

Contents

03 Strategic report

Our year at a glance

Who we are and why we're here

Our values

Chair's review

Chief Executive's review

Our business model and strategy

15 Financial review

Key performance indicators

Chief Financial Officer's review

23 Risk

Risk management

32 Governance

Governance

Non-financial reporting statement

Our approach to people

Our community and social matters

Our approach to the environment

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

Group Directors' report

Statement of directors' responsibilities

84 Financial statements

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

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Strategic report

Our year at a glance











Best Banking App



Winner at the 2023 British Bank Awards as voted for by customers. Also won Best Credit Card Provider.

Total assets +29%

FY2022 £5.2bn

£6.7bn

FY2023

Year founded

2015



#1 Bank



Top current account provider in Great Britain and Northern Ireland for Overall Service Quality, and Online and Mobile Banking Services (CMA 2023)

Pots opened every month 410k

Average Net Promoter Score

+69 FY2022 +67

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.

Who we are and why we're here

We're Monzo, a bank doing things differently

For too long, managing your money has been harder than it needs to be. Traditional banking wasn't built for the way people use money in their everyday lives, and it hasn't evolved fast enough.

By focusing on what customers want, being open about how we're building what they want and why, and committing to solve actual problems rather than simply selling financial products, we believe we can make banking better for people everywhere.

It's our mission to make money work for everyone

Managing money often means a lot of admin, and sometimes anxiety too. With Monzo at the centre of your financial life, we hope we can take the work and the worry away from your personal finances. Spending, saving and managing money – even borrowing when you need to – shouldn't be stressful or complicated, it should just work. With the help of our community of customers, who influence which features we create for them and how, together we're building the bank we all need.

Today, more than 7 million people have a Monzo account and that number's climbing all the time. But more important than the size of our community is the impact we're having for individuals (and small businesses). It's about how we're changing their relationship with money for the better.

We know it's not possible to have that impact 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. It's about playing our small part in creating a more just society.

With our values to guide us, everyone at Monzo is helping us achieve our mission of making money work for everyone.



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.

Default to transparency

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

Be hard on problems, not people

We create supportive communities to help people thrive.

Think big, start small, own it

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

Make a difference

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

Help everyone belong

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

Think customer first; grow Monzo safely

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

These values aren't just words on a wall. They're woven into how we think about hiring new teammates, 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.



Chair's review

This is my 4th Monzo Annual Report and over that period two themes have been consistent: the external environment has been volatile and dynamic, and Monzo has continued to develop and thrive. For the past year, this has been more prominent than ever before.

I'm extremely proud to say that Monzo has never made such significant financial and strategic progress in a 12-month period or been in better shape to achieve our long-term aims. We've grown to serve more than 7 million customers, have increased gross revenues by approximately 2.3 times in the last year and have been cash-flow positive¹ since October 2022. This growth has been across all products and we have a diverse revenue mix. Our losses remained large this year, which was expected as we continued to invest and grow our business, resulting in higher costs. But we've seen the benefits of this investment throughout FY2023 as revenues grew significantly and I'm thrilled that since the end of our audited financial year, this momentum has continued and we've reached profitability. This will power the further investments we're going to make to fuel our ambitions at home and abroad and to make money work for everyone.

What makes the achievements of the past year most impressive is that we achieved them against a uniquely challenging backdrop, which we navigated by keeping to our values and remaining relentlessly focused on our mission. During the past year the UK saw a combination of political turmoil, generationally high inflation and a blow to consumer confidence. In the same time period Monzo grew by 1.6 million customers to reach 7.4m and became the 7th largest bank in the UK by customer numbers. As the cost of living crisis deepened, we made sure we could be there for customers who needed us the most.

It's clear that consumers recognise and appreciate our refreshing approach to banking. The signature Monzo ethos of transparency and going above and beyond for our customers is more important today than it's ever been. Our products, budgeting and savings tools are not just great features, but essential ones.

Our Net Promoter Score (NPS) - a measure of how willing customers are to recommend a service remains at an exceptional level relative not just to banking but to any sector. We also repeated last year's success in being voted #1 for Overall Service Quality by banking customers in the annual CMA survey, we won a number of accolades at the European Contact Centre & Customer Service Awards and picked up two top awards at the British Bank Awards.

Growing at pace while maintaining the culture and values that make Monzo special is incredibly important. It was pleasing therefore to once again be recognised by LinkedIn as the top UK startup to work at². We have built a reputation for having best in class people policies and took the decision this year, in the midst of the cost of living crisis, to provide additional financial support to many of our staff through two support payments – it's a situation we continue to keep under review.

Last year I said that one of the Board's priorities over FY2023 was to make sure our governance and risk management processes remain fit for purpose and I'm pleased to say that we did just that. We've undertaken a number of reviews, both internally and externally, as we continue strengthening all areas of our governance framework using the UK Corporate Governance Code

depreciation and share option expenses.

Cash-flow positive - measure of profitability that excludes the non-cash expenses from the income statement, like provisions, 2 Monzo is the top company in the 2022 Top Startups list based on unique LinkedIn data measuring different elements of growth and demand



as a benchmark. We undertook our annual Board effectiveness review during the year, which provided both reassurance and a few opportunities to improve further.

Our risk framework has been reviewed by independent specialists, and our risk assessment processes have improved in several areas, building on stronger controls put in place over the last year. Our investment in fighting financial crime has strengthened our ability to protect our customers and will continue to be an area of major investment. We've also reviewed and enhanced our approach to environmental, social, and corporate governance, and we continue to focus on climate change and our move to net zero.

I'd like to recognise the big contributions of two Board members who stepped away this year. Keith Woollard served on the Board for over six years, pre-dating our banking licence, and consistently brought valuable insight, support and guidance. Keith handed the Risk Committee Chair role over to Valerie Dias last year to make time for a smooth transition before his retirement. Phillip Riese stepped away from the Board in June 2022 to focus on his other business interests after serving as a Director for three years. We're delighted that he remains connected to Monzo and we continue to benefit from his expertise through an advisory role. Both Keith and Phillip remain huge Monzo champions as we continue to challenge the status quo and reach new heights. I'd also like to welcome Matthew Bromberg who we appointed as our newest Independent Non-Executive Director on 1 March 2023. Matthew brings considerable experience in highgrowth companies, expansion and taking companies through initial public offerings.

In the past 12 months we bucked the trend, investing and growing while many technology-led businesses were forced to make difficult decisions and retrench. And while the year ahead looks challenging for many businesses, with a potential downturn of the UK economy and market volatility, Monzo's never been in a better place in terms of our long-term capital strength. We're here by prudently managing cost growth, investing in our business and supporting our customers and our people. This doesn't mean we're ruling out fundraising in the future, but it means we'll only do so if we see an exceptional opportunity that we want to grasp if and when the market conditions are right.

I'll end by giving a huge thanks to the ExCo, and of course my Board and all my Monzonaut colleagues for their relentless focus and execution on Monzo's mission and values. In eight short years we've achieved an enormous amount. As we move into the next phase of our journey, we have the team, strategy, ambition and determination to achieve a great deal more. As we strive towards developing Monzo into a financial control centre – a single app through which people manage their entire financial lives, we'll continue to explore and develop new products, new features and new ways to delight people. Our ambitions also go beyond the UK and in the next phase of our growth we'll re-focus on growth in the US market with a new leader at the helm. And closer to home, we'll be exploring opportunities to bring Monzo to more people across Europe.

grall-

Gary Hoffman Chair of the Board of Directors 30 May 2023

Chief Executive's review

More than 7 million customers. 200,000+ business accounts. Gross revenues up 2.3 times. £6.0 billion in deposits. Cash-flow positive. What an incredible year it's been for Monzo.

TS Anil
Chief Executive Officer

We've seen phenomenal progress since our last results and following the year-end, growth has continued to accelerate, with our annualised revenue run rate reaching more than £500m in March 2023 – a record high. Since closing our FY2023 audited accounts in February, we've continued on our trajectory of strong customer and revenue growth and we've now reached profitability. In just eight years we've grown from startup to not just the UK's leading digital bank, but the 7th largest UK bank by customer numbers, with more than 10% of the UK population choosing to bank with Monzo. And there's so much more to come.

Our achievements have come against a backdrop of external uncertainty and yet again we've proven the ability to stay focused on our customers and our mission. As the UK population navigates the pressures of the cost of living crisis and an uncertain macroeconomic environment, our mission to make money work for everyone could not be more relevant. By design, our products and features have always empowered customers, giving them visibility and control over every penny they spend, borrow and save, and we've heard from so many customers about the real difference we've made to them as times have gotten tougher.

I've been Global CEO for three years now and I'm inspired by the Monzo team every day. Their genuine customer-centricity keeps us ahead of the curve and it's why I believe we'll continue to delight customers and lead the markets we're in.

A pivotal year

We've built on the incredible progress we made in the last financial year. Our position today is testament

to our underlying commitment to being bold while staying disciplined. Diversification, deliberate investments and focus on cost management underpin our financial position with strong growth across all revenue streams and our net loss reducing by 2%. As we projected, we remained loss making this year as we invested in our growth plans across the business.

By bringing together the best of banking and technology, we've attracted 1.6 million new customers this year, 66% through word of mouth, as customers share the benefits they're getting from our products with their friends and family. And that's not something we take for granted. Organic growth driven by the quality of products and experiences is hard earned, particularly in an industry where others offer large financial incentives to attract customers. I'm incredibly proud that in welcoming so many more customers, we've maintained our exceptional customer service and industry-leading NPS.

While we grew by an average of 133,000 new customers each month, engagement with our products and features also increased – with deposits up 34% to £6.0bn and card spend increasing by 38% to £33.6bn. Customers put tools for budgeting and saving to use more than ever as the cost of living crisis intensified, so we made some of our most powerful budgeting features available to everyone for free. People opened an average of 410,000 Pots each month and more than 1.3 million customers used the roundups feature to save a total of £173m. Through the '1p savings challenge' alone, Monzo customers saved £16.1m last year.

Our customers made greater use of our borrowing products, with our borrowing book growing to over £750m, an increase of £500m from last year. Supporting our customers as they look to borrow is

one of the key elements of our ambitious plans. Our credit loss expense, which includes forward looking provisions, increased to £101m this year in line with our growth in customer borrowing. We'll continue to see this trend as more customers join Monzo and borrow next year.

Even more customers used us for their everyday spending and more than 350,000 people now use our subscription products Monzo Plus and Monzo Premium, leading to a 77% increase in net subscription fees. We're also proud to have surpassed 200,000 Monzo Business customers, supporting businesses with industry-first banking features at such a critical time. 1 in 30 UK businesses now bank with us, which is an incredible feat for a product that launched in the pandemic lockdown of March 2020.

Alongside our top-line growth we've been prudent in managing costs. While our revenues more than doubled and our customers now account for more than 10% of the UK's population, our overheads are up 42% driven by increases in headcount and successful investments in areas like our platform and marketing. Our team has grown by more than 10% to 2,547 and we're still investing in hiring in a disciplined way to support our goals.

We've continued to invest in our financial crime controls, while cooperating with the Financial Conduct Authority's ongoing investigation. We've further strengthened transaction monitoring and risk assessment controls, and also enhanced policies and operational practices. These are helping us to combat increasing threat levels and our ability to fight financial crime and protect our customers, but it remains an evolving area for the entire industry which we'll keep investing in.

We've seen consistently impressive growth across all revenue streams as our diversified strategy continues to deliver ambitious outcomes. As the UK progressed out of an abnormally low interest rate environment, there were tailwinds for most banks. We've used this momentum and our broadening revenue streams to invest back in the business and to again significantly increase our reach, bringing the future of banking to millions more across the UK. What's important now is how we pass these rate rises on to our customers, which is why we've introduced our first-ever Instant Access Savings Pot with a competitive interest rate. At this crucial time, we're responding to our customers' needs by offering a competitive and simple way for all our customers - individuals and businesses - to save, making it flexible, easy to understand and quick to open. This is in addition to our savings marketplace where we've worked closely with partners all year to offer some of the best rates available as our customers look for better ways to save.

Supporting our customers and our people

Alongside delivering more tools and products, our priority as the cost of living crisis has deepened has been to support our customers as their needs evolved. I'm immensely proud of how we've continued to raise the bar particularly for our most vulnerable customers. Our award-winning specialists have supported customers while we've seen an increase in customers experiencing domestic abuse, financial difficulties and mental health struggles. Working proudly with charities, including Surviving Economic Abuse, we've channelled support while managing an eightfold increase in disclosures about domestic and financial abuse. We've seen our industry-first gambling block become even more important, with more than 90,000 customers in the last six months turning it on for the first time. In the same period we blocked over 200,000 gambling transactions.

We partnered with ADHD UK to further understand the needs of customers living with ADHD. We launched working groups and listening sessions to identify how we can better work to help manage things like impulse spend and struggles with budgeting and saving. We also proactively identified over 125,000 customers who were eligible for social broadband tariffs and encouraged them to take advantage of the potential savings.

With our ambitious plans for the future comes a strong commitment to our people. We made sure we supported them as best as we could as the cost of living crisis evolved through various initiatives, including financial support. Disappointingly, our gender pay gap widened to 9% in the year ending April 2022, mainly driven by growing our tech team at pace,

where the gender mix of available candidates can be limiting. Our pay gap stayed below industry-average and we've increased diversity across leadership roles. More than a third (36%) of all leadership roles and 41% of roles in the Board and ExCo are now held by women and 28% by People of Colour. But we're always setting higher standards for ourselves.

With a strategic focus on attracting new talent and supporting every colleague to bring their best self to work, we'll continue to invest and drive positive change – both internally and across the industry. Since we introduced paid three month sabbaticals for colleagues with four years or more under their belt, we've seen 144 individuals use that time to get much-deserved rest, explore new countries or perfect new skills.

Seizing the moment

I've always said that profitability is a milestone on our journey, not the destination. The destination is making Monzo the 'one stop shop' that customers turn to to manage their entire financial lives. And we'll make further progress on that this year.

We enjoyed a hugely successful launch of our new Instant Access Savings Pot product in February 2023 and are working on bringing our unique approach of transparency and empowerment to millions of people through a new investment offering. We'll build on our organic footprint in the US, where our team has been working closely with customers to refine our product market fit. We believe that our mission of making money work for everyone will lead us to explore opportunities in Europe at the right time. We're extremely well-capitalised with no current plans to

raise capital but we'll consider raising more capital to pursue the right opportunity if it comes along.

We don't ignore the realities of a potential UK recession and what that would mean for our customers and how they manage their finances. As a business, I'm confident in our ability to navigate the economic uncertainty and a fluctuating interest rate environment. Regardless of the economic outlook or interest rate environment, we know one thing to be true: customers join Monzo for our outstanding product and service, which has raised the bar on what they now expect from their bank.

We've welcomed more expertise at ExCo level and beyond to help us go after our big ambitions with all we have. Fernando Fanton joined as Chief Product Officer and Sarah Manning joined as Chief People Officer in March 2023. Matej Pfajfar took the baton from Jonas Templestein as Chief Technology Officer in February 2023. Jonas has been an incredible force and we wouldn't be where we are today without his tireless effort. I'd like to thank ExCo and the Board for their incredible support as the business goes from strength to strength.

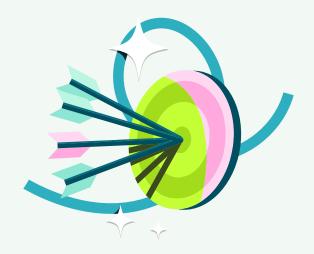
Let me finish by saying how immensely proud and appreciative I am of all our dedicated team of Monzonauts who always have our customers front of mind as they go about their day-to-day work. The results here are theirs and I have never been more excited about going into Monzo's next chapter with them.

Ju J

TS AnilChief Executive Officer
30 May 2023



Our business model and strategy



Making money work for everyone as a sustainable business

It's only possible to achieve our mission if we're here for the long run. In FY2024 we're seeing momentum across the business result in significantly stronger financial performance. Being a sustainable, profitable business means we can continue investing in new and existing products that meet customers' needs.

We'll continue to give customers greater visibility of their spending and budgeting with Trends and Targets, and introduce new features that make Monzo the first choice for spending. We're also planning on making access to joint accounts easier.

More than 350,000 people are now subscribed to Monzo Plus and Monzo Premium to manage their money, and in the coming year we'll introduce even more people to the benefits of added visibility and financial control.

In terms of borrowing, we'll continue to provide fair and needs-focused loans and overdrafts for customers who are eligible for them. And with Monzo Flex, customers have a way of spreading out the cost of purchases in multiple ways, including interest-free options.

As we grow our market share over the next 12 months we'll invest in marketing to make sure existing and potential customers are aware of how they can manage their money better with Monzo.

We'll continue to manage our exposure to interest rate and liquidity risks with investments in high quality and varied assets in our treasury portfolio to protect our customers' money.

We'll meet more of our customers' financial needs

The cost of living crisis is affecting us all in some way and it's important that our customers know we're here to help. We've got specialist teams available to help people in vulnerable circumstances, including those in financial difficulties. We tailor repayment plans to what customers can afford. If they've missed a payment, we don't charge any late fees as standard across our borrowing products, and that hasn't changed. We've also been sharing how customers can use our saving and budgeting features to help manage their money through this crisis.

As well as supporting people through difficult times we also want to help people with life's big moments, as money plays a part in all of them. Next year we want to take a big step towards our product vision, for customers to easily manage their whole financial life with Monzo. Whether they're saving for a rainy day, investing for a house deposit, buying a home, starting a family, protecting what's important or planning for retirement. We want to make sure it's simple to start, convenient to manage and easy to track progress all in one place. We want customers to be better off when they use Monzo.

This goes for businesses too; things are tough right now and we want to help. We want to make it easier for people to start and run their businesses, allowing them to spend less time managing their finances and have more time to focus on their mission. This year we've made it easier for them to pay and get paid. And because cash flow is critical for a business, especially now, we want to give greater visibility over it.

We'll also make managing money easier, whether it's giving access and permissions to other people in their business, working seamlessly with other business tools, or dealing with team expenses. Finally, we want to allow businesses to borrow when they need to, whether it's to help with cash flow or to invest for the future. We want businesses to be more successful when they use Monzo.

We'll keep improving our app experience

We'll give customers a better overview of their financial lives in one place by making improvements to our app. We're always listening to our customers' feedback and have lots of features we're excited to launch this year. We'll make sure customers can manage all of their financial needs within the Monzo app.

We'll encourage even more customers to join us

Over the last year 1.5 million more personal customers and 100,000 businesses have joined Monzo. Our growth is still largely driven by word of mouth, supported by referrals and social media activity. This year we'll continue to invest in marketing, with a much greater focus on Monzo Business.

We'll grow in the US and lay the foundations for further expansion

We launched publicly in the US a year ago and in that time we've been busy listening to customers and bringing some of their most-requested features to Monzo. Like setting targets and seeing your spending in Trends, having a salary paid in through direct deposit, seeing other bank accounts in the Monzo app and managing money together with joint accounts. We'll continue working through our public product roadmap with lots of new features lined up for the coming year.

We'll also lay the foundations for growing into Europe. Because when we say we want to make money work for everyone, we really do mean everyone.

We'll keep making our business more efficient and controlled

While we're working on all of our ambitious plans we also need to make sure that we're an efficient business that's in control. We'll keep improving and automating processes so that we can grow while hiring at a controlled pace. We'll continue to make our platform more resilient to help our future expansion. We'll keep developing our risk management capabilities, so that we're always operating within our risk appetite. And we'll continue investing in our teams fighting against fraud, using machine-learning to reduce the harm it causes customers and society, and the cost to our business. Finally, we'll continue to seek out cost-saving opportunities, being more efficient with our spending and getting discounts from suppliers for higher volumes as we grow.

Safe to say, we're excited for the year ahead.

Financial review

Key performance indicators

Net operating income +88% FY2023 FY2022 £114.0m £214.5m

Gross lending

£0.8bn FY2023 +167%

Common Equity Tier 1 capital (CET1)*

Decrease from 155% FY2022

54%

Total expenses

£330.9m FY2023 £233.0m FY2022

+42%

Treasury investments

£2.7bn FY2023 £1.7bn FY2022

+59%

Average revenue per user (ARPU)

Across personal and business customers

Net subscription income

+77%

FY2022

£11.0m

FY2023

£19.5m

Chief Financial Officer's review

FY2023 has been a fantastic year that's seen us reach some key financial milestones. We're entering FY2024 cash-flow positive with a well capitalised balance sheet. In the first two months of FY2024 we reached profitability and are now a business with diverse and stabilising revenue from a large, and growing, personal and business customer base.



This is against the backdrop of unprecedented pressures on the UK economy and our customers. Rising inflation and interest rates, market volatility and a cost of living crisis has impacted our business and our customers in different ways. Being in a strong position means we can continue innovating and investing in our business, while supporting our customers during these challenging times.

Business performance

In FY2023, 1.5m new personal customers opened Monzo current accounts bringing our total customer numbers to 7.2m, boosting revenues and contribution throughout the year.

Personal account customers used Monzo to spend more than £33.6bn around the world, a 38% increase on last year. This has helped increase the average revenue per customer (ARPU) we earn on weekly active users by 73% to £112. This is a key driver of revenue and overall performance, as the operating costs to earn each pound of revenue reduces.

Business customer numbers have increased 79%, to over 200,000, driving a 62% increase in business banking revenues. We're seeing really positive trends with our business customers in general. ARPU has increased 85% to £404, we've had minimal costs to acquire them and an increasing number of our new business customers were not previously personal customers. So we're confident our proposition is resonating well with customers, but brand awareness for our business product remains relatively low. We'll be investing to change this over the next year.

Our gross Monzo Plus and Monzo Premium subscription income has continued to increase, up 77% for the year, with over 350k personal customers now paying monthly subscription fees. These customers are typically more engaged than non-subscribers, driving revenue and demonstrating the value of the additional features in our subscription products.

Our total lending portfolio has increased by 194% to £759.7m. This is split across overdrafts, unsecured personal loans and our growing Monzo Flex product. Adoption of all three products has increased throughout the year as customers become more engaged and take advantage of the wider range of products we offer. Growth in our lending portfolio does lead to an increase in our credit loss expense and growth in impairment loss allowance on our balance sheet, both of which have reduced our Common Equity Tier 1 capital (CET1) ratio. We adopt a conservative approach to credit risk management, making sure that we put aside enough resources to cover potential losses on both our drawn and undrawn exposures. We continue to be pleased with the performance of our portfolio and our return on investment.

Customer deposits rose 34% to £6bn over the year. Our Treasury team invested these safely and made sure all hedging activities followed treasury risk management best practices. At the end of the year, 49% of our portfolio was held on demand with the Bank of England with almost all the rest invested in high quality liquid assets. These help us maximise the return we earn, while making sure appropriate hedging is always in place. The average tenure of our investment portfolio is 1.4 years.

Going into FY2024, our Treasury Policy, processes and systems are evolving at pace to make sure that we continue to safely strengthen our balance sheet management while maximising the opportunity in this area.

Supporting our customers is very important and we've taken steps to make sure they also benefit from a higher interest rate environment. So in February 2023 we launched our Instant Access Savings Pot, which pays a competitive interest rate and as with our other products, has no hidden fees to help make money work for everyone.

Group consolidated profit and loss

	2023	2022	2021	2020
	£'000	£'000	£'000	£'000
Net interest income	164,247	34,082	22,386	24,429
Net fee and commission income	132,883	80,789	41,786	29,404
Other operating income	18,582	13,161	2,490	2,079
Credit loss expense	(101,203)	(14,013)	(3,821)	(20,254)
Net Operating Income	214,509	114,019	62,841	35,658
Personnel expenses	(175,325)	(130,151)	(105,269)	(86,869)
Depreciation & impairment expense	(7,601)	(8,311)	(9,010)	(3,210)
Other operating expenses ¹	(147,924)	(94,577)	(79,942)	(70,433)
Total Expenses	(330,850)	(233,039)	(194,221)	(160,512)
Tax	_	_	303	1,655
Loss for the year	(116,341)	(119,020)	(131,077)	(123,199)

Other operating expense includes exchange differences through profit and loss, it is presented separately in the Statement of Comprehensive Income on page 96

Net interest income increased 382% to £164.2m

A £130.1m increase from £34.1m in FY2022.

For the second year in a row, the number of customers borrowing from us more than doubled, increasing interest income from borrowing 190% to £89.7m.

To safely optimise the mix of our balance sheet, maintain appropriate hedging and improve margins while retaining liquidity, we used some cash balances to invest in treasury assets and for customers to borrow from us. The increase in base rate from 0.5% to 4.0% in FY2023 resulted in interest on our cash balances increasing by £43.7m. The increase in rates and growth of our treasury portfolio to £2.7bn, resulted in treasury interest income also increasing by 1,125% to £29.4m (£2.4m in FY2022).

Since launching our Instant Access Savings Pots in February 2023, we're extremely proud of how many customers are benefiting from the product, with them adding over £1.7bn of deposits by mid-May 2023.

Net fee and commission income increased 64% to £132.9m

A £52.1m increase from £80.8m in FY2022.

This reflects the increased number of customers spending through Monzo and paying for the benefits that come with Monzo Plus, Monzo Premium and Monzo Business products.

Net transaction income grew £40.9m to £106.3m. Customers spent a total of £33.6bn on their cards this year, compared with £24.4bn in FY2022. Similar to last year, the majority of customer spending was in the UK. The proportion of international spend has increased this year as travel restrictions lifted and surpassed pre-pandemic levels in the second half of the year.

Monzo Plus, Monzo Premium and Monzo Business are still a big hit with customers as net subscription income rose to £19.5m, up from £11.0m in FY2022.

