

monzo

Money
never felt
like Monzo

Monzo Bank Holding Group Limited
Annual Report 2024



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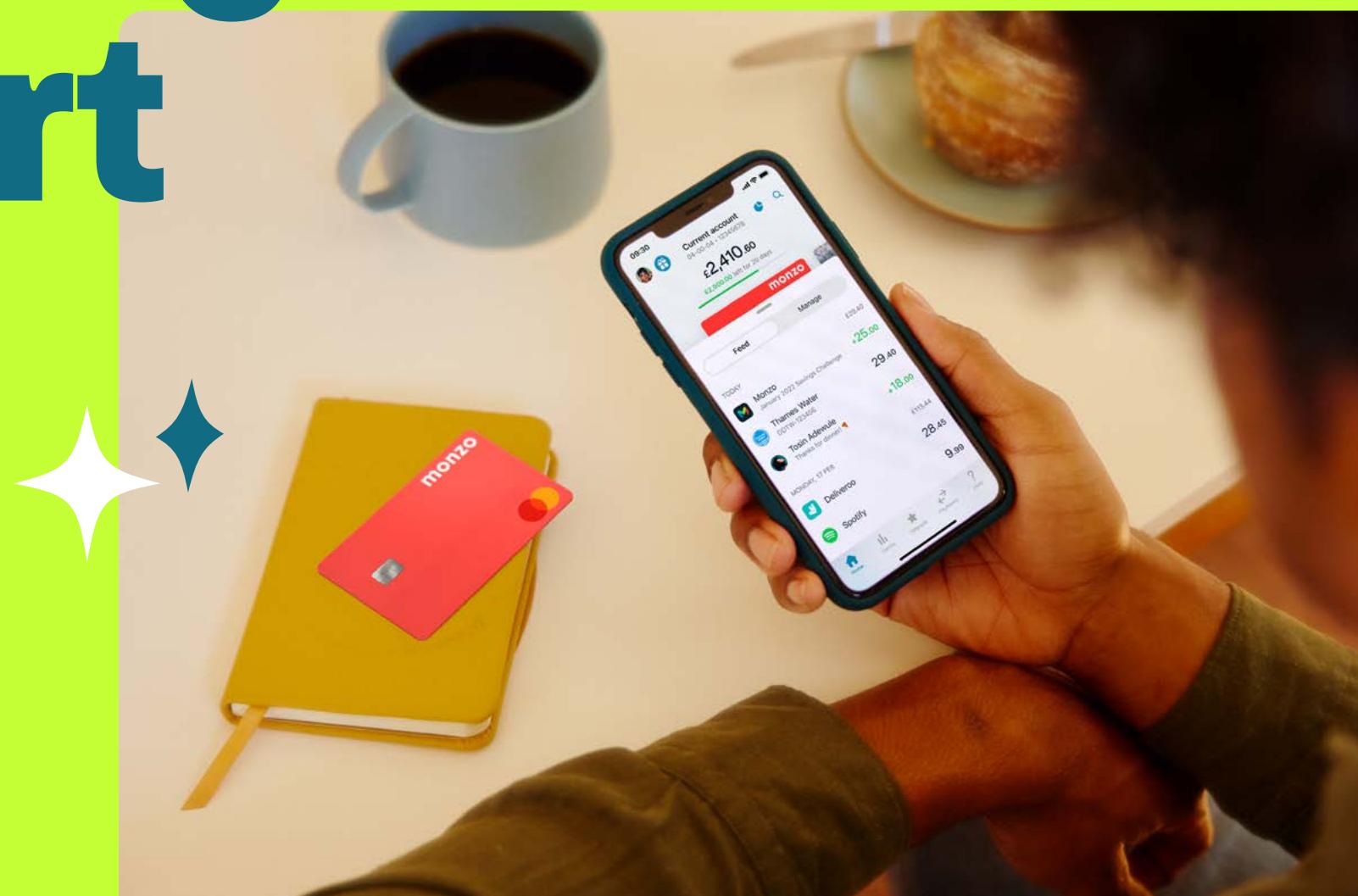
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Strategic report



Our year at a glance

Customer deposits +88%



FY2023

£6.0bn

FY2024

£11.2bn

**Profit before tax
£15.4m**

FY2024

£15.4m

FY2023

(£116.3m)



Average Net Promoter Score¹
+70
+67 FY2023

**Gross revenue growth
2.5x**

FY2023

£355.6m

FY2024

£880.0m

Customers +31%

46% from word of mouth

FY2023

7.4m

FY2024

9.7m

FY2024 results show the 13 months ended 31 March 2024 vs the 12 months ended 28 February 2023 for FY2023. This is because we changed our financial year during FY2024.

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

Best Business Banking Provider

Winner at the 2024 British Bank Awards as voted for by customers. Also highly commended under Best Credit Card Provider category.



Card spend +42%

FY2023

£33.6bn



£47.8bn

Total assets +94%

FY2024

FY2023

£6.7bn

£13.0bn

Colleagues +47%

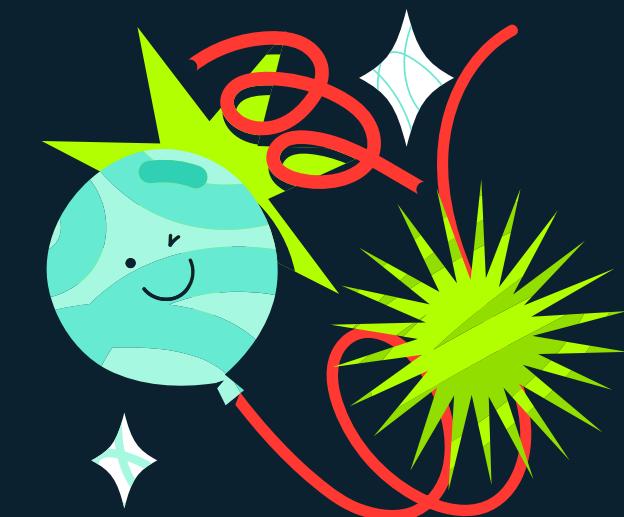
FY2024

FY2023

2,547

3,736

#1 bank



Top personal current account provider in Great Britain and Northern Ireland for Overall Service Quality, CMA 2024.²

² The Competition and Markets Authority (CMA) put in a set of reforms following its retail banking market investigation in 2016. The latest independent results from the large-scale survey rank the service quality of personal and business current account providers.

Who we are and why we're here

We believe that by focusing on what customers want, and solving actual financial problems rather than simply selling products, we can make money work for everyone.

9 years ago, we created Monzo because managing your finances was harder than it needed to be. Traditional banking failed to evolve with the way people use money in their everyday lives. The situation has improved a little since then – banks have gotten better at innovating for their customers, often driven to change by the success of 'disruptors' like us.

But most people still feel held back from achieving their goals by doubt and anxiety, and the experience of managing our financial lives is generally still complex and fragmented.

Above all, we want to make people feel more capable and confident about their money. We work hard behind the scenes to cut out the complexity and provide a service that's seamless. And we're there to celebrate the little wins that add up to financial progress, or deliver a pick-me-up when things don't quite go to plan. So that even when inevitable little setbacks happen, you still feel like you're heading in the right direction.

Our financial model is different, the way we design our products is different, and so money feels different with Monzo.

We know it's not possible to have the kind of transformational impact we're aiming for without carefully considering the needs of all the communities we serve. Even in the UK, too many people don't have access to vital banking services. Which is why we're working hard to improve financial inclusion by simplifying banking and supporting customers in vulnerable circumstances. We want to play our part in creating a better, more equitable society; and we're only just getting started.



Our values

From the very start of our story, certain attitudes and ways of collaborating defined how we wanted to work together and achieve our mission. We knew they spoke to the core of what we care about, so in 2019 we made them our official values – and they've guided us ever since.

These values aren't just words on a wall. They're woven into how we think about hiring new Monzonauts, how we reward progression, and how we make the hundreds of day-to-day decisions that shape the products our customers use.

We constantly check ourselves against them to make sure we're staying true to the high standards we set for ourselves. Celebrating our successes is an important part of that – as is being honest about where we've got room to improve.

Make a difference

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

Be hard on problems, not people

We create supportive communities to help people thrive.

Think big, start small, own it

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

Think customer first; grow Monzo safely

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

Default to transparency

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

Help everyone belong

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

Chair's statement

I'm delighted and proud to say that after years of incredible growth and progress at Monzo, this year is characterised not just by more of the same, but by even bigger and better accomplishments.



Gary Hoffman
Chair of the Board of Directors

FY2024 was a landmark year as we scaled further, continued to diversify and grow, and reported our first full year of profitability. Against a market backdrop of low consumer confidence as sustained high interest rates and inflation stunted the UK economy, we stayed close to our customers and supported them in more ways than ever.

Our performance this year propelled us to the important milestone of our first full year of profitability. On a pre-tax basis this came in at £15.4m, as we grew and diversified revenues and invested further in our people and platform. This is a major achievement, and one we are, of course, proud of. But, we're thinking of it as reaching another stage on our journey to achieving our mission of making money work for everyone.

FY2024 was another significant year for growth as we welcomed 2.3m customers to the Monzo community, taking our total customer base to more than 9.7m. I'm pleased to say that organic growth – or word of mouth – continues to be a key driving factor. An average of 160k personal and 15k business customers joined each month

as we rolled out a number of exciting new products including our hugely successful Instant Access Savings Pots, Monzo Investments, cashback and new international transfer capabilities.

All the strategic and financial progress we have made this year has been boosted further by our successful funding round, led by CapitalG, Alphabet's independent growth fund. Our valuation rose to over £4bn as a result of the new capital, which is a vote of confidence from investors and stands in sharp contrast to some of the drops in valuations elsewhere in the fintech sector over the past two years.

As we continue to scale and expand, we know that alongside the disruption, excitement and innovation that Monzo brings to the sector, having rock solid foundations and effective governance, controls and processes is more important than ever. This year, for the first time, we have made a governance statement and explained how we've complied with the Wates Principles for Corporate Governance (see page 68). While we've substantively complied with the principles in prior years, we are now required to formally adopt and report on the code.

In our 2023 Annual Report we said we would change our group structure in preparation for our big growth ambitions, and this year that's what we did. We set up a new UK holding company which sits at the top of the Monzo Group³, which is a typical move for ambitious

businesses that have further international expansion in their sights. Alongside this, we also shifted our financial year-end from the end of February to a more conventional quarter end of 31 March to put us more in line with other companies.

At an operational level we made big strides in our control environment. Throughout FY2024 we implemented extensive financial crime and fraud control improvements which have helped reduce the risks we, and our customers, face in these areas. This, along with many other initiatives across the group to improve efficiency, documentation and monitoring have helped us move to a robust and reliable control environment.

FY2024 was also the year we stepped up our focus on our environmental, social and governance (ESG) responsibilities. As a company that already touches the lives of 1 in 6 UK adults, we know we have an important part to play in protecting our environment and a responsibility to be as transparent as possible about the impact we have. So, we expanded our environmental reporting under the Climate-related Financial Disclosure (CFD) rules and did a full refresh of our ESG strategy to put us in the best possible position to go on and achieve our climate and net zero plans.

Looking ahead, the next 12 months are likely to pose a number of external uncertainties and create volatility that will challenge the banking sector and beyond. The UK has

just emerged from a technical recession, economic growth has slowed significantly and growth in the UK economy is expected to remain slow even as interest rates start to gradually come down. While these risks could impact our performance and plans, I believe that we are strongly positioned to not just withstand these potential headwinds, but actually go on to thrive in the face of them. Our business is built for growth and resilience in this next stage of the economic cycle.

My huge thanks go to TS and his team, the Board and my 3,700+ colleagues at Monzo who live the company's values and mission each day. It's their dedication to our mission and ambitions, hard work and talent which has not just helped us achieve so much in the past year, but makes me certain that the best of Monzo is yet to come.



Gary Hoffman
Chair of the Board of Directors
30 May 2024



Group Chief Executive Officer's review

This was a landmark year of milestones and momentum for Monzo.



TS Anil
Group Chief Executive Officer

We reached 9m personal customers, 400k business customers, launched game-changing new products, closed a £489.5m capital raise and, as planned, reported our first year of profitability. I've never believed in the idea that a company has to choose between either being mission-oriented or focussed on business outcomes. FY2024 proved Monzo is doing both – and that our strategy of placing the customer at the heart of everything we do is working at scale.

In nine short years, Monzo has come from nowhere to a position where one in six UK adults has a Monzo account and we're now the 7th largest bank in the UK by customer numbers. Our ambition is to serve tens of millions and eventually hundreds of millions of customers, both individuals and small businesses, and help them manage their money. I've been lucky enough that I've gotten to live and work in different parts of the world and I believe that every part of the world needs a Monzo.

At the heart of our success is the special connection we have with our customers. For five years running we've been ranked No.1 for Customer Service by the UK's Competition and Markets Authority (CMA) and our NPS score of +70 is exceptional by industry standards. Yet we don't rest on our

laurels or take the connection we have with our customers for granted. We continue to engage with, listen to and learn from them to build the one app that serves all of their money needs.

It's important to highlight that we've achieved so much despite challenging external conditions. The macroeconomic backdrop remains volatile. Geopolitical instability is affecting global confidence and, in the UK, we face persistent economic challenges while our customers continue to feel the pinch of the cost-of-living crisis, which is far from over. We will continue to evolve the execution of our strategy in response to the macroeconomic risks, but our growth shows that customers need us more than ever – and we're ready to welcome millions more of them. We've achieved scale, growth and profitability and now we have all the right components to power us towards our ambitions with full steam.

FY2024 in review

This year we've achieved exciting milestones and gained incredible momentum; our success is testament to the hard work of our people and our strategy. We set out to serve people with magically simple products that bring them daily actionable insights, help them make better decisions with their money, and move them closer to their financial goals in simpler and smarter ways.

And that's exactly what we've done over the past 13 months.

We've built a diversified business model that delivers sustainable and compounding revenue growth, and have achieved a full-year profit before tax of £15.4m versus a loss of £116.3m in FY2023. We achieved this by increasing revenues 2.5x, growing all revenue streams, which was driven by an increase in customers who are not just joining Monzo, but using us more to spend, save, invest or borrow.

Across personal and business accounts, customers are deepening their relationship with Monzo. Our Average Revenue Per User for personal customers is now £145 (up from £112 in FY2023) and for business customers is £502 (up from £404 in FY2023). We've also seen exceptional deposit growth of 88% for the year to £11.2bn. This underlines the trust customers are placing in us to look after their money now and in the future.

We continued to deliberately invest in our growth, and total expenses increased by 51% for the year as a consequence. We strategically expanded marketing expenses, growing brand awareness and capturing customer growth opportunities. In sharp contrast with the rest of the sector, we've seen colleague numbers increase as we continued to support a larger customer base, and launched new products to meet more customer needs. Despite these investments, and the inflationary environment, we scaled with discipline, continuing to increase our

overall operating leverage sharply, as costs grew at a much slower rate than revenues.

As the business has grown, with more customers bringing more of their balances and savings to Monzo, interest income has grown with it, as we hold larger cash and treasury balances. Our customer deposits increased by 88%, and we benefited further from rising interest rates on those balances. So we've shared the majority of base rate rises with our Instant Access Savings product customers. We launched Instant Access in February 2023 at a time when customers needed it the most. This year we've paid out more than £130m in interest, to over 1.3m customers who use the product. Increased customer numbers and transaction volumes also resulted in significant growth across our transaction and partnership revenues, allowing us to invest in future growth and to meet our customers' needs.

Monzo Investments arrived to tackle the barriers that hold people back from investing. We heard from customers that investing appeared too complex, and not for people like me, so we took this age-old and stagnant corner of finance, and made it accessible by layering our product with information and guidance and allowing customers to invest as little as £1. Today, more than a third of Monzo Investments customers are first-time investors, with that number rising to 45% when it comes to women. This is our mission coming to life and it fills me with excitement about what's to come.

We've continued to grow established parts of our business, with more than 500k customers using Monzo Plus and Monzo Premium. As customer needs have evolved, so have our subscription offerings, with the launch of Monzo Extra, Monzo Perks and Monzo Max arriving in April fuelled by feedback and input from 45k customers.

During FY2024 we welcomed more than 200k new business banking customers, surpassing the 400k mark in March 2024. We now bank 1 in 14 businesses in the UK. Our automated Tax Pots alone have helped businesses set aside more than £700m for their tax returns – with this being a much-loved feature by customers. We pride ourselves on taking the pain and work away from business owners so they can focus on what matters most to them.

We continue to support our customers with their borrowing needs. Whether it's short-term support through overdrafts or longer-term planning with Monzo Flex and loans, we've grown our gross lending book by 84% in the last year. This, coupled with parts of the book maturing and an increase in some customers falling into arrears, has resulted in a 75% increase in expected credit losses (ECLs), which is the expense that comes from providing for future credit losses. We expect to see this increase as we grow and when the economy is challenging for many of our customers. Despite the macroeconomic context, our realised losses, as a percentage of average lending balances, only increased marginally to 9.75% vs 7.58% last year, and ECL provisions were at 14.63%

relative to 13.95% last year. We see this trend of ECLs growing proportionately as we safely grow our lending business. We're also committed to taking a responsible approach to lending, underpinned by strong processes and credit assessments to make sure that anyone who borrows can afford to repay us.

Supporting our customers

One of the things that brings me the most joy is hearing about how Monzo has transformed people's financial lives. One particular online post from this year has stuck with me. Titled 'I never knew how much I needed a bank like Monzo', a customer shared how they'd overcome financial difficulties and taken control of their finances for the first time thanks to Monzo. It is incredibly inspiring to hear real stories of how we are helping customers in such meaningful ways.

Our industry-first Call Status tool, designed to prevent customers falling victim to impersonation scams, has led to roughly 700 reports of attempted fraud each month since launch. We've heard directly about the high-value scams that we've averted because of this feature and see it as yet another example of us raising the industry bar with leading tech. In another first, we also launched Mortgage Tracker, allowing customers to see their mortgage – with another lender – in the Monzo app. Customers already tell us how much this is helping them track and plan their mortgage payments in the current climate.

Our people

I've always believed that our people set us apart and we now have 3,700+ colleagues, all of whom are committed to our mission and our customers.

We made progress with our goal of decreasing the gender pay gap this year, with our median gap decreasing from 9.3% to 8.1%. There's always more work to do here and it'll remain a focus as we scale. Across the Boards and ExCo, women fill 44% of roles, and 28% are held by People of Colour. In tech leadership roles, we've seen the proportion held by women increase to 22.5% (up from 15.2% in FY2023), which is progress in an imbalanced sector.

We said goodbye to one of Monzo's founders, Jonas Templestein. After nine years, many as Chief Technology Officer, Jonas stepped away to spend more time with his family and start new adventures. We all owe a lot to Jonas' vision, creativity, humour and sheer hard work and wish him well in the future.

At the same time, we welcomed exceptional talent to the ExCo with the arrival of Sarah Manning as Chief People Officer, Matej Pfajfar as Chief Technology Officer and Conor Walsh as US CEO. With these arrivals, and others, we're bringing together the best of banking and technology to take on the opportunity ahead of us.

Looking ahead

We ended the financial year with the news that we raised new capital at a record valuation from leading global investors, led by CapitalG, Alphabet's independent growth fund. Much of the feedback I heard from investors during our conversations was that they considered Monzo an outlier, delivering the trifecta of scale, growth and profitability.

Alongside this capital raise, our profitable business model strengthens our financial position, meaning we can use the money we raised to grow to greater heights. The first port of call is the huge runway we see in the UK - to grow our customer base, and serve them with more products - and in the year ahead we'll be bringing Monzo into people's living rooms and beyond with an exciting new brand campaign. Our brand is incredibly special, allowing us to connect uniquely with our customers. In fact, you're 7x more likely to see the word "love" in online reviews about Monzo than for any other bank.

In the coming year we'll surpass 11m personal customers and increase the number of business customers we support by 25%. We'll launch many more products and features, including pensions and an expansion of our mortgage feature, delivering even more tools to help personal and business customers make the best financial decisions for them. And if external conditions change we'll adapt, as we have before, to meet our customers' needs and keep building the business.

Our ambition doesn't stop at the UK border though. It's global. We believe every part of the world needs a Monzo so we're focused on expanding our offering, building strategies to disrupt the US with a first-class leadership team in place. In Europe, Ireland will act as our gateway to European markets and we're in the early stages of setting up an Irish office.

I'm incredibly grateful to our Boards and all our colleagues for their hard work and commitment to our mission and values. It's a privilege to work alongside them all as we continue to make progress with such success on our journey. Each milestone we've reached to this point has given us more strength and speed to make strides towards our mission – now we're ready to seize the huge opportunity ahead.



TS Anil

Group Chief Executive Officer
30 May 2024



A photograph of a group of people dining at a wooden table. In the center, a woman's hands are shown holding a red Monzo card. Another person's hand is visible holding a blue Monzo card. On the table, there are several plates of food, glasses of water, and a teal wallet. A red napkin is folded like a fan on the left. A red double-headed arrow points from the text box to the red Monzo card.

2.1 million people and more than 200k businesses joined Monzo in the last year and in the year ahead we'll maintain this momentum and increase our market share.

Our business model and strategy

Making money work for everyone

FY2024 was a hugely successful year for attracting new customers to Monzo. In the year ahead we'll keep up that momentum we've built and continue to increase our share of the market and welcome another 2m customers. Most of this growth will be organic – customers joining us on a recommendation from a friend or family member – but we'll continue investing in marketing to bring more people on our journey and promote the new products we've launched that will help them manage their financial lives.

The only way to achieve our mission is to become a sustainable business, and profitability is a step on that journey. In FY2025 we'll continue attracting customers in the UK and overseas, increasing revenue per customer through existing products, like investments, savings and lending, and by launching new products, like new subscriptions and US savings accounts to meet more of customers' needs. We'll also work with our suppliers to help reduce operating costs as a share of revenue to increase our profitability.

Looking after longer-term money needs

Last year we launched Instant Access Savings Pots to give customers another way to save and grow their money, in addition to our easy access and fixed term options available through our partners. In February we launched an Instant Access Cash ISA to let customers save without paying tax on the interest they earn (up to the annual ISA allowance).

For even longer-term financial goals we launched Monzo Investments, helping customers invest and start building financial security for their future, without having to do the hard work. Customers can pick from 3 ready-made investment options based on the risk they're happy to take. Then let experts manage the rest for them.

Because it's investments done in a Monzo way, customers can grow their investing know-how as they go, with bite-sized topics that help them learn key elements of investing. And thanks to transparent fees, customers know exactly what they'll pay to invest.

Giving customers a choice of investment options is important to us. For example, we'll be launching a pensions offering, giving customers a single place to bring all their pensions together, letting them track and grow their money as they plan for retirement.

Owning a home is another big life moment for many people and now more than 200k people are tracking their mortgage in the Monzo app. With the rise in interest rates we wanted to make it easy for people to calculate if it could be worth them making an overpayment. There's a lot more we can do for homeowners though and in the coming year we'll introduce new things to help them make the best decisions for their financial needs.

Cementing Monzo as the best place for day-to-day money needs

We'll continue to improve our app experience, making sure that customers can do everything they need to do as easily as possible. Whether it's paying or getting paid, receiving international payments or depositing cash conveniently.

We want to make managing money as a family even easier, and to help kids learn valuable life lessons about money. So, this year we're launching an account for kids.

Monzo Plus and Monzo Premium have so far helped more than half a million customers to manage their money. In April 2024 we launched a new set of upgrade plans to give customers more choice when it comes to making their Monzo account fit their unique wants and needs.

We also launched cashback this year, to put more money back in our customers' pockets. We'll keep building on this over the coming year so customers can earn more of their money back when they spend.

We're really pleased that Monzo Flex picked up the Best Credit Card Award at the Best British Bank Awards but we're excited to make it even better. We already launched money transfers that let customers use Flex to send money to their account and pay for things when it's not possible to use a card. That's just one item on the list of improvements we plan to make though. Learning more about how Flex can meet customers needs is part of this process, as is understanding how it best fits into our strategy as a business.

Making it easier to run a business

Monzo Business is one of the most exciting and fastest growing areas for us at the moment. We have more than 420k business customers and we expect to increase that by at least 25% next year. In FY2024 we

launched some great new features designed to make life easier for business owners and their teams. They include using your phone to receive contactless payments with Tap to Pay, accepting payments in over 40 currencies, and earning interest on hard-earned cash in Savings Pots.

Our customers are mostly sole traders and micro companies. No matter their size or whether they have ambitions to grow the business or not, we're trying to give people more time back to run their businesses, making things simpler with features like expense management, bulk payments, enhanced access and permission management, and also by giving larger, limited companies access to borrowing.

Dialling up our focus on international expansion

We think the US market is crying out for a banking product like Monzo; something that gives Americans a way of pulling in all the different services they have today to make life easier for themselves. Our US CEO, Conor Walsh, joined this year to scale the US business from tens, to hundreds of thousands of customers.

So far we've been focusing on introducing US customers to the power of Pots: the signature Monzo method of setting aside money for a specific reason. With Expense Pots, customers can set aside money for

upcoming bills and with Savings Pots, customers can use automatic contributions to achieve their goals.

Even as interest rates have increased, many banks in the US are still not passing any benefit on to customers. We're adding interest to Savings Pots to help customers reach their savings goals faster by helping them earn a competitive interest rate. We're also working closely with the Monzo community in the US to help us prioritise building the features they value most.

In other exciting news, we've set our sights on Ireland as the destination for our EU base as we start laying the foundations for expansion across Europe. We'll share more on this big next step for Monzo soon.

Managing our risks

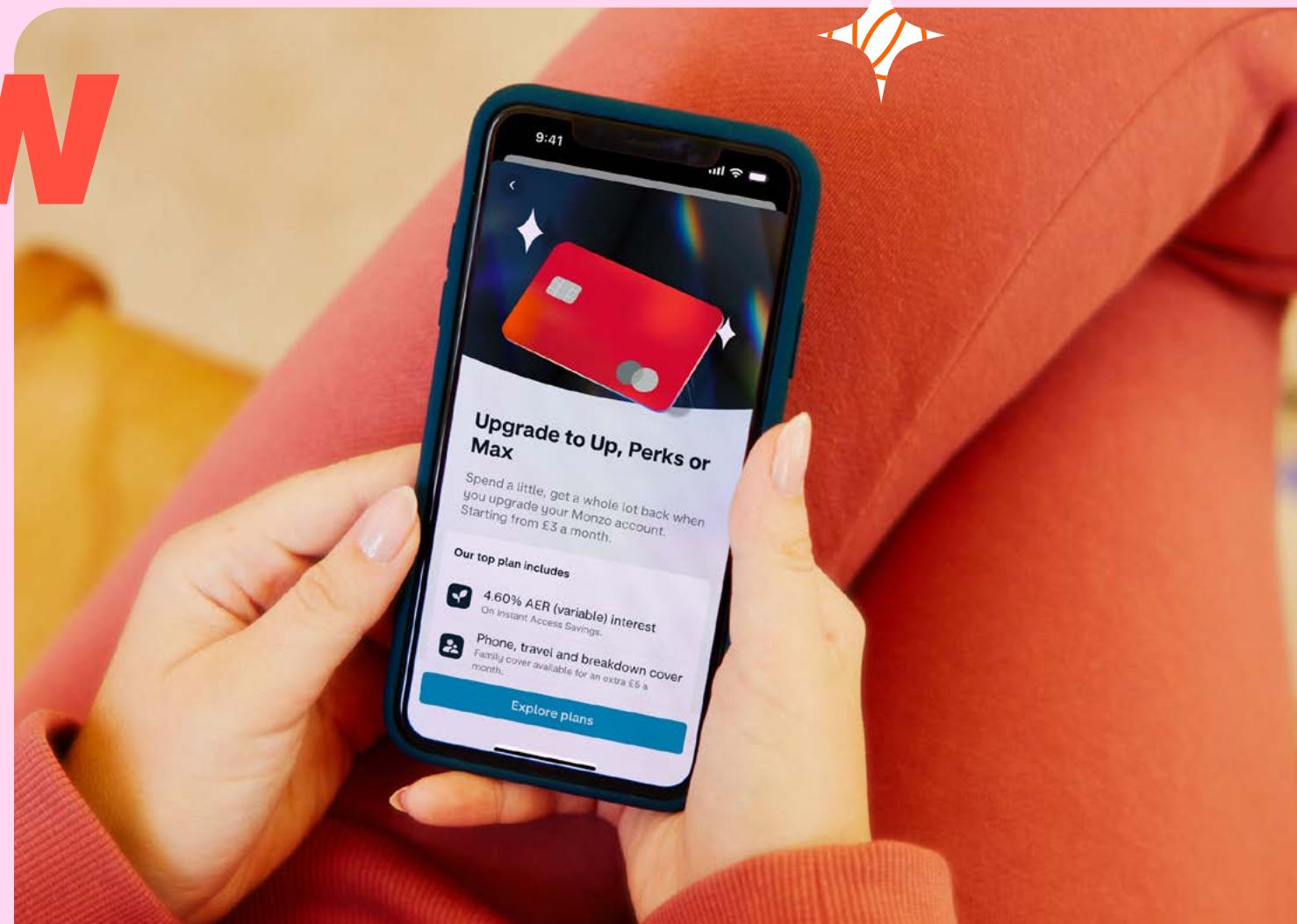
Part of being a bank is staying close to the risks we might face and knowing how to manage them so customers can use our services as they expect to. We're continuing to strengthen our risk management by introducing new systems and we'll use a wider range of funding sources, like repurchase agreements and adding covered bonds, to diversify our treasury investments portfolio. Naturally, our priority is making sure that our customers always have access to their money when they need it but we're also mitigating the risks that come from changing interest rates and earning additional interest income where we can.

We're always working to make our business more efficient

We'll continue to improve our processes by overhauling our internal tools, making the most of new technologies like artificial intelligence to boost our team's productivity. Just as we always have, we'll keep working with our suppliers to find opportunities to cut unnecessary costs, reduce our impact on the environment and get the best value for money from our largest suppliers. We'll continue hiring the best people and giving them the systems and tools they need to solve hard problems. We'll keep investing in fighting against fraud and the emotional and financial harm that it can cause. And finally, we'll keep making sure that our technology platform is resilient and secure with backup services ready to go in case of outages with key suppliers.



Financial review



Key performance indicators

Net operating income
2.4x

FY2023

£214.5m

FY2024

£514.4m

Total expenses

£499.0m FY2024
£330.9m FY2023**+51%**

Gross lending

£1.4bn FY2024
£0.76bn FY2023**+84%**

Common Equity Tier 1 capital (CET1)

(unaudited)
54% FY2023**55%**

Average revenue per user (ARPU)

Across personal customers

+29%

Across business customers

+24%

Net subscription income +41%

FY2024

FY2023

£19.5m**£27.4m**

Treasury investments

£3.6bn FY2024
£2.7bn FY2023**+33%**

Group Chief Financial Officer's review

In last year's report I said that we'd reached profitability in the first two months of FY2024 and now I'm delighted to say that we've hit the significant milestone of profitability for the first full financial year. We also generated £112.3m of free cash flow up until 31 March 2024.



James Davies
Group Chief Financial Officer

Our balance sheet has almost doubled in size as our extremely efficient customer acquisition engine improved even more. We welcomed 2.1m new personal and 200k new business customers, choosing to spend, invest and manage their money with us. This brings our total personal customers to 9.3m and our business customers to 420k. Profitability, increasingly diversified revenues and a maturing balance sheet, as our lending and treasury books grow, underpin our value. This was further demonstrated by another hugely successful fundraise, our largest to date, which is a massive show of confidence in our team and our plans for the future.

FY2024 made for a challenging customer spending environment. High inflation and rising interest rates put financial pressure on our customers. Global economic uncertainty has resulted in volatile markets and a slowing UK economy that ended the calendar year in a recession. While signs of improvement are appearing, global unrest, inflation and interest rates remain high. All of these factors increase the financial pressure on our customers' disposable incomes and the risk they're unable to repay us, which could result in lower transaction revenues and

higher ECLs. This makes it more important than ever for us to support them, while continuing to grow Monzo safely. And that's exactly what we've done this year.

On top of this, our capital position is very strong and we continue to invest in our UK platform to exceed our customers' expectations. We're also investing in international expansion which is helped by our reorganised group structure.

Financial performance overview⁴

This year, we launched several new products and banking tools to our 9.3m personal customers, while growing our existing products. We introduced Investments, teaming up with BlackRock to help customers invest in their future. Cashback and international money transfers also drove customer growth and engagement, and our Instant Access Savings Pots have been hugely popular. The success of these launches and growth was demonstrated by personal account customers spending more than ever with us – over £47.8bn, an increase of 42% on last year. This helped increase the average revenue per user (ARPU) that we earn across our products from weekly active customers by 29% to £145.

We now have more than half a million personal subscription customers paying for added benefits through Monzo Plus and Monzo Premium, which is a 45% increase in customer numbers from last year. That increase has led to a 53% jump in the revenue we earn from those products. In April we launched our refreshed subscription plans, further expanding our offering based on feedback from customers.

At the end of March 2024, our total instant access and current account customer deposits were £11.2bn, 88% higher than at the end of February 2023. Net interest income on deposits and treasury investments increased 200% compared to FY2023, and includes £134m of interest we paid to our customers who trusted us with their savings.

Revenue increased due to significantly higher balances, treasury investments maturing and more favourable underlying base rates. Many of these investments were made when base rates were 1% or lower, which we've now reinvested at higher rates. This resulted in our average yield on these balances increasing from 1.6% in FY2023 to 2.7% in FY2024. Despite the expectation that base rates in the UK will decline over the coming quarters, our overall short-term yield isn't expected to reduce materially. Our Treasury team will continue to actively manage our interest rate risk in line with our Board approved treasury policy.

⁴ FY2024 results are presented for the 13 months ended 31 March 2024 vs the 12 months ended 28 February 2023 for FY2023. This is due to our change in financial year during FY2024.

It's been another great year for Monzo Business too, with a 91% increase in the number of business owners opening accounts with us because they want business banking done the Monzo way. More than 400k SMEs banked with Monzo at the year-end, of which 38% pay for our increasingly popular subscription product. This bump in customer numbers more than doubled business banking revenue for us. We launched sole trader loans, Instant Access Savings Pots for businesses, international payments and tap-to-pay to increase ARPU by 24% to £502. Pleasingly, we managed all this while keeping customer acquisition costs exceptionally low. Over the next year, we'll welcome more complex, higher revenue-generating businesses to continue growing our business banking community and the revenues and contributions along with it.

Revenue from our lending portfolio has increased 133% year-on-year to £209m and continues to represent roughly a quarter of our total revenue. This was due to a 84% increase in gross lending balances, which also led to a 75% increase in our credit loss expense to £176.9m.

From a balance sheet perspective, our total lending portfolio has increased to £1.4bn. This is split across overdrafts, unsecured personal loans and Monzo Flex, which have all grown in popularity as customers become more engaged and take advantage of a wider range of services. We increased the

impairment loss allowance we hold on our balance sheet by 92% to make sure that our higher exposure is suitably covered. These entries have led to an increase in our overall coverage ratio to 14.63% up from 13.95% last year so we're adequately prepared for any further softness in the macro environment.

These movements were in line with our expectations for a number of reasons. Firstly, a growing lending book always experiences proportionally higher credit losses as we recognise ECLs with each new lending position. Secondly, we've started seeing seasoning of our book as some customers inevitably progress into arrears as parts of our book start to mature. Lastly, due to the external factors mentioned earlier, some customers found it more challenging to repay us, which has resulted in an increase in arrears and customers seeking forbearance.

So that our overall coverage ratio stays at a level we're comfortable with, we've regularly taken steps to update our credit underwriting in light of loss experiences and will continue to review credit criteria, our risk appetite and how our models are performing to make sure our growth is sustainable and gives us the returns we're aiming for.

The amount of money customers choose to bank with us is a good indicator of the trust they have in us. Which is why customer deposits being up 88% from last year to £11.2bn⁵ is something worth celebrating.

Since launching in February 2023, our Instant Access Savings Pots have proven to be a hit. In just over a year, 1.3m customers opened an Instant Access Savings Pot with us, depositing a total of £5.4bn in FY2024.

Liquidity continues to be a foundation of our model, with two-thirds of our treasury portfolio being held on demand with the Bank of England, with almost all the rest

invested in high quality liquid assets. Similar to last year, the average tenure of our investment portfolio is 1.3 years. To better manage uncertainty and protect against changing interest rates, we've started using interest rate swaps as an efficient hedging instrument. These let us swap the variable interest rates we're exposed to through our deposits held with the Bank of England to fixed rates.

Group consolidated profit and loss

	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Net interest income	437,972	164,247	34,082	22,386	24,429
Net fee and commission income	204,835	132,883	80,789	41,786	29,404
Other operating income	48,452	18,582	13,161	2,490	2,079
Credit loss expense	(176,868)	(101,203)	(14,013)	(3,821)	(20,254)
Net Operating Income	514,391	214,509	114,019	62,841	35,658
Personnel expenses	(256,913)	(175,325)	(130,151)	(105,269)	(86,869)
Other operating expenses	(242,030)	(155,525)	(102,888)	(88,952)	(73,643)
Total Expenses	(498,943)	(330,850)	(233,039)	(194,221)	(160,512)
Profit/ (Loss) before tax	15,448	(116,341)	(119,020)	(131,380)	(124,854)
Tax (expense)/ credit	(6,739)	—	—	303	1,655
Profit/ (Loss) for the year	8,709	(116,341)	(119,020)	(131,077)	(123,199)

⁵ 99.7% of all of our deposits are covered by the Government's FSCS guarantee scheme.

Net interest income increased 167% to £438.0m

A £273.7m increase from £164.2m in FY2023.

Interest income on deposits increased as deposit balances increased 88% to £11.2bn and base rates rose 1.25% to 5.25%. Interest expenses also grew significantly, as our Instant Access product grew and we paid customers £134.0m of interest, compared to £0.2m in FY2023.

Interest income on borrowing increased 133%, to £209.2m as the total number of customers borrowing from us increased by more than 69%, generating an extra £119.5m of interest income.

We grew and diversified our portfolio of treasury assets to maximise the interest we earned while managing the risks of changing rates. The increase in rates and growth of our treasury portfolio to £3.6bn resulted in treasury interest income increasing by 271% to £109.1m (£29.4m in FY2023).

Net fee and commission income increased 54% to £204.8m

A £71.9m increase from £132.9m in FY2023.

This reflects the increased number of customers spending through Monzo, using

our partners and paying for the benefits that come with Monzo Plus, Monzo Premium and Monzo Business.

Net transaction income grew £60.9m to £167.1m. Customers spent a total of £47.8bn on their cards this year, compared with £33.6bn in FY2023. Similar to last year, the majority of customer spending was in the UK with the proportion of international spend decreasing this year due to the cost of living crisis affecting travel.

Monzo Plus, Monzo Premium and Monzo Business continue to prove popular as net subscription income rose to £27.4m, up from £19.5m in FY2023.

Partnership commission increased to £11.8m from £7.3m in FY2023. More customers used our partners to send money abroad earning us £6.2m of commission (£4.3m in FY2023). We earned £5.0m in commission from more of our customers using our savings marketplace and third party Pots, resulting in balances held with them growing to £3.4bn from £1.9bn in FY2023. We also partnered with BlackRock to launch Investments, giving customers the option to invest in ready-made funds for a transparent fee based on the value of their investment.

Other operating income increased 161% to £48.5m

A £29.9m increase from £18.6m in FY2023.

This increase mainly relates to business-to-business innovation and co-development grants we received during the year. We've used these partner funds to co-develop new products, invest in overseas expansion and develop our platform.

Credit loss expenses increased to £176.9m

A £75.7m increase from £101.2m in FY2023.

Our credit loss expense is the amount we put aside to cover the losses we forecast we'll make when customers can't repay us the money they've borrowed. We recognise an expected credit loss expense at the time we lend money to all customers and assess if a higher expense is appropriate throughout the term of the borrowing.

The FY2024 charge of £176.9m increased from £101.2m in FY2023, reflecting the growth in our borrowing portfolio, seasoning of the book and increases in arrears I mentioned earlier. The amount we lent to our customers this year increased £634.5m to £1.4bn. Our borrowing available to customers on overdrafts and Monzo Flex (undrawn balances) also increased £540.0m to £1.5bn.

Personnel expenses increased 47% to £256.9m

An £81.6m increase, from £175.3m in FY2023.

