Monzo Bank Limited

Annual Report and Group Financial Statements

monzo

28 February 2022

Registration number
09446231

Registered Office
Broadwalk House
5 Appold Street
London EC2A 2AG

Contents

Strategic report

Who we are and why we're here

We're Monzo, a bank that lives on your phone.

For too long, managing your money has been harder than it needs to be. Traditional banking wasn't built for the way people use money in their everyday lives, and it hasn't evolved fast enough. By being relentlessly focused on customers, open about what we're doing and why, and focusing on solving real problems rather than just selling financial products, we believe we can make banking better.

It's our mission to make money work for everyone.

We want to be the centre of your financial life, taking away all the admin and worry over your finances. Spending, saving and managing money – even borrowing when you need to – shouldn't be stressful or complicated, it should just work. And with the help of our amazing community of customers who suggest features, give feedback and help us test our ideas, we're building a genuinely different kind of bank.

6m people now have a Monzo account to spend, save and manage their money. But that's just the start: it's not about how many people have an account, it's about how we're changing their relationship with their finances.

We don't believe it's possible to build a globally impactful company without carefully considering the needs of all the communities we serve. Too many people don't have access to vital banking services in the UK. So we're also working to improve financial inclusion by simplifying banking and supporting customers in vulnerable circumstances, allowing us to play our small part in creating a more just society.

We believe that our values of openness, empathy and inclusion will help us achieve our mission of making money work for everyone.

Our values

In our early years, certain attitudes and ways of collaborating came to define how we wanted to work together and build a bank to make money work for everyone. We knew they spoke to the core of what we care about, so in 2019 we made them our official values – and they've guided us ever since.

Default to transparency

We're open with each other and customers unless we have good reason not to be.

Be hard on problems, not people

We create supportive communities to help people thrive.

Think big, start small, own it

We're ambitious and shoot for the moon, working iteratively to get the best results.

Make a difference

We solve real problems, working on things that have the biggest impact for our customers and each other.

Help everyone belong

We're building a bank for everyone. We embrace differences and make sure everyone feels welcome.

Think customer first; grow Monzo safely

We always do what's best for customers. It's the right thing to do and the safest way to grow.

These values aren't just words on a wall. We've folded them into how we think about hiring new teammates, how we reward progression, and how we make the hundreds of day-to-day decisions that build the products our customers use.

We're constantly checking ourselves against them, to make sure we're accountable to our high standards, celebrating our successes and honest about where we've still got room to improve.

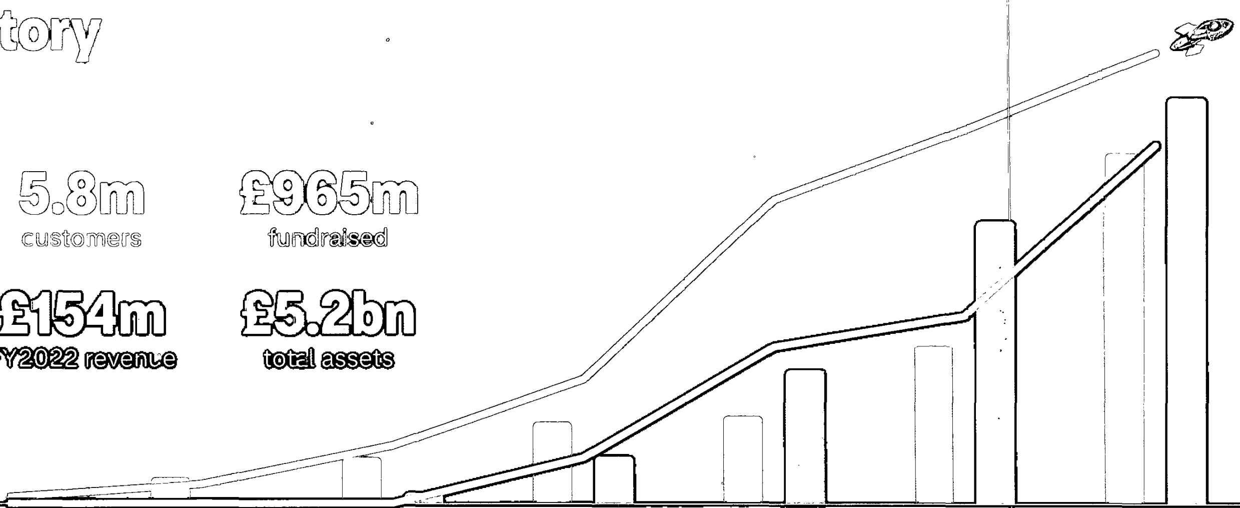
History

5.8m
customers

£965m
fundraised

£154m
FY2022 revenue

£5.2bn
total assets



FY2016[1]

- We announced Mondo to the world.

FY2017

- We released the Mondo public Beta app.
- We ran the fastest crowdfund in history, with supporters pledging £1m in just 96 seconds.
- We changed our name with the help of our customers and became Monzo!

FY2018

- The big one: we got our full UK banking licence.
- We started rolling out our first full current accounts to early testers.

FY2019

- We upgraded from prepaid to full UK current accounts. 94% of active prepaid customers moved to current accounts.

FY2020

- We launched our first TV ads and YouGov named us the UK's most recommended brand.
- More people switched to Monzo than any other UK bank.
- We introduced Salary Sorter, Bills Pots, Get Paid Early, loans, overdrafts, energy switching and a savings marketplace.
- We launched Monzo Business.

FY2021

- We launched Monzo Plus and Monzo Premium, attracting over 134k signups.
- Monzo Business grew from a small test to 77k accounts.
- In our first eligible year, Ipsos MORI ranked us #1 in the UK for Overall Service Quality and Online and Mobile Banking Services.

FY2022

- We grew to more than 360k Monzo Plus, Monzo Premium and Monzo Business customers.
- We launched Monzo Flex, a better way to pay later that's already attracted 35k customers.
- We stayed UK #1 for Overall Service Quality and were voted Best British Bank at the 2022 British Bank Awards.[2]
- We rolled out two industry-leading people policies: paid sabbaticals and paid pregnancy bereavement leave.

1 Our Financial Year (FY) starts on 1 March and ends on 28/29 February.

2 We also won Best Banking App and Best Business Banking Provider.

Our year at a glance

81%

net operating income growth from £62.8m in FY2021 to £114.0m in FY2022

5.8m

customers, up 21% from FY2021 (4.8m)

Best British Bank

Winner at the 2022 British Bank Awards as voted for by customers. Also won Best Banking App and Best Business Banking Provider.

#1 bank

Top current account provider in Great Britain and Northern Ireland for Overall Service Quality (CMA 2022)[1]

90%

of growth was from word of mouth

42%

increase in customer deposits, from £3.1bn to £4.4bn

50%

increase in card spend, from £16bn to £24bn

300k

Pots opened every month in FY2022

+69

average Net Promoter Score[2] (FY2021: +70)

2%

increase in underlying losses[3] from £116.2m in FY2021 to £119.0m in FY2022

1 *Independent CMA survey carried out in Great Britain and Northern Ireland by Ipsos MORI between January 2021 and December 2021 – Overall Service Quality.* Results at www.ipsos-mori.com

2 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.

3 See 'Our financial review' on page 23.

Our Board

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 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 innovating along the way.

External appointments: None.

Keith Woollard
Independent Non-Executive Director

Keith joined our Board on 23 May 2016. He's 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 a board member), Post Office Limited and the 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's also Chair of our Remuneration Committee and joined our Board on 24 January 2017. She brings more than 25 years of UK and international retail banking and consumer lending experience.

She's held executive positions in lending, risk and operations at Wonga Group Ltd, OneSavings Bank plc and Bank of America Europe Card Services. Before she moved to the UK, Amy was the Director of Credit for the largest credit card issuer in the United States, MBNA America.

She has deep experience in credit and fraud strategy, and portfolio risk management.

External appointments: Amy is also a Non-Executive Director of FCMB Bank (UK) Ltd and Griffin Financial Technology Ltd.

Phillip Riese
Independent Non-Executive Director

Phillip joined our Board on 1 July 2019. He brings more than 20 years of experience in key executive roles in consumer financial services, including 18 years at American Express and chairing the Board of Zopa.

He then founded his own investment company Riese & Others where he applies his strategic, operating and data analytics expertise to invest in and advise fintech companies globally.

External appointments: Phillip is also a Non-Executive Director for several Riese & Others portfolio companies.

Fiona McBain
Independent Non-Executive Director

Fiona joined our Board on 1 January 2020 and is also Chair of our Audit Committee. 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 Scottish Friendly Assurance Society Ltd operating across the UK and the Republic of Ireland for 11 years.

External appointments: Fiona is also the Chair of Scottish Mortgage Investment Trust plc and an Independent Non-Executive Director of Currys plc as well as Direct Line Insurance Group plc.

Valerie Dias
Independent Non-Executive Director

Valerie joined our Board on 1 June 2021 and became Chair of our Risk Committee in January 2022. She has worked in the financial services sector for over 25 years in various leadership roles. She brings a wealth of finance, risk, governance and operational experience having worked as a senior executive at Visa Europe, first as their Chief Financial Officer and then as their Chief Risk Officer.

External appointments: Valerie is also an Independent Non-Executive Director of Elavon Financial Services DAC and Hastings Insurance Services Limited.

Lizzie Runham
Independent Non-Executive Director

Lizzie joined our Board on 1 March 2022. She brings more than 20 years' experience helping organisations thrive across highly complex sectors including financial services, pharmaceutical and technology. In addition to the UK, she has a depth of experience in Africa, the Middle East and Asia where she has spent the last 15 years. Her area of specialism is HR strategy and operations.

External appointments: Lizzie is also the HR Vice President, International for Meta and a trustee of the Speakers Trust.

Eileen Burbidge MBE
Investor Non-Executive Director

Eileen joined our Board on 21 April 2015 as a representative from Passion Capital, our major shareholder. As well as working at Passion, Eileen also serves as HM Treasury Special Envoy for Fintech. She was previously Chair of Tech Nation and a member of the Prime Minister's Business Advisory Group.

She brings extensive technical knowledge from a broad range of industries including wireless and mobile, internet consumer application and communications. Her particular expertise includes product, business and market development.

External appointments: Eileen is also an Independent Non-Executive Director of Currys plc and serves as investor director for several Passion Capital portfolio companies.

TS Anil
Global Chief Executive Officer
and Executive Director

TS joined our Board on 6 October 2020 and is a highly respected financial services and payments leader, with more than 25 years of retail banking experience. As 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, taking existing businesses towards new growth opportunities, and much more.

External appointments: TS is a Non-Executive Director of UK Finance Ltd as well as Accion International.[1]

James Davies
Chief Financial Officer (CFO)
and Executive Director

James was appointed as Group CFO of Monzo in September 2021. James is a chartered accountant with over 25 years of experience in global organisations. Over 13 of these were in investment banking at Close Brothers and Deutsche Bank. More recently James has held divisional and Group CFO positions in public and privately owned digital companies, including Purplebricks and Domestic & General which is a PRA and FCA regulated business.

External appointments: James is an Independent Non-Executive Director of The British Cycling Federation[2] and their Audit and Assurance Committee Chair.

1 TS was appointed as a Non-Executive Director of Accion International on 31 March 2022.

2 James Davies was appointed to the British Cycling Federation Board as an Independent Non-Executive Director on 1 April 2022.

Our Executive team

TS Anil
Chief Executive Officer
and Executive Director

Sujata Bhatia
Chief Operating Officer

James Davies
Chief Financial Officer
and Executive Director

Iain Laing
Chief Risk Officer

Stephanie Pagni
General Counsel and
Company Secretary

Jonas Templestein
Co-founder and
Chief Technology Officer

Chair's review

Gary Hoffman
Chair of the Board of Directors

I'm writing this review with Monzo in a position of strength. Despite the challenges of the pandemic, we stayed focused on what we do best: launching customer-focused products, providing a leading service and helping our community to manage their financial lives in the best way possible. While there is uncertainty in the wider economic outlook, I'm confident we've built a resilient business capable of weathering these challenges and continuing to support our customers.

There's clear evidence that our strategy is working. We continue to outperform on customer satisfaction, with a NPS way above industry standard. Our customer service continues to be the UK's best, according to an independent survey commissioned by the Competition and Markets Authority (CMA). All of this is due to our devoted and engaged colleagues who live the Monzo mission every day.

We've seen progress from building out our product and diversifying our revenue streams and I'm excited to take this further with Monzo Flex, another example of industry innovation as the first product of its kind by a UK bank. Our efforts from last year are paying off with fantastic growth across lending and our subscription products, driving our net operating income to top £114m for the first time.

As well as the product, we've invested in talent to drive the mission forward as we scale, which has naturally contributed to an increase in costs. We've also further improved our financial crime controls and financial control framework. In other areas, we've strengthened governance and risk management across the organisation, which remains one of the Board's priorities as we grow. Maintaining this investment is key to scaling safely within the regulatory frameworks we operate in and I'm proud of what we've achieved. We're still loss-making, but remain focused on achieving sustained profitability and are confident that our business model is getting us there.

With enormous support from investors, we'll continue to invest this year, improving our current offerings while working on the next set of products and tools that make things better and easier for our customers. We'll do this while accelerating customer growth through previously untapped marketing channels – an exciting opportunity for a business that has seen word-of-mouth drive the vast majority of growth so far.

We'll make these investments while being mindful of the wider economic climate, as the UK grapples with the impacts of the ongoing cost of living crisis, the war in Ukraine and the recent shift in the macro-economic cycle. The direct impact on our business has so far been limited, but we remain watchful and intent on helping our customers navigate any challenges they might face.

Last year, we withdrew our US banking licence application and refocused our strategy, which saw Carol Nelson step away from the business. The US remains an important part of our strategy and continues to be an area of commitment for the Board. I'd like to thank Carol for her leadership of the team there during the last year. We wish her all the best for the future.

I'm pleased to welcome our new Chief Financial Officer James Davies, who brings a wealth of experience across tech, financial services and capital markets at businesses ranging from large established players to high-growth private technology companies. He's hit the ground running since joining last September. The Board has full confidence in TS and his team to take Monzo to the next stage while staying true to the values and culture which have served our customers so well to date.

I'm pleased to welcome Lizzie Runham to Monzo who joined as a Board member in March. I also wanted to take this opportunity to welcome all our new investors and thank our existing ones for their continued support; they were instrumental in making our record fundraise possible. The capital and confidence they provide is a huge enabler for us to execute on our big ambitions.

Monzo is now seven years old, and our mission has never felt more critical. We were founded to make money work for everyone – a pursuit that drives revolutionary ideas and fosters a culture that puts customers at the heart of everything we do. As we continue to build on great progress, this is the key ingredient that will allow us to take advantage of the huge opportunity ahead.

Gary Hoffman
Chair of Board of Directors
27 June 2022

Chief Executive's review

TS Anil
Global Chief Executive Officer and Executive Director

It's been another year of great progress for Monzo.

Our strategy is working, with record revenue growth – up 92% to more than £150 million by the end of financial year 2022 (FY2022). Since year end growth has continued, with our annual run rate[1] reaching £270m in May 2022. Our £450m fundraise in December 2021 makes us the UK's largest and most valuable digital bank. We made big investments in our people and product, introducing significant wellbeing policies and an industry-first product in Monzo Flex.

All of this is supported by an award-winning service and a brand that people love. We were named Best British Bank at the 2022 British Bank Awards, as well as winning Best Banking App and Best Business Banking Provider at the same awards ceremony. What matters most to me is that these awards were voted for by customers. The world's anticipating significant economic uncertainty but I'm more confident than ever about Monzo's future and our ability to help our customers. We have a great team, we're well capitalised, and our customer base continues to grow and deepen their engagement with us. We've built a strong foundation for growth and scale. All of this has resulted in very strong business momentum. Now's the time to accelerate growth by expanding our product suite further and going after opportunities with everything we have. Alongside our investors, the Board, my ExCo colleagues and everyone at Monzo, I'm full of energy and ambition to put Monzo at the centre of our customers' financial lives.

FY2022 in review

Financial year 2021 (FY2021) proved the strength and resilience of our business model and the commitment of our team, which we carried into FY2022.

Our brand transcends financial services as we remain one of the most-loved brands in the UK in any sector. After seven years, we're still an industry leader on customer loyalty, NPS and service levels. This is genuinely exceptional and something that personally, I'm really proud of. A huge 1 million customers joined Monzo this year, 90% through word of mouth. And deposits grew 42% to £4.4bn, with card spend increasing 50% to £24bn.

Our goal is to be an essential part of our customers' daily financial lives, making money work for them and earning sustainable revenues as we do. The fact that, on average, active customers open the Monzo app more than twice a day is proof that we're headed in the right direction.

Engagement with our existing products and demand for our new ones means we've recorded record revenues, with our fee and commission income growing 91% to £103m.

I'm delighted with the success we've enjoyed through Monzo Plus, Monzo Premium and Monzo Business, with more than 350,000 customers across all three products. We've also increased our lending to customers in line with our principles for responsible lending, and launched Monzo Flex.

The fight against financial crime is a priority for us and for the industry. We've further strengthened our controls and will continue to invest in this area while cooperating with the FCA's investigation. We reinforced other aspects of our governance and risk management during the year and expect this to continue through 2022.

[1] The total revenue in May 2022 multiplied by 12 months.

Investing for growth

With great momentum in the business, and strong organic growth in our customer base, we've chosen to invest in the huge opportunity ahead. We added talent across the organisation and continued to invest in our customer operations teams to maintain our exceptional service standards as we scale. During FY2022, our team grew by more than 40% to 2,300 people. Investing in the best talent to drive and execute our global ambitions is a no-brainer.

Our total expenses rose this year, largely driven by the increase in our team size and serving more customers. Other drivers included investments in product, where we're always looking to evolve and improve our offerings. As expected, losses are notable but broadly in line with last year and part of our investor-backed plan. The balance of revenue to costs continues to move further in the right direction. So while our underlying costs increased 30%, revenue hit new highs and grew by 92% highlighting the value in our decision to invest.

We plan to invest in our team, products, infrastructure and controls in line with the plan our investors have backed. We may also explore acquisition opportunities to drive expansion or growth. Our vision is big, ambitious and achievable – Monzo will become the one app customers use to manage their entire financial lives. To get there, we'll seize the opportunities in front of us. With new and existing investors, and with the Board, we've deliberately chosen to invest big this year and plan to break even during 2023.

Building a better bank

As our business has grown significantly in the past few years, we're proud that our culture has scaled and evolved along with it. This is what sets us apart from not only our competitors but many other companies.

We'll stay focused on looking after our people. Last year we launched an industry-first policy to support colleagues who suffer from pregnancy loss; a move which prompted greater awareness and attention on an important issue and the responsibility on employers. We also launched a market-leading paid sabbatical policy for anyone who's been at Monzo for more than four years.

Beyond policies, I'm proud that we were able to drop our median gender pay gap to 4% in 2021. Women now make up 44% of our ExCo and Board roles – this is great progress and something we'll build on. In FY2021 we set a target of net zero emissions by 2030 and we've since taken the first steps to reduce our emissions by purchasing carbon removals. We're putting the structures in place to track, report and reduce our emissions.

Looking ahead

In the UK, we plan to invest further in our current products. Having benefited from huge organic growth and word of mouth to date, we're now ready to go out with an exciting marketing strategy that will introduce even more people to Monzo. We'll be putting more money into talent and our offering – with an investment product in the early stages of development. As ever, we're building this in the Monzo way; with customers at the heart of everything we do and with the goal of transforming the traditional. We'll consider fundraising again over the next year if the conditions are right, and use the additional funds to meet the ambitious goals we've set ourselves.

We continue to have big ambitions for the US market, which is ripe for disruption. Since withdrawing our banking licence application, we've come out of the beta phase and are supporting more customers with their financial needs. We also see opportunities in other international markets, which we'll continue to explore.

As we look at the year ahead, there's uncertainty in the world and economy, with a combination of the war in Ukraine and the inflationary pressures that had started even before it. While rising interest rates tend to benefit our business model given the highly deposit-centric balance sheet we have, we need to remain watchful for the impact of cost of living increases on our customers. We're yet to see a direct impact on our customers' deposit balances, their spending behaviour or ability to repay us, but are regularly assessing the impact on our customers and our business. We've already proven extraordinary resilience during the stress of the pandemic lockdowns. We remain confident in our ability to navigate the uncertain environment and continue to grow at pace. Most importantly, we're committed to being there for our customers and will continue to build out the tools they need to feel empowered and in control of their finances.

I'm immensely grateful to our entire team whose passion and commitment to our values and customers makes Monzo such a special company. It's a privilege to work alongside them as we enter into an exciting new chapter for Monzo.

TS Anil
Chief Executive Officer
27 June 2022

Our business model and strategy

Here's what we're focusing on for the financial year ending 28 February 2023.

We'll continue on our path to sustained profitability

Profitability isn't our only goal, it's an important checkpoint on our mission to make money work for everyone. We'll reach it by continuing to grow and diversify our revenue sources, launch and improve customer-focused products, attract even more customers, and control our cost base.

We expect to see higher interchange income as more customers use us as their main account and spending levels return with easing pandemic restrictions, though we're mindful of the evolving pressures facing the economy and our customers.

We've seen a strong appetite for our subscription products (Monzo Plus, Monzo Premium and Monzo Business) since launching in FY2021. In FY2023, we'll continue to expand our product footprint to serve a broader set of our customers' financial needs, and build towards our long-term mission. We'll also increase awareness of our products by improving our app design and sign-up experience.

We've been helping our customers meet their borrowing needs, with our overdrafts, personal loans and a better way to pay for things in instalments using Monzo Flex. We'll continue to invest in and grow our lending carefully, in line with our principles and giving customers more control over how they manage their borrowing.

We've been in a low interest environment for the past two years due to the pandemic. While the future remains uncertain and we recognise the risks this creates for us as a pre-profitability business, we have momentum from our investments and product innovations to help us continue growing. Tailwinds such as further increases in the Bank of England base rate will also help offset some of the risks that may arise. We'll continue to diversify our treasury portfolio and sources of liquidity to maximise revenue from deposits in this environment.

We'll continue to manage risks and control operational costs

We'll make our customers feel even more in control of their financial lives, by improving current products and services, and offering new ones. But we want to do this safely and in a controlled way. We'll continue to invest in the scalability and resilience of our platform. And we're also continuing to invest in security and tools to fight financial crime.

Staying in control of our costs will help us become profitable. We'll continue our work to support customers self-serve while seeking help in the app, improve fraud detection through machine learning, and bring work in-house where possible. But we're committed to keep hiring the right people to build Monzo and deliver on our mission.

We'll help customers get more out of Monzo

We'll continue to enhance the value of our products, giving customers new tools to help them better budget, spend, save and grow their money. We are exploring features that improve our core app experience. We'll also encourage more and more customers to put their spending through Monzo.

We'll double down on growing our business banking product, building on the release of our newest feature which makes the experience of getting paid easier for businesses, by creating invoices with a payment link in a few taps.

We'll introduce even more people to Monzo

Over the last year we've attracted 1 million more Monzo customers. In the next 12 months, we'll show even more people the value of our current account and products through social media and advertising campaigns. Watch this space.

We'll continue to offer fair, flexible lending

We pride ourselves on offering customers a transparent and flexible way to borrow money that helps them to feel in control at all times. We launched Monzo Flex in September 2021, offering an easy way to spread the cost of purchases over time. Listening to customer feedback, we've removed the £30 minimum spend needed to spread a transaction. Our ambition is now to make Monzo Flex available to everyone, including non-Monzo customers.

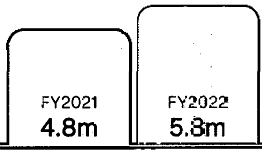
We'll build on our US expansion

We had our public launch in February 2022, meaning Monzo is now available to anyone who's eligible in the US. We'll grow our team so we can continue to listen to our US community and work on prioritising the features which matter most to them. In October 2021 we made the strategic decision to withdraw our US banking licence application, but it doesn't change our ambitions. Every part of the world needs Monzo and we're going to continue investing in the US.

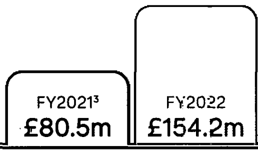
A review of our performance[1]

Key performance indicators

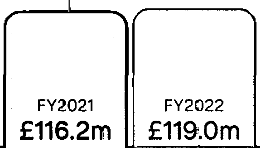
Customers increased (unaudited) 1.0m



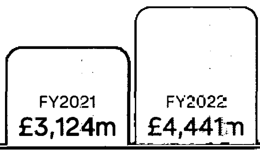
Revenue[2] increased £73.7m



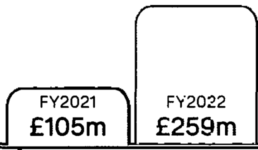
Underlying loss before non-recurring items increased £2.8m



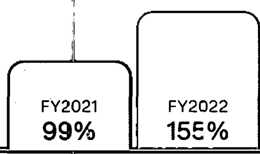
Customer deposits increased £1,317m



Gross lending[4] increased £154m



Common Equity Tier 1 (CET1) Ratio[5] (unaudited) increased 56pp



1 Disclosures in this section are audited unless stated otherwise

2 Revenue represents interest income, fee and commission income and other operating income per our Statement of Comprehensive Income (see page 103).

3 We amended the classification of certain items within our income statement which resulted in a £1m increase in revenue and an offsetting cost increase in FY2021. See our Statement of Comprehensive Income on page 103 for more details.

4 Gross lending is the total value of loans and advances to customers excluding expected credit losses. See Note 13 for more details.

5 See page 27 for definition of CET1, calculation for this ratio can be found in our 2022 Pillar 3 report, Table E – Capital ratios.

Our business review: non-financial performance

By the end of FY2022 we were making money work for 5.8m customers

1m people joined Monzo in FY2022, 90% by word of mouth recommendations. We welcomed on average 70,000 customers every month and more than 100,000 in February alone. More than 1 million customers are now using us as their main bank, which is a 43% increase year on year. And 58% of our customers are using their account on a weekly basis, an increase from 55% in FY2021 despite the COVID-19 pandemic.

We re-invigorated our brand marketing with social media campaigns and launched the first ever Monzo branded London buses. We also brought back our Give £5, Get £5 referral scheme for customers to recommend us to their friends.

We continue to provide an award-winning service

We won Best British Bank, Best Banking App and Best Business Banking Provider at the 2022 British Bank Awards, as voted for by customers. As well as being named the #1 UK bank for service quality for the fourth year in a row in independent surveys by the Competition & Markets Authority (CMA), and our average NPS of +69 shows that our customers continue to love using our services.

Our Customer Operations team won the Best Contact Centre in the UK award and were shortlisted for a number of other awards from the Call Centre Management Association.

We launched Monzo Flex and have increased lending

In September, we gave customers a new way to pay for things easily over time using Monzo Flex. By the end of FY2022, over 35,000 customers were using Flex and 300,000+ others were on our waitlist.

Customers can spread the cost of purchases over 3 monthly instalments interest-free, or over 6 or 12 months where we charge interest. Customers have the flexibility to pay us back early, or over a longer period with no extra fees, giving them the choice to pick what's right for them. In November, we rolled out Flex virtual cards so customers can flex transactions in-person as well as online.

We've continued to invest in our lending capabilities, technology platform and collections and recoveries process so we can safely grow our lending business. This year, our customers have borrowed £259m from us, up from £105m in FY2021. We still don't have hidden fees for things like paying a loan back early, and our terms are clear and easy to understand.

The Monzo experience got even better for businesses

We've welcomed another 60,000 customers to Monzo Business this year. We've made the process of getting paid easier for business owners and their customers. Business owners can now send payment links or invoices to customers, who can then pay in just a few taps, including using Apple Pay and Google Pay. More than 40,000 invoices have been paid through Monzo Business since we launched the feature in October 2021, resulting in business owners getting paid 9 days faster on average. This is particularly important to our customers, as many of their businesses are only 1–2 years old, and as we know, cash flows can be tight.

Our customers are getting more out of Monzo Plus and Monzo Premium

The number of Plus and Premium customers has grown 79% in FY2022. We now have almost 250,000 customers getting a better grip of their finances with the additional benefits our subscription products offer. This year, we built Trends to give our customers in-depth insights of their spending, all in one place, and across both Monzo and non-Monzo accounts.

Another money management tool we've launched allows customers to pay by card directly from a Pot. This allows our Monzo Plus and Monzo Premium customers to keep their bills and subscriptions separate from their day-to-day spending, increasing the visibility of their finances.

We hired a new Chief Financial Officer

James Davies joined in September 2021, and is a Chartered Accountant with 25+ years' experience across tech, capital markets and financial services in both public and private companies, including Deutsche Bank, Domestic & General and Purplebricks.

We remain invested in the US

We made the strategic decision to withdraw our US Banking Licence application in October but remain invested in the US. We dropped the waitlist and are available for anyone who's eligible. We're continuing to work closely with our US customers to build products that meet their needs.

We're continuing to improve our controls

We're continuing to grow, both in size and complexity. As we do, the expectations of our Board and regulators grow too. So, we've been making sure our business is resilient, our risk appetite is appropriate, and our control environment is robust.

We've increased investment in our financial crime controls, by strengthening our team and continuing with our financial crime controls programme. It's an evolving project to make sure we can meet, and exceed, our regulators' expectations. It also helps us to continue doing our part to combat the industry-wide increases in financial crime and protect our customers.

We've improved our controls for credit risk and lending. These improvements mean we can increase the amount we lend to customers responsibly. We've also invested in our financial controls and reporting. This allows us and our stakeholders to rely on and monitor the growth of the business safely, as we continue to grow and become more complex.

We've built on our ongoing commitment to diversity and inclusion

This year, we became the first UK bank to put in place a policy of paid leave for colleagues who suffer from pregnancy loss. This includes, but is not limited to, miscarriage, stillbirth and abortion. This also includes colleagues who are partners or surrogate mothers, as we recognise that pregnancy loss doesn't just affect women or heterosexual partners. We've also introduced a Diversity and Inclusion session to the onboarding experience; this gets our new joiners thinking about how they can be inclusive from the moment they arrive. This session helps us all to become stronger allies. Read more on what we've done in the People section (page 58).

Our financial review

Profit and loss – our income and expenses for the year[1]

Group	Year ended 28 February 2022	Year ended 28 February 2021	Year ended 29 February 2020	Year ended 28 February 2019
	£'000	£'000	£'000	£'000
Net interest income	34,082	22,386	24,429	4,918
Net fee and commission income	80,789	41,786	29,404	6,567
Other operating income	13,161	2,490	2,079	1,553
Expected Credit Losses	(14,013)	(3,821)	(20,254)	(3,880)
Net Operating Income	**114,019**	**62,841**	**35,658**	**9,158**
Personnel expenses	(130,151)	(94,275)	(86,869)	(27,992)
Depreciation & impairment expense	(8,311)	(5,134)	(3,210)	(799)
Other operating expenses	(94,577)	(79,942)	(70,433)	(33,421)
Total Expenses	**(233,039)**	**(179,351)**	**(160,512)**	**(62,212)**
Tax	–	303	1,655	3,552
Underlying loss before non-recurring items	**(119,020)**	**(116,207)**	**(123,199)**	**(49,502)**
Non-recurring items	–	(14,870)	–	–
Loss for the year	**(119,020)**	**(131,077)**	**(123,199)**	**(49,502)**

Net operating income increased 81% to £114.0m
During another year of lockdown restrictions, customers used Monzo even more. With transaction volumes increasing 50%, subscription income quadrupled and interest income increased 58%. Our expected credit losses have grown in line with our projections as we launched Monzo Flex and significantly increased our lending book.

Our net operating income is more than 12× higher than it was in FY2019, and that's despite 2 years of lockdown restrictions and historically low interest rates.

