

**monzo**

**Monzo Bank Ltd**  
**Pillar 3 Disclosures**  
**2020**

**29 February 2020**

Registered number:  
09446231

Registered office:  
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London EC2A 2AG

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# Introduction

Monzo is an app-only digital bank and everything we do is intended to make for a delightful customer experience, whoever you are. We have an amazing community of users that is helping us to build something we all love by regularly testing new features and giving us feedback.

We were granted a full unrestricted banking licence in April 2017 and proceeded to launch our current account in October 2017. As at February 2020 our total customer user base was 3.9m.

This document constitutes the Pillar 3 disclosures of Monzo Bank Ltd ('the Bank') as required under the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV). The purpose of this document is to provide information and disclosures to the Bank's depositors, investors and other stakeholders, in relation to the internal procedures and policies adopted by the Bank to manage and mitigate its key risks.

Pillar 3's objective is to improve market discipline through effective public disclosure to complement the requirements for Pillar 1 and Pillar 2. As such, it includes details of:

- the approach to risk management, its policies and objectives;
- the governance structure of the Bank, including Board and committees;
- asset information and capital resources; and
- compliance with EU Capital Requirements legislation.

Pillar 3 disclosure requirements may be met by inclusion in the Annual Report. Where this is the case, references are provided to the relevant pages of the Annual Report.

Disclosures are presented as at 29 February 2020.

# Disclosures

## Basis of preparation

The Capital Requirements Regulation (CRR) (EU Regulation No 575/2013) and the fourth Capital Requirements Directive (CRD) (EU Directive 2013/36), known as the CRD IV package (CRD IV), were implemented in the UK on 1 January 2014. In December 2016, the EBA published its final guidance on regulatory disclosure following an update of Pillar 3 requirements by the Basel Committee in January 2015 and these guidelines apply from December 2017. Monzo has considered these guidelines where relevant although most of the disclosure tables are not relevant to the Bank as they only apply to global systemically important institutions (G-SIIs) and other systemically important institutions (O-SIIs).

Monzo's Pillar 3 disclosures comply with the requirements of CRD IV including any delegated and EU implementing legislation and any European Banking Authority (EBA) guidelines in force as at 29 February 2020, specifically part eight of the CRR which sets out the minimum disclosure requirements.

In accordance with Article 432 of the CRR, the Bank is permitted to exclude certain disclosures if they contain proprietary information or are non-material. Monzo has not omitted any disclosures on this basis.

As per Prudential Regulation Authority (PRA) policy statement PS7/13, the implementation of CRD IV is subject to transitional provisions. Full implementation is required by 1 January 2022 however, as the Bank is not affected by any of the remaining transitional provisions, these disclosures are made on a fully loaded basis.

In March 2017 the EBA issued guidelines (EBA/GL/2017/01) on the disclosure requirements for the liquidity coverage ratio (LCR). In line with this guidance, Monzo has adopted the disclosures to the extent that they are applicable to all institutions and has chosen to omit those disclosures that are only applicable to globally and other systemically important institutions.

In April 2017 the PRA issued supervisory statement SS2/17 which effectively modifies the disclosure requirements for remuneration. The statement introduces a proportional approach, with the extent of the disclosure being based on a measure of total balance sheet assets. Monzo continues to meet its obligations to disclose remuneration information, complying with the requirements of the CRR as modified by SS2/17.

In January 2018 the EBA published its final guidelines (EBA/GL/2018/01) on disclosure requirements for IFRS 9 transitional provisions. In line with this guidance, Monzo has adopted the disclosures to the extent they are applicable to the Bank.

## Corporate Structure

Monzo Bank Ltd is based in the UK. It has two wholly-owned subsidiaries; Monzo Inc and Monzo Support US Inc, both incorporated in the USA. Both entities are consolidated for accounting purposes under IFRS accounting rules, but they are below the thresholds as per CRR Article 19 and are therefore excluded from the scope of consolidated prudential reporting. These disclosures are therefore presented on a solo basis.

## Frequency and location of disclosures

Monzo's policy is to publish these disclosures on the company's website [www.monzo.com](http://www.monzo.com) on an annual basis.

## Verification

The Bank's Pillar 3 disclosures have been reviewed and approved by the Board. The Board considers that, as at 29 February 2020, it had in place adequate systems and controls with regard to the Bank's risk profile and strategy.

# Risk Management and Governance

Strong risk management is at the heart of everything we do. Over the past five years Monzo has successfully grown to a bank with 3.9 million customers that is committed to making money work for everyone. An integral part of this journey is ensuring that we have a strong risk and controls foundation so that this future growth can be sustained in a controlled way.

At Monzo we've adopted an Enterprise-wide Risk Management Framework. It is underpinned by our risk culture, making sure we put our customers first and grow Monzo safely. We continue to invest significantly in risk management to create an environment that promotes risk awareness and sound operational and strategic decision making, while making sure that we have a consistent approach to monitoring, managing and mitigating the risks that we face in our day-to-day activities. We have a detailed and robust Risk Development Plan to drive the delivery and embedding of our risk strategy over 18 months. We are 9 months into our journey and will continue through FY2021 to make sure all aspects of our strategy are delivered and embedded throughout Monzo.

For details on Monzo's risk management and governance framework please refer to the risk management sections of Monzo's Annual Report (pages 30–54 and page 58):

- Risk management framework p30–31
- Risk management function p32–33
- Risk policies p34
- Risk profile and our systems for monitoring them p35–43
- Governance structure p44–54
- Environment and climate change p58

Refer to appendix 6 for full details of CRR disclosure requirements covered in Monzo's 2020 Annual Report.

