THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND NEED YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

This document comprises a prospectus relating to Monzo Bank Limited ("**Monzo**") and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") made pursuant to section 84 of FSMA and has been filed with the FCA in accordance with Rule 3.2 of the Prospectus Rules. This document will be made available to the public in accordance with Rule 3.2 of the Prospectus Rules at www.monzo.com/invest. No application is being made or is currently intended to be made for the E Ordinary Shares to be admitted to listing or dealt with on any other exchange.

You should read the entire document and any information incorporated herein by reference and, in particular, the section headed "Risk Factors" on pages 12 to 24 of this document when considering an investment in the E Ordinary Shares. All statements regarding Monzo's business, financial position and prospects should be viewed in light of such Risk Factors.

Monzo, the Directors and the Proposed Director, whose names appear on page 34, accept responsibility for the information contained in this document. To the best of the knowledge and belief of Monzo, the Directors and the Proposed Director (each of whom has taken all reasonable care to make sure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

Monzo Bank Limited

(incorporated and registered in England and Wales with registered number 09446231)

Prospectus
Offer of up to 2,592,520 new E Ordinary Shares

No person has been authorised to give any information or make any representations other than those contained in this document and any such information or representations must not be relied upon as having been so authorised by Monzo or any other person. Monzo will comply with its obligation to publish supplementary prospectuses containing further updated information needed by law or by any regulatory authority but assumes no further obligation to publish additional information.

Subject to FSMA, the Prospectus Rules and applicable laws, the delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time after this date.

This document should not be distributed, forwarded to or transmitted in, into or from any territory outside of the United Kingdom. Any failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.

The contents of this document and the information incorporated herein by reference should not be construed as legal, business or tax advice. Each prospective investor should consult a legal adviser, financial adviser authorised under FSMA or tax adviser for advice if they have any concerns or questions about the contents of this document or the subscription for the E Ordinary Shares before making their decision to invest. Neither Monzo nor any of its respective Directors, Proposed Director, employees or representatives is making any representation to any offeree or purchaser or acquirer of the E Ordinary Shares regarding the legality of an investment in the E Ordinary Shares by such offeree or purchaser or acquirer under the laws applicable to such offeree or purchaser or acquirer.

26 November 2018

CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A-E (A.1-E.7).

This summary contains all the Elements needed to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed there may be gaps in the numbering sequence of the Elements.

Even though an Element may be needed to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "**not applicable**".

SECTION A: INTRODUCTIONS AND WARNINGS	
A.1	**Introduction and Warning** This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of a member state of the European Union, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information to aid investors when considering whether to invest in such securities.
A.2	**Subsequent resale of securities or final placement of securities through financial intermediaries** Not applicable; no consent has been given by Monzo or any person responsible for drawing up this document to use this document for any subsequent resale or final placement of securities by financial intermediaries.
SECTION B: ISSUER AND ANY GUARANTOR	
B.1	**Legal and commercial name** Monzo Bank Limited
B.2	**Domicile, legal form, legislation, country of incorporation** Monzo is a private limited company, incorporated in England and Wales on 18 February 2015 under the Act, with its registered office situated in England and Wales.
B.3	**Current operations and principal activities and markets** Monzo is a digital challenger bank whose principal activity is to provide retail banking services in the UK. Monzo's products include current accounts, overdrafts, fixed term loans, saving pots, and partnerships with third parties. Monzo has over 1,000,000 customers who have activated their current accounts. Monzo aims for its product to be simple and easy to use, with excellent customer service and innovative features to help customers to

	understand and manage their money. Monzo's long term vision is to give customers the ability to view and control a range of financial and non-financial services from within the Monzo App.
B.4a	**Significant recent trends affecting Monzo and its industry** The challenger bank sector is thriving having seen continued rapid growth in the wake of increased openness, as well as customer desire for tailored, cheaper and more modern banking services. Returns on individual customers continue to improve and the Group is keeping high levels of cash at central banks to protect depositors (the CET1 ratio has increased up to 110% in FY18, from 17.4% in FY16). Emerging rules relating to capital in this area, including for example Basel IV, will continue to shape challenger bank appetites for different products and services, as well as defining their drive for scale and stronger balance sheets. Monzo has raised a total of £85 million since the end of its last financial year and a total of approximately £180 million since it began operating in 2015. £85 million of which was as a result of its Series E Investment Round in October 2018 from existing and new investors including General Catalyst and Accel. The Series E Investment Round valued Monzo at £1 billion. Monzo launched current accounts in July 2017 with nearly 95% of prepaid Active Customers migrated to the new current accounts in 2018. The prepaid scheme incurred marginal losses of around £65 per Active Customer per year (the marginal amount of money lost per Active Customer). Primarily by moving from the prepaid debit cards to the current accounts powered by Monzo's own technology, Monzo's unit economics (the marginal amount of money earned or lost per customer) improved dramatically with Monzo currently Contribution Margin positive. The improvement in unit economics between the prepaid and current account is reflective of both an increase in revenue from new product features and cost savings realised by Monzo. Monzo now wishes to complete the journey to profitability at the company level.
B.5	**Description of the Group** Monzo has one subsidiary: Monzo Support US Inc. ("**Monzo Support US**"), a Delaware corporation, which was incorporated under the laws of Delaware in the United States on 18 September 2018. Once it becomes fully operational, it is intended that Monzo Support US will provide overnight customer support services to UK customers. Monzo has no joint ventures, or associates.
B.6	**Notifiable interests, different voting rights and controlling interests** As at the Latest Practicable Date, the interests of the Directors, Proposed Director and persons connected to them as notified to Monzo in accordance with the Articles are as follows[1]:

Director/ Proposed Director	Total number of Shares	% of issued share capital	Options
Tom Blomfield	9,174,911	7.77%	N/A
Gary Dolman	1,006,388	0.85%	N/A
Amy Kirk	37,592	0.03%	N/A
Tim Brooke	130,745	0.11%	N/A

1 For the purpose of this table, figures assume that all transfers of Ordinary Shares and their re-designation as E Ordinary Shares in connection with the Series E Investment Round have completed (completion is pending receipt of stamped stock transfer forms from HMRC).

Keith Woollard	80,451	0.07%	N/A
Eileen Burbidge (Passion Capital)	0[a]	0%[b]	N/A
Miles Grimshaw (Thrive)	0[c]	0%[d]	N/A
Alwyn Jones (Proposed Director)	0	0%	**CSOP:** 12,765 **Unapproved Plan:** 197,235

[a] Eileen Burbidge is an Investor Director, representing Passion Capital, which holds 37,824,021 Shares.
[b] Passion Capital has a 32.02 % direct interest in Monzo's issued share capital.
[c] Miles Grimshaw is an Investor Director, representing Thrive, which holds 16,855,303 Shares.
[d] Thrive has a 14.27% direct interest in Monzo's issued share capital and is indirectly interested in a further 0.15% of Monzo's Shares through its shareholdings in another Monzo shareholder.

As at the Latest Practicable Date, in addition to those persons described above, Monzo had been notified of the following persons who are directly or indirectly interested in 3 per cent. or more of the issued share capital of Monzo[2]:

Person	Number of Ordinary Shares	Number of A1 Ordinary Shares	Number of A2 Ordinary Shares	Number of B Ordinary Shares	Number of C Ordinary Shares	Number of D Ordinary Shares	Number of E Ordinary Shares	% of issued share capital
Passion Capital		10,016,600	9,740,892	6,203,955	4,971,167	5,028,681	1,862,726	32.02%
Thrive					12,925,035	2,634,008	1,296,260	14.27%[a]
General Catalyst							4,545,984	3.85%[b]
Stripe						10,532,122	905,417	9.68%
Paul Rippon	6,792,562							5.75%
Goodwater Capital						4,832,089	448,506	4.47%
The Crankstart Foundation						5,092,081		4.31%
Crowdcube Nominees Limited as nominee for the Crowdcube Investors			1,935,718		2,381,351	372,608		3.97%
Accel							4,446,172	3.76%

[a] Thrive is indirectly interested in a further 0.15% of Monzo's Shares through its shareholdings in another Monzo shareholder.
[b] General Catalyst is indirectly interested in a further 0.79% of Monzo's Shares through its shareholdings in another Monzo shareholder.

The Shares held by the Shareholders set out above all have the same voting rights per security.

As at the Latest Practicable Date (prior to the publication of this document), Monzo was not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over Monzo.

B.7 **Selected historical key financial information**

Monzo has published audited annual accounts for the years ended 28 February 2017 and 28 February 2018 prepared in accordance with International Financial Reporting Standards

[2] For the purpose of this table, figures assume that all transfers of Ordinary Shares and their re-designation as E Ordinary Shares in connection with the Series E Investment Round have completed (completion is pending receipt of stamped stock transfer forms from HMRC).

("**IFRS"**) as adopted by the EU.

Copies of the annual reports can be found in the Appendix and are also available on its website, here:

1) FY2017 annual report: https://monzo.com/annual-report/2017/

2) FY2018 annual report: https://monzo.com/annual-report/2018/

Certain key historical information of Monzo is set out in the table below:

	Audited Year end to 28 February 2018	**Audited Year end to 28 February 2017**
Income Statement		
	£ '000	*£ '000*
Net Operating Income	1,814	120
Operating Expenses	(34,890)	(8,047)
Losses before Tax	(33,076)	(7,927)
Losses after Tax	(30,546)	(6,689)
Balance Sheet		
Cash and Cash Equivalents	96,943	14,874
Non-cash assets	42,877	4,604
Customer deposits	71,276	n/a
Other Liabilities	12,365	1,080
Net Assets	56,179	18,398
Cash Flows		
Net cash flow/ (outflow) from operating activities	15,557	(9,532)
Net cash outflow used in investing activities	(886)	(230)
Net cash flow from financing activities	67,398	24,225
Net increase / (decrease) in cash and cash equivalents	82,069	14,463
Cash and cash equivalents at end of year	96,943	14,874

Monzo's net operating income has risen from £120,000 in the year ended 28 February 2017 to £1,814,000 in the year ended 28 February 2018. Net Losses after Tax increased from (£6,689,000) in the year ended 28 February 2017 to (£30,546,000) in the year ended 28 February 2018. Customer deposits increased from £0 in the year ended 28 February 2017 to £71,276,000 in the year ended 28 February 2018.

The key driver behind these numbers is the rapid customer growth during financial year

	2018 on Monzo's former prepaid card program, and the subsequent migration of customers to current accounts in the latter half of financial year 2018. During financial year 2018, the customer base almost quadrupled, reaching 590,000 customers. During financial year 2018, Monzo also raised a net total of £67.4 million through equity raises, including a mix of institutional and crowdfund investors. These funds were used to invest in ongoing business operations, including supporting the increased customer base, and maintaining a surplus capital balance above regulatory capital balance requirements. In October 2018, Monzo raised a further total of £85 million through an institutional fundraise. In September 2018, Monzo established a US operational subsidiary, incorporated in Delaware and based in Nevada, to support its 24/7 customer operations. Save as set out above, there has been no significant change in the trading or financial position of the Group since 28 February 2018, the end of the last financial period of Monzo for which financial information was prepared.
B.8	**Selected key pro forma financial information** Not applicable; no pro forma financial information is contained in this document.
B.9	**Profit forecast or profit estimate** Not applicable; Monzo has not made a profit forecast or estimate.
B.10	**Audit report on the historical financial information – qualifications** Not applicable; no qualifications are included in any report on Monzo's historical financial information contained in this document.
B.11	**Sufficient working capital** Not applicable; Monzo is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months following the date of publication of this document.
SECTION C: SECURITIES	
C.1	**Type and class of securities** The securities being offered pursuant to the Offer are E Ordinary Shares of £0.0000001 each. The securities are created under the Act.
C.2	**Currency of the securities issue** The E Ordinary Shares are priced in GBP.
C.3	**Number of issued and fully paid securities and par value** As at the Latest Practicable Date, Monzo had in issue 118,127,693 fully paid Shares of £0.0000001 each.
C.4	**Rights attached to the securities** The E Ordinary Shares will be issued and credited as fully paid and will rank *pari passu* with the existing E Ordinary Shares in issue at the time the E Ordinary Shares are delivered. The E Ordinary Shares issued pursuant to the Offer will be issued to Crowdcube Nominee, which will hold the legal title to such Shares. Successful Applicants as Crowdcube Investors

	will hold the beneficial interest in the E Ordinary Shares issued pursuant to the Offer and Crowdcube Nominee will issue beneficiary statements to each of them. As Crowdcube Investors, the rights attaching to the E Ordinary Shares held by successful Applicants will vary from Shareholders who hold both the legal and beneficial rights to Shares. The Articles provide details of the varying rights, which include certain pre-emption provisions not applying to Crowdcube Shares issued to the Crowdcube Nominee and Crowdcube Nominee and Crowdcube Investors not being able to transfer or dispose of any interest in the Crowdcube Shares or the beneficial interest in the Crowdcube Shares, as applicable, held by them except with the consent of the Board, pursuant to the Articles or where otherwise required to do so under the Articles or pursuant to acceptance of an offer above a pre-set consideration value. Crowdcube Nominee, as the registered legal title holder of the E Ordinary Shares issued pursuant to the Offer, will have the right to execute all agreements, take all actions, and exercise all voting rights as directed by Crowdcube. Each of the Crowdcube Investors will appoint Crowdcube as its representative in respect of the E Ordinary Shares, under the terms of a representative agreement. Crowdcube will direct Crowdcube Nominee in accordance with what Crowdcube deems, in its absolute discretion, to be in the best interests of the Crowdcube Investors as a whole. Where Crowdcube determines that a matter in relation to the E Ordinary Shares requires a decision to be made by Crowdcube Investors, Crowdcube will use reasonable endeavours to notify Crowdcube Investors and shall action such matter in accordance with the wishes of the majority of responding Crowdcube Investors (measured by the number of E Ordinary Shares beneficially held by such responding Crowdcube Investors). What this means, in practice, is that Crowdcube will take all administrative decisions on behalf of Crowdcube Investors. If Crowdcube believes that a decision needs to be made by Crowdcube Investors collectively, then Crowdcube will provide all relevant information and an explanation and will open a poll to Crowdcube Investors to vote. For example, if Crowdcube Investors are being asked to vote in favour of an amendment to Monzo's Articles of Association, Crowdcube would poll the Crowdcube Investors. Subject to the provisions of the Act and in accordance with the Articles, Monzo may, from time to time, declare dividends and make other distributions on the E Ordinary Shares.
C.5	**Restrictions on transfer** The Board has the authority to refuse to register a transfer in a number of circumstances, including if such a transfer is to be made to a current or prospective employee or director who has not entered into a joint s. 431 ITEPA election with Monzo, a party who is a competitor of the Group or if such a transfer would result in the acquisition or increase in control of the Group and certain approvals have not been obtained. The Board may exercise its discretion, in certain circumstances in accordance with the Articles, to refuse to register transfers of the Crowdcube Shares or transfers to Family Trusts, as well as requiring any proposed transferee to agree to be bound by the terms of any shareholders' agreement other than the Crowdcube Nominee or Crowdcube Investors. A Crowdcube Investor is not entitled to transfer or dispose of any interest in the Crowdcube Shares held by them except with the consent of the Board, pursuant to the Articles or where otherwise required to do so under the Articles or pursuant to acceptance of an offer above a pre-set consideration value. In the event that a proposed transfer of Shares is to be made to a third party who is not a Permitted Transferee, the Shares must be offered on a pre-emptive basis as follows: a) firstly, if the Sale Shares are held by a Founder or a Relevant Shareholder (or a Permitted Transferee of such Founder or Relevant Shareholder) to either an

	employee benefit trust established by Monzo and/or to any other existing or new Monzo employee (in each case subject to the necessary Board and Shareholder approvals (as the case may be)); b) secondly, to all Relevant Investors; and c) thirdly, with respect to Shares held by any Shareholder which is not a Relevant Investor, to all Shareholders (other than the Relevant Investors).
C.6	**Application for admission to trading on regulated market** No application is being made for the Shares to be dealt on any stock exchange or investment exchange.
C.7	**Dividend policy** Monzo is not currently paying dividends and does not anticipate being in a position to pay dividends for several years to come.
SECTION D: RISKS	
D.1	**Key information on key risks relating to the company or its industry** **Risks relating to the Group** • The Group's business is subject to inherent risks arising from macroeconomic conditions in the UK, the Eurozone and globally, both generally and as they specifically affect financial institutions. • The Group is subject to risks arising from the UK's exit from the EU. The regulatory framework applicable to the Group as a provider of financial services is derived from EU directives and regulations. Additionally, the Group benefits from certain rights as a financial institution established in the EU (such as the passporting regime). It is not clear whether the UK Government and the European Commission will reach a satisfactory agreement on financial services or whether the regulatory framework will change. • The Group has a limited operating history in the UK and faces risks associated with the implementation of its business strategy, including operational, financial, macroeconomic, market, pricing and technological challenges. • The Group's business is dependent on its technology infrastructure, some of which is reliant on third party providers. There can be no assurance that the Group will not encounter issues which could result in loss of data, interruptions in service, delays or cessation in the availability of systems. Any such losses, interruptions, delays or cessation could make it difficult or impossible for the Group to provide certain services and could affect the Group's brand and reputation. • The Group is exposed to risks arising from the potential for data loss (including the loss of users' personal data). Any such losses could expose the Group to regulatory fines, civil actions and associated remedial costs, and could also impact on consumer confidence and the Group's brand and reputation. • The UK market for financial services is competitive and this presents a number of risks for the Group. A number of established banks have greater scale and financial resources than the Group and may be less affected by periods of economic volatility. The Group also faces competition from other challenger banks, prepaid card providers and large non-finance companies that have developed banking operations. • The Group is reliant on the success of its brand, and it is subject to reputational

	harm that could damage its brand. The Group's brand is relatively new, and there can be no assurance that the Group will be able to continue to successfully develop its brand's reach to grow its market share. • The Group's business is subject to risks relating to the cost and availability of liquidity and funding. The availability of retail deposits, the Group's primary source of funding, may be impacted by increased competition from other deposit-takers or factors that constrain the volume of liquidity in the market. • As a bank, the Group is subject to regulations that require it to have a certain amount of money and other assets kept aside to ensure it can pay its bills and protect savers at all times (i.e. regulatory capital). These requirements have increased significantly over the last decade, largely in response to the financial crisis, but also as a result of continuing work undertaken by regulators in the financial sector. The requirements around this area are likely to increase even further over the coming years, with the possibility that banks may have to hold additional regulatory capital. • The Group is subject to the risk of losses resulting from fraud, misrepresentation or omission on the part of its customers or by other users of the Group's services. Although the Group has put in place policies and procedures to reduce the risk of such fraudulent activity, such measures may not be sufficient in all cases to prevent accounts being opened, loans being originated, or transactions being processed, on the basis of fraudulent activity. • The Group is subject to the risk of unauthorised use of its users' debit cards. Third parties could get money or underlying goods and services through deception, including through theft of a user's card or through disclosure of details by an illegitimate website or merchant. Whilst the Group invests in anti-fraud technology, high levels of fraud could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.
D.3	**Key information on key risks relating to the securities** • The Shares are not freely transferable and subject to restrictions on transfer. • There is currently no trading market for the Shares; consequently there is no certainty of when and how Shareholders will be able to sell Shares. • The value of the Shares may fluctuate significantly. • The issue of additional shares in the capital of Monzo may dilute all other shareholdings. • Shareholders may earn no return or lose money on their investment in Monzo.
	SECTION E: OFFER
E.1	**Total net proceeds and estimated total expenses** If Monzo issues all of the E Ordinary Shares available under the Offer, it will raise gross proceeds of approximately £20 million. The total costs, charges, and expenses payable by Monzo in connection with the Offer are estimated to be £800,000. Therefore the net proceeds will be £19.2 million.
E.2a	**Reasons for the Offer, use of, estimated net amount of the proceeds** The proceeds will be primarily used by the Group to support business growth through investment in product research and development, marketing and customer growth initiatives, financing corporate development projects and expanding its operations team

	geographically. Any remaining surplus funds will contribute to Monzo holding surplus capital relative to its regulatory requirements. An estimated breakdown of funds usage is provided below, in order of priority:

Business Area	**Estimated use of funding**
Marketplace research and development	£5 million
Other product research and development	£7 million
Marketing and Customer Growth	£5.2 million
Corporate Development projects	£2 million
Expenses incurred for the Offer	£0.8 million
Total	**£20 million**

Monzo has primarily opted to raise funds by way of crowdfunding to let Eligible Monzo Customers own part of its business and give them a greater share of ownership. Monzo could have raised up to £20 million from venture capital firms, but wanted to give Eligible Monzo Customers a chance to invest.

E.3 **Terms and conditions of the Offer**

The Offer comprises 2,592,520 E Ordinary Shares at a price of £7.7145 each to Eligible Monzo Customers. If those customers do not acquire all of the E Ordinary Shares being offered, Monzo will offer the remaining E Ordinary Shares to the Series E Investors on a *pari passu* and pro rata basis. The Offer is not conditional on a minimum fundraising target.

The Offer will only be open to Eligible Monzo Customers, which means individuals who, as at the date of this document:

(a) have been approved as customers by Monzo having completed the new customer application process via the Monzo App, including, for the avoidance of doubt, Monzo customers who have not yet activated their debit card;

(b) are 18 years old or older; and

(c) are resident in the United Kingdom.

Applicants must complete and submit an application to invest and subscribe for E Ordinary Shares ("**Application**") through the Monzo App.

The Offer will comprise of two phases, with Eligible Monzo Customers who are already Existing Crowdcube Investors being given priority.

All Applicants must agree to buy at least 1 E Ordinary Share.

Eligible Monzo Customers who are Existing Crowdcube Investors and apply in Phase 1 will be able to buy E Ordinary Shares up to a maximum value of £2,000. Phase 1 does not operate on a first come first serve basis; there is a sufficient number of E Ordinary Shares for all Eligible Monzo Customers who are Existing Crowdcube Investors to take up to the maximum number of shares available.

Eligible Monzo Customers (including Eligible Monzo Customers who are Existing

	Crowdcube Investors who do not apply in Phase I) who apply in Phase 2 will be able to buy E Ordinary Shares on a first come first served basis up to a maximum value of £2,000. Applicants cannot submit more than one Application. Applicants must have enough money in their Monzo account at the time of Application to pay for any E Ordinary Shares that they seek to buy. Applicants are able to use their overdraft for this payment – any such overdraft will be subject to the usual overdraft charges (as described in paragraph 4.3 of Part I).
E.4	**Material interests** Not applicable; there are no interests that are material to the Offer.
E.5	**Selling shareholders** Not applicable; no person is selling Shares in Monzo as part of the Offer.
E.6	**Dilution** Up to 2,592,520 E Ordinary Shares will be issued as part of the Offer. If the maximum 2,592,520 E Ordinary Shares are issued, Eligible Monzo Customers who participate in the Offer will hold approximately an aggregate 2.15% of the total Shares in issue if the Offer is fully subscribed. If none of the Existing Shareholders participate in the Offer and the Offer is fully subscribed, the holdings of the Existing Shareholders will be diluted by approximately 2.15%.
E.7	**Estimated expenses charged to investor** Not applicable; Monzo will not charge investors any separate costs or expenses in respect of the Offer.

RISK FACTORS

An investment in Monzo involves a high degree of risk. The risks and uncertainties below are those that the Directors, the Proposed Director and Monzo consider to be material. You should carefully consider the following information about these risks, together with the information contained elsewhere in this Prospectus, before deciding to buy any Shares. Each of these risks could have a material adverse effect on the Group's business, financial condition, results of operation, future prospects or the price of the Shares. Monzo has described the risks and uncertainties that it believes are material, but these risks and uncertainties may not be the only ones that the Group faces. Additional risks and uncertainties relating to the Group that are not currently known to Monzo, or that it currently deems immaterial, may also have an adverse effect on the Group's business, financial condition, results of operations and future prospects.

The order in which the risks are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Group's business, financial condition, results of operation, future prospects or the value of the Shares. Investors should consider carefully whether an investment in the Shares is suitable for them in light of the information in this document and their personal circumstances.

1. MACRO-ECONOMIC RISKS

1.1 The Group is subject to risks arising from the global macroeconomic environment

The Group's business is subject to inherent risks arising from macroeconomic conditions in the UK, the Eurozone and globally, both generally and as they specifically affect financial institutions. As the Group's revenue is derived entirely from customers based in the UK, the Group is particularly exposed to the condition of the UK economy. During the global financial crisis that started in mid-2008, the UK economy experienced significant turbulence and periods of recession, adversely affecting, among other things, market interest rates, levels of unemployment, the cost and availability of credit and the liquidity of the financial markets.

While economic indicators in the UK have improved considerably since the peak of the financial crisis, economic recovery remains sluggish and the outlook for the UK economy remains uncertain. If UK economic conditions weaken, or if financial markets exhibit uncertainty or volatility, including as a result of the UK's exit from the European Union, a downgrade in the credit rating of the UK Government or the wider outlook of the UK banking sector, the Group's ability to grow its business could be materially adversely impacted.

In addition, prevailing economic conditions in the Eurozone, including the possibility of more macro-economic deterioration and/or continuing or worsening of financial market instability, may pose a risk to the Group's business, despite the Group having only a limited direct financial exposure to the Eurozone. In recent years, the UK financial markets have been negatively impacted by ongoing fears surrounding the large sovereign debts and/or fiscal deficits of several countries in Europe. These impacts are felt in the UK economy generally and by UK financial institutions. Market volatility in the Eurozone can have an adverse impact on consumer confidence, spending and demand for credit in the UK.

Weak economic conditions in the UK could lead to higher levels of unemployment or stagnation in wages, which have historically resulted in deferred or reduced levels of spending. Market turmoil and economic volatility, especially in the UK (but also in the

Eurozone or wider global economy), could have a material adverse effect on the liquidity and financial condition of the Group's customers, affect consumer confidence, spending and demand for credit, which could, in turn, impair the Group's loan portfolio. Retail consumers are particularly sensitive to adverse developments in the economy, and they may represent a relatively higher degree of risk than lending to other groups, such as large corporations. A deterioration in economic and market conditions could result in a deterioration in the financial condition of the Group's customers and increased retail loan losses, which could adversely affect the Group's business, financial condition, results of operations and prospects.

1.2 **The Group is subject to risks caused by interest rate changes**

Fluctuations in interest rates are influenced by factors outside the Group's control (such as the fiscal and monetary policies of governments and central banks and UK and international political and economic conditions) and can affect the Group's results, profitability and consequential return on capital. In recent years, interest rates have been historically low; the Bank of England base rate increased from 0.5% to 0.75% in August 2018 after having been at 0.5% since November 2017.

The Group holds a significant proportion of the customer deposits that it does not lend, in central banks. Whilst central bank deposits are relatively low credit risk, this strategy does expose the Group to a certain degree of interest rate revenue risk.

If the base rates of central banks were reduced to zero or a negative figure, the Group would be exposed to a risk of financial loss as it would not receive interest on its deposits (and, in the case of a negative rate, would be required to pay to make deposits).

Whilst the Group has policies and procedures in place to mitigate its interest rate risk, any of these scenarios could have a material adverse effect on the Group's business, financial condition and result of operations.

1.3 **Possible deterioration of the UK consumer credit market**

The Group's business strategy includes granting unsecured overdrafts and loans to its current account holders. There are currently concerns regarding the continuing growth of consumer credit in the UK. If there was disruption to the credit market or an adverse change in economic or political conditions that had a disproportionate effect on that segment of the market, the Group could be exposed to proportionately greater losses than some of its competitors as its lending is focussed solely on unsecured UK consumer loans. Such an adverse change in economic or political conditions may arise as a result of the on-going withdrawal of the UK from the EU, the impact and consequences of which remain uncertain. Any deterioration in customers' ability or willingness to repay credit could have a material adverse effect on the Group's business, financial condition and results of operations.

1.4 **Brexit could affect the Group's results**

On 29 March 2017, the UK Government notified the EU of its intention to withdraw from the EU ("**Brexit**"). The UK is currently expected to cease being a member of the EU on 29 March 2019, and the Group faces risks associated with the UK's exit. A significant proportion of the regulatory regime applicable to Monzo in the UK and anticipated regulatory reform is derived from EU directives and regulations. In addition, Monzo currently has the option to benefit from EU measures which reduce barriers in the financial services industry, such as the "passporting" regime which entitles Monzo to operate anywhere in the EU under its UK banking licence. Monzo does not currently provide any services in other European countries other than the UK. Monzo has recently completed passporting to the Republic of Ireland, and while Monzo does not currently exercise those rights, the exercise of those rights may become part of its future strategy. Brexit could also result in restrictions on movement of capital and the mobility of personnel.

There is currently considerable uncertainty surrounding the UK's implementation of EU derived law and regulations following Brexit, and it is unclear whether the UK and EU will reach a satisfactory agreement on financial services. Any of these risks could result in higher operating costs or could affect the Group's ability to conduct its business in the EU and could have a material adverse effect on the Group's operations in the EU.

2. RISKS RELATING TO THE OPERATIONS OF THE GROUP

2.1 The Group is subject to risks arising from its business strategy

The Group has a limited operating history in the UK financial services market and faces risks associated with the implementation of its strategy, including operational, financial, macroeconomic, market, pricing and technological challenges. In the short to medium term, the Group's strategy will be focussed on: (i) the growth of its user base; (ii) the introduction of new products and services, including the continued roll-out of its current account, overdraft, loan facilities and financial marketplace for other products; (iii) reaching profitability through the revenues generated by these new products; and (iv) expansion to new geographies. There can be no guarantee that the Group will be able to achieve these goals or implement its strategy within the timescales envisaged.

In recent years, there has been an increased focus by UK regulators on the appropriateness and sustainability of the business models and growth strategies of regulated firms such as Monzo. Regulators no longer focus exclusively on the financial strength of regulated firms but also consider non-financial resources, including governance and infrastructure, available to the firm in assessing the sustainability of the business model and whether it continues to meet regulatory requirements. In addition, certain regulators have the power to restrict regulated firms' ability to develop products. If the Group's regulators believe that it does not have a sustainable business model or does not meet any of the regulatory conditions, they could remove or restrict the Group's operating licences and/or the way in which it conducts its business.

Additionally, the success of the Group's business strategy is dependent on its technological infrastructure and the ability to scale its operations in line with its planned growth.

Other factors may also affect the Group's ability to pursue its business strategy. For example, the success of the Group's business strategy requires getting significant numbers of new customers in an increasingly competitive environment and will require management to make complex judgements, including anticipating customer trends and needs across a range of financial products, and structuring and pricing its products competitively. The inability of the Group and its Directors to implement this business strategy for any reason could have a material adverse effect on its business, financial condition, results of operations and prospects.

2.2 The Group is subject to risks resulting from changes in trends of debit card usage

The Group is a digital challenger bank and users' transactions are made through their debit cards. Unlike other more established banks, the Group does not have branches or intend to offer more "physical" methods of payment such as cheque books or ATMs to its users. Current market trends indicate that debit card usage is increasing (particularly with the introduction of contactless technology), but if these consumer trends change, there is the chance that the Group may not be able to respond as quickly as some of its competitors. If the Group was unable to respond quickly enough to changing consumer trends or habits in debit card usage, this could reduce the Group's customer base and, in turn, the value of its deposits and loan book. This could have a material adverse effect on the Group's business, financial condition and results of operations.

2.3 **The Group is subject to risks relating to the cost and availability of funding**

The availability of deposits for the Group may be impacted by increased competition from other deposit-takers (including other mobile app-based providers and challenger banks). The Group does not currently access wholesale funding. Going forward, there may be factors outside of Monzo's control that may constrain the volume of liquidity in the market. The Group's ability to access other funding sources on satisfactory economic terms is also subject to a variety of factors, a number of which are outside its control, including interest rates, liquidity constraints, general market conditions, increased competition, regulatory requirements and any loss of confidence in the UK banking system.

The Group currently relies exclusively on retail deposit funding and a loss in customer confidence in the Group could significantly reduce the number of individuals willing to make deposits. While the Group does not currently intend to rely on wholesale funding, if access to deposit funding were constrained, the Group may need to make greater use of the wholesale funding markets, if available. There is no guarantee that the Group would be able to get wholesale funding on commercially attractive terms, or at all. If the wholesale funding markets were to be fully or partially closed, it is likely that funding would prove more difficult to get.

While the Group is currently highly liquid, going forward liquidity constraints may impair the Group's ability to meet regulatory liquidity requirements or financial and lending commitments (including in the event of an unexpected increase in customer withdrawals). Liquidity constraints may also impair the Group's ability to pursue its strategy and business plan in full or in accordance with the timescales currently envisaged. If the Group failed to manage these or any other risks relating to the cost and availability of liquidity and funding, this could have a material adverse effect on the Group's business, financial condition and results of operations.

The Board does not consider these to be foreseeable risks which could cut across the working capital statement contained in paragraph 15 of Part VII of this document.

2.4 **The Group faces risks from competition**

The market for financial services in the UK is competitive, and competition may intensify in response to consumer demand, technological changes, the impact of market consolidation and new market entrants, regulatory actions and other factors. The financial services markets in which the Group operates are mature, and growth by any bank typically requires getting market share from competitors.

The Group faces competition from established providers of financial services, including banks and building societies, some of which have substantially greater scale and financial resources, broader product offerings and more extensive distribution networks than the Group. This means that more established providers of financial services may be more resilient due to greater resources than the Group during periods of economic volatility or reduced consumer demand. The growth of the Group's customer base is a core part of the Group's strategy and the Group may also incur increased marketing costs as a result.

In addition, as a result of their large established deposit and asset base, established banks are often better positioned to offer cash incentives to attract new customers, as well as higher temporary "teaser" interest rates for deposits or lower temporary rates for loans and overdrafts.

The Group also faces potential competition from new banks in the UK and banking businesses developed by large non-finance companies such as Tesco and Sainsbury's. Additionally, the Group faces competition from other "challenger bank" and financial technology (“**fintech**”) entrants such as Metro Bank, Starling Bank and Revolut.

The retail banking and payments market is in the process of potentially major change as a result of the introduction of the Second Payment Services Directive ("**PSD2**") and Open Banking. These initiatives have the potential to open up the market to new entrants who are not banks and who are instead authorised as account information service providers or payment initiation service providers. As a result of these developments, the Group could face increasing competition from new entrants into the market looking to use bank systems and processes but without the cost burden that being an authorised bank entails. This could put pressure on the Group's customer base and projected growth.

The Group faces competitive pressure in relation to the payment systems it uses in connection with its debit cards from both established and non-traditional payment processors. The Group continues to rely on certain competitors to provide important payment clearing services, and these competitors could (subject to regulatory considerations) impose significant fees or restrictions on the Group to access these systems.

Any failure to manage the competitive dynamics to which the Group is subject could have a material adverse effect on its business, financial condition and results of operations.

2.5 The Group is subject to risks concerning customers' credit quality

The Group is exposed to customers (with a lending product such as an overdraft) whose credit quality can have a significant adverse impact on the Group's earnings. The Group uses credit scores provided by a third party. The credit scores provided by the third party are based on a number of factors, including credit data and credit scores provided by other credit reporting agencies. There is a risk that this information could be outdated, incomplete or inaccurate. Accordingly, a credit rating assigned to a borrower by the third party may not reflect that borrower’s actual creditworthiness at the time of application. There is also a risk that, following the time of application, a borrower may become unable to meet their commitments as they fall due as a result of customer-specific circumstances, macroeconomic disruptions or other external factors.

Actual levels of default may be higher than the Group expects. All overdrafts and loans granted by Monzo are unsecured. Unsecured obligations pose a greater credit, insolvency, bankruptcy and liquidity risk for a lender compared to secured obligations (eg a mortgage over a property). This means that, if a borrower defaults on a Monzo overdraft or loan, Monzo is less likely to be able to recover all or any portion of the amounts lent (compared to secured lending) which may result in higher impairment charges or a negative impact on fair value in Monzo's loan portfolio, either of which may adversely affect the value of assets on Monzo's balance sheet. More generally, if any borrower who has an overdraft or loan agreement with Monzo ceases to be a UK resident and fails to repay the loan, enforcement of the loan may be more difficult and costly.

Any of the above issues could have a material adverse effect on the Group's business, financial condition and results of operations.

2.6 **The Group is subject to wholesale credit risk**

Monzo has a small number of wholesale credit risk exposures for operational purposes and holds all of its surplus liquidity in cash at central banks. A proportion of Monzo's funds may also be put up as security under payment schemes with other banks. Whilst the risk of default is low, there is a risk that these counterparties may default on their repayment obligations to Monzo. Any defaults could have an impact on Monzo's availability of funding and could have a material adverse effect on the Group's business, financial condition and results of operations, though the Board does not consider these to be foreseeable risks which could cut across the working capital statement contained in paragraph 15 of Part VII of this document.

2.7 **The Group's brand or reputation may be damaged**

The Group’s success and results are dependent in part on the strength and reputation of its brand and the Group identifies reputational risk as one of its largest risks. The Group's brand is relatively new and there is no guarantee that it will be able to continue to successfully develop its brand and grow its market share. Reputational issues could result from a number of factors attaching to the Group's business, including, but not limited to:

- operational failures;
- failing or, facing allegations of, having failed to appropriately address potential conflicts of interest;
- breaching or facing allegations of having breached legal and regulatory requirements (including conduct of business, money laundering and anti-terrorism financing requirements and capital adequacy requirements);
- acting or facing allegations of having acted unethically (including having adopted inappropriate sales and trading practices);
- litigation or other disputes;
- misconduct by employees or others involved in the Group's business;
- negative press or social media comment, whether or not founded;
- failing or facing allegations of having failed to maintain appropriate standards of customer privacy, customer service and record keeping;
- technology failures that impact customer services and accounts;
- being the subject of a cyber-attack;
- failing to properly identify conduct, legal, reputational, credit, liquidity and market risks inherent in the products it offers;
- generally poor company performance; and
- risks of association in respect of issues being faced by competitors or the banking industry generally, which may or may not be directly applicable to the Group.

Any damage to the Group’s brand or reputation could cause existing customers, users, partners or intermediaries to withdraw their business from, or restrict their business with, the Group. Such damage to the Group’s brand or reputation could cause disproportionate damage to its business, even if any negative publicity is factually inaccurate or unfounded. Furthermore, negative publicity could result in greater regulatory scrutiny and could influence market perception of the Group. The occurrence of any of these events could have a material adverse effect on the Group's business, financial condition and results of operations.

2.8 **The Group is subject to the risk relating to its IT systems and related IP rights**

The Group's business is dependent on the Information Technology ("**IT**") infrastructure behind its smartphone app, including the processing of a high volume of complex transactions efficiently. The Group has developed its own software to do this, and also uses third party service providers in connection with the provision, operation, and maintenance of IT systems. As its business expands, the Group expects to continue to upgrade and introduce new IT systems. Any weaknesses or failures of its IT systems, including any upgrades or new IT systems, may cause an interruption or delay in, or unsatisfactory delivery of, service; loss or corruption of data or confidential information. Any such weaknesses or failures could therefore inconvenience users which could have a subsequent effect on the Group's brand and reputation.