We grew our teams by 28% to an average of 3,145 people in FY2024, up from 2,432 in FY2023. With a big year ahead, we also concentrated on hiring for key roles for international expansion and investing in senior leadership.

Our other operating expenses increased 56% to £242.1m

An £87.1m increase from £155.0m in FY2023.

Our customer account operating costs increased to £75.6m from £52.7m in FY2023. Card production and distribution, and customer onboarding costs grew in line with increased customer numbers and transaction volumes. In FY2024, we processed a total of £35.8bn Faster Payments compared to £22.6bn in FY2023, leading to higher payment processing costs.

The total amount we compensated customers for fraud and other dispute losses increased by £5.4m to £20.4m. Over the past year, victims in the UK lost more than £1.2bn to fraud. To protect customers, we increased investment in our team and we've been working hard to find innovative solutions to tackle fraud. In an industry first, we launched a call status feature to protect

people and assure them that they're talking to us, as well as used machine learning to prevent scams and money muling patterns. We're starting to see the results of this work, stopping more than £3.8m getting into the hands of fraudsters.

Our technology costs grew £18.5m to £48.1m. We invested in the quality and security of our platform and core app experience, allowing us to provide an award-winning service to a growing number of customers. We also invested in key treasury and regulatory reporting systems, supporting the automation of processes and controls.

Our marketing costs more than doubled to £58.5m this year as we raised awareness for key launches and used digital platforms to introduce more customers to Monzo. We also ran advertising campaigns during the year, including Hot Coral Summer and the re-launch of Year in Monzo in December 2023. Customers continue to recommend us to their friends through our 'Give £5, Get £5' campaign, with an average of 17% of our customer growth coming from referrals. Because word of mouth continued to be a massive driver of growth for us, even with these investments our overall cost of acquisition stayed relatively low.

Our other operating expenses – for things like outsourcing, admin and legal expenses – increased to £39.2m from £31.6m in FY2023.

Reaching profitability means we've started paying tax

We've recognised £6.7m tax expense based on our current profits. Our effective tax rate is 44%.

Our effective tax rate is Monzo Bank Limited's tax charge as a percentage of profit before tax. It is higher than the current corporate tax rate as it is based on taxable profits. On page 112 we detail how our tax charge is calculated.

Group consolidated balance sheet

	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Cash and balances at bank	7,624,300	3,101,242	3,134,540	2,977,368	1,373,722
Treasury investments	3,634,401	2,727,520	1,675,478	376,641	98,953
Loans and advances to customers	1,190,215	653,733	235,083	87,147	123,913
Other assets	516,897	205,281	173,328	188,551	124,817
Total assets	12,965,813	6,687,776	5,218,429	3,629,707	1,721,405
Customer deposits	11,197,622	5,945,947	4,440,650	3,124,046	1,392,517
Subordinated debt liability	15,113	14,823	14,593	–	–
Other liabilities	890,933	251,356	200,918	283,767	199,887
Total liabilities	12,103,668	6,212,126	4,656,161	3,407,813	1,592,404
Equity	862,145	475,650	562,268	221,894	129,001
Total liabilities and equity	12,965,813	6,687,776	5,218,429	3,629,707	1,721,405

We've expanded our treasury investment portfolio 33% to help manage our risks

A £0.9bn increase from £2.7bn in FY2023.

During the year we carefully grew and diversified our treasury assets as our balance sheet and deposits increased. As our treasury function matures, we've worked hard to embed our balance sheet strategy, manage our risks effectively and optimise returns. To help manage the impact changing rates have on our balance sheet, we started transacting in interest rate swaps.

Customers borrowed more from us

A £0.5bn increase from £0.7bn in FY2023.

Customers borrowed a total of £1.2bn from us as at the end of FY2024, up £0.5bn from £0.7bn in FY2023. This was driven by more customers borrowing across all our lending products. We're continually improving Monzo Flex and launched features like payment date change, balance transfers and purchases with a partner. We now have more than 500k customers using Monzo Flex.

These balances are after impairment loss allowance: the amount we don't expect customers to be able to repay. Our impairment loss allowance increased to £204.0m, which, as expected, is broadly

in line with the growth in our borrowing portfolio as I mentioned earlier.

Customer deposits increased with our 2.3m new customers

A £5.3bn increase from £5.95bn in FY2023.

Customer deposits increased 88% to £11.2bn due to the success of our Instant Access product and the 2.3m new customers that joined us. Similar to last year, 23% of customers use us as their main bank. We'll be investing to increase this number over the next year as we broaden our product range and play a bigger role in people's ever-evolving financial lives.

Our capital and liquidity continue to be strong and sustainable

We completed our Series I funding round in March and April 2024, raising a total of £489.5m, our biggest fundraise to date. We're entering FY2025 profitable, well capitalised and ready for the growth in our ambitious plans.

Profitability and the additional capital we raised means our Common Equity Tier 1⁶ (CET1) ratio increased slightly to 55%, well

above our minimum regulatory requirement. This has been offset by our growing lending book and balance sheet size which increases our Risk Weighted Assets (RWAs), and decreases CET1. We remain well above our minimum regulatory requirement and our CET1 ratio increased even more in April 2024 when we completed the second close of our fundraise, to 58%.

In September 2023, the PRA made the decision to postpone the implementation date of Basel 3.1 by six months to 1 July 2025. We're analysing the impact of Basel reforms and the minimum requirement for own fund and eligible liabilities (MREL) on our growing balance sheet. These will continue to influence our forward looking capital strategy, systems and processes as we optimise our balance sheet to support our longer term ambitions.

It's also critical we keep adequate liquidity buffers and manage our liquidity risk. At year-end our Liquidity Coverage Ratio (LCR) was 647%, significantly above both our internal and regulatory minimum requirements.

To protect us against stress events or market disruption, we hold a mix of high quality liquid assets as a buffer, which we can quickly convert to cash to meet liquidity needs. We're continually assessing the effectiveness of these assets by modelling

the impact changing rates have on our balance sheet.

Fit for the future

As we've always said, profitability is a crucial milestone but it's not our only goal. Growing non-interest revenues and margins while staying disciplined on costs will continue to be a key focus to increase profitability. We'll do this by expanding our subscriptions and investment offerings, while also increasing our number of UK and international customers as we invest in marketing. Our recent fundraise and consistent profitability means we have deep capital reserves.

So there's a lot to be excited about from this year but there's a lot to be mindful of in the year ahead. With economic uncertainty, regulatory developments and expansion into new markets, it's important we carefully manage our return on capital as well as making sure we stay focused on our liquidity position and controls. We'll continue to make sure our new hedging and balance sheet strategies help manage our interest rate and foreign exchange risks. And we'll continue to keep a close eye on capital allocation along with the all important customer measures around engagement, spend and product adoption.

I'm confident we're well placed with profitability and a strong balance sheet to achieve our goals in FY2025 as we look to explore international expansion, broaden our product range and bring the value of Monzo to more and more customers.

James Davies

Group Chief Financial Officer
30 May 2024



⁶ We calculate the ratio by dividing our equity that qualifies as regulatory capital (CET1 capital resources), by our 'Risk Weighted Assets', a regulatory measure of our exposure to market, credit and operational risk.

Non-financial and sustainability information

Non-financial reporting statement

We're a Public Interest Entity (PIE) and Large Business so we have to comply with the Non-Financial Reporting requirements from

sections 414CA and 414CB of the Companies Act 2006.

In this section we'll set out our policies and achievements, and for any areas where we're still developing policies or the due diligence on them, we'll explain the progress we're making.

Reporting requirement	Description	References and Sample policies
Colleagues	We have a strong focus on our colleagues and their wellbeing. We're transparent with them, building a strong, motivated and diverse team. We have a number of policies, training and approaches to make sure everyone feels like they belong and has a voice.	Our approach to people on page 25. People Policy. Health and Safety. Conflicts of Interest. Recruitment and Selection. Remuneration Policy.
Community and social matters	Our focus on community and society is what our mission to make money work for everyone is all about. Our policies and statements outline how we aim to help our customers and have a positive social impact.	Our community and social matters on page 30. Vulnerable Customers Policy. Financial Difficulty Policy. Accessibility Statement. Bereavements Policy.
Environment	We've built a digital bank with lower greenhouse gas emissions than the high street banks. But, as one of the fastest growing banks in the UK, we recognise that our carbon footprint will grow rapidly if we don't make a conscious effort to reduce it. We've measured and reported on our carbon footprint and are developing a plan to reduce it.	Our approach to the environment on page 33. Environmental and Climate Risk Policy.

Reporting requirement	Description	References and Sample policies
Anti-corruption and anti-bribery	Preventing financial crime is a key responsibility and commitment for us as a bank. Our business and financial crime teams monitor these key risks by applying our policies on a daily basis.	Respect for human rights, anti-bribery and anti-corruption on page 40.
		Outsourcing and Third Party. Risk Management Policy.
		Procurement Policy.
		Anti Bribery and Corruption Policy.
		Market Abuse Policy.
		Whistleblowing Policy.
		Financial Crime Policy.
		Gifts & Entertainment procedure.
Human rights	Our commitment to human rights and the ethical treatment of our colleagues, third parties and customers is woven into our core values. You can find our latest Modern Slavery and Human Trafficking Statement on our website and we continue to develop our policies and processes to support a framework that strengthens our approach to human rights.	Respect for human rights, anti-bribery and anti-corruption on page 40.
Description of our principal risks and impact of our business activity		Current risks on page 51.
Description of our business model and strategy		Our business model and strategy on page 14.



Our approach to people

We know that to achieve our mission, we need the right people on board.

We work hard to give our Monzonauts an environment to flourish in. A place where they have all the right tools to hand to let their talent shine, and enough challenges to create plenty of opportunities to grow. These are the people driving better outcomes for our customers, and we're committed to rewarding their passion and celebrating their successes – creating a culture that we can all be proud of.

Defining Monzo MAGIC

People who work at Monzo often talk about how special the culture is, so in February 2023 we started codifying our employee value proposition with the help of Monzonauts to try and define the experience of working here.

Overwhelmingly, the mission was both the reason why people joined in the first place and the reason that they stay. This became the starting point for the MAGIC acronym (Mission, Action, Growth, Inclusion, Care) that would go on to become our codified employee value proposition. It reflects the commitments we've had since Day 1 to

diversity, equity and inclusion, as well as committing to action while caring deeply about our people. It's a neat little set of promises for us to show to anyone who's thinking about joining Monzo. But it's also a good guide for us when we're setting goals, growing the business and growing the 'people experience'.

Feedback from every area of the business tells us if we're delivering our employee value proposition. It lets us properly assess what's going well and what isn't. Our eNPS (employee Net Promoter Score – a measure of how likely your team is to recommend you as a place to work) increased from 51 to 53 this year, which puts us in the top 25% in our industry. 83% of our Monzonauts contributed to this score by sharing their feedback – a number we're very proud of, and hope to keep growing.

It's fair to assume that part of what makes our team happy is that we continue to support a flexible and distributed work environment. It means we're able to hire the best people, no matter where they are.

Having so many people work remotely does mean we have to be creative in finding ways to keep everyone feeling connected and part of the overall journey that we're on.

And naturally, we have processes in place to make sure people have access to the

right equipment to do their jobs comfortably at home. Managers also have a monthly allowance that they can spend on team events, both remote and in-person.

Helping our people grow

This year, we started the pilot of our Career Launchpad – a programme that empowers people to take control of their own learning and development by outlining what different career paths can look like and how to pick up the skills and knowledge for those paths in their current role. Initially, this pilot focused on our customer service team but in time we'll roll it out to everyone.

We also launched our new Leadership Academy which takes a tiered approach to upskilling managers and leaders throughout Monzo. It's a programme designed to encourage high performance and a culture of inclusive, engaged and motivated teams.

Making a difference

Last year, more than 50% of our colleagues gave us feedback about our benefits. Since then, we've reviewed and improved them with a focus on the full spectrum of our colleagues' wellbeing: mental health and emotional wellbeing, financial wellbeing, and physical wellbeing.

For mental health and emotional wellbeing, we introduced MYNDUP, giving all Monzonauts access to 6 Monzo-funded hours of therapy, counselling or coaching a year. For financial wellbeing, we've teamed up with nudge Global to give colleagues access to free, personalised financial education and increased our pension matching offering. And for physical wellbeing, we increased our paid sick leave from 20 to 25 days a year and partnered with physical wellness providers for discounts on services or memberships.

Building the team

In FY2024 our team grew by 47%. Conor Walsh (US CEO) and Sarah Manning (Group Chief People Officer) were two of our most senior hires, bringing a wealth of knowledge and expertise to our team in time for a big year ahead.

We invested in building our in-house executive hiring team, with a focus on improving quality and reducing cost, as well as several initiatives to improve our hiring processes and tooling.

Our People policies

Policy	Summary	Due diligence
People	Our People Policy outlines our approach to making sure we have a high performing team that's motivated and professionally fulfilled, and able to deliver good customer outcomes. The Policy is there to address people risk. That's the risk of financial, operational or reputational loss due to our team as a whole, or individuals in it, not working optimally – whether through being incapable, unmotivated or ineffective, or through improper conduct.	See individual Policy due diligence below.
Health & Safety	This Policy sets out our high-level approach to Health and Safety to protect the health and safety of our colleagues and any visitors to our offices.	We appoint and train first aiders, mental health first aiders and fire marshalls. For all new joiners, we explain what people should do in the event of a fire as part of their mandatory training. We review our risk assessments and policies annually to make sure we're providing the safest environment for Monzonauts and visitors possible. We respond to feedback and incidents quickly and have multiple ways to give feedback so Monzonauts can report any issues or raise concerns.
Conflicts of Interest	This Policy outlines what it means to act with integrity and to make sure we're not compromised in our decision making.	The People team reviews our conflict of interest register every week, and follows up on any potential conflicts with the person individually. Our Second Line of Defence and the Risk and Compliance team also review this. Every year we share a company-wide announcement reminding our colleagues to log any conflicts.
Recruitment and Selection	We aim to attract and hire exceptionally talented people who best meet our needs. We do this through a transparent, fair and non-discriminatory hiring process.	Finance and ExCo approve the final headcount plan. We've launched interview and bias training. We track interviewers to confirm they've completed training. The People team determines pay ranges by level and function. The Reward team reviews and approves a limited number of offers outside of the salary and share options frameworks. We review our new starters the week before they start to confirm that their pre-employment checks are complete and have an escalation process in place for failed checks.

Policy	Summary	Due diligence
Remuneration	<p>This Policy sets out our approach to remuneration for all colleagues. Its objective is to make sure we can attract, motivate and retain the people we need for each phase of our growth, while making sure we remain compliant with all regulatory requirements that apply to us. The Remuneration Policy was recommended by the Group RemCo to the MBHG and MBL Boards for approval, that approval was obtained on 30 November 2023.</p>	<p>The Remuneration Policy is accessible to all Monzonauts and sets out our main regulatory requirements including but not limited to our approach to material risk taker pay, our approach to personal investment strategies, our remuneration risk adjustment framework and our Malus and Clawback Policy.</p> <p>The Reward team reviews the relevant regulatory requirements and adapts any practices to make sure we stay compliant.</p>

Diversity and inclusivity

To build a bank that best serves our diverse and growing base of more than 9m customers, we're building a company that includes people from all backgrounds and communities, and helps them thrive.

To hold ourselves to account, we have company-wide goals to increase representation of Women, People of Colour and Black and Mixed Black folk in leadership positions. We first published our Diversity and Inclusion report in 2017 and we stay committed to openness by sharing our data, achievements and challenges each year. You can find all of this in our latest Diversity and Inclusion Report on our website. Our eNPS tells us for diversity and inclusion we continue to be in the top 25%.

Between April 2022 and April 2023 we're pleased to say that our median gender pay gap decreased from 9.3% to 8.1%. You can find out how we're aiming to close that gap by improving representation of women at

senior levels and in our tech teams in our latest Gender Pay Gap Report.

We can only make money work for everyone if everyone can access our services. We held accessibility empathy lab sessions at a company-wide level to raise awareness of the types of challenges our customers might be facing so people in all areas of the business consider what we could do to make our customers' lives easier.

As the people who are creating the experiences our customers interact with, our Product Design team took part in more in-depth sessions to experience different disability and neurodivergent challenges first-hand. The sessions were a big success so we'll be hosting more of them in the coming year.

Diversity, equity & inclusivity (DE&I) is everyone's responsibility at Monzo, which is why we're providing education and training for all colleagues to increase awareness of biases and inclusive behaviours. We continue to deliver inclusive interview

training to our interviewers and DE&I will be part of the Leadership Academy curriculum as well as management training for creating an inclusive place to work. This is part of our ongoing commitment to make sure our internal community represents our customers and the places where we live and work.



Diversity and inclusivity

Women²

49%

Increased 0.9%

Women² in technical roles

30%

2023

26.5%

29.5%

People of Colour¹ in leadership roles

37%

2022

22.9%

2023

37.0%

People of Colour¹

31%

Increased 7.5%

People of Colour¹ in technical roles⁴

28%

Increased 2.4%

Staff who identify³ as LGBQ+

18%

Decreased 1.6%

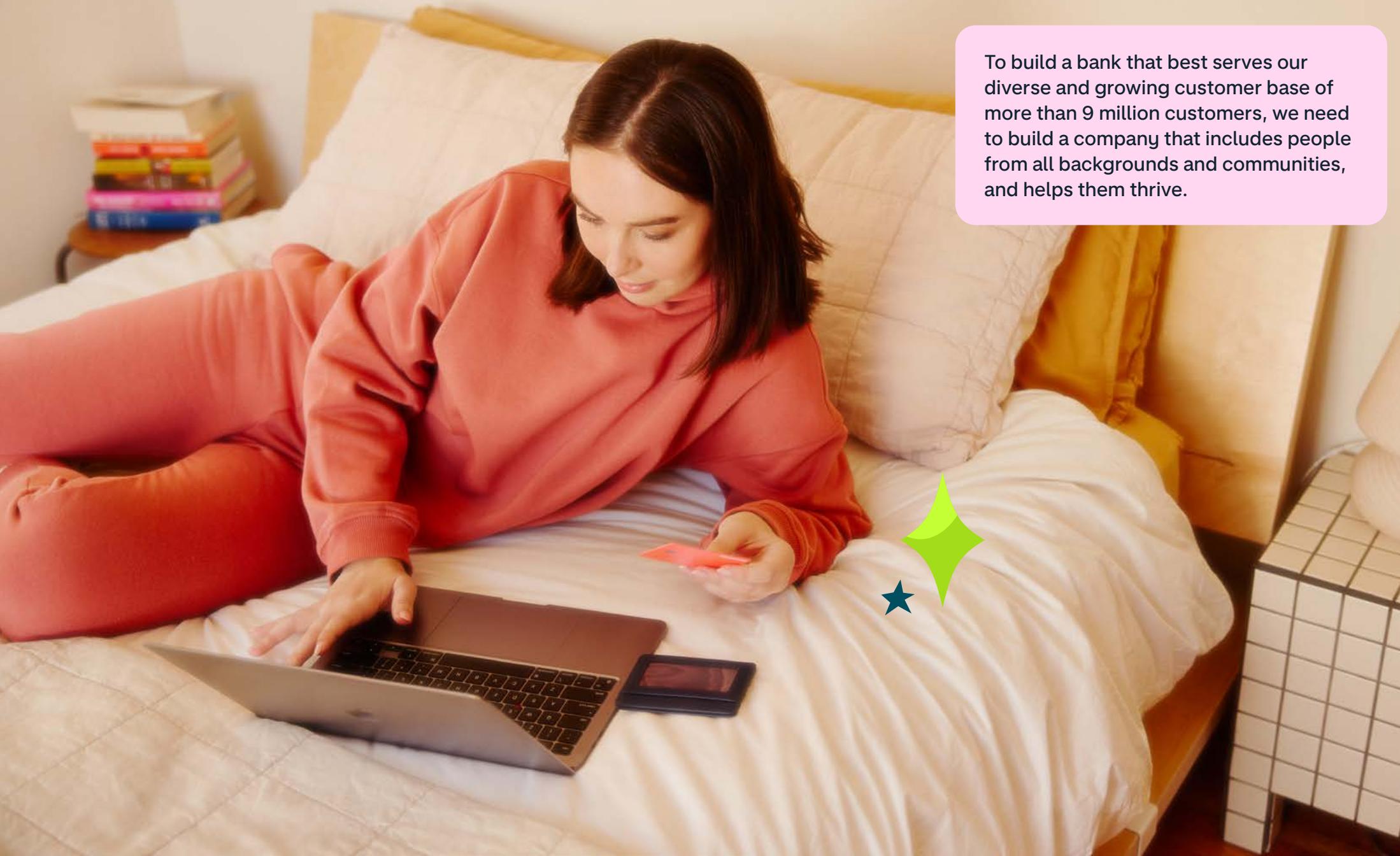
Data as at December 2022 and December 2023.

1. Refers to all people identifying as Black, Asian, Mixed or any other non white ethnic group (People of Colour)
2. Refers to all women i.e. all people who identify as women
3. This is a sexual orientation data point, we collect trans identity and gender identity data separately.
4. We have redefined our tech team – it now includes Product and Design tech roles as well as our Engineering and Data roles.

Women² on the board

56%

Increased 0%



To build a bank that best serves our diverse and growing customer base of more than 9 million customers, we need to build a company that includes people from all backgrounds and communities, and helps them thrive.

Our community and social matters

Budgets are still stretched for a lot of people, and this year we've focused on making meaningful changes that give customers practical support.

Taking steps towards greater accessibility

An estimated 1.3bn people experience significant disability. To put that into perspective, that's 16% of the world's population, or 1 in 6 of us. There are 16.5m disabled people in the UK and we know that 75% of disabled people and their families have avoided a UK business because of poor accessibility or customer service.

Almost all of our 9m+ customers will experience a temporary or situational disability at some point in their lifetime so it's important that we create a usable and accessible experience for everyone. Here are 3 ways we're doing that.

1. Building accessibility into our processes

In the last year we've set out a customer

accessibility & inclusion strategy and already made some big changes. Every Monzonaut has now completed accessibility training so they have that foundational knowledge to consider accessibility in their day-to-day work.

2. Setting up the empathy lab

We've set up accessibility empathy lab sessions for our Monzonauts to educate them on the role they play in making things accessible. These sessions build empathy and understanding around the challenges that disabled people face in the digital world, combining virtual and physical tools that simulate the experience of using our product with a range of conditions or impairments. It's a chance to learn about what accessibility is, who it impacts and what it means in the context of Monzo.

3. Agreeing accessibility principles

We've cemented those principles in our design system and built accessibility and usability considerations into key stages of the product lifecycle, including in user research and change governance.

In the coming year we've got plans to increase disabled research participation and create a British Sign Language (BSL) channel to better support our d/Deaf community. We also plan to improve the accessibility of our

cards. We'll make it easier for customers to ask for accessible alternatives when they need them, like braille to help our customer service teams meet the changing support needs of our customers.

[Find out more about World Health Organisation: Disability Key Facts](#)

[Find out more about Purple Pound](#)

[Find out more about Scope](#)

We want to make the experience as straightforward as possible so last year we put out a practical guide for navigating the process at Monzo and beyond.

Continuing our work on gambling reform

We're still active in the gambling harm prevention space after pushing for better protections in financial services in recent years. A few years ago, we launched a campaign as part of the Gambling Act review, calling on the Government to help the financial services industry future-proof our gambling blocks.

We asked them to mandate gambling firms to share their bank account details with the industry to allow us to extend our card blocks to bank transfers as well as card payments. In April last year, the Government responded. They outlined their expectations that the Betting and Gaming Council (the largest industry body representing gambling firms) would work with us and others to make sure we had the information we needed to shore up our blocks. We're now actively working on these improvements.

Following the 2023 publication of the Gambling Act Review White Paper High stakes: gambling reform for the digital age, the charity GamCare released some new recommendations for banks. Using the insights and recommendations shared,

Supporting our customers through every phase of life

Something that isn't talked about much but is something many of us will have to go through, is the experience of having to tell organisations like Monzo that someone close to us has died. We understand that we'll be one of many organisations a person has to speak to, and through the most difficult and often upsetting circumstances. The UK Commission on Bereavement found that 61% of adult respondents had difficulties with at least one practical or administrative task after a bereavement.

[For further information please see our Monzo Bereavement Guide](#)

[Find out more about UK Commission on Bereavement Key Findings](#)

we consulted with experts in the charity sector, experts by experience and our internal specialist team to develop an improved gambling block.

These changes give customers more control and flexibility over how they block gambling spend from their Monzo account. They also mean we now meet 87% of GamCare's new recommendations for how banks can support customers at risk of gambling harm (up from 45% before).

These are the changes we made to our gambling block.

- Custom cooldown periods, so customers can choose anything from 48 hours up to 1 year.
- Reminder messages, so customers can leave themselves a note to remind them why they blocked gambling in the first place.
- Improved access to support from our specialist team and external support.

534k customers have an active gambling block on their account. In the past 6 months the feature has prevented £4.5m in gambling transactions (made up of 249k unique transactions) on behalf of our customers. We introduced these changes last year and we're seeing a really positive impact so far. 74% of customers using the improved gambling block choose a cooldown period longer than 48 hours (before, 48 hours was the only option for our customers – and is industry standard) and we're seeing 40% of

those customers choosing 12 months. 12% of blocks customers set up included a reminder message, which demonstrates that a number of customers are getting value from the additional friction we've offered them.

Find out more about

[High stakes: gambling reform for the digital age](#)

Find out more about

[Summary of key insights and recommendations for banks to consider](#)

For further information please see our

[We've improved our gambling block](#)

on we give them the option to leave a reminder message about why they turned the block on in the first place, so that if they go to turn it off, there's a bit of friction there.

Research suggests that reminders like this are particularly effective at dissuading people from removing the block in a moment of impulsivity. Offering the spending block is just one thing we can do to support customers so we're also offering additional signposting support and educational content in the in-app experience.

Over the coming years we'll stay focused on developing tools that keep up with emerging payment technologies so that our customers can manage, limit and better control their spending if they choose to.

Supporting our customers to build financial resilience

Ever since we launched the gambling block we get regular requests to block other types of transactions too.

With customer feedback and insight from industry experts we launched the spending block in 2023 and have shaped it in a way that we believe is most impactful for customers. We're testing it in Monzo Labs right now (that's our area of the app for customers to help test our latest features), but it's already making a great addition to the spending controls we have for customers.

The spending block lets customers stop payments to individual shops, brands or websites that they want to curb their spending with. When they switch the block

Since we launched the spending block in Monzo Labs in August 2023, customers have blocked £540k worth of payments across 26,580 individual transactions.

In March 2023, we also launched Safety Nets – a feature designed to improve our customers financial resilience by helping them plan, save for and maintain a cash safety net. The feature empowers customers to set aside a personal budget to cover one month's unexpected bills and essential expenses. It analyses a customer's spending over the last 90 days, helping them understand what their essential spending looks like.

The tool also visualises how long it'll take you to reach your goal and makes it easy to set up recurring deposits. The Safety Net Savings Pot is automatically set up as an Instant Access Pot which means that the customers are also able to earn interest and access the money whenever they need to.

Social policies and statements

Policy	Summary	Due diligence
Vulnerable Customers	<p>This Policy aligns with the FCA's Consumer Duty and Guidance for firms on the fair treatment of vulnerable customers and covers our approach to understanding the needs of our customers, how we support our colleagues, our approach to product and service design, communications and how we monitor and evaluate outcomes for our customers.</p> <p>This helps us identify and support customers who are more likely to have difficulties managing their money or interacting with us, so we can deliver good outcomes.</p>	<p>We regularly review these areas.</p> <ul style="list-style-type: none"> Customer support interactions to make sure we're providing a tailored and flexible service to customers with support needs. Our processes and guidance, to make sure they're still fit for purpose and delivering good customer outcomes. Internal and external trends to spot foreseeable harm, and to understand where we can make improvements to our product and service design and delivery.
Financial Health	<p>This Policy covers how we support customers that owe us in a way that's fair, transparent and focused on delivering good customer outcomes.</p>	<p>We regularly review these areas.</p> <ul style="list-style-type: none"> Customer support interactions, to make sure we've complied with all relevant regulations and guidance, and resolved customers' issues. Our processes and guidance, to make sure they're still fit for purpose and delivering good customer outcomes.
Accessibility Statement	<p>This statement sets out our opportunities to improve accessibility, it applies to both physical and mental health. We're committed to considering accessibility, inclusive design and usability, making our products and services as inclusive and accessible to everyone regardless of ability.</p>	<p>We regularly review these areas.</p> <ul style="list-style-type: none"> Customer support interactions to make sure we're providing a tailored and flexible service to customers with disabilities. Our processes and guidance, to make sure they're still fit for purpose and delivering good customer outcomes. Internal and external trends to spot foreseeable harm, and to understand where we can make improvements to our product and service design and delivery.
Bereavements	<p>This Policy covers how we manage the accounts of a customer following notice of their death across all of our products and services.</p>	<p>We regularly review these areas.</p> <ul style="list-style-type: none"> Customer support interactions to make sure we're providing a tailored and flexible service to the notifier and/ or next of kin. Our processes and guidance, to make sure they're still fit for purpose and delivering good customer outcomes. Internal and external trends to spot foreseeable harm, and to understand where we can make improvements to our product and service design and delivery.

Our approach to the environment

Everyone has their part to play in managing the impacts of climate change. Businesses like us have a responsibility to act and make decisions that support a sustainable, low carbon future. Environmental reporting is complex. Its evolving disclosures encourage organisations to be transparent and consistent in reporting the ways they are reducing their emissions.

At Monzo, we share our full carbon footprint so we're being totally transparent about how we measure and report the environmental impact we have and how we plan to reduce it. We've set ourselves an ambitious goal of reaching net zero emissions by 2030.

We have lower greenhouse gas emissions than the high street banks because we don't have branches, which means we avoid the emissions associated with running a large network of buildings. We also don't fund carbon emitting or polluting industries. As one of the fastest growing banks in the UK, we know that our carbon footprint will grow quickly if we don't work closely with our suppliers and make a conscious effort to reduce it.

In order to lead our sustainability workstreams, we have an Environmental, Social and Governance (ESG) Working Group. Headed up by our Director of Sustainability, the Group is made up of colleagues from different areas of Monzo, including Governance, Finance, Product, People, Risk and Operations. The benefit of this model is that it enables us to harness the mission driven work we do across Monzo whilst having a holistic view of the activities which might impact our carbon footprint across our business. The working group meets monthly to discuss ESG risks and opportunities, such as new reporting requirements, social initiatives and opportunities to reduce emissions with our suppliers. The areas discussed by the group feed into the 6 monthly updates to the Board to help set our wider strategy.

Getting to net zero emissions by 2030

The majority of emissions in our carbon footprint come from our supply chain. We've started to engage with our suppliers to understand their environmental goals and how we can work collaboratively to reduce our impact on the environment. For emissions that we can't reduce through these measures, we'll fund high quality accredited carbon removal projects.

It's still early in our carbon reduction journey and the availability and quality of data, industry science and methods used to calculate carbon footprints are evolving all the time. Making sure we have the highest quality emissions data for ourselves and our suppliers is going to be a focus for us for the next 12 months.

Measuring our carbon footprint in line with our new financial year

This is the 4th year we've measured and published our carbon footprint in full and for the last 3 years, we've shared our carbon emissions for each calendar year, so from 1 January to 31 December. For FY2024, we've aligned the reporting to our new financial year-end, so the 12 months between 1 April 2023 and 31 March 2024.



Our carbon footprint for FY2024

Our total gross emissions for FY2024 were 20,418 tonnes of carbon dioxide equivalent, or tCO₂e. This is an increase of 7,616 tonnes compared to our overall emissions reported in FY2023, of 12,802 tCO₂e. These changes are mainly because of increases in our Marketing spend, our Cloud use and colleague travel. It's also because of changes to industry data and measurement methods used to calculate and attribute emissions from our supply chain.

After deducting emissions that were covered by the high quality carbon removals we bought, such as reforestation removals in Kenya from TIST⁷, net emissions for FY2024 were 18,234 tCO₂e, compared to 11,053 tCO₂e in FY2023⁸, meaning our overall net emissions have increased by 7,181 tCO₂e.

As we continue to grow, we expect our overall carbon footprint to increase before it reduces as we get closer to 2030. This is why we also measure our emissions intensity; it monitors the amount of tCO₂e that we emit for every £1m of revenue that we earn.

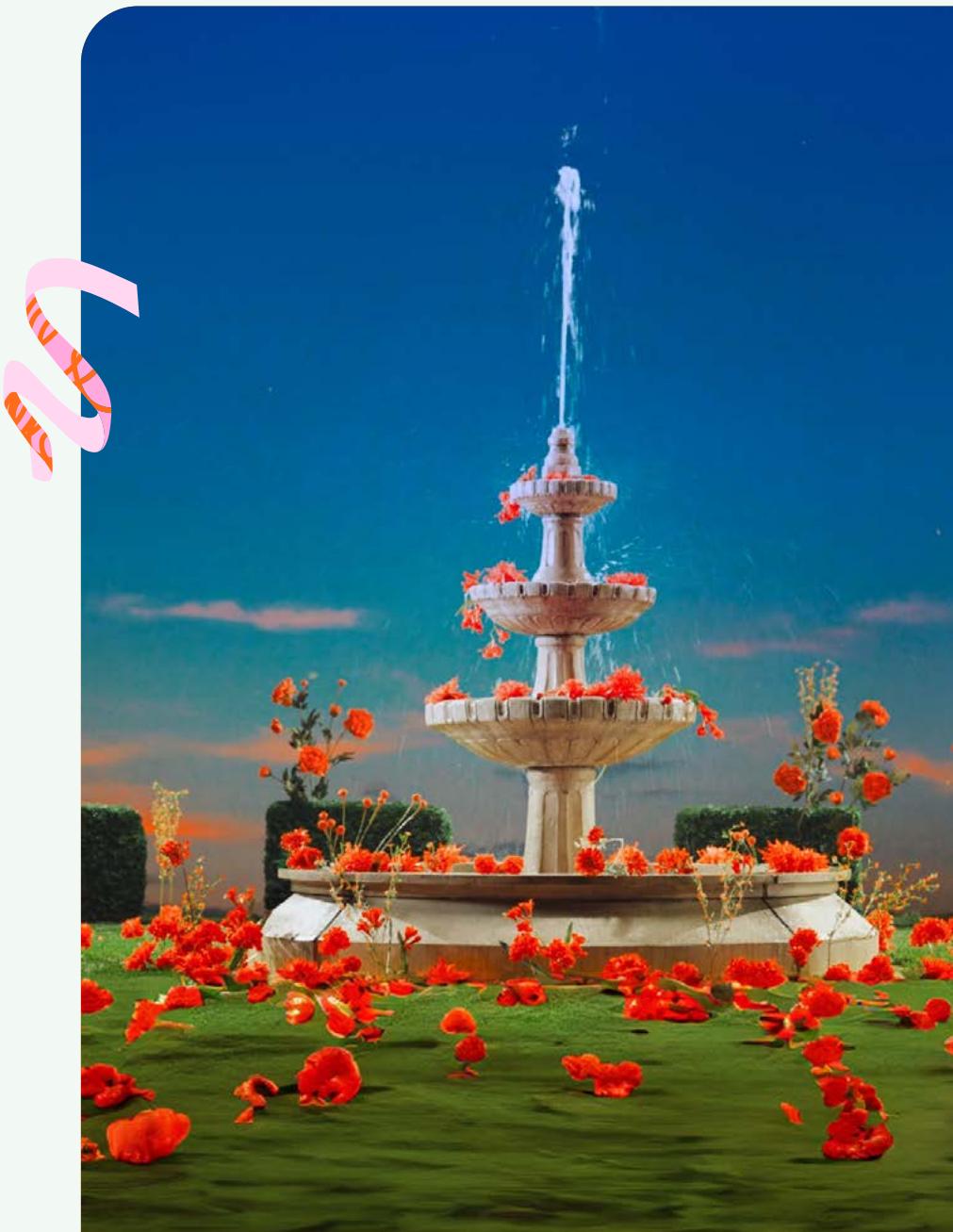
For FY2024, our gross emissions intensity was 24.6 tCO₂e per £1m of revenue. After deducting the emissions covered by the carbon removals we bought, our net emissions intensity was 22.0 tCO₂e. By comparison, our gross emissions intensity in FY2023 was 42 tCO₂e and our net emissions intensity was 36 tCO₂e. So although our footprint will increase as we grow as a business, we're growing our revenues sustainably.

The following table shows a high-level breakdown of our gross emissions by category. Our climate advisor, Watershed, measures our carbon footprint in line with the Greenhouse Gas (GHG) Protocol promoted by the World Resources Institute and the World Business Council for Sustainable Development.

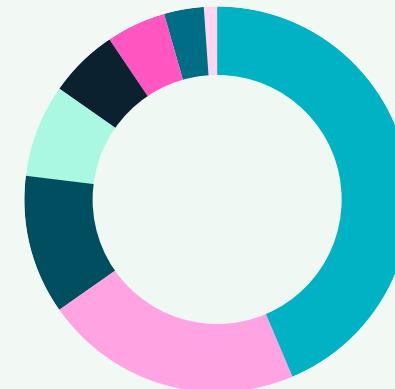
Under the GHG Protocol, the majority of our emissions (99.7%) fall under Scope 3. These are indirect emissions that come from our activities, but happen at sources we don't own or control. They're typically from our supply chain.

⁷ The International Small Group and Tree Planting programme

⁸ To give a direct comparison to the emissions data we reported in our FY2023 Annual Report (1 January 2022 to 31 December 2022), in the 12 month period 1 January 2023 to 31 December 2023 gross emissions were 17,648 tonnes, net emissions 15,447 tonnes and our intensity factor was 20 tCO₂e per £1m of revenue.

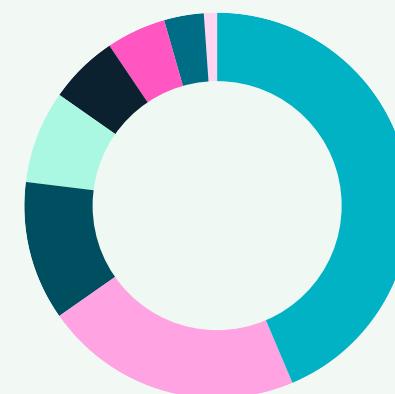


Emissions category	tCO2e	Percentage of total emissions
Goods & services	8,953	43.85%
Marketing	4,427	21.68%
Cloud	2,343	11.48%
Colleagues	1,610	7.89%
Payment processing	1,212	5.94%
Products	1,002	4.91%
Travel	679	3.33%
Offices & waste	192	0.94%



FY2024 Emissions: market-based

- Goods & services
- Marketing
- Cloud
- Colleagues
- Payment processing
- Products
- Travel
- Offices & waste



FY2023 Emissions: market-based

- Goods & services
- Marketing
- Cloud
- Colleagues
- Payment processing
- Products
- Travel
- Offices & waste

FY2024 results show the 13 months ended 31 March 2024 vs the 12 months ended 28 February 2023 for FY2023. This is because we changed our financial year during FY2024.

SECR report

The following table shows our Streamlined Energy and Carbon Reporting (SECR) report, greenhouse gas (GHG) emissions and energy use data. Specifically, our energy use in Kilowatt Hours (kWh) converted into tCO₂e, and emissions intensity ratios. The SECR requirements focus on a subset of our carbon footprint, compared to our total carbon footprint shared above, which includes all of our Scope 3 emissions.

