ATOM HOLDCO LIMITED PILLAR 3 DISCLOSURES

2023

Registered office

Atom Holdco Limited
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The terms "Atom" and "the Group" refer to Atom Holdco Limited (company number 14129045) together with its subsidiaries. "Atom bank" and "the Bank" refers to Atom bank plc (company number 08632552).

The term "Board" refers to the board of directors of Atom Holdco Limited and/or Atom bank plc from time to time. The term "Director" means a director of Atom Holdco Limited and/or Atom bank plc.

This Pillar 3 Report contains general information about Atom and is intended for informational purposes only. Atom has taken all reasonable care to ensure the information and facts contained in this Report are accurate and up-to-date but any reliance placed on this Report is done entirely at the risk of the person placing such reliance.

The information contained in this Report does not constitute an invitation or inducement to engage in investment activity in connection with any security or financial instrument issued by or on behalf of Atom, nor does it purport to contain information that should form the basis of, or be relied upon, in making any investment decision in connection with the same.

References to "the year" and "FY23" refers to the financial year from 1 April 2022 to 31 March 2023. References to "FY22" refers to the financial year 1 April 2021 to 31 March 2022. References to "2023" shall mean the calendar year from 1 January 2023 to 31 December 2023. References to "2022" shall mean the calendar year from 1 January 2022 to 31 December 2022.

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1. Introduction

Our vision is to change banking for good, and we'll do that by...

Faster

5 days

mortgage speed to offer

99% of savings accounts

opened fully digitally

Easier

4.9

iOS rating

4.8

Android rating

Better Value

4.8

Trust Score

Trustpilot

Top 5 Savings Rates

Atom's FRS products ranked top-5 by Moneyfacts for 47 weeks in 2022

2. Executive summary

This report

This report presents the consolidated Pillar 3 disclosures of Atom Holdco Limited (the Group) for the year ended 31 March 2023.

The Basel Framework is structured around three pillars. Pillar 1 sets out the minimum capital requirement that firms are required to meet for credit, market and operational risk, Pillar 2 concerns the supervisory review process and Pillar 3 promotes market discipline through the disclosure of key information around capital, risk management and remuneration.

This report contains the Pillar 3 qualitative and quantitative information as required under the Capital Requirements Regulation (CRR) prescribed within the Disclosure (CRR) Part of the PRA Rulebook, thereby providing transparency and further information on the capital and risk profile of the Group. The report should be read in conjunction with the 2023 Atom Holdco Limited Annual Report.

The Disclosure (CRR) Part of the PRA Rulebook contains prescribed templates which have been adopted to present quantitative disclosures within this document. Where certain rows or columns within prescribed templates are not relevant to the Group, these have been omitted

Basis of preparation

The Group's capital position is calculated for prudential regulatory reporting purposes for year ended 31 March 2023 using the Basel III framework of the Basel Committee on Banking Supervision (BCBS). This was originally implemented by the European Union in the CRR and the Capital Requirements Directive (CRD IV).

The CRD V and CRR II rules were originally drafted when the UK was a member of the EU. The UK left the EU on 31 January 2020 but remained subject to EU law during the transition period which ended on 31 December 2020. Elements of the CRR were implemented in the UK on 28 December 2020 by PRA policy statement PS29/20. The UK version of the CRR II for implementation on 1 January 2022 was implemented by PRA policy statement 22/21 taking effect from 1 January 2022 and is contained within the PRA Rulebook (CRR) Instrument 2021 and the PRA Rulebook (CRR) Leverage Instrument 2021.

Therefore, any reference to EU regulations and directives should be read as a reference to the UK version, as onshored into UK law under the EU (Withdrawal) Act 2018, as amended by PRA Rulebook (CRR) Instrument 2021 and PRA Rulebook (CRR) Leverage Instrument 2021.

The Group's Pillar 3 disclosures comply with the new CRR II approaches which came into effect from 1 January 2022.

The Group has assessed itself against the disclosure requirements of the CRR II and determined that it is classified under Article 433b of the Disclosure (CRR) Part of the PRA Rulebook as a small and non-complex institution. This reduces the scope of the required Pillar 3 disclosures, and the document has been prepared accordingly to include applicable PRA templates and requirements effective 1 January 2022.

The frequency and scope of disclosure will be reviewed at least annually given changes in the business or revised requirements issued by the PRA.

In accordance with Article 432 of the CRR, the Group is permitted to exclude certain disclosures if they contain proprietary information or are non-material.

Scope of consolidation

During the year, a non-trading holding company, Atom Holdco Limited, was introduced as the ultimate parent company of Atom bank plc and the Atom bank Group. This transaction took place via a scheme of arrangement whereby Atom Holdco Limited shares were issued on a like for like basis to Atom bank plc shareholders in exchange for their existing shares. Atom Holdco Limited is now the 100% shareholder of Atom bank plc and its subsidiaries.

Atom Holdco Limited is a Financial Holding Company, and its establishment created a CRR consolidation entity. Consequently, the Pillar 3 report is prepared on a consolidated basis, however Atom bank plc remains the principal regulated subsidiary of the Group. The comparatives are therefore those of Atom bank plc, which was the only regulated entity on 31 March 2022. For completeness, key metrics for both the consolidated group under Atom Holdco Limited and those for Atom bank plc have been presented within this document, since the former represents the continuation of the Atom bank plc Group, except for its capital structure.

Atom bank plc has one wholly owned subsidiary, Atom EBT Limited, which is deemed de minimis for regulatory purposes.

The Group has now completed four securitisation transactions of residential mortgages, via special purpose vehicles. Following Atom bank plc exercising its call option, on October 24, 2022, the Elvet 2018-1 Notes were redeemed in full. The mortgages assigned to Elvet Mortgages 2021-1 Plc do not qualify for derecognition and were not treated as a sale by the Group, as the Group remains exposed to the majority of the risks and rewards of the mortgages and associated credit risk. Although consolidated under IFRS accounting rules, they do not meet the CRR definition of a subsidiary.

During November 2019, Atom transferred residential mortgage loans with a book value of £488m to a newly established unconsolidated structured entity, Elvet Mortgages 2019-1 plc. The transaction resulted in full derecognition of loans from Atom bank's statement of financial position because all the residual income associated with the mortgages was transferred to the note holders. A further derecognition transaction took place in July 2020 where residential mortgage loans with a book value of £764m were transferred to a newly established unconsolidated structured entity, Elvet Mortgages 2020-1 plc. As balance sheet derecognition was achieved in both transactions, the capital required on the underlying mortgage exposures was derecognised apart from the retained 5% share of mortgages in the form of Vertical Risk Retention notes. Atom also holds £92.1m and £33.2m AAA notes in Elvet 2019-1 plc and Elvet 2020-1 plc respectively at 31 March 2023.

Frequency and location of disclosures

The Group's policy is to publish the Pillar 3 disclosures on the corporate website www.atombank.co.uk. Disclosures will be published on an annual basis on the same day as the Annual Report.

Verification

The Group has a formal Board approved Pillar 3 Disclosure Policy, which details its approach to ensuring compliance with the Disclosure (CRR) Part of the PRA Rulebook. The Group's policy is to comply with all the requirements of derogation for small and non-complex institutions as per article 433b of the PRA Rulebook. In accordance with Article 433b, which details the disclosures for small and non-complex institutions, the Group has derogated from the requirement to publish key metrics on a semi-annual basis because it has not issued securities that are admitted to trading on regulated markets, and therefore meets the definition of a non-listed institution.

