resources and access to the Board, so it can raise concerns and tell the Board where specific risk developments affect or may affect us. It's headed by the CRO and reports to the Chair of the Board Risk Committee.



Third Line of Defence

The role of the Third Line is to understand our key risks, examine and evaluate the adequacy and effectiveness of risk management and internal control. This gives reasonable assurance to our Board, Audit Committee, senior management and other interested parties (including the regulators and external auditor) that we're appropriately and effectively managing our key risks.

Internal audit will act in line with best practice, principles and recognised standards. This includes complying at all times with the Institute of Internal Auditors (IIA) code of professional conduct and code of ethics and the IIA's guidance on effective internal audit in financial services.

Policy Management framework

The ERMF and risk appetite approach are supported by a suite of risk specific frameworks and through the application of the Policy Management Framework. The Policy Management Framework sets out how we develop, manage and apply policies and the minimum requirements of adoption expected across Monzo. They're supported by procedures and guidelines that explain how business areas comply with the policies' requirements. This is governed by our Policy Management Framework that the Board approves. Members of the Executive team own policies. The Board reviews and approves them, or delegates them to another non-executive or Executive Committee for approval. Over the last 6 months we've introduced a suite of new policies to embed the ERMF including credit risk, financial risk, operational risk, model risk and conduct risk. We've made significant progress in putting in place the foundation blocks, but we need to do more work to make sure that we meet the high bar demanded by both our Board and the UK Retail Banking regulatory environment as we continue to grow.

Stress testing and scenario modelling

Stress testing assesses where failure might happen under abnormal conditions or as a consequence of extreme, but plausible, events. Stress testing also determines strategies for management action to eliminate or mitigate the impact on us if stressed conditions occur.

We use these tools to regularly assess our business operations and financial position in stressed conditions. This stress testing feeds into the annual ICAAP and ILAAP.

Operational resilience

Operational risk scenario analysis is also a key input to our operational resilience approach and preparation for crisis management procedures. This year we've invested substantially to assess and improve our operational resilience. As we've significantly grown in size, we need to be sure that we can continuously provide our services to an ever-growing customer base.

We've also become a more complex business and a significantly important UK Retail bank. We'll continue our investment in our core controls to meet the expectations of our Board and our regulatory requirements. We're continuing to develop our risk appetite and control framework, and making sure that as we grow, our operational resilience also continues to improve. We manage operational resilience and operational risk using the key aspects of our ERMF to identify and control our risks. We set our risk appetite in line with our strategy and control and monitor against this using our identified operational risk governance. Our focus in FY2020 has been on making sure that all key business services for customers have robust contingency plans and tests in place.

Our current and emerging risks

We've listed our top current and emerging risks in the table below, with key mitigating actions. We have a consistent approach to identifying and measuring risk across all risk categories, as outlined in the ERMF. The risks below were identified using a 'bottom-up' risk assessment approach and 'top-down' strategic assessment completed by the Executive team at the Enterprise Risk Management Committee (ERMC).

Key risk themes include: business model and strategic risk; capital, liquidity and credit risk; cyber, financial crime and operational resiliency risk; pandemic risk and regulatory risk.

Top risks	How we mitigate the risk	Change in risk level
Current risks		
Business model and strategy We're a relatively young bank compared to our competitors, so we're still developing and refining our business model and strategy. Similar to any other young business, there's a risk that as we continue to grow, our business model and strategy don't deliver the expected financial and non-financial benefits to our customers, shareholders and wider stakeholders. Which results in a loss of consumer confidence and reputational damage.	• Regular strategic planning with executives and their teams from across Monzo to align on strategy, strategy execution and capital management. • Hiring experienced people with UK retail banking experience to join the Executive team and the Board to support with strategy development and execution. • Continuing to focus product teams on the high-value product propositions that are best aligned to our business strategy. We monitor this consistently through the weekly product governance cycle to make sure products and features deliver both financial and customer value.	The UK economy has been resilient during FY2020. But, the outbreak of COVID-19 has been labelled a global pandemic by the World Health Organization. As the economic impacts of COVID-19 become more widespread this will put our business model under increasing stress.

Top risks	How we mitigate the risk	Change in risk level
Capital and liquidity risk Given the immaturity of our business model and the fact that we're not yet profitable, there's a risk we won't be able to maintain sufficient capital and liquidity buffers to meet regulatory requirements. We acknowledge that this is a top risk for us, and have appropriate mitigating actions in place that we monitor at the most senior levels.	• Carrying out regular capital and liquidity adequacy assessments to make sure we maintain adequate capital and liquidity ratios at all times. Escalating these to our Board and Assets and Liabilities Committee (ALCO). • Identifying all of our financial risks through the internal Risk Control Self Assessment (RCSA process) and regularly monitoring these using agreed financial metrics and risk thresholds. • Running regular stress test scenarios to understand where our weaknesses lie in times of stress and developing plans that can help us recover from these stresses. • Increasing our capital runway by continuing to close funding rounds. We closed our last funding round for £58m on 15 June 2020 and we intend to raise Tier 2 funding in FY2021.	We have a core group of supportive investors who see the long-term value of the business. But, as the impacts of COVID-19 hit the world economy, it's possible that the flow of international capital will decrease.
Credit model risk We offer both overdrafts and loans to customers, with the latter introduced in mid-2019. When we decide to scale our retail lending offering, either to new customers or higher lending amounts, we need to make sure that we align our credit risk management approach with the scale of our lending activity and wider changes to the economic environment. Not doing this will result in reputational risk and financial losses.	We're building out a robust credit risk management approach that includes appropriate governance of credit models at Monzo. We're designing these in-house and getting external specialist consultants to validate them. They'll allow us to grow in control by using automated modelling in our business processes.	During FY2020, our unsecured lending portfolio markedly increased, increasing the inherent level of this risk.

Top risks	How we mitigate the risk	Change in risk level
Cyber and data risk Given the increase in volume and sophistication of cyber attacks there's a risk of data loss from both external and internal threats.	• Maintaining a comprehensive security maturity assessment and implementation roadmap for future improvements. • We run penetration tests and simulated phishing attempts to check how effective our controls are and identify any weaknesses. • We've built detection capabilities to monitor and alert us about system attacks. We use incident management procedures and playbooks to respond to attacks. • We train all of our colleagues on data protection and the General Data Protection Regulation (GDPR).	The level of this risk continues to grow as there are increasingly sophisticated external cyber threats.
Financial crime There's a risk that criminals will use our products and services for financial crime. This is especially true as the UK enters an economic downturn that could see an increase in the number of people engaging in criminal activity.	• Performing a review of, and evolving, our financial crime control framework. • Continuously improving our financial crime policies and procedures. • Improving our in-house transaction monitoring system to proactively identify risks before they materialise. • External environment scanning and responding to new fraud typologies. • We continue to work with law enforcement and have industry-leading fraud detection systems in place.	As noted by the FCA[1], COVID-19 has created uncertainty across the financial sector and an increase in criminal financial activity.

1 https://www.fca.org.uk/firms/financial-crime/financial-crime-systems-controls-during-coronavirus-situation

Top risks	How we mitigate the risk	Change in risk level
Operational resilience As we've grown the impact of operational issues to our key services has continued to increase. This means that we could experience platform outages and other IT issues during times of stress which would result in us failing to deliver critical banking and support services to our customers. We use a number of third parties to support the delivery of our objectives. The availability and resilience of our core customer facing systems play a key role in supporting our reputation.	Our important business services are the focus of Enterprise Resilience at Monzo. We have processes in place to identify and assess risks to these services in order to allow effective risk management. Mitigating actions include: • developing and implementing our policies and procedures that cover people, systems, data and security and how we work with third parties; • following our robust incident escalation framework; • developing and running tests on our business continuity and disaster recovery plans; • close management of our most critical suppliers; and • hiring a Chief Operating Officer to oversee our approach to operational resilience.	As COVID-19 has impacted the UK and the world our operational resilience has been tested with remote-working and is operating as planned.
Change and people risk At any one time we're delivering multiple, high-priority projects. There's a risk that the pace of change and volume of work create delivery challenges and put significant stress on our people.	We understand the need to successfully manage change so we don't overburden the business and impact customer service. We've spent a significant amount of time identifying the high priority projects in Monzo and aligned actions and people to those projects. We track delivery of key strategic projects through our governance, including at the Executive Committee, the ERMC and the Board.	This is a newly identified key risk for us. As we move from a small startup to being a significantly important UK Retail bank, our change management approach is becoming more complex.

<table>
<tr><th>Top risks</th><th>How we mitigate the risk</th></tr>
<tr><td colspan="2">Emerging Risks</td></tr>
<tr><td>COVID-19 and pandemic risk

COVID-19 is a new risk on a global scale, dampening investor and business confidence and causing disruption to our colleagues, suppliers and customers. In the UK, it's caused widespread disruption and is impacting investment through: decreasing productivity, negatively impacting employment levels and reducing consumer spending, both at home and abroad.</td><td>We've taken appropriate steps to reduce the impact of disruption caused by COVID-19 on both our business and our customers.

We've implemented our daily COVID-19 response working group who meet to discuss key risks and mitigating actions. This group is made up of senior stakeholders from across Monzo and we escalate the outputs of the meeting to the Executive team on a weekly basis.

The pandemic has had a minimal impact on our operations and we have continued to deliver for our customers, with the majority of our colleagues working successfully from home. We're well set up as a business for remote and distributed working and there has been little impact to our customers.

If COVID-19 continues to cause widespread disruption, we expect to see sustained adverse impacts on income due to lower transaction and lending volumes.</td></tr>
<tr><td>Competition

We're well placed in the UK retail banking market with a strong brand and a large customer base of now over 4 million customers. But, we recognise that we operate in a competitive marketplace, competing against both traditional banks and new 'challenger' banks for retail and business customers.</td><td>The exact form of this risk remains unclear as the market continues to evolve. But, we mitigate and manage this risk through:
• carrying out competitor analysis ahead of any product development to identify the gaps in the market and where we can differentiate ourselves by building something unique;
• continuing to focus on our speed and quality of execution – two of our key strengths;
• broadening our product mix to keep existing customers and attract new ones; and
• management and colleagues having expertise and a deep understanding of customer needs to deliver superior service.</td></tr>
<tr><td>Regulatory risk

The scale and pace of regulatory change is increasing, resulting in significant effort and investment from within the business.</td><td>The regulatory environment continues to evolve and change. We actively engage with regulators, industry bodies and advisors to take part in consultation processes. We review regulatory publications to assess the implications for the business and oversee the impact analysis through our Compliance Advisory Team.</td></tr>
</table>

UK withdrawal from the EU

The UK left the EU on 31 January 2020. As we're mainly based in the UK, with little international presence, we consider the key risk of Brexit to be an economic downturn in the UK. For us, that would mean less card spending, a possible increase in the amount of loans which customers do not repay and difficulty securing future funding. As part of our business modelling and recovery planning exercises, we've modelled the impact that an economic downturn would have around our revenue from interchange fees and on our level of loan provisions under a range of scenarios.

Climate change

We assess our environmental footprint as being relatively low and so we don't consider climate change a key risk to the business. But we'll continue to review our activities, their impact and the associated risks.

Governance at Monzo

Our Board of directors

We built our Board to lead us effectively and with an entrepreneurial spirit, with overall responsibility for good risk management and internal control systems. Our Board sets our standards and strategy, and keeps an eye on our culture, values, brand and reputation. It makes sure that we understand and meet our obligations to customers, colleagues, shareholders and all of our other stakeholders.

We have 10 directors on our Board

We consider six of our eight non-executive directors (Gary Hoffman (see comment on page 46), Tim Brooke, Amy Kirk, Fiona McBain, Phillip Riese and Keith Woollard) to qualify as independent non-executives under the UK Corporate Governance Code 2018 ("the Code").

We also have two Investor Non-executive Directors, Eileen Burbidge and Miles Grimshaw, and two Executive Directors, TS Anil, our CEO[1] and Alwyn Jones, our CFO.

New appointments to our Board

This year we appointed Fiona McBain, who brings a wealth of board-level and management experience and Phillip Riese, who offers extensive experience in banking and fintech. More recently TS Anil was appointed to the Board replacing Tom Blomfield following his appointment as CEO.

This means that our Board gender balance is now 30% women – up from 25% in FY2019.

Board meetings

Our Board meets approximately every six weeks to review performance, strategy, risk and governance and to oversee the work of the Board committees. Every meeting has a tailored agenda which the Chair, CEO and Company Secretary agree in advance.

In a typical meeting the Board discuss operating and financial performance, risk, legal and governance issues, and one or two detailed reviews of areas of particular importance.

The Chairs of the Audit, Risk, Remuneration and Nomination and Governance Committees also update the Board at every meeting.

Key decisions our Board made in FY2020:

- our strategy and 3-year business plan;
- the Business Banking launch;
- our Series F fundraise;
- the start of our launch in the US, through launching a prepaid debit card in partnership with Sutton Bank;
- the launch of an ISA;
- our successful TV paid marketing campaign; and
- the lease and fit-out of our new office Broadwalk House.

1 Pending PRA approval

The Board also considered important risks, such as business continuity, implementation of strong customer authentication, risk appetites and operational resilience.

Board deep dive reviews in the last year

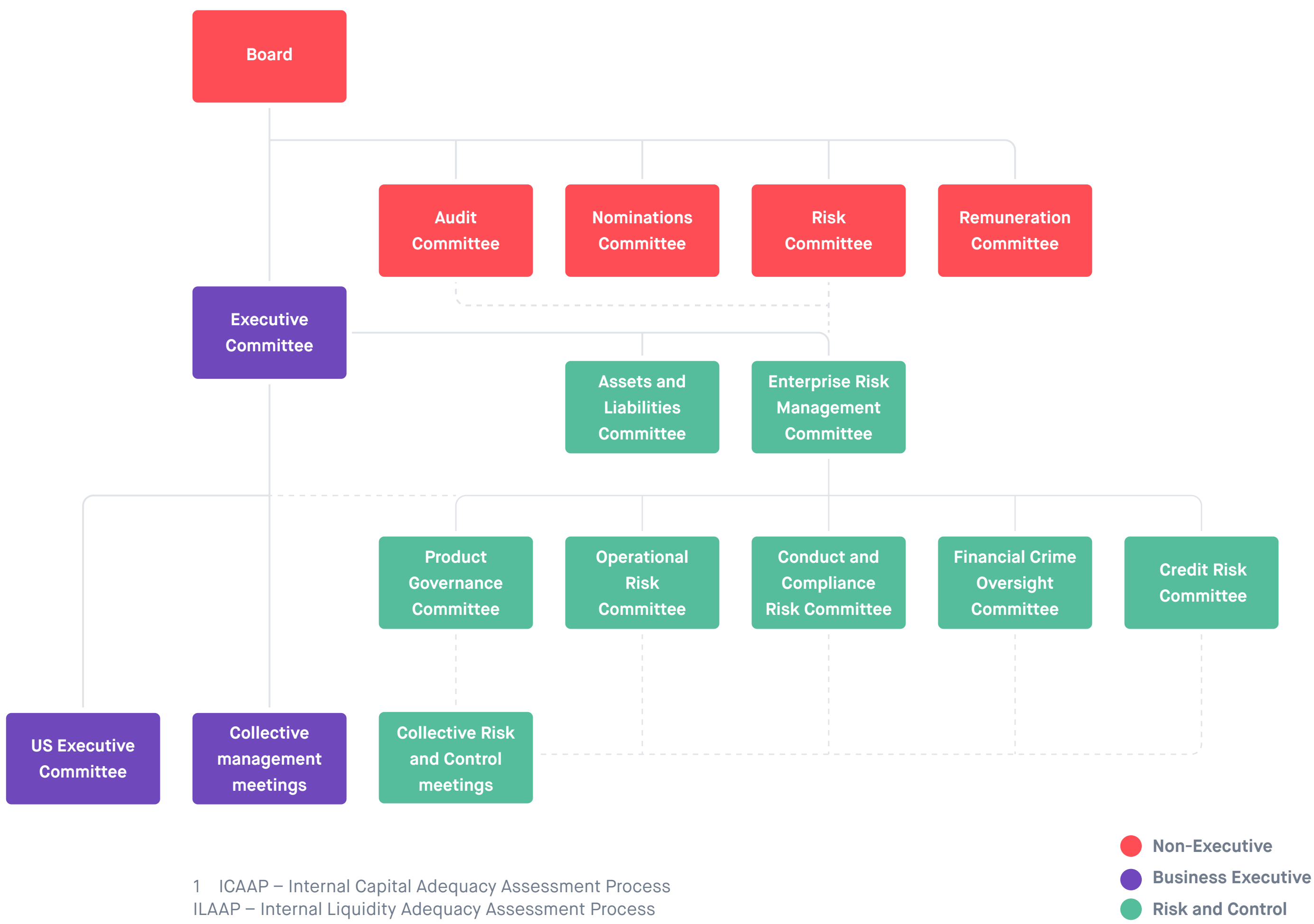
During the year the Board also did deep dives into our strategy and product launches, our approach to lending, ICAAP, ILAAP[1] and US legal risk.

What's on the agenda for next year?

Next year the Board will continue building our corporate structure to support the long-term success of Monzo, paving the way to profitability, evaluating funding options and improving our operational resilience. The Board will also continue to oversee the implementation of the risk management and control tools developed over the last year.

How do Board activities relate to the Executive teams?

Our Board delegates some of its authority to four committees, explained in more detail below. The day-to-day running of the business is delegated to the CEO, supported by an Executive Committee (ExCo). Reporting into the ExCo, we have an Assets and Liability Committee (ALCO) for balance sheet matters and an Enterprise Risk Management Committee (ERMC) for risk issues. This diagram shows how this works in practice.



1 ICAAP – Internal Capital Adequacy Assessment Process
ILAAP – Internal Liquidity Adequacy Assessment Process

Our governance journey

Although we do not apply or adopt the Corporate Governance Code 2018 ("Code"), we do use it as the standard for measuring our corporate governance. In future we aim to comply with the Code in full, and we're tracking our progress against the Code as part of our governance journey.

Here's how we approach some of the key governance issues:

Board succession and diversity
This year the Board reviewed its makeup, diversity and succession plans, resulting in two new non-executive directors. We also adopted a Board-level diversity policy and objectives. You can find more information about the diversity of our Board, including our succession planning in our Nomination and Governance Committee report below.

Independence

- More than half of our Board, including the Chair, is made up of independent non-executive directors and the makeup of all Board Committees complies with the Code.
- The Board reviews the independence of its non-executive directors at least annually.
- The Board considered the Chair to be independent on appointment. Our aim is to make sure that the Board has a majority of independent non-executive directors who objectively challenge management, and that there's the right blend of skills and experience on the Board.
- We try to make sure that the terms of service of the Chair and non-executive directors continue to meet Code requirements.
- Between February 2020 and June 2020, Gary Hoffman offered to help the Executive team by overseeing our Legal, Operation and People teams. Our Company Secretary already reported to him. Upon the appointment of TS Anil as CEO and Sujata Bhatia as COO, Gary no longer provides Executive oversight of these areas. Gary wasn't paid separately for these duties. We carefully reviewed each meeting agenda for potential conflicts of interest and made sure that Gary didn't take part in decision making in these areas. We considered Gary as independent for all other purposes.
- Alongside Gary, the Board considers that Tim Brooke, Keith Woollard, Amy Kirk, Fiona McBain and Phillip Riese are non-executive directors and independent. As representatives of major shareholders, we don't class Eileen Burbidge and Miles Grimshaw as independent for Code purposes.

Time commitment
When making new appointments, the Board always requires candidates to disclose other significant commitments and indicate the time involved. Further external appointments need prior approval of the Board. You can find a list of external directorships to Monzo on pages 7–10.

Senior Independent Director
Our Senior Independent Director is Tim Brooke. As set out in the Code, Tim led our non-executives in doing our Chair's appraisal.

Attendance
The Directors' attendance at Board meetings and Committees which they're members of is set out below. The attendance at meetings includes scheduled and additional meetings (including those called at short notice). Any absences at meetings were in relation to the additional meetings, which we called at shorter notice and conflicted with a director's commitment.

Board meeting attendance

	Independent/ Executive/Investors	Meetings attended	Meetings eligible to attend[1]
Chair			
Gary Hoffman	On appointment	15	15
Executive Directors			
Tom Blomfield	Executive	15	15
Alwyn Jones	Executive	14	14
Non-Executive Directors			
Tim Brooke	Senior Independent Director	13	15
Eileen Burbidge	Investor	15	15
Miles Grimshaw	Investor	15	15
Amy Kirk	Independent	15	15
Fiona McBain	Independent	3	3
Phillip Riese	Independent	5	7
Keith Woollard	Independent	14	15

1 There were 8 scheduled Board meetings and 7 additional Board meetings in this financial year.

Alwyn joined the Board on 9 April 2019, Phillip joined on 1 July 2019 and Fiona 1 January 2020.

Board Committee attendance

Committee members	Nomination and Governance Committee	Remuneration Committee	Audit Committee	Board Risk Committee
	Meetings attended/eligible to attend	Meetings attended/eligible to attend	Meetings attended/eligible to attend	Meetings attended/eligible to attend
Tim Brooke	3/3	7/8	7/7	10/10
Amy Kirk	3/3	8/8	7/7	10/10
Keith Woollard	3/3	8/8	7/7	10/10
Gary Hoffman	3/3	7/7	–	–
Miles Grimshaw	3/3	–	–	–

Meetings between the Chair and independent non-executives
Before every scheduled Board meeting the Chair meets privately with the Senior Independent Director and the independent non-executive directors.