Partnership commission increased to £7.1m, from £4.4m in FY2022. More customers used our partners to send money abroad earning us £4.3m of commission (£2.6m in FY2022). More of our customers used our savings marketplace and third party savings pots resulting in balances held with them growing to £1.9bn from £1.3bn in FY2022. This increased the commission we earned to £2.8m. We've also started to introduce customers who aren't eligible to borrow money from us to other lenders who might be able to offer them a loan.

Other operating income increased 41% to £18.6m

A £5.4m increase from £13.2m in FY2022.

This increase mainly relates to a business-to-business innovation grant we received during the year. We've used the grant to add to our product range, diversify revenue streams and develop our global platform.

Credit loss expenses increased to £101.2m

A £87.2m increase from £14.0m in FY2022.

Our credit loss expense is the amount we put aside to cover the Expected Credit Loss (ECL) we forecast we'll lose when customers can't repay us the money they've borrowed. We recognise a credit loss expense at the time we lend the money.

The FY2023 charge of £101.2m increased from £14.0m in FY2022, reflecting the growth in our borrowing portfolio, as we tripled the amount we lent to our customers this year, up £500.9m, to £759.7m. Our borrowing available to customers on overdrafts and Monzo Flex (undrawn balances) also increased £553.4m, to £921.9m. This increase in lending has driven the majority of the credit loss expense. We've not yet seen an increase in customers going into arrears or struggling to pay us back, due to the cost of living crisis and current economic uncertainty, but we've adjusted our models to take into account higher expectations of loss.

Personnel expenses increased 35% to £175.3m

A £45.1m increase, from £130.2m in FY2022.

We grew our team by 29% to an average of 2,432 people in FY2023, from 1,879 in FY2022. This year, we've hired across the whole business to maintain a safe, secure and award-winning service for our growing number of customers. Included in our personnel expenses this year is a cost of living payment we made to Monzonauts who earn £40,000 or less.

Our other operating expenses increased 56% to £147.9m

A £53.3m increase from £94.6m in FY2022.

Our current account operating costs increased to £52.7m, from £41.5m in FY2022. As expected, card production and distribution, and customer onboarding costs grew in line with increased customer numbers and transaction volumes. In FY2023, we also processed a total of £22.6bn Faster Payments compared to £16.0bn in FY2022, leading to higher payment processing costs.

The total amount we compensated customers also increased by £2.3m to £18.4m. 40% of all crime in the UK is related to fraud, with criminals constantly finding new ways to defraud the population. Our Fraud team has been busy this year – preventing fraud using advanced machine learning models, as well as putting measures in place to get our customers' money back quickly where it's been lost to criminals. In the past year, our team prevented customer losses of over £4m. We can't be complacent and know we need to continue investing in this area to keep customers safe.

Our technology costs grew £11.8m to £29.7m as we served significantly more customers and invested further in the quality and security of our platform and customer experience.

We've invested £21.7m into our marketing strategy this year. We rolled out our brand refresh in October and are using digital platforms to introduce more customers to Monzo. We launched our first ever Monzo Flex advertising campaign and welcomed more than 400,000 customers to the product. Customers continue to recommend us to their friends through our 'Give £5, Get £5' campaign, with an average of 14% of our customer growth coming from referrals.

The remaining operating expenses increased to £43.8m from £31.4m in FY2022. This mainly relates to outsourcing, admin and office expenses. Outsourcing costs increased this year as we outsourced some of our customer operations to a new team in South Africa. Outsourcing makes us more efficient and gives us the flexibility to deal with peaks in customer demand as well as remediation work. We also benefited from business rate savings on our Broadwalk House office last year which haven't carried into this year.



Consolidated balance sheet

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

We've grown our treasury investments 59% to help manage our risks

A £1.0bn increase from £1.7bn in FY2022.

This year we've continued to diversify the high quality fixed term treasury instruments we invest in. These help us manage the financial impact changes that interest rates have on us. Interest rates have risen during the year, so in February 2023 we started

passing this on to customers through our Instant Access Savings Pots.

We lent more to our customers

A £0.5bn increase from £0.26bn in FY2022.

Customers had borrowed a total of £759.7m from us as at the end of FY2023, up £500.9m from £258.8m in FY2022. This was driven by more customers borrowing across all our lending products.

Flex has been extremely popular since we fully launched in March 2022 and we now have more than 400,000 customers using it. We've listened to customers and added key features this year, like deferring the first instalment and paying off early to give customers more control over how they use the product.

These balances are before impairment loss allowance, the amount we don't expect customers to be able to repay. Our impairment loss allowance increased to £106.0m, which, as expected, is broadly in line with the growth in our borrowing portfolio as mentioned earlier.

Customer deposits increased with our 1.6m new customers

A £1.5bn increase from £4.4bn in FY2022.

Customer deposits increased 34% to £5.95bn as we welcomed 1.6 million new customers to Monzo this year. On average, they're depositing a similar amount with us compared to last year.

Our capital outlook continues to strengthen

We completed our biggest funding round at the end of 2021 which left us well capitalised and able to invest in our platform and team. During FY2023 we started adding to our capital position on an organic basis and our financial performance has started to significantly change direction in FY2024.

Our capital remains in excess of our current regulatory minimum capital requirements. Our Common Equity Tier 1² (CET1) ratio is 54%. As expected this has reduced from 155%, mainly due to the growth in our lending book (which increases our Risk Weighted Assets (RWAs) and our capital requirements) and our losses for the year which reduces the capital we hold.

As a regulated bank, we're subject to the Bank of England's Resolvability Assessment Framework. We received notice that our preferred resolution strategy would be a partial transfer, meaning we are subject to a heightened Minimum Requirement on own funds and Eligible Liabilities (MREL). The endstate MREL requirement will be 1.3 times our Total Capital Requirement (TCR). This is lower than previous guidance we'd received which set the requirement at 2.0 times TCR. This, along with passing the milestones of being cash-flow positive and adding capital organically means we're no longer reliant on external capital injections.

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.

We're safely diversifying our liquidity

We currently hold our surplus assets in overnight deposits with the Bank of England and in treasury assets which we can liquidate on demand if we need to. The key metric we use to monitor liquidity risk is the Liquidity Coverage Ratio (LCR). At year-end our LCR was 760% well above our internal risk appetite and also above the regulatory minimum requirement of 100%.

We know how important it is remaining a well capitalised and liquid bank to continue meeting our customers' needs, which is why during the year we carefully grew our treasury assets as our balance sheet and deposits grew. We apply industry standard modelling techniques to manage the risk of changes to interest rates on our balance sheet in line with Interest Rate Risk in the Banking Book (IRRBB) regulations. This means that if we put all our cash in central banks, with an overnight interest rate, we would have an interest rate mismatch between our assets and liabilities. We hold a mix of overnight deposits with central banks and treasury assets to solve this, while staying highly liquid. All of our treasury assets are held to maturity with an average duration of less than 1.4 years.

Looking ahead

We expect the effects of the cost of living crisis, higher interest rates and market volatility to continue impacting our customers and business for some time. Uncertainty and stress in the economy mean we have to be mindful when making plans, considering the impact on all of our stakeholders. So we'll continue to support our core business and carefully evaluate strategies

for new products and international expansion, while taking a prudent approach to risk management and maintaining long-term capital and cost discipline.

We're well placed to take the opportunities in front of us, but there will always be risks to our plans, so as the environment changes, so must we. Competition and innovation remain threats from both newer and established banks and fintech peers. But we're excited and determined to bring the Monzo experience to millions of new customers across the world.

These growth plans also mean we may have new regulatory requirements, both locally and abroad. So we'll continue investing in new processes, controls and our platform to make sure we stay compliant, grow safely and manage our risks appropriately. I'm confident this will set us up for success and deliver on our long-term ambitions, while safeguarding and enhancing our trusted brand.

In closing, I'd like to thank each and every colleague for their contribution this year – our success is only possible thanks to their hard work.

Jam

James Davies Chief Financial Officer 30 May 2023

Risk

Risk management

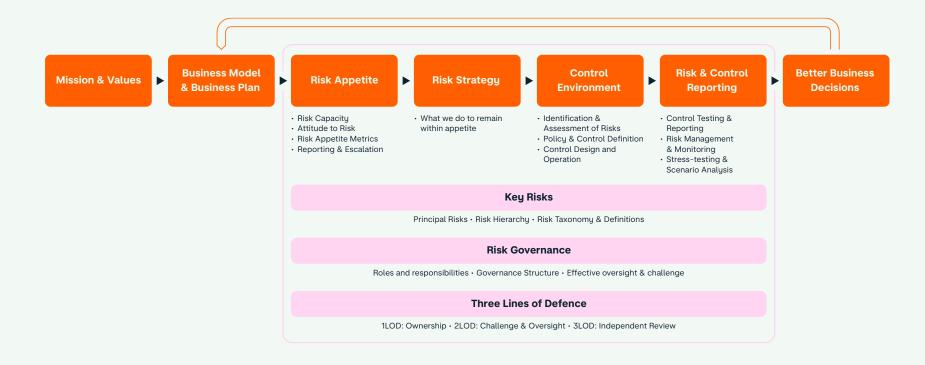
We manage our risks using an Enterprise Risk Management Framework (ERMF)

The ERMF means we 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. It helps leaders make well controlled decisions by setting the minimum standards that we should apply when managing any risk. All Monzonauts know to make decisions that help us grow safely while operating within the boundaries set by the ERMF.

Our customers, our team, Board and regulators all expect us to manage our 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. Understanding key risks helps to give a clear view of uncertainties that we face, so we can decide how to manage them. The ERMF sets the overall culture, roles and responsibilities and tools for the management of all risk types across Monzo and is made up of the elements in the diagram below.



We have six key risks, each of which has:

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

Risk type	Definition
Strategic risk	The risk that we don't execute our business plan or that our business model isn't sustainable.
Financial risk	The risk that we don't maintain adequate financial resources or undertake activities which impact our solvency and/or impact our ability to meet our liabilities as they fall due.
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 resulting from 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 bank, 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 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): around 97% 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): around 2% of our team gives oversight, through support and challenge of the effectiveness of risk management by 1st line, to reassure management.
- Third Line (3LoD): around 1% of our team assures the Board on the effectiveness of controls.

Each line of defence's activities

	1LoD The ownership and management of risk	2LoD Oversight and challenge
	Sets business objectives.	Develops the strategy and vision for Risk and Compliance in Mon
	Identifies, owns and manages risks where risk appetite is breached.	Advises the Board on setting risk appetite.
	Defines, operates and tests controls.	Sets risk frameworks to articular
	Implements and maintains regulatory compliance.	the minimum standards for risk management.
	Adheres to risk frameworks.	Provides expert advice on business initiatives.
	Defines and operates in line with policy requirements.	Reports aggregate enterprise level risks to the Board.
	Identifies future threats and risks.	Conducts independent and
	Supports the development and embedding of a risk-aware culture.	risk-based oversight.
	Notifies of control failures,	Interprets material regulatory change.
heightened risks and breaches of policy.	_	Defines target state risk culture and monitors performance against aspirations.
		Runs the enterprise Horizon

Scanning process.

Manages regulatory relationships.

3LoD Independent validation and assurance

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 Level 1 risk frameworks.

Assures the integrity of our risk management processes, control mechanisms and information systems.

We want to drive the right risk culture

Our values are essential to how we operate, and they influence everything we do, from hiring, to performance reviews, to projects. They're articulations of the culture in the bank. Risk culture is a subset of our values, it isn't standalone – all of the values are important in helping us to grow safely. You can find our values on page 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 Board, regulators, investors and others. It sets boundaries for Monzonauts to make decisions quickly without needing extra feedback or approval. It gives freedom to Monzonauts to use their expert knowledge to help us grow safely and quickly.

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

How we oversee our risks

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

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

Risk type	Management	Committee oversight
Strategic risk	Executive management and the Chief Executive Officer (CEO)	Enterprise Risk and Compliance Committee
Financial risk	Chief Financial Officer (CFO)	Asset and Liability Committee
Financial crime 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 Board.



Current risks

Inherent risk description	Mitigation and control	Change in risk	Risk category
Business model and strategy			
The risk that, as we continue to grow, our business model and strategy don't deliver the expected financial and non-financial benefits to our customers, shareholders and wider stakeholders. This would result in a loss of investor interest, consumer confidence and reputational damage. There's a risk that our revenue won't grow in line with plans and that costs are higher than expected, resulting in further losses. This could be because of the impact of growing inflation on the cost of living for our customers, lower interest rates, reduced consumer confidence leading to our customers spending less, political instability and monetary policy decisions, pressures from a competitive market environment; or us not delivering on actions in the business plan, like marketing or new product development.	Despite our financial performance continuing to improve, this remains a key risk for us. We explained on pages 13–14 that in FY2024 we're focusing on growing and diversifying our revenue streams with new and existing products, increasing customer engagement and growing our lending products. We've made progress delivering our plan and key control initiatives during the year and we're confident in our business plan, key assumptions within it, and the team we have to deliver it. We recognise the current uncertainty in the wider environment and carry out horizon scanning to identify and assess our emerging risks.	Decreasing – Revenue continues to grow, but future customer growth and our ability to successfully launch new products can be impacted by many factors.	 Strategic Financial
There's also a risk that growing lending will expose us to higher credit risk and larger losses from customers than we've experienced before.			
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 combat increasing threat levels as part of our Financial Crime programme.	Decreasing – Our financial crime risk exposure has reduced in recognition of the material control improvements delivered this year.	Financial crime and FraudFinancial

Inherent risk description	Mitigation and control	Change in risk	Risk category
Cyber and data loss risk			
The risk that due to increasing volume and sophistication of cyber attacks there's a data loss from external or internal threats.	We continue to improve our data management approaches and strengthen our control framework. The Chief Information Security Officer (CISO) monitors cyber threats to spot and prevent suspicious activity, and our data and security programmes are on track for delivery in FY2024.	Decreasing – Heightened geopolitical uncertainty has increased these risks, but our controls have improved.	Operational
Business process risk			
The risk that our business processes don't operate to an appropriate standard, negatively impacting our customers, our financial position and reputation.	We continue to review and improve our processes and focus on all of our customer facing processes and third party suppliers to make sure we meet service levels and don't negatively impact our customers. We use our Risk and Control Self Assessment process to spot process risks and associated controls that need management attention.	No change.	Operational
	We've also improved our supplier resilience programme this year to make sure that we continue to meet customer needs and we have hiring plans in place in areas where we know we need to improve service level performance.		
Customer harm			
The risk that our customers experience harm as a result of poorly designed products and customer experiences.	We're continuously improving our processes and our product and conduct risk management frameworks. We closely monitor our customer outcomes as part of risk reporting and ongoing risk management.	No change – Economic pressures like the cost of living crisis may result in greater potential for customer harm, but we'll continue to monitor our controls to protect our customers.	• Conduct

Inherent risk description	Mitigation and control	Change in risk	Risk category
Capital			
The risk we won't be able to maintain enough capital to meet regulatory requirements in the medium term.	We're confident we can deliver our business plans and maintain capital resources above regulatory requirements in the medium term. We stress test our capital positions and take mitigating actions to reduce this risk wherever possible, including engaging with regulators to discuss our capital position.	Decreasing – Our underlying business performance, improving financial results in FY2024 and reduction in our MREL requirements.	• Financial
	While we don't need to raise capital to achieve our growth ambitions, we're confident that we'll be able to raise capital should we feel it's appropriate in the medium term. More detail in financial statement Note 23.		

New and emerging risks

Inherent risk description	Mitigation and control	Risk category
Competition		
The risk that competition increases and/or changes, and we're unable to keep up.	We're well placed in the UK retail banking market and have continued to grow our customer base. We maintain a strong brand and now have over 7 million customers.	Strategic
	But, we're in a competitive marketplace, competing with traditional banks and new 'challenger' banks for retail and business customers.	
	We think competition in our marketplace is healthy and brings out the best in us to drive for better products and services for our customers. Naturally, we expect the market will continue to evolve but we manage that risk in these ways.	
	 Broadening our product mix to keep existing customers and attract new ones. Focusing on speed and quality of execution. Reviewing competitor offerings as part of our product development process to spot opportunities to differentiate so customers use us to manage all of their financial needs. 	

Inherent risk description	Mitigation and control	Risk category
Regulatory risk		
The risk that the scale and pace of regulatory change continues to increase.	The regulatory environment continues to evolve, needing significant effort and investment from us as it changes. For example, the introduction of the new Consumer Duty regulation, which we're on track to fully embed in FY2024.	StrategicConduct
	We actively engage with our regulators, industry bodies and advisors to take part in consultation processes. We also review regulatory publications to assess the implications and plan for any changes.	
Climate risk		
The risk that changes to our environment impact both us and our customers.	We've analysed the financial risks to our balance sheet from the climate crisis and consider the direct impact to be low. Because we have a small number of offices and no branches, we don't see material exposures to physical climate crisis risks, either now or in the foreseeable future.	Strategic
	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 a net zero working group to set clear milestones for achieving net zero emissions status by 2030.	
	We analyse scenarios and use stress testing where appropriate. We'll continue to review our activities, partners and suppliers, their impact and the associated risks. We cover our impact on the environment and what we're doing about it in 'Our approach to the environment' on page 69.	

Governance

Governance

In this section:

- Governance priorities in FY2023
- How governance works at Monzo
- Meet our Board of Directors
- Meet our Executive team
- Board governance overview
- Board activity snapshot FY2023
- Board Committee activity snapshot FY2023
- Section 172 at Monzo

We're a regulated bank, which means there are statutory and regulatory governance requirements that we need to comply with. But we also adopt best practices to help achieve positive governance outcomes for us and our stakeholders. For example, although we don't have to comply with the UK Corporate Governance Code 2018 (the 'Code') yet, we refer to it as a source of best practice anyway.

We aim to create an environment that supports effective, purposeful and timely decision-making, and consistently work to embed strong governance practices that make that possible.

Our governance priorities in FY2023

Corporate governance review

Last year we completed a comprehensive review of our corporate governance arrangements. We reported on the changes we were making off the back of this review in last year's annual report and are pleased with the progress we've made in this area.

We refreshed our corporate governance documentation in February 2023 and our Board reviewed and approved the documentation with effect from 1 March 2023. The annual documentation review is an essential mechanism for us to evidence how corporate governance in Monzo operates. We expect that our governance documentation will continue to evolve as we grow.



As you'd expect from a regulated bank, our Board takes its role and responsibilities seriously and strives to improve its performance each year. For the FY2023 Board effectiveness review, each Board member completed a self-assessment questionnaire and had the opportunity to give additional feedback to the Group Director of Corporate Governance. The Board approved the review process, including the questionnaire design, in December 2022.

The Board considered the findings from the effectiveness review which concluded that overall, the Board and its committees were operating effectively and fulfilling their role in line with their respective governance mandates.

Board suitability

The Board recognises the importance of making sure that its members are suitable both individually and collectively. To support the Board in carrying out its responsibilities, we established a Board and Senior Manager Suitability Policy. The Policy helps us assess whether Board members continue to have, among other things, the appropriate knowledge, skills, and experience to effectively perform their role on an individual and collective basis. Our Board and Senior Manager Suitability Policy uses a proportionate and integrated assessment approach to make sure our Board continuously meets expectations and is high-performing.

You can find out more about the approach we've adopted on page 45 of the Nomination and Governance Committee activity snapshot.



How governance works at Monzo

We aim to have proportionate and robust governance at all levels

Our formal governance structure is made up of the Board, Board Committees and Executive Committees. The organisational chart on the next page shows this structure in more detail.

Our Board

The Monzo Board gets its authority from our shareholders and is responsible for overseeing our strategy. The Board also defines and monitors our culture, values and brand all while keeping the interests of our stakeholders at the forefront of its decisionmaking. Gary Hoffman heads up our Board as Board Chair and the rest of the Board is made up of executive, independent non-executive, and investor directors. A majority of the Board are independent non-executive directors (iNEDs). The role of the Board Chair is distinct and separate from the CEO, with the Chair responsible for leading the Board and the CEO responsible for managing the business day-to-day. The division of responsibilities between the Chair and the CEO is clearly defined in the Board role profiles which the Board approves each year.

You can find a spotlight on each of our Board members on page 36 and information on what the Board's been up to in our Board activity snapshot on page 43.

Our Board Committees

The Monzo Board can set up committees as needed and has permanently established an Audit Committee, Risk Committee, Remuneration Committee, and Nomination and Governance Committee (together the 'Board Committees'). Our Board has delegated certain responsibilities to its Board Committees to help it fulfil particular aspects of its role. An iNED chairs each Board Committee and each committee is governed by its terms of reference (the document setting out its role and responsibilities), which the Board approves annually.

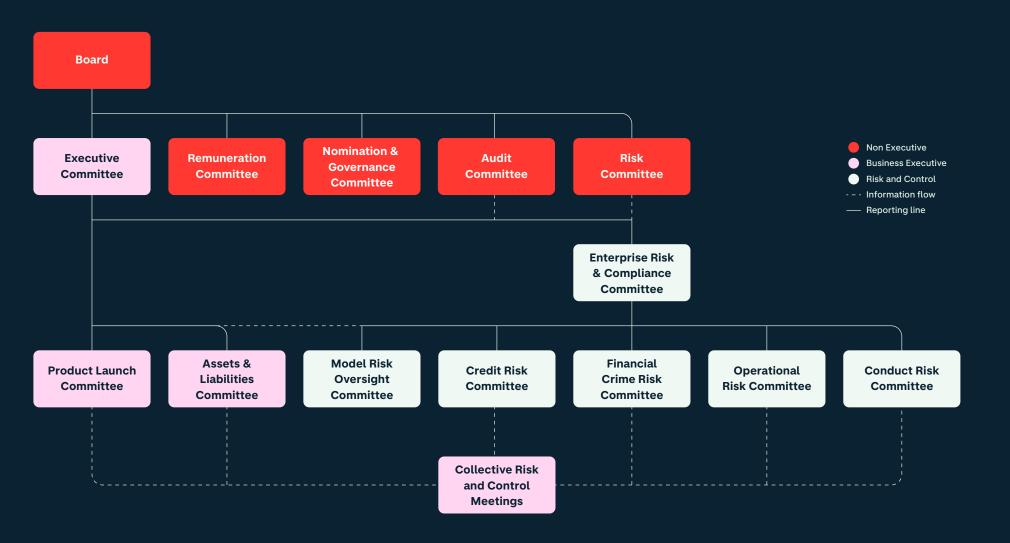
The Board and its committees regularly interact with the Chair of each Board Committee, giving updates on Committee activities to the Board at each meeting. Also, the Board reviews the Board Committees' membership annually to make sure its size, make-up, experience and perspectives mean it continues to meet its legal and regulatory responsibilities.

You can find out which of our Board members sit on our Board Committees on page 41 and we talk about what's been keeping our committees busy in our activity snapshots starting on page 43.

Our Executive Committees

The Board has delegated the daily operation of Monzo to the CEO who's supported by an Executive Committee (ExCo). To support it with the running of the business, the ExCo has permanently established 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. They also have reporting lines into some of our Board Committees. We're working to further enhance our executive governance and continue to strengthen the relationship between each layer of our executive structure.

You can find more information about the members of ExCo on page 40.



Meet our Board of Directors



Gary Hoffman Chair of the Board of Directors and Independent Non-Executive Director

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

He has extensive experience in financial services including retail banking, insurance and consumer lending, and led significant growth stories and turnarounds while innovating along the way.

External appointments: Gary is also a director of MBHG Limited*.



Fiona McBain Senior Independent Non-Executive Director

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

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

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

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

MBHG Limited will be Monzo Group's holding company.



Amy Kirk
Independent Non-Executive Director

Amy joined our Board on 24 January 2017 and is also Chair of our Remuneration Committee. She brings more than 25 years of UK and international retail banking and consumer lending experience.

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

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

External appointments: Amy is also a Non-Executive Director of FCMB Bank (UK) Ltd, Maryland Partners Ltd, and Griffin Bank Limited.



Valerie Dias Independent Non-Executive Director

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

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





Lizzie RunhamIndependent 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 & 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.

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



Matthew Bromberg
Independent Non-Executive Director

Matt joined our Board on 1 March 2023 and brings extensive experience in operational and commercial leadership in high-growth scale-up environments including his role as Chief Operating Officer at Zynga, a major social gaming developer. He has strong knowledge of scaling digital businesses, international growth and expansion, and bringing companies through initial public offerings.

External appointments: Matt is also a non-executive director on the Board of Bumble Inc and acts in an advisory role for Blackstone and TomoCredit.



Eileen Burbidge MBEInvestor Non-Executive Director

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

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

External appointments: Eileen is also an Independent Non-Executive Director of Currys plc and Fertifa Ltd. She also serves as a director for Passion Capital entities.



TS AnilChief Executive Officer and Executive Director

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

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

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



James Davies
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.

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

Meet our Executive Team



TS AnilChief Executive Officer and Executive Director



Sujata Bhatia Chief Operating Officer



James Davies Chief Financial Officer and Executive Director



lain LaingChief Risk Officer



Stephanie PagniGeneral Counsel and
Company Secretary



Jonas Templestein Co-founder



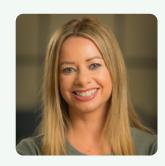
Kunal Malani General Manager, Borrowing



Matej Pfajfar Chief Technology Officer



Fernando FantonChief Product Officer



Sarah Manning Chief People Officer*

 Sarah Manning was appointed as Chief People Officer after the financial year-end on 20 March 2023.