Disclosures are unaudited but all disclosures are subject to internal verification comprising first and second line oversight as appropriate. The Board must attest that, to the best of their knowledge, the disclosures within this document comply fully with the requirements of the Disclosure (CRR) Part of the PRA Rulebook (CRR) Instrument 2021 and have been prepared in accordance with our policies and internal control processes. The Pillar 3 document was reviewed by the Board Audit Committee and approved alongside the Annual Report and Accounts on 27 June 2023 and signed on its behalf by:

Andrew Marshall

Executive Director and Chief Financial Officer

14 July 2023

David Roper

Senior Independent Non-Executive Director and Chair of Board Audit Committee

14 July 2023

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Regulatory developments

The regulatory framework in the UK continues to evolve.

On 30 November 2022, the Bank of England published Consultation Paper 16/22, Implementation of the Basel 3.1 standards, which are expected to become effective 1 January 2025. As a residential mortgage lender, the impact of these amendments represents a significant change in the risk weighting of those loans under the standardised approach.

The Group continues to assess the impact of those amendments along with Consultation Paper 5/22, The Strong and Simple Framework and Consultation Paper 4/23, The Strong and Simple Framework: Liquidity and Disclosure requirements for simpler-regime firms.

Climate change continues to be a risk and the Group is monitoring proposals on Environmental, Social and Governance (ESG) disclosures, with any new requirements incorporated into future Pillar 3 documents.

3. Risk management objectives & policies

A core objective for the Group is the effective management of risk. The responsibility for identifying and managing the principal risks rests with the Board of Directors. The Board has ultimate responsibility for setting the Group's strategy, risk appetite and control framework. The Board considers that, as at 31 March 2023, it had in place adequate systems and controls regarding the Group's risk profile and strategy.

Principal risks

Business / Strategic Risk - The risk that Atom fails to execute its business strategy as a result of poor decision taking, substandard execution of decisions, inadequate resource allocation or from a failure to effectively respond to changes in the business/market environment.

Market Risk - The risk of loss arising from potential adverse changes in the value or earnings profile of Atom's assets and liabilities from fluctuation in market variables including, but not limited to, interest rates, credit spreads and foreign exchange.

Capital Adequacy Risk - The risk that Atom could have insufficient quantity or quality of capital to deliver its base case business strategy or withstand a severe but plausible stress.

Liquidity and Funding Risk - The risk that Atom fails to have liquidity resources in quantity and quality to meet its obligations as they fall due or fails to maintain a stable and diverse funding profile, to support its assets and future growth at an acceptable cost in normal and stressed market conditions.

Operational Risk - Inadequate or failed internal processes or systems, human error or external events, create a risk of direct or indirect financial loss and reputational damage.

Credit Risk - The current or prospective risk that a customer of the bank (consumer, commercial or wholesale) defaults on their contractual obligations to Atom or fails to perform their obligations in a timely manner. Atom defines counterparty risk as the risk that a financial counterparty to a transaction could default.

Regulatory Risk - The risk of financial loss, reputational damage and/or regulatory censure arising from failing to comply with existing/future regulatory or legislative requirements including those in relation to Data Protection.

Conduct Risk - The risks arising from inappropriate behaviour by Atom in its relationship with customers, counterparties and markets.

Model Risk - The potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.

Environmental Risk - The risk that Atom contributes to or is impacted by physical or transitional risks arising from climate change or changes to the environment.

Enterprise Risk Management Framework (ERMF)

Atom has an ERMF at the heart of its risk operations, outlining arrangements for the identification, assessment, management, monitoring and reporting of key risks. The application of the ERMF includes all principal risk types facing the Group. It has been designed to ensure a holistic and consistent approach to the aggregation and management of all risks, which is integrated into business management and decision making. It comprises risk strategy, governance and escalation, risk operating model, risk management processes, monitoring and reporting, and risk culture.

Atom's ERMF is subject to regular update and enhancement, with engagement across all three lines of defence to ensure it is used as a tool to support the Group's activities and delivery of its strategy. This is aided through recent design amendments to make the ERMF a user-friendly, interactive tool.

Risk strategy

Atom's risk strategy is to facilitate the creation of a reputable, responsible and sustainable bank which makes the experience of borrowing and saving simpler, faster and better value for money. Sustainable growth is underpinned by pricing appropriately for risk, protecting and enhancing Atom's reputation, and controlling financial and non-financial risk.

For further information on Atom's business model and strategy refer to the 2023 Annual Report.

Risk governance and escalation

Atom's risk governance encompasses risk identification, assessment, management, monitoring, and reporting. The Board is responsible for ensuring the risk management framework and structure are robust. The Board Risk Committee (BRC) reviews risk-related information and delegates some responsibilities to executive committees. Atom's risk appetite, which outlines acceptable risks and is aligned with principal risks, is regularly reviewed and approved by the Board. This rigour guides strategic and operational decision-making, taking into account potential impacts on the balance sheet, sustainability, customers, employees, reputation, regulators, and stakeholders.

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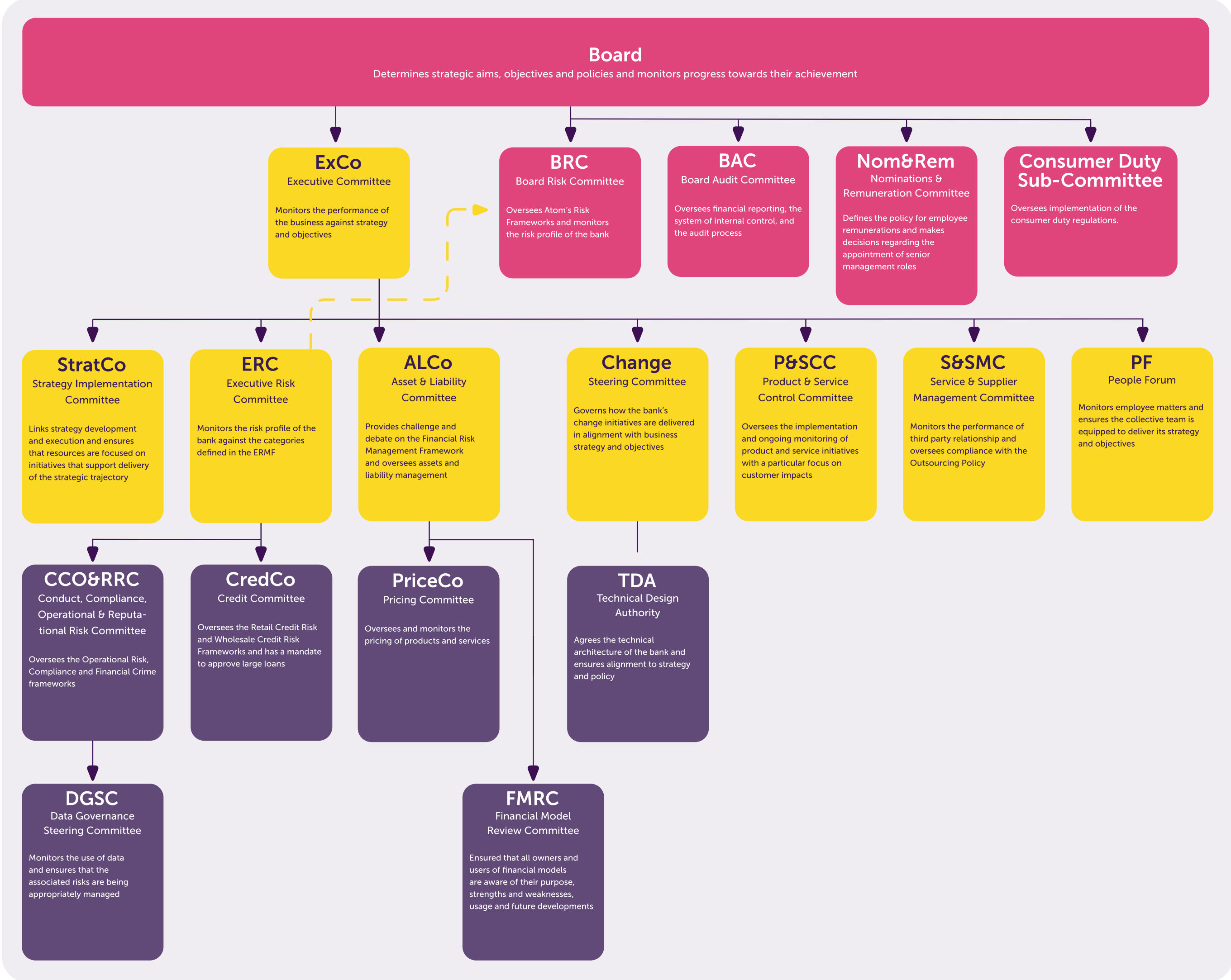
The diagram below illustrates Atom's current governance structure.



