Atom bank

ANNUAL REPORT 2023/24

Atom Holdco Limited
Consolidated Financial Statements

Atom’s vision is to change banking for good, for the better, for everyone. We are doing this by making the experience of borrowing and saving faster, easier and better value for money than anyone else.

Faster

We’re focussed on making transformational improvements in the speed of the loan origination process.

3X FASTER

In FY24 Atom residential mortgage application to offer took on average 4 days vs the high street average of 11 days

Easier

We’re focussed on providing a streamlined and straightforward customer experience.

5 STAR RATING

Trustpilot rating through FY24

Trustpilot

Better Value

Offer lending and savings rates that are fair without sacrificing profitability.

88% INTEREST RATE BETA

The change in Atom’s IAS rate compared to Bank of England rate on £1.4bn of savings balances.

Registered office

Atom Holdco Limited
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

The terms "Atom", "the Bank" and "the Group" refer to Atom Holdco Limited together with its subsidiaries. "the Parent", "The Company" and "Atom Holdco" refers to Atom Holdco Limited (company number 14129045).

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

This Annual 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 Annual Report are accurate and up-to date but any reliance placed on this Annual Report is done entirely at the risk of the person placing such reliance.

The information contained in this Annual 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.

This Annual Report includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should", or their negative variations or comparable terminology, or by discussions of strategies, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts.

They appear in a number of places throughout this Annual Report and include statements of the intentions, beliefs or current expectations relating to the results of operations, financial condition, liquidity, prospects and growth of Atom and the sector in which it operates.

Forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances, that may or may not occur in the future and that may be beyond Atom's control. Forward-looking statements reflect the current views of Atom with respect to prospective events, and are not guarantees of future performance. Many factors could cause Atom's actual performance to differ materially from the prospective performance expressed or implied by such forward looking statements. Some of these factors are described in more detail in this Annual Report. In addition, even if the results of operations, financial condition, liquidity, prospects, growth, strategies, dividend policy and the development of the sector in which it intends to operate, are consistent with the forward-looking statements in this Annual Report, those results or developments may not be indicative of results or developments in subsequent periods.

The directors of Atom undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Recipients of this Annual Report should consider all forward-looking statements in the light of these explanations and should not place undue reliance on such statements.

References to "the year" and "FY24" refers to the financial year from 1 April 2023 to 31 March 2024. References to "FY23" refers to the financial year 1 April 2022 to 31 March 2023. References to "2024" shall mean the calendar year from 1 January 2024 to 31 December 2024. References to "2023" shall mean the calendar year from 1 January 2023 to 31 December 2023.

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I am in the fortunate position of leading a unified board, a strong management team and an increasingly successful bank.

After joining the Board of Atom in May, I succeeded Bridget Rosewell in the role of Chairman in September. Bridget helped guide Atom through a number of significant challenges and helped shape the bank that exists today.

In November, my first meeting as Chairman was the Board strategy day. Having just received commitment of a further £100m in equity capital, the Board and majority shareholders challenged and refined the Bank's strategic objectives, and unanimously endorsed the business strategy.

The injection of new capital from our existing shareholders is further proof of their belief in our strategy, and will support our ability to achieve our growth ambitions.

For some years now Atom has carved a unique course among neo-banks based upon some simple but powerful insights about established banks:

1. That established banks are both inefficient and ineffective, expensive to run, prone to errors and at best mediocre in delivering positive customer experiences and outcomes

2. That they depend upon dated and complex technologies and cultures together with complicated structures born of continual mergers and acquisitions

3. That the majority of their revenues are generated in the form of interest income, a significant proportion of which comes from mortgage lending

4. That they dominate mainstream UK residential mortgage lending because they possess regulatory capital advantages and low-cost funding, the latter born of inadequate competition due to high customer inertia

I was and I remain compelled by the clarity of Atom's vision. Namely, to build a modern, efficient and low-cost digital banking machine that serves the borrowing and saving needs of home-owners and business owners and leverages the resulting cost advantage to offer savings customers a better deal than incumbents, to fuel lending growth and to deliver exceptional returns.

This combination of 'focussed cost leadership' together with unrivalled customer focus offers an exciting and compelling alternative to the conventions of the banking sector. And it need not happen at the expense of customers, quite the opposite in fact - Atom has an enviable customer service reputation.

Part of what attracted me to Atom was the culture and sense of purpose. It can be hard to convince people that any new idea can work, especially in such a traditional sector. I believe that this is possible, and belief in Atom's strategy is what drives us to make changes to transform banking.

Lee Rochford

Chairman

Strategic Report

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A Sustainable Business Model

FY23 was Atom's first year of delivering operating profit. This has been built upon during FY24 with significant growth in operating profit and the first full year of profit before and after tax. This is an important milestone and it sets a new standard for everyone involved in Atom. All companies must cross the break-even threshold and grow to become both profitable and self-sustaining businesses. It's the only way that they can fully realise their potential and progress on to deliver enduring shareholder value. Atom is now very well advanced on that journey.

But it's far from over. We must continue to grow our lending, stay safely within our risk appetite, keep a tight control on our costs, invest in our capabilities and deliver for our customers. We have a strong track record in all of these areas.

We further automated our commercial loans, residential mortgages and savings customer journeys and against a difficult inflation backdrop kept our costs virtually flat year-on-year. We actually improved our customer satisfaction metrics from what were already industry peak positions. At the same time we reduced our carbon emissions per employee and invested in our environmental impact, measurement and control. I am particularly proud of our efforts to improve social mobility in our home base of the North East of England, one of the UK's poorest areas.

We continued to invest in our Internal Ratings Based (IRB) programme, and we will do so again this year as we remain committed to its successful conclusion.

Economic and Political Outlook

The average rates of inflation over the past two years have placed UK households under a great deal of pressure. This pressure persists because although the headline rate has come down, it's still not meeting the Government's 2% target. Nonetheless the market is calling an interest rate peak even if the Bank of England has decided to delay any reductions. This – for banks – less benign interest rate outlook has already squeezed margins and it may continue to do so. We will need to navigate this shift however, having offered good value for customers on the way up, we will adjust in a sustainable and fair manner on the way down.

As a lender we take some comfort from the employment outlook which remains robust - labour and skills shortages are more likely to stifle economic growth than damage Atom, at least in the short term. We have also begun to see a revival in property prices and in transaction volumes after a protracted period of slow decline and flattened demand. We have a long-term favourable view of asset quality but again, we take encouragement from the upward trends. We will continue to support customers who find themselves in financial difficulty or who exhibit early signs of stress.

With elections on either side of the Atlantic and the wars in Ukraine and in the Middle East showing little sign of relenting, the global political and economic situation remains troubling to say the least. As we get closer to the election dates we may anticipate some market volatility pending clarity of outcomes through the election cycles.

Concluding Thoughts and Priorities

Incumbent bank valuations have been challenged in recent years, particularly in the UK. In the main banks are not highly valued by public markets. Atom must challenge that perception by delivering growth, profitability and real differentiation. We must be transformative in our efficiency relative to other banks. The prize can still be won - UK banking remains an oligopoly synonymous with low growth, high costs and poor customer service.

In the months ahead I will continue to get to know and work closely with my Board colleagues, to meet with our investors and to engage openly and transparently with our regulators. I will work to evolve the governance of the Bank, completing a review of the Board capabilities and getting underneath and closer to the culture of the Bank. The team have some significant changes in personnel to navigate and we must also comply with strengthened business continuity and resilience standards by 2025 – we are well advanced in these challenges and we have a strong track record of delivery.

More than anything else, I will be focussing my attention on ensuring that we deliver our business plan and create value for our shareholders.

I'd like to thank everyone at Atom for the welcome I have received since joining, my Board colleagues for their efforts during the year and our shareholders for their continued support.

Thank you

Lee Rochford
Chairman

It's been our best year yet. We have generated an operating profit of £27m, grown our loan book by 39%, and maintained our industry leading customer metrics.

We've delivered growth in our lending, increasing the size of our loan book to £4.1bn and have delivered a below plan cost outcome while adding new roles to the Bank. We've maintained our outstanding customer service reputation, achieved an employee engagement score of +81% and we also reduced our carbon emissions per employee to 1.31tCO_2e.

We continue to execute against our strategic priorities by balancing growth with tight cost control and tech-enabled operational efficiency. That we can achieve this while continuing to deliver positive customer outcomes and engaged employees is a source of genuine satisfaction for everyone in the team.

£27m operating profit

(FY23: £4m)

1.31 tonnes of CO_2 emissions per FTE

(FY23: 1.49 tCO_2e per FTE)

Loan Book £4.1bn

(FY23: £3.0bn)

Trustpilot 5* rating

(FY23: 5*)

81% employee engagement score

(FY23: 81%)

Mark Mullen

Chief Executive Officer

FY24 milestones

May 23
Best Online Lender award at the What Mortgage Awards for the 6th year running

Jun 23
Buy-to-let partnership committment extended to £750m

Jul 23
Mortgage application to offer time reaches <3 days on average

Aug 23
Deposit balances exceed £7.2bn

Sept 23

Lee Rochford is welcomed as Chairman

Oct 23
£100m equity capital commitment from existing shareholders

Nov 23
£300m securitisation transaction completed

Jan 24
Mortgage balance exceeds £2.5bn

Feb 24
Atom employee engagement survey takes place, scoring 81%

Mar 24
Full year operating profit of £27m

We enhanced our lending and savings customer experience by further automating business secured loan origination, reducing the time between loan application to agreement in principle by 94% to one working day, and by implementing more efficient and more automated retention customer journeys. We continue to enhance our highly effective funding platform which includes our Elvet securitisation programme, but we will look to strengthen it further during FY25 as we add new instant access and ISA accounts.

We maintain very close control over credit quality, and end the year with just 0.7% of loans in arrears or subject to forbearance measures at year end. We remain prudent and conservative in our overall management of risk.

4 days: Mortgage application to offer speed

(FY23: 5 days)

1 day: BBSL application to agreement in principle

(FY23: 9 days)

£3.2bn residential mortgage balances

(FY23: £2.1bn)

350% increase in mortgage retention

Growing our Lending

We end the year with residential mortgage balances of £3.2bn (FY23: £2.1bn), an increase of 55% and we delivered completions of almost £1.6bn - a 20% increase in a market that contracted by 25%. Having implemented a new in-app mortgage retention process for existing customers we achieved a 350% increase in retentions. Throughout FY24 we achieved market leading service levels with median speed to offer time of 4 days. There's plenty more scope for growth and improvement in the year ahead both in terms of originations and retentions.

We have made significant progress in developing our business secured lending franchise, ending the year with balances of more than £600m, an increase of 19%. This includes completions of over £200m, and retentions of maturing loans of 43% - up from ~5% in FY23. We are continuing to develop our proposition and have reduced the time between loan application to agreement In principle by 94% to 1 working day and our application to offer time by 61% to less than 15 working days. We have increased our capacity by more than 130%, delivered 83% more offers than in FY23 and we know we can make this much, much better still.

We continue to develop our relationships both with lending partners, that originate buy-to-let loans on our behalf included in the mortgage portfolio, and for unsecured lending, which crossed the line with more than £300m in asset balances.

Funding Our Growth

Following rapid growth of our deposit book in FY23, we have purposely stabilised funding to adjust to the changing rate environment and funding demands of our loan book. We have balanced this with doing the right thing for customers - and with a retail deposit beta of 88% we have comfortably outperformed the major retail banks and building societies. At the year-end our retail savings balances of more than £5.7bn were funded by a quarter of a million savers. We also successfully concluded our fifth securitisation transaction since we started mortgage origination in 2017.

Building our Capabilities

We will add more 'inventory' to our product range, particularly our savings range. Although the interest rate environment appears more enabling, for now at least we remain unconvinced about the cost dynamics of free-if-in-credit transactional accounts. We believe wholeheartedly in quality, efficiency and cost leadership.

We will continue to invest in our IRB programme and look to complete delivery of our remaining modules for regulatory assessment in due course. In common with most UK banks but particularly mid-tiers and challengers, we remain concerned about disparities in capital requirements between the dominant incumbents and ourselves. New measures notwithstanding, we continue to believe that an IRB waiver is the only enduring way to address this imbalance.

Building our Brand

We've also been busy building our reputation. We are the highest rated UK bank on Trustpilot, achieving our highest ever average Trustpilot review score of 4.83 out of 5 and a 5 star Trustpilot rating throughout the year. We recorded our highest ever post-purchase Net Promoter Score (NPS) of +88. Our brand awareness increased and we enjoyed a significant increase in social media engagement and a total PR coverage reach of 1.2bn, with 40% of that coverage featuring messaging around Atom being faster, easier and better value for money – in short everything we are working hard to deliver for our customers.

Our progress has not been ignored. We were rated the best bank by brokers in Smart Money People's H2 Residential Mortgage Lender Benchmark and also won the Best Online Lender award at the What Mortgage Awards for the sixth year in a row! We were named as Best Mortgage Solutions Provider 2023 by CFI and we were awarded the Gold Trusted Service Award by Feefo for our customer service. We also won the Best Remortgage Lender and were highly commended for the Best Overall Savings Provider from the Personal Finance Awards.

Renewing and Building our Team

We bid farewell to our long serving Chief People Officer, Anne-Marie Lister and are well advanced in recruiting her replacement. During FY25 we will also say goodbye to our equally long-serving Chief Risk Officer, Chris Sparks, who is retiring. Again, we are very well advanced in finding Chris's successor. I thank them both for the wonderful service they gave to Atom.

I've been delighted to welcome our new Chairman, Lee Rochford. He brings a new energy, perspective and challenge to the firm and will I'm certain carry on and accelerate the work undertaken by his distinguished predecessor Bridget Rosewell, CBE.

In June we will welcome the second intake in our summer internship programme, a more than symbolic shift in our future recruitment priorities. More of our energy and focus will be directed towards skills development, productivity measurement, performance management and talent management. Growing strong internal succession pipelines is essential to our future efficiency and to the strengthening of our operational resilience and stability. In the coming months we are also looking to relocate our headquarters away from the Rivergreen Centre in Durham. While we cannot allow this to be a major distraction, equally we need to make sure that we get it right.

Looking ahead

We begin the new year with tailwinds in the form of strong asset pipelines, excellent technology, a highly engaged team, supportive investors and an enviable reputation with customers. The change in sentiment regarding the interest rate outlook will create new pressure on spreads which we will need to monitor closely. In the year ahead it's likely that we will very carefully balance growth with profitability – we are keen to maintain our progress and build on the momentum we have created in the last few years. We very much want to create a valuable exit for our more-than-patient owners, but that will require us to be more mature, to be bigger and to be more profitable.

I'm always delighted to sign off in my usual way - by thanking our investors, my colleagues and my fellow Board members (both past and present).

And of course by thanking our customers.

Mark Mullen
Chief Executive Officer
13 June 2024

Atom is focused on serving the needs of homeowners, business owners and savers

Atom's business model is designed to be simple, highly automated and low cost.

Retail deposits are acquired via a range of instant access and fixed term savings products that are used to fund lending in the form of residential mortgages and and both secured and unsecured loans to SMEs originated organically and via flow agreements with other specialist lenders.

Each of these product categories provide access to large and profitable markets via uncomplicated products that are simple to open and operate. In each of Atom's organic markets there is an opportunity to create a competitive advantage by digitalising and automating the account opening and servicing processes and offering a faster, easier and better value proposition.

By design, Atom's business model avoids incurring the costs and operational complexity of transactional banking products such as current accounts or credit cards. These products are expensive to run and are not necessary to gain access the most profitable parts of the UK banking market: residential mortgages and lending to SMEs.

Atom's business model is complemented by a wholesale funding operation, which issues Residential Mortgage-Backed Securities (RMBS) under the Elvet brand and several flow agreements with strategic partners, which allows excess retail funding to be deployed into asset classes where attractive returns are available.

Faster

Easier

Better value

Marcus Mitchell

Director of Strategy

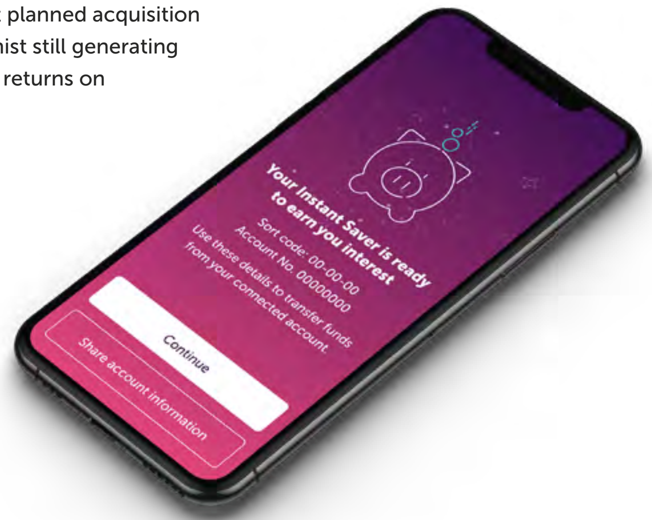
Atom's strategy is focused on increasing market share in the retail deposit, residential mortgage and SME lending markets.

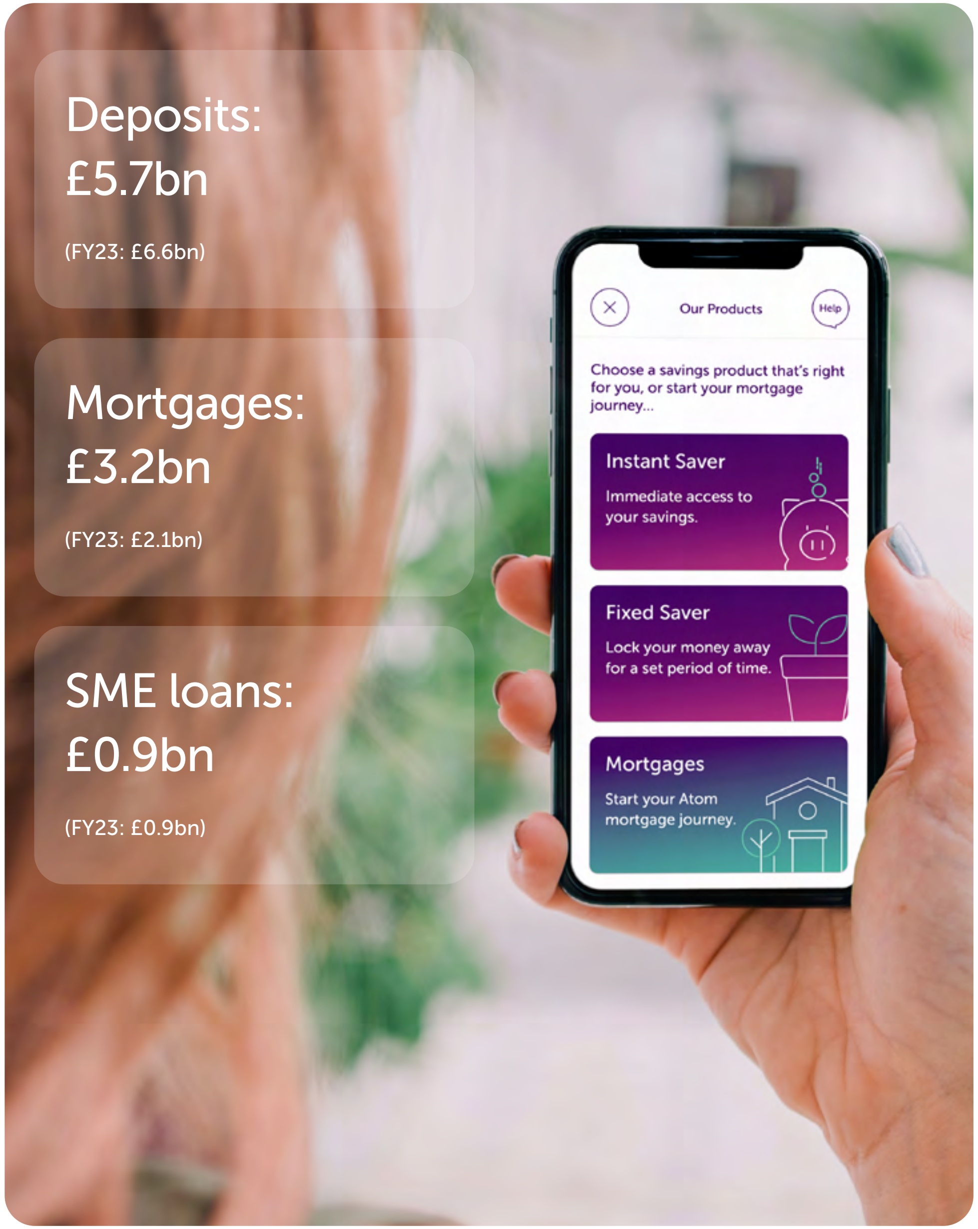
By continuing to focus on digitalising and automating the onboarding and servicing processes, Atom can grow its business significantly in the next few years at a very low marginal cost per new customer. This will create operational leverage as the fixed and semi-fixed costs reduce for each pound lent, resulting in a much lower cost: asset ratio than the mainstream and specialist lenders with whom Atom competes.

This cost advantage will be passed on to the customer in the form of better value products that will support planned acquisition and retention volumes whist still generating attractive and sustainable returns on equity overall.

Atom is continuing to progress an application with the Prudential Regulation Authority (PRA) for an IRB waiver which, if successful, will accelerate the rate at which Atom can leverage its automated lending proposition, and take this to a wider section of the mortgage market than is economic at present.

As Atom grows, there will be no compromise to the market leading customer experience, or to the commitment to become one of the best places to work in the UK.





Deposits: £5.7bn

(FY23: £6.6bn)

Mortgages: £3.2bn

(FY23: £2.1bn)

SME loans: £0.9bn

(FY23: £0.9bn)

Atom is focused on serving the needs of savers.

Retail Deposit market

The UK savings market is £2.6tn, of which £1.2tn is addressable by Atom's existing instant access (IAS) and fixed rate savings (FRS) products.

IAS balance £1.4bn

(FY23: £1.7bn)

FRS balance £4.3bn

(FY23: £4.8bn)

204k: Number of savings customers

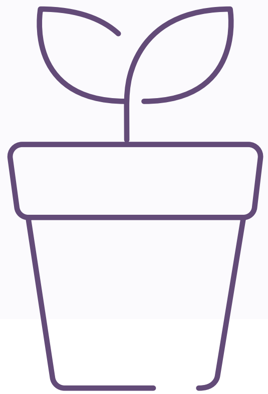
(FY23: 201k)

Market dynamics

- The UK 'Big 4' banks hold the majority of deposit balances in accounts offering generally dismal interest rates. The average rate paid on easy access deposits at the end of 2023 was 1.99% (source: Financial Conduct Authority ("FCA") December 2023 update on cash savings) compared with Atom's 4.11% rate at the same time. The implementation of Consumer Duty regulations, and press coverage by influential figures such as Martin Lewis has resulted in some improvement in the rate at which Bank of England base rate changes are passed through to customers by the biggest banks, but this is still slow.
- There is a lack of innovation in the market with banks providing poor customer service and continuing to offer the same products. The average Trustpilot TrustScore of the biggest UK banks was just 1.5 last year (Atom Bank: 4.8). Most customers continue to hold savings accounts with their primary bank, often due to historic perceptions of ease.

Atom is committed to providing better value for savings customers and passed on 88% of bank rate changes this year. 99% of all customers open and fund a new savings account in minutes via the Atom app. Customers deposits are protected by the FSCS guarantee for a balance up to £85k, with 97% (FY23: 98%) of deposit balances being FSCS guarantee protected.

Atom's strategy is to meet the needs of customers as they move through different stages of life, and to offer a range of products that can best meet the needs of customers in a wide variety of demographics.



Atom is focused on serving the needs of homeowners

Residential Mortgage market

The outstanding value of all residential loans in the UK is £1.6tn, of which over 70% is serviced by the biggest 6 lenders in the UK.

Residential Mortgages: £3.2bn

(FY23: £2.1bn)

£1.6bn loan completions

(FY23: £1.1bn)

12 Seconds

Atoms quickest mortgage application to offer time.

Market dynamics

- Due to the oligopolistic nature of the market, there has been too little pressure on the biggest banks to change. Customers haven't benefited from innovations in product, channel and pricing that have been seen in every other financial services risk-based product set.
- SVR rates at the end of mortgage terms average 7.92%, which is higher than the last time the bank rate was 5.25% and banks are capitalising on customers that do not switch their mortgage at the end of the fixed rate term.
- Competitors offer slow and fragmented web-based journeys and customers are often pushed into an advised process.
- The low LTV market is dominated by Banks that possess IRB waivers - a significant barrier to competition.

Atom's strategy is to digitalise the mortgage origination process which in turn allows for a lower lending rate, and enhances the customer experience.

The mortgage generating platform is already proven, with mortgage offers made to customers in as little as 12 seconds. Atom's aim is to target improvements across each area of the mortgage journey, and to develop a process that can generate instant mortgage offers at practically zero marginal cost.

Lending takes place via a trusted broker network, that ensures customers receive fair and impartial advice throughout the borrowing process and customers can keep up to date with the status of their account in the Atom app.

Atom believes in pricing fairly and takes into consideration current rates and the individual risk factors for each loan. This means that mortgages can be offered in situations where customers might otherwise have been refused, such as if they do not have a perfect credit score.

Atom's SVR rate is lower than the market average and customers are proactively contacted when approaching the end of term and offered the opportunity to switch to a new product, or even to a different lender if that would better suit their needs.

Looking ahead, Atom will offer direct-to-market, execution-only sales and a personalised approach to risk-based pricing.

Atom is focused on serving the needs of business owners.

SME Secured Lending market

The process for originating and servicing business loans to SMEs has changed at an even slower pace than for residential mortgages. The biggest 6 lenders service the majority of the market, and processes remain slow with customers often forced into slow and fragmented web-based journeys and into an advised process that is neither wanted nor needed.

£0.6bn Secured Lending (BBSL)

(FY23: £0.5bn)

£0.3bn Unsecured Lending (BBUL)

(FY23: £0.4bn)

1 working day: Application to agreement in principle

(FY23: 9 days)

Atom's solution is to automate and digitalise the process which will both make it cheaper and enhance the customer experience. It presents opportunities to pioneer developments in sales made direct-to-market and based on customer-specific pricing.

Progress has been made targeting improvements in the secured business lending origination process, with the introduction of broker instructed valuations, giving customers the opportunity to complete the valuation process pre-offer to remove the risk that the loan amount or terms attaching to the loan may need to change.

This year, Atom has focussed on speeding up the customer journey and significant improvements have been made. The time between loan application and agreement in principle has been reduced by 94% to just 1 working day and the application to offer time has improved 61% to less than 15 working days.

By automating parts of the origination journey, capacity has increased, resulting in 83% more offers being delivered than in FY23, and there is lots more still to improve in this journey.

Strategic Report
Directors Report
Financial Report

Business performance throughout the year is measured and tracked against strategic objectives.

The Board reviews the business performance against its long-term strategy and sets objectives and performance targets for the year ahead as part of an annual strategy session.

During this session, the Board consider current performance and the effectiveness of the processes in place that support this together with marketand competitor dynamics, macro-economic data, and investor trends and sentiment.

A set of objectives and priorities are agreed for the year ahead, which are designed to ensure the priorities of the management team are aligned to making progress against the Bank's strategic direction. For objective setting, a balanced scorecard approach is adopted which takes into consideration both financial and non-financial performance.

Performance against these objectives is tracked using a series of diverse metrics and is reported on a monthly basis at all employee events. Formal reporting is presented at each Board meeting alongside the expected outturn and any risks or opportunities to delivery.

For each business function, individual performance metrics are agreed to align with the strategic priorities of the Bank.

For FY24, the specific objectives and KPIs were grouped into the following strategic priorities:

Capital resources

Ensuring the Bank has the capital resource required to support lending growth and that it is deployed effectively to grow revenue

An effective funding platform

Ensuring retail and wholesale funding capabilities can scale up to support he planned growth in lending

Building an automated, low-cost business

Ensuring that growth can be achieved without a proportionate increase in operating expense

Sustainable profitability

Ensuring Atom can self-sustain long-term growth

A great place to bank

To become one of the UK's most recommended companies by delivering a faster, easier and better value proposition

A great place to work

To become one of the UK's best places to work by delivering an engaging and differentiated employee value proposition

Creating a business that is safe and resilient

A bank that achieves excellence in both governance and risk culture

A bank that makes a positive contribution to its community and environment

Becoming a carbon positive institution and investing to support educational opportunities for disadvantaged young people in the local community

Capital Resources

Ensuring the Bank has the capital resource required to support lending growth and that it is deployed effectively to grow revenue.

Atom successfully raised £100m in new equity in November, against a backdrop of challenging conditions in capital markets in 2023, exacerbated by the collapse of Silicon Valley Bank and Credit Suisse in March. This raise was backed by Atom's cornerstone investors, BBVA and Toscafund Asset Management LLP, reflecting their continued support for Atom to grow the business.

The equity capital inflow of £100m was used to support new lending applications, with loan completions of over £1.8bn during the year and a year end pipeline of lending offers of £436m.

Net Interest Income has grown by 31% to £100m as a result of strong loan book growth of of 39% to £4.1bn, and £4.2bn of loans under management.

£100m equity capital raised

Net interest income growth of 31% to £100m

(FY23: £76m)

£4.2bn LUM

loans under management
(FY23: £3.4bn)

An effective funding platform

Ensuring retail and wholesale funding capabilities can scale up to support the planned growth in lending.

Atom held retail deposits of £5.7bn (FY23: £6.6bn) and the number of savings customers increased to 204k (FY23: 201k).

Customers continue to be attracted to Atom's proposition of better value pricing than the high street banks and the fast and easy account opening and servicing process. On average, savings customers deposited £21k with Atom, and 97% of all deposits are protected by the FSCS guarantee.

Retail deposit funding is complemented by sources of wholesale funding. In FY24, Atom successfully issued a fifth RMBS, issuing £300m of notes to investors and increasing wholesale funding to £1bn (FY23: £0.9bn)

£5.7bn IAS & FRS savings

(FY23: £6.6bn)

204k savings customers

(FY23: 201k)

Building an automated, low cost business

Ensuring that growth can be achieved without a proportionate increase in operating expense.