Board governance overview

Board member	Board meetings	Audit committee	Board risk committee	Nomination and Governance Committee	Remuneration committee
Executive Directors					
TS Anil	11/11				
James Davies	11/11				
Non-Executive Directors					
Gary Hoffman (Chair)	11/11	'		3/3	8/9
Eileen Burbidge	11/11			3/3	
Valerie Dias*	11/11	8/9	10/10		3/3
Amy Kirk	11/11	8/9	8/10		9/9
Fiona McBain	10/11	9/9	8/10	2/3	
Phillip Riese‡	4/4		3/3	1/1	
Lizzie Runham§	11/11				8/9
Keith Woollard [†]	9/9	8/8	8/8		5/8

- Valerie Dias was appointed as a member of the Remuneration Committee effective 1 October 2022
- [†] Keith Woollard resigned from the Board of Directors on 1 January 2023
- Phillip Riese resigned from the Board of Directors on 30 June 2022
- Lizzie Runham was appointed as a member of NomCo effective 1 March 2023

Our Board makes the time

Here's an overview of Board and Board Committee attendance. Our directors also spend time with senior management and other key stakeholders like our regulators and shareholders. We're satisfied that each director is able to devote enough time to perform their functions and responsibilities effectively, even in periods of particularly increased activity.

If a Board member can't attend a meeting, we still give them the meeting materials and encourage them to share their feedback or ask any questions they may have before the meeting takes place.

Board changes during the year

- Phillip Riese resigned as a director on 30 June 2022.
 We later appointed Phillip as consultant to the CEO and he continues to act as Chair of the Strategic Advisory Group.
- Gary Hoffman became Consumer Duty Champion on 28 October 2022.
- We reappointed Fiona McBain as an Independent Non-Executive Director and Chair of the Audit Committee. We also appointed Fiona as Senior Independent Director (SID) on 6 December 2022.
- Keith Woollard resigned as a director on 1 January 2023.
- We reappointed Amy Kirk as an Independent Non-Executive Director and Chair of the Remuneration Committee.
- We appointed Matthew Bromberg as an Independent Non-Executive Director with effect from 1 March 2023.

Our Board embraces diversity

We assess the diversity of our Board in line with our Board Diversity Policy and the diversity objectives we set for ourselves. We continue to make progress against these objectives and are particularly proud that most of our Board Committees are chaired by women.

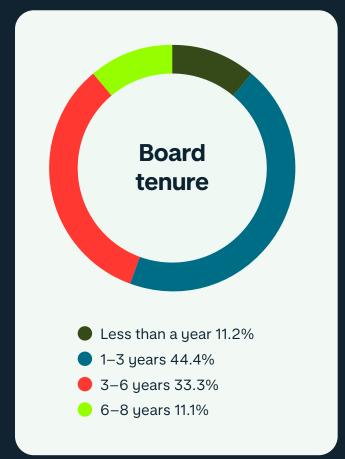
During the year, the Nomination and Governance Committee (NomCo) led a search process to find suitable iNED candidates to appoint to the Board. In September 2022 the NomCo appointed True Search, an external search firm, to help it find suitable candidates. True Search met our Board Diversity Policy requirements and are signatories to the standard voluntary code of conduct for executive search firms.

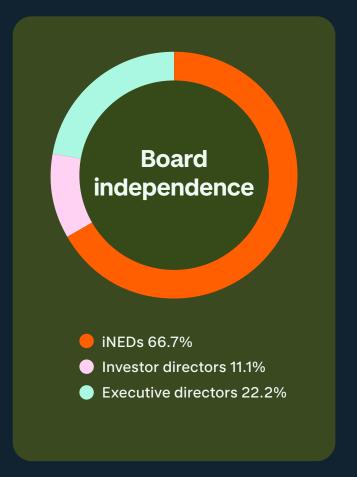
In February 2023 the Board, following a NomCo recommendation, approved the appointment of

Matthew Bromberg as an Independent Non-Executive Director with effect from 1 March 2023. We're confident Matthew's skills and experience enhance the collective suitability of the Board.

You can see the make-up of our Board across gender, tenure, and independence in the graphs on this page.







Board activity snapshot FY2023

Our Board oversees key strategic activity and monitors our performance

The Board's role is governed by the articles of association and shareholders agreement. It operates within the scope of its Matters Reserved which sets out its key responsibilities. The Board's responsibilities cover a range of core areas including strategy, culture, structure and capital, risk, control environment, product, outsourcing, financial performance, and corporate governance.

As we mentioned, the Board delegates certain activities to the Board Committees but ultimately, it has accountability and responsibility for our success.

Setting the Board agenda is a collaborative process led by our Chair

The Board met 11 times in FY2023 and for each meeting the Chair of the Board, with support from the CEO and Company Secretary, sets the meeting agenda. Our Board agendas are made up of a series of regular and ad hoc items and are planned out at the beginning of each year. We make sure there's an appropriate balance between strategic, regulatory, and operational matters on the Board agenda and adequate time for the Board to consider these items at each meeting.

During the year, the Board considered several important items in addition to the standing CEO, CFO, and CRO reports. We've summarised these topics in the summary table and highlighted any of the Board's principal decisions. We define principal decisions as decisions which are likely to have a material impact on one or more of our stakeholders. As we grow, we want to improve how we do this and further strengthen our processes around principal decision governance. We discuss our Board's approach to stakeholder considerations in decision-making in our Section 172 report on page 55.

"The Board's responsibilities cover a range of core areas including strategy, culture, structure and capital, risk, control environment, product, outsourcing, financial performance, and corporate governance."

Summary of Board activities and principal decisions FY2023

	Principal decision
Strategy, culture, and values	 Agreeing our medium-term strategy and monitoring and overseeing our performance as we become a profitable and sustainable bank. Approving our Code of Conduct and People strategy. Monitoring the cost of living impact on our customers and overseeing the support payment for Monzonauts earning £40,000 or less. Approving the establishment of a UK holding company subject to PRA approval. Reviewing the FY2023 Customer Operations strategy. Receiving product updates and feeding back on customer engagement insights.
Business performance	 Approving our FY2024 budget and business plan. Approving investment into Monzo US Inc. Monitoring our performance against budget and reforecasts. Approving our annual report and its financial website disclosures.
Risk and compliance	 Monitoring our risk and approving our risk appetite. Overseeing major change programmes connected with Financial Crime and Fraud risk. Approving material outsourcing contracts. Approving submissions to demonstrate compliance with key regulations like the ICAAP (Individual Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Process), and Resolvability Assessment Framework. Approving our Consumer Duty implementation plan and appointing a Board Consumer Duty champion. Approving policies in line with our policy register.
Corporate governance	 Approving the iNED Equity Participation Scheme Policy¹. Approving the appointment of Fiona McBain as SID. Approving the process for the Board and Board Committee Effectiveness review. Overseeing Board make-up and the collective suitability of the Board. Approving the Board training plan. Approving our refreshed core governance documentation including the Board Diversity Policy and Board and Senior Manager Suitability Policy. Approving the appointment of Matthew Bromberg as an Independent Non-Executive Director.
Remuneration	 Approving share option exercises for Monzonauts. Approving our key remuneration policies.

¹ As disclosed in the FY2022 annual report, our iNEDs can make a personal investment choice to subscribe to Monzo shares twice a year in line with the safeguards set out in the iNED Equity Participation Scheme Policy.

Board activity spotlight

A successful strategy offsite

In October 2022, the Board attended a two-day strategy offsite with the ExCo and some of our senior leaders. It was a great opportunity for constructive debate, relationship building, and action-setting in a collaborative environment.

The Board reviewed our strategic pillars over the medium to long-term and considered how we'd deliver value for our stakeholders over this time-horizon.

The Board will continue to actively monitor and challenge our strategic priorities in both regular and specific strategy-oriented meetings.

Board Committee activity snapshot FY2023

Our Board Committees operate based on the responsibilities the Board has assigned to them, recommending or referring matters to the Board as needed.

Only members of the Committee have the right to attend meetings. The Chair of the Committee may invite other individuals to attend all or part of any meeting if necessary to fulfil the Committee's responsibilities set out in its terms of reference.

"The NomCo plays a key role in reviewing our corporate governance documentation, including the Board training plan, before it is recommended to the Board for approval."

Nomination and Governance Committee (NomCo)

A combined focus on corporate governance and board governance

Chaired by Gary Hoffman, the NomCo oversees our governance arrangements in line with the responsibilities that the Board delegates to it. This includes overseeing key processes like board appointments, reviews of board make-up and collective suitability, succession planning, and board effectiveness reviews. The NomCo plays a key role in reviewing our corporate governance documentation, including the Board training plan, before it is recommended to the Board for approval.

The 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.

The Board approved NomCo's refreshed terms of reference in February 2023. During the year the majority of NomCo members were independent non-executive directors. The Board appointed Lizzie Runham as a NomCo member with effect from 1 March 2023.

Summary of NomCo activities FY2023

Board make-up

- Monitoring the make-up of the Board in the context of board suitability and diversity, carrying out the annual collective suitability assessment and reporting the results to the Board.
- Recommending the appointment of Fiona McBain as SID to the Board for approval.
- Reviewing the non-executive director appointment process and approving the appointment of an external search firm to help recruit an independent non-executive director.
- Recommending the reappointment of Fiona McBain (Audit Committee Chair) and Amy Kirk (Remuneration Committee Chair) as iNEDs and Chairs of their respective committees to the Board for approval.
- Overseeing the appointment process for Matthew Bromberg and recommending his appointment to the Board for approval.
- Reviewing our succession plan for the Board 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 FY2022.
- Reviewing and recommending the annual Board effectiveness review process for FY2023 to the Board for approval.
- Overseeing the delivery of the Board effectiveness review for FY2023 and reporting the findings to the Board.
- 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 Board's Conflict of Interest Register to the Board for approval.
- Reviewing and recommending the annual Board training plan to the Board for approval.

Governance documentation

- Reviewing and recommending our corporate governance documents to the Board for approval, including the Matters Reserved for the Board.
- · Reviewing the effectiveness of the Board and Senior Manager Suitability Policy.

NomCo activity spotlight

Board effectiveness

In FY2022 the Board instructed an external board evaluator to complete the board effectiveness review. The Board has continued to progress the areas for enhancement identified from the external review throughout FY2023.

For FY2023 the Board agreed that the Group Director of Corporate Governance would lead the effectiveness review in consultation with the Board Chair. Each Board member completed a self-assessment questionnaire and had the opportunity to give additional feedback to the Group Director of Corporate Governance. The Board Committees took the same approach to assessing their effectiveness.

The review found that the Board and Board Committees operated effectively and appropriately fulfilled their responsibilities during the year. Equally reassuring was that all Board members felt valued by their peers and senior management, and felt empowered to give constructive challenge at meetings. The Board agreed a number of actions to further improve board and committee effectiveness which build on the actions from the FY2022 review. The Board has delegated authority to NomCo to oversee the implementation of the Board effectiveness action plan.

Board suitability

Our approach to individual and collective suitability assessments is documented in the Board and Senior Manager Suitability Policy which is approved by the Board. For this year, the Board agreed the collective suitability assessments would form part of the Board effectiveness review.

For individual suitability assessments, we adopted a proportional approach and combined the assessment with the annual Fitness & Propriety (F&P) assessment. This involved Gary as Chair of the Board reviewing each director's individual suitability self-assessment together with the results of the F&P assessment conducted by the SMCR Lead. Fiona McBain as SID conducted both the individual suitability and F&P assessment for Gary.

The NomCo reviewed the outcome of the assessments and concluded that all Board members were suitable to perform their role. Further, the NomCo determined that the Board collectively possesses the appropriate collective skills, knowledge and experience. The NomCo will keep Board composition under review and consider what actions are required to enhance the collective suitability of the Board, where necessary.

Board training

Having a well-informed Board that understands the company and the external environment it operates in is crucial for high-quality discussions and decisions.

We successfully delivered our Board-approved FY2023 training plan during the year. This included training sessions on Consumer Duty, retail digital investments, robo advice and FCA consumer investments strategy. Board members that couldn't attend a session could watch a recording or attend a separate session with the facilitator.

"Equally reassuring was that all Board members felt valued by their peers and senior management, and felt empowered to give constructive challenge at meetings."

Board Risk Committee (BRC)

Enterprise risk oversight and monitoring our compliance

Chaired by Valerie Dias, the BRC's primary responsibility is to oversee our risk profile with respect to our risk appetite, risk strategy, and Enterprise Risk Management Framework (ERMF). The BRC monitors our Level 1 risks covering strategic risk, financial risk, financial crime and fraud risk, operational risk, conduct risk, and credit risk. In addition, the BRC recommends a number of key regulatory documents to the Board for approval. For example, during FY2023 the BRC recommended the ICAAP, ILAAP and Resolvability compliance documentation to the Board for approval.

The BRC also supports the Board with monitoring and overseeing our regulatory compliance, including the progress of our Consumer Duty Implementation Plan. Our BRC Chair meets regularly with the Chief Risk Officer and the BRC has the opportunity to meet with the Chief Risk Officer, Chief Financial Officer, and Chief Internal Audit Officer at least once a year without management present.

Summary of BRC activities FY2023

Risk strategy, risk appetite & the ERMF	 Reviewing and recommending the risk strategy to the Board for approval and overseeing this strategy throughout the year. Recommending the ERMF to the Board for approval and approving the suite of corresponding Level 1 risk frameworks throughout the year. Overseeing risk appetite metrics for effectiveness throughout the year and recommending material risk appetite statement changes to the Board for approval. Receiving second line opinions and risk assessments on significant projects (strategic or otherwise) before making a recommendation to the Board for approval. Considering any regulatory notifications or correspondence that relate to our risk profile or risk management activity. Overseeing our risk culture. Noting reports on the progress of risk-related remediation programmes.
Capital, funding and liquidity, and stress testing	 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 stress testing and financial projections frameworks and the stress test and scenario test results. Reviewing and approving our resolution handbook to support our compliance with the Resolvability Assessment Framework. Receiving updates on treasury systems and controls.
Other regulatory requirements	 Monitoring our compliance with relevant regulation. Reviewing and recommending our Consumer Duty implementation plan and the appointment of the Board Consumer Duty champion. Reviewing and recommending the Outsourcing and Third Party Risk Management Policy and any material outsourcing contracts to the Board for approval.
Assurance	 Reviewing and approving the annual combined assurance plan for second and third line reviews. Receiving progress reports on delivery of assurance activities, including the output from assurance reviews.
Risk & Compliance Collective	 Receiving and reviewing reports on the Risk & Compliance Collective, including updates on talent development, recruitment, and key priorities.
Remuneration	Considering and recommending any remuneration-related risk adjustments to the Remuneration Committee.

BRC activity spotlight

Committee workshops

During the year, BRC and Board members attended a number of workshops outside the meeting cycle. These workshops covered different areas including fraud, operational resilience, horizon scanning, and Consumer Duty.

For example, the Financial Conduct Authority's rules on Consumer Duty is a new regulatory requirement which the BRC and Board are responsible for overseeing. The Consumer Duty workshop held in September 2022 supported BRC and Board members to better understand the new consumer duty regulations and the implications for the Board, its committees, and senior management. In October 2022, and on recommendation of the BRC, the Board approved our consumer duty implementation plan and maintains oversight of progress against the plan through regular reporting.



Board Audit Committee (BAC)

Overseeing our financial disclosures, audit activity, and internal control effectiveness

Chaired by Fiona McBain, the BAC supports the Board on matters relating to our financial reporting, internal and external audit processes, and its internal systems and controls. The BAC oversees the integrity of our financial and Pillar 3 disclosures and its meetings are scheduled to mirror our financial reporting cycle.

Key to its role is the engagement that the BAC has with our statutory auditor, EY. The BAC is responsible for overseeing the statutory audit process and the relationship with the external auditor, monitoring and reviewing their independence and objectivity in line with best practice standards and professional requirements. We discuss safeguarding auditor independence more in our activity spotlight which you can find on page 53.

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

Summary of BAC activities FY2023

Financial · Reviewing and recommending the FY2022 annual report and accounts to the Board reporting for approval. · Reviewing and recommending the FY2022 Pillar 3 disclosures and other website disclosures to the Board for approval. · Reviewing our key accounting judgements and estimates and going concern assessment for the FY2022 financial statements. Reviewing our critical accounting estimates and judgements as they relate to the FY2023 financial statements. Statutory · Recommending the reappointment of EY as our statutory auditors to the Board for approval audit & auditor and approving the fees associated with this appointment. · Recommending the External Auditor Independence Policy to the Board for approval and engagement monitoring compliance with the Policy on an ongoing basis. · Overseeing the design and execution of the FY2023 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 the management letter and engagement letter to the Board for approval. • Reviewing the effectiveness of the FY2022 statutory audit. Noted the positive results from the Financial Reporting Council (FRC)'s audit quality review of EY's FY2022 audit. · Recommending the appointment of the Chief Internal Audit Officer to the Board for approval. Internal audit · Reviewing and approving the Internal Audit plan, methodology and deliverables as well as & Chief Internal **Audit Officer** any changes to the plan throughout the year. · Reviewing and discussing the outcomes of internal audits, focusing on the remediation plan for audits rated 'unsatisfactory'. · Overseeing the development of the Internal Audit Collective and the function's threeyear strategy. · Approving the Internal Audit charter. · Reviewing the independence of the Internal Audit Collective in line with the International Professional Practices Framework (IPPF). · Overseeing progress against the External Quality Assessment action plan. **Internal systems** • Receiving updates on the effectiveness of our financial control framework. and controls • Reviewing the adequacy of our impairment loss allowance. Whistleblowing · Recommending our Speaking Up (Whistleblowing) Policy to the Board for approval and receiving periodic whistleblowing reports.

The Committee's key considerations when preparing for the FY2023 financial statements

During the year and in preparation for the publication of these financial statements, the Committee considered the following things.

Key accounting and financial reporting matters

Going concern assessment

The Board must consider whether it's appropriate to prepare the financial statements on a going concern basis.

To satisfy itself that the financial statements should be prepared on a going concern basis, the Board and Committee considered these things.

- Business performance and our path to 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 26).
- · Our future capital requirements and growth plans.
- Our confidence in those plans to raise additional capital if necessary to meet our regulatory requirements (see our Group Directors' report).

Overall the Committee was satisfied that the financial statements could be prepared on a going concern basis and recommended this to the Board.

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 -Rates (EIR)

The Committee were updated by management on our approach to, and the materiality of EIR Effective Interest on our positions classified at amortised cost. Management advised the Committee that the difference between simple and EIR methods on our lending products, including Monzo Flex, remained immaterial.

> The Committee was satisfied our approach approximates the EIR method and remains compliant with IFRS 9.

Contracts

During the year, management updated the Committee on several material contracts that needed multi-year assessments on revenue recognition. The Committee was satisfied with the outcome of these assessments and the expected revenue to be recognised in each period.

Deferred tax

Management updated the Committee on whether recognising deferred tax in FY2023 was appropriate and what hurdles were necessary to recognise it.

Areas of significant judgements and estimates

Credit loss expense and impairment loss allowance

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.

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.

Supported by historical data, benchmarking against peers, performance against expectations and an independent evaluation, the Committee has concluded that the impairment loss allowance of £106.0m for FY2023 is considered adequate for the level of credit risk in the portfolio and the likely macroeconomic outturn. In particular, the Committee agreed that when the full recovery of an asset is considered unlikely, we should perform a write-off that removes assets from the balance sheet.

Provisions and contingent liabilities

The Committee reviewed reports on provisions recognised and contingent liabilities disclosed in the financial statements.

The Committee concluded these were adequate at the balance sheet date.

Internal audit matters

Internal Audit Plan Internal Audit Reports and Actions

The Committee reviewed the audit plan and its alignment to our key risk areas.

The Committee also considered the key trends and material findings that came from the internal audit reports and memos, as well as reviewing the appropriateness of the actions.

BAC activity spotlight

Our Internal Audit Collective continues to improve and has remained independent

During FY2023, 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-sourced Big 4 team. We reported last year that a hybrid model was being adopted, the aim being to transition to a full inhouse model by FY2023 while retaining a co-sourcing budget as needed. We now have two thirds of the Internal Audit roles filled and will be completely inhouse by the end of this financial year (FY2024).

The BAC is responsible for assessing the independence and effectiveness of our internal audit function. This responsibility is carried out throughout the year during committee meetings, private sessions and meetings with the Chief Internal Audit Officer.

The BAC also maintains this oversight in these ways.

- Being responsible for the appointment and removal of 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 BAC concluded that Internal Audit were 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 FY2023 in June 2022. The BAC is responsible for monitoring the independence and objectivity of our external auditors. To safeguard the external auditor's independence and objectivity, the BAC adopted an External Auditor Independence Policy which sets out how we maintain independence and the limited circumstances in which external auditors may perform non-audit services. The Committee reviews the Policy annually to make sure it's fit for purpose and remains compliant with the applicable rules and standards.

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

- They must meet a defined 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 BAC about any changes to their independence.
- The audit engagement partner and key audit partners must rotate every five years.

As per the annual requirement, EY confirmed that for FY2023 they remained 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 BAC 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 supplier to provide the permitted non-audit service.
- The total fee incurred for non-audit services is limited to no more than 70% of the average of the fee paid to the external auditor in the last three consecutive years for the audit.

During FY2023, our external auditors didn't do any non-audit work, see Note 34 on page 161 of the financial statements. During the year, the BAC Chair met regularly with the Chief Internal Audit Officer, and the external auditor's engagement partner. She also met with EY Audit Partner and EY's Head of Quality Assurance to consider the external audit firm's approach to assessing and maintaining audit quality.

We're satisfied with the effectiveness of the external audit

The BAC is satisfied that the external audit was conducted in line with expectations and continues to be effective.

Remuneration Committee (RemCo)

Remuneration Policy oversight linked to our sustainable success

Chaired by Amy Kirk, the RemCo oversees all of our remuneration-related matters. The Committee oversees the design and implementation of our Remuneration Policy and monitors our reward frameworks to make sure that they are considered when making decisions about Executive Director and Material Risk Taker (MRT) pay.

The RemCo works very closely with our People Collective and Reward team throughout the year and has met more frequently this year to discuss and decide on important people and pay issues.

The 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 or performance-related elements. Neither the Chair of the Board, the Executive Directors or Non-executive Directors are involved in setting their own remuneration.

Summary of RemCo activities FY2023

Remuneration policies and reporting	 Reviewing and recommending the Remuneration Policy, FY2022/2023 Remuneration Policy Statement and Malus & Clawback Policy to the Board for approval. Approving the introduction and implementation of the Risk Adjustment Framework. Reviewing our Gender Pay Gap report.
People, pay and performance	 Approving the MRT list for FY2023. Approving the Chair of the Board's remuneration. Approving packages for new hire MRTs. Approving remuneration changes for MRTs, including any salary changes or option grants. Reviewing and approving 2022 pay review recommendations. Reviewing people management information and reviewing our employee value proposition in respect of our culture and values, recruitment, and retention.
Options	 Reviewing company and personal performance before approving option grants and vesting for MRTs. Recommending changes to our option framework and option pool top-up requests to the Board for approval.
Benefits and pensions	 Receiving an update on our pension scheme and making any recommendations to the Board for approval. Reviewing the findings of our benefits survey and tech/banking market benchmarking.

RemCo activity spotlight

Developing the people and pay framework

We continue to aim for all our colleagues, including Executive Directors, to be paid market competitive base salaries that are affordable at our current stage of growth and sustainable for the long-term. Every colleague is also awarded share options that should align their long-term interests with ours. We don't offer short-term variable remuneration as our culture is built around creating long-term value.

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

The RemCo has focused on overseeing the development of our pay and people frameworks to make sure they are fit for growth and remain aligned with our values and culture.

Section 172 at Monzo

We care about the impact we have and who it affects. We want to create meaningful long-term value for all of our stakeholders that aligns with our mission and vision as a company.

Our Board's also legally required by Section 172(1) of the Companies Act 2006 to act in a way that's most likely to promote our long-term success and take into account all of our stakeholders when making decisions.

Our Board works with ExCo to make sure that proposals the Board 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 highlight who our main stakeholders are and talk about how the Board considers them in decision-making.



Our customers

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

With the cost of living crisis affecting the whole of the UK, our Board's been particularly concerned with the impact on our customers. They asked management to give them frequent and in-depth updates on what we were doing to support customers through this period of economic uncertainty.

The Board's also been very involved in overseeing that we're ready for the new Consumer Duty rules that the FCA introduced in July 2022. In October 2022 the Board appointed Gary Hoffman as its Consumer Duty champion. The Board received regular updates on our Consumer Duty rollout plan and all our Board members attended workshops on the new requirements.



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.

In August 2022, we supported colleagues earning £40,000 or less through the cost of living crisis by providing a one-off support payment and targeted pay reviews.

Also, the RemCo's started playing a bigger role in reviewing talent attraction and retention. For example, we performed a benefits review; evaluating what we offer, finding out what's important to our employees, and benchmarking our offering to see how we compare to our peers. The findings were shared with RemCo in January 2023 and will help shape improvements to our benefits and future reward strategy in line with our talent attraction and retention objectives.

Our Board continues to monitor the results from our quarterly employee engagement surveys and management's response to address key themes or issues. The Board is ultimately responsible for setting and establishing our culture with the support of senior management.



The communities we serve

We consider the impact we have on our customers and colleagues but also the wider communities that we operate in.

We make an effort to have a positive impact on wider society as well as people that engage directly with us. Our Public Policy team pushes for change on a range of governmental and societal issues, like introducing the gambling block to all retail banking products. Our Board gets updates on the work of our Public Policy team and has the opportunity to provide feedback on initiatives in this space.