# Regulatory Capital

## Capital resources

Monzo currently only holds CET1 capital resources to meet capital requirements. This is the strongest form of capital. It consists of ordinary share capital, associated share premium and allowable reserves. Available CET1 capital resources are presented inclusive of transitional IFRS 9 adjustments.

## Capital requirements

Banks must hold sufficient capital resources to make sure that they can withstand losses. Monzo's requirements are as follows:

### Pillar 1 capital requirements

Pillar 1 capital is the minimum regulatory capital requirements relating to credit, market and operational risks.

The minimum capital requirement is 8% of Risk Weighted Assets (RWAs). CRD IV allows a range of approaches that vary in sophistication to be used to determine RWA amounts.

Monzo uses the Standardised Approach to determine risk weights for credit risk. The Basic Indicator Approach is used to determine operational risk RWAs. As Monzo's exposure to market risk is less than the de minimis level prescribed by the CRR, the Bank does not have a Pillar 1 capital requirement for market risk.

## Pillar 2 capital requirements

The Pillar 2 requirements help ensure that institutions hold appropriate levels of capital for the risks they are exposed to. It is determined as part of the Supervisory Review and Evaluation Process (SREP). The PRA reviews and evaluates Monzo's capital requirements including Monzo's own assessment of its capital adequacy determined by the Internal Capital Adequacy Assessment Process (ICAAP). There is an overview of Monzo's ICAAP process on page 127, note 21, of the Annual Report.

The Pillar 2 requirement is divided into capital held against risks not captured or not fully captured by Pillar 1 (Pillar 2A) and risks to which a firm may become exposed under a stressed environment (Pillar 2B).

### Pillar 2A

Pillar 2A requirements are designed to capture the firm specific risks that are not addressed or not fully captured by the minimum capital requirements under Pillar 1. The PRA informs banks of their Pillar 2A requirements by setting a firm specific Total Capital Requirement (TCR).

Monzo's prescribed TCR was updated to 13.65% of RWAs plus a static add on of £21m in May 2020. These disclosures have been prepared applying this TCR to Monzo's position as at 29 February 2020.

## Pillar 2B

This is a firm specific buffer in addition to the TCR and is designed to allow us to continue to meet our TCR under stressed conditions. To calibrate this buffer in a way that provides sufficient protection, Monzo has considered the cost of winding down the entire company and different stress scenarios. The firm specific buffer takes into consideration the extent to which the CRD IV Combined Buffer (The Capital Conservation Buffer and any applicable systemic buffers) already captures risks that are not covered by Pillar 1 so as to avoid duplication.

## Regulatory capital buffers (Combined buffers)

### Countercyclical Capital Buffer (CCyB)

Monzo is required to apply a CCyB of up to 2.5% of RWAs. The firm specific buffer is calculated by multiplying the country specific CCyB rate with the RWAs for any relevant credit exposures in that country. The CCyB rate for the UK is set by the Financial Policy Committee (FPC) of the Bank of England. The rate at Monzo's year end was 1%. On 11th March 2020 the Financial Policy Committee reduced the UK CCyB to 0% with immediate effect.

The FPC is also responsible for setting additional sectoral capital requirements. Institutions may be required to hold additional capital for exposures to particular sectors if the FPC believes that excessive lending to those sectors poses a risk to financial stability. Monzo does not currently have a sectoral capital requirement.

### Capital Conservation Buffer (CCB)

The CCB is a general buffer of 2.5%. It applies to all banks and can be used to absorb losses whilst avoiding breaching minimum capital requirements.

## Leverage ratio framework

The CRR requires banks to calculate and publish information on their leverage ratio. There is currently no binding minimum leverage ratio in force from EU level legislation.

In June 2019 the European Commission published changes to CRR and CRD (collectively referred to as CRD V) that introduce a minimum binding leverage ratio of 3%, applicable from June 2021.

In the UK the PRA has implemented a UK Leverage Framework; however, Monzo is not in scope of this framework as its retail deposits are currently less than £50bn.

## MREL

Minimum Requirements for own funds and Eligible Liabilities (MREL) are the minimum amount of equity and subordinated debt a firm must maintain to support an effective resolution.

Monzo's current MREL requirement is equal to its regulatory total capital requirement. Therefore Monzo does not need to hold any MREL compliant instruments in addition to those required to satisfy its current capital requirement. Monzo considers MREL rules in its business planning to make sure that it will be able to meet future MREL requirements.



# Capital Disclosures

Monzo raised £113m in the year to February 2020 to fund continued growth in the business. The closing CET1 capital position at Monzo's year end was £142.6m. Throughout the year Monzo was fully compliant with regulatory capital requirements including all relevant capital buffers.

**Table a: Statement of changes in equity for the year ended 29 February 2020**

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

## Capital ratios

Monzo was compliant with all capital ratio requirements throughout the year to February 2020.

**Table b: Capital and leverage ratios**

	29 February 2020	28 February 2019
	£'000s	£'000s
Shareholders equity per statement of financial position	128,136	115,670
Common Equity Tier 1 (CET1) capital	142,642	97,632
Total capital	142,642	97,632
Risk weighted assets	202,708	93,972
CET1 ratio	70%	104%
Total capital ratio	70%	104%
<b>Leverage ratio</b>	<b>8.1%</b>	<b>15.5%</b>

Capital resources are used to fund early stage losses and to support Monzo's growth. The key ratios will increase when new capital is raised from our investors and then gradually fall as capital is consumed and lending increases.