Within that governance structure, there are several distinct committees with responsibility for risk management oversight arranged as follows:

Board Risk Committee (BRC)

The BRC oversees Atom's risk framework and monitors the risk profile of the Group. BRC is responsible for ensuring that the Group's risk culture is appropriately designed by anticipating changes in business, economic, political and social conditions. The BRC is responsible for reviewing risk appetite and performance and the effectiveness of the enterprise risk management framework.

Executive Risk Committee (ERC)

a sub-committee of the Executive committee (ExCo), dedicated to scrutinising risk matters, especially those destined for review and approval by the BRC. ERC will closely monitor the Group's risk profile against risk appetite limits and ensure any breaches or early warnings are escalated to the Board.

Credit Committee (CredCo)

a sub-committee of the ERC, tasked with scrutinising retail and Small & Medium sized Enterprise (SME) exposures, as well as wholesale credit risks.

Conduct, Compliance, Operational and Reputational Risk Committee (CCO&RRC)

a sub-committee of the ERC, tasked with control and oversight regarding operational risk, regulatory compliance, conduct risk and financial crime matters.

Assets & Liabilities Committee (ALCo)

a sub-committee of the ExCo, tasked with monitoring and managing the Group's capital, liquidity, funding and market risk.

The BRC convenes seven times per annum, and all other risk committees meet on a monthly basis.

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Risk operating model

Atom complies with the FCA & PRA Senior Managers and Certification Regime (SMCR), whereby the most senior individuals, performing key roles, are accountable for any regulated activity and decisions. These individuals are subject to PRA or FCA approval with Group policies and procedures in place to support ongoing compliance with the regime.

Effective risk management at Atom is supported by a three lines of defence model, establishing clear roles and responsibilities for risk and control management across the Group.

First Line of Defence

The business is responsible for identifying, assessing, managing and monitoring risks and controls related to their own business line activities on a day to day basis.

Second Line of Defence

Independent from the first line, oversees the application of the ERMF, challenging the information presented by the first line and monitoring and reporting on risks and controls to the relevant committees, ensuring that the first line continues to operate within the risk appetite and tolerances that have been set.

Third Line of Defence

Provides independent assurance over the adequacy of first and second line activities in relation to all aspects of the business, including the effectiveness of risk management practices and internal controls, and their alignment to regulatory expectations and industry standards.

Risk appetite

Atom's risk appetite defines the type and level of risks that the Group is prepared to accept in pursuit of its business plan. The risk appetite is expressed in the form of a series of qualitative statements and quantitative metrics, aligned to Atom's Principal Risks and sub risk types. Atom's risk appetite is subject to regular review and approval by the Board.

Atom's risk appetite is an active part of strategic and operational decision making that allows consideration of the material risks to the Group, e.g. potential impact on elements such as the balance sheet, sustainability, customers, employees, reputation, regulators and stakeholders.

Monitoring and reporting

Robust processes and controls ensure there is regular assessment, monitoring and reporting across the Principal Risk themes, to confirm the risk profile and drive any necessary mitigation or remediation actions. This includes the setting of risk appetite and concentration limits for Atom's Principal Risks, with close monitoring, governance and reporting up through to BRC, through a suite of internal reporting and external regulatory reporting, as required.

Risk management processes

a. Risk identification, measurement and management: Embedded practices, across all Principal Risks, to ensure key risks are continually identified, assessed, monitored and reported, through established risks tools and systems.

b. Stress testing & scenario analysis: Regular testing conducted as part of the financial planning process for both capital and liquidity as well as for non-financial Principal Risks to explore how negative events or scenarios may impact Atom's capital and liquidity position, as well as earnings. Where appropriate, such efforts may result in strengthening controls. Scenario analysis and planning also includes planning for and carrying out simulated events to test Atom's resilience, crisis management and disaster recovery capabilities.

c. Capital & liquidity management: Atom takes a prudent approach to managing its capital and liquidity risk. Conservative risk appetites are applied within a rigorous control environment, summarised through the ICAAP and ILAAP, respectively.

d. Recovery planning: Response to adverse conditions that have the potential to cause a breach of internal and regulatory thresholds. The Recovery Plan identifies and calibrates indicators to detect potential or actual stresses. It presents and evaluates options showing how Atom would return to within risk appetite, from a range of severe but plausible financial stresses caused by idiosyncratic problems, market-wide stress, or both.

e. Risk assurance: Provision of insight, oversight and challenge to help ensure Risk Appetite, policies, processes and regulations are complied with; governance and control arrangements are in place and suitably followed; and risks are being appropriately identified, managed and mitigated in response to evolving threats.

f. Key and Emerging Risk Register (KERR): Atom maintains a register of its key and emerging risks which are informed by its senior leaders and assessed alongside Atom's Principal Risks. This activity forms an integral cornerstone of our business planning activities, ensuring that strategies and activities are appropriately focused on addressing the identified concerns and ensuring the right risk arrangements are applied to minimise their exposure.

g. Compliance and customer outcome testing: The Compliance Framework is used to provide assurance to the Board, the ExCo and senior management on the adequacy of policies, procedures, systems, and controls to ensure compliance with Atom's obligations under the regulatory system. A risk-based compliance monitoring plan is prepared on an annual basis, outlining both the thematic and on-going monitoring activity that will be undertaken in the following 12-month period. The compliance monitoring plan is reviewed on a quarterly basis to ensure that it remains in line with business and regulatory requirements

Risk culture

Atom's strong risk culture is embedded across the Group, working to ensure all employees actively consider risk management as part of their everyday activities, and evidenced through a suite of metrics regularly reported to leadership and Board, and included within its company scorecard that impacts remuneration.

The Risk function are actively engaged by the business to help manage and reduce adverse exposures to its risk and control profile, for both existing and new initiatives.