As some of the Group's operations interface with or depend on IT systems operated by third parties and which are outside of the Group's control, there can be no assurance that the Group will not encounter issues which could result in the loss of important data, interruptions, delays or cessations in the availability of the systems. The Group’s IT systems, like other banks, are also exposed to a number of cybersecurity-related risks, including being targeted by hackers looking to access commercially sensitive or personal data held by the Group or being a victim of malicious software or other viruses.

While the Group takes measures to protect against the risk of data loss or breach, there remains a risk that employees might lose or disclose data (for example, by forwarding an email containing data to an unauthorised third party) or that the Group's systems could be subject to a data breach, whether sustained or one-off. The Group is therefore exposed to a risk of regulatory fines, legal and public relations costs and other remediation costs arising from data loss. In addition to the financial losses that the Group could sustain as a result of a data loss or breach, the Group is also exposed to a risk of damage to its brand or reputation.

The Group's intellectual property ("**IP**"), on which the bespoke elements of its IT systems and its brand are based, is central to the value and functioning of its business. Although the Group does not hold any patents, it typically protects such IP rights by, for example, ensuring that any IP produced by its employees is retained by the Group and by relying on confidentiality clauses in employee contracts and non-disclosure agreements with third parties, but there is an inherent risk of employees or third parties infringing those rights or challenging the Group's ownership of those rights. The Group may not always be successful in enforcing or protecting its IP rights and defending any misuse of its IP which could affect the value of its brand or IT systems.

Any of the above risks could have a material adverse effect on the Group's business, financial condition and results of operations.

2.9 **Claims and litigation could impact upon the Group's reputation and earnings**

The Group could face legal and regulatory proceedings in the course of its business. Risks relating to these proceedings may arise for a number of reasons, including: (i) the Group's business may not be, or may not have been, conducted in accordance with applicable laws or regulations; (ii) contractual obligations may either not be enforceable as intended or may be enforced in a way that is adverse to the Group; (iii) liability for damages may be incurred by third parties harmed by the conduct of the Group's business; and (iv) third parties may allege that the Group has infringed their intellectual property rights (whether through trademark infringement or otherwise). There can be no assurance that the Group will prevail in any future litigation or regulatory proceedings. Any litigation or other proceedings, whether or not determined in the Group's favour or settled by the Group, could be costly and may divert the efforts and attention of the Group's management and other personnel from normal business operations. In addition, any proceedings could adversely affect the Group's reputation and the market's perception of the Group and the products and services that it offers, as well as customer demand for those products and services, which could have a material adverse effect on the Group's business, financial condition and result of operations.

2.10 **The Group is subject to the risk of losses resulting from fraud**

Fraud is a risk affecting the retail banking and lending industry in general. The Group may be affected by fraud, misrepresentation or omission ("**Fraudulent Activity**") on the part of its customers or by other users of the Group's services (whether authorised or unauthorised). Although Monzo has put in place policies and procedures to reduce the risk of Fraudulent Activity, such measures may not be sufficient in all cases to prevent loans being originated, or transactions being processed, on the basis of Fraudulent Activity. Fraudulent Activity may adversely affect Monzo's ability to enforce its contractual rights or to require the borrower to repay principal or interest on any loan. In the event of Fraudulent Activity in respect of a loan, Monzo may have the right to terminate the loan agreement and seek enforcement, but there is a risk that the alleged borrower in question may not be obliged to repay the loan (e.g., in the event of identity theft) or cannot be located.

Despite the systems and procedures that Monzo has in place, there is also a risk of internal fraud or theft being committed by one or more employees, which could negatively impact the Group's brand or reputation. Monzo is also subject to the risk of unauthorised use of its users' debit cards. Third parties could get money or underlying goods and services through deception, including through theft of a user's card or through disclosure of details by an illegitimate website or merchant.

Whilst Monzo invests in anti-fraud technology, high levels of fraud could have a material adverse effect on the Group's reputation, business, financial condition and results of operations.

2.11 **The Group is subject to risks relating to its dependence on Directors and senior management team and its ability to continue to access a suitable talent pool**

The Group's future growth and success depends, in part, upon the leadership and performance of its Directors and management team, many of whom have significant experience in the sector. The loss of any of the Directors, or any members of the senior management team or other key employees, the inability to recruit, motivate and incentivise sufficient qualified personnel, or the inability to replace departing employees in a timely manner could affect the Group's ability to run its business and could therefore have a material adverse effect on its business, financial condition and results of operations.

In addition, the Group relies on the expertise provided by third party consultants and key industry contacts who support the business. If any key consultants or advisors ceased working with the Group, it would need to identify other individuals with expertise in these areas and there is no guarantee that it would be able to do so. The inability to identify alternative consultants and advisors could have a material adverse effect on the Group's business, financial condition and the result of operations.

2.12 **The Group is subject to risks associated with international expansion**

The Group currently only offers its products to consumers in the United Kingdom. The Group is looking to expand its operations internationally and enter additional markets, including the United States (Monzo Support US will not offer any financial products or services into the US or the UK) and the European Union, which involves various risks and will require significant management attention. Any such expansion may strain existing management resources. International operations are also subject to other inherent risks, including: unexpected changes in regulatory requirements; reputational risk; and potentially adverse tax consequences.

2.13 **The Group faces risks relating to taxation**

Any change in the Group's tax status or in tax legislation or its interpretation could affect the Group's income. The nature and amount of tax which the Group expects to pay and the reliefs expected to be available to the Group are each dependent upon a number of assumptions, any one of which may change and which would, if so changed, affect the nature and amount of tax payable and reliefs available. Any such changes could have a material adverse effect on the Group's business, financial condition and results of operations.

3. **REGULATORY RISKS**

3.1 **Monzo, as a regulated entity, is subject to regulatory intervention**

Monzo is authorised by the Prudential Regulation Authority (the "**PRA**") and is regulated by the both the PRA and the Financial Conduct Authority (the "**FCA**").

As a result, it must comply with the rules and regulations issued by both the PRA and the FCA, including those set out in the PRA Rulebook and the FCA Handbook. These include specific rules relating to prudential capital and liquidity requirements, and regulatory action in the event of bank failure, as well as conduct of business rules (in particular, around disclosure and promotions) and general principles of business, including the requirement to treat customers fairly. Monzo is, therefore, susceptible to decisions outside of its control by regulators relating to capital structure, its governance arrangements and the remuneration it pays to its employees and other staff.

Failure to comply with any of these requirements could bring regulatory intervention, including financial sanction or the imposition of restrictions on the Group's business.

Both the PRA and the FCA continually monitor and amend the regulatory framework and there is a risk that changes could have a negative impact on the Group's business model. There is also a risk that HM Treasury could introduce new regulated activities or regulatory requirements that impact the business model. Any of these changes are outside of Monzo's control and could expose the Group to significant regulatory compliance costs and any changes in the regulation of collections activity for regulated credit agreements might adversely affect recovery activities.

3.2 **Payment Services Regulations 2017**

Monzo's current account activity, including its overdraft is subject to the requirements of the Payment Services Regulations 2017 ("**PSRs**"). These requirements include regulations governing the information that must be given to customers, how quickly payments must be executed and a number of refund and liability provisions for when things go wrong.

If Monzo is found to have failed to comply with any of those requirements it could be subject to regulatory action from the FCA and/or could be the subject of direct claims from customers.

In addition, under the PSRs, Monzo is responsible for any unauthorised transactions on the account except in limited circumstances where the customer can be made liable. This means significant levels of fraudulent activity could have an impact on the Group's business and financial condition.

Going forward, from September 2019, the PSRs will require the Group to give access to its accounts to third party providers of the two new regulated payment services: Account Information Services and Payment Initiation Services as well as make sure it implements the use of strong customer authentication when customers carry out certain actions on their account.

3.3 **Consumer Credit Act 1974**

The overdrafts and loans offered by Monzo are regulated by the Consumer Credit Act 1974 (the "**CCA**"). The CCA imposes specific sanctions for breach of its requirements. For example, errors in documenting credit agreements and post-contract information (such as annual statements and notices of sums in arrears) may make the agreement unenforceable without a court order and bar the lender from charging interest until the error is corrected. A failure to document the agreement correctly can make the loan unenforceable without a court order. A borrower may also challenge the loan agreement on the basis that it created an "unfair relationship" between the lender and the borrower. If successful, a court may make an order (among other things) requiring the lender to repay amounts received from the borrower. There is no statutory definition of "unfair", allowing for broad judicial discretion in applying the test according to individual circumstances.

Borrowers have the right to bring claims under the Financial Ombudsman Service ("**FOS**") and a right to claim compensation for losses resulting from any contravention of FCA rules.

If Monzo is found to have failed to comply with any requirements under the CCA it could be exposed to significant financial consequences which could have a material adverse effect on the Group's business, financial condition and results of operations.

3.4 **Prudential regulatory capital and liquidity requirements**

The prudential regulatory capital and liquidity requirements to which the Group is subject may change, including as a result of binding regulatory or implementing technical standards or guidance to be developed by the European Banking Authority, changes to the way in which the PRA interprets and applies these requirements to UK banks or more changes to the requirements that may arise at an EU or national level. If the Group fails to meet its minimum regulatory capital or liquidity requirements, it may be subject to administrative actions or sanctions. In addition a shortage of capital or liquidity could affect the Group’s ability to pay liabilities as they fall due and could affect the implementation of its business strategy. The Board does not consider these to be foreseeable risks which could cut across the working capital statement contained in paragraph 15 of Part VII of this document. However if, in response to any capital shortage, the Group raises additional capital through the issuance of share capital or capital instruments, Existing Shareholders may experience a dilution of their holdings or reduced profitability and returns.

3.5 **General Data Protection Regulation**

Monzo collects, controls and processes large amounts of personal data on a daily basis and the protection of this data is of key importance to the Group's business and to customers' confidence in its products and services. Monzo must comply with applicable laws regarding data protection, including the EU's General Data Protection Regulation ("**GDPR**"), which imposes broader and stricter compliance requirements regarding data protection than previous laws. The Group has procedures in place intended to make sure that any personal data it collects, processes and holds is handled securely and disposed of properly in accordance with applicable laws, and has implemented a programme to make sure its use of personal data has been and is compliant with GDPR. Any violations of data protection laws by the Group could subject it to litigation, fines, penalties, or other regulatory action which individually or in the aggregate could be costly. Since the GDPR was implemented, the potential size of these has increased significantly to a maximum of the higher of €20 million or 4% of turnover, and there is also a greater risk of civil litigation actions. Violations of data protection law could also lead to brand or reputational damage or a loss of customer confidence in the Group. Such issues could have a material adverse effect on the Group's business, financial condition and results of operations.

3.6 **The Group is subject to risks arising from any non-compliance with anti-money laundering ("AML") laws**

The Group faces potential exposure to money laundering activities through its current accounts, which could be used to funnel, transfer or clear illicit funds.

The Group has in place AML policies, processes and procedures. Although the Board believes that such policies, processes and procedures are adequate, effective and comply with applicable AML laws and regulations, it cannot guarantee that they eliminate the risk of money laundering, including actions by the Group's staff, for which the Group might be held responsible.

3.7 **Monzo will be subject to rules relating to regulatory action in the event of bank failure**

The special resolution regime (the "**SRR**") was established under the Banking Act 2009 (the "**Banking Act**") to provide a mechanism for resolving failing firms where failure of a firm was imminent and the other powers of the relevant UK authorities (HM Treasury, the Bank of England, the PRA and FCA) to address the situation are insufficient. Its aim is to ensure that financial institutions should be able to fail without excessive disruption to the financial system, without avoidable interruption to critical economic functions provided by firms, and without exposing taxpayers to costs. If Monzo were failing or was deemed likely to fail, the SRR gives authorities a number of different toolkit options, these include bail-in or resolution powers under which Existing Shareholders may experience a dilution or cancellation of their holdings.

Monzo is also subject to the Banking Recovery and Resolution Directive 2014/59/EU (the "**BRRD**"). The BRRD is a European directive relating to the recovery and resolution of credit institutions and systemically important investments firms. The existing pre-BRRD recovery and resolution framework in the UK was expanded to ensure that it complied fully with the BRRD. The BRRD means Monzo will also be required to meet a minimum requirement for own funds and eligible liabilities ("**MREL**") capable of being bailed-in. The implementation of the MREL requirements may require the Group to raise additional capital or adjust its current capital levels.

Finally, the BRRD requires that certain claims of certain depositors and the Financial Services Compensation Scheme (the "**FSCS**") (to the extent it covers claims of depositors in a bank insolvency) are given preferential status in the bank insolvency. Where Monzo has large numbers of depositors entitled to Financial Services Compensation Scheme protection, this means those depositors and the FSCS will get preferential treatment ahead of other unsecured creditors generally, but this will not affect amounts distributable to shareholders, which rank last on any insolvency in any event.

4. RISKS RELATING TO THE SHARES

4.1 Investment may not be suitable for all investors

An investment in Monzo is only suitable for investors capable of evaluating the risks and merits of the investment and who have sufficient resources to bear any loss that may result from the investment. A prospective investor should consider with care whether an investment in Monzo is suitable for that investor in light of that investor's personal circumstances and the financial resources available to that investor. The investment opportunity described in this document may not be suitable for all recipients of this document. Applicants should consult a legal adviser, financial adviser authorised under FSMA or tax adviser for advice if they have any concerns or questions about the contents of this document or the subscription for the E Ordinary Shares before making their decision to invest. Investment in Monzo should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of Monzo will occur or that the Group's commercial objectives will be achieved. Applicants may not get back the full or any amount initially invested.

4.2 Potential investors should seek their own tax advice

Statements in this Prospectus in relation to tax and concerning the taxation of investors in respect of the Shares are based on current tax law and practice which are subject to change. Investors should take their own tax advice as to the consequences of owning shares in Monzo as well as receiving returns from it. The taxation of an investment in Monzo depends on the specific circumstances of the relevant investor. In particular, investors should be aware that ownership of shares in Monzo can be treated in different ways in different jurisdictions.

4.3 The Shares are subject to restrictions on transfer and there is currently no public trading market for the Shares

The Shares are not freely transferable and are subject to the detailed restrictions on transfer as set out in the Articles (see Part VII, paragraph 4.2(l)). There is currently no public trading market for the Shares. Save for transfers made in accordance with the Articles, the Shares thus represent an illiquid investment, with no certainty of when and how shareholders will be able to sell the Shares.

4.4 The issue of additional shares may dilute all other shareholdings

More equity financing may be dilutive to the Shareholders or result in an issuance of securities whose rights, preferences and privileges are senior to the holders of Shares. The Group may seek debt finance to fund all or part of any future development, but there can be no assurance that the Group will be able to raise debt finance, whether on attractive terms (including acceptable covenants) or at all.

4.5 Existing Shareholders may limit other shareholders' ability to influence Monzo and its strategy

Under the Shareholders' Agreement entered into as part of the Series E Investment Round, various matters require the consent of:

(a) an Investor Majority;

(b) the Board; and/or

(c) a majority of the holders of A1 Ordinary Shares; A2 Ordinary Shares; B Ordinary Shares; C Ordinary Shares, D Ordinary Shares or E Ordinary Shares (as separate classes) in each case held by some of Monzo's investors.

In certain circumstances, these Shareholders may be able to influence Monzo's activities and strategy more than other holders of the Shares. As such, Applicants may not be able to exercise the same degree of influence over Monzo as these Shareholders. Applicants should consider if they are comfortable that the rights attaching to their Shares may not be as comprehensive as those enjoyed by Existing Shareholders.

4.6 A return on your investment cannot be guaranteed

Applicants may not be able to get back some or all of their original investment or may not receive the returns expected. This could happen for a number of reasons, including that:

- the price at which an investor is able to sell its Shares is less than the price paid for them;
- an investor is unable to sell its Shares at all;
- Monzo does not pay dividends;
- Monzo's operational or financial performance is worse than expected; or
- Monzo becomes insolvent or is placed in receivership or liquidation.

While investors will have no liability to make any more payments in respect of any Shares for which they subscribe, if Monzo becomes insolvent, the residual value of its assets may not be sufficient for an investor to receive the full value of his or her original investment (or there may be no residual value at all such that he or she may receive nothing).

4.7 Crowdcube Investors' voting rights

Crowdcube Investors will only hold a beneficial interest in the E Ordinary Shares issued in connection to the Offer. Although all Shares have the same voting rights attached to them, in practice the Crowdcube Nominee will exercise these rights on behalf of the Crowdcube Investors, as directed by Crowdcube, in accordance with what Crowdcube deems to be in the best interests of the Crowdcube Investors as a whole. Crowdcube will take all the administrative decisions on behalf of the Crowdcube Investors, unless it believes that a decision is required to be made by Crowdcube Investors collectively. In such circumstances, Crowdcube will provide all relevant information in connection with the decision and will open a poll in which Crowdcube Investors will be invited to vote. Applicants should decide, in making their investment decision, whether they are comfortable that the voting rights attached to the E Ordinary Shares which they will acquire a beneficial interest in may not be exercised in exactly the same manner as Existing Shareholders.

IMPORTANT INFORMATION

General

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Monzo. Without prejudice to any legal or regulatory obligation on Monzo to publish a supplementary prospectus pursuant to section 87G of FSMA and Rule 3.4 of the Prospectus Rules, the publication or delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

This document is being furnished by Monzo solely for the purpose of the Offer. Any reproduction or distribution of this document, in whole or in part, or any disclosure of its contents or use of any information herein for any purpose other than this purpose is prohibited, except to the extent that such information is otherwise publicly available. This document is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by Monzo that any recipient of this document should purchase or subscribe for the E Ordinary Shares.

Overseas Shareholders

The implications of the distribution of this document to Overseas Shareholders may be affected by the laws of the relevant jurisdictions in which such Overseas Shareholders are located. Such Overseas Shareholders should inform themselves about and observe all applicable legal requirements.

It is the responsibility of any person into whose possession this document comes to satisfy himself as to his full observance of the laws of the relevant jurisdiction in connection with the Offer and the distribution of this document.

Forward looking statements

This document contains forward looking statements which are based on the beliefs, expectations and assumptions of the Directors and the Proposed Director about the Group's business. All statements other than statements of historical fact included in this document may be forward looking statements. Generally, words such as "will", "may", "should", "could", "estimates", "continue", "believes", "expects", "aims, "targets", "projects", "intends", "anticipates", "plans", "prepares", "seeks" or, in each case, their negative or other variations or similar or comparable expressions identify forward-looking statements.

These forward looking statements are not guarantees of future performance, and there can be no assurance that the expectations reflected in such forward looking statements will prove to have been correct. Rather, they are based on the current beliefs, expectations and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Group and are difficult to predict, that may cause actual results, performance, plans, objectives, achievements or events to differ materially from those expressed or implied in such forward looking statements. Undue reliance should, therefore, not be placed on such forward looking statements. Any forward looking statements contained in this document are subject to (among other things) the risk factors described in the "Risk Factors" section of this document.

New factors will emerge in the future, and it is not possible to predict which factors they will be. In addition, the impact of each factor on the Group's businesses or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward looking statement or statements cannot be assessed, and no assurance can, therefore be provided that assumptions will prove correct or that expectations and beliefs will be achieved.

Any forward looking statement contained in this document based on past or current trends and/or activities of the Group businesses should not be taken as a representation that such trends or activities will continue in the future. No statement in this document is intended to be a profit forecast or estimate, or to imply that the earnings of the Group for the current year or future years will match or exceed historical or published earnings of the Group. For the avoidance of doubt, nothing in this document constitutes a qualification of the working capital statement contained in section 15 of Part VII of this document.

Each forward looking statement speaks only as at the date of this document and is not intended to give any assurance as to future results. Monzo and/or its Directors and Proposed Director expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward looking statements contained herein as a result of new information, future events or other information, except to the extent needed by the Prospectus Rules or applicable law. To the extent required by the Prospectus Rules and other applicable law, Monzo will update or revise the information in this document.

Currencies

In this document, references to "£", "pence", "sterling", "Pounds Sterling" or "GBP" are to the lawful currency of the United Kingdom.

No profit forecast or estimate

No statement in this document is intended as a profit forecast or estimate and no statement in this document should be interpreted to mean that profitability for the current or future financial years would necessarily match or exceed the historical published profitability.

Rounding

Percentages and certain amounts included in this document have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

Third party information

Where third party information has been used in this document, the source of such information has been identified. Monzo confirms that such information has been accurately reproduced and, so far as it is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Time

Any reference to a time in this document is, unless otherwise stated, a reference to a time in London, England.

Website

The contents of Monzo’s website or of any website accessible via hyperlinks from Monzo’s website or the Monzo App are not incorporated into, and do not form part of, this document.

THE OFFER

1. THE OFFER

1.1 Introduction

Monzo is looking to raise up to £20 million by offering up to 2,592,520 E Ordinary Shares (at a price of £7.7145 per E Ordinary Share (the "**Offer Price**")) to Eligible Monzo Customers. If those customers do not acquire all of the E Ordinary Shares being offered, Monzo will offer the remaining E Ordinary Shares to the Series E Investors on a *pari passu* and pro rata basis. The Offer is not conditional on a minimum fundraising target.

All of the E Ordinary Shares Monzo is issuing in connection with the Offer will rank *pari passu* with the existing E Ordinary Shares that are already in issue. Details of the rights attaching to the E Ordinary Shares are set out in pages 89 to 97 of this Prospectus. The Directors may refuse to register applications made by Eligible Monzo Customers for any reason.

The Offer will only be open to Eligible Monzo Customers, which means individuals who, as at the date of this document:

(a) have been approved as customers by Monzo having completed the new customer application process via the Monzo App, including, for the avoidance of doubt, Monzo customers who have not yet activated their debit card;

(b) are 18 years old or older; and

(c) are resident in the United Kingdom.

There are two types of Applicants and different timeframes apply to each as set out in paragraph 1.3 below.

It is expected that all of the new E Ordinary Shares will be issued and registered no later than 21 December 2018.

1.2 Net proceeds

If Monzo issues all of the E Ordinary Shares available under the Offer, it will raise gross proceeds of approximately £20 million. The total costs, charges, and expenses payable by Monzo in connection with the Offer are estimated to be £800,000. Therefore the net proceeds will be £19.2 million.

1.3 Applying for shares

The Offer will open on 3 December 2018 and will close on 12 December 2018 (the "**Offer Period**").

The Offer will comprise of two phases, with Eligible Monzo Customers who are already Existing Crowdcube Investors being given priority:

(a) Phase 1, which will only be open to Eligible Monzo Customers who are Existing Crowdcube Investors, will open at 10:00 am on 3 December 2018 and close no later than 10:00 am on 5 December 2018 ("**Phase 1**"); and

(b) Phase 2, which will be open to all Eligible Monzo Customers, will open at 10:00 am on 5 December 2018 and close no later than 10:00 am on 12 December 2018 ("**Phase 2**").

All Applicants must agree to buy at least 1 E Ordinary Share.

Eligible Monzo Customers who are Existing Crowdcube Investors and apply in Phase 1 ("**Phase 1 Applicants**") will be able to buy E Ordinary Shares up to a maximum value of £2,000. Phase 1 does not operate on a first come first serve basis; there is a sufficient number of E Ordinary Shares for all Eligible Monzo Customers who are Existing Crowdcube Investors to take up to the maximum number of shares available.

Eligible Monzo Customers who apply in Phase 2 ("**Phase 2 Applicants**") will be able to buy E Ordinary Shares on a first come first served basis up to a maximum value of £2,000. Eligible Monzo Customers who are Existing Crowdcube Investors who do not apply during Phase I can still apply during Phase II on a first come first served basis and up to a maximum value of £2,000.

Applicants cannot submit more than one Application.

Applicants must have enough money in their Monzo account at the time of Application to pay for any E Ordinary Shares that they seek to buy. Applicants are able to use their overdraft for this payment – any such overdraft will be subject to the usual overdraft charges (as described in paragraph 4.3 of Part I).

1.4 **Reasons for the Offer**

The proceeds of the Offer will help to expand the Group's business in line with the breakdown in paragraph 1.5 below.

Monzo has primarily opted to raise funds by way of crowdfunding to let Eligible Monzo Customers own part of its business and give them a greater share of ownership. Monzo could have raised up to £20 million from venture capital firms, but wanted to give Eligible Monzo Customers a chance to invest.

1.5 **Use of proceeds**

The proceeds will be primarily used by the Group to support business growth through investment in product research and development, marketing and customer growth initiatives, financing corporate development projects and expanding its operations team geographically. Any remaining surplus funds will contribute to Monzo holding surplus capital relative to its regulatory requirements. An estimated breakdown of funds usage is provided below, in order of priority:

Business Area	**Estimated use of funding**
Marketplace research and development	£5 million
Other product research and development	£7 million
Marketing and Customer Growth	£5.2 million
Corporate Development projects	£2 million
Expenses incurred for the Offer	£0.8 million

Total	**£20 million**

2. Terms and conditions of the Offer

2.1 Procedure for application

Applicants must complete and submit an application to invest and subscribe for E Ordinary Shares (the "**Application**") through the Monzo App.

The Monzo App contains a link to www.monzo.com/invest, where a copy of this Prospectus has been made available for a period of one week before the Offer opens. Before submitting an Application, Applicants should read this Prospectus and, in particular, the risk factors on pages 12 to 24, to ensure they understand the risks of investing in Monzo and the terms and conditions of the Offer.

The link to this Prospectus will only be available to Eligible Monzo Customers who confirm that they are based in the United Kingdom.

Eligible Monzo Customers cannot submit more than one Application. Each Application must be submitted in accordance with the provisions set out in section 1.3 above.

Once the Offer Period has closed, successful Applicants will be contacted by Crowdcube to access their beneficiary statement. Successful Applicants will be able to access their beneficiary statements at any time by visiting www.crowdcube.com and either logging into an existing Crowdcube account or setting up a new account.

A share certificate will be issued by Monzo to Crowdcube Nominee for the E Ordinary Shares. Crowdcube will then issue beneficiary statements to successful Applicants.

Please note that if an Application has not been completed as per the instructions or if it otherwise does not comply with the terms and conditions set out in this paragraph 2, Monzo may, in its absolute discretion, treat it as valid and binding.

Applicants should read the terms and conditions set out in this paragraph 2 carefully before submitting an Application. Applicants should consult a legal adviser, financial adviser authorised under FSMA or tax adviser for advice if they have any concerns or questions about the contents of this document or the subscription for the E Ordinary Shares before making their decisions to invest.

2.2 Effect of the Application

By completing and submitting an Application on the Monzo App, Applicants irrevocably and unconditionally:

(a) agree to buy the number of E Ordinary Shares set out in their Application;

(b) agree to the Crowdcube Terms as set out in the Monzo App;

(c) acknowledge that the Articles will apply to both their new E Ordinary Shares applied for pursuant to such Application and any and all other Shares that they hold from time to time;

(d) agree to Monzo sharing such information with Crowdcube as is needed to process their Application;

(e) acknowledge that they have no right to cancel their Application once it has been made unless a supplementary Prospectus has been published – see paragraph 2.6 below;

(f) agree that Monzo may, in its absolute discretion, return the amount paid (at the Applicant's risk) without interest to their Monzo current account and choose not to allot any E Ordinary Shares to such Applicant;

(g) agree that Monzo may choose not to allot E Ordinary Shares to Applicants where the Applicant has breached or is reasonably suspected of breaching the terms and conditions set out in this Prospectus or the Crowdcube Terms;

(h) authorise Monzo and/or Crowdcube (as applicable) to disclose any information relating to their Application as is needed to comply with applicable laws, the Shareholders' Agreement or as is appropriate for the purposes of the Offer, including, without limitation, for the purposes of complying with the Money Laundering Regulations;

(i) agree that any E Ordinary Shares to be allotted will be rounded down to the nearest whole number and any excess money will be kept by Monzo for its benefit;

(j) agree that all Applications and any related documents shall be governed by and construed in accordance with the laws of England and Wales and that Applicants submit to the exclusive jurisdiction of the Courts of England and Wales and agree that nothing shall limit the right of Monzo to bring any claim, action, or legal proceedings arising out of or in connection with any such Applications and related documents; and

(k) authorise Monzo and/or Crowdcube (as applicable) to do all things necessary to effect the registration of the E Ordinary Shares to be issued in Crowdcube Nominee's name on behalf of the Applicant and authorise any representatives of Monzo and/or Crowdcube (as applicable) to execute any documents as needed and to enter Crowdcube Nominee's name on Monzo's register of members.

2.3 Acceptance of the Offer

At the end of the Offer Period and provided their Application has been received by Monzo and is valid (or treated as being valid at Monzo's absolute discretion) the Offer shall be deemed to be accepted by each Applicant once the E Ordinary Shares have been issued and allotted to the Crowdcube Nominee.

Applicants will be notified of their allocation via the Monzo App. Monzo will take the amount due from the Applicant's Monzo account immediately after they submit their Application.

Monzo has the right to change or extend the deadline for submitting Applications and all related dates set out in this Prospectus by making an announcement in the Monzo App or where appropriate.

2.4 Warranties

By completing and submitting an Application on the Monzo App, Applicants:

(a) confirm that they are Eligible Monzo Customers;

(b) confirm that they are making the Application in their own name and on behalf of themselves;

(c) confirm that the information in their Application is true and accurate;

(d) confirm that their decision to submit the Application is based solely on the information in this Prospectus and that they are not relying on any information or representations in relation to the Group other than those in this Prospectus and agree that any persons who are solely or jointly responsible for this Prospectus or any part of it, shall have no liability for any such other information or representations;

(e) agree that no person has been authorised to give any information or to make any representation in relation to the Group or the E Ordinary Shares, and if given or made, any such other information or representation should not be relied upon as having been authorised by Monzo;

(f) agree that having had a period of one week to read this Prospectus, they have been given notice of all information and representations contained in this Prospectus;

(g) agree to provide Monzo and/or Crowdcube (as applicable) with any information which they may ask for in connection with their Application or to comply with any other relevant laws, including, without limitation, for the purposes of complying with the Money Laundering Regulations;

(h) confirm that they have not made their Application in breach of the Money Laundering Regulations or any other applicable law;

(i) confirm that they have complied with the terms and conditions set out in this Prospectus, the Crowdcube Terms and all applicable laws; and

(j) confirm that they understand the risks associated with buying the E Ordinary Shares and investing in Monzo and are able to bear the economic risk of their investment in Monzo and are able to afford the loss of any such investment in Monzo.

2.5 **Data protection**

Monzo may hold personal data (as defined in the Data Protection Act 2018) relating to past and present Shareholders. Such personal data held is used by Monzo to maintain its register of members and mailing lists and may be retained on record for a period exceeding six years after it is no longer used. Monzo may also be required to share certain information with Crowdcube for the purposes of processing Applications.

By becoming registered as a beneficial holder of E Ordinary Shares, an Applicant becomes a data subject (as defined in the Data Protection Act 2018) and acknowledges the processing by Monzo of any personal data relating to them in the manner described above.

Article 30 of the Articles sets out further details on Monzo's use and transfer of personal data relating to Shareholders.

2.6 Supplementary Prospectus

Monzo may need to publish a supplementary prospectus before the end of the Offer Period. A supplementary prospectus will be required if, before the end of the Offer Period, a significant new factor, material mistake or inaccuracy relating to the information provided in the prospectus arises or is noted.

If a supplementary prospectus is published by Monzo before the end of the Offer Period, Applicants will be given two extra business days from the date that any such supplementary prospectus is published to cancel their Application.

If Applicants choose to cancel their Application, Monzo will arrange for the amount paid to be returned (at the Applicant's risk) without interest to their Monzo current account.

2.7 Overseas persons

Monzo is offering E Ordinary Shares in the United Kingdom at the Offer Price on the terms and conditions set out in this section headed "The Offer."

If you receive a copy of this Prospectus in a country other than the United Kingdom you should not treat it as an offer to you and you should not make an Application. None of the Shares to which the Offer relates have been or will be registered under the laws of any jurisdiction outside of the United Kingdom or with any securities regulatory authority outside of the United Kingdom.

No Application will be accepted if it shows that the Applicant is resident outside of the United Kingdom.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Each of the times and dates in the table below is indicative only and may be subject to change. Please read the notes to this timetable set out below.

	2018
Publication of Prospectus	26 November
Closing date of Offer	12 December
Expected date of issue	by 21 December

Notes:

(1) The times and dates set out in the expected timetable of principal events above and mentioned in this document, and in any other document issued in connection with the Offer are subject to change by Monzo, in which event details of the new times and dates will be notified to Shareholders, where appropriate.

(2) Any reference to a time in this document is to the time in London, England, unless otherwise specified.

DIRECTORS, PROPOSED DIRECTOR, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Tom Blomfield (*Chief Executive Officer and Co - Founder*) Gary Dolman (*Co - Founder*) Amy Kirk (*Senior Independent Non-Executive Director*) Tim Brooke (*Independent Non-Executive Director and Chairman*) Keith Woollard (*Independent Non-Executive Director*) Eileen Burbidge (*Non-Executive Director – Passion Capital*) Miles Grimshaw (*Non-Executive Director – Thrive*)
Proposed Director	Alwyn Jones (*Chief Financial Officer*)
Company Secretary	Susan Adams Kuczynska
Registered and Head Office Address	38 Finsbury Square and 31, 33 and 35 Wilson Street London EC2A 1PX
Legal advisers to Monzo	Hogan Lovells International LLP Atlantic House Holborn Viaduct London EC1A 2FG
Independent Auditors	Ernst & Young LLP 25 Churchill Place Canary Wharf London E14 5EY
Accountants	BDO LLP 55 Baker Street London W1U 7EU

PART I
INFORMATION ON THE GROUP

1. BUSINESS OVERVIEW

Monzo was launched in February 2015 with the Founders' aim being to build "the bank of the future". It is a digital challenger bank, accessed through a smartphone app and has no branch network.

The Group's philosophy has been to focus on making something people want. Monzo thinks people are tired of the traditional banking model, tired of hidden fees and charges, endless paper forms, and nothing quite working in the way they would expect.

The Group's strategy has been to build the bank around the user experience, seeking to differentiate itself through its transparency and ease of use. In particular, the product is marketed as being an account where transactions update instantly on customers' phones, which sends intelligent notifications to aid customers' use of their account and which is easy for customers to use.

Monzo was launched as a prepaid card product while permission was sought to accept deposits as a bank. It gained its unrestricted banking authorisation from the PRA in April 2017 and closed the prepaid card to new applications in October 2017. Since December 2017, new customers have applied directly for a current account. Nearly 95% of prepaid Active Customers were migrated to the current account and the prepaid card was closed down on 4 April 2018.

In January 2018, Monzo trialled the provision of consumer credit to customers through an overdraft on the current account with rollout to all customers by April 2018. Monzo plans to start offering a fixed-sum loan product. Details of both products are set out below.

The Group's strategy is not to design a large number of Monzo products as traditional banks have done but instead to focus on a core set of products and to operate as a marketplace for other products. The intention is that customers will be able to access a wide range of financial and non-financial products from the Monzo App to meet their needs. For example, a customer with excess funds in their account at the end of each month may choose to move them to a savings account or investment account available through the Monzo App. A customer who makes an expensive purchase may choose to insure it through the Monzo App.

Monzo intends to create what it considers to be seamless, relevant and convenient experiences of this nature across all categories, including savings and investments, mortgages, utilities and insurance. In doing so, Monzo strives to give all customers simplicity and peace of mind through visibility and control of their finances.

Monzo is working on the Monzo Marketplace and has launched a "Beta" version in March 2018 to a very small range of customers. Monzo plans to roll out Marketplace features over the course of 2018 and 2019.

Monzo currently only provides its banking services to customers based in the UK. In February 2018 Monzo completed passporting to the Republic of Ireland. While Monzo does not currently exercise those rights, the Group is considering expansion plans into both Europe and the United States and has incorporated a non-banking subsidiary, Monzo Support US, under the laws of Delaware in the United States. Once it becomes fully operational, it is intended that Monzo Support US will provide overnight customer support services to UK customers.

2. THE MONZO PREPAID CARD

2.1 Overview

The Monzo Prepaid MasterCard Debit card was launched in October 2015, in partnership with Wirecard, an authorised e-money institution. The card was issued by Wirecard which was responsible for all regulatory requirements but was Monzo-branded and managed through the Monzo App.

Key features of the product included:

- fee-free travel abroad (ATM fees for cash withdrawals may have applied);
- instant payment notifications;
- handy budget breakdowns; and
- ability to temporarily freeze lost or stolen cards through the Monzo App.

2.2 Target Market and Customer volumes

The prepaid card was targeted at early adopter, smartphone users. These customers would have already been using mobile applications and other fintech services to assist in elements in their daily life and, as such, Monzo anticipated would be the most comfortable in trying out a beta product.

As at October 2017 when the card was closed to new applications, Monzo had more than 450,000 account holders. Monzo migrated nearly 95% of its prepaid Active Customers to the current account and the prepaid cards were deactivated in April 2018.

2.3 Pricing and Revenues

There was no charge for the card itself. The only fee revenue from customers came from a cash withdrawal fee of 3% for ATM withdrawals overseas (subject to the first £200 in the last rolling 30 days on being fee-free) which came into effect January 2018.

In addition, Monzo received interchange income from MasterCard, based on MasterCard's interchange rates.

Gross revenues for the card were:

	Prepaid Account		
	FY16	FY17	FY18
	£'000	£'000	£'000
Interest on Prepaid	-	-	-
POS Interchange	-	110	2,735
ATM fees	-	-	57
Total prepaid revenue	-	**110**	**2,792**

3. **THE MONZO CURRENT ACCOUNT AND DEBIT CARD**

3.1 **Overview**

Monzo carried out an initial test of the debit card and current account product between July 2017 and October 2017 involving approximately 20,000 customers out of almost 500,000 prepaid customers.

The product was launched for new customers in October 2017 and nearly 95% of prepaid Active Customers were migrated to the current account by the beginning of April 2018.

Key product features include:

- no charge for the account;
- fee-free travel abroad (ATM fees for cash withdrawals may apply);
- instant payment notifications;
- handy budget breakdowns;
- ability to temporarily freeze lost or stolen cards through the Monzo App;
- ability to set-up standing orders and direct debits, to edit standing orders, to track upcoming direct debits and to manually retry failed direct debits;
- access to Faster Payments;
- Mastercard debit card with the account;
- Monzo to Monzo payments – customers can send money to friends with just their phone number;
- live in-app customer support;
- opt-in block on gambling merchants;
- 3D Secure;
- Apple Pay and Google Pay - customers can use their Monzo card with Apple Pay as well as Google Pay;

- ability to send payment internationally from the Monzo App with TransferWise;
- pots - customers can set money aside within their main Monzo current account by creating “pots”;
- ability to set goals for pots, track progress towards the goals and set up scheduled payments into pots;
- ability to round up transactions to the nearest pound and put money aside into any pot;
- ability to split bills through the Monzo App; and
- ability to pay cash into the Monzo account with PayPort at more than 28,000 stores across the UK.