Significant growth in total balance sheet assets, and therefore RWAs and leverage ratio exposure measure, is primarily responsible for the movement in capital ratios during the period. Total balance sheet assets were £1,721m at 29 February 2020, compared with £614m at 28 February 2019. The impact of the increase in capital requirements was partially offset by an increase in CET 1 capital during the period. CET 1 capital at 29 February 2020 was £142.6m, compared with £97.6m at 28 February 2019. Refer to appendix 1 for a reconciliation between financial statements and regulatory capital.

## Leverage Ratio

The leverage ratio measures the relationship between Monzo's core tier 1 capital and the firm's assets, in order to calculate capital adequacy. The leverage ratio was compliant with internal and regulatory requirements for the year ending 29 February 2020.

**Table c: Leverage ratio**

	<b>2020</b>	<b>2019</b>
	£'000	£'000s
Balance sheet assets	1,720,536	614,426
Off balance sheet assets	27,815	14,074
Other adjustments	15,892	<b>2,870</b>
<b>Total</b>	<b>1,764,243</b>	<b>631,369</b>
Tier 1 capital resources	142,642	97,632
<b>Total</b>	<b>142,642</b>	<b>97,632</b>
<b>Leverage Ratio</b>	<b>8.1%</b>	<b>15.5%</b>

Managing leverage is part of Monzo's planning processes. The Bank's leverage ratio is reviewed and managed by the Asset and Liability Committee (ALCO), which is a sub-committee of the Executive Committee (ExCo).

The off balance sheet assets in the table above are unutilised overdraft limits.

The majority of the other adjustments in the table above are specific credit risk adjustments relating to IFRS 9 with the rest being the grossing up of the carrying value of assets.

## Risk Weighted Assets

Monzo's risk weighted assets consist of credit risk exposures to financial institutions and lending to customers, determined using the Standardised Approach; and operational risk, calculated using the Basic Indicator Approach.

As at 29 February 2020, Monzo has no Pillar 1 requirement for market risk as the Bank's exposure to market risk is less than the de minimis level prescribed by the CRR.

**Table d: RWAs as at 29 February 2020**

	RWAs	Pillar 1 Capital
	£'000s	£'000s
Credit Risk	157,594	12,608
Operational Risk	45,114	3,609
<b>Total</b>	<b>202,708</b>	<b>16,217</b>

## Credit Risk

**Table e: Pillar 1 credit risk capital requirement as at 29 February 2020**

	Exposure	RWA	Pillar 1 Capital	Average Exposure
	£'000s	£'000s	£'000s	£'000s
Central Banks or Central Governments	1,501,395	–	–	1,054,010
Corporates	6,932	6,932	555	3,314
Equity (investments in subsidiaries)	443	1,108	89	1,912
Institutions	49,918	9,984	799	53,830
Retail	141,511	106,199	8,496	76,139
Other items	36,229	33,371	2,669	20,133
<b>Total</b>	<b>1,736,428</b>	<b>157,594</b>	<b>12,608</b>	<b>1,209,338</b>

Credit risk is the risk that a customer or counterparty defaults on their contractual obligations to Monzo, or fails to perform their obligations in a timely manner leading to financial losses.

Under the Standardised Approach for calculating credit risk RWAs the exposure value is stated net of specific credit risk adjustments. Specific credit risk adjustments are determined in accordance with the IFRS 9 accounting standard.

Monzo's main credit risk arises from its overdraft and instalment loan products as well as short term credit risk exposures to financial institutions, such as with our correspondent bank.

Monzo's largest exposure is to central banks and central governments and is risk weighted at 0% as set out in the CRR.

Monzo's equity exposures relate to its investment in its US subsidiaries. During the year Monzo opted to apply the treatment under CRR Article 48, risk weighting the exposure at 250%, rather than deducting the exposures from CET1 capital as was done in the 2019 financial year.

As at 29 February 2020, after credit risk mitigation, all of Monzo's material exposures were to counterparties in the UK. With the exception of an exposure of £443k for Monzo's investment in its US subsidiaries and a £1.4m payment scheme receivable from a Belgium based counterparty.

Monzo's only form of Credit Risk Mitigation (CRM) is the use of credit guarantees where payment scheme receivables are guaranteed by cash collateral kept at a central bank.

Monzo uses ratings published by Moody's to determine its risk weighted exposure amounts. Where available, Moody's ratings are used to determine the risk weightings for wholesale exposures. Monzo maps the ratings to the appropriate credit quality step using the method prescribed by the Commission Implementing Regulation (EU) 2016/1799 and then applies the resultant risk weight to the exposure value to calculate the RWA value.

As at 29 February 2020 Monzo does not classify any of its exposures as being to SMEs.

**Table f: Exposure values by external credit ratings as at 29 February 2020**

	Aa3	A1	Unrated
	£'000s	£'000s	£'000s
Institutions	34,836	14,836	246
<b>Total</b>	<b>34,836</b>	<b>14,836</b>	<b>246</b>

**Table g: Summary of contractual residual maturity of exposures as at 29 February 2020**

	On demand	< 3 months	Between 3 months and 6 months	Between 6 months and 1 year	Over one year	No defined maturity	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Central Banks and Central Governments	1,316,458	164,237	-	-	-	20,700	1,501,395
Corporates	1,981	171	290	-	4,490	-	6,932
Equity (investments in subsidiaries)	-	-	-	-	-	443	443
Institutions	34,895	15,023	-	-	-	-	49,918
Retail	71,402	5,778	5,582	10,476	48,273	-	141,511
Other Items	-	15,140	-	-	21,089	-	36,229
<b>Total</b>	<b>1,424,736</b>	<b>200,349</b>	<b>5,872</b>	<b>10,476</b>	<b>73,852</b>	<b>21,143</b>	<b>1,736,428</b>

### Past due

A financial asset is past due when a counterparty has failed to make a payment when that payment was contractually due.