At its core, Atom's strategy and business model relies on the ability to scale the business at a greater pace than that of the cost base required to support it. The key drivers of Atom's low-cost operating model are:

- The head office and control functions are established and do not need to scale in line with the rate of customer growth.
- Atom does not have a network of branches, operational centres or contact centres, instead the business primarily operates out of a single office in Durham in the North East of England. All Atom employees are offered hybrid flexible working with a four-day working week.
- Savings origination is highly automated. 99% of customers open and fund accounts without needing to use customer support channels.
- Mortgage origination is highly automated. 95% of applications receive automatic accept/decline decisions, and the time from loan application to offer is just 4 days (FY23: 5 days) on average.
- Atom offers products that are simple to manage and do not involve frequent customer contact. Once purchased, Atom's suite of products involves minimal post-purchase contact and savings accounts and mortgages can be serviced in the award-winning app.

0.79% Cost: AUM Ratio

Assets under management (AUM) (FY23: 0.86%)

27% Revenue / Cost Jaws

Rate of revenue growth vs cost growth (FY23: 45%)

Sustainable Profitability

Ensuring Atom can self-sustain long-term growth.

Atom's business model is designed to operate for the long term, delivering sustainable returns for shareholders. The business is designed to operate at scale, making use of Atom's digitally native banking platform, fast and effective automated processing and seamless customer experience.

As the balance sheet has grown, so too has profitability. Following the achievement of break-even and then operating profit during FY23, this is the first full year Atom has recorded profit before tax, of £7m (FY23: loss of £4m).

Operating profits increased to £27m (FY23: £4m). Atom is now capital generative and is able to use the capital surplus generated alongside equity capital raised from existing investors to grow the loan book and execute the long term strategy.

£27m Operating profit

(FY23: £4m)

£7m Profit before tax

(FY23: £10m loss)

18.9% CET1 ratio

(FY23: 18.9%)

A great place to Bank

To become one of the UK's most recommended companies by delivering a faster, easier and better value proposition.

Customer experience is at the heart of Atom's strategy. A seamless customer experience is key to making the experience of both lending and saving faster, easier and better value.

Atom's Trustpilot rating is used to track customer sentiment as well as to receive feedback on customers experiences. The rating has remained high, at 4.8 (FY23: 4.8) making Atom one of the highest rated banks in the UK, far above the majority of its competitors.

Post-purchase NPS is tracked and this year the +88% score is Atom's highest ever, further evidence that satisfied customers recommend Atom as a great place to bank.

The origination process for mortgage customers is a key focus area for Atom in its drive to automate and improve business processes. Broker feedback confirms that the speed to mortgage offer is a differentiating factor, and being able to keep the customer and broker updated on the progress of their loan is really important.

This year multiple initiatives were introduced to improve the broker experience including changes to the online portal that have made it faster and easier to get a decision on loan applications. Atom was rated number 1 in Smart Money People's H2 Residential Mortgage Lender Benchmark, based on broker opinions.

For savings customers, opening an account with Atom is fast and easy to do, with the whole process taking place in-app. Atom's savings rates are better value than many others in the market, with a retail deposit beta of 88% Atom has comfortably outperformed the major retail banks and building societies.

There have been many app improvements and updates during the year, including adding functionality to allow a seamless switch between fixed rate and instant access savings accounts at maturity, so customers can more easily access the best Atom interest rates for their savings. Atom's all time iOS and Android app store ratings are five-star, scoring 4.9/5 for iOS and 4.8/5 for Android this financial year.

4.8/5 TrustScore

(FY23: 4.8/5) Trustpilot

What Mortgages Awards

Best online lender 2023

6 YEARS RUNNING what MORTGAGE AWARDS 2023 WINNER

"Best Bank"

In Smart Money People's H2 2023 Mortgage Lender Benchmark Study, voted by mortgage brokers

229k customers

(FY23: 224k)

4.9/5 iOS rating

(FY23: 4.9/5)

4.8/5 Android rating

(FY23: 4.8/5)

4.9/5 Rated Exceptional

feefo

+88% NPS

Net Promoter Score

A great place to work

To become one of the UK's best places to work by delivering an engaging and differentiated employee value proposition.

Atom's team is integral to the delivery of the long-term strategy.

Employee engagement is tracked via formal surveys and informal pulse questionnaires that cover a range of topics including reward and wellbeing, their team, coaching and Atom's leaders.

This year saw the highest completion rate so far, at 92% (FY22: 88%) while retaining a high overall engagement score of 81% (FY23: 81%).

The employee value proposition provides a variety of benefits and incentives to reward and retain talented individuals, and to develop and progress people's careers across all areas of the business.

Alongside the four-day working week, which is standard for all permanent employees, Atom has a flexible working policy that ensures people can work where they choose, and at times that work best for the individual and their team, to help improve work life balance.

Atom collected an award at the national Make a Difference Awards in recognition of our pioneering efforts to improve employee health and wellbeing.

Atom is committed to providing a fair and sustainable reward and paying at least the Real Living Wage, which was introduced in 2023. All eligible employees received an inflation-related cost of living increase of at least 5.5%.

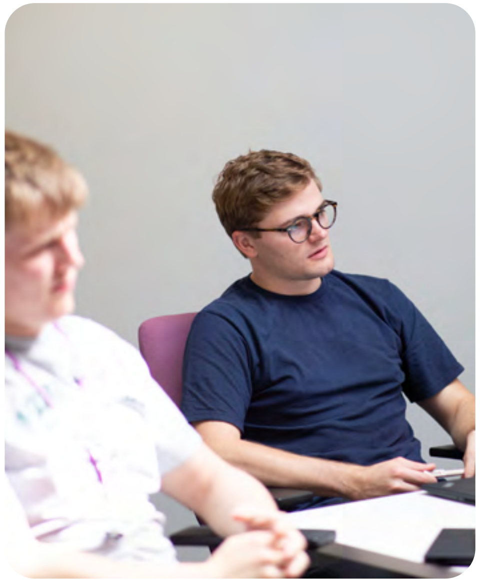
Business wide performance against the strategic objectives is used to determine the size of the Bank's variable award, and all employees are eligible to receive options to acquire shares in the Group.

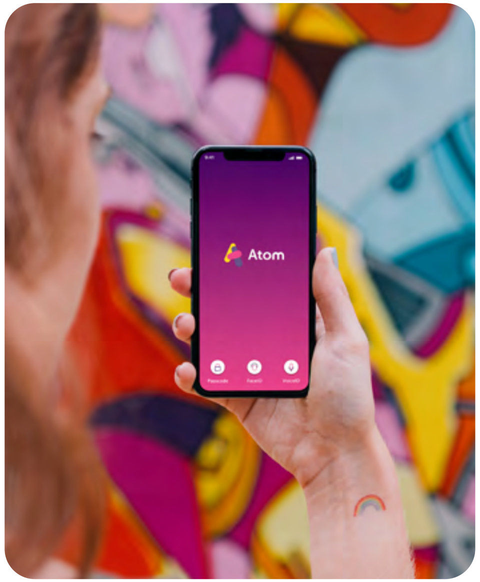
81% Employee engagement score

(FY23: 81%)

547 employees

(FY23: 465)





A great place to work

Atom is committed to developing and retaining talent across all levels.

Atom's Leadership and Coaching framework successfully supported 98 individuals this year, and 33 members of staff are working towards professional qualifications.

In July, the first cohort of summer internships were welcomed across all areas of the Bank. This provided the leadership team with a fresh perspective on day-to-day activities as well as providing a great opportunity for Atom's future leaders to develop their coaching and mentoring skills.

Following the end of the programme, full-time opportunities were awarded to a number of the participants, who are now continuing to learn and develop their skills on a graduate programme.

Atom believes that diverse teams make better decisions, build better products and will provide a better service to its customers.

A supportive and inclusive work environment has been fostered because it's the right thing to do and Atom remains committed to adhering to the Equality Act 2010 and creating a work environment within which everyone is treated with fairness, dignity and respect. Its Equal Opportunities Policy sets the foundations for a working environment free from discrimination, harassment, bullying or victimisation.
To support a safer place for its employees to open up about any adjustments or support required in order to thrive in the workplace, Atom introduced a voluntary Workplace Adjustment Passport. The purpose of which is to make it easier for employees to discuss how any disability or condition impacts their ability to do their job, and document and create plans for any support or reasonable adjustments.

Atom's mean gender pay gap increased to 28.6% (FY23: 27.6%). Atom operates at the intersection between Tech and Finance industries, both of which, and particularly the former, continue to be dominated by men. Atom's social investment strategy is working towards addressing this gap. More can be read about this at: https://www.atombank.co.uk/gender-pay-gap/

Creating a business that is safe and resilient.

A bank that achieves excellence in both governance and risk culture.

Risk management is embedded throughout the organisation and is integral to running the Bank safely, and ensuring that Atom's customers are protected.

Atom's "Risk Culture" strategic measure aims to track and assesses how well the business considers risk management and consults with the Risk function during the development and execution of new products, change initiatives, transformation delivery, policies, procedures and systems. It is underpinned by risk metrics that cover engagement, risk management, and conduct.

Several activities are undertaken to reinforce the importance of risk culture and the consistency of risk management messaging, including a clear 'tone from the top' encompassing Board-level briefings on key risk issues.

Atom lends to customers within the parameters of its credit risk appetite. Credit impairment charges and actual losses are tracked as a strategic objective as part of loan book performance monitoring.

Internal Risk Culture Score: 14/15

(FY23: 14/15)

Credit impairment charge: £11m

(FY23: £13m)

A bank that makes a positive contribution to its community and environment.

Atom is proud of what it does, but also recognises that it is responsible for its impact on the natural environment, and that it can do more to reduce this.

The Bank's business model inherently generates lower emissions than a traditional bank. There is no network of branches, and Atom's offices are almost entirely carbon neutral as a result of past decisions to switch to zero carbon electricity suppliers and to rely on biofuels and solar panels for heating. This year, Atom used 233 mWh of energy (FY23: 223 mWh), with no associated CO_2 emissions. There is still much more to do with regards to environmental sustainability.

At the heart of Atom's environment and social investment strategy, formally adopted by the Board this year, is a strategy which reconfirms Atom's long-term target of being carbon positive, reducing carbon emissions and subsequently sequestering more carbon from the atmosphere each year, by 2035.

An annual reduction in carbon emissions

Operational carbon emissions (scope 1-3, excluding scope 3.15) reduced slightly, to 648 tCO_2 (FY23: 673 tCO_2), driven by a reduction in carbon emissions from purchased goods and cloud computing. Of this, scope 1 emissions were 18 tCO_2 (FY23: 15tCO_2) and there were no scope 2 emissions (FY23: none).

As a result, Atom saw a 12% reduction in operational carbon emissions per FTE to 1.31t CO_2e and the strategic objective of a reduction per FTE of at least a 5% was exceeded.

These measurements are calculated in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. Measurement is based upon industry best practices and data availability.

12% reduction in total emissions

Per full time equivalent employee (FTE)

1.31tCO_2e emissions per FTE

(FY23: 1.49tCO_2e)

This aim will be achieved by driving action across 4 areas:

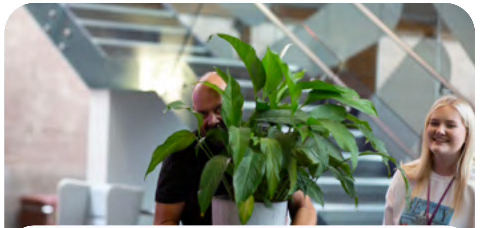
Measure

01

Measurement of operational and financed emissions is core to being able to inform strategy and make decisions that will have the most impact.

Alongside operational emissions, which are tracked as part of the strategic scorecard, Atom is now measuring the emissions financed through its lending activity. This data will inform the Bank's actions in FY25 to reduce emissions and help customers to transition to net zero.

Assessments were also commissioned on physical and transitional risks in its residential mortgage books, including scenario analysis against the Bank of England's published Climate Biennial Exploratory Scenario.



Reduce

02

Reducing emissions both from Atom's internal operations and the emissions intensity of its lending.

By optimising and reducing virtual machine usage and the carbon intensity of cloud infrastructure, cloud computing emissions fell to 144 tCO_2e (FY23: 166 tCO_2e).

Atom continues to search for efficiencies in the operation of its office spaces and towards the end of FY24 reduced the size of the space that is leased in its Durham offices in accordance with demand.

Substitute

03

Transition to lower and ultimately zero carbon alternative providers of technology, power and products, in line with the ambitions of the Environmental Procurement Policy.

Carbon emissions from purchased goods fell to 120 tCO_2e (FY23: 178 tCO_2e) through efficiencies, including purchasing IT equipment manufactured with lower carbon intensities.

This year a salary sacrifice scheme for electric vehicles was launched, taken up by 14 employees and contributing to a tripling of the number of zero-carbon miles travelled by the team.

Invest

04

Atom will look to invest in a portfolio of natural capital projects that have a proven and measurable capacity to absorb atmospheric carbon where the three steps above to not go far enough to achieve net zero.

When investing in natural capital, Atom will attempt to maximise any opportunities to create biodiversity gain, mitigate flood risk and reduce nutrient loading of watercourses.

Atom and the Community

Atom's social investment strategy is focused on the local community. As one of the largest technology employers in the North East, Atom wants to be at the forefront of changing gender imbalance in this area.

The North East has some of the highest levels of youth unemployment in the UK and is under-represented amongst students attending top UK universities. Atom is helping to address this by supporting more young people in education and promoting social mobility.

As part of this, two major new initiatives took place this year, to boost opportunities for under-represented groups:

- Sponsorship of Durham University's Women in Technology Scholarship programme, which is targeted at women from low-income backgrounds.
- Atom Futures Fund, providing financial support to Year 13 students growing up in care or from low-income backgrounds in County Durham who apply to a Russell Group University.

Before young people apply to university or think about their next steps, they need exposure to work. Atom has continued to develop its partnership with the EY Foundation and Durham Sixth Form Centre to grow the work experience programme for Year 12 students.

Volunteering days are a part of everyone's contract at Atom and this year a partnership with the Durham Food Bank was created to further encourage members of the team take up of these days. Alongside this, Atom supports the local community, sponsoring a variety of local events and clubs from student enterprise programmes, to sports club and event sponsorship such as Durham's internationally renowned Lumiere festival of light event.

During FY24 Atom delivered operating profit of £27m as a result of strong loan book and revenue growth.

After becoming profitable during H2 FY23, Atom has delivered sustainable balance sheet growth, resulting in a 31% increase in net interest income, to £100m.

Maintaining a net interest margin of 2.8% (FY23: 2.8%) and a continued focus on controlling administrative and general expenses has resulted in £22m growth in operating profit, to £27m and Profit Before Tax increasing to £7m (FY23: £10m loss).

£100m Net interest income

(FY23: £76m)

2.8% Net interest margin

(FY23: 2.8%)

£27m Operating profit

(FY23: £4m)

£7m Profit before tax

(FY23: £10m loss)

27% Revenue vs cost growth jaws

£4.2bn Loans Under Management

(FY23: £3.4bn)

Andrew Marshall

Chief Finance Officer

At the heart of Atom's strategy is a hugely scalable and cost efficient banking engine. This year it has delivered growth in Net Interest Income of 31% to £100m, with only a 4% increase in Staff and administrative expenses.

Interest income more than doubled to £443m (FY23: £209m) driven by growth in lending and greater income from the use of overfunding of the deposit book.

Interest earned on loans grew by 72% to £227m as a result of loan book growth of 39%. Margins remained stable despite market pressure on spreads within the residential mortgage market. Atom has focussed on product mix ensuring growth across all portfolios, including the higher yielding secured and unsecured business lending, and on growing the proportion of secured buy-to-let lending.

Throughout the year, Atom has maintained a substantial liquidity surplus to regulatory minimum which has contributed £193m (FY23: £70m) of interest earned on cash and other short-term liquid assets.

Interest expense rose to £343m (FY23: £133m) due to higher average Bank of England base rates that increased the cost of funding. Atom had £5.7bn (FY23: £6.6bn) of customer deposits and benefitted from favorable spreads pricing, in particular during H1. During H2, deposit spreads tightened, and as a result volumes and surplus liquidity has been actively managed down.

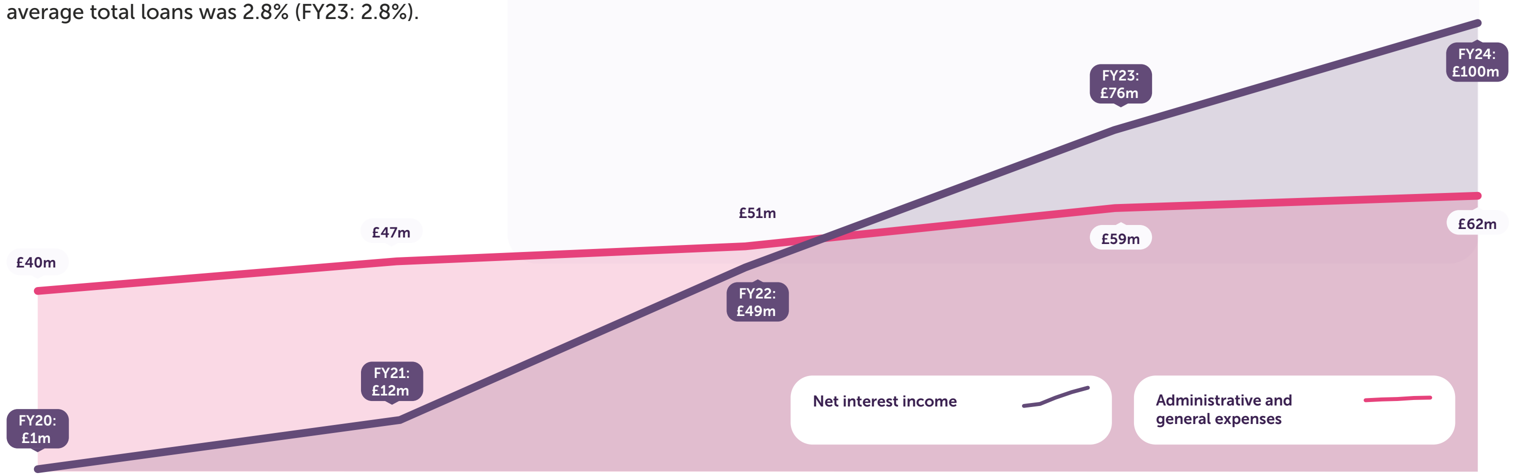
Net interest margin, calculated as NII divided by average total loans was 2.8% (FY23: 2.8%).

Limited growth in staff and administrative expenses is further evidence of Atom's highly scalable, digital business model.

Staff costs increased by only £2m to £33m (FY23: £31m) despite the average number of employees increasing from 452 to 504. This increase includes investments in the finance and risk functions at the start of the year as Atom focussed on enhancing modelling capabilities and the control environment, which are central to progressing the IRB waiver application.

Administrative and general expenses increased 3% to £29m despite the backdrop of high inflation, due to the strong controls around purchasing and expenditure, and continued investment in automation.

This continued cost focus, and balance sheet growth have combined to reduce Atom's cost:AUM ratio to 0.79% (FY23: 0.86%). AUM includes off-balance sheet loans managed by the Group.



Credit impairment charges of £11m (FY23: £13m), represent growth in the loan book with underlying credit quality remaining strong.

Provision coverage rates remain consistent with FY23. Inflation and base rates peaked in the period at 8% and 5.25% respectively with market consensus that Bank of England base rate will fall throughout FY25.

The UK entered recession during Q4 2024 and inflation has not dropped as much, or as quickly as had been hoped. The economic outlook, upon which credit provisioning models are based, is more positive than the prior year, however, it remains volatile with upcoming elections in the UK and across the globe, and ongoing wars in Ukraine and in the Middle East.

0.7% of Loans in arrears or forbearance

Pressure facing homeowners and business owners remains, with the majority experiencing higher interest rates when remortgaging or securing new loan finance. Despite this, actual levels of arrears and forbearance in Atoms loan book remain low.

For mortgages just 0.3% (FY23: 0.3%) of the loan book is in arrears or forbearance measures, while for BBSL loans the proportion has reduced to 1.0% (FY23: 2.0%) following a number of recoveries and redemptions of impacted loans.

62% (FY23: 63%) of Atom's BBSL loan book is subject to government guarantee under the Coronavirus Business Interruption Loan Scheme (CBILS) and Recovery Loan Scheme (RLS) loan schemes, and there is no significant difference in customer behavior between this and the lending not subject to guarantee. Atom has not made any guarantee claims under either scheme.

In the Business Banking Unsecured Lending (BBUL) portfolio, originated as part of Atom's partnership arrangements with a third party, there has been a natural increase in the levels of arrears or forbearance as the portfolio continues to mature and pay down. At the end of the year, 3.6% (FY23: 3.0%) of this loan book is in arrears or subject to forbearance measures.

As a result of the above, credit impairment charges of £11m (FY23: £13m) were recorded.

	FY24		FY23	
	Provision charge	Coverage Rate*	Provision charge	Coverage Rate*
Mortgages	£1m	0.15%	£2m	0.15%
BBSL	£1m	0.44%	£1m	0.47%
BBUL	£9m	3.88%	£10m	2.58%
Total	**£11m**	**0.49%**	**£13m**	**0.47%**

*year end balance sheet provision coverage rate

This has resulted in operating profit increasing to £27m (FY23: £4m) and Profit before tax to £7m (FY23: £10m loss).

Since achieving profitability during H2 FY23 and at an operating profit level for FY23, this is the first full year Atom has generated profit before tax.

Operating profit is a non-statutory measure adjusted from statutory profit before other charges. Atom uses derivatives to manage interest rate risk and manages the P&L volatility via hedge accounting. After this process, any residual gain or loss is recorded in other income, but as it cannot be reliably forecast and is not included in the information that management use when decision making. These gains or losses are excluded from underlying results. The equivalent statutory measure, profit before other charges was £27m (FY23: £6m).

The table opposite provides a reconciliation between statutory and underlying results.

	FY24			FY23		
	Statutory	Adj	Underlying	Statutory	Adj	Underlying
Net Interest income	99.5	-	99.5	76.0	-	76.0
Other (expense) / income	(0.2)	-	(0.2)	2.6	(2.2)	0.5
Credit impairment charges	(11.0)	-	(11.0)	(12.8)	-	(12.8)
Net operating income	**88.3**	**-**	**88.3**	**65.8**	**(2.2)**	**63.6**
Operating expenses	(61.8)	-	(61.8)	(59.5)	-	(59.5)
Statutory profit before other charges / operating profit	**26.6**	**-**	**26.6**	**6.4**	**(2.2)**	**4.2**
Other charges	(19.9)	-	(19.9)	(16.5)	2.2	(14.3)
Profit/(Loss) before tax	**6.7**	**-**	**6.7**	**(10.1)**	**-**	**(10.1)**

For the first time, full year profitability, of £7m, was achieved compared with a £10m loss in FY23.

A tax credit of £6m (FY23: £4m) results in profit after tax of £12m (FY23: £6m loss). This figure is net of corporation tax charges of £1m (FY23: £0m) payable on taxable profits calculated for FY24, and a credit of £7m (FY23: £4m) due to an increase in the value of the deferred tax asset recognised, as the forecast future taxable profit has increased following a full year of profitability.

Residential lending increased to £3.2bn (FY23: £2.1bn)

£1.6bn of loan completions were delivered which included a 35% increase in mortgage retentions for existing customers. Atom has continued to invest in improving the speed to offer for prime residential mortgages across an LTV range of up to 95%. Loan completions include £412m of new buy-to-let lending via a partnership agreement.

Following the equity capital raise the rate of mortgage offers has accelerated, with a strong closing loan offer pipeline of £436m (FY23: £446m).

Atom continues to service a further £0.1bn (FY23: £0.5bn) of mortgages that are off balance sheet, as a result of previous securitisation transactions.

Atom has made significant progress developing its business lending franchise, with balances of £0.9bn (FY23: £0.9bn)

Atom originates business loans to SMEs secured on commercial property. The portfolio has increased to £0.6bn (FY23: £0.5bn) with £204m of new lending, of which £78m is subject to the RLS. Atom has made no claims against the CBILS or RLS guarantees, which apply to 62% of the loan book. Retention of maturing loans has increased to 43%, from ~5% in FY23.

Significant progress has made in improving the BBSL origination journey, with the time from loan application to agreement in principle reduced to just 1 working day (FY23: 9) during Q4.

The BBUL loan book is £0.3bn (FY23: £0.4bn), as repayments have offset the £56m of new lending during the year. 78% of the portfolio is subject to guarantees under the CBILS and RLS schemes.

This lending generates a higher yield but attracts higher credit losses and charges than secured lending.

BBSL
£605m

(FY23: £497m)

BBUL
£296m

(FY23: £439m)

Deposits and wholesale funding

Atom's fixed rate and instant access savings accounts have offered customers above market average interest rates throughout the year, with a retail deposit beta of 88%. As a result of increased competition and changes in the shape of the yield curve, the spread earned on customer deposits has narrowed. Atom has targeted reducing the significant surplus to regulatory minimum liquidity coverage ratio (LCR) during H2, and accordingly deposit balances have reduced to £5.7bn (FY23: £6.6bn).

Much of the surplus customer deposit balance held at the end of FY23 was carried as cash and cash equivalents, and as a result this balance has also reduced to £2.4bn (FY23 £4.2bn).

A mixture of wholesale and retail funding is core to managing liquidity risk for a bank, and £300m of debt securities were issued to investors as part of Atom's fifth RMBS transaction through the Elvet programme this year.

£5.7bn Deposit funding

(FY23: £6.6bn)

£1.0bn Wholesale funding

(FY23: £0.9bn)

LCR 486%

(FY23: 887%)

Atom has received continuing support from its existing cornerstone investors, who contributed £100m of equity capital in a raise completed during Q3.

The additional equity capital raised has been used to accelerate balance sheet growth and to further scale the business and was not required to fund ongoing operations.

Atom has been capital generative this year and has maintained capital ratios in excess of regulatory minimum and management buffers, while increasing risk weighted assets (RWAs) to £1.8bn (FY23: £1.3bn).

In the coming months, the Basel 3.1 rules are expected to be finalised, with a planned implementation date in July 2025. Atom has carried out an initial assessment of the draft rules, which indicates that there will be an increase in RWAs under the new rules. The impact assessment will be updated to reflect any changes when the final rules are published as we work to ensue that the business is prepared for the changes.

CET1: 18.9%

(FY23:18.9%)

£100m equity capital raise

Total available capital: £346m

(FY23: £245m)

Delivery of robust risk management practices through careful and effective execution of Risk insight, oversight and challenge

The management of risk is embedded across Atom's governance structure, with clearly defined accountabilities and responsibilities, and is supported by a strong risk culture. There is continuous, close and careful management of the risk profile, with Board support for the ongoing development and enhancement of the risk management capability across Atom.

Risk Strategy

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

Risk Appetite

Atom's risk appetite defines the type and level of risks that Atom 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, and is subject to regular review and approval by the Board.

This activity is supported through Risk Appetite Statements and Risk Appetite Dashboard metrics that report the current risk profile position against the stated appetite limits and thresholds.

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.

Underpinning the ERMF is a risk policy framework with specific documents aligned to the management of each of Atom's key risk categories: Compliance (including Regulatory and Conduct Risk), Operational Risk, Financial Crime, Financial Risk, Credit Risk, and Modelling.

Monitoring and Reporting

Robust processes and controls are documented within Risk Policies, Frameworks and Standards. These are subject to regular assessment, monitoring and reporting across the Principal Risk themes, to confirm the risk profile and drive any necessary mitigation or remediation actions.

Risk Governance & 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. The governance structure of Board, Executive and Executive sub-committee levels is shown on page 41.

Chris Sparks

Chief Risk Officer

Risk Culture

Atom's risk culture starts with the tone set by the Board. This is embedded across Atom, working to ensure all employees actively consider risk management as part of their everyday activities.

Effective risk culture is monitored and can be evidenced through a suite of metrics regularly reported to leadership and Board, as part of Atom's Balanced Scorecard.

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

Risk Operating Model

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

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

01

First line of defence

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

02

Second line of defence

Independent from the first line, the second line oversees the application of the ERMF, reviews and challenges information presented by the first line, undertakes assurance testing, monitors and reports on risks and controls to the relevant committees, and ensures the first line operates within risk appetite.

03

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.

Strategic Report
Directors Report
Financial Statements

Risk Management Processes

Atom has a number of key processes in place to support delivery of its risk objectives. These processes are reflected within its risk policies and associated standards and procedures, to ensure consistency in the management of risks within appetite across Atom.

Risk identification, measurement and management

Embedded practices, across all Principal Risks, to ensure key risks and supporting controls are continually identified, assessed/evaluated, monitored and reported, through established risk and control tools and systems.

Stress testing & scenario analysis

Stress testing, sensitivity and scenario analysis form part of the risk practice. Scenario analysis and planning also includes planning for and carrying out simulated events testing Atom's capital, liquidity, operational resilience, crisis management and disaster recovery capabilities. These activities help identify vulnerabilities and explore the impact of scenarios with and without mitigation. Specifically, the Internal Capital Adequacy Assessment Process ("ICAAP") and the Internal Liquidity Adequacy Assessment Process ("ILAAP"), are designed to review Atom's current and future capital and liquidity position considering severe but plausible stress scenarios unfolding over the planning horizon. Both of these processes are designed to ensure that the business holds adequate resources to withstand such stress scenarios.

Risk assurance

The Risk function sets out a risk-based programme of assurance work semi-annually. This guides its in-depth thematic reviews of Atom's:

- compliance with Risk Appetite, policies, processes and regulations;
- governance, control arrangements and practices; and
- identification, management and mitigation of risks in response to evolving threats.

Recovery planning

Atom's recovery planning work explores how the business may respond 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 Atom-specific events, market-wide stresses, or a combination of those. Complementing the ICAAP and ILAAP, the Recovery Plan has a greater focus on listing and evaluating potential mitigation plans, quantifying their impact individually in various scenarios and assessing their combined impact.

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 regulatory obligations. A risk-based Compliance Monitoring Plan is prepared on an annual basis, outlining both the thematic and ongoing 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. The Compliance Monitoring Plan also includes customer outcome testing to provide assurance that Atom is fulfilling the requirements of the Consumer Duty regulation.