	UK and offshore	FY2024 ⁹ Global (excluding UK and offshore)	UK and offshore	FY2023 Global (excluding UK and offshore)
Energy consumption used to calculate emissions	1,007,043 kWh	108,063 kWh	886,191 kWh	142,122 kWh
Emissions from combustion of gas tCO ₂ e (Scope 1, market-based)	0 tCO ₂ e	0 tCO ₂ e	0 tCO ₂ e	0 tCO ₂ e
Emissions from combustion of fuel for transport purposes (Scope 1, market-based)	0 tCO ₂ e	0 tCO ₂ e	0 tCO ₂ e	0 tCO ₂ e
Emissions from purchased electricity, heat, steam, and cooling (Scope 2, location-based)	208.6 tCO ₂ e	26.2 tCO ₂ e	171.4 tCO ₂ e	33 tCO ₂ e
Emissions from business travel in rental cars or colleague-owned vehicles where we're responsible for buying the fuel (Scope 3.6, market-based)	4.7 tCO ₂ e	0 tCO ₂ e	6.8 tCO ₂ e	0 tCO ₂ e
Total gross tCO₂e based on above fields	213.3 tCO₂e	26.2 tCO₂e	178.4 tCO₂e	33 tCO₂e
Intensity ratio: Worldwide gross tCO ₂ e per £ million of worldwide revenue based on the above fields		0.29		0.68
Intensity ratio: Worldwide gross tCO ₂ e per colleague based on the above fields		0.08		0.09
Intensity ratio (gross emissions): Full Scope 1, market-based 2, and 3 tCO ₂ e per £ million of revenue		24.6		41.7
Intensity ratio (net emissions): Scope 1, market-based 2, and 3 tCO ₂ e per £ million of revenue		22.0		35.7
Intensity ratio (gross emissions): Scope 1, market-based 2, and 3 tCO ₂ e per colleague		6.5		5.4
Intensity ratio (net emissions): Scope 1, market-based 2, and 3 tCO ₂ e per colleague		5.7		4.6
Energy efficiency actions from the last year	We've been working with our supply chain to develop recycled PVC cards, we've used GreenPerk for colleague travel, DHL GoGreen for deliveries and run zero emissions for gas in our Cardiff office. For more information see our Climate-related Financial Disclosures below.			
Methodology	Watershed calculated the emissions were calculated following the GHG Reporting Protocol (Corporate Standard). Energy use data was collected or estimated based on building square-footage for all facilities, and was combined with emissions factors from the US Environmental Protection Agency (USEPA), the Department for Environment, Food & Rural Affairs (DEFRA), Ecoinvent, The Climate Registry and other data sources to calculate GHG emissions. Electricity emissions factors are chosen by Watershed based on geography to reflect the emissions intensities of the facilities' local grid.	In our report, we use the market-based Scope 2 emissions numbers, while the SECR report requires location-based Scope 2 emissions. The location-based method reveals the intensity of the local grid area where the electricity use is, while the market-based method shows emissions based on the electricity that we buy (like clean energy).		

⁹ FY2024 represents 12 months 1 April 2023 to 31 March 2024. FY2023 represents the 12 months 1 January 2022 to 31 December 2022 reported in last years' report.

Climate-related Financial Disclosures (CFD)⁴

Governance

Our governance arrangements in relation to assessing and managing climate-related risks and opportunities.

What we've done this year

- We agreed on twice-yearly Board updates on climate risk and our net zero strategy, as well as the processes behind those updates.
- We reframed our ESG Strategy to be our Sustainability Commitments and updated our Environmental and Climate Change Policy.
- We documented our current ESG governance model structure and the roles, responsibilities and purpose of each area with climate-related responsibilities.
- We set up an ESG Working Group to raise awareness and combine initiatives and information sharing across Monzo.

- We continued to be an active member of the Tech Zero Taskforce.

Plans for next year

- The Board will continue overseeing our ESG/sustainability strategy and will get updates on our net zero target progress.
- The Group Board Risk Committee (GBRC) will continue overseeing how we assess climate risk.
- We'll continue to use our enterprise-wide risk management framework to oversee our climate-related risks and opportunities.
- The ESG Working Group will continue to deliver our climate plans and net zero reduction plans.

⁴ As of 6th April 2022 the Department for Energy Security and Net Zero (DESNZ) mandated that large private companies (over 500 employees and £500m turnover) would have to produce TCFD-aligned disclosures in their annual reports. CFD became applicable to us in FY2024, see page 81 for more details.

Strategy

Our principal climate-related risks and opportunities, the time periods we assess them over, how they impact our business and strategy, and our resilience to them.

What we've done this year

- We identified the impacts of climate-related risks on our business strategy and activities.
- We worked with our supply chain to develop and launch cards made of at least 95% recycled PVC, using solvent-free inks to reduce how much virgin PVC we use and some of our Scope 3 emissions. We made sure that production, distribution and spending with Monzo cards continues to be net zero through high-quality carbon removals.
- We asked a subset of our suppliers to complete a sustainability questionnaire to collect more precise data on the impact that their services have on our carbon footprint.
- We used GreenPerk to offset our colleagues' travel and started to buy our own travel emission removal credits.

- We took part in the DHL GoGreen initiative, using sustainable aviation fuels to reduce emissions associated with our international card deliveries.

- We ran zero emissions from gas in our Cardiff office, we're part of the green gas scheme for our London office and we continue to run our London and Cardiff offices on renewable energy.

Plans for next year

- We'll keep rolling out recycled PVC cards across our personal, joint and business banking accounts, as well as our Monzo Flex credit card.
- We'll continue collecting sustainability information from our suppliers to make better decisions about how we reduce our carbon emissions and select suppliers.
- We'll continue looking for opportunities to buy high-quality removals for any emissions that we can't reduce in the short and medium-term.

Risk Management

How we identify, assess and manage climate-related financial risks and opportunities, and how we include these in our overall risk management process.

What we've done this year

- We continued to identify, assess and manage climate-related financial risks and opportunities in line with our Enterprise Risk Management Framework (ERMF), with climate risk being considered a Level 2 risk.
- In line with our principal risks and ERMF, we identified potential climate related risks over the short, medium and long-term (longer than 3 years).
- We completed our annual climate risk appetite review.
- We did a scenario analysis to assess our climate risk capital requirements.

Plans for next year

- We'll continue to embed climate risk management and reporting in our business as usual risk management.
- We'll improve the considerations and detail of our scenario analysis.
- We'll monitor business growth and our new products to assess developing climate risks or opportunities.

Metrics and Targets

The targets and key performance indicators (KPIs) we use to manage and assess climate-related risks and opportunities.

What we've done this year

- We shared our full carbon footprint for FY2024, page 34.
- We discussed the most impactful climate risk metrics for us to track.

Plans for next year

- We'll continue working with Watershed to improve the quality of our carbon emission data.
- We'll improve how we monitor our emission reduction efforts as we pursue our net zero target.
- We'll continue improving our disclosures to be fully transparent about the risks and opportunities we're exposed to.

Our assessment of Climate Change Risk to Monzo

Although the risks to us from climate change are low, Climate Risk is a Level 2 Risk in our Strategic Risk Taxonomy so it's a key part of our Strategic Risk Framework which sits under our ERMF. You can find out more in the Risk Management section on page 54.

Our key climate related opportunities focus on reducing our impact on the environment, primarily with our suppliers, and in the longer term reduce the financial risk of buying removals to help meet our net zero goals.

We do an annual scenario analysis

To help us understand our exposure to climate risks and if we need to hold capital against those risks, we do a qualitative scenario analysis as part of our ICAAP (Individual Capital Adequacy Assessment Process) every year. We expect this to evolve, becoming more complex and comprehensive as our business changes and information specific to our business model (like unsecured lending and treasury portfolios) becomes available.

To assess the potential climate risks we might face, we've used the Early Action, Late Action and No Additional Action scenarios

that the Bank of England gives for the 2021 Biennial Exploratory Scenario¹⁰. We think it's the most accessible and proportionate method for our scenario analysis, as there's limited data to support scenario analysis on our current business model and our unsecured lending products. Here are some of the risks we identified:

- We mitigate our exposure to the physical risks (like disruptions to hardware, supporting infrastructure) which would cause disruption for our customers using controls and backup services.
- We're exposed to what's known as transition risk: the potential costs of evolving to a low carbon economy to fight climate change. As our customers' needs and behaviours change, our suppliers and partners may be affected differently. This could impact the products and services we offer and how we work with third parties, but we'll continue monitoring these risks and respond appropriately.

We've concluded that our main business activities of offering current accounts, taking deposits and unsecured lending don't immediately, or in the foreseeable future, expose us to material financial risks from climate change.



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

Financial crime impacts the lives of people every day worldwide, and we take tackling it seriously.

We have a moral and social responsibility to prevent bribery, corruption and human rights abuses from ever happening, and to spot them when they do. This includes senior management setting a zero-tolerance approach to bribery, corruption and human rights violations.



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

We're committed to preventing financial crime and have clear lines of internal accountability, responsibility and reporting in place. This year, we've spent time working our Anti-Bribery, Fraud and Financial Crime policies and Financial Crime Framework into our ways of working even more.

What we've been doing to reduce the risk of bribery and corruption

We reviewed our Anti-Bribery and Corruption Policy to make sure we're taking the right steps to protect our customers, colleagues and society in general.

To make sure that we're tackling bribery and corruption risks across the board, we support our Anti-Bribery and Corruption Policy with the following policies.

- Conflicts of Interest Policy.
- Whistleblowing Policy.
- Outsourcing and Third Party Risk Management Policy.
- Procurement Policy.
- Market Abuse Policy.
- Financial Crime Policy.
- Fraud Policy.
- Gifts & Entertainment Process.

This year we also revisited our approach to onboarding and managing in the Politically Exposed Persons (PEPs) section of our Financial Crime Policy. It's important to us that we treat all customers fairly by taking a proportionate approach to risk management.

We've also updated our internal jurisdictional risk assessment and made sure that we've reflected geographical risk factors in our controls as part of our efforts to manage anti-bribery and corruption risk.

We completed a bribery and corruption risk assessment

The risk assessment found the following things.

- Our inherent bribery risk remains low.
- We've started offering more complex products, like Monzo Flex and Investments, as well as onboarding PEPs again. These changes increased our bribery and corruption risk marginally, but not enough to move our inherent risk position from low.
- Our controls are effective, meaning we have a very low residual risk rating.

Everyone's aware of the risks and what they need to do

Everyone at Monzo completes onboarding and annual training on anti-bribery and corruption as part of the gifts and entertainment module. Last year we introduced annual role-specific training for added awareness of bribery and corruption. We review the training material regularly to make sure it's still relevant and fit for purpose. During the course of the year, everyone at Monzo, including our Board members, completed training appropriate to their role.

To keep bribery and corruption front-of-mind, we send regular company-wide communications to remind our team of their responsibilities when giving or being offered a gift or entertainment.

This year we reviewed our gifts and entertainment limits to make sure they're still appropriate for the risk we face. We also introduced a new process specifically for board members with board member-appropriate limits and approvals.

We check that third parties are reputable and share our values

Any third parties we work with must comply with all applicable laws, regulations and standards, and confirm that they (or any associated party) haven't been involved in human trafficking or slavery activity as defined by the Modern Slavery Act 2015. Before entering into a contract with a new supplier, we ask them to attest to the standards in our Third Party Code of Conduct, which we launched in March 2022. Where we contract with third parties on our standard contract terms, we include modern slavery provisions. Where this isn't possible we take a risk-based approach on whether to add a modern slavery provision.

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

Our plans for FY2025

We'll continue to risk assess, review and develop our anti-bribery and corruption control framework as normal but more specifically, we plan to do these things.

- Continue to improve awareness of gifts and entertainment risks to reduce the risk of bribery and corruption happening. We'll support this by reviewing and updating the Anti-Bribery and Corruption Risk Assessment annually.
- Review our third party due diligence triggers and continue to work with third parties to make sure they have appropriate standards in place.
- Continue to test and evaluate how effective our controls are on an ongoing basis, including an internal audit review of the gifts and entertainment process and associated limits.

Human rights

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

We report under the requirements in the Modern Slavery Act. You can find our most recent Modern Slavery and Human Trafficking statement on our [website](#). We continue to develop our policies and processes to strengthen our approach to human rights, whether in the workplace, across our customer community or our third parties.

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

Human rights in our supply chain

We work with a variety of third parties, predominantly technology companies and service providers, like payment processors and debit card manufacturers, as well as professional services like marketing and legal. The majority of these are based in the UK, Europe and the USA where there are low levels of modern slavery according to the Global Slavery Index. To the best of our knowledge, there have been no incidents of modern slavery or human trafficking associated with the businesses we work with.

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

Third parties play active roles in our successes so we see them as part of our 'extended enterprise'. It's important that we don't work with third parties that undermine our control environment, negatively impact our customers or our reputation. We have to stick to our values and offer a high quality service, making responsible decisions and actively managing social and environmental impacts. To help with this, we ask third parties to attest to our [code of conduct](#).

Human rights and our customers

We've built on our financial crime risk assessment and transaction monitoring controls this year to help spot customers who are falling victim to human rights abuses like sexual exploitation, human trafficking and modern slavery. This also helps us spot when someone might not be in control of their account or finances.

This year, our financial intelligence unit has expanded partnerships with various law enforcement agencies to do the following things.

- Share intelligence that could be linked with modern slavery and organised crime with law enforcement.
- Investigate law enforcement intelligence that can lead to arrests and freezing criminal assets.

- Contribute to law enforcement efforts to increase awareness of sexual exploitation indicators, labour exploitation and the risk of modern slavery.
- Spot new trends in how organised crime gangs exploit victims linked to adult services and labour exploitation.

The feedback we've received from various law enforcement agencies has been extremely positive, highlighting the motivation of our team and the quality of the intelligence they provide as particular strengths.

Here are some examples of other related work we've been doing.

- Updated internal guidance on spotting modern slavery typologies.
- Proactively engaging with specialist units in law enforcement as well as third sector organisations (for example, charities) on modern slavery investigations and indicators of crime.
- Everyone at Monzo completes onboarding and annual training on crimes linked to human rights and law enforcement engagement. We've added to that this year with role-specific training to increase awareness of the type of human rights abuses and crimes people can be exposed to.

We continue to invest heavily in our Financial Crime Framework to make sure that everyone at Monzo has the tools they need to stop modern slavery, human trafficking and all financial crimes.



Section 172 at Monzo

We care about the impact we have and who it affects

We're here to make money work for everyone and creating meaningful long-term value for all of our stakeholders is part of that. By stakeholders, we mean our customers and colleagues, but also our investors, regulators and the environment. It's essential that we continue delivering positive impact for our stakeholders by achieving our strategic goals, progressing towards our mission, and ultimately creating long-term, meaningful value.

Beyond simply wanting to do what's right for these groups, our Boards are legally

We want to create meaningful long-term value for all of our stakeholders that aligns with our mission and vision as a company.

required by Section 172(1) of the Companies Act 2006 to do things that will promote our long-term success and make decisions that take into account all of our stakeholders.

Our Boards work with the Group ExCo to make sure that proposals it reviews have first been challenged at management level, paying particular attention to whether we've carefully considered affected stakeholders. We do our best to balance the interests of different stakeholders and keep our processes under review as we grow and evolve as a business.

In this report we summarise how the Boards consider our main stakeholders in their decision-making.



Our customers

People everywhere want to feel like they're improving and making progress towards their goals. Every decision we make is to help our customers do exactly that.

This year, our Boards have been keeping Consumer Duty considerations at the forefront of their decision-making. Our Board Consumer Duty champion, Gary Hoffman, along with the other Board members, consistently makes sure that the customer voice is at the centre of discussions where appropriate.

The Group Board Risk Committee (GBRC) and the Boards also oversee product launches for things like our Investments platform and our subscription product refresh.

Our Boards also receive deep dives on specific product areas to better understand how we plan to continue delivering a delightful customer experience in a careful and sustainable way.



Our people

Our people are what make Monzo special. They keep the business running and make our mission of making money work for everyone possible.

Last year, we highlighted how the Group RemCo oversaw our approach to attracting and keeping talent. We talked about our benefits review and we've continued listening to Monzonauts on what means most to them since. Building on that work, the Group RemCo approved improvements to paid time off, an increase to our matching of pension contributions, and a focus on investing in Monzonauts' wellbeing. Having a benefits offering and value proposition to support our people is vital to our success and the Group RemCo played an instrumental role in holding management to account on this.

At the strategy offsite in October 2023, the Boards attended a session dedicated to our 'people plans' with a focus on investing in learning and developing a diverse and highly skilled leadership group. The Boards will stay close to the progress we're making with these programmes.



The communities we serve

We may not have a branch on the high street but we still recognise the importance of being there for the communities we serve.

We make an effort to have a positive impact on wider society as well as with the people that we come into direct contact with. Our Vulnerability, Accessibility & Inclusion team works with our Public Policy team to push for change on a range of governmental and societal issues, like our recent successful extension of the gambling block, continuing our work on gambling reform. Our Boards gets updates on the work of both teams and has the opportunity to give feedback.

You can find out more on the work we've done and are doing for the community on page 30.



The environment

We care about the impact we have on the environment and do what we can to reduce our carbon footprint.

Even though we're a digital bank, our business operations still impact the environment. We're doing what we can to help protect the environment and have invested a lot of time this year into our sustainability strategy and related initiatives so we can be net zero by 2030. This includes some key initiatives like the rolling out of recycled cards, which we talk about more in our Environment section on page 33.

The Boards oversee our approach to the environment and managing climate risk. They reviewed and approved our refreshed Sustainability Commitments and continue to monitor our progress against net zero. As part of their commitment to making sure we also comply with our environmental reporting requirements, the Boards attended a training session on our environmental strategy and the broader environmental regulatory landscape.



Our regulators

We're committed to an open and collaborative relationship with all our regulators.

Under our new structure, Monzo Bank Limited (MBL)'s activity is regulated by the PRA and FCA. Our group financial holding company, Monzo Bank Holding Group (MBHG), is PRA approved.

We have a transparent and open relationship with our regulators and the Chair of the Boards, Group Audit Committee Chair, and GBRC Chair meet with the PRA and FCA regularly. We also keep our Boards up to date with management's interactions with regulators through regular financial, risk and strategic reporting.

As well as the PRA and FCA, we also work closely with a number of other financial and non-financial regulatory bodies, like the Bank of England, Financial Ombudsman, Competition and Markets Authority, Information Commissioner's Office and Financial Reporting Council.



Our third parties

Without these organisations we wouldn't be able to run the bank. That's why we think of them as being part of our team.

We have several key business relationships with third parties both locally and internationally. They provide a range of services from partnerships to platform and internal communication tools.

Our Boards, on recommendation from the GBRC, approve the Outsourcing and Third Party Risk Management Policy which sets our approach to choosing the third parties we work with.

The Policy governs how we engage with third parties on an ongoing basis and covers things like incident management, contract monitoring, operational resilience, risk management and key controls.

This year our Boards and GBRC considered a number of material contracts for approval, like the partner contracts for our refreshed Monzo subscription plans. The Boards also got periodic updates on third parties and third party risk management.



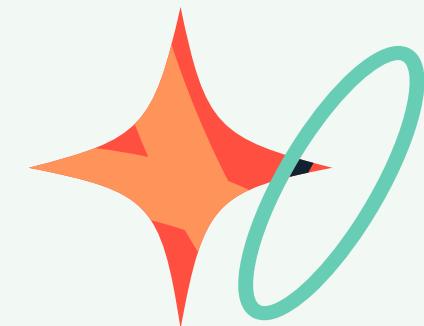
Our investors

From institutional, venture capital and crowdfund investors to past and current colleagues.

We currently have one investor-director on our Boards, held by Eileen Burbidge MBE on behalf of Passion Capital. This important governance mechanism means the Monzo Bank Holding Group Limited (MBHG) Board has direct contact with our major investors at critical decision-making points. This year, we were in close contact with our investors because of the Group restructure and our latest fundraise.

The Strategic Advisory Group, which is made up of representatives from our major investors, continues to be an effective and helpful way for executives and Board members to work with major investors. It gives our major investors the opportunity to feed back on and challenge our strategy and development plans, and for executives and Board members to better understand shareholders' views.

Becoming a sustainable and profitable business over the long term is essential to eventually delivering a return to our investors, so reaching profitability this year was a key milestone. Our Boards will continue to monitor and challenge management's mission-orientated plans as we grow a sustainable business for all our stakeholders.



Risk management



Our approach to risk management

We manage our risks using an ERMF. The ERMF helps us make risk-based decisions consistently and efficiently across Monzo to support our mission of making money work for everyone.

It supports our high growth, customer-focused business objectives and it helps leaders make well controlled decisions by setting minimum standards for managing any risk. It's not just leaders though. All Monzonauts know to make decisions that help us grow safely while operating within the boundaries set by the ERMF.

Our customers, our team, Boards and regulators all expect us to manage risk well. The ERMF helps us make well-informed decisions, which in turn means people are more likely to trust us. In fact, our entire risk culture is built on the spirit and the wording of the ERMF.

Our ERMF has standards and practices that we follow when we manage risk. It covers all elements of managing risks including identifying, assessing, managing, monitoring and reporting risks. Understanding key risks gives us a clear view



We have 6 key risks and each one has:

- a risk appetite that the Boards set
- its own risk framework, including how the Boards wants us to manage the category
- an executive owner.

The risks may also have specific subsidiary risk committees that monitor performance where the risk is material for that subsidiary, for example in MBL.

Risk type	Definition
Strategic risk	The risk that we don't carry out our business plan or that our business model isn't sustainable.
Financial risk	The risk that we don't have enough financial resources or carry out activities which impact our solvency and/or impact our ability to meet our liabilities.
Financial Crime and Fraud risk	The risk that we, our products or our services are used to facilitate/advance criminal activity, terrorist financing or to avoid sanctions.
Operational risk	The risk of loss because of inadequate or failed internal processes, people and systems or from external events.
Conduct risk	The risk that any action, or inaction, of a Monzo colleague or individual associated with us leads to customer detriment.
Credit risk	The risk that those who owe us money default on their obligations to pay us back.

As a regulated group, we adhere to all kinds of regulations, from organisational requirements for our systems and controls, to specific rules on how products work.

Our Compliance framework sets out how we stay compliant with these regulations, including how we manage related risks – which the Group Enterprise Risk and Compliance Committee (ERCC) considers.



The Three Lines of Defence and what each one does

We use a Three Lines of Defence (3LoD) model to structure risk management activities for:

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

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

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

Each line of defence's activities

1LoD The ownership and management of risk	2LoD Oversight and challenge	3LoD Independent validation and assurance
<ul style="list-style-type: none"> • Sets business objectives. • Identifies, owns and manages risks where risk appetite is breached, both for the Group and its Subsidiaries. • Defines, operates and tests controls, across Monzo. • Implements and maintains regulatory compliance. • Adheres to Group risk frameworks. • Defines and operates in line with Group and Subsidiary policy requirements. • Identifies future threats and risks. • Supports the development and embedding of a risk-aware culture. • Notifies of control failures, heightened risks and breaches of Group and Subsidiary policy. 	<ul style="list-style-type: none"> • Develops the strategy and vision for Risk and Compliance in Monzo, both for the Group and for Subsidiaries. • Runs the Group and Subsidiary Board Risk Appetite annual refresh. • Sets Group risk frameworks to articulate the minimum standards for risk management. • Gives expert advice on the risk profile of business initiatives. • Reports aggregate enterprise level risks to both Subsidiary and Group Boards. • Conducts independent and risk-based oversight. • Interprets material regulatory change. • Defines target state risk culture and monitors performance against aspirations. • Runs the enterprise Horizon Scanning process for the Group. • Manages regulatory relationships. 	<ul style="list-style-type: none"> • Independently reviews the effectiveness of 1LoD control and 2LoD oversight, support and challenge. • Assesses how well we're adhering to the ERMF and application of risk frameworks. • Assures the integrity of our risk management processes, control mechanisms and information systems.

We want to promote the right risk culture

Our values are essential to how we operate; they influence everything we do, from hiring, to performance reviews, to projects. They're articulations of the culture across the whole Monzo Group. Risk culture is a subset of our values, it isn't standalone – all of the values are important in helping us to grow safely. You can find our values on page 07.

We have an established risk appetite

Risk appetite sets the type and size of risks that we're willing to take to achieve our objectives and strategic aims.

Risk appetite describes and communicates our approach to risk for Monzonauts, the Boards, regulators, investors and others. It sets boundaries for Monzonauts to make decisions quickly without needing extra feedback or approval. It gives them the freedom to use their expert knowledge to help us grow safely and quickly.

It's expressed through a series of Attitude to Risk Statements (qualitative), do's and don'ts (prescriptive) and associated Risk Appetite Metrics (quantitative), which are aligned to our risk profile and key risks. Our Boards agree and review these every year.

How we oversee our risks

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

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

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



Our principal risks and uncertainties

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

Inherent risk description	Mitigation and control	Change in risk	Risk category
Current risks			
Capital funding of planned growth			
The risk we won't be able to maintain enough capital to meet regulatory requirements in the medium term.	<p>We raised £489.5m in March and April 2024 showing continued investor confidence in our business model.</p> <p>We recognise that our continued growth and ambitions will lead to increased regulatory capital requirements in the medium term and have calibrated our growth ambitions with our funding plan in our annual financial planning cycle.</p> <p>We stress test our capital positions and take mitigating actions to reduce this risk wherever possible, including keeping regulators up to date on our capital position.</p> <p>More detail in Note 23.</p>	<p>Decreasing</p> <p>Our underlying business performance, improving financial results in FY2024 and successful capital raise mitigate this risk. We're expecting our regulatory capital requirements to increase as our balance sheet and risk-weighted assets grow, but there is now significant headroom for growth.</p>	<ul style="list-style-type: none"> Financial

Inherent risk description	Mitigation and control	Change in risk	Risk category
Business process risk The risk that our business processes don't operate to an appropriate standard, negatively impacting our customers, our financial position, our reputation, or compliance with regulation.	<p>We continue to review and improve our processes and focus on all of our customer facing processes and third parties to make sure we meet service levels and don't negatively impact our customers as we grow.</p> <p>We use our Risk and Control Self Assessment process to spot process risks and associated controls that need management attention.</p> <p>This year, we've launched a comprehensive programme to improve third-party risk management, acknowledging the critical role that it plays in helping us achieve our ambitious goals.</p> <p>We've also launched a programme to improve the efficiency of our operations to make sure that we can continue to meet customer needs and regulatory obligations.</p>	No change	<ul style="list-style-type: none"> Operational
Increased credit losses The risk that our credit risk losses will be bigger than expected.	<p>We closely monitor the quality of our lending portfolios and compare loss expectations to revenue expectations.</p> <p>During the year, we've revised our internal models, tightened our lending criteria to improve the quality of the portfolio and we remain focused on supporting our customers through any financial difficulties.</p> <p>We also note that the economic environment may cause increased defaults on lending due to affordability pressures on our customers.</p> <p>Further detail on our impairments can be found in Note 4.</p>	Increasing Our credit exposure has increased in line with our growth ambitions and we've seen some adverse trends in performance, which we mitigate through continued improvements in our credit models and tightening lending criteria.	<ul style="list-style-type: none"> Credit

Inherent risk description	Mitigation and control	Change in risk	Risk category
Financial crime			
The risk that criminals use our products and services for financial crime.	We recognise that inherent financial crime risk continues to evolve and increase. We've continued to take material steps to improve our controls, policies and operational practices this year to improve financial compliance and combat increasing threat levels as part of our ongoing Financial Crime programme.	Decreasing Our financial crime risk exposure has reduced in recognition of the material control improvements we've made this year.	<ul style="list-style-type: none"> • Financial crime and Fraud • Financial

Last year we also included risks around the business model and strategy, customer harm and cyber crime. While these are still important risks and we monitor them closely, we no longer consider them as our top risks.

New and emerging risks	Mitigation and control	Risk Category
Artificial Intelligence (AI)		
The risk that advances in this technology will make existing risks worse.	<p>Artificial Intelligence is both an opportunity for us to improve our processes and a risk to our reputation if we get it wrong or if competitors move faster. We have a dedicated team looking at how we can use this technology in existing processes to make them more efficient. Any changes to processes go through our existing change governance process to make sure we consider all risks before making material changes.</p> <p>AI technology can also make existing risks worse, like data privacy or fraud risks. Our teams continue to monitor developments and mitigate against new threats in these areas.</p>	<ul style="list-style-type: none"> • Strategic • Financial Crime & Fraud • Operational
Financial Crime – new refund regulation	<p>The Payments Systems Regulator (PSR) has confirmed new requirements for banks and payment companies to refund victims of Authorised Push Payment fraud from October 2024.</p> <p>We expect that this will increase our fraud losses, so we're heavily investing in our processes to help prevent these instances of fraud from happening in the first place.</p>	<ul style="list-style-type: none"> • Financial Crime and Fraud • Financial

New and emerging risks	Mitigation and control	Risk Category
Macroeconomic risk The risk that monetary policy decisions, political instability, inflation and the cost of living impacts our revenue growth.	<p>Lower Bank of England Base Rates can negatively impact the revenue that we earn from our interest bearing products. High inflation also has an impact on the cost of living for our customers and can reduce consumer confidence, which leads to our customers spending less.</p> <p>We monitor the macroeconomic environment closely and carry out horizon scanning and stress testing exercises to assess the impacts of macroeconomic risks to our business. Our Treasury team's hedging activity is also used to reduce the impact of interest rate volatility.</p>	<ul style="list-style-type: none"> • Strategic • Financial
Climate risk The risk that changes to our environment impact both us and our customers.	<p>We've assessed the financial risks to our balance sheet from the climate crisis and consider the direct impact to be low as both our assets and liabilities have short durations relative to the longer term impact of climate change. Because we have a small number of offices and no branches, we don't see material exposures to physical climate crisis risks, either now or in the foreseeable future.</p> <p>The transition to a lower carbon economy may have a more significant long-term impact, and climate risk is one of our most significant strategic risks. We've set up an Environmental Working Group to set clear milestones for achieving net zero emissions status by 2030 if suppliers and government policy continue to develop positively.</p> <p>We analyse scenarios and use stress testing where appropriate. We'll continue to review our activities, third parties, their impact and the associated risks. We cover our impact on the environment, our risk management approach to climate change and what we're doing about it in Our approach to the environment on page 33.</p>	<ul style="list-style-type: none"> • Strategic

Last year we included competition and regulatory risks as emerging risks. While these remain important and we monitor them closely, we no longer consider these our top emerging risks.



Governance



Our governance priorities in FY2024

It's been another busy year for everyone at Monzo. In terms of governance, we were mostly focused on maturing our approach to corporate governance to keep up with our evolving statutory and regulatory responsibilities as we grow. For example, in the last year we set up Monzo Bank Holding Group (MBHG) as a financial holding company to support our strategic goals. We also updated our governance documents to support our new structure, which we cover later in this section.

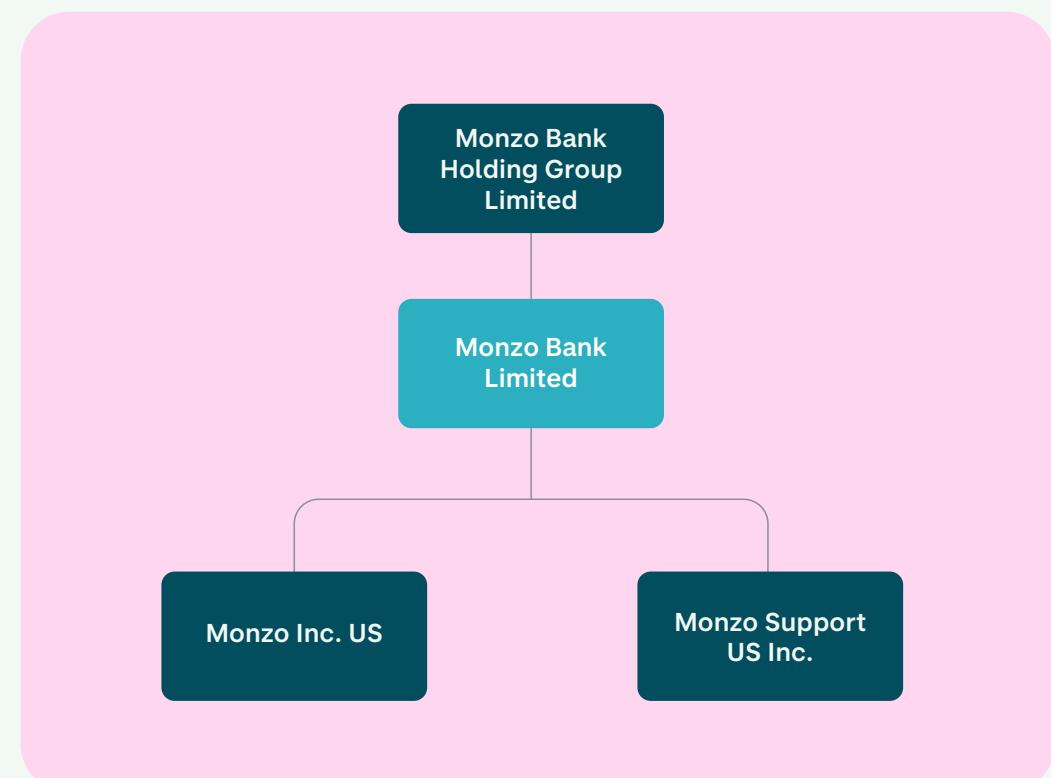
We're already fully compliant with the Wates Corporate Governance Principles for Large Private Companies 2018 (Wates) (read more on page 68) and we'll continue to use the UK Corporate Governance Code 2018¹¹ as a pillar of best practice. We already measure our governance against it where appropriate.

Evolving our governance structure

We completed a corporate restructure in September 2023 following approval from our regulators, Board and shareholders. We placed a financial holding company above Monzo Bank Limited (MBL) known as MBHG and updated our governance model to reflect the new structure.

You'll see in the structure chart that MBHG is now the parent company of the Monzo Group. This includes MBL (its only direct subsidiary) and two Monzo US companies (its indirect subsidiaries). So together, MBHG, MBL, Monzo Inc., and Monzo Support US Inc. make up the Monzo Group. Changing the structure had very little impact on our day-to-day operations. In fact, almost all of our business operating activity still takes place within MBL.

MBHG and MBL's interests and objectives are closely aligned, so we adopted a 'mirror board' structure for the MBHG and MBL Boards. Under this mirror board structure, the MBHG and MBL Boards are made up of the same directors. Throughout this Governance section, we often refer to 'the Boards', meaning the MBHG and MBL Boards together. We'll continue to keep our governance model under review and adapt it as and when we need to. You can find out more about our mirror board structure and how our governance works on page 65.



¹¹ To be superseded by the UK Corporate Governance Code 2024, effective from FY2026.

Refreshing and embedding our governance

We completed a significant review and refresh of our governance documents to reflect our revised group structure. This included refining Our Approach to Corporate Governance – an MBHG Board approved governance framework. Our governance framework lives alongside our Enterprise Risk Management Framework (ERMF) and sets out our core governance principles across three key pillars: group governance, legal entity governance, and executive governance.

We also updated all of our Board governance documents, like our Group Committee terms of reference, Board policies and Board procedures to reflect our new structure. We redrafted our Matters Reserved for the Boards (the document setting out the things that only the Boards can approve) to reflect our Board mirror structure too. It covers matters that the Boards can consider at the same time and matters that are only for the MBHG Board or MBL Board to consider. For example, decisions which affect the Monzo Group, like a decision to expand into a new location, are only for the MBHG Board. We use the agenda-setting process to highlight which company an item is relevant to.

We ran a number of workshops to introduce our new group structure and governance arrangements and we'll of course work with our stakeholders across the business to make sure we're making use of our governance practices and policies. As our governance continues to evolve, we'll make sure we keep our key stakeholders updated.

Board make-up and succession planning

During the year, the Group NomCo led a search and selection process for a new Independent Non-Executive Director (iNED) on behalf of the Board. We appointed Korn Ferry,¹² an executive search firm, to support the search. After an extensive process, the Boards approved appointing Fields Wicker-Miurin OBE as an iNED of both the MBHG and MBL Boards, starting 1 April 2024. We plan to appoint Fields as Group Remuneration Committee Chair later in the year, once we have regulatory approval.

The Boards and Group NomCo have spent a lot of time thinking about future board and committee make-up and structure in light of the Group's scope expanding. To support this important work, the Group Nomination and Governance Committee appointed an external board consultancy firm to help us find the ideal boards and committee structure, any gaps or succession needs, and how we might fix them in the short and medium-term.

Board make-up and future state planning will continue to be a key priority for the Boards as we enter the next financial year. More information on our Board members is on page 58 and details of what else the Group NomCo's been doing this year is on page 73.



¹² Korn Ferry has no connection to the Monzo Group or any of the MBHG and MBL Board members.

Meet our Board Members

Our Boards are key to our success

The MBHG Board leads the Group and is ultimately responsible for helping us achieve our mission in a way that aligns with our values. While we have a mirror board structure, the Boards collectively oversee key areas in the Group related to strategy, culture, risk, finance and capital, internal systems and controls, audit, and governance.

Gary Hoffman is the Chair of our Boards with the rest of our Boards being made up of executive directors, iNEDs and an investor director. The majority of the Board members are iNEDs and our Group CEO (TS Anil) and Group CFO (James Davies) hold the executive director positions. There's a clear separation of responsibilities between the role of the Chair of the Boards and the Group CEO. We cover this in our Board role profiles document which the Boards review and approve each year.

With effect from 12 September 2023, the MBL directors joined the MBHG Board¹³ and have operated in a dual capacity since then.

Our Group Committees play a vital role too

As well as serving on the Boards, some of our Board members sit on Group Committees and subcommittees that the Boards set up to oversee specific and technical areas. Under our new group structure, we've kept 4 permanent Group Committees which take responsibility for things like risk, financial reporting and audit, remuneration and people, board make-up, and corporate governance.

The Group Audit Committee is a sole committee of MBHG and considers matters on behalf of the Monzo Group and its entities, including MBL, as needed. The Group Board Risk Committee, Group Nomination and Governance Committee, and Group Remuneration Committee are joint committees of MBHG and MBL. For now, this approach to board governance works for us and is the most efficient way for the Boards to oversee the business effectively.

You can see who sits on which Group Committee using the key. Each Group Committee member has recent and relevant experience and we review the make-up of our Group Committee at least once a year. You can find more on our governance structure on page 65 and what each Group Committee's been up to from page 71.

Key Board changes during the year

We appointed Matt Bromberg as iNED to the MBL Board on 1 March 2023. Matt stepped down from the MBL and MBHG Boards on 15 May 2024 to pursue a full time executive role.

We appointed all MBL Board members, in their same position, to the MBHG Board on 12 September 2023 (see footnote).

We appointed Fields Wicker-Miurin OBE as iNED to the MBL and MBHG Board. This appointment happened after our financial year-end on 1 April 2024.

¹³ With the exception of Gary Hoffman who was appointed as sole director of MBHG on 6 April 2023.


Gary Hoffman

Chair of the MBHG and MBL Board of Directors and Independent Non-Executive Director

Gary joined Monzo on 1 February 2019 and also chairs the Group Nomination and Governance Committee. He started his career at Barclays where he stayed for 25 years. He took on several senior roles before becoming the CEO of Northern Rock, steering them successfully through the 2008 financial crisis.

He then went on to become the CEO of NBNK Investments and later CEO for Hastings Insurance Group, which he led through an IPO, as well as serving as Non-Executive Chair of Visa Europe and Non-Executive Director of Visa Inc. Gary has extensive experience in financial services including retail banking, insurance and consumer lending. He's led significant growth stories and turnarounds while innovating along the way. Gary's external appointments are: Director and Chair of Coventry Arena Retail Limited and Coventry Arena OPCO Limited; and Director of Northampton County Cricket Club Limited.


Fiona McBain

Senior Independent Non-Executive Director

Fiona joined our Board on 1 January 2020. She's the Board's Senior Independent Director (SID) and Chair of our Group Audit Committee. She has more than 35 years of regulated retail financial services experience, in industry and as an auditor, both in the UK and US.

Fiona brings wide-ranging strategic and operational experience at both board and senior executive management level. She was Chief Executive of Scottish Friendly Assurance Society Ltd operating across the UK and the Republic of Ireland for 11 years.

Fiona's external appointments are: Independent Non-Executive Director of Currys plc where she is chair of the Audit Committee; and Independent Non-Executive Director of Direct Line Insurance Group plc where she chairs the Investment Committee.


Amy Kirk

Independent Non-Executive Director

Amy joined our Board on 24 January 2017 and also served as Chair of our Group Remuneration Committee for the whole financial year. She brings more than 25 years of UK and international retail banking and consumer lending experience.

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

Amy's external appointments are: Independent Non-Executive Director of FCMB Bank (UK) Ltd; Non-Executive Director of Maryland Partners Ltd; and Independent Non-Executive Director of Griffin Bank Limited (previously known as Griffin Financial Technology Limited).

- Board
- Board Chair/ Board Committee Chair
- Audit Committee
- Board Risk Committee
- Nomination and Governance Committee
- Remuneration Committee

**Valerie Dias**

Independent Non-Executive Director

Valerie joined our Board on 1 June 2021 and became Chair of our now Group Board Risk Committee in January 2022. She has worked in the financial services sector for more than 25 years in various leadership roles.