Accountability and election
There is a clear separation of duties between the Chair and CEO roles, and all the Directors will stand for annual re-election.

Evaluation
After an external evaluation in 2018, our Company Secretary organised an internal performance evaluation of the Board and its Committees in FY2020, in line with the Code. Evaluations give us an opportunity to reflect on the effectiveness of our Board and Committees.

The evaluation resulted in an action plan for the Board and its Committees, which was implemented by the relevant Chair and Board Governance team. This resulted in actions such as expanding the Committee reports to the Board to give the Board greater oversight.

Audit Committee Chair
The Audit Committee Chair met the specific requirements around recent and relevant financial experience throughout FY2020.

Non-audit policy
We adopted a new non-audit policy in FY2019. There was limited non-audit work undertaken by our external auditor during FY2020, see Note 32.

Internal Audit
We have a new Internal Audit function and Internal Audit Charter. The Board approved this following consideration and recommendation by the Audit Committee.

Colleague and stakeholder engagement
Non-executive directors regularly attend our All Hands meetings to answer questions from colleagues.

You can find more detail on how we engage with key stakeholder groups on page 51.

Values & culture
The Board approved our six values and some Board members took the values training with our colleagues.

Whistleblowing
Our whistleblowing policy, which lets colleagues raise concerns confidentially and/or anonymously is routinely monitored by the Board, as are any reports.

Board remuneration
No director is involved in setting their own remuneration. The Chair, investor directors and Executive Directors set the remuneration of independent non-executive directors. The Remuneration Committee sets remuneration of the Chair and Executive Directors, and the Chair doesn't attend any Remuneration Committee meeting where they discuss his remuneration. Non-executive director remuneration doesn't include share options or performance-related elements.

Our Board delegates authority to four Committees

1. Nomination and Governance Committee (Nom & Gov)

Our Chair, Gary Hoffman runs the Nom & Gov Committee. The other members as of 29 February 2020 were Tim Brooke, Amy Kirk, Keith Woollard and Miles Grimshaw.

Nom & Gov supports the Board by:

- leading the process for Board appointments;
- dealing with succession planning and making sure we have a diverse pipeline for Board and senior management positions;

- monitoring our governance arrangements and making best practice recommendations to the Board;
- approving appointments to the Board of Directors of subsidiaries and other companies within the Monzo Group; and
- making sure we comply with the Senior Managers' Regime.

What the Committee did in FY2020:

This Committee met three times in FY2020, and in those meetings they:

- reviewed Board composition, succession planning, diversity, training and specialist knowledge. This included reviewing a formal Board Diversity Policy setting a target for FY2021 for 40% of the Board to be women;
- led the process which resulted in the appointment of Phillip Riese and Fiona McBain*;
- looked at the governance and Board composition of our subsidiary companies;
- oversaw succession planning for the senior management team and reviewed our management responsibilities map (MRM). The MRM is a formal document which shows how prescribed responsibilities under the Senior Managers Regime are allocated;
- reviewed the Board Register of Interests (a document which records directorships/other business interests to identify conflicts of interest); and
- supervised the internal Board Evaluation for FY2020 and the resulting action plan.

*in line with the Code, we used an external search agency, Ridgeway Partners, for our Board searches in FY2020.

2. Our Audit Committee (AuditCo)

Tim Brooke chairs our AuditCo. The other members as of 29 February 2020 were Amy Kirk and Keith Woollard.

The AuditCo supports the Board by:

- making sure our internal and external audit functions, external disclosures and controls environment remain effective.

What the Committee did in FY2020:

This Committee met seven times in FY2020 and in those meetings the Committee:

- reviewed the internal audit plan;
- reviewed the outcomes of internal audits in line with the internal audit plan;
- reviewed and approved the FY2019 Annual Report and Accounts;
- appointed new internal auditors;
- set how the internal audit team works with the rest of the business;
- discussed the roadmap to a control-based audit; and
- reviewed the external auditor's independence and set a formal policy around auditor independence.

3. Our Board Risk Committee (BRC)

Keith Woollard chairs the BRC. The other members as of 29 February 2020 were Amy Kirk and Tim Brooke.

BRC helps the Board by:

- giving oversight and advice to maintain a supportive risk culture;
- reviewing management's recommendations on managing and mitigating current and future risks; and
- overseeing management's implementation of our risk strategy.

What the Committee did in FY2020:

This Committee met ten times in FY2020 and in those meetings the Committee:

- reviewed and supervised the implementation of the enhanced ERMF; reviewed financial regulatory submissions such as the ICAAP and ILAAP and the Recovery and Resolution Plan;
- analysed specific operational risk issues to understand the root cause and how these can be fixed in future;
- considered the growth environment and its effect on product launches;
- reviewed improvements made to the quality assurance and complaints process within our customer operations team; and
- reviewed improvements made to our outsourcing controls.

4. Our Remuneration Committee (RemCo)

Amy Kirk chairs RemCo. The other members as of 29 February 2020 were Tim Brooke, Keith Woollard and Gary Hoffman.

RemCo supports the Board by:

- deciding the overall compensation for the Chair of the Board, Executive Directors and our senior executives. It also sets the remuneration scheme and policies for everyone who works at Monzo; and
- making sure that rewards, incentives and working environment for everyone who works at Monzo are taken into account when deciding Executive Directors' and senior management pay.

The Committee is responsible for making sure we:

- comply with laws, regulations and guidance;
- eliminate incentives for excessive risk taking and encourages effective risk management;
- align colleague incentives to our long-term success;
- take into account the risk management framework, liquidity and capital levels; and
- support the Board's monitoring of how company remuneration policies and practices support culture and strategy.

What the Committee did in FY2020:

This Committee met eight times in FY2020 and in those meetings they:

- arranged an external review of our share options framework, and senior management and material risk takers' remuneration. Deloitte* did this as our main remuneration adviser;
- reviewed our travel policy;
- reviewed our Gender Pay Gap;
- benchmarked our Chair's remuneration;
- assessed our Material Risk Taker remuneration;
- reviewed Executive Director and Executive Manager remuneration, taking into account clarity, simplicity, risk, predictability and proportionality; and
- considered a risk report and recommendations on remuneration from our Chief Risk Officer.

*Deloitte has worked with several other areas across the business, including: Risk Management, Tax, Finance and People. No individual Board Director has declared any connections with Deloitte.

Our approach to remuneration

Our overall approach is to make sure that our remuneration attracts, motivates and retains the people we need to deliver our mission.

We aim to pay all our colleagues, including Executive Directors, market competitive base salaries that are affordable at our current stage of growth and sustainable for the long-term. Every colleague is also awarded share options that aim to align their long-term interests with those of the bank. We do not offer short-term variable remuneration as our culture is built around creating long-term value.

Our clear and simple approach of fixed base salaries and share options supports effective risk management as future reward value is linked to future value creation.

Our approach to remuneration has operated as intended throughout the year.

All offers for new hires, and changes to existing remuneration, with a base salary of £150,000 or higher are considered by the Remuneration Committee acting with delegated authority from the Board.

Our stakeholders

We've always put our stakeholders at the heart of everything we do. We now have over 4 million customers, over 1,000 colleagues and many shareholders – and we buy products and services from companies all around the world. All of these people and organisations are our stakeholders.

Our Directors have a special responsibility under section 172 of the Companies Act 2006 to consider the interests of our stakeholders in their decision making. It's part of their wider duty to promote the long-term sustainable success of the company, while maintaining high standards of business conduct.

In FY2020 the Board identified the following key stakeholders (third parties whose interests we should take into account when making a decision):

- colleagues;
- customers;
- suppliers and partners;
- the communities we serve;
- the environment;
- shareholders; and
- regulatory bodies.

We've made sure that when matters come to the Board for consideration, we've identified the impact on stakeholders, and made sure the Executive team has already fully considered this.

The Board weaves stakeholder considerations into all of our decisions. Sometimes we have to make decisions that make trade offs between some of these stakeholder groups. But when this happens, we always try to make sure that the people impacted are treated fairly. Obviously, not every stakeholder has an interest in every decision we make.

Here are some examples of how we consider the interests of – and nurtured our relationship with – a few of our stakeholders.

Colleagues

These are any full-time, part-time, distributed or office-based colleagues or contractors.

How we engage with colleagues

Our people are what make Monzo special and are always considered by senior management and the Board.

We hold weekly All Hands meetings, where colleagues share updates. There's also a standing agenda item for Q&A, where anybody can ask questions to the CEO, or Executive Directors, senior Executives and Non-executive directors, depending on who is at the meeting.

Non-executive members of the Board appear regularly at our All Hands to answer colleague questions.

Colleagues complete a monthly engagement survey. This gives senior management and the Board data on what's driving engagement and areas to work on to improve culture. This employer net promoter score (eNPS) is monitored regularly at senior management meetings and at Board level.

Customers

There are now over 4 million people who now have a UK or US account with Monzo. Our focus with customers is to deliver a high quality and reliable product that's supported by the best possible customer service.

How we engage with customers

Customers are at the heart of Monzo, and customer interest is at the forefront of every decision.

Accessibility and vulnerability – we have teams dedicated to making sure customers with accessibility challenges are kept in mind when designing new products and features. For more information see section on Social Matters in the Non-Financial Reporting on page 66.

Transparency with our customers is key; we regularly keep them updated with emails, in-app notifications and blog posts on new products and features, how to use Monzo and future plans.

In the US we've made our roadmap public to allow current and future customers to vote on what feature they'd like to see next. This helps the team prioritise what products to build.

We give customers the opportunity to feed back, telling us what's working for them and what they want us to build.

Suppliers and partners

We work with in excess of 450 suppliers and partners locally and internationally. They provide a range of services from food and drink, to platform, to internal communication tools.

How we engage with suppliers and partners

We maintain the highest level of integrity in all business relationships and only engage with suppliers and partners that align with our values. We do this by undertaking a fair selection process to identify the product or service that is in our customers and our best interest. We also aim to be commercially competitive and make it easy for suppliers to deal with us. Our selection process also includes meeting with our key suppliers and partners to understand their processes and witness first-hand how they align with our values.

As part of our ongoing relationship we collaborate with our key suppliers through workshops and projects to improve our systems and processes optimising change management and reduction in incidents.

We also work with our card payment scheme providers and card manufacturers on new customer offerings and card design innovation, to offer competitive and useful propositions to our shared customers

The communities we serve

We look at this in two ways: how our activities impact our most passionate advocates, superusers and ambassadors and in terms of society as a whole.

How we engage with the community

As a company we engage with our community regularly, through our blog, office events and our forum.

In November, we hosted an open event for stakeholders called 'The Future of Monzo' which showcased our vision of how we'll "make money work for everyone".

We also provide financial education for refugees/underbanked communities through the 'No Barriers to Banking' campaign. For more information on this campaign and other initiatives see section on Our Community and Social Matters in the Non-Financial Reporting on page 66.

Our collaboration with 'I Can Be', a charity that "brings 7 and 8 year-old girls into the world of work, introducing them to inspiring women and helping them to discover the breadth of opportunity around them". They bring girls from disadvantaged environments to tour the offices and learn about different jobs and opportunities.

COVID-19 has put some of our FY2021 community plans on hold, but we look forward to restarting them as soon as possible.

Environment

We look at the impacts of running our business on the environment and climate change and how we can mitigate them.

How we engage with the environment

We encourage our colleagues to be environmentally friendly and we aim to reduce our carbon footprint and waste where possible. Please see more information of how we engaged with the environment in the section called Environment on page 58.

Shareholders

Anyone who owns Monzo shares. From venture capital and crowdfund investors to former and current colleagues.

How we engage with shareholders

We have two Investor Non-executive directors on our Board, representing our two largest investors.

Our President, CEO, Chair and other Board members have frequent interaction with our major shareholders.

Last year we organised Investival, an event which offered exclusive insights for crowdfunding investors to find out more about Monzo. Gary and Tom represented the Board at Investival.

Regulatory bodies

As a regulated bank, we have two main financial services regulators in the UK: FCA and PRA. We also work closely with a number of other financial and non-financial regulatory bodies, for example: Bank of England, Financial Ombudsman, Information Commissioner's Office (ICO).

How we engage with our regulatory bodies

We're committed to an open and collaborative relationship with our regulators and we support this through a centralised team, the Regulatory Affairs team. The team manages our day-to-day interactions which include regular meetings with our management team as well as our Board members, business and product updates, information requests and thematic reviews.

We've considered our stakeholders in decisions

Below are four examples of key decisions the Board made last year and how key stakeholders were taken into consideration.

Business plan

Each year the Board approves our strategy and business plan for the next 3 years. The plan highlights key risks and sensitivities. Throughout the year, the Board then monitors our performance against the plan and discusses any actions required if performance changes significantly. We considered our stakeholders when adopting the plan and making these decisions.

New London office

The Board considered new office space for the London registered office. When approving the new building lease, the Board looked at how the office move would impact colleagues, based on a thorough commuter survey. When approving the fit-out contract for the new office, the Board considered the steps being taken to make sure the office was as environmentally friendly as possible.

Monzo Business

In December 2019, the Board approved our new growth plans for Monzo Business. In taking this decision, the Board considered the impact of pursuing this renewed growth on regulators and shareholders. The decision was also partly based on feedback from our community and customers, which indicated strong demand.

US debit card launch

At the start of the FY2020, the Board approved the launch of our partnered debit card to the US public. We considered the interests of customers, regulators, shareholders and colleagues when making this decision. The Board also asked for several updates throughout the year to continue monitoring progress and developments in this area and the continued impact on stakeholders.

Non-Financial Reporting requirements

Non-Financial Reporting requirements

We're now defined as a large business and have to comply with the Non-Financial Reporting requirements from sections 414CA and 414CB of the Companies Act 2006. This is the first financial year we've had to comply. We've detailed our policies and achievements where available. For the areas where we're still developing policies and the due diligence on them, we've explained our progress. We look forward to building and sharing more key performance indicators as we grow.

The following table shows where to find the information we've prepared to meet the requirements.

Reporting requirement	Description	References and policies
Environment	We've identified our environmental footprint as being low and so not a principle risk to the business. We don't have an environmental policy yet, but we're developing one to help us consider our environmental impact.	• Environment section p58.
Colleagues	We have a strong focus on our colleagues and their wellbeing. We're transparent with them, building a strong, motivated and diverse team. We have a number of policies, training and approaches to make sure everyone feels like they belong and have a voice.	• People section p59. • People policy. • Health and safety. • Conflicts of interest. • Recruitment and selection. • Remuneration policy.
Community and social matters	Our focus on community and society underpins our mission to make money work for everyone. Our policies and statements outline how we aim to help our customers and have a positive social impact.	• Our community and social matters, p66. • Vulnerable customers policy. • Collections policy. • Community vision 2025. • Accessibility statement.
Anti-corruption and anti-bribery	Prevention of financial crime is a key responsibility and commitment for us as a bank. Our business and Financial Crime Teams monitor these key risks by applying our policies on a daily basis.	• Financial crime p69. • Supplier and Outsourcing Policy. • Anti Bribery and Corruption Policy. • Market Abuse Policy. • Whistleblowing Policy.
Human rights	Our commitment to human rights and the ethical treatment of our colleagues, suppliers and customers is aligned with our core values. In FY2020 we became large enough to have to report under the Modern Slavery Act. We're developing our policies and we'll publish our Modern Slavery Act Statement by August 2020.	• Respect for human rights, anti-corruption and anti-bribery p69.
Description of our principal risks and impact of our business activity		• Our current risks p38.
Description of our business model		• Business model and strategy p20.

Our approach to the environment

Our policy

We've built a bank with a comparatively low environmental footprint. We're branchless, digital and don't directly buy securities that invest in carbon intensive projects.

But we're a fast growing business, and we know that as we grow, our environmental impact will grow too. So we're taking action on two fronts. We're developing an environmental policy, which will set out:

- how we act environmentally as a business;
- how we'll influence other businesses to do the same; and
- how we can empower our customers to be more environmentally responsible.

We've started working with key teams to reduce our impact on the environment. For example, our Space team (who manage our office spaces) has taken steps to reduce our environmental footprint as we move to a new London office, such as choosing a 100% green energy supplier.

Our environmental impact

One of our values at Monzo is to make a difference. Over the past year we've taken individual actions to reduce our impact on the environment.

Here's what we've done so far

We've reduced the carbon footprint and waste from our offices and operations
We're a branchless, mostly paperless bank with two offices in the UK (London and Cardiff) and a co-working space in San Francisco.

We recycle in both offices and as of November 2019 we've also introduced compost bins and removed most single-use toiletries from our London office. Our Wales office uses green certified soap and washing up liquid and they only buy animal-friendly and organic products for the washrooms.

Our servers are hosted by a carbon-neutral AWS plant in Dublin. This means that all the non-renewable energy used by our servers gets offset, so we have a net zero impact on the environment.

We encourage colleagues to be environmentally friendly
Now that we have offices in the US and the UK, and team travel is common, we encourage colleagues to buy offset credits for their work flights, which they can expense as part of their trip.

We also offer a cycle to work scheme to encourage people to use environmentally friendly transport for their commute. And our Welsh office has signed the Business Healthy Travel Charter Wales, where we've committed to making healthy travel easier for our staff.

Our approach to people

Our mission in the People Collective (Collectives is the word we use for groups of people working in the same area) is to help our colleagues do the best work of their lives. We support the people lifecycle at Monzo: every stage someone experiences from the moment they join, to the time that they leave. We give them tools and support so they can carry out our mission: to make money work for everyone – and have a career that's fulfilling and challenging, too.

We're committed to growing Monzo safely

Our approach to people is driven by our core values. This year we introduced a new value: 'Think customer first; grow Monzo safely'. 'Think customer first' celebrates our passion for good customer support and our enthusiasm for delighting customers. 'Grow Monzo safely' calls out our focus and determination to set the standard for compliance and fairness. We're the fastest-growing bank in the UK and it's important that we take our regulatory and social responsibility seriously, and embed this in everything that we do.

We've continued to grow our Risk and Compliance teams so we make the best risk-based decisions we can. As a regulated bank we take our responsibility to our customers and the wider banking industry seriously. Our new cultural onboarding experience explains what this means to our new joiners, and emphasises the importance of working closely with our three lines of defence to keep our customers safe. Please see the Risk Section (page 30) for the areas of focus in FY2021.

We're optimising our people data and platforms

Operational efficiency is at the core of what we do at Monzo. New tooling has transformed our Customer Operations teams, and this year we've introduced automated efficiency so we can focus on the things that only a human can do. We formed our first People-specific product team made up of engineers, data analysts and business analysts. Their mission is to improve the People experience by bringing our team the best tools to help us reach peak performance and give the best experience to our colleagues.

One of the team's first projects was mapping a new joiner's journey to better understand a colleague's experience from the moment they arrive to the time they leave. This involves working collaboratively across various People teams, to get full context of all People processes and figure out how to best improve them. We ask ourselves whether the information we provide is easy to find and understand. We want our colleagues to enjoy the same level of care and delight that our customers do.

We've built a database that allows us to completely own our internal data. This means we're not reliant on third parties to keep our personal data safe. It enables us to analyse trends, informing strategy for areas such as diversity and engagement. This avoids us making misguided assumptions and helps us better understand our people.

As the fastest-growing bank in the UK, we're now a large-sized company. Expanding so quickly has meant a lot of change for existing Monzonauts. For the first time we saw our eNPS (employee Net Promoter Score) drop. We're still miles above benchmark within our industry, according to our engagement platform, Peakon. We pride ourselves on high colleague engagement – and while we know rapid change and growth can impact engagement, the eNPS drop is a concern and something we'll be working to fix in FY2021.

We've always had a strong culture of transparency internally. It's helped us to see problems as they emerge so we can fix them proactively. Looking forward, we want to empower managers and team leaders to offer support to their reports and assess performance consistently. We've introduced People Partners at Monzo, who pair with Collectives to make sure that we're always looking to improve everyone's People experience, and recognising the needs of our colleagues – especially as we continue to grow.

Everyone should feel like they belong at Monzo

'Help everyone belong' has always been core to the way we work but we've only recently put it into words. This year we started work on fully embodying this.

We want to create a strong, data-driven strategy for inclusion, and we want to engage everyone in our Diversity & Inclusion (D&I) journey. We recognise there's a lot to learn about how to be inclusive in our day-to-day lives, alongside regularly challenging our own biases and perspectives.

As a starting point, we've held listening sessions and created a tailored D&I survey to understand how our colleagues feel we're doing in this area – we've included these types of questions in our monthly colleague engagement surveys. We've also introduced a session to our cultural onboarding experience to get our new joiners thinking about how they can be inclusive from the moment they arrive. This session helps us all to understand our own privilege and go on the journey of allyship. Alongside this we've created a D&I handbook and regularly share updates on what we're doing in this area.

On our blog you can find our most recent updates on our work for the Women in Finance Charter, and on the gender pay gap. You can also find our 2020 diversity and inclusion report.

We've hired fantastic people who embody our values

We want to recruit people who are passionate about making money work for everyone, and are aligned with our values.

Feedback is important to us as it helps us grow together. Our Hiring team has introduced a candidate survey to shed light on our recruitment process. We share the results of this survey with the wider team on a monthly basis so that we can create and implement regular improvement plans. It's important to us that regardless of whether or not you're successful in your application, you enjoy getting to know us and have an engaging, human experience.

We're all working from home at the moment, but before COVID-19, we loved that 42% of our team were distributed. It's important that we don't limit ourselves when it comes to finding great people to join us, and to make sure that we're being flexible and accommodating towards all potential new joiners. This year we held recruitment days all around the UK for our customer operations roles. We did this because we know there are talented people across the country, not just in London.