Principal Risks

Atom's Principal Risks represent the most pertinent risks to Atom's operations and could result in harm to Atom's strategic plan, its business plan, solvency, liquidity, or reputation:

Risk	Key Mitigation	Trend
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, with potential to negatively impact Atom's reputation	• Alignment between strategic business planning activity and risk appetite • Experienced Board and Executive leadership team supported by an established corporate governance framework • Regular validation and review of business plan delivery	**No change** This risk remains a priority for Atom, but suitable controls exist to manage this risk.
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	• Defined risk appetite, policies and procedures are in place to control market risks • Exposures are mitigated through the use of natural offsets and derivatives • Daily monitoring and management of market risk positions	**No change** There remains significant uncertainty over the future trajectory of interest rates. Atom has low tolerance for market risk and has effective controls in place to measure and manage the market risk inherent in the balance sheet.
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	• At least annual assessment of capital requirements using the ICAAP • Forward-looking capital adequacy is monitored to ensure resource consumption is effectively managed • Maintaining an up-to-date Recovery and Capital Contingency Plan and ensuring appropriate capital triggers/limits (e.g. those set against CET1, and total capital ratios and, leverage ratio) and management actions are in place • Active ongoing discussion and consideration of additional sources of capital (AT1, Tier 2)	**Reduced** Becoming a profitable business, and the £100m equity capital raise this year have reduced capital adequacy risks. Atom now has greater flexibility in deploying its capital and more optionality to navigate future potential stress events.
Liquidity and Funding Risk The risk that Atom fails to have liquidity resources of sufficient quantity and quality to meet its obligations as they fall due and/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	• Defined risk appetite, policies and procedures in place, including a Liquidity Contingency Plan • Maintaining adequate high quality liquid assets to meet expected and unexpected outflows • Maintaining and planning for access to liquidity facilities, including at the central bank • Daily measurement and frequent forecasting of actual and stressed liquidity position • At least annual assessment of liquidity and funding risks, stress tests and mitigants using the ILAAP	**Increased** Competition for retail deposits has intensified, raising the cost of new funding. Surplus deposit balances have been carefully managed down as a result. There is a risk of increasing competition for funding as the BoE's TFSME approaches maturity in late 2024 and 2025. Atom continues to hold a significant surplus liquidity above the LCR regulatory minimum.
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	• Policies, procedures and framework in place, supported by a suite of Operational Risk tools covering people, technology, security and third-party relationships • Key risks and controls are identified for all areas of the business as part of the Risk and Control Self-Assessment (RCSA) process, ensuring risks are measured with appropriate mitigation in place	**No change** Enhancing risk culture and maturity of Atom remain a priority, supported through strengthening of operational processes and controls.

Risk	Key Mitigation	Trend
Credit Risk The current or prospective risk that a customer of the Bank 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	• Defined risk appetite and limits are set out within the Retail Credit Risk Framework and Concentration Risk Policy • Robust lending policies ensure that the credit quality within the lending portfolios remain within risk limits and that Atom acts as a responsible lender • Collections policies ensure sustainable forbearance solutions to deliver fair customer outcomes • Detailed due diligence performed on lending and collections policies of lending partners to ensure that they align to risk appetite • Dedicated Credit Committee monitors credit metrics for all lending on a monthly basis • Stress and scenario testing is performed regularly to ensure the portfolio is resilient to market wide and idiosyncratic events • Defined wholesale risk appetite and limits focusing exclusively on high quality credits • Daily collateralisation of derivative and repurchase transactions exposures	**Increased** For retail credit: current economic conditions, particularly the consequences of high inflation and increased interest rates, increases the risk of default. Although there has been no significant increase in delinquency to date, this remains under close scrutiny as the effects on customers could lag the economic shock. Actions are in place to enhance monitoring, including pre-delinquency campaigns, stressed affordability reviews and creation of additional watch lists. For wholesale credit: Management continue to ensure downside risks are minimised, while allowing for the necessary connectivity to the financial infrastructure to support the business.
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	• Policies and procedures ensure compliance with applicable regulations • Mandatory compliance training is provided to all staff. A compliance monitoring plan regularly tests process adherence • Atom is committed to an open and collaborative relationship with the regulators. Day-to-day interaction is managed by the second line and includes regular meetings with senior management as well as business updates	**Increased** Regulatory change initiatives are incorporated into programmes of work for delivery. Risk trending upwards based on growing levels of oversight/scrutiny and scale of embedding existing regulatory deliverables, including the introduction of Basel 3.1, and the execution of IRB activities.
Conduct Risk The risks arising from inappropriate behaviour by Atom in its relationship with customers, counterparties and markets.	• Conduct Risk Policy sets the framework for the fair treatment of customers and the appropriate conduct of employees in line with the FCA's Conduct Rules • Customer outcome focussed policies and procedures are in place covering product approval, change management, complaint handling, financial hardship and vulnerable customers • Customer outcome measures are reported and reviewed by key governance committees	**No change** Successful implementation of the Consumer Duty Project in July 2023. Customer outcomes are incorporated into ongoing monitoring and reporting to provide assurance over Atom's adherence to the requirements of the Consumer Duty.
Model Risk The potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could lead to a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, or damage to Atom's reputation. Model risk can also lead to financial loss, as well as qualitative limitations such as the imposition of restrictions on business activities.	• Defined risk appetite, policies and procedures are in place to control model risks • Policies, supporting standards and procedures exist to maintain a framework in line with good industry practice • Metrics and status on model validation is reported to and reviewed at governance committees, including any remediation plan, where relevant • Model validation and performance monitoring	**No change** Updated Model Development and Model Validation frameworks in place. Model Review Committee established to review model validation results, track associated remediation activity and oversee model performance. Quarterly Model Review Forum created to enable frequent review of model performance and to identify actions to enhance higher level model oversight conducted by existing governance committees.
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	• Established governance framework to ensure climate change risks are deliberated at senior levels within the business, led by Director of ESG • Carbon emission reporting with reduction targets • Physical & Transitional risk assessments and scenario modelling undertaken • Climate considerations included in lending policies	**No change** Immediate risks are being mitigated by controls. Risks are likely to increase over time due to increased regulation and market changes.

Key and Emerging Risks

Atom maintains a register of its key and emerging risks which are regularly informed by its senior leaders and assessed alongside Atom's Principal Risks.

This activity forms an integral cornerstone of business planning and stress testing 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. Current risks include:

Growth Capital

Challenging conditions in capital markets, industry sector or name-specific concerns might pose risks to executing future strategy and business plans, including the capacity or price of issuing capital. Peer bank failure, bail-in or other economic uncertainties could increase the execution or price of risk associated with issuing new capital instruments or accommodating an IPO.

Economic/Geopolitical Climate

There remains a challenging macroeconomic environment of low growth rates and both business and consumer confidence have been adversely affected by a period of high inflation and higher interest rates. The economic outlook remains volatile with ongoing wars in both Ukraine and the Middle East and trade disputes between China and the USA.

Credit Risk

The recent period of high inflation and the consequent higher interest rates have put pressure on business and household disposable income levels increasing the risk that customers will be unable to maintain loan repayments. A heightened outlook remains in place with continuing signs of headwinds that have not yet materially impacted mortgages however, there is historical precedent for credit performance lagging economic conditions.

Close monitoring of labour market conditions is in place with some signs of softening demand evident. This may reduce household income growth. Forecast reductions in property valuations are lessening in severity or reversing.

Regulatory Risk

When regulations change and/or compliance becomes more onerous the cost of implementation can prove material. Risk trending upwards based on growing levels of oversight/scrutiny and scale of embedding existing regulatory deliverables, including the introduction of Basel 3.1, and the execution of IRB activities.

Information Security/Cyber Crime

Cyber-attacks in the financial services sector remain an ever-present threat, with ransomware, phishing and distributed denial of service (DDOS) attacks emerging as increasingly dominant threats. A number of publicised and expected cyber-attacks over FY24 have increased the risk trend. Due diligence, design, scenario and control testing contribute to building network and systems security, in addition to operating perimeter controls to detect and prevent attempts to compromise systems.

Technology & Change Execution

As a digital, fast-paced bank, the effective delivery of the change and technology agenda remains paramount for Atom's growth phase and sustainability, to support scaling of operations and customer offerings. Atom has made significant strategic and financial investments to enhance its banking technology and stability of the estate, including investment in Artificial Intelligence (AI) proof of concept activities.

Key and Emerging Risks

Operational Resilience and Third-Party Risk Management

Interlinked themes focusing on the embedding of capabilities, processes, behaviours and systems which allows Atom to remain operational in the face of disruption regardless of its source. Atom maintains core regulated functions and customer support in-house, but its business model involves finding the best third party service providers where security, compliance, excellence and cost combine. The performance and resilience of third parties influences the performance and resilience of Atom.

Climate Change

Manifests across multiple risk types such as credit, market, operational and conduct risk. Environmental decline has caused regulatory bodies to take steps to address both the physical and transitional risks, with increasing regulatory requirements on tracking and reporting, alongside societal pressure on lending/business conducted with fossil-based businesses.

Climate-related financial disclosures

Atom's board of directors oversees business wide efforts to understand and manage climate-related risks in the same way as all other business risks. Atom's Director of ESG reports directly to the CEO and is responsible for setting Atom's strategic response to climate risk. Atom's risk management, overseen by BRC, includes managing climate-related risks.

The process for identifying and agreeing Key and Emerging Risks and evaluating those principal risks that could most impact the business extends to climate related risks. At this stage one principal climate related risk has been identified; namely the risk that Atom contributes to or is impacted by physical or transitional risks arising from climate change or changes to the environment.

Physical risk can be defined as the risk that collateral from Atom's secured loans is impacted due to flooding, subsidence, or erosion that leads to a reduction in value.

Atom is still in the early stages of data gathering and analysis to quantify the impact of physical climate risks on each of Atom's loan portfolios, and as this progresses the analysis will be used to drive proposed changes to risk appetite, and to assess opportunities as they present, including designing products that target or incentivise lower emissions.

Based on analysing the physical risk associated with Atom's mortgage portfolio, there is no material impact on the financial statements. The most significant factor in this is proximity to watercourses. The short term (1 – 3 years) and medium term (3 – 5 years) impact is immaterial, as insurance is expected to cover most of the risk of loss.

Transitional risk is defined as the risk that policy or market behaviour changes reduce property values, business turnover or expectations by investors and customers on Atom.

Transitional risk will impact Atom in the long term, and Atom will look to adapt internal policies and procedures in response to policy and market changes as they arise.

The impact of climate related risks and opportunities on the Bank's financial position and performance is measured and considered through scenarios analyses including as part of the ICAAP and more recently as part of the assessment of the environmental impact of the mortgage portfolio. Macroeconomic impacts are more likely to impact the business plan than physical or transitional impacts at this stage.

Atom manages carbon emissions per FTE as a key performance indicator and sets both long and short-term targets to reduce this as disclosed within the strategic objectives section on page 24.

This section and the wider risk report addresses section (a) - (f) of the climate-related financial disclosures required by section 414CB (2A) of the Companies Act. Section (g) - (h) are reported alongside reporting on strategic objectives.

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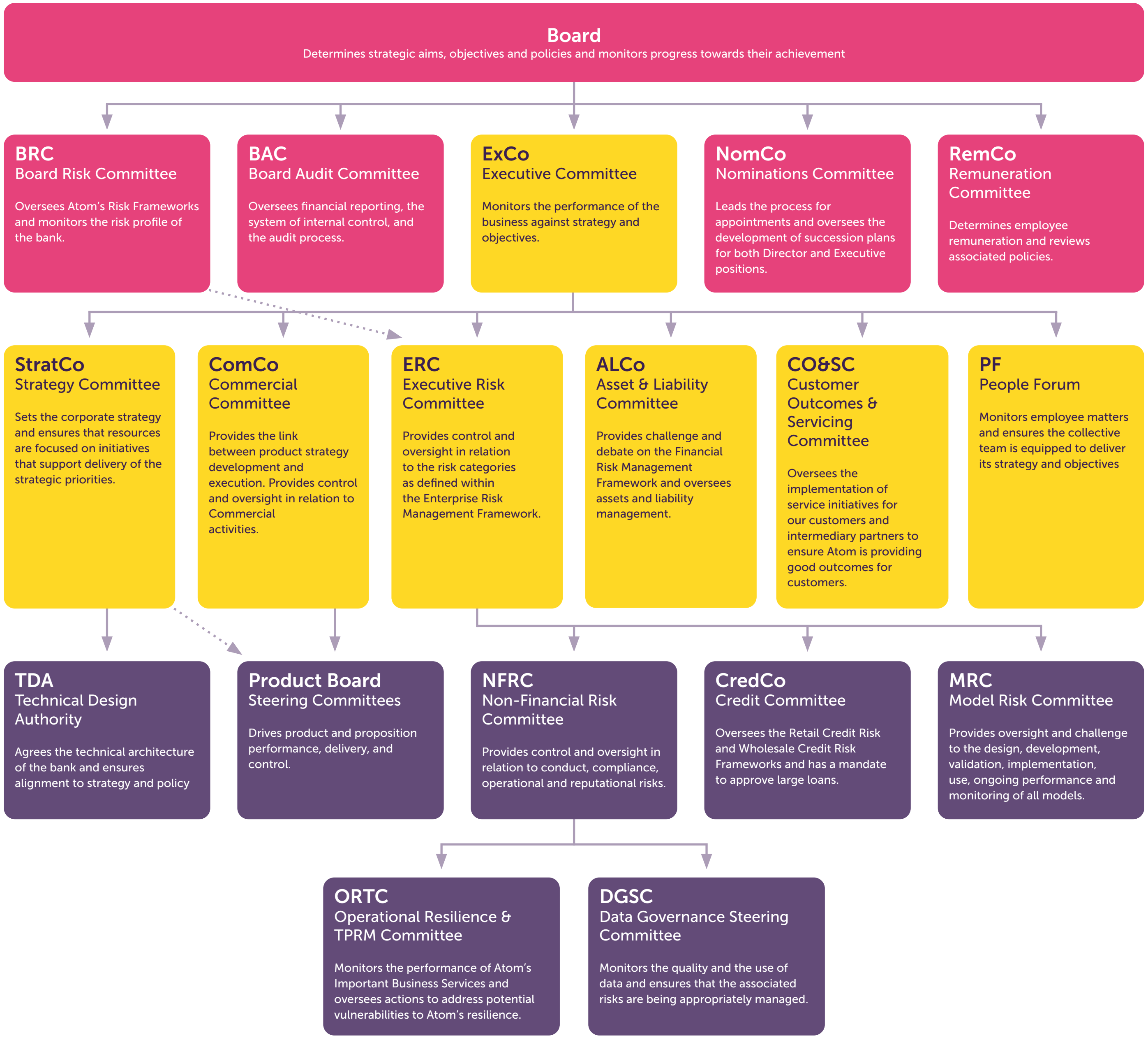
Effective corporate governance underpins the integrity of Atom and the wider community in which it operates.

The success of the Bank depends on a framework of effective systems of internal control, risk management and compliance with regulatory requirements. Effective governance is not achieved by one single committee or forum but rather by a robust framework that is set out in the Atom Governance Manual. This is underpinned by structure, oversight responsibilities, talent, culture, and infrastructure.

The committees are structured into three distinct categories: Board Committees, Executive Committees, and supporting forums, steering committees and working groups.



Atom's Board of executive and non-executive directors is responsible for the overall governance of the Bank.

It is responsible for determining strategic aims, objectives and policies and monitoring progress against these objectives.

The Board is ultimately accountable to Atom's shareholders and so must have regard to the long-term interests of the Bank, as well as the external circumstances that may impact performance. The Board shall take into account the interests of other stakeholders, including Atom's customers, regulators and employees.

The Board comprises executive directors and independent non-executive directors and contains representatives from Atom's two largest shareholders to ensure that the long term strategic objectives of the Bank are met.

Lee Rochford

Chairman and Chair of Nominations Committee (appointed as Chairman 14 September 2023)

Mark Mullen

Executive Director and Chief Executive Officer

Andrew Marshall

Executive Director and Chief Financial Officer

David Roper

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

Christine Coe

Non-Executive Director and Chair of Board Risk Committee

Cheryl Millington

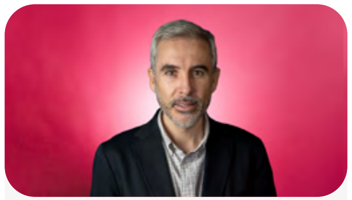
Non-Executive Director and Chair of Rmuneration Committee

Laurence Hollingworth

Non-Executive Director

Ergun Özen

BBVA Appointed Non-Executive Director



Gonzalo Romera Lobo

BBVA Appointed Non-Executive Director

Alicia Pertusa Santos

BBVA Appointed Non-Executive Director

Johnny de la Hey

Toscafund Appointed Non-Executive Director

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The governance structure at Atom has been designed to provide oversight and control.

The Board is responsible for monitoring its effectiveness and a review of the effectiveness of the Board and Committee structure takes place every year, to identify things that are working well as well as those that could be improved or developed further.

In FY24, an internal review was carried out through the use of self-assessment questionnaires for the Board and each of the Committees and the Board considered the findings in the May Board meeting, noting the positive outcomes but also the recommended actions for the Board to consider further.

Board Audit Committee (BAC)

Chair: David Roper

The primary role of the BAC is to assist the Board in fulfilling its oversight responsibilities for matters relating to financial reporting, the system of internal control including the effectiveness and oversight of the internal audit function, and for monitoring compliance with all applicable laws and regulations.

Members: Christine Coe
Cheryl Millington

Board Risk Committee (BRC)

Chair: Christine Coe

The BRC oversees Atom's risk framework and monitors the risk profile of the Bank. BRC is responsible for ensuring that the Bank'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.

Members: Cheryl Millington
Lee Rochford
David Roper
Gonzalo Romera Lobo

Nominations Committee (NomCo)

Chair: Lee Rochford

The NomCo leads the process for appointments and oversees the development of succession planning for Board and executive positions as well as establishing a diverse pipeline of talent.

Members: Christine Coe
David Roper
Cheryl Millington
Gonzalo Romera Lobo

Remuneration committee (RemCo)

Chair: Cheryl Millington

The RemCo is responsible for setting and monitoring policies for the remuneration of the Chairman, executive directors and senior management as well as for determining targets for performance-related remuneration. The RemCo also monitors performance against certain KPIs, including gender balance and earnings gap reporting.

Members: Lee Rochford
David Roper
Laurence Hollingworth
Gonzalo Romera Lobo

The Executive Committee (ExCo) reports to the Board.

They are responsible for executing the strategy and for the day-to-day running of the Bank.

Mark Mullen

Executive Director and
Chief Executive Officer

Co-founder and Chief Executive of Atom, Mark was formerly Chief Executive of multi-award winning first direct, the UK's first telephone bank. With almost 35 years experience in banking and financial services Mark has held senior roles across a variety of disciplines both in the UK and overseas.

Andrew Marshall

Executive Director and Chief Financial Officer

With over 20 years experience in banking, Andrew held senior roles at EY, within audit and advising financial services institutions, and as a Director in Barclays.

Since joining Atom in 2016 Andrew has overseen key initiatives including capital raises and securitisation transactions before becoming Chief Financial Officer in November 2022.

Helen Wilson

Chief Operating Officer

Helen is responsible for leading Atom's customer operations teams to deliver outstanding customer service. She has more than 28 years of experience in retail banking, including with Northern Rock and working as a consultant with Deloitte for two of the UK's major banks, before joining Atom as Head of Customer Service in 2014.

Chris Sparks

Chief Risk Officer

Chris has worked for HSBC, GE Capital, RBS and Virgin Money and has lectured at both De Montfort University and the University of Birmingham. Chris is a Professor in Practice at Durham University and a member of the Credit Research Centre's Research Advisory Board at Edinburgh University.

Laura Farnworth

General Counsel and
Company Secretary

Laura is responsible for the legal and corporate services teams at Atom. Laura has led the legal support for some of the Bank's major transactions including capital raises and the RMBS programme. She joined the Bank in 2014 from the Banking Team at Womble Bond Dickinson.

Chris Storey

Chief Commercial Officer

With nearly 25 years experience in retail banking, Chris started at Northern Rock before holding senior roles at Tesco Bank, Newcastle Building Society, and Sutherland Global. Joining Atom in 2020, he now serves as Chief Commercial Officer, overseeing lending, savings, partnerships, sales and distribution, brand and experience and credit strategy.

Andrew Sturrock

Chief Technologist

With over 25 years' experience as CIO and IT leader delivering Agile and DevOps transformation, Andy is responsible for Atom's Technology. Andy has previously worked for BP and Bank of America, and brings a combination of deep technical knowledge, transformational leadership, business acumen and Agile, Lean and DevOps expertise.

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DIRECTORS REPORT

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Atom's Board of executive and non-executive directors are responsible for promoting the long-term sustainable success of the Bank.

The directors work closely with the ExCo when making both long and short-term business decisions and take into consideration a variety of factors including the interests and needs of Atom's key stakeholders, and the impact any decisions that are made could have.

01: People

The imagination and determination of the Atom team has helped to create Atom's digital banking machine, to build the business and to make progress changing banking for good, for better, for everyone.

Employees are updated on business-wide performance (as well as on key decisions that are being made) at monthly performance update meetings, and quarterly "Up 'n' Atom" events, at which individual and team successes are celebrated.

Atom's people are a key business stakeholder, and the culture within which the business operates is key to encouraging growth and high performance.

To strengthen the connection between the Board and the Atom team, Cheryl Millington was appointed as Employee Engagement Champion in April 2023. This role provides a direct connection between employees and the Board, via the Atom People Forum, which takes place quarterly and includes representatives from all business functions and across all levels. The forum provides the opportunity for views and suggestions to be heard, as well as for any changes to be discussed and feedback received before decisions take place.

Cheryl attends a number of these sessions, and reports observations and feedback to the Board to ensure that there is an awareness and due consideration given to people's views before any decision is taken.

Alongside this, the Board receives culture and sentiment updates via results and analysis from the formal people survey and more frequent pulse updates, alongside regular reporting on attrition, wellbeing, diversity and inclusion, internal mobility and talent development.

Helen Wilson
Chief Operating Officer

02: Customers

Central to the aim of making Atom a great place to bank is the Voice of the Customer programme, which tracks customer sentiment on what would most improve existing processes and app usage, or what is causing friction that could be changed or improved. Alongside this, feedback is collated from various channels including the Apple App Store and Android Play Store, and from Trustpilot reviews. This feedback is shared with the Board and Management via a number of forums, including the Customer Outcomes & Service Committee.

Atom's culture puts customers at the heart of how products and services are designed. Annual product reviews take place to ensure good customer outcomes are being achieved, and that any required changes are being delivered. This year, several changes were implemented to improve customer outcomes, including:

- Proactively contacting all customers on the Standard Variable Rate ("SVR") or with accounts in holding, inviting them to switch products
- Reductions were made to Early Repayment Charges, and multiple fees were removed from several mortgage products
- Introduction of a direct 'execution-only' process to allow customers to extend their mortgage term.

The requirements of Consumer Duty are embedded throughout the organisation, from Board level where Laurence Hollingworth is Atom's Consumer Duty champion. The Customer Outcomes & Service Committee meets monthly to review data on how Atom is performing in delivering good outcomes for customers across its mortgage and savings products, which also includes end to end testing of some of the customer journeys.

Metrics are in place to measure customer outcomes, and these are shared with the Executive Committee and the Board on a monthly basis. The Board is required to review, annually, a detailed assessment of how Atom complies with the Consumer Duty responsibilities and evidence outcomes.

Inflation has remained higher this year than in recent history, and customers continue to experience pressure on household incomes. Atom's dedicated Financial Care team are trained to complete a full assessment of individual circumstances and a range of forbearance solutions can be offered, tailored to the specific circumstances. This could include agreeing a payment plan, changing the loan repayment type or term, or agreeing reduced payments. A new policy was introduced this year to waive early repayment charges and better support customers with extenuating circumstances.

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03: Regulator

Open and transparent relationships are maintained with the regulators which is key to ensuring ongoing compliance with regulatory requirements.

Regular, scheduled meetings take place between members of the Board, ExCo and the PRA supervisory team. In addition, the PRA and FCA are kept up to date with key developments.

Key areas of focus this year have included ongoing updates and interaction in relation to the IRB waiver and capital raising activity.

For the Consumer Duty project, regular updates were provided to both the PRA and FCA on the status, in addition to updates on the level of challenge and oversight provided (by both the Board and the three lines of defence) to the project.

04: Shareholders

Atom has over 180 shareholders, ranging from current and former employees and individual "angel" investors, to hedge funds and a global financial services group. The two largest shareholders continue to exercise their right to appoint directors to the Board, providing them with an opportunity to directly input into the Board decision-making process and governance.

Regular open communications take place between the CEO, CFO and Chairman and Atom's shareholders in the form of quarterly performance updates, and at the Annual General Meeting.

Following the appointment of Lee Rochford as Chairman and signing of the £100m equity capital raise, a session was held in November 2023 to introduce Lee and provide shareholders with the opportunity to discuss the capital raise and ask any questions.

Outside of these formal interactions, more informal communication is maintained via members of the Board and ExCo.

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05: Suppliers

The Bank engages third party service providers that foster and enable innovation, provide flexibility in the operational model, improve efficiency, and improve operational resilience.

To ensure the Board is able to demonstrate adequate governance, oversight and control over material third party service providers, Atom has a robust framework and policy in place, supported by a third party strategy and risk appetite.

Regular management information is presented through Atom's governance model to the Board on aggregate third party risks, and all new material third party services or changes to existing material services are approved at Board level.

The Board is responsible for approving material third party service providers, and this year approved services that will accelerate the automation of critical business services.

The Board has further overseen the ongoing delivery of a transformation initiative which is focused on further strengthening, maturing and embedding the Outsourcing and Third Party Risk Management framework across the Bank.

The Directors present their Annual Report and consolidated financial statements for the year ended 31 March 2024.

Atom Holdco Limited is a private limited company, incorporated and domiciled in England and Wales, having its registered office in England. Atom Bank plc and the consolidated group are authorised by the PRA and regulated by the FCA and PRA.

The directors are required under Section 414 of the Companies Act 2006 to present a strategic report in the Annual Report. The information can be found on pages 4 to 44. Atom has chosen, in accordance with Section 414C(11) of the Companies Act 2006, to include certain matters in its strategic report, that would otherwise be disclosed in this directors' report.

Result

The statements of comprehensive income and the statements of financial position can be found on page 54 and 55 respectively.

Dividends

The directors do not propose to pay a dividend.

Directors

The following persons served as directors during the year and up to the date of approval of the report and financial statements.

- Lee Rochford (appointed as non-executive director on 23 May 2023, and then as Chairman on 14 September 2023).
- Bridget Rosewell (resigned 14 September 2023)
- Mark Mullen
- Andrew Marshall
- David Roper
- Cheryl Millington
- Ergun Özen
- Gonzalo Romera Lobo
- Alicia Pertusa Santos
- Laurence Hollingworth
- Christine Coe
- John de la Hay

Directors' report

Going Concern

The financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group and the Parent has the resources to continue in business for the foreseeable future. At a minimum, this is 12 months from the date of approval of these financial statements.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current financial position, capital resources and expected future cash flows. Atom's most recent business plan forecasts that the Group will continue to be profitable, and will be sufficiently income generative such that capital will not be required to fund ongoing trading losses. As a result, any future capital transactions will be undertaken to accelerate lending growth and execution of the long-term strategy.

A combination of stressed financial forecast scenarios have also been considered as part of the going concern assessment, including significant increased variability in credit losses, compression of spreads and lending volumes, and an increase in the volume and rate of deposit outflows. In these scenarios, Atom can continue to trade for the foreseeable future, maintaining a surplus to regulatory minimum capital and liquidity.

Based on this assessment the Board is satisfied that the business can continue to operate for the foreseeable future and the going concern basis is appropriate.

Independent Auditors

Each person who was a director at the time this report was approved confirms that:

- So far as they are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be considered at the forthcoming Annual General Meeting.

Indemnity insurance

Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during FY24, and remains in place, as Atom maintains Directors' & Officers' Liability Insurance which gives appropriate cover for legal action brought against its directors.

The Board has approved the Strategic and Directors' reports and both are being signed on its behalf by

Mark Mullen
Chief Executive Officer
13 June 2024

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent and of the profit or loss of the Group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent will continue in business.

The directors are responsible for safeguarding the assets of the Group and Parent and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The directors are responsible for the maintenance and integrity of the Parent's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the directors, whose names and functions are listed in Board of Directors page in the Governance section confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position, and profit of the Group; and
- the company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Parent, together with a description of the principal risks and uncertainties that it faces.

Laura F—.

Laura Farnworth
General Counsel and Company Secretary
13 June 2024

Laura Farnworth

General Counsel and Company Secretary

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Consolidated statement of comprehensive income
For the year ended 31 March 2024

For the year ended 31 March	Note	FY24 £'m	FY23 £'m
Interest income		443.0	209.1
Interest expense		(343.5)	(133.1)
Net interest income	**2**	**99.5**	**76.0**
Other (expense)/income	3	(0.2)	2.6
Credit impairment charges	4	(11.0)	(12.8)
Net operating income		**88.3**	**65.8**
Staff costs	5	(32.7)	(31.3)
Administrative and general expenses	7	(29.0)	(28.1)
Staff and administrative expense		**(61.7)**	**(59.4)**
Profit before other charges		**26.6**	**6.4**
Amortisation and depreciation		(12.7)	(11.3)
Equity-settled share-based payments	6	(7.2)	(5.2)
Other charges		**(19.9)**	**(16.5)**
Profit/(loss) before taxation		**6.7**	**(10.1)**
Taxation	8	5.6	4.4
Profit/(loss) after taxation		**12.3**	**(5.7)**

Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Movement in fair value reserve (debt instruments classified as fair value through other comprehensive income)			
- Net gain in fair value		0.5	0.1
- Net amount transferred to profit or loss		0.1	-
Movement in cash flow hedge reserve			
- Net (loss)/gain from changes in fair value		(0.4)	5.2
Other comprehensive income, net of tax		**0.2**	**5.3**
Total comprehensive income/(expense) attributable to equity holders of the parent		**12.5**	**(0.4)**

The result for the year is derived entirely from continuing activities.

The Group represents the consolidated results of Atom Holdco Limited and its subsidiaries.

