

Atom



Annual Report **2016**

The future of banking,  
available today

**Registered Office**  
Atom Bank plc  
Northumbria House  
Ayckley Heads  
Durham DH1 5TS

This Annual Report and Financial Statements of Atom Bank plc (the "Company") for the year ended 31 August 2021 ("2021") were approved by the Board of Directors on 11 September 2021. The Company's financial statements for 2021 are set out on pages 25 to 33. The Company's financial statements for 2021 are set out on pages 25 to 33. The Company's financial statements for 2021 are set out on pages 25 to 33.

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## Directors



**Anthony Thomson**  
Chairman



**Mark Mullen**  
Chief Executive Officer



**David McCarthy**  
Chief Financial Officer



**Jonathan Hogan**  
Non-Executive Director  
Chair of Nominations and  
Remunerations Committee



**Patricia Jackson**  
Non-Executive Director  
Chair of Risk Committee



**Ergun Özen**  
Non-Executive Director



**Teppo Paavola**  
Non-Executive Director



**Laurel Powers-Freeling**  
Senior Non-Executive Director



**Bridget Rosewell**  
Non-Executive Director  
Chair of Audit Committee



**Mark Mullen**  
Chief Executive Officer



**David McCarthy**  
Chief Financial Officer



**Stewart Bromley**  
Chief Operating Officer



**Andy Givens**  
Chief Technology Officer



**Maria Harris**  
Director of Retail Mortgages



**Craig Iley**  
Managing Director,  
Business Banking



**Rachael McLauchlan**  
Chief Audit Executive



**Chris Sparks**  
Chief Risk Officer



**Edward Twiddy**  
Chief Innovation Officer  
Company Secretary



**Lisa Wood**  
Chief Marketing Officer



Strategic  
Report

# Chairman's Statement

The team at Atom Bank has made tremendous progress over the past twelve months.

When we first started to think about building a new bank, it was important to me that we were as aligned on the 'why' as we were on the 'what'. I believe passionately that profit should be a by-product of giving the customer a better service, product or experience. If we do that well, and manage our business effectively, we will be profitable.

When we were authorised as a bank in June 2015, we were the first bank in the UK designed for mobile. Since that time, the team has worked tirelessly to complete the build and launch of the bank.

By the end of April 2016, when we released our App and started to accept fixed term deposits and offer business loans, we had c. 25,000 pre-account registrations.

The team continues to develop and introduce innovative new features to the App, including predictive analytics and contextual customer support using artificial intelligence.

Over the course of the next twelve months, we intend to introduce a range of retail and business banking products, including mortgages and current accounts.

During the financial year ending March 2016, we raised £39m of shareholder capital, and after the year end, a further £78m was raised. This enables us to continue to launch the

build of the bank. £45m of that capital came from BBVA, one of the world's leading digital banks. They share our commitment to mobile banking and have provided us with much support. I am delighted to welcome them as a shareholder and equally delighted to welcome Teppo Paavola and Ergun Özen to our Board.

BBVA does not currently have a large retail banking presence in the UK, but this strategic investment provides multiple opportunities for us to work with them in sharing innovative thinking.

In February, we announced the successful integration of the team from Grasp (UK) Limited, which further strengthened our App development team.

There have been a number of developments over the past twelve months that will impact us, including the continuing development of the regulatory environment. However, I am confident that our business model, underlying platform and use of open APIs (Application Programming Interfaces) will allow us to take full advantage of the opportunities that arise.

Whilst the full impact of the UK's decision to withdraw from the European Union will take some time to be fully understood, as a UK-only bank we have almost no exposure outside of sterling and see no reason to materially

change the strategy we set at the outset.

Building Atom Bank, and becoming licensed as a bank, has not been easy, but nor should it be. We are custodians of our customers' money and it is important that the banking industry in the United Kingdom has the highest standards.

We remain on target to deliver a strong and stable retail funding base, which will enable us to lend, and are committed to providing better products, service and experiences for our customers.