Monzo customers receive FSCS protection up to the sum of £85,000.

Monzo has also recently launched the current account for 16 and 17 year olds as well as joint accounts, both of which contain many of the key product features set out above.

3.2 **Target Market and Customer volumes**

The Group's mission is to make money work for everyone. Any UK resident with (or without) an existing current account can apply for a Monzo account. As at the Latest Practicable Date the total number of customers who have activated a Monzo current account is over 1,000,000.

3.3 **Pricing and Revenues**

Pricing is the same as for the prepaid card but with the added revenues generated by the additional products set out below.

Revenues are:

	Current Account	
	FY17	FY18[3]
	£'000	£'000
Interest on Deposits	n/a	115
POS interchange	n/a	630
ATM fees	n/a	89
Overdrafts	n/a	10
Loans	n/a	-
Marketplace	n/a	5
Total Current Account revenue	**n/a**	**849**

3 Figures are for full year to February 2018. At this time, Monzo was still conducting its current account migration project, with a total of 420,000 accounts, 365,000 of which were active.

4. THE MONZO OVERDRAFT

4.1 Overview

The Monzo overdraft is available to existing customers and can be applied for through the Monzo App.

Monzo has sought to differentiate it from other overdrafts on their market by using a clear and easy to understand daily pricing model which customers can see in their Monzo App.

4.2 Target Market and Customer volumes

A "preview" stage was launched in Q3 2017 and continued until March 2018 during which period customers could choose to trial the overdraft and Monzo could make sure it worked in the way they expected it to.

From March 2018 the overdraft has been available to all existing customers, pending a creditworthiness assessment. The overdraft is aimed only at existing customers and is not marketed to the general public except as a feature of the Monzo account.

4.3 Pricing and Revenues

The overdraft features are subject to change depending on the feedback that Monzo gets during the current phase but are currently set at:

- 50p charge for each day an account is overdrawn;
- £20 buffer so that customers can use £20 of the overdraft with no charge;
- charges accumulate over the month and are deducted from the account on the 1st of the next month; and
- payments will be rejected (if possible) if they would take customers over their overdraft limit or into overdraft if they hadn't applied for an overdraft.

	Overdrafts		
	FY16	FY17	FY18
	£'000	£'000	£'000
Overdrafts	n/a	n/a	10

5. LOANS

5.1 Overview

Monzo has been told by some customers that they want the ability to make big purchases easier to budget for. In response to that feedback, Monzo is planning to launch a fixed-sum loan product.

This allows customers to take a fixed term loan to cover the cost of designated purchases and pay the loan back over a reasonable period, for example between 3 and 12 months.

The product differs from other loans on the market in that it is aimed at helping spread the cost of purchases that have already been made as well as for funding future purchases. Monzo believes this will be particularly useful for customers who have made a large purchase which they then wish they hadn't tied up funds for. The loan product allows users to take a loan to cover the amount and pay it back over time, with less impact on their budget than if they paid it all up-front.

5.2 **Target Market and Customer volumes**

The product was launched in a "preview" phase in July 2018 with test users. It is aimed exclusively at existing customers who have made or are planning to make a large purchase. Customers may apply for the loan after their purchase or leading up to it. If the customer passes all relevant credit assessments, they are offered the option to spread the cost via the Monzo App.

The product is expected to be fully rolled out to customers from 2019.

5.3 **Business Banking**

In response to feedback from customers and community members, in November 2018 Monzo started to explore offering business bank accounts and is currently considering applying for funding to help support this project.

This is consistent with the Group's mission of making money work for everyone: Monzo aims to help entrepreneurs, sole traders, freelancers and other small-medium enterprises by offering them business current accounts that are easy to use, with innovative features to help them run their activities and manage their finances.

6. **THE MONZO MARKETPLACE**

6.1 **Overview**

The Group believes that the banks of the future are those that will let customers connect with a range of providers and deliver an easy, intuitive, seamless and integrated experience for customers. In addition to the current account and unsecured consumer lending products, Monzo will allow its customers from within the Monzo App to access and control traditional financial products and other elements of their life that impact their finances. In particular, the long-term vision for the Monzo Marketplace is to provide access to a number of financial and non-financial providers in each product area, with each partner providing one or several products within the same market.

Monzo launched a "Beta" version of the Marketplace in March 2018, which included a number of partnerships with energy switching services and other financial services companies.

Monzo Marketplace products now include Savings Pots, as further detailed below.

6.2 **ISAs**

On 16 October 2018, HMRC approved Monzo's application to become an ISA Manager (the "**ISA Approval**") to manage the following ISAs: cash ISAs, stocks and shares ISAs, innovative finance ISAs, cash junior ISAs and stocks and shares junior ISAs. The ISA Approval is in furtherance of Monzo's marketplace strategy of building Monzo into a financial centre where customers can manage all of their money and have access to a choice of products and services from across the market.

6.3 **Savings Pot**

In October 2018, Monzo started rolling out the Savings Pot. Any money that a customer adds to a Savings Pot is sent to a Monzo trust account, held with Investec. Customers' eligible deposits with Investec are protected up to a total of £85,000 by the FSCS. The money is held in Monzo's trust account on the customer's behalf meaning that any interest Investec pay on this, Monzo passes back to its customers. To earn interest, customers must have at least £1,000 in their Savings Pot at the end of each day.

The Savings Pots are managed through the Monzo App and are flexible, allowing customers to take money out of their Savings Pot at any time, and have it transferred back into their Monzo account on the next working day. The Savings Pot is another step in developing the Monzo Marketplace, allowing customers to access services and products from a range of providers, all from the Monzo App.

Monzo shall receive a commission equal to 0.15% of the amount available on the customer Savings Pot.

6.4 **Target Market and Customer volumes**

The Monzo Marketplace is aimed at providing Monzo customers with access to a range of third party partners. Integrating these third party services inside the Monzo App, ranging from energy and utility companies to other financial services, that best suit customers' needs, is expected to deliver great levels of customer satisfaction.

In terms of the partners chosen by the Group, some of the key criteria for selecting a partner are as follows:

- shared corporate values and customer centricity – the Group targets providers who have similar ethics and values;
- a track record in their product area and brand awareness – the Group targets both traditional financial product providers and fast-growing "fintech" players with proven business models; and
- strong technical capabilities – the focus is on partners who have well documented Application Program Interfaces ("**APIs**") in a modern technical standard to facilitate integration.

Each partner also goes through a partner due diligence procedure before a binding commercial agreement is signed.

6.5 **Pricing and Revenues**

The Monzo Marketplace revenue model is:

- in respect of savings, other non-investment products, and non-platform provider investment products, based on commissions paid by the partners for the introduction of a new customer. Such arrangements might be solely linked to the initial introduction or arranging of the contract between the Monzo customer and the third party. These arrangements might include remuneration in the form of revenue sharing with the partner linked to the ongoing provision of the services. For example, Monzo could receive a set percentage of the annual management fees charged by an investment provider. Monzo envisages arrangements that include a mix of the two options; and
- in respect of platform provider retail investment products, based on the receipt of a fee from the end client who invests via the marketplace. This may be calculated

on a per-transaction basis or based on the size of the investment, or some other metric.

	Marketplace		
	FY16	FY17	FY18
	£'000	£'000	£'000
Marketplace	n/a	n/a	5

7. MARKET OVERVIEW

The market for retail deposits in the UK is significant with approximately 97% of adults holding a personal current account ("**PCA**") and more than 70 million active PCAs in use, generating revenues of around £8.7 billion in 2014. There has been a steady uptake of PCAs in retail banking with 5.6 million new PCAs opened in the UK in 2015. Overdraft use is also common among PCA holders in the UK. Approximately 45% of PCA customers use overdrafts to varying degrees, paying total overdraft fees and charges in the region of £2.9 billion in 2014.

The market remains heavily dominated by the large banks, with multiple products which they seek to cross-sell to customers. The top four banking groups own over 70% of the PCA market, and have a combined market share of 60% with respect to all new PCAs opened in the UK. The incumbent banks are able to maintain control over the retail banking market due in part to their extensive branch networks, with near to 78% of PCAs opened in branch.

Over recent years, the landscape has started to change with branch-based challenger banks such as Metro Bank and digital challenger banks such as Monzo entering the market. The new entrants typically have the advantage of a lower cost base and more nimble systems designed around an improved user experience.

With the recent regulatory changes brought about by both Open Banking and PSD2 (discussed in more detail at paragraphs 3.11 and 3.12 of Part II of this document), the retail banking market should continue to evolve and offer greater opportunities to challengers such as Monzo.

(Source for figures: CMA Retail Banking Market Investigation - Final Report, August 2016)

8. CUSTOMER SERVICE

Monzo's primary interface with customers is via the smartphone but a core part of its strategy is for customers to have great customer service and to feel they are dealing with real people. It seeks to achieve this through in-app chat.

Monzo has put its customer community at the heart of its business, using a community forum to suggest features, test the Monzo App and give Monzo constant feedback so it can build something that matches customer demand.

9. MONZO CORPORATE HISTORY

Monzo was founded in 2015 by Tom Blomfield (now Chief Executive Officer), Gary Dolman, Jonas Huckestein, Paul Rippon (now deputy Chief Executive Officer) and Jason Bates (who left Monzo in 2015). The Founders' vision was to develop a fundamentally different kind of bank that lived on smartphones, helped customers manage their day-to-day finances and was optimised for the way we live today. Monzo, operating under the name 'Mondo' at the time, launched its prepaid card in 2015. By December 2015, 20,000 people had signed up for prepaid cards.

In August 2016, Monzo received PRA authorisation and was granted a UK banking licence with restrictions. It is regulated by both the FCA and PRA. The restricted licence was an opportunity for Monzo to test its systems with live payment networks before fully launching to the public. Restrictions on the UK banking licence were lifted by the PRA in April 2017. As a fully authorised, unrestricted, bank Monzo began transitioning users from prepaid cards to Monzo current accounts and debit cards.

Monzo changed its name in August 2016 from 'Mondo' to 'Monzo'. The new name was chosen by reaching out to Monzo's community of users. Operating under its new name, Monzo continued to expand. In January 2017, Monzo reached 100,000 customers. By May 2017 this had doubled to 200,000 customers who had collectively spent £250 million through Monzo prepaid cards. Monzo now has over 1,000,000 customers who have activated their accounts and have collectively spent over £4 billion through the Monzo App.

In March 2018, Monzo made overdrafts available to existing customers pending a creditworthiness review and in April 2018 ended its prepaid programme having moved nearly 95% of its prepaid Active Customers to the current account. In May 2018, Monzo added Apple Pay to its current account. In June 2018, Monzo integrated UK cross-border money transfer company, TransferWise, into the Monzo App, which will allow its customers to send international transfers in 16 currencies. In August 2018, Monzo made its current accounts available to anyone in the UK aged 16-17. Overall, the net cost of serving an account has reduced with Monzo now Contribution Margin positive, compared to the prepaid scheme, which incurred marginal losses of around £65 per Active Customer per year.

Monzo has completed several rounds of funding since it was founded, with early stage investments from investors such as Passion Capital and Thrive. Monzo has also completed three crowdfunding rounds, including the fastest crowdfunding in history, raising £1 million in 96 seconds at more than £10,000 per second, in March 2016. In its fundraising round in November 2017, Monzo raised around £59 million with Goodwater Capital, Stripe, Thrive, Passion Capital, Orange Digital Ventures, the Kevin Systrom Revocable Trust and Michael Moritz. Monzo's latest fundraising round, which was led by General Catalyst with participation from Accel, raised £85 million.

10. GROUP STRUCTURE

As at the Latest Practicable Date, Monzo has one subsidiary: Monzo Support US, a Delaware corporation, which was incorporated under the laws of Delaware in the United States on 18 September 2018. Once it becomes fully operational, it is intended that Monzo Support US will provide overnight customer support services to UK customers.

Monzo has no joint ventures, or associates.

11. THE GROUP 'S STRATEGY

The Group intends to pursue the following strategy:

Profitability

As Monzo is now Contribution Margin positive, the next financial goal is to reach overall profitability as a business in the future; this will be achieved when all revenue generated is greater than the total of all marginal costs and overheads. To work towards profitability, the Group will do the following things:

- the Group will work to increase the productivity and scalability of providing customer support, while maintaining a high quality of service. The Group will do that by helping its staff work more effectively with better tools and automation. It will work to reduce the number of questions coming in by continuing to develop a smarter help screen that lets customers find their own answers faster;

- Monzo will also work to generate revenue through lending. Monzo started making overdrafts available to existing customers in March 2018 pending a creditworthiness review, and over 100,000 people have now enabled them. Over the next few months, Monzo will build new features that let people borrow in ways that are convenient, transparent and affordable;

- the Group will also generate revenue from the Monzo Marketplace. The Monzo Marketplace will allow customers access to third parties who provide a variety of products and services, including energy switching services, insurance plans and savings, investment products, mortgages, credit cards and loans;

- the Group will keep working to make sure it is reliable and equipped with everything its customers need to manage their money. At the end of May 2018 Monzo published a list of all the basic but essential features that Monzo was still missing: https://monzo.com/blog/2018/05/22/making-monzo-better/. Monzo has been working through that list at pace, keeping track of its progress by ticking things off and sharing live updates with the Monzo community #@MakingMonzo; and

- Monzo has experienced strong growth in the past and will continue to focus on growth in the future. More than 2,000 new people open Monzo accounts every day. Monzo believes it will increase growth by adding product features with real network effects, that help people use Monzo together.

Social Mission

Monzo was founded on the basis of, and continues to be driven by, a strong social mission to 'make money work for everyone'. Monzo is focussed on making banking products transparent, simple to use, and accessible to as many people as possible:

- Monzo aims to ensure visibility on fees that it charges and to avoid punitive fees, which many other banks charge, which hit when customers are most vulnerable. Monzo will work to show customers exactly what they can expect to pay for an overdraft, and give them instant insight and control over where and how they spend their money;

- Monzo aims to continue to engage with customers when developing new products. For example, Monzo will aim to give versions of new products to thousands of people and invite them to join in, provide feedback and comments on Monzo's approach, and suggest things it can do better. Monzo firmly believes this approach helps it to build better products;

- Monzo will work to help financially excluded customers access bank accounts through Monzo and aims to continue to support vulnerable customers by developing an empathetic approach to debt management; and
- Monzo will aim to improve financial literacy amongst its customers through clear communications and by providing educational contents on its website.

Expansion

By the end of 2019, the Group's goal is that several million people in the UK will be using Monzo.

The Group also plans to expand into new geographies. In February 2018, Monzo completed passporting to the Republic of Ireland; Monzo is not currently offering any products in Europe. The Group is considering expansion plans into Europe, but does not currently anticipate opening any European subsidiaries until the second half of 2019 at the earliest.

The Group incorporated a non-banking subsidiary, Monzo Support US, under the laws of Delaware in the United States on 18 September 2018. Once it becomes fully operational, it is intended that Monzo Support US will provide overnight customer support services to UK customers. The Group is exploring the United States market for future expansion and has had communications with US regulators about acquiring a licence.

12. PRINCIPAL INVESTMENTS

Other than Monzo Support US, Monzo holds no shares in any other company, has no other investments (completed or in progress) and has made no firm commitments in respect of future investments.

13. THE GROUP'S DEBT FACILITIES

The Group does not have any debt facilities. It finances its activities through the issue of ordinary shares and through cash deposits.

PART II
REGULATION

This section provides a description of the legal and regulatory environment as it applies to the Group. As well as the following general descriptions, attention is drawn to the section headed "**Risk Factors**" on pages 12 to 24 of this document which describes specific risks associated with the operations of Monzo.

1. REGULATORY FRAMEWORK

The UK retail banking market is a highly regulated environment and one which is undergoing constant development. Monzo is authorised by the Prudential Regulation Authority (the "**PRA**") and is regulated by both the PRA and the Financial Conduct Authority (the "**FCA**"). It received its full authorisation on 10 August 2016 and had its banking licence restrictions lifted on the 5 April 2017.

Monzo has full authorisation under articles 5, 14, 25(1), 25(2), 25A(1), 25A(2), 36A, 39E, 60B(1), 60B(2) and 64 of the Regulated Activities Order to conduct the following activities:

- accepting deposits;
- agreeing to carry on a regulated activity;
- arranging (bringing about) deals in investments;
- arranging (bringing about) regulated mortgage contracts;
- credit broking;
- dealing in investments as principal;
- debt-counselling;
- entering into a regulated credit agreement as lender;
- exercising lender's rights and duties under a regulated credit agreement;
- making arrangements with a view to regulated mortgage contracts; and
- making arrangements with a view to transactions in investments.

It must comply with the rules and regulations issued by both the PRA and the FCA, including those set out in the PRA Rulebook and the FCA Handbook. These include specific rules relating to prudential capital and liquidity requirements, and regulatory action in the event of bank failure, as well as conduct of business rules (in particular, around disclosure and promotions) and general principles of business, including the requirement to treat customers fairly and to communicate information to them in a way which is fair, clear and not misleading.

It must also comply with the requirements of various pieces of legislation that impact the business.

2. REGULATORS

Under the Financial Services and Markets Act 2000 ("**FSMA**"), the PRA and FCA share overall responsibility (including supervision, enforcement, and rule-making and regulatory policy) for:

- authorisation;
- prudential matters; and
- conduct of business.

The FSMA also sets out the regulatory objectives for each regulator.

The PRA's primary objective is to promote the safety and soundness of those institutions authorised by the PRA by seeking to make sure that their business is carried on in a way which avoids any adverse effect on the stability of the UK financial system. Its secondary objective is facilitating effective competition in the markets for services provided by those institutions.

The FCA is responsible for securing an appropriate degree of protection for UK consumers protecting and enhancing the integrity of the UK financial system and promoting effective completion in the interests of consumers.

Other relevant authorities include:

(a) **Payment Services Regulator**. A regulator with responsibility for oversight of retail payment systems (including Bacs, CHAPs, Visa and Mastercard);

(b) **Financial Ombudsman Service.** The FOS has statutory responsibility for handling complaints from retail banking customers dissatisfied with banking and other service providers and for providing redress where due. The FOS operates independently from the other authorities but needs to maintain a memorandum of understanding with the FCA;

(c) **Financial Services Compensation Scheme (FSCS)**. This body is responsible for ensuring that compensation is paid to insured depositors and other eligible claimants to cover amounts due from failed banks and in other appropriate cases. The FSCS is independent from, but accountable to, both the FCA and the PRA; and

(d) **European Banking Authority (EBA)**. The EBA has EU-wide oversight; its role includes securing compliance with European banking legislation and strengthening international co-ordination among national supervisors.

3. REGULATORY CHANGE: TRENDS AND OUTLOOK

3.1 FCA's consultation in relation to "Assessing creditworthiness in consumer credit" proposals (July 2018)

In July 2018, the FCA published its changes to rules and guidance on assessing creditworthiness in consumer credit. In particular, the FCA clarified the distinction between affordability and credit risk, stating that the former focuses on the risk to the lender of the customer not making repayments, whilst the latter focuses on the effects on the customer of not making repayments. The FCA also clarified that, although the rules set out that the creditworthiness assessment is based on two separate assessments, firms are not required to carry out two separate processes as long as their single process sufficiently addresses affordability.

3.2 **FCA Mission: Our Future Approach to Customers (updated July 2018)**

The FCA published its Mission in April 2017, which explained how and why the FCA prioritises work, protects and intervenes in financial markets. This was the first in a planned series of publications. In November 2017, the FCA published its Approach to Consumers document, which sets out and consults on the FCA's approach to regulating for retail consumers. The document describes the FCA's views on what a well-functioning market looks like for consumers, and helps to explain how the FCA will diagnose and remedy actual and potential harm. Based on this consultation document, the FCA published its final Approach to Consumers in July 2018. The Approach to Consumers sets out the FCA's vision for well-functioning markets and explains how the FCA will use its resources to protect consumers. The final document confirms the core principles supporting the FCA's approach, the key outcomes it expects to see and the three key themes for delivery of these outcomes: regulating for the real world, regulating for vulnerable and excluded customers, and regulating for the future.

3.3 **FCA's strategic review of the retail banking business models (launched April 2017, updated June 2018)**

In April 2017, the FCA launched its review of business models used in the retail banking sector. The purpose of the review is to identify areas of concern in relation to competition or conduct that could warrant more investigation or intervention. In October 2017, the FCA published details of the scope of the review. It noted that, in phase 1 of the review, it will focus on reviewing existing retail banking business models and the relevant markets from a supply side perspective. In phase 2, the FCA will assess the impacts of changes in economic, technological, social and regulatory factors on the relevant business models to help identify risks to the FCA's competition and conduct objectives. The review will encompass all types of consumer products such as current accounts, cash savings, mortgages, secured and unsecured lending, credit cards and general insurance distribution.

The FCA provided an update on this, in June 2018, stating that its early analysis indicates that a key component of competitive advantage for incumbent banks to date has been the combination of personal current accounts and large branch networks. This has allowed these banks to benefit from a funding cost advantage, significant additional income from fees and charges and the ability to cross-sell. It also indicated that it was still concerned that unarranged overdraft charges are more likely to be incurred by vulnerable customers and the findings would help guide their proposals set out under the overdraft consultation discussed below. The FCA now plans to move to phase 2 of the review by exploring the impact of future change scenarios on business models and consumers

3.4 **FCA's consultation in relation to "High-cost Credit Review: Overdrafts" (May 2018)**

The FCA has published proposals for consultation relating to arranged and unarranged overdrafts, along with a discussion on changes to overdraft charges (including a proposed ban on fixed fees). The consultation relates to FCA measures around overdrafts to address low customer engagement, promote competition and improve transparency for customers. The discussion element of the consultation paper relates to potential measures to tackle the identified issues of complex price structures, high level of fees and repeat use. A ban on certain terminology is also proposed to make sure arranged overdrafts are presented as debt. The FCA plans to finalise rules towards the end of the year, and to give more analysis on pricing interventions and repeat overdraft use. Monzo has provided a response to the FCA consultation setting out its views on some of the proposed measures and explaining its approach to overdrafts.

3.5 **FCA's Approach to supervision and enforcement (March 2018)**

In March 2018, the FCA launched a consultation on its increasingly forward-looking and pre-emptive approach to supervision of firms. The consultation sets out the FCA's role in maintaining fair and honest markets, why and how the FCA prioritises supervision and how it carries out its supervision. Alongside its paper on supervision, the FCA also consulted on its approach to enforcement in March 2018. The purpose of this second consultation is to ensure the FCA carries out investigations consistently and in an open-minded manner. The FCA emphasises that decisions on enforcement action are made according to whether there has been serious misconduct, intent to do wrong, a failure to act on feedback, or negligence or recklessness. Both consultation papers closed on 21 June 2018, and final documents are intended to be published in winter 2018.

3.6 **FCA's retail banking product governance review (March 2018)**

In March 2018, the FCA published the outcome of its review of product governance in small and medium-sized retail banks. The review focused on how firms' product governance frameworks helped them to identify and manage the ongoing conduct risks of their products. In relation to areas for improvement, the FCA found that some firms needed to strengthen their product review processes to make sure that they acted on identified lessons or risks, for example by recording the outcome of product reviews more clearly.

3.7 **PRA statement on consumer credit (January 2018)**

In tandem with the focus of the Financial Policy Committee of the Bank of England on consumer credit, the PRA conducted a review and concluded that "the resilience of consumer credit portfolios is reducing". In July 2017, the PRA asked all firms with material exposures to consumer credit to give evidence demonstrating that the specific risk and concerns are addressed. On the back of this, the PRA communicated its key findings and set out points for firms to action in its follow-up letter to the Statement, published in January 2018.

The PRA's main findings include those related to: weaknesses in management information and governance; medium-term economic downturn risk; and affordability assessments. On affordability assessments, the PRA expects that where it is not obvious that a customer can repay in an affordable manner, firms will take account of income and expenditure, such as comparing net disposable income against monthly payments and considering the customer's total indebtedness.

3.8 **FCA Policy Statement on remuneration in CRD IV firms (May 2017)**

In May 2017, the FCA published a Policy Statement with final rules and guidance on remuneration policies and practices. The Policy Statement applies to all firms that fall within the scope of the Capital Requirements Directive ("**CRD IV**"). The FCA has aligned its provisions with the European Banking Authority's guidelines. The new requirements aim to make sure there is consistency across remuneration policies and are intended to promote sound and effective management without providing excessive risk taking.

3.9 **PRA's supervisory statement on remuneration (April 2017)**

In April 2017, the PRA published a supervisory statement on remuneration, which is relevant to all firms regulated by the PRA which fall within the scope of the Remuneration Part of the PRA Rulebook. The supervisory statement sets out the PRA's expectations in relation to a number of issues relating to remuneration such as: proportionality; material risk takers (MRTs); application of malus and clawback to variable remuneration; governing body/remuneration committees; and remuneration and capital. The PRA's Remuneration Part implements relevant provisions from CRD IV and from the European Banking Authority's Guidelines on remuneration.

3.10 **Competition and Markets Authority's retail banking market investigation (August 2016)**

The final report published by the Competition and Markets Authority ("**CMA**") concluded that established banks do not have to compete hard enough for customers' business, while newer entrants are finding it more difficult to grow. The CMA expressed views that consumers are paying more than they should and new services are being restricted.

One of the main remedies implemented by the CMA was to create the Open Banking initiative. Measures are being implemented across the retail banking, payments and consumer credit sectors to open up the market and enhance transparency. The industry and government are collaborating to deliver open access to data through the use of APIs. These reforms will dovetail with the EU's revised Payment Services Directive (PSD2) and will allow third-party access to account-level data and payment functionality.

This should let individuals search for deals and products that better match their personal usage patterns and needs. The Open Banking initiative will help to inform development of the Monzo Marketplace which will be one of the key customer engagement drivers.

3.11 **Open Banking**

Open Banking is a regulatory initiative aimed at increasing openness and competition in retail and SME banking. In August 2016, the CMA issued a ruling requiring that the nine largest UK banks were to allow data sharing through standardised APIs. Open Banking is one element of a series of regulatory initiatives consisting of three components: CMA remedies (including Open Banking APIs), PSD2 (see below) and the GDPR. Together, they are expected to have a significant impact on the retail and SME banking market.

The Open Banking standards have now been expanded to cover all payment account types covered by PSD2 so that they can be used to comply with PSD2 requirements. It is expected that Open Banking APIs will benefit challengers, such as Monzo, and others across the industry by allowing them standardised, authorised access to transactional data as well as payment functionality. This can allow lenders to improve risk models, offer more tailored high-engagement products, and permit easier comparison to encourage product uptake.

These changes should lead to benefits for both retail and small business customers by opening the way to new products and services that could help customers get a better deal, gain a more detailed understanding of their accounts, and help them find new ways to make the most of their money. Customers will also be able to initiate payments to third parties. These third party providers will have to be FCA authorised under the new Payment Services Regulations 2017 (see below regarding PSD2).

3.12 Second Payment Services Directive (PSD2)

PSD2 entered into force on 13 January 2018, replacing and updating the previous Payment Services Directive. It was introduced by the European Commission to address concerns about how payment services operated for consumers and to encourage innovation and competition, and entered into UK law via the updated Payment Services Regulations 2017.

Together with the Open Banking initiative, this is expected to have a significant impact on competition in the banking market and the Monzo Marketplace features are being developed to take advantage of this access.

PART III
CAPITAL RESOURCES AND OPERATING AND FINANCIAL REVIEW OF THE GROUP

Part A: Capital Resources

The Group's principal sources of liquidity include proceeds from fundraising activities and customer deposits. As at September 2018, the Group had a net cash position of £287 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The Group's contractual obligations and commitments primarily include operating leases and loan commitments to customers. The following table summarises the Group's contractual obligations as of 28 February 2018:

	Total	**Within 1 year**	**1 to 5 years**	**Over 5 years**
	£000	*£000*	*£000*	*£000*
Operating lease obligations	1,530	651	879	0
Customer overdraft but undrawn facilities	723	723	n/a	n/a
Loan commitments	n/a	n/a	n/a	n/a

Following the end of FY2018, Monzo entered into a lease for a new office located at 38 Finsbury Square and 31, 33 and 35 Wilson Street, London, England, EC2A 1PX. The lease has a term of 25.5 months, with an annual rent of approximately £1.3 million and a free rent period of 6 months.

Part B: Operating and Financial Review

The following is a discussion of Monzo's financial condition and results of operations for the audited financial statements and related notes for Monzo for the year ended 28 February 2018 and for the year ended 28 February 2017. This discussion should be read in conjunction with Part IV of this document. The audited financial statements and related notes for Monzo for the audited financial statements and related notes for Monzo for the year ended 28 February 2018 and for the year ended 28 February 2017, which have been prepared in accordance with IFRS as adopted by the EU.

The following discussion and elsewhere in this document includes forward-looking statements that reflect Monzo's plans, estimates and beliefs, and involve risks and uncertainties. Actual results and the timing of events could differ materially from those expressed or implied by such forward looking statements as a result of various factors, particularly those discussed in the section entitled "Risk Factors" and the paragraph relating to forward-looking statements in the section entitled "Important Information".

1. OVERVIEW

Monzo was launched in February 2015 with the Founders' aim being to build "the bank of the future". It is a digital challenger bank, accessed through a smartphone app and has no branch network. Monzo's philosophy has been to focus on making something people want. The Board believes people are tired of the traditional banking model, tired of hidden fees and charges, endless paper forms, and nothing quite working in the way they would expect. Now, over 1,000,000 people have an activated account with Monzo and more than 2,000 join every day.

During FY2017, Monzo released its prepaid programme app and ran the fastest crowdfund in history: people pledged £1 million in just 96 seconds.

During FY2018, the PRA granted Monzo its unrestricted UK banking licence. In July 2017, Monzo started trialling current accounts and by Q4 2017 was rolling out current accounts.

As at April 2018, Monzo had migrated nearly 95% of its prepaid Active Customers to current accounts after phasing-out its prepaid accounts programme. Monzo has also grown its customer base organically, primarily due to word of mouth. Moreover, Monzo began offering lending products in 2018 and trialling a marketplace concept (more detail in paragraph 6 of Part I of this document), and continues to move towards expanding its operations globally, including incorporating a wholly owned non-bank subsidiary in the United States in September 2018.

The Board also believes that Monzo has maintained, and continues to maintain, an adequately capitalised balance sheet, through active fundraising as discussed in further detail below:

- April & August 2015: Seed round of approximately £2 million with Passion Capital
- March 2016: Equity crowdfunding round of approximately £1 million with Crowdcube
- April 2016: Series A fundraising round of approximately £5 million with Passion Capital

- October 2016: Series B fundraising round of approximately £4.8 million with Passion Capital
- February, May & July 2017: Series C fundraising round of approximately £19.64 million with Thrive, Passion Capital, Orange Digital Ventures, Tom Odell and the Kevin Systrom Revocable Trust
- April 2017: Equity crowdfunding round of approximately £2.5 million with Crowdcube
- November & December 2017: Series D fundraising round of approximately £59 million with Goodwater Capital, Stripe, Thrive, Passion Capital, Orange Digital Ventures, the Kevin Systrom Revocable Trust and Michael Moritz
- December 2017: Equity crowdfunding round of approximately £878,000 with Crowdcube
- October 2018: Series E fundraising round of £85 million with General Catalyst, Accel, Stripe, Goodwater Capital, Thrive, Orange Digital Ventures, the Kevin Systrom Revocable Trust, among others.

2. RESULTS OF OPERATIONS

Selected Statement of Comprehensive Income Information

The following table sets out Monzo's revenue, operating profit and profit after tax for the year ended 28 February 2017 and the year ended 28 February 2018. Please see pages 13 and 23 of Monzo's Annual Reports for FY2017 and FY2018, respectively, for its audited statement of comprehensive income.

	Years ended 28 February	
	2017	2018
	(*in thousands of £*)	
Revenue	120	1,814
Operating Loss	(8,047)	(34,890)
Tax	1,238	2,530
Loss after Tax	6,689	30,546

Monzo's revenue grew over 1,500% between FY2017 to FY2018, largely due to growth in the prepaid programme in FY2017 and the subsequent migration of these customers to current accounts in second half of FY2018. To support this revenue growth, Monzo's expenses have also grown significantly, with Losses after Tax increasing by over 450% in FY2018 compared to FY2017. This increase in Losses after Tax was primarily driven by hiring additional staff to support growth and future business expansion, and technology and premises costs. This increase, however, was partially offset by management's efforts to improve operational efficiencies, setting up a scalable operations department to address Monzo's 200% growth in customer numbers in FY2018 and phasing-out of Monzo's prepaid programme over the course of FY2018.

Balance Sheet

Please see pages 14 and 24 of Monzo's Annual Reports for FY2017 and FY2018, respectively, for its audited statement of financial position.

Cash Flow

Please see pages 16 and 26 of Monzo's Annual Reports for FY2017 and FY2018, respectively, for its audited statement of cash flows.

3. CRITICAL ACCOUNTING POLICIES

Please see pages 17 and 28 of Monzo's Annual Reports for FY2017 and FY2018, respectively, for a discussion of its critical accounting policies in the section entitled "*Notes to the financial statements*".

4. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

Please see pages 20 and 44 of Monzo's Annual Reports for FY2017 and FY2018, respectively, for a discussion of its qualitative and quantitative disclosure about market risk in the section entitled "*Notes to the financial statements*".

PART IV
FINANCIAL INFORMATION OF MONZO

Section A: Audited Financial Information of Monzo for the year ended 28 February 2017 and the year ended 28 February 2018

Introduction

Audited historical information for Monzo, covering the latest two financial years, has been prepared under International Financial Reporting Standards as adopted by the EU.

Audited accounts

Monzo's audited accounts for FY2017 and FY 2018 are available on its website, here:

1. FY2017 annual report: https://monzo.com/annual-report/2017/
2. FY2018 annual report: https://monzo.com/annual-report/2018/

Section B: Independent auditors' reports on the Audited Financial Information of Monzo for the year ended 28 February 2018 and the year ended 28 February 2017

A. Independent auditors' report for FY2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MONZO BANK LIMITED

Opinion

We have audited the financial statements of the Company for the year ended 28 February 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 28 February 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Overdraft recoverability • Improper revenue recognition • Risk of management override • Incomplete / inaccurate transfer of assets from a third party to the Company
Materiality	• Overall materiality of £600k which represents 1% of equity

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year 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.

Risk

Overdraft recoverability (2018 £12k, 2017 £0)

Overdrafts are a new product for the Company. There is currently limited historic information showing the repayment profile of the customer base and this therefore impacts the valuation of the asset. An impairment may be required over the asset if it is not deemed fully recoverable.

Given the nature of the product and the client base of the Company, we have considered there to be a risk of recoverability over the overdrawn balances – which translates into a risk of overstatement of the net overdraft asset.

This is a new risk for the current year audit as this is the first year the Company will have an overdraft product on the balance sheet.

Our response to the risk

All controls existing around the processes that drive the impairment provision are heavily reliant on the completeness and accuracy of reports generated by the core banking platform at the Bank. Due to these controls being implemented for part of the year under audit, we are unable to place reliance on them for the full year. We have therefore adopted a substantive testing audit approach.

We, along with our specialists, have reviewed the accounting policy documentation and assessed whether management's process to identify impairment is sufficiently robust and compliant with the underlying accounting guidance (as prescribed in International Accounting Standard 39).

We performed the following procedures during our audit:

- Engaged our credit risk management specialists to review management's approach to calculating the impairment provision, to ensure it is in line with the International Financial Reporting Standards (IFRS), through the adoption of IAS 39, and assess the reasonableness of the key assumptions i.e., Probability of Default (PD) and Loss Given Default (LGD) used to determine the impairment provision.

- Validated where possible the key PD and LGD inputs, in our work performed as noted above.

- Corroborated the conclusions reached by our specialists, by performing a review on the portfolio in light of the observations noted by the specialists and verifying the materiality of the observations on the year end provision.

- Engaged our specialists to perform a sensitivity analysis on the following assumptions, to establish a range of expected losses:

  - Non-marginal customers
  - LGD
  - Emergence Period
  - PD
  - Treatment of unauthorised overdrafts

Key observations communicated to the Audit Committee	Our validation of key inputs to the impairment calculation model revealed that data flows to the underlying model were materially complete and accurate. The impairment model assumptions and methodology were found to be appropriate. Our procedures around stress testing and sensitivity analysis of key inputs did not reveal any material errors over the calculated provision. Based on our work performed, we have concluded that the impairment provision in respect of overdrafts is materially correct as at 28 February 2018.
Risk	Improper revenue recognition (2018 £2,041k, 2017 £112k) We reviewed the revenue streams earned by the Company, and assessed which of these could give rise to a material error in the financial statements. We determined that Interchange fees were a significant risk based on size and complexity around recording transaction volumes which determine Interchange revenues. This is a new risk for the current year's audit as this is the first year the income has become material.

Our response to the risk	The key risk for us is the recording of Interchange fee in the incorrect period. As noted above, due to the controls not having operated for the full year of audit and the resulting lack of maturity in the control environment, we adopted a substantive testing audit approach which included increased sample sizes and substantiation across the population to gain assurance. To address the identified risk, we performed the following audit procedures: • Reviewed the Company's accounting policy around revenue recognition. • Vouched the Interchange fees earned on Prepaid Card transactions to third party statements and obtained direct confirmation from the third party on the Interchange fees payable to the Company for the year under audit. • Vouched the Interchange fees earned on current account transactions to third party statements. • Vouched Interchange fees to cash.
Key observations communicated to the Audit Committee	We are satisfied that the Company has recorded revenue in line with its accounting policy. Based on our work performed we can conclude that the Company has recorded and recognised Interchange revenue appropriately and in the year under audit.
Risk	Risk of management override International Auditing Standards (UK & Ireland) mandate the consideration of management override of internal controls as a fraud risk on all audits. The susceptibility of an accounting estimate to management bias increases with the subjectivity involved in making it. As part of our response to the risks of material misstatement involving management (i.e., the risk of management override), we review significant accounting estimates for evidence of management bias. We remain alert to the possibility that management's involvement in the preparation of the financial statements, and its responsibility for the judgments and assumptions relating to significant estimates, increases the risk of material misstatement due to fraud. Our risk assessment incorporated specific consideration of significant transactions and estimates, including: • Judgements applied by management in the valuation of share based payments; • Judgements applied in the calculation of the R&D tax

credit claim; and

- An assessment for evidence of fraudulent activity in journals posted throughout the year

Our response to the risk

As previously noted, due to the controls not having operated for the full year of audit and the resulting lack of maturity in the control environment, we adopted a substantive testing audit approach which included increased sample sizes and substantiation across the population to gain assurance.