### Impairments

At 29 February 2020 provisions stood at £20m. Please refer to pages 128–139, note 23, of the Annual Report for further information on the IFRS 9 provisions.

**Table h: IFRS 9 transitional provision impact as at 29 February 2020**

	<b>2020</b>
	£'000s
<b>Available Capital</b>	
Common Equity Tier 1 (CET1) capital	142,642
Common Equity Tier 1 (CET1) capital as if IFRS 9 transitional arrangements had not been applied	128,123
Tier 1 capital	142,642
Tier 1 capital as if IFRS 9 transitional arrangements had not been applied	128,123
Total capital	142,642
Total capital as if IFRS 9 transitional arrangements had not been applied	128,123
<b>Risk Weighted Assets</b>	
Total risk-weighted assets	202,708
Total risk-weighted assets as if IFRS 9 transitional arrangements had not been applied	191,819
<b>Capital Ratios</b>	
Common Equity Tier 1 (as a percentage of risk exposure amount)	70%
Common Equity Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	67%
Tier 1 (as a percentage of risk exposure amount)	70%
Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	67%
Total capital (as a percentage of risk exposure amount)	70%
Total capital (as a percentage of risk exposure amount) as if IFRS 9 transitional arrangements had not been applied	67%
<b>Leverage Ratio</b>	
Leverage ratio total exposure measure	1,764,243
Leverage ratio	8.1%
Leverage ratio as if IFRS 9 transitional arrangements had not been applied	7.3%

As permitted in CRR article 473a Monzo has opted to apply the IFRS 9 transitional provisions. This allows Monzo to phase in the impact of IFRS 9 provisions to CET1 capital via the credit risk provisions impact on retained earnings. This adjustment also has a corresponding effect on the risk weighted exposure amount. As can be seen from the above table, due to Monzo's relatively small loan book and corresponding small provision number, the impact on Monzo's capital position and ratios is small.

#### **Counterparty credit risk and credit valuation adjustments (CVA)**

Counterparty credit risk is the risk that a counterparty to a trading transaction defaults during the life of that transaction. CVA is the risk of valuation changes in transactions due to the change in a counterparty's credit risk. We have a very simple balance sheet and invest our significant surplus liquidity with central banks, therefore we do not currently have any counterparty credit or CVA risk.

### **Operational Risk**

Operational risk is the risk of loss that Monzo is exposed to due to inadequate or failed internal processes or systems, human error or external events. Monzo follows the principles of the "Three Lines of Defence" model that is outlined in the risk management section of our Annual Report to manage and mitigate operational risk. This includes specific committees in place to implement policies, procedures and processes to control or mitigate material exposure to losses.

Monzo uses the Basic Indicator Approach (BIA) to determine its Pillar 1 requirements for operational risk. The BIA uses an average of the last three years' operating income to determine the Pillar 1 requirement. This requirement is equal to 15% of the average annual operating income over a three year period.

### **Market Risk**

Market Risk is defined as the risk that movements in market prices (such as interest rates and foreign exchange rates) lead to a reduction in either the Bank's earnings or capital.

Since Monzo does not hold trading book instruments, our only market risk exposures that are subject to Pillar 1 capital requirements come from foreign exchange exposures. The Bank accepts a degree of risk that arises from the need to make payments to suppliers in certain currencies.

The Bank does not have a Pillar 1 requirement because our foreign exchange exposures are less than the *de minimis* level prescribed by the CRR.

### **Interest Rate Risk in the Banking Book (IRRBB)**

IRRBB is the risk of value changes to both earnings and capital arising from changes in interest rates. This can be caused by:

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

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

Monzo manages the risk of banking book positions in accordance with the risk appetite framework and regulatory constraints. This is performed by governance committees and the ALCO who evaluate new initiatives and risks. Interest rate risk is monitored by the Treasury squad on a daily and monthly basis with oversight from the Risk function and is reported to the ALCO on a monthly basis. The Treasury squad is responsible for balance sheet management and hedging strategies to manage interest rate risk.

Monzo monitors the sensitivity of both its earnings (net interest income) and the economic value of interest rate sensitive balance sheet items to a variety of interest rate shocks. We test the portfolio against a range of scenarios including:

1. the six prescribed scenarios per EBA guidelines on the management of interest rate risk arising from non-trading book activities;
2. various sized shocks to the asset profile and liability profile; and
3. the impact on 12 months of future income arising from shifts in different interest rates.

The current portfolio structure tends to benefit from rises in interest rates and suffer under falling interest rates. More information on Monzo's management of IRRBB is on page 127, note 22, of the Annual Report.

## Liquidity Risk and Funding Risk

Liquidity risk is the risk that the Bank fails to meet its short and medium term obligations as they fall due or can only do so at exceptional cost.

Funding risk is the risk that the Bank does not have sufficiently stable and diverse sources of funding. This includes having the right type and quantity of funds in the right place at the right time and in the needed currency.

Liquidity and funding risk is managed by the Treasury squad and is also monitored by the second line Risk team. This includes liquidity risk related to deposit outflows, undrawn exposures, and cash flow mismatches. Reporting and management of the liquidity and funding risk is monitored by the Treasury squad on a daily basis as well as by the ALCO on a monthly basis.

Monzo assesses its liquidity and funding risk profile annually in an Internal Liquidity Adequacy Assessment Process (ILAAP). The ILAAP is scrutinised and approved by the Board.