We've made great improvements in our internal mobility process. Colleagues feel supported to grow and thrive, whether that means stepping into a new role or area of the business, broadening their skills across disciplines, or staying focused on their specific career goals. We updated our internal job board so that everyone has equal access to new opportunities. We're training our hiring squads to make sure that we give fair and informed support to people who want to move into a new role. For internal mobility to work, our colleagues need to know how they're doing in their current roles and make sure they're setting realistic but ambitious goals for development.

We have two key areas of focus: refining the way we're measuring performance, and improving our manager training programme. We're strengthening our review process so that we can easily see where people are making strong contributions to their squads, and managers and colleagues can work together to shape their careers at Monzo. We'll be dedicating time and energy to create a consistent development ethos across the company, where managers feel empowered and able to support their people and help them progress – having candid conversations on the different skills and attributes people need to develop.

We're excited by our current transition to a large-sized company with three offices worldwide and a growing team. We're committed to growing in a way that protects our customers and colleagues from risk and also safeguards the culture and people experience we've built over the last four years. As a People team it's our responsibility to guide people through a transition that can be exciting and challenging in equal measure. We're making sure we have the tools and data we need to keep ahead of what our colleagues need from us today and in the future. We're empowering and supporting colleagues to grow all the time, and we remain committed to making money work for everyone.

People Policies

Policy	Summary	QA/Due Diligence
People Policy	Our People Policy outlines our approach to making sure we have a strong team that's high performing, motivated and professionally fulfilled. People risk is the risk of financial, operational or reputational loss due to our team as a whole, or individuals in it, not working optimally – whether through being insufficiently capable, motivated or effective, or through improper conduct.	See individual policy diligence below.
Health & Safety	This policy sets out our high-level approach to Health and Safety. Our focus is to protect the health and safety of our colleagues and any visitors on our premises.	• We train and appoint first aiders and fire marshals. • We explain what people should do in the event of a fire on their first day. • As a company we don't provide nuts, to protect people with allergies. • We don't provide any tablets or medication either.
Conflicts of Interest	This policy outlines what it means to act with integrity and to make sure we're not compromised in our decision making.	• The People team reviews our conflict of interest register every week, and follows up on any potential conflicts with the person individually. • Our Second Line of Defence, the Risk and Compliance Team, also review this. • Every year we share a company-wide announcement reminding our colleagues to log any conflicts.

Policy	Summary	QA/Due Diligence
Recruitment and Selection	We aim to attract and hire exceptionally talented people who best meet our needs. We do this through a transparent, fair and non-discriminatory hiring process.	• Finance and ExCo approve the final headcount plan. • We're in the process of rolling out interview and bias training to the company. We'll track interviewers to confirm they've completed training. • The Reward team determine pay ranges by level and function. They also review all offers to make sure they're within the framework and approve any offers outside of the framework. • We review our new starters the week before they start to confirm that their pre-employment checks are complete. We have an escalation process in place for failed checks.
Remuneration Policy	This policy sets out our approach to remuneration with all colleagues. Its objective is to make sure we can attract, motivate and keep the people we need for each phase of our growth. The Remuneration Committee approved the policy in February 2020.	• To make sure we're sticking to our reward principles the Reward team approves all new hire offers and oversees all promotions. • They carry out an equal pay audit and make recommendations to the Executive Committee for any remedial action. • They also review each element of remuneration and check it aligns with our values-reward map. We adapt or discontinue any element that doesn't align. • The Reward team reviews the relevant regulatory requirements and adapts any practises they don't consider to be compliant.

782
new colleagues in the year

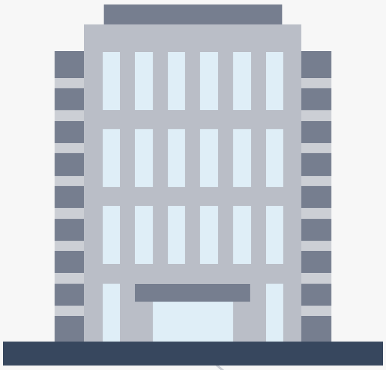
FY2019	FY2020
713	1,495

+3%
Peakon aggregated response rate

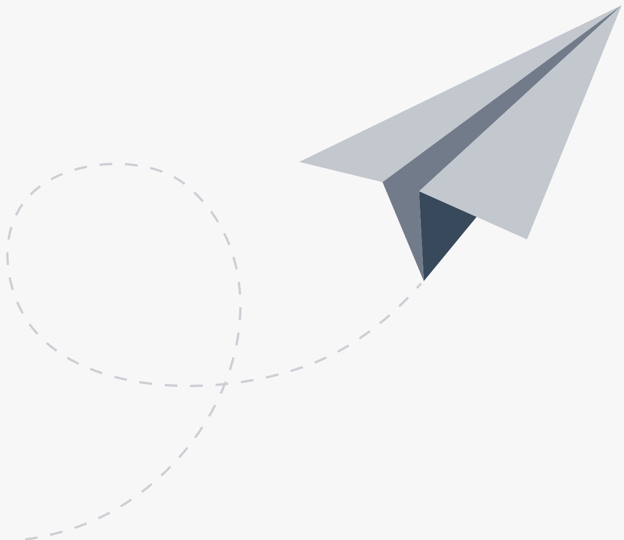
FY2019	FY2020
78%	81%

867
Monzonauts are office based

OFFICE	DISTRIBUTED
58%	42%

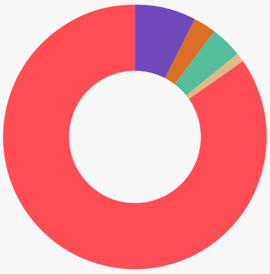


2.48%
regrettable attrition rate this year



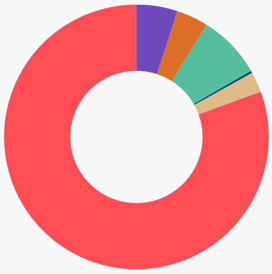
Ethnicity
the percentage of people of colour has increased by **4.02%**

2017 Q4



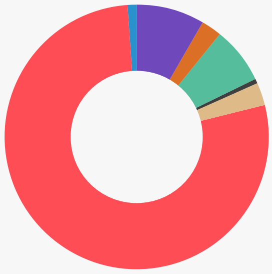
- Asian 7.70%
- Black 2.70%
- Mixed 3.80%
- Other 1.10%
- White 84.70%

2018 Q4



- Asian 5.10%
- Black 3.88%
- Mixed 7.76%
- Not stated 0.20%
- Other 2.45%
- White 80.61%

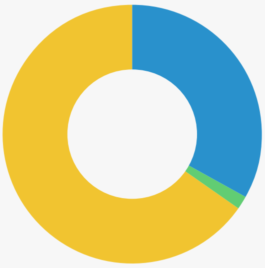
2020 Q1



- Asian 8.40%
- Black 2.60%
- Mixed 7%
- Not stated 0.60%
- Other 2.70%
- White 77.80%
- Prefer not to say 1%

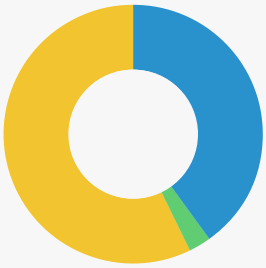
Gender identity
the percentage of people who identify as women has increased by **13.75%** overall, and **50%** in leadership

2017 Q4



- Women 33.20%
- Non-binary+ 1.60%
- Men 65.20%

2018 Q4



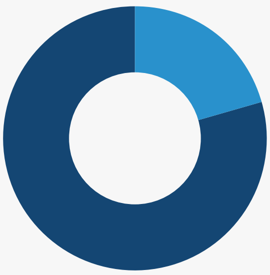
- Women 40%
- Non-binary+ 2.86%
- Men 57.14%

2020 Q1

- Women 45.50%
- Non-binary+ 1.60%
- Men 52.10%

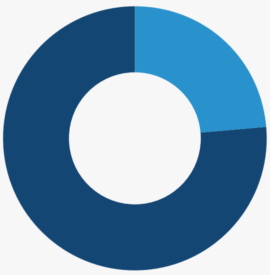
Sexual orientation
the percentage of LGBQA folks in Monzo has increased by **15.53%**

2018 Q4



- LGBQA 20.60%
- Straight 79.40%

2020 Q1



- LGBQA 23.80%
- Straight 76.20%

Our community and social matters

The needs of all of our customers, particularly if they're facing barriers or experiencing difficult circumstances, is a core part of our mission. Over the past year many teams have worked to introduce products, policies and systems to embed this in everything we do.

These are the top four things we've done this year:

We've made our app, web and customer service more accessible

We've made some tasks in the app completely self-serve for customers who don't feel comfortable interacting with a person. According to the Money and Mental Health Policy Institute, 54% of financial service customers with a mental health issue, and 32% of people who don't suffer from a mental health problem, find phone calls with their bank stressful or impossible.[1] Conversations can be more difficult when dealing with unpleasant situations, like talking to debt collectors.

This year we've introduced a new way for customers to set up payment, without ever having to speak or chat to the customer support team. It's less intrusive than phone calls, and reduces stress and anxiety. It also helps us reduce the cost of running our operations. Today, we do most of the support for collections through the app, with most of it being completely self-service.

We've made web accessibility a priority and have been working with the Digital Accessibility Centre (DAC) to carry out an accessibility assessment (WCAG). This looks mainly at how customers with visual and motor impairments interact with us and flags areas we need to improve. Our aim over the next year is to certify web.monzo.com and monzo.me for AA compliance with accessibility standards.

To make sure we stay focused on building products that are accessible to all, we've updated our engineering progression framework to encourage engineers to focus on non-functional requirements like accessibility and performance.

We're working with the Money and Mental Health Policy Institute (MMHPI) to assess us against their new Mental Health Accessibility Standards. The results will help us better understand the challenges that customers with mental health problems face, and make Monzo easier to use.

1 https://www.moneyandmentalhealth.org/wp-content/uploads/2018/06/Money-and-Mental-Health-Access-Essentials-report.pdf p.18

We've developed a financial literacy programme in partnership with UK social inclusion charities

As part of the No Barriers to Banking campaign, we've created a set of learning resources designed to help those in financially excluded communities make good decisions about money. Feedback from people with lived experience, shared during listening sessions, has shaped the content. It addresses the key challenges marginalised groups face when it comes to financial wellbeing.

Since October 2019 we've partnered with 13 charities including the Red Cross, Evolve Housing and Tact Care to pilot the delivery and creation of workshops and learning guides supporting financial literacy. This year we've run 9 workshops and hosted 5 listening sessions, with a further 7 charities trialling the content we've created as a reference. In the coming months we want to increase the reach of this work by making these resources available to all charities in the UK and community organisations in the form of leaflets, blog posts and in-person training for support colleagues.

We've continued to protect vulnerable customers

This year, we launched new tools for the team that supports our vulnerable customers.

We built a tool that allows us to log specific details of our interactions with vulnerable customers (with their consent). This means we can start to understand how many vulnerable customers we're supporting, what types of vulnerabilities they're experiencing and whether we were able to help them, or if we had to guide them to external support.

We also now have a vulnerability assessment in place. This is a questionnaire we can use to retrospectively assess a customer's situation when we think we might have missed an opportunity to identify the fact that they needed extra support.

These tools help us protect vulnerable customers. They make sure that appropriate flags appear on a person's account so our team knows the customer's support needs upfront, and allow us to make adjustments where we might have failed to spot signs of vulnerability.

We continued to promote our gambling block on social media. 4.1 million people have seen our posts about it, and 150,000 have engaged with them. This means we're communicating the feature to people who need to hear about it.

We launched the gambling block in 2017 and about 205,000 people have used it. Our research indicates that around 20% of people who use the gambling block (who answered our survey last year) are concerned about their gambling. This is higher than our estimates for how many customers might be affected by problem gambling based on the national statistic (between 5–15% of the UK population).

On average we block 2–3 gambling transactions per gambling block user per month, or between 410,000 and 615,000 gambling transactions in total per month.

We're using our Share with Us tool to decide what we should improve next

Launched in 2018, it allows customers to write any information they want to share with us securely and confidentially through the app. We use this to flag vulnerable customers and help them however we can.

Customers use Share with Us to tell us about their circumstances. The three areas we see most are:

1. Mental health issues.
2. Financial difficulties.
3. Financial education.

That's why this year we'll focus on our approach to mental health by looking at the Money Mental Health Policy Institute Accessible Standards, making sure we take a human approach to our support for people in financial difficulties and creating financial education content for people who face barriers to financial services.

Social policies and statements

Policy	Summary	QA or Due diligence
Vulnerable customers policy	This policy covers how we identify and support customers who are in a vulnerable position, and how we train our colleagues and approach design to give these customers the best experience possible.	We regularly quality assess customer service conversations with vulnerable customers to make sure they're up to our standards. We also have a Vulnerability Assessment Questionnaire to improve how quickly and accurately we identify vulnerable customers.
Collections policy	This policy covers how we collect money customers owe us in a way that's fair, transparent and focused on delivering good customer outcomes.	We regularly review: • Customer support interactions to make sure we've complied with all relevant regulations and guidance, and resolved customers' issues. • Our procedures and guidance, to make sure they're still fit for purpose and delivering good customer outcomes.
Community vision 2025	This document lays out the vision for how we'll drive financial inclusion and education until 2025, and details the action plan for 2020.	
Accessibility statement	Our accessibility statement details our approach to accessibility. Accessibility for us applies to both physical and mental health as well as wider circumstances. We want everyone to be able to access Monzo.	We've partnered with the Digital Accessibility Centre to measure monzo.com against the Web Content Accessibility standards (WCAG). We're assessing ourselves against the MMHPI Mental Health Accessible Standards.

Respect for human rights, anti-corruption and anti-bribery

Preventing and tackling bribery and corruption is anchored in our values. Senior management have a clear message of respecting human rights and a zero-tolerance approach to financial crime.

Preventing financial crime (anti-bribery and anti-corruption)

We're committed to preventing financial crime and have created clear lines of internal accountability, responsibility and reporting. It's the business' responsibility to prevent financial crime, put appropriate internal controls in place and check they're working effectively, and train colleagues appropriately. The second line Financial Crime team supports the business in this responsibility within the Risk and Compliance function.

We have a Financial Crime Policy which sets out our approach to preventing, deterring and detecting financial crime, which includes anti-bribery and corruption, committed by our customers, suppliers, and people who work at Monzo.

Relevant laws and regulations say we have to take steps to prevent criminals from using Monzo to facilitate crime. We also have a moral and social responsibility to our customers and stakeholders to prevent, deter and detect financial crime. Strong financial crime controls also protect against reputational damage.

We're continuing to review and develop our financial crime control framework. We want to make sure that our controls meet regulatory requirements and address weaknesses that we have identified. Specifically we are:

- Reviewing our systems and controls to make sure that they are fit for purpose and comply with UK laws;
- Assessing whether our governance and oversight is sufficient to address any weaknesses that we identify;
- Putting in place recurring quality assurance to help identify any ongoing weaknesses in our processes; and
- Testing and evaluating the effectiveness of our controls on an ongoing basis.

All of our colleagues complete training in our financial crime and market abuse policies when they join and have annual refresher courses. Our onboarding team checks our suppliers to make sure they are ethically aligned to our beliefs and maintain high standards of integrity. We remain committed to improving our supply-chain by reviewing our policies and internal controls. Transparency is a core belief at Monzo, and we encourage colleagues to speak up with confidence to their managers or our Whistleblowing Champion if they have any concerns.

Human rights

We believe diverse teams make better decisions. We're committed to promoting an inclusive and empowering working environment to support each and every team member. Respecting human rights and allowing people to feel comfortable and confident are part of our values. We apply these beliefs to the interactions and processes for managing our colleagues, our suppliers and our customers.

We have strong views on our moral and social responsibility to maintain an ethical supply-chain, which includes making sure there is no use of slavery or human trafficking. As we're a bigger business now, we have to comply with the Modern Slavery Act (MSA), which says we have to publish at statement about our stance on slavery on our website. So we're developing our policies and due diligence to meet the requirements of the MSA before publishing our Statement by August 2020.

The Strategic Report was approved by the Board of Directors and signed on behalf of the Board.

Alwyn Jones
Director
29 July 2020

Group Directors' report

The Directors present their report and audited financial statements for the year ended 29 February 2020 for Monzo Bank Limited ("The Bank") and the Monzo Group ("The Group").

Monzo Bank Ltd is a private limited company, incorporated and domiciled in England and Wales, with its registered office in England and is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). Monzo's registration number is 09446231.

We've prepared these financial statements under International Financial Reporting Standards as adopted by the European Union.

Directors

The Directors who served the Company during the year and up to the date these financial statements were approved were:

- G Hoffman (Chairman)
- T Blomfield (Resigned 17 June 2020)
- T Brooke
- E Burbidge
- M Grimshaw
- A Jones (Appointed 5 April 2019)
- A Kirk
- F McBain (Appointed 1 January 2020)
- P Reise (Appointed 1 July 2019)
- K Woollard

We appointed TS Anil to the Board, subject to PRA approval on 17 June 2020.

Results and dividends

The consolidated loss for the year after taxation was £113.8m (FY2019: loss of £47.2m). The Directors do not recommend a final dividend (FY2019 – £nil).

Directors' liabilities

We have indemnified all of the Group's directors from claims brought against them by third parties (subject to section 234 of the Companies Act 2006). The insurance does not cover claims arising from fraud or dishonesty. The indemnity was in place during the year.

The following information, required by the 2008 Regulations, is included in the Strategic Report:

- a fair and balanced review of the business;
- a description of the principal risks and uncertainties facing the business;
- a description of our principal objectives, strategy and business model;
- an analysis of developments and performance for the financial year and the position at the end of the year;
- trends and factors likely to affect the future development, performance and position of the business;
- information on our colleagues and community; and
- information about gender diversity.

Donations

We haven't made any donations or incurred any expense to any registered UK political party or other EU political organisation.

Branches

We don't have any branches in or outside of the UK.

Events since the balance sheet date

We've listed the key events that have happened since the balance sheet date below (see Note 33 for more details):

- we revised our economic outlook to include risks associated with the COVID-19 pandemic;
- we launched Monzo Business in March 2020 and Monzo Plus in July 2020;
- we made the difficult decision to close our Las Vegas office and impair our investments in Monzo Support Inc and Monzo Inc;
- we switched all our overdrafts from fee-based to APR at the beginning of April 2020;
- we announced potential redundancies impacting our colleagues in the UK;
- Tom Blomfield stepped in to a new role as President and we appointed TS Anil as CEO; and
- we completed a £58m fundraising round on 15 June 2020; and
- we began a regulatory review into our financial crime procedures.

There have been no other material post-balance sheet events.

Financial instruments

The Bank finances its activities by issuing ordinary shares, as disclosed in Note 28, and through cash deposits held as disclosed in Note 10. The Bank also holds customer deposits classified as a financial liability, and issues overdrafts and loans to customers which are classified as financial assets. The Bank makes treasury investments in short-dated UK Government Debt. Other financial assets and liabilities like trade creditors come from the Bank's operating activities. We record foreign currency liabilities using the foreign exchange rate at the date of the transaction.

Read Notes 22 and 23 for information on managing risks related to financial assets and liabilities.

The Group doesn't use any other financial instruments.

Research and development activities

We invest in the development of our own platforms and products, so we've applied to claim Research & Development (R&D) relief from HMRC, see Note 13.

Policy on employing people living with disabilities

We're committed to employing and supporting colleagues in line with the Equality Act 2010 and our People Policy. We also want to make sure disabled people can fulfil their potential and realise their aspirations.

We make reasonable adjustments to support all disabled job applicants and colleagues.

Some examples of supportive adjustments we've made in the past include:

- making changes to shift patterns (such as phased return to work, flexible working hours or part-time working);
- giving extra training or mentoring;
- making access alterations to the office premises;
- making sure we give information in accessible formats;
- modifying equipment or providing specialist equipment; and
- any other ad hoc reasonable request, like someone with social anxiety disorder being given their own desk instead of hot-desking.

The list above certainly isn't limited. Our policy aims to accommodate all reasonable requests to make sure our people are fully supported during their time at Monzo.

Our approach to transparency and colleague engagement

We default to transparency, so colleagues have access to any information that's relevant to them. We hold company-wide meetings weekly where people can share their opinions and ask questions of management.

All colleagues are involved in Monzo's performance through our share option schemes. They're kept up to date with business performance through a weekly KPIs email sent to everyone at Monzo, as well as dashboards highlighting monthly financial performance.

Our approach to engagement with other stakeholders

We have included a statement in line with our Section 172 requirements under "Our stakeholders" within the "Governance at Monzo" section of the Strategic Report. This can be found on page 51.

These statements are prepared on a going concern basis

The going concern basis is dependent on maintaining enough capital to fund the balance sheet and meet our capital requirements. The Directors have considered a number of factors including the current and forecast performance of the Group and the impact the COVID-19 pandemic is having on the business. Based on this we have made an assessment of going concern, and that the Group can operate for at least 12 months from the date these financial statements are approved.

As part of the going concern assessment the Board considered:

- the significant impact of the COVID-19 pandemic on the Group's revenues and ECL charges;
- the £58m fundraising, in June, on the Bank's capital position;
- the 3 year business plan and management actions which may be necessary depending on the Group's performance;
- current and future regulatory capital requirements, which increase over time;
- new product launches and constraints brought on by the current economic outlook;
- the Group's liquidity and its ability to manage stress scenarios;
- valuation concerns and the requirement to consider certain assets for impairment;
- operational resiliency with respect to Monzo's ability to work remotely, our key suppliers and our colleagues' ability to serve our customers;
- the Group's ability to remain focused on governance and control during the crisis;
- the resiliency of our IT systems and core banking platform;
- the uncertainty about the impact of regulatory reviews;
- changes in law or regulation that could adversely affect the Group; and
- government and regulator intervention to support the economy and banking industry.