In each area where we identified an associated risk of management override, we performed the following audit procedures:

Share based payments

- Agreed the completeness of share based payments to underlying employee contracts;
- Engaged our specialists to:
    - Test the completeness of the parameters in the call option pricing model.
    - Review the appropriateness of existing valuation model.
    - Test the reasonableness of the risk free rate and volatility parameters as these are two parameters which are outside of the model market trends.
    - Recalculate the FV for all new options granted during the year under audit.
    - Review the financial statement disclosures

R&D tax credit claim

- Engaged with our specialists to:
    - Discuss with management the basis of their R&D tax credit claim for both 2017 and 2018 year ends (both periods). Management informed us that they had engaged with their tax specialists to advise them on the R&D tax credit claim.
    - Obtain management’s R&D tax credit calculation for both periods.
    - Obtain and reviewed the report from management’s tax specialists on the R&D tax credit claim for both periods.

  - Review HMRC correspondence with the Bank and discuss with management the basis of discussions that they had with HMRC.

  - Review management's responses to HMRC's enquiries.

  - Assess the inputs to the R&D tax credit calculation and challenge any which are subjective or at risk of challenge from HMRC.

  - Review the provision management had recorded against the tax claim as a result of ongoing HMRC enquiries.

- Agreed the expenses included in the R&D tax credit claim to the income statements; and

- Reviewed the tax disclosures in the financial statements to the underlying calculations.

Journals with higher risk characteristics

As a standard procedure in response to the risk of management override we completed our journal entry testing for the year under audit. This testing focused on significant or unusual journals, focusing on significant risk areas, journals posted around key estimates and any topside adjustments using data analytics.

Key observations communicated to the Audit Committee

share based payments

Based on our work performed, we have concluded that the Bank has appropriately valued the share based payments as at the year end date, using the Black Scholes option pricing model.

R&D tax credit claim

Our specialists performed an analysis to establish a reasonable range of estimates resulting in a provision which we believe is reasonable. The range was determined based on our understanding of the management's claim, our review of their responses to HMRC queries, and our industry knowledge. We reviewed management's claim within this range.

Based on this work performed and our assessment of the provision that management has recorded, we believe that the amount of the provision recorded against their claim is reasonable at the year end.

Journals with higher risk characteristics

We did not identify any unusual journals from the testing performed.

Risk	Incomplete and / or inaccurate transfer of assets from third party systems to the core banking system at the Company (2018 £26.4m, 2017 £0) During the year, the Company migrated the majority of its existing prepaid card customers, previously maintained by a third party (the Prepaid Third Party), to its in-house core banking system. There is a risk of inaccurate or incomplete transfer of key customer data during the migration process, which took place in phases.
Our response to the risk	To address the identified risk, we performed the following audit procedures: • Reconciled the net transactional movement on the banking ledger to third party settlement statements for a sample of days, in order to determine the completeness of customer data on the Prepaid Third Party systems pre-migration. • Traced the balances migrated from the Prepaid Third Party to cash amounts transferred by the Prepaid Third Party in relation to the previous pre-paid card customers now transferred to current accounts. • Obtained confirmation of amounts owed by the Prepaid Third Party in respect of customers who had been transferred but where cash had not yet been received in relation to the transfers. • Obtained post migration reports from the Prepaid Third Party to ensure the discontinuation of pre-paid card customer activity post-migration. • Reviewed management's reconciliation, as at 30 April 2018, of the remaining net settlement due from the Prepaid Third Party to confirm that there was no expected liability for Monzo to extinguish with the Prepaid Third Party as a result of the termination of the pre-paid card program post year end. • Circulated confirmations to a random sample of individual customers, to confirm the accuracy of balance(s) held by them with the Company as per their records. Where we did not receive a response on our confirmation request, we performed alternative procedures by verifying accuracy of the customer balance as per the Company's systems and the statements communicated by the Company to their customers.
Key observations communicated to the	The balances recorded in the financial statements as receivable due from the Prepaid Third Party as at the year end in respect of

Audit Committee	migrated account balances are complete and accurate. We note from our review of post migration activity reports from, and communication with, the Prepaid Third Party that migrated customer balances are no longer managed by the Prepaid Third Party. Our confirmation procedures, and alternative procedures for non-responses, provided assurance over the accuracy of migrated customer balances, with no exceptions noted. Based on our work performed, the Company has migrated customer balances completely and accurately from the Prepaid Third Party to its core Banking system.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £600k (2017: £132k), which is 1% of equity (2017: 2% of admin expenses). We believe that equity provides us the appropriate magnitude on which an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, would reasonably be expected to influence the economic decisions of the users of the financial statements. The change from administrative expenses compared to prior year is due to the progress made by the Company and thereby changes in the focus of the users of financial statement.

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 Company's overall control environment, we have set performance materiality at 50% (2017: 50%) of our planning materiality, equating to £300k (2017: £66k). The ongoing development of new products and internal processes has also contributed to our assessment of setting performance materiality at this level.

Reporting threshold

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

We have reported to the directors all uncorrected audit differences in excess of £30k (2017: £6k), which is set at 5% (2017: 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 12, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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; or

- the 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 12, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit:

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

- in respect to irregularities, considered to be non-compliance with laws and regulations, are to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations

Our approach in summary was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('**FCA**').

- We obtained a general understanding of how the Company complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Risk Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and internal control processes.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the FCA and PRA.

- We understood the activities of the Company to primarily include deposit taking, with overdrafts as the main product offering. The Company received its full banking license in April 2017.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by inappropriate recognition of revenue and management override of controls.

- We continued to identify weaknesses in the Company's control environment in excess of what would be considered normal in the banking industry. This limited the opportunities that we had to place audit reliance on the design, implementation and operating effectiveness of the key controls that management relies on for the proper functioning of the Company's systems and processes. This is because the control environment is not mature and is currently under development. This substantially increases operational risk, and required us to identify and test any compensating manual controls and undertake further additional substantive testing in most areas of the Company's operations.

- The Company operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 June 2018

Notes:

1. The maintenance and integrity of the Monzo Bank Limited web site 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 web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

B. Independent auditors' report for FY2017

TO THE MEMBERS OF MONZO BANK LIMITED (FORMERLY FOCUS FS LIMITED)

We have audited the financial statements of Monzo Bank Limited (formerly Focus FS Limited) for the 12 months ended 28 February 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 12 months ended 28 February 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Board of Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have identified no material misstatements in the Board of Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the 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.

Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
22nd June 2017

The following foot note should be added to the audit report when it is published or distributed electronically:

Notes:

1. The maintenance and integrity of the Monzo Bank Limited (formerly Focus FS Limited) web site 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 web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PART V
DIRECTORS, PROPOSED DIRECTOR, SENIOR MANAGEMENT, CORPORATE GOVERNANCE, AND EMPLOYEES

1. DIRECTORS, PROPOSED DIRECTOR AND SENIOR MANAGERS OF MONZO

Monzo's board of Directors (the "**Board**") comprises of two executive Directors (the "**Executive Directors**"), three independent non-executive Directors (the **"Independent Non-Executive Directors**") and two non-executive Directors (the "**Investor Directors**").

Name	**Position**
Tom Blomfield	Chief Executive Officer and Co - Founder
Gary Dolman	Co - Founder
Amy Kirk	Senior Independent Non-Executive Director
Tim Brooke	Independent Non-Executive Director
	Chairman
Keith Woollard	Independent Non-Executive Director
Eileen Burbidge	Non-Executive Director – Passion Capital
Miles Grimshaw	Non-Executive Director – Thrive

It is envisaged that Gary Dolman will retire from Monzo's Board upon the appointment of Alwyn Jones (CFO), the latter's appointment being subject to regulatory approval.

The business address of each of the Directors and the Proposed Director is 38 Finsbury Square and 31, 33 and 35 Wilson Street, London EC2A 1PX.

1.1 Profiles of the Directors and Proposed Director of Monzo

Tom Blomfield (Chief Executive Officer and Co-Founder)

Serial technology entrepreneur, author and speaker, Tom is passionate about improving customers' experiences and trust in banking. Tom was the founder of GoCardless, the UK's largest direct debit provider, regulated by the FCA as an authorised payments institution, where he had approved person status. Tom also served as VP of Growth of Grouper, a digital social networking company based in New York City. Previously, he was a co-founder at Buy Or Sell Online (boso.co.uk), which raised venture capital financing from renowned US start-up accelerator Y Combinator. Tom started his career in management consulting. He was named Rising Star Banker of the Year 2016 and one of the top five Entrepreneurs under 30 in Europe by the European Commission in 2013. Tom has degrees in Law from University of Oxford and Université Panthéon Assas in Paris.

Gary Dolman (Co-Founder)

Gary is a big four qualified chartered accountant who has audited, consulted on and worked for financial services firms since 1984 in London and Sydney. He has held the role of CFO at Mizuho International plc and ABN AMRO UK, where he had approved person status. He has also been the Global CFO and COO for ABN AMRO Global Transaction Banking. He holds a BA in Accountancy from Exeter University.

Amy Kirk (Senior Independent Non-Executive Director)

Amy brings deep experience in retail banking across all product lines and in particular secured and unsecured lending. She has led large operations as well as specialist strategy, risk and transformation teams. She was previously the Director of Credit and Fraud for Bank of America Europe Card Services and the Chief Risk Officer of OneSavings Bank. She also has significant experience in the United States and was responsible for Credit Acquisition Strategies at MBNA America prior to her move to the UK. Amy holds an MBA with concentration in International Finance from Thunderbird School of Global Management and a B.B.A. in International Management from James Madison University.

Tim Brooke (Independent Non-Executive Director and Chairman)

Tim began his career in banking with Lloyds Merchant Bank before progressing to JPMorgan Chase & Co., where he spent 14 years performing a number of executive roles both in the UK and internationally. Tim's extensive banking and financial services experience led him to PwC where he was partner in charge of their Risk Assurance Services consultancy for the North of the UK. Subsequent to this, Tim was part of the rescue team for the Northern Rock post the financial services crash. More recently, Tim has held non-executive director roles in a number of leading companies, spanning FTSE100 conglomerates to challenger banks and Health & Wellbeing businesses. He brings a wealth of strategy, risk and governance experience to the organisations he serves.

Keith Woollard (Independent Non-Executive Director)

Keith brings extensive experience in regulatory relationships management, as well as corporate governance and risk and compliance functions. Keith has served as Chief Risk Officer, leading the development of its risk functions, and Compliance Director, with responsibility for Compliance and Anti-Financial Crime functions, at M&S Bank in Chester (UK) and has served as Head of Compliance at Post Office. He previously held various roles at the Financial Services Authority ("**FSA**"), including serving as Head of Intelligence and Approval Cases, delivering financial crime intelligence to all FSA functions and counterparties and investigating non-routine applications for Approved Person status.

Eileen Burbidge (Non-Executive Director – Passion Capital)

Eileen Burbidge is a Partner at Passion Capital, the pre-eminent early-stage technology venture fund based in London. She brings extensive operational experience to her investment activities gleaned from business and product roles at Yahoo!, Skype, Apple and elsewhere. In addition to Passion Capital, Eileen is also the Chair of Tech Nation, formerly TechCity UK which is the British government-backed organisation supporting the digital economy across the UK. She is also the UK Treasury's Special Envoy for FinTech, Tech Ambassador for the Mayor of London's office and served on former UK Prime Minister David Cameron's Business Advisory Group. Eileen was made an MBE for services to Business in June 2015 and holds a BSc Engineering degree in Computer Science from the University of Illinois at Urbana-Champaign.

Miles Grimshaw (Non-Executive Director – Thrive)

Miles is a partner at Thrive, a venture capital firm that currently manages approximately $2.5 billion in assets. Thrive invests in, supports and builds innovative early and growth stage technology companies, and its investments include GitHub, Instacart, Oscar, Slack, Stripe, and Robinhood, among many others. Miles currently serves on the board of directors at a number of companies, including Benchling and Lattice. Miles holds a degree in Economics from Yale University.

Alwyn Jones (Chief Financial Officer and Proposed Director)

Alwyn commenced his appointment at Monzo on 10 September 2018 as the new CFO. He has worked in financial services for the last 20 years in both an advisory and P&L line management capacity, specialising in strategy, retail banking and consumer lending. His previous executive responsibilities included heading up Retail International Clients and Consumer Lending at Barclays Bank PLC, latterly Barclays UK (post ring-fencing). Having spent five years of his career post-MBA at Bain & Company, Alwyn is an experienced business strategist. There, he led various strategic reviews, ranging from strategy reviews for Clients to developing and delivering training in-house. During his seven years at Barclays, Alwyn managed numerous teams, had a track record of delivery covering strategy development, capital markets, corporate finance and M&A, as well as scaling digital businesses and operational execution. He delivered exceptional business performance based around deep data-based understanding of financial information and customer needs. He has experience of managing budgets and project implementation costs, having had line responsibility for two significant P&Ls at Barclays and also accountable executive for the delivery of a number of projects. Alwyn holds a MBA from the London Business School and a MA in PPE from Keble College, Oxford.

1.2 **Directors' remuneration**

	Year ended 28 February 2018 £'000	**Year ended 28 February 2017 £'000**
Total Directors' emoluments		
Wages and salaries	473	65
Share based payments	279	73
Contributions to defined contribution plans	2	-
	754	138
Highest paid Director		
Wages and salaries	139	60
Share based payments	166	-
	305	60

As at 28 February 2018 there were no loans outstanding to directors (2017 £nil) and there were no loans made to directors during the period (2017 £nil).

1.3 **Executive Directors' employment contracts**

Tom Blomfield was appointed as Monzo's Chief Executive Officer with effect from 18 February 2015. He is engaged under a permanent contract of employment with Monzo, the last amendment to which is dated 18 September 2018.

Gary Dolman is engaged under a permanent contract of employment with Monzo dated 12 August 2016.

The key provisions of the Executive Directors' employment agreements are set out below:

Executive Director	**Benefits on termination**	**Date of Contract**	**Date of expiry of contract**
Tom Blomfield	12 weeks' pay in lieu of notice and any holiday allowance accrued up until the end of the 12 weeks paid notice	18 September 2018	N/A
Gary Dolman	3 calendar months in lieu of notice and any holiday allowance accrued up until the end of the 12 weeks paid notice	12 August 2016	N/A

1.4 **Proposed Director's employment contract**

The key provisions of the Proposed Director's appointment are set out below:

Proposed Director	**Benefits on termination**	**Date of Contract**	**Date of expiry of contract**
Alwyn Jones	12 weeks' pay in lieu of notice and any holiday allowance accrued up until the end of the 12 weeks paid notice	10 September 2018	N/A

1.5 Non-Executive Directors: appointment

The key provisions of the Non-Executive Directors' appointment are set out below:

Non-Executive Director	Position	Benefits on termination	Date of Appointment	Term of contract
Amy Kirk	Senior INED	N/A	24 January 2017	3 years
Tim Brooke	INED/ Chairman	N/A	15 September 2018	3 years
Keith Woollard	INED	N/A	23 May 2016	3 years
Eileen Burbidge	NED	N/A	21 April 2015	N/A
Miles Grimshaw	NED	N/A	21 February 2017	N/A

There are no family relationships between any of the Directors, Proposed Director or the Senior Management.

1.6 Profiles of the Senior Managers

Paul Rippon (Deputy Chief Executive Officer and Co-Founder)

Paul has 26 years of experience in UK and Ireland's financial sector across six banks and building societies, together with two start-up banks. He led teams of up to 2,000 people, holding a variety of roles, covering most aspects of retail banking, including Head of Banking and Risk Director, where he primarily helped banks better connect with customers and improve their risk management skills. Many of these roles involved approved person status. He has served as a member of ExCo, ALCO and other governance bodies. As an entrepreneur, he has co-founded businesses across agriculture, manufacturing and digital services. Paul is a qualified banker holding the ACIB and is a Fellow of the Chartered Institute of Bankers. He is also a qualified learning coach and for the past 16 years taught hundreds of students at the London Institute of Banking and Finance across a variety of subjects, most recently for the MSc in Banking Practice and Management.

Jonas Huckestein (Co-Founder)

After an early career in management consulting, Jonas spent more than four years in Silicon Valley building and deploying successful technology products for the ecommerce website Groupon, the investment platform AngelList and most recently for his own venture-backed, profitable business, HipDial. He is a co-founder and executive member of the international StartupBus network of over 1,000 engineers, designers and entrepreneurs and is excited to apply his technology start-up experience and network to the banking sector. Jonas holds a degree in Mathematics from the University of Cologne, a Computer Science Degree from the University of Munich and was the recipient of the Deutsche Telekom's scholarship for future technology executives. Jonas leads the organisation scaling team at Monzo which is responsible for managing and scaling Monzo's organisation structure and operations.

Meri Williams (Chief Technology Officer)

Meri is an experienced CTO who has led and scaled technology organisations that build and run brilliant products and services, in a range of sectors including government, ecommerce, telco and manufacturing. She started her career with 10+ years at P&G, later working as Head of Engineering at M&S, and recently being the CTO for MOO, an award-winning online print and design company. She is accustomed to high-pressure, business critical environments, usually requiring 24x7x365 operations, and delivering excellent services and optimising costs simultaneously. Meri excels at scaling up teams, transforming processes and organisations to go from good to great. She is passionate about technology and building smart multi-functional teams and organisations to develop brilliant products. Meri is also a published author, international speaker and co-curator & host of The Lead Developer conference. She holds a Bachelor of Science from the University of Bath.

Tom Foster - Carter (Chief Operating Officer)

Tom has over 13 years of experience in retail financial services and has specialised in strategy and operations for the majority of his career. Prior to joining Monzo, Tom co-founded and headed operations at two start-ups: Curve, a financial services technology company which offers an all-in-one payments card; and Osper, a financial services technology company which helps children to manage their money responsibly, using a specially designed prepaid card and app. Tom has also spent a number of years at two world-leading consulting firms, Bain & Company and Accenture, gaining relevant expertise in advisory roles for a number of major retail and digital challenger banks including Barclays, Lloyds TSB and ABN AMRO and independently consulted for Tandem Bank. Tom holds an MBA from INSEAD Business School and a B.A. Degree from New College Oxford. Tom is responsible for Operations, Customer Services, Financial Crime, People and Hiring functions at Monzo.

Dean Nash (General Counsel and Interim Chief Risk Officer (subject to regulatory approval))

Prior to becoming Interim Chief Risk Officer in October 2018, Dean was General Counsel since June 2018 and had been Head of Legal and Compliance at Monzo since November 2016. Before joining Monzo, Dean worked as Lead Legal Counsel at Barclays from 2013 until 2016 and Lloyds Banking Group from 2012 to 2013. Prior, Dean was Senior Associate at Nabarro LLP from 2007 to 2012 and Associate at Salans from 2006 to 2007. Dean holds a Bachelor of Laws (LLB) Degree from Cardiff University.

Tim Trailor (Chief Credit Officer)

Tim commenced his role at Monzo on 3 September 2018. He has over 17 years experience delivering cutting edge data analytics and using it to optimise businesses. He has worked at both large banks such as CapitalOne and Barclays and specialist lenders, most recently as VP of Klarna. His career has spanned most sectors within the unsecured consumer lending industry, from prime (credit cards, loans, current accounts, point-of-sale finance) through to high cost short term lending (payday lending, sub-prime loans) and has covered a large number of European and North American territories. Tim holds an MBA and a MSC in Physics from the Imperial College of London.

1.7 **Directors’, the Proposed Director's and Senior Management's Other Interests**

In addition to being Directors, the Proposed Director and Senior Management of Monzo, the Directors, Proposed Director and Senior Management hold or have held directorships of the companies and are, or were, partners of the partnerships specified below, within the five years prior to the date of the Prospectus.

	Current Directorships/ Partnerships	**Previous Directorships/ Partnerships**
Tom Blomfield	N/A	Gocardless Ltd
Gary Dolman	Betheref Ltd Zopzat Limited	Algbank Nominees Limited Blydenstein Nominees, Limited Leigh Place Cobham, Residents Association Limited (The) Quoted U.K. Limited RBS Equity Products (UK) Limited RBS Finance (UK) Limited RBOS Indices Limited RBS GTS Services Limited
Amy Kirk	Maryland Partners Limited	N/A
Tim Brooke	Broadlands Finance Limited Butterfield Mortgages Limited Charter Court Financial Services Group Plc Charter Court Financial Services Limited Charter Mortgages Limited Exact Mortgage Experts Limited Leopold Joseph Holdings Limited Pib Risk Services Limited TFP Schemes Limited Thistle Insurance Services Limited Valiamo Limited	BDML Connect Limited Capital Commercial Insurance Services Limited Capita Employee Benefits Limited Capita Employee Benefits (Consulting) Limited Capita Life & Pensions Regulated Services Limited Capita Insurance Services Limited Capital Managing Agency Limited Charter Court Financial Services Limited Delta Underwriting Agency Limited Fish Administration Ltd Hero Insurance Services Limited Lancaster Insurance Services Limited Link Financial Investments Limited Link Fund Administrators Limited Link Fund Solutions Limited Link Market Services Trustees Limited Link Mortgage Services Limited Link Treasury Services Limited Marsden Building Society Minton House Group Limited National Dental Plan Limited Simplyhealth Access Simplyhealth Group Limited Sureterm Direct Limited
Keith Woollard	N/A	Kings Meadow Nominees Limited Marks And Spencer Financial Services Plc Marks And Spencer Retail Financial Services Holdings

		Limited Marks And Spencer Savings And Investments Limited Marks And Spencer Unit Trust Management Limited
Eileen Burbidge	Car Throttle Limited Dixons Carphone (with effect from 1 January 2019) Dogmates Limited (Butternut Box) Eris Group Limited (Native) Focal Point Positioning Limited Marshmallow Technology Limited Passion Capital (FP) LLP Passion Capital (GP) Limited Passion Capital FS (FP) LLP Passion Capital FS (GP) LLP Passion Capital II (FP) LLP Passion Capital II (GP) LLP Passion Capital III (FP) LLP Passion Capital III (GP) LLP Passion Capital Investments LLP Passion Capital Investments II LLP Passion Capital Nominees Limited PolyAI Limited Prowler.io Limited Swipe Tech Limited Tech Nation Group Limited Tide Holdings Limited Typescore Limited White Bear Yard Management Limited Wirewax Limited	Adludio Limited Birdback Limited Duedil Limited Duego AB Flattr Networks Ltd Hotspring Ventures Limited Luluvise Inc Memoto AB Open Signal Inc Pinipa Limited Public Group International Limited Public Group Limited Stylefantasia Limited Urban Massage Ltd Vinaya Technologies Limited
Miles Grimshaw	Benchling, Inc. Degree, Inc. (dba Lattice) Thrive Timberline Foundation Inc.	N/A
Paul Rippon	Barnacre Alpacas Blossom Holdings Limited Bold Change Limited The Border Mill Limited	Exchange Complete Limited Kielder Property Management Ltd Norwich And Peterborough (Lbs) Limited
Jonas Huckestein	N/A	N/A
Tom Foster Carter	26 Cavendish Road Management Company Limited	N/A
Dean Nash	N/A	N/A
Meri Williams	N/A	N/A
Tim Trailor	Analytical Finance Ltd	Alternative Finance Consulting Services Ltd Curo Transatlantic Ltd SRC Transatlantic Ltd
Alwyn Jones	N/A	N/A

1.8 **Additional Information**

Save for the shareholdings disclosed in paragraph 2.1 of this Part V, there are no actual or potential conflicts of interests between the duties any Director or Proposed Director has to Monzo and the private interests and/or other duties they may also have. Save for the options held by the Proposed Director as disclosed in paragraph 2.1 of this Part V, as at the Latest Practicable Date, no Directors have any options over Shares under the Monzo Employee Share Plans, (as detailed in paragraph 8 of Part VII). There are no interests that are material to the Offer.

No Director or Proposed Director has a material interest in any significant contract with Monzo.

No Director or Proposed Director was selected to be a director of Monzo pursuant to any arrangement or understanding with any major customer, supplier or other person having a business connection with Monzo.

No restrictions have been agreed by any Director or Proposed Director on the disposal within a certain period of time of his holding in Monzo.

There are no family relationships between any of the Directors, Proposed Director or the Senior Management.

None of the Directors or Proposed Director has:

- been convicted in relation to a fraudulent offence during the period of five years preceding the date of this document;
- any unspent convictions in relation to indictable offences;
- any bankruptcy order made against him or entered into any voluntary arrangements;
- been associated with any bankruptcy, receivership, liquidation while acting in the capacity of a member of the administrative, management or supervisory body or of senior manager of any company during the period of five years preceding the date of this document;
- been subject to any official public incrimination and/or sanction by statutory or regulatory authorities (including designated professional bodies);
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer;
- been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
- been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
- been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership.

2. INTERESTS OF DIRECTORS AND THE PROPOSED DIRECTOR IN MONZO'S SHARE CAPITAL

Save as set out in paragraph 2.1 below, no Director or Proposed Director has any interests (beneficial or non-beneficial) in the share capital of Monzo.

2.1 Directors' and Proposed Director's shareholdings and options

As at the Latest Practicable Date, the interests of the Directors, Proposed Director and persons connected to them as notified to Monzo in accordance with the Articles are as follows[4]:

	Total number of Shares	% of issued share capital	Options
Tom Blomfield	9,174,911	7.77%	N/A
Gary Dolman	1,006,388	0.85%	N/A
Amy Kirk	37,592	0.03%	N/A
Tim Brooke	130,745	0.11%	N/A
Keith Woollard	80,451	0.07%	N/A
Eileen Burbidge (Passion Capital)	0[a]	0%[b]	N/A
Miles Grimshaw (Thrive)	0[c]	0%[d]	N/A
Alwyn Jones (Proposed Director)	N/A	N/A	**CSOP:** 12,765 **Unapproved Plan:** 197,235

[a] *Eileen Burbidge is an Investor Director, representing Passion Capital, which holds 37,824,021 Shares.*
[b] *Passion Capital has a 32.02 % direct interest in Monzo's issued share capital.*
[c] *Miles Grimshaw is an Investor Director, representing Thrive, which holds 16,855,303 Shares.*
[d] *Thrive has a 14.27% direct interest in Monzo's issued share capital and is indirectly interested in a further 0.15% of Monzo's Shares through its shareholdings in another Monzo shareholder.*

No Director or Proposed Director has or has had any interest in any transactions which are, or were, unusual in their nature or conditions or are, or were, significant to the business of Monzo and which were effected by Monzo during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.

There are no outstanding loans or guarantees granted or given by Monzo to or for the benefit of any of the Directors or Proposed Director, save that qualifying third party indemnity provisions are in place for the benefit of the Directors in relation to certain losses and liabilities which they may potentially incur to third parties in the course of their duties.

3. CORPORATE GOVERNANCE

The Board is committed to the highest standards of corporate governance. While Monzo is an unlisted company and so is not required by law to comply with the provisions of the UK Corporate Governance Code or the AIM Rules, Listing Rules or Disclosure and Transparency Rules of the UK Listing Authority, the Board still pay high regard to corporate governance.

Monzo has a number of governance meetings such as the monthly Board meetings and the weekly Executive Committee meetings. The Directors make minutes of these

[4] For the purpose of this table, figures assume that all transfers of Ordinary Shares and their re-designation as E Ordinary Shares in connection with the Series E Investment Round have completed (completion is pending receipt of stamped stock transfer forms from HMRC).

meetings available internally and encourage employees to question decisions made by the Board and the Executive Committee. Monzo also has a Risk and Compliance Committee, an Audit Committee, a Remuneration Committee, a Nomination Committee, and an Assets and Liability Committee.

Remuneration Committee

The Remuneration Committee is made up of Amy Kirk (Committee Chairman), Keith Woollard, Tim Brooke and Eileen Burbidge. The Remuneration Committee is required to meet at least once per annum.

The Remuneration Committee is responsible for the remuneration and expense policies for Senior Management and it oversees remuneration for Monzo employees more generally, including recommending to the Board the framework and policy for the remuneration of the Executive Directors. The remuneration of the Non-Executive Directors is determined by the Chairman and the Executive Directors. The Remuneration Committee takes into account the business strategy of the Group and how the remuneration policy reflects and supports that strategy.

Audit Committee

The Audit Committee is made up of Tim Brooke (Committee Chairman), Amy Kirk and Keith Woollard. The Audit Committee is required to meet at least once a quarter and in line with regulatory reporting requirements.

The primary objective of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to:

(a) monitoring the integrity of the financial statements of Monzo and any formal announcements relating to Monzo's financial performance and reviewing significant financial reporting judgements contained in them;

(b) reviewing Monzo's internal financial controls;

(c) reviewing Monzo’s internal control and compliance systems;

(d) monitoring and review the effectiveness of Monzo’s internal audit function;

(e) making recommendations to the Board, for it to put to the Shareholders for their approval in a general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;

(f) reviewing and monitoring the external auditor’s independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

(g) developing and implementing policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm;

(h) approving the whistleblowing policy and review whistleblowing updates (if any); and

(i) reporting to the Board on how it has discharged its responsibilities, undertaking a self assessment of the Audit Committee's effectiveness and periodically seeking external review.

As part of Monzo's commitment to strong corporate governance, a board effectiveness review was undertaken in May 2018 and Monzo is in the process of implementing the recommendations from this review. In connection with these recommendations Tim Brooke was appointed as chairman and a search is currently underway to identify a long term chair and adopt additional processes and procedures to further enhance the effectiveness of the Board and Monzo's corporate governance.

4. EMPLOYEES

As at the Latest Practicable Date, the Group employed approximately 500 persons (including the Directors).

PART VI
TAXATION

1. UNITED KINGDOM TAXATION

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of E Ordinary Shares. They are based on current UK legislation and what is understood to be the current practice of HMRC as at the Latest Practicable Date, both of which may change, possibly with retrospective effect. They relate only to certain limited aspects of the UK tax treatment of Shareholders who are resident and domiciled for tax purposes in and only in the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their E Ordinary Shares as an investment (other than in a new individual savings account or self-invested pension plans) and who are the absolute beneficial owners of both the E Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their E Ordinary Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered. The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisors.

1.1 Taxation of dividends

Under current UK tax law, Monzo will not be required to withhold amounts on account of UK tax at source when paying a dividend.

A Shareholder’s liability to tax on dividends will depend upon the individual circumstances of the Shareholder.

(a) Individuals

From 6 April 2018, an individual Shareholder who is resident for tax purposes in the UK is entitled to a tax-free dividend allowance of £2,000 per year. The dividend income of the individual Shareholder in excess of this allowance will be taxed at different rates depending on whether the individual shareholder is a basic, higher or additional rate taxpayer in the UK. In working out the rate at which the individual pays tax, dividends are treated as the top slice of an individual's income and dividend income that is within the dividend allowance will count towards determining the individual's marginal rate.

UK resident individuals will pay tax on any dividends received over the £2,000 dividend allowance at a rate of 7.5 per cent. on dividend income within the basic rate band; 32.5 per cent. on dividend income within the higher rate band; and 38.1 per cent. on dividend income within the additional rate band.

(b) Companies

Dividends paid on the E Ordinary Shares to corporate Shareholders within the charge of UK corporation tax will be subject to corporation tax. But, generally, (subject to anti-avoidance rules) dividends paid to UK resident companies that are not "small" companies (as defined in section 931S Corporation Tax Act 2009) will fall within one of the exemptions from corporation tax on dividends. Shareholders within the charge to corporation tax are advised to consult their own professional advisers to establish whether they qualify for one of the exemptions.

(c) **Tax exempt Shareholders**

Tax exempt UK resident Shareholders, including pension schemes and charities, will not be liable to UK tax on dividends paid by Monzo.

(d) **Non-residents**

Shareholders resident outside the UK for tax purposes will not generally have any UK tax liability on dividends paid by Monzo. But, where a non-UK resident Shareholder carries on a trade, profession or vocation in the UK and the dividends are a receipt of that trade or, in the case of corporation tax, the E Ordinary Shares are held by or for a UK permanent establishment through which the trade is carried on, there may be a liability to UK tax.

A Shareholder resident outside the UK may be subject to foreign taxation on dividend income under the law of the relevant foreign jurisdiction, and should consult his, her or its own tax advisor regarding his, her or its tax liabilities on dividends received from Monzo.

1.2 **Taxation of chargeable gains**

A Shareholder’s liability to tax on chargeable gains will depend upon the individual circumstances of the Shareholder.

(a) **Individuals**

If a UK resident individual Shareholder sells or otherwise disposes of all or some of the E Ordinary Shares, he or she may, depending on his or her circumstances and subject to any available exemption or relief, incur a liability to CGT.

An individual Shareholder has an annual exemption (£11,700 for the tax year ending 5 April 2019) and so will only be subject to CGT to the extent his or her total chargeable gains in the year (including any gains on the disposal or deemed disposal of his or her E Ordinary Shares) exceed this annual exemption.

The rate of CGT will depend on the individual Shareholder's total taxable income and gains in the relevant tax year. An individual Shareholder whose total taxable income and gains in the tax year (including gains on a disposal or deemed disposal of E Ordinary Shares) are more than the individual's basic rate band will generally be subject to CGT at 20 per cent. on the gain on the disposal or deemed disposal of the E Ordinary Shares (save for any part of the gain which, when aggregated with his or her other taxable income and gains during the tax year, is less than or equal to the individual's basic rate band). An individual Shareholder whose total taxable income and gains in a given tax year (including gains on a disposal or deemed disposal of E Ordinary Shares) are less than or equal to the individual's basic rate band will generally be subject to CGT at 10 per cent. of the gain on the disposal or deemed disposal of the E Ordinary Shares.

(b) **Companies**

A Shareholder within the charge to UK corporation tax that sells or otherwise disposes of all or some of the E Ordinary Shares may, depending on its circumstances and subject to any available exemption or relief, incur a liability to corporation tax on chargeable gains.

Chargeable gains realised by Shareholders within the charge to UK corporation tax will be subject to corporation tax at the rate of corporation tax applicable to the company making the disposal or deemed disposal.

(c) **Non-residents**

A Shareholder who is not resident for tax purposes in the UK will not generally be subject to CGT on the disposal or deemed disposal of E Ordinary Shares unless the Shareholder is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the E Ordinary Shares are used, held or acquired.

Such Shareholders may be subject to foreign taxation on any gain under local law.

1.3 **Stamp duty and stamp duty reserve tax ("SDRT")**

The following comments are intended as a guide to the general stamp duty and SDRT position and do not relate to persons such as market makers, brokers, dealers, intermediaries and persons connected with depository arrangements or clearance services, to whom special rules apply.

No UK stamp duty or SDRT will be payable on the issue of definitive share certificates representing E Ordinary Shares.

UK stamp duty (at the rate of 0.5 per cent of the amount of the value of the consideration for the transfer rounded up where necessary to the nearest £5) is payable on any instrument of transfer of the E Ordinary Shares executed within the UK other than when the value of the consideration for the transfer is less than £1,000 (and does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000).

PART VII
ADDITIONAL INFORMATION

1. **PERSONS RESPONSIBLE**

Monzo, the Directors, and the Proposed Director, whose names appear on page 34, accept responsibility for information contained in this document. To the best of the knowledge of Monzo, the Directors, and the Proposed Director (who have taken all reasonable care to make sure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. **COMPANY DETAILS**

2.1 Monzo was incorporated in England and Wales on 18 February 2015 under the Act with registered number 09446231 as a private company limited by shares with the name Focus FS Limited. The liability of the members of Monzo is limited. On 21 October 2016, Monzo changed its name to Monzo Bank Limited.

2.2 Monzo's registered office is at 38 Finsbury Square and 31, 33 and 35 Wilson Street, London EC2A 1PX. The telephone number of Monzo's registered office is 0800 802 1281.

3. **SHARE CAPITAL**

3.1 The issued and fully paid share capital of Monzo, as at the close of business on the Latest Practicable Date, consists of[5]:

Class of share capital	**Total number of Shares issued**	**% of issued share capital**	**Nominal value of shares issued**
Ordinary Shares of £0.0000001 each	24,382,857	20.64%	£2.4382857
A1 Ordinary Shares of £0.0000001 each	10,016,600	8.48%	£1.00166
A2 Ordinary Shares of £0.0000001 each	11,676,610	9.88%	£1.167661
B Ordinary Shares of £0.0000001 each	6,203,955	5.25%	£0.6203955
C Ordinary Shares of £0.0000001 each	21,908,097	18.55%	£2.1908097
D Ordinary Shares of £0.0000001 each	30,110,446	25.49%	£3.0110446
E Ordinary Shares of £0.0000001 each	13,829,128	11.71%	£1.3829128
Total	118,127,693	100.00%	£11.8127693

3.2 At the Latest Practicable Date, none of the Shares were held in treasury.

3.3 The following changes in the share capital have taken place between 18 February 2015 and the Latest Practicable Date:

[5] For the purpose of this table, figures assume that all transfers of Ordinary Shares and their re-designation as E Ordinary Shares in connection with the Series E Investment Round have completed (completion is pending receipt of stamped stock transfer forms from HMRC).