Consolidated statement of financial position.
As at 31 March 2024

As at 31 March	Note	FY24 £'m	FY23 £'m
Assets			
Cash and balances at central banks	16	2,447.2	4,198.1
Debt instruments at fair value through other comprehensive income	16	474.7	323.9
Debt Instruments held at amortised cost	16	23.0	150.3
Derivatives held for hedging purposes	25	62.4	76.9
Loans and advances to customers	9	4,100.9	2,958.8
Other assets	32	98.7	61.7
Property, plant and equipment	33	0.7	3.2
Intangible assets	34	41.6	37.8
Deferred tax asset	8	16.5	9.8
Total assets		**7,265.7**	**7,820.5**
Liabilities			
Customer deposits	17	5,746.2	6,551.3
Borrowings from central banks	18	683.8	681.5
Debt securities in issue	18	365.3	207.5
Subordinated liabilities	18	-	8.2
Derivatives held for hedging purposes	25	1.1	-
Provisions	36	0.8	0.4
Other liabilities	36	66.1	88.5
Total liabilities		**6,863.3**	**7,537.4**
Equity			
Share capital and share premium	29	128.9	29.3
Other reserves	30	43.3	35.9
Accumulated gains		230.2	217.9
Total equity		**402.4**	**283.1**
Total liabilities and equity		**7,265.7**	**7,820.5**

The notes and information on pages 58 to 134 form part of the consolidated financial statements.

The consolidated financial statements from pages 53 to 134 were approved by the Board of Directors on 13 June 2024 and signed on its behalf by

Chief Executive Officer

Chief Financial Officer

Consolidated statement of changes in equity

	Share capital and share premium £'m	Share based payment reserve £'m	Other reserves and treasury shares £'m	Fair value reserve £'m	Cash flow hedge reserve £'m	Accumulated gains / (losses) £'m	Total Equity £'m
Balance as at 1 April 2022	**566.4**	**26.9**	**(1.4)**	**(0.1)**	**-**	**(342.2)**	**249.6**
Loss for the year	-	-	-	-	-	(5.7)	(5.7)
Fair value reserve (debt instruments), net of tax							
- Net gain in fair value	-	-	-	0.1	-	-	0.1
- Hedging adjustment	-	-	-	-	5.2	-	5.2
Total comprehensive income/(expense)	**-**	**-**	**-**	**0.1**	**5.2**	**(5.7)**	**(0.4)**
Issue of new ordinary shares, net of transaction costs	28.7	-	-	-	-	-	28.7
Share schemes – value of employee services	-	5.2	-	-	-	-	5.2
Share premium reduction	(565.8)	-	-	-	-	565.8	-
Balance as at 31 March 2023	**29.3**	**32.1**	**(1.4)**	**-**	**5.2**	**217.9**	**283.1**
Profit for the year	-	-	-	-	-	12.3	12.3
Fair value reserve (debt instruments), net of tax							
- Net gain in fair value	-	-	-	0.5	-	-	0.5
- Hedging adjustment	-	-	-	-	(0.4)	-	(0.4)
- Net amount transferred to profit or loss	-	-	-	0.1	-	-	0.1
Total comprehensive income/(expense)	**-**	**-**	**-**	**0.6**	**(0.4)**	**12.3**	**12.5**
Issue of new ordinary shares, net of transaction costs	99.6	-	-	-	-	-	99.6
Share schemes – value of employee services	-	7.2	-	-	-	-	7.2
Balance as at 31 March 2024	**128.9**	**39.3**	**(1.4)**	**0.6**	**4.8**	**230.2**	**402.4**

Consolidated cash flow statement

For the year ended 31 March	Note	FY24 £'m	FY23 £'m
Cash flows from operating activities			
Profit / (Loss) for the year[1]		12.3	(5.7)
Adjustments for non-cash items			
Credit impairment charge[2]	4	11.0	12.8
Depreciation and amortisation		12.7	11.3
Recognition of deferred tax asset	8	(6.7)	(4.4)
Corporation tax charge	8	1.1	-
Share based payment charges	6	7.2	5.2
Other non-cash movements		0.1	5.3
Adjustments for:			
Changes in loans and advances to customers[2]	9	(1,152.8)	(587.5)
Changes in customer deposits	17	(805.1)	3,321.5
Changes in borrowings from central banks	18	2.3	5.6
Changes in debt securities in issue	18	157.8	(172.2)
Changes in debt instruments held at amortised cost	18	127.3	144.8
Changes in other assets	32	(37.0)	(16.5)
Changes in other liabilities and provisions	36	(19.9)	40.0
Changes in derivatives held for hedging purposes	25	15.6	(41.0)
Corporation tax paid	8	(0.8)	-
Net cash (outflow) / inflow from operating activities		**(1,674.9)**	**2,719.2**
Cash flows from investing activities			
Acquisition of intangible assets	34	(15.6)	(12.0)
Acquisition of property, plant and equipment	33	(0.3)	(0.1)
Net acquisition of debt securities at FVOCI[3]	16	(150.8)	(26.6)
Net cash (outflow) from investing activities		**(166.7)**	**(38.7)**
Cash flows from financing activities			
Proceeds from the issuance of shares, net of expenses	29	99.6	28.7
Repayment of sub debt	18	(8.2)	-
Payment of principal portion of lease liabilities	37	(0.7)	(0.7)
Net cash inflow from financing activities		**90.7**	**28.0**
Net (decrease) / increase in cash and balances at central banks		**(1,750.9)**	**2,708.5**
Cash and balances at central banks at the beginning of year	16	4,198.1	1,489.6
Cash and balances at central banks at the end of year	**16**	**2,447.2**	**4,198.1**

[1] Profit/(loss) includes interest income of £427.2m (FY23: £193.6m) received and interest expense of £306.0m (FY23: £92.1m) paid during the year.
[2] Credit impairment charges, that had previously been included within the changes in loans and advances to customers line, are now presented as a separate line, and the comparatives have been adjusted.
[3] Net acquisition of debt securities at FVOCI includes additions of £606.4m (FY23: £502.4m) and disposals of £464.7m (FY23: £480.0m).

Summary of material accounting policies

This section describes the Group's material accounting policies and the critical accounting estimates that relate to the consolidated financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained within the relevant note.

a. Reporting entity

These consolidated financial statements are prepared for Atom Holdco Limited and its subsidiaries ("the Group") under section 399 of the Companies Act 2006. The Group is a UK financial services provider engaged in retail banking. Separate financial statements have also been presented for for the Parent, Atom Holdco Limited.

Atom Holdco Limited is a private company limited by shares and is incorporated and registered in the United Kingdom.

b. Basis of preparation

The consolidated financial statements have been prepared and approved by the Board of Directors in accordance with UK adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. They are stated in pounds Sterling (£), which is the presentational currency of the Group and the functional and presentational currency of Atom Holdco Limited, and are rounded to the nearest million (£'m) unless otherwise stated.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies.

c. Going concern

The consolidated financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group has the resources to continue in business for the foreseeable future (which has been taken to be at least 12 months from the date of approval of the financial statements). In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, capital resources, cash flows and the strategy of the business. Further information is included within the Directors' report on page 51.

d. Consolidation

Atom Holdco Limited controls an entity when it has power over the relevant activities of the entity, is exposed to or has rights to variable returns from the entity and can affect those returns through its power over the entity. Such ability, generally but not exclusively, accompanies a shareholding of more than half of the voting rights. The assessment of control is based on all facts and circumstances. Controlled entities are fully consolidated from the date on which control is transferred and are deconsolidated from the date that control ceases. Inter-company transactions and balances are eliminated in full upon consolidation.

The consolidated financial statements have been prepared using uniform accounting policies and for the same accounting period as that of Atom Holdco Limited.

e. Presentation of financial statements

The Group presents its consolidated statement of financial position in order of liquidity based on its intention and perceived ability to recover or settle the majority of assets/ liabilities of the corresponding financial statement line item. A maturity analysis of statement of financial position items is included in Note 20 including items that have a recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current).

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met (note 25).

Other instruments, primarily derivatives, are only offset and reported net if there is a legally enforceable right to set-off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

f. Cash and cash equivalents

Cash and cash equivalents include notes, restricted and unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

Summary of material accounting policies (continued)

g. Operating segments

IFRS 8 requires operating segments to be identified on the basis of internal reports and components of the Group which are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources to segments and to assess their performance. For this purpose, the CODM of the Group is the Board of Directors. The Board considers the results of the Group as a whole when assessing business performance and allocating resources. Accordingly, the Group is considered to be a single operating segment. The Group operates solely within the UK and, as such, no geographical analysis is required. The Group is not reliant on any single customer.

h. Financial assets and liabilities

The Group applies IFRS 9 Financial Instruments to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities, the impairment of financial assets, and hedge accounting.

(i) Recognition

Financial assets and liabilities are recognised when the Group becomes party to the terms of the contract. For the purchase or sale of securities this is deemed to be the trade date, as this is the date from which Atom is legally committed to the transaction.

(ii) Classification and measurement

Financial assets and liabilities are initially recognised at fair value and may be held at amortised cost, Fair Value through Other Comprehensive Income (FVOCI), or Fair Value through P&L (FVTPL).

A debt instrument is generally measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is normally measured at FVOCI if both of the following conditions are met:

- The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that is not measured at amortised cost or at FVOCI is measured at FVTPL. Derivatives are normally measured at FVTPL.

The accounting policy for each type of financial asset or liability is included within the relevant note for the item.

(iii) Derecognition

Financial assets are derecognised where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, with substantially all the risks and rewards of ownership transferred.

Financial liabilities are derecognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

i. Foreign currency translation

Foreign currency transactions are translated using the exchange rates prevailing at the date of the transaction. Monetary items denominated in foreign currencies are translated at the rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the translation and settlement of such transactions are recognised in the income statement.

j. Critical accounting estimates and judgements

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and income and expenses during the period. Due to the inherent uncertainty in making estimates, actual results may differ from those on which management's estimates or judgements are made.

Critical accounting estimates and judgements are disclosed within the note to which they relate:

- Expected credit losses for loans and advances to customers, note 10, contains both estimation uncertainty and significant judgements.
- Deferred tax, note 8. The recognition of a deferred tax asset requires the application of judgement as it contains estimation uncertainty in determining its valuation.

k. Changes to accounting policies and future accounting developments

There have been no changes to the Group's accounting policies during the year. The Group has not provided disclosures in respect of new and amended standards and interpretations that became effective for FY24, as none of these issued had impact on the Groups financial statements.

The IASB has issued a number of other minor amendments to IFRSs that are not mandatory for the current reporting year and have not been early adopted. None of these amendments are expected to have a material impact on the Group.

PERFORMANCE

The notes in this section seek to explain Atom's Profit and Loss performance during the year.

Atom earns interest income on loans originated to customers and on cash and other financial instruments that are held. This income is reduced by the interest expense that is paid to customers on their deposits and on wholesale funding facilities which fund lending. Atom also incurs expected credit loss charges, predominantly on loans and advances to customers, and administrative and general expenses incurred as a result of running a digital bank, predominantly employee expenses and the costs of maintaining the technology infrastructure.

Jump to:

2. Net Interest Income

Accounting for interest income and expense

Interest income and interest expense are measured at amortised cost using the effective interest rate method, which allocates interest and any direct and incremental fees and costs, over the expected lives of the assets and liabilities.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments, through the expected life of the financial instrument to the gross carrying amount of the financial asset or liability.

The estimated cash flows take into consideration all contractual terms of the financial instrument (for example prepayment options) but do not incorporate future credit losses. The calculation includes all amounts received by or paid to Atom that are an integral part of the overall return, including direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

Interest income and expense on derivatives designated as hedging instruments are recognised as part of net interest income and is recorded as a reduction to the gross interest income or interest expense derived using the effective interest rate method on the related hedged asset or hedged liability.

	FY24 £'m	FY23 £'m
Interest income		
Loans and advances to customers	226.6	132.1
Other assets held at amortised cost	193.0	69.6
Assets held at fair value through other comprehensive income	23.4	7.4
Total interest income	**443.0**	**209.1**
Interest expense		
Customer deposits	(290.6)	(106.9)
Other liabilities held at amortised cost	(52.9)	(26.2)
Total interest expense	**(343.5)**	**(133.1)**
Net interest income	**99.5**	**76.0**

Net interest income increased by £24m to £100m. The improvement is due to loan book growth and interest earned on deposits held at the Bank of England, offset by increased expense of customer deposits.

Interest income increased 112% to £443m. Income on loans and advances to customers increased by £95m to £227m as a result of 55% growth in the mortgage loan book to £3.2bn, and higher rates earned on business lending, where the loan book grew 19% to £605m.

Other assets held at amortised cost includes interest on cash held at the Bank of England which has attracted a higher average interest rate of 5.02% (FY23: 2.29%). Throughout the year Atom has maintained a significant surplus to regulatory liquidity with £2.4bn (FY23: £4.2bn) held as cash and cash equivalents at year end.

Interest expense increased by £210m to £344m. On average, Atom maintained a higher average customer deposit all year and paid higher interest rates to savings customers, resulting in a £184m increase in interest expense paid on customer deposits, to £291m.

Other liabilities held at amortised cost includes interest paid on debt securities in issue. Interest payable on these increased following the issuance of £300m of loan notes through the Elvet 2023-1 RMBS transaction.

3. Other income and expenditure

Accounting for other income and expenditure

Fee and commission income and expenses are recognised when the Group has legally agreed to pay or receive consideration for services and when all performance obligations are satisfied.

The accounting policy for fair value hedges and derivatives is covered in detail within Note 25: Derivatives held for hedging purposes.

Other income and expenditure	FY24 £'m	FY23 £'m
Servicing fee income	0.4	0.6
Bank charges and other fees	(0.6)	(0.6)
Ineffectiveness arising from fair value hedges (note 26)	-	2.1
Derivatives in economic but not accounting hedges (note 26)	-	0.4
Foreign currency retranslation	-	0.1
Total other (expense) / income	**(0.2)**	**2.6**

Hedge ineffectiveness arises when the fair value movement in the hedge instrument, the derivative, does not perfectly correlate to the fair value movement in the associated hedge item, the associated loans or deposits.

4. Credit impairment charges

The Group recognises expected credit losses (ECLs) based on forward-looking information for all financial assets at amortised cost, financial assets at fair value through other comprehensive income and loan commitments in compliance with IFRS 9. The accounting policies are disclosed within the credit risk section of the financial statements and Note 10: Amounts arising from expected credit losses.

The below table summarises the charge for the year in the income statement:

Net impairment on financial assets	FY24 £'m	FY23 £'m
Movement in impairment provisions for:		
Mortgages	1.5	2.3
BBSL	0.7	0.2
BBUL	8.4	10.2
Impairment charges on loans and advances to customers	**10.6**	**12.7**
Movement in impairment charges on loan commitments for:		
Mortgages	0.2	-
BBSL	0.1	0.1
Provision charges on loan commitments	**0.3**	**0.1**
Credit impairment charge on debt instruments at amortised cost	0.1	-
Credit impairment charges and other provisions	**11.0**	**12.8**

The £11.0m (FY23: £12.8m) charge is due to an increase in the provision for impairment losses as a result of loan book growth, and maturity of loans. Further information on the change in expected credit loss provision is disclosed in note 10.

5. Staff costs

Accounting for staff cost

The Group applies IAS 19 Employee benefits in its accounting for most of the components of staff costs. All employees in the Group are remunerated by Atom bank plc.

Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans
Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Staff costs	FY24 £'m	FY23 £'m
Wages and salaries	26.2	24.7
Social security costs	3.4	3.9
Contributions to defined contribution plans	3.1	2.7
Total staff costs	**32.7**	**31.3**

Wages and salaries of £26.2m (FY23: £24.7m) are reported net of £3.3m (FY23: £2.6m) of staff time capitalised, and net of £0.8m (FY23: £0.2m) Banking Competition Remedies (BCR) funding released to the income statement to match eligible expenditure.

The increased cost is partly due to an increase in headcount of 52, to an average of 504, and partly as a result of cost-of-living related salary uplifts of at least 5.5% that were paid to all employees at the beginning of the year.

Average monthly number of employees during the year	FY24	FY23
Executive	9	11
Business and customer operations	263	245
Administration	77	77
Technology	155	119
Total	**504**	**452**

Average headcount has increased to 504 (FY23: 452) as a result of investment in the Technology and Change functions, and within the Business and Customer Operations function.

6. Share based payment arrangements

Accounting for share based payments

Employees may be entitled to receive remuneration in the form of share options to reward strong long-term business performance and to incentivise growth for the future.

In line with IFRS 2 Share Based Payments, the value of the employee services received in exchange for share options granted is recognised as an expense in the income statement over the period that employees became unconditionally entitled to the awards (the vesting period). This is generally the period between the date the award is granted or notified and the vesting date of the options. All awards granted under current schemes are conditional on employee service and do not contain non-market or market based performance conditions.

The overall cost of the award is calculated using the number of share options expected to vest and the fair value of options at the date of grant. The determination of fair values excludes the impact of service conditions, which are included in the assumptions used to estimate the number of shares expected to vest. At each balance sheet date, this estimate is reassessed and revised if necessary. Any revision of the original estimate is recognised in the income statement as it occurs.

All options are equity settled, and the fair value is calculated at the grant date and recognised as an expense to the income statement with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards. The potential liability to pay employers National Insurance Contributions on employee share options is recognised as a liability accrued in line with the vesting of the related share options.

The fair value is determined using Black Scholes Merton valuation models which consider the terms and conditions attached to the awards. Inputs into valuation models include the risk-free interest rate, the expected volatility of the Group's share price and other various factors which relate to performance conditions attached to the award. As an unlisted entity share price volatility is estimated using the performance of peers listed on the London Stock Exchange.

Method of settlement

All share options are equity settled only and there are no cash settlement alternatives. As at 31 March 2024 the Group had the following share-based payment arrangements:

Scheme	Overview	Contractual life of options	Method of settlement
Build the Bank share scheme (BTB)	A one off scheme designed to reward staff involved in the earliest stages in the development of Atom	10 years	Equity
Annual performance share scheme (APSS) – 2015 to 2024	Annual performance award. APSS17 to 24 includes a HMRC approved Company Share Option Plan	10 years	Equity
Long term incentive scheme (LTIP)	A retention scheme put in place for a limited number of senior staff	10 years	Equity
Joint share ownership plan (JSOP)	This is an executive scheme implemented for a number of Atom's founders	10 years	Equity

Employee Benefit Trust

Atom bank plc acts as sole trustee to the EBT, which was set up to facilitate liquidity from the share options during previous liquidity events. Shares purchased by the EBT were not cancelled but have been retained in issue and represent a deduction from equity attributable to owners of the Parent. The EBT has been fully consolidated as the Group is exposed to its returns. The outstanding loan balance between Atom and the EBT was £1,440k (FY23: £1,440k).

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6. Share based payment arrangements (continued)

	BTB	APSS	LTIP	JSOP
Outstanding as at 31 March 23	**3,943,000**	**28,639,498**	**781,389**	**3,800,000**
Forfeited during the period	-	(46,755)	-	-
Exercised during the period	-	(14,599)	-	-
Granted during the period	-	25,222,871	-	-
Outstanding as at 31 March 24	**3,943,000**	**53,801,015**	**781,389**	**3,800,000**
Exercisable as at 31 March 24	3,943,000	26,384,439	489,723	3,800,000
Weighted average exercise price (pence)	35	0.001	60	0.001
Weighted average remaining contractual life	2 years	8 years	4 years	3 years
Fair value of share awards issued in FY24 (pence)	N/A	0.4	N/A	N/A

	BTB	APSS	LTIP	JSOP
Outstanding as at 1 April 22	3,943,000	20,844,142	489,723	3,800,000
Forfeited during the period	-	(333,132)	-	-
Exercised during the period	-	(93,843)	-	-
Granted during the period	-	8,222,331	291,666	-
Outstanding as at 31 March 23	**3,943,000**	**28,639,498**	**781,389**	**3,800,000**
Exercisable as at 31 March 23	3,943,000	26,002,695	489,723	3,800,000
Weighted average exercise price (pence)	35	0.001	60	0.001
Weighted average remaining contractual life	3 years	8 years	5 years	4 years
Fair value of share awards issued in FY23 (pence)	N/A	0.7	0.2	N/A

The number of share awards granted is calculated based on the awarded employee APSS award value, and the share price at that time. As a result of the reduction in share price and due to an increase in the average number of employees in the year the number of options awarded in FY24 is higher than in FY23.

The fair value of share awards issued in FY24 was estimated on the grant date using the Black Scholes Merton formula, and using the following inputs:

	APSS24
Option grant date	31 March 24
Weighted average share price	40p
Exercise Price	0.001p
Expected volatility	36.66%
Expected life	3 years
Risk-free interest rate	3.92%

The expected share price volatility used was based on the historical volatility of listed peers, over a period equivalent to the expected life of the option.

Share options issued for services provided

Atom engaged with a third party in 2018 to provide certain services where remuneration is partly paid in share options. All of the 3,550,000 options are fully vested and have an exercise price of £1.15 per share. The options have a contractual life of ten years and are equity settled. The fair value of the options when issued was 22p.

No new options were granted for services provided during the year (FY23: nil).

7. Administrative and general expenses

	FY24 £'m	FY23 £'m
Administrative expenses	0.5	0.6
Loan servicing expense	6.0	6.5
Technology costs	18.0	15.6
Marketing	0.4	0.7
Legal and professional	3.0	3.3
Office and premises	1.1	1.4
Total administrative and general expenses	**29.0**	**28.1**

Administrative and general expenses increased 3% to £29.0m despite the high inflationary environment in the UK. This was due to tight cost management and scalability of the banking infrastructure.

Loan servicing expenses of £6.0m (FY23: £6.5m) are paid to third parties where this service is outsourced. The charge is calculated based on the outstanding loan book, and the reduction is in line with the movement in the associated loan books.

IT costs of £18.0m (FY23: £15.6m) includes the running costs of customer savings and lending platforms, customer contact systems, and IT infrastructure supporting back-office functions. This has increased as a result of enhancements in Atom's technology and data capabilities.

Administrative and general expenses are recorded net of £0.1m (FY23: £0.2m) of BCR funding held within other liabilities which was released to the income statement to match eligible expenditure.

Legal and professional fees include auditors' remuneration, with details as follows:

Auditors' remuneration

	FY24 £'m	FY23 £'m
Audit fee for the audit of Atom Holdco Limited	-	-
Fees payable for other services:		
Audit fee for the audit of the Company's subsidiaries	0.5	0.4
Total audit and audit related assurance services	**0.5**	**0.4**
Other permitted non-audit services	0.1	-
Total auditors remuneration	**0.6**	**0.4**

Audit fees payable for the Atom Holdco Limited statutory audit amounted to £19k (FY23: £35k).

8. Taxation

Accounting for taxation

Atom applies IAS 12 – Income Taxes when accounting for taxes on income. Income tax payable on taxable profits (current tax) is recognised as an expense in the period in which the profits are recognised.

Current tax is measured using tax rates and tax laws enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the balance sheet and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is determined using tax rates and legislation in force at the balance sheet date and is expected to apply when the deferred tax asset is realised.

Critical accounting estimates and judgements

The recognition and measurement of deferred tax assets is a key area of judgement that impacts the reported tax position. A deferred tax asset is recognised in respect of future taxable profits which are likely to occur and is measured based on forecast future taxable profits.

The recently approved five-year strategic business plan forms the basis for forecast taxable profits. Judgement is used to assess whether there are elements of this forecast that have inherent uncertainty associated with them, that should be excluded from forecast taxable profit. This includes assumptions related to achieving IRB approval and any subsequent higher growth, and the launch of new products and services.

Key assumptions which underpin the base forecast include macroeconomic conditions (such as forecast spreads and interest rates, future tax rates, expectations of credit losses and any potential climate related risks) and is dependent on the Group's ability to successfully execute its strategy. For this reason, the DTA is inherently sensitive to these assumptions, and actual utilisation of the deferred tax asset may vary from the expected result.

Income tax for the year

	FY24 £'m	FY23 £'m
Current tax		
Current year	1.1	-
Deferred tax		
Current year	(6.7)	(3.4)
Effect of change in tax rate	-	(1.0)
Tax credit for the year	**(5.6)**	**(4.4)**

The Corporation tax liability payable to HMRC for the year is £1.1m (FY23: Nil). Taxable profits are subject to tax at the rate of 25%, which has been in place since the 1st April 2023.

In June 2023, the Finance Act 2023 was enacted in the UK to introduce Pillar Two model rules. This introduces a minimum effective tax rate of 15% from the 1st of January 2024. Atom is not currently in scope of this, and based on the assessment performed to date the tax position is not expected to change in future years.

The table below shows the reconciliation between the actual tax credit and the tax charge that would result from applying the standard UK corporation tax rate to the Group's profit before tax.

	FY24 £'m	FY23 £'m
Profit/(Loss) on ordinary activities before taxation	6.7	(10.1)
Standard rate of corporation tax	25%	19%
Expected tax charge / (credit)	**1.7**	**(1.9)**
Items not taxable	-	(0.1)
Effect of changes in tax rates	-	(1.0)
Movement in deferred tax not recogniesd	(4.9)	(1.4)
Losses utilised in period	(2.4)	-
Total tax credit	**(5.6)**	**(4.4)**

8. Taxation (continued)

The table below shows the movement in net deferred tax assets

	FY24 £'m	FY23 £'m
At 1 April	**9.8**	**5.4**
Recognised in the income statement	6.7	4.4
At 31 March	**16.5**	**9.8**

The Group has recognised a deferred tax asset in relation to tax losses carried forward of £16.5m (FY23: £9.8m), and a deferred tax liability in relation to tangible fixed assets of £0.1m (FY23: £0.2m).

The Group has an unrecognised deferred tax asset value of £67m (FY23: £75m). This asset comprises £61m (FY23: £68m) of trading losses and £6m (FY23: £6m) of deferred share scheme deductions. All these amounts are carried forward taxed at the expected rate of 25% (FY23: 25%). Notwithstanding the period over which the Group's deferred tax assets are expected to crystallise, the trading losses and other tax attributes do not expire over time, and all relate to United Kingdom corporation tax.

Should the approved five-year strategic business plan be achieved in full, including those elements excluded as part of the calculated deferred tax asset, then all available deferred tax asset would be utilised by the end of FY28, including the unrecognised amounts.

LENDING AND CREDIT RISK

This section provides information on Atom's lending and the provisions held for credit impairment.

As a retail bank, Atom uses the funds deposited to lend to customers. Atom currently provides secured and unsecured loans to small and medium enterprises and mortgages to individuals and professional landlords. As the principal risk of lending, disclosure is also provided on how Atom manages and mitigates credit risk.

Jump to:

9. Loans and advances to customers

The following table summarises lending by IFRS 9 impairment stage and the related provision:

	BBSL	Mortgages	BBUL	Total loans and advances to customers
At 31 March 2024:	**£'m**	**£'m**	**£'m**	**£'m**
Gross carrying amount:				
Stage 1: 12 month expected loss	517.0	3,090.8	273.9	3,881.7
Stage 2: Lifetime - loans not credit impaired	82.0	135.0	22.9	239.9
Stage 3: Lifetime - credit impaired loans	8.9	16.8	10.5	36.2
Total gross carrying amount	**607.9**	**3,242.6**	**307.3**	**4,157.8**
Fair value adjustment*	-	(33.9)	-	(33.9)
Effective interest rate adjustment	-	(3.2)	0.2	(3.0)
Total gross carrying amount including valuation adjustments	**607.9**	**3,205.5**	**307.5**	**4,120.9**
Less expected credit loss provision:				
Stage 1: 12 month expected loss	(1.2)	(2.8)	(4.3)	(8.3)
Stage 2: Lifetime - loans not credit impaired	(0.9)	(1.6)	(2.7)	(5.2)
Stage 3: Lifetime - credit impaired loans	(0.9)	(0.7)	(4.9)	(6.5)
Provision for on balance sheet impairment losses	**(3.0)**	**(5.1)**	**(11.9)**	**(20.0)**
Net balance sheet carrying value	**604.9**	**3,200.4**	**295.6**	**4,100.9**
Loan commitments				
Gross commitments	107.7	436.5	-	544.2
12 month expected loss provision	(0.2)	(0.3)	-	(0.5)
Total credit impairment provision	**(3.2)**	**(5.4)**	**(11.9)**	**(20.5)**
Total coverage ratio	**0.44%**	**0.15%**	**3.88%**	**0.44%**

	BBSL	Mortgages	BBUL	Total loans and advances to customers
At 31 March 2023:	**£'m**	**£'m**	**£'m**	**£'m**
Gross carrying amount:				
Stage 1: 12 month expected loss	437.1	2,029.1	353.5	2,819.7
Stage 2: Lifetime - loans not credit impaired	61.6	108.4	25.5	195.5
Stage 3: Lifetime - credit impaired loans	13.2	11.0	10.4	34.6
Total gross carrying amount	**511.9**	**2,148.5**	**389.4**	**3,049.8**
Fair value adjustment*	-	(81.0)	-	(81.0)
Effective interest rate adjustment	-	6.3	0.1	6.4
Total gross carrying amount including valuation adjustments	**511.9**	**2,073.8**	**389.5**	**2,975.2**
Less expected credit loss provision:				
Stage 1: 12 month expected loss	(0.9)	(1.9)	(3.2)	(6.0)
Stage 2: Lifetime - loans not credit impaired	(0.8)	(1.5)	(4.1)	(6.4)
Stage 3: Lifetime - credit impaired loans	(1.0)	(0.3)	(2.7)	(4.0)
Provision for on balance sheet impairment losses	**(2.7)**	**(3.7)**	**(10.0)**	**(16.4)**
Net balance sheet carrying value	**509.2**	**2,070.1**	**379.5**	**2,958.8**
Loan commitments				
Gross commitments	75.9	445.5	-	521.4
12 month expected loss provision	(0.1)	(0.1)	-	(0.2)
Total credit impairment provision	**(2.8)**	**(3.8)**	**(10.0)**	**(16.6)**
Total coverage ratio	**0.47%**	**0.15%**	**2.58%**	**0.47%**

*The fair value adjustment arises as a result of fair value hedge accounting as disclosed in note 25. That, and the effective interest adjustment have not been allocated across IFRS 7 credit risk disclosures.

9. Loans and advances to customers (continued)

Mortgages

Fixed rate mortgage products are offered to customers via brokers. The portfolio is predominantly owner-occupied, however, it does include £612m (FY23: £212m) of buy-to-let lending to professional landlords. During FY24 the portfolio grew by 33% to £3.2bn. Loans are offered across the LTV range, with the current focus on higher LTV mortgages. Alongside the core portfolio buy-to-let lending has increased to £612m (FY23: £212m) and near prime lending, offered to customers that might otherwise face challenges securing a mortgage, to £113m (FY23: £55m).

The provision of £5.1m (FY23: £3.6m) results in a coverage ratio of 0.15% (FY23: 0.15%). Low levels of delinquency continue to be experienced, with 95% (FY23: 94%) of total mortgage value classified as Stage 1. The proportion of the portfolio in arrears or forbearance remains low, at 0.3% (FY23: 0.2%).