Total expenses (excluding non-recurring items) grew 30% to £233.0m
The average number of customers using Monzo grew to 5.1m from 4.4m in FY2021, which increases our operating costs as we become a bigger, more ambitious business. Our team costs also increased, an investment that'll help us launch new products and continue to serve our growing number of customers.

1 The comparative information is restated on account of prior year adjustments. See Note 35.

We have no non-recurring items this year. In FY2021, we had £14.9m of non-recurring costs. Of that, £11.0m was an expense to make good on our team's share options. And the remaining £3.9m was an impairment charge on a floor of our London office, which we no longer plan to use, but have now sublet.

Underlying losses for the year were £119.0m
2% higher than FY2021 but total losses decreased 9% from £131.1m.

Net interest income increased 52% to £34.1m
A £11.7m increase from £22.4m in FY2021.

We've increased interest income on lending 45% by more than doubling the number of customers we lent to, resulting in an extra £9.6m of interest income.

We also significantly increased interest income on our £1.7bn (FY2021 £0.4bn) portfolio of Treasury Assets. We did this by increasing and diversifying our bond portfolio, maximising the interest we earn to £2.4m, up from £0.2m in FY2021, while remaining within our very low wholesale credit risk appetite. Interest on our cash balances also increased £2.1m, as the base interest rate we receive increased 44%.

Our interest expense increased £2.2m in FY2022, mainly due to the £15m of Tier 2 debt we raised in March 2021.

Net fee and commission income increased 93% to £80.8m
A £39.0m increase from £41.8m in FY2021.

This reflects the higher number of customers spending through Monzo and using our Monzo Plus, Monzo Premium and Monzo Business products.

Net transaction income grew £29.4m, from £36.0m in FY2021, with customers spending a total of £24.4bn on their cards this year, compared with £16.4bn in FY2021. We had more customers in FY2022, and on average our customers spent more through Monzo, showing that our customers are using Monzo for a higher share of their spending. Similar to last year, the majority of customer spending was in the UK where we earn a lower interchange rate. We expect travel restrictions lifting to lead to increased revenue, as we earn a higher interchange rate on international spending.

In FY2021 we launched Monzo Plus, Monzo Premium and Monzo Business generating £2.9m of net subscription income. This has quadrupled to £11.0m in FY2022, highlighting how valuable the additional features our paid products offer are.

Partnership commission increased to £4.4m, from £2.9m in FY2021. More customers used Monzo and our partners to send money abroad and switch to cheaper and greener energy providers. We earned £2.7m from our partners, up from £0.8m in FY2021. We also earn commission for introducing our customers to our savings partners. This commission decreased £0.3m to £1.7m.

Other operating income increased to £13.2m
A £10.7m increase from £2.5m in FY2021.

This increase mainly relates to a business-to-business innovation grant we received during the year.

Expected Credit Loss (ECL) charge increased to £14.0m
A £10.2m increase from £3.8m in FY2021.

This reflects the growth in our borrowing portfolio, as we more than doubled the amount we lent to our customers this year, up £154.2m to £258.8m, from £104.6m in FY2021.

Our ECL is the amount we forecast we'll lose when customers can't repay us the money they've borrowed. We recognise an ECL charge at the time money is lent and this charge increases as the risk of a customer not being able to pay us back increases (see Note 25).

Underlying personnel expenses increased 38% to £130.2m
A £35.9m increase, from £94.3m in FY2021.

We grew to an average of 1,879 people in FY2022 from 1,332 in FY2021. This year, we concentrated hiring in operations and product areas to help us launch new products and continue to provide an award-winning service to a growing number of customers.

Underlying depreciation and impairment costs increased 62% to £8.3m
A £3.2m increase from £5.1m in FY2021.

This year, we recognised a full year of depreciation expense on our London office as we moved in during June 2020.

Our other operating expenses increased 18% to £94.6m
A £14.6m increase from £79.9m in FY2021.

Our current account operating costs increased to £41.5m, from £33.1m in FY2021. Frustratingly, UK customers have continued to suffer as criminals have found new ways to defraud them. We've continued to compensate customers who've fallen victim to financial crime. In FY2022 this cost us £16.0m, up 32% from FY2021.

In FY2022, we processed a total of £16.0bn Faster Payments compared to £11.8bn in FY2021 leading to higher processing costs.

Our technology costs grew £3.5m to £17.9m in line with customer growth as we served an average of 5.1m customers, up 4.4m from FY2021.

We started paid marketing and also ran some advertising campaigns during the year, including our hot coral London buses and the re-launch of our 'Give £5, Get £5' campaign in January 2022. This led to an increase in marketing spend of £3.1m, up from £0.5m in FY2021.

The remaining operating expenses decreased to £31.4m from £31.9m in FY2021. These mainly relate to admin, office and professional services. These costs have decreased as a number of projects to improve our business were completed in FY2022.

Balance sheet – our assets and liabilities at the end of the year[1]

Group				
	28 February 2022	28 February 2021	29 February 2020	28 February 2019
	£'000	£'000	£'000	£'000
Cash and balances at bank	3,134,540	2,977,368	1,373,722	549,847
Treasury investments	1,675,478	376,641	98,953	–
Loans and advances to customers	235,083	87,147	123,913	16,054
Other assets	173,328	188,551	124,817	48,486
Total assets	**5,218,429**	**3,629,707**	**1,721,405**	**614,387**
Customer deposits	4,440,650	3,124,046	1,392,517	461,821
Subordinated debt liability	14,593	–	–	–
Other liabilities	200,918	283,767	199,887	36,899
Total liabilities	**4,656,161**	**3,407,813**	**1,592,404**	**498,720**
Equity	**562,268**	**221,894**	**129,001**	**115,667**
Total liabilities and equity	**5,218,429**	**3,629,707**	**1,721,405**	**614,387**

Our total assets increased to £5.2bn
From £3.6bn in FY2021. Cash and balances at bank make up 60% of total assets. Most of the additional cash we received from customer deposits and our fundraising has been used to buy more treasury assets. This is why the amount of cash we hold on overnight deposit at central banks has only grown 5% from £3.0bn in FY2021.

We've more than tripled our investment in treasury assets to help manage our risks
We've invested in a diversified portfolio of high quality, low credit risk, bonds and gilts. In FY2022, we made 38 purchases, growing our treasury portfolio to £1,675.5m, from £376.6m in FY2021. This helps us to manage the impact that changes in interest rates have on us. The investments also mean we have other sources of liquidity, which generally earn a higher rate of return than our overnight deposits held at central banks.

1 The comparative information is restated on account of prior year adjustments. See Note 35.

We're lending more to customers
We've lent a total of £258.8m to our customers, up £154.2m from £104.6m in FY2021 by launching Monzo Flex and improving our decisioning and affordability models. These are the gross amounts before impairment loss allowance (the amount we don't expect customers to be able to repay). Our impairment loss allowance has increased to £23.7m, from £17.4m in FY2021 in line with increased lending.

Customers are spending more
The more money our customers spend, the more money we need to set aside as collateral for our payment network providers. This increased to £76.3m in FY2022, up from £56.3m in FY2021.

The amount due to us from payment schemes decreased to £51.5m from £91.2m in FY2021. Customer money in transit also decreased to £149.7m from £235.7m due to the timing of year end. 28 February 2021 fell on a weekend whereas this year it was a weekday, which results in lower unsettled balances.

Customers are depositing more of their money with us
Customer deposits increased to £4.4bn from £3.1bn in FY2021. We welcomed 1m new customers this year and more than 1m are using us as their main bank. Customers are holding an average of £793 in their accounts, a 21% increase from FY2021.

We raised Tier 2 debt
In March 2021 we raised £15m of Tier 2 debt; this has helped us to diversify our regulatory capital mix and shows we can raise money via debt, not just equity fundraises.

Equity – our shareholders' interest in the business

In December we raised £450m of capital from investors
Our Series H fundraise was our biggest round to date, bringing our total amount raised to £965m. This will help us to fund new products, invest in our platform and further embed ourselves in the financial lives of our customers, achieving our mission of making money work for everyone.

More capital means our Common Equity Tier 1 (CET1) ratio (a core measure of a bank's financial strength from a regulator's point of view) is higher at 155%, up from 99% in FY2021 (unaudited). 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 ratio is well in excess of our current minimum capital requirements.

Risk management in Monzo

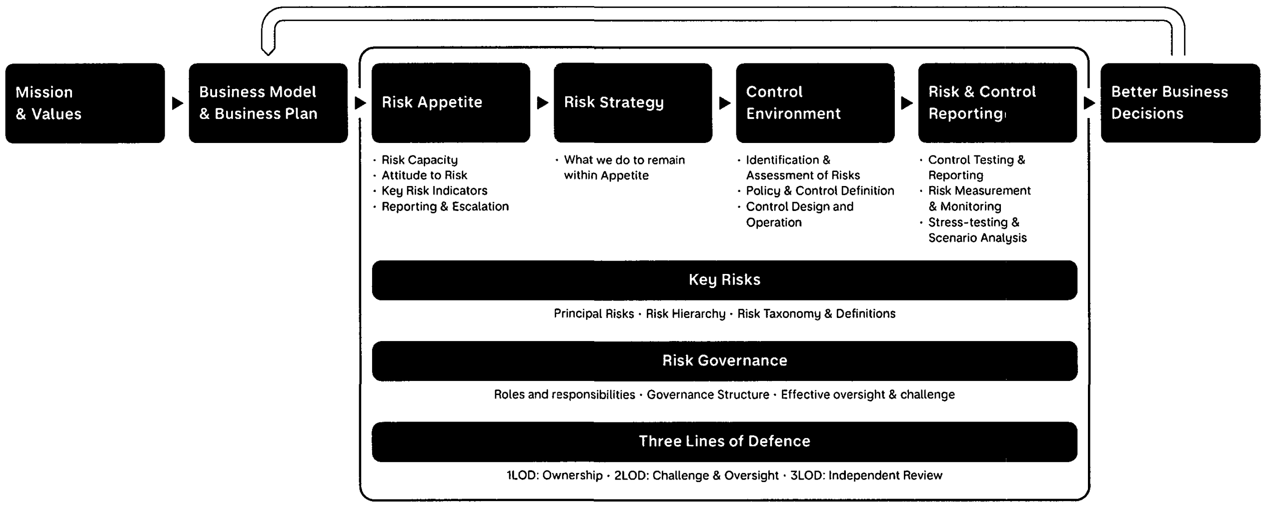
Managing risks at Monzo is all about helping ourselves to make decisions, consistently and efficiently, that put us on the path to achieving our mission of making money work for everyone.

We manage our risks using an Enterprise Risk Management Framework (ERMF)

The ERMF supports our high growth, customer-focused business objectives. It helps business leaders to make well controlled decisions by setting the minimum standards that should be applied in managing all of our risks. All Monzonauts (people who work at Monzo) are encouraged to make decisions to help us grow safely while operating within the boundaries set by the ERMF.

Our customers, our team, Board and regulators all expect us to manage our risks well. Trust in Monzo is underpinned by an ERMF that appropriately supports well-informed decisions. Our strong risk culture is supported by the spirit and wording of the ERMF.

Our ERMF has standards and practices that we follow when managing risk. It covers all elements of managing risks including identifying, assessing, monitoring and reporting. Understanding key risks gives us a clear view of uncertainties that we face, so we can decide what to do. The ERMF sets the overall culture, roles and responsibilities and tools for managing all risk types across Monzo. It's made up of the elements set out in the diagram below.



We have six key risks, each of which has:

- a risk appetite set by the Board
- its own risk framework, including how the Board wants us to manage the category
- a recognised risk committee monitoring performance
- an executive owner recorded in the Risk Taxonomy.

Our Key Risks are:

Risk type	Definition
Strategic Risk	The risk that we don't execute our business plan, or our business model isn't sustainable.
Financial Risk	The risk we do not maintain an appropriately robust financial position, including the risks that material financial losses impact our solvency or ability to meet our payment obligations.
Financial Crime Risk	The risk that we, or our products and services, are used for criminal activity, terrorist financing or to avoid sanctions.
Operational Risk	The risk of loss resulting from ineffective or failed internal processes, people, and systems or from external events.
Conduct Risk	The risk that any action, or inaction, of a Monzo colleague or individual associated with us leads to customer detriment.
Credit Risk	The risk that those who owe us money default on their obligations to pay us back.

The three lines of defence and what each one does
We adopt a Three Lines of Defence (3LoD) model to structure risk management activities for:

- clear responsibility and accountability
- effective collaboration
- efficient coordination of risk and control activities.

The 3LoD model makes sure there's a clear definition of responsibilities between the ownership and management of risk (1LoD), oversight and challenge (2LoD) and independent validation and assurance (3LoD). Each line of defence is independent of each other and doesn't rely on another for its day-to-day operation.

- First Line (1LoD) designs and runs business operations, owning and operating most controls to manage our risks to stay within risk appetite and meet regulatory requirements.
- Second Line (2LoD) gives oversight, through support and challenge of the effectiveness of risk management by 1st line, to reassure management.
- Third Line (3LoD) assures the Board on the effectiveness of controls.

Each line of defence's activities

First Line (1LoD)	Second Line (2LoD)	Third line (3LoD)
Risk and Control ownership	**Oversight, support and challenge**	**Assurance**
• Sets business objectives. • Identifies, owns and manages risks where risk appetite is breached. • Defines, operates and tests controls. • Implements and maintains regulatory compliance. • Adheres to risk frameworks. • Defines and operates in line with policy requirements. • Identifies future threats and risks. • Supports the development and embedding of a risk-aware culture. • Notifies of control failures, heightened risks and breaches of policy.	• Develops the strategy and vision for Risk and Compliance in Monzo. • Advises the Board on setting risk appetite. • Sets risk frameworks to articulate the minimum standards for risk management. • Provides expert advice on business initiatives. • Reports aggregate enterprise level risks to the Board. • Conducts independent and risk-based oversight. • Interprets material regulatory change. • Defines target state risk culture and monitors performance against aspirations. • Runs the enterprise Horizon Scanning process. • Manages regulatory relationships.	• Performs independent reviews on the effectiveness of 1LoD control and 2LoD oversight, support and challenge. • Assesses our compliance with the ERMF and application of Level 1 risk frameworks. • Assures the integrity of our risk management processes, control mechanisms and information systems.

We want to drive the right risk culture

Our values are essential to how we operate, and they influence everything from hiring, to performance reviews to projects. They're articulations of the culture in the bank. Risk culture is a subset of our values, it isn't standalone – all of the values are important in helping us to grow safely. You can find our values on page 5.

We have an established risk appetite

Risk Appetite sets the type and size of risks that we're willing to take to achieve our objectives and strategic aims. It describes and communicates the approach to risk for Monzonauts, the Board, regulators, investors and others. It sets boundaries for Monzonauts to make decisions quickly without needing extra feedback or approval. It gives freedom to Monzonauts to use their expert knowledge to help us grow safely and quickly.

It's expressed through a series of Attitude to Risk Statements (qualitative), Dos and Don'ts (prescriptive) and associated Risk Appetite Metrics (quantitative), which are aligned to our risk profile and key risks. Our Board agrees and reviews these every year.

How we oversee our risks

We've established clear risk ownership and reporting lines through our risk committees, which align with the six key risks. Each committee is responsible for monitoring our risk profile and challenging exposures across the relevant risk type in line with the Board's risk appetite.

This committee structure means we can make decisions quickly and efficiently, and escalate risk to senior management and our Board. The Board is ultimately responsible for the effectiveness of our risk management framework.

Risk type	Management	Committee oversight
Strategic risk	Executive management and the Chief Executive Officer (CEO)	Enterprise Risk and Compliance Committee
Financial risk	Chief Financial Officer (CFO)	Asset and Liability Committee
Financial crime risk	Chief Operating Officer (COO)	Financial Crime Risk Committee
Operational risk	All business functions and the Chief Technology Officer (CTO) and Chief Operating Officer (COO)	Operational Risk Committee
Conduct risk	All business functions and the Chief Operating Officer (COO)	Conduct Risk and Compliance Committee
Credit risk	Borrowing General Manager	Credit Risk Committee

Our principal risks and uncertainties

We've listed our top current and emerging risks below, with key mitigating actions. We have a consistent approach to identifying and measuring risk across all our risk categories. We identified the risks below using both a 'bottom-up' risk assessment approach and 'top-down' strategic assessment with the Executive team and the Board.

Current risks

Inherent risk description	Mitigation and control	Change in risk	Risk category
Business model and strategy			
The 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 could result in a loss of investor interest, consumer confidence and reputational damage, potentially impacting future equity raises. There's a risk that our revenue won't grow in line with plans and that costs are higher than expected, resulting in further losses. This could be because of the impact of growing inflation on the cost of living for our customers, which has been made worse by Russia's recent invasion of Ukraine; pressures from a competitive market environment; or us not delivering on actions in the business plan, like marketing or new product development. There's also a risk that growing lending will expose us to higher credit risk and larger losses from customers than we've experienced before.	Considering our ongoing losses, this remains a key risk for the bank. We explained on page 18 that in FY2023 we're focusing on our path to profitability by growing and diversifying our revenue streams with new and existing products, increasing customer engagement and growing our lending products. We've made progress on delivering our plan and key control initiatives during the year and we're confident in our business plan, key assumptions within it, and the team we have to deliver it.	Decreasing – Revenue continues to grow, but future customer growth and our ability to successfully launch new products can be impacted by many external factors.	• Strategic • Financial
Financial crime			
The risk that criminals use our products and services for financial crime, and it has a negative impact on our customers, our community, our financial position and reputation.	We recognise that inherent financial crime risk continues to evolve and increase. We've taken material steps to improve our controls, policies and operational practices this year to combat increasing threat levels as part of our Financial Crime programme. Our financial plan includes Know Your Customer (KYC) remediation costs linked to findings from the regulatory review into our financial crime control framework.	Decreasing – Our financial crime risk exposure has reduced in recognition of the material control improvements delivered. Despite this, costs have risen as the inherent threat has changed and customer numbers have increased.	• Financial crime

Inherent risk description	Mitigation and control	Change in risk	Risk category
Capital risk			
The risk we won't be able to maintain enough capital to meet regulatory requirements in the medium term.	While we have losses today and expect to have more in the short term, we have successfully raised capital during FY2022. Execution of our business plans and further fund-raising are essential to maintain capital resources above regulatory requirements, as regulatory requirements are expected to increase. We stress test our capital positions and take mitigating actions to reduce the risk, including broadening our investment base and have recently raised further capital, which has increased our capital runway. We are confident that we'll be able to raise the capital we need in the medium term to fund our planned balance sheet growth. Further detail in financial statement Notes 22 and 23.	Decreasing – The recent equity raise has improved our capital position and demonstrates that we remain attractive to current and prospective investors.	• Financial
Cyber and data loss risk			
The risk that due to increasing volume and sophistication of cyber attacks there's a data loss from external or internal threats.	We continue to improve our data management approaches and strengthen our control framework. The Chief Information Security Officer (CISO) monitors cyber threats to spot and prevent suspicious activity and we have recently appointed a new Data Protection Officer.	No change – COVID-19 and heightened geopolitical uncertainty have increased these risks, but our controls have improved.	• Operational
Business process risk			
The risk that our business processes don't operate to an appropriate standard, negatively impacting our customers, our financial position and reputation.	We continue to review and improve our customer facing processes and focus on our third party suppliers to make sure we don't negatively impact our customers. We use our Risk and Control Self Assessment process to spot process risks and associated controls needing management attention.	No change	• Operational
Customer harm risk			
The risk that our customers experience harm as a result of poorly designed products and customer experiences.	The ongoing improvement of our processes and our product and conduct risk management frameworks, and maturing conduct risk management and measurement, contribute to the more effective proactive management of customer harm.	No change – Economic pressures may result in greater potential for customer harm.	• Conduct

New & Emerging risks

Inherent risk description	Mitigation and control
Competition risk	
The risk that competition increases and/or changes, and we're unable to keep up.	We're well placed in the UK retail banking market and have continued to grow our customer base organically. We maintain a strong brand and now have 6m customers. But, we're in a competitive marketplace, competing against both traditional banks and new 'challenger' banks for retail and business customers. We think competition in our marketplace is healthy and brings out the best in us to drive for better products and services for our customers. Naturally, we expect the market will continue to evolve but we manage this risk in a few ways. • Broadening our product mix to keep existing customers and attract new ones. • Focusing on speed and quality of execution – two of our key strengths. • Reviewing competitor offerings as part of our product development process to spot opportunities to differentiate.
Regulatory risk	
The risk that the scale and pace of regulatory change continues to increase.	The regulatory environment continues to evolve, needing significant effort and investment from us. We actively engage with our regulators, industry bodies and advisors to take part in consultation processes. We also review regulatory publications to assess the implications and plan for any changes.

Inherent risk description	Mitigation and control
Climate risk	
The risk that changes to our environment impact both us and our customers.	We've analysed the impact of financial risks from the climate crisis on the balance sheet and consider the impact to be low. Because we have a small number of offices and no branches, we don't see material exposures to physical climate crisis risks, either now or in the foreseeable future. The transition to a lower carbon economy may have a more significant long-term impact, and we've added climate risk to our risk framework within the Strategic Risk category. We analyse scenarios and stress testing where appropriate. We'll continue to review our activities, their impact and the associated risks. We cover our impact on the environment and what we're doing about it in 'Our approach to the environment' on page 65.

Last year, we also noted the three further risks, which are not separately disclosed. We continue to monitor these risks closely and no longer consider them to be principal risks:

Inherent risk description	Mitigation and control
Operational resilience	
The risk that we experience platform outages and other IT issues during times of stress, resulting in us failing to deliver critical banking and support services to our customers.	We continue to monitor operational resilience closely and we have seen a significant reduction in customer-facing operational incidents. This year, we have included operational resilience within our Business Process risk.
People risk	
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 incapable, unmotivated or ineffective, or through improper conduct.	Our people are the driving force behind our success. We have an embedded approach to both attracting and keeping the talent we need to fill key roles and deliver our business plan. We have made progress in filling key vacancies and are pleased that our employee satisfaction has improved from last year. We continue to monitor this but do not consider it to be one of our most significant risks as a result of the progress made.
COVID-19	
The pandemic has had a huge effect on people's lives and the global economy. The direct impact to us is through reduced revenues from less customer spending, both at home and abroad, and credit losses through a potential increase in credit defaults.	We have carefully managed the disruption COVID-19 caused to both us and our customers. The pandemic has had a minimal impact on our operations and we've kept delivering for our customers. COVID-19 is now causing less widespread disruption, so the likelihood of it having a sustained impact on income, losses or our operations is reduced. Whilst we continue to monitor the risk, we have removed it from our list of most significant exposures this year.

Governance at Monzo

While we don't have to comply with the UK Corporate Governance Code 2018 (Code), we use it as a best practice guide for our governance standards.

Corporate governance review

This year we completed a comprehensive review of our corporate governance in line with the requirements of a Category 2 bank, which found a number of areas for improvement. As a result of the review, the Board, as recommended by the Nomination and Governance Committee, approved the following documents which came into effect on 1 March 2022.

1. Corporate Governance in Monzo (new)
This document gives a comprehensive view of corporate governance in Monzo and sets out things like the Board and Board Committee structure and the responsibilities of each, the division of responsibilities between the Chair of the Board and the CEO, directors' duties and how we maintain an effective board.

2. Matters Reserved for the Board
This document covers things which the Board needs to approve, or recommend to the shareholders or investors to approve, as well as things the Board Committee has to consider before putting a recommendation to the Board for approval.

3. Board Committee Terms of Reference
Here, we made the roles and responsibilities of the committees clearer and made sure each committee could demonstrate how it supported the Board with discharging its legal and regulatory responsibilities.

4. Board and Senior Management Suitability policy (new)
This policy sets out how we assess the suitability of the Board (including all executive directors, investor directors and other non-executive directors) on an individual and collective basis. Naturally, it takes the broader context of our business, culture and the risks we're exposed to into account. This policy also sets out how we assess the individual suitability of key function holders.

5. Board Conflicts of Interest policy (new)
This policy guides directors on how to disclose and manage conflicts of interest in line with the Companies Act 2006 and related regulation. The aim of the policy is not to eliminate conflicts of interest entirely, but set out our approach to identifying, assessing and managing directors' conflicts of interest. We also made improvements to the Board Conflicts of Interest Register.

Our Board sets our strategy and standards

It also pays close attention to our culture, values, brand and reputation. It makes sure that we understand and meet our obligations to customers, colleagues, regulators and shareholders in a way that promotes our long-term interests. It also has overall responsibility for our governance, risk management and internal control systems.

Board diversity

Our Board Diversity policy sets out our commitment to board diversity in its broadest sense, including skills, geographical and industry experience, background, ethnicity, age and gender, to name a few.

A specific aim of our Board Diversity policy is to have a board and executive committee made up of at least 40% women, which is aligned with the target we committed to as signatories of the Women in Finance Charter. We met this aim in 2021 and exceeded it in 2022: 44% of the Board and ExCo roles combined are women. This is significant progress since Dec 2019, where 30% of members were women. We're also proud that our Board Audit Committee, Board Risk Committee and Board Remuneration Committee are chaired by women.

Our Board Diversity policy also includes other objectives on the recruitment of our Board members. This is led by our Nomination and Governance Committee (Nom & Gov) and is considered on merit and against objective criteria.

- The Nom & Gov writes role descriptions which include the capabilities and time commitment required for a particular appointment.
- In line with our Board Diversity policy, we search for non-executive directors in a diverse pool and only use recruiters who've signed up to the voluntary Code of Conduct on gender diversity and best practice. This year, the Board and Executive Committee continued to use its professional network, investor network and executive search connections to create diverse and balanced candidate lists.
- When selecting board members, the Nom & Gov considers the balance of knowledge, skills, diversity and experience of the board and makes sure that candidates have enough time to devote to the position.
- The Nom & Gov also considers our Suitability Policy and relevant regulatory requirements, including the limit on the number of directorships members of the board may hold at any one time.
- Before we appoint someone, we do background checks and screen for conflicts of interest.

We believe our board has a diverse and broad set of competences, knowledge, experience and skills. To see for yourself, go to page 8–11 where you'll find a short biography for each of our directors.

Board activities in FY2022

Board meetings are an important mechanism through which the Board discharges its responsibilities, particularly in relation to Section 172 of the Companies Act 2006. During the year the Board met 15 times to review performance, strategy, risk and governance, and to oversee the work of its Board Committees.

The Board has delegated some of its responsibilities to standing Board Committees, whose members use their expertise and experience to look into subjects in detail and make recommendations to the Board where needed. During the year the Board set up ad hoc Board Committees to oversee the Series H Fundraise as well as our investment Variation of Permissions ('VoP') application.

The Chair of the Board and the Chief Executive Officer agreed all board meeting agendas ahead of time. With the respective Board Committee Chairs and the executives responsible for supporting that committee agreeing the Board Committee meeting agendas.

Only board members have the right to attend meetings. The Chair of the Board may invite other people to attend all or part of a meeting if they think it's necessary to fulfil the Board's duties.

Here's a summary of the main topics the Board reviewed and approved in FY2022.

Strategy	• becoming a profitable and sustainable bank • launching Monzo Flex • applying for a Variation of Permissions for an Investment Product • creating our Strategic Advisory Group • deciding to join the Tech Zero Taskforce • approving our Environmental Social and Corporate Governance Strategy
Finance and risk	• Series H fundraise • treasury risk appetite • appointing an external banking advisor to help with fundraising activities • quarterly reforecasts • risk management frameworks • risk appetite • share transfers
Governance, regulatory, compliance	• submitting our ICAAP, ILAAP, RRP and SWDP[1] • FY2021 Annual Report and Pillar 3 disclosures • any material contracts greater than £5m • any policies in line with the policy framework • overall engagement with our regulators • approving our Corporate Governance in Monzo document • approving our Senior Manager and Board Suitability policy • approving our Board Conflicts of Interest policy • approving changes to our Terms of Reference for the Board Committees • approving Matters Reserved for the Board • approving increasing the permitted ratio between fixed and variable remuneration from 1:1 to 1:2 • approving the Speak Up (Whistleblowing) Policy
People and talent	• appointing our CFO and executive director, and two independent non-executive directors, including Chair of Board Risk Committee
Standing board agenda items	• CEO report • CFO report and business performance • CRO report

1 ICAAP – Internal Capital Adequacy Assessment Process
ILAAP – Internal Liquidity Adequacy Assessment Process
RRP – Recovery and Resolution Planning
SWDP – Solvent Wind Down Plan

During the year the Board also did deep dives into our strategy and what success looks like for Monzo, our individual business lines, new product launches like an Investments Business, our technology strategy, our public relations and communication strategy, and our ESG strategy. These sessions give our directors the understanding they need to properly challenge these issues.

Our Board has been as present as ever this year
Board meeting attendance is shown in the table below.

Where directors aren't able to attend meetings, they're encouraged to give the Chair their views on the subject or subjects of the meeting ahead of time.

		Independent / Executive/ Investors	Meetings attended	Meetings eligible to attend
Chair of the Board	Gary Hoffman	Independent	14	14
Executive Directors	TS Anil	Executive	14	15
	James Davies[1]	Executive	6	6
Non-Executive Directors	Eileen Burbidge	Investor	15	15
	Valerie Dias[2]	Independent	10	10
	Amy Kirk	Independent	15	15
	Fiona McBain[3]	Independent	7	8
	Phillip Riese	Independent	15	15
	Keith Woollard	Independent	13	15
Former Directors	Alwyn Jones[4]	Executive	8	8
	Miles Grimshaw[5]	Investor	2	6

1 James Davies was appointed as Executive Director and Chief Financial Officer, with effect from 29 September 2021.
2 Valerie Dias was appointed as Independent Non Executive Director with effect 1 June 2021.
3 Fiona McBain had a temporary leave of absence for personal reasons between 30 April 2021 and 9 September 2021.
4 Alwyn Jones resigned as Executive Director with effect from 20 September 2021.
5 Miles Grimshaw resigned as a Non-Executive Director with effect from 20 July 2021.

Our Board Committees

To help the Board do its job and to make sure there's independent oversight of internal control and risk management, the Board delegated certain responsibilities to its committees. These Board Committees are made up of non-executive directors, with the majority of members being independent non-executive directors.

The Board has set up four standing Board Committees (i) Audit Committee, (ii) Nomination and Governance Committee, (iii) Risk Committee, and (iv) Remuneration Committee (each a 'Board Committee', together the 'Board Committees'). The Board also set up an ad hoc Board Committee to oversee the Series H Fundraise and another ad hoc Board Committee to oversee the Variation of Permission application.

During the year we updated the Board Committee Terms of Reference to reflect the requirements of a Category 2 bank which came into effect on 1 March 2022.