(a) on 18 February 2015, 1,000 Ordinary Shares were issued at a nominal value of £0.000001 each;

(b) on 28 March 2015, 1,000 Ordinary Shares were consolidated into 100 Ordinary Shares with a nominal value of £0.00001 each;

(c) from 28 March 2015 to 09 April 2015, 350,480 Ordinary Shares were issued at a nominal value of £0.00001 each;

(d) on 21 April 2015, 45,425 Ordinary Shares were issued for a subscription price of £19.967 per share;

(e) on 12 August 2015, 54,741 Ordinary Shares were issued for a subscription price of £19,967 per share;

(f) on 09 December 2015, 50,231 Ordinary Shares were re-designated as deferred shares with a nominal value of £0.00001 each;

(g) on 01 March 2016, 13,125 Ordinary Shares were re-designated as deferred shares with a nominal value of £0.0000001 each;

(h) on 01 April 2016, 400,515 Ordinary Shares were subdivided into 40,051,500 Ordinary Shares with a nominal value of £0.0000001 each;

(i) on 01 April 2016, 50,231 deferred shares were subdivided into 5,023,100 deferred shares with a nominal value of £0.0000001 each;

(j) from 15 April 2016 to 18 April 2016, 11,676,610 Ordinary Shares were issued for a subscription price of £0.5133 per share;

(k) on 27 October 2016, 5,036,225 deferred shares with a nominal value of £0.0000001 each were purchased for cancellation by Monzo;

(l) on 27 October 2016, 5,036,225 deferred shares with a nominal value of £0.0000001 each were cancelled by Monzo;

(m) on 27 October 2016, 6,203,955 Ordinary Shares were issued for a subscription price of £0.7737 per share;

(n) on 27 October 2016, 355,459 Ordinary Shares were issued with a nominal value of £0.0000001 each;

(o) from 23 February 2017 to 01 March 2017, 13,422,151 Ordinary Shares were issued for a subscription price of £1.0058 per share;

(p) on 28 April 2017, 2,381,351 Ordinary Shares were issued for a subscription price of £1.0058 per share;

(q) from 15 May 2017 to 29 May 2017, 139,194 Ordinary Shares were issued for a subscription price of £1.0058 per share;

(r) from 15 May 2017 to 29 May 2017, 39,915 Ordinary Shares were issued for a subscription price of £0.19967 per share;

(s) on 19 July 2017, 5,965,401 Ordinary Shares were issued for a subscription price of £1.0058 per share;

(t) on 03 November 2017, 11,676,610 Ordinary Shares were re-designated as A Ordinary Shares with a nominal value of £0.0000001 each;

(u) on 03 November 2017, 6,203,955 Ordinary Shares were re-designated as B Ordinary Shares with a nominal value of £0.0000001 each;

(v) on 03 November 2017, 21,908,097 Ordinary Shares were re-designated as C Ordinary Shares with a nominal value of £0.0000001 each;

(w) from 06 November 2017 to 08 November 2017, 22,411,522 D Ordinary Shares with a nominal value of £0.0000001 each were issued for a subscription price of £2.3566 per share;

(x) on 30 November 2017, 4,940,713 Ordinary Shares were re-designated as D Ordinary Shares with a nominal value of £0.0000001 each;

(y) from 12 December 2017 to 21 December 2017, 2,758,211 D Ordinary Shares with a nominal value of £0.0000001 each were issued for a subscription price of £2.3566 per share;

(z) on 13 December 2017, 7,500 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.19667 per share;

(aa) on 03 May 2018, 5,355 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.5133 per share;

(bb) on 13 July 2018, 73,391 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.00001 per share;

(cc) from 13 July 2018 to 16 July 2018, 87,119 Ordinary Shares with a nominal value of £0.0000001 each were issued for a subscription price of £1.0058 per share;

(dd) from 13 July 2018 to 16 July 2018, 46,310 Ordinary Shares with a nominal value of £0.0000001 each were issued for a subscription price of £2.3566 per share;

(ee) on 26 July 2018, 48,804 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.1997 per share;

(ff) on 26 July 2018, 30,430 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.5133 per share;

(gg) on 26 July 2018, 13,733 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.7737 per share;

(hh) on 13 August 2018, 1,384,141 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.00001 per share;

(ii) on 22 August 2018, 12,335 Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £0.7737 per share;

(jj) on 22 August 2018, 8,216 Ordinary Shares with nominal value of £0.0000001 were issued for a subscription price of £1.0058 per share;

(kk) on 29 October 2018, 10,016,600 Ordinary Shares were re-designated as A1 Ordinary Shares with a nominal value of £0.0000001 each;

(ll) on 29 October 2018, 11,676,610 A Ordinary Shares were re-designated as A2 Ordinary Shares with a nominal value of £0.0000001 each;

(mm) from 30 October 2018 to 1 November 2018, 11,018,215 E Ordinary Shares with a nominal value of £0.0000001 were issued for a subscription price of £7.7145 per share; and

(nn) 2,810,913 Ordinary Shares that were acquired in connection with the Series E Investment Round are in the process of being re-designated as E Ordinary Shares with a nominal value of £0.0000001 each[6].

3.4 Other than in connection with the Monzo Employee Share Plans, no share capital of Monzo is under option or agreed conditionally or unconditionally to be put under option. Monzo has not issued any convertible securities, exchangeable securities or securities with warrants and there are no acquisition rights and/or obligations over unissued share capital or any undertakings to increase the share capital of Monzo.

3.5 The Shares in issue as at the date of the Prospectus are in registered form.

4. **ARTICLES OF ASSOCIATION**

4.1 Monzo's Articles of Association were adopted pursuant to a Special Resolution passed on 29 October 2018 (the "**Articles**").

4.2 The Articles include provisions to the following effect:

(a) **Objects**

The Articles do not provide for any objects of Monzo and accordingly Monzo's objects are unrestricted.

(b) **Capital structure (Article 3)**

The share capital of Monzo is made up of Ordinary Shares, A1 Ordinary Shares, A2 Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D Ordinary Shares and E Ordinary Shares (collectively, the "**Shares**").

All of these share classes shall rank *pari passu* in all respects except in respect of the distribution of the proceeds on a Share Sale (as set out below) and anti-dilution (as set out below).

(c) **Dividends (Article 4)**

Monzo may, with the consent of an Investor Majority, distribute any available profits (other than available profits arising from an Asset Sale) among the Shareholders pro rata to their shareholdings (whether in respect of a financial year or as an interim dividend). All dividends will be expressed net and shall be paid in cash.

(d) **Exit Provisions and Distributions (Article 5)**

On a distribution of assets on liquidation or a return of capital the surplus assets of Monzo shall be distributed among the holders of Shares pro rata to the number of Shares held.

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6 Pending receipt of stamped stock transfer forms from HMRC.

In the event of a share sale, whereby the purchaser of those shares (and those acting in concert with the purchaser) acquires a controlling interest in Monzo (the "**Share Sale**"), the proceeds payable to the selling shareholders (the "**Proceeds**") shall be distributed in the following order of priority (the "**Order of Priority**"):

(i) first, to each holder of A1 Ordinary, A2 Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D Ordinary Shares and E Ordinary Shares; and

(ii) second, to each holder of Ordinary Shares,

with each of the above tranches a "**Priority Tranche**".

If, within any Priority Tranche, there are insufficient funds from the Share Sale to pay the original purchase price due for each Share in that Priority Tranche, the Proceeds shall be distributed within that Priority Tranche pro rata to the respective aggregate original purchase price paid.

If there remains a surplus following a distribution of Proceeds in accordance with the Order of Priority, each Shareholder will be paid the difference between the amount they actually received and the amount that they would have received had the Proceeds been distributed to all Shareholders pro rata to their respective holdings of Shares (this difference known as the "**Shortfall Amount**"). If there are insufficient Proceeds to pay the Shortfall Amount to all Shareholders, the available Proceeds shall be distributed pro rata to the respective aggregate Shortfall Amounts.

In the event of an Asset Sale, the surplus assets of Monzo remaining after payment of its liabilities shall be distributed among the Shareholders pro rata to the number of Shares held.

(e) **Voting Rights (Article 6)**

All Shares carry a right to receive notice of and to attend, speak and vote at all general meetings of Monzo and to receive and vote on proposed written resolutions of Monzo. On a show of hands each Shareholder who is present in person or by proxy shall have one vote, and on a poll each Shareholder so present shall have one vote for each Share held by him. No voting rights may be exercised in respect of any nil paid or partly paid Shares.

As a Crowdcube Investor, Crowdcube Nominee is the legal holder of the E Ordinary Shares issued in connection with the Offer and, in accordance with the Crowdcube Terms, Crowdcube will direct Crowdcube Nominee in accordance with what Crowdcube deems, in its absolute discretion, to be in the best interests of Crowdcube Investors as a whole. Where Crowdcube determines that a matter in relation to the E Ordinary Shares, held by the Crowdcube Nominee for the Crowdcube Investors, requires a decision to be made by Crowdcube Investors, Crowdcube will use reasonable endeavours to notify Crowdcube Investors and shall action such matter in accordance with the wishes of the majority of responding Crowdcube Investors (measured by the number of E Ordinary Shares beneficially held by such responding Crowdcube Investors).

(f) **Vesting Rights of Relevant Shares (Article 7)**

Unless the Board and an Investor Majority determine otherwise, if at any time during a pre-defined period for each of the Relevant Shareholders and Founders:

(i) a Relevant Shareholder ceases to be a Relevant Person for any reason (other than by reason of being a Bad Leaver); or

(ii) a Founder ceases to be a Relevant Person by reason of their resignation (except in circumstances where Monzo was entitled to dismiss them for Cause);

they shall be deemed to have given a Transfer Notice in respect of a pre-defined number of their Shares. The specific calculations for each shareholder's leaver's percentage are included in the Articles.

(g) **Consolidation (Article 8)**

Whenever any Shareholders are entitled to fractions of a share, the Directors may sell the shares representing the fractions for the best price reasonably obtainable to any person or Monzo and distribute the net proceeds of sale in due proportion among those Shareholders.

(h) **Anti-dilution protection (Article 9)**

Article 9 sets out anti-dilution protections for holders of A1 Ordinary Shares, A2 Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D Ordinary Shares and E Ordinary Shares which will apply where Monzo issues any New Securities at a price per security which is less than the Starting Price for the relevant class of Shares. In such a scenario, the protection under this article entitles the holders of such class of Share to be issued a number of that class of Share to be determined in accordance with the formula set out in the Articles. However, for each class of Shares, the holders of more than 50% of that class of Share have the ability to waive the right to Shares being issued pursuant to the relevant anti-dilution provision.

If further Shares are issued to an investor pursuant to the anti-dilution protection provisions for the relevant class of Shares, that investor is required to pay to Monzo cash equal to the subscription price for the Shares being issued. For the avoidance of doubt, Monzo is not required to make any payments itself, and there will be no capitalisation of available reserves.

For Crowdcube Investors, the right to receive and waive any such rights will be that of Crowdcube Nominee, as legal holder of the E Ordinary Shares, issued pursuant to the Offer.

The Ordinary Shares resulting from the event of a Qualifying IPO (as detailed in paragraph 4.2(k) of this Part VII) will not have anti-dilution protection and will in all respects rank *pari passu* with the existing issued Ordinary Shares.

(i) **Variation of class rights (Article 10)**

The prior written consent of an Investor Majority and an Ordinary Majority are required to vary or abrogate the special rights attached to classes of Shares, save that such special rights attaching to A1 Ordinary Shares, A2 Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D Ordinary Shares or E Ordinary Shares can only be varied or abrogated with the prior written consent of more than 50% of the holders of the relevant class.

The creation of a new class of shares which has preferential rights to one or more existing classes of Shares does not constitute a variation of the rights of those existing classes of Shares.

(j) **Allotment of Shares (Article 11)**

The pre-emption provisions set out in sections 561(1) and 562(1) to (5) (inclusive) of the Act do not apply to an allotment of equity securities by Monzo.

Unless otherwise agreed by a Super Investor Majority and an Ordinary Majority, if Monzo proposes to allot any New Securities, such New Securities must first be offered to all Relevant Investors *pari passu* and pro rata to their existing shareholdings and on the same terms and at the same price as the New Securities are being offered to any other party.

The above paragraph on pre-emption provisions is subject to certain exclusions as set out in Article 11.6, including not being applicable to E Ordinary Shares to be issued to Crowdcube Nominee in connection with this Offer.

If Monzo allots New Securities but the above provisions are dis-applied with the consent of the Super Investor Majority and Ordinary Majority, if an Investor is then allocated any New Securities, each of the other Investors shall also have the right to subscribe on the same terms and at the same price as those New Securities are being offered to the Investor who subscribed for them in accordance with the procedure described in the Articles.

(k) **Conversion on IPO (Article 12)**

All of the fully paid A1 Ordinary Shares, A2 Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D Ordinary Shares and E Ordinary Shares shall automatically convert (on a 1:1 basis) into Ordinary Shares in the event of a Qualifying IPO.

In the event of a sub division or consolidation of the Ordinary Shares, the board may adjust the conversion ratio in a manner which it sees to be fair and reasonable. At the request of an Investor Majority or a dispute arises in connection with an adjustment to the conversion ratio the matter shall be referred to Monzo's auditors for final determination.

(l) **Transfers of Shares and Pre-Emption Rights (Articles 13, 14, 15)**

Shares may not be transferred unless such a transfer is in accordance with the Articles. In the event that a transfer is made in breach of the Articles the transferor will be deemed to have served a Transfer Notice in respect of their whole shareholding in Monzo.

The Board may refuse to register a transfer of Shares in a number of situations, including if:

(i) it is a transfer to a bankrupt, a minor or a person of unsound mind;

(ii) the transfer is to a current or prospective Director or employee who, in the opinion of the Board, is subject to taxation in the United Kingdom and has not entered into a joint s. 431 ITEPA election with Monzo;

(iii) it is a transfer of a Share which is not fully paid to a person of whom the Directors do not approve or on which Monzo has a lien;

(iv) the transfer is not lodged at the registered office or another place nominated by the Directors;

(v) the transfer is not accompanied by the certificate for the Shares and such other evidence that the Directors need;

(vi) the proposed transfer would result in an acquisition or increase of control of Monzo and certain approvals have not been obtained; or

(vii) the transferee is a person (or nominee for a person) who the Board determines to be a competitor (or an Associate of a competitor) of Monzo or a Subsidiary Undertaking of Monzo.

Unless otherwise agreed by the Board with the consent of the Super Investor Majority and the Ordinary Majority, before transferring any Shares in Monzo to a third party who is not a Permitted Transferee, a Shareholder must first notify Monzo of the number of Shares it intends to transfer; the proposed transferee; and the proposed sale price. Monzo will then offer those Shares for sale on a pre-emptive basis as follows:

(i) firstly, if the Sale Shares are held by a Founder or a Relevant Shareholder (or a Permitted Transferee of such Founder or Relevant Shareholder) to either an employee benefit trust established by Monzo and/or to any other existing or new Monzo employee (in each case subject to the necessary board and shareholder approvals (as the case may be));

(ii) secondly, to all Relevant Investors; and

(iii) thirdly, with respect to Shares held by any Shareholder which is not a Relevant Investor, to all Shareholders (other than the Relevant Investors).

If this offer is accepted, those Shares must be transferred in accordance with the Articles.

If the pre-emption rights on transfer set out above are dis-applied by the Board with the consent of the Super Investor Majority and the Ordinary Majority, if an Investor is then allocated any of the Sale Shares, each of the other Investors shall be entitled to 10 business days' notice from Monzo and have the right to purchase a proportion of the Sale Shares being sold on the same terms and at the same price as those Sale Shares are being purchased by the original Investor, in accordance with the procedure described in the Articles.

Where a proposed transfer of Shares needs regulatory approval, the transfer will need the prior written consent of the Board (not to be unreasonably withheld or delayed).

The Directors may need a proposed transferee to execute and deliver to Monzo a deed agreeing to be bound by the terms of any shareholders' agreement relating to Monzo or similar document as a condition to the registration of the transfer of any Shares (whether pursuant to a Permitted Transfer or otherwise but excluding Permitted Transfer(s) by Crowdcube Nominee or a Crowdcube Investor).

No transfer may be made to trustees of a Family Trust unless the Board is satisfied:

(i) with the terms of trust deed and the trustees' powers;

(ii) with the identity of the proposed trustees;

(iii) the proposed transfer will not result in 50% or more of Monzo's equity share capital being held by trustees of that or any other trusts; and

(iv) that no costs incurred in connection with the setting up or administration of the trust are to be paid by Monzo.

Articles 13, 14 and 15 additionally provide, among other things, that:

(i) No Founder or Relevant Shareholder may transfer any Shares except with the consent of an Investor Majority, pursuant to a Permitted Transfer, where otherwise required to do so under the Articles or pursuant to acceptance of an offer above a pre-set consideration value.

(ii) A Crowdcube Nominee shall not be entitled to transfer or dispose of any interest in the Crowdcube Shares except pursuant to a Permitted Transfer, with the consent of the Board or where required to do so pursuant to the Articles or pursuant to acceptance of an offer above a pre-set consideration and provided that in each case a Crowdcube Nominee remains the holder of the legal title of all of the Crowdcube Shares. If such a transfer is made by a Crowdcube Nominee, the transferee shall be treated as a Crowdcube Nominee for all purposes under the Articles.

(iii) A Crowdcube Investor shall not be entitled to transfer or dispose of any interest in the Crowdcube Shares held by them except with the consent of the Board, pursuant to the Articles or where otherwise required to do so under the Articles or pursuant to acceptance of an offer above a pre-set consideration value.

(iv) In the event that the legal title to any Shares is held by a nominee on behalf of any Shareholder, any offers, notices or communications required to be made to such Shareholder pursuant to the Articles shall be deemed satisfied, in respect of such Shares, by the provision of such offer, notice or communication (as the case may be) to the relevant nominee. Any response to such offer, notice or communication (as the case may be) shall be validly made under the Articles by the nominee on behalf of the relevant Shareholder and such response shall be binding on such relevant Shareholder without the need to obtain further approval from them.

(v) The Board may require certain persons to provide Monzo with information or evidence they need to determine whether there has been a transfer of Shares in breach of the Articles. If satisfactory information or evidence is not provided, or if the Board is reasonably satisfied that a breach has occurred, the Board will immediately notify the holder of those Shares and the Shares will cease to confer any rights to vote or receive dividends or other distributions. The holder of those Shares may be required to transfer some or all of those Shares to any person at a price that the Board requires.

(vi) Where a person legally or beneficially entitled to a deceased Shareholder's Shares under their will or intestacy laws is a Permitted Transferee, the legal representative of the deceased Shareholder may transfer any Shares to that Permitted Transferee without restriction as to price or otherwise.

(vii) If a Shareholder has transferred its Shares to a member of its group on the basis that it is a Permitted Transferee, if that group member ceases to form part of the original Shareholder's group, it must transfer those Shares back to the original Shareholder or a member of the original Shareholder's group without restriction as to price or otherwise.

(viii) Trustee(s) may transfer shares to a company the trustee(s) hold the whole of the share capital of and which they control, or transfer shares to the original Shareholder or to another Permitted Transferee of the original Shareholder, or transfer shares to the new or remaining trustees upon a change of trustee(s) without restrictions as to price or otherwise.

(ix) If a Shareholder has transferred its Shares to a spouse or civil partner on the basis that it is a Permitted Transferee, if that person ceases to be the original Shareholder's spouse of civil partner, they must transfer those Shares back to the original Shareholder (or, to any Permitted Transferee of the original Shareholder) or give a Transfer Notice to Monzo.

(x) On the death, bankruptcy, liquidation, administration or administrative receivership of a Permitted Transferee, their personal representative, trustee in bankruptcy, liquidator, administrator or administrative receiver must transfer the Shares back to the original Shareholder if still living and not bankrupt or in liquidation (or, if so directed by the original Shareholder, to any Permitted Transferee of the original Shareholder) without restriction as to price or otherwise. If the transfer is not executed and delivered in accordance with the Articles or if the original Shareholder is no longer living, or is bankrupt, in liquidation, administration or administrative receivership, the personal representative, trustee in bankruptcy, liquidator, administrator or administrative receiver will be deemed to have given a Transfer Notice.

(m) **Compulsory transfers (Article 17)**

Article 17 sets out various circumstances in which Shareholders (or their representatives) must compulsorily transfer their Shares (including on bankruptcy, the appointment of a liquidator, administrator or administrative receiver, and if subject to a change of control). Article 17 does not, however, apply to Crowdcube Investors or Crowdcube Nominee.

(n) **Mandatory offer on change of control (Article 18)**

Except in the case of Permitted Transfers and transfers under Article 17, after going through the pre-emption procedure in Article 15, if a Shareholder proposes to transfer Shares in one or a series of related transactions (the "**Proposed Transaction**") to one or more purchasers (each a "**Proposed Purchaser**") which would result in any Proposed Purchaser (and Associates of the Proposed Purchaser or persons acting in concert with the Proposed Purchaser) acquiring a controlling interest in Monzo, that Shareholder must procure the making of an offer above a pre-set consideration value to all other holders of Shares by the

Proposed Purchaser to acquire all of the Shares for a consideration per Share the value of which is at least equal to the sum of the highest price per Share offered or paid by the Proposed Purchaser in the Proposed Transaction or in any related or previous transaction by the Proposed Purchaser or any person acting in concert with the Proposed Purchaser in the 12 months preceding the date of the Proposed Transaction plus the "**Relevant Sum**"; Relevant Sum = C ÷ A, where:

A = number of Shares being sold in connection with the relevant Proposed Transaction; and

C = any other consideration (in cash or otherwise) paid or payable by the Proposed Purchaser or any other person acting in concert with the Proposed Purchaser, which having regard to the substance of the transaction as a whole, can reasonably be regarded as an addition to the price paid or payable for the Shares.

(o) **Co Sale Right (Article 19)**

Except in the case of a Permitted Transfer and other than in respect of a Lead Investor or Orange Digital Ventures, a Shareholder selling their Shares (a "**Selling Shareholder**") shall give to each Shareholder who has not taken up their pre-emptive rights under Article 15 (an "**Equity Holder**") not less than 15 business days' notice in advance of the proposed sale which specifies the identity of the proposed purchaser and the price per share they are proposing to pay, amongst other things. The Equity Holder will then have five business days to notify the Selling Shareholder that it wishes to sell a certain number of Shares at the proposed sale price in accordance with the mechanism set out in the Articles (the "**Co-Sale Right**").

In the event that a Super Investor Majority decides that the Co-Sale Right does not apply to a particular sale by a Selling Shareholder and an Investor then accepts an offer above a pre-set consideration value from the same buyer of the shares in the original transfer, the other Investors shall be entitled to 10 business days' notice from Monzo and have a right to sell a proportion of their shares on the same terms by providing written intention within five business days' of the notice from Monzo.

(p) **Drag along rights (Article 20)**

If an Ordinary Majority and an Investor Majority (to include a Series E Majority if the proceeds of sale in respect of each E Ordinary Share in connection with the Share Sale are not equal to or greater than the original purchase price of such E Ordinary Share) (the "**Drag Shareholders**") wish to transfer all their interest in shares to a proposed purchaser, then the Drag Shareholders shall have the option to require all the other holders of Shares to sell and transfer all their Shares to the proposed purchaser in accordance with the Articles.

In the event of a reorganisation in which a new holding company is incorporated, as approved by the Board, an Ordinary Majority and an Investor Majority, the Shareholders are required to take all actions to assist with such reorganisation, including voting in support of the Board's plan of action and consenting to the sale of their shares in return for new shares to be issued in the new holding company.

(q) **General Meetings and Proxies (Articles 21 and 22)**

Article 21 supplements the procedures in the Act relating to the conduct of business at general meetings of Monzo. If the Shareholders require the Directors to call a general meeting in accordance with their rights under the Act, the Directors must convene a meeting to take place within 28 days.

Shareholders may appoint a proxy to attend, speak or vote at general meetings on their behalf. Proxy notices must be signed by or on behalf of the Shareholder and accompanied by the authority under which it is signed.

(r) **Number and Appointment of Directors (Article 23)**

Unless determined by an ordinary resolution of the Shareholders with consent of the Investor Majority, the number of directors of Monzo from time to time cannot be less than two. Article 23 contains a right for certain Shareholders to appoint a representative to the Board.

(s) **Directors' interests (Article 26)**

Article 26 supplements the provisions of sections 175 and 182 of the Act by setting out detailed provisions and examples regarding the declaration of Directors' interests.

(t) **Data Protection (Article 30)**

Each Shareholder and Director consents to the processing of their personal data by Monzo, the Shareholders and Directors for the purpose of due diligence exercises, compliance, and the exchange of information among themselves.

5. **CROWDCUBE NOMINEE ARRANGEMENT**

The E Ordinary Shares issued pursuant to the Offer will be issued to Crowdcube Nominee, which will hold the legal title to such Shares. Crowdcube Nominee will hold the E Ordinary Shares issued pursuant to the Offer as nominee and will issue beneficiary statements to each successful Applicant, who will hold the E Ordinary Shares as a Crowdcube Investor.

In order to participate in the Offer, Crowdcube Investors must accept the Crowdcube Investor Terms and must agree to the Representative Agreement that appoints Crowdcube as their representative in respect of the E Ordinary Shares issued pursuant to the Offer.

The Crowdcube Investor Terms set out the terms on which Crowdcube will administer the E Ordinary Shares and will arrange for the E Ordinary Shares to be held by the Crowdcube Nominee. In summary, the Crowdcube Investor Terms:

- obtain the Crowdcube Investor's consent for the E Ordinary Shares to be held by the Crowdcube Nominee and incorporate the Representative Agreement;
- provide for the Crowdcube Investor to validate their account with Crowdcube, their client categorisation under the regulatory regime, and identification requirements;
- set out the scope of the service provided by Crowdcube and the extent of Crowdcube's liability in respect of that service;

- set out the process by which the Crowdcube Investor can make a complaint or raise a query; and
- obtain the Crowdcube Investor's consent to the use of their data and incorporate the Crowdcube privacy policy.

Each of the Crowdcube Investors will be required to agree to the Representative Agreement through the Monzo App, in order to subscribe for E Ordinary Shares in connection with the Offer. Crowdcube will direct the actions of Crowdcube Nominee as legal title holder of the E Ordinary Shares issued pursuant to the Offer. Under the Representative Agreement:

- Crowdcube will direct the Crowdcube Nominee in accordance with what Crowdcube deems, in its absolute discretion, to be in the best interests of Crowdcube Investors as a whole. Where Crowdcube determines that a matter in relation to the E Ordinary Shares, held by the Crowdcube Nominee for the Crowdcube Investors, requires a decision to be made by Crowdcube Investors, Crowdcube will use reasonable endeavours to notify Crowdcube Investors and shall action such matter in accordance with the wishes of the majority of responding Crowdcube Investors (measured by the number of E Ordinary Shares beneficially held by such responding Crowdcube Investors). What this means in practice is that Crowdcube will take all administrative decisions on behalf of Crowdcube Investors. If Crowdcube believes that a decision needs to be made by Crowdcube Investors collectively, then Crowdcube will provide all relevant information and an explanation and will open a poll to Crowdcube Investors to vote. For example, if Crowdcube Investors are being asked to vote in favour of an amendment to Monzo's Articles of Association, Crowdcube would poll the Crowdcube investors;
- each Crowdcube Investor agrees to owe Crowdcube Nominee any obligations owed by Crowdcube Nominee in connection with any document which it enters into on behalf of the Crowdcube Investor. Each Crowdcube Investor shall indemnify Crowdcube and Crowdcube Nominee (and those acting on their behalf) in respect of liabilities arising in connection with any document entered into by Crowdcube Nominee on behalf of the Crowdcube Investor, unless such liabilities result from Crowdcube's negligence or wilful misconduct;
- Crowdcube shall account to each Crowdcube Investor for all dividends or other monies paid in respect of E Ordinary Shares held for that Crowdcube Investor, where such amount is over £5.00 and the cost of payment does not outweigh the Crowdcube Investor's entitlement. Crowdcube shall pay such amounts to the Crowdcube Investor's bank account. Where the Crowdcube Investor fails to provide bank account details, moneys held for that Crowdcube Investor may be donated to charity;
- on any transfer or further issue of shares in Monzo in respect of which the Crowdcube Nominee holds pre-emption rights and these rights are not waived by an action of Monzo, Crowdcube shall use reasonable endeavours to procure that the Crowdcube Nominee's pro-rata entitlement to such shares is made available to Crowdcube Investors. Crowdcube may, however, instruct the Crowdcube Nominee to waive such pre-emption rights where it determines, in its absolute discretion, that such waiver is in the best interests of Crowdcube Investors as a whole;

- In the event that the Crowdcube Nominee is obliged by law or a provision of Monzo's Articles to transfer any E Ordinary Shares held by the Crowdcube Nominee for the Crowdcube Investor, or if (in exceptionally limited circumstances) Crowdcube determines that the transfer of any such shares is in the best interests of the Crowdcube Investors as a whole, Crowdcube shall notify the Crowdcube Investor in writing as soon as reasonably practicable and shall instruct the Crowdcube Nominee to transfer the legal title to the relevant Crowdcube Shares and sign all documents and take all actions necessary to affect such transfer and each Crowdcube Investor authorises Crowdcube to take such action required to transfer the beneficial title to the relevant Crowdcube Shares and to sign all documents and take all actions necessary to affect such transfer without conducting a poll. This may be, for example, where the majority of other Shareholders have already agreed to sell their Shares at an attractive sale price and where the buyer would not agree to Crowdcube conducting a poll of the Crowdcube Investors due to some timing constraint or sensitivity. The purpose of this provision is to try and protect Crowdcube Investors from missing out on an exit opportunity in those highly limited circumstances. The Crowdcube Investors would not have a right to refuse such a transfer in these situations. Crowdcube may also transfer the E Ordinary Shares in accordance with the views of a majority of responding Crowdcube Investors (measured by the number of E Ordinary Shares beneficially held by such responding Crowdcube Investors);

- to the extent permitted by Monzo's Articles, a Crowdcube Investor may transfer beneficial title to Crowdcube Shares provided that the Crowdcube Investor notifies Crowdcube and provides such information as Crowdcube requests, and that the transferee is (or immediately on the completion of the transfer becomes) a member of the Crowdcube platform and meets Crowdcube's anti-money laundering checks;

- Crowdcube Investors agree to comply with Monzo's Articles and any other relevant documents in connection with the E Ordinary Shares issued pursuant to the Offer and held by the Crowdcube Nominee for such Crowdcube Investors, and not to create any security interest in respect of the E Ordinary Shares issued pursuant to the Offer and held by the Crowdcube Nominee for such Crowdcube Investors. Each Crowdcube Investor agrees to indemnify Crowdcube and Crowdcube Nominee (and those acting on their behalf) in respect of liabilities arising in connection with acts or omissions of the Crowdcube Investor; and

- fees may be payable by the Crowdcube Investor in respect of the services provided by Crowdcube and the Crowdcube Nominee under the Representative Agreement.

- As Crowdcube Investors, pursuant to Monzo's Articles, the rights attaching to the E Ordinary Shares issued pursuant to the Offer and held by the Crowdcube Nominee for the Crowdcube Investors will vary from Existing Shareholders who hold both legal and beneficial title to E Ordinary Shares. The summary of the Articles included in section 4 of this Part VII provides details of these variations, which include:

- that certain pre-emption provisions included in Article 11 (Allotment of Shares) do not apply to Crowdcube Shares issued to Crowdcube Nominee;

- that pursuant to Article 13 (Transfers of Shares – General) Crowdcube Nominee and each Crowdcube Investor shall not be entitled to transfer or dispose of any interest in the Crowdcube Shares or the beneficial interest in the Crowdcube Shares held by them as applicable except with the consent of the Board, pursuant to the Articles or where otherwise required to do so under the Articles or pursuant to acceptance of an offer above a pre-set consideration value;

- that pursuant to Article 13 (Transfers of Shares – General) Crowdcube Nominee and Crowdcube Investors are not required to agree to be bound by the terms of any shareholders' agreement relating to Monzo with regard to Permitted Transfer(s) by a Crowdcube Nominee or a Crowdcube Investor; and
- that the provisions of Article 17 (Compulsory transfers) do not apply to Crowdcube Nominee or the Crowdcube Investors.

6. SIGNIFICANT SHAREHOLDINGS

As at the Latest Practicable Date, save as disclosed in Part V of this document in respect of Directors' interests, Monzo had been notified of the following persons who were or will be directly or indirectly interested in three per cent. or more of the existing issued share capital of Monzo[7]:

Person	Number of Ordinary Shares	Number of A1 Ordinary Shares	Number of A2 Ordinary Shares	Number of B Ordinary Shares	Number of C Ordinary Shares	Number of D Ordinary Shares	Number of E Ordinary Shares	% of issued share capital
Passion Capital		10,016,600	9,740,892	6,203,955	4,971,167	5,028,681	1,862,726	32.02%
Thrive					12,925,035	2,634,008	1,296,260	14.27%[a]
General Catalyst							4,545,984	3.85%[b]
Stripe						10,532,122	905,417	9.68%
Paul Rippon	6,792,562							5.75%
Goodwater Capital						4,832,089	448,506	4.47%
The Crankstart Foundation						5,092,081		4.31%
Crowdcube Nominees Limited as nominee for the Crowdcube Investors			1,935,718		2,381,351	372,608		3.97%
Accel							4,446,172	3.76%

[a] Thrive is indirectly interested in a further 0.15% of Monzo's Shares through its shareholdings in another Monzo shareholder.
[b] General Catalyst is indirectly interested in a further 0.79% of Monzo's Shares through its shareholdings in another Monzo shareholder.

The Shares held by the Shareholders set out above all have the same voting rights per security.

[7] For the purpose of this table, figures assume that all transfers of Ordinary Shares and their re-designation as E Ordinary Shares in connection with the Series E Investment Round have completed (completion is pending receipt of stamped stock transfer forms from HMRC).

As at the Latest Practicable Date (prior to the publication of this document), Monzo was not aware of any person or persons who, directly or indirectly, jointly or severally, exercise or could exercise control over Monzo.

Monzo is not aware of any arrangements the operation of which may, at a subsequent date, result in a change of control of Monzo.

7. PRINCIPAL SUBSIDIARIES

Monzo has one subsidiary: Monzo Support US, a Delaware corporation which was incorporated under the laws of the State of Delaware, United States on 18 September 2018 and was qualified to do business in the State of Nevada, United States, on 20 September 2018. The address of Monzo Support US's registered office in the State of Delaware is Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, United States.

Monzo has no joint ventures, or associates.

8. MONZO EMPLOYEE SHARE PLANS

There are three Monzo Employee Share Plans for the benefit of certain employees, Directors and the Proposed Director.

The first is the CSOP, under which awards can be made to employees subject to certain conditions. The strike price for these options is set according to the fair market share price at the time of issue as agreed with HMRC.

The second is the Unapproved Plan, under which awards are made with the strike price set equal to £0.00001 per share. For both Monzo Employee Share Plans, 25% of the options typically vest at the end of the first year of employment. The remainder vest evenly over the next three years. The total expense connected with the Monzo Employee Share Plans in 2018 was £916k (2017: £294k).

The third is the iNED Equity Participation Scheme, under which the Independent Non-Executive Directors are permitted to subscribe for Ordinary Shares, at market value at the time of purchase. This would be a personal investment choice (on a voluntary basis) up to an amount equivalent to their agreed pro rata annual fee for the relevant period. None of the Independent Non-Executive Director would be permitted to: (i) acquire any shares in Monzo outside of the iNED Equity Participation Scheme, or (ii) hold more than 0.5% of the as-issued share capital of Monzo. In order to maintain their independence the Independent Non-Executive Directors are also not entitled to any option grants under the iNED Equity Participation Scheme.

Save as set out in paragraph 2.1 of Part V, as at the Latest Practicable Date, no Director or Proposed Director has any options over Shares under the Monzo Employee Share Plans.

9. PROPERTY, PLANT AND EQUIPMENT

Monzo is not aware of any environmental issues that may affect its utilisation of fixed assets.

10. LITIGATION

Save as set out below, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Monzo is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past a significant effect on Monzo and/or the Group's financial position or profitability.

Monedo Dispute

Monzo, originally called "Mondo", rebranded to its current name following a copyright dispute with Monedo, a unit of the Hamburg-based company, Kreditech Holding SSL GmbH ("**Kreditech**") in 2015. The dispute was subsequently resolved in June 2016 and Monzo entered into a Trade Mark Purchase and Assignment Agreement with Kreditech on 9 June 2016 under which it sold the "MONDO" trade mark (UK trade mark no. 3107527) and associated domain names to Kreditech for €10,000. Monzo was permitted to some limited and temporary continued use of the "MONDO" trade mark and associated domain names for the purposes of phasing out the use of the trade mark and rebranding to Monzo. The trademark assignment form was filed with UKIPO on 27 July 2018. An amendment agreement was signed on 21 September 2017 allowing Monzo to continue to use the getmondo.co.uk domain name for non-public purposes for a period of one year from the date of the amendment agreement, due to technical constraints experienced by Monzo. Monzo has ceased all other use of the "MONDO" trade mark and associated domain names. Monzo has switched over to an api.monzo.com domain during this extension period and the only remaining use of "getmondo.co.uk" is the receipt by employees of Monzo - who were employees when "getmondo.co.uk" was active - of email communications.

11. **MATERIAL CONTRACTS**

The following contracts, not being contracts entered into in the ordinary course of business, are all of the contracts which have been entered into by Monzo in the previous two years and which are, or may be, material, or have been entered into by Monzo and contain provisions under which Monzo has obligations or entitlements which are material to it at the date of this document. None of Crowdcube, Crowdcube Nominee or the Crowdcube Investors are a party to any of the contracts detailed in this section 11 and so none of these rights are available to Crowdcube Investors.

11.1 Series C Investment Round

(a) **Management Rights Letter dated 23 February 2017 between: (1) Thrive Capital Partners V, L.P.; and (2) Monzo**: Due to the nature of Thrive Capital Partners V, L.P. (as a US fund), Monzo provides certain additional information, inspection and representation rights to Thrive Capital Partners V, L.P to enable it to monitor its investment in Monzo, including the ability to examine the books and records of Monzo, inspect facilities at Monzo, the right of Thrive Capital Partners V, L.P to be represented on the Board (to the extent it is not already represented) in order to consult with management and the requirement on Monzo to review its tax status and elections at least annually.

(b) **Investment Agreement dated 23 February 2017 between (1) Passion Capital; (2) Thrive; (3) the Founders (as defined therein); (4) the Existing Shareholders (as defined therein); (5) Orange Digital Ventures; and (6) Monzo**: Passion Capital, Thrive, Orange Digital Ventures, Tom Odell and the Kevin Systrom Revocable Trust subscribed for an aggregate 19,526,746 Ordinary Shares for an aggregate subscription amount of £19,640,001.14 at a price per share of £1.0058. Such Ordinary Shares were later re-designated as an equal number of C Ordinary Shares on 3 November 2017. Monzo provided warranties to the Series C Investors as at 23 February 2017 in respect of Monzo, on terms typical to this type of agreement. The agreement also included provisions governing the relationship between the shareholders (other than Crowdcube Nominee) and Monzo, in replacement of the previous investment agreement dated 27 October 2016, including in respect of the composition of the Board, information rights of the investors, consent matters held by certain investors, undertakings by Monzo, restrictive covenants applicable to each of Tom Blomfield, Gary Dolman and Paul Rippon and confidentiality obligations applicable to all parties, in each case typical to this type of agreement. The agreement is governed by English law.

11.2 Series D Investment Round

(a) **Subscription Agreement dated 3 November 2017 between: (1) Series D Investors (as defined therein); (2) the Founders (as defined therein); and (3) Monzo**, as varied on 8 November 2017 and then amended and restated pursuant to an Amended and Restated Subscription Agreement dated 12 December 2017: Stripe, Goodwater Capital, Thrive, The Loud Hound Foundation, The Crankstart Foundation, The Kelson Foundation, the Kevin Systrom Revocable Trust and Orange Digital Ventures subscribed for an aggregate 24,797,125 D Ordinary Shares for an aggregate subscription amount of £58,436,904.85 at a price per share of £2.3566. Monzo provided warranties to the Series D Investors as at 3 November 2017 in respect of Monzo, on terms typical to this type of agreement. The agreement is governed by English law.

(b) **Shareholders' Agreement dated 3 November 2017 between: (1) the Investors (as defined therein); (2) the Founders (as defined therein); (3) the Existing Shareholders (as defined therein); and (4) Monzo:** This agreement included provisions governing the relationship between the shareholders (other than Crowdcube Nominee) and Monzo, in replacement of the previous investment agreement dated 23 February 2017, including in respect of the composition of the Board, information rights of the investors, consent matters held by certain investors, undertakings by Monzo, restrictive covenants applicable to each of Tom Blomfield, Gary Dolman and Paul Rippon and confidentiality obligations applicable to all parties, in each case typical to this type of agreement. The agreement is governed by English law.