Valerie brings a wealth of finance, risk, governance and operational experience having worked as a senior executive at Visa Europe, first as their Chief Financial Officer and then as their Chief Risk Officer. Valerie's external appointments are: Independent Non-Executive Director of Elavon Financial Services Designated Activity Company; and Independent Non-Executive Director of Hastings Insurance Services Limited.

**Lizzie Runham**

Independent Non-Executive Director

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

Lizzie's external appointments are: HR Vice President International for Meta and Chair of the Speakers Trust.

**Fields Wicker-Miurin OBE**

Independent Non-Executive Director

Fields joined our Boards on 1 April 2024. She brings a wealth of experience from her international career in financial services and her 30 years serving as a board member, SID and committee chair across a diverse range of sectors, including 12 years on the main board of BNP Paribas. Fields has built a track record of effective and inspirational leadership by bringing key stakeholders together to achieve ambitious goals. Fields helped establish a global social enterprise focused on leadership (Leaders' Quest) in 2002 and has championed ESG throughout her career, serving as chair of sustainability committees for companies in France and India. Fields has received an OBE for services to international business and is a Fellow of King's College London.

Fields' external appointments are: SID and Chair of the Nominations and Remuneration Committee of Aquis Exchange plc, NED and Chair of the Remuneration Committee of Scor SE, Deputy Chair of the Royal College of Art and Design, and Chair-elect of the British Equestrian Federation.

**Eileen Burbidge MBE**

Investor Non-Executive Director

Eileen joined our Board on 21 April 2015 as a representative for Passion Capital, our major shareholder. As well as co-founding Passion, Eileen also served as HM Treasury's Special Envoy for Fintech and was previously Chair of Tech Nation and a member of the Prime Minister's Business Advisory Group. She was made an MBE for Services to Business in 2015.

Eileen has extensive technical knowledge from a broad range of industries including wireless and mobile, internet/digital technology, consumer and enterprise software development and communications. Her particular areas of expertise include product, business, market and commercial development.

Eileen's external appointments are: Independent Non-Executive Director of Currys plc, Non-Executive Director of Fertifa Ltd, Director of 33 Talbot Road Management Company Limited, and Designated Member of Passion Capital Group entities.

**TS Anil**Group Chief Executive Officer
and Executive Director

TS joined our Board on 6 October 2020 and is a highly respected financial services and payments leader with more than 25 years of retail banking experience. As CEO, he brings his expertise from Visa, Standard Chartered, Citigroup and Capital One in roles that have spanned the world, including the US, Singapore, Canada, Japan and India.

He has a wealth of experience launching new products, developing innovative payment technologies, taking existing businesses to new growth opportunities, and much more.

TS' external appointments are: Non-Executive Director of Accion International.

**James Davies**Group Chief Financial Officer
and Executive Director

James was appointed as CFO on 17 September 2021 and joined the Board on 29 September 2021. He's a chartered accountant with over 25 years of experience in global organisations. Over 13 of these were in investment banking at Close Brothers and Deutsche Bank. More recently, James has held divisional and Group CFO positions in public and privately owned digital companies, including Purplebricks and Domestic & General.

James' external appointments are: Senior Independent Non-Executive Director and Chair of the Audit and Risk Committee of The British Cycling Federation.

Board diversity and engagement

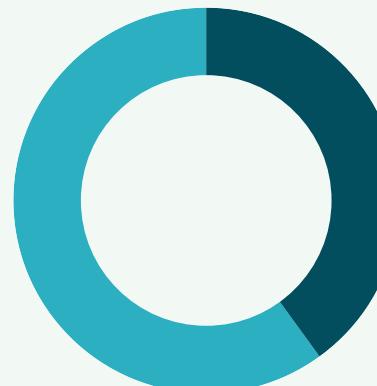
We're committed to diversity at all levels, including Board level

We're pleased to say that we're meeting the majority of our diversity objectives, including gender representation on our Boards. We're proud that our Boards continue to represent a diverse and inclusive workplace. 3 of our 4 Group Committees are chaired by women and women make up more than 50% of our Board members. Beyond gender diversity, we have a wide range of experience, length of service, and independence on our Boards.

Our Board Diversity Policy influences our hiring and succession planning as well as setting out objectives and our commitment to diversity in the broadest sense, including skills, geographic and industry experience, background, ethnicity, age and gender, to name a few things.

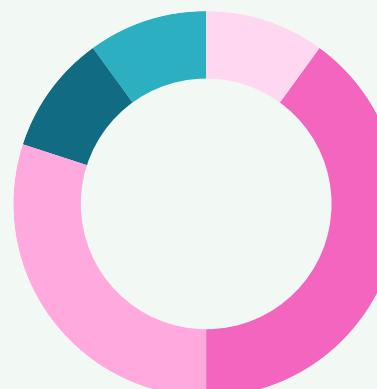
We worked with the executive search firm Korn Ferry for the Board appointment we made this year who, in line with our policy requirements, are signatories to the standard voluntary code of conduct for executive search firms.

As we shape our Boards and executive teams for the future, making sure we achieve diversity across a range of characteristics will continue to be a focus of our planning. We talk more about how and why diversity and inclusion is important to us on page 27.



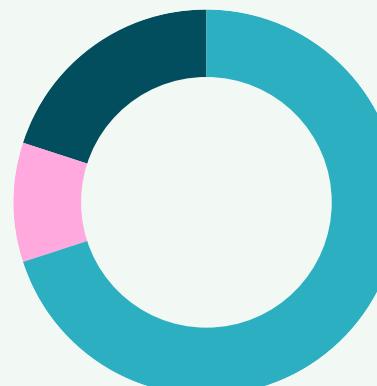
Board diversity

- Men – 40%
- Women – 60%



Board tenure

- Less than a year – 10%
- 1-3 years – 40%
- 3-6 years – 30%
- 6-8 years – 10%
- Over 8 years – 10%



Board independence

- iNEDs – 70%
- Investor directors – 10%
- Executive directors – 20%

The tenure figures reflect the directors' appointments to the MBL Board. All Board members were appointed to MBHG in 2023 as part of the corporate restructure.

The data presented above included Matt Bromberg who served on the Boards during the year (see page 58).

Our Boards spend time on what matters

We've had a busy year and our Board members have spent a lot of time in Board and Group Committee meetings, especially in the run-up to the Group restructure. They've also continued to work closely with the business and the executive team, our investors, and our regulators.

As well as Board and Group Committee meetings, the Boards set up ad-hoc subcommittees to oversee major strategic initiatives like the launch of our Investments product and our recent fundraising round.

Outside of formal meetings, the Boards have joined a number of training and workshop sessions in line with the Board Training Plan that the Boards review and approve twice a year.

Each year, the Group NomCo reviews the Board members' time commitments and this year it confirmed that it was happy the Board members were able to devote enough time to their roles, even in busier periods.

Board Member	Board Meetings ¹⁴	Audit Committee ¹⁵	Board Risk Committee ¹⁶	Nomination and Governance Committee ¹⁷	Remuneration Committee ¹⁸
Executive Directors					
TS Anil	14/14	—	—	—	—
James Davies	12/12 ¹⁹	—	—	—	—
Non-Executive Directors					
Gary Hoffman (Chair)	13/14	—	—	4/4	8/8 ²⁰
Eileen Burbidge	14/14	—	—	4/4	—
Matt Bromberg	13/14	—	—	—	—
Valerie Dias	14/14	8/8	10/10	—	9/9
Amy Kirk	14/14	8/8	10/10	—	9/9
Fiona McBain	14/14	8/8	10/10	4/4	—
Lizzie Runham	13/14	—	—	4/4	7/9

¹⁴ One meeting of the MBHG Board only and five of the MBL Board only, the rest were joint meetings of MBHG and MBL.

¹⁵ Four meetings of the Audit Committee of MBL, four meetings of the Audit Committee of MBHG.

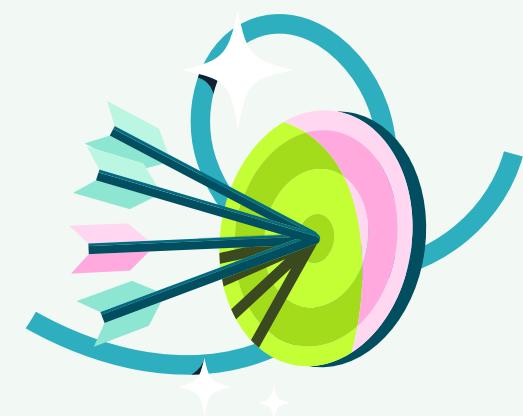
¹⁶ Four meetings of the MBL BRC, six meetings of the Group BRC.

¹⁷ One meeting of the MBL NomCo, three meetings of the Group NomCo.

¹⁸ Five meetings of the MBL RemCo, four of the Group RemCo.

¹⁹ James Davies recused himself from two meetings.

²⁰ Gary Hoffman recused himself from one meeting.



Meet our Executive team

The Executive team's in charge of the everyday running of the business

It's collectively responsible for helping run the day-to-day business of the Monzo Group. The Executive team makes up our Group Executive Committee (Group ExCo) which operates in a dual capacity, like the Boards. This means they consider things on behalf of the Monzo Group and on behalf of individual Monzo entities as appropriate. Many of the Group ExCo also sit on and chair other executive-level committees, with some of them reporting up to our Boards and Group Committees. We talk more about our governance structure from page 56.



TS Anil
Group Chief Executive Officer and Executive Director



Sujata Bhatia
Group Chief Operating Officer



James Davies
Group Chief Financial Officer and Executive Director



Fernando Fanton
Group Chief Product Officer



Iain Laing
Group Chief Risk Officer



Kunal Malani
Group General Manager



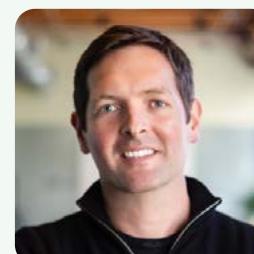
Sarah Manning
Group Chief People Officer



Stephanie Pagni
Group General Counsel and Group Company Secretary



Matej Pfajfar
Group Chief Technology Officer



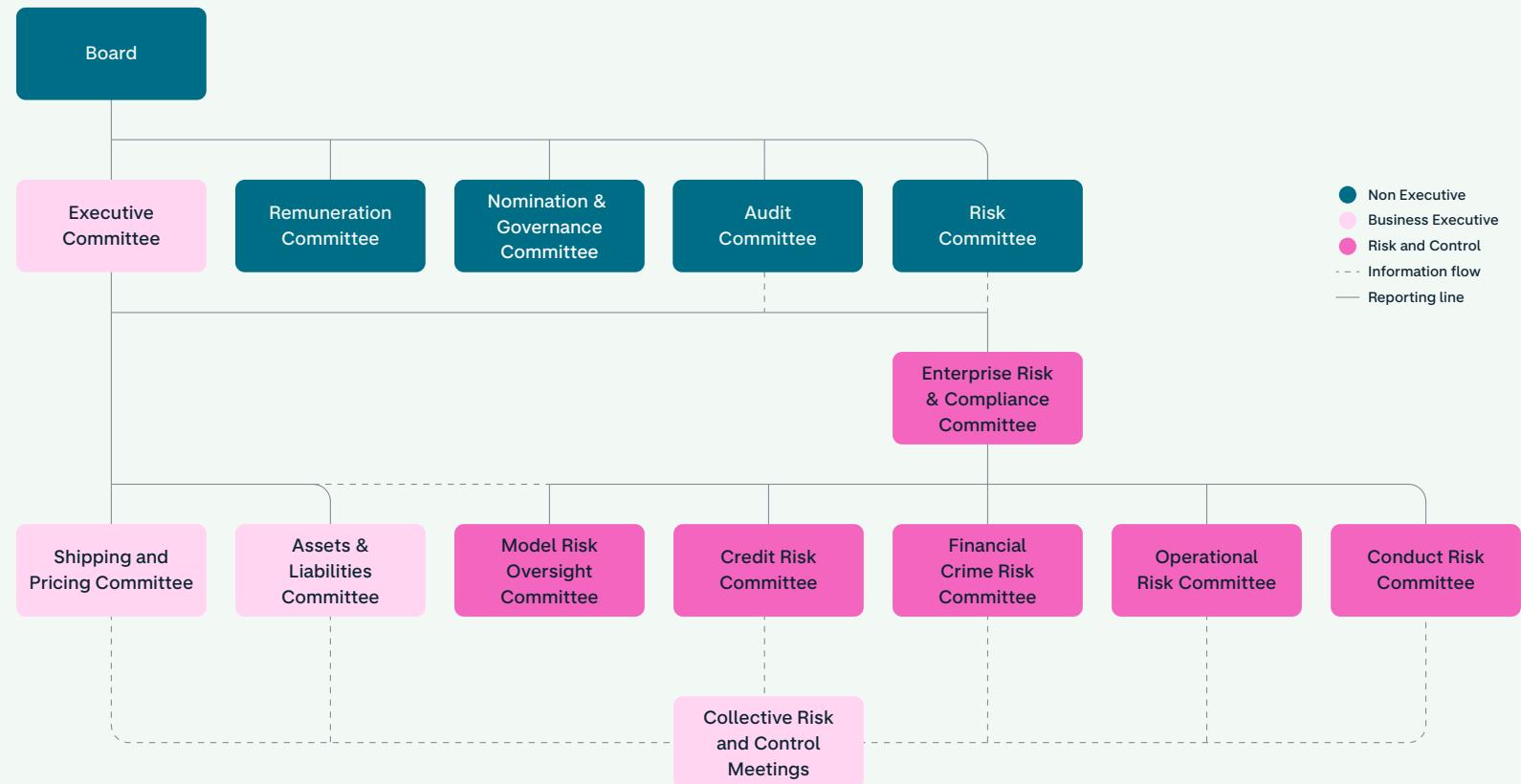
Conor Walsh
US Chief Executive Officer

How our governance works

We've developed an approach to governance that's right for us

We've created what we see as a robust and proportionate governance structure throughout each layer of our business by using executive-level committees as well as Board and Group committees.

Our governance framework sets out how our executive and board-level governance interact with one another in the context of a mirror board structure.



Shareholders have a clear delegation of authority to our Boards and its committees

The MBHG Board gets its authority from its shareholders and the MBL Board gets its authority from MBHG (its parent and sole shareholder). We document this authority in each Board's articles of association and the joint Matters Reserved for the Boards. As shown in the structure chart, the Boards assign overseeing specific matters to the Group Committees and other ad-hoc subcommittees as needed. As a bank, we need to have certain board committees overseeing specific issues to meet our regulatory obligations.

Each committee has Board-approved terms of reference setting out the scope of its authority and responsibilities. The committees review these terms of reference at least annually to make sure they've met their responsibilities and that they stay fit for purpose. The Boards and Committees also regularly interact, with the Committee Chairs updating them on committee activity at each Board meeting.

Our mirror board structure works for us

As we mentioned earlier, our Boards meet at the same time and our Board members work in joint capacity for both MBHG and MBL under the mirror structure. They have separate duties though, like their legal responsibilities under the Companies Act 2006.

The Boards took part in training on the mirror board governance arrangements, which included conflict of interest management, and have continued access to the support of the MBHG and MBL Company Secretaries.

Our Group ExCo works with the Boards to achieve our goals

The Boards have assigned the day-to-day operation of the Monzo Group to the Group CEO, who's supported by Group ExCo. To support them with the running of the business, the Group ExCo has set up the Shipping and Pricing Committee (previously called the Product Launch Committee), the Assets and Liabilities Committee, and the Enterprise Risk and Compliance Committee. Each of these committees covers fundamental and technical aspects of our business activities and play a vital role in the daily running of Monzo, especially as it covers overseeing our key risks.

They also have reporting lines into some of our Group Committees.

The executive governance committee typically reviews papers we share with the Boards first. This makes sure the Boards are getting accurate information, based on reliable data, in the most helpful way possible. Our governance framework sets out the relationship between board and executive-level governance.



The Boards formally adopted Wates as our corporate governance code in November 2023. Where appropriate, we hold ourselves to a higher standard of governance and look to the UK Corporate Governance Code as a source of best practice guidance for this.

Our governance statement

We're fully compliant with the Wates Principles of Corporate Governance for Large Private Companies 2018

In line with our responsibility under The Companies (Miscellaneous Reporting) Regulations 2018, this is the first year we've had to include a statement of our corporate governance arrangements for the financial year. Our governance statement sets out how we've complied with the principles under the Wates corporate governance code. You can also find the statement on our website.

On Group NomCo's recommendation, the Boards formally adopted Wates as our corporate governance code in November 2023. While Wates is our formal code of corporate governance for FY2024, we'll continue to keep our governance practices under review as we grow. Where appropriate, we hold ourselves to a higher standard of governance and look to the UK Corporate Governance Code 2018²¹ as a source of best practice guidance for this.

²¹ To be superseded by the UK Corporate Governance Code 2024, effective from FY2026.

Principle 1

An effective board develops and promotes the purpose of a company, and makes sure that its values, strategy and culture align with that purpose.

Our mission is to make money work for everyone. It's our purpose and is at the heart of everything we do. Our mission informs our strategy, goals and collective vision. Our Boards set our strategy and hold management to account on our goals, making sure that both align with our culture, values and long-term aspirations. More information on our strategy from page 14.

In leading Monzo, our directors actively promote the company's success. They role model the shared practices and behaviours that make up our culture which is essential to creating long-term value. Our Boards help establish and embed our culture through ongoing monitoring via the Group Committees. They also meaningfully engage with our colleagues, investors and regulators, as well as other key stakeholders. Our key stakeholders' views influence Board discussions and decision making. This aligns with the duties of our directors under section 172 of the Companies Act 2006. More about this on page 43.

Principle 2

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

Our Chair, Gary Hoffman, is responsible for leading the Boards and overall board performance.

Each year, overseen by the Group Nomination & Governance Committee, we review the effectiveness and suitability of the directors on the Boards and Group Committees, individually and collectively. Similar to last year, the Board agreed the collective suitability assessments would form part of the Board effectiveness review. We document our approach to individual and collective suitability assessments in the Board and Senior Manager Suitability Policy, which the Boards approve annually.

This year, the Boards approved that the Chair of the Boards should lead the effectiveness review with support from the MBHG and MBL Company Secretaries. Each Board member completed a consolidated self-assessment questionnaire covering questions about their Board role and Group Committee role.

The questionnaire was based on key themes from the previous year's review. In addition, the Chair of the Boards completed a performance review for each Board member to do their individual suitability assessments. The Senior Independent Director completed this for the Chair of the Boards.

The review found that the Boards and Group Committees were performing effectively, collectively suitable, and had fulfilled their responsibilities during the year. Fewer actions came out of this year's review than last year's and we combined any ongoing actions from FY2023/2024 into one Board effectiveness action plan for FY2025.

As well as performing effectively, it's important that our Board members have time to commit to their role, aren't conflicted in their role, and continue to hold the right skills and experience. We also have a Board-approved training plan, developed in consultation with the Boards, in place to support the continued development of our directors. The training plan includes workshops, deep dives and externally facilitated training sessions.

We take a forward-looking approach to Board and senior management make-up and succession planning. We'll continue to build our skills and capabilities in line with our strategy which we talk more about on page 14.

Principle 3

The Board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision-making and independent challenge.

The Boards and committee members act in line with the responsibilities set out in their matters reserved and terms of reference. As a bank, some of our directors also have additional responsibilities under the Senior Manager & Certification Regime. The role profiles and statements of responsibilities of Senior Managers outline their responsibilities.

We offer all Board members a tailored induction plan when they join to help them get a full understanding of their accountabilities as a board member. The Chair of the Boards designs their induction with support from the Company Secretaries and the director to make sure it's tailored to their individual needs.

We then continually assess their learning and development needs through our Board performance and Board training plan review cycles. Board members have access to the advice of our Company Secretaries, the Chair of the Boards, and the Senior Independent Director if they need it.

They're also able to ask for external legal advice if they need it to help them make decisions.

We give the Boards timely management information in a clear and comprehensive way because we know it helps them make informed decisions and challenge management constructively and independently. We talk more about this and the interaction between the Boards, the Group Committees and Group ExCo in on How our governance works on page 65.

This year, we also introduced our governance framework which we talk about on page 65. It's Board-approved and documents how we make decisions at the Group, subsidiary and executive level. It's also key in mitigating our firm and governance risk. Together with our governance framework, we have a number of other Board-approved policies, like our Board Operating Protocols, Board and Senior Manager Suitability Policy, Board Diversity Policy, and Board Conflicts of Interest Policy. Together, our suite of board governance documents supports our Boards to fulfil their duties effectively and in a way that meets statutory and regulatory requirements. The Boards review our governance documents at least once a year to make sure they stay fit for purpose.

Principle 4

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

Our Boards set our strategy in the context of our enterprise risk profile and appetite. We have a risk strategy which the Board approves and monitors along with our business strategy. The risk strategy calls out key risks to our business strategy and outlines how we'll deliver the strategy while staying within our risk appetite and the capabilities we need to manage our risks effectively. The Boards and Group Board Risk Committee oversee all of our key risks, as defined in our risk taxonomy. Risk considerations are crucial to our decision-making processes and assessing strategic opportunities.

We also use a forward-looking approach to risk by monitoring our emerging risks. We do an annual horizon scanning exercise to identify future risks. We then create a deep dive plan covering the most relevant emerging risks for the Group Board Risk Committee to approve.

At a business level, we have a three lines of defence model which you can find out more about on page 49 along with our principal risks and our overall approach to risk management. Also, our Group Audit Committee oversees our internal systems and controls. More information on this is on page 76.

Risk considerations are integral to our decision-making processes and the appraisal of strategic opportunities.

Principle 5

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Our approach to remuneration aligns with our culture of fairness and transparency. We offer Monzonauts share options (the option to buy Monzo shares at a future date) which aligns pay and reward with long-term business performance. We also believe in having pay and reward policies that help us attract and keep high-quality, diverse people. As a bank, our pay and reward structures need to meet regulatory requirements too.

On delegation of the Boards, our Group Remuneration Committee is responsible for developing and overseeing our remuneration policies and practices. This includes things like setting the remuneration of the Chair of the Boards and reviewing our Gender Pay Gap Report. The Group Remuneration Committee reviews our people and pay framework annually to make sure that it stays simple, clear and effective at linking reward to our future success.

You can find out more about our Group Remuneration Committee, its responsibilities and its activity during the year on page 75.

Principle 6

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

When making decisions, our Boards rely on the engagement they and the business have with its key stakeholders. Some of our key stakeholders include our customers, employees, investors and different regulatory bodies.

We recognise the importance of effective stakeholder engagement and the impact it has on successfully carrying out our strategy. We have a Strategic Advisory Group which we designed to support communication between us and our major investors. We also have an active customer community that shares feedback with us.

For our colleagues, we regularly check in on their wellbeing and morale through surveys. We share the survey results with the Boards and Group RemCo to inform the decisions they make, including updating our benefits, which now include a higher pension contribution and access to enhanced wellbeing support.

The Group Remuneration Committee oversaw the roll out of 'our MAGIC why' (Mission, Action, Growth, Inclusion, Care) – our refreshed employee value proposition which we designed after extensive conversations with our colleagues. Learn more about our employee value proposition and our approach to people on page 25.

We also encourage our colleagues to speak out about issues they see at work, which they can do confidentially if they prefer. Our Group Audit Committee is responsible for approving our Speaking Up policy which governs this process and the Group Remuneration Committee Chair is our Speaking Up Champion.

We recognise the importance of making sure we meet our regulatory responsibilities. Our Chair of the Boards and Group Committee Chairs speak regularly with our regulators and are committed to open communication on key issues.

We talk about our key stakeholders and how they're factored into our Board decision-making processes in our Section 172 Statement on page 43.



A look at Board and Group Committee activity

Board activity snapshot FY2024

Our Boards' time is mainly split between strategic, risk, financial, and governance matters

During the course of the year, the Boards met a total of 14 times.²² In October 2023, the Boards and members of Group ExCo attended a strategy offsite where they had detailed conversations about our strategic priorities and key risks. You can see more on where our Boards focused their time in the table on page 63.

Our Boards also had the opportunity to take a deeper look at some core areas of the business, with deep dive sessions on platform, borrowing and customer operations held throughout the year. The deep dive sessions are a really useful way for the Boards to contextualise their understanding of business performance. It also gives them more time to review key priorities, risks, opportunities and challenges linked with different business areas.

As Chair, Gary Hoffman sets the agenda with the Group CEO and Board Governance team. The Boards approved the forward looking calendar for FY2025 in March 2024 and we continue to prioritise the balance between strategic, regulatory and operational matters on the Boards' agenda, making sure there's enough time for those items.

We've captured a snapshot of the key activities of the Boards in the following table and highlighted any principal decisions the Boards made too. For us, principal decisions are ones that are particularly likely to have a material impact on one or more of our main stakeholder groups.

Summary of Board activities and principal decisions FY2024

Strategy, culture and values	<ul style="list-style-type: none"> • Agreeing our Group and subsidiary medium-term strategies and monitoring our performance. • Approving key capital and structural activities like the corporate restructure and recent fundraise. • Overseeing the launch of new products, like Investments. • Approving major product launches like the subscriptions refresh. • Reviewing our customer operations strategy in response to our growing customer community. • Receiving updates on People strategy and our employee value proposition. • Overseeing our expansion plans into Europe and approving the relevant steps outlined in our expansion strategy. • Monitoring our US strategic plans. • Receiving updates on our progress against our net zero plans and approving our refreshed sustainability strategy.
Business performance	<ul style="list-style-type: none"> • Approving our Group and subsidiary FY2025 budget and business plan. • Monitoring our performance against budget and reforecasts. • Approving our FY2023 annual report and its financial website disclosures.
Risk and compliance	<ul style="list-style-type: none"> • Monitoring our risk and approving our risk appetite. • Overseeing the progress of major change programmes connected with Financial Crime and Fraud risk. • Approving our refreshed Enterprise Risk Management Framework. • Approving submissions to demonstrate compliance with key regulations including the ICAAP, ILAAP (Internal Liquidity Adequacy Process), Recovery Plan, and Resolution Handbook. • Overseeing and approving us closing our Consumer Duty implementation programme. • Approving policies in line with our policy register.
Remuneration	<ul style="list-style-type: none"> • Approving share option exercises for Monzonauts including our updated share option plan following the Group restructure. • Approving our key remuneration policies.

²² Five of which were MBL Board meetings only pre-corporate restructure.

Corporate governance

- Approving the change to our accounting reference date on recommendation of the Group Audit Committee.
- Approving the adoption of Wates as formal corporate governance code for FY2024 on recommendation of the Group Nomination and Governance Committee.
- Approving the process for the Board and Board Committee Effectiveness review.
- Overseeing Board make-up and the collective suitability of the Board including future state make-up and succession planning.
- Approving the Board training plan.
- Approving our refreshed core governance documentation including our governance framework.
- Approving the appointment of Fields Wicker-Miurin as an Independent Non-Executive Director.

Only members of the Committee can join meetings. The Chair of the Committee may invite other individuals to join for all or part of any meeting if it fulfils the Committee's responsibilities. We refreshed all Group Committee terms of reference ahead of our corporate restructure in September 2023. We also completed a lighter touch governance review in February and March 2024 where the Board found that all the Group Committee terms of reference were fit for purpose.



Group Nomination and Governance Committee (Group NomCo) activity snapshot FY2024

Planning our governance for now and the future

Chaired by Gary Hoffman, the Group NomCo oversees our governance arrangements in line with the responsibilities that the Board assigns to it. The Group NomCo continues to be made up of a majority of independent non-executive directors.

As we've mentioned, this year the Group NomCo has played a key role in Board make-up planning. This includes overseeing key processes like appointing Board members, appointing external search firms and consultancies, reviewing Board make-up and collective suitability, succession planning, and reviewing Board effectiveness. The Group NomCo plays a key role in reviewing our corporate governance documentation, including the Board training plan, before recommending it to the Board for approval.

The Group NomCo works closely with our People Collective as it relates to Board appointments and maintaining compliance with the Senior Manager and Certification Regime (SMCR) at the Board level.

We've summarised the Group NomCo's key activities for the year. You can find more information on some of the Group NomCo's key focus areas like Board effectiveness in the table to the right.



Summary of NomCo activities FY2024

Board make-up

- Monitoring the make-up of the Boards in the context of board suitability and diversity, carrying out the annual collective suitability assessment and reporting the results to the Boards.
- Approving the appointment of an external consultancy firm to support the review of our future state board governance structure.
- Approving the search, selection and appointment process for independent non-executive directors, including approving the appointment of an external search firm to support the search and selection process.
- Approving the appointment of the Monzo Inc. CEO.
- Reviewing our succession plan for the Boards and CEO to make sure there's a diverse and suitable succession pipeline.

Board effectiveness

- Overseeing the implementation of the Board effectiveness action plan from FY2023.
- Reviewing and recommending the annual Board effectiveness review process for FY2024 to the Boards for approval.
- Overseeing the delivery of the Board effectiveness review for FY2024 and reporting the findings to the Boards.
- Reviewing the independence of our iNEDs and recommending the outcome to the Board for approval.
- Reviewing and recommending the Board Conflict of Interest Policy and the Boards' Conflict of Interest Register to the Boards for approval.
- Reviewing and recommending the annual Board training plan to the Boards for approval.

Corporate governance

- Recommending the adoption of Wates as our formal corporate governance code to the Boards for approval.
- Reviewing and recommending our corporate governance documents to the Board for approval, including the Matters Reserved for the Boards.
- Reviewing the effectiveness of the Board and Senior Manager Suitability Policy.

Group Board Risk Committee (GBRC) activity snapshot FY2024

Taking an enterprise-wide view of our evolving risk landscape

Chaired by Valerie Dias, the GBRC's primary responsibility is to oversee our risk profile with respect to our emerging and principal risks, risk appetite, risk strategy, and ERMF. The GBRC monitors our most material risks covering strategic risk, financial risk, financial crime and fraud risk, operational risk, conduct risk, and credit risk. The GBRC also recommends a number of key regulatory documents to the Boards for approval. We talk more about our principal risks and how we look out for our emerging risks in the Risk section from page 46.

The GBRC considers risk holistically for the Monzo Group and plays a key role in overseeing the risk assessments that inform our major strategic initiatives, product launches, regulatory compliance, and transformation programmes. For example, the GBRC received regular updates on our Treasury strategy and the actions in that plan that significantly helped reduce our interest rate risk over the course of the year. Playing a key role in overseeing the completion of our Consumer Duty programme in the first half of the year, the GBRC continued to receive updates on how well embedded Consumer Duty was throughout the remainder of FY2024. The GBRC also focused on holding management to account on maintaining the strength of our risk and control environment as we grow, all while making sure our risk culture continues to contribute to good business and customer outcomes.

Our GBRC Chair meets regularly with the Group Chief Risk Officer and the GBRC has the opportunity to meet with the Group Chief Risk Officer, Group Chief Financial Officer and Group Chief Internal Audit Officer at least once a year without management present to discuss any relevant risk issues.

Summary of GBRC activities FY2024

Risk strategy, risk appetite and the ERMF	<ul style="list-style-type: none"> Reviewing and recommending the risk strategy to the Boards for approval and overseeing this strategy throughout the year. Recommending the ERMF to the MBHG Board for approval. Overseeing risk appetite metrics and recommending material risk appetite statement changes to the Boards for approval. Receiving second line opinions and risk assessments on significant projects (strategic or otherwise), like the subscriptions refresh. Considering any regulatory notifications or communications that relate to our risk profile or risk management activity. Noting reports on the progress of, and approving the closure of, risk-related remediation programmes.
Capital, funding and liquidity, and stress testing	<ul style="list-style-type: none"> Overseeing our capital and liquidity risks, including receiving the capital funding plan in the context of our business plan, reviewing and recommending the ICAAP and ILAAP to the Board for approval. Reviewing and approving our Recovery Plan and our Resolution Handbook to support our compliance with the Resolvability Assessment Framework. Receiving updates on treasury systems and controls.
Other regulatory requirements	<ul style="list-style-type: none"> Monitoring our compliance with relevant regulation. Reviewing and recommending the closure of the Consumer Duty implementation programme to the MBL Board and receiving periodic updates on Consumer Duty compliance. Overseeing our operational resilience activity and associated resilience programmes. Reviewing and recommending the Outsourcing and Third Party Risk Management Policy and any material outsourcing contracts to the Boards for approval.
Assurance	<ul style="list-style-type: none"> Reviewing and approving the annual second line assurance plan. Receiving progress reports on delivery of assurance activities, including the output from second line assurance reviews.
Risk & Compliance Collective	<ul style="list-style-type: none"> Receiving and reviewing reports on the Risk & Compliance Collective, including updates on capacity and headcount requirements, talent development and key priorities.
Remuneration	<ul style="list-style-type: none"> Considering and recommending any remuneration-related risk adjustments to the Group Remuneration Committee.

Group Remuneration Committee (Group RemCo)

Keeping a pulse on our culture and overseeing pay for our people

Chaired by Amy Kirk, the Group RemCo oversees all of our remuneration-related matters as well as key people issues. The Committee oversees the design and application of our Remuneration Policy and follows the development of our reward frameworks to make sure they're proportionate, compliant and aligned with our strategic goals. The Group RemCo then refers to these frameworks when making decisions about Executive Director and Material Risk Taker (MRT) pay.

Working closely with our People Collective, including the Reward team, the Group RemCo has spent more time this year on culture and people matters, with the refresh of our employee value proposition and our refreshed benefits offering being two key areas of discussion.

The Group RemCo has been central to overseeing and approving changes to our Monzonaut share option plans as part of the HoldCo reorganisation.²³ They've also overseen us adapting to regulatory changes, including updates to our variable pay cap policy to comply with regulatory changes.

The Group RemCo sets remuneration for the Chair of the Board, Executive Directors and MRTs. The Chair of the Board, Investor Directors and Executive Directors set the remuneration of Independent Non-executive Directors. Non-executive Director remuneration doesn't include share options, other forms of variable pay, or performance-related elements. Neither the Chair of the Boards, the Executive Directors or Non-executive Directors are involved in setting their own remuneration.

We've summarised the Group RemCo's activity for the year in the following table. You can find more information on our approach to people more generally in our Strategic Report from page 03 and in our Section 172 statement on page 43.

Summary of RemCo activities FY2024

Remuneration policies and reporting	<ul style="list-style-type: none"> Reviewing and recommending the Remuneration Policy and Malus & Clawback Policy to the Boards for approval. Approving the FY2024 Remuneration Policy Statement. Reviewing the internal audit report on compliance with remuneration regulations. Reviewing our 2023 Gender Pay Gap Report. Reviewing the remuneration section of our FY2023 Annual Report and Accounts, Pillar 3 Disclosures and Website Disclosures and recommending the MBL Board approve them.
Material risk takers (MRTs)	<ul style="list-style-type: none"> Approving the MRT list for FY2024. Approving the remuneration packages for new hire MRTs and any remuneration changes for MRTs, including any salary changes or option grants. Approving the Remuneration Adjustment Process and noting a Remuneration Adjustment Trigger Event Report.
People, pay and performance	<ul style="list-style-type: none"> Approving the Chair of the Boards' remuneration. Reviewing and approving 2024 pay review recommendations, in particular MRT and Executive pay recommendations. Reviewing, and where appropriate, approving our new 10 level framework (employee competency and job level structure), salary bands and option framework changes. Reviewing our employee value proposition and our reward strategy. Reviewing people management information.
Options	<ul style="list-style-type: none"> Reviewing company and personal performance before approving option grants and vesting for MRTs. Reviewing the option pool. Overseeing and approving changes to our Monzonaut share option plans as part of the HoldCo reorganisation.²⁴
Benefits and pensions	<ul style="list-style-type: none"> Reviewing findings from our benefits survey, market benchmarking and approving benefit improvements with a focus on Monzonaut wellbeing. Reviewing proposed improvements to our pension scheme and making a recommendation to the MBL Board for approval.

^{23 & 24} Under the corporate restructure, our Monzonaut share option plans were updated with there being an exchange of options over shares in MBL for options over shares in MBHG.

Group Audit Committee (GAC)

Overseeing our financial disclosures and internal systems and controls

Chaired by Fiona McBain, the GAC supports the MBHG Board as it relates to the Monzo Group and its subsidiaries on things to do with our financial reporting, internal and external audit processes, and its internal systems and controls. For example, the GAC supports the MBL Board by overseeing audit arrangements relevant to MBL. The GAC oversees the integrity of our financial and Pillar 3 disclosures and schedules its meetings to mirror our financial reporting cycle.

Key to its role is working with our statutory auditor, EY. The GAC is responsible for overseeing the statutory audit process and the relationship with the external auditor, monitoring and reviewing their independence, effectiveness and objectivity in line with best practice standards and professional requirements. We cover safeguarding auditor independence more on page 78.

All GAC members are independent and collectively have recent and relevant financial experience, with both Fiona McBain and Valerie Dias being professionally qualified accountants.

Summary of GAC activities FY2024

Financial reporting	<ul style="list-style-type: none"> Reviewing and recommending the FY2023 Annual Report and Accounts to the MBL Board for approval. Reviewing and recommending the FY2023 Pillar 3 disclosures and other website disclosures to the MBL Board for approval. Reviewing our key accounting judgements, estimates and going concern assessment for the FY2023 and FY2024 financial statements. Considering and recommending changing the accounting reference date for the Monzo Group to the Boards for approval.
Statutory audit & auditor engagement	<ul style="list-style-type: none"> Reviewing the FY2023 Management Letter and any associated actions. Reviewing the effectiveness of the FY2023 statutory audit. Recommending the reappointment of EY as our statutory auditors to the MBL Board for approval and approving the fees associated with the appointment.
Internal Audit and Chief Internal Audit Officer	<ul style="list-style-type: none"> Recommending the External Auditor Independence Policy to the Boards for approval and monitoring compliance with the Policy on an ongoing basis. Overseeing the design and execution of the FY2024 External Audit Plan and areas of focus. Receiving regular reports from EY on the progress of the External Audit Plan and monitoring any key risk areas or material accounting or control issues. Overseeing our relationship with the External Auditor including recommending FY2024 engagement letter to the MBHG Board for approval.
Internal systems and controls	<ul style="list-style-type: none"> Reviewing and approving the Internal Audit plan, methodology and deliverables as well as any changes to the plan throughout the year. Reviewing and discussing the outcomes of internal audits, focusing on the remediation plan for audits rated 'needs significant improvement'. Approving the Internal Audit charter. Reviewing the independence of the Internal Audit Collective in line with the International Professional Practices Framework (IPPF). Overseeing the completion of the Internal Audit External Quality Assessment action plan. Reviewing Internal Audit's assessment of our control environment for the calendar year 2022. Receiving an annual internal assessment of the effectiveness of the Internal Audit Collective.
Whistleblowing	<ul style="list-style-type: none"> Receiving updates on the effectiveness of our financial control framework. Receiving updates on the effectiveness of the regulatory reporting process. Reviewing the appropriateness of our impairment loss allowance. Reviewing updates shared on thematic reviews.
Litigation	<ul style="list-style-type: none"> Recommending our Speaking Up Policy for whistleblowing to the Boards for approval and receiving periodic whistleblowing reports. Reviewing regular reports on our litigation and disputes portfolio and tracking material claims to assess their impact on our financial statements.