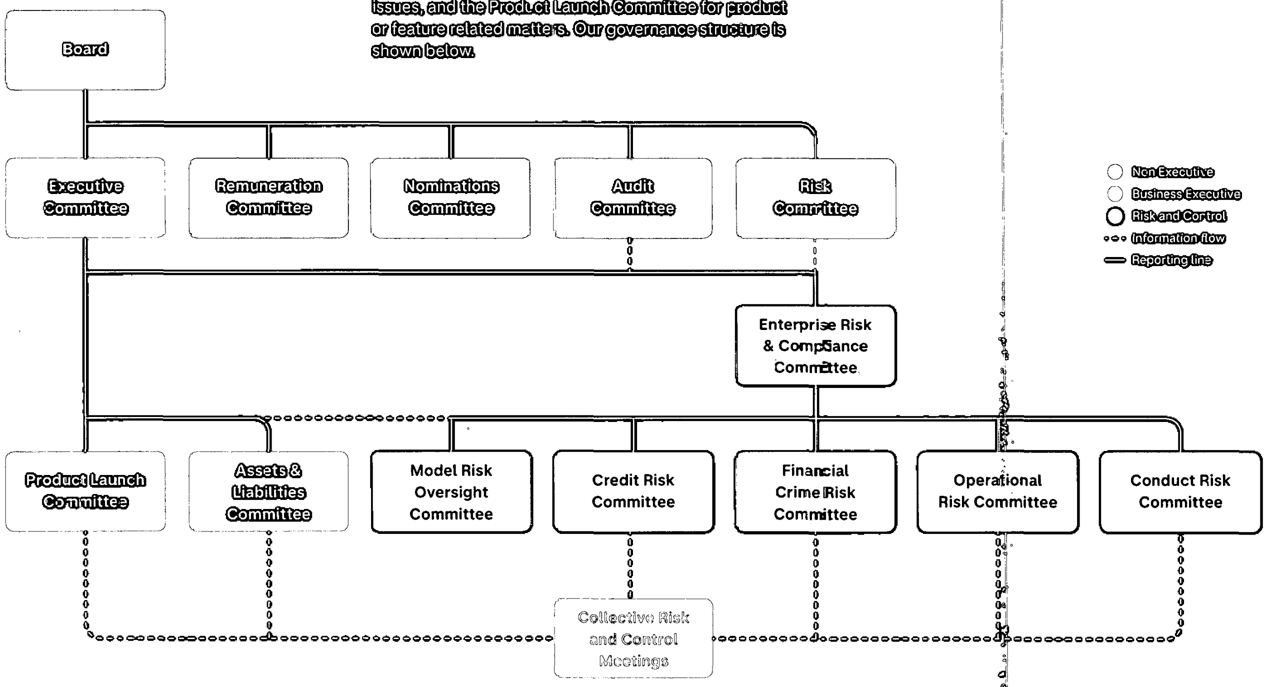
The chairs of the Board Committees give the Board updates on the matters discussed at each Board Committee meeting.

The Board is satisfied that each Board Committee has the right skills and experience to carry out its responsibilities.

The day-to-day running of the business is delegated to the CEO, who's supported by an Executive Committee (ExCo) made up of senior executives. We've outlined the ExCo's responsibilities in their terms of reference. They're responsible for developing and executing the strategy agreed by the Board, directing the organisation and discussing business performance.

Three executive committees report to ExCo: the Assets and Liability Committee for balance sheet matters, the Enterprise Risk and Compliance Committee for risk issues, and the Product Launch Committee for product or feature related matters. Our governance structure is shown below.

The Board gets written updates on Risk and Compliance matters at each meeting. These are given by the Chief Risk Officer and they include information on Board Risk Appetite performance, risk events and exposures, and capital adequacy.



1. Nomination and Governance Committee (Nom & Gov)

Role and responsibilities and main activities
Nom & Gov's primary responsibilities are to support the Board by doing the following.

- Leading the process for Board and Board Committee appointments to all companies within the Monzo Group.
- 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.
- Agreeing the process for the annual board effectiveness review.
- Overseeing the implementation of and compliance with the Senior Manager & Certification Regime at board level.

The Committee is responsible for reviewing the balance of skills and diversity on the Board. It also leads the search and appointment process for candidates with the right experience.

Key areas of focus during the year
During the year, Nom & Gov met formally six times and focused on the following key areas.

- Overseeing the corporate governance review.
- Approving a new suite of corporate governance documents.
- Considering board and executive level succession planning.
- Overseeing and recommending to the Board to approve the appointment of Valerie Dias as an iNED and Chair of the Board Risk Committee and Lizzie Runham as an iNED and member of the Board Remuneration Committee.
- Recommending to the Board to approve the appointment of James Davies as CFO and Executive Director.
- Overseeing and recommending to the Board to approve the re-appointment of Gary Hoffman as an iNED, Chair of the Board and Chair of the Nom & Gov.
- Reviewing and recommending to the Board to approve the Board Conflict of Interest Register.
- Reviewing and recommending to the Board to approve the Board Diversity policy.
- Reviewing Board Committee membership.

Nom & Gov members and attendance

Committee members	Meetings attended/ eligible to attend
Gary Hoffman (Chair)	6/6
Fiona McBain	3/3
Phillip Riese	6/6
Eileen Burbidge	6/6

Our Nom & Gov is made up of a majority of iNEDs. While only members of the Committee are eligible to attend the meeting, we give a standing invitation to the CEO and may ask non-members to attend the Committee if needed.

Nom & Gov matters
iNED Equity Participation Scheme
The iNED Equity Participation policy was adopted in relation to the iNED Equity Participation scheme. The scheme provides that each iNED can make a personal investment choice, to subscribe to Monzo shares, between 15 March and 15 April and between 15 September and 15 October each year (each an 'Investment Window').

This right to participate is not cumulative and doesn't carry forward to any subsequent Investment Window. The agreed price for the subscription will be the fair value at the time of purchase, which is determined by the share price from the latest funding round. If the Investment Window falls within a period where we're in the middle of a funding round, which did happen during the Series H fundraise, payment will be deferred until the date that the funding round closes. At which point the amount payable will be based on the new share price.

There are various safeguards in place to protect the independence of iNEDs who took part in the Scheme and to monitor the value of a participating iNEDs Monzo shareholding by reference to the materiality threshold of an iNEDs shareholdings. In February 2022, the Board considered each iNEDs shareholding in Monzo and determined there was no material conflict of interest that would impair their independence. Further details on the Board's review of non-executive director independence are provided below.

Independence

In February 2022, the Board reviewed the independence of its non-executive directors. It considered whether there were any relationships or circumstances that were likely to affect, or could appear to affect, a director's independence.

In the opinion of the Board, Valerie Dias, Gary Hoffman, Amy Kirk, Fiona McBain, Phillip Riese and Keith Woollard meet the requirements for independence and have demonstrated this in their character and judgement. Eileen Burbidge, an Investor Non-Executive Director, was deemed not to be independent due to her relationship with Passion Capital which owns approximately 20% of our issued share capital. Lizzie Runham was deemed to be independent on appointment to the Board on 1 March 2022.

We make sure our directors have enough time to commit to us

The Nom & Gov assessed whether each director is able to commit enough time to Monzo to carry out their responsibilities effectively, taking into account any external commitments they may also have.
The assessment from 2022 confirmed that all directors had enough time to properly do their duties. You can find a list of our Board's external directorships on page 8–11.

All new directors get an in-depth induction

On appointment to the Board and Board Committees, all directors are offered a tailored induction programme. The induction programme is designed by the Company Secretary in consultation with the Chair of the Board and the individual director to make sure it's tailored to their individual needs.

The induction programme includes meetings with our leadership team and other senior managers in key areas. Typical areas covered include an overview of our strategy, purpose and vision, our brand, product and markets, capital management and financial controls, risks and governance responsibilities as well as information on our people and culture.

We make sure our Board gets appropriate training and development

The Chair, with support from the Company Secretary, has overall responsibility for making sure that the directors receive suitable training to help them carry out their duties. The Nom & Gov recommends to the Board to approve an annual board training programme provided through internal meetings, presentations and briefings as well as by external advisers. During the year the directors attended training sessions on environment, social and governance, culture and conduct risk and the consumer protection landscape.

External board evaluation
The Board recognises the benefits that reviewing the effectiveness of its own performance and that of its Committees can bring, and is conscious that the actions needed to maintain effectiveness will develop over time as Monzo, the Board and best practice evolves. The Financial Reporting Council's guidance on board effectiveness recommends that the annual performance review of the Board should be done externally every three years. Because of this, the Board, on recommendation from the Nom & Gov, approved the appointment of Clare Chalmers to help with the 2022 evaluation of its own performance and that of its Committees, the Chair and individual directors.

The results of the evaluation will be presented to the Board for discussion at its 30 June 2022 meeting and will form an action plan for 2022/2023.

The Nom & Gov will oversee the implementation of the action plan and address interim updates during the year.

2. Our Audit Committee (AuditCo)

Role and responsibilities and main activities
The AuditCo's primary responsibilities are to support the Board by overseeing and reviewing:

- the integrity of our financial statements and related announcements
- the effectiveness of our internal systems of financial control
- the independence and effectiveness of the internal and external audit processes.

During the year, AuditCo met formally eight times and focused on the following key areas.

Internal Audit (IA)
- Approved the appointment of Grant Martin as Interim Head of Internal Audit, subject to regulatory approval.
- Reviewed and approved the IA plan for the year, methodology and deliverables.
- Reviewed and discussed the outcomes of internal audits focusing on the remediation plan for audits rated unsatisfactory.
- Oversaw the transition to a hybrid IA function and received regular updates on progress to establish this.
- Approved our IA charter.
- Reviewed the independence of the IA function in line with the International Professional Practices Framework (IPPF).
- Received regular updates on IA's performance.
- Received and discussed IA's report on our control environment.
- Approved the appointment of PricewaterhouseCoopers (PWC) to carry out an External Quality Assessment of the Internal Audit Function.

Financial Statements and External Audit
- Approved the External Auditor Independence policy.
- Reviewed and discussed Ernst & Young LLP (EY) 2022 Audit Plan and areas of focus.
- Oversaw reports from EY on progress of the 2022 audit, any key risk areas and material accounting and control issues identified.
- Considered our critical accounting estimates and judgments in relation to the financial statements.
- Discussed upcoming prudential regulatory changes and their impact on Monzo.
- Monitored compliance with our External Auditor Independence policy.

Impairment Loss Allowance

- Reviewed our impairment provision adequacy on a quarterly basis, specifically focusing on IFRS 9 modelling and documentation enhancements, economic forecasting, refreshing our impairment policy and the procedures supporting it, benchmarking our provisioning against industry standards, and our disclosures.

Internal Systems of Financial Control

- Reviewed and discussed the financial control framework remediation plan and progress made against it.
- Assessed the execution risk of delivering the plan and made sure that the right areas are prioritised to help strengthen our control environment.

AuditCo members and attendance

Committee members	Meetings attended/ eligible to attend
Fiona McBain (Chair)	4/4
Amy Kirk	8/8
Keith Woollard	8/8
Gary Hoffman	4/4[1]
Valerie Dias	5/5

The Board is satisfied that the committee has recent and relevant financial experience and accounting competence in our sector. The Committee also draws on the expertise of key advisers and control functions, including internal and external auditors. Both Fiona McBain and Valerie Dias are professionally qualified accountants.

While only members of the AuditCo are eligible to attend the meeting, standing invitations are given to the CEO, CFO, CRO, Head of Internal Audit and External Auditors. Other board directors often attend AuditCo and non-members may be asked to attend when needed. During the year, the AuditCo met in private with the External Auditor and Head of Internal Audit without management present.

1 Gary Hoffman was appointed interim Chair of the Audit Committee whilst Fiona McBain took a leave of absence between 30 April 2021 and 9 September 2021.

The committee considered a number of key areas when preparing for the financial statements

Key accounting and financial reporting matters, areas of significant judgements and estimates, internal and external audit that were considered are outlined below.

Area of focus	Responsibilities and actions taken
Going concern assessment	The Board must consider if it's appropriate to prepare the financial statements on a going concern basis.
	To do that, the Board and Committee considered these things: • Business performance and our path to profitability. • Developing economic issues impacting the economy and our customers. • The regulatory review and investigation into our compliance with financial crime regulation (see Note 26). • Our Series H funding round in December 2021. • Our capital requirements and fundraising plans in FY2023 and beyond. • Our confidence in those plans to raise additional capital if necessary to meet our regulatory requirements (see our Group Directors' report). Overall the Committee was satisfied that the financial statements could be prepared on a going concern basis and recommended this to the Board.
Expected credit loss and impairment loss allowance	The Committee reviewed and discussed quarterly reports on the IFRS 9 impairment loss allowance position to be confident that the level of provisioning was adequate based on our current level of credit risk and the economic outlook.
	The Committee reviewed the key judgments underpinning the calculation of ECLs and interrogated sensitivity analysis that included the economic scenarios as well as the other key judgements. The Committee also assessed the quantum of the post model adjustments and rationale.
	Supported by historical data, benchmarking against peers, performance against expectations and an independent evaluation, the Committee concluded that the impairment loss allowance (provision) of £23.7m for FY2022 is considered adequate for the level of credit risk in the portfolio and the likely macroeconomic outturn.
Impairment, provisions and contingent liabilities	The Committee reviewed several assessments related to impairment triggers on our right-of-use assets and our investments in subsidiaries. They also reviewed reports on provisions recognised and contingent liabilities covered in the financial statements, including those only considered for disclosure.
	The Committee concluded these were adequate at the balance sheet date.

Area of focus	Responsibilities and actions taken
Financial controls environment	The Committee is responsible for reviewing our internal financial controls framework (FCF) and making recommendations that protect its integrity.
	Throughout the year, the Committee received regular reports on the progress made against the FCF and how effectively it had been executed. The FCF programme completed in February 2022.
	The Committee agreed to invite an external party to check over the approach, execution and documented outcomes on completion of the FCF programme. The independent review was completed in March 2022.
	The full implementation of the FCF gives us confidence in the effectiveness of our financial control environment and will support our external auditors in considering a move from a substantive based audit to a controls based one. Through the FCF programme, the Committee has been tracking the steps being taken to address any deficiencies in the control environment.
Internal audit	The Committee reviewed the audit plan and its alignment to our key risk areas.
	The Committee also considered the key trends and material findings that came from the internal audit reports and memos, as well as reviewing the appropriateness of the actions.
	The Committee oversaw the co-sourced IA function and received regular reports from Katie Clinton, KPMG Engagement Partner.
Revenue recognition	The Committee oversees the financial reporting landscape, including reviewing specific revenue recognition matters. This year the Committee reviewed revenue recognition for new products, changes to our approach and corrections to identified issues.
Valuation of share-based payments	The Committee was updated on our approach to amortising share options, the need for a prior year adjustment and our use of external experts during the year.
	The Committee reviewed the revised approach, and key inputs underpinning the calculation of share-based payments along with sensitivity analysis to those inputs.

We safeguard our internal auditor's independence and effectiveness

In FY2022, the internal audit function continued to be made up of an inhouse IA team, led by the Interim Head of Internal Audit, supported by an outsourced team from KPMG.

Over the last 12 months, the IA function started the transition to a hybrid model with half the audit team now being in-house and the rest continuing to be outsourced to KPMG. When we see the benefits of this we'll move to a fully in-house model before the end of FY2023. It's worth saying that we'll keep a shared budget for external expertise when it isn't financially viable to bring it inhouse.

The AuditCo is responsible for assessing the independence and effectiveness of our IA function, something it does throughout the year in committee meetings, private sessions and meetings with the AuditCo chair.

AuditCo also oversee the IA's independence by:

- being responsible for the appointment and removal of the Head of Internal Audit.
- receiving annual attestation from the Head of Internal Audit that the function's independent.

The Committee reviews the performance of the IA function annually, and its assessment is made up of three parts:

1. Assessing the Internal Audit function against the International Professional Practices Framework (IPPF).
2. Feedback from key stakeholders.
3. A review of our relationship with KPMG.

In addition to the annual performance review, the Committee also approved a set of key performance indicators to measure IA's performance, which the Committee reviews quarterly. After each audit, we send a questionnaire to the auditees for their feedback on their experience.

We safeguard our external auditor's independence and effectiveness

EY has been appointed our external auditor since FY2017. As reported in last year's annual report, we were due to rotate the external audit partner in line with the professional and regulatory standards. Rhys Taylor was confirmed as the external audit engagement partner on 28 September 2021.

To safeguard the external auditor's independence and objectivity, the AuditCo adopted an external auditor independence policy. The Committee reviews the policy annually to make sure it's fit for purpose and remains compliant with the applicable rules and standards.

The policy sets out how we protect an external auditor's independence and outlines the limited circumstances where external auditors may perform non-audit services, and the steps needed to protect their independence when providing these services. We describe the non-audit services process in more detail below.

The policy includes these guardrails to make sure that EY remains independent:

- They must meet a certain set of requirements before providing a service as defined in the FRC's revised ethical standard 2019.
- They can only provide audit and audit-related services.
- We can't employ or use the services of someone who has a close relationship with the external auditor, either through employment or close family members.
- They must tell the AuditCo if there are any changes to their independence.
- The audit engagement partner and key audit partners must rotate every five years.

As well as the above, the Committee also oversees the external audit process by:

- Assessing their declaration of independence as presented in the audit plan.
- Reviewing and approving EY's terms of engagement and audit fee on behalf of the Board.
- Tendering and making recommendations to the Board for appointing, reappointing and removing the external auditor.
- Reviewing and approving non-audit services.
- Reviewing EY's management letter following the conclusion of the audit.

Each year, EY confirms that they remain independent, their terms of engagement haven't been compromised and that they've complied with the FRC's Revised Ethical Standard.

Non-audit services guardrails protect our external auditor's independence
Under the external audit independence policy, we use the following guardrails for non-audit services.

- The AuditCo chair must approve all non-audit services before external auditors can start any work, whether the service provided is a permitted non-audit service or not.
- There must be a good reason why the external auditors are the most appropriate supplier to provide the permitted non-audit service.
- The total fee for non-audit services is limited to no more than 70% of the average of the fee paid to the external auditor in the last three consecutive years for the audit.

During FY2022, our external auditors didn't provide any non-audit related services, see Note 34.

3. Our Board Risk Committee (BRC)

Role and responsibilities and main activities
The BRC's primary responsibilities are to support the Board by:

- Considering and recommending our risk appetite and tolerance for level 1 risks.
- Reviewing the management of level 1 risks in the enterprise risk management framework (ERMF).
- Reviewing our risk profile for those level 1 risks.
- Receiving and considering reports on key risk issues.
- Reviewing and monitoring the independence of, and overseeing the performance of, the Risk and Compliance functions.

During the year, the BRC met ten times, BRC's key areas of focus in respect of each level 1 risk throughout the year were as follows.

Financial Crime Risk
- Oversee and monitor the progress made on the financial crime change programme.
- Approve the Financial Crime Policy.

Credit Risk
- Oversee plans to grow overdrafts and loans in a controlled way.
- Approve the Retail Credit Risk Policy.

Operational Risk
- Review the risks involved in outsourcing our COps through our outsourcing partner, and review and recommend our Outsourcing and Third Party Risk Management Policy to the Board for approval.
- Consider recommendations from our data protection officer and oversee the Data Protection Programme's execution.
- Monitor customer complaints to understand their root cause and improve our customer service.
- Review plans to support vulnerable customers.
- Review plans to become more operationally resilient.
- Review and recommend plans to address information security risks and build a sustainable and high performing information security function.

Conduct Risk
- Approve growing our business banking product in a staged approach.
- Approve the Conduct Risk Management Framework.
- Monitor key regulatory compliance matters.

Financial Risk
- Recommend our financial regulatory submissions to the Board, including ICAAP ILAAP, Solvent Wind Down Plan and the Recovery and Resolution Plan.
- Recommend our liquidity risk appetite and Treasury high-quality liquid asset investments appetite to the Board for approval.

- Approve our Tax Policy and Tax Strategy.

Model Risk
- Approve the Model Risk framework and oversee the delivery of associated actions.

Strategic Risk
- Consider the impact of the COVID-19 pandemic on our risk profile.
- Approve our Strategic Risk Framework.

Risk Governance
- Review and recommend our new risk appetite framework to the Board.
- Review and oversee the execution of the updated ERMF.
- Assess the outcomes from our risk and control self assessment.
- Oversee liquidity, operational and conduct risk scenario testing.
- Approve the Risk Management Development Plan and Risk and Compliance Assurance Plan and oversee their execution.

BRC members and attendance

Committee members	Meetings attended/ eligible to attend
Valerie Dias (Chair[1])	6/6
Keith Woollard	10/10
Amy Kirk	10/10
Fiona McBain	7/7
Phillip Riese	10/10

Our BRC is made up entirely of iNEDs. Valerie Dias joined the BRC as a member on 22 July 2021 and was appointed as Chair of the Committee with effect from 27 January 2022.

While only members of the BRC are eligible to attend the meeting, standing invitations are given to the CEO, CFO, CRO, COO and Head of Internal Audit. Other board directors often attend BRC and non-members may be asked to attend the Committee when needed.

4. Our Remuneration Committee (RemCo)

Roles and responsibilities and main activities
RemCo's primary responsibilities are to support the Board by:

- deciding the overall compensation for the Chair of the Board, our senior executives and material risk takers
- setting the remuneration scheme and policies for everyone who works at Monzo
- 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 applicable laws, regulations and guidance
- avoid incentives for excessive risk taking and encourage effective risk management
- align colleague incentives to our long-term success
- take into account the risk management framework, liquidity and capital levels
- support the Board's monitoring of how company remuneration policies and practices support culture and strategy.

1 Valerie Dias was appointed as Chair with effect from 27 January 2022.

RemCo met nine times in FY2022, with these being its key areas of focus.

- Approving the Remuneration Policy, Remuneration Policy Statement and Malus and Clawback Policy.
- Approving the process for identifying material risk takers.
- Reviewing the options framework for executive managers and material risk takers.
- Reviewing company performance before approving option grants to material risk takers.
- Reviewing our Gender Pay Gap report.
- Assessing and approving the CEO's remuneration.
- Assessing and approving the Chair of the Board's remuneration.
- Reviewing executive directors' remuneration, taking into account clarity, simplicity, risk, predictability, proportionality and new Capital Requirements Directive V (CRD V) remuneration requirements.
- Reviewing and approving executive, key colleague and material risk taker salaries.
- Reviewing how culture and behaviours are embedded into our performance review process.
- Overseeing the Reward team's CRD V compliance project (including a review of the revised MRT identification process and approval of amendments to share and leaver option plans).
- Reviewing and approving our approach to ex-ante (pre-award) risk adjustment.

RemCo members and attendance

Committee members	Meetings attended/ eligible to attend
Amy Kirk (Chair)	9/9
Gary Hoffman	8/8
Keith Woollard	9/9

Our RemCo is made up entirely of iNEDs. While only members of RemCo are eligible to attend the meeting, standing invitations are given to the CEO, COO, Chief People Officer and VP of Reward. Other board directors often attend RemCo and non-members may be asked to attend the Committee when needed.

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 should align their long-term interests with ours. We don't 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.

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 RemCo sets remuneration of the chair and executive directors, and the chair doesn't attend any RemCo meeting where they discuss their remuneration. Non-executive director remuneration doesn't include share options or performance-related elements.

Stakeholder engagement

We engage with stakeholders and consider them in our key decisions
Our directors have a special responsibility under section 172 of the Companies Act 2006 to consider the interests of our stakeholders when making decisions. It's part of their wider duty to promote the long-term sustainable success of the company, while maintaining high standards of business conduct.

We've made sure that when matters come to the Board and Board Committees for consideration, we consider the impact any decision has on stakeholders. Sometimes decisions need us to 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.

Our key stakeholders
Colleagues (Co)
These are any full-time, part-time, distributed or office-based colleagues or contractors.

Our people drive us forward. It's because of them that we've achieved as much as we have over the last year and since Monzo was founded. It's important to both senior management and the Board that we give people an excellent experience that encourages performance.

Transparency has always been and continues to be one of our core values and we live this daily in the way we communicate as a company. We default to transparent communication on our internal communication tools, share proposals early for feedback and have an open door All Hands meeting for all of our collectives so colleagues stay informed with what's happening throughout the business. We also host regular company-wide All Hands meetings that are led by both colleagues and senior management which end with an open Q&A with our executive team. It's a great opportunity to address topics head on and candidly.

As our company grows and becomes more complex we find new ways to listen and work collaboratively with our colleagues to make Monzo better. We continue to use a quarterly engagement survey to measure our progress against specific engagement drivers and our customer operations council continues to thrive. All executives have 'office hours' where anyone can have a 1:1 meeting with them to discuss what's on their mind and we also have drop-in sessions with executives and leaders whenever we're doing something new so we can get feedback early.

We believe in a low hierarchy environment and that the more we listen to our colleagues, the better we'll be.

Over the last year we've invested in optimising the experience of working at Monzo by focusing on support and work-life harmony. You can read more in Our approach to people on page 58.

Customers (Cu)
There are now 6m people who have a UK or US Monzo account. Our focus with customers is to deliver a high quality and reliable product that's supported by the best possible customer service.

Current, past and future customers are at the heart of Monzo, and customer interest is at the forefront of every decision.

Transparency with our customers is key. We regularly keep them updated with in-app notifications and blog posts on new products and features, how to use Monzo and future plans. The past year we've also leaned more heavily on social media to engage with our customers to keep them up-to-date on what we're up to.

Third parties (TP)
We work with around 550 different third parties, made up of suppliers and partners. These third parties are based in the UK and internationally and provide a range of resources like IT platform services (for example, Amazon Web Services), IT software, marketing services and savings partnerships. We make sure to work with organisations that have values which work in the best interest of our customers and our long-term sustainability.

In 2021 we made a number of improvements to our selection, onboarding and third party management process, including Anti Bribery and Corruption and fourth party oversight.

We also updated our Outsourcing and Third Party Management Policy and operating procedures to meet new PRA regulatory standards, and we improved our internal framework for managing and overseeing our third parties (which comes into effect in 2022).

Communities we serve (CS)
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.

As a company we engage with our community regularly, through our blog, user testing and our forum.

In 2020 we started our social programme, bringing together the work we do to make sure we're an ethical business, to support the communities we're part of and to give extra support to customers who need it. We continued to build on that work this year by improving support for customers with mental health problems, and extending the coverage of our gambling block.

Last year, we launched a campaign asking the Government to make sure that every bank customer in the UK has access to a gambling block on their account, regardless of who they bank with. For more information on this campaign and other initiatives see the Our Community and Social Matters section on page 62.

Environment (E)
We look at the impacts of running our business on the environment and the climate crisis and how we can mitigate them.

We've set an ambitious goal to reach net zero emissions by 2030. We've measured and reported on our carbon footprint, taken action to reduce our emissions, and purchased our first carbon removals. We have a member of the executive and member of the Board responsible for overseeing our environmental work, and encourage our colleagues to be environmentally friendly. Please see more information on our environmental work in the section called Our approach to the environment on page 65.

Shareholders (SH)
Anyone who owns Monzo shares, from venture capital and crowdfund investors to former and current colleagues.

We have one investor non-executive director on our Board (with one investor director seat currently vacant), representing our largest investor.

Our CEO, Chair and other Board members meet or speak with our major shareholders regularly.

In March 2021 we also set up a Strategic Advisory Group to allow the executives and board representatives to engage with our lead investors on our strategic developments, business plan and performance. Our investor relations team manages relationships with our shareholders on a day-to-day basis.

Regulatory bodies (RB)
As a regulated bank, we have two main financial services regulators in the UK: the Financial Conduct Authority (FCA) and Prudential Regulation Authority (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), Financial Reporting Council.

We're committed to an open and collaborative relationship with our regulators and we support this through a centralised 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.

Our Board considers key stakeholders in all of its key decisions

Here are some of the decisions the Board made this year which demonstrate how key stakeholders have been taken into account.

Joining the Tech Zero Task Force (Co) (Cu) (E) (CS) (RB)

The Board approved a proposal for us to become a member of Tech Zero, a group of tech companies working together to accelerate progress to net zero.

The Board considered management's proposal for becoming a net zero company by 2030. The Board was supportive of this, having reflected on how targets and commitments would support the progress of our strategy and aspiration to be a socially responsible business.

In reviewing this proposal, the Board considered the expectations of our customers and colleagues who care about what we're doing to protect the environment. The Board also considered the view of our regulators and the important role financial services have to play in transitioning to a more sustainable future.

Launching Monzo Flex (Cu) (CS) (RB) (SH)

We created Monzo Flex in pursuit of our mission to make money work for everyone. We pride ourselves on offering customers a transparent and flexible way to borrow money that helps them to feel in control at all times. You can read more about Monzo Flex on page 21.

The Board first considered management's proposal to launch Monzo Flex in March 2021. The Board oversaw the development of Monzo Flex making sure the views of our stakeholders, particularly our customers and regulators, were understood and reflected in the development of the product.

The Board initially approved a pilot launch of Monzo Flex in September 2021. During the pilot stage the Board received regular updates on the performance of Monzo Flex and considered customer outcomes and regulatory feedback which informed the development of the product.

The Board considered a proposal from management to go ahead with the full launch of Monzo Flex in February 2022. The Board carefully considered the risks and customer harm assessment associated with Monzo Flex and determined that Monzo Flex met customer needs for responsible lending. They also agreed that it supported our mission of making money work for everyone.

Series H Fundraise (Co) (Cu) (SH) (TP) (RB) (CS)

The Board approved the decision to raise £450m by issuing new shares as part of the Series H fundraise.

Our Series H fundraise was our biggest round to date and will help us achieve our strategic objectives, fund new products, invest in our platform and further embed ourselves in the financial lives of our customers, achieving our mission of making money work for everyone.

Please refer to the section on board activities in FY2022 for further information on the decisions taken by the Board during the year on page 38.

Non-financial reporting statement

We're 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. 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
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 has a voice.	Our approach to people, page 58. 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, page 62. Vulnerable customers policy. Financial difficulty policy. Accessibility statement.
Environment	We've built a bank with lower greenhouse gas emissions than the high street banks. But, our operations still contribute to the global climate crisis. As one of the fastest growing banks in the UK, we recognise that our carbon footprint will grow rapidly if we don't make a conscious effort to reduce it. We've measured and reported on our carbon footprint and are developing a plan to reduce our footprint, as well as a net zero goal. We've also joined forces with other leading UK tech companies by becoming a member of the Tech Zero Taskforce.	Our approach to the environment, page 65, and our environmental and climate risk policy.

Reporting requirement	Description	References and policies
Anti-corruption and anti-bribery	Preventing 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.	Respect for human rights, anti-bribery and anti-corruption, page 72.
		Outsourcing and Third Party Risk Management Policy.
		Anti Bribery and Corruption Policy.
		Market Abuse Policy.
		Whistleblowing Policy.
		Financial Crime Policy
		Gifts & Entertainment Procedure.
Human rights	Our commitment to human rights and the ethical treatment of our colleagues, suppliers and customers is aligned with our core values. We published our Modern Slavery and Human Trafficking Statement in September 2021 and we continue to develop our policies and procedures to provide a framework that strengthens our approach to human rights.	Respect for human rights, anti-bribery and anti-corruption, page 72.
Description of our principal risks and impact of our business activity		Our current risks, page 32.
Description of our business model		Business model and strategy, page 18.

Our approach to people

Our mission is to make money work for everyone and the People Collective exists to support it, by creating an environment that helps people to do the best work of their lives.

We want to create a space that 'helps everyone belong' and because of the pandemic, we spent a lot of time this year revising how we adapt our people policies to better suit our team. We aimed to "think big, start small, own it" while making sure that we grow in the best way.

Returning to the office

As restrictions eased, we were able to welcome colleagues into our new HQ for the first time. Even before the pandemic, we were a flexible workplace with many teammates working remotely. Finding our 'new normal' meant doing a lot of what we'd been doing for a while – a hybrid work environment that's focused on flexibility for individuals. People could choose to come into the office if they liked, or to work from home. It was completely up to them to choose what they were comfortable with.

We drove our eNPS (employee Net Promoter Score, a measure of how likely your team are to recommend you as a place to work) to a score of 50, putting us in the top 25% of the Technology industry. We achieved this by investing increased effort into goal setting and tracking achievement in line with colleague feedback. We also credit our culture of transparency, clear internal communication and acting on colleague feedback as key reasons for Monzonauts scoring us so highly.

Diversity and inclusion

In 2021, we added non-identifiable demographic reporting to our Applicant Tracking System (ATS) so we could make data-based decisions on how to make our roles and hiring process more inclusive. This has already given us key insights that will allow us to increase representation and make measurable improvements.

Everyone should feel included at work, and so we continue to release a quarterly anonymous engagement survey, specifically asking questions to understand how people feel at Monzo. This paints a clear picture of engagement and inclusion that we can measurably track over time, and creates a helpful feedback loop between us and our colleagues.

We also use Slack (our internal messaging tool) as a platform to encourage discussion, share events and promote inclusion. We have several community-run groups such as #pride, #black-monzo and #neurodiversity that are open to all Monzonauts and are active forums filled with supportive, helpful conversation.