(c) **Registration Rights Agreement dated 3 November 2017 between: (1) the Investors (as defined therein); and (2) Monzo:** It was agreed that, in the event of an initial public offering of Monzo's shares on a US stock exchange, each of Passion Capital, Stripe, Goodwater Capital, Thrive, The Loud Hound Foundation, The Crankstart Foundation, The Kelson Foundation and Orange Digital Ventures are entitled to the registration rights set out in this agreement typical to this type of transaction, including two demand registration rights commencing six months after Monzo's initial public offering, shelf and piggy back registrations on registrations by Monzo and all expenses of registration and one counsel (jointly appointed by the investors) to be payable by Monzo. The agreement is governed by the laws of the State of New York, US.

(d) **Management Rights Letters dated 3 November 2017 between: Monzo; and each of Stripe and Goodwater Capital:** due to the nature of Stripe and Goodwater Capital (as US investors), Monzo provides certain additional information, inspection and representation rights to them to enable them to monitor their investments in Monzo, including standard information rights, the ability to examine the books and records of Monzo and inspect facilities at Monzo and to allow Stripe and Goodwater Capital to each be represented on the Board (to the extent they are not already represented) in order to consult with management.

(e) **US Securities Side Letters dated 3 November 2017 between: Monzo and each of Thrive, Stripe, Goodwater Capital, The Loud Hound Foundation, The Crankstart Foundation, The Kelson Foundation and the Kevin Systrom Revocable Trust:** For US securities laws purposes, each of the US-based investors on the Series D Investment Round that subscribed for D Ordinary Shares pursuant to the Subscription Agreement noted above acknowledged and warranted the treatment of the D Ordinary Shares acquired on the Series D Investment Round as shares that have not been registered under US securities laws. The letters are governed by English law.

(f) **Sale and Purchase Agreement dated 3 November 2017 between: (1) Passion Capital; (2) the Sellers (as defined therein); and (3) Monzo:** Passion Capital purchased an aggregate 4,940,713 Ordinary Shares for an aggregate amount of £11,643,284.28 from existing individual shareholders at a price per share of £2.3566. Such Ordinary Shares were immediately re-designated into D Ordinary Shares on completion of such transfers. Each selling shareholder provided warranties to Passion Capital relating to title and capacity on the shares and financial promotions as at 3 November 2017 typical to this type of agreement. The agreement is governed by English law.

(g) **Side Letter dated 3 November 2017 between: (1) Monzo; and (2) Stripe:** Due to the nature of Stripe's business, Stripe and Monzo agreed certain mechanics and restrictions around information flow from Monzo to Stripe, supplemental to the Shareholders' Agreement dated 3 November 2017 as referred to above. The letter is governed by English law.

(h) **Observer Appointment Letters dated 3 November 2017 between Monzo and each of the board observers appointed by Stripe and Goodwater Capital:** Non-voting board observers appointed by Stripe and Goodwater Capital agreed the terms of their appointment, including notice and attendance at board meetings of Monzo, reimbursement of reasonable costs and out of pocket expenses for attending meetings, information flow to them from Monzo on a similar basis to other board members and standard provisions around confidentiality. The letters are governed by English law.

11.3 Series E Investment Round

(a) **Subscription Agreement dated 29 October 2018 between: (1) Series E Investors (as defined therein); (2) the Founders (as defined therein); and (3) Monzo:** General Catalyst, Accel, Stripe, Goodwater Capital, Thrive and Orange Digital Ventures subscribed for an aggregate 11,018,215 E Ordinary Shares for an aggregate subscription amount of £85,000,019.68 at a price per share of £7.7145. Monzo provided warranties to the Series E Investors as at 29 October 2018 in respect of Monzo, on terms typical to this type of agreement. The agreement is governed by English law.

(b) **Shareholders' Agreement dated 29 October 2018 between: (1) the Investors (as defined therein); (2) the Founders (as defined therein); (3) the Existing Shareholders (as defined therein); and (4) Monzo:** This agreement includes provisions governing the relationship between the shareholders (other than the Crowdcube Nominee and a few minority option holders that have exercised their options) and Monzo, in replacement of the previous investment agreement dated 3 November 2017. In particular, provisions are included in respect of: (i) options over shares subject to a maximum option pool (such options granted at the discretion of the Board), (ii) composition of the Board (with a mixture of two founder directors, two investor directors and three independent non-executive directors, as mentioned elsewhere in this Prospectus), (iii) information rights of the investors (including monthly and annual accounts and annual budgets and forecasts relating to Monzo), (iv) consent matters held by certain investors in respect of key business, operational, exit and share class matters (both acting together as an Investor Majority but also as majorities of A1 Ordinary Shares, A2 Ordinary Shares, B Ordinary Shares, C Ordinary Shares, D Ordinary Shares or E Ordinary Shares (as separate classes) held by some of the investors), (v) business undertakings by Monzo (to promote the best interests of Monzo and promote good corporate governance), (vi) restrictive covenants applicable to each of the Founders (including non-compete and non-solicitation undertakings for a certain period of time) and (vii) confidentiality obligations applicable to all parties to the agreement in respect of confidential information relating to Monzo, in each case in a form that is typical to this type of agreement. The agreement is governed by English law.

(c) **Registration Rights Agreement dated 29 October 2018 between: (1) the Investors (as defined therein); and (2) Monzo:** It is agreed that, in the event of an initial public offering of Monzo's shares on a US stock exchange, each of Passion Capital, Stripe, Goodwater Capital, Thrive, The Loud Hound Foundation, The Crankstart Foundation, The Kelson Foundation, Orange Digital Ventures, Accel, General Catalyst and other investors as set forth therein are entitled to the registration rights set out in this agreement typical to this type of transaction, including two demand registration rights commencing six months after Monzo's initial public offering, shelf and piggy back registrations on registrations by Monzo and all expenses of registration and one counsel (jointly appointed by the investors) to be payable by Monzo. The agreement replaces the previous registration rights agreement dated 3 November 2017. The agreement is governed by the laws of the State of New York, US.

(d) **Management Rights Letter dated 29 October 2018 between: Monzo; and each of Accel Growth Fund IV L.P., Accel London V L.P. and General Catalyst:** Due to the nature of Accel Growth Fund IV L.P., Accel London V L.P. and General Catalyst (as US investors), Monzo provides certain additional information, inspection and representation rights to them to enable them to monitor their investments in Monzo, including the right to consult with management of Monzo, the ability to examine the books and records of Monzo and inspect facilities at Monzo at reasonable times and to allow Accel and General Catalyst to each be represented on the Board (to the extent it is not already represented) to consult with management.

(e) **US Securities Side Letters dated 29 October 2018 between: Monzo and each of Accel, General Catalyst, Thrive, Stripe, Goodwater Capital, the Kevin Systrom Revocable Trust, and other US-based investors:** For US securities laws purposes, each of the US-based investors on the Series E Investment Round that subscribed for E Ordinary Shares pursuant to the Subscription Agreement noted above acknowledged and warranted the treatment of the E Ordinary Shares acquired on the Series E Investment Round as shares that have not been registered under US securities laws. The letters are governed by English law.

(f) **Sale and Purchase Agreements dated 29 October 2018 between: (1) the Series E Buyers (as defined therein); (2) the Sellers (as defined therein); and (3) Monzo:** The Series E Buyers purchased an aggregate 2,810,913 Ordinary Shares for an aggregate amount of £21,684,788.95 from existing individual shareholders at a price per share of £7.7145. Such Ordinary Shares will be immediately re-designated into E Ordinary Shares on completion of such transfers[8]. Each selling shareholder provided warranties to the Series E Buyers relating to title and capacity on the shares and financial promotions as at 29 October 2018 typical to this type of agreement. The agreements are governed by English law.

(g) **Observer Appointment Letters dated 29 October 2018 between Monzo and each of the board observers appointed by Accel and General Catalyst:** Non-voting board observers appointed by Accel and General Catalyst agreed the terms of their appointment, including notice and attendance at board meetings of Monzo, reimbursement of reasonable costs and out of pocket expenses for attending meetings, information flow to them from Monzo on a similar basis to other board members and standard provisions around confidentiality. The letters are governed by English law.

12. CAPITALISATION AND INDEBTEDNESS

The following table sets out Monzo's capitalisation and indebtedness as at 28 February 2018 being the most recent published accounts and as at 30 September 2018, extracted from the most recently available management accounts, produced internally and unaudited.

	As at 28 February 2018 Audited £'000	**As at 30 September 2018 Un-Audited £'000**
Shareholders' Equity		
Share Premium	93,989	94,247
Other Reserves	871	1,235
Total Shareholders' Equity	**94,860**	**95,482**
Current Debt		
Guaranteed	n/a	n/a
Secured	n/a	n/a
Unguaranteed / Unsecured	n/a	n/a
Total Current Debt	**n/a**	**n/a**
Non-Current Debt		

[8] Pending receipt of stamped stock transfer forms from HMRC.

Guaranteed	n/a	n/a
Secured	n/a	n/a
Unguaranteed / Unsecured	n/a	n/a
Total Non-Current Debt	**n/a**	**n/a**

In October 2018, Monzo issued a further 11,018,215 E Ordinary Shares valued at £7.7145 per share, bringing total Share Premium to £178,754,916.28.

Monzo does not classify customer deposits as indebtedness as holding customer deposits is part of Monzo's core business operations. Aside from this, Monzo does not hold any current or non-current indebtedness.

The following table sets out Monzo's net indebtedness as at 28 February 2018 being the most recent published accounts and as at 30 September 2018, extracted from the most recently available management accounts, produced internally and unaudited.

	As at 28 February 2018 Audited £'000	**As at 30 September 2018 Un-Audited £'000**
Liquidity		
Cash and Cash Equivalents	96,943	286,950
Total Liquidity	**96,943**	**286,950**
Current Financial Debt	n/a	n/a
Net Current Financial Indebtedness	**96,943**	**286,950**
Non-Current Financial Debt	n/a	n/a
Net Non-Current Financial Indebtedness	**96,943**	**286,950**
Net Financial Indebtedness	96,943	286,950

13. **AUTHORITY TO ALLOT THE SHARES**

On 29 October 2018, pursuant to article 11.6(f) of the Articles, pre-emption rights set out in the Articles were dis-applied in respect of the Offer.

The new E Ordinary Shares will be allotted in accordance with the Act.

14. **RELATED PARTY TRANSACTIONS**

Save as is disclosed in the financial information for the financial years ended 28 February 2017 and 28 February 2018, Monzo has not entered into any related party transactions with any related party during the financial years ended 28 February 2017 and 28 February 2018 and during the period between 28 February 2018 and the Latest Practicable Date.

15. **WORKING CAPITAL**

Monzo is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is, for at least 12 months following the date of publication of this document.

16. **SIGNIFICANT CHANGE**

Save as for the equity raises set out at Part III (B), paragraph 1, of this document, there has been no significant change in the trading or financial position of the Group since 28 February 2018, the end of the last financial period of Monzo for which financial information was prepared.

17. **GENERAL**

17.1 Existing Shareholders who do not participate in the Offer may have their percentage holding in Monzo diluted on the issue of new Shares. If 2,592,520 E Ordinary Shares are issued pursuant to the Offer (being the maximum number of E Ordinary Shares to be issued under the Offer) and none of the Existing Shareholders participate in the Offer, the holdings of the Existing Shareholders will be diluted by approximately 2.15%.

17.2 The total costs, charges and expense payable by Monzo in connection with the Offer are estimated to be £800,000.

17.3 None of the E Ordinary Shares being offered will be the object of an application for admission to trading on the London Stock Exchange's AIM Market, the Main Market for listed securities of the London Stock Exchange or any other stock exchange or trading platform.

17.4 The auditor of Monzo is Ernst & Young LLP, whose address is at 25 Churchill Place, Canary Wharf, London, E14 5EY, and who is registered to carry out audit work by the Institute of Chartered Accountants in England and Wales. Ernst & Young LLP was the auditor of Monzo for the period covered by the historical financial information included in Part IV of this document.

18. **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of Monzo at 38 Finsbury Square and 31, 33 and 35 Wilson Street, London EC2A 1PX and at the offices of Hogan Lovells International LLP at Atlantic House, Holborn Viaduct, London EC1A 2FG from the date of this document until the closing date of the Offer:

(a) the Articles;

(b) the annual reports and accounts of Monzo for the two financial years ended 28 February 2017 and 28 February 2018; and

(c) this document.

26 November 2018

PART VIII
DEFINITIONS

The definitions set out below apply throughout this document, unless the context requires otherwise.

"**A1 Ordinary Shares**"	the class A1 Ordinary shares in Monzo with a nominal value of £0.0000001 each and an aggregate nominal value of £1.00166;
"**A2 Ordinary Shares**"	the class A2 Ordinary shares in Monzo with a nominal value of £0.0000001 each and an aggregate nominal value of £1.167661;
"**Accel**"	Accel London V L.P., Accel London V Strategic Partners L.P., Accel London Investors 2016 L.P., Accel Growth Fund IV L.P., Accel Growth Fund IV Strategic Partners L.P. and Accel Growth Fund Investors 2016 L.L.C.;
"**Act**"	Companies Act 2006, as amended, modified or re-enacted from time to time;
"**Active Customer**"	Monzo customers who have performed a financial transaction in the last rolling 7 days;
"**Applicant**"	a Phase 1 Applicant or a Phase 2 Applicant;
"**Application**"	an application to invest and subscribe for E Ordinary Shares through the Monzo App;
"**Articles of Association**" or "**Articles**"	the articles of association of Monzo, as amended or superseded, from time to time;
"**Asset Sale**"	the sale, lease, transfer, exclusive licence or other disposition by Monzo of all or substantially all of its undertaking and assets (where disposal may include, without limitation, the grant by Monzo of an exclusive licence of intellectual property not entered into in the ordinary course of business);
"**Associate**"	in relation to any person means: (a) any person who is an associate of that person and the question of whether a person is an associate of another is to be determined in accordance with section 435 of the Insolvency Act 1986 (whether or not an associate as so determined); (b) any member of the same group; or (c) any member of the same fund group (i.e. if the Shareholder is a fund, partnership, company, syndicate or other entity whose business is managed by a fund manager);
"**Audit Committee**"	the audit committee of the Board which currently comprises of Tim Brooke (Committee Chairman), Amy

	Kirk and Keith Woollard;
"**B Ordinary Shares**"	the class B Ordinary shares in Monzo with a nominal value of £0.0000001 each and an aggregate nominal value of £0.6203955;
"**Bad Leaver**"	a Founder or Relevant Shareholder who ceases to be a Relevant Person at any time by reason of dismissal by Monzo for Cause or resignation as a Relevant Person in circumstances where Monzo was entitled to dismiss such Founder or Relevant Shareholder (as the case may be) for Cause;
"**Basel IV**"	changes to the Basel III reforms proposed by the Basel Committee on Banking Supervision (BCBS), commonly referred to as Basel IV;
"**Board**"	the board of directors of Monzo from time to time;
"**Business Day**" or "**business day**"	any day on which banks are generally open in London for the transaction of business other than a Saturday or Sunday or public holiday;
"**C Ordinary Shares**"	the class C Ordinary shares in Monzo with a nominal value of £0.0000001 each and an aggregate nominal value of £2.1908097;
"**Cause**"	(a) gross misconduct or a material or repudiatory breach of the terms of an employment agreement or consultancy agreement or engagement (as the case may be), including any material breach of obligations to Monzo concerning confidentiality or intellectual property or non-compliance with non-compete obligations applicable under the terms of the employment agreement or consultancy agreement or engagement (as the case may be); (b) fraud or acts of dishonesty; (c) being convicted of any criminal offence (other than a road traffic offence which is not punishable by a custodial sentence); (d) the refusal or failure to substantially perform duties and responsibilities to Monzo lawfully prescribed by the Board after reasonable notice of such failure and a reasonable opportunity to cure such failure; or (e) any act or omission (whether or not in the course of employment or engagement) which causes material damage to Monzo's business reputation;
"**CET1**"	Common Equity Tier 1;
"**CGT**"	capital gains tax or corporation tax on chargeable gains (as applicable);
"**Company**"	Monzo Bank Limited;

"**Contribution Margin"**	the excess of marginal revenue over marginal cost. Marginal revenue consists of revenue through interchange, overdraft and lending revenue and market place fees. Marginal costs are derived from payment scheme fees, fraud, financial crime and bad debt costs and the staff costs of serving the customer. Fixed and semi fixed overhead costs such as premises and IT suppliers are excluded;
"**Crowdcube**"	Crowdcube Capital Ltd, an online crowdfunding platform;
"**Crowdcube Investor Terms**"	the terms entered into between Crowdcube and each Crowdcube Investor in relation to the administration by Crowdcube of the Crowdcube Shares held for that Crowdcube Investor;
"**Crowdcube Investors**"	the owners of the beneficial title to the Crowdcube Shares from time to time;
"**Crowdcube Nominee**"	the owner of the legal title to the Crowdcube Shares from time to time, being Crowdcube Nominees Limited as at 26 November 2018;
"**Crowdcube Shares**"	all Shares issued to Crowdcube Nominee (beneficially owned by the Crowdcube Investors);
"**Crowdcube Terms**"	the Crowdcube Investor Terms and the Representative Agreement;
"**CSOP**"	the Monzo share option plan under which the grant price for share options has been approved by HMRC;
"**D Ordinary Shares**"	the class D Ordinary shares in Monzo with a nominal value of £0.0000001 each and an aggregate nominal value of £3.0110446;
"**Director**"	one of the Directors as the context applies;
"**Directors**"	the directors of Monzo at the date of this document;
"**E Ordinary Shares**"	the class E Ordinary shares in Monzo with a nominal value of £0.0000001 each and an aggregate nominal value of £1.3829128[9];
"**Eligible Monzo Customer**"	the Offer will only be open to individuals who as at the date of this document: (a) have been approved as customers by Monzo having completed the new customer application process via the Monzo App, including, for the avoidance of doubt, Monzo customers who have not yet activated their debit card; (b) are 18 years old or older; and (c) are resident in the United Kingdom.

9 This includes certain Ordinary Shares that are in the process of being re-designated as E Ordinary Shares following completion of the Series E Investment Round (completion is pending receipt of stamped stock transfer forms from HMRC).

"**EU**"	the European Union;
"**European Commission**"	the European Commission of the EU;
"**Excluded Shareholder**"	any Shareholder who at any time has been a director, officer or employee of, or a consultant to, a Group Company but who, on the date that a consent by the Ordinary Majority is given, has ceased, or has given or been given notice to terminate his position as a director, officer or employee of, or a consultant to, a Group Company in circumstances where he will not continue to be a director, officer or employee of, or a consultant to, any other Group Company following such termination;
"**Executive Committee**"	the executive committee of the Board;
"**Executive Directors**"	the executive directors of Monzo from time to time, which at the date of this document are Tom Blomfield and Gary Dolman;
"**Existing Crowdcube Investors**"	Shareholders who have participated in a Monzo crowd fundraising round and hold their Crowdcube Shares through Crowdcube Nominee as at the date of this Prospectus;
"**Existing Shareholders**"	the holders of Existing Shares;
"**Existing Shares**"	Shares that are in issue as at the date of this Prospectus;
"**Family Trust**"	as regards any particular individual member or deceased or former individual member, trusts (whether arising under a settlement, declaration of trust or other instrument by whomsoever or wheresoever made or under a testamentary disposition or on an intestacy) under which no immediate beneficial interest in any of the shares in question is for the time being vested in any person other than the individual and/or privileged relations (spouse, civil partner, child or grandchild (including step or adopted or illegitimate child and their issue)) of that individual; and so that for this purpose a person shall be considered to be beneficially interested in a share if such share or the income thereof is liable to be transferred or paid or applied or appointed to or for the benefit of such person or any voting or other rights attaching thereto are exercisable by or as directed by such person pursuant to the terms of the relevant trusts or in consequence of an exercise of a power or discretion conferred thereby on any person or persons;
"**FCA Handbook**"	The Financial Conduct Authority's handbook of rules and guidance;
"**FCA**" or "**Financial Conduct Authority**"	the Financial Conduct Authority of the United Kingdom or any predecessor or successor body or bodies carrying out the functions currently carried out by the Financial Conduct Authority;

"**FSMA**"	the Financial Services and Markets Act 2000, as amended;
"**Foundations**"	The Crankstart Foundation, The Kelson Foundation and The Loud Hound Foundation;
"**Founder**"	any of the following as the context applies: Tom Blomfield, Gary Dolman, Jonas Huckestein or Paul Rippon;
"**Founders**"	Tom Blomfield, Gary Dolman, Jonas Huckestein and Paul Rippon;
"**Fund Manager**"	a person whose principal business is to make, manage or advise upon investments in securities;
"**General Catalyst**"	General Catalyst Group IX, L.P. and GC Entrepreneurs Fund IX, L.P.;
"**Goodwater Capital**"	Goodwater Capital II, L.P.;
"**Group**"	Monzo and Monzo Support US;
"**Group Company**"	one of the Company and its Subsidiary Undertaking(s) (if any) from time to time;
"**HMRC**"	HM Revenue & Customs;
"**ICAAP**"	Internal Capital Adequacy Assessment Process;
"**IFRS**"	International Financial Reporting Standards as adopted for use by the EU;
"**ILAAP**"	Internal Liquidity Adequacy Assessment Process;
"**Independent Non-Executive Directors"**	the independent non-executive directors of Monzo from time to time, which at the date of this document are Amy Kirk, Tim Brooke and Keith Woollard;
"**iNED Equity Participation Scheme**"	Monzo's independent executive director equity participation scheme;
"**Investor Directors**"	The investor directors of Monzo from time to time, which at the date of this document are Eileen Burbidge and Miles Grimshaw;
"**Investors**"	Stripe; The Crankstart Foundation, The Kelson Foundation and The Loud Hound Foundation; Goodwater Capital; Orange Digital Ventures; Passion Capital; Thrive; General Catalyst; and Accel;
"**Investor Majority**"	the holders of more than 50% of the Shares held by the Investors;
"**IP**"	intellectual property;
"**IPO**"	the admission of all or any of the Shares or securities representing those shares (including without limitation depositary interests, American depositary receipts, American depositary shares and/or other instruments) on NASDAQ or the New York Stock Exchange or the Official List of the United Kingdom Listing Authority or the AIM

	Market operated by the London Stock Exchange Plc or any other recognised investment exchange (as defined in section 285 of the Financial Services and Markets Act 2000);
"**ISA**"	Individual savings account;
"**IT**"	information technology;
"**ITEPA**"	Income Tax (Earnings and Pensions) Act 2003;
"**Latest Practicable Date**"	24 November 2018, being the latest practicable date prior to publication of this document;
"**Lead Investors**"	Stripe, Goodwater Capital, Passion Capital, Thrive, General Catalyst and Accel;
"**member of the same fund group**"	if a Shareholder is a fund, partnership, company, syndicate or other entity whose business is managed by a Fund Manager (an "**Investment Fund**") or a nominee of that person: (a) any participant or partner in or member of any such Investment Fund or the holders of any unit trust which is a participant or partner in or member of any Investment Fund (but only in connection with the dissolution of the Investment Fund or, other than in respect of an Investment Fund that is a body corporate, any distribution of assets of the Investment Fund pursuant to the operation of the Investment Fund in the ordinary course of business); (b) any Investment Fund managed by that Fund Manager; (c) any Parent Undertaking or Subsidiary Undertaking of that Fund Manager, or any Subsidiary Undertaking of any Parent Undertaking of that Fund Manager; or (d) any trustee, nominee or custodian of such Investment Fund and vice versa;
"**member of the same group**"	as regards any company, a company which is from time to time a Parent Undertaking or a Subsidiary Undertaking of that company or a Subsidiary Undertaking of any such Parent Undertaking;
"**Michael Moritz**"	Michael Moritz investing through the following charitable investment vehicles: The Crankstart Foundation, The Kelson Foundation and The Loud Hound Foundation;
"**Money Laundering Regulations**"	the Money Laundering Regulations 2007, as amended;
"**Monzo**"	Monzo Bank Limited;
"**Monzo App**"	the mobile application through which Monzo conducts its business;

"**Monzo Employee Share Plans**"	the CSOP, the Unapproved Plan and iNED Equity Participation Scheme;
"**Monzo Support US**"	Monzo Support US Inc., a Delaware corporation incorporated on 18 September 2018;
"**New Securities**"	any shares or other securities convertible into, or carrying the right to subscribe for, those shares issued by Monzo after 29 October 2018 (other than shares or securities issued as a result of the events set out in Article 11.6 of the Articles);
"**Nomination Committee**"	the nomination committee of the Board which currently comprises of Tim Brooke (Committee Chairman), Amy Kirk, Miles Grimshaw and Keith Woollard;
"**Non-Executive Directors**"	all directors other than the Executive Directors of Monzo, from time to time;
"**Offer**"	the offer for subscription of up to 2,592,520 new E Ordinary Shares being made on the terms set out in this Prospectus;
"**Offer Period**"	3 December 2018 to 12 December 2018;
"**Offer Price**"	£7.7145 per E Ordinary Share;
"**Orange Digital Ventures**"	Orange Digital Ventures Support SAS (formerly Orange Digital Ventures SAS);
"**Order of Priority**"	as defined in Part VII, paragraph 4.2(d) of this Prospectus;
"**Ordinary Majority**"	holders of more than 50% of the Ordinary Shares held by Ordinary Shareholders, excluding the Investors, Tom Odell, the Kevin Systrom Revocable Trust, Excluded Shareholders, the Crowdcube Nominee and the Crowdcube Investors;
"**Ordinary Shares**"	the ordinary shares in Monzo with a nominal value of £0.0000001 each and an aggregate nominal value of £2.4382857[10];
"**Overseas Shareholders**"	shareholders with registered addresses outside the United Kingdom or which are incorporated in, registered in or otherwise resident or located in, countries outside the United Kingdom;
"**Parent Undertaking**"	has the meaning set out in section 1162 of the Act;
"**Passion Capital**"	Passion Capital FS L.P.;
"**PCA**"	a personal current account;
"**Permitted Transfer**"	a transfer of shares in the capital of Monzo in accordance with Article 14 of the Articles, as summarised in Part VII, paragraph 4.2(l) of this Prospectus;

10 This assumes that all transfers and re-designations of Ordinary Shares in connection with the Series E Investment Round have completed (completion is pending receipt of stamped stock transfer forms from HMRC).

"**Permitted Transferee**"	a selection of individuals and entities set out in the Articles that a Permitted Transfer can be made to;
"**Phase 1**"	as defined on page 27 of this Prospectus;
"**Phase 1 Applicants**"	as defined on page 28 of this Prospectus;
"**Phase 2**"	as defined on page 28 of this Prospectus;
"**Phase 2 Applicants**"	as defined on page 28 of this Prospectus;
"**Pounds**", "**GBP**" or "**£**" or "**Pounds Sterling**"	the lawful currency of the United Kingdom;
"**PRA**"	the UK Prudential Regulation Authority;
"**Priority Tranche**"	as defined in Part VII, paragraph 4.2(d) of this Prospectus;
"**Proceeds**"	as defined in Part VII, paragraph 4.2(d) of this Prospectus;
"**Proposed Director"**	Alwyn Jones, details of whom are set out on Part V of this Prospectus;
"**Prospectus**" or "**this document**"	this document dated 26 November 2018, comprising a prospectus for the purposes of the Prospectus Rules (together with any supplements or amendments thereto);
"**Prospectus Rules**"	the prospectus rules made under Part VI of FSMA (as set out in the FCA Handbook), as amended;
"**Qualifying IPO**"	an IPO approved with (i) the consent of the Investor Majority and (ii) if the value of each E Ordinary Share immediately prior to the IPO determined by reference to the price per share at which Ordinary Shares are to be offered for sale, placed or otherwise marketed pursuant to such IPO is not equal to or greater than the original purchase price of such E Ordinary Share (adjusted as necessary for any bonus issue), Series E Majority Consent;
"**Relevant Investors**"	Passion Capital, the Foundations, Thrive, Orange Digital Ventures, Stripe, Goodwater Capital, General Catalyst, Accel and the Crowdcube Investors;
"**Relevant Person**"	in respect of the Founders, Matt Heath, James Nicholson, Simon Vans-Colina and Leah Templeman, an individual who is employed by or who provides consultancy services to Monzo or any member of the Group (and for the avoidance of doubt the provision of services as a non-executive director shall not, for the purposes of this definition, constitute consultancy services);
"**Relevant Shareholder**"	Matt Heath, James Nicholson, Simon Vans-Colina, and Leah Templeman;
"**Relevant Sum**"	as defined in Part VII, paragraph 4.2(n) of this Prospectus;
"**Representative Agreement**"	the representative agreement that appoints Crowdcube as the representative of a Crowdcube Investor in respect of the E Ordinary Shares, further details of which are

	included in Part VII paragraph 5;
"**Sale Shares**"	Shares which the Shareholder wishes to transfer;
"**Selling Shareholder**"	as defined in Part VII, paragraph 4.2(o) of this Prospectus;
"**Senior Managers**" or "**Senior Management**"	the senior managers of Monzo from time to time;
"**Series C Investment Round**"	Monzo's Series C equity fundraising round that completed in February 2017;
"**Series C Investors**"	the persons who invested in Monzo as part of the Series C Investment Round;
"**Series D Investment Round**"	Monzo's Series D equity fundraising round that completed in November 2017;
"**Series D Investors**"	the persons who invested in Monzo as part of the Series D Investment Round;
"**Series E Majority**"	the holders of more than fifty per cent (50%) of the E Ordinary Shares held by the Investors from time to time;
"**Series E Majority Consent**"	the prior written consent of the Series E Majority;
"**Series E Investors**"	the persons who invested in Monzo as part of the Series E Investment Round;
"**Series E Investment Round**"	Monzo's Series E equity fundraising round that completed in October 2018;
"**Shareholder**"	a holder of Shares including, for the avoidance of doubt, Existing Crowdcube Investors;
"**Shareholders' Agreement**"	the amended and restated shareholders' agreement dated 29 October 2018 between the Investors (as defined therein), the Founders, certain of Monzo's Existing Shareholders and Monzo;
"**Shares**"	the A1 Ordinary Shares, the A2 Ordinary Shares, the B Ordinary Shares, the C Ordinary Shares, the D Ordinary Shares, the E Ordinary Shares and the Ordinary Shares in the capital of Monzo;
"**Shortfall Amount**"	as defined in Part VII, paragraph 4.2(d) of this Prospectus;
"**Starting Price**"	the starting price specified in the Articles for the A1 Ordinary Shares, A2 Ordinary Shares, B Ordinary Shares, C Ordinary Shares and D Ordinary Shares and the E Ordinary Shares;
"**Stripe**"	Mammoth, LLC;
"**subsidiary**"	has the meaning given in section 1159 of the Act;
"**Subsidiary Undertaking**"	has the meaning given in section 1162 of the Act;
"**Super Investor Majority**"	the holders of more than fifty per cent (50%) of the Shares held by the Investors, to include at least three of General

	Catalyst, Accel, Passion Capital, Thrive, Stripe, Goodwater Capital and the Foundations;
"**Thrive**"	Thrive Capital Partners V, L.P. and Claremount V Associates, L.P.;
"**Transfer Notice**"	A notice in writing from the Shareholder who wishes to transfer Shares to Monzo specifying: (a) the number of Shares he wishes to transfer; (b) if he wishes to transfer those Shares to a third party, the name of the proposed third party; and (c) subject to Article 13.8(a) of the Articles, the price at which he wishes to transfer those shares;
"**Unapproved Plan**"	Monzo's unapproved share option plan;
"**United Kingdom**" or "**UK**"	the United Kingdom of Great Britain and Northern Ireland; and
"**US**" or "**United States**"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

APPENDIX

FY2017 annual report

Monzo Bank Limited (formerly Focus FS Limited)

Report and Financial Statements

28 February 2017

Registered number: 09446231

Contents

Annual Report 2017

The last twelve months have seen hundreds of thousands of people sign up to Monzo as we prepare to launch our current account.

Here we present our transparent annual report for our crowdfunding investors, our community and our customers, with financial statements for the year ending 28 February 2017.

Chief Executive's review

In February 2015, we set out to build a bank that we'd be proud to call our own. We were 12 people with zero customers, temporarily camped out in the offices of our friends at White Bear Yard in London. We wanted to change the way people thought about their money.

Two years later, we're serving almost 250,000 customers across the UK and people write to us everyday letting us know how we've helped give them back control of their finances.

Júlia Costa-Simson
@jcdcaldas
Follow

The future of banking is... NOW. First day using my Monzo and it's already changed my life @MonzoLoveTweets 👌

2:25 PM - 2 Jun 2017

1 5

In time, we want Monzo to be a bank that improves the lives of a billion people around the world.

Last year

We have had a fantastic year - our prepaid programme has just hit 240,000 funded accounts, with more than £250m spent in total.

The first five months of 2017 in particular have been very strong. Since January, we've seen an average of 5% weekly growth in customer numbers and 7% weekly growth in transaction volumes. This growth is almost entirely organic from word-of-mouth referrals as people tell their friends and family.

In February and March, we agreed £22.5m of investment from Passion Capital, Thrive, Orange Digital Ventures, and more than 6,500 Crowdcube investors. We have also now directly connected to both Faster Payments and Mastercard as members and in April of this year we received our full UK banking licence.

The foundations are now in place for us to launch full bank accounts.

The next year

We have two key priorities for the next six months.

First, we want to continue to grow our user base and ensure we can meet that level of demand operationally.

Delightful customer support has been a key pillar of our success so far. Even though we're running a mobile-only bank, offering authentic human interaction is crucial to building and maintaining trust. Our customers should be able to talk with someone at Monzo about their money, at any time of night or day.

If we continue to grow at this rate, we will hit somewhere between 500,000 and 800,000 accounts by the end of the year. To continue to offer the level of support we aim for, we will need to significantly expand our team; we're looking to bring on around 40 new customer operations staff in the next six months.

Our second priority is rolling out the current account. We believe people shouldn't need to think about financial products. People didn't sign up for Monzo because they were looking for a prepaid card; instead, they want immediate visibility and control of their money. The shift from prepaid card to current account, therefore, should be as seamless as possible for our customers. The current account will have all of the functionality of the existing prepaid card, but add on features like Direct Debits, Faster Payments and overdrafts.

We try to avoid "big bang" launches, instead preferring to roll-out new features iteratively. This reduces risk and ensures we can continue to offer people the level of service they've come to expect from Monzo. We have about fifty current accounts live today among our staff, and we'll soon progress to a few thousand customers. At the moment, we're aiming to offer the current account to all existing customers in late summer. The wait might be frustrating at times for our community, but it's important to get it right. We have a responsibility to keep our customers' money safe.

From a financial perspective, we've got enough capital for at least the first 12 months of life as a bank. To create a viable, sustainable business, it's important that we reach profitability over time. However, profitability is not a key priority for this year, and we would prefer to focus on growth over driving revenue. As a consequence, and as explained in our crowdfunding pitch earlier this year, we'll need to raise more funding in early 2018. If we grow even faster than expected, we may need to accelerate funding plans. We are also exploring ways to include a crowd component in the next investment round to include as many of our community as possible.

Having built direct connections into Mastercard and Faster Payments, our unit economics will improve dramatically once customers move to the current account. The prepaid scheme loses around £50 per active customer per year. Simply by moving to current accounts powered by our own technology, we plan to significantly reduce this amount.

The largest remaining costs are customer support and ATM usage. On customer support, we believe that we will be able to significantly improve efficiency in the long-term, so we're prepared to over-invest in the short-term to provide our customers with a world-class experience.

Around 40% of the per-customer loss is due to international ATM usage outside the UK or EU, with a small minority of our user-base driving the majority of this cost. As a result, we will explore ways to reduce this cost in collaboration with our community – it will not be a profit-making exercise. UK and EU ATM usage costs us much less, and we aim to keep this free. We still believe foreign exchange at point-of-sale (in shops, restaurants and online) can be provided to customers for free.

On the revenue side, we will start experimenting with lending functionality. Roughly speaking, we aim to be in the cheapest quarter of the market on price (adjusted for factors like risk, customer profile, and the type of lending), but we do not aim to be price leaders in all circumstances. Nor do we wish to set a single headline price and compete as part of "best-buy" tables. Instead, we will focus on offering lending tools to to help people manage their day-to-day finances more effectively. We want to give people immediate visibility and control of their money, rather than tempting them in with a low headline price and then recouping costs elsewhere.

As a result, we will aim to run a number of quick, small-scale lending trials to better understand how people like to manage their money. When we're confident these new product features work well for customers, we'll roll them out more widely. You may start to see glimpses of new features or pricing that we're trialling over the next few months!

Long-term

In the long-term, we want to build a powerful financial control centre for a billion people. We don't want to be a full-service bank, offering Monzo mortgages or Monzo credit cards. Instead, we want to be a platform or marketplace that gives people visibility and control of all of their money, whichever providers they use. The future of banking is data and identity.

Imagine if you could collect loyalty points simply by using your Monzo card to pay in shops. Or if your gas and electricity tariff was automatically switched to ensure you're always getting the best deal. Imagine opening a new ISA with a couple of taps, investing all the money Monzo has helped you save. We are looking at early prototypes of these third-party integrations today and some are already pretty magical. We will aim to roll out a handful of these to our customers in the next 12 months.

There are clearly potential risks and pitfalls here. Who gets to access customer data? What purposes can they use it for? Is it stored securely after it's shared? These are questions we will need to address before these third-party services can be offered to all customers.

In principle, we believe the customer should be in control of their financial data. As such, we will explain what benefit you'll get from sharing, and we won't share your personal data with third parties without your explicit consent. We also believe in transparency – if Monzo benefits from a data-sharing deal, we'll let you know about it upfront. If you don't give consent, your data will remain private. We welcome new regulation (GDPR and PSD2 in particular) in this area because we believe it puts the customer firmly in control of their personal data.

We see ourselves as trusted custodians of both your money and your data. We will only succeed if we maintain that trust.

We're incredibly excited about this year and the opportunities ahead of us. I'd like to thank the Monzo team, our investors, and the wider Monzo community who all have helped us get this far. Here's to the next 12 months!

Tom Blomfield
CEO, Monzo
21st June 2017

General information

Directors

- Baroness D Kingsmill
- T Blomfield
- T Brooke
- E Burbidge
- G Dolman
- M Grimshaw
- A Kirk
- K Woollard

Auditors

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

Bankers

Royal Bank of Scotland Group Plc
280 Bishopsgate
London
EC2M 4RB

Solicitors

Taylor Wessing LLP
5 New Street Square
London
EC4A 3TW

Registered Office

1st Floor
230 City Road
London
EC1V 2QY

Directors' report

The directors present their report and financial statements for the 12 months ended 28 February 2017. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union, rather than UK GAAP.