The Bank maintains a Liquidity Contingency Plan (LCP) as part of its Recovery Plan. This enables us to detect signs of liquidity or funding stresses early. There are planned actions available to avoid or minimise the impact of plausible stressed scenarios on our business operations and customers.

Monzo maintains liquidity resources within its risk appetite limits and above the regulatory minimum at all times. The Bank currently holds its surplus cash in overnight deposits with central banks. The cash is accessible on demand to provide liquidity for Monzo.

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.

### Liquidity Coverage Ratio

The LCR, prepared in compliance with the Commission Delegated Regulation (EU) 2015/61 ("DA") and Regulation (EU) 575/2013, is used by Monzo as a stressed measure of 30 day liquidity. The ratio as at 29 February 2020 was 771%.

Monzo's LCR has increased from 28 February 2019 due to increased customer deposits which led to a higher liquidity buffer held at central banks. Throughout the year Monzo's LCR was significantly higher than the minimum regulatory requirement.

**Table i: LCR as at 29 February 2020**

	2020	2019
	£'000s	£'000s
Liquidity Buffer	1,415,419	510,314
Net outflow	183,675	76,994
<b>LCR</b>	<b>771%</b>	<b>663%</b>



# Remuneration policies and practices

This section provides details of Monzo's Remuneration governance, policies and practices.

## Remuneration Governance

The Remuneration Committee (RemCo) is responsible for oversight of remuneration in Monzo Bank.

### Chair

Amy Kirk

### Members

In addition to the Chair of the Remuneration Committee (RemCo.), quorum is two independent Non-Executive Directors from an overall membership of four:

- Tim Brooke (Chair of Audit Committee)
- Keith Woollard (Chair of Risk and Compliance Committee)
- Gary Hoffman (Chair of the Board)

### Meeting frequency

As required by the Committee, but at least twice per annum. In the year to February 2020 RemCo met eight times.

### Purpose of this Committee

Responsible for remuneration and expense policy for senior management and overseeing the wider remuneration approach for Monzo Bank.

## Roles and Responsibilities

Roles / Committees	Description of Responsibilities (specific to the Remuneration Policy)
Policy Owner: VP, Reward	Authors, communicates and monitors adherence to the Remuneration policy.
The Board	Board approves recommendations from RemCo on the Remuneration Framework. Chairman and executive members of the Board approve remuneration of Non-Executive Directors (NEDs).
Remuneration Committee	Set remuneration for all Executive Directors and any other individual employees identified as Code Staff and the Chair of the Board*. Oversee the system in place for remuneration for the wider business.
Executive Committee	Reviews and agrees any changes to the Remuneration Policy and Procedure and submits these to the Remuneration Committee, which acts with delegated authority from the Board, for approval where this is required.
Chief People Officer	Day to day implementation of the Remuneration policy. ExCo has responsibility delegated to it for managing Remuneration decisions. Day to day decisions around Remuneration have been delegated to the Chief People Officer as described in the Delegated Authority document.
Compliance	Independent second line challenge to the management of remuneration risk.
Internal Audit	Independent third line challenge to the management of remuneration risk.

\* The Chair of the Board is a member of RemCo, but is not present for discussions on their Remuneration.

## Remuneration Policy

The Policy sets out our approach to remuneration with regards to all employees, to help ensure that Monzo is able to attract, motivate and retain the people we need, while meeting our regulatory and legal requirements. It also sets requirements to ensure remuneration and risk-taking are appropriately aligned.

### Policy Statements

1. We set remuneration to enable us to attract, motivate and retain the people we need for each phase of our growth.
2. We ensure that our approach to remuneration is aligned with our values. Our values align with the long-term interests of Monzo.
3. To manage remuneration associated risks we emphasise fixed pay and share options. Options aim to align Monzonaut's interests with the long-term growth of Monzo.
4. We ensure that our approach to remuneration aligns with all legal and regulatory requirements that apply to us.
5. We ensure that our approach to remuneration supports equal pay for equal work, and does not discriminate on the basis of non-role related characteristics such as, gender, race, sexuality, disability, age or religion.

### Performance framework

Our performance framework is designed to ensure that Monzo discourages risk taking which is outside of our risk appetite. Feedback and appraisal processes help us to nurture a committed, engaged and high performing team focused on delivering excellent customer outcomes. We do not give variable rewards directly related to sales or financial performance. As a crucial part of the employee lifecycle, this links in with the criteria we use for hiring exceptional people, building strong functional teams, and developing our employees.

Our feedback cycle includes formal appraisals, identifying areas for personal improvement and development, and performance management. Feedback is expected to cover measurable performance and behaviours including operating within Monzo's risk appetite and protecting its reputation.

Formal appraisals happen outside of promotion and remuneration decisions. Decisions to terminate employment for those who are not contributing to the Company as expected or are found to be operating outside our risk appetite are also made outside of formal appraisals. We expect everyone to give and request feedback frequently. The aim of formal appraisals is to ensure that every employee receives useful, long-term feedback, and is able to reflect on their personal and professional development, to direct this in line with the Company.

### Ongoing informal feedback

All employees are encouraged to give regular feedback based on behaviour or actions they have experienced. Employees are encouraged to take 1 to 1 meetings with members of their team, or other people they work with and engage with to solicit further feedback.

### Written, semi-annual reviews

More formal written appraisals are delivered twice each year by an individual's manager. There are three stages to the written appraisal process:

1. Feedback collection: qualitative feedback collected from all employees – peers, mentors and any direct reports and used to gather the individual's own thoughts on their performance

2. Written review document: the person's manager writes an overall appraisal of the employee's performance, incorporating both feedback from peers and their own view of the employee's work in the preceding months. The final document is shared with the employee.
3. Feedback discussion: the manager and employee meet to discuss the written review document, and to begin a development plan. Areas of outstanding performance are celebrated, and areas for improvement are raised and discussed.