We didn't include our diversity and inclusion information in last year's annual report because we were changing how we collect it to make it more meaningful and complete. You can find more details in our 2021 Report which shows progress from our 2020 Report and actions we've taken.

Investing in our team

Everyone should have the support that they need to progress their careers – whether that's moving into a different field, or breaking through to the next level of their chosen path.

In 2021, we launched our COps (customer operations) Engineering Sponsorship programme to overcome the financial barriers associated with a move into engineering and to encourage internal mobility. The programme offers two individuals from our COps team access to an immersive software engineering course, with the offer to hire them as full-time junior engineers in the Borrowing Collective once they've completed the course.

Hiring engineers with customer operations experience is of course extremely valuable to us as well as the individuals, as they've worked closely with our customers and have a deep understanding of their needs. In the end, our candidate pool was so strong that we sponsored three people for the programme, placing two people in Borrowing and one person in Financial Crime (FinCrime).

Making a difference

Last year, we became the first bank in the UK to introduce dedicated policies of additional paid leave for colleagues who suffer from pregnancy loss or who are undergoing fertility treatments.

Colleagues who suffer from pregnancy loss for any reason now get up to ten days additional paid leave. This includes colleagues who are partners or surrogate mothers, recognising that pregnancy loss doesn't just affect women or heterosexual partners.

We hope that us offering this to Monzonauts inspires other companies to update their own policies to better support those going through pregnancy loss.

To mark our 7th anniversary we wanted to reward the colleagues who've been working hard to build a better bank for so long. So, we introduced fully paid sabbaticals for all Monzonauts who have been with us for over 4 years. Our colleagues can take up to 3 months away from work to do whatever makes them feel the most fulfilled, whether it be learning a new skill, pursuing a big life event or exploring new places.

Our People policies

Policy	Summary	Due diligence
People	Our People policy outlines our approach to making sure we have a high performing team that's motivated and professionally fulfilled. The policy is there to address people risk. That's 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 incapable, unmotivated or ineffective, or through improper conduct.	See individual policy due diligence below.
Health & Safety	This policy sets out our high-level approach to Health and Safety to protect the health and safety of our colleagues and any visitors to our offices.	We appoint and train first aiders, mental health first aiders and fire marshals. For all new joiners, 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 and we don't provide 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.
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 determines 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 and have an escalation process in place for failed checks.
Remuneration	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 December 2021.	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 practices they don't consider to be compliant.

Diversity and inclusivity

Metric	FY2021 Q1	FY2022 Q4
Staff who identify as LGBQ+[1]	FY2021 Q1* 23.8%	FY2022 Q4† 21.8%
Women[2] overall	45.5%	47.3%
Women[2] in leadership positions	FY2021 Q1* 34.3%	35.0%
Women[2] in technical roles	21.9%	22.7%
People of Colour[3] overall	20.7%	21.7%
People of Colour[3] in leadership positions	15.2%	21.7%
People of Colour[3] in technical roles	17.1%	26.2%

* April 2020

† December 2021

1 This is a sexual orientation data point; we collect trans identity and gender identity data separately.

2 Refers to all women i.e. all people who identify as women.

3 Refers to all people identifying as Black, Asian, Mixed or any other non-white ethnic group (People of Colour).

Our community and social matters

Our responsibilities as a company go well beyond our mission. They extend to how we support our team and create a working environment where everyone belongs, our support for the communities we operate in, and finally, our impact on wider society.

As we grow, it's crucial we embed our goal to be an ethically and socially responsible bank into the fabric of our business. As a result, we've spent time this year creating a new Environmental, Social and Governance (ESG) strategy so that at every level, we do the right thing by our customers, our team and our community.

We're focused on making simple, practical changes that support people, and we'll judge our efforts using independent standards where possible. We also work in partnership with charities and other organisations to campaign for the change we want to see, whether it's protecting the environment, or promoting financial inclusion. Part of our social programme is our approach to the environment, which you can read about in Our approach to the environment, on page 65.

Recognising the impact money has on mental health

People with mental health problems are three and a half times as likely to be in problematic debt. Last year, we pledged to improve our training and customer support to better support our customers with mental health problems. Since then, our Vulnerable Customers team has rolled out training at every level of the business, starting from the top.

These changes are grounded in the review that the Money and Mental Health policy Institute conducted on our practices. Our Vulnerable Customers team has provided bespoke training for our senior leadership and our product teams to make sure they have the information and skills needed to consider the impact of new products and features on all of our customers. We've also rolled out new training for our customer support teams so our customers are properly supported when their mental health is impacting their finances.

Pushing for UK-wide gambling reform

In 2018 we became the first bank to introduce a gambling block after customers told us they wanted help controlling their gambling addictions. Since then, more than 400,000 customers have turned the gambling block on, with less than 10% of people later choosing to turn it off.

The Government is currently reviewing the Gambling Act, so last February, we joined forces with top NHS clinicians, academics and gambling harm reduction charities to push for change. We called on the Government to use the Gambling Act to help everyone in the UK access gambling blocks no matter who they bank with, how they gamble, or how they pay. Nearly 1,000 people signed our open letter to the Government, and in March our campaign was joined by the All Party Parliamentary Group for Gambling Harms, a cross-party coalition of MPs dedicated to securing gambling reform.

Together, we're calling on the Government to do these things.

1. Make all UK bank account providers offer a friction driven, card based gambling block.
2. Mandate gambling firms to put their bank account details on a central registry so banks and other providers can extend their gambling blocks to bank transfers made to gambling companies as well as card payments.

3. Work with gaming firms to find a way to differentiate and identify loot box transactions from typical gaming purchases, so gamers can choose to block these transactions as part of existing gambling blocks.

Since then, we've appeared in front of Parliament on multiple occasions to make the case that everyone who wants to have access to a gambling block should have one – no matter who you bank with, or how you pay. You can find more information about the campaign on our website.

Extending our gambling block

Most of the gambling blocks on the market today work by blocking card payments to specific 'merchant category codes', assigned by card schemes (like Mastercard or Visa). These codes let the bank know what type of business their customer is trying to pay before they send the money.

Last year, with more and more gambling providers switching to convenient, open banking powered payments, we teamed up with TrueLayer to pilot an innovative extension to our gambling block, offering the same protections for customers using these new payment methods to gamble.

This year, we scaled the open banking powered gambling block so that any Open Banking provider can integrate. We're already talking to other open banking firms to extend the coverage, but most importantly, we hope that it'll lead to all other banks with a block adopting our approach.

Supporting paid miscarriage leave for all

At Monzo, we believe we have a responsibility to our team to create an environment where everyone can bring their whole selves to work. A crucial part of that is creating a workplace that effectively supports all our team members.

Last year, we became the first bank in the UK to introduce dedicated policies of additional paid leave for colleagues who suffer from pregnancy loss. These policies have been overwhelmingly welcomed by our team. With one pregnancy in four ending in miscarriage[1], we believe it's crucial that more support is needed from employers. As such, we're proud to support the efforts of a number of backbench MPs across the country to introduce paid miscarriage leave.

Donating laptops to UK schools

Over the last few years, the pandemic has meant that many school children have had to adapt to a mixture of online and in-person learning environments. But, not everyone has easy access to computers, high speed internet or the other resources that children need to learn effectively in a remote setting.

So a year and a half ago, we started an initiative to donate our spare laptops to schools in our local area. We did this in partnership with the charity Open Palm, who are on a mission to empower people to succeed regardless of their ethnic background. They do this by delivering educational life-skills programmes, improving learning environments and addressing racial inequality. With their help, we've now donated over 70 computers and monitors to schools in our local area that need them most.

1 Source: Hansard

Social policies and statements

Policy	Summary	Due diligence
Vulnerable Customers	This policy aligns with the FCA Guidance for firms on the fair *treatment of vulnerable customers* and covers our approach to understanding the needs of our customers, how we support our staff, our approach to product and service design, communications and how we monitor and evaluate these approaches. This helps us identify and support customers who are more likely to have difficulties managing their money or interacting with us, so we can give them the best experience possible.	We regularly review these things: — Customer support interactions to make sure we're providing a tailored and flexible service to customers with additional needs. — Our guidance and processes to make sure they're helping us spot signs of vulnerability in the best way and meet the needs of our customers. — Trends to understand where we can focus our efforts and drive initiatives to improve our product and service design.
Financial Difficulty	This policy covers how we support customers that owe us in a way that's fair, transparent and focused on delivering good customer outcomes.	We regularly review these things: — 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.
Accessibility Statement	For us, accessibility applies to both physical and mental health as well as wider circumstances. We want everyone to be able to access our services.	We've mapped out our responsibilities in line with the Equality Act 2010 and we have committed to making improvements to our approach to accessibility this year. We've worked with the Money & Mental Health Policy Institute on their Mental Health Accessible Lite Programme to understand where we can make improvements to our services and products.

Our approach to the environment

Everyone has their part to play in the battle against the climate crisis. Businesses have a responsibility to act and to take decisions that will support a sustainable, low carbon future. Scientists say that we need to halve global greenhouse gas emissions by 2030 and get to net zero by 2050 to avoid the worst impacts on the environment. According to the Intergovernmental Panel on Climate Change, failing to drastically reduce emissions this century will negatively impact ecosystems, communities and economies around the world.

We've built a bank with lower greenhouse gas emissions than the high street banks.

Not having branches means we avoid the emissions associated with running a large network of buildings. But, our operations still contribute to the global climate crisis. As one of the fastest growing banks in the UK, we recognise that our carbon footprint will grow rapidly if we don't make a conscious effort to reduce it. It's our responsibility to eliminate our carbon footprint and take care of our planet.

We want to show that banks can and should be a force for good in helping the world get to net zero emissions. That's why we've set ourselves an ambitious goal of reaching net zero emissions by 2030, and if we can get there sooner, we will.

Building our climate programme

Last year we focused on understanding our environmental impact by setting our net zero goal, measuring and sharing our carbon footprint for the first time, and committing to not directly investing customer deposits in fossil fuel based energy companies. This year we've focused on taking action to help tackle our carbon footprint through measures to reduce our emissions and by purchasing our first carbon removals. We've also created an Environmental and Climate Risk policy. You can find more information about our footprint and the actions we've been taking on our website[1].

Getting to net zero emissions by 2030

We'll get to net zero by reducing the emissions in our carbon footprint as much as possible, including emissions from our supply chain. We now gather information about our Third Parties ESG plans such as commitments towards net zero emissions. We have been engaging with our supply chain to better understand their environmental goals and how we can work collaboratively to reduce our impact on the environment. To eliminate the environmental impact of any emissions that are left, we'll fund projects to remove the equivalent amount from the atmosphere. This year we've taken action on both reductions and carbon removals. We've also created an environmental policy to embed these commitments in our business.

1 The data we show below on our 2020 footprint is different from last year's annual report. Watershed updates its methodology to reflect the latest science, so we've also updated our historic data to make sure it's as accurate as possible.

Making our environmental impact transparent and understandable

The language used to describe the climate crisis and environmental policies can be complicated and difficult to understand. So like everything else we do at Monzo, our approach is to be simple and transparent, so that everyone can understand it and engage with it.

We've committed to 3 key things:

1. Measure and report our emissions in full and to a market leading standard
We'll always publish our full carbon footprint on our website, including scope 1, 2 and 3 emissions. Scope 1 covers things that we own that directly emit greenhouse gases into the atmosphere. Scope 2 covers the electricity that we buy, which generates greenhouse gases while being produced. Scope 3 refers to emissions incurred by suppliers of goods and services provided to us.

Scope 3 emissions represent almost all of our carbon footprint, so it's critical that we measure them comprehensively.

2. Set climate targets that reflect our whole carbon footprint
We'll set targets that are easy to understand and measure, and won't hide our progress by only using some aspects of our carbon footprint. Our commitments will apply to everything in scope 1, 2 and 3 of our footprint. We won't attempt to limit our measurement to hide the true impact of our emissions, for example by removing things like payment processing.

3. Keep customers updated on how we invest deposits
We believe the best way to give you confidence in what we do with your money is to tell you exactly how we use your deposits. Anyone can find that information on the business practices section of our website.

Partnering with Watershed

To help us build our environmental programme, we've partnered with Watershed, a software company that helps businesses understand and reduce their emissions. Watershed measures our carbon footprint in line with industry-leading protocols, and helps us reduce and remove our emissions. We chose to work with Watershed because of their industry-leading analytics software, carbon measurement capabilities, and track record helping fast-growing technology and financial services businesses develop net zero plans.

Actions we've taken this year to reduce our environmental impact

As of December 2020, when colleagues book business travel using our travel booking provider (TravelPerk) we automatically offset the emissions from that travel.
In 2021 (calendar year) we generated 264 tonnes of CO_2 equivalent emissions (tCO_2e) from colleague travel, which was about 2.11% of our total carbon footprint. So, we've started using a feature called GreenPerk, provided by TravelPerk.

Whenever Monzonauts travel, GreenPerk calculates the emissions generated and automatically purchases equivalent offsets certified to UN standards. They include forest preservation in Cambodia, biogas capture in Thailand, and hydroelectric power in Turkey.

Our London and Cardiff offices now run on electricity from renewable energy sources (sometimes called clean power), eliminating those emissions from our footprint.
We have offices in London, Cardiff and San Francisco and collectively, the electricity used to power our offices in 2020 generated 204 tCO_2e, which was about 2.18% of our total carbon footprint.

London and Cardiff are by far the biggest proportion of our electricity usage. That change is already reflected in a lower amount of office electricity emissions in 2021, at 37 tCO_2e. Even though we're using electricity from renewable sources, there are still some emissions that result from electricity transmission and distribution loss (as the electricity reaches us using the grid). We've included those emissions in our footprint.

We've purchased our first carbon removals so that the emissions associated with making, shipping and spending on your Monzo card are now net zero.
In 2021 we produced and shipped 3.38 million debit cards, generating 508 tCO_2e. But those aren't the only emissions associated with our debit cards. Networks that move money use energy and emit carbon dioxide. We wanted to capture those emissions in our carbon footprint, and we think it's important that other banks do the same. In 2021 we estimated that these card-related network emissions were about 757 tCO_2e.

Working with Watershed, we've purchased our first carbon removals, specifically reforestation removals in Kenya, from The International Small Group and Tree Planting Programme, TIST. We're removing at least the same amount of emissions from the atmosphere as we generated from the card emissions described above. This purchase covers our card emissions for 2021, but we'll make removals purchases to cover these emissions every year from now on.

We're a member of the Tech Zero Taskforce and the Priceless Planet Coalition.
Last year we joined forces with other leading UK tech companies by becoming a member of the Tech Zero Taskforce (Taskforce). The Taskforce has brought together tech companies through shared commitments for environmental goals, including net zero.

This year we're proud to have joined Mastercard's Priceless Planet Coalition, which has the goal of restoring 100 million trees by 2025. The trees that we plant as part of our reforestation efforts will count towards the coalition's overall goal.

Our carbon footprint for the calendar year 2021

This is the second time we've measured our carbon footprint. We share the high level data later, but a more detailed breakdown is available on our website. We've used calendar year, rather than financial year data to measure our emissions. As such the data in this report covers the calendar year period of 1 January 2021 to 31 December 2021.

Our total gross emissions for 2021 were 12,460 tonnes of carbon dioxide equivalent, or tCO_2e. After deducting emissions that were covered by the carbon removals we purchased, net emissions for 2021 were 11,195 tCO_2e. The graph on the next page gives a high level breakdown of our gross emissions by category. The way Watershed measures our carbon footprint is consistent with the Greenhouse Gas (GHG) Protocol promoted by the World Resources Institute and the World Business Council for Sustainable Development.

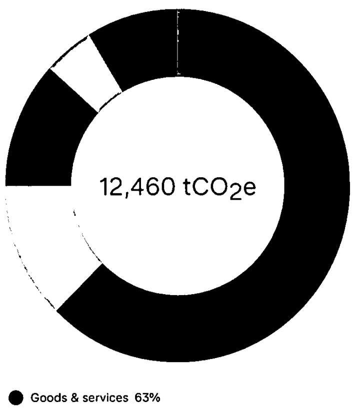
Emissions by category 2021 (calendar year)
The table on the next page shows each category of 2021 emissions in tCO_2e and as a percentage of total emissions.

The category named 'other' contains a range of emissions that are harder to categorise. To give more context, the largest components of that category are:

1. **Card Manufacture and distribution:** 508 tCO_2e
2. **Marketing:** 272 tCO_2e
3. **Travel:** 264 tCO_2e

Under the GHG Protocol, the majority of our emissions (99.9%) fall under Scope 3. A total of 0.1% of emissions fall under Scope 1, and less than 0.1% of emissions fall under scope 2 (these are from electricity usage in our San Francisco office). This reflects the nature of our business model, as an app-only, digital service bank.

Scope 1 emissions are a result of activities owned or controlled by us that release emissions into the atmosphere. They're known as direct emissions. Scope 2 emissions are those released into the atmosphere associated with our consumption of purchased electricity, heat, steam and cooling. These are indirect emissions that come from our activities, but happen at sources we don't own or control. Scope 3 emissions come from our actions which happen at sources we don't own or control and aren't classed as Scope 2 emissions. They're typically from our supply chain.



By comparison, our overall emissions for the calendar year 2020 were lower, at 9,333 tonnes of carbon dioxide equivalent, or tCO_2e. In 2019 (which gives a better reflection of the situation before the pandemic) our overall emissions for the calendar year were slightly lower, at 12,430 tCO_2e.

We also measure our emissions intensity. This measure shows the amount of tCO2e that we emit for every £1m of revenue that we earn. As we continue to grow as a business, our overall carbon footprint is likely to continue to increase before reducing as we get closer to 2030. Emissions intensity is an important way for us to measure progress, as it shows if we are reducing the emissions per unit of revenue, as we grow.

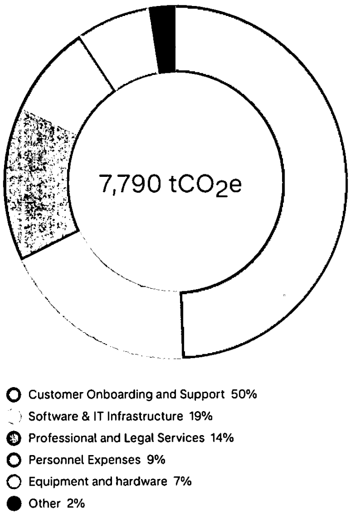
In 2021 our gross emissions intensity was 91.9 tCO_2e per £1m of revenue, down from 117.1 tCO_2e per £1m of revenue in 2020. After deducting emissions that were covered by the carbon removals we purchased, our net emissions intensity ratio for 2021 was 83.8 tCO_2e per £1m of revenue.

Emissions category	tCO_2e	Percentage of total emissions
Goods & Services	7790	62.52%
Offices	1556	12.49%
Payment Processing	757	6.08%
Cloud	709	5.69%
Colleagues	603	4.84%
Other	1045	8.38%

The category called goods and services makes up the majority of our footprint. To give more context, the chart below shows the sub categories covered under goods and services.

The category named 'other' contains a range of smaller emissions that fall under goods and services. To give more context, the largest components are:

1. **Insurance:** 67 tCO_2e
2. **Product development and user testing:** 22 tCO_2e
3. **Miscellaneous expenses:** 14 tCO_2e



Streamlined Energy and Carbon Reporting (SECR) GHG emissions and energy use data for period 1 Jan 2021 to 31 Dec 2021

Below is our SECR Report, this sets out some specific aspects of our carbon footprint which we have to report on each year. The SECR requirements focus on a smaller subset of our carbon footprint, compared to our total carbon footprint shared above, which includes all of our scope 3 emissions.

The table on the next page shows our energy use and associated GHG emissions for the calendar year 2021. Specifically, our energy usage in Kilowatt Hours (KWH) converted into tCO2e, and emissions intensity ratios.

Because most of our emissions are scope 3, we've also included the emissions intensity ratio for our whole footprint in the table.

	Jan–Dec 2021		Jan–Dec 2020	
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Energy consumption used to calculate emissions	1,124,177 kWh	6,236 kWh	1,117,152 kWh	44,864 kWh
Emissions from combustion of gas (Scope 1)	11.8 tCO_2e	0.7 tCO_2e	0.0 tCO_2e	1.7 tCO_2e
Emissions from combustion of fuel for transport purposes (Scope 1)	0.0 tCO_2e	0.0 tCO_2e	0.0 tCO_2e	0.0 tCO_2e
Emissions from business travel in rental cars or colleague-owned vehicles where company is responsible for purchasing the fuel (Scope 3)[1]	1.8 tCO_2e	0.0 tCO_2e	0.0 tCO_2e	0.0 tCO_2e
Emissions from purchased electricity, heat, steam, and cooling (Scope 2, location-based)	463.6 tCO_2e	0.5 tCO_2e	492.7 tCO_2e	10.5 tCO_2e
Total gross tCO_2e based on above fields	477.2 tCO_2e	1.2 tCO_2e	492.7 tCO_2e	12.2 tCO_2e
Intensity ratio: tCO_2e per £ million of revenue based on the above fields		3.53		6.34
Intensity ratio (gross emissions): tCO_2e per colleague based on the above fields		0.27		0.35
Intensity ratio (gross emissions): Full scope 1, market-based 2, and 3 tCO_2e per £ million of revenue		91.9		117.1
Intensity ratio (net emissions): scope 1, market-based 2, and 3 tCO_2e per £ million of revenue		82.6		117.1

1 The data for this category was not available for 2020. The impact is deemed immaterial due to minimal travel of this type during the pandemic. The data was available for our 2021 footprint measurement.

Energy efficiency actions taken in the last year	This year we've focused on our energy usage from office space. Our London and Cardiff offices now run on electricity from renewable energy sources (sometimes called clean power), eliminating those emissions from our footprint.
Methodology	Emissions were calculated following the GHG Reporting Protocol (Corporate Standard) using the Watershed platform. Energy usage data was collected or estimated based on building square-footage for all facilities, and was combined with emissions factors from the US EPA, Ecoinvent, TCR and other data sources to calculate GHG emissions. Electricity emissions factors are chosen based on geography to reflect the emissions intensities of the facilities' local grid. In our report, we use the market-based Scope 2 emissions numbers, while the SECR report requires location-based Scope 2 emissions. The location-based method reveals the intensity of the local grid area where the electricity usage is, while the market-based method shows emissions based on the electricity that the company purchases (such as clean energy).

Our environmental policies

Policy	Summary	Due diligence
Environmental & Climate Risk	This policy makes sure that we're meeting our responsibility to fight the climate crisis, by understanding and mitigating our impact on the environment. Specifically, to meet our goal of reaching net zero emissions as a business by 2030.	We have an accountable executive and Board member for our environmental work. Our Enterprise Risk and Compliance Committee approved the policy in February 2022. We'll report to our accountable executive and Board member on progress against our environmental goals every six months.

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

Financial crime impacts the lives of everyday people worldwide, and we take tackling it seriously. We have a moral and social responsibility to detect and prevent bribery, corruption and human rights abuses. This includes senior management setting a culture and a zero-tolerance approach to bribery and corruption and human rights violations.

It is everyone's responsibility at Monzo to prevent financial crime

We're committed to preventing financial crime and have clear lines of internal accountability, responsibility and reporting in place. This year, we've spent time further enhancing and embedding our Anti-Bribery, Financial Crime policies and Financial Crime framework.

What we've been doing to mitigate the risk of Bribery and Corruption

We completed an anti-bribery and corruption systems and controls assurance review to check they're working as expected. This led to a number of improvements to strengthen our controls with the majority of these now completed. We'll continue to invest in and develop this area to make sure the bank, our colleagues and society in general are protected.

To make sure that we're tackling bribery and corruption risks across the board, our Anti-Bribery and Corruption policy is supported by our:

- Conflicts of Interest policy
- Whistleblowing policy
- Outsourcing and Third Party Risk Management policy
- Market Abuse policy
- Financial Crime policy
- Gifts & Entertainment Procedure

We completed a Bribery and Corruption risk assessment to make sure we understand the risks
During the last year we developed and completed our latest version of the new financial crime risk assessment which considered the risk of bribery and corruption specific to Monzo. The risk assessment found the following things:

- The inherent bribery risk we face is low.
- Our controls provide some mitigation to this risk with some already recognised improvements underway.
- The residual bribery risk is very low.
- Ongoing work in response to previous assurance findings, together with deliverables under the FinCrime Change Programme (for example, mandatory training improvements), is driving improvements across our FinCrime control framework.

We've made sure all colleagues are aware of the risks and what each of us needs to do
Everyone at Monzo completes annual training on anti-bribery and corruption as part of the gifts and entertainment module and other targeted financial crime related training material. We've reviewed and improved all mandatory financial crime related training to make sure all our colleagues have the most up to date information relevant to the risks we face as a business.

To keep preventing and spotting bribery and corruption front-of-mind, we send regular company-wide communications to remind Monzonauts of their responsibilities when giving or being offered a gift or entertainment. In support of this, we've introduced risk appetite statements covering anti-bribery and corruption with supporting metrics to further stress our no-tolerance approach.

We check that third parties are reputable and share our values
Any third parties we choose to work with must comply with all applicable laws, regulations and standards, and confirm that that they (or any associated party) haven't been involved in human trafficking or slavery activity as defined by the Modern Slavery Act 2015. We assess this risk as part of our Third Party Onboarding and Oversight procedures, which are underpinned by our internal policies. Where we identify a risk, either through our onboarding process or in reassessing our existing third parties, we make a plan and commit to managing it.

Transparency is a core value for us, and we encourage colleagues to speak up with confidence to their managers or our whistleblowing champion if they have any concerns.

Our plans for FY2023

In FY2023 we'll continue to review and develop our anti-bribery and corruption control framework. We assess the risk of bribery and corruption on an ongoing basis as our risk exposure could increase as we grow.

Specifically, we're doing these things:

- Continuing to improve and promote awareness of gifts and entertainment risks to mitigate the risk of bribery and corruption happening.
- Continuing to work with third parties to make sure that appropriate standards are in place and work with them to resolve known weaknesses to protect us.
- Continuing to complete regular quality assurance to help identify any ongoing weaknesses in our processes.
- Continuing to test and evaluate the effectiveness of our controls on an ongoing basis.
- Improving our 1LOD procedures and standards to bring our policy to life, which helps individual roles and responsibility awareness.
- Annual review and update of the Financial Crime Risk Assessment to check we're making progress on our overall control framework and consideration of ongoing risk development and exposure.

Human rights

Our commitment to human rights and the ethical treatment of our colleagues, third parties and customers is fundamental to what we stand for.

We report under the requirements within the Modern Slavery Act, and in 2021 we published our Modern Slavery and Human Trafficking statement. We continue to develop our policies and procedures to strengthen our approach to human rights, whether in the workplace, across our customer base or our third parties.

Human rights and the workplace

The people who work at Monzo are key to our success and we care deeply about their experiences of doing so. We promote the personal and professional growth of our Monzonauts by giving them a range of benefits and development opportunities which we improved in FY2022 with the launch of our pregnancy loss policy and our paid sabbatical benefit. This builds on our investment in hybrid working, mental health support and focus on diversity and inclusion that's been part of our DNA since day 1.

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. Having a workforce that reflects the diversity of our customer base, and a working environment where a diverse workforce can feel comfortable being themselves, are part of our values. We provide a healthy and safe workplace where mutual respect is key and discrimination isn't tolerated.

While COVID-19 continued we remained flexible and continued with our normal working practise, using our in-person spaces when safe to do so while always giving people the freedom to choose the best place to work for them.

Our Whistleblowing policy gives Monzonauts a way to safely and confidentially speak up, should they need to.

Human rights in our supply chain

We operate with the highest level of integrity in all our business relationships and treat third parties in a way which reflects our own values. We work with a variety of third parties, primarily technology companies and other providers such as payment services, debit card manufacturers and professional services like marketing and legal. The majority of these are based in the UK, Europe and the USA with low levels of modern slavery according to the Global Slavery Index. To the best of our knowledge, there have been no incidents of modern slavery or human trafficking associated with the businesses we work with.

Any third parties we choose to work with must comply with all applicable laws, regulations and standards, and confirm that that they (or any associated party) haven't been involved in human trafficking or slavery activity as defined by the Modern Slavery Act 2015. We assess this risk as part of our Third Party Onboarding and oversight procedures, which are underpinned by our internal policies. Where we identify a risk, either through our onboarding process or in reassessing our existing third parties, we make a plan and commit to managing it.

During the last financial year we have made changes to our third party onboarding process to better understand and address modern slavery risks.

We've made updates to our Third Party and Outsourcing Policy and procedures to improve our approach to risk management and we've launched an online training pack to educate our colleagues too. In the next financial year we'll include a specific training module on modern slavery.

Human rights and our customers

This year, we've spent time further improving our customer due diligence and customer identity verification process. This helps us to effectively monitor customer activity to detect suspicious transactions that could be the proceeds of crime linked with modern slavery and human trafficking. This also helps us spot when someone might not be in control of their account or finances.

Our Financial Intelligence Unit works closely with various law enforcement agencies to do the following:

- Share intelligence that could be linked with modern slavery and organised crime with law enforcement.
- Investigate law enforcement intelligence that can lead to arrests and freezing of criminal assets.
- Contribute to law enforcement efforts to increase awareness on indicators of sexual exploitation and the risk of modern slavery.
- Identify new trends in how organised crime gangs exploit victims linked to adult services.

We've also been doing a lot of work internally in this space:

- Improved the detection of both victims and perpetrators of sexual exploitation.
- Held an anti-slavery awareness week internally to raise awareness of various forms of modern slavery for our frontline financial crime teams.
- Improved the quality of investigations and Suspicious Activity Reports (SARs) being raised to the National Crime Agency, which gives law enforcement timely and actionable intelligence so they can better identify victims and pursue perpetrators.
- Improved our mandatory and role specific training to raise awareness of human rights and modern slavery.

As we grow, we're investing heavily in our Financial Crime Framework to make sure that everyone at Monzo has the tools they need to stop modern slavery, human trafficking and all financial crimes.

Our plans for FY2023

Last year we committed to launching a Modern Slavery and Human Trafficking policy, and training for all. Instead of launching a single policy, we've embedded steps and measures into our day-to-day processes focused on the riskiest areas, to recognise the pervasive nature of modern slavery and trafficking risks.

We consider this targeted and embedded approach to be more effective than a stand-alone policy. Over the last 12 months we've focused on those highest risk areas by raising awareness, educating our colleagues through more effective procedures, recording risks and putting the following controls in place.

- Improved training for people with roles specifically related to financial crime. With a focus on spotting suspicious activity, while all colleagues follow a clear process to escalate concerns.
- Confirmation from third parties that they or any associated party haven't been involved in human trafficking or slavery activity as defined by the Modern Slavery act.
- Using our vendor management tool to record any third party risks.

Looking ahead, we're committed to strengthening our processes and raising awareness of this issue. We'll do that by making sure our colleagues are well equipped and trained to identify modern slavery in the workplace, in our customers and in our third parties.

In FY2023 we'll continue to review and develop the controls we rely on to manage human rights by focusing on the following.

- Updating our third party procedures in line with this new policy.
- Developing and improving our ability to improve detection rate and coverage.
- Continue to proactively engage with law enforcement and other specialist units on modern slavery investigations.

J Davies

James Davies
Director
27 June 2022

Group Directors' report

The directors present their report and audited financial statements for the year ended 28 February 2022 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 in accordance with UK adopted international accounting standards.

Directors

The directors who served the company during the year and up to the date these financial statements were approved are below.

- G Hoffman (Chair)
- TS Anil
- E Burbidge
- J Davies (appointed 29 September 2021)
- V Dias (appointed 1 June 2021)
- M Grimshaw (resigned 20 July 2021)
- A Jones (resigned 20 September 2021)
- A Kirk
- F McBain
- P Riese
- L Runham (appointed 1 March 2022)
- K Woollard

Results and dividends

The consolidated loss for the year after taxation was £119m (FY2021: loss of £131.1m). The directors don't recommend a final dividend (FY2021: £nil).