The Committee's key considerations when preparing for the FY2024 financial statements

Key accounting and financial reporting matters

Going concern assessment	<p>The Board must consider whether it's appropriate to prepare the financial statements on a going concern basis.</p> <p>To satisfy itself that the financial statements should be prepared on a going concern basis, the Board and Committee considered these things.</p> <ul style="list-style-type: none"> • Business performance and our profitability. • Developing economic issues impacting the economy and our customers. • Potential stress scenarios based on our ICAAP impacting customer growth and activity, central bank interest rates and credit losses. • The regulatory review and investigation into our compliance with financial crime regulation (see Note 28). • Our future capital requirements, growth plans and recent fundraise. • Our confidence in those plans to raise additional capital if necessary to meet our regulatory requirements (see our Group Directors' report). <p>Overall the Committee was satisfied that the financial statements could be prepared on a going concern basis and recommended this to the Board.</p>
Fair valuing stock based compensation	Management updated the Committee on and reviewed key inputs underpinning the calculation of share-based payments along with sensitivity analysis to those inputs.
IFRS 9 – Effective Interest Rates (EIR)	<p>The Committee were updated by management on our approach to, and the materiality of EIR on our positions classified at amortised cost.</p> <p>Management advised the Committee that our approach to calculating EIR on our lending products was appropriate.</p> <p>The Committee was satisfied our approach approximates the EIR method and remains compliant with IFRS 9.</p>

Contracts	<p>During the year, management updated the Committee on several material contracts that are assessed for cost and revenue recognition over several years.</p>
	<p>The Committee was satisfied with the outcome of these assessments and the expected costs and revenues to be recognised in each period.</p>

Deferred tax	<p>Management updated the Committee on whether recognising deferred tax in FY2024 was appropriate.</p> <p>The Committee agreed the basis for recognising a deferred tax asset would be more appropriate after experiencing historical profitability.</p>
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Areas of significant judgements and estimates

Credit loss expense and impairment loss allowance	<p>During the year, the Committee reviewed and discussed quarterly reports on the IFRS 9 impairment loss allowance position to make sure that the level of allowance was adequate based on our current level of credit risk and the economic outlook.</p> <p>The Committee reviewed the key judgements underpinning the calculation of expected credit loss and interrogated sensitivity analysis that included the economic scenarios as well as the other key judgements. The Committee also assessed the quantum of the post model adjustments and their bases.</p> <p>Supported by historical data, benchmarking against peers, performance against expectations and an independent evaluation, the Committee has concluded that the impairment loss allowance of £204.0m for FY2024 is considered adequate for the level of credit risk in the portfolio and the likely macroeconomic outturn.</p>
Provisions and contingent liabilities	<p>The Committee reviewed reports on provisions recognised and contingent liabilities disclosed in the financial statements.</p> <p>The Committee concluded these were adequate at the balance sheet date.</p>

Internal audit matters

Internal Audit Plan	The Committee reviewed the audit plan and its alignment to our key risk areas.
Internal Audit Reports and Actions	The Committee also considered the key trends and material findings that came from the internal audit reports and memos, as well as reviewing the appropriateness of the actions.

Our Internal Audit Collective continues to improve and has remained independent

During FY2024, the Internal Audit Collective was made up of an in-house team, led by the Chief Internal Audit Officer and was supported by a co-sourcing specialist. We've switched to an in-house delivery model over the course of FY2024 and now have 14 internal auditors. We continue to be supported by co-source partners for SME input and capacity.

The GAC is responsible for assessing the independence and effectiveness of our internal audit function which it does throughout the year during committee meetings, private sessions and meetings with the Chief Internal Audit Officer.

The GAC also oversees in these ways.

- Being responsible for appointing and removing the Chief Internal Audit Officer.
- Receiving an annual attestation from the Chief Internal Audit Officer confirming the internal audit's independence.
- Annually reviewing the performance of the Internal Audit Collective.

- Receiving quarterly reporting on the performance of the Internal Audit Collective.

The GAC concluded that Internal Audit was effectively carrying out their responsibilities and had maintained their independence.

Our external auditors remained independent and objective

We reappointed EY as our external auditor for FY2024 in July 2023. The GAC is responsible for monitoring the independence and objectivity of our external auditors. To safeguard the external auditor's independence and objectivity, the GAC continues to adopt an External Auditor Independence Policy which sets out how we maintain independence and the limited circumstances which external auditors may provide non-audit services in. The Committee reviews the Policy annually to make sure it's fit for purpose and stays compliant with the applicable rules and standards.

The Policy includes the following guardrails to make sure that EY keeps their independence.

- They must meet a set of requirements before providing a service as defined in the FRC's Revised Ethical Standard 2019.
- They can only provide audit and audit related services.
- We can't employ or use the services of an individual who has a close relationship with the external auditor either through employment or close family members.
- They must tell the GAC about any changes to their independence.
- The audit engagement partner and key audit partners must rotate every 5 years.

In line with the annual requirement, EY confirmed that for FY2024 they stayed independent, their terms of engagement were not compromised, and they complied with the FRC's Revised Ethical Standard.

We also have non-audit services guardrails in place to protect our external auditor's independence. Under the External Audit Independence Policy, we use the following guardrails for non-audit services.

- The GAC Chair must approve all non-audit services before external auditors can start any work, regardless of whether the service provided is a permitted non-audit service.
- There must be a good reason why the external auditors are the most appropriate third party to provide the permitted non-audit service.
- The total fee for non-audit services is limited to no more than 70% of the

average of the fee paid to the external auditor in the last 3 consecutive years for the audit.

During FY2024, our external auditors didn't do any non-audit work, see Note 36 on page 158 of the financial statements. During the year, the GAC Chair met regularly with the Chief Internal Audit Officer, and the external auditor's engagement partner.

We're happy with the effectiveness of the external audit

The GAC is happy that the external audit was carried out as expected and continues to be effective.



Group Directors' report

The directors present their report and audited financial statements for the year ended 31 March 2024 for Monzo Bank Holding Group Limited (The Company) and the Monzo Group (The Group).

MBHG is a private limited company, incorporated and domiciled in England and Wales, with its registered office in England and is authorised by the Prudential Regulation Authority (PRA) and regulated by the PRA and Financial Conduct Authority (FCA). Monzo's registration number is 14785367.

We've prepared these financial statements in accordance with UK adopted international accounting standards.

Directors

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

- G Hoffman (Chair)
- TS Anil
- E Burbidge MBE
- J Davies
- V Dias
- A Kirk
- F McBain
- L Runham
- M Bromberg (appointed 1 March 2023 and resigned 15 May 2024)
- F Wicker-Miurin OBE (appointed 1 April 2024)

Results and dividends

The consolidated profit for the period after taxation was £8.7m (FY2023: loss of £116.3m). The directors are not recommending a final dividend (FY2023: £nil).

Directors' liabilities

We've indemnified all of the Group's Directors from claims brought against them by third parties (subject to section 234 of the Companies Act 2006). The indemnity was in place during the year. It doesn't cover claims arising from fraud or dishonesty.

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

- A fair and balanced review of the business.
- A description of the principal risks and uncertainties facing the business.
- A description of our principal objectives, strategy and business model.
- An analysis of developments and performance for the financial year and the position at the end of the year.
- Trends and factors likely to affect the future development, performance and position of the business.
- Information on our team and community.

Political donations

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

Branches

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

Acquisition of own shares

We have not purchased any of our own shares (FY2023: We purchased and subsequently cancelled 1,146,864 shares (nominal value: £0.0000001) for an aggregate consideration of £0.12 in line with our Articles of Association).

Events after the reporting date

We completed the second and final round of Series I funding on 30 April 2024, raising a further £149.8m. 10.4m ordinary shares (nominal value: £0.001) were issued on 15 May 2024.

Financial Instruments

Monzo enters into material financial instruments as part of our normal business operations, see Note 20 and Note 21 for more details. Our financial risk management framework can be found in the Risk management section of the Strategic Report from page 46. Note 23, Note 24 and Note 25 give information on how we manage liquidity, market and credit risk.

Research and development activities

We invest in the development of our own platforms and products, so we've applied to claim Research and Development (R&D) Expenditure Credit from HMRC, see Note 10.

Policy on employing people living with disabilities

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

We make reasonable adjustments to support all disabled job applicants and colleagues. Here are some examples of supportive adjustments we've made in the past.

- Making changes to shift patterns (like phased return to work, flexible working hours or part-time working).
- Giving extra training or mentoring.
- Making access alterations to the offices.
- Giving information in accessible formats.
- Adapting equipment or providing specialist equipment.
- Any other ad hoc reasonable request, like someone with social anxiety disorder

being given their own desk instead of hot-desking.

This list gives examples of some of the adjustments we've made, but our Policy aims to accommodate all reasonable requests to make sure our people feel fully supported during their time at Monzo.

Our approach to transparency and colleague engagement

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

All colleagues have a vested interest in our performance through our share option schemes. They're kept up to date with business performance through regular internal communications and shared dashboards highlighting monthly financial performance.

Our approach to engagement with other stakeholders

We've included a statement in line with our Section 172 requirements under 'Our stakeholders' in the 'Section 172 at Monzo'

section of the Strategic Report. You can find this on page 43.

Our approach to the environment

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

We've included our SECR reporting in line with the Companies (Directors' Reports) and Limited Liability Partnerships (Energy and Carbon) Regulations 2018 under the Our approach to the environment section of the Strategic Report (page 33).

This year mandatory Climate-related Financial Disclosures (CFD) under the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (SI 2022/31) (CFD Regulations) published on 19 January 2022 require us to disclose our ongoing activities to reduce our impact on the environment in relation to governance, strategy, risk management and the metrics and targets that we use in our response to climate change. You can find this from page 39.

We've prepared these statements on a going concern basis

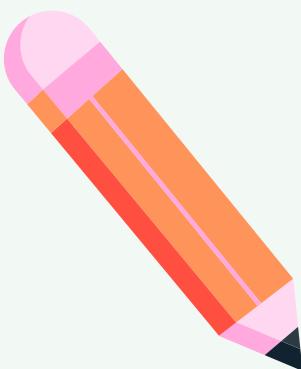
In line with International Accounting Standards (IAS 1) Presentation of Financial Statements, our directors have to assess our ability to continue as a going concern. That means they have to assess whether we'll have enough liquidity to pay our creditors when we need to and enough capital to fund our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

We've assessed our ability to continue as a going concern up to the end of August 2025, which is a period of 15 months from the date the Board approves our financial statements. We wouldn't consider ourselves able to continue as a going concern if, under stress conditions, we consume capital to such an extent that we'd trigger our Solvent Wind Down Plan (SWDP). However at this point we would have enough capital to start our SWDP while staying above our legally required Total Capital Requirement (TCR).

Our assessment included a broad range of information and scenarios, including:

- our business plan
- the accuracy of our previous forecasts
- the impacts of inflation and cost of living on spending, affordability and deposits
- our liquidity needs

- expected changes to our capital requirements as a result of higher MREL, Basel 3.1 and international expansion
- our future capital needs
- our ability to raise equity and debt
- potential stress scenarios impacting customer growth and activity, central bank interest rates, credit losses and supplier costs
- actions management can take to preserve capital
- our operational resilience
- potential costs from legal or regulatory proceedings.



The capital surplus we hold above our going concern trigger point has increased from £273m at 28 February 2023 to £536m. This was mainly due to us becoming profitable in FY2024 and the first close of our recent fundraise, injecting £340m into the business. Our base scenario shows that we'll have enough capital to remain a going concern throughout our business planning horizon to March 2029, without issuing debt. This base scenario includes the expected timing of end state requirements of MREL becoming applicable. We are also monitoring the potential impact Basel 3.1 may have on us, which is now due to be implemented in July 2025. Our initial assessment is that it should not materially impact our capital requirements, as increases in Pillar 1 should broadly be offset by reductions in Pillar 2.

We've stress tested our business plan and capital position broadly using scenarios aligned to our ICAAP scenario. These help us to understand the impacts of a severe but plausible stress scenario on our assessment and how robust our base case is to external shocks. Our stressed model impacts inputs to our plan like our capital requirements, customer growth, Point of Sale volumes, subscription revenue and expected credit losses.

We've assessed the actions management can take to preserve capital in the event of a stress, while minimising the impact on customers. These actions include reducing staff and marketing costs, and also tightening credit requirements to reduce expected loan and overdraft defaults. These actions sufficiently mitigate the impact of the stress scenario to make it manageable.

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

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

We tested the following stresses as part of our 2023 ILAAP assessment (including increased inflation forecasts).

- An individual stress unique to us that would expose our liquidity to potential outflows because of negative media coverage or cyber attack, for example.

- A marketwide scenario where a competitor bank fails where, although we're not singled out, it might affect our liquidity due to the inherent liquidity risk associated with fintechs and early stage banks.
- A combined stress scenario which although less likely than the above, would result should the two above stresses take place at the same time.
- A combined cyber attack scenario with the same scenario horizon of 90 days as the combined scenario above, but more severe as it includes two cyber attacks over a period of two weeks.
- A slow bleed scenario with a 365-day horizon covering the entire period of the ILAAP 2023 that results in a slow outflow of deposits due to increased competition in the online banking market.
- An intraday stress scenario also forms part of our suite of stresses.

We have just completed a capital raise and therefore don't need to raise additional capital during our going concern assessment period. But as a growing business it may be beneficial to raise additional funds to support further growth or deliver our business plan under a stress scenario, instead of taking other management actions which don't support business growth.

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

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

Disclosing information to the auditor

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

Auditor

We've reappointed EY in line with section 487(2) of the Companies Act 2006 unless the members or directors resolve otherwise.

Approved by the Board and signed on behalf of the Board



James Davies
Director
30 May 2024

Statement of Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the Company financial statements under FRS 101, Reduced Disclosure Framework and the Group financial statements under UK adopted international accounting standards.

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

- Select suitable accounting policies in accordance with International Accounting Standard 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently.

- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosures when compliance with the specific requirements in UK adopted international accounting standards doesn't allow users to understand the impact of particular transactions, other events and conditions on the financial performance.
- State that we have complied with UK adopted international accounting standards, subject to any material departures and explained in the financial statements.
- Make an assessment of the Group's and Company's ability to continue as a going concern, and if appropriate, prepare the financial statements on a going concern basis.

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

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

The Board monitors the effectiveness of risk management arrangements, including internal control systems, throughout the year and considers that, as at 31 March 2024, it had in place adequate systems and controls for our risk profile and strategy. While risk cannot be eliminated, the Board is satisfied that the systems of internal control embedded within the risk management framework have worked effectively during the last financial year to identify, monitor, manage and control all relevant risks.

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



James Davies

Director

30 May 2024

Financial statements



Independent auditor's report to the members of Monzo Bank Holding Group Limited

Opinion

In our opinion:

- Monzo Bank Holding Group Limited's Group financial statements and Parent company financial statements (the financial statements) give a true and fair view of the state of the Group's and of the Parent company's affairs as at 31 March 2024 and of the Group's income and expenditure for the period then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

- the Parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Monzo Bank Holding Group Limited (the 'Parent company' or 'the Bank') and its subsidiaries (the 'Group') for the period ended 31 March 2024 which comprise:

Group

Consolidated statement of financial position as at 31 March 2024

Parent company

Statement of financial position as at 31 March 2024

Consolidated statement of comprehensive income for the period ended 31 March 2024

Statement of comprehensive income for the period ended 31 March 2024

Consolidated statement of changes in equity for the period ended 31 March 2024

Statement of changes in equity for the period ended 31 March 2024

Group

Consolidated statement of cash flows for the period ended 31 March 2024

Related notes 1 to 37 to the financial statements, including a summary of significant accounting policies

Parent company

Related notes 1 to 4 to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the Parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

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

Conclusions relating to going concern

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

How we evaluated the Directors' assessment

Risk Assessment Procedures

- Through discussions with management and review of supporting evidence, we updated our understanding of the Group and Parent company's overall regulatory requirements and current and forecast capital and liquidity positions including consideration of Monzo's international expansion plans;
- We made inquiries of the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') to understand their perspectives on the Group and Parent company's risks and their areas of focus in regulating the Group and Parent company;
- We have independently identified factors that may indicate events or conditions that may cast significant doubt on the Group and Parent company's ability to continue as a going concern, including wider qualitative considerations such as operational resilience, and the current macroeconomic and market conditions. We designed our audit procedures to evaluate the effect of these risks on the Group and Parent company's ability to continue as a going concern;

- The audit engagement partner, a range of internal specialists and other senior members of the audit team directed, performed and supervised the audit procedures over going concern, including continual risk assessment throughout the audit.

Testing of Management's Method, Assumptions and Stress Testing

- We confirmed our understanding of management's going concern assessment process along with the going concern basis for the Group and Parent company, and the process by which the budget and related going concern forecasts and assumptions are created and approved. We tested the design and operational effectiveness of the key controls related to the going concern assessment;
- We obtained the forecast approved by the Board, covering the fifteen-month period of management's going concern assessment to 31 August 2025 for Group and Parent company;
- Using our understanding of the business, we evaluated the forecasting method adopted, including considering plausible alternative downside scenarios and concluded that the method adopted was appropriate;
- We evaluated the relevance and reliability of the underlying data used in the going concern assessment and tested assumptions to third party evidence, where appropriate. In addition, we used

our internal valuation specialists to test the mathematical accuracy of the financial forecasting models used to develop the business plan under the base, stress case and reverse stress case scenarios;

- We evaluated events occurring post the balance sheet date, including reviewing actual performance versus the forecasted plan, in order to assess any impact on the going concern assessment. We inquired of management as to their knowledge of events or conditions beyond the period of assessment and assessed for relevant announcements from the PRA that we considered had the potential to impact the Group and Parent company's capital resource and/or requirements;
- We used our internal regulatory specialists who evaluated the appropriateness of Core Equity Tier 1 capital and Tier 2 debt classification, inspected regulatory correspondence, made inquiries in relation to anticipated changes in regulatory capital requirements to assess the overall impact of the capital calculations on the going concern assessment and, reconcile the Group's liquidity position to its regulatory liquidity reporting returns and challenge the assumptions within the Group's liquidity forecasts over the going concern period to assess the risk of a liquidity shortfall or breach of leverage ratio in the going concern period;
- We used our internal valuation specialists to challenge the appropriateness of management's forecasts. This included assessing historical forecasting accuracy and independently applied a series of severe but plausible stresses in order to understand the impact on capital resources and liquidity. These procedures were primarily tailored to challenge the sufficiency of capital and liquidity during the going concern period;
- We evaluated management's plans for future actions within the control of the Group and Parent company, under a stressed and reverse-stressed scenario over the going concern period to determine the feasibility of such actions in the current circumstances.

Disclosures

- We assessed whether the disclosures in the Annual Report & Accounts relating to going concern sufficiently and appropriately reflect the events relating to the uncertainties identified in the going concern assessment, and management's plans in response to these; to ensure they were in compliance with IAS1.

Our key observations

Our evaluation of the Directors' going concern assessment for Group and Parent company covers the period to 31 August 2025, consistent with the period assessed by the Directors.

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

The Group and Parent company retain significant headroom to their binding liquidity requirements over the going concern period and we do not consider that the Group and Parent company's liquidity requirements give rise to a material uncertainty.

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Parent company's ability to continue as a going concern for a period of fifteen months to 31 August 2025 from the date of the issuance of the financial statements.

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

Overview of our audit approach

Audit scope

- We performed an audit of the complete financial information of two components and audit procedures on specific balances for a further two components.
- The components where we performed full or specific audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.

Key audit matters

- IFRS 9 Financial Instruments – Expected credit loss ('ECL') provision
- Valuation and accounting treatment of Share Based Payments
- Improper revenue recognition – Effective interest rate ('EIR') income recognition

Materiality

- Overall materiality of £5.0m which represents 0.6% of equity (FY2023: £4.2m representing 0.9% of equity).

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

Tailoring the scope

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

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

Of the four components selected, we performed an audit of the complete financial information of two components ("full scope component") which were selected based on their size and risk characteristics. For the remaining two components ("specific scope components"), we performed audit procedures on specific accounts within

those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The scoping for the current period is as follows:

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

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

	Full scope ²⁵	Specific scope ²⁶	Total
Profit before tax	100%	0%	100%
Revenue	99%	1%	100%
Total assets	99%	1%	100%

²⁵ Full scope: audit procedures on all significant accounts.

²⁶ Specific scope: audit procedures on selected accounts.

Involvement with component teams

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

Climate change

There has been increasing interest from stakeholders as to how climate change will impact the Group. The Group considers there to be low financial risks from the impacts of climate change and determined that the most significant long-term impact may be from a transition to a lower carbon economy. This is explained on page 54 of the Our principal risks and uncertainties section and Our approach to the environment on page 33, in the Our approach to the environment section, which form part of the Other information rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

Our audit effort in considering climate change was focused on evaluating management's assessment of the impact of climate risk, physical and transition, and their resulting conclusion that there was limited effect on balances for the period covered by these financial statements, including how this aligns with their net zero commitments, as disclosed within the basis of preparation note on page 100. As part of this evaluation,

we performed our own risk assessment supported by internal climate change specialists. We also challenged the Directors' considerations of climate change in their assessment of going concern and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

Risk	Our response to the risk	Key observations communicated to the Audit Committee
IFRS 9 Financial Instruments – expected credit loss ('ECL') provision <p>Expected credit loss provision of £204.0m (FY2023: £106.0m)</p> <p>Refer to the Accounting policies (pages 99–102) and Note 4 of the Consolidated Financial Statements (Page 105).</p> <p>Credit provisions represent management's best estimate of impairment and significant judgements and estimates are made in determining the timing and measurement of expected credit loss ('ECL').</p> <p>The key judgements and estimates in respect of the timing and measurement of ECL include:</p> <ul style="list-style-type: none"> a. The accounting interpretations, modelling assumptions and data used in the models that calculate ECL; b. Inputs and assumptions used to estimate the impact of the multiple economic scenarios ('MES') including appropriate weightings for the various scenarios; c. Allocation of assets to Stage 1, 2 or 3 using criteria in accordance with IFRS 9; and d. Completeness and valuation of post model adjustments ('PMAs'), including the risk of management override. <p>Our assessment is that the risk has increased since FY2023 due to the growth in the lending profile of the Group and the uncertain economic outlook.</p>	<p>Controls testing</p> <p>We evaluated the design and operating effectiveness of controls over the ECL process, including those over management's judgements and estimates. These controls, among others, covered:</p> <ul style="list-style-type: none"> — the staging of assets per management's criteria and their monitoring of stage effectiveness; — the model governance including monitoring, model validation and model implementation; — controls over the completeness and accuracy of data feeding into ECL provision; — the governance of statistical models used to develop the MES and their associated probability weights; and — the governance and management review of MES, PMAs, and individual provisions. <p>Accounting interpretations, modelling assumptions and data used in models used to calculate ECL</p> <p>We involved accounting specialists to assist the audit team in assessing the reasonableness and compliance of the Group's accounting policies with IFRS 9.</p> <p>We involved modelling specialists to assist in a risk assessment and testing of a sample of material models. This included a review of model design and implementation, review and testing of model assumptions, review of model monitoring, sensitivity analysis, and benchmarking and recalculation of the Probability of Default, Loss Given Default, Exposure at Default and final ECL.</p> <ul style="list-style-type: none"> • We developed a challenger approach, which included applying our own independent assumptions including Probability of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD') in our challenger model, to model our own estimate of the ECL provision. • We tested the data used in the ECL calculation on a sample basis. In order to complete this testing, we independently identified key data elements and reconciled a sample of data feeding the models to underlying support. <p>Inputs and assumptions used to estimate the impact of multiple economic scenarios</p> <ul style="list-style-type: none"> • We involved our economic and modelling specialists to assist us in evaluating the appropriateness of the macroeconomic inputs used by the Group in the determination of ECL and compared those inputs to external sources to assess their reasonableness. This included the evaluation of the base and alternate economic scenarios (including consideration of current matters such as cost of living crisis, expectations of rise of interest rates, inflation etc.), and probability weights applied to each of the scenarios adopted by the Group. <p>Allocation of assets to Stage 1, 2 or 3</p> <ul style="list-style-type: none"> • We evaluated the criteria used to allocate a financial asset to Stage 1, 2 or 3 with the assistance of our accounting specialists. This included peer benchmarking to assess the reasonableness of staging allocations. • We then recalculated the staging of all products to assess whether they were allocated to the appropriate stage and in line with the Group's set criteria and performed sensitivity analysis to assess the impact of different staging criteria on the ECL. <p>Post model adjustments including the risk of management overrides</p> <ul style="list-style-type: none"> • We tested post model adjustments with the assistance of our modelling specialists. This included an assessment of the completeness and appropriateness of post modelling adjustments by considering the judgements, sensitivities, model validation results and governance of these adjustments. <p>Stand-back challenge</p> <ul style="list-style-type: none"> • We performed a stand-back analysis to assess whether the IFRS 9 impairment provisions recorded by management were reasonable and how this compares to other market participants. In completing this analysis, we considered the nature and type of products offered by the Group, performed benchmarking across other similar institutions considering both staging percentages, provision coverage, modelled adjustments and evaluated the overall reasonableness of economic recovery assumptions. 	<p>Based on our testing of models, model assumptions and testing of model adjustments, we were satisfied that the overall estimate recorded was reasonable and recognised in accordance with IFRS 9.</p> <p>We highlighted the following matters to the Group Audit Committee that contributed to our overall conclusion:</p> <ul style="list-style-type: none"> • Effectiveness of the overall control environment, including the compensating controls identified where deficiencies were identified. • Results of our testing of models and model assumptions, including the reasonableness of the macroeconomic variables used. • The accuracy of staging, including considering management override, and our independent sensitivity analysis on the staging criteria to assess appropriateness. • Reasonableness and adequacy of the post-model adjustments recorded. • That there is heightened uncertainty in determining forecast losses due to the prevailing uncertain economic environment, and the availability of historic loss data given the current maturity of the lending portfolios.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Valuation and accounting treatment of share-based payments</p> <p>Share-based payments expense in the current period is £37.5m (FY2023: £29.1m)</p> <p>Refer to Note 34 on page 156 of the consolidated financial statements.</p> <p>ISAs (UK) mandate the consideration of management override of internal controls as a fraud risk on all audits. We identified the risk of management override of controls as it relates to the judgements applied by management in the valuation and accounting treatment of share-based payments and the risk of management override as it relates to the controls around manual journal entry postings, as they are susceptible to fraud or error.</p> <p>We remain alert to the possibility of management override in other areas of the preparation of the financial statements.</p> <p>Our assessment is that the risk is consistent with FY2023.</p>	<p>In respect of the current period share-based payments expense, we have performed the following procedures:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls relating to management's review of the methodology and assumptions used in the share-based payments model, the completeness and accuracy of data used within share expense calculation and the review of the journal entries posted to record the share-based payments expense. • We have involved our technical accounting experts to assess whether the accounting policy relating to share-based payments is in accordance with IFRS 2: Share-based payment. • We have involved valuation specialists to assess: <ul style="list-style-type: none"> — the methodology and design of the valuation model; — the reasonableness of the following share-based payments parameters: Risk free rate, volatility, expected life, dividend yield and share price as inputs into the valuation model; and — the completeness of the parameters in the valuation model. • We have tested the completeness of share-based payments expense by performing the following procedures: <ul style="list-style-type: none"> — We have reconciled share options granted with the share options recorded in the expense calculation. — We have reconciled the employees in the payroll expense to those in the share-based payments expense. For a sample of employees in payroll expense that were not recorded in the share-based payments expense, we obtained confirmation that share options had not been granted to these employees. — We have performed cut-off procedures at the balance sheet date and for a sample of share options granted before the period end but recorded post period end, to determine whether they were recorded in the correct period. • We have vouched a sample of options granted to underlying share-based payments option certificates and employment contracts and reviewed the key terms and conditions of those contracts to ensure they are accounted for correctly in line with IFRS 2. • We have tested the mathematical accuracy of the share-based payments expenses and performed a reconciliation between the valuation outputs and the general ledger. These procedures included reviewing the manual journal entries posted by management related to share-based payments expense to verify that they are appropriate. • We have reviewed the IFRS 2 gap analysis performed by management to ensure that the accounting for share-based payments was being done correctly and in line with IFRS 2 requirements. • We have reviewed management's accounting policy and ensured that the disclosures are correctly presented in the financial statements. • We have involved our technical accounting experts to perform a review of the accounting entries related to the group reorganisation where share option holders in Monzo Bank Limited obtained newly issued Monzo Bank Holding Group Limited shares. We have tested the journal entries posted for the reorganisation and where relevant, substantively tested the underlying support. 	<p>We have concluded that the valuation, accounting treatment and disclosures relating to share-based payments are reasonable and materially in accordance with IFRS. We highlighted the following matters to the Group Audit Committee that contributed to our overall conclusion:</p> <ul style="list-style-type: none"> • The results of our control testing, including the controls we were able to place reliance on and the impact on our substantive testing where deficiencies were identified. • The fair values of the share options granted during the period are within reasonable range based on the testing performed by our valuation specialists.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Improper revenue recognition – Effective interest rate ('EIR') income recognition Interest income on Loans and advances to customers in the current period is £209.0m (FY2023: £89.7m). Refer to the accounting policies for EIR income recognition (page 100); and Note 2 (page 103) of the consolidated financial statements. In accordance with ISA (UK) 240, improper revenue recognition is considered to be a fraud risk. We reviewed the revenue streams earned by the Group and assessed the subjectivity of each stream and which stream could give rise to a material error in the financial statements. The Group currently calculates interest income from personal loans, overdrafts and Flex loans using the simple interest rate method and performs an evaluation to ensure there is no material difference between this and the EIR method. We determined this assessment to be subjective in its application given the number of judgemental assumptions used. Our assessment is that the risk is consistent with FY2023.	<p>To address the identified risk of EIR revenue recognition relating to personal loans, overdrafts and Flex loans, we have performed the following audit procedures:</p> <ul style="list-style-type: none"> • We tested the design and operating effectiveness of the controls relating to automated revenue recognition, including key reconciliations and processes to ensure complete and accurate capture of interest charges, customer payments and balances. • We have involved our technical accounting experts to assess the Group's technical accounting policy and associated disclosures relating to EIR on personal loans, overdrafts and Flex loans. • We have involved valuation specialists to develop challenger models to assess the impact of using simple interest method vs our internal EIR challenger model and compared our findings with the Group's own assessment. • We have engaged our valuation specialists to perform sensitivity analysis over key behavioural life assumptions to test whether changes in key variables such as the prepayment rate could impact the income measured using the EIR. • We have performed additional analytical reviews and benchmarking procedures against similar lending products offered by comparable companies. • We have assessed the potential EIR impact on the other products offered by the Group and verified that the risk was not applicable. • We have agreed quantitative disclosures to source data and ensured qualitative disclosures are compliant with the accounting standards. 	<p>We have independently determined that the Group's simple interest rate calculation is not materially different to the EIR method. We have therefore concluded that the revenue recognised for the period as it relates to personal loans, overdrafts and Flex loans was reasonable.</p>

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 informing our audit opinion.

Materiality

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

We determined materiality for the Group and the Parent Company to be £5.0m (FY2023: £4.2m), which was 1% of equity at the point of assessment during the planning period. We periodically re-evaluated the appropriateness of our materiality assessment and determined to keep our materiality consistent with our planning materiality. This is equivalent to 0.6% (FY2023: 0.9%) of equity as at 31 March 2024. We believe that equity reflects the most useful measure for users of the financial statements, given that the Group was historically loss making, operates in a regulated industry and is subject to regulatory capital requirements regarding liquidity and solvency.

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

Performance materiality

The application of materiality is 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 exceed materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50%

(FY2023: 50%) of our planning materiality, namely £2.5m (FY2023: £2.1m).

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.25m (FY2023: £0.21m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' report.

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

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not

been received from branches not visited by us; or

- the Parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 83, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve

deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and have a direct impact on the preparation of the financial statements. We determined that the most significant are:
 - Companies Act 2006
 - Financial Reporting Council ("FRC") rules and guidance
 - Tax Legislation (governed by HM Revenue and Customs)
 - Financial Conduct Authority ("FCA") rules
 - Prudential Regulation Authority ("PRA") rules
- We understood how the Group is complying with those frameworks by making enquiries of senior management, reviewing regulatory correspondence between the Group and UK regulatory bodies, reviewing internal audit reports and attending meetings or reviewing minutes of the Board and Risk Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might

occur, by considering the controls that the Group has established to address risks identified by the Group, or that otherwise seek to prevent, deter or detect fraud. We also assessed the risks of fraud in our key audit matters. Our procedures over our key audit matters and other significant accounting estimates included challenging management on the assumptions and judgements made in determining these estimates.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of senior management, legal counsel, compliance, internal audit, and those charged with governance, review of correspondence with regulatory bodies and minutes of meetings of the Audit, Board and Risk committees, involvement of conduct risk specialists, review of whistleblowing policy and related documentation, as well as meeting with regulators.

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

A further description of our responsibilities for the audit of the financial statements is located on the [Financial Reporting Council's](#)

[website](#). This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by Monzo Bank Ltd³ on 28 February 2017 to audit the financial statements for the year ending 28 February 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 8 financial years, covering the years ending 28 February 2017 to 31 March 2024.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent company and we remain independent of the Group and the Parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Group and Parent company's members, as a body, in accordance with Chapter 3 of Part 16 of

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

Ernst & Young LLP

Rhys Taylor

Senior statutory auditor
For and on behalf of Ernst & Young LLP,
Statutory Auditor
London
30 May 2024

Notes

1. The maintenance and integrity of the Monzo Bank Holding Group Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.
3. The structure of the Monzo Group is defined on page 56.

Consolidated statement of comprehensive income

For the period ended
31 March 2024

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

Note 1 to Note 37 form an integral part of these financial statements.

	Notes	2024 £'000	2023 £'000
Interest income	2	575,974	167,956
Interest expense	2	(138,002)	(3,709)
Net interest income		437,972	164,247
Fee and commission income	3	255,531	169,095
Fee and commission expense	3	(50,696)	(36,212)
Net fee and commission income		204,835	132,883
Credit loss expense on financial assets	4	(176,868)	(101,203)
Other operating income	5	48,452	18,582
Net operating income		514,391	214,509
Personnel expenses	6	(256,913)	(175,325)
Other operating expense*	9	(242,080)	(154,943)
Total operating expense		(498,993)	(330,268)
Exchange differences through profit or loss		50	(582)
Profit/ (loss) before tax		15,448	(116,341)
Taxation expense	10	(6,739)	—
Profit/ (loss) for the year		8,709	(116,341)
Other comprehensive income that may be recycled to profit or loss:			
Currency translation reserve			
Currency translation differences †		(305)	326
Cash flow hedging reserve			
Net gains from changes in fair value		1,391	—
Net gains transferred to net profit		(71)	—
Tax		(330)	—
Other comprehensive income that may be recycled to profit or loss		685	326
Total comprehensive income/(loss) for the year, net of tax		9,394	(116,015)

* We have merged the Depreciation and impairment expense line into Other operating expenses in FY2024.

† In FY2023, our Currency translation differences were referenced in the footnotes to the Statement of Comprehensive Income.

Consolidated statement of financial position

As at 31 March 2024

Notes 1 to 37 form an integral part of these financial statements. The financial statements on page 95 to page 166 were approved and authorised for issuance by the Board on 30 May 2024 and signed on its behalf by:



James Davies
Director
30 May 2024

	Notes	2024 £'000	2023 £'000
Assets			
Cash and cash equivalents	11	7,624,300	3,101,242
Treasury investments	12	3,634,401	2,727,520
Loans and advances to customers	13	1,190,215	653,733
Other assets	14	411,228	113,495
Property, plant and equipment	15	20,074	15,325
Collateral held with third parties	17	78,506	76,461
Current tax asset		7,089	-
Total assets		12,965,813	6,687,776
Liabilities			
Customer deposits	18	11,197,622	5,945,947
Subordinated debt liability	19	15,113	14,823
Other liabilities	20	890,933	251,356
Total liabilities		12,103,668	6,212,126
Equity			
Called up Share capital	32	217	-
Share premium account		339,388	944,786
Other reserves*		966,947	108,117
Accumulated losses		(444,407)	(577,253)
Total equity		862,145	475,650
Total liabilities and equity		12,965,813	6,687,776

* Other reserves include the Merger reserve, Share option reserve and Cash flow hedge reserve.

Consolidated statement of changes in equity

For the period ended
31 March 2024

The Group's share capital as at 31 March 2024 was £217k (FY2023: £19 which is shown as £nil, rounded to £'000s in the following table). The increase in Share capital is due to the group restructure and from shares issued following our Series I fundraising, see Note 32 for further detail. In the current year we released £3.8m of reserves related to share options exercised, from Other reserves into Retained losses (FY2023: £0.5m).



	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Retained losses £'000	Total equity £'000
Balance as at 1 March 2022	—	944,486	79,186	—	(461,404)	562,268
Loss for the year	—	—	—	—	(116,341)	(116,341)
Cumulative translation adjustment	—	—	326	—	—	326
Total comprehensive loss for the year	—	—	326	—	(116,341)	(116,015)
Shares issued	—	210	—	—	—	210
Cost of issuance	—	(79)	—	—	—	(79)
Share-based payments reserve	—	—	29,097	—	—	29,097
Exercise of options	—	169	(492)	—	492	169
Balance as at 28 February 2023	—	944,786	108,117	—	(577,253)	475,650
Profit for the year	—	—	—	—	8,709	8,709
Cumulative translation adjustment	—	—	(305)	—	—	(305)
Cash flow hedge reserve	—	—	990	—	—	990
Total comprehensive income for the year	—	—	685	—	8,709	9,394
Shares issued	217	340,496	—	—	—	340,713
Cost of issuance	—	(1,356)	—	—	—	(1,356)
Share-based payments reserve	—	—	37,469	—	—	37,469
Exercise of options	—	275	(3,761)	—	3,761	275
Reserve reclassification	—	—	(120,376)	—	120,376	—
Creation of merger reserve on group reorganisation	—	(944,813)	—	944,813	—	—
Balance as at 31 March 2024	217	339,388	22,134	944,813	(444,407)	862,145

Consolidated statement of cash flows

For the period ended
31 March 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit/(Loss) for the year		8,709	(116,341)
Adjustments for non-cash items			
Impairment and charge-offs	4	176,868	101,203
Depreciation & impairment expense	15	7,288	7,601
Share-based payments	6	37,469	29,100
Provisions		(9,830)	8,787
Net interest		(75,798)	(12,676)
Other non-cash items		(1,049)	533
Changes in operating assets and liabilities			
Movement in loans and advances to customers		(713,349)	(519,853)
Movement in customer deposits	18	5,251,674	1,505,990
Movement in other assets		(299,495)	(38,295)
Movement in current tax asset/liability		(7,090)	0
Movement in collateral held with third parties		(63)	(169)
Movement in other liabilities		644,962	46,717
Net cash from operating activities		5,020,296	1,012,597
Cash flows from investing activities			
Net movement in treasury investments		(829,471)	(1,037,542)
Purchase of property, plant and equipment		(1,060)	(3,453)
Movement in sublease receivables		1,010	(693)
Net cash from investing activities		(829,521)	(1,041,688)
Cash flows from financing activities			
Net proceeds from issuance of ordinary shares		339,440	300
Payment of lease liabilities	16	(7,008)	(5,063)
Net cash from financing activities		332,432	(4,763)
Effect of exchange rates on cash and cash equivalents		(149)	556
Net increase/(decrease) in cash		4,523,058	(33,298)
Cash and cash equivalents at beginning of year		3,101,242	3,134,540
Cash and cash equivalents at end of year		7,624,300	3,101,242

Notes to the consolidated financial statements

For the period ended
31 March 2024

1. Significant accounting policies

a. Reporting entities

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

MBHG was incorporated on 6 April 2023. The Company standalone financial statements presented from page 161 will

be the company's initial set of accounts covering the period between 6 April 2023 to the year-end date 31 March 2024.

On the 12th of September 2023, MBHG acquired 100% of the shares of MBL through a share-for-share exchange of newly issued MBHG shares for MBL shares. This group reorganisation represents a business combination of entities under common control where the existing shareholders of MBL become the shareholders of MBHG.

Business combinations of entities under common control are outside the scope of IFRS 3. As such, in accordance with IAS 8, the Group has applied the 'pooling of interest' method to account for this transaction. The net assets of the Group have been recorded at their existing carrying values rather than fair value, with no goodwill recorded and comparative periods restated as if the restructure had taken place at the beginning of the earliest comparative period presented. A merger reserve has been recognised to account for the difference between the net assets transferred and the share capital issued as part of the share-for-share exchange.

Applying guidance in IFRS 3 and the 2013 IFRIC decision on reverse acquisition, we've presented our consolidated financial statements of MBHG as a continuation of the operating company (MBL). This helps keep the substance of our accounts clear to readers and prevents losing the prior year comparatives in our financial statements.

b. Change to accounting reference date

The Group (MBHG and its subsidiaries) has changed its year-end from 28 February to 31 March to help our investors and stakeholders more easily compare us to our peers who also report at calendar quarter ends. This is the first financial reporting period we have adopted the new year-end date and are presenting our financial statements for the 13 month period ended 31 March 2024. The Statement of Comprehensive Income comparatives represent the 12 month period to 28 February 2023 and are not directly comparable.

c. Basis of preparation

We've prepared the individual and consolidated financial statements on a historical cost basis, except for instruments carried at fair value, in accordance with the Companies Act 2006 and with UK adopted International Accounting Standards (IAS).

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

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

We have assessed our level of exposure to climate risk, as well as our climate related

targets with regards to these Financial Statements and consider them to have limited impact as at 31 March 2024. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgements and estimates for the period.