### Remuneration package

We set remuneration to enable us to attract, motivate and retain the people we need for each phase of our growth.

#### Fixed remuneration

Fixed remuneration is determined based on our salary frameworks. Our frameworks reflect experience and skills that relate to the role, impact on business, and the individual's level of responsibility and contribution.

The salary levels in the framework are reviewed every year, benchmarked against salaries paid in the broader market and the Business's position. Each individual's salary is reviewed, but not necessarily changed, at least annually.

#### Variable remuneration

The remuneration of all employees includes share options, which are awarded when they join and then at set intervals after their start date. We believe that all employees should have the opportunity to share in the long-term success of Monzo. Our remuneration framework ensures that the value of share options we grant is less than 100% of the value of fixed remuneration when considered on an annual basis.

We do not operate an annual cash-based variable remuneration arrangement. Infrequent ad-hoc cash-based recognition payments are made to employees.

### Share option plans

Share options granted to new hires follow a standard vesting schedule over a four year period. No share options vest in the first year of employment. A quarter of the award vests after the employees' first anniversary and then the remaining options vest uniformly each month.

We grant further share options at set intervals after an employee's start date. These share options vest over four years typically with monthly uniform vesting starting two years after the date of grant. We are entitled to clawback all options granted if an employee is dismissed for gross misconduct.

### Company Share Option Plan (CSOP)

Options are granted under a CSOP, which has the following characteristics:

- Option strike price is agreed with HMRC
- Options need to be held for a minimum of three years to qualify for favourable tax treatment.
- Options awarded to an employee cannot exceed £30,000 (based on the value on the date they were awarded). The effective value at issue is zero because the options are priced at the current agreed valuation of the company and will only yield a benefit for the employee if the value of the company's shares increases.

### Unapproved share option plan

In addition, for more senior hires, options are granted under an unapproved share plan, which has the following characteristics:

- Option strike price is a nominal value of less than 1 penny.
- Options do not attract any favourable tax treatment

**Table j: Directors' remuneration for the year ended 29 February 2020**

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

### Code Staff

Certain individuals at Monzo have additional regulatory requirements as a result of their role or responsibilities. These can be categorised into the below:

- Joint Senior Management Functions (SMFs) – Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA)
- Sole SMFs – FCA only
- Material Risk Takers (MRT)
- Other staff

The Dual-regulated firms Remuneration Code applies to MRT as defined by Commission Delegated Regulation (EU) No 604/2014. As a Proportionality Level three firm Monzo is required to maintain an appropriate balance between fixed and variable remuneration, but is not subject to strict proportionality ratios between fixed and variable pay.

### Control functions

1. Employees engaged in control functions are remunerated independent of the performance of the business areas they control.
2. The remuneration of senior officers in Risk Management and Compliance is directly overseen by the Remuneration Committee.

### Variable remuneration

1. Guaranteed variable remuneration is treated as exceptional and requires approval by the Remuneration Committee, which will approve it as long as it is required to secure a candidate and it is limited to the first year of service.
2. We do not operate an annual cash-based variable remuneration arrangement. Infrequent ad-hoc cash-based recognition payments are made to employees.

### Clawback provision

1. Share options are subject to cancellation if the employee is terminated due to gross misconduct.
2. Unvested share options can be reduced in the following situations:
  - i. Employee misbehaviour or material error
  - ii. Material downturn in financial performance for the firm or relevant business unit
  - iii. Material failure of risk management
3. Clawback of vested share options can be triggered in the following situations:
  - i. Employee participated in or was responsible for conduct which resulted in significant losses to the firm
  - ii. Employee failed to meet appropriate standards of fitness and propriety
  - iii. Employee did not comply with any risk management procedure

**Table k: Directors' and material risk takers' remuneration for the year ended 29 February 2020**

	Year ended 29 February 2020	Number of beneficiaries
<b>Directors of the Board</b>	£'000	#
Fixed	736	8
Variable	265	1
<b>Total</b>	<b>1001</b>	<b>8</b>
<b>Other Material Risk Takers</b>		
Fixed	2,904	27
Variable	64	8
<b>Total</b>	<b>2,968</b>	<b>27</b>
<b>Grand Total</b>	<b>3,969</b>	<b>35</b>

# Appendix 1: Own funds disclosure template

The following table shows the make-up of own funds for Monzo at 29 February 2020 in the format prescribed in Regulation (EU) 1423/2013. Any blank cells in the template have been removed from this disclosure. Capital instruments and their related share premium accounts are stated after deduction of ineligible share capital of £13k. Retained earnings are presented inclusive of IFRS9 transitional adjustments of £14.5m.