4. Capital management and capital adequacy risk

Capital adequacy risk is the risk that the Group could have insufficient quantity or quality of capital to deliver its base case business strategy or withstand a severe but plausible stress. The Group's capital position could be eroded by facing a high level of defaults on loans, having a large operational loss or a significant and sustained rise in cost of funding.

Capital is actively managed with regulatory ratios being a key factor in the Group's planning processes and stress analysis.

The principal committee at which the Group's current and forecast capital position is scrutinised and managed is the ALCO. Both the ExCo and the ERC review high level capital metrics, together with more focus on risks to the projected position over the short to medium term horizon.

The Board and the BRC also receive high level metrics, projections, and commentary on current and forecast capital adequacy risk.

Key capital adequacy risk mitigants

Capital is one of the key measures of the Group. The Board sets risk appetite for a variety of key metrics. To avoid breaching a regulatory capital measure, a Board Buffer of additional capital requirement is added through the Recovery Plan above the regulatory threshold. This Buffer is designed to, and may, be utilised in a controlled manner when required at the discretion of the Board. The Group also sets itself a management Early Warning Indicator as a threshold to prompt discussion and take mitigating action if needed.

Although Atom is now capital generative on a run rate basis, the Group continues to work with existing and new equity investors to provide additional capital to accelerate growth and execute the long-term strategy.

The Group also has Tier 2 notes in issuance, which can be used to meet regulatory capital requirements in proportion to its Tier 1 common equity. The Group may explore opportunities, subject to market conditions, to raise Tier 2 capital in the near term to further strengthen its capital base.

The Group refreshes its ICAAP stress test annually, which includes a five-year forecast of the Group's capital position under baseline and stressed conditions. The ICAAP document, among other analyses, informs the future capital strategy. The ICAAP document is reviewed and approved by the Board. The PRA reviews the ICAAP periodically and it is available for their review upon request. The ICAAP assesses the Group's Pillar 1 requirements and proposes additional Pillar 2A capital to be held for those risks not captured or not fully captured by Pillar 1 capital. The Group also holds Pillar 2B capital based on the PRA's guidance, inclusive of the regulatory defined capital conservation buffer and countercyclical buffer.

Key capital adequacy risk metrics

The Group's key capital metrics are the current and projected ratio and pound surplus of capital resources over capital requirements. The Leverage Ratio is also monitored against the 3.25% regulatory expectation specified within the UK Leverage Framework, to ensure that it remains above throughout the planning horizon.

Capital metrics are produced monthly to assess the current position and projected capital up to twelve months forward. A revised forecast is produced at least quarterly in business as usual and stressed conditions, showing the potential capital position if further capital raises prove to be delayed or unsuccessful. The Group maintains a Recovery Plan, which lists potential ways to increase available capital resources or to reduce the need for capital resources. The viability of these steps is assessed periodically to inform management and the Board of mitigating actions available to address capital adequacy risks.

5. Key metrics

The following table presents Atom's key metrics as prescribed by Table UK KM1 as at 31 March. As the comparatives reflect the previous structure where Atom bank plc was the sole regulated entity, the equivalent metrics have been presented for completeness alongside Atom Holdco Limited.

The Common Equity Tier 1 (CET1) ratio represents CET1 capital expressed as a percentage of the total risk exposure amount. The total capital ratio (TCR) includes Tier 2 within capital resources, expressed as a percentage of the total risk exposure amount.

UK KM1 Key metrics template

		2023 Group £'000	2023 Bank £'000	2022 £'000
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital	239,716	241,213	217,158
2	Tier 1 capital	239,716	241,213	217,158
3	Total capital	244,459	248,418	225,151
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount	1,270,241	1,271,669	1,043,001
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	18.9%	19.0%	20.8%
6	Tier 1 ratio (%)	18.9%	19.0%	20.8%
7	Total capital ratio (%)	19.2%	19.5%	21.6%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	0.8%	0.8%	0.9%
UK 7b	Additional AT1 SREP requirements (%)	0.3%	0.3%	0.3%
UK 7c	Additional T2 SREP requirements (%)	0.3%	0.3%	0.4%
UK 7d	Total SREP own funds requirements (%)	9.4%	9.4%	9.5%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.5%	2.5%	2.5%
9	Institution specific countercyclical capital buffer (%)	1.0%	1.0%	0.0%
11	Combined buffer requirement (%)	3.5%	3.5%	2.5%
UK 11a	Overall capital requirements (%)	12.9%	12.9%	12.0%
12	CET1 available after meeting the total SREP own funds requirements (%)	9.6%	9.7%	12.5%
	Leverage ratio			
13	Leverage ratio total exposure measure	3,722,531	3,723,901	3,313,171
14	Leverage ratio (%)	6.4%	6.5%	6.6%
	Liquidity Coverage Ratio (LCR)			
15	Total high-quality liquid assets (HQLA) (Weighted value -average)	2,494,398	2,494,398	971,602
UK 16a	Cash outflows - Total weighted value	495,538	495,538	335,102
UK 16b	Cash inflows - Total weighted value	49,208	49,208	24,619
16	Total net cash outflows (adjusted value)	446,330	446,330	310,483
17	Liquidity coverage ratio (%)	578.6%	578.6%	316.7%
	Net Stable Funding Ratio (NSFR)			
18	Total available stable funding	5,557,689	5,557,689	3,492,177
19	Total required stable funding	2,615,311	2,615,311	2,248,265
20	NSFR ratio (%)	211.8%	211.8%	154.9%

Throughout FY23, the Group continued to maintain key metric ratios that exceeded its minimum requirements under the regulatory frameworks. Further detail on the individual elements is provided below.

Available own funds

Common Equity Tier 1 capital

Common Equity Tier 1 (CET1) capital is the strongest form of regulatory capital. It consists of ordinary share capital, associated share premium and allowable reserves. Available CET1 resources are stated after the deduction of prudential filters, which for Atom include intangible assets, deferred tax assets which rely on future profitability, fair value changes on cash flow hedges and prudent valuation adjustments, offset by transitional IFRS9 relief. Atom has no Additional Tier 1 securities in issue and therefore the Group's Tier 1 capital is wholly comprised of CET1.

Immediately prior to the insertion of Holdco, Atom bank plc effected a share capital reduction under court process, following PRA approval in accordance with Articles 77 and 78 of the CRR. This resulted in a reallocation within equity of £565.7m from share premium to retained earnings, with no change in the actual quantum of capital resources.

The intangible assets deduction of £37.8m (FY22: £36.1m) relates predominantly to software, with the annual movement representing capitalisation of £12.0m net of amortisation of £10.3m. Deferred tax of £9.8m continues to be recognised as an asset and is fully deducted from CET1 in accordance with Article 36 as it does not arise from temporary differences.

During the year, Atom recognised a cash flow hedging reserve of £5.2m representing gains and losses on cash flow hedges of the deemed loan. In line with the regulations, this is deducted from CET1.

The prudent valuation adjustment required by the CRR is calculated at 0.1% of assets held at fair value, applying the simplified approach.