However, the Group is loss making and our revenue streams have been significantly impacted by the COVID-19 pandemic and resulting macro-economic uncertainty. Regulatory reviews will also lead to stricter financial crime requirements. This may result in lower forecasted customer numbers and revenues, along with increased costs associated with correcting areas of concern. This increases the risk that the Group will not be able to execute its business plan, which could adversely impact its ability to generate a profit or raise sufficient capital to meet future regulatory capital requirements.

Due to these obstacles, the Directors recognise there are material uncertainties that cast significant doubt upon the Group's ability to continue as a going concern. The financial statements do not contain adjustments that would result if the company was unable to continue as a going concern.

The Directors remain confident in Monzo's ability to execute its business plan and raise capital if necessary due to the following reasons:

- Monzo's reputation, customer base and products continue to allow us to grow our customer base and be responsive to customer needs. During such uncertain times being agile and flexible will be advantageous when compared to some of our institutional competitors.

- Management's dedication to achieve our business plan and taking difficult management actions if necessary. For example we have already begun closing our Vegas office, we have announced potential redundancies, management and many other colleagues have taken salary sacrifices, we are controlling our growth and we're optimising revenues from our most profitable customers. If economic stresses continue to impact our business, we also have further measures we can use to reduce costs and control our balance sheet.
- The unprecedented support from the UK Government, regulators and central banks around the world. We have made use of the government furlough scheme, like many businesses, and believe the Government will continue to be supportive.
- Our supportive investor base. We have successfully fundraised during a pandemic mainly from our existing investors which highlights their belief in the Group. We are confident that if we continue to execute our plan this could be achievable again if necessary.

We therefore expect the Group to have sufficient financial resources to meet our regulatory requirements for at least 12 months and conclude it remains appropriate to continue preparing our financial statements on a going concern basis.

Disclosing information to the auditor

So far as each person who was a director at the date of approving this report is aware, there's no relevant audit information, being information needed by the auditor in connection with preparing its report, which the auditor is not aware of. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that they're obliged to take as a director to make themselves aware of any relevant audit information, and to establish that the auditor is aware of that information.

Auditor

Ernst & Young LLP have been re-appointed pursuant to section 487(2) of the Companies Act 2006 unless the members or directors resolve otherwise.

On behalf of the Board

Alwyn Jones
Director
29 July 2020

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report, Group Directors' Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have to prepare the Bank and Group financial statements under International Financial Reporting Standards (IFRS) as adopted by the European Union.

Under Company Law the Directors must not approve the financial statements unless they're satisfied that they present a true and fair view of the financial position, financial performance and cash flows of the Bank and Group for that period. In preparing those financial statements the Directors need to:

- select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs, as adopted by the EU, is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance;
- state that we have complied with IFRSs as adopted by the EU, subject to any material departures and explained in the financial statements; and
- make an assessment of the Group's and Company's ability to continue as a going concern, and if appropriate prepare the financial statements on a going concern basis.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions. They have to disclose with reasonable accuracy at any time the financial position of the Group and make sure that the financial statements comply with the Companies Act 2006.

They're also responsible for safeguarding the assets of the Group and for taking reasonable steps to detect and prevent fraud and other irregularities.

Approved by the Board and signed on behalf of the Board.

Alwyn Jones
Director
29 July 2020

Independent auditor's report

To the members of Monzo Bank Limited

Opinion

In our opinion:

- Monzo Bank Limited's group financial statements and parent company financial statements (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 29 February 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the consolidated financial statements of Monzo Bank Limited which comprise:

Group	Parent company
Consolidated statement of financial position as at 29 February 2020	Statement of financial position as at 29 February 2020
Consolidated statement of comprehensive income for the year then ended	Statement of comprehensive income for the year then ended
Consolidated statement of changes in equity for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of cash flows for the year then ended	Statement of cash flow for the year then ended
Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 33 to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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 below. 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to the Basis of Preparation in Note 1 in the financial statements, which indicates that the ability of the group to continue as a going concern is subject to material uncertainty. The group is loss making and its revenue streams and expected credit losses have been significantly impacted by COVID-19. There is a risk that the group will not be able to execute its business plan, which could adversely impact its ability to generate profits or raise capital to meet future regulatory capital requirements. This has given rise to the following material uncertainties:

1. Whether the group will be able to access new funds available at the levels required either through future equity capital raising or tier 2 debt;
2. Market conditions over coming months in light of the continuing spread of COVID-19, such as the extension of a six month recovery to a nine-month or twelve month period instead. This would lead to lower than expected results against plan, at levels which may cause the Group's capital resources to fall below the minimum levels requirements;
3. Whether the group has the ability to execute its business plans, which includes individual and collective assumptions relating to new product launches, point of sale volume and customer growth, and future management actions.

As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We describe below our audit responses to the risks relating to going concern:

- The audit engagement partners increased their time directing and supervising the audit procedures on going concern and senior members of the audit team increased their time and involvement in performing the audit procedures on going concern.
- We confirmed our understanding of management's going concern assessment process.
- We used our valuation specialists to test the mathematical accuracy of the models.
- We also used our valuation specialists to challenge the appropriateness of management's forecasts by assessing historical forecasting accuracy and performed our own reverse stress tests and downside sensitivity analysis on individual assumptions and composite scenarios (including scenarios to reflect the potential impacts of COVID-19) in order to understand the impact on liquidity and capital requirements.
- We evaluated management's plans for future actions in relation to its going concern assessment by inspecting board meeting minutes, performing a downside sensitivity analysis to determine the implications should management be unable to carry out such plans and reviewed events occurring subsequent to the balance sheet and up to the date of the auditor's report for evidence of management's intent and ability to carry out such plans.
- We utilised our regulatory specialists to inspect regulatory correspondence, review the costs associated to regulatory reviews and assess the overall impact of on-going reviews on the basis of the capital calculation at 29 February 2020 and for the twelve months from the date of our audit opinion;
- We used our regulatory specialists to also review the liquidity position and assess whether there was a reasonably foreseeable risk of a liquidity shortfall in the next twelve months.
- We discussed the bank's overall capital requirements with the Prudential Regulation Authority ('PRA') and inspected approval from the PRA for the classification of further capital raising as Core Equity Tier 1 capital for prudential reporting purposes.
- We assessed the disclosures in the Annual Report & Accounts relating to going concern, including the material uncertainties, to ensure they were in compliance with IAS1.

Overview of our audit approach

Key audit matters	• IFRS 9 Financial Instruments – Expected credit loss ('ECL') provision • Improper revenue recognition – Payment Network Provider Bonus Income • Developing control environment • Share Based Payments
Audit scope	• We performed an audit of the complete financial information of one component and audit procedures on specific balances for a further two components. • The components where we performed full or specific audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.
Materiality	• Overall materiality of £1.28m which represents 1% of equity.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report, which are consistent with the prior year.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
IFRS 9 Financial Instruments – expected credit loss ('ECL') provision Expected credit loss provision of £20.0m (FY2019: £3.1m) Refer to the Accounting policies (page 105); and Note 23 of the Consolidated Financial Statements (Page 128). Loans and advances to customers comprise unsecured personal loans and overdrafts. Credit provisions represent Management's best estimate of impairment and significant judgements and estimates are made in determining the timing and measurement of expected credit loss ('ECL'). The key judgements and estimates in respect of the timing and measurement of ECL include: a. The accounting interpretations, modelling assumptions and data used to build the models that calculate ECL; b. Inputs and assumptions used to estimate the impact of the multiple economic scenarios; c. Allocation of assets to stage 1, 2 or 3 using criteria in accordance with IFRS9; and d. Completeness and valuation of post model adjustments, including the risk of management override	Having assessed the design and implementation of controls, we undertook a substantive audit approach. We performed the following procedures: We tested the data used in the ECL calculation on a sample basis. In order to complete this testing, we independently reconciled a sample of data feeding the models to underlying support. We developed a full challenger approach, this included applying our own independent assumptions including Probability of Default, Loss Given Default, Exposure at Default (EAD) and Significant Increase in Credit Risk (SICR), to model our own estimate of the ECL provision. In addition, we assessed the base and alternate economic scenarios, including challenging probability weights and comparing to other scenarios from a variety of external sources, as well as EY internally developed forecasts. We also assessed whether forecast macroeconomic variables were appropriate, including GDP, unemployment and mortgage interest gearing, through our independent challenger approach. We challenged model adjustments for appropriateness using our knowledge and experience across the industry as well as recalculating their accuracy. We recalculated the staging of all unsecured personal loans and overdrafts and noted no material differences. We considered the impact of the COVID-19 pandemic on the ECL as at year-end and ensured that appropriate disclosures had been made in the financial statements to reflect the impact of these events.	Our testing of models and model assumptions identified some instances of over and under estimation. We aggregated these differences and were satisfied that the overall estimate recorded was reasonable. The COVID-19 adjustment on the ECL as at year end was within our independently established reasonable range; Overall provision levels were reasonable which also considered available peer information and our understanding of the credit environment. We are satisfied that provisions for the impairment of loans and advances to customers are reasonable and recognised in accordance with IFRS9.
Improper revenue recognition – Payment Network Provider Bonus Income Payment Network Provider Bonus recognition in the current year is £1.7m (FY2019: £0.9m). Refer to the Accounting Policies for Payment Network Provider Bonus Income (page 105); and Note 5 (page 108) of the Consolidated Financial Statement. We reviewed all revenue streams recognised by the group and assessed the subjectivity of each of these streams and which could give rise to a material error in the financial statements. We determined that the Payment Network Provider Bonus Income contractual arrangements were subjective in nature and we assessed that this could lead to material error through non compliance with the requirements of IFRS 15. We determined that all other streams (including Overdraft Income, ATM Fee Income and Interchange Fee Income) are not subjective in their application and have excluded them from the significant risk.	To address the identified risk of Payment Network Provider Bonus recognition, we took a substantive based approach and performed the following audit procedures: • We obtained an understanding of the key controls around the revenue recognition process for Payment Network Provider Bonus Income and tested the design and implementation of these key controls. • We reviewed the contracts and involved our technical accounting experts to assess whether the accounting treatment for the Payment Network Provider Bonus Income is in accordance with IFRS 15. • We obtained external confirmation from the Payment Network Provider of the volumes represented as achieved to date. • We recalculated the bonus earned during the current year against the contractual agreement with the Payment Network Provider. • We vouched the bonus paid by the Payment Network Provider to the bank statements.	We concluded that the revenue recognised relating to the Payment Network Provider Bonus is reasonable and recognised in accordance with the requirements of IFRS 15.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Developing Control Environment The group is still in a relatively early stage of development and the governance and control environment has not yet matured fully. In particular, there is a risk relating to the design, implementation and operating effectiveness of the IT general controls over the core banking platform and NetSuite which we have deemed to be the key systems impacting significant financial statement accounts. In such circumstances, where we have not relied on financial or IT controls, we are required to undertake additional substantive audit procedures in order to gain reasonable assurance over the balances reported in the financial statements.	Our audit approach included an assessment of the process level controls that management relies on for financial reporting and regulatory matters. We involved our IT specialists to perform testing of IT general controls relating to the core banking platform and NetSuite and our forensic specialists to perform testing on the customer acceptance procedures. Where we were unable to place such reliance, we addressed the increased risk by designing and then undertaking audit procedures to obtain a greater proportion of evidence from substantive testing and the use of increased sample sizes.	We highlighted to the Audit Committee that as the business continues to experience rapid growth, this brings with it challenges in respect of the need to ensure there are appropriate governance and controls in place across the three lines of defence and an appropriate level of skills and experience within the group. We note that whilst progress has been made in the developing control environment, the pace of improvement is not keeping up with the pace of growth in the business and the accompanying risks. Our observations communicated to the Audit Committee included the need to ensure that controls, including customer acceptance and IT general controls, are designed and implemented effectively and embedded so that they are operating effectively during the period and adequately documented. We highlighted to the Audit Committee that we were not in a position to rely on controls and so we undertook a substantive audit approach.
Share based payments Share based payments expense in the current year is £14.3m (FY2019: £2.5m) Refer to the Accounting policies (page 105); and Note 30 (page 143) of the Consolidated Financial Statements. There is a risk that the judgements made by management in the valuation of share based payments are not reasonable and not in accordance with IFRS.	In respect of Share Based Payments, we undertook a substantive audit approach and performed the following procedures: • We obtained an understanding of the key controls around the share based payments process and tested the design and implementation of these key controls. • We involved our technical accounting experts to assess whether the accounting policy relating to share based payments is in accordance with IFRS 2. • We involved valuation specialists to assess the reasonableness of the following parameters: — Key input parameters, namely: risk free rate, volatility, expected life, dividend yield and share price, into the valuation model; — Completeness of the parameters in the valuation model; — Methodology design of the valuation model; and — Recalculation of the fair value for all new options granted during the year under audit. • We tested the completeness of share based payments expense by performing the following procedures: — We reconciled share options granted with the share options recorded in the expense calculation; — We reconciled the employees in the payroll expense to those in the share based payments expense. For a sample of employees in payroll expense that were not recorded in the share based payment expense, we obtained confirmation that shares options had not been granted to these employees; — We performed cut off procedures at the balance sheet date and for a sample of share options granted before the year end but recorded post year end, to determine whether they were recorded in the correct period. • We vouched a sample of options granted to underlying share based payments option certificates and employment contracts. • We performed a reconciliation between the valuation outputs and the general ledger.	We concluded that the valuation and disclosures relating to share based payments are reasonable and in accordance with IFRS.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the three reporting components of the group, we selected all three components covering entities within United Kingdom and the United States of America, which represent the principal business units within the group.

Of the three components selected, we performed an audit of the complete financial information of one component ("full scope components") which was selected based on their size or risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 100% (FY2019: 100%) of the group's Loss before tax, 100% (FY2019: 100%) of the group's Revenue and 100% (FY2019: 100%) of the group's Total assets. For the current year, the full scope components contributed 100% (FY2019: 100%) of the group's Loss before tax, 97.16% (FY2019: 100%) of the group's Revenue and 95.06% (FY2019: 100%) of the group's Total assets. The specific scope component contributed 2.84% (FY2019:0%) of the group's Loss before tax, 4.94% (FY2019: 0%) of the group's Revenue and 0.1% (FY2019: 0%) of the group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

Changes from the prior year

We have included specific scope audit of Monzo Inc. this year.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £1.28 million (FY2019: £1.16 million), which is 1% (FY2019: 1%) of equity. We believe that equity reflects the most useful measure for users of the financial statements, given that the group is loss making and operates in a regulated industry. The increase in materiality is consistent with the increase in equity during the year.

We determined materiality for the parent Company to be £1.28 million (FY2019: £1.16 million) which is 1% (FY2019: 1%) of equity. The materiality of the parent company is based on equity as we consider this to be the most appropriate factor to the users of the financial statements.

During the course of our audit, we reassessed initial materiality and made adjustments based on the final equity after incorporating the result of the financial position of the group.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 50% (FY2019: 50%) of our planning materiality, namely £640k (FY2019: £579k). We set performance materiality at this percentage (which is the lowest in the range) based on various considerations including the past history of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial report.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the performance materiality allocated to components was £192k (FY2019: £58k to £579k).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £64k (FY2019: £58k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 76 other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the 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.

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:

- adequate accounting records have not been kept by the parent company, or 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; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 77 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 the 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit, in respect to fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and have a direct impact on the preparation of the financial statements. We determined that the most important direct laws and regulations related to the Bank related to company law, tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We understood how the group is complying with those frameworks by making enquiries of senior management, reviewing regulatory correspondence between the group and UK regulatory bodies and reviewing minutes of the Board and Risk Committee.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by considering the controls that the group has established to address risks identified by the group, or that otherwise seek to prevent, deter or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of senior management, legal counsel, compliance and internal audit, review of correspondence with regulatory bodies and minutes of meetings of the Board and Risk committees, involvement of conduct risk specialists, and focused testing.
- Based on our procedures performed on components, no instances of noncompliance with laws and regulations were identified.
- The parent company operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- We were appointed by the Company on 28 February 2017 to audit the financial statements for the year ended 28 February 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 4 years, covering the years ended 28 February 2017 to 29 February 2020.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee

Use of our report

This report is made solely to the 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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

Javier Faiz
Senior statutory auditor
for and on behalf of Ernst & Young LLP,
Statutory Auditor, London
29 July 2020

Notes:

1. The maintenance and integrity of the Monzo Bank Limited website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of comprehensive income

For the year ended
29 February 2020

	Notes	Group		Company	
		Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
		£'000	£'000	£'000	£'000
Interest income	2	25,018	4,918	25,018	4,918
Interest expense	2	(589)	(0)	(589)	(0)
Net interest income	2	**24,429**	**4,918**	**24,429**	**4,918**
Fee and commission income	3	40,085	13,231	40,082	13,231
Fee and commission expense	3	(10,681)	(6,664)	(10,681)	(6,664)
Net fee and commission income	3	**29,404**	**6,567**	**29,401**	**6,567**
Credit loss expense on financial assets	4	(20,254)	(3,880)	(20,254)	(3,880)
Other operating income	5	2,079	1,553	3,488	1,553
Net operating income		**35,658**	**9,158**	**37,064**	**9,158**
Personnel expenses	6	(77,486)	(25,654)	(73,785)	(25,610)
Depreciation & impairment expense	14	(3,210)	(799)	(3,182)	(799)
Other operating expense	8	(70,372)	(33,421)	(76,391)	(33,465)
Total operating expense		**(151,068)**	**(59,874)**	**(153,358)**	**(59,874)**
Exchange differences through profit or loss		(61)	0	(50)	0
Loss before tax		**(115,471)**	**(50,716)**	**(116,344)**	**(50,716)**
Taxation	9	1,655	3,552	1,655	3,552
Loss for the year		**(113,816)**	**(47,164)**	**(114,689)**	**(47,164)**
Total comprehensive loss for the year, net of tax		**(113,816)**	**(47,164)**	**(114,689)**	**(47,164)**

The results for the current and prior year are derived entirely from continuing operations.

The Notes 1 to 33 form an integral part of these financial statements.

Statement of financial position

For the year ended
29 February 2020

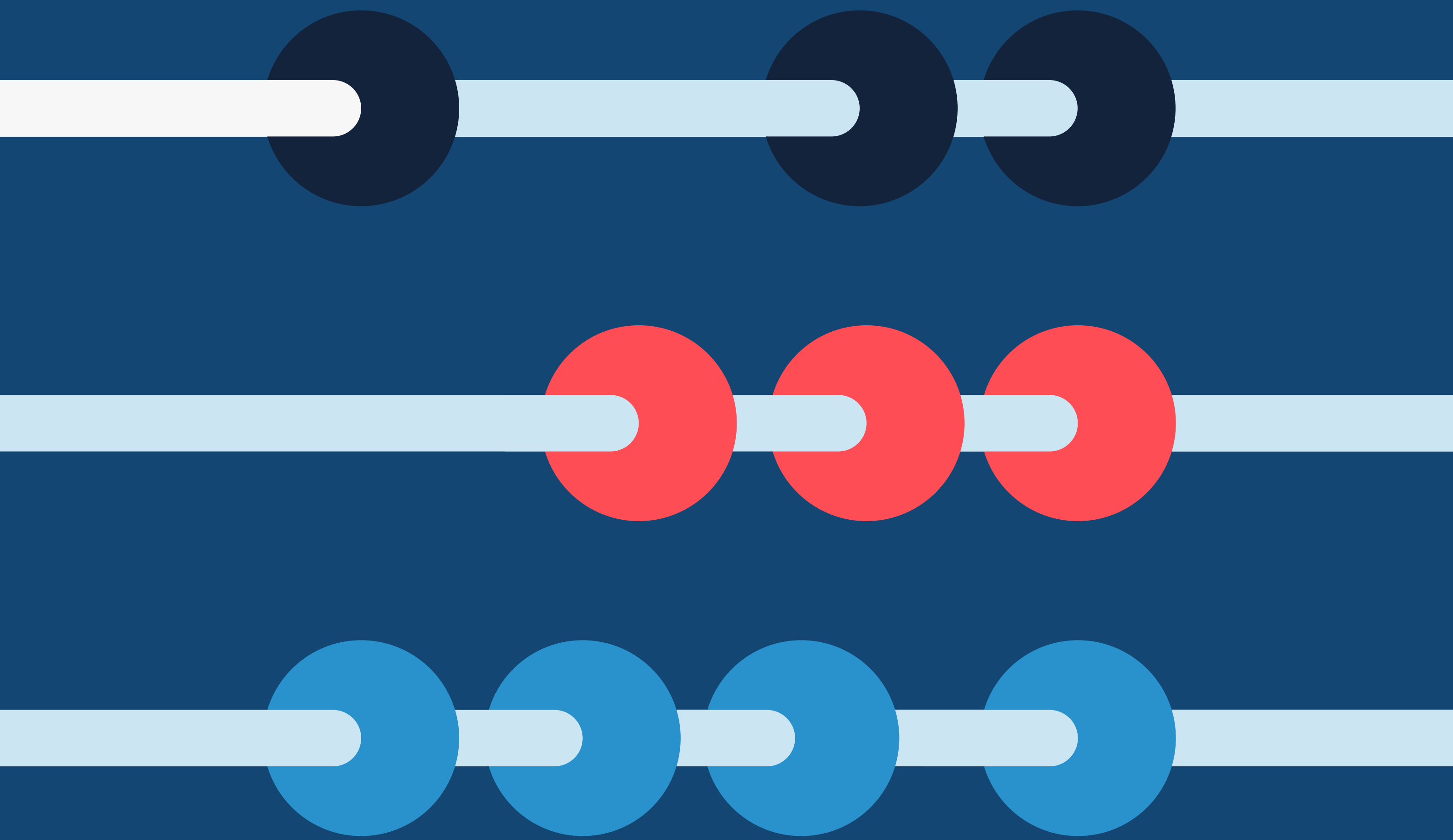
	Notes	Group		Company	
		29 February 2020	28 February 2019	29 February 2020	28 February 2019
		£'000	£'000	£'000	£'000
Assets					
Cash and balances at bank	10	1,373,722	549,847	1,373,302	549,831
Treasury investments	11	98,953	–	98,953	–
Loans and advances to customers	12	123,913	16,054	123,913	16,054
Other assets	13	87,925	29,434	87,661	29,429
Property, plant and equipment	14	21,253	2,278	21,089	2,257
Investment in subsidiaries	29	–	–	443	78
Collateral held with third parties	16	15,642	16,777	15,175	16,777
Total assets		**1,721,408**	**614,390**	**1,720,536**	**614,426**
Liabilities					
Customer deposits	17	1,392,517	461,821	1,392,517	461,821
Other liabilities	18	199,887	36,899	199,883	36,935
Total liabilities		**1,592,404**	**498,720**	**1,592,400**	**498,756**
Equity					
Called up share capital	28	0	–	0	0
Share premium account		311,139	198,146	311,139	198,146
Other reserves		17,301	3,164	17,306	3,164
Accumulated losses		(199,436)	(85,640)	(200,309)	(85,640)
Total equity		**129,004**	**115,670**	**128,136**	**115,670**
Total liabilities and equity		**1,721,408**	**614,390**	**1,720,536**	**614,426**