Directors' liabilities

We've 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 doesn't 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 team and community.

Political 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

There have been no material post-balance sheet events.

Research and development activities

We invest in the development of our own platforms and products, so we've applied to claim Research and Development (R&D) Expenditure Credit from HMRC, see Note 14.

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 (like phased return to work, flexible working hours or part-time working)
- giving extra training or mentoring
- making access alterations to the offices
- giving information in accessible formats
- adapting equipment or providing specialist equipment
- 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 regular company-wide meetings where people can share their opinions and ask questions of management.

All colleagues have a vested interest in our performance through our share option schemes. They're kept up to date with business performance through a weekly KPIs email we send to everyone, as well as dashboards highlighting monthly financial performance.

Our approach to engagement with other stakeholders

We've included a statement in line with our Section 172 requirements under 'Our stakeholders' in the 'Governance at Monzo' section of the Strategic Report. You can find this on page 37.

Our approach to the environment

The Companies (Group Directors' reports) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018 (Regulations) brought in the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy.

We've included our SECR reporting in line with the Companies (Group Directors' reports) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018 under the 'Our approach to the environment' section of the Strategic Report. You can find this on page 69.

We've prepared these statements on a going concern basis

In line with IAS 1 Presentation of Financial Statements, our directors have to assess our ability to continue as a going concern. That means they have to assess whether we'll have enough liquidity to pay creditors when we need to and enough capital to fund the balance sheet. They also have to decide whether we should continue to adopt the going concern basis of accounting when we prepare our financial statements.

We've assessed our ability to continue as a going concern up to the end of September 2023, which is a period of 15 months from the date our financial statements are approved. We consider entering the capital we hold for our combined Total Capital Requirement (TCR) and Solvent Wind Down Plan (SWDP) to be our going concern trigger point. Our assessment included a broad range of information and scenarios, including these:

- Our three year business plan.
- The accuracy of our previous forecasts.
- The current economic and geopolitical outlook including rising interest rates and the war in Ukraine.
- The impacts of inflation and cost of living on spending, affordability and deposits.
- Our liquidity needs.
- Expected regulatory changes.
- Our future capital needs.
- Our ability to raise capital.
- Potential stress scenarios impacting customer growth and activity, central bank interest rates, credit losses and supplier costs.
- Actions management can take to preserve capital.
- Our operational resilience.
- Expected costs from legal or regulatory proceedings.

During FY2022 we raised £436m of net new capital. As a result, the capital surplus we hold above our going concern trigger point has increased from £147m at 28 February 2021 to £425m at 28 February 2022. Our base scenario shows that we'll have enough capital to remain a going concern (without raising more capital or issuing debt) until April 2025 when the end state requirements of MREL (Minimum Requirement for own funds and Eligible Liabilities) become applicable. This covers our assessment period to September 2023 and beyond.

We've stress tested our business plan and capital position to understand the impacts of a severe stress scenario on our assessment and how robust our base case is to external shocks. Our stress scenario is based on a macroeconomic shock that reduces customer growth, customer activity, central bank interest rates and increases both credit losses and costs within our supply chain. The modelled stress begins in July 2022 and lasts for 15 months until September 2023. We built the scenario based on the business areas impacted during COVID-19, as well as areas that would be impacted by a worsening inflationary environment.

This scenario results in a material, but not unmanageable, reduction in capital at the end of the assessment period of £60m. Before taking actions to manage the stress this would leave us with £172m of surplus capital above our going concern trigger point at the end of the assessment period in September 2023.

We've also assessed the actions management can take to preserve capital in the event of a stress, while minimising the impact on customers. These actions include a 20% reduction in marketing and a 75% slowdown in growth for some of our lending products. These actions mitigate £53m of the £60m capital impact of the stress scenario.

We've detailed the stresses we applied below.

Stress scenario lever	Assumption	Stress scenario
Customer spending	Transactions volumes fall, especially overseas as customers travel less	10% decrease
Monzo Plus and Monzo Premium subscription growth	Subscriptions decrease as customers cut their costs	20% decrease
Expected credit losses	Higher credit losses as customers are less able to repay what they've borrowed	25% increase
Central bank interest rates	Central banks reduce interest rates to support the economy	30% decrease
Personal Banking customer growth	Onboarding for Personal Banking customers slows	10% decrease
Supplier costs	Suppliers increase their prices as their costs rise	10% increase
Monzo Business customers	Monzo Business customers go out of business as the economy worsens	10% decrease
Total Impact		**(£60.4m)**

We've also reverse-stress tested our business plan to understand the level of stress needed for us to breach our going concern trigger. The scenario is significantly more punitive than we could reasonably expect to happen. Severe stresses are needed on our most material income and expense lines, that are worse than the peak of the COVID-19 pandemic and last significantly longer.

We maintain a strong liquidity position with the majority of our assets being High Quality Liquid Assets (HQLA) or cash at the Bank of England. We've stressed the liquidity position as part of our Internal Liquidity Adequacy Assessment Process (ILAAP), and even under the most severe liquidity stresses, we continue to be able to pay creditors when we need to.

We tested the following stresses as part of our assessment:

- An individual stress unique to us that would expose our liquidity to potential outflows because of negative media coverage.
- A market wide scenario where, although we're not singled out against competitors, it might affect our liquidity due to the inherent liquidity risk associated with fintechs and early stage banks.
- A combined stress scenario which although less likely than the above, would result should the two above stresses take place at the same time.
- A combined cyber attack scenario with the same scenario horizon of 90 days as the combined scenario above, but more severe as it includes two cyber attacks over a period of two weeks.
- A slow bleed scenario with a 365-day horizon covering the entire period of the ILAAP 2021 that results in a slow outflow of deposits due to increased competition in the online banking market.
- An intraday stress scenario also forms part of our suite of stresses.

We don't need to raise additional capital during our going concern assessment period. But as a growing business it may be beneficial to raise additional funds to support further growth or deliver our three year plan under a stress scenario, instead of taking other management actions. During FY2022, following the closure of the Series H fundraise, we continued to have investor interest for our business model and growth plans.

Our Series G fundraise that started in June 2020 also showed how supportive our investors are and that we're able to raise additional capital in periods of significant stress. This gives us comfort that we'll be able to raise additional capital, in times of stress, if needed.

We believe Monzo Bank and its subsidiaries (the Group) will have enough capital and liquidity resources to continue as a growing business, meeting both our regulatory capital and liquidity requirements. We've noted risks to our business model and strategy in the 'Risk management in Monzo' section of the Strategic Report on page 28.

Based on our assessment, we've concluded that it's appropriate to continue preparing our financial statements on a going concern basis. The financial statements don't include any adjustments that would result if the company was unable to continue as a going concern.

Disclosing information to the auditor

As 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 isn't 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

EY 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

J Davies

James Davies
Director
27 June 2022

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 in accordance with UK adopted international accounting standards.

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 UK adopted international accounting standards, 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 UK adopted international accounting standards, 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.

J Davies

James Davies
Director
27 June 2022

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 28 February 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 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 financial statements of Monzo Bank Limited (the 'Parent company' or 'the Bank') and its subsidiaries (the 'Group') for the year ended 28 February 2022 which comprise:

Group	Parent company
Consolidated statement of financial position as at 28 February 2022	Statement of financial position as at 28 February 2022
Consolidated statement of comprehensive loss for the year ended 28 February 2022	Statement of comprehensive loss for the year ended 28 February 2022
Consolidated statement of changes in equity for the year ended 28 February 2022	Statement of changes in equity for the year ended 28 February 2022
Consolidated statement of cash flows for the year ended 28 February 2022	Statement of cash flows for the year ended 28 February 2022
Related notes 1 to 36 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 36 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 UK adopted international accounting standards and as regards the Parent company financial statements, as applied in accordance with section 408 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. 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and parent company's ability to continue to adopt the going concern basis of accounting included:

How we evaluated the Directors' assessment
Risk Assessment Procedures

- Through discussions with Management and review of supporting evidence, we updated our understanding of the Bank's overall regulatory requirements and current and forecast capital and liquidity positions
- We had discussions with the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') to understand their perspectives on the Bank's risks and their areas of focus in regulating the Bank;
- We obtained an understanding of Management's basis for use of the going concern basis of accounting through reviewing the going concern assessment for the fifteen months ended 30 September 2023 and underlying forecasts and assumptions, and through inquiries of Management and those charged with governance;
- We have independently identified factors that may indicate events or conditions that may cast significant doubt on the Group and parent company's ability to continue as a going concern, including wider qualitative considerations such as cyber risk and operational resilience. We designed our audit procedures to evaluate the effect of these risks on the Group and parent company's ability to continue as a going concern. We also considered going concern to be a key audit matter;
- The audit engagement partner, a range of internal specialists and other senior members of the audit team increased their time directing, performing and supervising the audit procedures over going concern, including continual risk assessment throughout the audit.

Management's Method

- We confirmed our understanding of Management's going concern assessment process, and the process by which the budget and related going concern forecasts are created and approved. We engaged with Management early to ensure all key factors that we considered to be material were considered in the Group and parent company's going concern assessment;
- We obtained the forecast approved by the Board, covering the period of Management's going concern assessment to 30 September 2023;
- Using our understanding of the business, we evaluated the forecasting method adopted, including considering plausible alternative downside scenarios and concluded that the method adopted was appropriate;

- Within the scope of their work, we used our internal valuation specialists to test the mathematical accuracy of the financial forecasting models used to develop business plan under the base and stress case scenarios;
- We inquired of Management as to their knowledge of events or conditions beyond the period of assessment and read published announcements from the Prudential Regulation Authority ("PRA") that we considered had the potential to impact the Bank's capital resource and/or requirements.

Assumptions, Stress testing and Management plans for future actions

- We evaluated the relevance and reliability of the underlying data used in the going concern assessment and tested assumptions to third party evidence, where appropriate. This included direct testing of information produced by the entity, and other procedures including back-testing of key assumptions;
- We used our internal regulatory specialists to evaluate the appropriateness of Core Equity Tier 1 capital and Tier 2 debt classification, inspect regulatory correspondence and make inquiries in relation to anticipated changes in regulatory capital requirements to assess the overall impact of the capital calculations on the going concern assessment. We also used them to reconcile the Bank's liquidity position to its regulatory liquidity reporting returns and challenge the assumptions within the Bank's liquidity forecasts over the going concern period to assess the risk of a liquidity shortfall or breach of leverage ratio in the going concern period;
- We used our internal valuation specialists to challenge the appropriateness of management's forecasts by assessing historical forecasting accuracy and validate and perform sensitivity analysis on individual assumptions and composite scenarios in order to understand the impact on capital resources. These procedures were primarily tailored to challenge the sufficiency of capital and liquidity during the going concern period;
- We evaluated Management's plans for future actions within the control of the Bank, under a stressed and reverse-stressed scenario over the going concern period in order to determine if such actions are feasible in the current circumstances;
- We evaluated events occurring post the balance sheet date, including reviewing actual performance versus the forecasted plan, in order to assess any impact on the going concern assessment;
- We note significant uncertainties within the base case scenario used within the going concern assessment. These uncertainties are outlined by the Directors as a specific risk within the 'principal risks and uncertainties' disclosure within the Strategic Report. We assessed the reasonableness of the assumptions used and applied a series of severe stresses to determine if there was any significant impact on the solvency of the Group.

Disclosures

- We assessed whether the disclosures in the Annual Report & Accounts relating to going concern sufficiently and appropriately reflect the events relating to the uncertainties identified in the going concern assessment, and Management's plans in response to these; to ensure they were in compliance with IAS 1.

Our key observations

Our evaluation of the Directors' going concern assessment covers the period to 30 September 2023, consistent with the period assessed by the Directors.

Over the assessed going concern period, the Bank has forecast that it will maintain headroom above its binding regulatory requirements using base case assumptions, and in a stressed scenario where the Bank is unable to meet all financial targets within the Financial Plan. This is consistent with our conclusion, based on the procedures we have performed, including independent stress testing.

The Bank retains significant headroom to its binding liquidity requirements over the going concern period and we do not consider that the Bank's liquidity requirements give rise to a material uncertainty.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of fifteen months to 30 September 2023 from the date of the issuance of the financial statements.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group and parent company's ability to continue as a going concern.

Overview of our audit approach

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 Loss before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	• IFRS 9 Financial Instruments – Expected credit loss ('ECL') provision • Improper revenue recognition – Effective interest rate ('EIR') income recognition • Developing control environment • Valuation and accounting treatment of share-based payments
Materiality	• Overall materiality of £4.2m which represents 0.8% of equity (FY2021: £2.2m representing 1% of equity).

An overview of the scope of the Parent company and Group audits

Tailoring the scope
Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company 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 the 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 component") which was selected based on its size and 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 scoping for the current year is as follows:

Component	Scope	Key locations
Monzo Bank Ltd	Full	United Kingdom
Monzo Inc	Specific	United States
Monzo Support US Inc	Specific	United States

The table below illustrates the coverage obtained from the work performed by our audit teams. We considered loss before tax, revenue and total assets.

	Full scope[1]	Specific scope[2]	Total
Loss before tax	96%	4%	100%
Revenue	99%	1%	100%
Total assets	99%	1%	100%

1 Full scope: audit procedures on all significant accounts.
2 Specific scope: audit procedures on selected accounts.

Involvement with component teams
All audit work performed for the purposes of the audit was undertaken by the Group audit team in the UK.

Climate change
There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group considers there to be low financial risks from the impacts of climate change and determined that the most significant long-term impact may be from a transition to a lower carbon economy. This is explained on page 32 in the "Our principal risks and uncertainties" section and page 65–71 in the "Our approach to the environment" section, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and their resulting conclusion that there was limited effect on balances in the financial statements as disclosed within the "Basis of preparation" note on page 114. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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 key audit matters in the table below our response to the going concern key audit matter is set out in the 'Conclusions relating to going concern' section of this report.

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 £23.7m (FY2021: £17.4m) Refer to the Accounting policies (page 114-117); and Note 4 of the Consolidated Financial Statements (page 120). 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 in the models that calculate ECL; b. Inputs and assumptions used to estimate the impact of the multiple economic scenarios including appropriate weightings for the various scenarios; c. Allocation of assets to stage 1, 2 or 3 using criteria in accordance with IFRS 9; 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 have involved our modelling specialist in performing a risk assessment on all models involved in the ECL calculation and selected a sample of models to test. **Accounting interpretations, modelling assumptions and data used in models used to calculate ECL:** • We have involved accounting specialists to assist the audit team in assessing the reasonableness and compliance of Monzo's accounting policy with IFRS 9. • We have involved modelling specialists to assist us in testing the sample of material models. Procedures include a review of model methodology and substantive procedures. This includes a model design review, model implementation, and validation testing, sensitivity analysis, benchmarking and recalculation of the Probability of Default, Loss Given Default, Exposure at Default and final ECL. • We developed a challenger approach, which included applying our own independent assumptions including Probability of Default, Loss Given Default and Exposure at Default (EAD) in our challenger model, to model our own estimate of the ECL provision. • 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.	Our testing of models, model assumptions and post model adjustments identified some instances of over and under estimation when compared to our point estimate. We aggregated these differences and were satisfied that the overall estimate recorded was reasonable. We also considered the overall provision levels against available peer information and our understanding of the credit environment. We highlighted to the Committee that there remains increased uncertainty in determining forecast losses due to the prevailing uncertain economic environment. Overall, we are satisfied that provisions for the impairment of loans and advances to customers are reasonable and recognised in accordance with IFRS 9.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
IFRS 9 Financial Instruments – expected credit loss ('ECL') provision (continued)	**Inputs and assumptions used to estimate the impact of multiple economic scenarios:** • We involved our economic specialists to assist us in evaluating the appropriateness of the macroeconomic inputs used by the Bank in the determination of ECL and compared those inputs to external sources to assess their reasonableness. This includes the evaluation of the base and alternate economic scenarios (including consideration of current matters such as cost of living crisis, expectations of rise of interest rates, inflation etc.), and probability weights applied to each of the scenarios adopted by the Bank. **Allocation of assets to stage 1, 2 or 3** • We evaluated the criteria used to allocate a financial asset to Stage 1, 2 or 3 with the assistance of our accounting specialists. This included peer benchmarking to assess the reasonableness of staging allocations. • We then recalculated the staging of all products to assess whether they were allocated to the appropriate stage and in line with the Bank's set criteria and performed sensitivity analysis to assess the impact of different staging criteria on the ECL.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
IFRS 9 Financial Instruments – expected credit loss ('ECL') provision (continued)	**Post model adjustments including the risk of management overrides** • We have tested post modelling adjustments with the assistance of our modelling specialists. This included an assessment of the completeness and appropriateness of post modelling adjustments by considering the judgements, sensitivities, model validation results, and governance of these adjustments. • We additionally performed a stand-back analysis to assess whether the IFRS 9 impairment provisions recorded by management were reasonable and how this compares to other market participants. In completing this analysis, we considered the nature and type of products offered by the Bank, performed benchmarking across other similar institutions considering both staging percentages, provision coverage, modelled adjustments and evaluated the overall reasonableness of economic recovery assumptions.	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Improper revenue recognition – Effective interest rate ('EIR') income recognition Interest income on lending recognition in the current year is £7.3m (FY2021: £3.9m). Interest income on overdrafts recognition in the current year is £23.3m (FY2021: £15.9m). Refer to the accounting policies for EIR income recognition (page 115); and Note 2 (page 118) of the consolidated financial statements. In accordance with International Standard on Auditing (UK) 240 ('ISA (UK) 240'), improper revenue recognition is considered to be a fraud risk. We reviewed the revenue streams earned by the Group and assessed the subjectivity of each stream and which stream could give rise to a material error in the financial statements. The Bank system currently calculates interest income from personal loans and overdrafts using the simple interest rate method as a proxy to EIR. We determined that the recognition of interest income using the effective interest rate method to be subjective in its application and involves a number of assumptions used in the calculation.	To address the identified risk of EIR revenue recognition relating to personal loans and overdrafts, we took a substantive based approach and performed the following audit procedures: • We involved our technical accounting experts to assess the Group's technical accounting policy and associated disclosures relating to EIR on loans and overdrafts. • We have involved valuation specialists to develop a challenger model to assess the impact of using a simple interest method vs our internal EIR challenger model and compared our findings with Monzo's own assessment. • We engaged our valuation specialists to perform sensitivity analysis over key behavioural life assumptions and other judgements to test whether changes in key variables such as the prepayment rate could impact the income measured using the EIR. • We agreed quantitative disclosures to source data; and ensured qualitative disclosures are compliant with the accounting standards. • We have carried out an assessment of the EIR impact on the behavioural life of customers (focusing on customers' repayment behaviour differing from the contractually agreed terms). • We have performed additional analytical reviews and benchmarking procedures against similar loan and overdraft products offered by comparable companies. • We have assessed the potential EIR impact on the other portfolios offered by Monzo and verified that the risk was not applicable to other streams for the year.	We concluded that the revenue recognised for the year as it relates to personal loans and overdrafts was reasonable and that we agree with Monzo's assessment that the use of simple interest rate as a proxy to EIR would not drive a material misstatement.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Developing Control Environment The risk relates to our assessment that the Group's governance and control environment had not fully matured as at the end of the financial year. We noted instances where legacy control deficiencies were remediated during the financial year and control deficiencies were un-remediated at the end of the financial year. Consequently, there were processes where controls were not operating effectively throughout the year. In such circumstances, where we have not relied on IT or process level controls, we are required to undertake additional substantive audit procedures in order to gain reasonable assurance over the balances reported in the financial statements. We have observed enhancements in the internal controls over financial reporting in the year to 28 February 2022 and anticipate being able to remove the Developing Control Environment Key Audit Matter in our audit for the year ended 28 February 2023.	• Our audit approach included an assessment of the process level controls that management relies on for financial reporting. We also performed an assessment of the entity level controls operating within the Group and assessed whether the components of the entity level controls as it relates to the control environment, risk assessment, monitoring, information and communication and control activities were effective. • In relation to process level financial controls, we assessed whether relevant IT general controls (ITGC) and associated process level controls were designed effectively. Where we concluded that controls were designed effectively throughout the end-to-end process, we tested process level financial controls to gain assurance that controls were operating effectively. • Where we were unable to place control reliance or where it was more efficient to take a substantive approach to obtain assurance, 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 and use of data analytics using full populations, such as substantively testing the full population of key payment scheme accounts relating to Mastercard interchange fees, BACS, CHAPS, FPS and cheques (together, the 'Payment Schemes').	Consistent with the prior year, we concluded that we could rely on ITGC for relevant IT applications. We concluded that we could rely on process level controls for a subset of processes: cash and bank, business banking, operating expenses and cash disbursements, partnerships and overdrafts. We highlighted to the Audit Committee that where we were not in a position to place reliance on process level controls or where it was more efficient, we undertook a substantive audit approach. We provided details of the substantive testing applied for these processes, including details such as increased substantive testing sample sizes, increased use of specialists and increased involvement of senior members of the audit team.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation and accounting treatment of share-based payments Share-based payments expense in the current year is £23.3m (FY2021: £26.5m). Refer to Note 32 (page 174) of the consolidated financial statements. International Standards on Auditing (UK) mandate the consideration of management override of internal controls as a fraud risk on all audits. We identified the risk of management override of controls as it relates to the judgements applied by management in the valuation of share-based payments and the risk of management override as it relates to the controls around manual journal entry postings, as they are susceptible to fraud or error. We remain alert to the possibility of management override in other areas of the preparation of the financial statements.	In respect of the current year share-based payments expense, 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 adequacy 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: Share-based payment. • We involved valuation specialists to assess the reasonableness of the following share-based payments parameters: — Risk free rate, volatility, expected life, dividend yield and share price as inputs into the valuation model. — Completeness of the parameters in the valuation model. — Methodology design of the valuation model. • 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 payments expense, we obtained confirmation that share 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 concluded that the valuation and disclosures relating to share based payments, including the prior year adjustment, are reasonable and in accordance with IFRS.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Valuation and accounting treatment of share-based payments (continued)	• We vouched a sample of options granted to underlying share-based payments option certificates and employment contracts and reviewed the key terms and conditions of those contracts to ensure they are accounted for correctly in line with IFRS 2. • We tested the mathematical accuracy of the share-based payments expenses and performed a reconciliation between the valuation outputs and the general ledger. • We reviewed the IFRS 2 gap analysis performed by Management to ensure that the accounting for share-based payments was being done correctly and in line with IFRS 2 requirements. • In respect of the prior period error (refer to Note 35), we have reviewed Management's accounting policy, recomputed the restatements for the prior period and ensured that the disclosures are correctly presented in the financial statements.	

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 and the Parent Company to be £4.23 million (FY2021: £2.21 million), which was 1% of a forecasted stressed equity position at the end of the going concern period. This is equivalent to 0.8% (FY2021: 1%) of equity as at 28 February 2022. We believe that equity reflects the most useful measure for users of the financial statements, given that the Group is loss making, operates in a regulated industry and is subject to regulatory capital requirements regarding liquidity and solvency.

During the course of our audit, we reassessed planning materiality and determined that it continued to remain appropriate.

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% (FY2021: 50%) of our planning materiality, namely £2.11m (FY2021: £1.11m). We set performance materiality at this percentage (which is the lowest in the range per our audit methodology) 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 performed over components 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 £0.63m (FY2021: £0.33m).

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 £212k (FY2021: £111k), 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, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of 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 83, 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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- 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 significant are:
  - Companies Act 2006
  - Financial Reporting Council ("FRC") rules and guidance
  - Tax Legislation (governed by HM Revenue and Customs)
  - Financial Conduct Authority ("FCA") rules
  - Prudential Regulation Authority ("PRA") rules
- 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. We have included the details of significant risks and the procedures performed to address those within the 'Key Audit Matters' section of this report.

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, internal audit, and those charged with governance, review of correspondence with regulatory bodies and minutes of meetings of the Board and Risk committees, involvement of conduct risk specialists, review of whistleblowing policy and related documentation, as well as meeting with regulators.

- 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 www.frc.org.uk auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the audit committee we were appointed by the company on 28 February 2017 to audit the financial statements for the year ending 28 February 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 6 years, covering the years ending 28 February 2017 to 28 February 2022.
- 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

Rhys Taylor
Senior statutory auditor
for and on behalf of EY
Statutory Auditor, London
27 June 2022

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 28 February 2022

	Notes	Group			Company
			Restated*		Restated*
		28 February 2022	28 February 2021‡	28 February 2022	28 February 2021‡
		£'000	£'000	£'000	£'000
Interest income	2	37,809	23,950	37,809	23,950
Interest expense	2	(3,727)	(1,564)	(3,663)	(1,564)
Net interest income		**34,082**	**22,386**	**34,146**	**22,386**
Fee and commission income	3	103,270	54,051	103,206	54,024
Fee and commission expense	3	(22,481)	(12,265)	(22,481)	(12,265)
Net fee and commission income		**80,789**	**41,786**	**80,725**	**41,759**
Credit loss expense on financial assets	4	(14,013)	(3,821)	(14,013)	(3,821)
Other operating income	5	13,161	2,490	13,432	2,817
Net operating income		**114,019**	**62,841**	**114,290**	**63,141**
Personnel expenses	6	(130,151)	(105,269)	(126,578)	(100,615)
Depreciation & impairment expense	15	(8,311)	(9,010)	(8,165)	(8,983)
Other operating expense	9	(94,405)	(79,977)	(99,528)	(83,902)
Total operating expense		**(232,867)**	**(194,256)**	**(234,271)**	**(193,500)**
Exchange differences through profit or loss		(172)	35	(167)	78
Loss before tax		**(119,020)**	**(131,380)**	**(120,148)**	**(130,281)**
Taxation	10	—	303	—	303
Loss for the year		**(119,020)**	**(131,077)**	**(120,148)**	**(129,978)**
Total comprehensive loss for the year, net of tax†		**(119,020)**	**(131,077)**	**(120,148)**	**(129,978)**

* The comparative information is restated due to prior year adjustments. See Note 35.

‡ We've amended the classification of certain items in our income statement to more appropriately present our income and expenses. There is no net impact on total comprehensive losses. Refer to Note 3 for more details.

† We recognised £0.1m of currency translation differences in Other Comprehensive Income during FY2022 (FY2021: £0.1m).

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

The Note 1 to 36 form an integral part of these financial statements.

Statement of financial position

for the year ended 28 February 2022

	Notes			Group			Company
			Restated*	Restated*		Restated*	Restated*
		28 February 2022	28 February 2021	01 March 2020	28 February 2022	28 February 2021	01 March 2020
		£'000	£'000	£'000	£'000	£'000	£'000
Assets							
Cash and balances at bank	11	3,134,540	2,977,368	1,373,722	3,130,233	2,975,670	1,373,302
Treasury investments	12	1,675,478	376,641	98,953	1,675,478	376,641	98,953
Loans and advances to customers	13	235,083	87,147	123,913	235,083	87,147	123,913
Other assets	14	75,200	105,642	87,925	74,921	105,881	87,661
Property, plant and equipment	15	21,836	26,595	21,253	20,662	26,581	21,089
Investment in subsidiaries	31	—	—	—	4,050	2,511	581
Collateral held with third parties	17	76,292	56,314	15,642	75,927	55,920	15,175
Total assets		**5,218,429**	**3,629,707**	**1,721,408**	**5,216,354**	**3,630,351**	**1,720,674**
Liabilities							
Customer deposits	18	4,440,650	3,124,046	1,392,517	4,440,650	3,124,046	1,392,517
Subordinated debt liability	19	14,593	—	—	14,593	—	—
Other liabilities	20	200,918	283,767	199,887	199,609	283,920	199,883
Total liabilities		**4,656,161**	**3,407,813**	**1,592,404**	**4,654,852**	**3,407,966**	**1,592,400**
Equity							
Called up share capital†	30	—	—	—	—	—	—
Share premium account		944,486	508,478	311,139	944,486	508,478	311,139
Other reserves		79,186	56,459	29,837	79,189	56,590	29,845
Accumulated losses		(461,404)	(343,043)	(211,972)	(462,173)	(342,683)	(212,710)
Total equity		**562,268**	**221,894**	**129,004**	**561,502**	**222,385**	**128,274**
Total liabilities and equity		**5,218,429**	**3,629,707**	**1,721,408**	**5,216,354**	**3,630,351**	**1,720,674**

* The comparative information is restated due to prior year adjustments. See Note 35.

† The share capital as at 28 February 2022 was £19 (FY2021: £16) which is shown as £nil (rounded to £'000) in the above table. See Note 30 for further detail.

The Notes 1 to 36 form an integral part of these financial statements. The financial statements on page 113 to 185 were approved and authorised for issuance by the Board on 27 June 2022 and signed on its behalf by:

J Davies

James Davies, Director, 27 June 2022

Statement of changes in equity

for the year ended 28 February 2022

Group

	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 March 2020	**—**	**311,139**	**17,301**	**(199,436)**	**129,004**
Prior year adjustments	—	—	12,536	(12,536)	—
Restated balance as at 1 March 2020*	**—**	**311,139**	**29,837**	**(211,972)**	**129,004**
Losses for the year (restated)*	—	—	—	(131,077)	(131,077)
Cumulative translation adjustment	—	—	(131)	—	(131)
Total comprehensive income for the year (restated)*	**—**	**—**	**(131)**	**(131,077)**	**(131,208)**
Shares issued	—	198,019	—	—	198,019
Cost of issuance	—	(476)	—	—	(476)
Share based payments reserve (restated)*	—	—	26,550	—	26,550
Share reclassification	—	(209)	209	—	—
Exercise of options	—	5	(6)	6	5
Restated balance as at 28 February 2021*	**—**	**508,478**	**56,459**	**(343,043)**	**221,894**
Losses for the year	—	—	—	(119,020)	(119,020)
Cumulative translation adjustment	—	—	(1)	—	(1)
Total comprehensive income for the year	**—**	**—**	**(1)**	**(119,020)**	**(119,021)**
Shares issued	—	454,585	—	—	454,585
Cost of issuance	—	(18,629)	—	—	(18,629)
Share based payments reserve	—	—	23,387	—	23,387
Exercise of options	—	52	(659)	659	52
Balance as at 28 February 2022	**—**	**944,486**	**79,186**	**(461,404)**	**562,268**

* The comparative information is restated due to prior year adjustments. See Note 35.

Company

	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 March 2020	**—**	**311,139**	**17,306**	**(200,309)**	**128,136**
Prior year adjustments	—	—	12,539	(12,401)	138
Restated balance as at 1 March 2020*	**—**	**311,139**	**29,845**	**(212,710)**	**128,274**
Losses for the year (restated)*	—	—	—	(129,978)	(129,978)
Total comprehensive income for the year (restated)*	**—**	**—**	**—**	**(129,978)**	**(129,978)**
Shares issued	—	198,019	—	—	198,019
Cost of issuance	—	(476)	—	—	(476)
Share based payments reserve (restated)*	—	—	26,541	—	26,541
Share reclassification	—	(209)	209	—	—
Exercise of options	—	5	(5)	5	5
Restated balance as at 28 February 2021	**—**	**508,478**	**56,590**	**(342,683)**	**222,385**
Losses for the year	—	—	—	(120,148)	(120,148)
Total comprehensive income for the year	**—**	**—**	**—**	**(120,148)**	**(120,148)**
Shares issued	—	454,585	—	—	454,585
Cost of issuance	—	(18,629)	—	—	(18,629)
Share based payments reserve	—	—	23,257	—	23,257
Exercise of options	—	52	(658)	658	52
Balance as at 28 February 2022	**—**	**944,486**	**79,189**	**(462,173)**	**561,502**

* The comparative information is restated due to prior year adjustments. See Note 35.