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

Under our base case plan, for the whole of the period to March 2028 we maintain a capital surplus above our minimum regulatory requirements. This covers the going concern assessment period and beyond. Under a severe stress scenario, following management actions that reduce operating expenses and lending growth, we again continue to maintain our minimum capital requirements throughout the whole period. There is a risk we won't be able to execute our business plan, which could impact our ability to generate a profit or raise enough capital to meet future regulatory capital requirements, but this is not considered likely.

The Directors therefore expect us to have enough financial resources to meet our regulatory requirements for our going concern assessment period and conclude it's appropriate to continue preparing our

financial statements on a going concern basis. The financial statements therefore do not contain adjustments that would result if the Group was unable to continue as a going concern.

d. Summary of significant accounting policies

i. Basis of consolidation

The Group consists of MBHG and its wholly-owned subsidiary, MBL, incorporated and registered in England and Wales. MBL has two further wholly-owned subsidiaries, Monzo Inc. and Monzo Support US Inc., both incorporated in Delaware, United States. MBHG has prepared consolidated accounts under IFRS 10 Consolidated Financial Statements.

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

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

In preparing the consolidated financial statements intra-group balances, and

transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

i. Foreign exchange

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

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

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

According to IFRS 9, we recognise interest income using the EIR method or approaches which closely approximate the EIR method. The EIR method represents the internal rate of return on our lending products, treasury assets and deposits with central banks, incorporating where relevant and material, all interest, direct fees, commissions and charges that are integral to the yield. The expected life of financial assets is used to calculate the internal rate of return.

The identified interest, fees and charges are deferred and amortised over the product life.

Other than Flex money transfer fees and the fees we are charged by partners for loan referrals we don't charge fees, premiums or apply discounts on our other customer lending products. We adjust the EIR to incorporate these fees and there's no material difference between the simple and effective interest rate methods for our other products.

We initially recognise an interest expense on our Monzo Plus and Monzo Premium accounts, but as these customers pay subscription fees, which are deemed integral to the interest they receive, per IFRS 9 we net the interest expense against subscription fees. The resulting adjusted interest expense recognised on these products is not material.

We calculate interest income on our treasury assets using the EIR method. Ongoing custodian fees relating to these assets are recognised as operating expenses.

Interest expense on our subordinated debt is calculated using the EIR method; it includes origination and future expected fees over the debt's expected life.

i. Fee and commission income/expense and other operating income

We've recognised fee and commission income and other operating income for the year according to the principles of IFRS 15

Revenue from Contracts with Customers using the five-step model:

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

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

The key components of fee and commission income are Transaction income, Subscription income and Partnership commission.

- Transaction income includes Interchange income, ATM fees, Cash deposit fees, Inbound Euro translation fees and Flex money transfer fees. Interchange income is recognised based on presentment values when transactions are expected to clear. We offset the cost of Customer rewards against Interchange income because it is part of the consideration payable to earn that interchange. ATM and Flex money transfer fees are recognised at the point transactions take place.
- Subscription income is recognised evenly over the subscription period in line with the services provided.

- Partnership commission is earned for introducing our customers to partners; revenue is recognised when we have fulfilled the requirements of the contract with the partner.

i. Financial instruments

We apply IFRS 9 to recognise, classify, measure and de-recognise financial assets and liabilities, and to record any impairment on those financial assets. We also apply IFRS 7 Financial Instruments: Disclosures, when disclosing information about the significance of financial instruments and the nature and extent of risks arising from financial instruments, in both qualitative and quantitative terms. Where assets are measured at fair value, we apply IFRS 13 Fair Value Measurement to measure the value of those assets.

Recognition

We recognise financial assets and liabilities when Monzo becomes party to a contract. Financial instruments are initially recognised at fair value, inclusive of directly attributable transaction costs. Trade date accounting is applied for all financial assets and liabilities.

Classification and measurement

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

Held at amortised cost

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

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

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

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

We calculate an impairment loss allowance on financial assets held at amortised cost based on the expected credit loss (ECL), per IFRS 9. We give more detailed information on our ECL calculations in Note 26.

The contractual maturity and fair value of financial assets and liabilities held at amortised cost are shown in Note 22 and Note 23.

Held at fair value

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

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

We use interest rate swap derivatives to hedge interest rate risk in our banking book and, where possible, designate into effective hedge accounting relationships to remove volatility from the income statement. The interest rate swaps are recorded at fair value and carried as assets when their fair value is positive and carried as liabilities when their fair value is negative. The notional amount and fair value of interest rate swaps are disclosed separately in Note 21. All interest rate swaps are currently designated in cash flow hedge relationships so that changes in fair value, with the exception of any hedge ineffectiveness, are taken to equity rather than through the income statement.

Derecognition

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

We may also make the decision to write-off balances, when there is no realistic prospect of recovering an asset in its entirety (see Note 26).

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

Hedge accounting

We use hedge accounting, per the requirements of IFRS 9 Financial Instruments, to represent the economic effects of our interest rate risk management strategy as set out in Note 21. Interest rate swaps are held for risk management purposes and when swaps meet the needed criteria for documentation and hedge effectiveness, we apply cash flow hedge accounting. Applying cash flow hedge accounting enables us to reduce the cash flow volatility from interest rate risk on cash balances with variable interest rates.

At inception, we formally document:

- how the hedging relationship meets the hedge accounting criteria;
- the economic relationship between the hedged item and the hedging instrument;
- the nature of the risk, the risk management objective and strategy for undertaking the hedge; and
- the method that will be used to assess the effectiveness of the hedging relationship at inception and on an ongoing basis.

For cash flow hedges, to calculate the change in fair value of the hedged item attributable to the hedged risk, we use the hypothetical derivative method. This involves establishing a hypothetical derivative that would be the ideal hedging instrument for the hedged exposure. The hypothetical derivative is then used to calculate the change in the net present value for the future cash flows of the hedged item. This is then compared to changes in value of the actual hedging instrument to assess hedge effectiveness and, if necessary, the need to recognise any ineffectiveness in our income statement.

e. Taxation

Taxation in the Income Statement comprises current tax.

i. Current tax

Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates and laws enacted or substantively enacted by the reporting date, and any adjustment to tax payable in respect of the previous year.

Research and Development Expenditure Credits (RDEC) are recognised as income in the year in which the R&D qualifying expenditure is recognised.

Detailed disclosures are provided in Note 10.

ii. Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it becomes probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

f. New and updated accounting standards adopted in the period

On 23 May 2023, the IASB issued amendments to IAS 12 to provide a mandatory temporary exemption to the requirements to account for deferred taxes assets and liabilities related to Pillar 2 income taxes, as published by the Organisation for Economic Co-operation and Development (OECD). The amendments are effective for accounting periods beginning on or after 1 January 2023 and the mandatory temporary exemption has

been applied in these accounts. Disclosures related to the amendments are made in Note 10.

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

g. Significant accounting estimates, critical judgements and assumptions

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

Critical accounting judgements are those applied to our accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements. Significant accounting estimates have a higher risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year. Further information on critical judgements and significant accounting estimates are disclosed within the note which they relate to:

- Credit loss expense in Note 26
- Provisions and contingent liabilities in Note 28 and Note 30

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates or critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer term uncertainties.

The other areas of judgement and accounting estimates are:

- Going concern Note 1c
- Fair valuing stock based compensation in Note 34
- Effective interest rate recognition Note 1d



2. Net interest income

	2024	2023
	£'000	£'000
Interest income		
Cash and cash equivalents	255,286	48,240
Loans and advances to customers	209,202	89,664
Treasury assets	109,100	29,392
Interest income on leases	130	257
Other interest income	2,256	403
	575,974	167,956
Interest expense		
Interest expense on customer deposits	(133,961)	(230)
Interest expense on leases	(1,693)	(1,448)
Interest expense on subordinated debt	(2,248)	(2,031)
Other interest expense	(100)	-
Net interest income	437,972	164,247

The increase in net interest income (£273.7m) is driven partly from customer growth, UK base rates increasing from 4% to 5.25%, an increase in treasury investments and the success of our Instant Access Savings Pots adding £286.8m of interest income. Lending revenues also increased as customers borrowed more from us, resulting in an extra £119.5m of interest income. This has been partially offset by a £133.7m increase in interest expense on customer deposits, as a result of interest we pay to customers on Instant Access Savings Pots.

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

Interest income on cash and cash equivalents includes interest on swaps entered to hedge the interest rate risk of the underlying item.

Interest expense on leases is charged on the outstanding balance of lease liabilities. We've used our observable borrowing rate as the incremental borrowing rate (IBR) to calculate lease liability interest.

3. Net fee and commission

	2024 £'000	2023 £'000
Fee and commission income		
Transaction income	189,946	127,394
Subscription income	53,824	34,447
Partnership commission	11,761	7,254
	255,531	169,095
Fee and commission expense		
Transaction expense	(22,797)	(21,120)
Subscription expense	(26,438)	(14,986)
Partnership expense	(406)	(106)
Banking services expense	(1,055)	–
Net fees and commission	204,835	132,883

The reported fees and commissions are those which don't contain an interest element and don't form part of any effective interest rate calculations.

Transaction income increased by £62.6m as card spend grew 42% year-on-year as customers spent more through Monzo. Net subscription income has increased 40% in line with growth in Monzo Plus, Premium and Business customers.



4. Credit loss expense on financial assets

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

The exposure to credit risk includes the available unused borrowing committed to overdraft and Flex customers (undrawn commitments) see Note 26, overdrafts, overdrawn balances and loans on the balance sheet (Note 13). As a material risk to us, there is significant management focus on setting credit risk appetite and embedding appropriate risk mitigation. The credit loss expense covers the change in expected credit losses (ECLs) plus the cost of writing-off (fully or partially) assets when they are deemed uncollectable.

See Note 26 for more information on the credit loss expense that comes from holding an impairment loss allowance in respect of loans, overdrafts, overdrawn balances, Flex and receivables.

We're also exposed to overnight credit risk on our derivative financial instruments. This is monitored daily with each counterparty and managed by paying and receiving collateral (margin) as appropriate. Refer to Note 27 on netting below.

	2024	2023
	£'000	£'000
Overdrafts, overdrawn balances and undrawn commitments	53,996	29,007
Loans	69,210	37,402
Flex loans	53,666	34,492
Credit loss expense on loans and advances to customers	176,872	100,901
Receivables	(4)	302
Total credit loss expense	176,868	101,203

5. Other operating income

	2024	2023
	£'000	£'000
Other income	48,452	18,582
Total other operating income	48,452	18,582

Other operating income includes income from business to business grants and discounts, Research and Development Expenditure Credit (RDEC) claims. We've recognised £23.0m (FY2023: £15.4m) of expenses this year which qualify for our research and development claim.

6. Personnel expenses

Short-term colleague benefits

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

Defined contribution plans

We participate in single defined contribution pension schemes in the UK and the US. The contribution payable by staff members (employees' contribution) to a defined contribution plan is a fixed percentage of the person's salary each month. This is the same for all colleagues of each entity, unless they have opted out. The cost to Monzo (employers' contribution) is recorded as an expense under personnel expenses. Unpaid contributions are recorded as a liability. We don't operate any defined benefit pension plans.

Share-based payments

See Note 34 for accounting policy.

	2024 £'000	2023 £'000
Salaries	188,667	125,729
Share-based payments	37,469	29,100
Social security contributions	21,122	14,636
Contributions to defined contribution plans	6,568	4,316
Other personnel expenses	3,087	1,544
Total personnel cost	256,913	175,325

The increase in personnel costs to £256.9m (FY2023: £175.3m) reflects the additional people hired during the year to support the operational running of the Group.

The average number of personnel in the Group during the period was 3,145 (FY2023: 2,432), 1,101 (FY2023: 961) of these worked in Management, Operations and Administration and 2,044 (FY2023: 1,471) worked in Customer Operations (COps).

7. Government grants

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

We received a government grant prior to FY2024 which we haven't recognised through the income statement. The grant relates to our team in Cardiff. We didn't qualify for the current year grant as we haven't met all of the requirements to recognise the grant. So we've included it in Deferred income in Other Liabilities (Note 20).

	2024 £'000	2023 £'000
As at 1 March 2023	760	760
Received during the year	–	–
Released to the statement of profit or loss	–	–
As at 31 March 2024	760	760

8. Directors' remuneration

	2024 £'000	2023 £'000
Salaries and fees	2,649	1,815
Share-based payments	1,974	2,705
Contributions to defined contribution plans	42	41
Total directors' emoluments	4,665	4,561
Salaries	657	563
Share-based payments	1,016	2,051
Contributions to defined contribution plans	20	23
Highest paid director	1,693	2,637

As at 31 March 2024 there were no loans outstanding to directors (FY2023: £nil) and there were no loans made to directors during the period (FY2023: £nil).

Some directors were granted share options in the period. No director exercised their options and no shares were given to directors under any compensation scheme.

9. Other operating expenses

	2024	2023
	£'000	£'000
Customer account operating costs	75,591	52,710
Marketing	58,470	21,709
Technology costs	48,145	29,665
Professional services	13,373	11,661
Depreciation & impairment expense	7,288	7,601
Other expenses	39,213	31,597
Total operating expenses	242,080	154,943

Customer account operating costs include the cost of payment schemes, card production and distribution to new and existing customers, on-boarding costs and operational losses. These costs continue to increase broadly in line with our customer numbers. In FY2024 costs increased for fraud and dispute losses (£5.4m), payment scheme costs (£4.8m) and card distribution and production costs (£4.3m).

Marketing costs have increased by £36.8m in FY2024, as we have promoted key product launches and introduced more customers to Monzo using digital platforms.

Technology costs include charges for servers, cloud services and software. Our technology costs grew £18.5m to £48.1m as we served significantly more customers, invested further in our core app experience and in the quality and security of our platform.

Other expenses include various costs previously presented individually in FY2023, like Outsourcing costs, Administrative expenses and Premise and office costs.

The same applies to Professional fees, which contains Legal and professional fees, and Accountancy and Audit fees.

10. Taxation

Current taxation

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

Management periodically evaluates the positions we take in terms of tax returns where the regulations are subject to interpretation, and establishes provisions where we need to. We base tax assets and liabilities relating to open and judgemental matters, including those related to the RDEC claim, on our assessment of the most likely outcome(s) based on the tax authorities having full knowledge of all relevant information. We engage constructively and transparently with the tax authorities with a view to resolving any uncertain tax matters.

Deferred tax

At 31 March 2024, deferred tax assets have only been recognised up to the extent of deferred tax liabilities (FY2023: no deferred tax assets or liabilities recognised).

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

We recognise deferred income tax assets only to the extent that it's probable that future taxable profits will be available against which we can use the temporary differences. Recognition of a deferred tax asset is a highly subjective area and the assumptions used can generate a wide array of potential financial outcomes for forecast years. As such, we have decided to take a prudent approach and recognise a deferred tax asset only once we are able to evidence a longer period of historic profitability. This means that we have not recognised any deferred tax assets for the period to 31 March 2024, but this will be reassessed for the year ending 31 March 2025.

We did not recognise current tax in the prior year and so we have not disclosed a comparative in the following table.

	2024 £'000
Current tax	
Current tax on profits for the year	7,069
Total current tax	7,069
Deferred tax	
Current year	(330)
Total deferred tax	(330)
Tax per income statement	6,739
Other comprehensive income items	
Deferred tax	330

Amounts recognised in profit or loss

	2024 £'000	2023 £'000
Profit / (Loss) on ordinary activities before tax	15,448	(116,341)
Standard rate of corporation tax	25%	19%
Expected tax charge / (credit)	3,862	(22,105)
Effects of:		
Adjustment to tax charge in respect of prior period	—	173
Expenses not deductible for tax	653	131
Income not taxable	(2)	—
Fixed asset differences	243	327
Qualifying donations unutilised	—	10
Impact of differences in overseas tax rates	(324)	(482)
RDEC expenditure credits	(210)	—
Share options exercised	(1,264)	—
Deferred tax asset not recognised	3,781	21,946
Total UK corporate tax charge / (credit) for the period	6,739	—

Unrecognised deferred tax

	2024 £'000	2023 £'000
Deferred tax		
Unused tax losses	101,417	111,101
Fixed asset timing differences	460	(140)
Share-based payments	49,995	42,139
Other deductible temporary differences	3,344	1,685
155,216	154,785	

The Group's profits / losses are taxed at different rates depending on the country in which the profit or loss arises. The Group is currently taxed in the UK at a prevailing rate of 25% (FY2023: 19%) and in the US at a prevailing rate of 29.56% (FY2023: 29.56%).

The UK corporation tax rate changed on 1 April 2023. Prior to this date, the main rate of corporation tax was 19%. From 1 April 2023, the rate increased to 25% for companies whose profits exceed £250k.

On 11 July 2023, the UK government enacted the Pillar 2 income taxes legislation effective for financial years beginning on or after 1 January 2024. Pillar 2 does not currently apply to the Group as the global consolidated revenue thresholds have not been met in any of the preceding periods to date.

To the extent that the thresholds are met in subsequent periods the Group does not anticipate any material exposure to Pillar 2 taxes, however we are currently undertaking an exercise to assess any potential exposure based on the jurisdictions that the Group currently operates in.



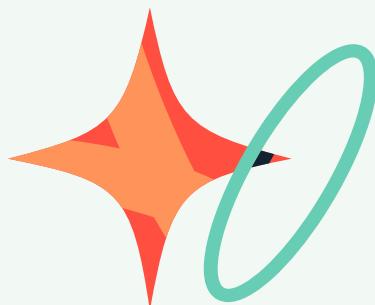
11. Cash and cash equivalents

Cash and cash equivalents are recognised initially at fair value and then at amortised cost.

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

	2024 £'000	2023 £'000
Cash and cash equivalents held with:		
Central banks	7,094,110	2,656,363
Other banks	7,101	9,772
E-money institutions	2,242	1,051
Reserves with central banks	520,847	434,056
Total cash and cash equivalents	7,624,300	3,101,242

As at 31 March 2024 £277.3m of the reserves with the Bank of England were encumbered (FY2023: £213.6m). These amounts are held as cash collateral. These funds are held as a requirement of us being a direct settling participant of the Faster Payments Service.



12. Treasury investments

The Group's treasury assets consist of investments made as part of building and maintaining our liquidity buffer, and our investment portfolio.

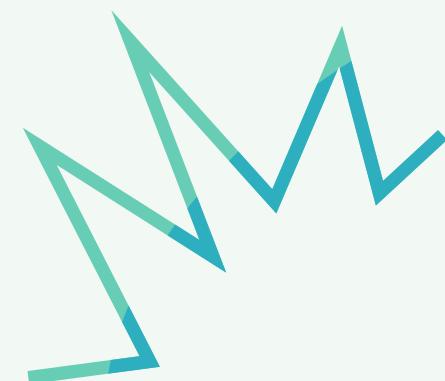
Treasury assets consist of fixed coupon bonds, gilts, commercial paper and certificates of deposit. During the year we have continued to diversify our treasury portfolio to safely generate higher long-term returns than cash deposits held with the Bank of England. Treasury investments are used to manage our interest rate risk and optimise the returns we can safely generate throughout interest rate cycles. They are first measured at fair value and then at amortised cost. It is our business model to hold the investments to maturity and the cash flows of the investments are solely payments of principal and interest.

The impairment loss allowance held against treasury investments is immaterial as the probability of default is negligible under any range of reasonable, probability-weighted scenarios. See Note 26 for more detail on credit risk.

	2024 £'000	2023 £'000
UK Government debt	1,068,284	931,051
Supranational debt	1,874,215	1,462,646
Commercial paper	59,227	283,031
Certificates of deposit	632,675	–
Fixed term deposits	–	50,792
Total treasury investments at amortised cost	3,634,401	2,727,520

At the end of the reporting period, £93.6m (FY2023: £106.1m) of our treasury investments were encumbered. Similar to the cash collateral we hold (see Note 11), we continue to recognise interest on encumbered assets, but they have been set aside for Operational Continuity in Resolution purposes.

The interest earned on our treasury investments is included in Note 2. For further information on the fair value and contractual maturity of our treasury investments, see Note 22 and Note 23.



13. Loans and advances to customers

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

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

Overdrafts and overdrawn balances are made up of approved overdrafts of £313.4m (FY2023: £195.1m) and overdrawn balances on current accounts of £5.6m (FY2023: £1.9m). See Note 25 for more information on the credit loss expense in respect of overdrafts, overdrawn balances, and loans.

	2024 £'000	2023 £'000
Gross		
Overdrafts and overdrawn balances	318,960	197,104
Loans	683,976	393,349
Flex Loans	391,286	169,281
Total gross loans and advances to customers	1,394,222	759,734
Impairment loss allowance		
Overdrafts and overdrawn balances	(61,938)	(36,266)
Loans	(75,892)	(33,247)
Flex Loans	(66,177)	(36,488)
Total impairment loss allowance	(204,007)	(106,001)
Net		
Overdrafts and overdrawn balances	257,022	160,838
Loans	608,084	360,102
Flex Loans	325,109	132,793
Total net loans and advances to customers	1,190,215	653,733
Analysis of gross loans and advances to customers		
Due within one year	859,566	499,204
Due in more than one year	534,656	260,530
Total gross loans and advances to customers	1,394,222	759,734

14. Other assets

Receivables

We recognise receivables first at fair value and then at amortised cost.

We recognise ECLs under IFRS 9 against certain receivables. Our ECLs for the year are shown in Note 4.

Receivables in respect of payment schemes

Represent cash balances which are due to be received from third party payment schemes. The settlement cycle is dependent on the scheme, but is usually within a few working days of the transaction.

Lease receivable

See Note 16 for more details.

Other receivables

Represent amounts due from our partners, payment scheme providers and customers during the normal course of our business. These values fluctuate depending on the timing of invoicing, the stage in the dispute lifecycle and subsequent settlement.

Accrued income

We recognise accrued income where we have earned income under our contracts with partners but have not yet invoiced those partners or received the cash due to us.

Inventory

We value inventory at the lower of cost and net realisable value. It includes bank cards held for sale in the ordinary course of business.

Prepayments

We recognise prepayments where we've bought goods or services that we haven't yet used.

Derivative financial instruments

Represent interest rate swap derivatives used for hedging purposes. These are recorded at fair value and carried as assets when their fair value is positive and carried as liabilities when their fair value is negative.

Cash collateral receivable on interest rate swaps

Includes the initial margin paid to our counterparties when we start a relationship and the variation margin we have to transfer to them on our interest rate swaps to cover negative fair value positions during the life of the swaps.

	2024 £'000	2023 £'000
Receivables in respect of payments schemes	341,922	74,345
Lease receivable	–	2,931
Accrued income	3,138	1,400
Inventory	1,557	1,967
Prepayments	21,215	12,833
Cash collateral receivable on interest rate swaps	16,218	–
Other receivables	23,477	13,804
RDEC claim	–	2,731
Deposits	2,423	3,370
Derivative financial instruments	1,167	–
Other investments	111	114
Total other assets	411,228	113,495

Included within other assets are £388.5m (FY2023: £96.2m) of financial assets and £22.7m (FY2023: £17.3m) of non-financial assets. The credit quality of the financial assets is considered low risk. £144.9m receivables in respect of payment schemes were settled on 1 April 2024. The increase in Receivables in respect of payment schemes is mainly due to our FY2024 year-end falling over a weekend, resulting in an increased amount of pending transactions.

We've recognised an RDEC claim as a non-financial asset based on an analysis of eligible costs during the year. Our estimated RDEC claim of £4.5m for FY2024 has been recognised in full in Other operating income and the amount receivable in respect of the claim is now shown within Current tax asset on the face of the Statement of Financial Position instead of Other assets.

15. Property, plant and equipment

We show items of property, plant and equipment at cost less accumulated depreciation and impairment. Historical cost includes expenditure that's directly attributable to the cost of the assets.

We recognise right-of-use assets at the commencement date of the lease. The Group has lease contracts for various offices and premises²⁷ and IT infrastructure, see Note 16. We recognise depreciation on fixtures and fittings, which include office fit-out costs, on a straight-line basis over the life of the lease.

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

- Office and IT Equipment: 3 years.
- Fixtures and fittings: 3–7 years.
- Offices and premises: 2–7 years.
- IT infrastructure:²⁸ 3 years.

Critical accounting estimate

At the end of each reporting period we check to see whether there are signs that any of our assets could be impaired. The calculation of the recoverable amount includes key assumptions which impact the impairment calculation. There were no signs of impairment identified for FY2024.

During the year, we renegotiated our London office lease resulting in a £0.7m increase in cost, a £9.3m reduction in accumulated depreciation and a £0.2m write-off of the net book value of the right-of-use assets.

	Property, plant and equipment		Right-of-use assets		
	Fixtures and fittings	Office and IT equipment	Offices and premises	IT infrastructure	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
As at 1 March 2023	7,692	8,701	18,604	150	35,147
Additions	19	1,034	1,203	68	2,324
Modifications	–	–	716	–	716
Currency revaluation	–	–	(65)	–	(65)
Disposals	–	(415)	(2,206)	–	(2,621)
As at 31 March 2024	7,711	9,320	18,252	218	35,501
Depreciation					
As at 1 March 2023	4,246	5,390	10,132	54	19,822
Charge for the period	1,200	2,291	3,718	79	7,288
Depreciation on assets disposed	–	(359)	(1,971)	–	(2,330)
Modifications	–	–	(9,330)	–	(9,330)
Currency revaluation	–	–	(23)	–	(23)
As at 31 March 2024	5,446	7,322	2,526	133	15,427
Net book value as at 31 March 2024	2,265	1,998	15,726	85	20,074
Cost					
As at 1 March 2022	8,074	7,083	20,140	149	35,446
Additions	1,006	2,401	–	46	3,453
Impairments	–	–	(96)	–	(96)
Reversal of Impairments	–	–	65	–	65
Currency revaluation	–	–	138	–	138
Disposals	(1,388)	(783)	(1,643)	(45)	(3,859)
As at 28 February 2023	7,692	8,701	18,604	150	35,147
Depreciation					
As at 1 March 2022	2,678	4,015	6,873	44	13,610
Charge for the period	1,568	2,117	3,926	55	7,666
Depreciation on assets disposed	–	(742)	(571)	(45)	(1,358)
Impairments	–	–	(96)	–	(96)
As at 28 February 2023	4,246	5,390	10,132	54	19,822
Net book value as at 28 February 2023	3,446	3,311	8,472	96	15,325

²⁷ Each of the floors in our London Office are independent of each other and qualify as a separate lease component.

²⁸ We have 'evergreen' lease contracts which continue until either we, or the lessor, cancel the contract. We expect the most likely term for these leases to be the same as for other IT equipment. We've calculated a right-of-use asset and lease liability on this basis.

16. Leases

a. Leases as lessee

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

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

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

Lease liabilities

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

In calculating the present value of lease payments, we used our estimated incremental borrowing rate (IBR) at the lease commencement date where the interest rate implicit in the lease is unavailable. After the commencement date, we increase lease liabilities to reflect the accumulation of interest and reduce them for lease payments made.

Incremental borrowing rate

We assess our IBR using our observable borrowing rate from our debt agreements.

Short-term leases and leases of low-value assets

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

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

	2024	2023
	£'000	£'000
As at 1 March 2023	13,433	17,154
Additions	951	–
Modifications	7,387	–
Interest expense on leases	1,651	1,342
Cash payments	(7,008)	(5,063)
As at 31 March 2024	16,414	13,433

The interest expense on leases shown above doesn't include the unwinding of the discount on dilapidation provisions related to those leases. That's included in Note 30.

We had total cash outflows for leases, not including short-term or low-value, of £7.0m in FY2024 (FY2023: £5.1m). We also had non-cash additions to right-of-use assets and lease liabilities in FY2024 of £1.0m (FY2023: £nil).

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

	2024	2023
	£'000	£'000
Interest expense on leases	1,693	1,342
Expense relating to low-value leases included in operating expenses	53	52
Total amount recognised in profit or loss	1,746	1,394

We've shown the maturity analysis on rental income receivables for our operating lease below:

	2024	2023
	£'000	£'000
Maturity of rental income receivables		
Less than one year	166	470
One to two years	–	295
Total undiscounted rental income receivable	166	765

b. Leases as lessor

At the commencement of a sublease, we assess whether the lease is a finance or an operating lease. Where the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset, it's a finance lease; if not, it's an operating lease. As part of this assessment, we consider certain indicators like whether the lease is for the major part of the economic life of the right-of-use asset.

Throughout the term of a finance lease, as a lessor, we recognise assets held under a finance lease in our statement of financial position and present them as a receivable at an amount equal to the net investment in the lease.

At the commencement of an operating lease, as a lessor, we recognise lease payments from operating leases as income on a straight-line basis.

Finance lease

We previously leased part of our London office space under finance leases. During the year we surrendered the head lease and exited the subleases.

Operating Lease

During the year, we leased out our US office. We have classified this lease as an operating lease as it does not transfer substantially all of the risks and rewards incidental to ownership of an underlying asset.

We've earned £0.4m of rental income during the year, this is included in Other operating income (see Note 5).

17. Collateral held with third parties

Similar to other participants, we have to set aside money as collateral with our payment network providers in case we fail to settle amounts with them.

	2024	2023
	£'000	£'000
Held with payment network providers	78,506	76,461
Total collateral held with third parties	78,506	76,461

18. Customer deposits

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

The Group holds customer deposits at the end of the year of £11.2bn (FY2023: £5.9bn) which are held on demand.



19. Subordinated debt liability

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

In March 2021, we entered into a subordinated debt arrangement for £25.0m at a rate of interest of 12% per year. We've drawn down 2 tranches (£10.0m and £5.0m) and have an additional £10.0m facility which remains undrawn as at 31 March 2024 (FY2023: £10.0m). The contract term spans 10 years and is due to mature on 7 March 2031.

As part of the group restructure detailed in Note 33, the subordinated debt liability that was previously held in MBL was novated to MBHG. The transfer of the subordinated liability to MBHG was executed under the existing terms and conditions, and at its carrying value at date of novation, resulting in a nil impact on the consolidated income statement. There have been no changes in the terms and conditions of the subordinated liabilities, therefore, the novation has not affected the group's risk profile.

Interest expense incurred on our subordinated debt can be found in Note 2. For further information on the classification and contractual maturity of our subordinated debt liability, refer to Note 22 and Note 23.

	2024	2023
	£'000	£'000
As at 1 March 2023	14,823	14,593
Interest expense	2,248	2,031
Interest paid	(1,958)	(1,801)
As at 31 March 2024	15,113	14,823

20. Other liabilities

Customer funds in transit

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

Provisions

We recognise provisions under IAS 37 Provisions, Contingent Liabilities and Contingent Assets where we have present obligations arising from past events and the payment of the obligation can be reliably estimated and is probable. We've recognised provisions for the cost of returning leased office space to its original condition at the end of the lease. We also recognised provisions for professional service fees and customer remediation costs expected in FY2024 and FY2025. See Note 30.

Deferred income

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

Lease liabilities

For information on the recognition of lease liabilities please see Note 16. For an analysis of the contractual maturity of lease payments, see Note 23.

Warrant liabilities

We issued warrants in March 2021 which give holders the right to buy our shares in the future. These warrants have an exercise period of 10 years. We measure the fair value of warrants using a Black-Scholes option pricing model with any gain or loss on revaluation recognised in the statement of comprehensive income. Note 22 includes amounts relating to the gain or loss from revaluation.

Other

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

Derivative financial instruments

These represent interest rate swap derivatives used for hedging purposes. These are recorded at fair value and carried as assets when their fair value is positive and carried as liabilities when their fair value is negative.

Cash collateral payable on interest rate swaps

As part of margin requirements on our interest rate swaps we receive cash collateral from our counterparties to cover positive fair value positions during the life of the swaps.

	2024	2023
	£'000	£'000
Customer funds in transit	776,572	181,225
Lease liabilities	16,414	13,433
Accounts payable, accruals and other creditors	73,849	29,887
Other taxes and social security costs	8,786	5,519
Deferred income	4,674	2,611
Provisions	6,969	17,744
Warrant liabilities	1,166	937
Derivative financial instrument liabilities	1,233	–
Cash collateral payable on interest rate swaps	1,270	–
Total other liabilities	890,933	251,356

Provisions and Other provisions have been grouped together in FY2024 as a single provisions line, in FY2023 they were presented as two separate lines.

Customer funds in transit increased to £776.6m from £181.2m as year-end fell on a bank holiday weekend, leading to three days of funds in transit accumulating.

Included within other liabilities are £870.5m (FY2023: £225.4m) of financial liabilities and £20.4m (FY2023: £26.0m) of non-financial liabilities.

21. Derivative financial instruments and hedge accounting

Accounting for derivatives

Derivative financial instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They affect the Group's net interest income, net trading income and other assets/liabilities. Notional amounts of the contracts are not recorded on the balance sheet. Our derivative positions consist of interest rate swaps and issued warrants.

Interest rate swaps are used as part of our risk management strategy to hedge variable interest rate risk on cash held at central banks. We have entered into bilateral agreements with various counterparties to purchase these swaps. All interest rate swaps are designated in a cash flow hedge accounting relationship and are classified as assets when their fair value is positive, or as liabilities when their fair value is negative, on a counterparty-by-counterparty basis.

We apply the requirements of IFRS 9 Financial Instruments for hedge accounting purposes to represent the economic effects of our interest rate risk management strategy. When swaps meet the required criteria for documentation and hedge effectiveness, we apply cash flow hedge accounting.

For qualifying cash flow hedges, the fair value gain or loss associated with the effective portion of the cash flow hedge is recognised initially in other comprehensive income, and then recycled to the income statement in the periods when the hedged item will affect profit or loss. Any ineffective portion of the gain or loss on the hedging instrument is recognised in the income statement immediately as hedge ineffectiveness.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria

for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the hedged item is ultimately recognised in the income statement. If the hedged cash flows are no longer expected to occur the cumulative gain or loss existing in equity will be immediately reclassified to the income statement.

As part of our group reorganisation in September 2023 we cancelled warrants issued by MBL in FY2022. At the same time the warrants were re-issued from MBHG

under the original terms. The warrants give holders the right to buy our shares in the future. These warrants have a remaining exercise period of 7 years. We measure the fair value of warrants using a Black-Scholes option pricing model with any gain or loss on revaluation recognised in the statement of comprehensive income (see Note 22).

The fair value and notional amounts of derivative financial instruments of the Group are set out in the following table:

	Notional contract amount	2024		2023	
		Fair value Assets	Fair value Liabilities	Notional contract amount	Fair value Assets
	£'000	£'000	£'000	£'000	£'000
Equity derivatives					
Warrants	1,500	–	(1,166)	1,500	–
Derivatives designated as cash flow hedges					
Interest rate swaps	1,100,000	1,167	(1,233)	–	–
Total derivative financial instruments	1,101,500	1,167	(2,399)	1,500	(937)

Hedge accounting

Hedge accounting is applied for interest rate risk arising from the volatility of variable linked interest rates. In order to hedge this risk, we use interest rate swaps to swap interest rate exposures from variable rates into fixed rates.

In all hedging relationships, we designate benchmark interest rate risk (Bank of England base rate) as the risk component of the hedged items being hedged. Designating the benchmark interest rate risk results in other risks, such as credit risk and liquidity risk, being excluded from the hedge accounting relationship. Following market-wide interest rate benchmark reform, sensitivity to risk-free rates is considered to be the predominant interest rate risk and therefore the hedged items change in fair value on a proportionate basis with reference to this risk.

A hedged item or hedging instrument may change due to the nature of the risk management and hedge accounting strategy. It is possible that if the hedge accounting objective changes, the relevant hedge accounting relationship will be de-designated and replaced with a different hedge accounting relationship.

The hedging instruments share the same risk exposures as the hedged items. To the extent hedging instruments are exposed to different risks than the hedged items, this could result in hedge ineffectiveness. Sources of ineffectiveness include the following:

- mismatches between the contractual terms of the hedged item and hedging instrument, including basis differences
- changes in credit risk of the hedging instruments
- if a hedging relationship becomes over-hedged, for example if the net asset value designated at the start of the period falls below the amount of the hedging instrument; and
- cash flow hedges using external swaps with non-zero fair values.

The following table provides further information on the Group's cash flow hedges designated in hedge accounting relationships:

	Notional amount	Derivative assets	Derivative Liabilities	Change in fair value used as a basis to determine ineffectiveness	Hedge ineffectiveness
As at 31 March 2024	£'000	£'000	£'000	£'000	£'000
Interest rate swaps	1,100,000	1,167	(1,233)	1,391	(71)

Hedge ineffectiveness for the year was recognised in other operating income within the income statement. The change in fair value of the hedged item, used as the basis for recognising hedge ineffectiveness, was £1.3m. At year-end all our cash flow hedges remain in continuing hedge accounting relationships, with no other amounts reclassified to the income statement other than hedge ineffectiveness.

All of our interest rate swaps (notional £1.1bn) had a maturity between one and three years, with an average fixed interest rate of 4.39%.

A detailed reconciliation of the movements of the cash flow hedging reserve is as follows:

	2024
	£'000
Balance on 1 March 2023	—
Change in fair value of interest rate swaps in effective hedge relationships	1,391
Amounts reclassified in relation to items affecting profit or loss	(71)
Tax	(330)
Balance on 31 March 2024	990

22. Fair value of financial assets and liabilities

Fair value hierarchy

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

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

- Level 1:** Quoted prices in active markets for identical assets or liabilities which we can access at the date of measurement.
- Level 2:** Inputs other than quoted market prices included in Level 1 that are observable either directly or indirectly.
- Level 3:** Inputs that are not based on observable market data.

We've summarised the fair values of financial assets and liabilities by the level of inputs.

Financial Assets and Liabilities at fair value

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000
As at 31 March 2024				
Financial Assets				
Interest rate swaps	—	1,167	—	1,167
Other investments	—	111	—	111
Total Financial Assets	—	1,278	—	1,278
Financial Liabilities				
Interest rate swaps	—	1,233	—	1,233
Warrant liabilities			1,166	1,166
Total Financial Liabilities	—	1,233	1,166	2,399

Other investments relate to the equity in SWIFT which we bought in line with their terms of use. These are classified as Level 2 assets, because although observable inputs are used, quoted market prices are not readily available.

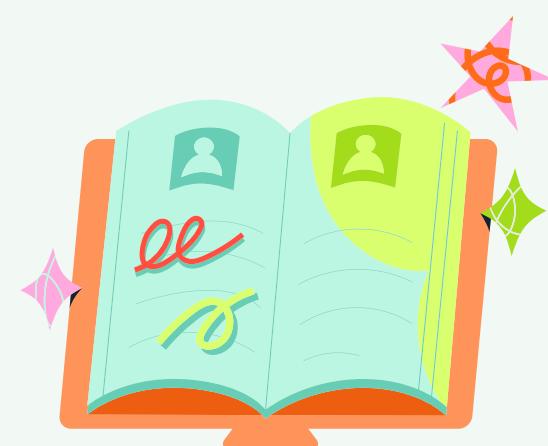
Warrant liabilities are valued using a Black Scholes option pricing model. The most significant inputs are the current share price of Monzo and volatility inputs. Monzo's share price is unobservable and has the most material impact on warrant liability valuation. A 5% change in Monzo's share price would result in a £0.1m income or expense recognised in our income statement.

Interest rate swaps are valued using forward interest rate curves, made from market data to project and discount the expected future cash flows of trades. Inputs are considered observable as they relate to liquid maturities and are determined separately for each input and underlying.

Level 3 movement analysis

	As at 1 March 2023	Additions	Gains and losses recognised in the income statement	Gains and losses recognised in other comprehensive income	As at 31 March 2024
	£'000	£'000	£'000	£'000	£'000
Warrant liabilities	937	—	229	—	1,166
Financial liabilities at fair value through the income statement	937	—	229	—	1,166

All gains and losses recognised in the income statement in relation to Level 3 assets and liabilities are unrealised. Unrealised gains or losses relate to changes in fair value on assets and liabilities that are still held at the year-end reporting date.