Following the implementation of IFRS9, transitional relief arrangements were included in the CRR (Article 473a) to smooth the impact on capital of the new ECL methodology. Further relief was introduced alongside the CRR II "Quick Fix" to smooth the economic impact of the Covid-19 pandemic, however from 1 April 2023 only the CRR II relief remains. The CET1/Tier 1 capital ratio is the CET1/Tier 1 capital expressed as a percentage of the total risk exposure amount and is reported above on a transitional basis. Without the application of IFRS9 transitional relief, the CET1 ratio reduces to 18.2%, and the total capital ratio to 18.6% (Bank: 18.3% and 18.9% respectively).

Tier 2 capital

Tier 2 capital typically consists of other subordinated debt that does not meet the eligibility criteria for inclusion as AT1 capital. On 31 March 2023, Atom had eligible Tier 2 capital instruments with a notional value of £8m in issuance. Atom's Tier 2 instruments are held by the British Business Bank.
The notes have a maturity date of September 2027 (£4m notional) and October 2027 (£4m notional). As the residual maturity of both notes is now less than 5 years, the notes are on an amortisation schedule in accordance with the requirements of Article 64 of the CRR.

Following the restructure, the value of the Tier 2 notes are now subject to a haircut for the purposes of calculating consolidated capital resources in accordance with the requirements of Article 87 of the CRR.

A breakdown of Atom's regulatory own funds at 31 March is as follows:

Table UK CC1 - Composition of regulatory own funds

		2023 Group £'000	2023 Bank £'000	2022 £'000
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	29,305	29,305	566,378
	of which: ordinary share capital	29,305	29,305	566,378
2	Retained earnings	223,540	223,570	(330,232)
3	Accumulated other comprehensive income (and other reserves)	35,939	37,379	26,875
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**288,784**	**290,254**	**263,021**
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments	(330)	(330)	(304)
8	Intangible assets	(37,829)	(37,829)	(36,129)
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences	(9,800)	(9,800)	(5,353)
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	(5,163)	(5,163)	-
UK-25a	Losses for the current financial year	(5,650)	(5,623)	(11,927)
27a	Other regulatory adjustments to CET1 capital (IFRS 9 transitional adjustments)	9,704	9,704	7,850
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(49,068)**	**(49,041)**	**(45,863)**
29	**Common Equity Tier 1 (CET1) capital**	**239,716**	**241,213**	**217,158**
45	**Tier 1 (T1) capital**	**239,716**	**241,213**	**217,158**
Tier 2 (T2) capital: instruments				
46	Capital instruments and the related share premium accounts	4,743	7,205	7,993
58	**Tier 2 (T2) capital**	**4,743**	**7,205**	**7,993**
59	**Total capital (TC = T1 + T2)**	**244,459**	**248,418**	**225,151**

During the year, equity capital of £30m before issue costs was received from investors in November 2023.

Statutory losses have reduced to £5.6m (FY22: £11.9m) due to the growth in net interest margin whilst maintaining strict control over the cost base. Please see the Statement of Comprehensive Income in the Financial Statements for further analysis of the movement in losses in the financial year.

The slight increase in additional value adjustments reflects the higher portfolio of treasury assets held on balance sheet as high-quality liquid assets.

Aside from intangibles, the other significant deduction from capital resources represents the CET1 deduction for the deferred tax asset which increased by £4.5m to £9.8m reflecting the increased certainty over sustainable earnings.

Risk-weighted exposure amounts

Pillar 1 capital requirements

The Pillar 1 requirements set out the rules used to determine the minimum capital requirement for credit, counterparty credit, CVA, market and operational risks. The Pillar 1 total capital requirement is 8% of risk weighted assets (RWAs).

CRD V allows a range of approaches that vary in sophistication to be used to determine RWA amounts. Atom currently uses the standardised approach to determine risk weights for credit risk including for securitisation positions and counterparty credit risk. Atom has no Pillar 1 market risk exposures. The Basic Indicator Approach is used to determine operational risk RWAs.

The following table shows the overall Pillar 1 minimum capital requirements and risk weighted assets for the Group under the approaches and methods described above at 31 March, as prescribed by Table UK OV1.

Table UK OV1 - Overview of risk weighted exposure amounts

		Risk weighted exposure amounts (RWEAs)			Total own funds requirements
		2023 Group £'000	2023 Bank £'000	2022 £'000	2023 Group £'000
1	Credit risk (excluding CCR)	**1,160,517**	**1,161,945**	**951,043**	**92,841**
2	Of which the standardised approach	1,160,517	1,161,945	951,043	92,841
6	Counterparty credit risk - CCR	**1,903**	**1,903**	**13,238**	**152**
7	Of which the standardised approach	1,379	1,379	-	110
UK 8b	Of which credit valuation adjustment - CVA	524	524	4,621	42
9	Of which other CCR	-	-	8,617	0
16	Securitisation exposures in the non-trading book (after the cap)	**21,200**	**21,200**	**40,725**	**1,696**
19	Of which SEC-SA approach	21,200	21,200	40,725	1,696
23	Operational risk	**86,621**	**86,621**	**37,995**	**6,930**
UK 23a	Of which basic indicator approach	86,621	86,621	37,995	6,930
29	**Total**	**1,270,241**	**1,271,669**	**1,043,001**	**101,619**

Growth in Atom's loan book has been the main driver of the £209.5m increase in the credit risk capital requirement.

The Group holds senior notes in Elvet 2019-1 and Elvet 2020-1, along with the Vertical Risk Retention notes. All positions are risk weighted under the securitisation framework; Atom currently holds no other securitisation positions as an investor. The £19.5m fall to £21.2m reflect note paydowns mirroring mortgage redemptions within the loan pools.

Atom's derivative positions are entered into entirely for hedging purposes. During the year, the Group changed methodology so that the capital requirement for counterparty credit risk is now calculated using the standardised method, as prescribed under the new standardised approach for counterparty credit risk. As all positions are margined, the exposure value is predominantly comprised of the add-on for potential future exposure; this exposure is then risk weighted under the standardised approach.

Atom is also required to hold capital for a Credit Valuation Adjustment (CVA) risk due to the exposure to derivatives. CVA risk represents the market value of counterparty credit risk inherent in derivative contracts. From October 2019, all eligible derivative transactions that Atom enters into are cleared through a Qualifying Central Counterparty Clearing House (QCCP). As centrally cleared swap transactions are not subject to the CVA capital charge, this requirement is now in run off.

Operational risk is the risk of loss, whether direct or indirect, to which Atom is exposed due to inadequate or failed internal processes or systems, human error, or external events. Atom uses the Basic Indicator Approach to determine its Pillar 1 requirements for operational risk. The Basic Indicator Approach uses an average of the last three years' operating income to determine the Pillar 1 requirement at 15% of the average. The higher charge in the year reflects growth in operational income.

Table UK CR4 – standardised approach – credit risk exposure and credit risk mitigation (CRM) effects.