Our investors

Our shareholders include anyone who owns our shares from venture capital and crowdfund investors to former and current colleagues.

We have two investor-director seats on our Board, one of which is currently held by Eileen Burbidge on behalf of Passion Capital. This important governance mechanism means our Board has direct interaction with our major investors at critical decision-making points. We've also set up a Strategic Advisory Group so executives can work directly with our major investors and get feedback on our strategy and development plans.

We aim to become a sustainable and profitable bank that can give back to the community that's invested in us and our journey. Our Board monitors company performance at each board meeting and holds management to account on progress against our plan.

Our CEO and Chair maintain a transparent and open dialogue with our major investors and will continue to actively maintain these relationships throughout the year.



The environment

We care about the impact our business has on the environment and do what we can to reduce our contribution to the climate crisis.

Running our business inevitably has an impact on the environment and it's important to us all that we build a company which is sustainable and climate conscious.

The Board and BRC have been involved in overseeing our approach to the environment and the management of climate risk. We're committed to our net-zero target of 2030 and the Board gets updates on how our net-zero strategy is progressing.

The Board are continually developing their knowledge on environmental issues and the actions we can take to minimise our environmental impact.



Our regulators

We're committed to an open and collaborative relationship with our regulators. As a bank we're regulated by the two main financial services regulators in the UK: the FCA and PRA.

We have a transparent and open relationship with our regulators and the Board Chair, BAC Chair, and BRC Chair regularly meet with both the PRA and FCA to discuss key topics. Through regular financial, risk, and strategic reporting we keep our Board up to date with management's interactions with regulators.

During the year, the Board approved our Regulatory Engagement Policy which sets out our approach to communicating with our regulators so we're complying with regulatory obligations in a co-ordinated, prompt, and appropriate way that reflects our values.

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, Information Commissioner's Office and Financial Reporting Council.



Our suppliers and partners

We have several key business relationships with suppliers and partners both locally and internationally who provide us with a range of services from platform to internal communication tools.

Our Board, on recommendation from the BRC, approves the Outsourcing and Third Party Risk Management Policy which sets our governance requirements for choosing the third parties we work with.

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

This year our Board and BRC considered a number of material outsourcing contracts for approval. The Board also received periodic updates on suppliers and third party risk management.



Non-financial reporting statement

We're defined as a Public Interest Entity (PIE) and Large Business so have to comply with the Non-Financial Reporting requirements from sections 414CA and 414CB of the Companies Act 2006.

We've detailed our policies and achievements where available. For the areas where we're still developing

policies and the due diligence on them, we've explained our progress.

Reporting requirement	Description	References and policies
Colleagues	We have a strong focus on our colleagues and their wellbeing. We're transparent with them, building a strong, motivated and diverse team. We have a number of policies, training and approaches to make sure everyone feels like they belong and has a voice.	Our approach to people, page 60. People Policy. Health and safety. Conflicts of interest. Recruitment and selection. Remuneration Policy.
Community and social matters	Our focus on community and society underpins our mission to make money work for everyone. Our policies and statements outline how we aim to help our customers and have a positive social impact.	Our community and social matters, page 66. Vulnerable customers Policy. Financial difficulty Policy. Accessibility statement.
Environment	We've built a bank with lower greenhouse gas emissions than the high street banks. But, our operations still contribute to the global climate crisis. As one of the fastest growing banks in the UK, we recognise that our carbon footprint will grow rapidly if we don't make a conscious effort to reduce it.	Our approach to the environment, page 69 • Environmental and climate risk Policy.
	We've measured and reported on our carbon footprint and are developing a plan to reduce our footprint, as well as a net zero goal. We've also joined forces with other leading UK tech companies by becoming a member of the Tech Zero Taskforce.	

Reporting requirement	Description	References and policies
Anti-corruption and anti-bribery	Preventing financial crime is a key responsibility and commitment for us as a bank. Our business and financial crime teams monitor these key risks by applying our policies on a daily basis.	 Respect for human rights, anti-bribery and anti-corruption page 75. 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, suppliers and customers is aligned with our core values. Our latest Modern Slavery and Human Trafficking Statement can be found on our website and we continue to develop our policies and procedures to give a framework that strengthens our approach to human rights.	Respect for human rights, anti-bribery and anti-corruption, page 75.
Description of our principa	al risks and impact of our business activity	Our current risks, from page 28.
Description of our business model and strategy		Business model and strategy, page 13.



Our approach to people

We believe that creating a progressive and passionate people experience will only lead to better outcomes for our customers. We work to help everyone belong, creating an environment that helps people to do the best work of their lives so we can solve our customers' problems and make money work for everyone.



A flexible working environment

It's been wonderful welcoming people back into the office over the last year. We've always had a hybrid working environment, which has helped us attract passionate, brilliant people from all over the UK and beyond. The majority of our team is now permanently distributed which means that we have to think creatively to bring people together. We continue to invest in our office environments for those who like to come in, and we host community events, film nights, workshops and more. We've also continued to invest in our teams with each team having a monthly budget to spend on team building and socialising.

We held our first 'Monzo Mela' in the summer — mela being a Sanskrit word meaning 'gathering' or 'to meet' — to bring all Monzonauts together. We celebrated in person and with virtual events too. Each event looked slightly different but the opportunity to spend time together with the backdrop of launching our limited edition neon cards was a welcome celebration. We also celebrated the Queen's Platinum Jubilee by giving every member of staff 3 additional days' leave. Most of the company took these days after the Spring Bank Holiday, with those who couldn't having the balance added to their holiday allowance for the year. We called this time to rest and recharge 'Jubi-leave'.

Our eNPS (employee Net Promoter Score – a measure of how likely your team are to recommend you as a place to work), increased from 50 to 51 this year, which puts us in the top 25% in our industry according to our eNPS software. Monzonauts are passionate about our product and our mission, and that love and faith drives this score.

Investing in our team

We welcomed Sarah Manning (Chief People Officer), Fernando Fanton (Chief Product Officer) and Matej Pfajfar (Chief Technology Officer) this year – three key hires who bring a wealth of knowledge and expertise to our team.

Elsewhere in the business we've been creating and supporting different entry points into a career at Monzo. For example, this year we launched our new finance apprenticeship programme and welcomed three apprentices into our team. They'll be rotating across different Finance teams while studying for their accountancy qualifications.

Four members of our Customer Operations (COps) team joined the COps Engineering Sponsorship programme. This is the second year of the programme, which we put in place to make engineering positions more accessible. We give people on the programme access to an immersive software engineering course, with the offer to hire them as full-time junior engineers once they've completed the course. After the success of last year, we added more places to the programme this year. On top of this, more than 239 employees moved roles internally in the last year.

We continue to give each team member a £1,000 annual learning budget which they can use to develop their professional career at Monzo. This could help them progress in their current role, or help them move into another area of the business.

Making a difference

The cost of living crisis has affected us all in some way in the last year, and it will continue to for a while yet.

In September 2022, we launched the internal cost of living working group – a weekly session focused on supporting and educating colleagues. We hosted 12 financial wellbeing webinars and workshops, and provided financial education material with external resources. This group is made up of Monzonauts from across the business – including mental health first aiders and people working in the financial difficulties area. As part of this work, we offered all colleagues earning £40,000 or less a year two support payments totalling £1,250.

Every January we have our 'Wellbeing Week', curated to give colleagues a toolbox for navigating their mental wellbeing. This year, the week included counsellorled listening sessions, breathing and yoga sessions, cognitive wellbeing sessions and fitness activities. For February's 'Time to Talk Day' we relaunched our mental health processes making access to mental health first aiders across the company and external support more streamlined, simple to follow and accessible.

Our benefits are designed to give support for life's key moments and to enhance wellbeing. In FY2022 we announced our Pregnancy Loss Policy for all Monzonauts. In FY2023, we launched our caregiver leave review, starting with asking our colleagues what they thought of our existing offering and what changes would be most beneficial to them and their families. This resulted in us improving our Policy to offer all primary caregivers 52 weeks off, 26 of which are paid at full pay based on their usual salary. Secondary caregivers are also able to take up to 52 weeks off,

13 weeks of which are paid at full pay based on their usual salary. We also offer all colleagues up to 8 days leave a year to use for fertility treatments. In addition to this, we expanded our range of benefits, giving all Monzonauts access to fertility and family-forming health benefits as well as menopause support.

Our approach to diversity and inclusion

To build a bank that best serves our diverse and growing base of more than 7 million customers, we need to build a company that includes people from all backgrounds and communities, and helps them thrive.

We first published our Diversity and Inclusion report in 2017, and we remain committed to openness by disclosing our data, accomplishments, and challenges yearly. We hold ourselves accountable by regularly tracking and sharing our company-wide diversity and inclusion goals.

Despite seeing increases in the representation of women in our leadership, board, and technical roles as well as improvements to our family forming benefits, we've seen our gender pay gap widen from 4.3% to 9.3%. We've increased representation of women in leadership roles at Monzo, but we've grown our tech team by 50%, hiring a higher number of men than women (which reflects the current available candidate gender mix in the industry). Because salaries for tech roles are comparably higher (across the industry), hiring more men than women in tech roles has meant our pay gap's widened at a company level.



We explain how we plan to close our gender pay gap by improving representation of women at senior levels and in our tech teams in our latest <u>Gender Pay Gap Report</u>.

More than 83% of our team have shared their diversity data with us, which gives us a more meaningful dataset to put towards targeted actions and makes reporting progress easier. We also want to understand if our colleagues feel included and that they belong. This is why we ask these questions in our quarterly engagement survey, so we can build a clearer picture of engagement and inclusion and respond to people's concerns in real-time.

Inclusion is embedded into our values and we discuss it openly in our company-wide Slack channels (Slack is our internal messaging tool). Our community groups interact in Slack (channels like #pride, #black-monzo and #neurodiversity offer safe spaces for colleagues) but we also make sure these groups have a platform and use awareness days and other events to engage and educate the whole company. Our People team collaborates with these groups to bring our strategies to life, like through our Race Inclusion Plan or by understanding where we can improve their experience and offerings. Our enhanced Caregiver Leave Policy is a good example of this.

As well as improving our caregiver leave and access to fertility and family-forming support, our colleagues now have access to gender dysphoria support too.

Diversity and inclusion reaches beyond our team. We consider customer accessibility and financial inclusion part of our vulnerability work at Monzo. Our Vulnerability, Accessibility, Inclusion and Bereavement team creates safe spaces for our customers to share their circumstances and develop inclusive products and resources that empower financial wellbeing. Our customers use our 'Share with Us' tool to tell our specialist teams about sensitive information in a way that leaves no trace.

We worked with YouGov to commission a <u>survey</u> of people living with ADHD across the UK to learn more about the extra costs caused by their condition. The majority (60%) of people told us it directly impacts their financial lives because of issues with money management, costing them, on average, an estimated £1,600 per year. Find out more in the Community and Social Matters section on page 66.

Check out our <u>2022</u> and <u>2021</u> diversity and inclusion reports to see the progress we've made in this space.



Our People policies

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

Policy	Summary	Due diligence
Recruitment and Selection	We aim to attract and hire exceptionally talented people who best meet our needs. We do this through a transparent, fair and non-discriminatory hiring process.	Finance and ExCo approve the final headcount plan.
		We're in the process of rolling out interview and bias training to the company. We'll track interviewers to confirm they've completed training.
		The Reward team determines pay ranges by level and function. The Reward team reviews and approves any 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.
Remuneration	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 Committee reviews the Policy annually with the last review in November 2022.	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.
		The Reward team reviews the relevant regulatory requirements and adapts any practices to make sure we remain compliant.

Diversity and Inclusivity

People of Colour in leadership roles

Increase 1.2%

2021

21.7%

2022

22.9%

People of Colour¹

Increase 1.4%

2021

21.7%

2022

23.1%

People of Colour in technical roles

Decrease 0.2%

2021 26.2%

2022 26.0%

Women² in technical roles

Increased 3.8%

26.5%

Women² in leadership roles

Increased 0.6%

35.6%

Staff who identify as LGBQ+

Decreased 0.9%

20.9%

Women²

Increased 0.3%

47.6%

Data as at December 2021 and December 2022.

- 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.

Our community and social matters

FY2023 has been a challenging period for our customers, and our community.

With budgets becoming increasingly stretched, we've focused on making simple, practical changes that support our customers and our community during the last year. But we've also gone further to make sure we support our customers, our team, and the communities we operate in.

Part of our social programme is our approach to the environment, which you can read about on page 69.

Empowering our community in the cost of living crisis

The cost of living crisis is affecting all of us in some way so we've worked to understand how we can best support our customers, and their finances.

We focused on practical steps to help make our customers' money go a little bit further. Our budgeting tools have already helped our customers to save over £170m in FY2023, so we made some of our most powerful budgeting features free for everyone. The balance, spending and targets views in Trends are now available for all Monzo customers, to help improve control and visibility over their day-to-day finances.

We also ran our Small Change Campaign to help our customers understand how they can make their money work for them. The campaign showcased some of the tools and behaviours our community found helpful, like roundups, where whenever you spend more than £1, we round up the difference to the nearest pound and add the spare change to a Savings Pot for you. On average, our customers saved £127 in the last financial year using roundups.

As a digital-only bank, we know first-hand how powerful access to online services and support can be for many people across the UK. But, right now, 1 in 10 low income families are struggling to afford broadband, according to Ofcom data.

Household bills are rising across the board, and according to Citizens Advice, average broadband bills could rise by an average of £65.50 next year. And, just 1.2% of those eligible for broadband social tariffs make use of them¹. These tariffs offer affordable broadband for many people receiving Universal Credit, and with prices rising, it's crucial that eligible households use the support available.

So, we're doing our part to raise awareness of this vital support to our customers, right now. We contacted over 100,000 customers who may be eligible for the scheme and updated our online resources to help direct those who may be entitled to the support.

Over the coming weeks and months, we'll continue to adapt our support as the situation develops.

Understanding the financial needs of people living with ADHD

There are an estimated 1.8 million UK adults living with ADHD in the UK, but the impact of the condition on personal finances is often overlooked. That's why, last year, we partnered with ADHD UK and the ADHD Foundation to learn more about how the condition can affect day-to-day money management, and what the financial services industry can do to help.



We conducted listening sessions with ADHD UK and commissioned a survey of those living with the condition across the UK to better understand the areas of personal finance that they find most difficult to manage, like impulse spending, managing bill payments, and debt obligations. The listening sessions also focused on the workplace, so we can better understand what we can do to support our colleagues working here at Monzo.

The majority (60%) of people we spoke to told us living with ADHD directly impacts their financial lives because of issues with money management, costing them on average an estimated £1,600 per year.

We also heard that our app's features make banking easier for people with ADHD. Things like instant payment notifications, upcoming payment reminders, and the ability to set aside money automatically were all seen as helpful. 76% of the people with ADHD we spoke with through the campaign said having a place to automatically set aside money, like a Monzo Pot, can give greater visibility of their spending.

We also found that there are barriers in everyday life for people living with ADHD that result in a financial cost, so we want to spend more time understanding how we can help.

Over the next few months we plan to publicly share the themes from the listening sessions and our commitment to improve the banking experience for customers and the working experience for our colleagues.

Supporting in-app charity donations

We know donating to charitable causes is very important to our customers, and donating directly to charities from our app has long been a requested feature.

So, last year we launched a new feature to make donations easier. Customers can now donate directly to one of our 12 chosen charities to support causes close to their heart, either with a one-off payment or on a regular basis. We chose our charity partners based on our communities best-loved charities, and our mission to make money work for everyone.

Since launch, our community has donated over £300,000 to support charities at home and abroad.

Continuing to push for gambling reform

The current economic climate makes it even more crucial that consumers are put in control of their finances. In the past six months, we've seen 90,000 customers turn on our gambling block for the first time, with the feature preventing 218,000 gambling transactions on behalf of our customers.

In last year's annual report we spoke about our campaign to make sure that banks like Monzo can extend their gambling blocks to new, innovative payment methods like Open Banking. Right now, most of the gambling blocks on the market work by blocking card payments to specific 'merchant category codes', assigned by card schemes (like Mastercard or Visa).

These codes let the bank know what type of business their customer is trying to pay before they send the money.

But, with new, non-card based payment methods becoming increasingly popular, it's crucial that the Government, and the financial services industry as a whole, can work together to offer the same protections for customers using these new payment methods to gamble.

We've previously called on the Government to use the Gambling Act to help everyone in the UK access gambling blocks no matter who they bank with, how they gamble, or how they pay. But, as Government-led reform stalls, we've continued to work with gambling industry groups to secure greater voluntary disclosures of vital information.

Last year, Klarna became the largest Open Banking provider to voluntarily integrate with our gambling block, and we've continued expanding the block to cover even more gambling providers, thanks to community feedback.

In the last year, we've blocked over 350,000 gambling transactions on behalf of our customers, and we'll continue working tirelessly to make sure that our tool offers the best possible protection for our community.

Social policies and statements

Policy	Summary	Due diligence
Vulnerable Customers	This Policy aligns with the FCA Guidance for firms on the fair treatment of vulnerable customers and covers our approach to understanding the needs of our customers, how we support our staff, our approach to product and service design, communications and how we monitor and evaluate these approaches. This helps us identify and support customers who are more likely to have difficulties managing their money or interacting with us, so we can give them the best experience possible.	 We regularly review these areas. Customer support interactions to make sure we're providing a tailored and flexible service to customers with additional needs. Our guidance and processes to make sure they're helping us spot signs of vulnerability in the best way and meet the needs of our customers. Internal and external trends to understand where we should focus our efforts and drive initiatives to improve our product and service design.
Financial Health	This Policy covers how we support customers that owe us in a way that's fair, transparent and focused on delivering good customer outcomes.	 We regularly review these areas. Customer support interactions, to make sure we've complied with all relevant regulations and guidance, and resolved customers' issues. Our procedures and guidance, to make sure they're still fit for purpose and delivering good customer outcomes.
Accessibility Statement	Our Accessibility statement applies to both physical and mental health and we're committed to making our products and services as inclusive and accessible to everyone regardless of ability.	 We've hired a dedicated Accessibility and Inclusion Manager this year, who will regularly review these areas. Customer support interactions to make sure we're providing a tailored and flexible service to customers with additional needs. Our guidance and processes to make sure they're inclusive and meeting the needs of our customers. Internal and external trends to understand where we should focus our efforts and drive initiatives to improve our product and service design.

Our approach to the environment

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

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

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

Building our climate programme

Last year we focused on tackling our carbon footprint through measures to reduce our emissions and by purchasing our first carbon removals. We also created an Environmental and Climate Risk Policy. This year we've focused on the integrity of our emissions data so we can continue to be transparent about what causes our carbon footprint. We've also spent time preparing for new and evolving climate related regulatory and reporting requirements so we remain compliant as

we grow. Another key focus has been our Scope 3 emissions reduction planning.

Getting to net zero emissions by 2030

We aim to get to net zero by reducing the emissions in our carbon footprint as much as possible, including emissions from our supply chain which makes up the majority of our carbon footprint. We'll gather information about our third parties' environmental, social and governance plans, like their commitments towards net zero emissions.

We'll engage with our supply chain to better understand their environmental goals and how we can work collaboratively to reduce our impact on the environment. To address the environmental impact of any emissions that we can't reduce through these measures, we'll fund projects to remove the equivalent amount of carbon from the atmosphere. This year we've taken action on both reductions and carbon removals.

Making our environmental impact transparent and understandable

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

We continue to commit to 3 key things.



1. Measure and report our emissions in full and to a market leading standard.

Where possible, we'll always publish our full carbon footprint on our website, including Scope 1, 2 and 3 emissions.

- Scope 1 covers things that we own that directly emit greenhouse gases into the atmosphere.
- Scope 2 covers the electricity that we buy, which generates greenhouse gases while being produced.
- Scope 3 refers to all other emissions created by sources we don't own or control, like suppliers providing us with goods and services, customers when using the app or staff when travelling to work.

When calculating emissions we follow best practice and use the most accurate methods available to us. But where the evolving environmental reporting requirements are less clear, or calculation methods are limited, we commit to identifying this clearly.

The most significant example of this is in relation to our treasury investments. While we earn interest income on these investments, we don't currently have a best practice method for measuring or reporting the emissions relating to them. When a suitable method is available, we will share these in line with our other carbon emissions based reporting.

We're investing in Environment, Social and Governance (ESG) appropriate assets where possible in line with our risk statements. We'll only make new investments in sovereigns and/or institutions that are committed to achieving net-zero carbon emissions by 2050 or sooner. If this statement isn't explicitly made, then the score on Moody's ESG tool must be a minimum of credit impact score of 2 (neutral to low impact). We also consider 0% Risk-weighted Bonds issued by

CRR-recognised multilateral development banks to be suitable for investment.

Our £2.7bn treasury investment portfolio includes £0.7bn of investments in multilateral development banks whose purpose is to encourage economic development in poorer nations. This includes green bonds where the net proceeds go towards green projects or activities that promote climate change mitigation, adaptation or other environmental sustainability purposes. They also include sustainable bonds, where the net proceeds go towards projects that are dedicated to environmentally sustainable outcomes. The rest of the portfolio is mainly UK government bonds.

We work with our climate advisor, Watershed, to help calculate our carbon emissions data (using calendar year vs our financial year data). Watershed is a software company that helps businesses understand, report on and reduce their emissions. We partner with Watershed because of their industry-leading analytics software, carbon measurement capabilities, and track record helping fast-growing businesses develop net zero plans in line with the latest globally recognised carbon emission reporting standards.

Watershed uses carbon emissions data calculations available across the industry, but emissions are calculated in United States Dollar (USD). As a result, when our carbon emissions data is converted from British Pound Sterling (GBP) to USD each month, the exchange rates can impact our final emissions results. So when the USD strengthens against the GBP, our emissions data calculations can improve, or vice versa.

2. Set climate targets that reflect our whole carbon footprint.

We'll set targets that are easy to understand and measure, and won't hide our progress by only reporting certain limited aspects of our carbon footprint. Our reduction and removal commitments will apply to everything in Scope 1, 2 and 3 of our footprint. As Scope 3 emissions represent almost all of our carbon footprint, it's critical we have a clear Scope 3 target and reduction strategy in place.

3. Keep customers updated on how we invest deposits.

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

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

Our London and Cardiff offices run on electricity from renewable energy sources, eliminating those emissions from our footprint.

We have offices in London, Cardiff and San Francisco and collectively, the electricity used to power our offices in 2022 generated 34 tonnes of CO_2 equivalent emissions (t CO_2 e), which is about 0.3% of our total carbon footprint.

Even though we're using electricity from renewable sources, there are still some emissions that result from electricity transmission and distribution loss (as the electricity reaches us using the grid). We've included those emissions in our footprint.

Our Cardiff office doesn't use any gas and our London office is part of the green gas certification scheme to help us lower emissions from gas in our offices. We've also made some changes to our kitchen taps to eliminate any emissions associated with boiling kettles and using water coolers in our London office.

We offset emissions on our business travel using TravelPerk

In 2022 we generated 397 tCO $_2$ e from colleague travel, which was about 3.6% of our total carbon footprint. To help us offset any emissions associated with business travel, we use a feature called GreenPerk, provided by TravelPerk.

Whenever Monzonauts travel, GreenPerk calculates the emissions they generate and automatically buy equivalent offsets certified to UN standards.

Spending on your Monzo card continues to be net zero

In 2022 we produced and sent out 5.4 million debit cards, generating 829 tCO₂e. But those aren't the only emissions associated with our debit cards. Networks that move money use energy and emit carbon dioxide. We capture those emissions in our carbon footprint, and we think it's important that other banks do the same. In 2022 we estimated that these card-related network emissions were about 919 tCO₂e.

Working with Watershed, we've bought our second set of carbon removals, specifically reforestation removals in Kenya, from The International Small Group and Tree Planting programme, TIST. We're removing at least the same amount of emissions from the atmosphere as we generated from the card emissions described above. This purchase covers our card emissions for 2022.

We're a member of the Tech Zero Taskforce

We continue to join forces with other leading UK tech companies as a member of the Tech Zero Taskforce. The Taskforce brings together tech companies through shared commitments for environmental goals, including net zero.

Our carbon footprint for the calendar year 2022

This is the third year we've measured our carbon footprint. We've used calendar year, rather than financial year data to measure our emissions, which means the data in this report covers the period of 1 January 2022 to 31 December 2022.

Our total gross emissions for 2022 were 12,802 tonnes of carbon dioxide equivalent, or tCO_2 e. After deducting emissions that were covered by the carbon removals we bought, net emissions for 2022 were 11,053 tCO_2 e. The graph below gives a high-level breakdown of our gross emissions by category. Watershed measures our carbon footprint consistent with the Greenhouse Gas (GHG) Protocol promoted by the World Resources Institute and the World Business Council for Sustainable Development.

Emissions by category 2022 (calendar year)

The table on the next page shows each category of 2022 emissions in tCO₂e and as a percentage of total emissions.

The category named 'More categories' contains a range of emissions that are harder to categorise:

 Card Production, packaging and distribution – 829 tCO₂e

- 2. Payment processing 919 tCO₂e
- 3. Travel 397 tCO₂e

Under the GHG Protocol, the majority of our emissions (99.4%) fall under Scope 3. A total of 0.3% of emissions fall under Scope 1, and 0.3% of emissions fall under Scope 2 (these are from electricity usage in our offices). This reflects the inherent nature of our business model, as a digital bank.

Scope 1 emissions are a result of activities we own or control that release emissions into the atmosphere.