The Notes 1 to 33 form an integral part of these financial statements. The financial statements on pages 91 to 148 were approved and authorised for issuance by the Board on 29 July 2020 and signed on its behalf by:

Alwyn Jones
Director
29 July 2020

Statement of changes in equity

For the year ended
29 February 2020



Group	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£'000	£'000	£'000	£'000	**£'000**
Balance as at 28 February 2018	**0**	**93,989**	**871**	**(38,681)**	**56,179**
Shares issued	0	105,294	–	–	**105,294**
Cost of issuance	–	(1,207)	–	–	**(1,207)**
Share based payments reserve	–	–	2,511	–	**2,511**
Exercise of options	0	70	(218)	205	**57**
Losses for the year	–	–	–	(47,164)	**(47,164)**
Balance as at 1 March 2019	0	198,146	3,164	(85,640)	**115,670**
Shares issued	0	113,629	–	–	**113,629**
Cost of issuance	–	(658)	–	–	**(658)**
Share based payments reserve	–	–	14,371	–	**14,371**
Cumulative translation adjustment	–	–	(5)	–	**(5)**
Share buyback	–	–	(209)	–	**(209)**
Exercise of options	0	22	(20)	20	**22**
Losses for the year	–	–	–	(113,816)	**(113,816)**
Balance as at 29 February 2020	**0**	**311,139**	**17,301**	**(199,436)**	**129,004**

Company	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£'000	£'000	£'000	£'000	**£'000**
Balance as at 28 February 2018	**0**	**93,989**	**871**	**(38,681)**	**56,179**
Shares issued	–	105,294	–	–	**105,294**
Cost of issuance	–	(1,207)	–	–	**(1,207)**
Share based payments reserve	–	–	2,511	–	**2,511**
Exercise of options	0	70	(218)	205	**57**
Losses for the year	–	–	–	(47,164)	**(47,164)**
Balance as at 1 March 2019	0	198,146	3,164	(85,640)	**115,670**
Shares issued	0	113,629	–	–	**113,629**
Cost of issuance	–	(658)	–	–	**(658)**
Share based payments reserve	–	–	14,371	–	**14,371**
Share buyback	–	–	(209)	–	**(209)**
Exercise of options	0	22	(20)	20	**22**
Losses for the year	–	–	–	(114,689)	**(114,689)**
Balance as at 29 February 2020	**0**	**311,139**	**17,306**	**(200,309)**	**128,136**

The share capital as at 29 February 2020 was £13 (FY2019: £12) which is shown as £nil (rounded to £'000) in the above table. See Note 28 for further detail. In the current year, we released £20k of reserves related to options exercised from other reserves into retained losses (FY2019: £205k).

Statement of cash flows

For the year ended
29 February 2020

	Notes	Group		Company	
		Year ended 29 February 2020	**Year ended** 28 February 2019	**Year ended** 29 February 2020	**Year ended** 28 February 2019
		£'000	**£'000**	**£'000**	**£'000**
Cash flows from operating activities					
Loss for the year		(113,816)	(47,164)	(114,689)	(47,164)
Adjustments for non-cash items:					
Depreciation of property plant and equipment	14	3,210	799	3,182	799
Share-based payments	6	14,365	2,511	14,294	2,511
Loss on disposals and write-offs	8	47	161	29	161
Loss on impairment of investment in subsidiaries	8	–	–	4,286	–
Interest on leases	2	491	–	491	–
Interest on treasury investments	2	(358)	–	(358)	–
Changes in operating assets and liabilities:					
Movement in loans and advances to customers	12	(107,859)	(15,893)	(107,859)	(15,893)
Movement in customer deposits	17	930,696	390,545	930,696	390,545
Movement in other assets (excluding R&D tax credit)	13	(61,060)	(2,329)	(60,801)	(2,324)
Movement in R&D tax credit receivable	13	2,569	1,242	2,569	1,242
Movement in collateral held with third parties	16	1,135	(3,245)	1,602	(3,245)
Movement in other liabilities excl. leases and provisions	18	145,270	24,534	145,230	24,570
Net cash from operating activities		**814,690**	**351,161**	**818,672**	**351,202**
Cash flows from investing activities					
Purchase of treasury investments	11	(121,611)	–	(121,611)	–
Interest received on treasury investments	11	41	–	41	–
Proceeds from sale and maturity of financial instruments	11	22,975	–	22,975	–
Purchase of property, plant and equipment	14	(3,279)	(2,415)	(3,092)	(2,394)
Proceeds on disposal of property, plant and equipment	14	–	8	–	8
Investment in Subsidiaries		–	–	(4,578)	(78)
Cumulative translation adjustment		(5)	–	–	–
Net cash from investing activities		**(101,879)**	**(2,407)**	**(106,265)**	**(2,464)**
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares		112,993	104,150	112,993	104,150
Payment of interest portion of lease liabilities	15	(165)	–	(165)	–
Payment of principal portion of lease liabilities	15	(1,555)	–	(1,555)	–
Purchase of treasury shares		(209)	–	(209)	–
Net cash from financing activities		**111,064**	**104,150**	**111,064**	**104,150**
Net increase in cash and cash equivalents		**823,875**	**452,904**	**823,471**	**452,888**
Cash and cash equivalents at beginning of year		549,847	96,943	549,831	96,943
Cash and cash equivalents at end of year		**1,373,722**	**549,847**	**1,373,302**	**549,831**

Notes to the financial statements

For the year ended 29 February 2020

1. Significant accounting policies

Reporting entities

These financial statements are prepared for Monzo Bank Limited and its subsidiaries ("the Group", "Monzo", "We", "Us", "Our"). Monzo Bank Limited ("the Company", "the Bank") is a private limited company incorporated and registered in England and Wales. The subsidiaries include Monzo Inc. and Monzo Support US Inc. which were both incorporated in Delaware; United States. We've presented individual and consolidated financial statements for the Company and the Group.

Basis of preparation

We've prepared the individual and consolidated financial statements on a historical cost basis, except for financial assets which are held at fair value or amortised cost, in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and Companies Act 2006.

We present the financial statements in Sterling which is the Company's functional currency. Figures in tables are shown in thousands of pounds sterling unless otherwise stated.

We present our statement of financial position in order of liquidity. We base this on our intention and ability to recover, or settle, the majority of assets, or liabilities, in the financial statement line.

As disclosed in the Directors' Report, due to the current challenging market conditions, there are risks regarding the Group's ability to achieve its business plan and become profitable, without further capital raises. These circumstances create material uncertainties, which may cast doubt over the Group's ability to continue as a going concern.

However the Directors maintain confidence in Monzo's ability to execute its business plan and raise capital if necessary due to the following reasons (see the Directors' Report for more detail):

- Monzo's reputation, customers and products continue to allow us to grow our customer base and be responsive to customer needs.
- Management's dedication to achieve our business plan and taking difficult management actions if necessary.
- The unprecedented support from the UK Government, regulators and central banks around the world.
- Our supportive investor base.

The Directors therefore expect the Group to have sufficient financial resources to meet our regulatory requirements for at least 12 months and conclude it remains appropriate to continue preparing our financial statements on a going concern basis.

Summary of significant accounting policies

Basis of consolidation
Monzo Bank Limited has two wholly-owned subsidiaries, Monzo Inc. and Monzo Support US Inc., incorporated in Delaware; US. Monzo Bank Limited has prepared consolidated accounts under IFRS 10.

The consolidated financial statements include the results of the Company and its subsidiaries. The subsidiaries are the entities over which Monzo Bank Limited exercises control. Control exists when the Company has the power to govern the financial and operating policies of an entity, to vary the benefits it receives from the activities of the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The financial results of subsidiaries are included in the consolidated financial statements from the date control starts until the date that control ends.

In preparing the consolidated financial statements intra-group balances, and transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company accounts, the investment in subsidiaries is held at historical cost less impairment. We assess impairment annually or as we become aware of any indicators of impairment.

Foreign exchange
The financial statements are presented in the Group's functional currency Sterling.

The Group applies IAS 21 The Effects of Changes in Foreign Exchange Rates. Transactions in foreign currencies are translated into Sterling at the exchange rate on the date of the transaction. Foreign currency monetary balances are translated into Sterling at the period end exchange rates. Exchange gains and losses on such balances are taken to the Statement of Comprehensive Income. Non-monetary foreign currency balances are carried at historical transaction date exchange rates.

Interest income and expense calculated under the effective interest rate (EIR) method
According to IFRS 9, we recognise interest income in line with the effective interest rate. This represents the internal rate of return on the overdraft facilities, loans, treasury assets and deposits with central banks, incorporating where relevant, all interest, direct fees, commissions and charges that are integral to the yield. The internal rate of return is calculated by reference to the weighted average behavioural life of the financial assets. The identified interest, fees and charges are deferred and amortised over the product life.

An interest expense is recognised on balances within Monzo Plus accounts which is calculated under the effective interest rate.

In June 2019, the Financial Conduct Authority (FCA) announced that it was introducing new rules for banks that offer overdrafts to use an Annual Percentage Rate (APR), to make overdraft rates more comparable for customers. We began migrating customers from our fixed fee offering in December 2019 and by April 2020 we had moved all customers over to an APR based overdraft.

Fee and commission income/expense and other operating income
We've recognised fee and commission income and other operating income for the year 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.

We only recognise fee and commission income and other operating income over the life of a contract when performance obligations are satisfied.

The key components of fee and commission income are Interchange income, ATM fees and partnership commission. Interchange income is recognised at the point that the transaction is cleared. The amount is based on the presentment values which confirm that the performance obligations have been met. ATM fees are recognised at the point at which the ATM transaction takes place. Partnership commission is earned for introducing our customers to partners, revenue is recognised when we have fulfilled the requirements of the contract with the partner.

Financial instruments
We apply IFRS 9 to recognise, classify, measure and de-recognise financial assets and liabilities, and to record any impairment on those financial assets. We also apply IFRS 7, disclosing information about the significance of financial instruments and the nature and extent of risks arising from financial instruments, in both qualitative and quantitative terms.

Recognition. We recognise financial assets and liabilities when Monzo becomes party to a contract. Financial instruments are initially recognised at fair value, inclusive of directly attributable transaction costs, and then adjusted by the effective interest rate, to be recognised at amortised cost.

The effective interest rate is the rate that exactly discounts estimated future cash flows (including fees that are an integral part of the effective interest rate) through the expected life of the asset or liability.

Financial instruments held at amortised cost are also subject to expected credit loss (ECL) provisions, per IFRS 9. More detailed information on Monzo's ECLs are provided in Note 23.

Classification and measurement. We classify financial assets on the basis of the business model within which they are managed and their contractual cash flows where they are solely payments of principal and interest.

Our business model is to hold all financial assets and liabilities to collect or pay contractual cash flows, rather than to sell the instrument before maturity. The contractual terms of all financial assets held by the Group give rise to cash flows that are solely payments of principal and interest. Therefore, all financial assets and liabilities are held at amortised cost using the effective interest rate method.

Contractually defined (regular way) purchases and sales of financial assets are accounted for at trade date.

The contractual maturity and fair value of financial assets and liabilities held at amortised cost are shown in Notes 20.

Derecognition. We derecognise a financial asset, or a part of it, from the balance sheet when the contractual rights to cash flows from the asset have either expired, transferred or have been sold, along with substantially all the risks and rewards of the asset.

Financial liabilities are derecognised when they are settled, have expired or been extinguished.

Government grants

Government grants are recognised only when we have reasonable assurance that we will comply with any conditions attached to the grant, and the grant will be received.

Grants are recognised as income, on a straight-line basis, in the same period the related costs are incurred.

We only recognise the grant, during the period we incur the costs the grant is intended to compensate, when we have reasonable assurance we will meet the requirements of the grant.

No income related to grants was recognised in the period. Government grants received are included within Deferred income in Other Liabilities Note 18.

Capitalisation of software development costs

It is our policy to capitalise software development costs in line with IAS 38. We have not capitalised any software development costs because we had not met the criteria of IAS 38 Intangible Assets by the end of the year.

New and updated accounting standards adopted in the year

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases. IFRS 16 sets out the principles for recognising, measuring, presenting and disclosing leases. It requires lessees to account for all leases under a single on-balance sheet model, similar to the accounting for finance leases under IAS 17.

Comparatives, including our CET1 ratio, have not been restated as a result of applying IFRS 16.

The Group adopted IFRS 16 on 1 March 2019 using the modified retrospective approach. We applied the standard retrospectively and recognised the cumulative effect of applying the standard at the date of adoption. The prior-year figures were not adjusted. The impact of the initial application is shown in the table below. We stated in our FY2019 Financial Statements that we would apply the full retrospective approach to the standard. This was too onerous and the modified retrospective approach was applied.

At the start date of a lease, we recognise a lease liability and a right-of-use asset. We have to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

We have made use of the two recognition exemptions for lessees, leases of 'low-value' assets and short-term leases which have a lease term of 12 months or less. We have applied a practical expedient to exclude initial direct costs from the measurement of right-of-use assets at the date of initial application.

Monzo has lease contracts for various offices and data warehouses. Before the adoption of IFRS 16 we did not have any finance leases, all existing leases were operating leases.

A reconciliation of the operating lease commitments disclosed in the prior year financial statements to the leases capitalised on transition to IFRS 16 is shown below.

	£'000
Operating lease commitments as at 28 February 2019	2,924
Weighted average incremental borrowing rate as at 1 March 2019	8.09%
Discounted operating lease commitments as at 1 March 2019	2,623
Lease liabilities as at 1 March 2019	**2,623**

On adoption, we recognised right-of-use assets and lease liabilities for all lease contracts, except for leases with short-term contracts or for low-value assets. The right-of-use assets were recognised based on an amount equal to the lease liabilities. This was adjusted for any accrued lease payments previously recognised, and the present value of costs of restoring the asset to the state required by the terms and conditions of the lease, where these could be reliably measured. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using a proxy for the incremental borrowing rate at the date of initial application.

	Group and Company			
	Closing balances related to leases as at 28th February 2019	**Recognition of right-of-use asset and lease liability**	**Adjustment for lease payments accrued at 28th February 2019**	**Balances as at 1st March 2019**
	£'000	£'000	£'000	£'000
Assets				
Property, plant and equipment	–	2,623	(346)	2,277
Total assets	**–**	**2,623**	**(346)**	**2,277**
Liabilities				
Accruals	346	–	(346)	–
Lease liabilities	–	2,623	–	2,623
Other liabilities	**346**	**2,623**	**(346)**	**2,623**
Total liabilities	**346**	**2,623**	**(346)**	**2,623**
Equity				
Retained earnings	(346)	–	–	(346)
Total equity	**(346)**	**–**	**–**	**(346)**
Total liabilities and equity	**–**	**2,623**	**(346)**	**2,277**

Critical accounting estimates, judgments and assumptions

Preparing the financial statements means using accounting judgements and assumptions. These assumptions and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

Management considers that the accounting estimates relating to the issues below are the most material to the financial statements:

Going concern
The Bank's Directors have assessed its ability to continue as a going concern and are satisfied that it has the resources to continue for the foreseeable future. But, there is a risk the Group won't be able to execute its business plan, which could impact its ability to generate a profit or raise enough capital to meet future regulatory capital requirements.

Because of these obstacles, the Directors recognise there are material uncertainties which may challenge the Group's ability to continue as a going concern.

The Directors do however remain confident in Monzo's ability to achieve its business plan and raise capital if necessary. For those reasons, we've continued to prepare the financial statements on a going concern basis. See the Directors' Report for more detail.

Revenue recognition
The Group recognises revenue which requires estimates and judgements regarding their timing, the completion of performance obligations and when we have reasonable assurance all contractual conditions are met. We recognise performance incentives from our payment scheme providers, which require estimates for transaction volumes and assessment of performance obligations. These are however confirmed by the provider after recognition.

Recognition of research & development grants
We claim research and development grants which require estimates and assumptions on the time our colleagues spend on certain projects. We use an external advisor to help assess our claim.

Fair valuing stock based compensation (Note 30)
As an unlisted company granting share options to our colleagues, several estimates and assumptions are made to calculate the quarterly options price. The most material estimates relate to the current share price of Monzo and the volatility inputs to our Black-Scholes model. A 5% increase in the share price assumption leads to an additional £0.5m charge in FY2020. Several external sources are used to assess comparable transactions which may not fully represent our Group.

The recognition of expected credit losses (Note 23)
The calculation of expected credit losses is complex and involves the use of judgement, specifically regarding the amount and timing of future cash flows and also determining significant increases in credit risk. Our estimates are driven by a number of factors including:

- macro-economic scenarios and their probability weightings;
- the probability of default;
- the amount of loss if default occurs;
- our staging criteria; and
- our assessment of significant increases in credit risk.

Sensitivity analysis to material inputs is detailed in Note 23.

Tax
We measure current income tax assets and liabilities for the current period at the amount we expect to recover or pay to the taxation authorities. They involve a degree of estimation and judgement. To compute the amounts, we use the tax rates and tax laws which are enacted or substantively enacted at the reporting date when the Company generates taxable income.

We periodically evaluate the positions we take in terms of tax returns where the regulations are subject to interpretation, and establish provisions where we need to. We base tax assets and liabilities relating to open and judgemental matters, including those related to the R&D reclaim, on our assessment of the most likely outcome based on information available and probability of potential challenge.

The recognition of Provisions and Contingent liabilities
Monzo operates in a highly regulated and litigious environment which exposes us to significant operational risks. We can therefore be involved in litigation, arbitration and regulatory investigations, both in the UK and other countries we operate.

At any point in time we may have a number of matters being reviewed to assess if we have an obligation that will result in economic outflows from the Group. If we can reliably measure any outflows that are considered probable, we recognise a provision. If an outflow is considered possible we would recognise a contingent liability. However, if we believe disclosing details on individual cases would prejudice their outcomes, we do not disclose detailed, case-specific information in our financial statements. See Notes 24 and 26 for further detail.

Impairment
When we assess assets for impairment, several methods can be used to calculate the fair value, value in use or the recoverable amount of those assets. All of these methods use judgements and estimates to calculate expected values which are often subjective and based on information at the balance sheet date. These calculations regularly include cashflow projections, assumptions on future economic conditions, discount rates and estimates on the value assets could be sold to a third party. See Note 29 for further details.

2. Interest income and expense calculated under the effective interest rate (EIR) method

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Interest income				
Cash and balances at central banks	6,173	1,708	6,173	1,708
Loans and advances to customers	18,444	3,167	18,444	3,167
Treasury assets	358	0	358	0
Other interest income	43	43	43	43
Total	**25,018**	**4,918**	**25,018**	**4,918**
Interest expense				
Interest expense on customer deposits	(98)	0	(98)	0
Interest expense on leases	(491)	0	(491)	0
Net interest income	**24,429**	**4,918**	**24,429**	**4,918**

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.

3. Net fees and commission

	Group		Company	
	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 29 February 2020	Year ended 28 February 2019
	£'000	£'000	£'000	£'000
Fee and commission income				
Interchange income	32,621	10,555	32,618	10,555
Banking services income	6,059	2,539	6,059	2,539
Partnership commission	696	85	696	85
Partnership commission from trust and other fiduciary activities	709	52	709	52
Total	**40,085**	**13,231**	**40,082**	**13,231**
Fee and commission expense				
Interchange expense	(3,198)	(4,072)	(3,198)	(4,072)
Banking services expense	(7,483)	(2,592)	(7,483)	(2,592)
Net fees and commission	**29,404**	**6,567**	**29,401**	**6,567**

The reported fees and commissions are those which don't contain an interest element and don't form part of any effective interest rate calculations. The interchange expense relating to ATM withdrawals of £6.1m (FY2019: £2.5m) was previously shown as part of Interchange expense. We have updated this in the current year to be included within Banking services expense and restated the FY2019 comparative.