We strongly support diversity in our workplace and the creation of a high quality working environment for our colleagues.

Atom is a signatory to the Women in Finance Charter and is committed to improving the progression of women into senior roles in the business. Our Internship programme has provided over 25 people with an opportunity to learn from - and in many cases join - a brand new bank at one of the most exciting times in their careers. Atom is culturally diverse, bringing people from many continents together to build the bank. For our people the business offers the same comprehensive healthcare and benefits including pension regardless of role and provides a stimulating and engaging working experience.

Our combination of banking and technical expertise and experience provides the perfect mix of skills to grow our business with the aim of producing superior returns for our shareholders.

I would like to thank all of the Atom team, led by CEO Mark Mullen, for their tremendous achievements over the past twelve months, along with my Board colleagues and our investors for their continued support.



**Anthony Thomson**  
Chairman  
22 July 2016

# Chief Executive's Review

I am very privileged indeed to lead the Atom team.

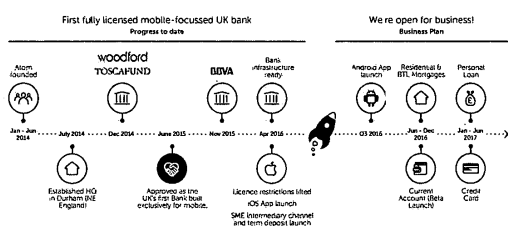
Together, we have a very rare opportunity to create a completely new type of bank. A bank that has learned from the mistakes of the past. A bank that recognises and responds to the technologies and the interconnectedness of today's customers. A bank that values simplicity, transparency and innovation. Above all a bank that understands that all success flows from satisfying customers' needs and expectations.

## The Atom Timeline

Founded in April of 2014, Atom's home is in the city of Durham, in the North East of England. With the support of local business leaders and entrepreneurs, we established a small team to develop our business model and to prepare our Regulatory Business Plan. This was submitted to the PRA and the FCA in December of 2014 at which time we received additional capital support from among others, Neil Woodford's Equity Income Fund.

In June of 2015 our licence application was approved by our regulators and we started the formal mobilisation phase of our development. Throughout this period we continued to build our partnerships, our technologies and our team. We welcomed BBVA as strategic investors with further support from Woodford and Toscafund in April 2016. The restriction on our licence was removed and we exited from our mobilisation phase to launch the first version of our banking App.

We have a busy year in prospect. Starting with a market leading fixed rate savings offer for personal customers, already we are lending to small business customers and later in 2016 we will introduce our intermediary mortgage offer for personal customers. We continue to build our technologies with new versions of our App for iOS and for Android already delivered or pending. In the final quarter of 2016 we plan to



release an early version of our current account and in the early financial year of 2017 we will

publish our APIs and start to broaden our financial ecosystem.

## Business Model

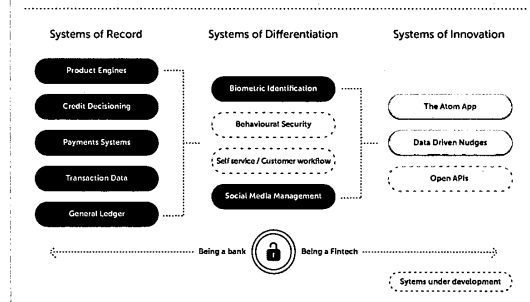
Our business model has been designed to serve the needs of today's customers and respond to changes in the way they expect to interact with their money.

Our technologies have been chosen or developed by Atom to deliver security, flexibility and speed. Building and integrating these technologies has certainly been a challenge but we are increasingly well positioned to offer the full benefits that come from being an independently regulated UK bank and a fast moving Fintech.

As a bank our customer deposits are protected by the Financial Services Compensation Scheme (FSCS) and we can leverage our equity and our customers' deposits to lend to business and personal customers directly. As a Fintech, our technology platform will be used to support

the development of a curated ecosystem of like-minded product and service providers. We will offer Atom products and services where we believe we can provide a better experience to our customers than is available elsewhere. Where this isn't the case, we will collaborate and partner with other Fintechs to ensure that we offer the best value and most innovative solutions to their broader needs and expectations.