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

By comparison, our overall emissions for the calendar year 2021 were slightly lower, at 12,460 tonnes of carbon dioxide equivalent, or tCO_2e . In 2020 our overall emissions for the calendar year were 9,333 tCO_2e , with this lower number reflective of the situation during the pandemic. In 2019 our overall emissions for the calendar year were 12,430 tCO_2e .

We also measure our emissions intensity as well as our overall emissions volumes. This measure shows the amount of tCO_2 e that we emit for every £1m of revenue that we earn. As we continue to grow as a business, our overall carbon footprint by volume is likely to continue to increase before reducing as we get closer to 2030. But, emissions intensity helps us distinguish between the growth of our business and the growth of our emissions.

In 2022 our gross emissions intensity was $41\,\mathrm{tCO_2}$ e per £1m of revenue. In 2021, our gross emissions intensity was $92\,\mathrm{tCO_2}$ e per £1m of revenue. After deducting emissions that were covered by the carbon removals we bought in 2021, our net emissions intensity ratio was $83\,\mathrm{tCO_2}$ e per £1m of revenue. Similarly, in 2022 our net emission intensity ratio was $36\,\mathrm{tCO_2}$ e per £1m of revenue.

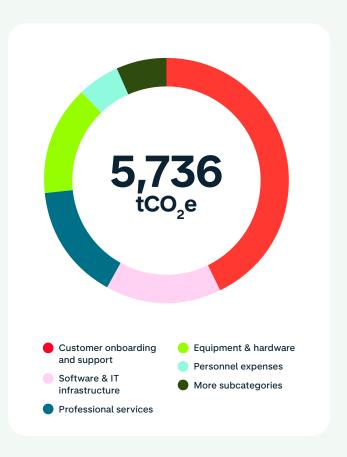
The significant reduction in emission intensity by revenue was driven primarily by a year-on-year increase in interest income. An alternative means of assessing emissions intensity is to use colleague count, rather than revenue. Our gross emission intensity per colleague fell from $7tCO_2$ e per colleague in 2021 to 5.4 tCO_2 e per colleague in 2022.

Emissions category	tCO ₂ e	Percentage of total emissions
Goods & services	5,736	44.80%
Marketing	1,558	12.17%
Colleagues	1,242	9.70%
Offices	1,071	8.36%
Cloud	1,050	8.20%
More categories	2,145	16.76%

The category called 'Goods & services' makes up the majority of our footprint. To give more context, the chart below shows the subcategories covered under 'Goods & services'.

The category named 'More subcategories' contains a range of smaller emissions that fall under 'Goods & services'. To give more context, the largest components are:

- 1. Insurance and bank fees 127 tCO₂e
- 2. Office visits 19 tCO₂e
- 3. Colleague expenses 201 tCO₂e



Streamlined Energy and Carbon Reporting (SECR) GHG emissions and energy use data for period 1 Jan 2022 to 31 Dec 2022

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

The table on this page shows our energy use and associated GHG emissions for the calendar year 2022. Specifically, our energy usage in Kilowatt Hours (KWH) converted into tCO2e, and emissions intensity ratios.

		Jan-Dec 2022		Jan-Dec 2021
	UK and offshore	Global (excluding UK and offshore)	UK and offshore	Global (excluding UK and offshore)
Energy consumption used to calculate emissions	886,191 kWh	142,122 kWh	1,124,177 kWh	6,236 kWh
Emissions from combustion of gas (Scope 1) ¹	0 tCO ₂ e	0 tCO ₂ e	11.8 tCO ₂ e	0.7 tCO ₂ e
Emissions from combustion of fuel for transport purposes (Scope 1)	0 tCO ₂ e	0 tCO ₂ e	0 tCO ₂ e	0 tCO ₂ e
Emissions from business travel in rental cars or colleague-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	6.8 tCO ₂ e	0 tCO ₂ e	1.8 tCO ₂ e	0.0 tCO ₂ e
Emissions from purchased electricity, heat, steam, and cooling (Scope 2, location-based)	171.4 tCO ₂ e	33 tCO₂e	463.6 tCO ₂ e	0.5 tCO ₂ e
Total gross tCO ₂ e based on above fields	178.1 tCO ₂ e	33 tCO ₂ e	477.2 tCO ₂ e	1.2 tCO ₂ e
Intensity ratio: tCO ₂ e per £ million of revenue based on the above fields		0.68		3.53
Intensity ratio (gross emissions): tCO ₂ e per colleague based on the above fields		0.09		0.27
Intensity ratio (gross emissions): Full Scope 1, market-based 2, and 3 tCO $_2$ e per £ million of revenue		41.7		91.9
Intensity ratio (net emissions): Scope 1, market-based 2, and 3 tCO $_2$ e per £ million of revenue		35.7		82.6
Intensity ratio (gross emissions): Scope 1, market-based 2, and 3 tCO ₂ e per colleague		5.4		7.0
Intensity ratio (net emissions): Scope 1, market- based 2, and 3 tCO ₂ e per colleague		4.6		6.3

¹ Under SECR requirements this line only reports Scope 1 emissions related to the combustion of gas, not the other elements driving Scope 1 emissions (e.g. refrigerants).

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

Our environmental policies

Policy	Summary	Due diligence
Environmental & Climate Risk	This Policy helps make sure that we're meeting our responsibility to fight the climate crisis, by understanding and mitigating our impact on the environment. Specifically, to meet our goal of reaching net zero emissions as a business by 2030.	We have an accountable executive and Board member for our environmental work. Our Enterprise Risk and Compliance Committee approved a refreshed version of the Policy in February 2023. We'll report to our accountable executive and Board member on progress against our environmental goals every six months.

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

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

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

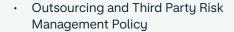
We're committed to preventing financial crime and have clear lines of internal accountability, responsibility and reporting in place. This year, as part of our ongoing Financial Crime Change programme, we've spent time further enhancing and embedding our Anti-Bribery, Fraud and Financial Crime policies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

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

We reviewed our anti-bribery and corruption controls in the last quarter of FY2022, which created a number of actions to strengthen our controls. We've completed those actions and we continue to invest in and develop this area to make sure we, our colleagues and society in general are protected.

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

- · Conflicts of Interest Policy
- · Whistleblowing Policy



- Procurement Policy
- Market Abuse Policy
- Financial Crime Policy
- · Gifts & Entertainment procedure.

We completed a bribery and corruption risk assessment

The risk assessment found the following things.

- · Our inherent bribery risk remains low.
- As our business activities have continued to grow, the risk of bribery and corruption increases but not enough to move our inherent risk position from low.
- Our controls are effective, resulting in a very low residual risk rating.

Colleagues are aware of the risks and what each of us needs to do

Everyone at Monzo completes onboarding and annual training on anti-bribery and corruption as part of the gifts and entertainment module. We added to that this year through role-specific training to further increase awareness of bribery and corruption.

To keep bribery and corruption front-of-mind, we send regular company-wide communications to remind Monzonauts of their responsibilities when giving or being offered a gift or entertainment. Because of this we've seen an increase in gifts and entertainment being declared. We believe this is partly due to our awareness efforts and the risk culture in place, but also due to increases in the number of suppliers we work with and returning to normal after the COVID-19 pandemic.



To further support our colleagues, we've also made improvements to our Anti-Bribery and Corruption Policy and procedures. An external firm independently validated the improvements we made as being sufficient and proportionate to the nature, scale and complexity of our business.

We check that third parties are reputable and share our values

Any third parties we choose to work with must comply with all applicable laws, regulations and standards, and confirm that they (or any associated party) haven't been involved in human trafficking or slavery activity as defined by the Modern Slavery Act 2015. The due diligence also checks each supplier's exposure to bribery and corruption when considering risk factors like jurisdictional risk. We assess this risk as part of our Third Party Onboarding and Oversight procedures, which are supported by our internal policies. Where we identify a risk, either through our onboarding process or reassessing our existing third parties, we make a plan and commit to managing it.

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

Our plans for FY2024

In FY2024 we'll continue to risk assess, review and develop our anti-bribery and corruption control framework when needed.

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.
- Continue to work with third parties to make sure that appropriate standards are in place and work with them to resolve known weaknesses to protect us.
- Continue completing regular quality assurance to help identify any ongoing weaknesses in our processes.
- Continuing to test and evaluate the effectiveness of our controls on an ongoing basis.
- Complete an annual review and update of the Anti-Bribery and Corruption Risk Assessment to check we're making progress on our overall control framework and consideration of ongoing risk development and exposure.
- Further improve the gifts and entertainment reporting and approval process through a combination of control owner testing and user experience.



Human rights

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

We report under the requirements within the Modern Slavery Act, our most recent Modern Slavery and Human Trafficking statement can be found on our website. We continue to develop our policies and procedures to strengthen our approach to human rights, whether in the workplace, across our customer base or our third parties.

Human rights and the workplace

The people on our team are vital in our mission to make money work for everyone, and we're committed to making sure that everyone who works at Monzo is given the opportunity to grow both personally and professionally.

As part of this, we continue to invest in benefits that have a positive impact on people both inside and outside of work. This year, we've increased the amount of paid time off offered to all parents and guardians welcoming a new child to their family. We've also introduced season ticket loans to help cut the costs of commuting. Right from the start of Monzo, all colleagues have always had the option to work from home, choosing the environment that helps them feel most comfortable.

As the cost of living crisis continues to unfold, we've set up a focus group dedicated to supporting those who might be impacted. We've offered a support payment of £1,250 to all colleagues on an annual salary of £40,000 or less, and continue to train mental health first aiders across the business to build a support network for all colleagues.

We can only make money work for everyone when our team represents society as a whole. Diversity has and always will be key to us building a high performing and happy team, as well as creating an empowering work environment for all people. We provide a healthy and safe workplace where mutual respect is key and discrimination isn't tolerated.

Our Whistleblowing Policy continues to give team members a way to safely and confidentially speak up, should they need to.

Human rights in our supply chain

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

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

Last year we committed to making sure our suppliers confirm that they or any associated party haven't been involved in human trafficking or slavery activity as defined by the Modern Slavery Act and recording any identified risks in our vendor management platform.

In 2022 we launched our third party code of conduct and trained our relationship managers to identify and manage third party risks (for example: through negative media and whistleblowing). Our code sets out the standards we expect our third parties to meet, including modern slavery. All third parties must attest to this code before we award a contract with them. We then track their compliance with the code in our vendor management platform.

Human rights and our customers

This year, we spent time further improving our financial crime risk assessment and transaction monitoring controls to help identify 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.

Our Financial Intelligence Unit works closely 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 of criminal assets.
- Contribute to law enforcement efforts to increase awareness on indicators of sexual exploitation, labour exploitation and the risk of modern slavery.
- Identify 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 is that we are "truly groundbreaking in our approach", and they hope "it can inspire other institutions to up their game". Further feedback received was that "Monzo's approach is fantastic and it's a pleasure interacting with them" and "Monzo's financial crime partnership mindset is exemplary".

We've also been doing a lot of work internally in this space. Here are some examples of the work we've been doing.

- Improved the detection of both victims and perpetrators of sexual exploitation.
- Continue to proactively engage with specialist units in law enforcement as well as third sector organisations (for example, charities) on modern slavery investigations and indicators of this 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.

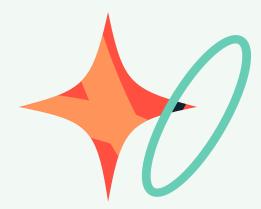
As we grow, we're investing heavily in our Financial Crime Framework to make sure that everyone at Monzo has the tools they need to stop modern slavery, human trafficking and all financial crimes.

Our plans for FY2024

Looking ahead, we'll continue to embed steps and measures into our day-to-day processes focused on the riskiest areas, to recognise the pervasive nature of modern slavery and trafficking risks.

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

- Monitor responses to our third party code of conduct and sample audit compliance.
- Develop and improve our ability to improve detection rate and coverage.
- Continue to proactively engage with law enforcement and other specialist units on modern slavery investigations.



Group Directors' report

The directors present their report and audited financial statements for the year ended 28 February 2023 for Monzo Bank Limited (The Bank) and the Monzo Group (The Group).

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



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

Directors

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

- G Hoffman (Chair)
- · TS Anil
- E Burbidge
- J Davies
- V Dias
- A Kirk
- F McBain
- P Riese (resigned 30 June 2022)
- I Runham
- K Woollard (resigned 1 January 2023)
- M Bromberg (appointed 1 March 2023)

Results and dividends

The consolidated loss for the year after taxation was £116.3m (FY2022: loss of £119.0m). The directors are not recommending a final dividend (FY2022: £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 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. These shares made up 0.60% of our issued share capital. See Note 30.

Events since the balance sheet date

There have been no material post-balance sheet events.

Financial Instruments

Monzo enters into material financial instruments as part of our normal business operations, see Note 21 for more details. Our financial risk management framework can be found in the 'Risk' section of the Strategic Report on pages 24-27. Notes 22, 24 and 25 provide 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 14.

Policy on employing people living with disabilities

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

We make reasonable adjustments to support all disabled job applicants and colleagues. 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 parttime 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 'Governance' section of the Strategic Report. You can find this on page 55.

Our approach to the environment

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

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

We've prepared these statements on a going concern basis

In line with 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 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 2024, 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). 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 these.

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

 Expected costs from legal or regulatory proceedings.

Business customer deposits

The capital surplus we hold above our going concern trigger point has decreased from £425m at 28 February 2022 to £273m at 28 February 2023. This was due to a £111m increase in our capital requirements driven by higher RWAs from balance sheet growth, along with a decrease in available capital driven largely by our regulatory loss for the year. Our base scenario shows that we'll have enough capital to remain a going concern throughout our business planning horizon to February 2028, without raising more capital or issuing debt.

This base scenario includes the end state requirements of MREL becoming applicable. In December 2022 the PRA told us that our end state MREL would be 1.3x TCR, which is lower than the original 2.0x TCR we expected in FY2022. We're also monitoring the potential impact Basel 3.1 may have on us, which is now due to be implemented in January 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 to understand the impacts of a severe but plausible stress scenario on our assessment and how robust our base case is to external shocks.

The stress scenarios are based on severe but plausible situations and are aligned to our ICAAP scenarios. The stressed model impacts on aspects of our plan like customer growth, Point of Sale volumes, subscription revenue and expected credit losses. We've also assessed the actions management can take to preserve capital in the event of a stress, while minimising the impact on customers. These actions include cutting staff costs and tightening credit requirements to reduce loan and overdraft defaults. These actions sufficiently mitigate the impact of the stress scenario to make it manageable.

We've detailed the stresses we applied below.

below plan thereafter.

Reduction of 11% vs plan from September 2023 onwards.

Stress scenario lever	Assumption	Stress scenario
Business customer growth	Sign-up figures will be in line with business birth and death figures seen in the 2008 financial crisis.	Reductions of 4% to 33% vs plan depending on month.
Transaction volumes	Transaction volumes fall across the UK, EU and RoW.	Reduction vs plan of UK 9%, EU 10% and RoW 11% until June 2024 and then 3.5% reduction vs plan across all regions thereafter.
Monzo Plus and Monzo Premium subscription growth	Fall in new customer sign-ups. Higher proportion of subscription customers choose Monzo Plus rather than Monzo Premium. Delay of one year to planned product growth and reduction in planned growth rates.	50% decrease in new customer sign-ups. Split of subscription customers 90% Monzo Plus/10% Monzo Premium up to June 2024 and then 75% Monzo Plus/25% Monzo Premium from July 2024 onwards.
Central bank interest rates	Decrease in base rate aligned to downward shock scenario published by Bank of England in October 2022.	Base rate falls to 3.15% from March 2023, reducing to 2.9% from November 2023 and finally to 2.65% from March 2024.
Business revenue per active customer	Fall in revenue per customer for three years, returning to plan thereafter.	14% decrease vs plan in revenue per customer, rising to a 19% decrease vs plan by February 2024. Then falling back to around 16% below plan by end of assessment period.
Retail customer deposits	Decrease in customer deposits.	Reduction vs plan by 10% gradually from March 2023 until September 2024 and then remaining around 10%

Decrease in business deposits.

Stress scenario lever	Assumption	Stress scenario
Borrowing	Increase in credit loss expenses.	ECL model adjusted for stressed macroeconomic data resulting in increased levels of expense.

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

We maintain a strong liquidity position with the majority of our assets being 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 2022 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.
- A marketwide scenario where, although we're not singled out against competitors, it might affect our liquidity due to the inherent liquidity risk associated with fintechs and early stage banks.
- A combined stress scenario which although less likely than the above, would result should the two above stresses take place at the same time.
- A combined cyber attack scenario with the same scenario horizon of 90 days as the combined

scenario above, but more severe as it includes two cyber attacks over a period of two weeks.

- A slow bleed scenario with a 365-day horizon covering the entire period of the ILAAP 2022 that results in a slow outflow of deposits due to increased competition in the online banking market.
- An intraday stress scenario also forms part of our suite of stresses.

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

We believe Monzo Bank 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 on page 28.

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

flui

James Davies Director 30 May 2023

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 to prepare the Bank and Group financial statements in accordance with UK adopted international accounting standards.

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

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

Jams

James Davies Director 30 May 2023



Financial statements

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

Opinion

In our opinion:

- Monzo Bank Limited's Group financial statements and Parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Parent company's affairs as at 28 February 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;

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

We have audited the financial statements of Monzo Bank Limited (the 'Parent company' or 'the Bank') and its subsidiaries (the 'Group') for the year ended 28 February 2023 which comprise:

Group	Parent company
Consolidated statement of financial position as at 28 February 2023	Statement of financial position as at 28 February 2023
Consolidated statement of comprehensive loss for the year ended 28 February 2023	Statement of comprehensive loss for the year ended 28 February 2023
Consolidated statement of changes in equity for the year ended 28 February 2023	Statement of changes in equity for the year ended 28 February 2023
Consolidated statement of cash flows for the year ended 28 February 2023	Statement of cash flows for the year ended 28 February 2023
Related Notes 1 to 35 to the financial statements, including a summary of significant accounting policies	Related Notes 1 to 35 to the financial statements including a summary of significant accounting policies

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

Basis for opinion

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

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

Conclusions relating to going concern

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

How we evaluated the Directors' assessment

Risk Assessment Procedures

- Through discussions with Management and review of supporting evidence, we updated our understanding of the Bank's overall regulatory requirements and current and forecast capital and liquidity positions;
- We made inquires of the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') to understand their perspectives on the Bank's risks and their areas of focus in regulating the Bank;
- We obtained an understanding of Management's basis for use of the going concern basis of accounting through reviewing the going concern assessment for the fifteen months ended 31 August 2024 and underlying forecasts and assumptions, and through inquiries of Management and those charged with governance;
- We have independently identified factors that may indicate events or conditions that may cast significant doubt on the Group and Parent company's ability to continue as a going concern, including wider qualitative considerations such as, cyber risk, 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. We also considered going concern to be a key audit matter;
- The audit engagement partner, a range of internal specialists and other senior members of the audit team increased their time directing, performing

and supervising the audit procedures over going concern, including continual risk assessment throughout the audit.

Management's Method

- We confirmed our understanding of Management's going concern assessment process, and the process by which the budget and related going concern forecasts are created and approved. We engaged with Management early to ensure all key factors that we considered to be material were considered in the Group and Parent company's going concern assessment;
- We obtained the forecast approved by the Board, covering the period of Management's going concern assessment to 31 August 2024;
- 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 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 inquired of Management as to their knowledge of events or conditions beyond the period of assessment and read published announcements from the PRA that we considered had the potential to impact the Bank's capital resource and/ or requirements.

Assumptions, Stress testing and Management plans for future actions

- We evaluated the relevance and reliability of the underlying data used in the going concern assessment and tested assumptions to third party evidence, where appropriate. This included direct testing of information produced by the entity, and other procedures including back-testing of key assumptions;
- We used our internal regulatory specialists to evaluate the appropriateness of Core Equity Tier 1 capital and Tier 2 debt classification, inspect regulatory correspondence and make inquiries in relation to anticipated changes in regulatory capital requirements to assess the overall impact of the capital calculations on the going concern assessment. We also used them to reconcile the Bank's liquidity position to its regulatory liquidity reporting returns and challenge the assumptions within the Bank's liquidity forecasts over the going concern period to assess the risk of a liquidity shortfall or breach of leverage ratio in the going concern period;
- We used our internal valuation specialists to challenge the appropriateness of management's forecasts. This included assessing historical forecasting accuracy and performing sensitivity analysis on individual assumptions and composite scenarios 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 Bank, under a stressed and reverse-stressed scenario over the going concern period in order to

- determine the feasibility of such actions in the current circumstances;
- We evaluated events occurring post the balance sheet date, including reviewing actual performance versus the forecasted plan, in order to assess any impact on the going concern assessment;
- We note significant uncertainties within the base case scenario used within the going concern assessment. These uncertainties are outlined by the Directors as a specific risk within the 'principal risks and uncertainties' disclosure within the Strategic Report. We assessed the reasonableness of the assumptions used and independently applied a series of severe stresses to determine if there was any significant impact on the solvency of the Group.

Disclosures

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

Our key observations

Our evaluation of the Directors' going concern assessment covers the period to 31 August 2024, consistent with the period assessed by the Directors.

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

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

Conclusion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of fifteen months to 31 August 2024 from the date of the issuance of the financial statements.

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

Overview of our audit approach

Audit scope	We performed an audit of the complete financial information of one component and audit procedures on specific balances for a further two components.
	The components where we performed full or specific audit procedures accounted for 100% of Loss before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	Consideration for Going Concern
	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 £4.2m which represents 0.9% of equity (FY2022: £4.2m representing 0.8% of equity).

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

Tailoring the scope

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

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

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

The scoping for the current year is as follows:

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

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

	Full scope*	Specific scope†	Total
Loss before tax	95%	5%	100%
Revenue	99%	1%	100%
Total assets	99%	1%	100%

^{*} Full scope: audit procedures on all significant 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 31 in the "Our principal risks and uncertainties" section and 69–74 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 102. 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.

In addition to the key audit matters in the table below our response to the going concern key audit matter is set out in the 'Conclusions relating to going concern' section of this report.

[†] Specific scope: audit procedures on selected accounts.

Risk

IFRS 9 Financial Instruments – expected credit loss ('ECL') provision

Expected credit loss provision of £106.0m (FY2022: £23.7m)

Refer to the Accounting policies (pages 102-105); and Note 4 of the Consolidated Financial Statements (page 108).

Credit provisions represent Management's best estimate of impairment and significant judgements and estimates are made in determining the timing and measurement of expected credit loss ('ECL').

The key judgements and estimates in respect of the timing and measurement of ECL include:

- The accounting interpretations, modelling assumptions and data used in the models that calculate ECL:
- Inputs and assumptions used to estimate the impact of the multiple economic scenarios including appropriate weightings for the various scenarios;
- c. Allocation of assets to Stage 1, 2 or 3 using criteria in accordance with IFRS 9: and
- d. Completeness and valuation of post model adjustments, including the risk of management override.

Our response to the risk

We undertook a substantive audit approach and performed the following procedures:

We have involved modelling specialists in performing a risk assessment on all models involved in the ECL calculation and selected a sample of models to test.

Accounting interpretations, modelling assumptions and data used in models used to calculate ECL

- We have involved accounting specialists to assist the audit team in assessing the reasonableness and compliance of Monzo's accounting policies with IFRS 9.
- We have involved modelling specialists to assist us in testing 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.
- 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 reconciled a sample of data feeding the models to
 underlying support.

Inputs and assumptions used to estimate the impact of multiple economic scenarios

We involved our economic and modelling specialists to assist us in evaluating the
appropriateness of the macroeconomic inputs used by the Bank in the determination of ECL
and compared those inputs to external sources to assess their reasonableness. This includes
the evaluation of the base and alternate economic scenarios (including consideration of
current matters such as cost of living crisis, expectations of rise of interest rates, inflation
etc.), and probability weights applied to each of the scenarios adopted by the Bank.

Allocation of assets to Stage 1, 2 or 3

- We evaluated the criteria used to allocate a financial asset to Stage 1, 2 or 3 with the
 assistance of our accounting specialists. This included peer benchmarking to assess the
 reasonableness of staging allocations.
- We then recalculated the staging of all products to assess whether they were allocated
 to the appropriate stage and in line with the Bank's set criteria and performed sensitivity
 analysis to assess the impact of different staging criteria on the ECL.

Post model adjustments including the risk of management overrides

We have tested post modelling adjustments with the assistance of our modelling specialists.
 This included an assessment of the completeness and appropriateness of post modelling adjustments by considering the judgements, sensitivities, model validation results and governance of these adjustments.

Stand-back challenge

We additionally performed a stand-back analysis to assess whether the IFRS 9 impairment
provisions recorded by management were reasonable and how this compares to other
market participants. In completing this analysis, we considered the nature and type of
products offered by the Bank, performed benchmarking across other similar institutions
considering both staging percentages, provision coverage, modelled adjustments and
evaluated the overall reasonableness of economic recovery assumptions.

Key observations communicated to the Audit Committee

Our testing of models, model assumptions and post model adjustments identified some instances of over and under estimation when compared to our point estimate. We aggregated these differences and were satisfied that the overall estimate recorded was reasonable.

We also considered the overall provision levels against available peer information and our understanding of the credit environment. We highlighted to the Committee that there remains increased uncertainty in determining forecast losses due to the prevailing uncertain economic environment.

Overall, we are satisfied that the provisions for the impairment of loans and advances to customers are reasonable and recognised in accordance with IFRS 9.

Risk

Valuation and accounting treatment of sharebased payments

Share-based payments expense in the current year is £29.1m (FY2022: £23.3m)

Refer to Note 32 (page 157–159) of the consolidated financial statements.