4. Credit loss expense on financial assets

The Bank currently provides overdraft facilities and unsecured loans to individuals in order to generate a return through overdraft fees and interest income. Lending creates credit risk as borrowers might fail to pay the fees, interest or outstanding balance. Credit risk is the risk of financial loss when customers or other counterparties fail to settle their contractual obligations to the Bank or fail to perform their obligations in a timely manner. This is usually caused by adverse changes in macro-economic factors or a change in an individual customer's behaviour and circumstances.

The maximum exposure to credit risk includes the total committed overdrafts (Note 23), overdrawn balances and loans on the balance sheet (Note 12). As a material risk to the Bank, there is significant management focus on setting credit risk appetite and embedding appropriate risk mitigation.

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Overdrafts and overdrawn balances and undrawn commitments	18,053	3,084	18,053	3,084
Loans	2,974	23	2,974	23
Credit loss expense on loans and advances to customers	**21,027**	**3,107**	**21,027**	**3,107**
Receivables	(773)	773	(773)	773
Total credit impairment charges	**20,254**	**3,880**	**20,254**	**3,880**

For more information on the credit loss expense in respect of loans, overdrafts, overdrawn balances and receivables see Note 23.

In the prior year we held a credit loss expense against an amount receivable under the prepaid card scheme. In the current year the outstanding balance was settled, and the credit loss expense unwound, further details can be found in Note 23.

5. Other operating income

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Payment network providers	2,079	1,553	2,079	1,553
Intercompany income	–	–	1,409	–
Total other operating income	**2,079**	**1,553**	**3,488**	**1,553**

Other operating income includes income from contracts with a payment network provider. In the year we recognised an additional £1.7m (2019: £0.9m) of income as a result of a contractual bonus related to an agreement signed in the prior financial year. The bonus income was recognised on the basis that the minimum level of cross-border transaction volumes, as stipulated in the agreement, was realised.

6. Personnel expenses

Pensions

We participate in single defined contribution pension schemes in the UK and the US. The contribution payable to a defined contribution plan is a fixed percentage of the person's salary each month which is the same for all colleagues of each entity, unless they have opted out. This is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability.

We don't operate any defined benefit pension plans.

Employee benefit expenses are made up of the costs summarised in the table below.

		Group		Company
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Salaries	54,466	19,376	51,618	19,346
Social security contributions	5,603	2,680	5,284	2,676
Contributions to defined contribution plans	1,718	761	1,712	760
Share-based payments	14,365	2,511	14,294	2,511
Other personnel expenses	1,334	326	877	317
	77,486	**25,654**	**73,785**	**25,610**

The increase in people costs to £77.5m (FY2019: £25.7m) reflects the additional people hired during the year to support the operational running of the Group.

The average number of employees of the Group during the period was 1,128 (FY2019: 437), 479 (FY2019: 217) of these were employed in Management, Operations and Administration and 649 (FY2019: 220) were employed in Customer Operations (COps).

7. Directors' remunerations

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Total Directors' emoluments				
Salaries	724	464	724	464
Share-based payments	265	–	265	–
Contributions to defined contribution plans	12	4	12	4
	1,001	**468**	**1,001**	**468**
Highest paid Director				
Salaries	173	117	173	117
Share-based payments	265	–	265	–
Contributions to defined contribution plans	8	–	8	–
	446	**117**	**446**	**117**

As at 29 February 2020 there were no loans outstanding to Directors (FY2019: £nil) and there were no loans made to Directors during the period (FY2019: £nil).

One Director was granted share options in the year. There were no share options exercised by Directors in the year and there were no shares given to Directors under any compensation schemes.

8. Other operating expenses

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Current account operating costs	25,406	14,190	25,199	14,190
Technology costs	10,257	4,389	10,168	4,389
Marketing	16,837	2,730	16,770	2,730
Administrative expenses	6,397	2,974	6,279	2,972
Premise and office costs	4,179	4,695	3,691	4,680
Legal and professional fees	5,686	3,345	4,894	3,330
Accountancy and audit fees	1,107	423	1,107	423
Product development	421	260	391	260
Write-offs	47	–	29	–
Prepaid card scheme	35	415	23	415
Intercompany expenses	–	–	3,554	76
Impairment of investment in subsidiaries	–	–	4,286	–
	70,372	**33,421**	**76,391**	**33,465**

Current account operating costs include the cost of payment schemes, card production, card distribution and customer on-boarding.

Technology costs include charges for servers, cloud services and software.

9. Taxation

Current taxation

We measure current income tax assets and liabilities for the current period at the amount we expect to recover or pay to the taxation authorities. They involve a degree of estimation and judgement. To compute the amounts, we use the tax rates and tax laws which are enacted or substantively enacted at the reporting date when the Company generates taxable income.

Management periodically evaluates the positions we take in terms of tax returns where the regulations are subject to interpretation, and establishes provisions where we need to. We base tax assets and liabilities relating to open and judgemental matters, including those related to the R&D reclaim, on our assessment of the most likely outcome based on information available and probability of potential challenge. We engage constructively and transparently with the tax authorities with a view to resolving any uncertain tax matters.

Deferred tax

No deferred tax assets have been recognised as at 29 February 2020 (FY2019: £nil).

We recognise deferred tax on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. We determine deferred income tax based on tax rates and laws which have been enacted, or substantively enacted, by the reporting date and are expected to apply when the asset is realised or the deferred income tax liability is settled.

We recognise deferred income tax assets only to the extent that it's probable that future taxable profits will be available against which we can use the temporary differences.

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax credit on loss for the period	1,968	1,858	1,968	1,858
Adjustment in respect of prior years	(313)	1,694	(313)	1,694
Total for the year	**1,655**	**3,552**	**1,655**	**3,552**

	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Current tax				
Loss on ordinary activities before tax	115,471	50,716	116,344	50,716
Standard rate of corporation tax	19%	19%	19%	19%
Expected tax credit	21,940	9,636	22,106	9,636
Effects of:				
Expenses not deductible for tax	(272)	(209)	(1,086)	(209)
Share options exercised	34	697	34	697
Additional deduction for R&D expenditure	1,457	1,376	1,457	1,376
Impact of surrendering losses at lower rate	(611)	(576)	(611)	(576)
Adjustment to tax charge in respect of prior period	(313)	1,694	(313)	1,694
Impact of differences in overseas tax rates	201	–	–	–
Other	(4)	–	–	–
Deferred tax asset not recognised	(20,777)	(9,066)	(19,932)	(9,066)
Total UK corporate tax credit for the period	**1,655**	**3,552**	**1,655**	**3,552**

The Group's profits / losses are taxed at different rates depending on the country they are made. The Group is currently taxed in the UK at a rate of 19% (2019:19%) and in the US at a rate of 24.95% (2019: 24.95%)

We have not recognised a deferred tax asset for tax losses carried forward in the UK totalling £160m (2019: £68.8m) and the US totalling $2.2m (2019: $0.1m) as there isn't enough evidence of their recoverability.

A deferred tax asset has not been recognised on the following items:

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Deferred tax				
Unused tax losses	27,741	11,704	27,278	11,704
Fixed asset timing differences	176	116	176	116
Share based payments	24,646	6,686	24,628	6,686
Other deductible temporary differences	435	27	69	27
	52,998	**18,533**	**52,151**	**18,533**

Our unrecognised deferred tax is a mixture of unrecognised deferred tax assets relating to the UK and applying a rate of 17% (2019: 17%) and US at the rate of 24.95% (2019: 24.95%)

Factors affecting future tax charge

The UK Government has announced they will keep the UK corporation tax rate at 19% for the 20/21 tax year. This became law on 17th March 2020. As this was after our financial year-end, deferred tax balances are still shown at the rate of 17%.

10. Cash and balances at banks

Cash and balances are held on demand, except for amounts held as collateral at central banks. We show them in accordance with the regulatory license held by the institution.

The Group didn't hold any cash equivalents in the year.

Cash and balances at banks are recognised initially at fair value and then at amortised cost.

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Cash and balances held with:				
Central banks	1,316,459	510,314	1,316,459	510,314
Other banks	35,277	28,936	34,895	28,920
E-money institutions	627	597	589	597
Reserves with central banks	21,359	10,000	21,359	10,000
	1,373,722	**549,847**	**1,373,302**	**549,831**

The reserves with central banks are encumbered as they are held at central banks as cash collateral and not available for use in day-to-day operations. This is required for the Bank to be a direct settling participant of the Faster Payments Service.

Overnight deposits accrue compounding interest daily, however the interest is only made available to us at each rate setting meeting.

No impairment is held against senior UK government debt or central bank deposits as the probability of default is negligible under any range of reasonable, probability-weighted scenarios.

The interest earned on our treasury investments is included in Note 2.

For further information on the fair value and contractual maturity of our treasury investments, see Notes 20.

11. Treasury investments

Treasury assets consist of short term UK Government Treasury Bills and are first measured at fair value and then at amortised cost. It is our business model to hold the investments to maturity and the cash flows of the investments are solely payments of principal and interest.

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Treasury investments at amortised cost				
UK Government debt	98,953	–	98,953	–
	98,953	**–**	**98,953**	**–**

The interest earned on our treasury investments is included in Note 2.

For further information on the fair value and contractual maturity of our treasury investments, see Notes 20.

12. Loans and advances to customers

Loans and advances to customers consist of unsecured loans, approved overdrafts and overdrawn balances (unarranged overdrafts). We measure them under IFRS 9, first at fair value and then at amortised cost less ECL.

The table below shows the gross loans and advances to customers, the Expected Credit Loss on those balances and the net carrying value. The figures are split out by the type of balance the customer has.

	Group		Company	
	Year ended 29 February 2020	Year ended 28 February 2019	Year ended 29 February 2020	Year ended 28 February 2019
	£'000	£'000	£'000	£'000
Gross Loans and Advances to Customers				
Overdrafts and overdrawn balances	72,980	18,570	72,980	18,570
Loans	70,929	603	70,929	603
Gross Loans and Advances to Customers	**143,909**	**19,173**	**143,909**	**19,173**
Credit loss provision				
Overdrafts and overdrawn balances	(17,014)	(3,096)	(17,014)	(3,096)
Loans	(2,982)	(23)	(2,982)	(23)
Credit loss provision	**(19,996)**	**(3,119)**	**(19,996)**	**(3,119)**
Loans and Advances to Customers (net of provisions)				
Overdrafts and overdrawn balances	55,966	15,474	55,966	15,474
Loans	67,947	580	67,947	580
Loans and Advances to Customers	**123,913**	**16,054**	**123,913**	**16,054**
Analysis of Gross Loans and Advances to Customers				
Due within one year	95,020	19,173	95,020	19,173
Due in more than one year	48,889	–	48,889	–
Loans and Advances to Customers	**143,909**	**19,173**	**143,909**	**19,173**

Loans and advances to customers consist of approved overdrafts provided to customers of £71.5m (2019: £18.5m), overdrawn balances on current accounts of £1.5m (2019: £0.1m), and loans of £70.9m (2019: £0.6m). See Note 23 for more information on the impairment charge in respect of overdraft, overdrawn balances, and loans.

13. Other assets

- **Receivables.** We recognise receivables first at fair value and then at amortised cost. We recognise expected credit losses under IFRS 9 against certain receivables. The Group's expected credit losses for the year are shown in Note 4.
- **Accrued income.** We recognise accrued income where we have earned income under our contracts with partners but have not yet invoiced those partners or received the cash due to us.
- **Inventory.** Inventories are valued at the lower of cost and net realisable value and represent bank cards held for sale in the ordinary course of business.
- **Prepayments.** We recognise prepayments where we have purchased goods or services but we have not yet used those goods or services.

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Other assets				
Receivables in respect of payments schemes	67,583	11,020	67,575	11,020
Accrued income	378	839	378	839
Inventory	2,241	–	2,241	–
Prepayments	8,856	3,207	8,732	3,202
Receivable in respect of prepaid card program	–	3,313	–	3,313
Other receivables	691	4,652	663	4,652
Intercompany accounts receivable	–	–	–	–
VAT receivable	142	143	142	143
R&D tax reclaim	3,509	6,078	3,509	6,078
Deposits	4,525	182	4,421	182
	87,925	**29,434**	**87,661**	**29,429**

Included within other assets are £73.2m (FY2019: £19.8m) of financial assets and £14.7m (FY2019: £9.6m) of non-financial assets. The credit quality of the financial assets is considered low risk, £61.0m of this balance settled on 2nd March 2020.

Receivables in respect of the prepaid card program are shown net of Expected Credit Losses as disclosed in Note 23.

The recognised R&D asset is considered a non-financial asset and is based on analysis of eligible costs. Our submitted R&D reclaim of £4.2m for FY2018 was paid in full. Our submitted R&D reclaim of £1.5m for the 2019 year end has also been repaid in full subsequent to the financial year end. Our estimated R&D claim of £2.0m for FY2020 has been recognised in full.

14. Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the cost of the assets.

We recognise right-of-use assets at the commencement date of the lease. The Group has lease contracts for various offices and premises and IT infrastructure, see Note 15. These were recognised on adoption of IFRS16 in FY2020 and so there are no comparatives shown for FY2019. Fixtures and fittings, which include office fit-out costs, are recognised on a straight-line basis over the life of the lease.

We provide depreciation on all property, plant and equipment, and calculate it using the straight-line method to allocate the cost, net of residual values, over the estimated useful lives, as follows:

- Office and IT Equipment – 3 years.
- Fixtures and fittings – 3–5 years.
- Offices and premises – 2–5 years.
- IT infrastructure* – 3 years.

*Monzo has 'evergreen' lease contracts which continue until either Monzo or the lessor cancel the contract. We consider the most likely term for these leases is the same as for other IT equipment, and have therefore calculated a right-of-use asset and lease liability on this basis.

Group	Property, plant and equipment		Right-of-use assets		
	Fixtures and fittings	**Office and IT equipment**	**Offices and premises**	**IT infrastructure**	**Total**
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 March 2019	936	2,241	2,244	33	5,454
Additions	1,036	1,882	16,915	125	19,958
Write-offs	(58)	(8)	–	–	(66)
As at 29 February 2020	**1,914**	**4,115**	**19,159**	**158**	**25,346**
Depreciation					
As at 1 March 2019	261	638	–	–	899
Charge for the period	593	1,065	1,501	51	3,210
Depreciation on assets written off	(11)	(5)	–	–	(16)
As at 29 February 2020	**843**	**1,698**	**1,501**	**51**	**4,093**
Net book value as at 29 February 2020	**1,071**	**2,417**	**17,658**	**107**	**21,253**
Cost					
As at 1 March 2018	175	931	–	–	1,106
Additions	937	1,478	–	–	2,415
Disposals	–	(44)	–	–	(44)
Write-offs	(176)	(124)	–	–	(300)
As at 28 February 2019	**936**	**2,241**	**–**	**–**	**3,177**
Depreciation					
As at 1 March 2018	47	236	–	–	283
Charge for the period	281	518	–	–	799
Depreciation on assets disposed	–	(35)	–	–	(35)
Depreciation on assets written off	(67)	(81)	–	–	(148)
As at 28 February 2019	**261**	**638**	**–**	**–**	**899**
Net book value as at 28 February 2019	**675**	**1,603**	**–**	**–**	**2,278**

Company	Property, plant and equipment		Right-of-use assets		
	Fixtures and fittings	Office and IT equipment	Offices and premises	IT infrastructure	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 March 2019	915	2,241	2,244	33	5,433
Additions	1,036	1,694	16,915	125	19,770
Write-offs	(39)	(8)	–	–	(47)
As at 29 February 2020	**1,912**	**3,927**	**19,159**	**158**	**25,156**
Depreciation:					
As at 1 March 2019	260	639	–	–	899
Charge for the period	592	1,038	1,501	51	3,182
Depreciation on assets disposed	–	–	–	–	–
Depreciation on assets written off	(9)	(4)	–	–	(13)
As at 29 February 2020	**843**	**1,673**	**1,501**	**51**	**4,068**
Net book value as at 29 February 2020	**1,069**	**2,254**	**17,658**	**107**	**21,089**
Cost:					
As at 1 March 2018	175	931	–	–	1,106
Additions	916	1,478	–	–	2,394
Disposals	–	(44)	–	–	(44)
Write-offs	(176)	(124)	–	–	(300)
As at 28 February 2019	**915**	**2,241**	**–**	**–**	**3,156**
Depreciation:					
As at 1 March 2018	47	236	–	–	283
Charge for the period	281	518	–	–	799
Depreciation on assets disposed	–	(35)	–	–	(35)
Depreciation on assets written off	(67)	(81)	–	–	(148)
As at 28 February 2019	**261**	**638**	**–**	**–**	**899**
Net book value as at 28 February 2019	**654**	**1,603**	**–**	**–**	**2,257**

15. Leases

Lease liabilities are recognised within Other Liabilities, further information is included in Note 18.

At contract inception we assess whether a contract is, or contains, a lease. That is, if the contract gives us the right to control the use of an identified asset for a period of time in exchange for payment.

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities
At the commencement date of the lease, we recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable. None of the leases have variable lease payments. Where leases include extension options, and these options are reasonably certain to be exercised, the option to extend is included in the lease term.

In calculating the present value of lease payments, we use a proxy for our incremental borrowing rate at the lease commencement date because neither the interest rate implicit in the lease or an incremental borrowing rate is available. After the commencement date, the amount of lease liabilities is increased to reflect the accumulation of interest and reduced for the lease payments made.

Estimating the incremental borrowing rate
We cannot readily determine the interest rates implicit in these leases or our incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that entities within the Group would have to pay to borrow over a similar term, for a similar security, to fund an asset of similar value in a comparable economic environment. The IBR therefore reflects what we 'would have to pay', which requires estimation as no internal observable rates are available as we have not entered into any financing transactions.

We have estimated our IBR using external observable inputs (such as the borrowing rates of peers and the nominal spot curves at the beginning of the lease to adjust for the term of the lease) when available to calculate a proxy for the IBR specific to each lease.

Short-term leases and leases of low-value assets
We apply the short-term lease recognition exemption to leases with terms of 12 months or less, at the commencement date, and that do not contain a purchase option. We also apply the 'lease of low-value assets' recognition exemption to new leases of assets, worth less than £5k. Lease payments on short-term leases and leases of low value assets are recognised as an expense on a straight-line basis over the lease term.

The following are the amounts relating to leases that have been recognised in profit or loss:

		Group		Company
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Amounts recognised in profit or loss				
Depreciation expense on right-of-use assets	1,552	–	1,552	–
Interest expense on leases	446	–	446	–
Expense relating to short-term leases included in operating expenses	432	–	–	–
Expense relating to low-value leases included in operating expenses	9	–	9	–
	2,439	**–**	**2,007**	**–**

The Group had total cash outflows for leases, not including short-term or low-value, of £1.7m in FY2020. The Group also had non-cash additions to right-of-use assets and lease liabilities of £15.7m in FY2020 (FY2019: n/a).

We have committed to a further lease which has not yet commenced. We expect this to result in a further £7.0m right-of-use asset being capitalised and a further £6.7m of lease liabilities. These will be recognised when the lease is signed.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Group	
	Year ended 29 February 2020	**Year ended 28 February 2019**
	£'000	£'000
Within one year	4,140	1,307
Later than one year but not later than five years	15,882	1,275
Later than five years	1,099	–
Total	**21,121**	**2,582**

16. Collateral held with third parties

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Held as part of lease agreements	290	1,878	290	1,878
Held with payment network providers	15,352	14,899	14,885	14,899
	15,642	**16,777**	**15,175**	**16,777**

17. Customer deposits

We recognise customer deposit liabilities firstly at fair value and then at amortised cost.

The Bank holds customer deposits at the end of the year of £1,392.5m (2019: £461.8m) which are held on demand.

18. Other liabilities

Customer funds in transit. These amounts represent cash balances which are due to be settled with third party payment network providers or third party savings accounts. The settlement cycle is dependent on the counterparty, but is usually within a few working days following the inception of the transaction. Upon settlement, these amounts are derecognised from the balance sheet. We recognise these amounts at amortised cost.

Provisions. We recognise provisions under IAS 37 where we have present obligations arising from past events and the payment of the obligation can be reliably estimated and is probable. The Group recognised provisions for the cost of returning leased office space to its original condition at the end of the lease.

Deferred income. This represents amounts charged to, or received from, customers and amounts received as part of Government grants, where we have not yet met the criteria to recognise the amounts as income.

Leases liabilities. For information on the recognition of lease liabilities please see Note 15. For an analysis of the contractual maturity of lease payments, see Note 20.

Other. These amounts represent liabilities for goods and services provided to Monzo before the end of the financial period which are unpaid. The amounts are unsecured and paid in line with the specific terms agreed with the counterparty. We recognise them first at fair value and then at amortised cost.

	Group		Company	
	Year ended 29 February 2020	**Year ended 28 February 2019**	**Year ended 29 February 2020**	**Year ended 28 February 2019**
	£'000	£'000	£'000	£'000
Other liabilities				
Customer funds in transit	166,421	27,958	166,421	27,958
Accounts payable and other creditors	6,298	2,041	6,082	2,031
Intercompany accounts payable	–	–	355	58
Accruals	6,285	4,075	6,142	4,063
Other taxes and social security costs	2,405	1,080	2,405	1,080
Deferred income	414	1,745	414	1,745
Lease liabilities	17,023	–	17,023	–
Provisions	1,041	–	1,041	–
	199,887	**36,899**	**199,883**	**36,935**

Included within other liabilities are £196.1m (FY2019: £30.0m) of financial liabilities and £3.8m (FY2019: £6.9m) of non-financial liabilities.