This is what it really means to put the customer first. To act in the customer's best interests is to recognise that it's their money and that it's our job to help them make the most of it. We believe in making technology easy, reliable and secure but just in case, our Contact Centre team here in Durham are always on hand to help our customers solve problems, answer questions or to sort it out when things go wrong.



### The First Phase of Atom

As I write this we are nearing the completion of the first phase of our development. This involves completing the build of our core technology platforms, establishing our risk and control frameworks, recruiting and training our development, operations and customer support teams and finalising our products. We are in the middle of inviting our very patient pre-registered customers to download our banking App and open one of our savings accounts. Very soon we will make our offer available to the whole of the UK market, offering both iOS and Android versions of our App. We have a growing pipeline of business lending applications and we are completing the final testing of our intermediary mortgage offer for personal customers.

With every initiative and with every release we are focused on making things faster, on providing our customers with better information and on giving them greater control. It takes minutes to open a new account using our banking App with its innovative biometric security controls and it's a completely paper-free process. We aim to turn around business lending decisions within a maximum of 72 hours and our mortgage intermediary process will set a new standard in the industry and will provide our customers with real-time digital document exchange and App-based updates on the progress of their mortgage application.

### The Second Phase of Atom

We have also laid the foundations for the second phase of our development. At the heart of Phase II sits the Atom current account, our instant access savings account and our

overdraft facility. We are building our own data and analytics services and will use these capabilities to enrich our customers' experience by providing them with money management services, spend analysis, forecasting tools and real-time hints, tips and nudges. We remain convinced that the banking industry continues to exploit customers who forget maturity dates, fall outside account thresholds or make use of unplanned overdraft facilities. We have no intention of repeating their policies or behaviours.

Side by side with the development of these products we are engineering our systems to support the publication of APIs. This will enable us to create collaborative partnership with additional product, service and information providers and to further enrich our customer's experience. I am very excited at the opportunities this provides Atom to really transform expectations of what a bank can be and how it can act in the interests of customers. One size fits some, not all, so we will not insist that our customers buy Atom-only products or services but rather provide the technology for them to see and manage all of their financial services through one simple and effective gateway.

### Customer Experience

We work hard to ensure that we produce the right products, efficient and effective processes and the right customer experience at Atom. We have documented very clear product standards. These establish the non-negotiable facts and features of what constitutes an acceptable Atom product. For example, we do not offer teaser rates and we avoid minimum balance thresholds that are designed to catch-out customers. Our vision is to ensure that all of our processes are

real-time and straight-through via our banking App and already we have made remarkable progress towards making this a reality. We are using an embedded in-App AI facility to provide customers with effective self-help capabilities.

We also employ our own Contact Centre Team as an integral part of the Atom family. They are available to help our customers 24 hours a day, 7 days a week and have a range of diagnostic and problem solving tools at their disposal to make sure that they can support customers who do encounter difficulties both quickly and efficiently. We are socially connected to our customers and can interact with them directly using voice, App-chat, secure message and social media. We collect and monitor customer feedback in real-time and our Customer Experience team work to deliver continuous improvements to our App journeys in response to direct or to social media feedback.

Our Business Banking team provide support to our commercial mortgage intermediary relationships to ensure that both they and their customers receive the support that they need. Our Personal Mortgage Team provide similar levels of support and guidance to our national network of mortgage brokers.

### Employee Experience

People matter more. Although Atom is a technology intense bank, everything we are and everything we do is conceived, created or managed by members of our team. Already we have 158 employees and while remaining lean and agile, we will continue to grow. We fully appreciate the importance of culture in shaping positive customer outcomes. Our values drive our recruitment and we are

exactingly in our standards. Our pay practices are designed to ensure that our people have a stake in the future success of our business and that at all times they will act in the interests of our customers. For example we do not pay cash bonuses. Discretionary pay takes the form of share options that vest over time and all of our employees can take advantage of individual training support to pursue interests outside of work.