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.

We remain alert to the possibility of management override in other areas of the preparation of the financial statements.

Our response to the risk

In respect of the current year share-based payments expense, we undertook a substantive audit approach and performed the following procedures:

- We involved our technical accounting experts to assess whether the accounting policy relating to share-based payments is in accordance with IFRS 2: Share-based payment.
- We involved valuation specialists to assess the reasonableness of the following share-based payments parameters:
 - Risk free rate, volatility, expected life, dividend yield and share price as inputs into the valuation model.
 - Completeness of the parameters in the valuation model.
 - Methodology design of the valuation model.
- We tested the completeness of share-based payments expense by performing the following procedures:
- We reconciled share options granted with the share options recorded in the expense calculation.
- We reconciled the employees in the payroll expense to those in the share-based payments expense. For a sample of employees in payroll expense that were not recorded in the share-based payments expense, we obtained confirmation that share options had not been granted to these employees.
- We performed cut-off procedures at the balance sheet date and for a sample of share options granted before the year end but recorded post year end, to determine whether they were recorded in the correct period.
- We vouched a sample of options granted to underlying share-based payments option certificates and employment contracts and reviewed the key terms and conditions of those contracts to ensure they are accounted for correctly in line with IFRS 2.
- We tested the mathematical accuracy of the share-based payments expenses and performed a reconciliation between the valuation outputs and the general ledger.
- We reviewed the IFRS 2 gap analysis performed by Management to ensure that the accounting for share-based payments was being done correctly and in line with IFRS 2 requirements.
- We have reviewed Management's accounting policy and ensured that the disclosures are correctly presented in the financial statements.

Key observations communicated to the Audit Committee

We concluded that the valuation, accounting treatment and disclosures relating to share-based payments are reasonable and in accordance with IFRS.

Risk

Improper revenue recognition – Effective interest rate ('EIR') income recognition

Interest income on Loans and advances to customers in the current year is £89.7m (FY2022: £30.9m).

Refer to the accounting policies for EIR income recognition (page 102); and Note 2 (page 106) 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 Bank currently calculates interest income from personal loans, overdrafts and Flex loans using the simple interest rate method and evaluates the deviation from the EIR method. We determined that the calculation of interest income using the effective interest rate method to be subjective in its application and involves a number of judgemental assumptions used.

Our response to the risk

To address the identified risk of EIR revenue recognition relating to personal loans, overdrafts and Flex loans, we took a substantive audit approach and performed the following audit procedures:

- We involved our technical accounting experts to assess the Group's technical accounting policy and associated disclosures relating to EIR on 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 Monzo's own assessment.
- We 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 Monzo and verified that the risk was not applicable.

We agreed quantitative disclosures to source data and ensured qualitative disclosures are compliant with the accounting standards.

Key observations communicated to the Audit Committee

We independently determined that Monzo's assessment that the use of simple interest rate as a proxy to EIR would not drive a material misstatement. We therefore concluded that the revenue recognised for the year as it relates to personal loans, overdrafts and Flex loans was reasonable.

Our application of materiality

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

Materiality

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

We determined materiality for the Group and the Parent Company to be £4.20 million (FY2022: £4.23 million), which was 1% of the low point of the forecasted stressed equity position during the going concern period. This is equivalent to 0.9% (FY2022: 0.8%) of equity as at 28 February 2023. We believe that equity reflects the most useful measure for users of the financial statements, given that the Group is loss making, operates in a regulated industry and is subject to regulatory capital requirements regarding liquidity and solvency.

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

Performance materiality

The application of materiality 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% (FY2022: 50%) of our planning materiality, namely £2.10m (FY2022: £2.11m). We set performance materiality at this percentage (which is the lowest in the range per our audit methodology) based on various considerations including the past history of misstatements, the effectiveness of the control environment and other factors affecting the entity and its financial report.

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 £210k (FY2022: £212k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the Parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will

always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the 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 quidance
- 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 have included the details of significant risks and the procedures performed to address those within the 'Key Audit Matters' section of this report.

Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of senior management, legal counsel, compliance, internal audit, and those charged with governance, review of correspondence with regulatory bodies and minutes of meetings of the 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 at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the Parent company on 28 February 2017 to audit the financial statements for the year ending 28 February 2017 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 7 years, covering the years ending 28 February 2017 to 28 February 2023.
- 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.



Rhys Taylor (Senior statutory auditor) for and on behalf of Ernst & Young LLP, Statutory Auditor London 30 May 2023

Notes:

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

Statement of comprehensive income

For the year ended 28 February 2023

	Notes	Group			Company
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Interest income	2	167,956	37,809	167,956	37,809
Interest expense	2	(3,709)	(3,727)	(3,557)	(3,663)
Net interest income		164,247	34,082	164,399	34,146
Fee and commission income	3	169,095	103,270	168,971	103,206
Fee and commission expense	3	(36,212)	(22,481)	(36,212)	(22,481)
Net fee and commission income		132,883	80,789	132,759	80,725
Credit loss expense on financial assets	4	(101,203)	(14,013)	(101,203)	(14,013)
Other operating income	5	18,582	13,161	18,624	13,432
Net operating income		214,509	114,019	214,579	114,290
Personnel expenses	6	(175,325)	(130,151)	(171,472)	(126,578)
Depreciation & impairment expense	15	(7,601)	(8,311)	(7,284)	(8,165)
Other operating expense	9	(147,342)	(94,405)	(151,174)	(99,528)
Total operating expense		(330,268)	(232,867)	(329,930)	(234,271)
Exchange differences through profit or loss		(582)	(172)	(582)	(167)
Loss for the year		(116,341)	(119,020)	(115,933)	(120,148)
Total comprehensive loss for the year, net of tax	*	(116,341)	(119,020)	(115,933)	(120,148)

^{*} We recognised £0.3m of currency translation differences in Other Comprehensive Income during FY2023 (FY2022: £0.1m).

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

The Notes 1 to 35 form an integral part of these financial statements.

Statement of financial position

For the year ended 28 February 2023

The Notes 1 to 35 form an integral part of these financial statements. The financial statements on pages page 96 to 161 were approved and authorised for issuance by the Board on 30 May 2023 and signed on its behalf by:

fluis

James Davies Director 30 May 2023

	Notes		Group		Company
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Assets					
Cash and balances at bank	11	3,101,242	3,134,540	3,098,560	3,130,233
Treasury investments	12	2,727,520	1,675,478	2,727,520	1,675,478
Loans and advances to customers	13	653,733	235,083	653,733	235,083
Other assets	14	113,495	75,200	113,085	74,921
Property, plant and equipment	15	15,325	21,836	14,320	20,662
Investment in subsidiaries	31	-	-	2,319	4,050
Collateral held with third parties	17	76,461	76,292	76,277	75,927
Total assets		6,687,776	5,218,429	6,685,814	5,216,354
Liabilities					
Customer deposits	18	5,945,947	4,440,650	5,945,947	4,440,650
Subordinated debt liability	19	14,823	14,593	14,823	14,593
Other liabilities	20	251,356	200,918	250,079	199,609
Total liabilities		6,212,126	4,656,161	6,210,849	4,654,852
Equity					
Called up share capital	30	_	_	_	_
Share premium account		944,786	944,486	944,786	944,486
Other reserves		108,117	79,186	107,791	79,189
Accumulated losses		(577,253)	(461,404)	(577,612)	(462,173)
Total equity		475,650	562,268	474,965	561,502
Total liabilities and equity		6,687,776	5,218,429	6,685,814	5,216,354

Statement of changes in equity

For the year ended 28 February 2023

Share capital	Share premium	Other reserves	Retained losses	Total equity
£'000	£'000	£'000	£'000	£'000
_	508,478	56,459	(343,043)	221,894
_	_	_	(119,020)	(119,020)
_	-	(1)	-	(1)
		(1)	(119,020)	(119,021)
	454505			454 505
_	·	_	_	454,585
_	(18,629)	_	_	(18,629)
-	-	23,387	-	23,387
_	52	(659)	659	52
_	944,486	79,186	(461,404)	562,268
_	_	_	(116,341)	(116,341)
_	_	326	_	326
		326	(116,341)	(116,015)
	210			210
_		_	_	
_	(79)	_	_	(79)
_	_	29,097	_	29,097
-	169	(492)	492	169
_	944 786	108 117	(577 253)	475,650
	£'000	£'000 £'000 - 508,478	£'000 £'000 £'000 - 508,478 56,459 - - - - - (1) - - (1) - - (1) - - (1) - - (1) - - (1) - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -	£'000 £'000 £'000 - 508,478 56,459 (343,043) - - - (119,020) - - (1) (119,020) - - (1) (119,020) - - (1) (119,020) - - (1) (119,020) - - - - - (18,629) - - - - 23,387 - - - 23,387 - - 52 (659) 659 - 944,486 79,186 (461,404) - - - (116,341) - - 326 - - - 326 (116,341) - 210 - - - (79) - - - 29,097 - - 169 (492) 492

Company	Share capital	Share premium	Other reserves	Retained losses	Total equity
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 March 2021	_	508,478	56,590	(342,683)	222,385
Losses for the year	-	-	-	(120,148)	(120,148)
Total comprehensive income for the year	_	_	_	(120,148)	(120,148)
Shares issued Cost of issuance	-	454,585 (18,629)	- - 27.257	- -	454,585 (18,629)
Share-based payments reserve Exercise of options	_	- 52	23,257 (658)	- 658	23,257 52
Balance as at 28 February 2022	-	944,486	79,189	(462,173)	561,502
Losses for the year	_	_	-	(115,933)	(115,933)
Total comprehensive income for the year	_	_	_	(115,933)	(115,933)
Shares issued Cost of issuance	- -	210 (79)	- -		210 (79)
Share-based payments reserve Exercise of options		- 169	29,096 (494)	- 494	29,096 169
			(.51)		
Balance as at 28 February 2023	_	944,786	107,791	(577,612)	474,965

The Group's share capital as at 28 February 2023 was £19 (FY2022: £19) which is shown as £nil (rounded to £'000) in the above table. See Note 30 for further detail. In the current year, we released £492k of reserves related to share options exercised from other reserves into retained losses (FY2022: £659k).

Statement of cash flows

For the year ended 28 February 2023

	Notes	Group			Company
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Cash flows from operating activities					
Loss for the year		(116,341)	(119,020)	(115,933)	(120,148)
Adjustments for non-cash items:					
Depreciation & impairment expense	15	7,601	8,311	7,284	8,165
Share-based payments	6	29,100	23,254	28,340	22,335
Loss on disposals and write-offs		510	495	511	495
Loss on impairment of investment in subsidiaries	31	_	-	5,106	5,352
Increase in provisions	20	8,787	(290)	8,787	(290)
Loss on warrants	9	23	502	23	502
Net interest expense on leases	2	1,191	1,690	1,039	1,626
Interest expense on subordinated debt	2	2,031	1,958	2,031	1,958
Interest on collateral		403	-	403	-
Interest on treasury investments	2	(29,392)	(2,381)	(29,392)	(2,381)
Changes in operating assets and liabilities:					
Movement in loans and advances to customers	13	(418,650)	(147,936)	(418,650)	(147,936)
Movement in customer deposits	18	1,505,297	1,316,604	1,505,297	1,316,604
Movement in other assets (excluding RDEC claim)	14	(36,597)	30,628	(36,466)	31,146
Movement in RDEC claim receivable	14	(1,698)	(186)	(1,698)	(186)
Movement in collateral held with third parties	17	(169)	(19,978)	(350)	(20,007)
Movement in other liabilities excl. leases	20	46,717	(77,125)	46,863	(77,335)
Net cash from operating activities		998,813	1,016,526	1,003,195	1,019,900
Cash flows from investing activities					
Purchase of treasury investments	12	(1,495,059)	(1,310,560)	(1,495,059)	(1,310,560)
Interest received on treasury investments	2, 12	14,892	5,048	14,892	5,048
Proceeds from sale and maturity of treasury investments	12	457,517	9,000	457,517	9,000
Purchase of property, plant and equipment	15, 16	(3,453)	(4,383)	(3,428)	(4,357)
Investment in subsidiaries		_	-	(2,609)	(6,095)
Net cash from investing activities		(1,026,103)	(1,300,895)	(1,028,687)	(1,306,964)

	Notes	Group			Company
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Cash flows from financing activities					
Net proceeds from issuance of ordinary shares		300	436,008	300	436,008
Payment of interest portion of lease liabilities	16	(1,988)	(385)	(1,818)	(385)
Payment of principal portion of lease liabilities	16	(3,075)	(7,136)	(2,979)	(7,043)
Issuance of subordinated debt and warrant liability	19	-	14,812	-	14,812
Interest paid on subordinated debt liability	19	(1,801)	(1,765)	(1,801)	(1,765)
Net cash from financing activities		(6,564)	441,534	(6,298)	441,627
Effect of exchange rates on cash and cash equivalents		556	7	117	-
Net (decrease)/ increase in cash and cash equivalents		(33,298)	157,172	(31,673)	154,563
Cash and cash equivalents at beginning of year		3,134,540	2,977,368	3,130,233	2,975,670
Cash and cash equivalents at end of year		3,101,242	3,134,540	3,098,560	3,130,233

Notes to the financial statements

For the year ended 28 February 2023

1. Significant accounting policies

a. Reporting entities

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

b. Basis of preparation

We've prepared the individual and consolidated financial statements on a historical cost basis, except for instruments carried at fair value, in accordance with UK adopted international accounting standards.

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

We present our statement of financial position in order of liquidity. We base this on our intention and ability to recover, or settle, the majority of assets, or liabilities, in the financial statement line. We have assessed our level of exposure to climate risk, as well as our climate related targets with regards to these Financial Statements and consider them to have limited impact as at 28 February 2023. 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 February 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 Company was unable to continue as a going concern.

c. Summary of significant accounting policies

i. Basis of consolidation

Monzo Bank Limited has two wholly-owned subsidiaries, Monzo Inc. and Monzo Support US Inc., incorporated in Delaware, U.S. Monzo Bank Limited has prepared consolidated accounts under IFRS 10 Consolidated Financial Statements.

The consolidated financial statements include the results of the Company and its subsidiaries. The subsidiaries are the entities over which Monzo Bank Limited exercises control. Control exists when the Company has the power to govern the relevant activities of an entity 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.

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

ii. Foreign exchange

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

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

iii. 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.

As we don't charge fees, premiums or apply discounts on our customer lending products, there is no material difference between the simple and effective interest rate methods.

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.

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

We've recognised fee and commission income and other operating income for the year according to the principles of IFRS 15 Revenue from Contracts with Customers using the five-step model:

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

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

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

 Transaction income includes Interchange income and ATM fees. Interchange income is recognised at the point that the transaction is cleared. The amount is based on the presentment values which confirm that the performance obligations have been met.
 ATM fees are recognised at the point at which the ATM transaction takes place.

- Subscription income is recognised evenly over the subscription period in line with the services provided.
- Partnership commission is earned for introducing our customers to partners; revenue is recognised when we have fulfilled the requirements of the contract with the partner.

v. 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 and liabilities at amortised cost using the effective interest rate method where:

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

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

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

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

Held at fair value

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

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

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

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 25).

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

d. New and updated accounting standards adopted in the year

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

e. 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 25
- Provisions and contingent liabilities in Note 26 and Note 28
- · Impairment on right of use assets Note 15

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 1b
- Fair valuing stock based compensation in Note 32
- Impairment on subsidiaries in Note 31

2. Net interest income

		Group		Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest income				
Cash and balances at central banks	48,240	4,490	48,240	4,490
Loans and advances to customers	89,664	30,907	89,664	30,907
Treasury assets	29,392	2,381	29,392	2,381
Interest income on leases	257	24	257	24
Other interest income	403	7	403	7
	167,956	37,809	167,956	37,809
Interest expense				
Interest expense on customer deposits	(230)	(55)	(230)	(55)
Interest expense on leases	(1,448)	(1,714)	(1,296)	(1,650)
Interest expense on subordinated debt	(2,031)	(1,958)	(2,031)	(1,958)
Net interest income	164,247	34,082	164,399	34,146

The increase in net interest income (£130.2m) is largely driven by customers borrowing more from us (£58.8m), the increase in the base rate from 0.5% to 4.0% in FY2023 (£43.7m) and higher rates and growth in our treasury portfolio (£27.0m).

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

Interest expense 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

		Group	Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Fee and commission income				
Transaction income	127,394	79,240	127,270	79,176
Subscription income	34,447	19,608	34,447	19,608
Partnership commission	7,254	4,422	7,254	4,422
	169,095	103,270	168,971	103,206
Fee and commission expense				
Transaction expense	(21,120)	(13,851)	(21,120)	(13,851)
Subscription expense	(14,986)	(8,630)	(14,986)	(8,630)
Partnership expense	(106)	_	(106)	-
Net fees and commission	132,883	80,789	132,759	80,725

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 £48.1m as card spend grew 38% year on year as customers spent more through Monzo. Subscription income has increased 77% in line with our 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 total committed overdrafts, overdrawn balances and loans on the balance sheet (Note 13) and borrowing available to customers on overdrafts and Flex (undrawn commitments) see Note 25. 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.

		Company		
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Overdrafts, overdrawn balances and undrawn commitments	29,007	7,134	29,007	7,134
Loans	71,894	6,717	71,894	6,717
Credit loss expense on loans and advances to customers	100,901	13,851	100,901	13,851
Receivables	302	162	302	162
Total credit loss expense	101,203	14,013	101,203	14,013

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

5. Other operating income

		Group		
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Other income	18,582	13,161	18,331	13,161
Intercompany income	_	_	293	271
Total other operating income	18,582	13,161	18,624	13,432

Other operating income includes income from contracts with our payment network provider, £2.1m dispute fees (FY2022: £1.5m), a £13.0m business to business innovation grant (FY2022: £10.0m), £1.7m net Research and Development Expenditure Credit (RDEC) claims (FY2022: £1.0m) and £0.2m rental income from leases (FY2022: £nil). We've recognised £15.4m (FY2022: £9.8m) of expenses this year which qualifies 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 32 for accounting policy.

		Group	Company		
	2023	2022	2023	2022	
	£'000	£'000	£'000	£'000	
Salaries	125,729	93,348	123,110	91,004	
Share-based payments	29,100	23,254	28,340	22,335	
Social security contributions	14,636	9,491	14,438	9,386	
Contributions to defined contribution plans	4,316	2,978	4,316	2,978	
Other personnel expenses	1,544	1,080	1,268	875	
Total personnel cost	175,325	130,151	171,472	126,578	

The increase in people costs to £175.3m (FY2022: £130.2m) reflects the additional people hired during the year to support the operational running of the Group.

The average number of people in the Group during the period was 2,432 (FY2022: 1,879), 961 (FY2022: 700) of these worked in Management, Operations and Administration and 1,471 (FY2022: 1,179) 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.

		Group	Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
As at 1 March	760	665	760	665
Received during the year	_	95	_	95
As at 28 February	760	760	760	760

We have a government grant received prior to FY2023 which we haven't recognised. The grant relates to our team in Cardiff. We didn't qualify for the current year grant. 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).

8. Directors' remuneration

		Group		Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Salaries and fees	1,815	1,687	1,815	1,687
Share-based payments	2,705	3,149	2,705	3,149
Contributions to defined contribution plans	41	31	41	31
Total directors' emoluments	4,561	4,867	4,561	4,867
Salaries	563	693	563	693
Share-based payments	2,051	3,328	2,051	3,328
Contributions to defined contribution plans	23	16	23	16
Highest paid director	2,637	4,037	2,637	4,037

As at 28 February 2023 there were no loans outstanding to directors (FY2022: £nil) and there were no loans made to directors during the period (FY2022: £nil).

Some directors were granted share options in the year. There were no share options exercised by directors in the year and there were no shares given to directors under any compensation scheme.

9. Other operating expenses

		Group		Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Current account operating costs	52,710	41,527	52,153	41,277
Technology costs	29,665	17,882	29,663	17,843
Marketing	21,709	3,616	21,604	3,611
Administrative expenses	10,399	8,356	10,067	7,889
Premise and office costs	5,134	3,737	5,047	3,659
Legal and professional fees	8,892	8,802	8,722	8,547
Outsourcing costs¥	15,312	6,852	15,289	6,839
Accountancy and audit fees	2,769	2,270	2,769	2,270
Product development	411	366	411	362
Write-offs and Disposals	318	495	319	495
Losses on warrants	23	502	23	502
Intercompany expenses	_	_	1	882
Impairment of investment in subsidiaries		_	5,106	5,352
Total operating expenses	147,342	94,405	151,174	99,528

Current account operating costs include the cost of payment schemes, customer on-boarding including card production and distribution costs and operational losses. These costs continue to increase broadly in line with our customer numbers. In FY2023 costs increased for payment scheme (£2.6m), customer on-boarding (£5.9m) and operational losses (£2.3m).

Marketing costs have increased by £18.1m in FY2023, as we've introduced more customers to Monzo through digital platforms and our 'Give £5, Get £5' campaign.

Technology costs include charges for servers, cloud services and software. Our technology costs grew £11.8m to £29.7m as we served significantly more customers and invested further in the quality and security of our platform and customer user experience.

Legal and professional fees include the costs of consultants and lawyers.

[¥] Outsourcing costs have been split out from Legal and professional fees in FY2023, in FY2022 these lines were grouped together and presented as Legal and professional fees (FY2022: £15.7m Group, £15.4m Company).

10. Taxation

Current taxation

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

Management periodically evaluates the positions we take in terms of tax returns where the regulations are subject to interpretation, and establishes provisions where we need to. We base tax assets and liabilities relating to open and judgemental matters, including those related to the 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

No deferred tax assets have been recognised as at 28 February 2023 (FY2022: £nil).

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

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

Amounts recognised in profit or loss

	Group			Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Loss on ordinary activities before tax	116,341	119,020	115,933	120,148
Standard rate of corporation tax	19%	19%	19%	19%
Expected tax credit	22,105	22,614	22,027	22,828
Effects of:				
Fixed asset differences	(327)	(100)	(327)	(100)
Expenses not deductible for tax	(131)	(254)	(1,094)	(1,270)
Share options exercised	-	139	-	139
Qualifying donations unutilised	(10)	(4)	(10)	(4)
R&D expenditure credits	-	(46)	-	(46)
Adjustment to tax charge in respect of prior period	(173)	-	-	-
Impact of differences in overseas tax rates	482	528	-	-
Other		(145)		-
Deferred tax asset not recognised	(21,946)	(23,042)	(20,596)	(21,547)
Impact of FX rates	_	310	_	-
Total UK corporate tax credit for the period	-	-	_	-

The Group's profits / losses are taxed at different rates depending on the country in which the profit or loss arises. The Group is currently taxed in the UK at a prevailing rate of 19% (FY2022: 19%) and in the US at a prevailing rate of 29.56% (FY2022: 29.56%).

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

A deferred tax asset has not been recognised in respect of tax losses carried forward in the UK totalling £423.1m and US totalling \$16.8m (FY2022: £348m UK and \$11.1m US) as there is insufficient evidence as to their recoverability.

Unrecognised deferred tax assets

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

		Group		Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Deferred tax				
Unused tax losses	111,101	88,821	107,460	86,949
Fixed asset timing differences	(140)	627	(140)	609
Share-based payments	42,139	30,110	41,488	29,514
Other deductible temporary differences	1,685	544	1,685	531
	154,785	120,102	150,493	117,603

The Group's unrecognised deferred tax is a mixture of unrecognised deferred tax assets relating to the UK and applying a prevailing rate of 25% (FY2022: 25%) and US at the prevailing rate of 29.56% (FY2022: 29.56%). The unrecognised deferred tax assets on share-based payments have been restated above from £132.5m to £30.1m to reflect the correct applicable market value for corporation tax deductibility purposes.

11. Cash and balances at banks

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

		Group			
	2023	2022	2023	2022	
	£'000	£'000	£'000	£'000	
Cash and balances held with:					
Central banks	2,656,363	2,927,627	2,656,363	2,927,627	
Other banks	9,772	92,971	7,104	88,677	
E-money institutions	1,051	507	1,037	494	
Reserves with central banks	434,056	113,435	434,056	113,435	
Total cash and balances at banks	3,101,242	3,134,540	3,098,560	3,130,233	

At the end of the reporting period £213.6m of the reserves with the Bank of England and £nil of the amounts at other banks were encumbered (FY2022: £66.9m and £6.2m respectively). These amounts are held as cash collateral. We need this to be a direct settling participant of the Faster Payments Service.

12. Treasury investments

Monzo'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 term deposits. During the year we have continued to diversify our treasury portfolio to maximise revenue from these investments. Treasury investments are used to generate a higher return than cash deposits held with the Bank of England. 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.

During the year Monzo started investing in short-term treasury investments and term deposits. They will be held to maturity and the cash flows of the investments are solely payments of principal and interest. No impairment loss allowance is held against senior UK government, senior supranational debt or central bank deposits as the probability of default is negligible under any range of reasonable, probability-weighted scenarios. The impairment loss allowance held against short-term investments and term deposits is not material. See Note 25 for more detail on credit risk.

		Company		
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
UK Government debt	931,051	857,717	931,051	857,717
Supranational debt	1,462,646	817,761	1,462,646	817,761
Commercial paper	283,031	_	283,031	-
Fixed term deposits	50,792	_	50,792	_
Total treasury investments at amortised cost	2,727,520	1,675,478	2,727,520	1,675,478

At the end of the reporting period, £106.1m (2022: £26.5m) of our treasury investments were encumbered. Similar to the cash collateral we hold (see Note 11), we continue to recognise interest on encumbered assets, but they have been set aside and cannot be used for other purposes. They are

encumbered to provide security for our participation in the Faster Payment Service network.