Financial assets and liabilities recognised at amortised cost

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total fair value £'000	Total carrying value £'000
As at 31 March 2024					
Financial assets					
Cash and cash equivalents	—	7,624,299	—	7,624,299	7,624,299
Treasury investments	2,917,934	693,400	—	3,611,334	3,634,400
Loans and advances to customers	—	—	1,185,230	1,185,230	1,190,215
Other assets	—	388,389	—	388,389	388,389
Collateral held with third parties	—	78,506	—	78,506	78,506
Total financial assets	2,917,934	8,784,594	1,185,230	12,887,758	12,915,809
Financial liabilities					
Customer deposits	—	11,197,622	—	11,197,622	11,197,622
Subordinated debt liability	—	15,513	—	15,513	15,113
Other liabilities	—	852,929	16,414	869,343	869,343
Total financial liabilities	—	12,066,064	16,414	12,082,478	12,082,078
Net asset position	2,917,934	(3,281,470)	1,168,816	805,280	833,731
As at 28 February 2023					
Financial assets					
Cash and cash equivalents	—	3,101,242	—	3,101,242	3,101,242
Treasury investments	2,315,957	333,069	—	2,649,026	2,727,520
Loans and advances to customers	—	—	644,712	644,712	653,733
Other assets	—	92,961	3,130	96,091	96,091
Collateral held with third parties	—	76,461	—	76,461	76,461
Total financial assets	2,315,957	3,603,733	647,842	6,567,532	6,655,047
Financial liabilities					
Customer deposits	—	5,945,947	—	5,945,947	5,945,947
Subordinated debt liability	—	15,512	—	15,512	14,823
Other liabilities	—	211,074	13,433	224,507	224,507
Total financial liabilities	—	6,172,533	13,433	6,185,966	6,185,277
Net asset position	2,315,957	(2,568,800)	634,409	381,566	469,770

Basis of valuation

Cash and cash equivalents

We consider fair value to approximate carrying value because cash and cash equivalents have minimal credit risk and are short-term in nature, other than amounts held as collateral with central banks.

Loans and advances to customers

We've determined the fair value of the overdrafts and loans by discounting the gross carrying value to present value, using market interest rates, less expected credit losses and considering the quality of positions in the portfolio to assess an arm's length value.

Treasury investments

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

Customer deposits

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

Subordinated debt liability

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

Other assets, other liabilities and collateral held with third parties

We consider the fair value of other assets and liabilities to approximate the carrying value.

23. Liquidity risk management

Liquidity risk is the risk that we fail to meet our obligations as they fall due or can only do so at exceptional cost. We manage this risk by ensuring we have the right type and quantity of funds available when necessary, in the correct currency. Our liquidity risk appetite is to meet all liabilities as they fall due under business as usual scenarios, and to make sure we have liquidity buffers for a set of stress events. The contractual maturities of financial assets and liabilities are calculated on the contractual cash flows and are disclosed undiscounted in the following table.

Contractual maturity of financial assets and liabilities

	On demand £'000	Less than three months £'000	Between three and six months £'000	Between six months and one year £'000	Over one year £'000	Total £'000
As at 31 March 2024						
Gross financial assets						
Cash and cash equivalents	7,336,094	10,847	30	—	277,329	7,624,300
Treasury investments	—	594,453	356,516	796,345	2,072,589	3,819,903
Loans and advances to customers	310,612	412,122	116,804	181,691	567,407	1,588,636
Other assets	326,387	42,410	934	67	17,535	387,333
Collateral held with third parties	—	—	—	—	78,506	78,506
Interest rate swap assets at fair value	—	(18)	(1,104)	(2,356)	5,064	1,586
Total gross financial assets	7,973,093	1,059,814	473,180	975,747	3,018,430	13,500,264
Financial liabilities						
Customer deposits	11,197,621	—	—	—	—	11,197,621
Other liabilities – excluding lease liabilities	128,819	712,769	—	—	11,275	852,863
Lease liabilities	—	1,327	1,339	2,678	19,936	25,280
Subordinated debt liability	—	463	468	927	26,039	27,897
Interest rate swap liabilities at fair value	—	328	199	2,613	(2,052)	1,088
Total financial liabilities	11,326,440	714,887	2,006	6,218	55,198	12,104,749
Net asset position	(3,353,347)	344,927	471,174	969,529	2,963,232	1,395,515
As at 28 February 2023						
Gross financial assets						
Cash and balances at bank	2,881,181	6,466	—	—	213,595	3,101,242
Treasury investments	—	239,830	339,567	832,772	1,395,486	2,807,655
Loans and advances to customers	192,321	188,283	74,602	97,507	303,030	855,743
Other assets	61,531	26,062	405	3,007	5,496	96,501
Collateral held with third parties	—	—	—	—	76,461	76,461
Total gross financial assets	3,135,033	460,641	414,574	933,286	1,994,068	6,937,602
Financial liabilities						
Customer deposits	5,945,947	—	—	—	—	5,945,947
Other liabilities – excluding lease liabilities	26,098	178,080	—	—	7,833	212,011
Lease liabilities	—	1,631	1,632	3,142	8,892	15,297
Subordinated debt liability*	—	454	454	898	27,646	29,451
Total financial liabilities	5,972,045	180,165	2,086	4,040	44,371	6,202,706
Net asset position	(2,837,012)	280,476	412,488	929,246	1,949,697	734,896

*FY2023 Subordinated debt liability cash flows have been restated.

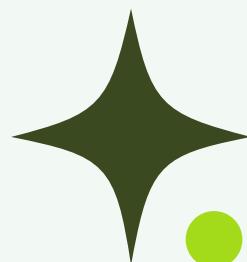
Our undrawn overdraft and flex commitments of £1.5bn (FY2023: £0.9bn) are unconditionally cancellable.

Our Treasury team manages and monitors liquidity risk on a daily basis. ALCo meets on a monthly basis and monitors the reporting and management of liquidity risk. We currently hold our surplus assets in overnight deposits with central banks and in high quality liquid treasury assets which can be liquidated on demand to generate liquidity and support any short term funding needs. The key metrics we use to monitor liquidity risk are the Liquidity Coverage Ratio (LCR) and our internal Liquidity Risk Appetite metric. At year-end and at all times throughout the year, we were significantly in excess of our internal risk appetite and regulatory requirements. We perform liquidity risk stress testing at least annually as part of the ILAAP as noted in the Directors' Report on page 79. The current and forecasted level of liquidity is tracked against Board approved limits at ALCo, ERCC and GBRC.

The following table gives further detail on the longer dated contractual maturity profiles of our treasury portfolio and cash at bank:

	Less than three months	Between three and six months	Between six months and one year	One to two years	Two to three years	Three to four years	More than four years	Total
As at 31 March 2024	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	7,336,227	10,847	30	—	—	—	277,329	7,624,433
Derivative financial instruments	(346)	(1,303)	(4,969)	(4,709)	11,825	—	—	498
Treasury investments	594,453	356,516	796,345	1,151,044	873,405	48,140	—	3,819,903
Total	7,930,334	366,060	791,406	1,146,335	885,230	48,140	277,329	11,444,834

Most of our treasury assets have maturities under 2 years, with the average tenor being 1.3 years. Cash at bank with a maturity of more than 4 years relates to encumbered cash held at the Bank of England. It is required to support our payment schemes and varies with the volume of transactions our customers make.



24. Capital risk management

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

We continue to maintain capital ratios that exceed our minimum requirements under the Capital Requirement Directive IV regulatory framework, as adopted by the UK after Brexit. Full details of our regulatory capital and calculation of our regulatory total capital requirement are given in the Pillar 3 report published on our website. We perform capital stress testing at least annually as part of the ICAAP. The ICAAP includes a 5 year forecast of our capital position and is used to inform the future capital strategy. We use similar ICAAP stress testing in our going concern assessment as detailed in the Directors' Report on page 80. We submit it to the PRA following Board scrutiny and approval.

The ICAAP assesses our 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. As at 31 March 2024 we calculate our PRA buffer requirements based on losses that may arise under a severe stress scenario and assessment of the regulatory determined capital conservation and countercyclical buffers.

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

Key capital risk metrics

Our key capital metric is the current and projected surplus of capital resources over regulatory capital requirements. We also monitor the CET1 ratio. Currently our capital resources consist of paid up share capital and Tier 2 debt. As at 31 March 2024 our CET1 ratio was 55% (FY2023: 54%) (unaudited). The stable CET1 during the year is predominantly due to the capital raise in March 2024 (£340m) and profits for the year, offset by the growth in our lending book which increases our risk weighted assets. During the year ended 31 March 2024, we complied in full with all our externally imposed capital requirements. Our CET1 ratio increased to 58% (unaudited) in April 2024 with the second close of our Series I fundraise.

25. Market risk management

Interest rate risk

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

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

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

We manage the risk of banking book positions in line with our risk appetite framework and our regulatory constraints.

Our governance committees monitor these risks, including the ALCo which evaluates new initiatives and risks.

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

We monitor the sensitivity of both our earnings (net interest income) and the economic value of interest rate sensitive balance sheet items to a variety of interest rate shocks. This includes the six EVE scenarios prescribed under Article 17a of the Disclosure (CRR) part of the PRA Rulebook on the management of interest rate risk arising from non-trading book activities. We apply a floor to the yield curve used in IRRBB analysis. The following table shows the impact on annual interest income under a 100 basis point parallel interest rate shock at the year-end date and the economic value of equity under a 200 basis point shock:

	2024	2023
Impact to annual interest income (£'000) +100bps	34,356	35,229
Impact to annual interest income (£'000) - 100bps	(34,356)	(35,229)
Impact as percentage of Net Assets at year end	3.98%	7.41%
Impact on the Economic Value of Equity (£'000) +200bps	3,161	1,913
Impact on the Economic Value of Equity (£'000) -200bps	(2,880)	(3,938)

Foreign exchange risk

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

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

26. Credit risk

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

We currently offer overdrafts, short-term unsecured loans and credit cards (Monzo Flex) which generate interest income for us. Lending creates credit risk as borrowers might fail to pay the interest or the principal due. As a material risk, there's significant management focus on setting credit risk appetite and monitoring and managing the credit risk in the portfolio.

Our Treasury team also primarily invests in high quality liquid assets financial instruments to safely generate a return and manage our balance sheet. This creates an insignificant amount of credit risk.

Credit risk management

The Borrowing Collective monitors and manages credit risk in the retail portfolios and the Risk and Compliance function oversees it as the 2nd Line of Defence. Our retail credit risk is challenged and monitored principally at the Credit Risk Committee, which the ERCC oversees, along with lending criteria and policy. In addition, the Board approves the overall risk appetite.

The Credit Risk Committee oversees the credit risk performance of our lending portfolios and makes sure we manage it

in line with policies and risk appetite. This includes reviewing risk appetite metrics, financial accounting measures and credit performance trends on new lending positions (originations), existing portfolios and collections and recoveries. This management information also includes IFRS 9 related measures like probability of default (PD) and loss amounts. We use these in combination with other metrics to inform our business strategy. Overarching appetite measures are tracked by the ERCC and BRC.

There's also credit risk in the treasury portfolio, although, given the very low risk investment strategy, anticipated credit losses aren't significant.

Wholesale credit risk is managed in line with our Wholesale Credit Risk Policy which sets out our minimum standards, governance and controls associated with wholesale credit risk management.

Under this policy, we set a range of treasury investment and counterparty limits and thresholds. New treasury counterparties are subject to internal credit assessments and must be pre-approved by an ALCo sub-committee before an investment is made. All of our treasury assets must hold an investment grade external credit rating. Our counterparty relationships and the credit risk on the investments we hold are reviewed on at least an annual basis by ALCo.

Wholesale credit risk is monitored and managed through ALCo with onward reporting to the Board as needed.

Credit risk mitigation

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

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

We actively manage our lending exposure, with our risk appetite set to ensure our portfolio remains resilient through the cycle. As our lending book grows, if we breach our risk appetite triggers, we take additional mitigating actions to ensure our lending remains sustainable and track these through the Credit Risk Committee. Lending criteria are determined with reference to current and likely future expectations of the UK's macroeconomic environment and with an expectation that material losses won't happen.

The primary aim of ongoing customer management activity is to treat customers fairly. When appropriate, we contact each customer in financial difficulty individually to discuss their circumstances. Where we identify a customer as being vulnerable or in financial difficulty, we offer a range of

support, tools and assistance (or signpost them to external organisations that can give them extra support). This means we can agree individual actions or plans with each customer, which helps to bring customers' facilities back into a sustainable position or help customers repay their remaining debt at an affordable rate.

We have a range of support options including informal and formal forbearance treatments, available for all customer levels of affordability and for those in long or short-term financial difficulties. These can be viewed on the next page.

We also give additional support to vulnerable customers depending on their circumstances (for example, through our gambling spend block).

We continue to improve our options for supporting customers, including introducing more options for customers to access forbearance directly in the app and more regular reviews of repayment plans.

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

Solution type	Description	Eligible customers
Promise to Pay / Catch-up	Arrangement to repay with paused collections contact	Customers can clear arrears in a short timeframe (usually 1 month)
Breathing space	30 or 60 days without contact and with support from a third party debt advisor	Customers seeking debt advice or formulating a repayment offer
Interest-bearing repayment plan	Scheduled repayment plan	Customers can repay their debt in a reasonable period of time (for example, 18 months for Overdrafts)
Interest waiting repayment plan	Scheduled repayment plan with interest suppressed	Customers can pay but not clear their debt in a reasonable period of time
Zero-payment plan	No interest and regular affordability reviews to reassess circumstances	Customer cannot afford any repayment offer
Debt write-off	Debt is reduced to zero	Vulnerable customers with exceptional circumstances (for example, terminal illness)

Impairment Loss Allowance

To account for the credit risk in the portfolio, we reduce the value of the assets on the balance sheet using an impairment loss allowance under the IFRS 9 accounting standard. IFRS 9 requires the calculation of an ECL for assets on the balance sheet held at amortised cost or fair value through other comprehensive income.

Impairment Loss Allowance under IFRS 9

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

- **Stage 1:** Assets that haven't had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, a 12-month ECL is recognised and interest income is calculated on the gross carrying amount of the asset. The 12-month ECL is the expected credit losses that result from default events that are anticipated within the 12 months following the reporting date.
- **Stage 2:** For assets that have experienced a significant increase in credit risk since initial recognition but that don't have objective evidence of impairment, a lifetime ECL is recognised and interest income is still calculated on the gross carrying amount of the asset. The lifetime

ECL is the expected credit losses that result from all possible default events over the expected life of the asset.

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

The CFO, supported by the Impairment Council which the CFO chairs, approves the IFRS 9 impairment loss allowance. The Impairment Council is responsible for reviewing the monthly IFRS 9 ECL numbers recognised in our books and records. They make sure that ECLs have been calculated by our Borrowing Collective in line with the governance and controls required by the Monzo IFRS 9 Impairment Policy. The meeting is primarily used for the following things.

- Oversight and governance of controls for the impairment process
- ongoing assessment of the suitability, structure, implementation and performance of the controls embedded within the First Line of Defence
- selection of IFRS 9 economic scenarios and their weighting, supported by the recommendation of the Economics Update Forum
- approves Impairment post model adjustments, including the quantum and period of application

- assessment of drivers of change in ECL, with a specific focus on the metrics required for external and regulatory reporting.

Significant accounting estimates

The calculation of expected credit losses is complex and involves the use of judgement and key assumptions. Our estimates are driven by a number of factors, including:

- macroeconomic scenarios and their probability weightings
- the likelihood of default
- the amount of loss if default occurs
- our assessment of significant increases in credit risk.

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

Sensitivity analysis of material ECL model inputs and macroeconomic scenarios can be found on page 148 and 138 respectively.

Wholesale and Other assets

We've applied the low credit risk exemption for wholesale assets including Treasury investments and assets held with central banks. This exemption allows us to assume that the credit risk on these instruments hasn't significantly increased since initial recognition if they were considered to have a low credit risk.

Low credit risk is defined when there is a low risk of default, the borrower has a strong capacity to meet their short-term obligations and adverse changes in economic and business conditions will not necessarily reduce the ability of the borrower to meet their longer term obligations.

For wholesale assets that hold an external credit rating, we use external insights into the cumulative expected default and loss rates attributable to these ratings to determine the 12-month ECL for each asset.

For non-rated wholesale counterparties, the exposures are short-term in nature and are reviewed regularly. If required, an ECL is raised on a judgemental basis taking into account the likelihood of loss. ECL for non-rated wholesale counterparties is £nil (FY2023: £200k).

We also applied a simplified approach to other trade receivables which are short-term in nature and for which the lifetime ECL does not exceed the 12-month ECL.

Expected Credit Loss modelling

The expected credit loss is the anticipated shortfalls from the contractual cash flows over the expected life of a financial asset, allowing for the time value of money. ECL is calculated at the individual financial instrument level, but a collective approach (grouping financial instruments with similar risk characteristics together) is used where effects can only be seen at a collective level, for example, for forward-looking information.

The assets are currently grouped by lending product as these share similar risk characteristics. The results of any collective modelling approach are applied at the individual asset level. The impairment model calculates ECL at an account level by multiplying the probability of default (PD), exposure at default (EAD) and the loss given default (LGD) and discounting using the original effective interest rate (EIR) or an approximation thereof.

- PD represents the likelihood of a customer defaulting on their borrowing product over a suitable time frame (the next 12 months or the remaining lifetime). This uses data provided by an external credit reference agency which is suitably combined with internal performance data
- EAD estimates the amount expected to be owed at default. For overdrafts and Monzo Flex, the EAD is calculated by taking the current drawn balance and adding an appropriate credit conversion factor that allows for the expected drawdown of the remaining limit by the time of default. For loans, the EAD is calculated based on the contractual repayment schedule and accounts for missed payments and accrued interest up to the point of default
- LGD is the expectation of loss on an exposure that meets our definition of default. It represents our expectation of the extent of loss on a defaulted exposure and is expressed as a percentage loss per unit of EAD

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

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

Expected lifetime

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

Changes in estimation techniques

During FY2024, the ECL models have been improved to better align with the risk and behaviour of our lending book. Key model developments over the year include:

- A redevelopment of the PD model for loans, calibrating on the latest available data at the time of development and expanding the breadth of behavioural information used in the model, including external bureau data

- A recalibration of the PD model for overdrafts, calibrating on the latest available data at the time. The structure of the model remained the same

- A redevelopment of the PD model for Monzo Flex. This is the first time the model has been calibrated to actual performance data, using Monzo Flex-specific behavioural information and external bureau data

- A redevelopment of the LGD models across all products. This introduced additional segmentation and components within the model, calibrated on the latest available data at the time of development for each product

- A redevelopment of the Asset Recovery Model (a component of the LGD model, and recovery estimates for written-off exposures) across all products. The methodology was redesigned and calibrated on the latest available data at the time of development for each product

- A redevelopment of the EAD model for Monzo Flex. This is the first time the model has been calibrated to actual Monzo Flex performance data. The model was restructured and introduced Monzo Flex-specific segmentation

- A redevelopment of the Forward Looking Adjustment economic model. The structure of the model was kept the same, but the calibration data was updated and some different variables included in the model

- A review and update to the criteria determining a significant increase in credit risk since initial recognition (detailed further on page 136).

The components of the ECL models are monitored in line with our policies and as behaviour emerges or changes the models will be adjusted. This may be done initially via a post model adjustment to make sure the ECL reflects the correct behaviour. Management judgements and post model adjustments are discussed on page 140.

ECL model governance

IFRS 9 models are governed in line with the bank-wide Model Risk Framework and associated policies, which establishes minimum standards and guidelines relating to the development, use, validation and monitoring of models within Monzo. The CRO owns the Model Risk Framework and the Group Board Risk Committee approves it; the Borrowing Collective owns the Credit Risk Policy and associated standards and the Credit Risk Committee approves it.

The expected credit loss models are developed in line with our credit model development standards and approved in line with our model governance and credit models authority standard. The General Manager of Borrowing approves all high materiality changes, supported by a series of first and second line forums and committees. All models are subject to a second line review, challenge, independent validation and ongoing monitoring and oversight in

line with our model validation and model monitoring standards.

Post model adjustments are governed in line with the PMA governance embedded in Monzo's Impairment Policy. PMAs are categorised into types which include modelled PMAs, model change placeholders/timing, non-modelable effects, emerging risks/opportunities, and prudential judgement. All PMAs are proposed with refresh/review requirements and release conditions. PMAs are approved by the CFO, supported by the Impairment Council. Modelled PMAs are also considered as models themselves, so are governed by the same standards as the ECL models.

Determining a significant increase in credit risk since initial recognition

Under the IFRS 9 standard, we must determine if there has been a significant increase in credit risk since initial recognition for assets that don't meet the defaulted (Stage 3) criteria. The impairment model uses both relative and absolute criteria to identify increases in credit risk. Any changes to these criteria are considered model changes and are approved and governed under the model governance framework. Changes were made to the criteria in FY2024 and are highlighted below.

- Quantitative criteria: the quantitative trigger has been based around the comparison of the remaining lifetime PD at the reporting date against the

remaining lifetime PD that was measured at origination, when the exposure was first recognised. When the ratio of these two PDs breaches a predefined threshold,²⁹ the account is moved into Stage 2 and its ECL is calculated on a lifetime basis. The thresholds were updated in FY2024 following a review of their performance. This was done to provide greater discrimination between accounts in Stage 1 and 2, and those that ultimately default. Under the existing thresholds, migrations from Stage 2 to Stage 1 were higher than what we would expect. The criteria were selected based on a statistical analysis across different thresholds and how well those thresholds performed in correctly identifying accounts with increased risk of default:

- The thresholds for overdrafts and loans were increased from 1.8× to 3× remaining lifetime PD from initial recognition
- The threshold for Monzo Flex was redeveloped and is segmented by the lifetime PD at initial recognition. The average threshold across the portfolio is approximately 3×, but is higher for very low risk accounts, and lower for higher risk accounts. An absolute threshold of 80% was also introduced; any exposure with a lifetime PD > 80% at the reporting date is moved to Stage 2.
- Qualitative criteria: qualitative factors, indicating potential financial difficulty, have been reflected in the model as

a trigger for a significant increase in credit risk. These include forbearance treatments (where interest is not frozen) and when a customer has agreed to a Promise to Pay (like when a customer agrees to bring their balance back within their arranged overdraft limit by a certain date).

Additionally exposures are moved into Stage 2 if their days past due is greater than the below triggers, which vary for each product:

- Overdrafts: 15 days past due
- Loans: Any days past due
- Monzo Flex: 7 days past due
- Backstop: A rebuttable presumption within IFRS 9 is that, where the customer is more than 30 days past due, credit risk has significantly increased. This backstop has not been rebutted.

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

Definition of default and credit-impaired assets

We consider a financial instrument to meet the accounting definition of default and therefore be allocated to Stage 3 (credit-impaired) for ECL calculations when the borrower is considered unlikely to pay together with a backstop of 90 days past

due. The definition of default used for accounting purposes is aligned to that used for credit management, capital and regulatory reporting purposes.

As part of a qualitative assessment of whether a customer meets the accounting definition of default, we consider a variety of events that may indicate unlikelihood to pay. When this happens, we carefully consider whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations. Events that trigger inclusion in default include the following:

- The customer files for bankruptcy, an Individual Voluntary Agreement, a Debt Relief Order, or a Debt Arrangement Scheme
- The customer is deceased
- The repayment terms have been renegotiated because the customer's condition has deteriorated. As an example, this includes cases where a specific repayment plan has been agreed and interest has been frozen
- The customer has requested 'breathing space' – when we agree to give the customer some time where we won't contact them about their arrears at all and we freeze fees and interest.

In the case of overdrafts, a customer is deemed to be credit impaired when the account has been above its overdraft limit, or overdrawn without an agreed limit, for more than 90 days. For loans and Monzo

²⁹ For Loans and Overdrafts, the credit score must also have reduced since initial recognition

Flex products, an account is deemed credit impaired when it becomes more than three instalments behind the agreed monthly repayment schedule.

Our Policy is to consider an account as exited default (cured) and therefore re-classified out of Stage 3 when a fixed probation period has passed (measured from when they last satisfied any of the default triggers). This probation period is:

- 3 months for loans and overdrafts
- 6 months for Monzo Flex

Forecast economic data

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

- **The base case forecast (Base – 50% weighting):** The economy returns to growth in Q1 and GDP in Q4 2024 is 1.6% higher than a year ago as the short-term boost to incomes from tax cuts and minimum wages lift consumer spending modestly, despite bigger mortgage bills for borrowers. With inflation receding back to target in April and then staying around 2% for the rest of 2024, the Bank of England starts to cut rates in June, with

a further two 25bp reductions by year-end. But monetary policy is still tight and growth is not strong enough to prevent the unemployment rate from rising to 4.4% in H2 2024. Affordability is still a big challenge for the housing market. But one that looks likely to be reflected in weak activity rather than big falls in prices. Valuations are still expected to drift down a little from current levels

- **An upside scenario (Upside – 5% weighting):** Full expensing of spending on capital expenditure boosts investment and productivity surges. With labour scarcer than in the past, firms focus on productivity, and embrace AI, to boost profitability. This keeps inflation low. More family-friendly labour market policies see the labour force grow faster than in the baseline. Competition and discounting bring down food prices. Inflation recedes very quickly and, with the rate below zero by mid-2024, the Bank of England cuts interest rates to 4% by end-2024. Unemployment falls back to 3.6%, wage growth remains strong and supportive of high growth in the coming years as the economy moves onto a higher productivity path
- **A pessimistic downside scenario (Downside 1 – 40% weighting):** This scenario reflects the possibility that the Bank of England has overtightened policy and fights yesterday's battles for too long. (Misguided) concern about the minimum wage sees the Bank of England raise rates to 5.75% in June, compounding its mistakes. The malaise in

housing hits construction activity, which contracts sharply. Insolvencies in the sector – which are already running at high levels – surge. Firms in low-wage sectors cut employment and consumer spending contracts sharply as households reduce discretionary spending even further. This pushes the economy into a recession where GDP falls around 2.5% peak to trough. GDP contracts 0.3% in 2024 and 1.7% in 2025. Unemployment peaks at 6% in Q3 2025. By late 2024, it is clear the economy is in trouble, with inflation well below target and falling. Belatedly, the Bank of England starts to cut interest rates sharply from November. House prices fall nearly 12% from the peak as higher unemployment causes forced sales

- **A more severe downside scenario (Downside 2 – 5% weighting):** Wages accelerate sharply as the impact of the higher minimum wage ripples out. This could be exacerbated by a combination of potential external shocks: an escalation of the conflict in the Middle East could draw in Iraq and the US; China might see this as an opportunity to pursue its ambitions in Taiwan; uncertainty about US defence and economic policy post the presidential election could send yields higher, revealing stresses in the financial sector; a downgrade in China's credit rating to negative raises concerns about bad debt and potential knock-on impacts elsewhere. A combination of shocks sees inflation rise sharply, hitting a peak of 7.2% early in 2025. The Bank

of England raises interest rates to 6.25%, and the rise in inflation and rates unsettles markets, leading to a crash in asset prices. House prices fall 20%, reflecting a return to fundamentals and forced selling. This reinforces the fall in spending through reduced household wealth and its indirect impact on confidence. The unemployment rate rises to 8%.

All of the scenarios have been sourced from an independent economist. The scenarios are forecast for 5 years which is the maximum lifetime of any lending.

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

The scenario weightings are as below. These are based on a series of triangulation points including; the recommendation of the independent economist, assessment of the severity and probability weightings from other sources and the likelihood of macroeconomic outturns produced by the Bank of England. The macroeconomic scenarios and weightings are reviewed by

the Impairment Council, CFO and Audit Committee to confirm they are appropriate.

The following sensitivity tables show the modelled ECL (including in-model adjustments but excluding post-model adjustments).

			Economic Scenarios			
		Upside	Base	Downside 1	Downside 2	Multiple Economic Scenario
31 March 2024						
Scenario probability Weights		5%	50%	40%	5%	
As at 31 March 2024 (5 year Average)						
Unemployment (%)		3.67	4.17	5.02	6.35	
Debt to Income Less Housing Costs (%)		16.17	17.62	18.19	18.77	
GDP Growth (%)		2.04	1.50	1.26	0.96	
Peak Value						
Unemployment (%)		4.00	4.40	5.98	8.00	
Debt to Income Less Housing Costs (%)		16.62	19.21	20.31	22.12	
Total Impairment allowance with 100% Weighted scenarios (£000s)		151,380	159,815	170,106	178,294	164,434
Scenario probability Weights		5%	50%	40%	5%	
As at 28 February 2023 (5 year Average)						
Unemployment (%)		3.79	4.31	5.01	6.03	
Debt to Income (%)		12.68	13.89	14.35	14.90	
Real Earning Growth (%)		0.71	0.09	-0.91	-1.40	
Peak Value						
Unemployment (%)		3.90	4.80	5.90	8.00	
Debt to Income (%)		12.81	14.57	15.26	16.22	
Real Earning Growth (%)		3.97	1.28	0.87	1.25	
Total Impairment allowance with 100% Weighted scenarios (£000s)		70,903	77,732	82,760	89,393	79,664
Impairment allowance with 100% Weighted scenarios (£000s)						
Overdrafts		44,635	47,127	50,052	52,222	
Loans		50,489	52,048	54,344	55,915	
Flex		56,256	60,640	65,710	70,157	

The ongoing challenges throughout the economy are reflected in the scenarios adopted. Given there remains some uncertainty in the current environment, the risks remain to the downside. The scenarios and weights above reflect management's assessment of a meaningful range of scenarios and associated probability weightings.

Modification

We sometimes make a concession in the terms of a borrowing product when a customer gets into financial difficulty (this is known as forbearance), or for other commercial reasons. Long-term forbearance can result in temporary modifications to contractual cash flows. When this occurs, the gross carrying value of a financial asset is not impacted, so no gain or loss is taken to the income statement beyond any increase in ECL. Where we grant a financial concession to a customer we'll treat them as credit impaired and move them to Stage 3.

As at 31 March 2024, the gross carrying amount of accounts in forbearance was £35.5m (FY2023: £10.6m). The lifetime ECL booked against these accounts as at 31 March 2024 was £22.7m (FY2023: £7.6m).

Other formal arrangements that represent a change in a customer's obligation are treated as a modification, when this change was not permitted in the terms and conditions of the customer's original agreement. For any change that is categorised as a modification of terms, the gross carrying amount of

the modified asset is calculated based on the net present value of all expected future cash flows based on the modified terms, discounted at the original effective interest rate. The change in the net present value of the asset will be recorded as a modification gain or loss. If the modification is considered to be significant then the original arrangement is derecognised and a new one recognised.

Write-off

A loan or overdraft is fully or partially written off against the related impairment loss allowance when there is no realistic prospect of recovering an asset in its entirety. The criteria for assessing that there is no realistic prospect of full recovery include the confirmation of insolvency, confirmation of deceased status and long-term arrears.

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

The contractual amount outstanding on financial assets that were written off in the financial year and that are still subject to enforcement activity is £88.3m (FY2023: £19.2m).

During FY2024, we sold some of our impaired debt. Over the year this resulted in £0.7m (FY2023: £2.8m) of post write-off recoveries which resulted in our impairment charge being reduced.

Stress testing

Stress testing is an integral part of our business forecasting process and is used to support our business planning and decision making.

As part of our annual ICAAP, Recovery Plan, and going concern assessments, we consider the impact that a range of severe but plausible scenarios would have on our impairment charges and on our impairment loss allowance under IFRS 9.

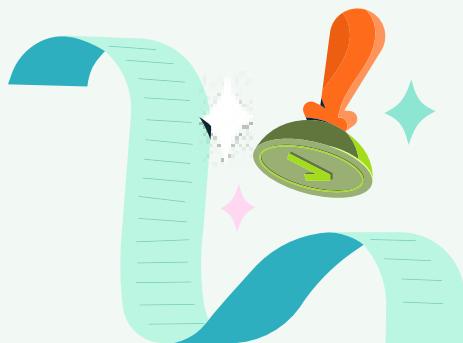
The severity of our stressed scenarios is supported by scenario benchmarks published by the Bank of England for banks and building societies that are not part of their concurrent stress testing program, adjusted to target specific risks within our portfolios.



Post Model Adjustments (PMA)

As at 31 March 2024	Model performance £'000	Debt sale recoveries £'000	Affordability & economic risks £'000	Total £'000
Overdrafts				
Stage 1	6,584	(915)	2,756	8,425
Stage 2	3,423	(791)	3,030	5,662
Stage 3	97	(647)	—	(550)
	10,104	(2,353)	5,786	13,537
Loans				
Stage 1	10,961	(736)	2,428	12,653
Stage 2	5,244	(969)	5,921	10,196
Stage 3	—	(739)	—	(739)
	16,205	(2,444)	8,349	22,110
Flex				
Stage 1	—	(1,427)	2,334	907
Stage 2	125	(1,360)	4,560	3,325
Stage 3	—	(955)	—	(955)
	125	(3,742)	6,894	3,277
All				
Stage 1	17,545	(3,078)	7,518	21,985
Stage 2	8,792	(3,120)	13,511	19,183
Stage 3	97	(2,341)	—	(2,244)
Total	26,434	(8,539)	21,029	38,924

As at 28 February 2023	Loans £'000	Flex £'000	Housing costs £'000	Cost of living segments £'000	Total £'000
Overdrafts					
Stage 1	—	—	632	1,105	1,737
Stage 2	—	—	724	1,267	1,991
	—	—	1,356	2,372	3,728
Loans					
Stage 1	8,090	—	695	1,217	10,002
Stage 2	2,338	—	560	981	3,879
	10,428	—	1,255	2,198	13,881
Flex					
Stage 1	—	4,623	814	1,424	6,861
Stage 2	—	286	575	1,006	1,867
	—	4,909	1,389	2,430	8,728
All					
Stage 1	8,090	4,623	2,141	3,746	18,600
Stage 2	2,338	286	1,859	3,254	7,737
Total	10,428	4,909	4,000	7,000	26,337



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

PMA	FY2024	FY2023	Rationale
Model Performance PMAs	£26.4m	£15.3m	These PMAs are in place to address underprediction or performance issues in the underlying models to ensure the ECL reflects recent observed performance. They are held until the underlying models are redeveloped.
Debt Sale Recoveries	(£8.5m)	—	This PMA captures the effect of debt sale recoveries on the LGD which weren't included in the core models. These estimates are supportable this year as debt sales have become more established. This PMA is held until enough recovery data under debt sales becomes available to incorporate in the core models.
Affordability & Economic Risks	£21.0m	£11.0m	These PMAs capture both expected deterioration due to decreased affordability observed from customers with mortgages, and remaining economic risks which can't be modelled from the observable data. These PMAs are held until economic data and observed performance shows the risks have subsided, or they are captured in the underlying models.

Analysis of overdrafts and loans by stage

As at 31 March 2024, our portfolio consisted of both retail and sole trader lending within the UK.

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 31 March 2024				
Overdrafts and overdrawn balances	221,746	69,433	27,781	318,960
Loans	571,657	81,534	30,509	683,700
Flex	309,855	55,207	26,283	391,345
Gross carrying amount	1,103,258	206,174	84,573	1,394,005
Overdrafts and overdrawn balances	(18,192)	(19,170)	(15,001)	(52,363)
Undrawn overdraft commitments	(6,514)	(2,304)	(757)	(9,575)
Loans	(22,506)	(32,310)	(21,076)	(75,892)
Flex balances	(20,959)	(25,980)	(17,154)	(64,093)
Undrawn Flex commitments	(996)	(1,088)	—	(2,084)
Impairment allowance	(69,167)	(80,852)	(53,988)	(204,007)
Overdrafts	197,040	47,959	12,023	257,022
Loans	549,151	49,224	9,433	607,808
Flex	287,900	28,139	9,129	325,168
Net amounts receivable	1,034,091	125,322	30,585	1,189,998
ECL Coverage Ratio (%)	6.27%	39.22%	63.84%	14.63%
Undrawn Commitments				
Gross Undrawn Exposure	1,398,795	51,084	11,672	1,461,551
Impairment allowance	(7,510)	(3,392)	(757)	(11,659)
Net carrying value	1,391,285	47,692	10,915	1,449,892
ECL Coverage Ratio (%)	0.54%	6.64%	6.49%	0.80%

	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 28 February 2023				
Overdrafts and overdrawn balances	130,823	52,925	13,356	197,104
Loans	333,246	50,484	9,619	393,349
Flex	134,558	24,695	10,028	169,281
Gross carrying amount	598,627	128,104	33,003	759,734
Overdrafts and overdrawn balances	(9,039)	(12,655)	(8,060)	(29,754)
Undrawn overdraft commitments	(3,851)	(2,152)	(509)	(6,512)
Loans	(14,217)	(11,457)	(7,573)	(33,247)
Flex balances	(13,692)	(9,727)	(8,095)	(31,514)
Undrawn Flex commitments	(2,943)	(2,031)	—	(4,974)
Impairment allowance	(43,742)	(38,022)	(24,237)	(106,001)
Overdrafts	117,933	38,118	4,787	160,838
Loans	319,029	39,027	2,046	360,102
Flex	117,923	12,937	1,933	132,793
Net amounts receivable	554,885	90,082	8,766	653,733
ECL Coverage Ratio (%)	7.31%	29.68%	73.44%	13.95%
Undrawn Commitments				
Gross Undrawn Exposure	814,862	103,055	3,938	921,855
Impairment allowance	(6,794)	(4,183)	(509)	(11,486)
Net carrying value	808,068	98,872	3,429	910,369
ECL Coverage Ratio (%)	0.83%	4.06%	12.93%	1.25%

The overall coverage on Stage 1 and 2 assets has marginally increased during the year for several reasons, these include:

- Redevelopments of the Monzo Flex and loans PD models which increased the lifetime PD assumptions, increasing Stage 2 coverage
- PD underprediction observed in the loans and overdrafts PD models, which have been addressed by PMAs.

This was partly offset by:

- An update to the criteria for assessing a significant increase in credit risk, leading to a reduction in Stage 2 exposures year-on-year
- A redevelopment of the Monzo Flex PD models which lead to a reduction in Stage 1 coverage relative to the PMA that was held at FY2023
- Redevelopment of the LGD models across all products which reduced LGDs, and the application of a PMA to incorporate expected debt sale recoveries previously not considered in the ECL. This was supportable as the debt sale process is more mature.

Coverage on Stage 3 assets has decreased during the year, this is detailed on page 145.

Stage 2 financial assets

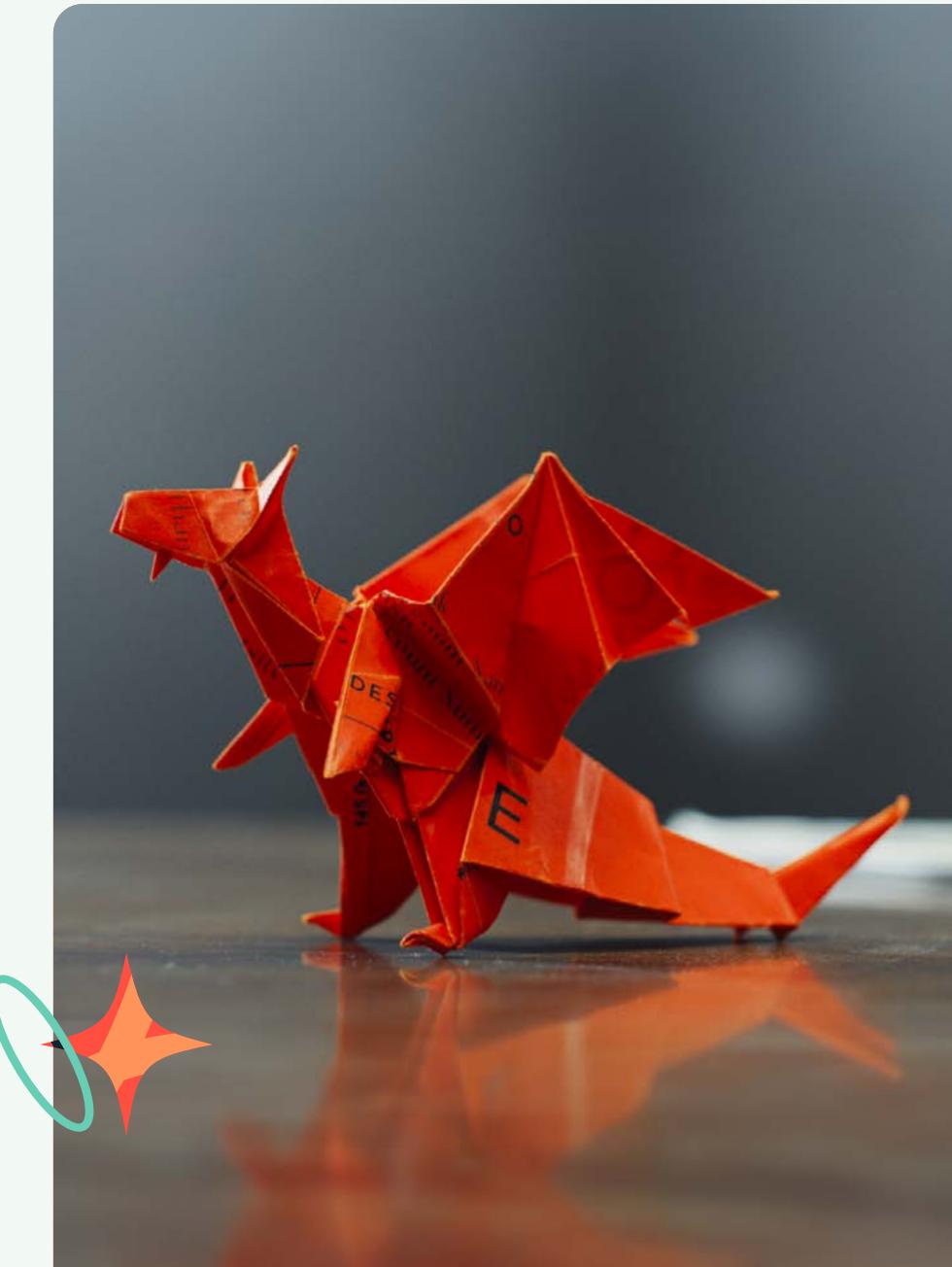
The following table shows the breakdown of the Stage 2 financial assets. The Overdraft population has been split between those with a higher lifetime PD ($> 5\%$ per annum) vs those with a lower lifetime PD ($\leq 5\%$ per annum). The table is prepared on a hierarchical basis from top to bottom, for example, accounts in arrears with PD deterioration will only be reported under arrears. Probation refers to accounts that no longer meet Stage 2 qualitative criteria but are held in Stage 2 until 4 months have passed.