### Cyber Security

Security is essential in everything we do both digitally and physically, and embedded in all processes across our business. We have taken the approach when building our App not to base it around browser technology which relies heavily on the safety and security of the installed browser. Instead our App front end is connected to a layered security framework so we focus on customer security and embrace a comprehensive approach that meets evolving security threats.

We use sophisticated security measures to protect Atom data and systems from unauthorised access. The security measures include use of encryption and digital signatures to ensure continuing integrity of data, firewalls, intrusion detection systems and 24 x 7 physical protection of our facilities where data is stored. We also carry out background checks for personnel that access physical facilities and ensure strong security procedures across all our operations. These measures help ensure that data is safe and secure.

### Our Community

We are very conscious of the importance of developing positive relationships with all of

our stakeholders. We are proud of our North East home and we look to the skills and knowledge of the region to help make our business a success. We also work to maintain an open, positive and ongoing dialogue with our regulatory supervision teams.

In continuing to develop our talent pipeline and work closely with the educational establishments to nurture the skills we need, we've developed partnerships with each of the universities in our region. These partnerships have played an important role in the success of our Intern Programme. We've welcomed more than 25 interns through our doors in the last 18 months, each coming from the main universities in the region and from a range of backgrounds and studies. Our Intern Programme has given these young people a taste of working in a start-up business and a huge learning opportunity within the field of technology and finance. Importantly, Atom has learnt from this group of people too.

We continue to develop relationships with local colleges and other community projects, exploring how we can both support learning and development, as well as providing

sustainable job opportunities to those living locally. We forged strong partnerships with local universities when developing our technological capabilities, and have worked closely with them on specific projects. We have put in place a Knowledge Transfer Programme (KTP) with Durham University aimed at developing a statistical model for the bank, which we will use to assist us in managing our financial performance toward an optimal level. Under the KTP, Durham University shares its world-class skills in mathematics and statistics, and in return the individuals seconded learn more about running a retail bank.

A grant has been provided by the University to pay for the highly skilled individuals that have been seconded to Atom.

Over the course of the year the team has been involved in a number of community and charity initiatives, including the 'CEO Sleep Out' and has supported over ten charities raising over £15,000 in total (we have also planted many, many trees!)

## Our Values

Atom has a core set of business values that underpins the way we operate, focusing on an ethos which promotes treating customers fairly.

### Respectful

- We care. We take ownership. We stand by our commitments and will see them through.
- We act responsibly within our communities and for our environment.

### Pioneering

- We are prepared to transform our industry for the better. Our customers expect evolution.
- We have freedom to explore and invent.

### Sharing

- We seek out partnerships with our customers, our people and our suppliers.
- We are a united team.
- We collaborate internally and externally.

### Courageous

- We are authentic. We have integrity.
- We stand up for what is right and take the initiative.

### Energetic

- We want to set the pace, one that anticipates and pre-empt.
- We are here for the long term, but live in the moment.

### Joyful

- We believe passionately in what we are doing. We have pride in who we are.
- Banking can and will be fun.
- We enjoy every day like it is our first.

## What's Next?

In common with all banks we are monitoring developments in the post-Brexit broader economy very carefully and we are taking appropriate steps to optimise our capital and minimise wastage. We balance this against the need to maintain our hard-won momentum and to realise our ultimate vision. We will invest in communications to develop broader awareness of Atom, what we stand for and how we can help.

We set out to earn the trust of our customers and our stakeholders but we will only do so by offering credibility, security and empathy and by keeping our promises. In the interconnected digital economy this cannot be faked. Character is action and not claim.