Mortgages of £436m (FY23: £472m) were also committed, but not completed, to 2,177 (FY23: 2,282) customers. A provision of £320k (FY23: £171k) was held against this potential exposure, resulting in a total mortgage provision of £5.4m (FY23: £3.8m).

The fair value adjustment of £(34m) (FY23: £(81m)) reflects the IAS 39 macro hedge adjustment as described in note 25.

There have been an insignificant number of mortgages subject to modification.

BBSL

The Group offers secured loans to SMEs, with the loan book growing by £96m to £605m during the year. Atom was accredited to the UK Government's Recovery Loan Scheme (RLS) which followed the Coronavirus Business Interruption Loan Scheme (CBILS), and £78m (FY23: £124m) of new lending under the RLS scheme was completed in the year. Lending under the RLS scheme is subject to an 80% or 70% guarantee from the government, depending on whether the loan originated before or after 1 January 2022, respectively. Lending under the CBILS scheme is subject to an 80% guarantee from the government.

The provision coverage rate reduced to 0.44% (FY23: 0.47%) due to a change in loan mix, with fewer loans in default and assigned a stage 3 provision. 85% (FY23: 85%) of the loan book is in stage 1 showing no significant increase in credit risk since origination. A total of £172m (FY23: £199m) was originated under the CBILS scheme, with a further £203m (FY23: 135m) under RLS.

Levels of arrears and forbearance remain low and have reduced to just 1% (FY23: 2%) of the outstanding balance. There has been an insignificant level of BBSL accounts subject to modification.

Loans totalling £108m (FY23: £76m) were committed, but not completed, to 158 (FY23: 105) customers. A provision of £161k (FY23: £104k) was held against this exposure, resulting in a total BBSL provision of £3.0m (FY23: £2.8m).

BBUL

Unsecured loans are offered to SMEs in conjunction with a third-party origination partner, predominantly under the RLS and CBILS schemes. Many of the CBILS loans reached maturity during the year, and that, combined with principal repayments across the portfolio have resulted in a reduction in the outstanding balance to £296m (FY23: £380m).

During the year, £56.4m of loans origination took place, all under the RLS scheme, attracting a government guarantee of 70%. As a result, 78% of the closing loan book attracted either a CBILS or RLS guarantee.

A natural and expected increase in provision coverage rates has taken place, as the loan book has matured. A provision of £11.9m (FY23: £10.0m) is recorded giving a coverage ratio of 3.88% (FY23: 2.58%). The proportion of loans in stage 1 has reduced to 89% (FY23: 91%).

10. Managing Credit risk

Credit risk is the current or prospective risk that a customer defaults on their contractual obligations to Atom or fails to perform their obligations in a timely manner.

Atom currently provides mortgages to individuals and professional landlords as well as secured and unsecured loans to businesses in order to generate a return through interest income. Lending creates credit risk as borrowers may fail to pay the interest or the capital due. This is typically caused by a change in an individual customer's behaviour or circumstances or by adverse changes in the macro-economic environment that affect the customer. As a material risk to Atom, there is significant management focus on setting credit risk appetite and embedding appropriate credit risk mitigation.

Retail Credit Risk Management

The Board, acting via BRC, defines the Bank's overall risk appetite as: by originating a high-quality and well-diversified mortgage and commercial lending portfolio, credit losses will remain sustainable throughout the economic cycle. BRC sets prudent credit risk limits to achieve this objective.

ERC is responsible for delivering BRC's defined risk appetite and does this by setting and monitoring lending policy and ensuring that appropriate controls are in place to maintain the quality of lending, including reviewing comprehensive management information, such as credit portfolio and financial accounting metrics, and undertaking benchmarking against comparative data.

Exposure to credit risk is managed by first line operations throughout the underwriting process, and ongoing exposure is monitored by the Credit Strategy function and overseen by the second line Credit Risk function. The process is overseen by Credit Committee, whose activities and decisions are overseen by both ERC and BRC.

Early warning indicators, credit performance trends and key risk indicators are regularly monitored by Credit Committee and any identified issues are highlighted to ERC and BRC. Any recommendations to change policy to maintain performance within appetite are discussed at Credit Committee prior to presentation to ERC for approval and subsequent implementation.

10. Managing Credit risk (continued)

Retail Credit Risk Mitigation

Atom utilises a range of approaches to mitigate credit risk including risk and control self-assessment, setting of credit risk policy, allocation of underwriting mandates, credit underwriting processes, obtaining collateral, credit risk performance monitoring, stress testing and credit risk transfer.

The Credit Strategy function sets a credit risk policy that is consistent with its specified risk appetite for each type of lending. All such policies are reviewed at least annually. Credit policies are supported by lending manuals which define the responsibilities of underwriters and provide a rule set for credit decisions. For mortgages, policy criteria are embedded in the Bank's credit decision system to ensure accuracy and consistency of decisioning. Where asset origination is achieved via partnership, the Credit Strategy function performs detailed due diligence of the "outsourced" processes which Credit Risk completes second line oversight of, to ensure lending is in line with risk appetite.

The Board devolves underwriting approval authority and limits within the Bank's Risk Appetite Framework but retains final decision-making responsibility for higher value or out of policy transactions. Individual underwriter mandates are approved based upon previous experience, completion of prescribed training and verified evidence of satisfactorily applying lending policy on a suitable sample of cases and are monitored through regular quality assurance.

To assess the quality of new lending applications, Atom utilises a combination of statistical modelling (credit scores/risk grades) and review of applications against lending policy criteria. In the case of mortgages this assessment is largely conducted automatically using the Bank's decision system. This approach allows for consistent lending decisions with minimal intervention by underwriters. For business lending all assessments of applications are carried out by experienced and appropriately mandated underwriters.

All lending decisions are predominantly based on an obligor's ability to repay rather than reliance on the disposal of any security provided. For every loan application a detailed affordability assessment based on provable income or business earnings and a stressed interest rate is conducted to establish the maximum loan size available.

The sole acceptable collateral type for mortgages and secured business loans is a first charge over residential or commercial property. Property offered as security must be of acceptable construction and located in England, Wales, Scotland or Northern Ireland. Title to the property must be good, marketable, and free from onerous restrictions and conditions. Collateral will be valued by an appropriately qualified surveyor allocated by the Bank's master valuer and subject to periodic audit checks, or, for residential properties, by objective automated valuation models where sufficient recent comparable evidence is available to derive an accurate valuation.

Maximum loan to value ratio primarily depends upon loan size and, in the case of commercial property, the collateral stress band associated with the type of security property. Property valuations are reviewed and updated on a regular basis, primarily via indexation.

All lending policies are determined with reference to current and likely future expectations of the UK's macro-economic environment and with an expectation that material losses will not occur. Regular stress testing is undertaken on all retail credit portfolios to estimate losses which may emerge under a range of macroeconomic and firm-specific stress scenarios to ensure that Atom remains within its retail credit risk appetite.

Atom places great emphasis on working with existing borrowers who experience financial difficulty on an individual basis, and to consider each case of financial hardship on its own merits. Applicable customers will be offered suitable forbearance options ranging from straight forward and realistic payment arrangements (based upon income and expenditure assessments) to more complex loan restructuring. Repossession of a property is only sought where all reasonable efforts to resolve matters and repay missed payments have failed.

Collections and recovery activity is overseen by the Credit Committee, who set the collections policy with the objective of treating customers fairly and subsequently monitor arrears performance and compliance with policy and regulation.

10. Managing Credit risk (continued)

Accounting for lending and credit risk

i) Classification and Measurement
Under IFRS 9 loans are recognised at fair value upon legal completion. Subsequently all products are classified and measured at amortised cost because:

- As core products to Atom's retail bank strategy the business objective of the lending is to hold the asset to collect contractual cash flows to maturity; and
- the contractual terms of the loans give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. The loans are vanilla retail lending products with no features that give rise to significant other cash flows.

ii) Impairment
IFRS 9 requires recognition of expected credit losses based upon unbiased forward-looking information and is applicable to all financial assets at amortised cost, debt financial assets at fair value through other comprehensive income and loan commitments. The guidance requires assets to be classified into the following three stages:

- Stage 1: instruments that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date. For these assets, 12-month expected credit losses (ECL) are recognised and interest revenue is calculated on the gross carrying amount of the asset. 12-month ECL are those that result from default events that are expected within 12 months of the reporting date.
- Stage 2: instruments that have experienced a significant increase in credit risk (SICR) since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime ECL are recognised, but interest revenue is still calculated on the gross carrying amount of the asset. Lifetime ECL are those that result from all possible default events over the expected life of the financial instrument.
- Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, lifetime ECL are recognised, and interest revenue is calculated on the net carrying amount.

Assessment of IFRS 9 impairments requires a number of supporting models and policies.

ECL model

Credit losses are the expected cash shortfalls from what is contractually due over the expected life of the financial instrument, discounted at the original effective interest rate. The model calculates ECL at a customer level by multiplying probability of default (PD), loss given default (LGD) and exposure at default (EAD) and discounting using the original effective interest rate.

- PD represents the likelihood of a customer defaulting on their loan. The 12-month PD is either taken from a behavioural or application scorecard. This is then extrapolated using historical industry data to calculate the lifetime PD.
- EAD is based on the amount expected to be owed at the point of default, with the key assumptions being customer paydown and level of arrears.
- LGD estimates the amount of loss on a defaulted exposure at the point of default, as a percentage of the defaulted exposure (EAD), with key drivers to that estimate being probability of possession given default (PPD) and forced sale discount (FSD).

The ECL model is subject to model monitoring and independent validation, with changes made to improve performance or address identified limitations. This year, minor updates were made to the model to update recovery parameters based on latest industry movements, and to recalibrate PD within the BBUL model to better reflect actual experience as the loan book has matured.

10. Managing Credit risk (continued)

Determining a significant increase in credit risk since initial recognition

The impairment model utilises both relative and absolute criteria to identify significant increases in credit risk:

- Mortgages absolute: 30 days past due or unsatisfied CCJ / default on the customer's credit file since inception date (i.e. including credit events with other organisations).
- Mortgages relative: a six times increase in lifetime probability of default (PD) since origination with a minimum 0.5% increase in lifetime PD across all risk grades.
- BBSL and BBUL absolute: 30 days past due.
- BBSL and BBUL relative: moved to watchlist. Numerous quantitative and qualitative watchlist factors are monitored including changes in bureau score, formal credit actions (e.g. winding up orders, CCJs, meeting of creditors), adverse changes in financial performance, and changes in directors. Current and forecast adverse changes in the customer's geographical location and sector are also considered.

Stage transition criteria are initially set using industry level data and are subsequently validated on an annual basis using a combination of internally available data, purchased data and industry level benchmarking.

Forecast economic data

IFRS 9 requires ECL to reflect a range of possible outcomes and to consider a range of future economic scenarios. Atom utilises an independent economic consultancy to calculate its base and alternative scenarios on a quarterly basis and makes use of four separate narrative driven scenarios, with a higher level of variability and range between these economic scenarios than use of one scenario with statistically generated alternatives would.

The base economic scenario assumes peak inflation has now passed and the UK Government's target of 2% is achieved towards the end of 2024. The Bank of England Bank Rate is expected to reduce from the current 5.25% to a long-term stable rate of 3.3%. Pressure facing household finances remains, due to the interest rate environment and higher cost of fuel and of goods. Both business and consumer confidence have been adversely affected and the economic outlook remains volatile given the ongoing wars in Ukraine and in the Middle East. GDP is forecast to remain sluggish through the remainder of 2024 before more meaningful recovery emerges in 2025 as interest rates drop back and consumer demand strengthens.

Statistical analysis has been performed to identify the economic variables that are significant to ECL. These variables are then applied to PD, LGD and EAD, with the weighted average of the four scenarios used to calculate the ECL. The most significant economic assumptions used for the ECL estimate are forecast interest rates, house prices (mortgages) or commercial real estate forecasts (business lending), and unemployment rates.

The following table shows the weightings applied to each economic scenario in the model:

	FY24				FY23			
	Upside	Base	Downside 1	Downside 2	Upside	Base	Downside 1	Downside 2
Scenario weighting	20%	40%	25%	15%	15%	50%	25%	10%

The current year probability weighting has been adjusted to increase the probability allocated to both the upside and the downside 2 scenario, with a corresponding reduction to the base scenario. This is to reflect the higher likelihood of a scenario different to that of the base case, given the increased political uncertainty in the near term, with elections expected in both the UK and US, and the potential for wars to impact supply chains and investor confidence.

10. Managing Credit risk (continued)

The following table presents key variables from the forecasts used in FY24 by year:

	FY25 %	FY26 %	FY27 %	FY28 %	FY29 %
Upside					
BoE Interest rate[1]	4.6	3.5	2.8	2.8	2.8
House price index[2]	5.5	4.8	4.9	4.1	4.0
Commercial real estate index[2]	5.8	1.6	1.6	1.2	1.2
Unemployment rate[3]	3.6	3.5	3.5	3.4	3.4
Base					
BoE Interest rate[1]	5.1	4.5	4.0	3.4	3.3
House price index[2]	(0.1)	4.6	4.9	4.1	4.0
Commercial real estate index[2]	(0.3)	1.4	1.2	1.3	1.3
Unemployment rate[3]	4.1	4.1	3.9	3.8	3.7
Downside 1					
BoE Interest rate[1]	6.8	6.5	5.8	4.9	4.3
House price index[2]	(6.6)	3.2	4.9	4.1	4.0
Commercial real estate index[2]	(8.9)	4.0	2.3	1.4	1.4
Unemployment rate[3]	5.4	5.5	5.2	4.9	4.6
Downside 2					
BoE Interest rate[1]	8.5	8.5	7.8	6.8	5.8
House price index[2]	(12.8)	(0.8)	5.0	4.2	4.0
Commercial real estate index[2]	(22.9)	9.7	6.3	1.6	1.5
Unemployment rate[3]	7.4	7.6	7.1	6.6	6.1

The following table presents key variables from the forecasts used in FY23 by year:

	FY24 %	FY25 %	FY26 %	FY27 %	FY28 %
Upside					
BoE Interest rate[1]	4.0	3.5	3.8	2.8	2.8
House price index[2]	0.4	2.6	4.6	4.8	4.1
Commercial real estate index[2]	0.3	1.9	3.0	1.8	0.8
Unemployment rate[3]	4.0	4.0	4.0	4.0	4.0
Base					
BoE Interest rate[1]	4.5	4.3	3.8	3.3	3.3
House price index[2]	(3.9)	0.9	4.6	4.9	4.1
Commercial real estate index[2]	(4.8)	1.6	2.9	1.4	0.8
Unemployment rate[3]	4.3	4.8	4.9	4.8	4.6
Downside 1					
BoE Interest rate[1]	5.5	5.5	5.1	4.3	3.8
House price index[2]	(7.3)	(1.5)	4.5	4.9	4.1
Commercial real estate index[2]	(12.8)	1.8	6.5	1.5	0.8
Unemployment rate[3]	5.1	6.2	6.2	5.8	5.4
Downside 2					
BoE Interest rate[1]	6.8	6.8	6.8	6.1	4.3
House price index[2]	(11.2)	(4.3)	3.4	5.0	4.2
Commercial real estate index[2]	(21.8)	(0.9)	13.2	5.4	0.8
Unemployment rate[3]	6.5	7.9	7.9	7.3	6.8

[1]Maximum BoE interest rate
[2]HPI and CREI are the Q4 v Q4 year on year movement
[3]Average unemployment rate

10. Managing Credit risk (continued)

Definition of default and credit impaired assets

Atom's default definition is aligned to European Banking Authority (EBA) guidelines and utilises a wide range of criteria. Mortgage, BBUL and BBSL accounts are classified as in default if any of the following criteria has been met: 90 days past due; entered forbearance; security has been taken into possession; or the customer is bankrupt or in a debt arrangement scheme relating to secured debt.

Forbearance and modifications to loans

The terms of a loan may be renegotiated with a customer in order to maximise recoveries. This could include extended payment arrangements, or the modification or deferral of payments. For loan modifications, quantitative and qualitative evaluation takes place to assess whether or not the new terms are substantially different to the old terms.

If the new terms are not substantially different to the original terms, the modification in contractual cash flows does not result in derecognition. The gain or loss on modification of the contractual cash flow associated with the recognition of the revised gross carrying amount is recognised in the income statement.

When the new terms are substantially different to the original terms, the original asset is derecognised, and a new asset is recognised with a new EIR. At the date of recognition of the new asset, an assessment is made as to whether the asset was credit impaired on recognition. The difference between the carrying amount derecognised and that recognised is included in the income statement as a gain or loss on derecognition.

Write off policy

A loan is written off, either partially or in full, against the related provision when the proceeds from realising any available security have been received or there is no realistic prospect of recovery, and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognised directly in the income statement.

Post Model Adjustments (PMAs)

Where there is an expectation that losses could arise in excess of the modelled output, either as a result of customer or economic data that is available but was not incorporated into the modelled output, or as a result of model limitations, PMAs are incorporated.

At the year end, the following PMAs were held:
- Mortgages: a £0.1m PMA is held for buy-to-let mortgage customers deemed higher risk due to recent arrears, defaults or CCJs on other lending obligations they hold.
- BBSL: a £0.3m PMA was incorporated for a watchlist for customers in certain sectors (office spaces, or leisure and hospitality) and those based in the North East of England, where it was identified that there was a risk that the model was understating LGD.
- BBSL: A further £0.3m was incorporated for 6 BBSL loans that were moved to stage 3 as a result of information that became available after the model run was completed but related to circumstances in place at year end.
- BBUL: a £0.1m PMA for certain RLS and CBILS loans that were identified as most likely to experience a significant increase in credit risk, predominately specific sectors identified as more susceptible to inflationary pressures, such as Transport & Logistics, Automotive and Leisure & Hospitality, are allocated a stage 2 ECL provision within the BAU model run.

10. Managing Credit risk (continued)

Critical accounting estimates and judgements

- **Significant increase in credit risk (SICR):** Considerable judgement is required in determining the point at which a SICR has occurred, as this is the point at which a lifetime ECL is recorded in place of a 12-month ECL. A series of quantitative and qualitative indicators are used to determine whether a SICR has occurred, as outlined above.
- **Definition of default:** The PD of an exposure, both over a 12-month period and over its lifetime, is a key input to the measurement of the expected credit loss allowance. Default under Stage 3 has occurred when there is evidence that the customer is experiencing significant financial difficulty which is likely to affect the ability to repay amounts due. The definition of default adopted is described above.
- **Post Model Adjustments:** These management judgements increase the ECL provision where it is considered that the modelled output does not fully reflect market expectations or the most up to date customer behaviour and is described in more detail, and quantified, above.
- **Probability weighting assigned to each economic scenario:** Judgement is required in determining the probability assigned to each of the upside, base, downside 1 and downside 2 economic scenario used.

Sources of estimation uncertainty

The calculation of the Group's impairment provision is sensitive to changes in the chosen probability weighting of each of the four economic scenarios. To illustrate the impairment models sensitivity to the macroeconomic scenarios, the table below summarises by how much the total provision would change, if a weighting of 100% was applied to each scenario in turn

At 31 March 2024	Upside £'m	Base £'m	Downside 1 £'m	Downside 2 £'m
BBSL	(1.6)	(1.3)	0.2	2.7
Mortgages	(4.0)	(3.4)	0.7	14.0
BBUL	(0.6)	(0.3)	0.3	1.3
Total	**(6.2)**	**(5.0)**	**1.2**	**18.0**

If the base scenario was 100% applied, the total provision would reduce by £5.0m (FY23: £3.1m)

At 31 March 2023	Upside £'000	Base £'000	Downside 1 £'000	Downside 2 £'000
BBSL	(1.2)	(0.9)	1.0	3.7
Mortgages	(2.7)	(2.1)	1.4	11.0
BBUL	(0.3)	(0.1)	0.2	0.6
Total	**(4.2)**	**(3.1)**	**2.6**	**15.3**

11. Collateral held and other credit enhancements

The Group holds collateral against loans and advances to customers in the form of a first charge over residential or commercial real estate. Credit risk disclosures report assets gross of collateral and therefore disclose the maximum loss exposure. The value of collateral is reassessed if evidence of financial distress of the borrower has been observed and repossession action was being taken.

Current loan to value (LTV)

The below tables show the total provision categorised against the LTV ratio for mortgages and BBSL. In both the current and prior year no loan commitments are in stage 2 or stage 3.

As at 31 March 2024	Stage 1		Stage 2		Stage 3		Stage 1	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
Mortgages by current LTV ratio	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
LTV <= 60%	391.2	0.1	26.4	0.1	2.9	-	25.1	-
60% < LTV <= 65%	144.6	0.1	8.9	0.1	2.7	-	14.7	-
65% < LTV <= 70%	200.1	0.1	12.0	0.1	1.0	-	21.5	-
70% < LTV <= 75%	323.9	0.3	17.1	0.1	2.4	0.2	49.1	0.1
75% < LTV <= 80%	704.4	0.7	21.4	0.3	1.8	0.1	114.3	0.2
80% < LTV <= 85%	364.0	0.4	25.8	0.4	2.7	0.2	54.8	-
85% < LTV <= 90%	596.5	0.6	15.9	0.3	1.5	0.1	101.4	-
90% < LTV <= 95%	348.6	0.5	6.9	0.1	1.6	0.1	55.6	-
95% < LTV <= 100%	17.5	-	0.6	0.1	0.2	-	-	-
Total Mortgages	**3,090.8**	**2.8**	**135.0**	**1.6**	**16.8**	**0.7**	**436.5**	**0.3**

Loans are originated with a maximum LTV of 95%. In some cases, the addition of fees can result in the total outstanding balance exceeding 95% of the collateral value.

As at 31 March 2023	Stage 1		Stage 2		Stage 3		Stage 1	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
Mortgages by current LTV ratio	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
LTV <= 60%	301.5	0.1	31.0	0.2	4.0	0.1	41.4	-
60% < LTV <= 65%	101.5	-	13.1	0.1	2.0	-	13.4	-
65% < LTV <= 70%	137.5	0.1	11.1	0.2	1.1	-	28.5	-
70% < LTV <= 75%	298.3	0.2	16.5	0.2	0.7	-	40.7	-
75% < LTV <= 80%	520.8	0.5	16.9	0.3	1.6	0.1	79.9	-
80% < LTV <= 85%	296.5	0.4	13.0	0.4	0.9	0.1	59.1	-
85% < LTV <= 90%	235.6	0.4	4.8	0.1	0.7	-	157.3	0.1
90% < LTV <= 95%	137.4	0.2	2.0	-	-	-	25.2	-
Total Mortgages	**2,029.1**	**1.9**	**108.4**	**1.5**	**11.0**	**0.3**	**445.5**	**0.1**

11. Collateral held and other credit enhancements (continued)

Current loan to value (LTV) (continued)

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2024	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
BBSL by current LTV ratio	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
LTV <= 50%	126.0	0.1	20.3	0.1	0.9	0.1	29.1	-
50% < LTV <= 60%	89.2	0.2	17.3	0.2	2.1	0.2	33.2	0.1
60% < LTV <= 70%	149.2	0.5	22.2	0.3	3.0	0.2	18.3	-
70% < LTV <= 80%	134.1	0.4	20.9	0.3	2.9	0.4	25.2	0.1
80% < LTV <= 90%	18.5	-	1.3	-	-	-	1.9	-
Total BBSL	**517.0**	**1.2**	**82.0**	**0.9**	**8.9**	**0.9**	**107.7**	**0.2**

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2023	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
BBSL by current LTV ratio	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
LTV <= 50%	96.8	0.1	10.6	-	0.7	-	28.2	-
50% < LTV <= 60%	69.7	0.1	10.2	0.1	1.3	0.1	16.3	-
60% < LTV <= 70%	129.3	0.3	19.4	0.3	4.6	0.4	25.3	0.1
70% < LTV <= 80%	108.7	0.3	21.0	0.4	6.6	0.5	4.4	-
80% < LTV <= 90%	32.6	0.1	0.4	-	-	-	1.7	-
Total BBSL	**437.1**	**0.9**	**61.6**	**0.8**	**13.2**	**1.0**	**75.9**	**0.1**

There have been no significant changes in the value of collateral held because of deterioration in the quality of the collateral held or due to changes in policies.

12. Credit quality

Segmentation by risk grade

The following tables provide information on the credit quality of the loan book. The portfolio is segmented by the risk grade, with each grade having an associated PD range.

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2024	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross loan commitment**	**Provision against loan commitments**
Mortgages by behavioural PD	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Very low risk	1,511.4	0.9	16.2	0.1	-	-	367.9	0.3
Low risk	645.0	0.2	7.4	-	-	-	43.1	-
Medium low risk	407.8	0.3	13.1	0.1	-	-	16.7	-
Medium risk	521.7	1.4	97.5	1.4	-	-	8.5	-
Higher risk	4.9	-	0.8	-	16.8	0.7	0.3	-
Total Mortgages	**3,090.8**	**2.8**	**135.0**	**1.6**	**16.8**	**0.7**	**436.5**	**0.3**

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2023	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross loan commitment**	**Provision against loan commitments**
Mortgages by behavioural PD	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Very low risk	987.2	0.3	1.8	-	-	-	383.5	0.1
Low risk	492.1	0.3	3.7	-	-	-	38.8	-
Medium low risk	279.5	0.3	9.8	0.1	-	-	19.2	-
Medium risk	269.4	1.0	93.1	1.4	-	-	3.5	-
Higher risk	0.9	-	-	-	11.0	0.3	0.5	-
Total Mortgages	**2,029.1**	**1.9**	**108.4**	**1.5**	**11.0**	**0.3**	**445.5**	**0.1**

The mortgage portfolio continues to be predominantly in the very low, low, and medium risk bands which is a reflection of Atom's risk appetite of only lending to customers with little or no adverse credit history. The portfolio is monitored on an ongoing basis with behavioural scores updated monthly

12. Credit quality (continued)

Segmentation by risk grade (continued)

As at 31 March 2024	Stage 1		Stage 2		Stage 3		Stage 1	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
BBSL by origination PD	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Very low risk	191.9	0.2	9.9	0.2	-	-	69.1	0.1
Low risk	164.6	0.3	17.4	0.1	-	-	21.3	-
Medium risk	154.4	0.6	50.4	0.5	-	-	17.0	0.1
Medium high risk	6.1	0.1	4.3	0.1	8.9	0.9	0.3	-
Total BBSL	**517.0**	**1.2**	**82.0**	**0.9**	**8.9**	**0.9**	**107.7**	**0.2**

As at 31 March 2023	Stage 1		Stage 2		Stage 3		Stage 1	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
BBSL by origination PD	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Very low risk	116.8	0.1	1.3	-	-	-	18.9	-
Low risk	177.9	0.3	3.1	0.2	-	-	29.9	-
Medium risk	135.8	0.4	54.4	0.5	-	-	25.2	0.1
Medium high risk	6.6	0.1	2.8	0.1	13.2	1.0	1.9	-
Total BBSL	**437.1**	**0.9**	**61.6**	**0.8**	**13.2**	**1.0**	**75.9**	**0.1**

The BBSL portfolio is currently predominantly in Low and Medium risk grades.

12. Credit quality (continued)

Segmentation by risk grade (continued)

	Stage 1		Stage 2		Stage 3	
As at 31 March 2024	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision
BBUL by origination PD	£'m	£'m	£'m	£'m	£'m	£'m
Low risk	41.7	0.7	0.4	0.1	-	-
Medium risk	120.0	2.3	8.6	0.6	-	-
Medium high risk	78.1	0.9	3.9	0.9	-	-
Higher Risk	34.1	0.4	10.0	1.1	10.5	4.9
Total BBUL	**273.9**	**4.3**	**22.9**	**2.7**	**10.5**	**4.9**

	Stage 1		Stage 2		Stage 3*	
As at 31 March 2023	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision
BBUL by origination PD	£'m	£'m	£'m	£'m	£'m	£'m
Low risk	46.2	0.4	0.3	-	-	-
Medium risk	124.6	1.5	7.5	1.7	-	-
Medium high risk	123.4	0.9	4.3	0.7	-	-
Higher Risk	59.3	0.4	13.4	1.7	10.4	2.7
Total BBUL	**353.5**	**3.2**	**25.5**	**4.1**	**10.4**	**2.7**

*Stage 3 loans for FY23 have been moved to higher risk to align to the current year reporting methodology.

12. Credit quality (continued)

Non-performing loans

Forbearance measures are concessions towards those customers that are experiencing or about to experience difficulties in meeting their financial commitments. Accounts are determined to be in arrears if they have missed at least one payment. The following tables provide analysis of those loans that were in arrears or forbearance measures at year end.

	FY24			FY23		
	Gross carrying amount	Proportion of loan portfolio	ECL Provision	Gross carrying amount	Proportion of loan portfolio	ECL Provision
Residential mortgages	£'m	%	£'m	£'m	%	£'m
Forbearance measures	1.6	0.0%	-	1.2	0.1%	-
Arrears	5.3	0.2%	0.3	1.7	0.1%	0.1
Arrears and Forbearance	3.7	0.1%	0.3	1.8	0.1%	0.1
Total	**10.6**	**0.3%**	**0.6**	**4.7**	**0.3%**	**0.2**

	FY24			FY23		
	Gross carrying amount	Proportion of loan portfolio	ECL Provision	Gross carrying amount	Proportion of loan portfolio	ECL Provision
BBSL	£'m	%	£'m	£'m	%	£'m
Forbearance measures	2.5	0.4%	0.1	1.0	0.2%	0.1
Arrears	2.7	0.4%	0.2	2.7	0.5%	0.2
Arrears and Forbearance	0.9	0.1%	-	6.8	1.3%	0.4
Total	**6.1**	**0.9%**	**0.3**	**10.5**	**2.0%**	**0.7**

The number and proportion of BBSL loans in arrears or forbearance has reduced, as several high value loans in this state in FY23 were redeemed during FY24.

	FY24			FY23		
	Gross carrying amount	Proportion of loan portfolio	ECL Provision	Gross carrying amount	Proportion of loan portfolio	ECL Provision
BBUL	£'m	%	£'m	£'m	%	£'m
Forbearance measures	2.3	0.8%	0.1	3.0	0.8%	0.3
Arrears	8.7	2.8%	2.5	8.7	2.2%	2.2
Arrears and Forbearance	-	0.0%	-	0.1	0.0%	-
Total	**11.0**	**3.6%**	**2.6**	**11.8**	**3.0%**	**2.5**

12. Credit quality (continued)

Segmentation by loan size

The following tables provide information on the portfolio by loan size.