2023		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
		a	b	c	d	e	f
	Exposure class	£'000	£'000	£'000	£'000	£'000	%
1	Central governments or central banks	4,318,206	-	4,809,356	7,412	-	0%
4	Multilateral development banks	38,858	-	38,858	-	-	0%
6	Institutions	63,175	-	63,175	-	12,635	20%
8	Retail	491,748	23,127	266,695	4,625	176,365	65%
9	Secured by mortgages on immovable property	2,450,199	522,329	2,196,463	151,700	930,085	40%
10	Exposures in default	26,146	-	13,785	-	14,968	109%
12	Covered bonds	142,642	-	142,642	-	14,264	10%
14	Collective investment undertakings	14,500	-	14,500	-	2,900	20%
16	Other items	9,300	-	9,300	-	9,300	100%
17	**TOTAL**	**7,554,774**	**545,456**	**7,554,774**	**163,737**	**1,160,517**	**15%**

2022		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
		On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet amount	RWAs	RWAs density (%)
		a	b	c	d	e	f
	Exposure class	£'000	£'000	£'000	£'000	£'000	%
1	Central governments or central banks	1,641,302	-	2,182,865	16,272	-	0%
4	Multilateral development banks	35,884	-	35,884	-	-	0%
6	Institutions	72,546	-	72,546	-	14,553	20%
8	Retail	512,257	121,997	193,313	98,668	181,660	62%
9	Secured by mortgages on immovable property	1,862,826	280,044	1,649,180	78,619	720,637	42%
10	Exposures in default	18,456	-	9,484	-	11,604	122%
12	Covered bonds	69,980	5,000	69,980	5,000	7,498	10%
16	Other items	15,091	-	15,091	-	15,091	100%
17	**TOTAL**	**4,228,342**	**407,041**	**4,228,343**	**198,559**	**951,043**	**21%**

Credit conversion (CCF) is a factor defined by regulation to determine the likelihood of an off-balance sheet exposure becoming an on-balance sheet exposure, for example a committed mortgage offer completing into a mortgage loan. Within the retail class and immovable property class, the recognition of guarantees on Covid-19 government lending schemes drives the reduction of pre-CRM exposure to post-CRM exposure, with the £498.6m higher exposure to central governments and central banks post-CRM reflecting the recognition of those guarantees. RWA density is RWAs expressed as a percentage of exposures post-CCF and CRM.

Table UK CR5 – Standardised approach - Breakdown of exposures by asset class and risk weight

The tables below present a breakdown of post CRM and post CCF exposures by asset class, excluding any contribution for counterparty credit risk.

2023		Risk weight								Total	Of which unrated
		0%	10%	20%	35%	50%	75%	100%	150%		
		a	d	e	f	g	i	j	k	p	q
	Exposure class	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	Central governments or central banks	4,816,768	-	-	-	-	-	-	-	4,816,768	4,816,768
4	Multilateral development banks	38,858	-	-	-	-	-	-	-	38,858	38,858
6	Institutions	-	-	63,175	-	-	-	-	-	63,175	42,151
8	Retail exposures	-	-	-	-	-	271,320	-	-	271,320	271,320
9	Exposures secured by mortgages on immovable property	-	-	-	2,088,567	-	-	259,596	-	2,348,163	2,348,163
10	Exposures in default	-	-	-	-	-	-	11,420	2,365	13,785	13,785
12	Covered bonds	-	142,642	-	-	-	-	-	-	142,642	10,073
14	Units or shares in collective investment undertakings	-	-	14,500	-	-	-	-	-	14,500	-
16	Other items	-	-	-	-	-	-	9,300	-	9,300	9,300
17	TOTAL	4,855,626	142,642	77,675	2,088,567	-	271,320	280,316	2,365	7,718,511	7,550,418

2022		Risk weight								Total	Of which unrated
		0%	10%	20%	35%	50%	75%	100%	150%		
		a	d	e	f	g	i	j	k	p	q
	Exposure class	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
1	Central governments or central banks	2,199,136	-	-	-	-	-	-	-	2,199,136	2,199,136
4	Multilateral development banks	35,884	-	-	-	-	-	-	-	35,884	35,884
6	Institutions	-	-	72,401	-	145	-	-	-	72,546	-
8	Retail exposures	-	-	-	-	-	291,981	-	-	291,981	291,981
9	Exposures secured by mortgages on immovable property	-	-	-	1,449,120	-	-	278,680	-	1,727,800	1,727,800
10	Exposures in default	-	-	-	-	-	-	5,244	4,240	9,484	9,484
12	Covered bonds	-	74,980	-	-	-	-	-	-	74,980	-
16	Other items	-	-	-	-	-	-	15,091	-	15,091	15,091
17	TOTAL	2,235,020	74,980	72,401	1,449,120	145	291,981	299,015	4,240	4,426,902	4,279,376

Atom uses ratings published by Fitch Ratings to determine risk weighted exposure amounts under the standardised approach for wholesale exposures within the institution and covered bond asset classes. Atom maps the ratings to the appropriate credit quality step using the method prescribed by the Regulations and then applies the resultant risk weight to the exposure value to calculate the risk weighted asset value. All other exposures are unrated.

Additional own funds requirements under the Regulatory Capital Framework

Pillar 2 capital requirements

The Pillar 2 requirements play a significant role in ensuring that institutions hold appropriate levels of capital for the risks to which they are exposed. As part of the Supervisory Review and Evaluation Process (SREP), the PRA have assessed Atom's capital adequacy and Atom's own assessment of its capital adequacy determined by the ICAAP. Following the SREP, Atom has been advised of its additional capital requirements under Pillar 2A and Pillar 2B.

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

Atom's prescribed TCR is 9.36% of RWAs (FY22: 9.53%). This means that in order to meet its TCR, Atom must hold capital equal to 1.36% of RWAs in addition to the 8% minimum requirement under Pillar 1. The PRA requires firms to meet Pillar 2A with at least 56.25% CET1 capital and no more than 25% Tier 2 capital. As Atom has no AT1 capital, the Tier 1 capital requirement must be met with CET1.

All firms are subject to a PRA buffer assessment as part of the SREP. A bank's ICAAP is the starting point for determining the Pillar 2B buffer requirement.

The PRA buffer[1] is an amount of capital firms should maintain in addition to their TCR and the combined buffer. The PRA buffer absorbs losses that may arise under a severe stress scenario, while avoiding duplication with the combined buffers.

Combined buffer requirements

The Capital Conservation Buffer (CCB) is a general buffer that is designed to build up a bank's available capital resources, and therefore resilience, during non-stressed periods. From 1 January 2019 Atom has been required to hold a CCB of 2.5% of RWAs in the form of CET1.

Atom is also required to maintain a Countercyclical Capital Buffer (CCyB) of up to 2.5% of RWAs. The firm specific buffer is calculated by multiplying the country specific CCyB rate with the RWAs for any relevant credit exposures in that country.

The buffer aims to provide the banking sector with additional capital to protect it in an economic downturn. The CCyB rate for the UK is set by the Financial Policy Committee (FPC) of the Bank of England. Institutions have 12 months from the date of a rate increase announcement to meet the increased buffer requirement. In contrast any rate reductions are applied with immediate effect. In times of economic stress, the CCyB can be reduced to maintain the flow of credit through that period; in response to the Covid pandemic, the FPC reduced the CCyB to 0% in March 2020. On 13 December 2021, the FPC announced an increase to the UK CCyB rate to 1%, which took effect on 13 December 2022 and therefore is in place on 31 March 2023. A further increase to the UK CCyB rate to 2%, will take effect on 5 July 2023. Atom's risk appetite accounts for this additional increase.

Atom has no exposures outside of the UK that are relevant exposures for the purpose of calculating the CCyB.

The following table summarises the CRD V capital requirements as they apply to Atom.