## Summary

It remains for me to thank my immediate leadership team and the broader Atom family here in Durham. Thanks also to my Atom Board colleagues led by our Chairman Anthony Thomson for their steadfast challenge, support and encouragement. The scale of our undertaking should not be underestimated but we face the future with our licence, with strong shareholder support and with an engaged and energised team. We are in a unique position to realise our vision, to change banking for good, that is permanently for the better.



**Mark Mullen**  
Chief Executive Officer  
22 July 2016



# Corporate Governance

Atom's Board of Directors is responsible for the overall governance of the bank.

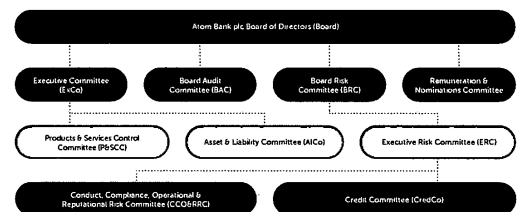
Good corporate governance underpins the integrity of Atom and the wider community in which it operates.

The success of the bank is predicated on an established framework of effective systems of internal control, risk management and compliance, in accordance with regulatory requirements.

Effective governance is not achieved by one single committee, structure or forum but rather a governance framework. This is underpinned by structure, oversight responsibilities, talent, culture and infrastructure. The effective governance structure for Atom Bank comprises the following (see fig. 1):

- A Board comprising Executive and Independent Non-Executive Directors (the 'Board');
- An overarching Executive Committee ('ExCo');
- Board committees for audit, risk and a combined remuneration and nominations committee;
- Executive business oversight committees;
- Senior Management apportionment of responsibilities; and
- A "Three Lines of Defence" operating model.

Governance Framework (fig. 1)



# Risk Management

Effective risk management is a core part of Atom's strategy and is integral to being an authorised and credible bank. Our focus has been on implementing an effective risk management framework and strong risk management culture, with responsibilities clearly embedded within the business.

## Risk Management Framework

Atom has developed a risk management framework which outlines Atom's approach to risk management and how its key risk exposures are identified, assessed, managed, monitored and reported.

The framework has been established in order to:

- Articulate Atom's risk strategy;
- Establish standards for the consistent identification, measurement, management, monitoring and reporting of risk exposures;
- Define the categories of risk to which the bank is exposed;
- Define the Three Lines of Defence model;
- Outline the approach taken in respect of setting and defining risk appetite and associated tolerances; and
- Identify the governance committees that provide oversight and challenge over risk management activities.

The framework applies to all material risk types facing the bank. However Atom has identified 10 risk categories which are most pertinent to the bank's operations:

1. **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.
2. **Retail Credit Risk** – the risk that a customer of the bank (personal or commercial) defaults on their contractual obligations to Atom, or fails to perform its obligations in a timely manner.
3. **Operational Risk** – the risk of loss, whether direct or indirect, to which Atom is exposed due to inadequate or failed internal processes or systems, human error or external events.
4. **Regulatory Risk** – the risk of financial loss, reputational damage and/or regulatory censure arising from (a) failing to comply with existing / future regulatory or legislative requirements, or (b) changes to existing requirements that negatively impact the existing strategy / business model of the bank.
5. **Conduct Risk** – the risks arising from inappropriate behaviour by Atom

in its relationship with customers, counterparties and markets.

6. **Market Risk** – the risk that Atom could lose money as a consequence of movements in the market prices for which the bank has positions at risk, such as interest rates and foreign exchange rates.
7. **Solvency Risk** – the risk that Atom could have insufficient capital to withstand an extreme, but plausible, loss and thereby expose its depositors and other creditors to losses.
8. **Liquidity Risk** – the risk that Atom could fail to meet its obligations as they fall due, including having the right type and quantity of funds, in the right place, at the right time.
9. **Wholesale Credit Risk** – the current or prospective risk that a wholesale counterparty of the bank defaults on its contractual obligations to Atom, or fails to perform its obligations in a timely manner.
10. **Reputational Risk** – the risk of damage to Atom's reputation and brand directly as a result of the actions of the bank itself, or indirectly due to the actions of employees, suppliers or other parties.