The share capital as at 28 February 2022 was £19 (FY2021: £16) which is shown as £nil (rounded to £'000) in the above table. See Note 30 for further detail. In the current year, we released £659k of reserves related to share options exercised from other reserves into retained losses (FY2021: £6k).

Statement of cash flows

for the year ended 28 February 2022

	Notes	Group		Company	
			Restated*		Restated*
		28 February 2022	28 February 2021	28 February 2022	28 February 2021
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Loss for the year		(119,020)	(131,077)	(120,148)	(129,978)
Adjustments for non-cash items					
Depreciation & impairment expense	15	8,311	9,010	8,165	8,983
Share-based payments	6	23,254	26,547	22,335	25,656
Loss on disposals and write-offs	9	495	274	495	105
Loss on impairment of investment in subsidiaries	31	—	—	5,352	1,820
(Decrease) / increase in other provisions	20	(290)	8,098	(290)	8,098
Loss on warrants	9	502	—	502	—
Net interest expense on leases	2	1,690	1,450	1,626	1,450
Interest expense on subordinated debt	2	1,958	—	1,958	—
Interest on treasury investments	2	(2,381)	(183)	(2,381)	(183)
Changes in operating assets and liabilities					
Movement in loans and advances to customers	13	(147,936)	36,766	(147,936)	36,766
Movement in customer deposits	18	1,316,604	1,731,529	1,316,604	1,731,529
Movement in other assets (excluding RDEC claim)	14	30,628	(20,379)	31,146	(20,882)
Movement in RDEC claim receivable	14	(186)	2,662	(186)	2,662
Movement in collateral held with third parties	17	(19,978)	(40,672)	(20,007)	(40,745)
Movement in other liabilities excl leases and provisions	20	(77,125)	71,024	(77,335)	71,181
Net cash from operating activities		**1,016,526**	**1,695,049**	**1,019,900**	**1,696,462**

	Notes	Group		Company	
			Restated*		Restated*
		28 February 2022	28 February 2021	28 February 2022	28 February 2021
		£'000	£'000	£'000	£'000
Cash flows from investing activities					
Purchase of treasury investments	12	(1,310,560)	(420,977)	(1,310,560)	(420,977)
Interest received on treasury investments	2, 12	5,048	1,359	5,048	1,359
Proceeds from sale and maturity of treasury investments	12	9,000	142,112	9,000	142,112
Purchase of property, plant and equipment	15, 16	(4,383)	(8,290)	(4,357)	(8,189)
Proceeds on disposal of property, plant and equipment		—	75	—	—
Investment in Subsidiaries		—	—	(6,095)	(2,867)
Other cash flows from investing activities		—	(38)	—	(38)
Net cash used in investing activities		**(1,300,895)**	**(285,759)**	**(1,306,964)**	**(288,600)**
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares		436,008	197,548	436,008	197,548
Payment of interest portion of lease liabilities	16	(385)	(388)	(385)	(388)
Payment of principal portion of lease liabilities	16	(7,136)	(2,654)	(7,043)	(2,654)
Issuance of subordinated debt and warrant liability	19, 21	14,812	—	14,812	—
Interest paid on subordinated debt liability	19	(1,765)	—	(1,765)	—
Net cash from financing activities		**441,534**	**194,506**	**441,627**	**194,506**
Effect of exchange rates on cash and cash equivalents		7	(150)	—	—
Net increase in cash and cash equivalents		**157,172**	**1,603,646**	**154,563**	**1,602,368**
Cash and cash equivalents at beginning of year		2,977,368	1,373,722	2,975,670	1,373,302
Cash and cash equivalents at end of year		**3,134,540**	**2,977,368**	**3,130,233**	**2,975,670**

* The comparative information is restated on account of prior year adjustments. See Note 35.

Notes to the financial statements

for the year ended 28 February 2022

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 instruments carried at fair value, in accordance with UK adopted international accounting standards.

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.

We have assessed our level of exposure to climate risk with regards to these Financial Statements and consider them to have limited impact at 28 February 2022. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgements and estimates for the period.

As we covered in the Group Directors' report, we have reviewed our business plan and capital requirements over our going concern assessment period of 15 months from the date the Board approves our financial statements.

Under our base case plan, we maintain a capital surplus well above our minimum regulatory requirements until April 2025 when end state MREL requirements become applicable, which covers the going concern assessment period and beyond. Under a severe stress scenario, following management actions that reduce marketing and lending growth, we continue to maintain our minimum capital requirements until MREL becomes applicable. But, there is a risk we won't be able to execute our business plan, which could impact our ability to generate a profit or raise enough capital to meet future regulatory capital requirements.

The Directors therefore expect us to have enough financial resources to meet our regulatory requirements for our going concern assessment period and conclude it's still appropriate to continue preparing our financial statements on a going concern basis. The financial statements therefore do not contain adjustments that would result if the Company was unable to continue as a going concern.

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 Consolidated Financial Statements.

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 relevant activities of an entity, to vary the returns 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's 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 translated 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 our lending products, treasury assets and deposits with central banks, incorporating where relevant, all interest, direct fees, commissions and charges that are integral to the yield. Where reliably available, the expected life of financial assets is used to calculate the internal rate of return. The identified interest, fees and charges are deferred and amortised over the product life.

As we don't charge fees, premiums or apply discounts, we calculate interest first using the simple interest rate method, and then consider the need to apply adjustments to ensure interest is recognised in line with EIR per IFRS 9.

We initially recognise an interest expense on our Monzo Plus and Monzo Premium accounts, however as these customers pay subscription fees, which are deemed integral to the interest they receive, we net a portion of the fee income against interest expense. The adjusted interest expense recognised on these products is not material.

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 Revenue from contracts with customers 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 Transaction income, Subscription income and Partnership commission.

- Transaction income includes Interchange income and ATM fees. 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.
- Subscription income is recognised evenly over the subscription period in line with the services provided.
- 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 Financial Instruments: Disclosures, 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. Where assets are measured at fair value, we apply IFRS 13 Fair Value Measurement to measure the value of those assets.

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. Trade date accounting is applied for all purchases and sales that are classified as financial assets at amortised cost.

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

Held at amortised cost
We hold financial assets and liabilities at amortised cost using the effective interest rate method where:

- our business model is to hold financial assets and liabilities to collect or pay contractual cash flows, rather than to sell the instrument before maturity
- the contractual terms of the financial assets held by the Group give rise to cash flows that are solely payments of principal and interest

After initial recognition, financial assets and liabilities held at amortised cost are then adjusted by the effective interest rate.

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.

We calculate an Impairment Loss Allowance on financial instruments held at amortised cost based on the expected credit loss (ECL), per IFRS 9. We give more detailed information on our ECL impairment calculations in Note 25.

Held at fair value
We hold financial assets and liabilities at fair value where the contractual terms of the financial assets held by us give rise to cash flows that aren't solely payments of principal and interest. Or if the financial asset is not held in a business model to collect the contractual cash flows.

After initial recognition, financial assets and liabilities held at fair value are then revalued at fair value with the difference taken through the income statement.

The contractual maturity and fair value of financial assets and liabilities held at amortised cost are shown in Note 21 and Note 22.

We do not currently hold any financial assets or liabilities at fair value through other comprehensive income.

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.

We may also make the decision to write-off balances, when we decide there is no recoverable value (see Note 25).

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

New and updated accounting standards adopted in the year

There were no new or updated standards relevant to Monzo in the current financial year.

Critical accounting estimates, judgments and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Critical accounting judgements or estimates are disclosed within the note to which they relate:

- Credit impairment charges in Note 25
- Provisions and contingent liabilities in Note 26 and Note 28
- Fair valuing stock based compensation in Note 32
- Recognition of research and development grants in Note 14
- Impairment on subsidiaries in Note 31
- Impairment on ROU assets Note 15
- Going concern Note 1

2. Net interest income

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Interest income				
Cash and balances at central banks	4,490	2,397	4,490	2,397
Loans and advances to customers	30,907	21,359	30,907	21,359
Treasury assets	2,381	183	2,381	183
Interest income on leases	24	—	24	—
Other interest income	7	11	7	11
	37,809	**23,950**	**37,809**	**23,950**
Interest expense				
Interest expense on customer deposits	(55)	(114)	(55)	(114)
Interest expense on leases	(1,714)	(1,450)	(1,650)	(1,450)
Interest expense on subordinated debt	(1,958)	—	(1,958)	—
Net interest income	**34,082**	**22,386**	**34,146**	**22,386**

Interest income presented above represents interest revenue calculated using the effective interest method.

Interest expense is charged on the outstanding balance of lease liabilities. Until March 2021, the interest rate charged was the proxy for the incremental borrowing rate (IBR) used to calculate the lease liability at the inception of the lease. We've calculated the IBR for leases we've entered since then using our observable borrowing rate.

3. Net fee and commission

	Group			Company
	28 February 2022	28 February 2021 Restated*	28 February 2022	28 February 2021 Restated*
	£'000	£'000	£'000	£'000
Fee and commission income				
Transaction income	79,240	45,821	79,176	45,794
Subscription income	19,608	5,379	19,608	5,379
Partnership commission†	4,422	2,851	4,422	2,851
	103,270	**54,051**	**103,206**	**54,024**
Fee and commission expense				
Transaction expense	(13,851)	(9,815)	(13,851)	(9,815)
Subscription expense	(8,630)	(2,450)	(8,630)	(2,450)
Net fees and commission	**80,789**	**41,786**	**80,725**	**41,759**

* We've amended the classification of payment scheme costs and dispute fees in our income statement to more appropriately present our income and expenses in FY2022 and FY2021. The impact on FY2021 is that net fee and commission income decreased £526k, other operating income increased £1,161k and other operating expenses increased £635k. The net impact on the profit & loss is nil.

† Includes £1.7m (FY2021: £2.1m) of commission from trust and fiduciary services.

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.

We've updated the categories in this note so they're easier to understand and are aligned with how we view fee and commission income and expense within Monzo.

4. Credit loss expense on financial assets

Credit risk is the risk of financial loss when customers or other counterparties fail to settle their contractual obligations with us or fail to make payments on time. We lend to customers to earn a return through interest income. Lending creates credit risk as borrowers might fail to pay the interest or outstanding balance.

The exposure to credit risk includes the total committed overdrafts, overdrawn balances and loans on the balance sheet (Note 13). As a material risk to us, there is significant management focus on setting credit risk appetite and embedding appropriate risk mitigation. The credit loss expense covers the change in Expected Credit Losses (ECLs) plus the cost of writing off (fully or partially) assets when they are deemed uncollectable.

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Overdrafts, overdrawn balances and undrawn commitments	7,134	1,096	7,134	1,096
Loans	6,717	2,637	6,717	2,637
Credit loss expense on loans and advances to customers	**13,851**	**3,733**	**13,851**	**3,733**
Receivables	162	88	162	88
Total credit loss expense	**14,013**	**3,821**	**14,013**	**3,821**

See Note 25 for more information on the credit loss expense that comes from holding an impairment loss allowance in respect of loans, overdrafts, overdrawn balances and receivables.

5. Other operating income

	Group		Company	
	28 February 2022	28 February 2021 Restated	28 February 2022	28 February 2021 Restated
	£'000	£'000	£'000	£'000
Other income*	13,161	2,490	13,161	2,490
Intercompany income	—	—	271	327
Total other operating income	**13,161**	**2,490**	**13,432**	**2,817**

* We've amended the classification of dispute fees from Net fee and commission income to Other income (see Note 3). £1,161k of dispute fees were presented within Net fee and commissions income in FY2021.

Other operating income includes income from contracts with our payment network provider, dispute fees, a £10m business to business innovation grant, and net Research and Development Expenditure Credit (RDEC) claims. We've recognised £9.8m of expenses this year in relation to our research and development claim.

6. Personnel expenses

Short term colleague benefits

Salaries, social security contributions and other staff benefits (other personnel expenses) are expensed as the related service is provided.

Defined contribution plans

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.

Share-based payments

See Note 32 for the accounting treatment.

	Group		Company	
		Restated*		**Restated***
	28 February 2022	**28 February 2021**	**28 February 2022**	**28 February 2021**
	£'000	**£'000**	**£'000**	**£'000**
Salaries	93,348	68,174	91,004	65,202
Share-based payments	23,254	26,547	22,335	25,656
Social security contributions	9,491	7,187	9,386	6,917
Contributions to defined contribution plans	2,978	2,060	2,978	2,006
Other personnel expenses	1,080	1,301	875	834
Total personnel cost	**130,151**	**105,269**	**126,578**	**100,615**

* The comparative information is restated on account of correction of errors. See Note 35.

The increase in people costs to £130.2m (FY2021: £105.3m) reflects the additional people hired during the year to support the operational running of the Group.

The average number of people in the Group during the period was 1,879 (FY2021: 1,332), 700 (FY2021: 503) of these worked in Management, Operations and Administration and 1,179 (FY2021: 829) worked in Customer Operations (COps).

In FY2021, we recognised a £1.4m reduction to personnel expenses because of a government grant. See Note 7 for more details on the grant.

7. Government grants

We only recognise government grants when we have reasonable assurance that we'll meet the conditions attached to the grant, and the grant will be received. We recognise grants as income or as a reduction to expense, on a straight-line basis, in the same period as the related costs.

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
As at 1 March	665	365	665	365
Received during the year	95	1,719	95	1,719
Released to the statement of profit or loss	–	(1,419)	–	(1,419)
As at 28 February	**760**	**665**	**760**	**665**

We've received a government grant which we haven't recognised in the year. The grant relates to our team in Cardiff. We haven't met all of the requirements to recognise the grant. So we've included it in Deferred income in Other Liabilities Note 20.

In FY2021, we made use of the Furlough (Coronavirus Job Retention) scheme. We recognised the claimed amounts as a deduction to personnel expenses at the time of the claim. We received the full £1.4m that we claimed during the year in cash by 28 February 2021, see Note 6. There were no unfulfilled conditions or contingencies on the grants recognised in personnel expenses.

8. Directors' remuneration

	Group		Company	
		Restated*		Restated*
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Salaries	1,687	1,134	1,687	1,134
Share-based payments†	3,149	961	3,149	961
Contributions to defined contribution plans	31	23	31	23
Total directors' emoluments	**4,867**	**2,118**	**4,867**	**2,118**
Salaries	693	260	693	260
Share-based payments	3,328	743	3,328	743
Contributions to defined contribution plans	16	10	16	10
Highest paid director	**4,037**	**1,013**	**4,037**	**1,013**

* The comparative information is restated on account of correction of errors. See Note 35.

† In FY2022, a change in share-based payment amortisation method resulted in a negative charge for one director. See Note 35.

As at 28 February 2022 there were no loans outstanding to directors (FY2021: £nil) and there were no loans made to directors during the period (FY2021: £nil).

Some directors were 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.

9. Other operating expenses

	Group		Company	
	28 February 2022	28 February 2021 Restated*	28 February 2022	28 February 2021 Restated*
	£'000	£'000	£'000	£'000
Current account operating costs	41,527	33,128	41,277	33,159
Technology costs	17,882	14,393	17,843	14,373
Marketing	3,616	526	3,611	525
Administrative expenses	8,356	5,454	7,889	5,235
Premise and office costs	3,737	4,166	3,659	3,906
Legal and professional fees	15,654	19,307	15,386	18,832
Accountancy and audit fees	2,270	2,351	2,270	2,351
Product development	366	389	362	370
Write-offs and Disposals	495	274	495	105
Losses on warrants	502	–	502	–
Prepaid card scheme	–	(11)	–	(11)
Intercompany expenses	–	–	882	3,237
Impairment of investment in subsidiaries	–	–	5,352	1,820
Total operating expenses	**94,405**	**79,977**	**99,528**	**83,902**

* We've amended the classification of some of our payment scheme costs from Fee and commission expense to Other operating expense (see Note 3). £635k of costs were presented as Fee and Commission expense in FY2021.

Current account operating costs include the cost of payment schemes, card production, card distribution, customer on-boarding and operational losses. These costs continue to increase along with our customer numbers. In FY2022 costs increased for dispute losses by £3.5m, onboarding costs by £2.0m and payment scheme costs by £1.5m.

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

Legal and professional fees include the costs of consultants, lawyers and other outsourced teams like internal audit.

10. Taxation

Current taxation

Critical accounting estimate and judgement
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 RDEC claim, 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 28 February 2022 (FY2021: £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
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Current tax				
UK corporate tax credit on loss for the period	—	—	—	—
Adjustment in respect of prior years	—	303	—	303
Total for the year	—	303	—	303

		Restated*		Restated*
	28 February 2022	28 February 2021	28 February 2022	28 February 2021*
	£'000	£'000	£'000	£'000
Loss on ordinary activities before tax	119,020	131,380	120,148	130,281
Standard rate of corporation tax	19%	19%	19%	19%
Expected tax credit	22,614	24,962	22,828	24,753
Effects of				
Fixed asset differences	(100)	(150)	(100)	(150)
Expenses not deductible for tax	(254)	(2,216)	(1,270)	(2,561)
Share options exercised	139	2	139	2
Qualifying donations unutilised	(4)	(1)	(4)	(1)
R&D expenditure credits	(46)	(38)	(46)	(38)
Adjustment to tax charge in respect of prior period	—	303	—	303
Impact of differences in overseas tax rates	528	229	—	—
Other	(145)	(119)	—	—
Deferred tax asset not recognised	(23,042)	(22,632)	(21,547)	(22,005)
Impact of FX rates	310	(37)	—	—
Total UK corporate tax credit for the period	—	303	—	303

* The comparative information is restated on account of prior year adjustments. See Note 35.

The Group's profits / losses are taxed at different rates depending on the country in which the profit or loss arises. The Group is currently taxed in the UK at a prevailing rate of 19% (FY2021:19%) and in the US at a prevailing rate of 29.56% (FY2021: 29.56%).

The UK government substantively enacted on 24 May 2021 that the main UK corporation tax rate will increase to 25% from 1 April 2023.

A deferred tax asset has not been recognised in respect of tax losses carried forward in the UK totalling £348m and US totalling $11.1m (FY2021: 260m UK and $7.6m US) as there is insufficient evidence as to their recoverability.

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

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Deferred tax				
Unused tax losses	88,821	51,022	86,949	49,420
Fixed asset timing differences	627	505	609	281
Share based payments	132,481	30,374	131,885	30,271
Other deductible temporary differences	544	72	531	77
	222,473	81,973	219,974	80,049

The Group's unrecognised deferred tax is a mixture of unrecognised deferred tax assets relating to the UK and applying a prevailing rate of 25% (2021: 19%) and US at the prevailing rate of 29.56% (2021: 29.56%).

11. Cash and balances at banks

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

Cash and balances are held on demand, except for amounts held as collateral at central banks. We show them in accordance with the regulatory licence held by the institution. We didn't hold any cash equivalents in the year.

	Group			Company
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Cash and balances held with				
Central banks	2,927,627	2,808,297	2,927,627	2,808,297
Other banks	92,971	62,802	88,677	61,124
E-money institutions	507	186	494	166
Reserves with central banks	113,435	106,083	113,435	106,083
Total cash and balances at banks	**3,134,540**	**2,977,368**	**3,130,233**	**2,975,670**

At the end of the reporting period £66.9m of the reserves with central banks and £6.2m of the amounts at other banks were encumbered. These amounts are held as cash collateral and not available for use in day-to-day operations. We need this to be a direct settling participant of the Faster Payments Service.

12. Treasury investments

Treasury assets consist of fixed coupon bonds and gilts 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.

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

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
UK government debt	857,717	—	857,717	—
Supranational debt	817,761	376,641	817,761	376,641
Total treasury investments at amortised cost	**1,675,478**	**376,641**	**1,675,478**	**376,641**

At the end of the reporting period, £26.5m of our treasury investments were encumbered. Similar to the cash collateral we hold (see Note 11), we continue to recognise interest on encumbered assets, but they have been set aside and cannot be used for other purposes. They are encumbered to provide security for our participation in the Faster Payment Service network.

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 Note 21 and Note 22.

13. Loans and advances to customers

Loans and advances to customers are made up of unsecured loans, Monzo Flex, approved overdrafts and overdrawn balances (unarranged overdrafts). We measure them under IFRS 9, first at fair value and then at amortised.

The table below shows the gross loans and advances to customers, the ECL on those balances, and the net carrying value. The figures are split out by the type of balance the customer has. Monzo Flex positions are included in Loans balances.

		Group		Company
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Gross				
Overdrafts and overdrawn balances	100,911	56,818	100,911	56,818
Loans	157,896	47,772	157,896	47,772
Total gross loans and advances to customers	**258,807**	**104,590**	**258,807**	**104,590**
Credit loss provision				
Overdrafts and overdrawn balances	(15,179)	(12,600)	(15,179)	(12,600)
Loans	(8,545)	(4,843)	(8,545)	(4,843)
Total credit loss provision	**(23,724)**	**(17,443)**	**(23,724)**	**(17,443)**
Net				
Overdrafts and overdrawn balances	85,732	44,218	85,732	44,218
Loans	149,351	42,929	149,351	42,929
Total net loans and advances to customers	**235,083**	**87,147**	**235,083**	**87,147**
Analysis of gross loans and advances to customers				
Due within one year	170,396	75,047	170,396	75,047
Due in more than one year	88,411	29,543	88,411	29,543
Total gross loans and advances to customers	**258,807**	**104,590**	**258,807**	**104,590**

Loans and advances to customers are made up of approved overdrafts of £98.5m (FY2021: £54.7m) and overdrawn balances on current accounts of £2.4m (FY2021: £2.1m). Monzo Flex is included in Loans and makes up £13.6m (FY2021: £nil) of the balance. See Note 25 for more information on the impairment charge in respect of overdrafts, overdrawn balances, and loans.

14. Other assets

1. **Receivables:** We recognise receivables first at fair value and then at amortised cost. We recognise ECLs under IFRS 9 against certain receivables. Our ECLs for the year are shown in Note 4. Receivables in respect of payment schemes represent cash balances which are due to be received from third party payment schemes. The settlement cycle is dependent on the scheme, but is usually within a few working days of the transaction. See Note 16, for more details on our lease receivable.
2. **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.
3. **Inventory:** We value inventory at the lower of cost and net realisable value. It includes bank cards held for sale in the ordinary course of business.
4. **Prepayments:** We recognise prepayments where we've bought goods or services that we haven't yet used.

Critical accounting estimate

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

		Group		Company
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Receivables in respect of payments schemes	51,458	91,247	51,412	91,238
Lease receivable	1,672	–	1,672	–
Accrued income	1,624	481	1,650	526
Inventory	3,848	2,806	3,848	2,806
Prepayments	8,832	6,821	8,780	6,751
Other receivables	3,026	292	3,027	286
Intercompany accounts receivable	–	–	–	287
RDEC claim	1,033	847	1,033	847
Deposits	3,598	3,148	3,390	3,140
Other investments	109	–	109	–
Total other assets	**75,200**	**105,642**	**74,921**	**105,881**

Included within other assets are £60.5m (FY2021: £95.1m) of financial assets and £14.7m (FY2021: £10.5m) of non-financial assets. The credit quality of the financial assets is considered low risk. They're mostly settled the next working day, so the balance is higher when our financial year end falls on a weekend, as it did in FY2021. £43.0m of this balance settled on 1 March 2022.

We've recognised an RDEC claim as a non-financial asset based on an analysis of eligible costs during the year. In February 2022, we received £0.9m relating to our FY2021 claim. Our estimated net RDEC claim of £1.0m for FY2022 has been recognised in full in other operating income.

15. Property, plant and equipment

We show items of property, plant and equipment at cost less accumulated depreciation and impairment. Historical cost includes expenditure that's 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[1] and IT infrastructure, see Note 16. We recognise depreciation on fixtures and fittings, which include office fit-out costs, on a straight-line basis over the life of the lease.

We depreciate 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:**[2] 3 years.

Critical accounting estimate

At the end of each reporting period we check to see whether there are signs that any of our assets could be impaired. The calculation of the recoverable amount includes key assumptions which impact the impairment calculation. At the end of the year, part of our office space was not in use which indicated that it may be impaired. In FY2021, we estimated the value-in-use as £2.9m using a discount rate of 8.3%. From our assessment we concluded that we needed an impairment of £3.9m. In FY2022 part of this space was sublet and we have assessed the value-in-use of the remaining space to be £1.1m which indicated an impairment of £0.4m compared to the net book value.

1 Each of the floors in our London Office are independent of each other and qualify as a separate lease component.

2 We have 'evergreen' lease contracts which continue until either we, or the lessor, cancel the contract. We expect the most likely term for these leases to be the same as for other IT equipment. We've 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 2021	7,367	5,448	20,629	158	33,602
Additions	1,929	2,454	1,281	104	5,768
Impairments	–	–	(384)	–	(384)
Disposals	(1,222)	–	(1,386)	(113)	(2,721)
Write-offs	–	(819)	–	–	(819)
As at 28 February 2022	**8,074**	**7,083**	**20,140**	**149**	**35,446**
Depreciation					
As at 1 March 2021	1,132	2,945	2,826	104	7,007
Charge for the period	1,559	1,877	4,438	53	7,927
Depreciation on assets disposed	(13)	–	(391)	(113)	(517)
Depreciation on assets written off	–	(807)	–	–	(807)
As at 28 February 2022	**2,678**	**4,015**	**6,873**	**44**	**13,610**
Net book value as at 28 February 2022	**5,396**	**3,068**	**13,267**	**105**	**21,836**
Cost					
As at 1 March 2020	1,914	4,115	19,159	158	25,346
Additions	6,294	1,780	7,535	–	15,609
Modifications	–	–	(733)	–	(733)
Impairments	–	–	(3,876)	–	(3,876)
Write-offs	(841)	(447)	(1,456)	–	(2,744)
As at 28 February 2021	**7,367**	**5,448**	**20,629**	**158**	**33,602**
Depreciation					
As at 1 March 2020	843	1,698	1,501	51	4,093
Charge for the period	1,064	1,447	2,570	53	5,134
Depreciation on assets written off	(775)	(200)	(1,245)	–	(2,220)
As at 28 February 2021	**1,132**	**2,945**	**2,826**	**104**	**7,007**
Net book value as at 28 February 2021	**6,235**	**2,503**	**17,803**	**54**	**26,595**

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 2021	7,365	5,418	20,629	158	33,570
Additions	1,929	2,428	–	104	4,461
Impairments	–	–	(384)	–	(384)
Disposals	(1,222)	–	(1,386)	(113)	(2,721)
Write-offs	–	(819)	–	–	(819)
As at 28 February 2022	**8,072**	**7,027**	**18,859**	**149**	**34,107**
Depreciation					
As at 1 March 2021	1,133	2,926	2,826	104	6,989
Charge for the period	1,559	1,863	4,305	53	7,780
Depreciation on assets disposed	(13)	–	(391)	(113)	(517)
Depreciation on assets written off	–	(807)	–	–	(807)
As at 28 February 2022	**2,679**	**3,982**	**6,740**	**44**	**13,445**
Net book value as at 28 February 2022	**5,393**	**3,045**	**12,119**	**105**	**20,662**
Cost					
As at 1 March 2020	1,912	3,927	19,159	158	25,156
Additions	6,294	1,679	7,535	–	15,508
Modifications	–	–	(733)	–	(733)
Impairments	–	–	(3,876)	–	(3,876)
Write-offs	(841)	(188)	(1,456)	–	(2,485)
As at 28 February 2021	**7,365**	**5,418**	**20,629**	**158**	**33,570**
Depreciation					
As at 1 March 2020	844	1,671	1,501	51	4,067
Charge for the period	1,064	1,420	2,570	53	5,107
Depreciation on assets written off	(775)	(165)	(1,245)	–	(2,185)
As at 28 February 2021	**1,133**	**2,926**	**2,826**	**104**	**6,989**
Net book value as at 28 February 2021	**6,232**	**2,492**	**17,803**	**54**	**26,581**

In December 2021, we sublet part of our London office space, resulting in a £2.1m net book value disposal of the right-of-use asset and related fixtures and fittings.

16. Leases

Leases as lessee

We recognise lease liabilities in other liabilities, further information is included in Note 20.

At the start of a contract we assess whether it 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. None of our leases have variable lease payments. Where leases include extension options, and these options are reasonably certain to be exercised, we include the option to extend in the lease term.

In calculating the present value of lease payments, we used a proxy for our incremental borrowing rate at the lease commencement date where neither the interest rate implicit in the lease or an incremental borrowing rate is available. Our incremental borrowing rate (IBR) has been used since March 2021. After the commencement date, we increase lease liabilities to reflect the accumulation of interest and reduce them for lease payments made.

Incremental borrowing rate
From March 2021, we could reasonably assess our IBR using our observable borrowing rate as we entered into our first debt agreement. We previously used external observable inputs (like 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. We recognise lease payments on short-term leases and leases of low value assets as an expense on a straight-line basis over the lease term.

We've shown the movements on lease liabilities during the year below:

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Lease liabilities				
As at 1 March	21,673	17,023	21,673	17,023
Additions	1,385	7,052	104	7,052
Modifications	–	(733)	–	(733)
Interest expense on leases	1,617	1,373	1,553	1,373
Cash payments	(7,521)	(3,042)	(7,428)	(3,042)
As at 28 February	**17,154**	**21,673**	**15,902**	**21,673**

The interest expense on leases shown above doesn't include the unwinding of the discount on dilapidation provisions related to those leases. That's included in Note 28.

We've shown below the amounts relating to leases that have been recognised in profit or loss:

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Interest expense on leases	1,617	1,373	1,553	1,373
Expense relating to short-term leases included in operating expenses	31	241	–	–
Expense relating to low-value leases included in operating expenses	52	45	52	45
Total amount recognised in profit or loss	**1,700**	**1,659**	**1,605**	**1,418**

We had total cash outflows for leases, not including short-term or low-value, of £7.5m in FY2022 (FY2021: £3.0m). We also had non-cash additions to right-of-use assets and lease liabilities of £1.4m in FY2022 (FY2021: £7.1m).

Leases as lessor

At the commencement of a sublease, we assess whether the lease is a finance or an operating lease. Where the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, it's a finance lease; if not, it's an operating lease.

During the year, we sublet part of our office space under a finance lease.

The following table shows the maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date:

	Group and Company
	28 February 2022
	£'000
Maturity of lease receivables	
Less than one year	483
One to two years	649
Two to three years	649
Three to four years	150
Total undiscounted lease payments receivable	**1,931**
Unearned finance income	(259)
Net investment in the lease	**1,672**

We recognised £68k of ECL on our net investment in our lease in FY2022.

17. Collateral held with third parties

	Group		Company	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Held with payment network providers	76,292	56,314	75,927	55,920
Total collateral held with third parties	**76,292**	**56,314**	**75,927**	**55,920**

We've had to set aside more money as collateral with our payment network providers because our customers are spending more money through our platform. All payment scheme participants must hold collateral in case they fail to settle amounts with the providers.

18. 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 £4,440.7m (FY2021: £3,124.0m) which are held on demand.

19. Subordinated debt liability

We recognise subordinated debt liabilities initially at fair value less transaction costs and then at amortised cost.

	Group and Company
	28 February 2022
	£'000
Subordinated debt liability	
As at 1 March	–
Proceeds from issuance of subordinated debt liability	14,400
Interest Expense	1,958
Interest Paid	(1,765)
As at 28 February	**14,593**

In March 2021, we entered into a subordinated debt arrangement for £25m at a rate of interest of 12% per year. We've drawn down 2 tranches (£10m and £5m) and have an additional £10m facility which remains undrawn as at 28 February 2022. The contract term spans 10 years and is due to mature on 7 March 2031.

Interest expense incurred on our subordinated debt can be found in Note 2. For further information on the classification and contractual maturity of our subordinated debt liability, refer to Note 20 and Note 22.

20. 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 of the transaction. On settlement, we derecognise these amounts from the balance sheet. We recognise these amounts at amortised cost.