Requirement or buffer	Calculation method	Quality of capital required to meet the requirement	Impact on Atom
Pillar 1	Fixed percentage of RWAs as prescribed in Article 92 of the CRR	4.5% of RWA met by CET1 capital 6% of RWAs met by Tier 1 capital 8% of RWAs met by Total capital	The impact of the Pillar 1 capital requirements can be seen in Key Metrics.
Pillar 2A	Expressed as a percentage of RWAs	56.25% to be met by CET1 capital 75% to be met by Tier 1 capital 100% to be met by Total capital	Atom's Pillar 2A capital requirement is 1.36% of RWAs
Countercyclical buffer	Expressed as a percentage of RWAs	CET1 Capital	1% effective from 13 December 2022, increasing to 2% from 5 July 2023.
Systemic buffers	Expressed as a percentage of RWAs	CET1 Capital	Applicable only to global and other systemically important institutions
Capital conservation buffer	Expressed as a percentage of RWAs	CET1 Capital	2.5%
PRA Buffer (Pillar 2B)	Expressed as a percentage of RWAs	CET1 Capital	The buffer is set by the PRA and is confidential. The Pillar 2B buffer is the greater of either the PRA buffer or the total of the Countercyclical buffer and Capital conservation buffer.

1. The PRA's methodologies for setting Pillar 2 capital (Statement of Policy published July 2021, effective 1 January 2022).

Leverage ratio

In the UK, the FPC has powers of direction over leverage ratio requirements for banks. The leverage ratio is defined as the ratio of Tier 1 capital, which for Atom is determined on a transitional basis, to the total leverage ratio exposure measure. The leverage ratio exposure measure applies an equal weighting to all assets and therefore provides a complementary capital framework which is not exposed to the inherent errors and uncertainties in measuring risk by assigning risk weights. The UK Leverage Framework also confirmed the exclusion of qualifying central bank claims from the exposure measure as set out in the PRA's 2021 Policy Statement containing feedback from the FPC. This exclusion ensured that the framework did not act as a barrier to the effective implementation of monetary policy measures or a disincentive for institutions to use central bank liquidity facilities.

The leverage ratio remains stable at 6.4% (FY22: 6.6%) Consistent with the CET1 ratio and TCR, leverage ratios are monitored and reported on a transitional basis. Using a fully phased-in definition of tier 1 capital reduces the leverage ratio to 6.2% (Group and Bank) from 6.4% on a transitional basis.

Liquidity risk metrics - liquidity coverage ratio (LCR) and net stable funding ratio (NSFR)

The LCR metrics reported in the key metrics table (KM1) are calculated on an average basis over a 12 month period and therefore differ to the metrics reporting in the Annual Report which show the position at year end. The Group's LCR was maintained comfortably above minimum regulatory requirements throughout the year, increasing to 887.0% (FY22: 448.9%). The Group's total liquidity buffer, which comprises predominantly central bank reserves, has increased to £4.3bn (FY22: £1.6bn) as a result of retail saving inflows. The total weighted value of cash outflows increased by £160m to £496m. This was largely driven by the growth of Instant Access retail savings to £1.7bn (FY22 £1.3bn) and the increase in the lending pipeline to £135m (FY22 £86m).

The NSFR is calculated under the CRR II regulations, which requires a minimum NSFR of 100%. These are also reported on an average basis, using the average of four quarter end figures, with growth in retail savings driving the higher average ratios in FY23.

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6. Remuneration

This section provides details of the remuneration of Atom's Material Risk Takers (MRT) together with an explanation of remuneration policies, practice, and governance. MRTs are those individuals whose actions have a material impact on the Group's risk profile, based on criteria set by the EBA and contained within the Remuneration Part of the PRA Rulebook. During the year there were an average of 48 MRTs.

Approach to remuneration

Atom's approach to remuneration should be taken in context with the broader Employee Value Proposition, which incorporates the entire approach to investing in people. The remuneration elements cover:

- **Basic Pay** - the monies people receive each month that reflect the core skills and experience they bring to their role, in relationship to the market.
- **Variable Performance Reward** – intended to reward performance, variable reward is given as equity in the Company through share options via the Annual Performance Share Scheme.
- **Long Term Incentive Reward** - to incentivise longer-term commitments from highly valuable Atom resources. Long-term incentive rewards are given as equity in the Company and are awarded through share options via the Long-Term Incentive Plan.

Atom's overall principles for reward are:

- Respect people for their skills and experience; recognise and reward people for their commitment, performance, and contribution on a balance of measures that ensure positive customer outcomes, risk management and customer experience.
- Be competitive in the marketplace.
- Offer a total reward approach, including intrinsic and extrinsic factors.
- Ensure consistency and equality of treatment.
- Recognise positive action and behaviour, and immediately identify and act against negative action and behaviour.
- Engage Atom's people across the Employee Value Proposition using language, process and behaviours that exemplifies its values.
- Build pride in our brand, and a sense of ownership in its success.
- Connect variable reward (bonuses) to future sustainability.
- Align to applicable regulatory requirements and expectations, principally those outlined in the Remuneration Part of the PRA Rulebook and the FCA's Dual-Regulated Firms Remuneration Code

However, to make sure that we effectively stick to these principles, we also need to have:

- Strong clear and open communication, ensuring effective feedback mechanisms both up and down the management structure.
- A robust performance process.
- A clear and effective controls framework.
- Monitoring and review of Atom's policies and processes.
- Independent entry and exit interviews.
- Efficient reward management systems, including up-to-date external benchmarking.
- Comprehensive, accurate and timely management information.
- Access to the Board for all members of the team and an effective whistleblowing policy.
- Effective governance structure internally with an effective RemNomCo, chaired by a Non-Executive Director.
- A thank you/appreciation culture.

Methods of remuneration

Basic pay

We regularly collect market data to compare pay for roles within Atom to that of comparative companies. This data will include market median and range information and will include Financial Services and Technology pay data.

Individual pay is positioned within the market range and will consider a number of factors, including relevant skills, experience, contribution and impact and performance in role.

In practice, this may mean that individuals in different roles within Atom are paid at different points within a pay range however pay will always be assessed according to the factors above.

Cost of Living

Assuming the business is progressing satisfactorily, each year we will assess any cost of living impact. Atom re-verifies its roles against the benchmark data provided by the National Office of Statistics and any other relevant market data. Any proposed cost of living adjustment takes into consideration the affordability within the business. Cost of living proposals must be pre-approved by the ExCo and then given full approval by the Nomination and Remuneration (Nom&Rem) Committee. Annual cost of living adjustments are not guaranteed. In FY23 a cost of living increase was given to most employees, excluding only underperformers.

Basic pay increases are not the norm and should not be expected. Further, it may be appropriate for some roles to receive pay increments and others not if the market has changed specifically with regards to these skills. Underperforming individuals will not be awarded any basic pay increase.

The Nom&Rem Committee will agree the overall pay market data and recommendations each year. They will also specifically approve GB1 remuneration and have oversight of all MRT remuneration.

Variable pay – Annual Performance Share Scheme (APSS)

Variable pay is discretionary and is an element of remuneration that does not meet all of the fixed pay criteria and is typically based on performance. Each employee has the ability to earn a performance related bonus every year, subject to eligibility considerations which are detailed in an employee's individual terms and conditions. This is awarded through the Annual Performance Share Scheme (APSS) as equity in the Company. The overall performance of the business is assessed on an annual basis which in turn determines the size of the performance share option allocation across the business, which is then applied to all employees within their eligibility. This is agreed by our Board each year.