## Risk Governance and Oversight

The Board is ultimately responsible for ensuring that the risk management framework and risk governance structure is applied in practice and operates robustly. The Board Risk Committee is the primary committee to receive and review risk-related information.

First line management and committees are responsible for ensuring that the risk and control environment is established and

maintained in day-to-day decision making, and that individual decisions are made in line with the agreed risk appetite.

The Risk function and second line committees are responsible for assessing the adequacy and effectiveness of the first line risk governance and control framework. They ensure that risk limits are set at appropriate levels to keep aggregate risks within risk appetite and that the aggregate forward-looking risk profile relative to risk appetite is effectively monitored and reported to the Board Risk Committee.

Effective risk management at Atom is supported by a Three Lines of Defence model:

The **first line of defence** is responsible for identifying, assessing and managing risks and controls related to their own business line activities on a day-to-day basis. First line colleagues operate the business in accordance with the risk management framework and ensure that its requirements are translated into effective operating processes.

The **second line of defence** is the Risk function. They are independent from the first line and responsible for overseeing the application of the risk management framework and ensuring that the business operates within the risk appetite, limits and tolerances that have been set by the Board.

The **third line of defence** is the Internal Audit function. They provide 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.

Risk Management, continued...

#### Key and Emerging Risks

Delivery of our strategy exposes Atom to key risks which are regularly considered by the Executives and the Board through Atom's Key and Emerging Risk Register.

The identification and monitoring of these risks is integral to our approach to risk management, and forms a cornerstone of our business planning activities, ensuring that strategies and activities are appropriately focussed on addressing these concerns.

The Key and Emerging Risk Register presently consists of 12 risks, including the following 3 which are particularly pertinent to Atom's business model:

- **Financial / Cyber Crime** – the launch of a new bank is expected to attract the attention of those looking to perpetrate fraud, money laundering, terrorist financing and cyber crime. Any successful attack perpetrated against Atom has the potential to cause not only significant financial loss, but also legal and regulatory action.

Atom is deploying strong controls to monitor and authorise customer access, transactions and devices, but there remains a risk that fraudsters employ technology to directly attack the systems and networks that Atom is using rather than individual accounts. As well as the due diligence, design and testing that is going into building network and systems security, Atom is operating perimeter controls to detect and prevent attempts to compromise systems.

- **Supplier Risk** – many of Atom's key functions are outsourced to third party contractors, and if any of these contractors are unable to deliver the required functions and processes in a timely manner and in accordance with our specifications; or if third party systems fail or do not perform as expected, Atom's banking activities could be severely compromised.

Atom has designed a control framework for selection, contracting and management of outsourcing and other supplier arrangements in a way that is controlled, effective and fully compliant with all applicable regulatory requirements. Atom is also building resilience into its third party arrangements through appropriate monitoring and reporting, business continuity and disaster recovery arrangements.

- **Attracting Customers** – Atom's business plan has been developed on the principle that a significant number of customers will be attracted by the Company's 'digital first' model. There is a risk that Atom fails to stimulate enough awareness and interest in its services, either through the design of its banking solution or through its products to attract the volume of business anticipated.

Considerable customer research and insight activity has been conducted to establish the market for Atom's App and products. Atom also has early evidence of customer interest through registrations on the Atom website and interest in our first product offerings.

## Directors' Report

The Directors present their report and financial statements for the year ended 31 March 2016. Atom Bank plc is a public limited company, incorporated and domiciled in England and Wales, having its registered office in England and is authorised and is regulated by the PRA and the FCA.