The interest earned on our treasury investments is included in Note 2. For further information on the fair value and contractual maturity of our treasury investments, see Notes 21 and 22.

13. Loans and advances to customers

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

		Group		Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Gross				
Overdrafts and overdrawn balances	197,104	100,911	197,104	100,911
Loans	393,349	130,892	393,349	130,892
Flex Loans ¹	169,281	27,004	169,281	27,004
Total gross loans and advances to customers	759,734	258,807	759,734	258,807
Impairment loss allowance				
Overdrafts and overdrawn balances	(36,266)	(15,179)	(36,266)	(15,179)
Loans	(33,247)	(6,637)	(33,247)	(6,637)
Flex Loans	(36,488)	(1,908)	(36,488)	(1,908)
Total impairment loss allowance	(106,001)	(23,724)	(106,001)	(23,724)
Net				
Overdrafts and overdrawn balances	160,838	85,732	160,838	85,732
Loans	360,102	124,255	360,102	124,255
Flex Loans	132,793	25,096	132,793	25,096
Total net loans and advances to customers	653,733	235,083	653,733	235,083
Analysis of gross loans and advances to customers				
Due within one year	499,204	170,396	499,204	170,396
Due in more than one year	260,530	88,411	260,530	88,411
Total gross loans and advances to customers	759,734	258,807	759,734	258,807

¹ Flex loans have been presented separately in FY2023, they were included within Loans in FY2022.

Overdrafts and overdrawn balances are made up of approved overdrafts of £195.1m (FY2022: £98.5m) and overdrawn balances on current accounts of £1.9m (FY2022: £2.4m). See Note 25 for more information on the credit loss expense in respect of overdrafts, overdrawn balances, and loans.

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.

	Group			Company
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Receivables in respect of payments schemes	74,345	51,458	74,229	51,412
Lease receivable	2,931	1,672	2,931	1,672
Accrued income	1,400	1,624	1,465	1,650
Inventory	1,967	3,848	1,967	3,848
Prepayments	12,833	8,832	12,701	8,780
Other receivables	13,804	3,026	13,807	3,027
RDEC claim	2,731	1,033	2,731	1,033
Deposits	3,370	3,598	3,140	3,390
Other investments	114	109	114	109
Total other assets	113,495	75,200	113,085	74,921

Included within other assets are £96.2m (FY2022: £60.5m) of financial assets and £17.3m (FY2022: £14.7m) of non-financial assets. The credit quality of the financial assets is considered low risk. £65.7m receivables in respect of payment schemes were settled on 1 March 2023.

We've recognised an RDEC claim as a non-financial asset based on an analysis of eligible costs during the year. Our estimated net RDEC claim of £1.7m for FY2023 has been recognised in full in Other operating income. We received our FY2022 claim of £1.0m in April 2023.

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 premises¹ and IT infrastructure, see Note 16. We recognise depreciation on fixtures and fittings, which include office fit-out costs, on a straight-line basis over the life of the lease.

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

- Office and IT Equipment: 3 years.
- Fixtures and fittings: 3–5 years.
- Offices and premises: 2–5 years.
- IT infrastructure²: 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 FY2023. At the end FY2022, part of our office space was not in use which indicated that it needed to be impaired. We assessed the valuein-use of this space to be £1.1m which indicated an impairment of £0.4m compared to the net book value. £0.1m of the impairment disclosed in cost and accumulated depreciation relates to the impairment recognised against cost in FY2022. We've amended the presentation of this impairment through cost and accumulated depreciation in FY2023 to more appropriately disclose this. The overall impact on net book value is £nil.

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

We have 'evergreen' lease contracts which continue until either we, or the lessor, cancel the contract. We expect the most likely term for these leases to be the same as for other IT equipment. We've calculated a right-of-use asset and lease liability on this basis.

Group	Property, plai	nt and equipment	uipment Right-of-use asset		ets	
	Fixtures and fittings	Office and IT equipment	Offices and premises	IT infrastructure	Total	
	£'000	£'000	£'000	£'000	£'000	
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	
Cost						
As at 1 March 2021	7,367	5,448	20,629	158	33,602	
Additions	1,929	2,454	1,281	104	5,768	
Impairments	· _	_	(384)	_	(384)	
Disposals	(1,222)	_	(1,386)	(113)	(2,721)	
Write-offs	_	(819)	_	_	(819)	
As at 28 February 2022	8,074	7,083	20,140	149	35,446	
Depreciation						
As at 1 March 2021	1,132	2,945	2,826	104	7,007	
Charge for the period	1,559	1,877	4,438	53	7,927	
Depreciation on assets disposed	(13)	_	(391)	(113)	(517)	
Depreciation on assets written off	_	(807)	_	_	(807)	
As at 28 February 2022	2,678	4,015	6,873	44	13,610	
Net book value as at 28 February 2022	5,396	3,068	13,267	105	21,836	

Company	Property, pla	nt and equipment	F	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 2022	8,072	7,027	18,859	149	34,107	
Additions	1,006	2,376	_	46	3,428	
Impairments	_	_	(96)	_	(96)	
Reversal of impairments	_	_	65	_	65	
Disposals	(1,388)	(787)	(1,643)	(45)	(3,863)	
As at 28 February 2023	7,690	8,616	17,185	150	33,641	
Depreciation						
As at 1 March 2022	2,679	3,982	6,740	44	13,445	
Charge for the period	1,568	2,097	3,630	54	7,349	
Depreciation on assets disposed	_	(745)	(587)	(45)	(1,377)	
Impairments	_	_	(96)	_	(96)	
As at 28 February 2023	4,247	5,334	9,687	53	19,321	
Net book value as at 28 February 2023	3,443	3,282	7,498	97	14,320	
Cost						
As at 1 March 2021	7,365	5,418	20,629	158	33,570	
Additions	1,929	2,428	_	104	4,461	
Impairments	-	_	(384)	_	(384)	
Disposals	(1,222)	_	(1,386)	(113)	(2,721)	
Write-offs	_	(819)	_	_	(819)	
As at 28 February 2022	8,072	7,027	18,859	149	34,107	
Depreciation						
As at 1 March 2021	1,133	2,926	2,826	104	6,989	
Charge for the period	1,559	1,863	4,305	53	7,780	
Depreciation on assets disposed	(13)	_	(391)	(113)	(517)	
Depreciation on assets written off	-	(807)	-	_	(807)	
As at 28 February 2022	2,679	3,982	6,740	44	13,445	
Net book value as at 28 February 2022	5,393	3,045	12,119	105	20,662	

During the year, we sublet part of our London office space resulting in a £2.4m net book value disposal of the right-of-use asset and related fixtures and fittings.

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 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

From March 2021, we could assess our IBR using our observable borrowing rate as we entered into our first debt agreement. We previously used external observable inputs (like the borrowing rates of peers and the nominal spot curves at the beginning of the lease to adjust for the term of the lease) when available to calculate an estimate for the IBR specific to each lease.

Short-term leases and leases of low-value assets

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

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

		Group			
	2023	2022	2023	2022	
	£'000	£'000	£'000	£'000	
Lease liabilities					
As at 1 March	17,154	21,673	15,902	21,673	
Additions	_	1,385	_	104	
Interest expense on leases	1,342	1,617	1,190	1,553	
Cash payments	(5,063)	(7,521)	(4,797)	(7,428)	
As at 28 February	13,433	17,154	12,295	15,902	

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

We had total cash outflows for leases, not including short-term or low-value, of £5.1m in FY2023 (FY2022:

£7.5m). We had no non-cash additions to right-of-use assets and lease liabilities in FY2023 (FY2022: £1.4m).

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

			Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Interest expense on leases	1,342	1,617	1,190	1,553
Expense relating to short-term leases included in operating expenses	-	31	-	_
Expense relating to low-value leases included in operating expenses	52	52	52	52
Total amount recognised in profit or loss	1,394	1,700	1,242	1,605

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 lease part of our London office space under finance leases. See Note 2 for interest income on lease receivables.

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

Group and Company	2023	2022
	£'000	£'000
Maturity of lease receivables		
Less than one year	1,349	483
One to two years	1,555	649
Two to three years	323	649
Three to four years	-	150
Total undiscounted lease payments receivable	3,227	1,931
Unearned finance income	(296)	(259)
Net investment in the lease	2,931	1,672

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 £0.2m of rental income during the year, this is included in Other operating income (see Note 5).

We've shown the maturity analysis on rental income receivables for our operating lease below:

Group and Company	2023
	£'000
Maturity of rental income receivables	
Less than one year	470
One to two years	295
Total undiscounted rental income receivable	765

17. Collateral held with third parties

		Company		
	2023	2022		
	£'000	£'000	£'000	£'000
Held with payment network providers	76,461	76,292	76,277	75,927
Total collateral held with third parties	76,461	76,292	76,277	75,927

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.

18. Customer deposits

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

The Bank holds customer deposits at the end of the year of £5,945.9m (FY2022: £4,440.7m) which are held on demand.

19. Subordinated debt liability

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

Group and Company	2023	2022
	£'000	£'000
Subordinated debt liability		
As at 1 March	14,593	-
Proceeds from issuance of subordinated debt liability	-	14,400
Interest Expense	2,031	1,958
Interest Paid	(1,801)	(1,765)
As at 28 February	14,823	14,593

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 28 February 2023 (FY2022: £10.0m). The contract term spans 10 years and is due to mature on 7 March 2031.

Interest expense incurred on our subordinated debt can be found in Note 2. For further information on the classification and contractual maturity of our subordinated debt liability, refer to Note 21 and 22.

20. Other liabilities

Customer funds in transit

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

Provisions

We recognise provisions under IAS 37 Provisions, Contingent Liabilities and Contingent Assets where we have present obligations arising from past events and the payment of the obligation can be reliably estimated and is probable. We've recognised provisions for the cost of returning leased office space to its original condition at the end of the lease. We also recognised provisions for professional service fees and customer remediation costs expected in FY2024 and FY2025. See Note 28.

Deferred income

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

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 22.

Warrant liabilities

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

Other

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

		Group				
	2023	2022	2023	2022		
	£'000	£'000	£'000	£'000		
Customer funds in transit	181,225	149,662	181,225	149,662		
Lease liabilities	13,433	17,154	12,295	15,902		
Accruals	15,424	11,192	15,320	11,147		
Accounts payable and other creditors	14,463	7,596	14,428	7,584		
Other taxes and social security costs	5,519	3,425	5,519	3,425		
Deferred income	2,611	2,017	2,611	2,017		
Provisions	1,352	1,246	1,352	1,246		
Other provisions	16,392	7,711	16,392	7,711		
Warrant liabilities	937	915	937	915		
Total other liabilities	251,356	200,918	250,079	199,609		

Customer funds in transit increased to £181.2m from £149.7 in line with customer growth.

Included within other liabilities are £225.4m (FY2022: £186.5m) of financial liabilities and £26.0m (FY2022: £14.4m) of non-financial liabilities.

21. Fair value of financial assets and liabilities

Fair value hierarchy

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

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

- Level 1 Quoted prices in active markets for identical assets or liabilities which we can access at the date of measurement.
- Level 2 Inputs other than quoted market prices included in Level 1 that are observable either directly or indirectly.
- Level 3 Inputs that are not based on observable market data.

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

Financial Assets and Liabilities at fair value

	Level 1	Level 2	Level 3	Total fair value
As at 28 February 2023	£'000	£'000	£'000	£'000
Financial Assets				
Other investments	-	114	_	114
Total Financial Assets	-	114	-	114
Financial Liabilities				
Warrant liabilities	-	-	(937)	(937)
Total Financial Liabilities	-	-	(937)	(937)

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.

Level 3 movement analysis

	As at 1 March 2022	Additions	Gains and losses	Gains and losses	As at 28 February
			recognised in the income statement	recognised in other comprehensive income	2023
	£'000	£'000	£'000	£'000	£'000
Warrant liabilities	(915)	_	(22)	-	(937)
Financial liabilities at fair value through the income statement	(915)	_	(22)	-	(937)

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	Level 2	Level 3	Total fair value	Total carrying value
	£'000	£'000	£'000	£'000	£'000
As at 28 February 2023					
Financial assets					
Cash and balances at bank	_	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
As at 28 February 2022					
Financial assets					
Cash and balances at bank	_	3,134,540	_	3,134,540	3,134,540
Treasury investments	1,653,264	-	_	1,653,264	1,675,478
Loans and advances to customers	_	-	233,521	233,521	235,083
Other assets	_	58,765	1,672	60,437	60,437
Collateral held with third parties	_	76,292	_	76,292	76,292
Total financial assets	1,653,264	3,269,597	235,193	5,158,054	5,181,830
Financial liabilities					
Customer deposits	-	4,440,650	_	4,440,650	4,440,650
Subordinated debt liability	-	20,302	_	20,302	14,593
Other liabilities	_	168,455	18,068	186,523	186,523
Total financial liabilities	_	4,629,407	18,068	4,647,475	4,641,766
Net asset position	1,653,264	(1,359,810)	217,125	510,579	540,064

Basis of valuation

Cash and balances at banks – We consider fair value to approximate carrying value because cash and balances at banks have minimal credit risk and are short-term in nature, other than amounts held as collateral with central banks.

Loans and advances to customers – We've determined the fair value of the overdrafts and loans by discounting the gross carrying value to present value, using market interest rates, less Expected Credit Losses and considering the quality of positions in the portfolio to assess an arm's length value.

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

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

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

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

22. Liquidity risk management

Liquidity risk is the risk that we fail to meet our obligations as they fall due or can only do so at exceptional cost. We manage this risk by ensuring we have the right type and quantity of funds available when necessary, in the correct currency. Our liquidity risk appetite is to meet all liabilities as they fall due under business as usual scenarios, and to 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	Less than three months	Between three and six months	Between six months and one year	Over one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 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
et t. i i i i i i i i i i i i i i						
Financial liabilities	E 0.4E 0.47					5.045.047
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	19,389	21,195
Total financial liabilities	5,972,045	180,165	2,086	4,040	36,114	6,194,450
Net asset position	(2,837,012)	280,476	412,488	929,246	1,957,954	743,152
As at 28 February 2022						
Gross financial assets						
Cash and balances at bank	3,021,104	1,025	_	_	112,410	3,134,539
Treasury investments	_	619	13,484	453,678	1,228,444	1,696,225
Loans and advances to customers	98,151	34,094	20,179	33,395	98,418	284,237
Other assets	42,544	12,623	167	333	5,535	61,202
Collateral held with third parties	_	_	_	_	76,292	76,292
Total gross financial assets	3,161,799	48,361	33,830	487,406	1,521,099	5,252,495
Financial liabilities						
Customer deposits	4,440,650	-	_	_	-	4,440,650
Other liabilities – excluding lease liabilities	14,533	153,672	_	_	1,165	169,370
Lease liabilities	-	1,648	1,647	3,302	15,580	22,177
Subordinated debt liability	_	454	454	893	21,194	22,995
Total financial liabilities	4,455,183	155,774	2,101	4,195	37,939	4,655,192
Nett modifies	(4.007.70.1)	(407.447)	74 700	407.041	4.407.400	F07 707
Net asset position	(1,293,384)	(107,413)	31,729	483,211	1,483,160	597,303

Our undrawn overdraft and flex commitments of £921.9m (FY2022: £368.4m) 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 metric we use to monitor liquidity risk

is the Liquidity Coverage Ratio (LCR). At year end and at all times throughout the year, we were significantly in excess of our internal risk appetite and regulatory requirements. We perform liquidity risk stress testing at least annually as part of the ILAAP as noted in the Directors' Report on page 82. The current and forecasted level of liquidity is tracked against Board approved limits at ALCo, ERCC and BRC.

The table below 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
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 28 February 2023	'							
Cash and balances at bank	2,881,181	6,466	_	_	-	_	213,595	3,101,242
Treasury investments	239,830	339,567	832,772	797,461	358,956	211,521	27,548	2,807,655
Total	3,121,011	346,033	832,772	797,461	358,956	211,521	241,143	5,908,897

Most of our treasury assets have maturities under 2 years, with the average tenor being 1.4 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.

23. Capital risk management

Capital risk is the risk that we don't have the quantity or quality of capital resources to meet our capital requirements and to absorb unexpected losses if they were to occur. Causes of inadequate capital could include a high level of 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 81. 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 28th February 2023 we hold a PRA buffer based upon 6 months operational expenditure and the regulatory determined capital conservation buffer and countercyclical buffer.

We perform robust capital planning over our 5 year forecasting horizon to assess the impacts of our strategy and changing regulatory expectations to 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 28 February 2023 our CET1 ratio was 54% (FY2022: 155%) (unaudited). The reduction in CET1 during the year is predominantly due to an increase in retained losses, net of share option expenses and our IFRS 9 transitional addback, and the growth in our lending book which increases our risk weighted assets. During the year ended 28 February 2023, we complied in full with all our externally imposed capital requirements.

24. Market risk management

Interest rate risk

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

- Gap 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. Our Treasury team is overseen by our Risk function and reports to 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 scenarios set out in EBA guidelines on the management of interest rate risk arising from non-trading book activities. We apply a floor to the yield curve used in IRRBB analysis.

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.

		2023
Interest rate risk	-200bps	+200bps
Impact to annual interest income (£'000)	(70,458)	70,458
Impact as percentage of Net Assets at year end	(14.81%)	14.81%
Impact on the Economic Value of Equity (£'000)	(3,938)	1,913

25. 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 the option to pay for individual transactions in instalments (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 to us, there's significant management focus on setting credit risk appetite and monitoring and managing the credit risk in the portfolio.

Our Treasury team also invests in low-risk financial instruments to generate a return and safely 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. In addition, the Board approves the overall risk appetite, lending criteria and policy.

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 the ALCo 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.

Lending exposure is actively managed to make sure it stays within our risk appetite. Lending criteria are determined with reference to current and likely future expectations of the UK's macroeconomic environment and with an expectation that material losses 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.

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)

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.

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.

- 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.
- 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.
- 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.
- Making recommendations on the need for Expert Credit Judgement provision, including the quantum and period of application. This includes both inmodel and post-model adjustments.
- 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 150 and 141 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 its short-term obligations and adverse changes in economic and business conditions will not necessarily reduce the ability of the borrower to meet its longer term obligations.

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 £0.2m (FY2022: nil).

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

Expected Credit Loss modelling

The Expected Credit Loss is the anticipated shortfalls from the contractual cash flows over the expected life of a financial asset, allowing for the time value of money. ECL is calculated at the individual financial instrument level, but a collective approach (grouping financial instruments with similar risk characteristics together) is used where effects can only be seen at a collective level, 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 overdraft or loan over a suitable time frame (the next 12 months or the remaining lifetime). This uses data provided by an external Credit Reference Agency which is suitably combined with internal performance data.
- EAD estimates the amount expected to be owed at default. For overdrafts and Monzo Flex, the EAD is calculated by taking the current drawn balance and adding an appropriate credit conversion factor that allows for the expected drawdown of the remaining limit by the time of default. For loans, the EAD is calculated based on the contractual repayment schedule and accounts for missed payments and accrued interest up to the point of default.
- LGD is the expectation of loss on an exposure that meets our definition of default. It represents our expectation of the extent of loss on a defaulted exposure and is expressed as a percentage loss per unit of EAD.

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

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

Expected lifetime

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

Changes in estimation techniques

During FY2023, the ECL models have been improved to better align with the risk and behaviour of our lending book. The changes include a revised suite of overdraft models based on latest available observed data and incorporating the forward looking adjustment. This involved a rebuild of the PD model; calibrating on the latest available data and expanding the breadth of behavioural information used in the model. The amount of the impact was £3.1m. The loans and Monzo Flex models are monitored in line with our policies and as behaviour emerges the models will be adjusted. Pending a model implementation, a post model adjustment may be used to make sure the ECL reflects the correct behaviour. Management judgements and post model adjustments are discussed on page 142.

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 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 the General Manager of Borrowing approves them, supported by a series of first and second line forums. All models are subject to a second line review, challenge, independent validation and ongoing oversight in line with our model validation and model monitoring standards.

Determining a significant increase in credit risk since initial recognition

Under the IFRS 9 standard, we must determine if there has been a significant increase in credit risk since initial recognition for assets that 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.

- Quantitative criteria: the quantitative trigger has been based around the comparison of the remaining lifetime PD at observation (like reporting date) against the remaining lifetime PD from origination, when the exposure was first recognised. When the ratio of these two PDs breaches a predefined threshold (currently the threshold is set at 1.8 x remaining lifetime PD from initial recognition), the account is moved into Stage 2 and its ECL is calculated on a Lifetime basis.
- Qualitative criteria: qualitative factors, including forbearance treatments, indicating potential financial difficulty, have been reflected in the model as a trigger for a significant increase in credit risk. For example, when a customer has agreed to a Promise to Pay (like when a customer agrees to bring their balance back within their arranged overdraft limit by a certain date).

For overdrafts, if an account goes more than 15 days past due, this is taken as an indication of a significant increase in credit risk. Similarly for loans and Monzo Flex, if an account goes into arrears (for example one day past the monthly payment due date), it is moved into Stage 2. We plan to review and align these triggers where necessary in FY2024, as we accumulate more product data.

Backstop: A rebuttable presumption within IFRS 9 is that, where the customer is more than 30 days past due, credit risk has significantly increased. This backstop has not been rebutted.

When an account no longer meets the criteria for being in Stage 2, it cannot return to Stage 1 until more than 3 months have passed without it meeting any of the qualitative criteria.

Definition of default and credit-impaired assets

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

As part of a qualitative assessment of whether a customer meets the accounting definition of default, we consider a variety of events that may indicate unlikeliness to pay. When 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 filing for bankruptcy or Individual Voluntary Agreement.

- The customer is deceased.
- The overdraft or loan has been renegotiated because the customer's condition has deteriorated.
 As an example, this includes cases where a specific repayment plan has been agreed and interest has been frozen.
- The customer has requested 'breathing space' –
 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 Flex products, an account is deemed credit impaired when it becomes more than three instalments behind the agreed monthly repayment schedule.

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

Forecast economic data

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

 The basecase forecast (Base): Households and businesses face considerable stress, despite inflation probably having peaked. The large fall in

- real incomes and increased industrial unrest means the economy is likely to see a shallow recession in the first half of 2023. Labour market resilience means the rise in the unemployment rate is relatively modest.
- 2. An upside scenario (Upside): Markets calm. The savings accumulated over the last two years, combined with support in terms of benefits and a higher minimum wage help the economy rebound strongly from April 2023. The last residual problems in supply chains dissipate. Europe's gas stocks are much higher than usual at the moment and investment in liquefied petroleum gas import facilities and storage helps insulate economies from increased energy costs. Unemployment falls back to 3.5% and wage growth remains strong as the economy moves to a higher productivity path.
- 3. A pessimistic downside scenario (Downside 1): Inflation rises more than in the baseline as the pass through into food and general prices continues. The cost of living pressures cause a rise in business insolvencies. Industrial unrest spreads and dampens activity. GDP contracts 1.5% in 2023 and stagnates in 2024. Unemployment peaks at 6% in Autumn 2024 as government intervention comes too late and is poorly delivered.
- 4. A more severe downside scenario (Downside 2):
 Temperatures drop again and a shortage of energy pushes Europe into a deep recession. The UK suffers persistent power outages and industrial action escalates. The US Federal Reserve's aggressive monetary tightening pushes that economy into recession. With continued labour shortages, wages in the UK accelerate. This perfect storm of shocks sees high inflation persisting.

 As well as the impact on real incomes, the rise in

inflation and rates unsettles markets and leads to a crash in asset prices. Unemployment 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 and (iii) Real wage growth which reflects inflationary pressures. 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 (excluding post model adjustments).

Economic Scenario 28 February 2023 Scenario probability Weights 5% 50% 40% 5% As at 28 February 2023 (5 year Average) 6.03 Unemployment (%) 3.79 4.31 5.01 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% 70,903 77,732 82,760 89,393 Weighted scenarios (£000s) 28 February 2022

Base

Downside 1

Upside

Scenario probability Weights 20% 45% 30% 5% As at 28 February 2022 (5 year Average) 6.4 Unemployment (%) 3.8 4.1 5.3 Debt to Income (%) 12.64 14.12 15.50 14.85 Peak Value Unemployment (%) 4.10 4.10 6.20 8.10 Debt to income ratio (%) 12.81 14.45 15.47 16.30 22,194 Total Impairment allowance with 100% 23,188 24,991 27,418 23,717 Weighted scenarios (£000s) Impairment allowance with 100% Weighted scenarios (not including PMAs) (£000s) Overdrafts 29.112 31.856 33.600 35.315 Loans 18,063 19,139 19,752 20,234 Flex 23,728 26,737 29,408 33,844

The ongoing challenges from the higher cost of living are reflected in the scenarios adopted. Given the uncertainty in the current environment, the risks remain to the downside.

Economic Scenarios

The scenarios and weights above reflect management's assessment of a meaningful range of scenarios and associated probability weightings.

Downside 2

Modification

Multiple

79,664

We sometimes make a concession in the terms of a loan or overdraft when a customer gets into financial difficulty (this is known as forbearance), or for other commercial reasons. Long-term forbearance can result in temporary modifications to contractual cash flows. When this occurs, the gross carrying value of a financial asset is not impacted, so no gain or loss is taken to the income statement beyond any increase in ECL. Where we grant a financial concession to a customer we'll treat them as credit impaired and move them to Stage 3.

As at 28 February 2023, the gross carrying amount of accounts in forbearance was £10.6m (FY2022: £4.7m). The lifetime ECL booked against these accounts as at 28 February 2023 was £7.6m (FY2022: £2.8m).