Provisions

We recognise provisions under IAS 37 Provisions, Contingent Liabilities and Contingent Assets where we have present obligations arising from past events and the payment of the obligation can be reliably estimated and is probable. We've recognised provisions for the cost of returning leased office space to its original condition at the end of the lease. We also recognised provisions for professional service fees and customer remediation costs expected in FY2023 and FY2024. See Note 28.

Deferred income

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

Leases liabilities

For information on the recognition of lease liabilities please see Note 16. For an analysis of the contractual maturity of lease payments, see Note 22.

Warrant liabilities

We issued warrants in March 2021 which give holders the right to buy our shares in the future. These warrants have an exercise period of 10 years. We measure the fair value of warrants using a Black-Scholes option pricing model with any gain or loss on revaluation recognised in the statement of comprehensive income. Note 9 includes amounts relating to the gain or loss from revaluation.

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	
	28 February 2022	28 February 2021	28 February 2022	28 February 2021
	£'000	£'000	£'000	£'000
Customer funds in transit	149,662	235,698	149,662	235,698
Lease liabilities	17,154	21,673	15,902	21,673
Accruals	11,192	10,179	11,147	10,055
Accounts payable and other creditors	7,596	2,641	7,584	2,590
Other taxes and social security costs	3,425	2,886	3,425	2,886
Deferred income	2,017	1,443	2,017	1,443
Provisions	1,246	1,149	1,246	1,149
Other provisions	7,711	8,098	7,711	8,098
Warrant liabilities	915	–	915	–
Intercompany accounts payable	–	–	–	328
Total other liabilities	**200,918**	**283,767**	**199,609**	**283,920**

Customer funds in transit decreased to £149.7m from £235.7m due to the timing of year end. 28 February 2021 fell on a weekend whereas this year, it was a weekday, which results in lower unsettled balances.

Included within other liabilities are £186.5m (FY2021: £270.2m) of financial liabilities and £14.4m (FY2021: £13.6m) of non-financial liabilities.

21. Fair value of financial assets and liabilities

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 categories, from Level 1 to Level 3, are based on how observable the fair value is.

Level 1
Quoted prices in active markets for identical assets or liabilities which we 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.

We've summarised the fair values of financial assets and liabilities by the level of inputs below. We've only shown these for the Group because they're not materially different for the Company.

	Level 1	Level 2	Level 3	Total fair value
As at 28 February 2022	**£'000**	**£'000**	**£'000**	**£'000**
Financial Assets				
Other Investments	–	109	–	109
Total Financial Assets	**–**	**109**	**–**	**109**
Financial Liabilities				
Warrant liabilities	–	–	(915)	(915)
Total Financial Liabilities	**–**	**–**	**(915)**	**(915)**

Other investments relate to the equity in SWIFT which we purchased in line with their terms of use. These are classified as level 2 as observable inputs are used however quoted market prices are not readily available.

Warrant liabilities are valued using a Black Scholes option pricing model. The most significant inputs are the current share price of Monzo and volatility inputs and are not based on observable market data.

Level 3 movement analysis

	As at 1 March 2021	Additions	Total gains and losses in the period recognised in the income statement	As at 28 February 2022
	£'000	£'000	£'000	£'000
Warrant liabilities	–	(413)	(502)	(915)
Financial liabilities at fair value through the income statement	–	**(413)**	**(502)**	**(915)**

Financial assets and liabilities recognised at amortised cost

	Level 1	Level 2	Level 3	Total fair value	Total carrying value
As at 28 February 2022	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets					
Cash and balances at bank	–	3,134,540	–	3,134,540	3,134,540
Treasury investments	1,653,264	–	–	1,653,264	1,675,478
Loans and advances to customers	–	–	233,521	233,521	235,083
Other assets	–	58,765	1,672	60,437	60,437
Collateral held with third parties	–	76,292	–	76,292	76,292
Total financial assets	**1,653,264**	**3,269,597**	**235,193**	**5,158,054**	**5,181,830**
Financial liabilities					
Customer deposits	–	4,440,650	–	4,440,650	4,440,650
Subordinated debt liability		20,302		20,302	14,593
Other liabilities	–	168,455	18,068	186,523	186,523
Total financial liabilities	–	**4,629,407**	**18,068**	**4,647,475**	**4,641,766**
Net asset position	**1,653,264**	**(1,359,810)**	**217,125**	**510,579**	**540,064**
As at 28 February 2021					
Financial assets					
Cash and balances at bank	–	2,977,368	–	2,977,368	2,977,368
Treasury investments	373,296	–	–	373,296	376,641
Loans and advances to customers	–	–	86,473	86,473	87,147
Other assets	–	95,121	–	95,121	95,121
Collateral held with third parties	–	56,314	–	56,314	56,314
Total financial assets	**373,296**	**3,128,803**	**86,473**	**3,588,572**	**3,592,591**
Financial liabilities					
Customer deposits	–	3,124,046	–	3,124,046	3,124,046
Other liabilities	–	248,522	21,673	270,195	270,195
Total financial liabilities	–	**3,372,568**	**21,673**	**3,394,241**	**3,394,241**

Basis of valuation

Cash and balances at banks
We consider fair value to approximate 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
We've determined the fair value of the overdrafts and loans by discounting the gross carrying value to present value, using market interest rates, less Expected Credit Losses and considering the quality of positions in the portfolio to assess an arm's length value.

Treasury investments
We've taken the fair value of investments with an active market from the market price available at year end.

Customer deposits
We consider the fair value of deposit liabilities held on demand to approximate the carrying value.

Subordinated debt liability
We calculate the present value of future cash flows, using our market interest rate and by also applying a marketability discount.

Other assets, other liabilities and collateral held with third parties
We consider the fair value of other assets and liabilities to approximate the carrying value.

22. Liquidity risk management

Liquidity risk is the risk that we fail to meet our obligations as they fall due or can only do so at exceptional cost. We manage this risk by ensuring we have the right type and quantity of funds available when necessary, in the correct currency. Our liquidity risk appetite is to meet all liabilities as they fall due under business as usual scenarios, and to ensure we have liquidity buffers for a set of stress events. The contractual maturities of financial assets and liabilities are calculated on the contractual cash flows and are disclosed undiscounted in the table 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
As at 28 February 2022	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Gross financial assets						
Cash and balances at bank	3,021,104	1,025	–	–	112,410	3,134,539
Treasury investments	–	619	13,484	453,678	1,228,444	1,696,225
Loans and advances to customers	98,151	34,094	20,179	33,395	98,418	284,237
Other assets	42,544	12,623	167	333	5,535	61,202
Collateral held with third parties	–	–	–	–	76,292	76,292
Total gross financial assets	3,161,799	48,361	33,830	487,406	1,521,099	5,252,495
Financial liabilities						
Customer deposits	4,440,650	–	–	–	–	4,440,650
Other liabilities – excluding lease liabilities	14,533	153,672	–	–	1,165	169,370
Lease liabilities	–	1,648	1,647	3,302	15,580	22,177
Subordinated debt liability	–	454	454	893	21,194	22,995
Total financial liabilities	**4,455,183**	**155,774**	**2,101**	**4,195**	**37,939**	**4,655,192**
Net asset position	**(1,293,384)**	**(107,413)**	**31,729**	**483,211**	**1,483,160**	**597,303**
As at 29 February 2021						
Gross financial assets						
Cash and balances at bank	2,871,285	168	–	–	105,914	2,977,367
Treasury investments	–	344	187	2,322	376,892	379,745
Loans and advances to customers	55,327	6,715	5,359	9,536	31,614	108,551
Other assets	84,866	7,107	–	–	3,148	95,121
Collateral held with third parties	–	–	–	–	56,314	56,314
Total gross financial assets	**3,011,478**	**14,334**	**5,546**	**11,858**	**573,882**	**3,617,098**
Financial liabilities						
Customer deposits	3,124,046	–	–	–	–	3,124,046
Other liabilities – excluding lease liabilities	31,134	217,388	–	–	–	248,522
Other liabilities	–	1,534	1,534	2,956	19,515	25,539
Total financial liabilities	**3,155,180**	**218,922**	**1,534**	**2,956**	**19,515**	**3,398,107**
Net asset position	**(143,702)**	**(204,588)**	**4,012**	**8,902**	**554,367**	**218,991**

Our undrawn overdraft commitments of £368.4m (FY2021: £222.9m) are all on demand.

Our Treasury team manages and monitors liquidity risk on a daily basis. ALCo meets on a monthly basis and monitors the reporting and management of liquidity risk. We currently hold our surplus assets in overnight deposits with central banks and in treasury assets which can be liquidated on demand to generate liquidity. The key metric we use to monitor liquidity risk is the Liquidity Coverage Ratio (LCR). At year end and at all times throughout the year, we were significantly in excess of our internal risk appetite and regulatory requirements.

23. Capital risk management

Capital risk is the risk that we don't have the quantity or quality of capital resources to meet our capital requirements and to absorb unexpected losses if they were to occur. Causes of inadequate capital could include a high level of defaults on our lending, or having large unexpected operational losses.

We continue to maintain capital ratios that exceed our minimum requirements under the Capital Requirement Directive IV regulatory framework, as adopted by the UK after Brexit. Full details of our regulatory capital and calculation of our regulatory total capital requirement are given in the Pillar 3 report published on our website. We refresh our ICAAP on an annual basis, which includes a 5 year forecast of our capital position. The ICAAP is used to inform the future capital strategy. We submit it to the PRA following Board scrutiny and approval.

The ICAAP assesses our Pillar 1 requirements using the Standardised/Basic Indicator approaches (respectively for 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. We also hold a PRA buffer based upon 6 months operational expenditure and the regulatory determined capital conservation buffer and countercyclical buffer.

We perform robust capital planning over our 5 year forecasting horizon to assess the impacts of our strategy and changing regulatory expectations to ensure we understand the future demands on our capital and plan accordingly.

Key capital risk metrics

Our key capital metric is the current and projected surplus of capital resources over regulatory capital requirements. We also monitor the CET1 ratio. Currently our capital resources consist solely of paid up share capital. As at 28 February 2022 our CET1 ratio was 155% (FY2021: 99%) (unaudited) based on our minimum capital requirements. During the year ended 28 February 2022, we complied in full with all our externally imposed capital requirements.

24. Market risk management

Interest rate risk

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

- **Gap risk:** when the re-pricing of banking book products (assets and liabilities) is mismatched across time buckets.
- **Basis risk:** when banking book items re-price in relation to different reference rates, like the central bank base rate.
- **Optionality risk:** when our customers and counterparties have choices within their contracts with us, like the ability to repay at a different point in time.

Our net interest rate risk comes through unsecured lending, deposit-taking, treasury investments, and funding activities.

We manage the risk of banking book positions in line with our risk appetite framework and our regulatory constraints. Our governance committees monitor these risks, including the ALCo which evaluates new initiatives and risks.

Our Treasury team monitors interest rate risk regularly, is overseen by our Risk function and reports to the ALCo on a monthly basis. The team, together with the business, is responsible for balance sheet management and implementing hedging strategies to manage interest rate risk.

We monitor the sensitivity of both our earnings (net interest income) and the economic value of interest rate sensitive balance sheet items to a variety of interest rate shocks. This includes the six scenarios set out in EBA guidelines on the management of interest rate risk arising from non-trading book activities. We apply a floor to the yield curve used in IRRBB analysis.

	28 February 2022	
Interest rate risk	**−200bps**	**+200bps**
Impact to annual interest income (£'000)	(58,345)	64,395
Impact as percentage of Net Assets at year end	(10.38%)	11.45%
Impact on the Economic Value of Equity (£'000)	(16,517)	13,118

Foreign exchange risk

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

At year end, our main exposure to foreign currency risk was on balances held in US Dollars and Euros for use in day-to-day operations. We consider the risk of fluctuations in foreign exchange rates on these balances to be immaterial.

25. 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 offer overdrafts, short term unsecured loans and the ability to defer the full payment for individual transactions (Monzo Flex) to individuals to generate a return through interest income. Lending creates credit risk as borrowers might fail to pay the interest or the principal due.

As a material risk to us, there's significant management focus on setting credit risk appetite and monitoring and managing the credit risk in the portfolio.

Credit risk management

Credit risk in the retail portfolios is monitored and managed by the Borrowing Collective and overseen by the Risk and Compliance function as the 2LoD. Our retail credit risk is challenged and monitored principally at the Credit Risk Committee, which is overseen by the ERCC. In addition, the overall risk appetite and lending criteria and policy are approved by the Board.

The Credit Risk Committee oversees the credit risk performance of our lending portfolios and ensures it is managed in line with policies and risk appetite. This includes reviewing risk appetite metrics, financial accounting measures and credit performance trends on new originations, existing portfolios and collections and recoveries. This management information also includes IFRS 9 related measures like probability of default (PD) and loss amounts. These are used in combination with other metrics to inform the business strategy. Overarching appetite measures are tracked at the ERCC and at the Board Risk Committee.

There's also Credit Risk in the Treasury portfolio, albeit, given the very low risk investment strategy, anticipated credit losses are not significant. Wholesale credit risk is monitored and managed through ALCo with onward reporting to the Board as needed.

Credit risk mitigation

Retail credit risk is mitigated through the use of robust assessment criteria and processes at the point of origination together with active customer management practices.

We use lending criteria when assessing applications for overdrafts, loans and Monzo Flex to determine creditworthiness and affordability capacity. These criteria are aligned to regulation and our risk appetite. The general approval process uses application data provided by the customer when they apply for a credit product and their credit history using information held by credit reference agencies.

Lending exposure is actively managed to ensure it remains within our risk appetite. Lending criteria 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 primary aim of ongoing customer management activity is to treat customers fairly. When appropriate, 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 signpost 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 or help customers repay their remaining debt at an affordable rate.

Our credit risk exposure to non-retail (wholesale) counterparties is a significant proportion of the balance sheet, however due to our extremely cautious wholesale credit risk appetite and consequent investment strategy of high quality counterparties, the residual wholesale credit risk exposure is minimal.

Credit Impairment Loss Allowance

To account for the credit risk in the portfolio, Monzo reduces the value of the assets on the balance sheet using an Impairment Loss Allowance under the IFRS 9 accounting standard. IFRS 9 requires the calculation of an ECL for assets on the balance sheet held at amortised cost or Fair Value through Other Comprehensive Income.

Impairment Loss Allowance under IFRS 9

IFRS 9 requires the recognition of an ECL that is unbiased based on forward-looking information probability weighted across a range of possible outcomes. For Monzo this is applicable to all financial assets measured at amortised cost. Under the IFRS 9 standard, assets are required to be classified into the following three stages:

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, a 12-month ECL is recognised and interest income is calculated on the gross carrying amount of the asset. The 12-month ECL is the expected credit losses that result from default events that are anticipated within the 12 months following the reporting date.

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, a lifetime ECL is recognised and interest income is still calculated on the gross carrying amount of the asset. The lifetime ECL is the expected credit losses that result from all possible default events over the expected life of the asset.

Stage 3
For assets that have objective evidence of impairment at the reporting date and meet our definition of default, a lifetime ECL is recognised and interest income is calculated on the carrying amount net of the impairment loss allowance.

The IFRS 9 Impairment Loss Allowance is approved by the CFO supported by the Impairment Council, which is chaired by the CFO. The Impairment Council is responsible for reviewing the monthly IFRS 9 ECL numbers recognised in our books and records, ensuring that ECL has 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 and governance of 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.
- Making recommendations on the need for Expert Credit Judgement provision, including the quantum and period of application. This includes both in-model and post-model adjustments.
- Assessment of drivers of change in ECL, with a specific focus on the metrics required for external and regulatory reporting.

Critical accounting estimates and judgements

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 likelihood of default
- the amount of loss if default occurs
- our assessment of significant increases in credit risk.

These estimates are driven by observed data augmented by management judgement where required.

Sensitivity analysis of material ECL model inputs and macroeconomic scenarios can be found on page 166 and page 157 respectively.

Wholesale and Other assets

We have applied the low credit risk exemption for wholesale assets including UK Treasury investments and assets held with central banks. Low credit risk is defined when there is a low risk of default, the borrower has a strong capacity to meet its short term obligations and adverse changes in economic and business conditions will not necessarily reduce the ability of the borrower to meet its longer term obligations.

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.

Expected Credit Loss modelling

The Expected Credit Loss is the anticipated shortfalls from the contractual cash flows over the expected life of a financial asset, allowing for the time value of money. ECL is calculated at the individual financial instrument level, but a collective approach (grouping financial instruments with similar risk characteristics together) is used where effects can only be seen at a collective level, e.g. for forward-looking information. The assets are currently grouped by lending product as these share similar risk characteristics. The results of any collective modelling approach are applied at the individual asset level. The impairment model calculates ECL at an account 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) or an approximation thereof.

- PD represents the likelihood of a customer defaulting on their overdraft or loan over a suitable time frame (the next 12 months or the remaining lifetime). This uses data provided by an external Credit Reference Agency which is suitably combined with internal performance data.
- EAD estimates the amount expected to be owed at default. For overdrafts and Monzo Flex, the EAD is calculated by taking the current drawn balance and adding an appropriate 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 up to the point of default.
- LGD is the expectation of loss on an exposure that meets our definition of default. It represents our expectation of the extent of loss on a defaulted exposure and is expressed as a percentage loss per unit of EAD.

The ECL is calculated across a range of macroeconomic scenarios and the probability weighted average across the multiple economic scenarios is taken as the ECL.

Unless otherwise noted, the amount that best represents the maximum credit exposure at the reporting date is the carrying value of the financial asset.

Expected lifetime

The expected lifetime of a financial asset is generally the contractual term. For unsecured personal loans, the life is taken as the contractual term. In the case of overdrafts and Monzo Flex, credit losses are assessed over the period that there is exposure to credit risk. This is estimated using industry insights due to the lack of observable internal data. The current expected lifetime used in calculating the ECL for overdrafts and Monzo Flex is 5 years.

Changes in estimation techniques

During FY2022, the ECL models have been improved to better align with the risk and behaviour of our lending book. The changes include:

- a revised suite of loans models based on latest available observed data and incorporating the forward looking adjustment
- a recalibration to the overdraft models to reflect latest performance
- the implementation of a suite of models for the new Flex product.

Management judgments and post model adjustments are discussed later.

ECL model governance

IFRS 9 models are governed in accordance with the bank-wide Model Risk Framework and associated Policies, which establishes minimum standards and guidelines relating to the development, use, validation and monitoring of models within Monzo. The Model Risk Framework is owned by the CRO and approved by ERCC; the Credit Risk Policy and associated standards are owned by the Borrowing Collective and approved by the CRC.

The ECL models are developed in line with the Monzo's credit model development standards and approved by the General Manager, Borrowing, supported by a series of first and second line fora.
All models are subject to a second line review, challenge, independent validation and ongoing oversight in line with Monzo's model validation and model monitoring standards.

Determining a significant increase in credit risk since initial recognition

Under the IFRS 9 standard, we must determine if there has been a significant increase in credit risk since initial recognition for assets that do not meet the defaulted (Stage 3) criteria. The impairment model utilises both relative and absolute criteria to identify increases in credit risk. Any changes to these criteria are considered model changes and are approved and governed under the model governance framework.

- **Quantitative criteria:** the quantitative trigger has been based around the comparison of the remaining lifetime PD at observation (i.e. reporting date) against the remaining lifetime PD from origination, when the exposure was first recognised. When the ratio of these two PDs breaches a predefined threshold (currently the threshold is set at 1.8 x remaining lifetime PD from initial recognition), the account is moved into Stage 2 and its ECL is calculated on a Lifetime basis.
- **Qualitative criteria:** qualitative factors, including forbearance treatments, 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).

  For overdrafts, if an account goes more than 15 days past due, this is taken as an indication of a significant increase in credit risk. Similarly for loans, if an account goes into arrears (i.e. one day past the monthly payment due date), it is moved into Stage 2. Monzo Flex is considered in Stage 2 when it is more than 1 month in arrears. We plan to review and align these triggers where necessary in FY2023, as we accumulate more product data.
- **Backstop:** A rebuttable presumption within IFRS 9 is that, where the customer is more than 30 days past due, credit risk has significantly increased. This backstop has not been rebutted.

When an account no longer meets the criteria for being in Stage 2, it cannot return to Stage 1 until 4 months have passed without it meeting any of the qualitative criteria.

Definition of default and credit-impaired assets

We consider a financial instrument to meet the accounting definition of default and therefore be allocated to Stage 3 (credit-impaired) for ECL calculations when the borrower is considered unlikely to pay together with a backstop of 90 days past due. The definition of default used for accounting purposes is aligned to that used for credit management, capital and regulatory reporting purposes.

As part of a qualitative assessment of whether a customer meets the accounting definition of default, we consider a variety of events 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. Events that trigger inclusion in default 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. As an example, this includes cases where a specific repayment plan has been agreed and interest has been frozen
- the customer has requested 'breathing space' i.e. when the Bank agrees to give the customer some time in which they won't be contacted about their arrears at all and fees or interest is frozen.

In the case of overdrafts, a customer is deemed to be credit impaired when the account has been above its overdraft limit, or overdrawn without an agreed limit, for more than 90 days. For loans and Monzo Flex products, an account is deemed credit impaired when it becomes more than three instalments behind the agreed monthly repayment schedule.

Our policy is to consider an account as exited default ('cured') and therefore re-classified out of Stage 3 when the balance in excess of the limit and/or any arrears have been repaid and a fixed probation period of 3 months has passed.

Forecast economic data

IFRS 9 requires the ECL to reflect a range of possible outcomes and consider possible future economic conditions. A quarterly Economic Update Forum chaired by the CFO reviews the latest economic data and forecasts. This forum recommends to the CFO which economic forecasts should be applied to the calculation of ECL. To achieve this, the impairment calculation uses four (FY2021: four) economic forecasts:

- **The base case forecast (Base):** A central forecast that assumes the situation in Ukraine leads to high inflation persisting for the rest of the year. The cost of living crisis intensifies and real incomes are expected to be 2%–3% lower in 2022 than in 2021. Unemployment is projected to remain at 4.1% over the forecast horizon.
- **An upside scenario (Upside):** The economy rebounds strongly and inflation falls back together with falls in unemployment.
- **A pessimistic downturn scenario (Downside 1):** The economy underperforms and the fallout from leaving the EU – currently largely hidden by COVID-19 – constrains output although a full trade war is averted. The economy stalls due to a number of factors including the war in Ukraine and unemployment rises.
- **A more severe downturn (Downside 2):** Another emerging virus variant proves to be more resistant to vaccines than expected together with an escalation of the conflict in Ukraine and consequent damage to Western economies. Inflation climbs leading to increased squeezes on individuals and firms, increasing unemployment.

All of the scenarios have been sourced from an independent economist. The scenarios are forecast for 5 years which is the maximum lifetime of any lending. The economic forecasts captured the possible impacts of the war in Ukraine based on what was known on 28 February 2022. There is significant uncertainty in the forecasts and a post model adjustment has been applied.

The forward looking economic variables considered as inputs to the final ECL calculation are (i) UK unemployment hazard rates and (ii) Debt to income ratio. These are combined using statistical techniques to estimate the relative change in default expectations within the different scenarios. These relative changes are then applied to increase/ decrease the ECL parameters appropriately for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on ECL.

The scenario weightings are as below. These are based on a series of triangulation points including; the recommendation of the independent economist, assessment of the severity and probability weightings from other sources and the likelihood of macroeconomic outturns produced by the Bank of England. The macroeconomic scenarios and weightings are reviewed by the Impairment Council, CFO and Audit Committee to confirm they are appropriate. Prior to the war in Ukraine, consideration was given to moving some of the probability weight from the downside scenarios; however in light of the war, it was considered appropriate to leave more weight on the downsides.

					Economic Scenarios
	Upside	Base	Downside 1	Downside 2	Multiple Economic Scenario
28 February 2022					
Scenario probability Weights	**20%**	**45%**	**30%**	**5%**	
As at 28 February 2022 (5 year Average)					
Unemployment (%)	3.8	4.1	5.3	6.4	
Debt to Income (%)	12.64	14.12	14.85	15.50	
Peak Value					
Unemployment (%)	4.10	4.10	6.20	8.10	
Debt to Income (%)	12.81	14.45	15.47	16.30	
Total impairment allowance with 100% Weighted scenarios (£000s)	**22,194**	**23,188**	**24,991**	**27,418**	**23,717**
28 February 2021					
Scenario probability Weights	20%	45%	30%	5%	
As at 28 February 2021 (5 year Average)					
Unemployment (%)	4.3	5.1	5.9	7.4	
Debt to Income (%)	13.4	14.6	15.0	15.6	
Peak Value					
Unemployment (%)	5.4	6.5	8.0	10.0	
Debt to income ratio (%)	13.5	14.8	15.2	16.0	
Total impairment allowance with 100% Weighted scenarios (£000s)	**16,103**	**17,119**	**18,287**	**19,931**	**17,443**

Whilst the impacts of COVID-19 are continuing to unwind and the outlook is significantly more positive than it was at the end of FY2021, the downside risks of further COVID-19 variants, Brexit trade disruption and ongoing war in Ukraine all mean that the risks remain to the downside. The scenarios and weights above reflect management's assessment of a meaningful range of scenarios and associated probability weightings.

Modification

We sometimes make a concession in 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 temporary modifications to contractual cash flows. When this occurs, the gross carrying value of a financial asset is not impacted, so no gain or loss is taken to the income statement beyond any increase in ECL. Where we grant a financial concession to a customer we'll treat them as credit impaired and move them to Stage 3.

As at 28 February 2022, the gross carrying amount of accounts in forbearance was £4.7m (FY2021: £3.2m). The lifetime ECL booked against these accounts as at 28 February 2022 was £2.8m (FY2021: £2.3m).

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 based on the modified terms, discounted at the original effective interest rate. The change in the net present value of the asset will be recorded as a modification gain or loss. 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 fully or partially written off against the related impairment loss allowance when there is no realistic prospect of recovering an asset in its entirety. The criteria for assessing that there is no realistic prospect of full recovery include the confirmation of insolvency, confirmation of deceased status and long-term arrears.

Expected recoveries from written off financial assets subject to enforcement activity are recognised in the income statement.

The contractual amount outstanding on financial assets that were written off in the financial year and that are still subject to enforcement activity is £8.7m (FY2021: £6.7m).

Post Model Adjustments (PMA)

The calculation of the Expected Credit Loss for the purposes of assessing Impairment Loss allowance is complex and involves judgement, particularly where there is a known limitation or weakness in the model that leads to the risk of the ECL being biased. The CFO, supported by the Impairment Council has considered areas of weakness or limitation in the models and has approved the following judgemental adjustments to the ECL:

- **Loan Model limitations:** Model monitoring has highlighted weaknesses in the calibration of the loans models as a result of changes to the lending criteria. Early performance data has been extrapolated pending full performance data being available and an adjustment of £1m is applied to stages 1 and 2.
- **Flex Model limitations:** Given the Flex product is completely new, model assumptions have been based on existing products. To account for uncertainty in these assumptions, a judgemental adjustment of £0.4m has been applied to Flex stages 1 and 2.
- **Cost of living crisis and economic uncertainty caused by the war in Ukraine:** It is recognised our macroeconomic models do not respond to inflationary environments and increases in the cost of living. Furthermore, the war in Ukraine is likely to have significant impacts on energy costs further exacerbating the cost of living crisis. To account for this, a post model adjustment has been applied that is based on stressing incomes by 10%. This results in an additional £1.3m of impairment. Judgmentally, this has been applied to stage 1.

There has not yet been any evidence of increased levels of defaults as a result of COVID-19 arising following the cessation of government assistance schemes. However, inflation and consequent impacts on cost of living is an emerging concern. The Economic PMA has increased to £1.3m (FY2021: £0.5m). Other PMAs have reduced as a result of enhancements to our models to better capture underlying behaviours, the most material being Overdrafts which reduced to £nil from £2.6m in FY2021.

Analysis of overdrafts and loans by stage

As at 28 February 2022, our portfolio consisted entirely of retail lending within the UK.

	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
As at 28 February 2022				
Overdrafts and overdrawn balances	49,931	44,623	6,357	100,911
Loans	139,830	15,142	2,924	157,896
Gross carrying amount	**189,761**	**59,765**	**9,281**	**258,807**
Overdrafts and overdrawn balances	(2,554)	(5,857)	(3,677)	(12,088)
Undrawn overdraft commitments	(1,484)	(1,443)	(164)	(3,091)
Loans	(3,407)	(2,400)	(2,262)	(8,069)
Undrawn loan commitments	(410)	(65)	(1)	(476)
Impairment allowance	**(7,855)**	**(9,765)**	**(6,104)**	**(23,724)**
Overdrafts	45,893	37,323	2,516	85,732
Loans	136,013	12,677	661	149,351
Net amounts receivable	**181,906**	**50,000**	**3,177**	**235,083**
ECL Coverage Ratio (%)	**4.14%**	**16.34%**	**65.77%**	**9.17%**
Undrawn Commitments				
Gross Undrawn Exposure	333,222	34,799	420	368,441
Impairment allowance	(1,894)	(1,508)	(164)	(3,566)
Net carrying value	**331,328**	**33,291**	**256**	**364,875**
ECL Coverage Ratio (%)	**0.57%**	**4.33%**	**39.05%**	**0.97%**
As at 28 February 2021				
Overdrafts and overdrawn balances	23,732	28,078	5,008	56,818
Loans	36,327	8,823	2,622	47,772
Gross carrying amount	**60,059**	**36,901**	**7,630**	**104,590**
Overdrafts and overdrawn balances	(1,497)	(5,324)	(3,117)	(9,938)
Undrawn overdraft commitments	(1,114)	(1,342)	(206)	(2,662)
Loans	(222)	(2,675)	(1,946)	(4,843)
Impairment allowance	**(2,833)**	**(9,341)**	**(5,269)**	**(17,443)**
Overdrafts	21,121	21,412	1,685	44,218
Loans	36,105	6,148	676	42,929
Net amounts receivable	**57,226**	**27,560**	**2,361**	**87,147**
ECL Coverage Ratio (%)	4.72%	25.31%	**69.06%**	**16.68%**
Undrawn Commitments				
Gross Undrawn Exposure	200,526	22,007	414	222,947
Impairment allowance	(1,114)	(1,342)	(206)	(2,662)
Net carrying value	**199,412**	**20,665**	**208**	**220,285**
ECL Coverage Ratio (%)	**0.56%**	**6.10%**	**49.77%**	**1.19%**

Stage 2 financial assets

The following table shows the breakdown of the Stage 2 financial assets. The Overdraft population has been split between those with a higher lifetime PD(> 5% per annum) vs those with a lower lifetime PD (<= 5% per annum). The table is prepared on a hierarchical basis from top to bottom, for example, accounts in arrears with PD deterioration will only be reported under arrears.

	As at 28 February 2022			As at 28 February 2021		
	Gross carrying amount	Impairment Allowance	Coverage	Gross carrying amount	Impairment Allowance	Coverage
	£'000	£'000		£'000	£'000	
Overdrafts and overdrawn balances						
Arrears	3,404	1,352	40%	1,886	939	50%
Qualitative	131	20	15%	34	7	22%
PD Quantitative <=5% Lifetime PD per annum	18,281	1,575	9%	16,171	1,392	9%
PD Quantitative >5% Lifetime PD per annum	16,064	2,306	14%	7,158	1,189	17%
Probation	6,743	604	9%	2,829	231	8%
PMA	–	–	0%	–	1,566	0%
Overdraft Total	**44,623**	**5,857**	**13%**	**28,078**	**5,324**	**19%**
Loans						
Backstop	3,393	1,351	40%	1,291	403	31%
Qualitative	81	4	5%	86	5	6%
Quantitative	4,233	354	8%	4,612	538	12%
Probation	7,435	383	5%	2,834	143	5%
PMA	–	308	0%	–	1,586	0%
Loans Total	**15,142**	**2,400**	**16%**	**8,823**	**2,675**	**30%**
Undrawn commitments						
Arrears	28	9	32%	–	–	0%
Qualitative	37	2	5%	6	1	17%
PD Quantitative <=5% Lifetime PD per annum	26,108	928	4%	18,727	700	4%
PD Quantitative >5% Lifetime PD per annum	7,490	527	7%	2,759	232	8%
Probation	1,136	42	4%	515	14	3%
PMA	–	–	0%	–	395	0%
Undrawn Total	**34,799**	**1,508**	**4%**	**22,007**	**1,342**	**6%**

The current stage 2 assessment does not reset origination PDs when the PDs are recalibrated so that the revised remaining lifetime PDs are compared with the original PDs from initial recognition. This increases the proportion of lower risk balances in Stage 2. The coverage on the loans stage 2 population has decreased significantly from 30% to 16% due to loan portfolio growth leading to a higher proportion in stage 2 probation with consequently lower coverage.