The recalibration process for PD models allows for a resetting of origination PD so that the staging assessment reflects genuine increases in credit risk.

The increase in Stage 2 ECL coverage over the year was driven by:

- An increase on PDs on accounts in arrears, through a redevelopment of the loans and Monzo Flex PD models
- An increase to the lifetime PD assumptions for loans and Monzo Flex
- An update to the quantitative PD threshold for moving accounts to Stage 2, which meant Stage 2 accounts are on average higher risk than under the prior criteria.

The proportion of Stage 2 accounts triggered specifically due to arrears (backstop) was not materially different to FY2023.



Breakdown of Stage 2 financial assets	Gross carrying amount £'000	Impairment Allowance £'000	2024		2023	
			Coverage	Gross carrying amount £'000	Impairment Allowance £'000	Coverage
Overdrafts and overdrawn balances						
Arrears	11,118	4,991	45%	7,149	3,735	52%
Qualitative	1,615	397	25%	1,163	260	22%
PD Quantitative <= 5% Lifetime PD per annum	3,965	577	15%	5,022	553	11%
PD Quantitative >5% Lifetime PD per annum	14,815	4,270	29%	19,518	4,525	23%
Probation	37,920	8,935	24%	20,073	3,582	18%
Overdraft Total	69,433	19,170	28%	52,925	12,655	24%
Loans						
Backstop	21,959	11,140	51%	13,299	9,060	68%
Qualitative	670	154	23%	218	11	5%
Quantitative	13,108	4,375	33%	10,140	365	4%
Probation	45,797	16,641	36%	26,827	2,021	8%
Loans Total	81,534	32,310	40%	50,484	11,457	23%
Flex balances						
Backstop	8,216	5,177	63%	4,670	3,909	84%
Qualitative	69	34	49%	215	40	19%
Quantitative	34,805	14,600	42%	18,676	5,564	30%
Probation	12,117	6,169	51%	1,134	214	19%
Flex Total	55,207	25,980	47%	24,695	9,727	39%
Undrawn commitments						
Arrears	1,060	50	5%	1,089	316	29%
Qualitative	429	49	11%	501	39	8%
PD Quantitative <=5% Lifetime PD per annum	22,275	733	3%	83,733	1,936	2%
PD Quantitative >5% Lifetime PD per annum	20,021	1,921	10%	14,047	1,644	12%
Probation	7,299	639	9%	3,685	248	7%
Undrawn Total	51,084	3,392	7%	103,055	4,183	4%
Monzo – all products (excl undrawn commitments)						
Backstop	41,293	21,358	52%	25,118	16,704	67%
Qualitative	2,354	634	27%	1,596	311	19%
PD Quantitative	66,693	26,476	40%	53,356	11,007	21%
Probation	95,834	32,384	34%	48,034	5,817	12%
Total	206,174	80,852	39%	128,104	33,839	26%

Stage 3 financial assets

The following table shows the breakdown of the Stage 3 financial assets. The table is prepared on a hierarchical basis from top to bottom. Backstop refers to accounts that meet the 90 days past due criteria; qualitative refers to accounts that meet our unlikely to pay indicators including those on forbearance.

The decrease in Stage 3 ECL coverage over the year was due to:

1. A redevelopment of the LGD models, which captures differences in write off rates across the different Stage 3 triggers. There has been an increase in the proportion of Stage 3 assets on forbearance, which historically have lower write off rates than Stage 3 accounts 90 days past due
2. A redevelopment of the Asset Recovery Model, which led to an increase in expected post-charge off recoveries as more recovery data has emerged with the maturing of the portfolios
3. Application of a PMA to incorporate expected debt sale recoveries, which were not considered at FY2023.

Breakdown of Stage 3 financial assets	Gross carrying amount £'000	Impairment Allowance £'000	2024		2023	
			Coverage	Gross carrying amount £'000	Impairment Allowance £'000	Coverage
Overdrafts and overdrawn balances						
Backstop	8,235	5,713	69%	4,339	2,683	62%
Qualitative	14,278	6,433	45%	6,290	3,627	58%
Probation	5,268	2,855	54%	2,727	1,750	64%
Overdraft and Overdrawn Total	27,781	15,001	54%	13,356	8,060	60%
Loans						
Backstop	8,369	6,709	80%	4,877	3,980	82%
Qualitative	20,563	13,101	64%	4,462	3,364	75%
Probation	1,577	1,266	80%	280	229	82%
Loans Total	30,509	21,076	69%	9,619	7,573	79%
Flex balances						
Backstop	9,945	8,592	86%	9,213	7,449	81%
Qualitative	12,669	6,338	50%	650	515	79%
Probation	3,669	2,224	61%	165	131	79%
Flex Total	26,283	17,154	65%	10,028	8,095	81%
Undrawn commitments						
Backstop	1,392	97	7%	2,614	–	0%
Qualitative	7,591	392	5%	716	277	39%
Probation	2,689	268	10%	608	232	38%
Undrawn Total	11,672	757	6%	3,938	509	13%
Monzo – all products (excl. undrawn commitments)						
Backstop	26,549	21,111	80%	18,429	14,112	77%
Qualitative	47,510	26,264	55%	11,402	7,506	66%
Probation	10,514	6,613	63%	3,172	2,110	67%
Total	84,573	53,988	64%	33,003	23,728	72%

Impairment loss allowance movement table

An analysis of changes in the gross loans and advances to customers and undrawn commitments.

Gross Loans and Advances to customers	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 March 2022	189,761	59,765	9,281	258,807
New facilities originated	454,726	79,983	18,510	553,219
Transfer Stage 1 to Stage 2	(21,720)	21,720	–	–
Transfer Stage 2 to Stage 1	24,434	(24,434)	–	–
Transfer into Stage 3	(11,471)	(10,540)	22,011	–
Transfer from Stage 3	527	632	(1,159)	–
Change due to exposure	21,036	7,225	3,889	32,150
De-recognition	(58,666)	(6,247)	(603)	(65,516)
Write Offs	–	–	(18,926)	(18,926)
As at 28 February 2023	598,627	128,104	33,003	759,734
New facilities originated	663,812	93,813	28,087	785,712
Transfer Stage 1 to Stage 2	(60,380)	60,380	–	–
Transfer Stage 2 to Stage 1	44,805	(44,805)	–	–
Transfer into Stage 3	(48,118)	(34,024)	82,142	–
Transfer from Stage 3	1,367	1,305	(2,672)	–
Change due to exposure	57,673	17,820	24,930	100,423
De-recognition	(154,528)	(16,419)	(2,055)	(173,002)
Write Offs & disposals	–	–	(78,862)	(78,862)
As at 31 March 2024	1,103,258	206,174	84,573	1,394,005

Undrawn Loan Commitments

	Stage 1	Stage 2	Stage 3	Total
Gross Undrawn Commitments	£'000	£'000	£'000	£'000
As at 1 March 2022	333,222	34,799	420	368,441
New facilities originated	464,509	70,379	2,542	537,430
Transfer Stage 1 to Stage 2	(26,489)	26,489	—	—
Transfer Stage 2 to Stage 1	24,499	(24,499)	—	—
Transfer into Stage 3	(3,024)	(1,113)	4,137	—
Transfer from Stage 3	145	46	(191)	—
Change due to exposure	33,829	(1,787)	(2,888)	29,154
De-recognition	(11,829)	(1,259)	(82)	(13,170)
Write Offs	—	—	—	—
As at 28 February 2023	814,862	103,055	3,938	921,855
New facilities originated	510,632	14,218	1,527	526,377
Transfer Stage 1 to Stage 2	(35,236)	35,236	—	—
Transfer Stage 2 to Stage 1	82,311	(82,311)	—	—
Transfer into Stage 3	(16,905)	(3,254)	20,159	—
Transfer from Stage 3	438	191	(629)	—
Change due to exposure	73,897	(11,827)	(12,775)	49,295
De-recognition	(31,204)	(4,224)	(548)	(35,976)
As at 31 March 2024	1,398,795	51,084	11,672	1,461,551

All positions are initially originated in Stage 1. New facilities reported above in Stages 2 and 3 have migrated from Stage 1 since origination.

An analysis of changes in the Impairment loss allowance can be seen in the table to the right.

	Stage 1	Stage 2	Stage 3	Total
Impairment allowance	£'000	£'000	£'000	£'000
As at 1 March 2022	7,855	9,765	6,104	23,724
New facilities originated	33,817	25,581	13,741	73,139
Transfer Stage 1 to Stage 2	(1,056)	1,056	—	—
Transfer Stage 2 to Stage 1	3,748	(3,748)	—	—
Transfer into Stage 3	(605)	(2,665)	3,270	—
Transfer from Stage 3	414	420	(834)	—
Change due to exposure ¹	820	8,309	21,358	30,487
De-recognition	(1,251)	(696)	(476)	(2,423)
Write Offs	—	—	(18,926)	(18,926)
As at 28 February 2023	43,742	38,022	24,237	106,001
New facilities originated	38,912	38,347	19,246	96,505
Transfer Stage 1 to Stage 2	(4,390)	4,390	—	—
Transfer Stage 2 to Stage 1	10,783	(10,783)	—	—
Transfer into Stage 3	(4,532)	(16,410)	20,942	—
Transfer from Stage 3	1,073	906	(1,979)	—
Change due to exposure	4,829	4,809	21,782	31,420
De-recognition	(7,416)	(2,883)	(1,615)	(11,914)
Changes due to measurement ²	(13,834)	24,454	50,237	60,857
Write Offs & disposals	—	—	(78,862)	(78,862)
As at 31 March 2024	69,167	80,852	53,988	204,007

¹ 'Changes due to exposure' have been attributed as the change in gross carrying value and undrawn commitments from 'changes due to exposure' in the prior two tables, multiplied by the ECL coverage ratio for that Stage at 28 February 2023.

² 'Changes due to measurement' include all other changes impacting the movement in ECL on exposures on balance sheet throughout the entire year. This includes the impact of Stage transfers, new ECL models, PMAs, and changes in behavioural information that impact the ECL.

We've shown a reconciliation of the movement in the Balance Sheet ECL to the credit loss expense to the Statement of Comprehensive Income below:

Reconciliation of Credit impairment charge/(release)	Loans and advances to customers	Receivables	Total
	£'000	£'000	£'000
Movement in impairment allowance	98,006	—	98,006
Write-offs (net of recoveries and EIR adjustment)	78,866	(4)	78,862
Income statement charge/(release) for the period	176,872	(4)	176,868

We've shown the sensitivity of the IFRS9 modelled ECL (including in-model adjustments but excluding post-model adjustments) to significant estimates used in the models in the following table.

Estimate	Closing Modelled ECL 31 March 2024	Impact on ECL				
		£'000	% Change	Overdrafts	Loans	Flex
OD & Flex lifetime	Reduce to 48 months	(4,300)	(2.6%)	(1,320)	—	(2,980)
	Increase to 72 months	4,062	2.5%	1,167	—	2,895
Lifetime PD	Relative 10% increase	12,136	7.4%	2,797	2,920	6,419
	Relative 10% decrease	(12,304)	(7.5%)	(2,862)	(3,073)	(6,369)
LGD Charge Off Rate	Relative 10% increase	14,173	8.6%	4,327	4,723	5,123
	Relative 10% decrease	(15,095)	(9.2%)	(4,327)	(4,715)	(6,053)
LGD recoveries	Absolute 5% increase	(8,430)	(5.1%)	(2,477)	(2,712)	(3,241)
	Absolute 5% decrease	8,220	5.0%	2,477	2,719	3,024
SICR threshold	20% Relative Threshold increase	(2,806)	(1.7%)	(490)	(256)	(2,060)
	20% Relative Threshold decrease	6,422	3.9%	690	373	5,359

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

Credit quality

We've shown information on the credit quality of our overdraft, loan and Flex book in the following table. We've segmented by PD ranges based on currently approved IFRS 9 PD models which measures the likelihood of an account meeting our default definition over the next 12 months. The PD models are specifically developed for the purposes of IFRS 9. The PD segmentation excludes post model adjustments.

Of the £7,624.3m (FY2023: £3,101.2m) cash and cash equivalents, material balances include:

- £7,615.0m (FY2023: £3,090.4m) held with the Bank of England
- £4.4m (FY2023: £6.7m) held with one UK bank and £2.8m (FY2023: £3.2m) with two US banks.

Overall, the credit risk on cash and cash equivalents is not considered material.

Risk grade	PD Range %	Gross balances				Impairment allowance				Net balances	ECL Coverage
		Stage	1	2	3	Total	1	2	3	Total	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Very low risk	0% < to 1.15%	364,058	4,511	—	368,569	(5,656)	(521)	—	(6,177)	362,392	2%
Low risk	1.15% < to 2.50%	174,150	13,832	—	187,982	(6,198)	(1,949)	—	(8,147)	179,835	4%
Medium risk	2.50% < to 4.97%	192,636	24,989	—	217,625	(10,733)	(4,880)	—	(15,613)	202,012	7%
High risk	4.97% < to 8.32%	166,247	26,838	—	193,085	(14,456)	(6,778)	—	(21,234)	171,851	11%
Very high risk	8.32% < to 99.99%	202,357	90,264	—	292,621	(31,168)	(43,339)	—	(74,507)	218,114	25%
Arrears		3,269	45,687	—	48,956	(903)	(23,359)	—	(24,262)	24,694	50%
Default		—	—	84,573	84,573	—	—	(53,988)	(53,988)	30,585	64%
Unassigned		541	53	—	594	(53)	(26)	—	(79)	515	13%
As at 31 March 2024		1,103,258	206,174	84,573	1,394,005	(69,167)	(80,852)	(53,988)	(204,007)	1,189,998	15%

Risk grade	PD Range %	Gross balances				Impairment allowance				Net balances	ECL Coverage
		Stage	1	2	3	Total	1	2	3	Total	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Very low risk	0% < to 1.15%	168,155	12,302	—	180,457	(3,743)	(1,195)	—	(4,938)	175,519	3%
Low risk	1.15% < to 2.50%	144,085	18,296	—	162,381	(6,979)	(2,455)	—	(9,434)	152,947	6%
Medium risk	2.50% < to 4.97%	130,441	14,954	—	145,395	(10,434)	(1,765)	—	(12,199)	133,196	8%
High risk	4.97% < to 8.32%	77,324	15,223	—	92,547	(9,161)	(2,235)	—	(11,396)	81,151	12%
Very high risk	8.32% < to 99.99%	78,230	35,496	—	113,726	(13,196)	(9,440)	—	(22,636)	91,090	20%
Arrears		392	31,833	—	32,225	(229)	(20,932)	—	(21,161)	11,064	66%
Default		—	—	33,003	33,003	—	—	(24,237)	(24,237)	8,766	73%
As at 28 February 2023		598,627	128,104	33,003	759,734	(43,742)	(38,022)	(24,237)	(106,001)	653,733	14%

27. Offsetting

We have derivatives in the form of interest rate swaps which are overseen by the International Swaps and Derivatives Association (ISDA) and Credit Support Annex (CSA) agreements. We have entered into these agreements with several swap counterparties, with cash collateral exchanged daily if exceeding minimum transfer amounts to cover the net exposure between us and our counterparties. These agreements enable the collateral to be realised in an event of default or if other predetermined events occur.

The following table summarises the derivative financial assets and liabilities subject to offsetting, enforceable master netting arrangements, as well as cash collateral received to mitigate credit exposures for these assets and liabilities, and whether offset is achieved in the balance sheet of the Group:

Over-collateralisation, where it exists, is not reflected in amounts after consideration of netting potential in the table below as surplus collateral is not recognisable in the event of default.

The terms of some of our swap agreements also require us to pledge up-front initial margin which is not subject to enforceable netting agreements. The amount of initial margin pledged at the end of the reporting period was £15.0m.

	Effects of offsetting on—balance sheet			Related amounts not offset in the balance sheet		Maximum exposure to risk	
	Gross amounts	Amounts offset	Net amounts reported in the balance sheet	Collateral pledged/(received)	Net amount after consideration of netting potential	After consideration of netting potential	
As at 31 March 2024	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Derivative financial instruments – assets	1,173	(6)	1,167	(1,270)	—	—	—
Derivative financial instruments – liabilities	(1,434)	201	(1,233)	1,160	(73)	(73)	
Total	(261)	195	(66)	(110)	(73)	(73)	

28. Legal proceedings, contingent liabilities and undrawn commitments

Legal proceedings

As disclosed in previous years, in 2021 the FCA commenced an investigation into our compliance with the Money Laundering Regulations 2017, potential breaches of some of the FCA Principles for Businesses and related FCA rules for anti-money laundering and financial crime systems and controls. The period under investigation is 1 October 2018 to 30 June 2022. In November 2023, the FCA informed Monzo that it was no longer assessing criminal liability relating to Monzo's compliance with the Money Laundering Regulations 2017. The FCA will continue pursuing the investigation into potential breaches of some of the FCA Principles for Businesses and related FCA rules for anti-money laundering and financial crime systems and controls as a civil matter only. We continue to cooperate with the FCA in their investigation.

Contingent liabilities

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

We may, from time to time, be party to claims arising in the ordinary course of business and have to give redress. The amount of any redress is not reliably measurable and will depend on the circumstances pertaining to each individual claim.

Undrawn commitments

Total committed but undrawn facilities as at 31 March 2024 are £1.5bn (FY2023: £0.9bn) in respect of customer overdraft and Monzo Flex agreements. These commitments represent agreements to lend in the future subject to terms and conditions, so the amount and timing of future cash flows are uncertain.

29. Contingent assets

Contingent assets are not recognised, but they are disclosed when it is more likely than not that an inflow of benefits will occur. We have no known contingent assets as at 31 March 2024 (FY2023: £nil).

30. Provisions

Significant accounting estimates

We operate in a highly regulated environment. This exposes us to significant operational risks. We can be involved in litigation, arbitration and regulatory investigations, both in the UK and other countries we operate in. At any point in time we may have a number of matters being reviewed to assess if we have an obligation that will result in economic outflows from the Group. This requires judgement. If we can reliably measure any outflows that are considered probable, we recognise a provision. The amount that is recognised as a provision can also be sensitive to the assumptions made in calculating it.

We have considered the nature of these estimates and concluded that it is possible, on the basis of existing knowledge, that outcomes within the next financial year may be different to assumptions we have applied as at 31 March 2024. These outcomes may require a material adjustment to the carrying amounts of liabilities in the next financial year. Our Other provisions largely represent expected future costs related to legal proceedings and customer remediation costs. The assumptions used in these estimates are highly sensitive, a 25% increase in these provisions would result in a £1.5m charge to the income statement.

If an outflow is considered possible we would recognise a contingent liability (see Note 28 for more details). But, as we believe sharing details on individual cases would prejudice their outcomes, we don't share detailed, case-specific information in our financial statements.

We have leases on office buildings in London and Cardiff. These leases include dilapidation provisions to restore the buildings at the end of the lease. At the inception of the leases we recognised a provision for the contracted amount included in the lease, or using an estimate where an estimate could be reliably given. We discount the provisions to the present value at the start of the lease, using the same incremental borrowing rate as used in the calculation of the lease liability. We unwind the discount over the life of the lease. During the year we derecognised the dilapidation provision on our London lease as part of a lease modification resulting in a £1.1m reversal.

In the prior year, we recognised Other provisions of £16.4m for professional service fees and customer remediation costs. During the year, we've decreased these and recognised additional provisions where costs are probable and we're able to reliably estimate them.

	Dilapidation of offices £'000	Other provisions £'000	Total £'000
As at 28 February 2023	1,352	16,392	17,744
Additions	40	2,478	2,518
Used	—	(12,307)	(12,307)
Unused amounts reversed	(1,059)	—	(1,059)
Unwinding of discount	73	—	73
As at 31 March 2024	406	6,563	6,969

31. Country reporting disclosure

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

MBHG is incorporated in the UK and acts as the parent and holding company for the Group.

MBL is incorporated in the UK and undertakes banking activities as described in the Strategic Report.

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

Monzo Support US Inc. is incorporated in the USA and provided support services to MBL in prior years. We expect to wind up the company in FY2025.

	UK £'000	USA £'000	Total £'000
Average number of employees (FTE)	3,106	34	3,140
Turnover (Total income)	879,242	715	879,957
Profit (loss) before tax	24,217	(8,769)	15,448
RDEC claim	4,471	—	4,471

32. Share capital

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

Some of the shares in issue are owned by members of the Board, management and colleagues. At the balance sheet date 22,643,550 (FY2023: 24,270,082) share options were unvested.

	Nominal £	Number of ordinary shares	Share Capital £
2022		193,031,765	19
Shares issued	0.0000001	14,591	—
Options exercised	0.0000001	125,571	—
Shares cancelled	0.0000001	(1,146,864)	—
2023		192,025,063	19
Options exercised	0.0000001	424,237	—
Company reorganisation	0.0000001	(192,449,300)	(19)
Shares issued	0.001	216,132,504	216,133
Options exercised	0.001	591,772	592
2024		216,724,276	216,724

33. Group structure

Group entities

The Group consists of MBHG as the ultimate controlling entity, and the direct owner of MBL. MBL has two wholly owned subsidiaries in Monzo Support US Inc and Monzo Inc. In the following table we've set out the shareholding and registered offices of each entity.

We also serve as trustee of bare trusts used with savings providers for the benefit of our customers, which aren't reported on our Statement of Financial Position. During FY2024, on the instructions of our customers we transferred £6,217.8m (FY2023: £4,191.6m) to our savings providers, £4,762.8m (FY2023: £3,608.5m) was returned to customers. These customers earned interest on £3,436.2m of savings (FY2023: £1,884.2m). We earned commission in relation to our role as trustee as described in Note 3. We have no exposure to loss on these deposits.

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

34. Share-based payments

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

The share options issued are equity settled with no cash settlement options, with a maximum term of 10 years. Options typically vest evenly over four years with a one year cliff; or on an exit event. If a colleague leaves before the vesting cliff, they forfeit all options at that date. A limited number of options for senior executives have market vesting conditions.

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

As part of the intra-group reorganisation undertaken in September 2023, when MBHG acquired 100% of the issued share capital of MBL through a share-for-share exchange of newly issued MBHG shares for MBL

shares, all pre-existing options over MBL shares (Legacy Options) were flipped-up into options over shares in the MBHG. Other than being flipped-up and the exercise price updates, these options otherwise remain – in all material aspects – subject to the same terms as prior to the reorganisation.

The first of the Legacy Options schemes is an unapproved share options plan (USOP), these awards were initially granted with the exercise price of £0.00001. As a result of the reorganisation, option holders who had MBL options with the exercise price of £0.00001 had their options replaced with MBHG options with the exercise price of £0.001 per share. Affected option holders were granted a small amount of top up options in October 2023, to account for the marginal difference between the new exercise price of £0.001 per share and the old exercise price of £0.00001 per share. For most option holders, this was a grant of an option over 1 share, with the total grant of top up options over 4,209 shares.

For US taxpayers, options were granted under the US-based equity incentive sub-plan as an appendix to the USOP rules, and their exercise price was determined by a third party valuation exercise conducted in accordance with Section 409A of the Internal Revenue Code (s409A Exercise Price). Therefore, there was no requirement to increase the exercise price for options granted under the US-based equity incentive sub-plan as they already exceeded £0.001.

In prior years, MBL operated a Company Share Options Plan (CSOP), but as some of HMRC's conditions for a tax approved plan were not met, no new grants were made under the CSOP. The second Legacy Option scheme is a Leaver Share Option Plan (LSOP) which converts the vested CSOP share options for leavers into USOP. The exercise price is set at the fair market value at the original CSOP option grant date.

From 12 September 2023 onwards, MBHG has granted options over its shares under its own share option plan (the Monzo Group Share Option Plan). These awards were granted with the exercise price set to £0.001 or, for US taxpayers, s409A Exercise Price.

We also operate an equity settled Incentive Stock Option (ISO) scheme for colleagues in our US business, which involves options over MBHG shares that are granted with a s409A Exercise Price. In the Company only accounts, this arrangement leads to the US subsidiaries recognising a capital contribution from the parent, with MBL recognising a corresponding increase to its investment in the US subsidiaries.

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

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

Valuation assumptions	2024	2023
Risk free rate	3.45–5.15%	1.35–4.14%
Volatility	35%	35–40%
Dividend yield	nil	nil
Expected life	2–4 years	2.5–4 years

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

As an unlisted company granting share options to our colleagues, several estimates and assumptions are made to calculate the quarterly options price. The most material estimates relate to the current share price of Monzo, the volatility inputs to our Black-Scholes model and our assumptions on future exercise scenarios. A 5% increase in the share price assumption would result in approximately an additional £1.5m charge in FY2024. Several external sources are used to assess comparable transactions which may not fully represent Monzo.

We recognise the fair value of options at grant date as a personnel expense with a corresponding increase in other reserves over the period that the colleagues become unconditionally entitled to the awards.

In FY2024, the total expense was £37.5m (FY2023: £29.1m). Our share options are amortised using the graded method as the vast majority of our options vest in instalments.

	CSOP Number	Non-CSOP Number	ISO Number
At 1 March 2022	5,337,726	36,685,865	795,387
Granted during the period	—	8,258,651	394,815
Expired	(22,215)	(6,668)	—
Forfeited/cancelled	(23,190)	(1,869,801)	(97,267)
Exercised	(2,000)	(94,706)	(28,865)
At 28 February 2023	5,290,321	42,973,341	1,064,070
Adjustment for company reorganisation	3,888	6,035,667	—
Granted during the period	—	5,300,125	115,272
Forfeited/cancelled	(547)	(5,663,216)	(62,653)
Exercised	(42,773)	(944,371)	(28,865)
At 31 March 2024	5,250,889	47,701,546	1,087,824

The weighted average exercise prices of all options as at 31 March 2024 are outlined in the table below.

	2024		
	CSOP	Non-CSOP	ISO
Outstanding at the beginning of the period	£1.71	£1.67	£3.76
Granted during the period	n/a	£1.90	£6.42
Forfeited or cancelled during the period	£12.81	£0.14	£5.63
Expired during the period	n/a	n/a	n/a
Exercised during the period	£0.81	£0.18	£2.53
Outstanding at the end of the period	£1.72	£1.90	£3.89
Exercisable at the end of the period	£1.72	£1.71	£3.44

The range of exercise prices on outstanding options and weighted average share price, fair value and remaining life on options are outlined in the following table.

Options issued under the Leaver Share Option Plan are considered to be 'replacement equity instruments' under IFRS 2 Share-based payment. The terms and conditions of the cancelled CSOP options and the replacement Non-CSOP options were the same, with the exception of the timeframe for exercise, which was modified from 6 months to 10 years. To assess the incremental fair value of these options, we revalue the cancelled CSOP options on the grant date of the replacement options, using an independent Black-Scholes model.

The main assumptions we've used to value leaver options are shown in the following table. The expected volatility was determined in the same way as in our option pricing model.

Other options which have been identified as being replacement equity instruments have been measured using the option pricing model described above. The total incremental fair value recognised on modified options in FY2024 is nil (FY2023: £0.1m).

	2024			2023		
	CSOP	Non-CSOP	ISO	CSOP	Non-CSOP	ISO
Range of exercise prices for outstanding options	£0.1997 – £13.0194	£0.001 – £14.4125	£2.53 – £7.17	£0.1997 – £13.0194	£0.00001 – £14.4125	£2.53 – £10.42
Weighted average share price for options exercised in the period	14.41	14.41	14.41	14.41	14.41	14.41
Weighted average fair value of options granted during the period	n/a	£5.91	£3.84	n/a	£4.96	£4.01
Weighted average remaining life of outstanding options	3.9	7.3	7.7	4.2	8.0	8.7

Valuation assumptions	2024	2023
Risk free rate	4.08–5.14%	0.89–4.01%
Volatility	35%	35–40%
Dividend yield	nil	nil
Expected life	0.5 years	0.5 years

35. Related party transactions and controlling parties

Controlling parties

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

Transactions with related parties

There were no transactions with related parties during the year other than those mentioned in the following table.

Transactions with key management personnel

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

The compensation paid or payable to key management personnel is shown in the following table:

Transactions with key management personnel	2024	2023
	£'000	£'000
Salaries & remuneration	6,401	4,038
Social security contributions	816	522
Share-based payments	6,757	6,596
Contributions to defined contribution plans	113	65
	14,087	11,221

In addition, a total of 112,442 (FY2023: 14,591) shares were purchased by directors at a fair value of £1,620,289 (FY2023: £210,293) in the period ended 31 March 2024.

All deposits, lending and other products with key management personnel on the balance sheet are on the same terms as those with our customers and within our normal business activities.

Subsidiaries

Interest in the Subsidiaries and changes to the group structure have been outlined in Note 33.

In accordance with IFRS 10, intercompany transactions and balances have been eliminated on consolidation.

36. Auditor's remuneration

Auditor's remuneration for the audit of the financial statements was £2.9m (FY2023: £2.8m). This includes £0.5m relating to the FY2023 audit (FY2023: £0.7m). There was no remuneration for non-audit services in the current or prior year.

37. Events after the reporting date

We completed the second and final round of Series I funding on 30 April 2024, raising a further £149.8m. 10.4m ordinary shares (nominal value: £0.001) were issued on 15 May 2024.

Financial Statements of Monzo Bank Holding Group Ltd

Statement of comprehensive income

As at ended 31 March 2024

	2024 £'000
Interest income	2,181
Interest expense	(1,132)
Net interest income	1,049
Net operating income	1,049
Personnel expenses	(478)
Other operating expense	(1,031)
Total operating expense	(1,509)
Exchange differences through profit or loss	—
Loss before tax	(460)
Taxation	—
Loss or profit for the year	(460)
Total comprehensive loss for the year, net of tax	(460)

Statement of financial position

for the period ended
31 March 2024

The financial statements from pages 161 to 163 were approved by the Board of Directors on 30 May 2024 and signed on its behalf by:

	Notes	£'000
Assets		
Cash and cash equivalents		25
Other assets		280,354
Investment in subsidiaries	2	599,145
Total assets		879,524
Liabilities		
Subordinated debt liability	3	15,113
Other liabilities		2,443
Total liabilities		17,556
Equity		
Called up share capital	4	217
Share premium account	4	339,388
Other reserves		522,823
Accumulated losses		(460)
Total equity		861,968
Total liabilities and equity		879,524

* Other assets consists of intercompany balances with Monzo Bank Limited

Statement of changes in equity

for the period ended
31 March 2024

	Share capital £'000	Share premium £'000	Other reserves £'000	Merger reserve £'000	Retained losses £'000	Total equity £'000
On incorporation	—	—	—	—	—	—
Losses for the year	—	—	—	—	(460)	(460)
Total comprehensive income for the year	—	—	—	—	(460)	(460)
Shares issued	217	340,496	—	—	—	340,713
Cost of issuance	—	(1,356)	—	—	—	(1,356)
Share-based payments reserve	—	—	19,759	—	—	19,759
Exercise of options	—	248	1,361	—	—	1,609
Creation of merger reserve on group reorganisation	—	—	—	501,703	—	501,703
Balance as at 31 March 2024	217	339,388	21,120	501,703	(460)	861,968

Notes to the financial statements

for the period ended
31 March 2024

1 Significant accounting policies

a Reporting entity

These financial statements are prepared for MBHG. MBHG ('the Company') is a private limited company incorporated and registered in England and Wales.

MBHG was incorporated on 6 April 2023. The financial statements presented will be the company's initial set of accounts covering the period between 06 April 2023 to the year-end date 31 March 2024.

b Basis of preparation

The financial statements of MBHG have been prepared in accordance with Financial Reporting Standards, 'Reduced Disclosure Framework (FRS 101)' and have been prepared in accordance with the provisions of Companies Act 2006.

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

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

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

In the individual financial statements, the Company has applied the following exemptions from the requirements of IFRS available under FRS 101 in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share based payments
- The following paragraphs of IAS 1 Presentation of financial statements:
 - 10(d) (statement of cash flows);
 - 16 (statement of compliance with all IFRS); and
 - 111 (statement of cash flows information)
- IAS 7 Statement of cash flows
- Paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (new and revised standards that have been issued but not yet effective)
- The requirements in IAS 24 Related party disclosures to disclose related party

transactions entered into between two or more members of a group.

c Critical accounting estimates and judgements

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

There are no critical accounting estimates relevant only to the activities of the company.

2 Investment in subsidiary

The Company's investment in subsidiary represents the 100% holding in MBL, and its subsidiaries, following the group restructuring in September 2023.

The investment in subsidiaries is held at historical cost less impairment. We assess

impairment annually or as we become aware of any indicators of impairment.

The investment was initially recognised at the net asset value of MBL on the transfer date. No cash was transferred, resulting in a merger reserve of £501.7m being recognised. The employee share scheme was transferred to MBHG, but as the original reserve in MBL was netted against retained losses during the restructure, it wasn't necessary to transfer any historic share based payment reserve. The investment is now held at cost, less impairment which is currently £nil. We consider the carrying value of MBHG's investment in MBL to be supported by its underlying net assets and that there have been no trigger events to suggest an impairment is necessary.

The Company gained control of MBL in a share-for-share exchange, where shares in MBHG were issued to existing shareholders in exchange for their shares in MBL. The assets and liabilities of the group were unchanged throughout the transaction and there was no change in ultimate ownership.

	2024
	£'000
On incorporation	—
Net asset value at reorganisation date	501,895
Additions	97,250
As at 31 March 2024	599,145

3 Subordinated liability

	2024
	£'000
Subordinated debt liability	
As at 1 March 2023	—
Novation of Subordinated Debt	14,963
Interest expense	1,132
Interest expense paid	(982)
	15,113

For further details on the subordinated liability, please see Note 19 in the consolidated financial statements for the group.

On incorporation, MBHG issued 10 ordinary shares at a total value of £0.01.

As part of the group reorganisation, MBHG acquired 100% of the shares of MBL through a share-for-share exchange of newly issued MBHG shares for MBL shares. As such, at the group reorganisation date, 192.5m ordinary shares were issued at £0.001 each on a like for like basis to the shareholders of MBL in exchange for their existing shares.

24.3m of ordinary shares were issued and fully paid during the year. These ordinary shares have several share classes, all of which have the same full voting rights attached and rank equally in all respects, with the exception of anti-dilution rights and the distribution of proceeds from a share sale event which involves a change in control.

4 Share capital and share premium

	Nominal	Number of ordinary shares	Share Capital	Share premium	Total share capital and share premium
			£'000	£'000	£'000
On incorporation	£0.001	10	0	0	0
At group reorganisation	£0.001	192,449,300	193	0	193
Issued during the year	£0.001	24,274,976	24	339,388	339,412
As at 31 March 2024		216,724,286	217	339,388	339,605

Glossary

ALCo – Asset and Liability Committee.

ARPU – average revenue per customer. This is the average amount of money we get from each weekly active user.

BAC – Board Audit Committee.

Basel 3.1 – global regulatory standards which aim to improve the comparability and credibility of Risk Weighted Assets (RWAs) calculations. They also reduce the gap between internal models and standardised approaches to improve competition in the market.

Capital runway – the forecasted amount of time before we need additional capital/fundraising.

Cash-flow positive – a measure of profitability that excludes the non-cash expenses from the income statement, like provisions, depreciation and share option expenses.

CET1 – Common Equity Tier 1 capital is the highest quality regulatory capital as it absorbs losses as soon as they happen.

CET1 ratio – a core measure of a bank's financial strength. You calculate it by dividing CET1 by Risk Weighted Assets (RWAs). The higher the ratio the more reserves a bank has.

CoL – cost of living, meaning the amount of money you need to pay for everyday essentials. It's also used more generally

to describe the tougher economic circumstances people are living under.

CRR – Capital Requirements Regulation.

CSA – Credit Support Annex agreements are legal documents regulating the terms and conditions under which collateral is posted to mitigate counterparty credit risk in bilateral derivatives transactions. It's a voluntary annex within the International Swaps and Derivatives Association Master Agreement.

EBA Guidelines – European Banking Guidelines. The aim of these guidelines is to set out how we're expected to manage interest rate risk coming from non-trading book activities (IRRBB). For more information follow [this link](#).

EVE – Economic Value of Equity. This measures the sensitivity of our assets and liabilities to changes in interest rates and assesses the net impact of potential yield curve moves on the value of our equity.

ERCC – Enterprise Risk and Compliance Committee.

Free cash flow – the money we have left after paying for our operating expenses and capital expenditures i.e. its before certain non-cash accounting adjustments like share based payments, depreciation, provisions and expected credit losses.

GBRC – Group Board Risk Committee.

HQLA – High quality liquid assets. Assets are considered to be HQLA if we can easily and immediately convert them into cash at little or no loss of value.

ICAAP – The Internal Capital Adequacy Assessment Process allows us to assess our capital adequacy and makes sure we have an appropriate risk management framework. We summarise this process in the ICAAP document which we complete on a regular basis (usually annually).

ILAAP – The Internal Liquidity Adequacy Process allows us to assess our liquidity adequacy and makes sure we have an appropriate risk management framework. We summarise this process in the ILAAP document which we complete on a regular basis (usually annually).

IRRBB – Interest Rate Risk in the Banking Book. This is current or possible risks to our capital and earnings from negative movements in interest rates that affect our banking book positions.

ISDA – The International Swaps and Derivatives Association (ISDA) is a private trade organisation whose members, mainly banks, transact in the over-the-counter (OTC) derivatives market i.e. business to business vs using an exchange.

NomCo – Nomination and Governance Committee.

Payment schemes – different types of infrastructure and rules used to process payments, for example CHAPS (Clearing House Automated Payment System), BACS (Bankers' Automated Clearing System), Faster Payments and SWIFT (Society for Worldwide Interbank Financial Telecommunication).

Pillar 1 – Our Pillar 1 capital requirement is the minimum regulatory capital requirement relating to credit, operational and market risks. The minimum requirement is equal to 8% of RWAs, of which at least 4.5% of RWAs must be met with CET1 capital.

Pillar 2 – these are capital requirements (Pillar 2A and Pillar 2B) in addition to Pillar 1 requirements to help make sure we hold appropriate levels of capital for the unique risks we're exposed to. Pillar 2 requirements are determined as part of the Supervisory Review and Evaluation Process (SREP). The PRA reviews and evaluates our capital requirements, including our own assessment of capital adequacy, as determined by the ICAAP.

PMA – post model adjustments are adjustments we make to our modelled ECL values when we consider or identify known limitations or weaknesses in our models that risk our ECL being biased.

RDEC – Research and Development Expenditure Credit. This is a tax credit we claim against eligible research and development costs we incur building our business.

RemCo – Remuneration Committee.

RWA – Risk Weighted Asset. These are the assets we're exposed to that are rated by their level of risk using Basel regulations. We apply risk weightings to these assets to calculate our capital requirements.