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2024	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
Mortgages by loan size	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Loan <= £250k	1,860.9	1.7	92.1	1.2	13.1	0.5	229.9	0.2
£250k < Loan <= £500k	1,027.5	0.9	35.1	0.4	3.1	0.2	161.5	0.1
£500k < Loan <= £1m	183.8	0.2	4.7	-	0.6	-	44.1	-
£1m < Loan <= £2m	18.6	-	3.1	-	-	-	1.0	-
Total Mortgages	**3,090.8**	**2.8**	**135.0**	**1.6**	**16.8**	**0.7**	**436.5**	**0.3**

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2023	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
Mortgages by loan size	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Loan <= £250k	1,238.4	1.3	79.8	1.3	7.4	0.2	241.5	0.1
£250k < Loan <= £500k	685.9	0.5	25.3	0.2	2.8	0.1	179.8	-
£500k < Loan <= £1m	93.6	0.1	3.3	-	0.8	-	22.2	-
£1m < Loan <= £2m	11.2	-	-	-	-	-	2.0	-
Total Mortgages	**2,029.1**	**1.9**	**108.4**	**1.5**	**11.0**	**0.3**	**445.5**	**0.1**

12. Credit quality (continued)

Segmentation by loan size (continued)

As at 31 March 2024 BBSL by loan size	Stage 1 Gross carrying amount £'m	Stage 1 ECL Provision £'m	Stage 2 Gross carrying amount £'m	Stage 2 ECL Provision £'m	Stage 3 Gross carrying amount £'m	Stage 3 ECL Provision £'m	Stage 1 Gross loan commitment £'m	Stage 1 Provision against loan commitments £'m
Loan <= £250k	29.4	0.1	5.7	0.1	1.2	0.1	2.5	-
£250k < Loan <= £500k	101.0	0.3	21.2	0.2	3.4	0.4	22.7	-
£500k < Loan <= £1m	171.6	0.4	26.9	0.3	1.2	0.1	33.8	0.1
£1m < Loan <= £2m	127.3	0.2	19.4	0.2	3.1	0.3	34.3	0.1
Loan > £2m	87.7	0.2	8.8	0.1	-	-	14.4	-
Total BBSL	**517.0**	**1.2**	**82.0**	**0.9**	**8.9**	**0.9**	**107.7**	**0.2**

As at 31 March 2023 BBSL by loan size	Stage 1 Gross carrying amount £'m	Stage 1 ECL Provision £'m	Stage 2 Gross carrying amount £'m	Stage 2 ECL Provision £'m	Stage 3 Gross carrying amount £'m	Stage 3 ECL Provision £'m	Stage 1 Gross loan commitment £'m	Stage 1 Provision against loan commitments £'m
Loan <= £250k	32.3	0.1	5.7	0.1	1.0	0.1	2.4	-
£250k < Loan <= £500k	91.9	0.3	9.5	0.1	3.1	0.3	12.3	-
£500k < Loan <= £1m	145.3	0.3	20.5	0.3	2.9	0.3	23.9	0.1
£1m < Loan <= £2m	105.1	0.1	14.8	0.2	1.3	0.1	19.9	-
Loan > £2m	62.5	0.1	11.1	0.1	4.9	0.2	17.4	-
Total BBSL	**437.1**	**0.9**	**61.6**	**0.8**	**13.2**	**1.0**	**75.9**	**0.1**

12. Credit quality (continued)

Segmentation by loan size (continued)

	Stage 1		Stage 2		Stage 3	
As at 31 March 2024	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**
BBUL by loan size	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Loan <= £100k	137.9	2.1	11.2	1.3	4.4	2.3
£100k < Loan <= £250k	123.4	1.9	10.9	1.4	5.5	2.3
£250k < Loan <= £500k	12.6	0.3	0.8	-	0.6	0.3
Total BBUL	**273.9**	**4.3**	**22.9**	**2.7**	**10.5**	**4.9**

	Stage 1		Stage 2		Stage 3	
As at 31 March 2023	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**
BBUL by loan size	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Loan <= £100k	124.4	1.2	11.2	1.8	4.4	1.2
£100k < Loan <= £250k	210.1	1.6	13.6	2.0	5.7	1.3
£250k < Loan <= £500k	19.0	0.4	0.7	0.3	0.3	0.2
Total BBUL	**353.5**	**3.2**	**25.5**	**4.1**	**10.4**	**2.7**

13. Credit concentrations

The Group monitors concentrations of credit risk. Close monitoring of the geographical distribution of exposures, borrower profile, loan type and property characteristics help to manage the risk of overexposure to any one market segment.

Credit concentration by UK region

The following tables provide information on the portfolio segmented by geographic distribution.

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2024	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
Mortgages by UK region	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Greater London	644.8	0.7	17.4	0.1	2.1	0.1	125.8	0.1
North	777.2	0.8	40.9	0.6	5.1	0.3	85.8	0.1
South	607.9	0.4	28.9	0.2	2.0	0.1	96.0	-
Midlands	597.4	0.4	24.1	0.2	4.2	0.1	88.2	0.1
Scotland	300.8	0.3	14.0	0.3	1.2	-	20.8	-
Wales	91.7	0.1	4.9	0.1	1.2	0.1	12.5	-
Northern Ireland	71.0	0.1	4.8	0.1	1.0	-	7.4	-
Total Mortgages	**3,090.8**	**2.8**	**135.0**	**1.6**	**16.8**	**0.7**	**436.5**	**0.3**

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2023	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
Mortgages by UK region	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Greater London	358.7	0.3	9.9	0.1	2.6	0.1	93.9	-
North	567.2	0.7	36.8	0.8	2.6	0.1	111.1	0.1
South	379.8	0.2	17.6	0.1	1.2	-	99.7	0.1
Midlands	375.4	0.2	18.6	0.1	2.5	0.1	88.8	-
Scotland	225.9	0.3	13.8	0.2	1.1	-	31.0	-
Wales	68.5	0.1	6.2	0.1	0.8	-	12.8	-
Northern Ireland	53.6	0.1	5.5	0.1	0.2	-	8.2	-
Total Mortgages	**2,029.1**	**1.9**	**108.4**	**1.5**	**11.0**	**0.3**	**445.5**	**0.2**

13. Credit concentrations (continued)

Credit concentration by UK region (continued)

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2024	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross loan commitment**	**Provision against loan commitments**
BBSL by UK region	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Greater London	96.0	0.2	12.9	0.1	1.5	0.1	25.1	-
North	152.0	0.3	20.0	0.3	4.0	0.6	20.7	-
South	112.0	0.3	13.3	0.2	0.2	-	24.4	-
Midlands	84.5	0.2	17.2	0.2	0.6	-	21.2	0.2
Scotland	42.4	0.1	14.7	0.1	2.0	0.2	11.4	-
Wales	19.8	0.1	1.5	-	0.5	-	1.1	-
Northern Ireland	10.3	-	2.4	-	0.1	-	3.8	-
Total BBSL	**517.0**	**1.2**	**82.0**	**0.9**	**8.9**	**0.9**	**107.7**	**0.2**

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2023	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross loan commitment**	**Provision against loan commitments**
BBSL by UK region	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Greater London	75.8	0.1	11.2	0.1	7.3	0.3	7.3	-
North	146.3	0.3	16.3	0.3	0.7	0.1	12.7	-
South	90.3	0.2	8.6	0.2	0.5	0.1	27.6	0.1
Midlands	72.3	0.2	9.5	0.1	1.9	0.1	18.3	-
Scotland	34.4	0.1	10.9	0.1	1.9	0.3	1.2	-
Wales	8.2	-	3.7	-	0.7	0.1	7.2	-
Northern Ireland	9.8	-	1.4	-	0.2	-	1.6	-
Total BBSL	**437.1**	**0.9**	**61.6**	**0.8**	**13.2**	**1.0**	**75.9**	**0.1**

13. Credit concentrations (continued)

Credit concentration by UK region (continued)

	Stage 1		Stage 2		Stage 3	
As at 31 March 2024	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**
BBUL by UK region	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Greater London	39.5	0.6	4.0	0.5	0.7	0.2
North	57.4	0.8	3.7	0.6	2.0	1.1
South	107.9	1.7	10.0	1.1	4.1	2.0
Midlands	40.1	0.6	3.7	0.3	2.2	1.1
Scotland	14.7	0.3	0.8	0.1	0.4	0.1
Wales	9.4	0.2	0.5	0.1	1.0	0.4
Northern Ireland	4.9	0.1	0.2	-	0.1	-
Total BBUL	**273.9**	**4.3**	**22.9**	**2.7**	**10.5**	**4.9**

	Stage 1		Stage 2		Stage 3	
As at 31 March 2023	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**
BBUL by UK region	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Greater London	51.0	0.4	3.5	0.6	1.5	0.3
North	72.7	0.6	6.0	0.8	2.7	0.9
South	141.6	1.3	9.0	1.4	3.8	0.9
Midlands	53.5	0.5	4.1	0.8	1.2	0.4
Scotland	16.9	0.2	1.6	0.3	0.8	0.1
Wales	10.5	0.1	0.9	0.1	0.1	-
Northern Ireland	7.3	0.1	0.4	0.1	0.3	0.1
Total BBUL	**353.5**	**3.2**	**25.5**	**4.1**	**10.4**	**2.7**

The Group has a natural concentration in the UK market, as it only lends on residential and commercial properties within the UK, and Atom's exposure by region is broadly reflective of UK lending.

13. Credit concentrations (continued)

Credit concentration by business sector:

The following tables provide information on the BBSL and BBUL portfolio, segmented by the business sector.

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2024	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
BBSL by sector	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Accommodation & Food Services	7.3	-	32.3	0.2	3.0	0.2	7.7	-
Human Health & Social Work	73.5	0.2	1.7	-	0.3	-	13.3	-
Manufacturing	14.5	-	-	-	-	-	2.6	-
Property & Real Estate	353.4	0.8	45.6	0.7	4.9	0.6	71.5	0.2
Wholesale & Retail Trade	29.4	0.1	0.6	-	0.7	0.1	5.4	-
Professional services	22.5	0.1	-	-	-	-	4.0	-
Other	16.4	-	1.8	-	-	-	3.2	-
Total BBSL	**517.0**	**1.2**	**82.0**	**0.9**	**8.9**	**0.9**	**107.7**	**0.2**

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2023	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross loan commitment	Provision against loan commitments
BBSL by sector	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
Accommodation & Food Services	22.0	-	16.8	0.2	3.1	0.3	6.3	-
Human Health & Social Work	62.8	0.1	1.2	-	-	-	9.4	-
Manufacturing	9.7	-	4.8	0.1	0.4	-	2.2	-
Property & Real Estate	289.1	0.7	35.1	0.5	8.7	0.6	49.4	0.1
Wholesale & Retail Trade	28.4	0.1	0.3	-	0.2	-	4.3	-
Other	25.1	-	3.4	-	0.8	0.1	4.3	-
Total BBSL	**437.1**	**0.9**	**61.6**	**0.8**	**13.2**	**1.0**	**75.9**	**0.1**

13. Credit concentrations (continued)

Credit concentration by business sector (continued)

	Stage 1		Stage 2		Stage 3	
As at 31 March 2024	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**
BBUL by sector	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Accommodation & Food Services	9.5	0.2	1.6	0.1	0.4	0.1
Human Health & Social Work	16.0	0.3	0.8	0.1	0.4	0.3
Manufacturing	37.9	0.5	1.9	0.2	1.5	0.7
Property & Real Estate	56.8	0.8	2.9	0.5	2.1	0.8
Transport, Storage & communications	27.8	0.5	3.9	0.2	1.2	0.5
Wholesale & Retail Trade	65.2	1.1	5.9	0.8	3.1	1.5
Professional Services	40.8	0.5	2.4	0.6	1.3	0.7
Other	19.9	0.4	3.5	0.2	0.5	0.3
Total BBUL	**273.9**	**4.3**	**22.9**	**2.7**	**10.5**	**4.9**

	Stage 1		Stage 2		Stage 3	
As at 31 March 2023	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**	**Gross carrying amount**	**ECL Provision**
BBUL by sector	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Accommodation & Food Services	11.4	0.1	1.4	0.2	0.6	0.1
Human Health & Social Work	19.9	0.2	1.0	0.3	0.4	0.1
Manufacturing	51.6	0.4	3.9	0.5	2.3	0.6
Property & Real Estate	74.4	0.7	3.8	0.6	2.1	0.4
Transport, Storage & communications	36.2	0.3	3.8	0.5	0.8	0.2
Wholesale & Retail Trade	82.4	0.7	6.9	1.1	2.1	0.8
Professional Services	52.1	0.5	3.5	0.7	1.3	0.3
Other	25.5	0.3	1.2	0.2	0.8	0.2
Total BBUL	**353.5**	**3.2**	**25.5**	**4.1**	**10.4**	**2.7**

14. Impairment provision movement table

Analysis of changes in the IFRS 9 provision:

An analysis of changes in the IFRS 9 provision is as follows:

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision
Residential mortgages	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
At 1 April 2022	**1,242.2**	**0.4**	**239.3**	**0.8**	**5.6**	**0.1**	**1,487.1**	**1.3**
Increase due to originations	1,109.5	0.6	-	-	-	-	1,109.5	0.6
Decrease due to repayment or derecognition	(270.6)	(0.1)	(118.3)	(0.2)	(1.7)	(0.1)	(390.6)	(0.4)
Change in credit risk	(47.1)	1.0	(6.1)	0.4	(0.1)	-	(53.3)	1.4
Transfers from Stage 1 to Stage 2	(619.4)	(0.6)	617.1	3.8	-	-	(2.3)	3.2
Transfers from Stage 2 to Stage 1	618.6	0.7	(620.5)	(2.8)	-	-	(1.9)	(2.1)
Transfers to Stage 3	(4.6)	(0.1)	(4.3)	(0.5)	8.9	0.3	-	(0.3)
Transfers from Stage 3	0.5	-	1.2	-	(1.7)	-	-	-
At 31 March 2023	**2,029.1**	**1.9**	**108.4**	**1.5**	**11.0**	**0.3**	**2,148.5**	**3.7**
Increase due to originations	1,571.7	1.3	-	-	-	-	1,571.7	1.3
Decrease due to repayment or derecognition	(396.5)	(0.2)	(16.6)	(0.1)	(1.9)	(0.1)	(415.0)	(0.4)
Change in credit risk	(59.4)	0.1	(2.4)	(0.3)	(0.1)	0.1	(61.9)	(0.1)
Transfers from Stage 1 to Stage 2	(191.2)	(0.6)	190.9	3.0	-	-	(0.3)	2.4
Transfers from Stage 2 to Stage 1	155.7	0.5	(156.1)	(2.1)	-	-	(0.4)	(1.6)
Transfers to Stage 3	(7.9)	(0.2)	(5.7)	(0.6)	13.6	0.6	-	(0.2)
Transfers from Stage 3	2.8	-	3.0	0.1	(5.8)	(0.2)	-	(0.1)
Post model adjustments	(13.5)	-	13.5	0.1	-	-	-	0.1
At 31 March 2024	**3,090.8**	**2.8**	**135.0**	**1.6**	**16.8**	**0.7**	**3,242.6**	**5.1**

Increases in the provision are due to loan book growth, and by changes in credit risk driven by changes in the underlying economic forecasts.

14. Impairment provision movement table (continued)

Analysis of changes in the IFRS 9 provision (continued)

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision
BBSL	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
At 1 April 2022	**361.6**	**0.3**	**123.7**	**1.3**	**11.9**	**0.9**	**497.2**	**2.5**
Increase due to originations	126.8	0.2	-	-	-	-	126.8	0.2
Decrease due to repayment or derecognition	(51.9)	(0.1)	(26.5)	(0.1)	(6.1)	(0.4)	(84.5)	(0.6)
Change in credit risk	(20.1)	0.6	(6.1)	(0.8)	(0.4)	(0.1)	(26.6)	(0.3)
Transfers from Stage 1 to Stage 2	(77.6)	(0.4)	77.0	1.1	-	-	(0.6)	0.7
Transfers from Stage 2 to Stage 1	101.2	0.3	(101.6)	(0.6)	-	-	(0.4)	(0.3)
Transfers to Stage 3	(4.4)	-	(5.7)	(0.1)	10.1	0.8	-	0.7
Transfers from Stage 3	1.5	-	0.8	-	(2.3)	(0.2)	-	(0.2)
At 31 March 2023	**437.1**	**0.9**	**61.6**	**0.8**	**13.2**	**1.0**	**511.9**	**2.7**
Increase due to originations	204.2	0.4	-	-	-	-	204.2	0.4
Decrease due to repayment or derecognition	(65.9)	(0.1)	(19.4)	(0.2)	(9.2)	(0.7)	(94.5)	(1.0)
Change in credit risk	(16.2)	-	(1.6)	(0.3)	3.5	0.1	(14.3)	(0.2)
Transfers from Stage 1 to Stage 2	(81.0)	(0.3)	81.0	1.4	-	-	-	1.1
Transfers from Stage 2 to Stage 1	40.2	0.2	(40.2)	(0.9)	-	-	-	(0.7)
Transfers to Stage 3	(5.9)	-	(4.1)	(0.1)	10.6	0.8	0.6	0.7
Transfers from Stage 3	5.3	-	5.6	0.1	(10.9)	(0.7)	-	(0.6)
Post model adjustments	(0.8)	0.1	(0.9)	0.1	1.7	0.4	-	0.6
At 31 March 2024	**517.0**	**1.2**	**82.0**	**0.9**	**8.9**	**0.9**	**607.9**	**3.0**

14. Impairment provision movement table (continued)

Analysis of changes in the IFRS 9 provision (continued)

	Stage 1		Stage 2		Stage 3		Total	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision
BBUL	£'m	£'m	£'m	£'m	£'m	£'m	£'m	£'m
At 1 April 2022	**367.1**	**2.1**	**65.0**	**1.8**	**7.3**	**1.9**	**439.4**	**5.8**
Increase due to originations	108.0	2.1	-	-	-	-	108.0	2.1
Decrease due to repayment or derecognition	(29.1)	(0.2)	(1.9)	-	(22.7)	(5.2)	(53.7)	(5.4)
Change in credit risk	(99.8)	(0.7)	(5.6)	0.4	-	0.2	(105.4)	(0.1)
Transfers from Stage 1 to Stage 2	(40.3)	(0.9)	39.4	8.3	-	-	(0.9)	7.4
Transfers from Stage 2 to Stage 1	68.9	0.9	(70.4)	(3.6)	-	-	(1.5)	(2.7)
Transfers to Stage 3	(21.3)	(0.1)	(6.7)	(4.4)	26.3	5.9	(1.7)	1.4
Transfers from Stage 3	-	-	0.5	-	(0.5)	(0.1)	-	(0.1)
Post model adjustments	-	-	5.2	1.6	-	-	5.2	1.6
At 31 March 2023	**353.5**	**3.2**	**25.5**	**4.1**	**10.4**	**2.7**	**389.4**	**10.0**
Increase due to originations	58.1	2.7	-	-	-	-	58.1	2.7
Decrease due to repayment or derecognition	(13.0)	-	(0.7)	(1.7)	(27.3)	(6.2)	(41.0)	(7.9)
Change in credit risk	(94.7)	(1.5)	(3.8)	1.1	-	0.3	(98.5)	(0.1)
Transfers from Stage 1 to Stage 2	(40.4)	(0.5)	36.4	7.8	-	-	(4.0)	7.3
Transfers from Stage 2 to Stage 1	16.1	0.5	(16.5)	(1.9)	-	-	(0.4)	(1.4)
Transfers to Stage 3	(1.9)	(0.1)	(22.0)	(6.7)	27.6	8.2	3.7	1.4
Transfers from Stage 3	-	-	0.2	-	(0.2)	(0.1)	-	(0.1)
Post model adjustments	(3.8)	-	3.8	-	-	-	-	-
At 31 March 2024	**273.9**	**4.3**	**22.9**	**2.7**	**10.5**	**4.9**	**307.3**	**11.9**

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LIQUIDITY AND FUNDING RISK

Atom's balance sheet is primarily funded by retail customer deposits, supplemented with wholesale funding.

The Treasury team manages the funding mix and liquid asset buffer to ensure the demands of customers, creditors and regulators are always met.

Jump to:

15. Managing liquidity and funding risk

One of the principal risks faced by Atom is liquidity risk. This is the risk that the Bank fails to have liquid resources in quantity and quality to meet its obligations as they fall due.

Funding risk is the risk that Atom 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. Funding risks typically stem from concentration of funding sources or from an overreliance upon any particular type or source of funding.

Management

Liquidity and funding risk is managed and monitored by the Treasury department with day-to-day oversight by the Financial Risk team.

Executive level oversight and governance are provided by ALCO which reviews performance and forecasts monthly. The Board sets risk appetite and its Risk Committee reviews and approves the liquidity and funding risk policy on recommendation from the ERC.

A comprehensive assessment of liquidity and funding is performed at least annually, documented through the ILAAP document, which is reviewed and approved by the Board through its Risk Committee.

Key Liquidity and Funding Risk Mitigations

Atom primarily mitigates liquidity risk by holding adequate balances at central banks and stocks of High-Quality Liquid Assets (HQLA) which could be deployed to meet any expected or unexpected outflow. Atom also holds other liquid assets, which could be monetised through outright sale, repurchase agreements (repos) or used with the Bank of England's Sterling Monetary Framework (SMF) facilities. In addition, Atom maintains eligible collateral at the Bank of England to provide additional sources of liquidity in times of stress.

The Bank maintains a list of potential management actions to mitigate any potential or actual stress event. These management actions are documented in the Recovery Plan.

15. Managing liquidity and funding risk (continued)

Measurement

Liquidity and funding risk is measured through stress tests and balance sheet ratios.

Atom uses a stressed forward looking cash flow profile (both inflows and outflows) to determine the minimum level of liquidity resources necessary to cope with expected and unexpected liquidity challenges. In addition to assessing compliance with all regulatory liquidity requirements, Atom also measures the adequacy of liquidity resources against net outflows in a range of internally designed stress scenarios.

The scenarios express the Bank's liquidity risk appetite. They range in their nature, severity and minimum survival horizons.

- Liquidity Coverage Ratio (LCR) is a 30-day regulatory stress metric assessing a bank's HQLAs against its net stressed outflows. Regulation defines in detail the definitions of the numerator and denominator of the ratio, as well as the weighting applied to each component of the calculation.
- a 90-day "persistent" stress is designed to test the resources available to fund the lending pipeline during a period of stress in retail deposit markets.
- a 60-day "market-wide" stress which considers closure of wholesale markets and the impact thereof on increased competition for retail funding.
- a 45-day "acute" stress that considers a deposit outflow stress with greater severity and time horizon than the LCR.
- a 14-day extreme "bank run" stress assessing the adequacy of the most readily available liquidity resources to meet deposit withdrawals.

The results of all stress tests are expressed both as ratios and as surplus metrics.

Funding risk is measured through a variety of metrics:

- the Net Stable Funding Ratio (NSFR)
- the Asset Encumbrance ratio
- the Loan to Deposit ratio

Monitoring

All liquidity and funding metrics are monitored daily to ensure robust control of Atom's position. In addition, all key measures are forecast over a six-month time horizon at least monthly.

Atom maintains and monitors a set of liquidity and funding early warning indicators to identify signs of potential forthcoming stress events. These indicators are documented in the Recovery Plan and reassessed periodically.

At year end, and throughout the year, Atom held significant surplus liquidity over the minimum requirements and maintained a prudent funding profile. The liquidity coverage ratio was 486%[1] (FY23: 887%) and the Net Stable Funding Ratio was 180%[1] (FY23: 263%) as a result of high levels of cash and other HQLA held at the year end. The Asset Encumbrance ratio was 19.3%[1] (FY23: 15.6%) and the Loan to Deposit ratio was 71% (FY23: 45%).

[1] Unaudited

16. Encumbered assets

Some of the Group's assets are used to support secured funding with the Bank of England and through securitisation issuance. Assets that have been set aside for such purposes are classified as encumbered and cannot be used for other purposes.

Unencumbered assets not pre-positioned with central banks are reported on as follows:

- Where assets are in highly liquid or securities form, immediately available to monetise, e.g. through sale or repo, they are categorised as readily realisable.
- Other realisable assets include all such unencumbered assets that could be turned into eligible form for funding with the central bank or with private counterparties in the short to medium term.

	Encumbered with counterparties other than central banks	Prepositioned and encumbered assets held with central banks	Unencumbered assets not-pre positioned with central banks			
			Readily realisable	Other realisable assets	Cannot be used	Total
As at 31 March 2024	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Cash and balances at central banks	-	32.2	2,415.0	-	-	2,447.2
Derivatives held for hedging purposes	-	407.6	67.1	-	-	474.7
Debt instruments at fair value through other comprehensive income	-	-	23.0	-	-	23.0
Debt Securities held at amortised cost	-	-	-	-	62.4	62.4
Loans and advances to customers	346.0	748.6	220.4	2,764.5	21.4	4,100.9
Other assets	85.1	-	-	-	72.4	157.5
Total assets	**431.1**	**1,188.4**	**2,725.5**	**2,764.5**	**156.2**	**7,265.7**

	Encumbered with counterparties other than central banks	Prepositioned and encumbered assets held with central banks	Unencumbered assets not pre-positioned with central banks			
			Readily realisable	Other realisable assets	Cannot be used	Total
As at 31 March 2023	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**	**£'m**
Cash and balances at central banks	-	23.7	4,174.4	-	-	4,198.1
Debt instruments at fair value through other comprehensive income	-	272.1	51.8	-	-	323.9
Debt Securities held at amortised cost	-	125.4	24.9	-	-	150.3
Derivatives held for hedging purposes	-	-	-	-	76.9	76.9
Loans and advances to customers	194.4	707.8	46.1	1,988.6	21.9	2,958.8
Other assets	50.5	-	-	-	62.0	112.5
Total assets	**244.9**	**1,129.0**	**4,297.2**	**1,988.6**	**160.8**	**7,820.5**

The Group's asset encumbrance of £1,393m (FY23: £1,213m) is predominantly through its participation in the Bank of England's TFSME scheme and its securitisation issuance via Elvet Mortgages 2021-1 plc and Elvet Mortgages 2023-1 plc. Mortgages and liquid securities have been used to provide the required collateral.

17. Customer deposits

Accounting for customer deposits

Customer Deposits are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method in accordance with IFRS 9. The amortised cost is adjusted for transaction costs that are incurred in raising the deposit, which is then recognised in interest expense using the effective interest rate method.

	FY24 £'m	FY23 £'m
Sterling denominated fixed term deposits	4,322.0	4,845.6
Sterling denominated instant access deposits	1,424.2	1,705.7
Total	**5,746.2**	**6,551.3**

Atom continued to fund lending predominantly through customer deposits.

Deposits decreased by £0.8bn to £5.7bn. Increased market competition and changes in the shape of the forward yield curve have reduced the spread earned on customer deposits. As a result, Atom has actively managed down excess funding to focus on the required funding for lending.

The £4.3bn (FY23: 4.8bn) of Sterling denominated fixed term deposits includes a valuation adjustment liability of £0.3m (FY23: £9.7m asset), which reflects the IFRS 9 micro hedge adjustment described in note 25.

18. Wholesale Funding

Accounting for wholesale borrowings

Wholesale borrowings are recognised initially at fair value, net of transaction costs incurred. These instruments are subsequently measured at amortised cost using the effective interest rate method.

	FY24 £'m	FY23 £'m
Borrowings from central banks	683.8	681.5
Debt securities in issue	365.3	207.5
Subordinated liabilities	-	8.2
Total	**1,049.1**	**897.2**

Borrowings from central banks of £684m (FY23: £681m) relate to drawdowns from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME).

The £8.2m subordinated liabilities was settled in full during the year. These two £4m tier 2 notes had a maturity date in 2027 and could be called at the option of the issuer from 2023.

Debt securities in issue of £365m (FY23: £207m) represents notes issued through the Group's RMBS programme, as disclosed in Note 19. The increase is due to the issuance of £300m of notes through the Elvet Mortgages 2023-1 securitisation, net of loan principal repayments.

19. Securitisation

The Group securitises certain loans and advances to customers as a means to source funding and for capital management purposes. Securitised advances are legally transferred at their principal value to special purpose entities, which fund the purchase of these assets through the issuance of RMBS to investors.

An assessment is performed to determine whether, for accounting purposes, the Group controls the special purpose entity in accordance with the basis of consolidation accounting policy. In performing this assessment, factors such as the purpose and design of the entity, its practical ability to direct the relevant activities of the entity, the nature of the relationship between the parent and the entity, and the size of its exposure to the variability of returns are considered. Where the parent controls the entity, either through direct or indirect control, the special purpose entity is treated as a subsidiary and is fully consolidated.

Securitisations may, depending on the individual arrangement, result in continued recognition of the securitised assets and the recognition of the debt securities issued in the transaction; or in derecognition of the assets and the separate recognition, as assets or liabilities, of any rights and obligations created or retained by the transfer. Full derecognition only occurs when the Group transfers substantially all the risks and rewards of ownership, including credit risk, prepayment risk and interest risk, as well as transferring the contractual right to receive cash flows from the financial assets. If full derecognition occurs, the transferred loans are treated as sales and a gain or loss on derecognition is recognised in the statement of profit and loss.

Certain debt securities issued by structured entities may be retained by the Group and may be used as collateral against amounts drawn under the Bank of England's funding schemes or in repurchase agreements. Where retained debt securities are issued by consolidated special purpose entities, they are eliminated in full on consolidation. Where retained debt securities are issued by unconsolidated structured entities, they are recognised as debt securities held at amortised cost in the statement of financial position.

Securitisation that does not result in derecognition

In November 2023 £490m of mortgage loans originated by Atom bank plc were assigned at their principal value to Elvet Mortgages 2023-1 plc, a bankruptcy-remote structured entity, funded through the issue of RMBS to third-party debt investors. Atom bank plc is entitled to any residual income generated after the debt obligations and senior expenses of the program have been met, in the same manner as for the Elvet Mortgages 2021-1 plc transaction. The securitised debt holders have no recourse to the Bank other than the principal and interest generated from the securitised mortgage loans.

Atom bank plc issued £300.0m of Class A floating rate notes externally to the market as part of this transaction. At the same time £165.2m of class A-Z floating rate notes and £24.5m of Class VRR notes, which entitle the noteholder to 5% of all available receipts generated by the mortgages, were issued and fully retained by Atom. All these notes have a call date of 22 November 2028.