Results and dividends

The loss for the year after taxation amounted to £6,689,000 (2016 – loss of £1,446,000). The directors do not recommend a final dividend (2016 – £nil).

Principal activities

The principal activity of Monzo Bank Limited (the "Bank" or the "Company") is to provide retail banking services in the UK.

During the period the Company continued the building of the capability to provide banking services to its customers and obtaining an unrestricted license to do so. It also launched a prepaid debit card in order to be able to use the lessons learned from this to build the best possible current account product for its customers.

Directors

The directors who have held office during the year ended 28 February 2017 are as follows:

- Baroness D Kingsmill (Chairman)
- T Blomfield
- T Brooke
- E Burbidge
- G Dolman (appointed 7 November 2016)
- M Grimshaw (appointed 21 February 2017)
- K Woollard (appointed 23 May 2016)
- A Kirk (appointed 24 January 2017)

Directors' liabilities

The Bank has indemnified all directors of the Bank against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

Financial risk management

The Directors' assessment and approach to financial risk management are detailed in note 4 of these accounts.

Going concern

Since incorporation the Company has undertaken a series of successful equity raisings to fund the start- up phase of the business. The initial focus of the Company was on obtaining a banking licence, which was received in August 2016 subject to restrictions. The restrictions were lifted in April 2017 and the Company can now launch its product in the market.

To support this launch and subsequent-phases of its growth, the Company has raised sufficient equity to ensure that it can survive for a period in excess of 12 months from the end of the reporting period. Details of equity raised are contained in Note 14. Consequently the financial statements have been prepared on a going concern basis.

Events since the balance sheet date

In March 2017 £2.5m was raised via the issue of 2.5m ordinary shares to investors.

The restriction to maximum total deposits of £50,000 was lifted by the FCA and a full banking licence was granted in April 2017.

Appointment of auditors

Ernst & Young LLP were appointed as auditors of the Company on 28 February 2017 and have been re-appointed pursuant to section 487(2) of the Companies Act 2006 unless the members or directors resolve otherwise.

Employment of disabled persons

The company does not discriminate against any person on the grounds of disability.

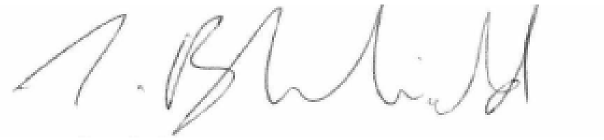
Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for reappointment of Ernst & Young LLP as auditors.

On behalf of the Board



Tom Blomfield
Director
21 June 2017

Statement of directors' responsibilities

The directors are responsible for preparing the Directors Report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state that the company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Monzo Bank Limited (formerly Focus FS Limited)

We have audited the financial statements of Monzo Bank Limited (formerly Focus FS Limited) for the 12 months ended 28 February 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 12 months ended 28 February 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Board of Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have identified no material misstatements in the Board of Directors' Report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Ernst & Young LLP

Javier Faiz (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
21 June 2017

The following foot note should be added to the audit report when it is published or distributed electronically:
Notes:

1. The maintenance and integrity of the Monzo Bank Limited (formerly Focus FS Limited) web site 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 web site.
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 12 months ended 28 February 2017

	Notes	12 months ended	13 months ended
		28 February 2017	**29 February 2016**
		£000	**£000**
Other operating income		120	5
Administrative expenses	5	(8,047)	(1,691)
Loss before tax		(7,927)	(1,686)
Taxation	8	1,238	240
Total comprehensive loss		(6,689)	(1,446)

The notes on pages 17 to 32 are an integral part of these financial statements. Other income and operating losses were derived from continuing operations in both the current and prior year.

Statement of financial position

at 28 February 2017

	Notes	28 February 2017	29 February 2016
		£000	**£000**
Assets			
Cash and cash equivalents	9	14,874	411
Trade and other receivables	10	4,402	320
Property plant and equipment	11	178	13
Intangible assets	12	24	-
Total assets		19,478	744
Liabilities			
Trade and other payables	13	1,080	176
Total liabilities		1,080	176
Equity			
Called up share capital	14	0	0
Share premium account		26,298	2,000
Other reserves		235	14
Accumulated losses		(8,135)	(1,446)
Total equity		18,398	568
Total liabilities and equity		19,478	744

The notes on pages 17 to 32 are an integral part of these financial statements. The financial statements on pages 13 to 32 were approved and authorised for issuance by the Board on 21st June 2017 and signed on its behalf by

Tom Blomfield
Director

Statement of changes in equity

for the 12 months ended 28 February 2017

	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£000	£000	£000	£000	£000
At 18 February 2015	-	-	-	-	-
Shares issued	-	2,000	-	-	2,000
Share-based payments reserve	-	-	14	-	14
Losses for the period	-	-	-	(1,446)	(1,446)
At 1 March 2016	-	2,000	14	(1,446)	568
Shares issued	-	24,288	-	-	24,288
Cost of issuance	-	(63)	-	-	(63)
Share-based payments reserve	-	-	294	-	294
Exercise of options	-	73	(73)	-	-
Losses for the year	-	-	-	(6,689)	(6,689)
At 28 February 2017	-	26,298	235	(8,135)	18,398

Statement of cashflows

For the 12 months ended 28 February 2017

	Notes	12 months ended 28 February 2017	12 months ended 29 February 2016
		£000	**£000**
Cash flows from operating activities			
Loss		(6,689)	(1,446)
Adjustments for:			
Depreciation of property plant and equipment		36	6
Amortisation of intangible assets		5	-
Share-based payments		294	14
(Increase) in trade and other receivables	10	(4,082)	(320)
Increase in trade and other payables	13	904	176
Net cash used in operating activities		(9,532)	(1,570)
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(201)	(19)
Acquisition of intangible assets	12	(29)	-
Net cash from investing activities		(230)	(19)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		24,225	2,000
Net cash from financing activities		24,225	2,000
Net increase in cash and cash equivalents		14,463	411
Cash and cash equivalents at beginning of the period		411	-
Cash and cash equivalents at end of year/period	9	14,874	411

Notes to the financial statements

at 28 February 2017

1. Basis of preparation

The accounts have been prepared on an historical cost basis and in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. The company prepared its financial statements under Financial Reporting Standards for Smaller Entities ('FRSSE') for the period from 18 February 2015 to 29 February 2016. FRSSE differs in certain respects from IFRSs, hence certain disclosures have been amended to comply with IFRSs. There have been no material changes to the financial statement results or balance sheet position in either the current or previous period as a result of the change in accounting policy. The significant accounting policies adopted are set out in Note 3.

The financial statements are presented in GBP, which is also the Company's functional currency.

Certain new accounting standards and interpretations have been published that are not mandatory for the 12 months ended 28 February 2017 and have not been early adopted by the company. In addition there are certain new standards that are not yet effective and may impact the Company in future periods. These include IFRS 9, 'Financial Instruments', IFRS 15, 'Revenue from contracts with customers' and IFRS 16, 'Leases'. These standards are expected to impact the Company, in particular IFRS 9 once banking operations have commenced, though a detailed analysis of the impact on the company has not yet been performed.

The financial statements of the Company have been prepared in accordance with IFRS as issued by the IASB.

2. Critical accounting estimates and judgments

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

Management considers that the accounting estimates relating to fair valuing stock based compensation (Note 15), and the recognition (or not) of deferred tax assets for carried forward tax losses (Note 3(g)) are the most material to the financial statements.

Going concern

Since incorporation the company has undertaken a series of successful equity raisings to fund the start- up phase of the business. The initial focus of the company was on obtaining a banking licence. A licence with restrictions was obtained in August 2016 and the restrictions were lifted in April 2017. The focus of the company has been on further developing its customer proposition and building its operating model and infrastructure. The Company plans to launch its banking operations to customers in 2017. To support this launch, and subsequent-phases of its growth, the company has raised sufficient equity to ensure that it can survive for a period in excess of 12 months from the reporting date. However in order to support growth of the business it is expected that a further equity raise will be undertaken at the start of 2018. Given the success of previous equity raisings and the growth that is being experienced by Monzo we believe that there will be strong demand for that issue. Consequently the financial statements have been prepared on a going concern basis.

Valuation of share options

The Company measures the cost of equity-settled options based on the fair value of the awards granted. The fair value is determined based on the observable share prices or by using an appropriate valuation model. The use of option pricing models to determine the fair value requires the input of highly subjective assumptions including the expected price volatility, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates. The assumptions and models used for estimating the fair value of share-based payments is disclosed in note 15.

Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes above.

a. **Receivables**

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

b. **Cash and cash equivalents**

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents includes deposits held at call with financial institutions.

c. **Property, plant and equipment**

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

Depreciation is provided on all property, plant and equipment, and calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Office and IT Equipment – 3 years

Fixtures and fittings – 4 years

Office fit out costs and legal costs of acquiring a new office lease are recognised on a straight-line basis over the life of the lease.

d. **Intangible assets**

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives as follows once brought into use:

Third party software licences – amortised over the length of licence, which varies between 1 and 10 years.

Amortisation is recorded within administrative expenses in the Statement of Comprehensive Income.

e. **Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities. They are recognised initially at fair value and subsequently measured at amortised costs using the effective interest method.

f. **Current Taxation**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date, when the Company generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

g. **Deferred tax**

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probably that future taxable profits will be available against which the temporary differences can be utilised.

h. **Share-based payments**

Employees (including senior executives) may be entitled to receive remuneration in the form of share options to reward strong long-term business performance and to incentivise growth for the future.

The cost of the employee services received in respect of the share options granted is recognised over the period that employees provide services. This is generally the period in which the award is granted or notified and the vesting date. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the options at the date of grant.

The fair value of options at grant date is recognised as an employee expense with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards. The grant date fair value is determined using valuation models which take into account the terms and conditions attached to the awards. Inputs into the valuation model include the risk free rate and the expected volatility of the Company's share price.

i. **Revenue Recognition**

At present the Company generates income from interchange and interest receivable. This is recognised to the extent that it is probable that the economic benefits will flow to the Company and they can be reliably measured, which is consistent with the approach to be taken with revenue in future periods.

j. **Foreign exchange**

The Bank's financial statements are presented in GBP, which is the Bank's functional currency. That is the currency of the primary economic environment in which the Bank operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

4. Risk Management

At Monzo, we take the responsibility of being a bank very seriously and recognise that the firm is exposed to a number of risks through our chosen business model and business strategy. Identifying, assessing, managing and reporting on those risks is central to the way we run the Bank. Good risk management enables the creativity we seek to provide for the development of our bank and its technology.

Risk Management Framework

Our approach to Risk Management supports the wider business strategy and is delivered through our Risk Management Framework which comprises 6 key components: Risk Appetite, Policies, a 3 Lines of Defence organisation structure, various risk procedures, tools and techniques, risk reporting and an appropriate governance structure.

Principal Risks

Through our business strategy and business model we are exposed to a number of risks, the most material of which we have termed our principal risks and they are:

- Strategic and Business Model Risk – risk or threats that materially affect the business strategy, business model and consequently the successful execution of the business plan.
- Customer Outcome Risk – risk that our culture, behaviours and/or actions result in poor customer outcome and/or detriment to customers through our product and services not meeting needs.
- Retail Credit Risk – risk that customers who borrow do not meet their obligations in accordance with the agreed terms.
- Operational Risk – risk of direct or indirect loss resulting from failed internal processes, people and systems and / or from external events.
- Financial Risk – various risks which impact the financial profile of the business including liquidity risk, interest rate risk and wholesale credit risk.
- Compliance Risk – risk of failure to meet with the relevant legislation and / or regulation.

Risk Profile

During the year 2016/17 the business has been focused on a prepaid card programme with a number of partners to test a number of areas of the business model whilst building the infrastructure to launch a current account programme. The most significant risks are therefore the viability of the business model and the operational risks of running the prepaid programme.

Financial crime, cyber security and operational process risk are the main exposures. There is very limited credit and financial risk in the prepaid card programme.

As full banking operations commence the Company will be exposed to more significant risks and to the full range of risks described above.

Governance

Our governance structure has been developed to support our launch as a bank. It comprises a Board of Directors supported by 4 Board Committees each of which has membership drawn from the independent non-executives on the Board. The 4 committees are:

- Risk & Compliance Committee
- Audit Committee
- Remuneration Committee
- Nomination Committee

Day to day running of the business is delegated to the CEO who has established 2 Management Committees to support him; an Executive Committee for general business matters and an Assets and Liability Committee on Balance Sheet matters.

5. Loss before tax

	12 months ended	13 months ended
	28 February 2017	**29 February 2016**
	£000	**£000**
This is stated after charging:		
Depreciation and amortisation of owned assets	41	6
Share-based payments	294	14
Auditors' remuneration for audit of the Company's financial statements	30	-
Prepaid card scheme development	2,713	111
Premises cost	233	145
Marketing	376	49

6. Directors' remunerations

	12 months ended	13 months ended
	28 February 2017	**29 February 2016**
	£000	**£000**
Total Directors' remunerations		
Wages and salaries	65	69
Share-based payments	73	-
	138	69
Highest paid Director		
Wages and salaries	60	69
Share-based payments	-	-
	60	69

7. Personnel Expenses

Employee benefit expense (including Directors) comprise:

	12 months ended	13 months ended
	28 February 2017	**29 February 2016**
	£000	**£000**
Salaries	1,995	697
Social security contributions	239	91
Share-based payments	294	14
	2,528	802

The average number of employees of the company during the period was 47 (13 months ended 29 February 2016 – 14) all of whom were employed in management, operations and administration.

8. Taxation

	12 months ended	13 months ended
	28 February 2017	29 February 2016
	£000	£000
UK corporation tax credit on loss for the period	1,238	240

Factors affecting future tax charges

From April 2017 the UK corporation tax rate will fall from 20% to 19%. This has no immediate impact in the current or next financial period for the company, however it should result in lower tax charges as and when the company becomes profitable and all the carried forward trading losses are utilised.

	12 months ended	13 months ended
	28 February 2017	29 February 2016
	£000	£000
Loss on ordinary activities before tax	(7,927)	(1,686)
Standard rate of corporation tax	20%	20%
Expected tax credit	1,585	337
Effects of:		
Expenses not deductible for tax	(27)	(7)
Additional deduction for R&D expenditure	966	187
Impact of surrendering losses at lower rate	(470)	(92)
Loss in year where no deferred tax asset recognised	(816)	(185)
Total tax credit for the period	1,238	240

Deferred tax

The deferred tax included in the balance sheet is as follows:

	12 months ended	13 months ended
	28 February 2017	**29 February 2016**
	£000	**£000**
Included in debtors	-	-
	-	-

	12 months ended	13 months ended
	28 February 2017	**29 February 2016**
	£000	**£000**
Accelerated capital allowances	(25)	(2)
Losses	25	2
	-	-

The UK Government has announced reductions in UK corporation tax to 17% by 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates. A deferred tax asset has not been recognised in respect of tax losses carried forward totalling £4,993,718 as there is insufficient evidence as to their recoverability.

9. Cash and cash equivalents

Cash and cash equivalents consists of balances held on overnight deposit with the Bank of England and RBS and amount to £14,874,000 at 28 February 2017 (29 February 2016 – £411,000).

10. Trade and other receivables

	28 February 2017	29 February 2016
	£000	**£000**
Prepayments	348	20
Collateral provided to payment scheme providers	2,461	-
R&D tax reclaim	1,238	240
Deposit on premises	171	-
Other receivables	184	60
	4,402	320

11. Property, plant and equipment

	Fixtures and fittings	Office and IT equipment	Total
	£000	**£000**	**£000**
Cost			
At 18 February 2015	–	-	-
Additions	–	19	19
Disposals	–	-	–
At 1 March 2016	–	19	19
Additions	1	200	201
Disposals	–	–	–
At 28 February 2017	1	219	220
Depreciation			
At 18 February 2015	–	-	-
Charge for this period	–	6	6
Depreciation on disposal	–	-	–
At 1 March 2016	–	6	6
Charge for this period	–	36	36
Depreciation on disposal	–	–	–
At 28 February 2017	–	42	42
Net book value			
At 28 February 2017	1	177	178
At 29 February 2016	–	13	13

12. Intangible assets

	Software licenses
	£000
Cost	
At 18 February 2015	–
Additions	–
At 29 February 2016	–
Additions	29
At 28 February 2017	29
Depreciation	
At 18 February 2015	–
Charge for this period	–
Depreciation on disposal	–
At 29 February 2016	–
Charge for this period	5
Depreciation on disposal	–
At 28 February 2017	5
Net book value	
At 28 February 2017	24
At 29 February 2016	–

13. Trade and other payables

	28 February 2017	29 February 2016
	£000	**£000**
Trade creditors	229	54
Other taxes and social security costs	103	29
Accruals	748	93
	1,080	176

14. Called up share capital

	28 February 2017	29 February 2016
	£	£
Ordinary shares of £0.0000001/£0.00001 each	7	4
Deferred shares of £0.00001 each	–	1
	7	5

	Nominal		Number of ord. shares	Number of deferred shares	Share capital
As at 18 February 2015			–	–	–
Shares issued	0.001		1,000	–	1
Shares split			99,000	–	
	0.00001		100,000	–	1
Shares issued	0.00001		350,746	–	4
Conversion to deferred shares			(50,231)	50,231	-
As at 1 March 2016	0.00001		400,515	50,231	5
Shares split	0.0000001		39,650,985	4,972,869	-
			40,051,500	5,023,100	5
Shares issued	0.0000001	Apr-16	11,676,610	–	1
Conversion to deferred shares			(13,125)	13,125	
Cancellation of deferred shares			–	(5,036,225)	(1)
Options exercised	0.0000001	Oct-16	355,459	–	–
Shares issued	0.0000001	Oct-16	6,203,955	–	1
Shares issued	0.0000001	Feb-17	13,422,151	–	1
As at 28 February 2017			71,696,550	–	7

Some of the shares in issue are owned by management and staff and are subject to time based vesting conditions. At the balance sheet date 10,636,554 shares were unvested. In the event of shares failing to vest the Company has the right to repurchase the shares at their nominal value.

At the balance sheet date 159,629 ordinary shares were subject to a monthly vesting programme and in accordance with IFRS 2 will be treated as Treasury shares whilst they remain unvested.

15. Share-based payments

The company operates two share options scheme for the benefit of certain members of staff. The first is an HMRC approved Company Share Option scheme ('CSOP') in which awards can be made to employees subject to conditions. The strike price for these options is set according to the fair market share price at the time of issue as agreed with HMRC. For the Non-CSOP scheme, awards are made with the strike price set equal to the nominal value of the shares. For both schemes typically twenty five per cent of the options vest at the end of the first year of employment. The remainder vest evenly over the next three years. The fair value per share was based on the pricing achieved in the funding round immediately preceding the issuance given the shares are not actively traded. The total expense in 2017 was £294k (2016 £14k).

The main assumptions that have been used in deriving the value of the options at grant are;

Risk free rate	0.32%
Volatility	40%
Dividend yield	nil
Expected lift	4 years

Share-based payments (continued)

	CSOP		Non-CSOP	
	Number	Fair value share price at date of issue	Number	Fair value share price at date of issue
		£		£
Outstanding 18 February 2015	–		–	
Granted during the period	12,615	19.967	28,990	19.967
At 29 February 2016	12,615		28,990	
Share split	1,261,500	0.19967	2,899,000	0.19967
Granted during the period				
	45,100	0.19967	113,933	0.19967
	976,714	0.5133	322,938	0.5133
	646,766	0.7737	277,827	0.7737
	29,827	1.0058	–	1.0058
Lapsed	(131,211)		(43,820)	
Exercised	–		(355,459)	
At 28 February 2017	2,828,696		3,214,419	

16. Related party transactions

Key management personnel compensation

	28 February 2017	29 February 2016
	£000	**£000**
Salaries & renumeration	327	206
Social security contributions	40	25
Share-based payments	118	4
	485	235

At the balance sheet date there was a loan to an employee of £22,500. With the exception of this there were no balances due to or from a related party.

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

17. Operating leases

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

	28 February 2017	29 February 2016
	£000	**£000**
Within one year	127	13
Later than one year but not later than five years	1,175	–
Later than five years	–	–
Total	1,302	13

18. Country reporting disclosure

In 2015, the UK Government enacted legislation (contained in the Financial Services and Markets Act 2000 Statutory Instrument 3118) with respect to country reporting disclosure. As the Company only operates in the UK this requirement has been considered and no further disclosure is required.

19. Events after reporting date

The Company raised £2.5m of equity share capital from existing and new investors during the period from 1 March 2017 to the date of signing the accounts.

The restriction to maximum total deposits of £50,000 was lifted by the FCA and a full banking licence was granted in April 2017.

FY2018 annual report

monzo

Monzo Bank Limited

Annual Report and Financial Statements

28 February 2018

What's in this report?

General Information

Directors
T Blomfield
T Brooke (acting Chairman)
E Burbidge
Baroness D Kingsmill (resigned 6 April 2018)
G Dolman
M Grimshaw
K Woollard
A Kirk

Registered Office
1st Floor
230 City Road
London EC1V 2QY

Registration number
09446231

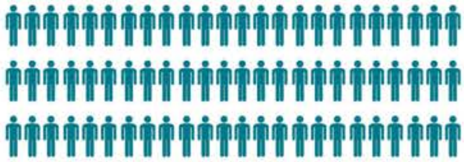
Auditors
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London E14 5EY

Bankers
NatWest Markets Plc
280 Bishopsgate
London EC2M 4RB

Solicitors
Taylor Wessing LLP
5 New Street Square
London EC4A 3TW

750k

More than 750,000 customers using current accounts



Our team has grown to more than 300 people

The cost to run one active account has reduced by 80% in 10 months

July 2017 **£50**	September 2017 **£65**
February 2018 **£30**	June 2018 **£15**

£2bn

£2 billion's been spent through Monzo so far

We lost **£33.1m** before tax

Costs were **£34.9m**

Our net operating income was **£1.8m**

We lost **£30.5m** after tax

Our total equity increased to **£56.2m**

We signed a two year lease on a new office

We ended the prepaid card programme on **4th April 2018**, and **94%** of active users upgraded to current accounts

We have a new mission:

"Monzo makes money work for everyone"

Annual Report 2018

A lot's changed in the last 12 months at Monzo. Today, more than 750,000 people are using our current accounts, and more than £2 billion's been spent through Monzo so far.

Here we present our transparent annual report for our crowdfunding investors, our community and our customers, with our financial statements for the year ending 28 February 2018.

Chief Executive's review

In February this year we celebrated **Monzo's third birthday**! It feels like a lot has changed in those three years.

Back in 2015 we were a scrappy startup, offering prepaid cards to a few thousand people. Today, we're **a fully-licensed, regulated bank** with more than 750,000 people using current accounts. Our users have spent more than £2 billion through Monzo so far. And our founding team of a dozen people has grown into a company of more than 300.

Since the start, our commitment to transparency has been our guiding principle and underpins everything we do at Monzo today. It means our teams can work effectively and independently, with access to all the information they need to make good decisions. And, crucially, it helps us earn our customers' trust. As we grow, I want to make sure we always keep that commitment, even when it isn't easy.

Last year

We focussed on growth for the first six months of the last financial year. From just 50,000 users in September 2016, in one year we grew to almost half a million prepaid customers.

By September 2017, we were ready to offer current accounts, so we paused new signups for three months as we asked existing users to upgrade.

This process was tricky and technically complex. But we worked hard to make sure upgrading was as easy and convenient as possible for our customers. When we closed the prepaid programme on 4th April 2017, **94% of active users had upgraded to current accounts.**That's remarkable in an industry where inertia can be hard to overcome.

Moving to current accounts has given our customers access to all the power and protection that comes with a full banking licence. But it's also helped us begin to address our next challenge: profitability.

In September 2017, each active prepaid account cost us £65 a year to run: we paid third parties to process payments and let users add money to their accounts by topping up from another debit card. We were also absorbing ATM costs for cash withdrawals customers made abroad and investing heavily in customer service.

The bank now runs entirely on technology we've built from scratch ourselves. As well as letting us respond quickly to changing customer demands, it also costs us less. By February 2018, we were able to run a full account for only £30.

Since then, we've further reduced costs by encouraging people to make bank transfers or pay salaries directly into their Monzo account, rather than topping up with a debit card. We've also been able to make savings by helping our customer support team become more efficient. Together, this has helped us lower the cost per account to around £15 in June.

About £10 of this cost goes towards providing fast, friendly support: the team who speak to our customers and solve their problems every day, in-app, over the phone and on social media. We see that £10 as an investment that lets us provide an effective, delightful service that's reflected in a Net Promoter Score of almost +80.

All in all, that means we've reduced the cost to run each active account by almost 80% in just ten months.

The year ahead

In the next few months we'll keep improving our unit economics: the money we lose or make on each current account. Our goal is to break even on each new customer very soon, then reach overall profitability as a business in the future. To work towards profitability, we'll do two things.

First, we'll work to lower the cost of providing customer support, while making sure the service stays world-class. We'll do that by helping our staff work more effectively with better tools and automation. And we'll reduce the number of questions coming in with **a smarter help screen** that lets customers find their own answers faster.

We'll also work to generate revenue through lending. We started **making overdrafts available** in January, and around 37,000 people have now enabled them. Over the next few months, we'll build new features that let people borrow in ways that are convenient, transparent and affordable.

All of our customers should be able to rely on Monzo as their main account. So at the same time we'll keep working to make sure Monzo is reliable and equipped with everything they need to manage their money. At the end of May we published **a list** of all the basic but essential features that Monzo was still missing. We've been working through that list at pace, keeping track of our progress by ticking things off and sharing live updates with our community **@MakingMonzo**.

We'll also start to work on growth again. More than 60,000 new people open Monzo accounts each month now, and in the next few months there'll be one million people using Monzo. We plan to increase growth by adding product features with real network effects, that help people use Monzo together.

The way we use money is inherently social: we use it to do things with our family, friends, partners and colleagues on an almost-daily basis. But it isn't always easy to use money together. It often means back-and-forths on WhatsApp, copy-pasting account numbers, and confusion about who's paid and who hasn't. Traditional banking isn't built for the way we use our money today as part of our everyday lives.

Right now, the average user has 15 friends on Monzo, and 80% of our growth comes from word of mouth referrals. To maximise that viral growth we'll add product features that work better the more people you know on Monzo.

By the end of 2019, our goal is that several million people in the UK will be using Monzo.

Our mission

We've always said that our vision is to build Monzo into a marketplace. A "financial hub" or "control centre" that gives people visibility and control of all of their money.

But a "control centre" feels a bit like the cockpit of a jumbo jet – a bewildering array of buttons and dials. It doesn't communicate the simplicity and peace-of-mind that we strive to give our customers.

So we wanted to find a better way to articulate our mission to the world. Here's what we came up with:

"Monzo makes money work for everyone"

I like this as a mission statement because it's bold, positive and ambitious.

"It just works" - We believe that money doesn't need to be complicated or stressful. A nod to Apple's famous slogan, we use design thinking to deliver simple, intuitive interfaces.

Putting your money to work - We also want to make sure our customers get the most out of their money, whether that's earning cash back or rewards, making smart investment decisions, or finding affordable ways to borrow.

Monzo is for everyone - Our aims are ambitious: our goal is to bring Monzo to one billion people and beyond. But it's not just about how many people use Monzo, it's also about who.

One and a half million adults in the UK don't have a bank account and **almost a quarter of the world's population are unbanked.** Without access to basic financial services like bank accounts, you pay more and save less. You can't use vital services, or do basic things like pay rent or buy a phone. In the next few years, **we'll do more to help the financially excluded** access bank accounts through Monzo.

We'll also keep supporting vulnerable customers and continue developing an empathetic approach to debt management. And through clear communications and educational content, we'll do what we can to improve financial literacy and help everyone better understand their money.

Tom Blomfield
CEO

27 June 2018

Strategic report

The directors present their strategic report for the year ended 28 February 2018 for Monzo Bank Limited (the “Bank”, “Monzo” or the “Company”).

Business review and key financial and other performance indicators

We’ve included a review of the business and other performance indicators as part of the Chief Executive’s review.

The loss for the year before tax was £33.1m (2017 £7.9m) primarily as a result of an increase in our operating costs.

Our costs increased by £26.9m to £34.9m in the current year (2017 £8m) as a result of investment in the banking operations with the Company becoming a fully operational bank during the year.

The total equity increased to £56.2m (2017 £18.4m) as a result of two fundraising rounds undertaken in the year and the Bank continued to be in a capital surplus position during the year.

We’ve developed our governance structure to support our launch as a bank

It comprises a Board of Directors supported by 4 Board committees, each of which has membership drawn from the independent non-executives on the Board. The 4 committees are:

- Risk & Compliance Committee
- Audit Committee
- Remuneration Committee
- Nomination Committee

Day to day running of the business is delegated to the CEO who has established 2 management committees to support him: an Executive Committee for general business matters, and an Assets and Liability Committee on balance sheet matters.

Strong risk management is at the heart of everything we do

At Monzo, we’re exposed to a number of risks through our business model and business strategy. Identifying, assessing, managing and reporting on those risks is central to the way we run the Bank. Good risk management lets us achieve our strategic objectives without putting us or our customers at risk of harm, while being compliant with all relevant rules and regulations.

Staff describe our culture as one of transparency, honesty, respect and putting the customer’s needs first. This culture stems from the “tone at the top” set by the executive team and filters through the organisation. Our incentives (including share options) are structured to support the long-term health of the organisation rather than any short-term gains.

Risk Management Framework

Our approach to risk management supports the wider business strategy. Our Risk Management Framework comprises 6 key components: risk appetite, policies, a 3 line of defence organisation structure, risk procedures, tools and techniques, risk reporting, and an appropriate governance structure.

Principal Risks

Our principal risks are:

- **Strategic and Business Model Risk –** risk or threats that materially affect the business strategy, business model and consequently whether our business plan succeeds.
- **Customer Outcome Risk –** risk that our culture, behaviours and/or actions result in poor customer outcome and/or detriment to customers through our product and services not meeting their needs.
- **Retail Credit Risk –** risk that customers who borrow don't meet their obligations with us.
- **Operational Risk –** risk of direct or indirect loss from failed internal processes, people and systems and/or from external events.
- **Financial Risk –** risks which impact the financial profile of the business including market risk on financial instruments, capital adequacy risk and liquidity risk.
- **Compliance Risk –** risk of failing to meet with the relevant legislation and/or regulations.

Risk Profile

Our key risks currently include different types of operational risk like financial crime, IT resilience, cyber security (including data security). But this is always evolving as we develop our current account and acquire credit risk from lending in the form of overdrafts.

On behalf of the Board

Tom Blomfield
Director

27 June 2018

Directors' report

The directors present their report and financial statements for the year ended 28 February 2018 for the Bank. These financial statements have been prepared under International Financial Reporting Standards as adopted by the European Union. The registration number of Monzo is 09446231.

Information regarding a review of the business, and likely future developments are disclosed in the Chief Executive's review and information regarding risk management is disclosed in the Strategic report.

Results and dividends

The loss for the year after taxation amounted to £30.5m (2017 loss of £6.7m). The directors do not recommend a final dividend (2017 – £nil).

Principal activities of the business

The principal activity of Monzo is to provide retail banking services in the UK.

During the period Monzo continued building the ability to provide banking services to its customers and had the restrictions on its banking licence lifted in April 2017. The Company launched a current account for its customer base and an overdraft facility for a subset of its customers.

Directors

The directors who served the Company during the year and up to the date of the approval of the financial statements were as follows:

T Blomfield
T Brooke (acting Chairman)
E Burbidge
Baroness D Kingsmill (resigned 6 April 2018)
G Dolman
M Grimshaw
K Woollard
A Kirk

Directors' liabilities

The Bank has indemnified all directors of the Bank against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision was in force during the year.

Going concern

The going concern basis is dependant on maintaining enough capital and funding the balance sheet. The directors have considered a number of factors including the projections for the Company and its capital and funding position. Having considered this and other appropriate enquiries the Directors consider that the Company has raised enough equity to make sure that it can operate for at least 12 months from the date of approval of the financial statements. Details of equity raised are contained in Note 20. Consequently the financial statements have been prepared on a going concern basis.

Financial instruments

The Bank finances its activities through the issue of ordinary shares as disclosed in Note 20 and through cash deposits held as disclosed in Note 13. The Bank also holds customer deposits classified as a financial liability, and issues overdrafts to customers which are classified as a financial asset. Other financial assets and liabilities like trade creditors arise from the Bank's operating activities.

The Bank doesn't use any other financial instruments.

Research and development activities

Monzo invests in the development of its own platforms and products, so has applied to claim Research & Development (R&D) relief from HMRC, see Note 15.

Donations

The Bank hasn't made any charitable donations exceeding £2k and hasn't made any donations or incurred any expense to any registered UK political party or other EU political organisation.

Events since the balance sheet date

The key events that have occurred since the balance sheet date are listed below:

- The prepaid card product was **discontinued** effective 4 April 2018.
- The Bank signed a 2-year lease for new office space on 6 March 2018 with an anticipated move in date of August 2018 at which point the existing office space lease will be surrendered.

There have been no other material post balance sheet events.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there's no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company'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.

Auditors

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

On behalf of the Board

Tom Blomfield
Director

27 June 2018

Statement of director’s responsibilities

The directors are responsible for preparing the strategic report, director’s report and the financial statements in accordance with applicable United Kingdom law and those International Financial Reporting Standards as adopted by the European Union.

Under Company Law the directors must not approve the financial statements unless they are satisfied that they present fairly the financial position, financial performance and cash flows of the Company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance;
- state that the Company has complied with IFRSs, subject to any material departures disclosed and explained in the financial statements; and
- make judgements and estimates that are reasonable and prudent.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report to the members of Monzo Bank Limited

Opinion

We have audited the financial statements of the Company for the year ended 28 February 2018 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the Company's affairs as at 28 February 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the 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.

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	• Overdraft recoverability • Improper revenue recognition • Risk of management override • Incomplete / inaccurate transfer of assets from a third party to the Company
Materiality	• Overall materiality of £600k which represents 1% of equity

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year 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.

Risk

Overdraft recoverability (2018 £12k, 2017 £0)

Overdrafts are a new product for the Company. There is currently limited historic information showing the repayment profile of the customer base and this therefore impacts the valuation of the asset. An impairment may be required over the asset if it is not deemed fully recoverable.

Given the nature of the product and the client base of the Company, we have considered there to be a risk of recoverability over the overdrawn balances – which translates into a risk of overstatement of the net overdraft asset.

This is a new risk for the current year audit as this is the first year the Company will have an overdraft product on the balance sheet.

Our response to the risk

All controls existing around the processes that drive the impairment provision are heavily reliant on the completeness and accuracy of reports generated by the core banking platform at the Bank. Due to these controls being implemented for part of the year under audit, we are unable to place reliance on them for the full year. We have therefore adopted a substantive testing audit approach.

We, along with our specialists, have reviewed the accounting policy documentation and assessed whether management's process to identify impairment is sufficiently robust and compliant with the underlying accounting guidance (as prescribed in International Accounting Standard 39).

We performed the following procedures during our audit:

- Engaged our credit risk management specialists to review management's approach to calculating the impairment provision, to ensure it is in line with the International Financial Reporting Standards (IFRS), through the adoption of IAS 39, and assess the reasonableness of the key assumptions i.e., Probability of Default (PD) and Loss Given Default (LGD) used to determine the impairment provision.

- Validated where possible the key PD and LGD inputs, in our work performed as noted above.
- Corroborated the conclusions reached by our specialists, by performing a review on the portfolio in light of the observations noted by the specialists and verifying the materiality of the observations on the year end provision.
- Engaged our specialists to perform a sensitivity analysis on the following assumptions, to establish a range of expected losses:
  - Non-marginal customers
  - LGD
  - Emergence Period
  - PD
  - Treatment of unauthorised overdrafts

Key observations communicated to the Audit Committee

Our validation of key inputs to the impairment calculation model revealed that data flows to the underlying model were materially complete and accurate.

The impairment model assumptions and methodology were found to be appropriate.

Our procedures around stress testing and sensitivity analysis of key inputs did not reveal any material errors over the calculated provision.

Based on our work performed, we have concluded that the impairment provision in respect of overdrafts is materially correct as at 28 February 2018.

Risk

Improper revenue recognition (2018 £2,041k, 2017 £112k)

We reviewed the revenue streams earned by the Company, and assessed which of these could give rise to a material error in the financial statements. We determined that Interchange fees were a significant risk based on size and complexity around recording transaction volumes which determine Interchange revenues.

This is a new risk for the current year's audit as this is the first year the income has become material.

Our response to the risk

The key risk for us is the recording of Interchange fee in the incorrect period.

As noted above, due to the controls not having operated for the full year of audit and the resulting lack of maturity in the control environment, we adopted a substantive testing audit approach which included increased sample sizes and substantiation across the population to gain assurance.

To address the identified risk, we performed the following audit procedures:

- Reviewed the Company's accounting policy around revenue recognition.

- Vouched the Interchange fees earned on Prepaid Card transactions to third party statements and obtained direct confirmation from the third party on the Interchange fees payable to the Company for the year under audit.
- Vouched the Interchange fees earned on current account transactions to third party statements.
- Vouched Interchange fees to cash.

Key observations communicated to the Audit Committee	We are satisfied that the Company has recorded revenue in line with its accounting policy. Based on our work performed we can conclude that the Company has recorded and recognised Interchange revenue appropriately in the year under audit.

Risk	Risk of management override International Auditing Standards (UK & Ireland) mandate the consideration of management override of internal controls as a fraud risk on all audits. The susceptibility of an accounting estimate to management bias increases with the subjectivity involved in making it. As part of our response to the risks of material misstatement involving management (i.e., the risk of management override), we review significant accounting estimates for evidence of management bias. We remain alert to the possibility that management's involvement in the preparation of the financial statements, and its responsibility for the judgments and assumptions relating to significant estimates, increases the risk of material misstatement due to fraud. Our risk assessment incorporated specific consideration of significant transactions and estimates, including: • Judgements applied by management in the valuation of share based payments; • Judgements applied in the calculation of the R&D tax credit claim; and • An assessment for evidence of fraudulent activity in journals posted throughout the year.

Our response to the risk	As previously noted, due to the controls not having operated for the full year of audit and the resulting lack of maturity in the control environment, we adopted a substantive testing audit approach which included increased sample sizes and substantiation across the population to gain assurance.
	
	In each area where we identified an associated risk of management override, we performed the following audit procedures:
	
	Share based payments
	
	• Agreed the completeness of share based payments to underlying employee contracts;
	• Engaged our specialists to:
	  ◦ Test the completeness of the parameters in the call option pricing model.
	  ◦ Review the appropriateness of existing valuation model.

    - Test the reasonableness of the risk free rate and volatility parameters as these are two parameters which are outside of the model market trends.
    - Recalculate the FV for all new options granted during the year under audit.
    - Review the financial statement disclosures.