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, long-term arrears etc.

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 £19.2m (FY2022: £8.7m).

During FY2023, we sold our first set of impaired debt. Over the year this resulted in £2.8m of post write-off recoveries which resulted in our impairment charge being reduced.

Post Model Adjustments (PMA)

	Loans	Flex	Housing costs	Cost of living segments	Total
As at 28 February 2023	£'000	£'000	£'000	£'000	£'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
As at 28 February 2022 Overdrafts					
Stage 1	_	_		922	922
Stage 2	_	_		_	_
	-	_		922	922
Loans					
Stage 1	821	_		109	930
Stage 2	184	-		_	184
	1,005	_		109	1,114
Flex					
Stage 1	_	305		221	526
Stage 2	=	125		=	125
	-	430		221	651
All					
Stage 1	821	305		1,252	2,378
Stage 2	184	125		=	309
Total	1,005	430		1,252	2,687

The calculation of the Expected Credit Loss 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.

- Model Limitation Loans: £10.4m (FY2022: £1m).
 Ongoing monitoring has highlighted that the loans PD models need to be recalibrated to better reflect the observed performance as a result of changes to credit criteria. The PMA is held pending the completion of the redevelopment.
- Model Limitation Flex: £4.9m (FY2022: £0.4m)
 The Flex modes were calibrated based on benchmark portfolios; latest monitoring suggests a recalibration is required to reflect observed performance. The PMA is held pending the completion of the recalibration. The portfolio has significantly grown since FY2022.
- Model Limitation Housing costs (all portfolios): £4.0m. This PMA addresses the weakness in our economic model in that it does not directly capture the impact of inflation linked rising housing costs due to limitations in the observed data. Top down analysis has been used to assess the impact of increased housing costs on expected credit losses.
- Model Limitation Cost of Living (CoL) Exposed Segments (all portfolios): £7.0m. This PMA aims to capture the further economic uncertainty which, given its unprecedented nature, cannot be suitably captured by a model given the lack of historic data on which to calibrate. Management has conducted a high-level estimation of the potential un-modelled risk by stressing PDs on those segments of our

population that are particularly exposed to the cost of living crisis.

The Economic uncertainty PMA of £1.3m in place at the end of FY2022 has been replaced by those listed above.

Analysis of overdrafts and loans by stage

As at 28 February 2023, our portfolio consisted entirely of retail lending within the UK.

	Stage 1	Stage 2	Stage 3	Total
As at 28 February 2023	£′000	£'000	£′000	£′000
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%
	<u>.</u>			
	Stage 1	Stage 2	Stage 3	Total
	£′000	£'000	£'000	£'000
As at 28 February 2022				
Overdrafts and overdrawn balances	49,931	44,623	6,357	100,911
Loans	127,052	14,375	2,914	144,341
Flex	12,778	767	10	13,555
Gross carrying amount	189,761	59,765	9,281	258,807
Overdrafts and overdrawn balances	(2,554)	(5,857)	(3,677)	(12,088)
Undrawn overdraft commitments	(1,484)	(1,443)	(164)	(3,091)
Loans	(2,405)	(1,979)	(2,254)	(6,638)

	Stage 1	Stage 2	Stage 3	Total
	£'000	£′000	£′000	£′000
Flex balances	(1,002)	(421)	(8)	(1,431)
Undrawn Flex commitments	(410)	(65)	(1)	(476)
Impairment allowance	(7,855)	(9,765)	(6,104)	(23,724)
Overdrafts	45,893	37,323	2,516	85,732
Loans	124,647	12,396	660	137,703
Flex	11,366	281	1	11,648
Net amounts receivable	181,906	50,000	3,177	235,083
ECL Coverage Ratio (%)	4.14%	16.34%	65.77%	9.17%
Undrawn Commitments				
Gross Undrawn Exposure	333,222	34,799	420	368,441
Impairment allowance	(1,894)	(1,508)	(164)	(3,566)
Net carrying value	331,328	33,291	256	364,875
ECL Coverage Ratio (%)	0.57%	4.33%	39.05%	0.97%

The overall coverage on Stage 1 and 2 assets has increased during the year for several reasons, these include:

- Flex assets have a higher overall impairment and as the proportion of these assets has increased significantly during FY2023, so has the coverage.
- Recalibration of our overdraft PDs lowered the proportion of assets in Stage 2, moving some lower risk assets from Stage 2 to Stage 1. This increased the coverage in Stage 1 and Stage 2.
- Our loans PMA for model weaknesses has increased the coverage on the loans portfolio.

Stage 2 financial assets

The following table shows the breakdown of the Stage 2 financial assets. The Overdraft population has been split between those with a higher lifetime PD (> 5% per annum) vs those with a lower lifetime PD (<= 5% per annum). The table is prepared on a hierarchical basis from top to bottom, for example, accounts in arrears with PD deterioration will only be reported under arrears. Probation refers to accounts that no longer meet the Stage 3 criteria but are held in Stage 3 until 3 months have passed.

			2023			2022
	Gross carrying amount	Impairment Allowance	Coverage	Gross carrying amount	Impairment Allowance	Coverage
	£′000	£′000		£′000	£′000	
Overdrafts and overdrawn balances						
Arrears	7,149	3,735	52%	3,404	1,352	40%
Qualitative	1,163	260	22%	131	20	15%
PD Quantitative <=5% Lifetime PD per annum	5,022	553	11%	18,281	1,575	9%
PD Quantitative >5% Lifetime PD per annum	19,518	4,525	23%	16,064	2,306	14%
Probation	20,073	3,582	18%	6,743	604	9%
Overdraft Total	52,925	12,655	24%	44,623	5,857	13%
Loans						
Backstop	13,299	9,060	68%	3,261	1,399	43%
Qualitative	218	11	5%	64	12	19%
Quantitative	10,140	365	4%	3,652	156	4%
Probation	26,827	2,021	8%	7,398	412	6%
Loans Total	50,484	11,457	23%	14,375	1,979	14%
Flex balances						
Backstop	4,670	3,909	84%	132	112	85%
Qualitative	215	40	19%	17	3	18%
Quantitative	18,676	5,564	30%	581	300	52%
Probation	1,134	214	19%	37	6	16%
Flex Total	24,695	9,727	39%	767	421	55%
Undrawn commitments						
Arrears	1,089	316	29%	28	9	32%
Qualitative	501	39	8%	37	2	5%
PD Quantitative <=5% Lifetime PD per annum	83,733	1,936	2%	26,108	928	4%
PD Quantitative >5% Lifetime PD per annum	14,047	1,644	12%	7,490	527	7%
Probation	3,685	248	7%	1,136	42	4%
Undrawn Total	103,055	4,183	4%	34,799	1,508	4%
Monzo – all products (excl undrawn commitments)						
Backstop	25,118	16,704	67%	6,797	2,863	42%
Qualitative	1,596	311	19%	212	35	17%
PD Quantitative	53,356	11,007	21%	38,578	4,337	11%
Probation	48,034	5,817	12%	14,178	1,022	7%
Total	128,104	33,839	26%	59,765	8,257	14%

The recalibration process for PD models allows for a resetting of origination PD so that the staging assessment reflects genuine increases in credit risk. This has resulted in a lower proportion of Overdrafts being flagged as Stage 2 than last year.

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 being marked as defaulted at the credit reference agency.

			2023			2022
	Gross carrying amount	Impairment Allowance	Coverage	Gross carrying amount	Impairment Allowance	Coverage
	£′000	£'000		£'000	£'000	%
Overdrafts and overdrawn balances						
Backstop	4,339	2,683	62%	2,049	1,238	60%
Qualitative	6,290	3,627	58%	2,859	1,509	53%
Probation	2,727	1,750	64%	1,449	930	64%
Overdraft and Overdrawn Total	13,356	8,060	60%	6,357	3,677	58%
Loans						
Backstop	4,877	3,980	82%	1,261	1,009	80%
Qualitative	4,462	3,364	75%	1,617	1,217	75%
Probation	280	229	82%	36	28	78%
Loans Total	9,619	7,573	79%	2,914	2,254	77%
Flex balances						
Backstop	9,213	7,449	81%	4	3	75%
Qualitative	650	515	79%	2	2	100%
Probation	165	131	79%	4	3	75%
Flex Total	10,028	8,095	81%	10	8	80%
Undrawn commitments						
Backstop	2,614	0	0%	1	1	86%
Qualitative	716	277	39%	165	44	27%
Probation	608	232	38%	254	120	47%
Undrawn Total	3,938	509	13%	420	165	39%
Monzo – all products						
excl. undrawn commitments						
Backstop	18,429	14,112	77%	3,314	2,250	68%
Qualitative	11,402	7,506	66%	4,478	2,728	61%
Probation	3,172	2,110	67%	1,489	961	65%
Total	33,003	23,728	72%	9,281	5,939	64%

Impairment loss allowance movement table

An analysis of changes in the gross loans and advances to customers and undrawn commitments.

	Stage 1	Stage 2	Stage 3	Total
Gross Loans and Advances to customers	£′000	£′000	£'000	£′000
As at 1 March 2021	60,059	36,901	7,630	104,590
New facilities originated	143,756	25,652	3,234	172,642
Transfer Stage 1 to Stage 2	(9,194)	9,194	-	-
Transfer Stage 2 to Stage 1	9,811	(9,811)	_	-
Transfer into Stage 3	(3,344)	(8,684)	12,028	-
Transfer from Stage 3	305	785	(1,090)	-
Change due to exposure	533	2,025	(858)	1,700
De-recognition	(12,128)	(3,495)	(437)	(16,060)
Other movements impacting exposure	(37)	7,198	(3,662)	3,499
Write Offs	_	_	(7,564)	(7,564)
As at 28 February 2022	189,761	59,765	9,281	258,807
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 & disposals	_	_	(18,926)	(18,926)
As at 28 February 2023	598,627	128,104	33,003	759,734

Undrawn Loan Commitments

	Stage 1	Stage 2	Stage 3	Total
Gross Undrawn Commitments	£′000	£'000	£'000	£'000
As at 1 March 2021	200,526	22,007	414	222,947
New facilities originated	142,840	10,839	108	153,787
Transfer Stage 1 to Stage 2	(15,875)	15,875	-	_
Transfer Stage 2 to Stage 1	10,053	(10,053)	-	-
Transfer into Stage 3	(1,008)	(618)	1,626	_
Transfer from Stage 3	132	121	(253)	-
Change due to exposure	1,015	(427)	15	603
De-recognition	(6,090)	(971)	(49)	(7,110)
Other movements impacting exposure	1,629	(1,974)	(446)	(791)
Write Offs	-	-	(995)	(995)
As at 28 February 2022	333,222	34,799	420	368,441
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)
As at 28 February 2023	814,862	103,055	3,938	921,855

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 is as follows.

	Stage 1	Stage 2	Stage 3	Total
Impairment allowance	£′000	£′000	£'000	£′000
As at 1 March 2021	2,833	9,341	5,269	17,443
New facilities originated	5,508	4,439	2,153	12,100
Transfer Stage 1 to Stage 2	(489)	489	-	_
Transfer Stage 2 to Stage 1	2,323	(2,323)	-	_
Transfer into Stage 3	(190)	(3,476)	3,666	_
Transfer from Stage 3	302	628	(930)	_
Change due to exposure	(128)	(1,099)	(308)	(1,535)
De-recognition	(184)	(745)	(345)	(1,274)
Other movements impacting exposure	(2,120)	2,511	4,164	4,555
Write Offs	_	-	(7,565)	(7,565)
As at 28 February 2022	7,855	9,765	6,104	23,724
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	820	8,309	21,358	30,487
De-recognition	(1,251)	(696)	(476)	(2,423)
Write Offs & disposals	_	_	(18,926)	(18,926)
As at 28 February 2023	43,742	38,022	24,237	106,001

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:

	Loans and advances to customers	Receivables	Total
Reconciliation of Credit impairment charge/(release)	£′000	£′000	£′000
Movement in impairment allowance	82,277	-	82,277
Write-offs (net of recoveries and EIR adjustment)	18,624	302	18,926
Income statement charge/(release) for the period	100,901	302	101,203

We've shown the sensitivity of the IFRS 9 modelled ECL (excluding post-model adjustments) to significant estimates used in the models in the following table.

						Impact on ECL
		£′000	% Change	Overdrafts	Loans	Flex
Estimate	Closing ECL 28 February 2023	79,664		32,537	19,367	27,760
OD lifetime	Reduce to 48 months	(5,040)	(6.3%)	(1,273)	-	(3,767)
	Increase to 72 months	7,139	9.0%	1,367	-	5,772
Lifetime PD	Relative 10% increase	6,308	7.9%	2,248	1,233	2,827
	Relative 10% decrease	(5,622)	(7.1%)	(2,223)	(1,249)	(2,150)
LGD Cure Rate	Absolute 10% increase	(8,907)	(11.2%)	(4,648)	(1,383)	(2,876)
	Absolute 10% decrease	8,958	11.2%	4,699	1,383	2,876
LGD recoveries	Absolute 5% increase	(3,510)	(4.4%)	(1,696)	(585)	(1,229)
	Absolute 5% decrease	3,499	4.4%	1,747	523	1,229
SICR threshold	Increase to 200%	(1,533)	(1.9%)	(375)	(52)	(1,106)
	Increase to 250%	(3,223)	(4.0%)	(1,062)	(94)	(2,067)

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 table below. 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 impairment segmentation excludes Post Model adjustments.

				G	ross balances			Impairn	nent allowance	Net balances	ECL Coverage
	Stage	1	2	3	Total	1	2	3	Total		
Risk grade	PD Range %	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£′000	%
Very low risk	0% < to 1.15%	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%
				G	ross balances			Impairn	nent allowance	Net balances	ECL Coverage
				_						itet batarioes	
	Stage	1	2	3	Total	1	2	3	Total	Tree Battarioes	
Risk grade	Stage PD Range %	1 £′000	2 £′000			1 £'000	2 £'000	•		£'000	%
Risk grade Very low risk	•			3	Total			3	Total		ŭ
	PD Range %	£'000	£′000	3 £′000	Total £′000	£′000	£′000	3 £'000	Total £′000	£′000	<u>%</u>
Very low risk	PD Range % 0% < to 1.15% 1.15% < to	£'000 58,049	£'000 1,932	3 £'000 –	Total £'000 59,981	£'000 (844)	£'000 (54)	£′000	Total £'000 (898)	£'000 59,083	% 1%
Very low risk Low risk	PD Range % 0% < to 1.15% 1.15% < to 2.50% 2.50% < to	£'000 58,049 52,232	£'000 1,932 4,227	3 £'000 - -	Total £'000 59,981 56,459	£'000 (844) (1,487)	£'000 (54) (408)	3 £'000 - -	Total £'000 (898) (1,895)	£′000 59,083 54,564	% 1% 3%
Very low risk Low risk Medium risk	PD Range % 0% < to 1.15% 1.15% < to 2.50% 2.50% < to 4.97% 4.97% < to	£'000 58,049 52,232 44,185	£'000 1,932 4,227 12,421	3 £'000 - -	Total £'000 59,981 56,459 56,606	£'000 (844) (1,487) (2,022)	£'000 (54) (408) (1,185)	.3 £'000 - - -	Total £'000 (898) (1,895) (3,207)	£'000 59,083 54,564 53,399	% 1% 3% 6%
Very low risk Low risk Medium risk High risk	PD Range % 0% < to 1.15% 1.15% < to 2.50% 2.50% < to 4.97% 4.97% < to 8.32% 8.32% < to	£'000 58,049 52,232 44,185 22,000	£'000 1,932 4,227 12,421 13,009	3 £'000 - - -	Total £'000 59,981 56,459 56,606 35,009	£'000 (844) (1,487) (2,022) (1,718)	£'000 (54) (408) (1,185) (1,533)	. 3 £'000 - - -	Total £'000 (898) (1,895) (3,207) (3,251)	£'000 59,083 54,564 53,399 31,758	% 1% 3% 6% 9%
Very low risk Low risk Medium risk High risk Very high risk	PD Range % 0% < to 1.15% 1.15% < to 2.50% 2.50% < to 4.97% 4.97% < to 8.32% 8.32% < to	£'000 58,049 52,232 44,185 22,000	£'000 1,932 4,227 12,421 13,009 20,877	3 £'000 - - -	Total £'000 59,981 56,459 56,606 35,009	£'000 (844) (1,487) (2,022) (1,718) (1,771)	£'000 (54) (408) (1,185) (1,533) (3,410)	. 3 £'000 - - - -	Total £'000 (898) (1,895) (3,207) (3,251) (5,181)	£'000 59,083 54,564 53,399 31,758 28,964	% 1% 3% 6% 9%

Of the £3,101.2m (FY2022: £3,134.5m) cash and balances at banks, material balances include:

- £3,090.4m (FY2022: £3,041.1m) held with the Bank of England.
- £6.7m (FY2022: £82.1m) held with one UK bank and £3.2m (FY2022: £10.9m) held with two US and one Swiss bank, all of which had an investment grade credit rating.

Overall, the credit risk on cash and balances at banks is not considered material.

26. Legal proceedings, contingent liabilities and undrawn commitments

Legal proceedings

As disclosed last year, in 2021 the FCA commenced an investigation into our compliance with the Money Laundering Regulations 2017, potential breaches of some of the FCA Principles for Businesses and related FCA rules for anti-money laundering and financial crime systems and controls. The period under investigation is 1 October 2018 to 30 June 2022. The investigation is a dual-track civil and criminal matter. 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 28 February 2023 are £921.9m (FY2022: £368.4m) in respect of customer overdraft and Monzo Flex agreements. These commitments represent agreements to lend in the future subject to terms and conditions, so the amount and timing of future cash flows are uncertain.

27. Contingent 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 28 February 2023 (FY2022: £0.5m).

28. Provisions

Significant accounting estimate

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 28 February 2023. These outcomes may require a material adjustment to the carrying amounts of liabilities in the next financial year. Our Other Provisions relate largely to professional service fees of £9.7m and customer remediation costs of £4.3m. Assumptions have been made on the scope, timing and amount of work required to remediate customers or resolve issues with our regulators, per Note 26 above. A 25% increase in the scope or timing of these provisions would result in a £3.7m increase in provision.

If an outflow is considered possible we would recognise a contingent liability (see Note 26 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. The leases include dilapidation provisions to bring the buildings back to their original state at the end of the lease. At the inception of the leases we recognised a provision for the contracted amount included in the lease, or using an estimate where an estimate could be reliably given. We discount the provisions to the present value at the start of the lease, using the same incremental borrowing rate as used in the calculation of the lease liability. We unwind the discount over the life of the lease.

In the prior year, we recognised other provisions of £7.7m for professional service fees and customer remediation costs. During the year, we've increased these and recognised additional provisions where costs are probable and we're able to reliably estimate them.

Group and Company

	Dilapidation of offices	Other provisions	Total
	£'000	£'000	£'000
As at 28 February 2022	1,246	7,711	8,957
Additions	-	15,168	15,168
Used	-	(6,487)	(6,487)
Unwinding of discount	106	_	106
As at 1 March 2023	1,352	16,392	17,744

29. Country reporting disclosure

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

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

Monzo Support US Inc. is incorporated in the USA and provided support services to Monzo Bank Limited during the year. The entity is in the process of being wound up.

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

	UK	USA	Total
	£'000	£'000	£'000
Average number of employees (FTE)	2,412	20	2,432
Turnover (Total income)	355,258	375	355,633
Loss before tax	110,807	5,534	116,341
RDEC claim	1,698	_	1,698

30. Share capital

	Nominal	Number of ordinary shares	Share Capital
			£
2021		161,119,418	16
Shares issued	0.0000001	31,810,803	3
Options exercised	0.0000001	101,544	-
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

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 antidilution 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 24,270,082 (FY2022: 23,611,168) share options were unvested.

Other reserves are made up of the share-based payments that haven't yet been exercised at year end¹.

31. Group structure

Group entities

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

	Dona donalla lla con E. Amora I al Otomort I anadam I lla tand
Monzo Bank Limited Parent	Broadwalk House, 5 Appold Street, London, United Kingdom, EC2A 2AG
Monzo Support US Inc 100%	1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA
Monzo Inc 100%	1209 Orange Street, Wilmington, New Castle County, Delaware, 19801, USA

We also serve as trustee of bare trusts used with savings providers for the benefit of our customers, which aren't reported on our Statement of Financial Position. During FY2023, on the instructions of our customers we transferred £4,191.6m (FY2022: £1,794.5m) to our savings providers, £3,608.5m

(FY2022: £1,795.5m) was returned to customers. These customers earned interest on £1,884.2bn of savings (FY2022: £1,274.9bn). We earned commission in relation to our role as trustee as described in Note 3. We have no exposure to loss on these deposits.

Investment in subsidiaries

		Company
	2023	2022
	£'000	£'000
Cost		
Opening balance	4,050	2,511
Additions	3,375	6,891
Impairment	(5,106)	(5,352)
Closing balance	2,319	4,050

Impairment

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

We've impaired the Company's investment in Monzo Inc by £5.1m. We're continuing to focus on prioritising features which meet the needs of our US communities. We continue to support this entity, but until we have a proven business, valuation remains challenging. We consider cash to be fully recoverable and other assets, less all liabilities, to only be 50% recoverable to incorporate discounts and disposal costs.

This has resulted in a charge to the Company's Statement of Comprehensive Income of £5.1m (FY2022: £5.4m).

Monzo Support Inc is held at a net asset value of £0.6m (FY2022: £0.6m) pending closure. The remaining assets are cash and considered fully recoverable.

32. Share-based payments

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

The share options issued are equity settled with no cash settlement options, with a maximum term of 10 years. Options typically vest evenly over four years with a one year cliff; or on an exit event. If a colleague leaves before the vesting cliff, they forfeit all options at that date. A limited number of options 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.

We operated three equity settled share options schemes during the year, two in the UK and one in the US. In prior years we operated a tax efficient Company Share Options Plan (CSOP), but as some of HMRC's conditions were not met, this plan is no longer in use.

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

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

We measure the cost of all equity-settled options based on the fair value of the awards at the date of

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

Our market share price is assessed using the pricing achieved in the funding round immediately preceding the issuances. If a period of 6 months has passed following an observable funding price, a valuation exercise considering our performance, 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.

	2023	2022
Valuation assumptions		
Risk free rate	1.35% – 4.14%	0.17% - 1.07%
Volatility	35% – 40%	35% – 40%
Dividend yield	nil	nil
Expected life	2.5 – 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 FY2023. 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 FY2023, the total expense was £29.1m (FY2022: £23.3m). 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 2021	6,252,398	15,369,050	295,442
Granted during the period	-	24,366,963	908,187
Expired	(177,773)	-	-
Forfeited/cancelled	(725,913)	(2,959,590)	(408,242)
Exercised	(10,986)	(90,558)	-
At 28 February 2022	5,337,726	36,685,865	795,387
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

The weighted average exercise prices of all options as at 28 February 2023 are outlined in the table below.

			2023
	CSOP	Non-CSOP	ISO
Outstanding at the beginning of the period	£1.75	£1.49	£2.66
Granted during the period	n/a	£3.33	£5.94
Forfeited or cancelled during the period	£6.71	£0.82	£3.04
Expired during the period	£7.76	£0.35	n/a
Exercised during the period	£0.73	£0.84	£2.53
Outstanding at the end of the period	£1.71	£1.87	£3.76
Exercisable at the end of the period	£1.70	£1.36	£2.96

The range of exercise prices on outstanding options and weighted average share price, fair value and remaining life on options are outlined in the table below.

			2023			2022
	CSOP	Non-CSOP	ISO	CSOP	Non-CSOP	ISO
Range of exercise prices for outstanding options	£0.1997 – £13.0194	£0.00001 – £14.4125	£2.53 – £10.42	£0.1997 – £13.0194	£0.00001 – £14.4125	£2.53 – £14.4125
Weighted average share price for options exercised in the period	14.41	14.41	14.41	7.71	7.71	n/a
Weighted average fair value of options granted during the period	n/a	£4.96	£4.01	n/a	£2.05	£2.34
Weighted average remaining life of outstanding options	4.2	8.0	8.7	5.2	8.7	9.3

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 below. The expected volatility was determined in the same way as in our option pricing model.

	2023	2022
Valuation assumptions		
Risk free rate	0.89% – 4.01%	0.03% - 0.64%
Volatility	35% – 40%	35% – 40%
Dividend yield	nil	nil
Expected life	0.5 years	0.5 years

Other options which have been identified as being replacement equity instruments have been measured using the option pricing model described above. The total incremental fair value recognised on modified options in FY2023 is £0.1m (FY2022: £1.1m).

33. Related party transactions and controlling parties

Controlling parties

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

Transactions with related parties

There were no transactions with related parties during the year other than those mentioned below.

Transactions with key management personnel

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

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

	2023	2022
	£'000	£'000
Transactions with key management personnel		
Salaries & remuneration	4,038	3,693
Social security contributions	522	419
Share-based payments	6,596	9,299
Contributions to defined contribution plans	65	46
	11,221	13,457

In addition, a total of 14,591 (FY2022: 27,869) shares were purchased by directors at a fair value of £210,293 (FY2022: £248,392) in the year ended 28 February 2023.

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.

34. Auditor's remuneration

Auditor's remuneration for the audit of the financial statements was £2.8m (FY2022: £2.4m), £0.3m of this related to the FY2022 audit but was recognised in FY2023. There was no remuneration for non-audit services in the current or prior year.

35. Events after the reporting date

There have been no material post-balance sheet events.

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.

BRC - Board Risk Committee.

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.

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.

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.

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.