Atom bank plc has an obligation to repurchase mortgage exposures in certain instances e.g. loans which have been subject to a product switch, further advance or where there has been an unremedied breach of representations and warranties and continues to service the mortgages in return for a servicing fee.

The Elvet 2021-1 and Elvet 2023-1 transactions do not qualify for derecognition, and the structured entities are treated as a subsidiary of the Group and are fully consolidated. The associated securitised mortgage loans continue to be recognised in the Statement of Financial Position.

The carrying amount of the securitised loans and associated debt securities in issue are follows:

	FY24 £'m	FY23 £'m
Securitised mortgage loans, included in loans and advances to customers	565.4	241.1
Debt securities in issue held by external investors	365.3	207.5

The Elvet 2021-1 A notes have a coupon rate of SONIA + 0.37% and a call date of 22 October 2026. The Elvet 2023-1 A notes have a coupon rate of SONIA + 0.65% and a call date of 22 November 2028.

19. Securitisation (continued)

Securitisation that results in derecognition

The Group transferred certain mortgage loans to unconsolidated structured entities; Elvet Mortgages 2019-1 plc, and Elvet Mortgages 2020-1 plc. These transactions resulted in full derecognition of loans from the statement of financial position because substantially all of the risks and rewards associated with those mortgages have been transferred to the noteholders. For both transactions certain debt securities were retained by the Group, along with a 5% interest in the transaction which entitles the Group to 5% of all available receipts generated by the mortgage loans in the entity in line with the regulatory requirements.

During the year, the pool of mortgages included in the Elvet 2019-1 securitisation repaid such that the balance was less than 10% of that originally securitised, triggering a call in which the debt securities were redeemed at par. Atom bank plc funded the redemption via the repurchase of the underlying loan pool.

The carrying amount of the Group's investment in debt securities issued by Elvet 2020-1 was £4.7m (FY23: £44.7m). At 31 March 2023 the Group also held £106m of debt securities issued by Elvet 2019-1 that were redeemed in full during the year. The carrying amount of the investment represents the Group's maximum exposure to loss from its interest in the structured entity.

Atom bank plc continues to service the mortgage loans in return for a servicing fee, and £0.4m (FY23: £0.6m) of fee income was recognised. Atom has an obligation to repurchase mortgage exposures if certain loans no longer meet the programme criteria or representations and warranties.

20. Contractual maturity of financial assets and liabilities

The contractual maturities of the Group's financial assets and liabilities provides an important source of information for liquidity risk management. The tables below present the discounted contractual residual maturities of the financial assets and liabilities on the balance sheet:

As at 31 March 2024	On demand £'m	Not more than 3 months £'m	Over 3 months but not more than 6 months £'m	Over 6 months but not more than 1 year £'m	Over 1 year but not more than 3 years £'m	Over 3 years but not more than 5 years £'m	Over 5 years but not more than 10 years £'m	Over 10 years £'m	Total £'m
Assets									
Cash and balances at central banks	2,447.2	-	-	-	-	-	-	-	2,447.2
Debt instruments at FVOCI	-	106.6	74.1	22.2	118.8	139.9	5.5	7.6	474.7
Debt instruments at amortised costs	-	2.1	2.1	4.5	14.3	-	-	-	23.0
Derivatives held for hedging purposes	-	6.7	17.8	15.7	31.5	(8.0)	(1.3)	-	62.4
Loans and advances to customers	14.9	66.2	56.9	112.8	392.9	1,090.3	339.2	2,027.7	4,100.9
Total financial assets	**2,462.1**	**181.6**	**150.9**	**155.2**	**557.5**	**1,222.2**	**343.4**	**2,035.3**	**7,108.2**
Liabilities									
Customer deposits	(1,474.9)	(1,039.9)	(1,203.7)	(1,298.0)	(529.0)	(200.7)	-	-	(5,746.2)
Borrowings from central banks	-	(58.8)	(110.0)	(176.0)	(339.0)	-	-	-	(683.8)
Debt securities in issue	-	(22.1)	(2.5)	(4.9)	(74.1)	(261.7)	-	-	(365.3)
Derivatives held for hedging purposes	-	-	-	1.4	(0.7)	(1.8)	-	-	(1.1)
Total financial liabilities	**(1,474.9)**	**(1,120.8)**	**(1,316.2)**	**(1,477.5)**	**(942.8)**	**(464.2)**	**-**	**-**	**(6,796.4)**
Off-balance sheet commitments									
Loan commitments given	-	76.5	470.8	-	-	-	-	-	547.3

As at 31 March 2023	On demand £'m	Not more than 3 months £'m	Over 3 months but not more than 6 months £'m	Over 6 months but not more than 1 year £'m	Over 1 year but not more than 3 years £'m	Over 3 years but not more than 5 years £'m	Over 5 years but not more than 10 years £'m	Over 10 years £'m	Total £'m
Assets									
Cash and balances at central banks	4,198.1	-	-	-	-	-	-	-	4,198.1
Debt instruments at FVOCI	-	119.7	49.5	44.1	27.3	83.3	-	-	323.9
Debt instruments at amortised costs	-	6.5	2.2	3.7	137.9	-	-	-	150.3
Derivatives held for hedging purposes	-	(0.4)	3.9	16.2	46.5	12.1	(1.4)	-	76.9
Loans and advances to customers	23.3	60.7	50.0	91.0	398.0	630.4	276.0	1,429.4	2,958.8
Total financial assets	**4,221.4**	**186.5**	**105.6**	**155.0**	**609.7**	**725.8**	**274.6**	**1,429.4**	**7,708.0**
Liabilities									
Customer deposits	(1,737.4)	(928.1)	(843.8)	(2,341.8)	(595.4)	(104.8)	-	-	(6,551.3)
Borrowings from central banks	-	(6.5)	-	-	(675.0)	-	-	-	(681.5)
Debt securities in issue	-	(13.8)	(1.6)	(2.9)	(11.7)	(177.5)	-	-	(207.5)
Subordinated liabilities	-	(0.2)	-	-	-	-	(8.0)	-	(8.2)
Derivatives held for hedging purposes	-	-	-	-	-	-	-	-	
Total financial liabilities	**(1,737.4)**	**(948.6)**	**(845.4)**	**(2,344.7)**	**(1,282.1)**	**(282.3)**	**(8.0)**	**-**	**(7,448.5)**
Off-balance sheet commitments									
Loan commitments given	-	38.0	483.4	-	-	-	-	-	521.4

21. Contractual maturity of non-derivative financial liabilities on an undiscounted basis

The table below analyses non-derivative financial liabilities by relevant contractual maturity grouping on an undiscounted future cash flow basis based on the remaining period at the balance sheet date.

The balances in the below table do not agree directly to the balances in the consolidated balance sheet as the table incorporates all cash flows, on an undiscounted basis, related to both principal and future coupon payments.

For loan commitments given the amounts disclosed are the undiscounted cash flows based on the time period for which the offer is valid.

As at 31 March 2024	On demand £'m	Not more than 3 months £'m	Over 3 months but not more than 6 months £'m	Over 6 months but not more than 1 year £'m	Over 1 year but not more than 3 years £'m	Over 3 years but not more than 5 years £'m	Over 5 years but not more than 10 years £'m	Total £'m
Customer Deposits	1,474.9	1,068.4	1,241.4	1,354.6	566.9	213.5	-	5,919.7
Deposits from banks	-	57.8	116.8	187.9	346.9	-	-	709.4
Debt securities in issue	-	28.9	9.1	18.1	123.3	298.3	-	477.7
Subordinated liabilities	-	-	-	-	-	-	-	-
Total non-derivative financial liabilities	**1,474.9**	**1,155.1**	**1,367.3**	**1,560.6**	**1,037.1**	**511.8**	**-**	**7,106.8**
Off-balance sheet commitments								
Loan commitments given	-	76.5	470.8	-	-	-	-	547.3

As at 31 March 2023	On demand £'m	Not more than 3 months £'m	Over 3 months but not more than 6 months £'m	Over 6 months but not more than 1 year £'m	Over 1 year but not more than 3 years £'m	Over 3 years but not more than 5 years £'m	Over 5 years but not more than 10 years £'m	Total £'m
Customer Deposits	1,737.4	977.0	869.5	2,419.1	623.4	112.7	-	6,739.1
Deposits from banks	-	7.2	7.2	14.4	702.8	-	-	731.6
Debt securities in issue	-	16.2	3.8	7.3	28.6	183.5	-	239.4
Subordinated liabilities	-	0.2	0.2	0.4	1.6	9.4	-	11.8
Total non-derivative financial liabilities	**1,737.4**	**1,000.6**	**880.7**	**2,441.2**	**1,356.4**	**305.6**	**-**	**7,721.9**
Off-balance sheet commitments								
Loan commitments given	-	38.1	483.4	-	-	-	-	521.5

WHOLESALE CREDIT RISK

Wholesale credit risk is the risk that a wholesale counterparty of the Group defaults on its contractual obligations to Atom or fails to perform its obligations in a timely manner.

Jump to:

22. Wholesale credit risk management

Wholesale credit risk arises from the portfolio of HQLA and other financial instruments, which the Treasury department manages. It represents the risk that counterparties and issuers fail to meet their obligations when they become due. Atom has a very limited appetite for this form of risk and consequently exposures are restricted to very high-quality issuers and counterparties with a low risk of failure.

Treasury exposures and limits are focused on UK government debt and the Bank of England, supranational institutions and UK banks and building societies, highly rated mortgage or asset-backed investment securities, with additional limits extended to a small number of highly rated financial institutions in Europe and other G10 economies. Atom also has exposure to a central clearing counterparty to allow it to comply with its obligations to centrally clear all of its new eligible derivative transactions.

The wholesale credit limit framework is set out in the Board approved policy.

23. Assets held for liquidity management

Accounting for debt instruments

Classification and measurement
Debt instruments that are held to manage liquidity risk are classified and measured at fair value through other comprehensive income (FVOCI) as:
- The objective of holding these assets is to maximise interest return, whilst having a sufficient mix of high-quality assets to convert into cash in a time of stress.
- The assets are vanilla debt instruments with return based upon the cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets included within the FVOCI category are initially recognised and subsequently measured at fair value. Movements in the carrying amount are recorded through OCI, except for the recognition of impairment gains or losses, and interest revenue which are recognised in profit and loss. Where the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss.

Certain assets are held at amortised cost, when:
- The objective of Treasury in holding these assets is to collect contractual cash flows, which are solely payments of principal and interest.
- The assets are held to maximise an interest return, whilst maintaining encumbrance and liquidity targets, the assets will not be sold to manage short term liquidity.

Financial assets held at amortised cost are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

Cash and balances at central banks are carried at amortised cost.

Impairment

Financial assets held at FVOCI or amortised cost are within the scope of the IFRS 9 impairment policy described within note 9. IFRS 9 permits an exemption that it may be assumed that an instrument's credit risk has not increased significantly since initial recognition if it is determined to have a low credit risk at the reporting date. Such low-risk instruments are categorised as stage 1, with the provision based upon a 12 month probability of default. The Group has applied this exemption to all of the below instruments as they meet the definition of investment grade per the internal credit risk policy, which is evidence that the instrument is of low risk.

	FY24 £'m	FY23 £'m
Cash and balances at central banks	2,447.2	4,198.1
UK Gilts & T Bills	174.6	142.3
Covered Bonds	290.1	142.8
Residential Mortgage Backed Securities	7.8	-
Multilateral Development Bank and Government Sponsored Debt	2.2	38.8
Total debt instruments at FVOCI	**474.7**	**323.9**
Total debt instruments at amortised cost	**23.0**	**150.3**
Financial assets held for liquidity management	**2,944.9**	**4,672.3**

The £475m (FY23: £324m) of debt instruments held at FVOCI represents high quality liquid assets held to meet ongoing regulatory requirements.

The £23m (FY23: £150m) portfolio of debt instruments at amortised cost includes retained notes from Atom's Elvet securitisations (note 19) and other notes held for the purpose of receiving payments of principal and interest to maturity of the notes. The balance has reduced as a result of principal repayments during the year.

A 12-month ECL credit impairment provision of £164k (FY23: £90k) is held against these assets, all of which are AAA or AA rated by major rating agencies. Of this, £6k (FY23: £18k) is held against the amortised costs assets and £158k (FY23: £72k) against the fair value through other comprehensive income assets.

MARKET RISK

The Group offers fixed and variable rate loans to borrowers and funds those with a mix of fixed rate term deposits, instant access deposits and variable rate wholesale funding.

As a result, Atom is exposed to market risk. Atom's Treasury team manages market risk exposures within the limited risk appetite set by the Board.

Jump to:

24. Market risk management

Market risk is the risk that unfavourable market movements lead to a reduction in earnings or the Bank's economic value.

Atom does not have a trading book. All derivative and foreign exchange contracts are conducted with the intent of economic hedging.

The main source of market risk is exposure to changes in interest rates in the banking book. During the year Atom also managed exposures to foreign exchange risk.

Management

Market risk is managed and monitored by the Treasury department with day-to-day oversight by the Financial Risk team.

Executive level oversight and governance are provided by the ALCO, which reviews metrics and key risk indicators monthly. The ALCO also reviews and approves key models and assumptions used in the measurement of interest rate risk. The Committee considers proposals on the ongoing management of market risk to keep net exposures within risk appetite limits.

A comprehensive assessment of the Bank's exposures to market risk is conducted at least annually, documented through the ICAAP Document, which is reviewed and approved by the Board through its Risk Committee.

Key interest rate and market risk mitigations

The acceptable exposure to changes in interest rates and foreign exchange rates is limited by Board defined risk appetite.

Fixed rate cashflows, whether assets or deposits, are predominantly hedged to Sterling Over Night Index Average (SONIA) by means of interest rate swaps. SONIA is an overnight interest rate that correlates highly with the Bank of England's Base Rate during normal market conditions. Limits for exposures to interest rate risk other than those based on SONIA or the Bank of England's Base Rate are minimal.

Wherever possible, Atom uses existing balance sheet items to net offsetting gross interest rate exposures (e.g. the interest rate risk on an asset is matched against a liability of a similar tenor). Net exposures are hedged with external swap counterparties, where appropriate.

Foreign exchange exposures are managed to a minimal level via the use of spot and forward cross currency swap transactions.

24. Market risk management (continued)

Measurement

Atom uses two primary methods to quantify interest rate risk exposure, Economic Value (EV) and Net Interest Income (NII). EV sensitivity measures the change in net present value of the Group's asset, liability and derivative positions in response to an interest rate shock. NII sensitivity measures the change in net interest income over a 12-month time horizon following a change in interest rates. Each of these measures is stress tested in a variety of interest rate scenarios, using both parallel and non-parallel yield curve shifts. For NII, the Group also monitors exposure to negative rates under a variety of scenarios of passing on such rates to assets and liabilities.

Basis risk positions are measured as the net of assets, liability, and derivative exposure to each interest rate basis, such as SONIA.

EV and NII sensitivity

Sensitivity analysis of EV and NII is performed on the balance sheet using the core scenarios of immediate upward and downward parallel shifts in all relevant interest rates. The interest rate shock applied to EV is an increase or decrease of 200 bps. The sensitivity measurement for NII considers the impact of an increase or decrease of 100 bps.

	FY24 £'m	FY23 £'m
EV: impact of increase in rates	(0.1)	0.1
EV: impact of decrease in rates	-	(0.2)
NII: impact of increase in rates	0.2	-
NII: impact of decrease in rates	(0.2)	-

25. Derivatives held for hedging purposes

Accounting for derivatives and hedging

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. During the period Atom has entered into derivatives to manage exposure to interest rate and foreign currency risk.

All derivative financial instruments are recognised at their fair value and are subsequently measured at fair value throughout the life of the contract. Fair values are calculated using valuation techniques, including discounted cash flow models, with inputs obtained from market rates. Derivatives are carried on the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of any derivative instrument are recognised immediately in the income statement.

Notional amounts of the contracts are not recorded on the balance sheet but have been disclosed as part of this note.

Hedge accounting
The Group elects to apply hedge accounting for the majority of its risk management activity that uses derivatives to achieve greater alignment in the timing of recognition gains and losses on hedged items and hedging instruments, and to reduce income statement volatility.

IFRS 9 hedge accounting applies to all hedge relationships with the exception of fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities (commonly referred as 'fair value macro hedges'). Atom makes the accounting policy choice to continue to apply the hedge accounting requirements of IAS 39. This choice applies to all fair value macro hedge accounting and cannot be made on a hedge by hedge basis.

The method of recognising the fair value gain or loss on a derivative depends on whether it is designated as a hedging instrument, and the nature of the item being hedged. Certain derivatives are designated as a hedge of the fair value of recognised assets or liabilities, a fair value hedge, with others designated as a hedge of highly probable future cash flows attributable to a recognised asset or liability, or highly probable forecast transaction, a cash flow hedge.

Fair value hedge
Micro hedge accounting relationships were designated for derivatives used to hedge the interest risk on the fixed rate customer deposit and macro relationships for fixed rate loan products. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The movement in the fair value of the hedged item is made as an adjustment to the carrying value of the hedged asset or liability.

The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Cash flow hedge
Where derivatives are used to hedge the fixed rate loan pipeline before loans are recorded on balance sheet, a cash flow hedge can be used, this is aligned with the Bank's strategy to minimise volatility through the profit and loss arising from derivatives.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised within a fair value hedge reserve, a separate component of equity. Any remaining gain or loss on the hedging instrument is recognised in the income statement. The carrying value of the hedged item is not adjusted. Amounts accumulated in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that the relationship is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Derivatives held for trading
Atom does not have a policy of trading derivatives. Any derivatives that do not meet the hedging criteria, or for which hedge accounting is not applied, are classified as held for trading. Changes in value are immediately recognised in the income statement.

25. Derivatives held for hedging purposes (continued)

Accounting for derivatives and hedging (continued)

The following table sets out the derivative instruments held:

	FY24			FY23		
	Notional contract amount	Asset carrying value	Liability carrying value	Notional contract amount	Asset carrying value	Liability carrying value
Settled on a net basis	£'m	£'m	£'m	£'m	£'m	£'m
Fair value hedges						
Interest rate swaps	5,501.2	55.8	(1.1)	5,124.2	71.5	-
Cash flow hedges						
Interest rate swaps	125.0	6.6	-	125.0	5.4	-
Total derivatives designated as hedging instruments	**5,626.2**	**62.4**	**(1.1)**	**5,249.2**	**76.9**	**-**
Derivatives in economic and not accounting hedges						
FX forward	1.2	-	-	3.3	-	-
Total derivatives held for hedging purposes	**5,627.4**	**62.4**	**(1.1)**	**5,252.5**	**76.9**	**-**

Fair value hedges

The Group holds portfolios of fixed term deposits and loans and is exposed to changes in fair value due to movements in market interest rates. The risk exposure is managed by entering into floating/fixed interest rate swaps.

The interest rate risk is determined as the change in fair value of the fixed rate deposits and fixed rate loans arising from changes in market interest rates. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the customer deposits and loans attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps.

The effect of credit risk is expected to be minimal on the hedged item and the hedging instrument and is not expected to dominate the hedge relationship. The derivative counterparties are either a qualifying clearing house or of investment grade and hence deemed to have adequate credit quality. Credit risk will continue to be assessed throughout the life of the hedge relationship to prove that credit risk does not dominate.

From a fair value perspective, fixed rate cash flows are sensitive to changes in the underlying variable benchmark interest rate. As the hedge relationship is set up with the fixed leg of the hedging instrument being equal and opposite in terms of notional and interest rate, it follows that the fair value changes on the hedged item and the hedging instrument will generally offset each other with changes in the floating benchmark over the life of the hedge relationship.

Cash flow hedges

The Group applies micro cash flow hedge accounting to a portion of its floating rate financial liabilities. These liabilities are designated in the hedge relationship alongside interest rate swaps that have been transacted to economically hedge fixed rate loans and advances to customers. The hedged cash flows are a group of highly probable forecast transactions that are exposed to changes in value due to movements in market interest rates.

The hedged item is designated as the gross liability position allocated to time buckets based on projected repricing and interest profiles. The Group aims to maintain a position where the principal amount of the hedged items is greater than or equal to the notional amount of the corresponding interest rate swaps used as the hedging instruments.

Hedge ineffectiveness

Ineffectiveness is expected due to (i) the mismatch in the maturities of the hedged item and hedging instrument, (ii) differences in timing of cash flows of hedged items and hedging instruments, and (iii) differences between forecast and actual prepayment rate, in particular for portfolio fair value hedges of the group's fixed rate loans.

These sources of ineffectiveness are expected to be immaterial in value and have no material impact on the underlying economic relationship.

25. Derivatives held for hedging purposes (continued)

Accounting for derivatives and hedging (continued)

All derivatives are presented within derivatives held for hedging purposes. Changes in fair value of fair value hedging instruments are recognised in the income statement in other income. Changes in the fair value of cash flow hedging instruments are recognised in other comprehensive income.

	Nominal amount of the hedging instrument £'m	Carrying Amount (asset/(liability)) £'m	Changes in fair value used for calculating hedge ineffectiveness (income/(charge)) £'m
As at 31 March 2024			
Fair value hedges			
Derivatives held to hedge fixed rate deposits	2,864.0	0.6	9.7
Derivatives held to hedge fixed rate loans and advances to customers	2,637.2	54.4	(26.8)
Cash flow hedges			
Derivatives held to hedge floating rate liabilities	125.0	6.6	(0.4)
As at 31 March 2023			
Fair value hedges			
Derivatives held to hedge fixed rate deposits	3,561.5	(6.7)	(1.2)
Derivatives held to hedge fixed rate loans and advances to customers	1,562.7	78.2	49.6
Cash flow hedges			
Derivatives held to hedge floating rate liabilities	125.0	5.4	5.2

The amounts relating to items designated as hedged items were as follows:

	Nominal amount of the hedging item £'m	Accumulated amount of fair value adjustments on the hedged item (asset/(liability)) £'m	Line item in the statements of financial position where the hedging item is included £'m	Changes in fair value used for calculating hedge ineffectiveness (income/(charge)) £'m
As at 31 March 2024				
Fair value hedges				
Fixed rate deposits	2,864.0	(0.3)	Customer deposits	(9.7)
Fixed rate loans and advances to customers	2,637.2	(33.9)	Loans and advances to customers	26.9
As at 31 March 2023				
Fair value hedges				
Fixed rate deposits	3,561.5	9.7	Customer deposits	2.5
Fixed rate loans and advances to customers	1,562.7	(81.0)	Loans and advances to customers	(48.8)

For Cash flow hedge relationships, the change in fair value of the hedged item in the year used for ineffectiveness measurement is £(0.4)m (FY23: £5.2m) all of which is a continuing hedge accumulated within the cash flow hedge reserve, in equity.

25. Derivatives held for hedging purposes (continued)

Accounting for derivatives and hedging (continued)

The following tables display derivative cash flows in the relevant maturity groupings in which they fall due. Cash flows for the floating legs of derivative transactions are calculated using the forward interest rate curve. These cash flows are not discounted in the same way as derivative valuations therefore differ to those reported in the balance sheet.

The derivative counterparties are of investment grade and hence deemed to have adequate credit quality. Credit risk will continue to be assessed throughout the life of the hedge relationship to prove that credit risk does not dominate.

As at 31 March 2024	Not more than 3 months £'m	Over 3 months but not more than 6 months £'m	Over 6 months but not more than 1 year £'m	Over 1 year but not more than 3 years £'m	Over 3 years but no more than 5 years £'m	Over 5 years but not more than 10 years £'m	Total £'m
Nominal value of derivatives held for hedging purposes							
Derivatives held to hedge fixed rate deposits	804.0	945.0	1,077.0	38.0	-	-	2,864.0
Derivatives held to hedge fixed rate loans and advances to customers	-	-	-	1,016.2	1,305.0	316.0	2,637.2
Derivatives held to hedge floating rate liabilities	-	-	-	-	125.0	-	125.0
Total	**804.0**	**945.0**	**1,077.0**	**1,054.2**	**1,430.0**	**316.0**	**5,626.2**

As at 31 March 2023	Not more than 3 months £'m	Over 3 months but not more than 6 months £'m	Over 6 months but not more than 1 year £'m	Over 1 year but not more than 3 years £'m	Over 3 years but no more than 5 years £'m	Over 5 years but not more than 10 years £'m	Total £'m
Nominal value of derivatives held for hedging purposes							
Derivatives held to hedge fixed rate deposits	670.0	601.5	1,995.0	295.0	-	-	3,561.5
Derivatives held to hedge fixed rate loans and advances to customers	20.0	31.0	59.0	469.7	680.0	303.0	1,562.7
Derivatives held to hedge floating rate liabilities	-	-	-	-	125.0	-	125.0
Total	**690.0**	**632.5**	**2,054.0**	**764.7**	**805.0**	**303.0**	**5,249.2**

Settled on a net basis	Not more than 3 months £'m	Over 3 months but not more than 6 months £'m	Over 6 months but not more than 1 year £'m	Over 1 year but not more than 3 years £'m	Over 3 years but no more than 5 years £'m	Over 5 years but not more than 10 years £'m	Total £'m
As at 31 March 2024							
Assets	6.8	18.2	16.3	33.8	(9.5)	(1.5)	64.1
Liabilities	-	-	1.4	(0.7)	(2.1)	-	(1.4)
As at 31 March 2023							
Assets	(0.3)	3.9	18.4	48.9	13.4	(1.6)	82.7

25. Derivatives held for hedging purposes (continued)

Offsetting

In accordance with IAS 32 Financial Instruments: Presentation, the Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set-off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The netting applied covers agreements with the same counterparties whereby all outstanding transactions can be offset, and close-out netting applied if an event of default or other predetermined events occur. The following table shows the impact of netting arrangements on derivative financial instruments reported net on the balance sheet:

Cash collateral placed relates to derivatives held, the balance is restricted and cannot be used for any other purposes.

	Gross Amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Cash collateral placed/received	Net amount
	£'m	£'m	£'m	£'m	£'m
As at 31 March 2024					
Derivative Financial Assets	81.0	(18.6)	62.4	17.4	79.8
Derivative Financial Liabilities	(19.7)	18.6	(1.1)	1.0	(0.2)
As at 31 March 2023					
Derivative Financial Assets	91.1	(14.2)	76.9	(26.1)*	50.8*
Derivative Financial Liabilities	(14.2)	14.2	-	-	-

*Cash collateral previously included collateral assets but excluded liabilities. This has been updated to align with the current year disclosure.

26. Accounting for financial assets and liabilities - fair values

Accounting for fair values

All financial instruments are initially recognised at fair value on the date of initial recognition and, depending on the classification of the asset or liability, may continue to be held at fair value either through profit or loss or other comprehensive income. The fair value of a financial instrument is the price that is estimated that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Wherever possible, fair value is determined by reference to a quoted market price for that instrument.

For some of the instruments held by the Group, in particular derivatives, quoted prices are not available and valuation models are used to estimate fair value. The models calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value.

IFRS 13 Fair Value Measurement requires the classification of assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. The three levels of the fair value hierarchy are defined below.

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 valuations are those where quoted market prices are not available, or valuation techniques are used to determine fair value and the inputs are based significantly on observable market data.
- Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

As at 31 March 2024	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets				
Debt instruments at FVOCI				
UK Gilts	174.6	-	-	174.6
Covered Bonds	290.1	-	-	290.1
Multilateral Development Bank and Government Sponsored Debt	2.2	-	-	2.2
Residential Mortgage-Backed Securities	7.8	-	-	7.8
Derivatives held for hedging purposes				
Interest rate	-	62.4	-	62.4
Total	**474.7**	**62.4**		**537.1**
Liabilities				
Derivatives held for hedging purposes				
Interest rate	-	(1.1)	-	(1.1)
Total	**-**	**(1.1)**	**-**	**(1.1)**

As at 31 March 2023	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
Assets				
Debt instruments at FVOCI				
UK Gilts	142.3	-	-	142.3
Covered Bonds	142.8	-	-	142.8
Multilateral Development Bank and Government Sponsored Debt	38.9	-	-	38.9
Derivatives held for hedging purposes				
Interest rate	-	76.9	-	76.9
Total	**324.0**	**76.9**	**-**	**400.9**

UK Gilts, covered bonds and government sponsored debt are valued using quoted market prices and are therefore classified as Level 1 assets.

Derivative financial liabilities are interest rate swaps and are valued using a discounted cash flow model where the most significant input is interest yield curves which are developed from publicly quoted rates.

27. Fair value of financial assets and liabilities recognised on the balance sheet at amortised cost

As at 31 March 2024	Carrying value £'m	Level 3 Fair Value £'m
Assets		
Loans and advances to customers		
BBSL	604.9	573.4
Mortgages	3,200.4	3,167.9
BBUL	295.6	276.3
Debt Instruments held at amortised cost	23.0	23.3
Liabilities		
Customer deposits		
Instant access saver deposits	1,424.2	1,424.2
Fixed rate saver deposits	4,322.0	4,322.6
Borrowings from central banks	683.8	683.8
Debt securities in issue	365.3	367.8

As at 31 March 2023	Carrying value £'m	Level 3 Fair Value £'m
Assets		
Loans and advances to customers		
BBSL	509.2	495.6
Mortgages	2,070.1	2,071.4
BBUL	379.5	351.7
Debt Instruments held at amortised cost	150.3	150.7
Liabilities		
Customer deposits		
Instant access saver deposits	1,705.7	1,705.7
Fixed rate saver deposits	4,845.6	4,828.9
Borrowings from central banks	681.5	681.4
Debt securities in issue	207.5	206.5
Subordinated liabilities	8.2	7.5

The fair value of loans and advances to customers, and customer deposits, for the purpose of this disclosure, is derived from discounting expected cash flows in a way that reflects the current market price for lending to issuers of similar credit quality.

The Mortgage and fixed rate customer deposits are reported net of fair value hedge accounting adjustments, so there is no material difference between the carrying value and fair value. The BBSL book is predominantly linked to bank rate, so the fair value and carrying value are similar, while the BBUL fair value is lower than carrying value because the interest rate environment is higher than the weighted average rate of the loans.

The fair values of debt instruments at amortised cost issue are based on quoted prices where available, as well as the fair value of the underlying asset portfolio.

The carrying amount of cash and balances at central banks is a reasonable approximation of fair value therefore not included in the table opposite.

CAPITAL

As a regulated bank Atom is required to hold a minimal level of capital to protect its customers.

To date this has been predominantly raised through equity issuances to investors. This section provides information on the Group's share capital, retained earnings and other equity balances. It also provides a description of how the Group ensures sufficient capital is maintained to meet regulatory requirements.