19. Fair value of financial assets and liabilities recognised at amortised cost

Fair value hierarchy

The fair value of financial assets and liabilities is the price that would be received or paid to transfer an asset or liability in an orderly transaction between market participants at the measurement date.

IFRS 13 has sought to make measurements at fair value more consistent and comparable by categorising fair value according to the hierarchy of the inputs used to measure them. These categorises from Level 1 to Level 3 are based on the degree to which the fair value is observable.

Level 1 – Quoted prices in active markets for identical assets or liabilities which the Group can access at the date of measurement.

Level 2 – Inputs other than quoted market prices included in Level 1 that are observable either directly or indirectly.

Level 3 – Inputs that are not based on observable market data.

The following table summarises the fair values of financial assets and liabilities by the level of inputs that are not reported on the balance sheet at their fair value but are instead reported using amortised cost.

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
	£'000	£'000	£'000	£'000	£'000
As at 29 February 2020					
Financial assets					
Cash and balances at bank	–	1,373,722	–	1,373,722	1,373,722
Loans and advances to customers	–	–	120,436	120,436	123,913
Treasury investments	98,960	–	–	98,960	98,953
Other assets	–	73,192	–	73,192	73,192
Collateral held with third parties	–	15,642	–	15,642	15,642
Total financial assets	**98,960**	**1,462,556**	**120,436**	**1,681,952**	**1,685,422**
Financial liabilities					
Customer deposits	–	1,392,517	–	1,392,517	1,392,517
Other liabilities	–	179,078	–	179,078	179,078
Total financial liabilities	**–**	**1,571,595**	**–**	**1,571,595**	**1,571,595**
Net asset position	**98,960**	**(109,039)**	**120,436**	**110,357**	**113,827**
As at 28 February 2019					
Financial assets					
Cash and balances at bank	–	549,847	–	549,847	549,847
Loans and advances to customers	–	–	15,766	15,766	16,054
Treasury investments	–	–	–	–	–
Other assets	–	16,511	3,313	19,824	19,824
Collateral held with third parties	–	16,777		16,777	16,777
Total financial assets	**–**	**583,135**	**19,079**	**602,214**	**602,502**
Financial liabilities					
Customer deposits	–	461,822	–	461,822	461,822
Other liabilities	–	29,999	–	29,999	29,999
Total financial liabilities	**–**	**491,821**	**–**	**491,821**	**491,821**
Net asset position	**–**	**91,314**	**19,079**	**110,393**	**110,681**

Basis of valuation

Cash and balances at banks – Fair value approximates carrying value because cash and balances at banks have minimal credit risk and are short term in nature, other than amounts held as collateral with central banks.

Loans and advances to customers – The Group provides overdrafts and loans. The fair value of the overdrafts and loans have been determined through discounting the gross carrying value to present value, using market interest rates, less Expected Credit Losses.

Treasury investments – Fair value of investments with an active market are taken from the market price available at year end.

Customer deposits – Fair value of deposit liabilities held on demand are deemed to approximate the carrying value.

Other assets and liabilities – Fair value of other assets and liabilities are deemed approximate to the carrying value.

20. Liquidity risk management

Liquidity risk is the risk that the Company fails to meet its obligations as they fall due or can only do so at exceptional cost. This includes having the right type and quantity of funds, in the right place, at the right time and in the correct currency. Monzo's liquidity risk appetite is to meet all liabilities as they fall due. The contractual maturities of financial assets and liabilities are calculated on the contractual cash flows and are shown undiscounted below.

Contractual maturity of financial assets and liabilities

	On demand	Less than three months	Between three and six months	Between six months and one year	Over one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 29 February 2020						
Gross financial assets						
Cash and balances at bank	1,352,363	660	–	–	20,700	1,373,723
Loans and advances to customers	71,035	8,861	6,712	12,363	53,078	152,049
Treasury investments	–	98,953	–	–	–	98,953
Other assets	64,219	6,648	105	12	2,208	73,192
Collateral held with third parties	5	290	–	477	14,870	15,642
Total gross financial assets	**1,487,622**	**115,412**	**6,817**	**12,852**	**90,856**	**1,713,559**
Financial liabilities						
Customer deposits	1,392,517	–	–	–	–	1,392,517
Other liabilities – excluding lease liabilities	24,759	154,319	–	–	–	179,078
Lease liabilities	–	903	996	1,992	16,976	20,867
Total financial liabilities	**1,417,276**	**155,222**	**996**	**1,992**	**16,976**	**1,592,462**
Net asset position	**70,346**	**(39,810)**	**5,821**	**10,860**	**73,880**	**121,097**
As at 28 February 2019						
Gross financial assets						
Cash and balances at bank	539,847	–	–	–	10,000	549,847
Loans and advances to customers	15,474	580	–	–	–	16,054
Treasury investments	–	–	–	–	–	–
Other assets	15,446	1,065	3,313	–	–	19,824
Collateral held with third parties	–	124	–	–	16,653	16,777
Total gross financial assets	**570,767**	**1,769**	**3,313**	**–**	**26,653**	**602,502**
Financial liabilities						
Customer deposits	461,822	–	–	–	–	461,822
Other liabilities	28,425	1,574	–	–	–	29,999
Total financial liabilities	**490,247**	**1,574**	**–**	**–**	**–**	**491,821**
Net asset position	**80,520**	**195**	**3,313**	**–**	**26,653**	**110,681**

Our undrawn overdraft commitments of £278.1m (2019: £81.0m) are all on demand.

Liquidity risk is managed by the Treasury team. Reporting and management of the liquidity risk is monitored by ALCO, which meets on a monthly basis. The Group currently holds its surplus assets in overnight deposits with central banks and in treasury assets which can be liquidated on demand to provide liquidity. The key metric used to monitor liquidity risk is the Liquidity Coverage Ratio (LCR). At year end and at all times throughout the year, Monzo was significantly in excess of all liquidity targets.

21. Capital risk management

Capital risk is the risk that the Company has suboptimal quantity or quality of capital resources to meet its capital requirements and to absorb unexpected losses if they were to occur. Causes of inadequate capital could include a high level of default on overdrafts already given by the Company, or having large unexpected operational losses.

Monzo continues to maintain capital ratios that exceed its minimum requirements under the Capital Requirement Directive IV regulatory framework. Full details of the Bank's regulatory capital and calculation of its regulatory total capital requirement are provided in the Pillar 3 report published on our website. Monzo refreshes its ICAAP on an annual basis, which includes a 3 year forecast of the Bank's capital position. The ICAAP is used to inform the future capital strategy and is submitted to the PRA following Board scrutiny and approval.

The ICAAP assesses the Company's Pillar 1 requirements using the Standardised/Basic Indicator approaches (for respectively credit risk and operational risk capital) and determines additional Pillar 2A capital to be held for those risks not captured or not fully captured by Pillar 1 capital. The Company also holds Pillar 2B capital based upon wind-down costs and the regulatory determined capital conservation buffer and counter-cyclical buffer.

A series of stress and scenario testing during a 3 year forecast is also undertaken to assess the resilience of the capital position. In all cases, Monzo has shown that it is able to withstand the Board approved stress scenarios, in some cases because management actions have been taken to mitigate the effect of these stresses.

Key capital risk metrics

Monzo's key capital metric is the current and projected surplus of capital resources over regulatory capital requirements. The CET1 ratio is also monitored. Currently Monzo's capital resources consist solely of paid up share capital. As at 29 February 2020 Monzo's CET1 ratio was 70% (unaudited) based on our minimum capital requirements. During the year ended 29 February 2020, the Bank complied in full with all its externally imposed capital requirements.

22. Market risk management

Interest rate risk

Interest Rate Risk in the Banking Book (IRRBB) is the risk of value changes to both earnings and capital arising from changes in interest rates. This can be caused by:

- Repricing risk: the timing differences in the re-pricing of Monzo's assets and liabilities;
- Basis risk: the exposure to different interest rates with different re-pricing profiles;
- Yield curve risk: unexpected changes to the level and/or shape of yield curves; and
- Optionality risk: embedded features that influence behaviour.

Monzo's interest rate risk comes through unsecured lending and deposit-taking, Treasury investments and funding activities.

Interest rate risk management is monitored by the Treasury squad with oversight from the Risk function. The Treasury squad is responsible for balance sheet management and hedging strategies to manage interest rate risk. Interest rate risk is monitored by ALCO on a monthly basis.

The table below shows the indicative impact of a 75 basis point change in interest rates on our interest bearing financial instruments held at year end.

	29th February 2020	
Interest rate risk	**-75bps**	**+75bps**
Impact to annual interest income (£'000)	(10,028)	10,028
Impact as percentage of Net Assets at year end	-7.77%	7.77%

Foreign exchange risk

Foreign currency risk arises from having assets and liabilities in currencies other than Sterling.

At year end the Group's main exposure to foreign currency risk was on balances held in US Dollars and Euros for use in day to day operations. The risk of fluctuations in foreign exchange rates on these balances is considered immaterial to the Group.

23. Credit risk

Credit risk is the risk of financial loss when customers or other counterparties fail to settle their contractual obligations to us or fail to perform their obligations in a timely manner.

We currently provide overdraft facilities and short term unsecured loans to individuals in order to generate a return through overdraft fees and interest income. Lending creates credit risk as borrowers might fail to pay the fees/interest or the capital due. This is usually caused by adverse changes in macro-economic factors or a change in an individual customer's behaviour and circumstances.

Unless otherwise noted, the amount that best represents the maximum credit exposure at the reporting date is the carrying value of the financial asset. As a material risk to us, there is significant management focus on setting credit risk appetite and embedding appropriate risk mitigation.

Credit risk management

Exposure to credit risk is monitored and managed by the Borrowing Collective and overseen by the CRO function in the 2nd Line of Defence. The principal committee at which our retail credit risk is scrutinised and managed is the Credit Risk Committee which is overseen by the ERMC. In addition, the overall risk appetite and lending criteria and policy are approved by the Board.

The Credit Risk Committee monitors a responsible lending policy and ensures appropriate controls are in place to maintain the quality of lending, including reviewing management information that includes credit portfolio and financial accounting metrics. Early warning indicators, credit performance trends and key risk indicators are monitored within the Borrowing Collective with recommendations discussed at the Credit Risk Committee for approval and subsequent implementation. Overarching appetite indicators are tracked at the ERMC and at the Board Risk Committee.

Credit risk mitigation

We use lending criteria when assessing applications for overdrafts and loans which are aligned to Affordability principles (as outlined in the FCA's Consumer Credit sourcebook) and our risk appetite. The general approval process uses application data provided by the customer when they take on an overdraft or loan and their credit history using information held by credit reference agencies.

Customer exposure is actively managed to make sure that lending exposure is within the risk appetite at all times. As a result, overdraft limits can be revised when applications are reassessed. All lending policies are determined with reference to current and likely future expectations of the UK's macroeconomic environment and with an expectation that material losses will not occur.

The main goal of the collections policy is to treat customers fairly. We contact each customer in financial difficulty individually to discuss their circumstances. Where a customer is identified as vulnerable or in financial difficulty, we offer a range of support, tools and assistance (or point them towards external organisations that can give them extra support). This means we can agree individual actions or plans with each customer, which helps to bring customers' facilities back into a sustainable position.

Credit Impairment provision

The IFRS 9 Impairment Council is responsible for approving monthly IFRS 9 ECL numbers for Impairment, ensuring that ECL have been calculated in line with the governance and controls required by the Monzo IFRS 9 Impairment Policy. The meeting provides the primary means for:

- Oversight of key governance and controls for the impairment process.
- Ongoing assessment of the suitability, structure, implementation and performance of the controls embedded within the First Line of Defence.
- Selection of IFRS 9 economic scenarios and their weighting.
- Approval on the use of, or removal of, Expert Credit Judgement provision.
- Assessment of drivers of change in ECL, with a specific focus on the metrics required for annual external and regulatory reporting.
- Making recommendations to the BRC on changes to policy, and highlight impacts to provisions on risk appetite, business planning, strategy and product changes.

Impairment under IFRS 9

IFRS 9 requires recognition of ECL based on unbiased forward-looking information, for us this is applicable to all financial assets measured at amortised cost. Under IFRS 9 guidance, assets are required to be classified into the following three stages:

1. **Stage 1**: Assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month ECL are recognised and interest income is calculated on the gross carrying amount of the asset. 12-month ECL are the expected credit losses that result from default events that are expected within 12 months after the reporting date.
2. **Stage 2**: For assets that have experienced a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment, lifetime ECL is recognised and interest income is still calculated on the gross carrying amount of the asset. Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument.
3. **Stage 3**: For assets that have objective evidence of impairment at the reporting date, lifetime ECL are recognised and interest income is calculated on the carrying amount net of impairment allowance.

Other assets

We have applied the low credit risk exemption for balances including UK Treasury investments and assets held with central banks.

We also applied a simplified approach to other trade receivables. These are short term in nature, the lifetime ECL does not exceed the 12-month ECL and where recognised, the lifetime ECL doesn't identify significant increases in credit risk.

ECL model

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of a financial asset. Financial assets are grouped together by product type, currently Loans or Overdrafts, and IFRS 9 ECL is modelled on a collective basis using shared risk characteristics such as credit score for probability of default and contractual payment terms for prediction of future exposures. The impairment model calculates ECL at a customer level by multiplying the probability of default (PD), exposure at default (EAD) and the loss given default (LGD) and discounting using the original effective interest rate (EIR).

- PD represents the likelihood of a customer defaulting on their overdraft or loan over the next 12 months or over the remaining lifetime. We currently rely on data provided by an external Credit Bureau which is suitably calibrated to PDs representative of our portfolio. We are in the process of developing internal credit scorecards for both overdrafts and loans.
- EAD is based on the amount expected to be owed at default. For overdrafts, the EAD is calculated by taking the current drawn balance and adding a credit conversion factor that allows for the expected drawdown of the remaining limit by the time of default. For Loans, the EAD is calculated based on the contractual repayment schedule and accounts for missed payments and accrued interest at the point of default.
- LGD is the expectation of loss on a defaulted exposure. It represents our expectation of the extent of loss on a defaulted exposure and is expressed as a percentage loss per unit of EAD.

Determining a significant increase in credit risk since initial recognition

The impairment model utilises both relative and absolute criteria to identify increases in credit risk:

- **Quantitative criteria**: the quantitative trigger has been based around the comparison of the remaining lifetime PD at observation (i.e. reporting date) against the lifetime PD at origination, when the exposure was first recognised. If the ratio of these two PDs breaches a predefined threshold at any point, the account is moved into Stage 2 and its ECL is calculated on a Lifetime PD basis.
- **Qualitative criteria**: qualitative factors indicating potential financial difficulty have been reflected in the model as a trigger for a significant increase in credit risk. For example, when a customer has agreed to a Promise to Pay (i.e. when a customer agrees to bring their balance back within their arranged overdraft limit by a certain date).
- **Backstop**: A rebuttable presumption within IFRS 9 is that, where the customer is more than 30 days past due, credit risk has significantly increased. However, if reasonable and supportable information can suggest that an alternative number of days past due is more appropriate, then the backstop trigger may be amended. Based on analysis conducted by management on cure rates, a backstop of 15 days has been assessed to be more appropriate.

Forecast economic data

IFRS 9 requires our ECL to reflect a range of possible outcomes and consider possible future economic conditions. To achieve this, the impairment calculation uses three (FY2019: three) economic forecasts: base, downturn and recession. All of the scenarios have been sourced from an independent economist. The base, downturn and recession scenarios are calculated from a range of economic variables that are stressed around the base case.

The COVID-19 pandemic has significantly impacted the global economy and therefore the finances of our customers. This increases the associated risk of default in our overdraft and unsecured personal loan products. We do not believe the impact of this risk had fully crystallised as at 29 February 2020; however, based on the information available at year-end we increased our provision accordingly.

In our scenarios, we have assumed that there is no upside, unemployment does not return to recent historical levels in the next 5 years and note that the forecast pre-dates the UK furlough scheme.

The forward looking economic variables considered as inputs to the final ECL calculation are (i) UK unemployment and (ii) mortgage interest gearing.

				Economic scenarios
	Base	Downside 1	Downside 2	Weighted
Scenario probability Weights (%)	**50.0%**	**47.5%**	**2.5%**	
As at 29 February 2020 (5 year Average)				
Unemployment (%)	4.5%	5.5%	8.0%	
Mortgage Interest Gearing	2.4%	2.4%	2.4%	
Peak Value				
Unemployment (%)	5.1%	6.1%	12.1%	
Mortgage Interest Gearing	2.5%	2.5%	2.5%	
Impairment allowance with 100% Weighted scenarios (£m)	**18.2**	**18.8**	**77.2**	**20.00**

Prior to the COVID-19 pandemic becoming apparent, we applied macroeconomic scenarios for Unemployment and GDP. As the pandemic unfolded, we revised our scenarios and macroeconomic variables. These are presented in the table above. The impact of updating the scenarios in response to COVID-19 resulted in an ECL uplift of £4.1m compared to the pre-COVID-19 estimate of £15.8m.

Definition of default and credit-impaired assets

We consider a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when the borrower becomes 90 consecutive days past due. In the case of overdrafts, a customer is deemed to be past due when the account has been above it's overdraft limit, or overdrawn without an agreed limit, for 90 or more days. For loans an account is deemed 90 days past due when they become three instalments behind their agreed monthly repayment schedule.

As part of a qualitative assessment of whether a customer is in default, we also consider a variety of instances that may indicate unlikeliness to pay. When such events occur, we carefully consider whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- the customer filing for bankruptcy or Individual Voluntary Agreement;
- the customer is deceased;
- the overdraft or loan has been renegotiated because the customer's condition has deteriorated. This includes cases where a specific repayment plan has been agreed; and
- 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.

Our policy is to consider an overdraft account as 'cured' and therefore re-classified out of Stage 3 when the outstanding balance is reduced to below the authorised limit set and a fixed probation period has passed. Loans are considered 'cured' and therefore re-classified out of Stage 3 when all past due repayments are repaid along with any additional interest that may have accrued due to their late payment and a fixed probation period has passed.

Modification

We sometimes change the terms of a loan or overdraft when a customer gets into financial difficulty (this is known as forbearance), or for other commercial reasons. Long term forbearance can result in modifications to contractual cash flows. When this occurs the gross carrying value of a financial asset is not impacted. However the ECL of that financial asset changes, as it is now classified to Stage 3 and is therefore under lifetime ECL. As at 29 February 2020, the gross carrying amount of accounts in forbearance was £1.0m. The lifetime ECL booked against these accounts as at 29 February 2020 was £0.9m.

Other formal arrangements that represent a change in a customer's obligation are treated as a modification, when this change was not permitted in the terms and conditions of the customer's original agreement. For any change that is categorised as a modification of terms, the gross carrying amount of the modified asset is calculated based on the net present value of all expected future cash flows. This is based on the modified terms, discounted at the original effective interest rate. If the modification is considered to be significant then the original arrangement is derecognised and a new one recognised.

Write off

A loan or overdraft is written off in full against the related provision, when there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written-off are recognised directly in the Statement of Comprehensive Income.

Critical accounting estimate

The calculation of the credit impairment provision position involves judgement, in particular the weighting of economic scenarios used to calculate forecast losses.

As at 29 February 2020, our portfolio consisted entirely of retail lending within the UK. The following table summarises lending as at the year end by IFRS 9 impairment stage and the related provision.