R&D tax credit claim

- Engaged with our specialists to:
    - Discuss with management the basis of their R&D tax credit claim for both 2017 and 2018 year ends (both periods). Management informed us that they had engaged with their tax specialists to advise them on the R&D tax credit claim.
    - Obtain management's R&D tax credit calculation for both periods.
    - Obtain and reviewed the report from management's tax specialists on the R&D tax credit claim for both periods.
    - Review HMRC correspondence with the Bank and discuss with management the basis of discussions that they had with HMRC.
    - Review management's responses to HMRC's enquiries.
    - Assess the inputs to the R&D tax credit calculation and challenge any which are subjective or at risk of challenge from HMRC.
    - Review the provision management had recorded against the tax claim as a result of ongoing HMRC enquiries.
- Agreed the expenses included in the R&D tax credit claim to the income statements; and
- Reviewed the tax disclosures in the financial statements to the underlying calculations.

Journals with higher risk characteristics

As a standard procedure in response to the risk of management override we completed our journal entry testing for the year under audit. This testing focused on significant or unusual journals, focusing on significant risk areas, journals posted around key estimates and any topside adjustments using data analytics.

Key observations communicated to the Audit Committee

Share based payments

Based on our work performed, we have concluded that the Bank has appropriately valued the share based payments as at the year end date, using the Black Scholes option pricing model.

R&D tax credit claim

Our specialists performed an analysis to establish a reasonable range of estimates resulting in a provision which we believe is reasonable. The range was determined based on our understanding of the management's claim, our review of their responses to HMRC queries, and our industry knowledge. We reviewed management's claim within this range.

Based on this work performed and our assessment of the provision that management has recorded, we believe that the amount of the provision recorded against their claim is reasonable at the year end.

Journals with higher risk characteristics

We did not identify any unusual journals from the testing performed.

Risk	Incomplete and / or inaccurate transfer of assets from third party systems to the core banking system at the Company (2018 £26.4m, 2017 £0) During the year, the Company migrated the majority of its existing prepaid card customers, previously maintained by a third party (the Prepaid Third Party), to its in-house core banking system. There is a risk of inaccurate or incomplete transfer of key customer data during the migration process, which took place in phases.
Our response to the risk	To address the identified risk, we performed the following audit procedures: • Reconciled the net transactional movement on the banking ledger to third party settlement statements for a sample of days, in order to determine the completeness of customer data on the Prepaid Third Party systems pre-migration. • Traced the balances migrated from the Prepaid Third Party to cash amounts transferred by the Prepaid Third Party in relation to the previous pre-paid card customers now transferred to current accounts. • Obtained confirmation of amounts owed by the Prepaid Third Party in respect of customers who had been transferred but where cash had not yet been received in relation to the transfers. • Obtained post migration reports from the Prepaid Third Party to ensure the discontinuation of pre-paid card customer activity post-migration. • Reviewed management's reconciliation, as at 30 April 2018, of the remaining net settlement due from the Prepaid Third Party to confirm that there was no expected liability for Monzo to extinguish with the Prepaid Third Party as a result of the termination of the pre-paid card program post year end. • Circulated confirmations to a random sample of individual customers, to confirm the accuracy of balance(s) held by them with the Company as per their records. Where we did not receive a response on our confirmation request, we performed alternative procedures by verifying accuracy of the customer balance as per the Company's systems and the statements communicated by the Company to their customers.
Key observations communicated to the Audit Committee	The balances recorded in the financial statements as receivable due from the Prepaid Third Party as at the year end in respect of migrated account balances are complete and accurate. We note from our review of post migration activity reports from, and communication with, the Prepaid Third Party that migrated customer balances are no longer managed by the Prepaid Third Party.

Our confirmation procedures, and alternative procedures for non-responses, provided assurance over the accuracy of migrated customer balances, with no exceptions noted.

Based on our work performed, the Company has migrated customer balances completely and accurately from the Prepaid Third Party to its core Banking system.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for the Company. This enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Company and effectiveness of controls, including controls and changes in the business environment when assessing the level of work to be performed. All audit work was performed directly by the audit engagement team.

Our application of materiality

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

Materiality

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

We determined materiality for the Company to be £600k (2017 £132k), which is 1% of equity (2017 2% of admin expenses). We believe that equity provides us the appropriate magnitude on which an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, would reasonably be expected to influence the economic decisions of the users of the financial statements. The change from administrative expenses compared to prior year is due to the progress made by the Company and thereby changes in the focus of the users of financial statement.

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 Company's overall control environment, we have set performance materiality at 50% (2017 50%) of our planning materiality, equating to £300k (2017 £66k). The ongoing development of new products and internal processes has also contributed to our assessment of setting performance materiality at this level.

Reporting threshold

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

We have reported to the directors all uncorrected audit differences in excess of £30k (2017 £6k), which is set at 5% (2017 5%) of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report set out on pages 1 to 12, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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; or
- the 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 12, 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

The objectives of our audit:

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

- in respect to irregularities, considered to be non-compliance with laws and regulations, are to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations

Our approach in summary was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the Company complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Company and UK regulatory bodies; reviewed minutes of the Board and Risk Committee; and gained an understanding of the Company's approach to governance, demonstrated by the Board's approval of the Company's governance framework and internal control processes.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Company's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with the FCA and PRA.

- We understood the activities of the Company to primarily include deposit taking, with overdrafts as the main product offering. The Company received its full banking license in April 2017.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by inappropriate recognition of revenue and management override of controls.
- We continued to identify weaknesses in the Company's control environment in excess of what would be considered normal in the banking industry. This limited the opportunities that we had to place audit reliance on the design, implementation and operating effectiveness of the key controls that management relies on for the proper functioning of the Company's systems and processes. This is because the control environment is not mature and is currently under development. This substantially increases operational risk, and required us to identify and test any compensating manual controls and undertake further additional substantive testing in most areas of the Company's operations.
- The Company operates in the banking industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Javier Faiz (Senior statutory auditor) for and on behalf of Ernst & Young LLP,
Statutory Auditor
London
27 June 2018

Notes:

1. The maintenance and integrity of the Monzo Bank Limited web site 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 web site.
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 2018

	Notes	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Interest income		150	-
Fee and commission income		2,201	112
Fee and commission expense		(834)	-
Net fee and commission income	6	1,367	112
Other operating income		309	8
Credit impairment charges	7	(12)	-
Net operating income		1,814	120
Personnel expenses	8	(9,214)	(2,529)
Depreciation and Amortisation expense	16,17	(250)	(41)
Other operating expenses	11	(25,426)	(5,477)
Total operating expense		(34,890)	(8,047)
Loss before tax		(33,076)	(7,927)
Taxation	12	2,530	1,238
Loss after tax		(30,546)	(6,689)
Total comprehensive loss		(30,546)	(6,689)

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

The notes 1 to 28 form an integral part of these financial statements.

Statement of financial position
for the year ended 28 February 2018

	Notes	28 February 2018	28 February 2017
		£'000	£'000
Assets			
Cash and balances at bank	13	96,943	14,874
Loans and advances to customers	14	160	-
Other assets	15	41,880	4,402
Property, plant and equipment	16	823	178
Intangible assets	17	14	24
Total assets		139,820	19,478
Liabilities			
Customer deposits	18	71,276	-
Other liabilities	19	12,365	1,080
Total liabilities		83,641	1,080
Equity			
Called up share capital	20	-	-
Share premium account		93,989	26,298
Other reserves		871	235
Accumulated losses		(38,681)	(8,135)
Total equity		56,179	18,398
Total liabilities and equity		139,820	19,478

The notes 1 to 28 form an integral part of these financial statements. The financial statements on pages 23 to 48 were approved and authorised for issuance by the Board on 27 June 2018 and signed on its behalf by:

Tom Blomfield
Director

Statement of changes in equity
for the year ended 28 February 2018

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained losses £'000	Total equity £'000
Balance as at 1 March 2016	-	2,000	14	(1,446)	568
Shares issued	-	24,288	-	-	24,288
Cost of issuance	-	(63)	-	-	(63)
Share based payments reserve	-	-	294	-	294
Exercise of options	-	73	(73)	-	-
Losses for the year	-	-	-	(6,689)	(6,689)
Balance as at 28 February 2017	-	26,298	235	(8,135)	18,398
Shares issued	-	67,849	-	-	67,849
Cost of issuance	-	(437)	-	-	(437)
Share based payments reserve	-	-	915	-	915
Exercise of options	-	279	(279)	-	-
Losses for the year	-	-	-	(30,546)	(30,546)
Balance as at 28 February 2018	-	93,989	871	(38,681)	56,179

The share capital as at 28 February 2018 was £11 (2017 £7) which is shown as £nil (rounded to £'000) in the above table. See Note 20 for further detail.

Statement of cash flows
for the year ended 28 February 2018

	Notes	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Cash flows from operating activities			
Loss for the year		(30,546)	(6,689)
Adjustments for non-cash items:			
Depreciation of property plant and equipment		241	36
Amortisation of intangible assets		10	5
Share based payments		916	294
Provisions		12	-
Changes in operating assets and liabilities:			
Net increase in loans and advances to customers		(160)	-
Net increase in customer deposits		71,276	-
Increase in other assets	15	(37,477)	(4,082)
Increase in other liabilities	19	11,285	904
Net cash used in operating activities		15,557	(9,532)
Cash flows from investing activities			
Acquisition of property, plant and equipment	16	(886)	(201)
Acquisition of intangible assets	17	-	(29)
Net cash from investing activities		(886)	(230)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		67,398	24,225
Net cash from financing activities		67,398	24,225
Net increase in cash and cash equivalents		82,069	14,463
Cash and cash equivalents at beginning of year		14,874	411
Cash and cash equivalents at end of year	13	96,943	14,874

Notes to the financial statements

for the year ended 28 February 2018

1. Reporting entity

Monzo Bank Limited is a private limited Company incorporated and registered in England and Wales. Individual financial statements have been presented for the Company.

2. Basis of preparation

The financial statements have been prepared on an historical cost basis in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Companies Act 2006.

The financial statements are presented in Sterling (£'000 or £k), which is also the Company's functional currency.

The amounts expected to be recovered or settled for assets and liabilities in the financial statements are due no more than 12 months after the reporting period unless specifically stated.

3. New accounting standards

As at the date of these financial statements, certain standards were in issue and effective for periods beginning on or after 1 January 2018, and have not been early adopted for the year ended 28 February 2018. These standards have been adopted from 1 March 2018.

IFRS 9 Financial instruments

IFRS 9 will replace IAS 39 for annual periods on or after 1 January 2018. In preparation for the adoption of IFRS 9 from 1 March 2018 for the financial year ending 28 February 2019, the Company established an IFRS 9 governance framework and programme for implementation in compliance with the standard and regulatory guidance. The programme involved multiple functions across the Company and external consultants with a steering committee established providing oversight. The key responsibilities of the programme included defining IFRS 9 methodology specifically in respect of credit loss provisioning, identifying data requirements, development of expected loss models, and establishing an appropriate operating model and governance framework.

From a classification and measurement perspective, the new standard will require all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The accounting for financial liabilities will largely be the same as the requirements of IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit and loss (FVPL).

The adoption of IFRS 9 for the financial year beginning 1 March 2018 has not resulted in a significant change to the current financial asset and liability classification, with cash and balances at bank, loans and receivables and customer deposits, continuing to be measured at amortised cost under IFRS 9.

There has been a change in measurement bases specifically in regards to a change of basis of provisioning to a view of expected loss for financial assets such as overdrafts for Monzo. This change has not had a material impact in comparison to the provisions recorded under IAS 39. Further details are provided in Note 25.

The expected loss on other financial instruments such as cash and other assets is not considered material and as such has not been calculated.

IFRS 15 Revenue from contracts with customers

The Company has reviewed the requirements of the new standard and there has been no significant impact.

As at the date of these financial statements, certain standards were in issue but not yet effective and have not been applied.

IFRS 16 Leases (effective date for periods beginning on or after 1 January 2019)

This standard will result in lessees recognising both a right of use asset and a lease liability on the balance sheet under a single lease model removing the distinction between finance and operating leases.

A detailed analysis of the impact on the Company has not yet been performed though it is likely that on adoption there will be an increase in both assets and liabilities.

4. Critical accounting estimates, judgments and assumptions

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

Management considers that the accounting estimates relating to fair valuing stock based compensation (Note 10), going concern (see Director's report), the recognition of a research and development (R&D) credit (Note 15) and the recognition (or not) of deferred tax assets for carried forward tax losses (Note 12) as the most material to the financial statements.

5. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements to the extent they have not already been disclosed in the other notes above.

a. Interest income

Interest income is recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured. Included within interest income is the interest earned on the Company's overnight deposits with Bank of England based on the bank rates.

b. Fee and commission income/expense

Fees and commission income is recognised in the income statement as services are provided to the extent that it is probable that the economic benefits will flow to the Company and can be reliably measured.

Fees and commission expense is recognised in the income statement as services are received.

c. Financial assets and liabilities

The Bank applies IAS 39 to the recognition, classification and measurement, and derecognition of financial assets and liabilities.

There are no financial assets held as available-for-sale, or held-to-maturity and there are no financial assets and liabilities held at fair value through profit and loss.

i. Loans and advances to customers

Loans and advances to customers consist of overdrafts and overdrawn balances (unarranged overdrafts) are classified as ‘loans and receivables’. These are initially measured at fair value and subsequently measured at amortised cost less provision for impairment. The daily fee charged on overdrafts doesn’t contain an interest element so no effective interest rate method has been applied. The fee charged on overdrafts is recognised within fee and commission income.

See Note 25 for more details in respect to the provisions held for loans and advances to customers.

ii. Customer deposits

Customer deposit liabilities are recognised initially at fair value and are subsequently measured at amortised cost.

iii. Other assets

Receivables are recognised initially at fair value and subsequently measured at amortised cost.

iv. Other liabilities

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 usually paid within 30 days of recognition. Other liabilities are presented as current liabilities. They are recognised initially at fair value and subsequently measured at amortised cost.

d. Property, plant and equipment

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

Depreciation is provided on all property, plant and equipment, and calculated using the straight-line method to allocate their cost, net of residual values, over their estimated useful lives, as follows:

Office and IT Equipment – 3 years

Fixtures and fittings – 3.5 years

Fixtures and fittings include office fit out costs and legal costs of acquiring the office lease are recognised on a straight-line basis over the life of the lease.

e. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Externally acquired software and licenses are capitalised and amortised on a straight line basis over the length of the license (between 1 and 10 years).

f. Impairment of non-financial assets

The Bank assesses at each reporting date whether there are any indicators of impairment. If any indicators exist, the Bank estimates the asset’s recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. If the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired, and is written down to its recoverable amount.

g. Current Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities and involve a degree of estimation and judgement. The tax rates and tax laws used to compute the amounts are those that are enacted or substantively enacted, at the reporting date, when the Company generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Tax assets and liabilities relating to open and judgemental matters, including those in relation to the R&D reclaim are based on the Bank's assessment of the most likely outcome based on information available and probability of potential challenge. The Bank engages constructively and transparently with the tax authorities with a view to resolution of any uncertain tax matters.

h. Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply with the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. No deferred tax assets have been recognised as at 28 February 2018.

i. Leases

The Company applies IAS 17 Leases to its operating lease of office premises. As a lessee, rentals payable under operating leases are expensed to the income statement on a straight line basis over the period of the lease including any rent free periods.

j. Share-based payments

Employees (including senior executives) may be entitled to receive remuneration in the form of 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. Service vesting conditions apply; options vest evenly over fours years with a one year cliff where if an employee is a leaver within the first year of employment, all vested options at that date are forfeited. There are no non-market vesting conditions.

The cost of the employee services received in respect of the share options granted is recognised over the period that employees provide services. This is generally the period in which the award is granted or notified and the vesting date. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the options at the date of grant.

The fair value of options at the grant date is recognised as an employee expense with a corresponding increase in other reserves within equity over the period that the employees become unconditionally entitled to the awards. The grant date fair value is determined using valuation models which take into account the terms and conditions attached to the awards. Inputs into the valuation model include the risk free rate and the expected volatility of the Company's share price (see Note 20).

k. Pensions

The Company participates in a single defined contribution pension scheme. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability.

The Bank does not operate a defined benefit pension plan.

l. Foreign exchange

The Bank's financial statements are presented in GBP, which is the Bank's functional currency. That is the currency of the primary economic environment in which the Bank operates. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

6. Net fees and commission

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Fees and commission income		
Fee income on banking services	160	-
Interchange fee income	2,041	112
Fees and commission expense		
Fee expense on banking services	(834)	-
Net fees and commission	1,367	112

The reported fees and commissions are those which do not contain an interest element and do not form part of any effective interest rate calculations.

7. Credit impairment charges and other provisions

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Credit impairment charge on overdrafts and overdrawn balances	12	-
Credit impairment charges	12	-

See Note 25 for further information on the impairment charge in respect of overdrafts and overdrawn balances.

8. Personnel Expenses

Employee benefit expenses (including Directors) comprise:

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Salaries	7,167	1,995
Social security contributions	860	239
Contributions to defined contribution plans	194	-
Share based payments	916	295
Other personnel expenses	77	-
	9,214	2,529

The average number of employees of the Company during the period was 183 (2017 47). All were employed in management, operations and administration roles.

The increase in staff costs to £9.2m (2017 £2.5m) reflects the additional employees required to support the operational running of the Company.

9. Director's remunerations

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Total Directors' emoluments		
Wages and salaries	473	65
Share based payments	279	73
Contributions to defined contribution plans	2	-
	754	138
Highest paid Director		
Wages and salaries	139	60
Share based payments	166	-
	305	60

As at 28 February 2018 there were no loans outstanding to directors (2017 £nil) and there were no loans made to directors during the period (2017 £nil).

10. Share-based payments

The Company operates two share options schemes for the benefit of certain members of staff. The first is an HMRC approved Company Share Option scheme ('CSOP'), where awards can be made to employees subject to conditions. The strike price for these options is set according to the fair market share price at the time of issue as agreed with HMRC. The fair market share price was based on the pricing achieved in the funding round immediately preceding the issuance given the shares are not actively traded. For the Non-CSOP scheme, awards are made with the strike price set equal to the £0.0001.

The Company measures the cost of equity-settled options based on the fair value of the awards granted. The fair value is determined based on an appropriate valuation model (Black Scholes) given the share options are not actively traded. The use of an option valuation model to determine the fair value requires the input of highly subjective assumptions including the expected price volatility, expected life of the award and dividend yield. Changes in the subjective assumptions can materially affect the fair value estimates.

The main assumptions that have been used in deriving the value of the options at grant are;

Risk free rate – 0.84%

Volatility – 35%

Dividend yield – nil

Expected life – 4 years

The fair value of options at grant date is recognised as an employee expense with a corresponding increase in other reserves over the period that the employees become unconditionally entitled to the awards. The total expense in the year ended 28 February 2018 was £916k (2017 £294k).

	CSOP Number	Non - CSOP Number
Outstanding 18 February 2015	–	–
Granted during the period	12,615	28,990
At 29 February 2016	**12,615**	**28,990**
Share split	1,261,500	2,899,000
Granted during the period	1,698,407	714,698
Lapsed	(131,211)	(43,820)
Exercised	–	(355,459)
At 28 February 2017	**2,828,696**	**3,214,419**
Granted during the period	2,601,094	1,752,032
Lapsed	(216,599)	(240,096)
Exercised	(47,415)	–
At 28 February 2018	**5,165,776**	**4,726,355**

The range of exercise prices for the CSOP share options is £0.1997 - £2.35. The range of exercise prices for the non-CSOP share options is £0.0001. The weighted average remaining life of the CSOP and non-CSOP share options is 2.73 years.

11. Operating expenses

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Prepaid card scheme operating costs	14,308	2,712
IT costs	1,815	917
Premises and office costs	952	233
Marketing	390	376
Legal and professional fees	857	629
Accountancy and audit fees	450	277
Current account operating costs	5,953	-
Administrative expenses	701	333
	25,426	5,477

Auditors' remuneration for the audit of the financial statements was £91k (2017 £30k). There was no remuneration payable to the auditors in respect of non-audit services in the year (2017 £nil).

12. Taxation

Current tax

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
UK corporation tax credit on loss for the period	2,530	1,238

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Loss on ordinary activities before tax	(33,075)	(7,927)
Standard rate of corporation tax	19%	20%
Expected tax credit	6,312	1,585
Effects of:		
Expenses not deductible for tax	7	(27)
Additional deduction for R&D expenditure	1,882	966
Impact of surrendering losses at lower rate	(800)	(470)
Loss in year where no deferred tax asset recognised	(4,871)	(816)
Total UK corporate tax credit for the period	2,530	1,238

Deferred tax

The deferred tax included in the balance sheet is as follows:

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Included in debtors	-	-
	-	-

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Accelerated capital allowances	(1)	(25)
Losses	1	25
	-	-

A deferred tax asset has not been recognised in respect of tax losses carried forward totalling £29.6m (2017 £5m) as there is insufficient evidence as to their recoverability.

Factors affecting future tax charge

The UK Government has announced reductions in UK corporation tax to 17% by 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

13. Cash and balances at bank

The balance consists of balances held at bank, mainly on overnight deposit with the Bank of England, amounting to £96.9m at 28 February 2018 (2017 £14.9m). The balance held at Bank of England includes a cash collateral account as part of the Bank being a direct settling participant of the Faster Payments scheme.

14. Loans and advances to customers

Loans and advances to customers consist of approved overdrafts provided to customers of £112.4k (2017 £nil) and overdrawn balances on current accounts of £47.6k (2017 £nil), net of impairment. See Note 25 for further information on the impairment charge in respect of overdrafts and overdrawn balances.

15. Other assets

	Year ended 28 February 2018 £'000	**Year ended 28 February 2017 £'000**
Prepayments	2,016	348
Collateral provided to payment scheme providers	13,532	2,461
R&D tax reclaim	3,768	1,238
Accrued income	1,568	-
Deposit on premises	143	171
Receivable in respect of prepaid card program	11,288	-
Other receivables	9,566	184
	41,881	4,402

Included within other assets are £36m of financial assets and £5.9m of non financial assets. The credit quality of the financial assets is considered low risk.

The recognised R&D reclaim amount is considered a non financial asset and is based on a best estimate of the eligible costs. During the year management recognised an uncertain tax provision of £2.5m in relation to ongoing enquiries from HMRC into the R&D reclaim for the 2017 year end. Due to the uncertainty associated with the nature of expenses allowable for reclaim in such tax matters, the final outcome may vary significantly.

16. Property, plant and equipment

	Fixtures and fittings £'000	Office and IT equipment £'000	Total £'000
Cost:			
As at 1 March 2016	-	19	19
Additions	1	200	201
Disposals	-	-	-
As at 28 February 2017	**1**	**219**	**220**
Depreciation:			
As at 1 March 2016	-	6	6
Charge for the period	-	36	36
Depreciation on disposal	-	-	-
As at 28 February 2017	**-**	**42**	**42**
Net book value as at 28 February 2017	**1**	**177**	**178**
Cost:			
As at 1 March 2017	1	219	220
Additions	174	712	886
Disposals	-	-	-
As at 28 February 2018	**175**	**931**	**1106**
Depreciation:			
As at 1 March 2017	-	42	42
Charge for the period	47	194	241
Depreciation on disposal	-	-	-
As at 28 February 2018	**47**	**236**	**283**
Net book value as at 28 February 2018	**128**	**695**	**823**

17. Intangible assets

	Software licenses
	£'000
Cost	
As at 1 March 2016	-
Additions	29
As at 29 February 2017	29
Amortisation:	
As at 1 March 2016	-
Charge for the period	5
Amortisation on disposal	-
As at 28 February 2017	5
Net book value as at 28 February 2017	**24**
Cost	
As at 1 March 2017	29
Additions	-
As at 28 February 2018	29
Amortisation:	
As at 1 March 2017	5
Charge for the period	10
Amortisation on disposal	-
As at 28 February 2018	15
Net book value as at 28 February 2018	**14**

18. Customer deposits

The Company started taking customer deposits during the year with £71.3m received by financial year end which is held on demand.

19. Other liabilities

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Accruals	3,910	748
Accounts payable and other creditors	7,407	229
Other taxes and social security costs	431	103
Deferred income	617	-
	12,365	**1,080**

Included within other liabilities are £6m of financial liabilities and £6.3m of non financial liabilities.

20. Called up share capital

	Year ended 28 February 2018 £	Year ended 28 February 2017 £
Ordinary shares of £000000.1 each	11	7
	11	**7**

	Nominal	Number of ord shares	Number of deferred shares	Share Capital £
As at 1 March 2016	0.00001	**400,515**	**50,231**	**5**
Shares split	0.0000001	39,650,985	4,972,869	-
		40,051,500	5,023,100	5
Shares issued	0.0000001	11,676,610	-	1
Conversion to deferred shares		(13,125)	13,125	-
Cancellation of deferred shares		-	(5,036,225)	(1)
Options exercised	0.0000001	355,459	-	-
Shares issued	0.0000001	19,626,106	-	2
As at 28 February 2017		**71,696,550**	**-**	**7**
Shares issued	0.0000001	33,655,679	-	4
Options exercised	0.0000001	47,415	-	-
As at 28 February 2018		**105,399,644**	**-**	**11**

All Ordinary shares have the same full voting rights attached.

Some of the shares in issue are owned by the board, management and staff and are subject to time based vesting conditions. At the balance sheet date 3,142,018 (2017 10,636,554) shares were unvested. In the event of shares failing to vest the Company has the right to repurchase the shares at their nominal value.

21. Related party transactions and controlling parties

Controlling parties

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

Transactions with key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company excluding any Directors, for whom amounts have been separately disclosed in Note 9.

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

	Year ended 28 February 2018 £'000	Year ended 28 February 2017 £'000
Salaries & remuneration	433	177
Social security contributions	47	22
Share based payments	217	118
Contributions to defined contribution plans	12	-
	709	**317**

As at 28 February 2018, there were no loans or any other amounts outstanding with any key management personnel (2017 £nil).

Transactions with related parties

Transactions under ordinary course of business entered into by the Bank with related parties (associate entity of a shareholder)in the current year included £1.1m of fees charged to the profit and loss during the year and £6.7m(2017 £nil) receivable on the balance sheet as at 28 February 2018.

22. Contingent liabilities and commitments

Contingent liabilities

There are no significant contingent liabilities as at 28 February 2018 (2017 none).

Loan commitments

Total committed but undrawn facilities as at 28 February 2018 are £723k (2017: £nil) in respect of overdraft agreements. These commitments represent agreements to lend in the future subject to the terms and conditions of the agreement as such the amount and timings of future cash flows are uncertain.

Operating lease commitments

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

	28 February 2018	28 February 2017
	£'000	£'000
Within one year	651	127
Later than one year but not later than five years	879	1,175
Later than five years	-	-
Total	**1,530**	**1,302**

Post 28 February 2018, the Company has entered into a commitment to sign a lease agreement for occupation of a new office space subject to certain conditions being met by the lessor. The annual rent of the lease will be £1.3m per annum for a period of 2 years with a rent free period of 6 months.

23. Country reporting disclosure

In 2015, the UK Government enacted legislation (contained in the Financial Services and Markets Act 2000 Statutory Instrument 3118)) with respect to country reporting disclosure. As the Company only operates in the UK this requirement has been considered and no further disclosure is required.

24. Financial assets and liabilities

The balances in the tables below relate to financial assets and liabilities only and do not agree directly with the balances in the balance sheet which also include non financial assets and liabilities.

Financial assets and liabilities by measurement basis

	Held at amortised cost	Loans and receivables	Total
	£'000	£'000	£'000
As at 28 February 2018			
Financial assets			
Cash and balances at bank	-	96,943	96,943
Loans and advances to customers	-	160	160
Other assets	-	35,953	35,953
Total financial assets	**-**	**133,056**	**133,056**
Financial liabilities			
Customer deposits	71,276	-	71,276
Other liabilities	6,044	-	6,044
Total financial assets	**77,320**	**-**	**77,320**
As at 28 February 2017			
Financial assets			
Cash and balances at bank	-	14,874	14,874
Loans and advances to customers	-	-	-
Other assets	-	2,461	2,461
Total financial assets	-	**17,335**	**17,335**
Financial liabilities			
Customer deposits	-	-	-
Other liabilities	-	-	-
Total financial assets	**-**	**-**	**-**

Fair value of financial assets and liabilities

The carrying value of the financial assets and liabilities as outlined in the table above approximates to fair value and are categorised as level 2 within the fair value hierarchy.

Contractual maturity of financial assets and liabilities

	On demand	< 3 months	Between 3 months and 6 months	Over one year	Total
	£'000	£'000	£'000	£'000	£'000
As at 28 February 2018					
Financial assets					
Cash and balances at bank	96,943	-	-	-	96,943
Loans and advances to customers	160	-	-	-	160
Other assets	1,568	23,922	709	9,755	35,953
Total financial assets	**98,671**	**23,922**	**709**	**9,755**	**133,056**
Financial liabilities					
Customer deposits	71,276	-	-	-	71,276
Other liabilities	-	6,044	-	-	6,044
Total financial liabilities	**71,276**	**6,044**	**-**	**-**	**77,320**
Net asset position	**27,395**	**17,878**	**709**	**9,755**	**55,736**
As at 28 February 2017					
Financial assets					
Cash and balances at bank	14,874	-	-	-	14,874
Loans and advances to customers	-	-	-	-	-
Other assets	-	-	-	2,461	2,461
Total financial assets	**14,874**	**-**	**-**	**2,461**	**17,335**
Financial liabilities					
Customer deposits	-	-	-	-	-
Other liabilities	-	-	-	-	-
Total financial liabilities	**-**	**-**	**-**	**-**	**-**
Net asset position	**14,874**	**-**	**-**	**2,461**	**14,875**

25. Credit risk management

Credit risk is the risk of financial loss when customers or other counter parties fail to settle their contractual obligations to the Bank.

The Bank has exposure to a limited number of financial services counter parties under the ordinary course of business. The Bank manages and controls credit risk by setting limits on the amount of risk it's willing to accept for individual counter parties and monitoring exposures in relation to such limits.

The Bank also provides overdrafts to its customers which creates retail credit risk as customers may fail to pay. The maximum exposure to retail credit risk includes the total committed overdrafts shown in Note 22 and overdrafts on the balance sheet as loans and advances.

The Bank uses lending criteria when assessing applications for overdrafts which are aligned to Affordability principles (as outlined in the FCA's Consumer Credit sourcebook) and the Bank's risk appetite. The general approval process uses application data provided by the customer when they take on an overdraft and their credit history using information held by credit reference agencies. Customer exposure is actively managed to make sure that lending exposure is within the Risk appetite at all times. As a result, overdraft limits can be revised when applications are reassessed.

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

The principal committee at which the bank's retail credit risk is scrutinised and managed is the Risk Committee. In addition, the overall Risk appetite and lending criteria and policy is approved by the Board.

Impairment under IAS 39:

IAS 39 requires us to record impairment for an asset if we see objective evidence of impairment as a result of one or more events (ie financial stress) that occurred after the initial recognition of the asset.

See Note 7 for the provisions taken on overdrafts and overdrawn balances under IAS 39.

Impairment under IFRS 9:

IFRS 9 requires recognition of expected credit losses based on forward-looking information and for the Bank is applicable to overdrafts measured at amortised cost and overdraft commitments. IFRS 9 has been adopted from 1st March 2019. Under IFRS 9 guidance, assets are required to be classified into the following three stages:

1. *Stage 1:* For assets that have not had a significant increase in credit risk since initial recognition, 12-month expected credit losses (ECL) are recognised and interest revenue is calculated on the gross carrying amount of the asset.

2. *Stage 2:* For assets that have experienced a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment, lifetime ECL are recognised and interest income is still calculated on the gross carrying amount of the asset.

3. *Stage 3:* For assets that have objective evidence of impairment at the reporting date, lifetime ECL are recognised and interest income is calculated on the net carrying amount.

The Bank does not use the low credit risk exemption for overdrafts and does not measure expected credit losses on a collective basis.

The expected loss on other financial assets such as cash and trade receivables is not considered material considering the credit quality of the counter parties, and as such has not been calculated.

Overdraft credit risk management practices

The Bank considers an overdraft to have experienced a significant increase in credit risk when one or more of the following quantitative, qualitative or backstop criteria have been met:

1. *Quantitative criteria:* The remaining Lifetime PD (see definition of Lifetime PD below) at the reporting date has increased, compared to the residual Lifetime PD expected at the reporting date when the exposure was first recognised, by a ratio equal to 1.8

2. *Qualitative criteria:* short-term forbearance; death; unemployment; bankruptcy; divorce; whenever this information is available (i.e. the customer calls in to inform the bank they have lost their job)

3. *Backstop:* As defined in IFRS 9 where the customer is more than 30 days past due which is defined as 30 days after post overdraft repayment demand

At each reporting date, the Bank assesses whether financial assets carried at amortised cost are credit-impaired. The definition of 'credit-impaired' is aligned with the Bank's definition of default. The Bank defines an overdraft as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

1. 90 days past due

2. Non-Credit forborne covers bankrupt, IVA, deceased and other charge-off reason

3. The overdraft has been renegotiated because the customer's condition has deteriorated, unless there's evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment

The Bank writes off overdrafts against the related provisions when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include:

1. Customer indicates inability (cannot afford) to pay the outstanding balance over a reasonable period through a renegotiated repayment plan

2. It is deemed that the customer does not show enough "willingness to pay":

   - Not keeping promise to pay over a period of time

   - Defaulting in renegotiated repayment plan

   - Not contactable

The Bank may modify the terms of lending (currently overdrafts) provided to customers, to maximise recovery and help customers make the repayments required. These restructuring activities include extended payment term arrangements, payment holidays and payment forgiveness. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. Monzo will restructure outstanding overdraft balances when it is deemed the responsible way to help the customers pay the debt in a sustainable way. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset.

The Bank may write-off financial assets that are still subject to enforcement activity. The Bank still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the statement of comprehensive income. Monzo had no assets that were written off during the year ended 28 February 2018.

Model inputs and assumptions

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The IFRS 9 model developed by the Bank requires a number of key supporting policies and methodologies:

- **ECL** is determined by projecting the probability of default (PD), loss given default (LGD) and exposure at default (EAD) for each future month and for each individual exposure. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is summed to obtain the total of ECL losses.

- **Lifetime period -** The forecast period for amortising facilities is based on the remaining contractual term. For revolving facilities, such as the overdraft product, the lifetime period is based on an analytical approach rather than than contractual characteristics of the facility type.

- **PD** represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired"), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

- **Lifetime PD** is obtained by applying an appropriate default emergence curve to the current 12M PD defined on the basis of the current risk score (based on external bureau data). The default emergence curve defines the expected timing of defaults from the point of observation (reporting date) throughout the lifetime of the loans. Default emergence curves depend on the risk band of the exposure to model mean reversion effects. Due to the lack of historical data, default emergence curves have been initially based on benchmark models and expert judgement.

- **EAD** is based on the amounts Monzo expects to be owed at the time of default. EADs are determined based on the expected payment profile, which varies by product type. For Overdraft, the exposure at default is predicted by taking current drawn balance and adding a Credit Conversion Factor (CCF) that allows for the expected drawdown of the remaining limit by the time of default. Due to the lack of internal historical data, CCF has been defined using expert judgement and Basel regulatory values.

- **LGD** represents Monzo's expectation of the extent of loss on a defaulted exposure and is expressed as a percentage loss per unit of EAD. LGDs have been set at product level due to the limited differentiation in recoveries achieved across different borrowers. Due to the lack of internal historical data, LGD have been defined using expert judgement and Basel regulatory floors.

- **Discounting -** Monzo does not charge interest on overdrafts, as such ECL will not be discounted.

- **Risk Grade -** The Bank allocates each exposure to a Credit Risk Grade based on its Credit Bureau score. Each Credit Risk Grade is associated with a 12 months PD.

- **Forward-looking economic information** is also included in determining the 12-month and lifetime PD and LGD. The key factors included are net interest gearing and rate of change of unemployment. The assessment of significant increase in credit risk (SICR) for stage allocation and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting PD and LGD. Given the lack of internal data, this analysis used as a proxy unsecured lending time series of write off rates available from the Bank of England. These economic variables and their associated impact on the PD and LGD (no impact assumed on EAD) have been modelled. The different sensitivity to the economic cycle of the Bank's customers versus the sensitivity of the average UK unsecured lending customer has been taken into consideration.

- **Post Model Adjustments (PMA) -** Model outputs should be adjusted to account for situations where data is not available or where a change in policy is expected to have an impact on the model outputs that cannot be embedded in the current model calculation. No material post model adjustments have been included.

Model output

Based on the gross carrying value of the overdraft exposure as at 28 February 2018 of £120k, the ECL for the portfolio under IFRS 9 is calculated to be £11k. The entire overdraft exposure as at 28 February 2018 is classified as Stage 1.

26. Liquidity risk management

Liquidity risk is the risk that the Company could fail to meet its obligations as they fall due or can only do so at exceptional cost. This includes having the right type and quantity of funds, in the right place, at the right time and in the correct currency.

Liquidity risk is managed by the Treasury department and is also monitored by the second line Risk team. Reporting and management of the liquidity risk is monitored by ALCO, which meets on a monthly basis.

The company currently holds its surplus assets in overnight deposits with Bank of England which are accessible on demand to provide liquidity for the Bank.

The key metric used to monitor liquidity risk is the Liquidity Coverage Ratio (LCR). At year end and at all times throughout the year, Monzo was significantly in excess of all liquidity targets.

27. Capital management

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

Capital is one of the Bank's key measures and the Board approved capital risk appetite makes sure we're holding sufficient capital within regulatory requirements. The principal committee at which the bank's capital is scrutinised and managed is ALCO. The Executive Committee and Risk Committee review high level capital metrics, together with more specific details if there are any concerns. The Board and Risk Committees also receive high level metrics and commentary on capital risk and projections of capital usage and surplus going forward.

Monzo refreshes its Internal Capital Adequacy Assessment Process (ICAAP) on an annual basis, which includes a 3 year forecast of the Bank's capital position. The ICAAP is used to inform the future capital strategy and is submitted to the PRA following Board scrutiny and approval.

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

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

To avoid breaching a regulatory capital measure, a board approved Management Buffer of additional capital is imposed above the regulatory threshold. Unlike the regulatory limits, the Management Buffer is designed to be utilised in a controlled manner when required.

Key capital risk metrics

Monzo's key capital metric is the current and projected surplus of capital resources over regulatory capital requirements. The CET1 ratio is also monitored.

During the year ended 28 February 2018, the Bank complied in full with all its externally imposed capital requirements.

28. Market risk management

The only form of market exposure faced during the year was foreign exchange risk. During the year, a portion of the collateral held with payment scheme providers was held in USD and unhedged. This was converted to GBP during the year which resulted in a one-off foreign exchange loss of £380k recognised within operating expenses (refer to Note 11).