Jump to:

28. Managing 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 capital position and capital ratios could be eroded by high levels of unexpected losses, a large operational loss, higher lending volumes or total risk weighted assets (RWAs) than planned, or other factors that might reduce forecast profitability.

Capital is actively managed with regulatory ratios being a key factor in Atom'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.

Key capital risk mitigations

Capital is one of the key measures of the Group. The Board sets risk appetite for a variety of key capital metrics. To avoid breaching a regulatory capital measure, an additional capital buffer is applied 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 (EWI) as a threshold to prompt discussion and take mitigating action if needed.

All of Atom's capital is Common Equity Tier 1 (CET1). The Group may explore opportunities, subject to market conditions, to raise Tier 2 capital in the near term to further strengthen its capital base.

Atom 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, and it is available upon request by the PRA, who reviews the ICAAP periodically. 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

Atom's key capital metrics are the current and projected ratio capital resources over capital requirements. The Leverage Ratio is also monitored against regulatory expectations specified within the UK leverage framework, so as to ensure that it does not fall below that level 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.

During FY24, the Group complied in full with all of its regulatory capital requirements. Further information is available within the Pillar 3 document (unaudited), available from https://www.atombank.co.uk/investor-information/.

The following tables provide information on capital and reserves per the IFRS balance sheet with a reconciliation to the regulatory definition of capital.

29. Share capital and premium

Accounting policy for share capital

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. Ordinary shares are classified as equity.

	Number of shares	Ordinary shares (£0.00001 each)	Share premium	Total share capital and share premium
		£'m	£'m	£'m
As at 1 April 2023	**655,872,239**	**-**	**29.3**	**29.3**
Issued during the year	251,212,757	-	100.5	100.5
Expense of issue of shares	-	-	(0.9)	(0.9)
Rights issue	32,198,751	-	-	-
Issued to staff under share incentive plans	14,599	-	-	-
As at 31 March 2024	**939,298,346**	**-**	**128.9**	**128.9**

	Number of shares	Ordinary shares (£0.00001 each)	Share premium	Total share capital and share premium
		£'m	£'m	£'m
As at 1 April 2022	**612,846,725**	**-**	**566.4**	**566.4**
Share Premium reduction	-	-	(565.8)	(565.8)
Issued during the year	42,931,666	-	30.1	30.1
Expense of issue of shares	-	-	(1.4)	(1.4)
Issued to staff under share incentive plans	93,848	-	-	-
As at 31 March 2023	**655,872,239**	**-**	**29.3**	**29.3**

In November, 250,000,000 Ordinary shares were issued for £100m and were fully paid up at that time. A further 1,212,757 Ordinary shares were issued for £0.5m in January 2024 and were fully paid up at that time. All shares at issue are Ordinary shares that have full voting rights, dividend, and capital distribution rights.

32,198,751 (FY23: 42,931,666) Ordinary shares were issued to holders of Ordinary A shares under the economic anti-dilution entitlement attaching to the Ordinary A Shares, which was triggered by the November 2023 equity raise, and all Ordinary A shares subsequently converted to Ordinary shares.

All 939,298,346 Ordinary shares (FY23: 612,940,573) have been issued fully paid and have full voting rights, dividend, and capital distribution rights.

30. Other reserves

Other reserves of £43.4m (FY23: £35.9m) primarily relate to equity settled share-based payments of £39.4m (FY23: £32.2m). See note 6 for further information.

	FY24 £'m	FY23 £'m
FVOCI reserve	0.6	-
Cash flow hedge reserve (note 25)	4.8	5.2
Share based payment reserve	39.3	32.1
Other reserves and treasury shares	(1.4)	(1.4)
Total other reserves	**43.3**	**35.9**

31. Capital management

The following table presents a reconciliation for the Atom between equity on the IFRS balance sheet and prudential capital. The Group's capital position is calculated for prudential regulatory reporting purposes for year ended 31 March 2024 using the Basel III framework of the Basel Committee on Banking Supervision (BCBS), as implemented by the European Union in the CRR and CRD and by the PRA rulebook for the UK banking industry. The approach taken complies with CRR II and the UK Leverage Ratio Framework which took effect from 1 January 2022. Full details of the regulatory capital and leverage frameworks are provided in Atom's Pillar 3 Report.

	FY24 £'m	FY23 £'m
Shareholders' equity per the statement of financial position	**402.4**	**283.1**
Regulatory adjustments		
Intangible assets	(41.6)	(37.8)
Deferred tax assets that rely on future profitability	(16.5)	(9.8)
IFRS9 transitional adjustment	6.8	9.8
Prudential valuation adjustment	(0.5)	(0.3)
Fair value reserves related to gains or losses on cash flow hedges	(4.8)	(5.2)
Common Equity Tier 1 (CET1) capital	**345.8**	**239.8**
Eligible Tier 2 instruments	-	4.7
Tier 2 capital	**-**	**4.7**
Total capital	**345.8**	**244.5**
Risk weighted assets (RWAs) (unaudited)	**1,826.6**	**1,270.2**
Common Equity Tier (CET1) ratio (unaudited)	**18.9%**	**18.9%**
Total capital ratio (unaudited)	**18.9%**	**19.2%**
Leverage ratio (unaudited)	**6.8%**	**6.4%**

The Group continues to maintain capital ratios that exceed its minimum requirements under the CRD V regulatory framework, and the UK leverage ratio framework.

Common Equity Tier 1 capital increased to £346m (FY23: £245m) as a result of £100m of equity capital raised during the year and profit before tax of £6.7m.

Tier 2 capital consisted of other subordinated debt that does not meet the eligibility criteria for inclusion as Tier 1. The outstanding notes held in FY23 were settled in full during the year.

OTHER

This section contains other mandatory disclosures that are important to understand the performance and position of Atom.

Jump to:

32. Other assets

	FY24 £'m	FY23 £'m
Cash collateral	61.0	42.2
Settlement and clearing accounts	19.1	8.0
Prepayments and other	8.6	6.6
Accrued income	4.2	4.3
Cash advanced to third parties	5.8	0.6
Total other assets	**98.7**	**61.7**

Cash collateral represents margin calls made on derivative contracts, and is treated as on-demand. The movement in the year is driven by the fair value movements of the associated derivatives.

Other assets include £19.1m (FY23: £8.0) of settlement and clearing accounts, the majority of which relates to mortgage loans where cash is being held in escrow before completion.

Accrued income represents interest receivable on cash balances.

Cash advanced to third parties represents funds in transit and can fluctuate based on the timing of cash flows.

33. Property, plant and equipment

Accounting for property plant and equipment

Property, plant, and equipment is stated at cost, which includes direct and incremental acquisition costs less accumulated depreciation and provisions for impairment, if required. Subsequent costs are capitalised if these result in the enhancement to the asset.

Depreciation is provided on the depreciable number of items of property, plant and equipment on a straight-line basis over their estimated useful economic lives. Depreciation rates, methods and the residual values underlying the calculation of depreciation of items of property, plant and equipment are kept under review to take account of any change in circumstances. The Group uses the following annual rates in calculating depreciation:

- Fixtures and fittings: 5 years
- Office and IT equipment: 3 years

Impairment of property, plant, and equipment

At each balance sheet date property, plant and equipment are assessed for indications of impairment. If indications are present, these assets are subject to an impairment review. The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount which is the higher of the asset's net selling price and its value in use.

The carrying values of fixed assets are written down by the amount of any impairment and this loss is recognised in the income statement in the period in which it occurs. A previously recognised impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount.

Right of use Assets

Where items of property, plant or equipment are leased, a right of use asset is recognised representing the right to use the underlying asset. The asset is depreciated in accordance with the property, plant and equipment accounting policy with a useful economic life aligned to the lease term. Further information on leases is disclosed in note 37.

	Fixtures and Fittings £'m	Office and IT Equipment £'m	Right-of-use Assets £'m	Total £'m
Cost				
As at 1 April 2022	0.5	1.7	5.9	8.1
Additions	-	0.1	-	0.1
Disposals	-	(0.2)	-	(0.2)
As at 31 March 2023	**0.5**	**1.6**	**5.9**	**8.0**
Additions	-	0.3	0.4	0.7
Disposals	-	-	(5.7)	(5.7)
As at 31 March 2024	**0.5**	**1.9**	**0.6**	**3.0**
Accumulated depreciation and impairment				
As at 1 April 2022	0.4	1.4	2.2	4.0
Depreciation charge	0.1	0.2	0.7	1.0
Eliminated on disposal	-	(0.2)	-	(0.2)
As at 31 March 2023	**0.5**	**1.4**	**2.9**	**4.8**
Depreciation charge	-	0.2	0.7	0.9
Eliminated on disposal	-	-	(3.4)	(3.4)
As at 31 March 2024	**0.5**	**1.6**	**0.2**	**2.3**
Net book value				
At 31 March 2024	**-**	**0.3**	**0.4**	**0.7**
At 31 March 2023	**0.1**	**0.1**	**3.0**	**3.2**

The disposal of £5.7m during the year relates to the renegotiation of the lease of Atom's head office space (note 37). The lease was renegotiated to reduce the space and remaining lease term to better meet business demand.

34. Intangible assets

Accounting for intangible assets

Intangible assets with finite useful lives that are acquired or built are carried at cost less accumulated amortisation and impairment losses. Intangible assets with indefinite useful lives that are acquired or built are carried at cost less accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The useful life for each class of intangible asset is as follows:

- Banking Licence: the banking licence has an indefinite life as there is no foreseeable limit to the period over which the asset is expected to generate benefits for the business. Costs relating to obtaining this asset are held at cost and are not being amortised.
- Core Banking Software: up to 10 years

Software

Software includes both purchased items and internally developed systems. Purchased intangible assets and costs directly associated with the development of software, including directly attributable staff costs, are capitalised as intangible assets where there is an identifiable asset which we control, and which will generate future economic benefits in accordance with IAS 38.

Impairment Review

At each balance sheet date, the Group reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). If the recoverable amount of an asset is estimated to be less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Research and development expenditure

Research expenditure is written off to the income statement in the period in which it is incurred. Development expenditure is also written off to the income statement, except where the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised and amortised over the period in which the Group is expected to benefit.

	Banking License £'m	Software £'m	Total £'m
Cost			
As at 1 April 2022	**0.9**	**76.0**	**76.9**
Additions	-	12.0	12.0
As at 31 March 2023	**0.9**	**88.0**	**88.9**
Additions	-	15.6	15.6
At 31 March 2024	**0.9**	**103.6**	**104.5**
Accumulated amortisation and impairment			
As at 1 April 2022	**-**	**40.8**	**40.8**
Amortisation charge	-	10.3	10.3
As at 31 March 2023	**-**	**51.1**	**51.1**
Amortisation charge	-	11.8	11.8
At 31 March 2024	**-**	**62.9**	**62.9**
Net Book Value			
As at 31 March 2024	**0.9**	**40.7**	**41.6**
As at 31 March 2023	**0.9**	**36.9**	**37.8**

35. Provisions

Accounting for provisions

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, which can be reliably estimated.

	IFRS 9 £'m	Other £'m	Total £'m
At 1 April 2022	**0.2**	**0.1**	**0.3**
Amounts utilised	-	(0.1)	(0.1)
Charged to the income statement	-	0.2	0.2
At 31 March 2023	**0.2**	**0.2**	**0.4**
Amounts utilised	-	-	-
Charged to the income statement	0.3	0.1	0.4
At 31 March 2024	**0.5**	**0.3**	**0.8**

The IFRS 9 provision represents expected credit losses on loan commitments, in line with the credit risk policies disclosed in note 10.

Other represents management's best estimate of the cost to settle onerous contracts, or expenses due at the end of contracts not expected to be renewed.

36. Other liabilities

	FY24 £'m	FY23 £'m
Accounts payable and sundry creditors	9.0	1.9
Accrued expenses	5.5	5.6
Payroll creditors	4.4	4.3
Corporation tax payable	0.2	-
Cash collateral	42.7	68.3
Lease liability	0.4	3.0
Grants	3.9	5.4
Total other liabilities	**66.1**	**88.5**

Collateral represents margin calls made on derivative contracts, and is treated as on-demand. The movement in the year is driven by the fair value movements of the associated derivatives.

Sundry creditors have increased to £9.0m (FY23: £1.9m) as a result of an increase in accounts payable, including £5.5m of funds in transit that clears shortly after year end.

Atom has £3.9m (FY23: £5.4m) remaining of the £10m award from Pool C of the Capability and Innovation Fund administered by Banking Competition Remedies (BCR) in 2020. £1.5m (FY23: £0.5m) of the funding was released during the year, recorded net of the costs for which it was intended to compensate.

37. Leases

Accounting for leases

A lease liability for the obligation to make future lease payments, and a right of use asset representing the right to use the underlying asset for the lease term are recognised on inception of a lease. Subsequently, the lease liability accumulates interest and is reduced reflecting payments made, while the right of use asset is depreciated in accordance with the property, plant, and equipment accounting policy.

The Group acts solely as a lessee, reporting both an asset and a liability on the balance sheet.

The Group leases office premises and equipment. Atom applies the exemptions available for short term leases (terms of 12 months or less) and those for which the underlying asset is of low value.

The below table sets out a maturity analysis of undiscounted lease liabilities, showing the lease payments to be paid after the reporting date.

	FY24	FY23
	£'m	£'m
Not more than one year	0.3	0.8
Over one year but not more than five years	0.1	2.3
Total undiscounted lease liabilities as at 31 March	**0.4**	**3.1**

The total undiscounted lease liability has reduced to £0.4m (FY23: £3.1m) as a result of reducing the size of the space leased in Atom's Durham offices, and a reduction in the remaining lease term.

38. Related party transactions

(i) Key management personnel

Key management personnel are the Board and Executive Committee, which are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The compensation paid or payable to key management personnel is shown in the tables below. Remuneration paid to Directors has been separately disclosed.

Executive Committee (excluding directors)	FY24 £'m	FY23 £'m
Wages and salaries	1.8	2.2
Share based payments	1.0	1.1
Pension costs	0.1	0.2
Total	**2.9**	**3.5**

There were an average of 9 (FY23: 11) members of the Executive Committee during the year.

Directors emoluments	FY24 £'m	FY23 £'m
Wages and salaries	1.8	1.8
Compensation for loss of office	-	0.3
Share based payments	0.6	0.5
Total	**2.4**	**2.6**

Highest paid director	FY24 £'m	FY23 £'m
Wages and salaries	0.7	0.6
Share based payments	0.4	0.3
Total	**1.1**	**0.9**

One director (FY23: Two) accrued retirement benefits under the defined contribution scheme. Two directors (FY23: Three) received share-based payments as part of their remuneration.

No directors exercised share options during the year (FY23: nil).

(ii) Investment in subsidiaries

Atom Holdco Limited is the ultimate parent company. The following entities are accounted for as subsidiary companies, as a result of either direct or indirect control of the entity. Control under IFRS 10 is when the Group is exposed to or has rights to variable returns from its involvement in the entity and has the ability to affect those returns. All subsidiaries are 100% controlled and operate and are incorporated in the UK.

Company Name	Holding	Registered address
Direct holdings		
Atom bank plc	100% Ordinary shares	The Rivergreen Centre, Aykley Heads, Durham, DH1 5TS
Indirect holdings		
Atom EBT Limited	100% Ordinary shares	The Rivergreen Centre, Aykley Heads, Durham, DH1 5TS
Associated undertakings		
Atom Bank Employee Benefit Trust	Employee trust	The Rivergreen Centre, Aykley Heads, Durham, DH1 5TS
Special Purpose vehicles		
Elvet Mortgages 2021-1 plc	Issue of securitised notes	8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG
Elvet Mortgages 2023-1 plc	Issue of securitised notes	8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG

In the course of its business, the Group transacts with structured entities which have been designed to finance the purchase of assets through securitisation and therefore raise finance from external investors by enabling them to invest in specified financial assets. At 31 March the Group has two consolidated structured entities, Elvet Mortgages 2021-1 plc and Elvet Mortgages 2023-1 plc, which are included above.

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FINANCIAL STATEMENTS OF ATOM HOLDCO LIMITED

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Statement of financial position
As at 31 March 2024

As at 31 March	Note	FY24 £'m	FY23 £'m
Non current assets			
Investment in subsidiary	2	380.2	272.5
Total assets		**380.2**	**272.5**
Net assests		**380.2**	**272.5**
Equity			
Share capital and share premium	3	130.5	30.0
Merger reserve	2	210.3	210.3
Share based payment reserve	4	39.4	32.2
Total equity		**380.2**	**272.5**

Total comprehensive income / (expense) for Atom Holdco limited was £nil (FY23: £nil).

The notes and information on pages 131 to 134 form part of the financial statements. The financial statements from pages 129 to 134 were approved by the Board of Directors on 13 June 2024 and signed on its behalf by:

Chief Executive Officer

Chief Financial Officer

Statement of Changes in Equity

	Share capital and share premium £'m	Merger reserve £'m	Share based payment reserve £'m	Total Equity £'m
On incorporation	-	-	-	-
Group reorganisation	-	210.3	29.9	240.2
Issuance of shares	30.0	-	-	30.0
Share schemes – value of employee services	-	-	2.3	2.3
Balance as at 31 March 2023	**30.0**	**210.3**	**32.2**	**272.5**
Issuance of shares	100.5	-	-	100.5
Share schemes – value of employee services	-	-	7.2	7.2
Balance as at 31 March 2024	**130.5**	**210.3**	**39.4**	**380.2**

1. Summary of material accounting policies

This section describes Atom Holdco Limited's significant policies and critical accounting estimates that relate to the financial statements and notes as a whole. If an accounting policy or a critical accounting estimate relates to a particular note, the accounting policy and/or critical accounting estimate is contained within the relevant note.

a. Reporting entity

These financial statements are prepared for Atom Holdco Limited. Atom Holdco Limited is a private company, limited by shares and is incorporated and registered in the United Kingdom.

The registered address of Atom Holdco Limited is The Rivergreen Centre, Aykley Heads, Durham, DH1 5TS

b. Basis of preparation

The financial statements have been prepared and approved by the Board of Directors in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

Where relevant, equivalent disclosures have been given in the consolidated financial statements of Atom Holdco Limited. They are stated in pounds Sterling (£), the functional and presentational currency of the Company, and are rounded to the nearest million (£'m) unless otherwise stated. The financial statements have been prepared on an historical cost basis and in accordance with the Companies Act 2006.

In the individual financial statements, Atom Holdco Limited has applied the following exemptions from the requirements of IFRS available under FRS101 in respect of the following disclosures:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 Share based payments
- The following paragraphs of IAS 1 Presentation of financial statements:
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS); and
  - 111 (statement of cash flows information)
- IAS 7 Statement of cash flows
- Paragraphs 30 and 31 of IAS 8 Accounting policies, changes in accounting estimates and errors (new and revised standards that have been issued but not yet effective)
- The requirements in IAS 24 Related party disclosures, to disclose related party transactions entered into between two or more members of a group.

c. Going concern

The financial statements have been prepared on a going concern basis, as the Directors are satisfied that Atom Holdco Limited has the resources to continue in business for the foreseeable future (which has been taken as 12 months from the date of approval of the financial statements). In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the balance sheet, capital resources, cash flows and the strategy of the business. Further information is included within the Directors' report on page 51.

d. Presentation of financial statements

Atom presents its statement of financial position in order of liquidity based on its intention and perceived ability to recover/ settle the majority of assets/liabilities of the corresponding financial statement line item.

e. Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Based on the nature of the Company's operations, the Directors consider that there are no critical accounting estimates and judgements that impact the preparation of the financial statements.

f. Parent Company profit and loss accoun

No profit and loss account is presented by the Company as permitted by section 408 of the Companies Act 2006.

The Company had no employees during the year, and no staff costs.

Auditors fees payable in relation to the audit of the financial statements of the Parent company are £19,000 (FY23: £35,000), settled on the Parent's behalf by Atom bank plc.

2. Investment in subsidiary

Accounting for investment in subsidiary

Investment in subsidiaries is initially held at cost less provision for impairment. Any impairment is charged to the profit and loss statement as it arises.

The investment in subsidiary represents the Company's 100% holding in Atom bank plc.

As at 31 March 2024 the investment in subsidiary comprises the following:

	£'m
On incorporation	-
Net assets on reorganisation date	240.1
Additions	32.4
At 31 March 2023	**272.5**
Additions	107.7
At 31 March 2024	**380.2**

The carrying value of the investment is supported by the underlying net assets of the subsidiary and is subject to impairment review annually.

The registered address of Atom bank plc is The Rivergreen Centre, Aykley Heads, Durham, DH1 5TS

Strategic Report

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Financial Statements

3. Share capital and premium

Accounting policy for share capital

Shares are classified as equity instruments when there is no contractual obligation to deliver cash or other assets to another entity on terms that may be unfavourable. Ordinary shares are classified as equity.

	Number of shares	Ordinary shares (£0.00001 each)	Share premium	Total share capital and share premium
		£'m	£'m	£'m
As at 1 April 2023	**655,872,239**	**-**	**30.0**	**30.0**
Issued during the year	251,212,757	-	100.5	100.5
Rights issue	32,198,751	-	-	-
Issued to staff under share incentive plans	14,599	-	-	-
As at 31 March 2024	**939,298,346**	**-**	**130.5**	**130.5**

	Number of shares	Ordinary shares (£0.00001 each)	Share premium	Total share capital and share premium
		£'m	£'m	£'m
On incorporation	**1**	**-**	**-**	**-**
Sub-division of shares	99,999	-	-	-
Group reorganisation	612,840,573	-	-	-
Issued during the year	42,931,666	-	30.0	30.0
As at 31 March 2023	**655,872,239**	**-**	**30.0**	**30.0**

In November 250,000,000 Ordinary shares were issued for £100m and were fully paid up at that time. A further 1,212,757 Ordinary shares were issued for £0.5m in January 2024 and were fully paid up at the time.

32,198,751 (FY23: 42,931,666) Ordinary shares were issued to holders of Ordinary A shares under the economic anti-dilution entitlement attaching to the Ordinary A Shares, which was triggered by the November 2023 equity raise, and all Ordinary A shares subsequently converted to Ordinary shares.

All 939,298,346 Ordinary shares (FY23: 612,940,573) have been issued fully paid and have full voting rights, dividend, and capital distribution rights.

4. Share-based payments

Accounting for share-based payments

The Company issues equity-settled share-based payments to certain employees of its subsidiary, Atom bank plc. Equity-settled share-based payments granted to employees of the Company are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest. All awards granted under current schemes are conditional on employee service and do not contain non-market or market performance conditions.

All awards are made to subsidiary employees. The fair value of awards is recognised by Atom Holdco Limited as a debit to its investment in subsidiaries, with a corresponding credit recorded in the share-based payment reserve, within equity. No intragroup recharges are made in relation to share based payments.

As at 31 March 2024 the Company had the following share-based payment arrangements:

Scheme	Overview	Weighted average exercise price (pence)	Weighted average remaining contractual life
Build the Bank share scheme (BTB)	A one off scheme designed to reward staff involved in the earliest stages in the development of Atom	35	2 years
Annual performance share scheme (APSS) – 2015 to 2024	Annual performance award. APSS17 to 24 includes a HMRC approved Company Share Option Plan	0.001	8 years
Long term incentive scheme (LTIP)	A retention scheme put in place for a limited number of senior staff	60	4 years
Joint share ownership plan (JSOP)	This is an executive scheme implemented for a number of Atom's founders	0.001	3 years

All schemes are equity settled, and the options have a 10-year contractual life.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ATOM HOLDCO LIMITED

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Atom Holdco Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2024 and of the group's profit and the group's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: group and company statements of financial position as at 31 March 2024; group statement of comprehensive income, group and company statements of changes in equity and group cash flow statement for the year then ended; and the notes to the financial statements (excluding the regulatory metrics marked as "unaudited" in Note 15 'Managing liquidity and funding risk' and Note 31 'Capital management'), comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors.
- We performed audit procedures over components considered financially significant in the context of the Group. For our group audit, we identified one financially significant component, Atom bank plc. We performed audit procedures including tests of detail over other in scope balance to mitigate the risk of material misstatement in the non-financially significant components.

Key audit matters

- Determination of the valuation of the deferred tax asset (group).
- Determination of allowance for expected credit losses on loans and advances (group).
- Assessing the carrying value of the investment in subsidiary for impairment (parent).

Materiality

- Overall group materiality: £4.0m (FY23: £2.8m) based on 1% of Net Assets.
- Overall company materiality: £3.8m (FY23: £2.7m) based on 1% of Net Assets.
- Performance materiality: £3.0m (FY23: £2.1m) (Group) and £2.8m (FY23: £2.0m) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements (continued)

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, including 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Assessing the carrying value of the investment in subsidiary for impairment (parent) is a new key audit matter this year. Risk of material misstatement in the identification and evaluation of the sources of ineffectiveness in the cash flow hedge relationships (group), which was a key audit matter last year, is no longer included because this is no longer a new process and did not require the additional audit effort that was required in its first year of application. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Determination of the valuation of the deferred tax asset (group) At 31 March 2024, a deferred tax asset of £16.5m was recognised. The deferred tax asset was determined based on probable future taxable profits expected to be earned over an assessed forecast period. Judgement was involved in determining the period of assessment and the underlying forecasts used to value the asset. The relevant disclosures and accounting policies used by management are disclosed in Note 8 of the financial statements.	With the support of our tax specialists, we obtained and evaluated management's scenario analysis supporting the recognition of the deferred tax asset based on the expected utilisation of losses. We reviewed and challenged the key judgements to assess compliance with the IAS 12 requirements, assessed management's forecasts and underlying assumptions, and the application of relevant tax rules that apply to banks. We have evaluated the reasonableness of the forecast period used. We obtained and evaluated the deferred tax asset calculations to assess the mathematical and mechanical accuracy and completeness of the underlying workings. We evaluated and tested the audited disclosures made in the Annual Report.

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
Determination of allowance for expected credit losses on loans and advances (group) At 31 March 2024, the gross carrying value of loans and advances to customers was £4.16bn. The associated allowance for expected credit losses ('ECL') was £20m. Determining ECL allowances involves judgement and is subject to a high degree of estimation uncertainty. Management makes various assumptions when estimating ECL. The significant assumptions that we focused on in our audit were those with greater levels of management judgement and for which variations had the most significant impact on ECL. These included assumptions made in determining economic scenarios and their probability weightings. Modelling methodologies are used to estimate ECL. These may not appropriately address relevant risks. Therefore, management judgemental adjustments may be applied, the measurement of which is inherently judgemental and subject to estimation uncertainty. The relevant disclosure of the related accounting policies and critical estimates and judgements are disclosed in Note 10 of the financial statements.	We involved our economic experts in assessing the severity and probability weighting of economic scenarios. We assessed the reasonableness and likelihood of the forward looking economic assumptions and weightings assigned to the scenarios. The severity and magnitude of the scenarios were compared to external forecasts and data from historical economic downturns. We assessed the assigned weightings, using our independently developed model, with reference to observed historical losses. We involved our credit risk modelling specialists in assessing the appropriateness of the significant assumptions and methodologies used for certain models. We independently replicated a sample of models and assessed the appropriateness of the underlying model codes for other models. We evaluated the appropriateness of material management judgemental adjustments, including post-model adjustments. In addition, we performed substantive testing over: • model performance monitoring, including replication of key model monitoring tests; and • a sample of critical data elements used in the determination of ECL. We evaluated and tested the audited Credit Risk disclosures made in the Annual Report.

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements (continued)

Key audit matter	How our audit addressed the key audit matter
Assessing the carrying value of the investment in subsidiary for impairment (parent)	
At 31 March 2024, the carrying value of the investment in subsidiary was £380.2m. This amount relates to the investment in Atom bank plc. The investment is recorded at cost less any provision for impairment. Management is required to perform an assessment of whether there is any indication that the asset may be impaired. No impairment indicators were identified. The relevant disclosures and accounting policies used by management are disclosed in Note 2 of the Atom Holdco Limited financial statements.	We evaluated management's assessment of whether there is any indication of impairment. This included comparing the carrying value of the investment in subsidiary to the net assets of the subsidiary. We evaluated and tested the audited disclosures made in the Annual Report.

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements (continued)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We performed a risk assessment, giving consideration to relevant external and internal factors, including climate change, economic risks, relevant accounting and regulatory developments, as well as the group's strategy. We also considered our knowledge and experience obtained in prior year audits. We continually assessed the risks and changed the scope of our audit where necessary.

The group comprises four components. Any components that were considered individually financially significant in the context of the Group's consolidated financial statements were considered full scope components. We considered the individual financial significance of other components in relation to primary statement account balances and the presence of any significant audit risks and other qualitative factors. For our group audit, we identified one financially significant component, Atom bank plc. Certain balances were then scoped in for audit on a line by line basis based on their proportion of the consolidated financial statement line item to ensure adequate overall audit coverage for each line item.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	*Financial statements - company*
Overall company materiality	£4.0m (FY23: £2.8m)	£3.8m (FY23: £2.7m)
How we determined it	1% of Net Assets	1% of Net Assets
Rationale for benchmark applied	The group's net assets is considered the most appropriate benchmark as it is correlated to capital and is a key metric for the users of the financial statements. The benchmark takes into consideration balance sheet growth, the importance of capital, and increasing scale of operations.	Based on the nature of the entity being a holding company, net assets is the primary performance measure.

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements (continued)

Materiality (continued)

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £3.80m to £3.83m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (FY23: 75%) of overall materiality, amounting to £3.0m (FY23: £2.1m) for the Group financial statements and £2.8m (FY23: £2.0m) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £201,500 (Group audit) (FY23: £141,000) and £190,000 (Company audit) (FY23: £136,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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 and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

Independent auditors' report to the members of Atom Holdco Limited

Report on the audit of the financial statements (continued)

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and Financial Conduct Authority, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and HMRC Corporation tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial statements and management bias in accounting estimates and judgements, in particular the allowance for expected credit losses and deferred tax assets. Audit procedures performed by the engagement team included:

- discussions with management, and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- review of correspondence with and reports from regulators;
- review of reporting to the Audit Committee in respect of compliance and legal matters;
- identifying and testing journal entries, including those posted with unusual account combinations;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the determination of expected credit losses and the valuation of deferred tax assets; and
- review of the financial statement disclosures to underlying supporting documentation.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report. In our engagement letter, we also agreed to describe our audit approach, including communicating key audit matters.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Atom Holdco Limited

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Michael Whyte
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
13 June 2024

Atom bank