Stage 3 financial assets

The following table shows the breakdown of the Stage 3 financial assets. The table is prepared on a hierarchical basis from top to bottom.

The coverage on Stage 3 assets is reduced from 66% to 64% as our recovery models are updated with the latest experience.

	As at 28 February 2022			As at 28 February 2021		
	Gross carrying amount	Impairment Allowance	Coverage	Gross carrying amount	Impairment Allowance	Coverage
	£'000	£'000		£'000	£'000	
Overdrafts and overdrawn balances						
Backstop	2,049	1,238	60%	1,466	998	68%
Qualitative	2,859	1,509	53%	2,262	1,202	53%
Probation	1,449	930	64%	1,280	917	72%
PMA	–	–	0%	–	–	0%
Overdraft and Overdrawn Total	**6,357**	**3,677**	**58%**	**5,008**	**3,117**	**62%**
Loans						
Backstop	1,265	1,012	80%	1,673	1,506	90%
Qualitative	1,619	1,219	75%	884	739	84%
Probation	40	31	78%	65	58	90%
PMA	–	–	0%	–	(357)	0%
Loans Total	**2,924**	**2,262**	**77%**	**2,622**	**1,946**	**74%**
Undrawn commitments						
Backstop	1	1	86%	–	–	0%
Qualitative	165	44	27%	120	42	35%
Probation	254	120	47%	294	164	56%
PMA	–	–	0%	–	–	0%
Undrawn Total	**420**	**165**	**39%**	**414**	**206**	**50%**
Monzo: all products						
Backstop	3,314	2,250	68%	3,139	2,504	80%
Qualitative	4,478	2,728	61%	3,147	1,941	62%
Probation	1,489	961	65%	1,344	976	73%
PMA	–	–	0%	–	(357)	0%
Total	**9,281**	**5,939**	**64%**	**7,630**	**5,064**	**66%**

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
Gross Loans and Advances to customers	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 March 2020	**107,480**	**33,150**	**3,279**	**143,909**
New facilities originated	7,330	3,246	807	11,383
Transfer Stage 1 to Stage 2	(22,993)	22,993	—	—
Transfer Stage 2 to Stage 1	8,344	(8,344)	—	—
Transfer into Stage 3	(5,303)	(5,852)	11,155	—
Transfer from Stage 3	121	322	(443)	—
Change due to exposure	(17,414)	(1,112)	(187)	(18,713)
De-recognition	(16,836)	(3,673)	(559)	(21,068)
Other movements impacting exposure	(670)	(3,829)	315	(4,184)
Write Offs	—	—	(6,737)	(6,737)
As at 1 March 2021	**60,059**	**36,901**	**7,630**	**104,590**
New facilities originated	143,756	25,652	3,234	172,642
Transfer Stage 1 to Stage 2	(9,194)	9,194	—	—
Transfer Stage 2 to Stage 1	9,811	(9,811)	—	—
Transfer into Stage 3	(3,344)	(8,684)	12,028	0
Transfer from Stage 3	305	785	(1,090)	0
Change due to exposure	533	2,025	(858)	1,700
De-recognition	(12,128)	(3,495)	(437)	(16,060)
Other movements impacting exposure	(37)	7,198	(3,662)	3,499
Write Offs	—	—	(7,564)	(7,564)
As at 28 February 2022	**189,761**	**59,765**	**9,281**	**258,807**

Gross Undrawn Commitments	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 March 2020	**263,846**	**14,226**	**73**	**278,145**
New facilities originated	16,057	2,072	101	18,230
Transfer Stage 1 to Stage 2	(17,194)	17,194	—	—
Transfer Stage 2 to Stage 1	6,660	(6,660)	—	—
Transfer into Stage 3	(1,670)	(469)	2,139	—
Transfer from Stage 3	21	23	(44)	—
Change due to exposure	8,989	(27)	12	8,974
De-recognition	(77,119)	(2,922)	(905)	(80,946)
Other movements impacting exposure	936	(1,430)	(962)	(1,456)
As at 1 March 2021	**200,526**	**22,007**	**414**	**222,947**
New facilities originated	142,840	10,839	108	153,787
Transfer Stage 1 to Stage 2	(15,875)	15,875	—	—
Transfer Stage 2 to Stage 1	10,053	(10,053)	—	—
Transfer into Stage 3	(1,008)	(618)	1,626	—
Transfer from Stage 3	132	121	(253)	—
Change due to exposure	1,015	(427)	15	603
De-recognition	(6,090)	(971)	(49)	(7,110)
Other movements impacting exposure	1,629	(1,974)	(446)	(791)
Write Offs	—	—	(995)	(995)
As at 28 February 2022	**333,222**	**34,799**	**420**	**368,441**

An analysis of changes in the Impairment provision is as follows:

	Stage 1	Stage 2	Stage 3	Total
Impairment allowance	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 March 2020	**7,399**	**9,645**	**2,952**	**19,996**
New facilities originated	228	525	708	1,461
Transfer Stage 1 to Stage 2	(633)	633	—	—
Transfer Stage 2 to Stage 1	1,298	(1,298)	—	—
Transfer into Stage 3	(137)	(1,417)	1,554	—
Transfer from Stage 3	123	306	(428)	1
Remeasurement following transfer of stage	(1,185)	2,557	8,453	9,825
Change due to exposure	(533)	(139)	(258)	(930)
De-recognition	(817)	(658)	(541)	(2,016)
Other movements impacting exposure	(2,910)	(813)	(434)	(4,157)
Write Offs	—	—	(6,737)	(6,737)
As at 1 March 2021	**2,833**	**9,341**	**5,269**	**17,443**
New facilities originated	5,508	4,439	2,153	12,100
Transfer Stage 1 to Stage 2	(489)	489	—	—
Transfer Stage 2 to Stage 1	2,323	(2,323)	—	—
Transfer into Stage 3	(190)	(3,476)	3,666	—
Transfer from Stage 3	302	628	(930)	—
Change due to exposure	(128)	(1,099)	(308)	(1,535)
De-recognition	(184)	(745)	(345)	(1,274)
Other movements impacting exposure	(2,120)	2,511	4,164	4,555
Write Offs	—	—	(7,565)	(7,565)
As at 28 February 2022	**7,855**	**9,765**	**6,104**	**23,724**

We've shown a reconciliation of the movement in the Balance Sheet ECL to the credit impairment charges to the Statement of Comprehensive Income adjacent:

	Loans and advances to customers	Receivables	Total
Reconciliation of Credit impairment charge/(release)	**£'000**	**£'000**	**£'000**
Movement in impairment allowance	6,281	—	6,281
Write-offs (net of recoveries)	7,570	162	7,732
Income statement charge for the period	**13,851**	**162**	**14,013**

We've shown the sensitivity of the IFRS 9 ECL to critical judgements used in the models in the following table:

						Impact on ECL
		£'000	% Change	Overdrafts	Loans	Flex
Estimate	**Closing ECL 28 February 2022**	**23,724**		**15,179**	**6,637**	**1,908**
OD lifetime	Reduce to 48 months	(614)	(2.59%)	(584)	—	(30)
	Increase to 72 months	491	2.07%	436	—	55
Lifetime PD	Relative 10% increase	1,384	5.83%	1,099	101	184
	Relative 10% decrease	(1,590)	(6.70%)	(1,129)	(351)	(110)
LGD Cure Rate	Absolute 10% increase	(2,594)	(10.94%)	(2,063)	(384)	(147)
	Absolute 10% decrease	2,580	10.88%	2,049	384	147
LGD recoveries	Absolute 5% increase	(994)	(4.19%)	(765)	(166)	(63)
	Absolute 5% decrease	980	4.13%	751	166	63
SICR threshold	Increase to 200%	(287)	(1.21%)	(247)	(16)	(24)
	Increase to 250%	(866)	(3.65%)	(795)	(32)	(39)

We recognise the single factor analysis presented above has some limitations because it doesn't present the impact of a combination of events. Management considers that given the range of multivariate combinations is so large, it isn't feasible to present all combinations and it would be potentially misleading to include a subset of combinations.

Credit quality

We've shown information on the credit quality of our overdraft and loan book in the table below. We've segmented by PD ranges based on currently approved IFRS 9 PD models. The impairment segmentation excludes Post Model adjustments.

		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%	58,049	1,932	–	59,981	(566)	(46)	–	(612)	59,369	1%
Low risk	1.15% < to 2.50%	52,232	4,227	–	56,459	(1,001)	(398)	–	(1,399)	55,060	2%
Medium risk	2.50% < to 4.97%	44,185	12,421	–	56,606	(1,384)	(1,175)	–	(2,559)	54,047	5%
High risk	4.97% < to 8.32%	22,000	13,009	–	35,009	(1,197)	(1,521)	–	(2,718)	32,291	8%
Very high risk	8.32% < to 99.99%	13,268	20,877	–	34,145	(1,319)	(3,380)	–	(4,699)	29,446	14%
Arrears		27	7,299	–	7,326	(8)	(2,939)	–	(2,947)	4,379	40%
Default		–	–	9,281	9,281	–	–	(6,104)	(6,104)	3,177	66%
PMA		–	–	–	–	(2,380)	(306)	–	(2,686)	(2,686)	n/a
As at 28 February 2022		**189,761**	**59,765**	**9,281**	**258,807**	**(7,855)**	**(9,765)**	**(6,104)**	**(23,724)**	**235,083**	**9%**
Very low risk	0% < to 1.15%	25,480	1,367	–	26,847	(427)	(21)	–	(448)	26,399	2%
Low risk	1.15% < to 2.50%	16,811	2,848	–	19,659	(493)	(232)	–	(725)	18,934	4%
Medium risk	2.50% < to 4.97%	9,974	10,006	–	19,980	(431)	(1,011)	–	(1,442)	18,538	7%
High risk	4.97% < to 8.32%	4,803	8,227	–	13,030	(307)	(1,035)	–	(1,342)	11,688	10%
Very high risk	8.32% < to 99.99%	2,991	11,277	–	14,268	(334)	(2,153)	–	(2,487)	11,781	17%
Arrears		–	3,176	–	3,176	–	(1,342)	–	(1,342)	1,834	42%
Default		–	–	7,630	7,630	–	–	(5,626)	(5,626)	2,004	74%
PMA		–	–	–	–	(841)	(3,547)	357	(4,031)	(4,031)	n/a
As at 28 February 2021		**60,059**	**36,901**	**7,630**	**104,590**	**(2,833)**	**(9,341)**	**(5,269)**	**(17,443)**	**87,147**	**17%**

Out of cash and balances at banks stated at £3,134.5m (FY2021: £2,977.4), £3,041.1m (FY2021: £2,914.4m) are held with central banks and £93.0m (FY2021: £62.8m) are held with one UK bank which has an investment grade credit rating so ECL on cash and balances at bank are not material.

26. Legal proceedings, contingent liabilities and undrawn commitments

Legal proceedings

As disclosed last year, in 2021 the FCA commenced an investigation into our compliance with the Money Laundering Regulations 2017, potential breaches of some of the FCA Principles for Businesses and related FCA rules for anti-money laundering and financial crime systems and controls between 1 October 2018 to 30 April 2021. This ongoing investigation is looking into both potential civil and criminal liability. We will continue to cooperate with the FCA throughout their investigation.

Contingent liabilities

The FCA enforcement division is continuing both their ongoing investigation and the review of our historic compliance with financial crime regulation, we expect these matters to take time to resolve. This could have a material negative impact on our financial position, but we won't know when or what the outcome will be for some time.

We may, from time to time, be party to claims arising in the ordinary course of business and have to give redress. 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 28 February 2022 are £368.4m (2021: £222.9m) in respect of customer overdraft and Monzo Flex agreements. These commitments represent agreements to lend in the future subject to terms and conditions, so the amount and timing of future cash flows are uncertain.

27. Contingent asset

We have several insurance policies to protect ourselves against potential losses arising during the normal course of business. At year end, our insurer had given written consent for us to incur external fees of £0.5m. It was therefore highly probable we would be reimbursed for those fees, however as the insurer had not explicitly confirmed reimbursement, we didn't recognise the amount as a receivable. On 30 March 2022 the claim was received in full.

28. Provisions

Critical accounting estimate and judgement

We operate in a highly regulated environment. This exposes us to significant operational risks. We can be involved in litigation, arbitration and regulatory investigations, both in the UK and other countries we operate in. 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. This requires judgement. If we can reliably measure any outflows that are considered probable, we recognise a provision.

The amount that is recognised as a provision can also be sensitive to the assumptions made in calculating it. Our forecasts include estimates for professional service fees and judgements are made on whether economic outflow is probable. A 5% margin of error to the key assumptions could result in a £0.3m increase or decrease in provisions.

If an outflow is considered possible we would recognise a contingent liability (see Note 26 for more details). But, if we believe sharing details on individual cases would prejudice their outcomes, we don't share detailed, case-specific information in our financial statements.

We have leases on office buildings in London and Cardiff. The leases include dilapidation provisions to bring the buildings back to their 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 reliably given. We discount the provisions to the present value at the start of the lease, using the same incremental borrowing rate as used in the calculation of the lease liability. We're unwinding the discount over the life of the lease.

In the prior year, we recognised other provisions of £8.1m for professional service fees and customer remediation costs. During the year, we've used most of those provisions, and also recognised further provisions where costs are now probable, or where we're now able to reliably estimate them.

			Group and Company
	Dilapidation of offices	Other provisions	Total
	£'000	£'000	£'000
As at 1 March 2021	1,149	8,098	9,247
Additions	—	7,223	7,223
Used	—	(7,610)	(7,610)
Unwinding of discount	97	—	97
As at 28 February 2022	**1,246**	**7,711**	**8,957**

29. 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. The entity is in the process of being wound up.

Monzo Inc. is incorporated in the USA and offers a prepaid card product to customers in the USA.

	UK	USA	Total
	£'000	£'000	£'000
Average number of employees (FTE)	1,863	16	**1,879**
Turnover (Total income)	154,176	64	**154,240**
Loss before tax	114,728	4,292	**119,020**
RDEC claim	1,033	–	**1,033**
Public subsidies received	95	–	**95**

30. Called up share capital

	Nominal	Number of ordinary shares	Share Capital
			£
29 February 2020		129,469,197	13
Shares issued	0.0000001	31,646,676	3
Options exercised	0.0000001	3,545	0
28 February 2021		161,119,418	16
Shares issued	0.0000001	31,810,803	3
Options exercised	0.0000001	101,544	0
28 February 2022		**193,031,765**	**19**

Our 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 23,611,168 (FY2021: 10,866,226) share options were unvested.

During FY2021, £0.2m of shares previously recognised in Other Reserves were reclassified to the Share Premium account. These shares were repurchased, cancelled and reissued using funds from a separate issuance, all at a premium, during FY2020 and FY2021.

Other reserves are made up of the share-based payments that haven't yet been exercised at year end.[1]

1 Currency translation differences are also included in Other Reserves which amounted to £0.1m (FY2021: £0.1m).

31. Group structure

Group entities

The Group consists of Monzo Bank Limited as the Parent and ultimate controlling entity along with two wholly-owned subsidiaries. We've set out the shareholding and registered offices of each entity 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 aren't reported on our Statement of Financial Position. During FY2022, on the instructions of our customers we transferred £1,794.5m (FY2021 £2,468.5m) to our savings providers, £1,795.5m (FY2021 £2,004.9m) was returned to customers. These customers earned interest on £1,275m of savings (FY2021: £1,279m). 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	
		Restated*
	28 February 2022	**28 February 2021**
	£'000	**£'000**
Cost		
Opening balance	2,511	581
Additions	6,891	3,750
Impairment	(5,352)	(1,820)
Closing balance	**4,050**	**2,511**

* The comparative information is restated on account of correction of errors. See Note 35.

Impairment

Critical accounting estimate and judgement
At each reporting date, we have to assess whether there are indications of impairment on our investment in our subsidiaries. Assets have to be carried at no more than the recoverable amount, the recoverable amount being the higher of an asset's fair value less costs of disposal and its value in use. Judgement is required to determine the recoverable amount which impacts the impairment calculation. We have impaired both subsidiaries to their estimated fair value less costs to sell, both investments are considered Level 2 under IFRS 13.

We've impaired the Company's investment in Monzo Inc by £5.4m. In October 2022, we made the decision to withdraw from the US banking licence process and focus on prioritising features which meet the needs of our US communities. We continue to support this entity. We consider cash to be fully recoverable and other assets, less all liabilities, to only be 50% recoverable to incorporate discounts and disposal costs.

This has resulted in a charge to the Company's Statement of Comprehensive Income of £5.4m (FY2021: £1.8m).

Monzo Support Inc is held at a net asset value of £0.6m (FY2021: £0.6m) pending closure. The remaining assets are cash and considered fully recoverable.

32. 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, with a maximum term of 10 years. Options typically vest evenly over four years with a one year cliff; or on an exit event. If a colleague leaves before the vesting cliff, they forfeit all options at that date. A limited number of options have 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 options expected to vest and the fair value of the options at the grant date. The overall cost is recognised as a personnel 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 operated three equity settled share options schemes during the year, two in the UK and one in the US. In prior years we operated a tax efficient Company Share Options Plan (CSOP), however as some of HMRCs conditions were not met, this plan is no longer in use.

The first active scheme is an unapproved plan, these awards are granted with the strike price set to £0.00001. The second scheme is a Leaver Share Option Plan (LSOP) which converts the vested CSOP share options for leavers into unapproved options. The strike price was set at the fair market value at the original CSOP option grant date.

We also operate an equity settled Incentive Stock Option (ISO) scheme for colleagues in our US business, 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.

We measure the cost of all equity-settled options based on the fair value of the awards at the date of grant. We determine the grant date fair value using Black Scholes models which take into account the terms and conditions attached to the awards. Inputs into the valuation models include the risk free rate, an estimate of our market share price, dividend yield and the expected volatility of the share price.

Our market share price is assessed using the pricing achieved in the funding round immediately preceding the issuances. If a period of 6 months has passed following an observable funding price, a valuation exercise considering our performance and growth is used to calculate an appropriate share price. Using an option valuation model to determine the fair value means including highly subjective assumptions. Changes in the subjective assumptions can materially affect the fair value estimates. The main assumptions we've used in deriving the value of the options at grant are shown below.

	28 February 2022	28 February 2021
Valuation assumptions		
Risk free rate	0.17%—1.07%	(0.05%)
Volatility	35%—40%	40%
Dividend yield	nil	nil
Expected life	2.5—4 years	4 years

The expected volatility was determined by assessing the historical volatility of listed peers and comparable private companies to obtain an estimated 'implied' volatility.

Critical accounting estimate

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, the volatility inputs to our Black-Scholes model and our assumptions on future exercise scenarios. A 5% increase in the share price assumption would result in approximately an additional £1.7m charge in FY2022. Several external sources are used to assess comparable transactions which may not fully represent Monzo.

We recognise the fair value of options at grant date as a personnel expense with a corresponding increase in other reserves over the period that the colleagues become unconditionally entitled to the awards. In FY2022, the total expense was £23.3m (FY2021: £26.5m as restated). During FY2022 we identified our share-based payments should be amortised using the graded method, not the straight-line method used in prior years. This is due to our share options generally vesting in instalments. Also, a number of cancelled and regranted options were identified which should have been treated as modifications. See Note 35.

	CSOP Number	Non-CSOP Number	ISO Number
At 1 March 2020	**7,462,811**	**7,812,061**	**207,783**
Granted during the period	127,454	11,972,198	313,128
Expired	(144,999)	—	—
Forfeited/cancelled	(1,190,792)	(4,413,740)	(225,469)
Exercised	(2,076)	(1,469)	—
At 28 February 2021	**6,252,398**	**15,369,050**	**295,442**
Granted during the period	—	24,366,963	908,187
Expired	(177,773)	—	—
Forfeited/cancelled	(725,913)	(2,959,590)	(408,242)
Exercised	(10,986)	(90,558)	—
At 28 February 2022	**5,337,726**	**36,685,865**	**795,387**

The weighted average exercise prices of all options as at 28 February 2022 are outlined in the table below.

	28 February 2022		
	CSOP	Non-CSOP	ISO
Outstanding at the beginning of the period	£2.85	£0.98	£2.53
Granted during the period	n/a	£1.81	£2.94
Forfeited or cancelled during the period	£10.11	£0.50	£2.53
Expired during the period	£5.86	n/a	n/a
Exercised during the period	£0.64	£1.48	n/a
Outstanding at the end of the period	£1.76	£1.49	£3.00
Exercisable at the end of the period	£1.60	£1.30	£3.53

The range of exercise prices on outstanding options and weighted average share price, fair value and remaining life on options are outlined in the table below.

	28 February 2022			28 February 2021		
	CSOP	Non-CSOP	ISO	CSOP	Non-CSOP	ISO
Range of exercise prices for outstanding options	£0.1997 – £13.0194	£0.00001 – £14.4125	£2.53 – £14.4145	£0.1997 – £13.0194	£0.00001 – £7.7145	£2.53
Weighted average share price for options exercised in the period	£7.71	£7.71	n/a	£7.71	£7.71	n/a
Weighted average fair value of options granted during the period	n/a	£2.05	£2.34	£0.90	£2.47	£2.54
Weighted average remaining life of outstanding options	5.2	8.7	9.3	6.5	8.7	9.8

Options issued under the Leaver Share Option Plan are considered to be 'replacement equity instruments' under IFRS 2 Share based payment. The terms and conditions of the cancelled CSOP options and the replacement Non-CSOP options were the same, with the exception of the timeframe for exercise, which was modified from 6 months to 10 years. To assess the incremental fair value of these options, we revalue the cancelled CSOP options on the grant date of the replacement options, using an independent Black-Scholes model. In prior years an assessment was performed to ensure the values were immaterial. However, due to a large number of leaver options granted in FY2022 this approach was no longer deemed appropriate.

The main assumptions we've used to value leaver options are shown adjacent. The expected volatility was determined in the same way as in our option pricing model.

LSOP Black-Scholes	
	28 February 2022
Valuation assumptions	
Risk free rate	0.03%–0.64%
Volatility	35%–40%
Dividend yield	nil
Expected life	0.5 years

Other options which have been identified as being replacement equity instruments have been measured using the option pricing model described above.
The total incremental fair value recognised on modified options in FY2022 is £1.1m.

33. 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 related parties

There were no transactions with related parties during the year other than those mentioned below.

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 table below:

		Restated*
	28 February 2022	**28 February 2021**
	£'000	**£'000**
Transactions with key management personnel		
Salaries & remuneration	3,693	2,303
Social security contributions	419	250
Share based payments	9,299	3,634
Contributions to defined contribution plans	46	50
	13,457	**6,237**

* The comparative information is restated on account of correction of errors. See Note 35.

In addition, a total of 27,869 shares were purchased by directors at a fair value of £248,392 in the year ended 28 February 2022.

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

	28 February 2022	28 February 2021
	£'000	£'000
Balances of key management personnel		
Deposits	1,930	469
Overdrafts	–	–
Loans	–	–

In addition, overdrafts totalling £0.01m (FY2021: £0.01m) were available to key management personnel at year end.

Any deposits, loans or overdrafts with key management personnel are on the same terms as those with our customers.

34. Auditor's remuneration

Auditors' remuneration for the audit of the financial statements was £2.4m (FY2021: £2.4m), £0.4m of this related to the FY2021 audit but was recognised in FY2022. There was no remuneration for non-audit services in the current or prior year.

35. Reconciliation of prior year restatement

During FY2022 we identified our share-based payments should be amortised using the graded method, not the straight-line method used in prior years. This is due to our share options generally vesting in instalments. Also, a number of cancelled and regranted options were identified which should have been treated as modifications.

These errors have resulted in an understatement of share-based payment expenses, retained losses and other reserves in prior years. The error has been corrected by restating each of the affected financial statement line items for prior periods.

The following tables summarise the impact on our Group and Company financial statements:

Statement of comprehensive income

	Group			Company		
	As previously reported	Prior period adjustments	Restated	As previously reported	Prior period adjustments	Restated
For the year ended 28 February 2021	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Personnel expenses	(103,890)	(1,379)	(105,269)	(99,792)	(823)	(100,615)
Loss for the year	(129,698)	(1,379)	(131,077)	(129,155)	(823)	(129,978)
Total Comprehensive loss for the year, net of tax	**(129,698)**	**(1,379)**	**(131,077)**	**(129,155)**	**(823)**	**(129,978)**

Statement of financial position

	Group					Company
	As previously reported	Prior period adjustments*	Restated*	As previously reported	Prior period adjustments†	Restated†
1 March 2020	£'000	£'000	£'000	£'000	£'000	£'000
Investments in subsidiaries	—	—	—	443	138	581
Total assets	**1,721,408**	—	**1,721,408**	**1,720,536**	138	**1,720,674**
Total liabilities	**1,592,404**	—	**1,592,404**	**1,592,400**	—	**1,592,400**
Equity						
Called up share capital	—	—	—	—	—	—
Share premium account	311,139	—	311,139	311,139	—	311,139
Other reserves	17,301	12,536	29,837	17,306	12,539	29,845
Accumulated losses	(199,436)	(12,536)	(211,972)	(200,309)	(12,401)	(212,710)
Total equity	**129,004**	—	**129,004**	**128,136**	138	**128,274**
Total liabilities and equity	**1,721,408**	—	**1,721,408**	**1,720,536**	138	**1,720,674**

* The Group opening adjustment includes amounts relating to FY18 (£811k), FY19 (£2,343k), FY20 (£9,385k) and currency revaluations (£(3)k).

† The Company opening adjustment to Other reserves includes amounts relating to FY18 (£811k), FY19 (£2,343k) and FY20 (£9,385k). The Company opening adjustment to Accumulated losses includes amounts relating to FY18 (£811k), FY19 (£2,343k) and FY20 (£9,247k).

			Group			Company
	As previously reported	Prior period adjustments	Restated	As previously reported	Prior period adjustments	Restated
28 February 2021	£'000	£'000	£'000	£'000	£'000	£'000
Investments in subsidiaries	–	–	–	1,820	691	2,511
Total assets	**3,629,707**	**–**	**3,629,707**	**3,629,660**	**691**	**3,630,351**
Total liabilities	**3,407,813**	**–**	**3,407,813**	**3,407,966**	**–**	**3,407,966**
Equity						
Called up share capital	–	–	–	–	–	–
Share premium account	508,478	–	508,478	508,478	–	508,478
Other reserves	42,544	13,915	56,459	42,675	13,915	56,590
Accumulated losses	(329,128)	(13,915)	(343,043)	(329,459)	(13,224)	(342,683)
Total equity	**221,894**	**–**	**221,894**	**221,694**	**691**	**222,385**
Total liabilities and equity	**3,629,707**	**–**	**3,629,707**	**3,629,660**	**691**	**3,630,351**

Statement of changes in equity

Group	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£'000	£'000	£'000	£'000	£'000
As previously reported					
Balance as at 1 March 2020	**–**	**311,139**	**17,301**	**(199,436)**	**129,004**
Losses for the year	–	–	–	(129,698)	(129,698)
Cumulative translation adjustment	–	–	(131)	–	(131)
Total comprehensive loss for the year	**–**	**–**	**(131)**	**(129,698)**	**(129,829)**
Shares issued	–	198,019	–	–	198,019
Cost of issuance	–	(476)	–	–	(476)
Share based payments reserve	–	–	25,171	–	25,171
Share reclassification	–	(209)	209	–	–
Exercise of options	–	5	(6)	6	5
Balance as at 28 February 2021		**508,478**	**42,544**	**(329,128)**	**221,894**
Prior period adjustments					
Balance as at 1 March 2020*	–	–	12,536	(12,536)	–
Losses for the year	–	–	–	(1,379)	(1,379)
Share based payments reserve	–	–	1,379	–	1,379
Balance as at 28 February 2021	–	–	13,915	(13,915)	–
Restated balances					
Balance as at 1 March 2020	–	311,139	29,837	(211,972)	129,004
Losses for the year	–	–	–	(131,077)	(131,077)
Cumulative translation adjustment	–	–	(131)	–	(131)
Total comprehensive loss for the year	–	–	(131)	(131,077)	(131,208)
Shares issued	–	198,019	–	–	198,019
Cost of issuance	–	(476)	–	–	(476)
Share based payments reserve	–	–	26,550	–	26,550
Share reclassification	–	(209)	209	–	–
Exercise of options	–	5	(6)	6	5
Balance as at 28 February 2021	–	508,478	56,459	(343,043)	221,894

* The group opening adjustment includes amounts relating to FY18 (£811k), FY19 (£2,343k),FY20 (£9,385k) and currency revaluations (£(3)k).

Company	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£'000	£'000	£'000	£'000	£'000
As previously reported					
Balance as at 1 March 2020	**–**	**311,139**	**17,306**	**(200,309)**	**128,136**
Losses for the year	–	–	–	(129,155)	(129,155)
Total comprehensive loss for the year	**–**	**–**	**–**	**(129,155)**	**(129,155)**
Shares issued	–	198,019	–	–	198,019
Cost of issuance	–	(476)	–	–	(476)
Share based payments reserve	–	–	25,165	–	25,165
Share reclassification	–	(209)	209	–	–
Exercise of options	–	5	(5)	5	5
Balance as at 28 February 2021	**–**	**508,478**	**42,675**	**(329,459)**	**221,694**
Prior period adjustments					
Balance as at 1 March 2020*	**–**	**–**	**12,539**	**(12,401)**	**138**
Losses for the year	–	–	–	(823)	(823)
Share based payments reserve	–	–	1,376	–	1,376
Balance as at 28 February 2021	**–**	**–**	**13,915**	**(13,224)**	**691**
Restated balances					
Balance as at 1 March 2020	**–**	**311,139**	**29,845**	**(212,710)**	**128,274**
Losses for the year	–	–	–	(129,978)	(129,978)
Total comprehensive loss for the year	**–**	**–**	**–**	**(129,978)**	**(129,978)**
Shares issued	–	198,019	–	–	198,019
Cost of issuance	–	(476)	–	–	(476)
Share based payments reserve	–	–	26,541	–	26,541
Share reclassification	–	(209)	209	–	–
Exercise of options	–	5	(5)	5	5
Balance as at 28 February 2021	**–**	**508,478**	**56,590**	**(342,683)**	**222,385**

* The Company opening adjustment to Other reserves includes amounts relating to FY18 (£811k), FY19 (£2,343k) and FY20 (£9,385k). The Company opening adjustment to Accumulated losses includes amounts relating to FY18 (£811k), FY19 (£2,343k) and FY20 (£9,247k).

Statement of cash flows

		Group				Company
	As previously reported	Prior period adjustments	Restated	As previously reported	Prior period adjustments	Restated
28 February 2021	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities						
Loss for the year	(129,698)	(1,379)	(131,077)	(129,155)	(823)	(129,978)
Adjustments for non-cash items						
Share-based payments	25,168	1,379	26,547	24,833	823	25,656

36. Events after the reporting date

There have been no post balance sheet events to disclose.