The opportunity to earn performance share options varies by grade band:

- **Grade Band 1**– Up to 100% of basic salary
- **Grade Band 2**– Up to 50% of basic salary
- **Grade Band 3**– Up to 25% of basic salary
- **Grade Band 4**– Up to 10% of basic salary

The share option award is calculated based on the current share price value when the awards are granted. Share options within the Annual Performance Share Scheme are exercisable at 0.001p.

In FY23, all eligible employees received 72% of their contractual bonus entitlement as equity settled share options.

These share options have vesting periods which are based on grade band:

- **Grade Band 1** – 25% on award, then 25% for next three anniversaries.
- **Grade Band 2** – 50% on award, then 25% for next two anniversaries.
- **Grade Band 3** – 75% on award, then 25% on the following anniversary.
- **Grade Band 4**– 100% on award.

The RemNomCo will then approve the overall shape of the award, and specifically the Grade Band 1 and MRT allocation.

Should an individual be assessed as underperforming in their role their bonus may be reduced or withheld.

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Long-term Incentive (LTI) Share Option Scheme

Long-Term Incentives are discretionary. Executives and Heads of Department can nominate people from their teams each year for an LTI award. These awards are calculated based on the award date share price and can be exercised based on the price at the point of the award. 50% of these shares vest after three years, and 50% vest after five years.

Each year individual nominations from the Grade Band 1 and 2 population are consolidated from across the Company, along with a brief rationale for awarding them LTI options.

In order for the awards to vest, certain underpins will need to be satisfied. These underpins will be set at the time of grant by the Nom&Rem Committee and will include an assessment of individual conduct/behaviours and Atom's risk performance and profitability.

Recommendations of awards are made to the Nom&Rem Committee for approval.

Remuneration decision making process

The Nom&Rem Committee is responsible for determining remuneration strategy and policy for the Chair, the Executive Directors and other employees who are deemed to be MRTs in accordance with the PRA Remuneration Code.

This includes approving the design of, and determining the performance targets for, any discretionary performance awards operated for the benefit of employees within the Committee's remit and approving the total annual payments under such plans. The Committee also oversees the Remuneration Policy throughout the Group, with a specific focus on the risks posed by remuneration policies and practices.

The Nom&Rem Committee meet three times during the year. The Committee members are:

- Bridget Rosewell
- Cheryl Millington (Chairman)
- David Roper
- Laurence Hollingworth
- Gonzalo Romera Lobo

Only members of the Committee have the right to attend and vote at Committee meetings. However, other individuals (such as the CEO and Chief People Officer) may be invited to attend meetings when appropriate or necessary but are excluded from discussions relating to their own remuneration arrangements.

Recruitment policies

Atom always aims to recruit the person who is most suited to the particular job. Recruitment is solely based on the applicant's abilities and individual merit as measured against the criteria for the job. Qualifications, experience, and skills are assessed at the level that is relevant to the job. This applies to all roles. Job descriptions describe the duties, responsibilities and level of seniority associated with the post, while the person specification will describe the type of qualifications, training, knowledge, experience, skills, aptitudes, and competencies required for effective performance of the job. Roles which fall within the Senior Manager or Certification Regime are highlighted at the point of advertisement.

Subsequent recruitment activities, including the enhanced vetting and referencing processes, ensure that senior individuals are appointed who are competent, capable and understand their accountabilities as a Senior Manager in the Group.

Atom is committed to applying its Equal Opportunities Policy at all stages of recruitment, selection and throughout the employee lifecycle. Individuals in roles at all levels should be able to perform in their role without any regard to gender, gender reassignment, sexual orientation, marital or civil partnership status, colour, race, nationality, ethnic or national origins, religion or belief, age, pregnancy or maternity leave or trade union membership. Senior Managers are recruited on the same basis and are advocates and role models of Atom's value to treat people with respect.

Remuneration for Material Risk Takers

The tables below detail the remuneration for MRTs during the year. Fixed remuneration includes base salary, allowances, benefits, and pension. Variable awards are all share options schemes and are subject to vesting conditions.

The design of our reward and remuneration policy and practices are created and developed in accordance with the risk profile of the Group. The details of the variable and fixed reward for our MRTs and other identified individuals is taken to the Nom&Rem Committee on annual basis for their oversight and scrutiny. A key aim of our policies is to align remuneration principles with a view to ensuring that policies and practices promote, and are consistent with, effective risk management.

At Atom, fixed reward forms a large proportion of the total reward package, and we offer our people the ability to earn a fair and modest element of bonus pay. The reward and benefits on offer for employees at Atom do not only comprise of monetary elements. It is a comprehensive package and includes a wide range of benefits which are appealing to our people and future colleagues.

Table UK REM1 below shows the amount and type of fixed and variable remuneration awarded to the Management Body (MB), senior management and other identified staff for the financial year ended 31 March 2023.

UK REM1 Remuneration awarded for the financial year

			a MB Supervisory function	b MB Management function	c Other senior management	d Other identified staff
1	Fixed remuneration	Number of identified staff (average)	7	6	5	30
2		Total fixed remuneration (£)	1,656,578	2,132,785	1,085,387	5,083,711
3		Of which: cash-based (£)	1,656,578	2,132,785	1,085,387	5,083,711
9	Variable remuneration	Number of identified staff (average)	2	5	4	23
10		Total variable remuneration (£)	440,084	756,560	375,929	1,047,123
UK13a		Of which: shares or equivalent ownership interests (£)	440,084	756,560	375,929	1,047,123
UK14a		Of which: deferred (£)	341,895	387,874	252,563	441,833
17	**Total remuneration (2 + 10) (£)**		**2,096,662**	**2,889,345**	**1,461,316**	**6,130,834**

During the year, severance payments were made to staff as shown in table REM2 below.

UK REM2 Special payments to staff whose professional activities have a material impact on institution's risk profile

		b MB Management function	c Other senior management	d Other identified staff
6	Severance payments awarded during the financial year - Number of identified staff	1	1	3
7	Severance payments awarded during the financial year - Total amount	282,996	48,449	125,787
8	Of which paid during the financial year	282,996	48,449	125,787
11	Of which highest payment that has been awarded to a single person	282,996	48,449	54,318

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Table REM3 below analyses deferred remuneration awarded for previous financial years by staff category and remuneration type, showing the amounts vesting and paid out during the year ended 31 March 2023 and amounts which will vest in future periods.

UK REM3 Deferred Remuneration

	Deferred and retained remuneration	a Total amount of deferred remuneration awarded for previous performance periods £	b Of which due to vest in the financial year £	c Of which vesting in subsequent financial years £
1	**MB Supervisory function**	**221,030**	**147,924**	**73,107**
2	Cash-based	-	-	-
3	Shares or equivalent ownership interests	221,030	147,924	73,107
7	**MB Management function**	**424,360**	**381,521**	**42,839**
8	Cash-based	-	-	-
9	Shares or equivalent ownership interests	424,360	381,521	42,839
13	**Other senior management**	**202,378**	**139,819**	**62,558**
14	Cash-based	-	-	-
15	Shares or equivalent ownership interests	202,378	139,819	62,558
19	**Other identified staff**	**370,702**	**277,669**	**93,033**
20	Cash-based	-	-	-
21	Shares or equivalent ownership interests	370,702	277,669	93,033
25	**Total amount**	**1,218,470**	**946,933**	**271,537**

During the year, 1 member of staff earned between €1m and €1.5m (FY22: Nil).

Atom