Analysis of overdrafts and loans by stage

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 29 February 2020				
Overdrafts and overdrawn balances	45,567	24,738	2,675	72,980
Loans	61,913	8,412	604	70,929
Gross carrying amount	**107,480**	**33,150**	**3,279**	**143,909**
Overdrafts and overdrawn balances	(925)	(5,391)	(2,345)	(8,661)
Undrawn overdraft commitments	(5,189)	(3,100)	(64)	(8,353)
Loans	(1,285)	(1,154)	(543)	(2,982)
Impairment allowance	**(7,399)**	**(9,645)**	**(2,952)**	**(19,996)**
Overdrafts	39,453	16,247	266	55,966
Loans	60,628	7,258	61	67,947
Net amounts receivable	**100,081**	**23,505**	**327**	**123,913**
ECL Coverage Ratio (%)	**6.88%**	**29.10%**	**90.03%**	**13.89%**
Undrawn Commitments				
Gross carrying amount	263,846	14,226	73	278,145
Impairment allowance	(5,189)	(3,100)	(64)	(8,353)
Net carrying value	**258,657**	**11,126**	**9**	**269,792**
ECL Coverage Ratio (%)	**1.97%**	**21.79%**	**87.67%**	**3.00%**

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 28 February 2019				
Overdrafts and overdrawn balances	14,226	3,273	1,071	18,570
Loans	578	20	5	603
Gross carrying amount	**14,804**	**3,293**	**1,076**	**19,173**
Overdrafts and overdrawn balances	(1,187)	(954)	(955)	(3,096)
Loans	(11)	(7)	(5)	(23)
Impairment allowance	**(1,198)**	**(961)**	**(960)**	**(3,119)**
Overdrafts and overdrawn balances	13,039	2,319	116	15,474
Loans	567	13	–	580
Net amounts receivable	**13,606**	**2,332**	**116**	**16,054**
ECL Coverage Ratio (%)	**8.09%**	**29.18%**	**89.22%**	**16.27%**
Undrawn Commitments				
Gross carrying amount	78,178	2,736	113	81,027
Impairment allowance	(917)	(283)	(65)	(1,265)
Net carrying value	77,261	2,453	48	79,762
ECL Coverage Ratio (%)	**1.17%**	**10.34%**	**57.52%**	**1.56%**

Stage 3 financial assets

	Gross carrying amount	Impairment Allowance	Coverage
	£'000	£'000	%
As at 29 February 2020			
Overdrafts and overdrawn balances			
Credit-impaired not in cure period	2,349	2,090	89%
No longer credit-impaired but in cure period that precedes transfer to stage 2	326	319	98%
	2,675	**2,409**	**90%**
Loans			
Credit-impaired not in cure period	581	522	90%
No longer credit-impaired but in cure period that precedes transfer to stage 2	23	21	91%
	604	**543**	**90%**
Undrawn commitments			
Credit-impaired not in cure period	36	31	86%
No longer credit-impaired but in cure period that precedes transfer to stage 2	37	33	89%
	73	**64**	**88%**

	Gross carrying amount	Impairment Allowance	Coverage
	£'000	£'000	%
As at 28 February 2019			
Overdrafts and overdrawn balances			
Credit-impaired not in cure period	1,071	955	89%
	1,071	**955**	**89%**
Loans			
Credit-impaired not in cure period	5	5	100%
	5	**5**	**100%**
Undrawn commitments			
No longer credit-impaired but in cure period that precedes transfer to stage 2	113	65	58%
	113	**65**	**58%**

Credit Impairment provision movement table

An analysis of changes in the gross overdraft and loan amounts receivable from customers and undrawn commitments:

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross Loans and Advances to customers				
As at 1 March 2019	**14,804**	**3,293**	**1,076**	**19,173**
New facilities originated	91,976	–	–	91,976
Transfers to Stage 1	2,253	(2,232)	(21)	–
Transfer to Stage 2	(21,984)	22,008	(24)	–
Transfer to Stage 3	(2,783)	(781)	3,564	–
Changes in net exposure	30,422	12,562	2,972	45,956
De-recognition	(7,208)	(1,700)	(162)	(9,070)
Write-offs	–	–	(4,126)	(4,126)
As at 29 February 2020	**107,480**	**33,150**	**3,279**	**143,909**

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Gross Undrawn Commitments				
As at 1 March 2019	**78,178**	**2,736**	**113**	**81,027**
New facilities originated	219,423	–	–	219,423
Transfers to Stage 1	2,710	(2,658)	(52)	0
Transfer to Stage 2	(21,742)	21,747	(5)	0
Transfer to Stage 3	(2,928)	(96)	3,024	0
Changes in net exposure	(7,676)	(7,228)	(2,514)	(17,418)
De-recognition	(4,119)	(275)	(61)	(4,455)
Write-offs	–	–	(432)	(432)
As at 29 February 2020	**263,846**	**14,226**	**73**	**278,145**

An analysis of changes in the gross Undrawn commitments and the related Impairment provision is as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	£'000	£'000	£'000
Impairment allowance				
As at 1 March 2019	**1,198**	**961**	**960**	**3,119**
New facilities originated	4,783	–	–	4,783
Transfers to Stage 1	312	(293)	(19)	–
Transfer to Stage 2	(818)	840	(22)	–
Transfer to Stage 3	(194)	(300)	494	–
Changes in ECL due to stage transfer	(257)	1,386	2,858	3,987
Other changes in net exposure	(2,395)	(15,550)	(2,715)	(20,660)
Changes in risk parameters	4,987	22,662	5,594	33,243
De-recognition	(217)	(61)	(72)	(350)
Write-offs	–	–	(4,126)	(4,126)
As at 29 February 2020	**7,399**	**9,645**	**2,952**	**19,996**

The table below details a reconciliation of the movement in the Balance Sheet ECL to the credit impairment charges to the Statement of Comprehensive Income

	Loans and advances to customers	**Receivables**	**Total**
	£'000	£'000	£'000
Reconciliation of Credit impairment charge/(release)			
Movement in impairment allowance	16,901	(773)	16,128
Write-offs	4,126	–	4,126
Income statement charge/ (release) for the period	**21,027**	**(773)**	**20,254**

The sensitivity of the IFRS9 models can be seen in the following table:

	Impact on ECL	
	£'000	%
Closing ECL 29 February 2020	**19,996**	
PD increase 2.5%	222	1.1%
PD decrease 2.5%	(234)	(1.2%)
LGD increase 2.5%	295	1.5%
LGD decrease 2.5%	(295)	(1.5%)
EAD increase 2.5%	224	1.1%
EAD decrease 2.5%	(205)	(1.0%)
Transfer ratio increase 20%	(476)	(2.4%)
Transfer ratio decrease 20%	678	3.4%

Credit quality

The table below provides information on the credit quality of our overdraft and loan book. This is segmented by risk grades which are determined via reference to credit scores provided by an external Credit Bureau agency with each having an associated PD range. This is consistent with our internal credit risk policy and Basel PD's.

		Gross balances				Impairment allowance				Net balances	ECL Coverage
	Stage	**1**	**2**	**3**	**Total**	**1**	**2**	**3**	**Total**		
Risk grade	PD Range %	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Very low risk	0% < to 1.15%	58,815	1,491	-	60,306	3,821	90	-	3,911	56,395	6%
Low risk	1.15% < to 2.50%	31,701	5,473	-	37,174	1,240	984	-	2,224	34,950	6%
Medium risk	2.50% < to 4.97%	11,333	6,433	-	17,766	1,069	1,325	-	2,394	15,372	13%
High risk	4.97% < to 8.32%	2,841	5,284	-	8,125	526	1,759	-	2,285	5,840	28%
Very high risk	8.32% < to 99.99%	2,780	6,478	-	9,258	742	2,483	-	3,225	6,033	35%
Arrears	15% to 78%	10	7,991	-	8,001	1	3,004	-	3,005	4,996	38%
Default	100%	-	-	3,279	3,279	-	-	2,952	2,952	327	90%
As at 29 February 2020		**107,480**	**33,150**	**3,279**	**143,909**	**7,399**	**9,645**	**2,952**	**19,996**	**123,913**	**14%**

Out of cash and balances at banks stated at £1,374m, £1,338m are held with central banks and £35m are held with one UK bank which has an investment grade credit rating.

Other ECL balances

In the prior year we held a credit impairment charge against an amount receivable under the prepaid card scheme. In the current year the outstanding balance was settled, and the credit impairment charge unwound.

	29th February 2020	28th February 2019
	£'000	£'000
Opening expected credit loss	**773**	**–**
Additions	–	773
Used	(23)	–
Unused amounts reversed	(750)	–
Closing expected credit loss	**–**	**773**

24. Contingent liabilities and undrawn commitments

Contingent liabilities

There are no significant contingent liabilities as at 29 February 2020 (FY2019: £nil).

We may, from time to time, be party to claims arising in the ordinary course of business and be required to provide redress to customers whose accounts have been the subject of fraudulent transfers. The amount of any redress is not reliably measurable and will depend on the circumstances pertaining to each individual claim.

Undrawn commitments

Total committed but undrawn facilities as at 29 February 2020 are £278.1m (2019: £81.0m) in respect of customer overdraft agreements. These commitments represent agreements to lend in the future subject to the terms and conditions of the agreement, so the amount and timing of future cash flows are uncertain.

25. Contingent asset

The Group has a contract in place with a key payment network provider which contains certain discounts on cross-border fees, based on achieving transaction volume targets by 30 September 2020. Management deemed the discount to be a contingent asset arising from past events under IAS 37. As at 29 February 2020, this target had not been achieved, and therefore it was not virtually certain that this benefit would be realised and therefore no asset was recognised. Management has estimated the value of the contingent asset to be at £720k at year end.

26. Provisions

In the year we signed leases on new office buildings in London and Cardiff. The leases include dilapidation provisions to bring the buildings back to the original state at the end of the lease. At the inception of the leases we recognised a provision for the contracted amount included in the lease or using an estimate where an estimate could be reliable given. The provisions are discounted, to the present value at the start of the lease, using the same proxy for our incremental borrowing rate as used in the calculation of the lease liability. This discount is being unwound over the life of the lease.

No other IAS 37 provisions were recognised in the year.

	Dilapidation of offices
	£'000
Opening provision – 1 March 2019	**–**
Additions	996
Unwinding of discount	45
Closing provision – 29 February 2020	**1,041**

27. Country reporting disclosure

In 2014, the UK Government enacted legislation (contained in the Financial Services and Markets Act 2000 Statutory Instrument 3118) with respect to country reporting disclosure.

Monzo Bank Limited is incorporated in the UK and undertakes banking activities as described in the Strategic Report.

Monzo Support US Inc. is incorporated in the USA and provides support services to Monzo Bank Limited.

Monzo Inc. is incorporated in the USA and began offering a prepaid card product, to customers in the USA, during the year.

	UK	**USA**	**Total**
	£'000	£'000	£'000
Average number of employees (FTE)	1,049	79	1,128
Turnover (Total income)	67,179	3	67,182
Loss before tax	112,088	3,383	115,471
Corporation tax credit	1,655	–	1,655
Public subsidies received	**365**	**–**	**365**

28. Called up share capital

	Year ended 29 February 2020	Year ended 28 February 2019
	£	£
Ordinary shares of £000000.1 each	13	12
	13	**12**

	Nominal	Number of ordinary shares	Share Capital
As at 28 February 2018		**105,399,644**	**11**
Shares issued	0.0000001	13,740,444	1
Options exercised	0.0000001	1,584,483	–
As at 28 February 2019		**120,724,571**	**12**
Shares issued	0.0000001	8,722,160	1
Options exercised	0.0000001	22,466	0
As at 29 February 2020		**129,469,197**	**13**

The ordinary shares have several share classes, all of which have the same full voting rights attached and rank pari passu in all respects, with the exception of anti-dilution rights and the distribution of proceeds from a share sale event which involves a change in control.

Some of the shares in issue are owned by members of the Board, management and colleagues. At the balance sheet date 7,117,508 (FY2019: 9,659,785) shares were unvested.

In November 2019 we repurchased 16,035 of our own ordinary shares for £208,764.96.

Other reserves are made up of the share-based payments that haven't yet been exercised at year end.

29. Group structure

Group entities

The Group consists of Monzo Bank Limited as the Parent and ultimate controlling entity along with two wholly-owned subsidiaries. The shareholding and registered offices of each entity are set out below.

Legal entity	Shareholding	Registered office
Monzo Bank Limited	Parent	Broadwalk House, 5 Appold Street, London, United Kingdom, EC2A 2AG
Monzo Support US Inc	100%	1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA
Monzo Inc	100%	1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA

We also serve as trustee of bare trusts used with savings providers for the benefit of our customers, which are not reported on our Statement of Financial Position. During FY2020, on the instructions of our customers we transferred £1,302.6m (FY2019 £226.3m) to our savings providers. During FY2020, £678.6m (FY2019 £59.1m) was returned to customers. We earned commission in relation to our role as trustee as described in Note 3. We have no exposure to loss on these deposits.

Investment in subsidiaries

		Company
	29 February 2020	**28 February 2019**
	£'000	£'000
Cost		
Opening balance	78	–
Additions	4,651	78
Impairment	(4,286)	–
Closing balance	**443**	**78**

Impairment

At each reporting date, IAS 36 Impairment of Assets, requires the Company to assess whether there are indications for impairment of its subsidiaries. This specifically requires assets to be carried at no more than the recoverable amount, the recoverable amount being an asset's fair value less costs to sell or value in use.

In April 2020, we made the difficult decision to close Monzo Support US Inc by July 2020. This provided an indication that the Company's carrying value in this subsidiary is impaired.

We took a relatively simple approach to assessing the impairment, because due to the nature of the entity, it does not have a value in use as there are no associated future cashflows. The fair value less costs to sell, was also assumed to be zero, due to the relatively low carrying value of the investment and the costs that would be required to engage in a sale process. Monzo Support also has immaterial net assets, the value of the investment is in the people, who could be employed without purchasing the business or entity. Therefore the investment was fully impaired, resulting in a charge to the Company's Statement of Comprehensive Income of £0.8m.

The Company's investment in Monzo Inc. has also been impaired while growth has slowed during the current economic uncertainty. The progress of the US business and our US Banking Charter application is difficult to value, therefore we have decided to hold our investment at its current recoverable amount. This has resulted in a charge to the Company's Statement of Comprehensive Income of £3.5m. We continue to support this entity.

30. Share-based payments

All new colleagues (including senior Executives) receive share options when they join the Company and may be entitled to further share options as a reward for performing well and to incentivise them to make Monzo a success.

The share options issued are equity settled with no cash settlement options. Options typically vest evenly over four years with a one year cliff; if a colleague leaves within the first year of employment, they forfeit all vested options at that date. There are no non-market vesting conditions.

Our expense for the share options granted to our colleagues is recognised over the period between the grant date and the vesting date of those options. We calculate the overall cost of the option award using the number of shares and number of options expected to vest and the fair value of the options at the grant date. The overall cost is recognised as a colleague expense, with a corresponding increase in other reserves within equity, over the period that colleagues provide services. This is generally the period between the award being granted or notified and the vesting date of the options.

We determine the grant date fair value using valuation models which take into account the terms and conditions attached to the awards. Inputs into the valuation model include the risk free rate and the expected volatility of the Group's share price. The Group's market share price is assessed through a quarterly valuation exercise, which applies revenue and asset multiples, while also considering the Group's performance.

The Group operates four equity settled share options schemes, three in the UK and one in the US. The first is an HMRC approved Company Share Option Plan (CSOP), where awards can be made to colleagues subject to conditions. The strike price for these options is set according to the fair market share price at the time of issue as agreed with HMRC. The fair market share price was based on the pricing achieved in the funding round immediately preceding the issuances, since the shares aren't actively traded. The second scheme is an unapproved plan, these awards are made with the strike price set equal to the £0.00001. The third scheme is a Leaver Share Option Plan which converts the vested CSOP share options for leavers into unapproved options. The strike price is set at the fair market value determined at the grant date of the original CSOP options.

The Group also operates an equity settled Incentive Stock Option (ISO) scheme for colleagues in its US subsidiaries, which involves the equity instruments of Monzo Bank Limited. The strike price is determined by a third party valuation exercise conducted in accordance with Section 409A of the Internal Revenue Code. In the Company only accounts, this arrangement leads to the US subsidiaries recognising a capital contribution from the parent, with Monzo Bank Limited recognising a corresponding increase to its investment in the US subsidiaries.

The Company measures the cost of all equity-settled options based on the fair value of the awards at the date of grant. The fair value is determined based on the Black-Scholes valuation model since the share options aren't actively traded. Using an option valuation model to determine the fair value means including highly subjective assumptions including the fair market share price, expected price volatility, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates.

For accounting purposes, the fair value of the share price assumption was evaluated on a quarterly basis through valuation exercises conducted by management, which considered relevant metrics such as revenue multiples, asset multiples and customer growth. Where there was an external valuation (e.g. through fundraising) close to the date of the internal valuation, management have used the external valuation for purposes of calculating share based payments.

The main assumptions we've used in deriving the value of the options at grant are shown below.

	Year ended 29 February 2020	Year ended 28 February 2019
Valuation assumptions		
Risk free rate	0.45%	0.82%
Volatility	40%	40%
Dividend yield	nil	nil
Expected life	4 years	4 years

The expected volatility was determined solely by assessing the historical volatility of listed peers to obtain an estimated 'implied' volatility.

We recognise the fair value of options at grant date as a colleague expense with a corresponding increase in other reserves over the period that the colleagues become unconditionally entitled to the awards. The total expense in the year ended 29 February 2020 was £14.4m (2019: £2.5m).

	CSOP Number	Non-CSOP Number	ISO Number
At 1 March 2018	**5,165,776**	**4,726,355**	
Granted during the period	2,863,554	2,121,839	
Lapsed	(577,455)	(317,962)	
Exercised	(126,951)	(1,457,532)	
At 28 February 2019	**7,324,924**	**5,072,700**	**–**
Granted during the period	984,294	3,544,512	223,823
Lapsed	(104,888)	(371,979)	(16,040)
Exercised	(22,073)	(393)	–
At 29 February 2020	**8,182,257**	**8,244,840**	**207,783**

The weighted average exercise prices, remaining life, and fair value of all outstanding options as at 29 February 2020 are outlined in the table below.

	Year ended 29 February 2020		
	CSOP	Non-CSOP	ISO
Range of exercise prices for outstanding options	£0.1997 – £13.0194	£0.0001	£10.42
Range of exercise prices for exercised options	£0.1997 – £1.0058	£0.0001	n/a
Weighted average exercise price for outstanding options	£4.98	£0.0001	£10.42
Weighted average fair value of options at grant date	£3.32	£5.36	£5.13
Weighted average remaining life of outstanding options	7.6	7.8	8.2

There have been no modifications to share-based payment transactions which resulted in a change in the classification from cash-settled to equity-settled.

Options issued under the Leaver Share Option Plan are considered to be 'replacement equity instruments' under IFRS 2. The terms and conditions of the cancelled CSOP options and the replacement Non-CSOP options were the same, with the exception of the time frame for exercise, which was modified from 6 months to 10 years. The incremental fair value impact of this modification was £11k. This was determined by comparing the fair values of the original and replacement options, per the Black Scholes model at the date of replacement.

31. Related party transactions and controlling parties

Controlling parties

In the opinion of the Directors there is no overall controlling party at year end.

Transactions with key management personnel

Key management personnel are defined as those people with authority and responsibility for planning, directing and controlling the activities of the Company. This includes the Board of Directors and Executive Committee.

The compensation paid or payable to key management personnel is shown in the tables below:

	Year ended 29 February 2020	Year ended 28 February 2019
	£'000	£'000
Transactions with key management personnel		
Salaries & remuneration	1,806	1,415
Social security contributions	74	68
Share based payments	1,378	637
Contributions to defined contribution plans	53	27
	3,311	**2,147**

In addition, a total of 28,475 shares were purchased by Directors' at a fair value of £233,200 in the year ended 29 February 2020.

The deposits, overdrafts and loans of key management personnel on the balance sheet at year end are shown in the table below:

	Year ended 29 February 2020	Year ended 28 February 2019
	£'000	£'000
Balances of key management personnel		
Deposits	144	147
Overdrafts	–	0
Loans	–	–

In addition, overdrafts totalling £0.02m (FY2019: £0.01m) were available to key management personnel at year end.

During the year some of our key management were involved in testing the overdraft migration from fixed fee to APR based charging, which was performed with preferential rates. As at 29th February 2020, none of the key management involved in testing had an outstanding overdraft balance with the Group. Any deposits, loans or overdrafts with key management personnel, other than the exception noted above, are on the same terms as those with our customers.

Transactions with related parties

There were no transactions with related parties during the year other than those disclosed above.

32. Auditor's remuneration

Auditor's remuneration for the audit of the financial statements was £1.1m (FY2019: £0.4m) and remuneration in respect of non-audit services was £nil (FY2019: £0.03m).

33. Events after the reporting date

COVID-19

The COVID-19 pandemic has created unprecedented social and economic disruption across the world. We still don't know the full extent of it, but the UK is starting to ease some of the restrictions. We put business resilience plans in place to make sure our colleagues were safe and still able to serve our customers without disruption.

The pandemic is forecast to reduce our revenues for FY2021. To manage these risks, we have taken a number of difficult management actions to control the business and achieve our plan while serving customers.

Our total ECL charge of £20.3m for the year ending 29 February 2020 includes an ECL charge of £4.1m in response to the worsening economic outlook, which we believe was reasonable and supportable based on the circumstances that prevailed as at 29 February 2020. We source our economic scenarios from a third-party which reflects the prevailing economic outlook as at 29 February 2020. Refer to Note 23 for assumptions applied.

Since that time, we've noted that the ECL impact from forward-looking multiple economic scenarios has changed from that considered as at 29 February 2020. This is largely due to the scenarios considered at 29 February 2020 assuming a sudden deterioration in the economic outlook, with an immediate impact on unemployment. Since then, the immediate impact from the deterioration in the economic outlook on unemployment has been more gradual than we first expected. This change is largely due to the UK Government's intervention which included the UK furlough scheme, launched on the 23 March 2020, and other measures aimed at supporting the economy.

As it is not possible to reliably estimate the full extent of COVID-19, we are closely monitoring the situation and the appropriateness of economic scenarios.

Our Board and senior management have been reviewing the crisis weekly to make sure we can face the challenges during FY2021, and have considered these factors in our going concern assessment. We continue to monitor the Government's support for the economy, developing risks, the safety of our colleagues and how we can help serve our customers.

Closure of Las Vegas

In April 2020 we made the difficult decision to close our office in Las Vegas. We expect to finish the closure in July 2020. Indicators of impairment existed as at February 2020 so Monzo Bank Ltd fully impaired its investment in Monzo Support Inc in FY2020, as shown in Note 29.

We launched new products

In March 2020 we launched Monzo Business and in July 2020 we launched Monzo Plus, a premium account.

Overdrafts

Due to the FCA's decision to stop fixed fee charging on overdrafts at the beginning of April 2020, we switched all of our overdrafts from fixed fee to APR based charges.

Change in CEO

On 20 May 2020 Tom Blomfield announced that he would be stepping into the new role of President. TS Anil has succeeded Tom as our new CEO, subject to regulatory approval.

Redundancies

In June 2020 we announced that we may need to make some roles in the UK redundant.

Fundraising

The Group raised an additional £58m of capital on 15 June 2020.

Financial Crime review

Following a regulatory review, in June 2020, we began a review of our financial crime control framework which is still ongoing. As the review is in progress, the outcome and implications can't yet be assessed, although they could be material. However, at the moment they don't highlight a need to provide for customer detriment due to past actions. We've therefore assessed these reviews to be non-adjusting post balance sheet events, any costs arising from them will be accounted for when it is appropriate.