## Own funds disclosure template

		2020	2019
		£'000	£'000
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>			
1	Capital instruments and the related share premium accounts	311,126	178,146
2	Retained earnings	(71,101)	(36,435)
3	Accumulated other comprehensive income (and other reserves)	17,306	3,164
<b>6</b>	<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>257,331</b>	<b>144,874</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>			
		£'000	£'000
23	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	(78)
25a	Losses for the current financial year (negative amount)	(114,689)	(47,164)
28	<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(114,689)</b>	<b>(47,242)</b>
29	<b>Common Equity Tier 1 (CET1) capital</b>	<b>142,642</b>	<b>97,632</b>
59	<b>Total capital (TC = T1 + T2)</b>	<b>142,642</b>	<b>97,632</b>
60	<b>Total risk weighted assets</b>	<b>202,708</b>	<b>93,972</b>

		2020	2019
<b>Capital ratios and buffers</b>		<b>%</b>	<b>%</b>
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	70%	104%
63	Total capital (as a percentage of total risk exposure amount)	70%	104%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	8.00%	8.00%*
65	of which: capital conservation buffer requirement	2.50%	2.50%
66	of which: countercyclical buffer requirement	1.00%	1.00%
<b>68</b>	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)</b>	<b>46.4%</b>	<b>94.8%</b>
<b>Amounts below the thresholds for deduction (before risk weighting)</b>		<b>£'000</b>	<b>£'000</b>
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	£443	N/A

\*Restated to reflect change in interpretation of EBA guidance

# Appendix 2:

## Asset encumbrance

The following tables provide information on Monzo's encumbered assets at 29 February 2020 in accordance with EBA guidelines EBA/GL/2014/03. Any blank cells in the template have been removed from this disclosure.

### Template A – Encumbered and unencumbered assets

		Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
		of which notionally eligible EHGLA and HQLA		of which notionally eligible EHGLA and HQLA		of which EHGLA and HQLA		of which EHGLA and HQLA	
		10	30	40	50	60	80	90	100
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
10	Assets of the reporting institution	40,226	20,700	–	–	1,680,310	1,415,411	–	–
120	Other assets	40,226	20,700	–	–	1,680,310	1,415,411	–	–

### Template B – Collateral received

The EBA Guidelines allow competent authorities to waive the requirement to disclose Template B – Collateral received and in Supervisory Statement SS 6/17 the PRA waived the Template B requirement subject to a firm meeting certain criteria. Monzo meets the criteria and therefore Template B is not disclosed.



**Template C – Sources of encumbrance**

		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered
		10	30
		£'000	£'000
10	Carrying amount of selected financial liabilities	140,813	40,226

**Template D – Information on the importance of encumbrance**

D – Exposure values for encumbrance are presented as at 29 February 2020. Monzo has chosen not to disclose median values for the previous 12 months, as prescribed by the EBA guidelines, as it believes that doing so would present a distorted and less reliable view of encumbrance. This is due to the transformation of the Bank's balance sheet over the period, with encumbered assets growing during the year in line with Monzo's growth in customers and the corresponding growth in the use of payment schemes. This has led to an increase in Monzo's collateral requirements.

Monzo is obliged to place collateral with central banks as a direct member of the Faster Payments Scheme. Monzo also has collateral requirements as a result of being a member of the Mastercard payments scheme. The value of unencumbered assets in table A includes fixed assets amounting to £21m. These assets would not be deemed to be available for encumbrance in the normal course of business.

# Appendix 3: Countercyclical capital buffer disclosures

The following tables disclose information on the calculation of the countercyclical buffer for Monzo at 29 February 2020 in accordance with Regulation (EU) 2015/1555.

## Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Break-down by country*	General Credit risk exposure		Trading book exposure		Securitisation exposure		Own funds requirements			Total	Own funds requirement weights	Counter cyclical capital buffer rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures**	Of which: Trading book exposures	Of which: Securitisation exposures			
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000		%
UK	185,115	-	-	-	-	-	£11,809	-	-	£11,809	1.00	1.00%
<b>Total</b>	<b>185,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>£11,809</b>	<b>-</b>	<b>-</b>	<b>£11,809</b>	<b>1.00</b>	

## Amount of institution-specific countercyclical capital buffer (£'000s)

Total risk exposure amount (£'000)	202,708
Institution specific countercyclical buffer rate	1.00%
Institution specific countercyclical buffer requirement (£'000)	£2,027

\*As permitted by delegated regulation (EU) No 1152/2014, as Monzo's relevant foreign credit exposures are below 2% of aggregate risk-weighted exposures Monzo has chosen to allocate these to the UK.

\*\*Values are shown after CRM

# Appendix 4: Analysis of leverage ratio

The following tables disclose information on Monzo's leverage ratio at 29 February 2020 in the format prescribed by Regulation (EU) 2016/200. Any blank cells have been removed from the disclosure.

## LR Sum: Summary reconciliation of accounting assets and leverage ratio exposures (£'000s)

		Applicable Amounts	
		2020	2019
1	Total assets as per published financial statements	1,720,536	614,426
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	27,815	14,074
7	Other adjustments	15,892	2,870
8	<b>Total leverage ratio exposure</b>	<b>1,764,243</b>	<b>631,369</b>

**LR Com: Leverage ratio common disclosure (£'000s)**

		CRR leverage ratio exposures	
		2020	2019
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,736,428	617,295
2	(Asset amounts deducted in determining Tier 1 capital)	0	0
<b>3</b>	<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>1,736,428</b>	<b>617,295</b>
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposures at gross notional amount	278,145	140,738
18	(Adjustments for conversion to credit equivalent amounts)	(250,330)	(126,665)
<b>19</b>	<b>Other off-balance sheet exposures (sum of lines 17 to 18)</b>	<b>27,815</b>	<b>14,074</b>
<b>Capital and total exposures</b>			
20	Tier 1 capital	142,642	97,632
<b>21</b>	<b>Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)</b>	<b>1,764,243</b>	<b>631,369</b>
<b>22</b>	<b>Leverage ratio</b>	<b>8.1%</b>	<b>15.50%</b>

**LR Spl: Split-up of on-balance sheet exposures  
(excluding derivatives and SFTs) (£'000s)**

		CRR leverage ratio exposures	
		2020	2019
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1,736,428	617,295
EU-3	Banking book exposures, of which:	1,736,428	617,295
EU-5	Exposures treated as sovereigns	1,501,395	537,614
EU-7	Institutions	49,918	46,186
EU-9	Retail exposures	141,244	19,512
EU-10	Corporate	6,932	3,519
EU-11	Exposures in default*	267	–
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	36,672	10,464

\* All exposures in default are retail credit risk exposures

**1. Description of the process used to manage the risk of excessive leverage**

The capital position and leverage ratio are managed within Monzo's risk appetite framework and monitored by the ALCO which is a sub committee of ExCo. This committee monitors the leverage ratio on a monthly basis. Management actions are recommended to the ALCO to prevent Monzo from being over leveraged and to make sure that capital ratios remain above the minimum capital requirements in both normal circumstances and in stress.

**2. Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers**

Significant growth in total balance sheet assets, and therefore the leverage ratio exposure measure, is responsible for the movement in the leverage ratio during the period. The impact of the increase in the leverage ratio exposure measure was partially offset by an increase in Tier 1 capital during the period.

# Appendix 5: Capital Instruments - main features

The following table shows the key features of Monzo's capital instruments in the format prescribed by Regulation (EU) 1423/2013.

1	Issuer	Monzo Bank Ltd.
2	Unique identifier	N/A
3	Governing law(s) of the instrument	English
<b>Regulatory treatment</b>		
4	Transitional CRR rules Post-transitional CRR rules	CET1
5	Post-transitional CRR rules	CET1
6	Eligible at solo/(sub-)consolidated/ solo & sub consolidated	Solo
7	Instrument types (types to be specified by each jurisdiction)	Share Capital
8	"Amount recognised in regulatory capital (currency in million, as of most recent reporting date)"	£311m
9	Nominal amount of instrument	£0.0000001
9a	Issue price	Various
9b	Redemption price	N/A
10	Accounting classification	Equity
11	Original date of issuance	Various
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Option call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates if applicable	N/A

<b>Coupons/Dividends</b>		
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
21	Existence of step up or incentive to redeem	N/A
22	Non-cumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion triggers	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify the instrument type convertible into	N/A
29	If convertible, specify the issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down description of write-up mechanism	N/A
35	“Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)”	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

# Appendix 6: CRR disclosure requirements met via Monzo's Annual Report

The following CRR disclosure requirements are met via information disclosed in the Annual Report.

CRR reference	High-level summary	Annual report reference
<b>Risk management objectives and policies</b>		
435 (1)	Institutions shall disclose their risk management objectives and policies for each separate category of risk, including the risks referred to under this Title. These disclosures shall include:	Risk management section of Monzo's Annual Report (Pages 30–43)
435 (1)(a)	the strategies and processes to manage those risks;	
435 (1)(b)	the structure and organisation of the relevant risk management function including information on its authority and statute, or other appropriate arrangements;	
435 (1)(c)	the scope and nature of risk reporting and measurement systems;	
435 (1)(d)	the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants;	
435 (1)(f)	a concise risk statement approved by the management body succinctly describing the institution's overall risk profile associated with the business strategy. This statement shall include key ratios and figures providing external stakeholders with a comprehensive view of the institution's management of risk, including how the risk profile of the institution interacts with the risk tolerance set by the management body.	
435 (2)	Institutions shall disclose the following information, including regular, at least annual updates, regarding governance arrangements:	Governance section of Monzo's Annual Report (Pages 44–54)
435 (2)(a)	the number of directorships held by members of the management body;	
435 (2)(b)	the recruitment policy for the selection of members of the management body and their actual knowledge, skills and expertise;	
435 (2)(c)	the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved;	
435 (2)(d)	whether or not the institution has set up a separate risk committee and the number of times the risk committee has met;	
435 (2)(e)	the description of the information flow on risk to the management body.	
<b>Capital Requirements</b>		
438 (a)	a. a summary of the institution's approach to assessing the adequacy of its internal capital to support current and future activities	Enterprise Risk Management Framework and risk appetite section of Monzo's Annual Report (Pages 31–34)



CRR reference	High-level summary	Annual report reference
<b>Credit risk adjustments</b>		
442 (a)	a. the definitions for accounting purposes of “past due” and “impaired”;	Note 23 – Credit Risk of Monzo’s Annual Report (Pages 128–139)
442 (b)	b. a description of the approaches and methods adopted for determining specific and general credit risk adjustments;	
442 (g)	<p>g. by significant industry or counterparty type, the amount of:</p> <ul style="list-style-type: none"> <li>i. impaired exposures and past due exposures, provided separately;</li> <li>ii. specific and general credit risk adjustments;</li> <li>iii. charges for specific and general credit risk adjustments during the reporting period;</li> </ul> <p>h. the amount of the impaired exposures and past due exposures, provided separately, broken down by significant geographical areas including, if practical, the amounts of specific and general credit risk adjustments related to each geographical area;</p> <ul style="list-style-type: none"> <li>i. the reconciliation of changes in the specific and general credit risk adjustments for impaired exposures, shown separately.</li> </ul> <p>The information shall comprise:</p> <ul style="list-style-type: none"> <li>i. a description of the type of specific and general credit risk adjustments;</li> <li>ii. the opening balances;</li> <li>iii. the amounts taken against the credit risk adjustments during the reporting period;</li> <li>iv. the amounts set aside or reversed for estimated probable losses on exposures during the reporting period, any other adjustments including those determined by exchange rate differences, business combinations, acquisitions and disposals of subsidiaries, and transfers between credit risk adjustments;</li> <li>v. the closing balances.</li> </ul> <p>Specific credit risk adjustments and recoveries recorded directly to the income statement shall be disclosed separately</p>	