### Review of Business

Atom aims to be the UK's first truly mobile personal and business bank. Its intention is to change the landscape of UK banking by offering a broad range of attractively priced products, delivered through an engaging and intuitive App-based platform, optimised for smartphones and tablets. During the year the business has made significant progress in preparation to start trading:

- Capital of £39m was raised via equity shares, with an additional £78m raised in April 2016;
- The first version of the App was developed and released in April 2016;
- On 23 June 2015 Atom was granted authorised deposit-taker status by the FCA with a restriction to maximum total deposits of £50,000. The restriction was lifted and a full banking licence was granted following the year end on 4 April 2016; Atom started to accept savings and loan business from this date;
- The process to enable lending to small business customers was developed;
- Significant investment has been made in

the technology and platforms that will provide our services; and,

- The Atom family has grown to 153 employees.

### Financial Performance

As a result of the activities above Atom has made a net loss for the year of £22.5m (2015: £5.9m). The cash generated by the equity raise during the year has been utilised primarily to build the infrastructure of the bank including IT platforms, development of the App and operating expenses during the year. Excess cash holdings were invested in short term financial instruments. These generated income of £46k (2015: £13k).

Total operating costs incurred in the year were £23.4m (2015: £6.3m). Of this £11.6m (2015: £3.2m) was spent on staff costs which included £3.5m (2015: Nil) for employee share option schemes. Other significant costs within operating expenses of £11.8m (2015: £3.2m) related to development of IT functions of Atom, IT infrastructure costs and App development of £18.4m (2015: £3.2m) were capitalised as intangible assets.

A tax credit of £1.4m (2015: £0.6m) was recognised during the year relating to amounts due from HMRC in respect of research and development tax credits.

Total assets at the year end were £37.5m (2015: £12.1m), with cash and financial investments totalling £13.8m (2015: £5.2m) available to support the continued build of the bank phase.

Atom is truly focused on managing conduct risk, placing the customer at the heart of Atom's strategy and aiming to achieve fair customer outcomes. The Conduct Risk Framework and Policy is owned by the Board who ultimately drive the approach. Atom's approach to conduct risk management is incorporated throughout each of the policies and standards across the business. Conduct risk management information has been designed to report on the delivery of fair customer outcomes. A programme of compliance monitoring has also been developed on a risk-based approach incorporating customer outcome testing, conduct and wider regulatory risks. Information regarding risk management is disclosed in the Strategic Report under the heading Risk Management.

### Directors

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

**Anthony W Thomson** (Chairman)  
**John V Deane** (Resigned 31 December 2015)  
**Jonathan D Hogan**  
**Patricia D Jackson**  
**David J McCarthy**  
**Mark T Mullen**  
**Ergun Özen** (Appointed 1 April 2016)  
**Teppo Paavola** (Appointed 1 April 2016)  
**Laurel C Powers-Freeling** (Appointed 28 July 2015)  
**Bridget C Rosewell**

### Auditors

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

- So far as he/she is aware, there is no relevant audit information of which the Company's auditor is unaware;
- He/she has 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 Company'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 reappoint them will be considered at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



**Mark Mullen**  
Chief Executive Officer  
22 July 2016

## Directors' Responsibilities Statement

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under company law the 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and

- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Approved by the Board and signed by order of the Board:



**Edward Twiddy**  
Company Secretary  
22 July 2016



## Independent Auditor's Report

to the Members of Atom Bank plc

### Report on the financial statements

#### Our opinion

In our opinion, Atom Bank plc's financial statements (the "financial statements"):

- Give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its loss and cash flows for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

#### What we have audited

The financial statements, included within the Annual Report (the "Annual Report"), comprise:

- The Statement of Financial Position as at 31 March 2016;
- The Statement of Comprehensive Income for the year then ended;
- The Statement of Cash Flows for the year then ended;
- The Statement of Changes in Equity for the year then ended; and
- The notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Other matters on which we are required to report by exception Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or

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

We have no exceptions to report arising from this responsibility.

#### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

#### Responsibilities for the financial statements and the audit Our responsibilities and those of the Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- Whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- The reasonableness of significant accounting estimates made by the directors; and
- The overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing

the effectiveness of controls, substantive procedures or a combination of both. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



**Gary Shaw**  
Senior Statutory Auditor  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
22 July 2016

# Statement of Comprehensive Income

Year Ended 31 March 2016

	Notes	Year Ended 31 March 2016 £'000	8 Months to 31 March 2015 £'000
Interest and similar income	2	46	13
Interest and similar expense		-	(1)
<b>Net interest and similar income</b>		<b>46</b>	<b>12</b>
Fee and commission expense		(28)	-
Staff costs	3	(11,590)	(3,177)
Operating expenses	5	(11,769)	(3,177)
<b>Operating loss</b>		<b>(23,331)</b>	<b>(6,342)</b>
Depreciation and amortisation	6	(604)	(143)
Loss before taxation		(23,935)	(6,485)
Taxation	7	1,420	614
<b>Total comprehensive loss for the year/period</b>		<b>(22,515)</b>	<b>(5,871)</b>
Attributable to:			
Owners of the Company		(22,515)	(5,871)

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


# Statement of Financial Position

As at 31 March 2016

	Notes	31 March 2016 £'000	31 March 2015 (restated) £'000
<b>Assets</b>			
Cash and cash equivalents	8	7,240	5,182
Financial investments	9	6,559	-
Trade receivables		-	37
Other assets	10	2,445	2,206
Tax asset	7	1,420	614
Property, plant and equipment	11	484	357
Intangible assets	12	19,341	3,695
<b>Total assets</b>		<b>37,489</b>	<b>12,091</b>
<b>Liabilities</b>			
Customer accounts		10	-
Other liabilities	13	8,183	3,068
<b>Total liabilities</b>		<b>8,193</b>	<b>3,068</b>
<b>Equity</b>			
Share capital	14	1	50
Share premium account	15	54,996	15,557
Other reserves		3,501	103
Retained earnings		(29,202)	(6,687)
<b>Total equity</b>		<b>29,296</b>	<b>9,023</b>
<b>Total Liabilities and Equity</b>		<b>37,489</b>	<b>12,091</b>

The notes and information on pages 32 to 49 form part of these financial statements.  
These financial statements were approved by the Board and were signed on its behalf by:

  
**Mark Mullen**  
Chief Executive Officer  
22 July 2016

  
**David McCarthy**  
Chief Financial Officer  
22 July 2016



## Statement of Changes in Equity

Year Ended 31 March 2016

	Share capital £'000	Share premium account £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
<b>As at 31 July 2014</b>	<b>50</b>	<b>3,108</b>	<b>-</b>	<b>(816)</b>	<b>2,342</b>
Proceeds from issue of shares, net of expenses	-	12,449	-	-	12,449
Other reserves	-	-	103	-	103
Loss for the period	-	-	-	(5,871)	(5,871)
<b>As at 31 March 2015</b>	<b>50</b>	<b>15,557</b>	<b>103</b>	<b>(6,687)</b>	<b>9,023</b>
Proceeds from issue of shares net of expenses	1	39,439	(103)	-	39,337
Redemption of preference shares	(50)	-	-	-	(50)
Share option scheme reserves	-	-	3,501	-	3,501
Loss for the year	-	-	-	(22,515)	(22,515)
<b>As at 31 March 2016</b>	<b>1</b>	<b>54,996</b>	<b>3,501</b>	<b>(29,202)</b>	<b>29,296</b>

## Statement of Cash flows

Year Ended 31 March 2016

	12 Months to 31 March 2016 £'000	8 Months to 31 March 2015 (restated) £'000
<b>Cash outflows from operating activities</b>		
Loss for the year/period	(22,515)	(5,871)
Adjustment for non-cash items		
- Depreciation and amortisation	604	43
- Share option scheme reserves	3,501	103
- Intangible assets adjustments and write-off	2,295	-
Changes in operating assets and liabilities		
Net increase in financial investments	(6,559)	-
Net increase in customer deposits	10	-
Net decrease in trade receivables	37	-
Net increase in other assets	(239)	(2,206)
Net increase in tax asset	(806)	(614)
Net increase in trade and other payables	5,115	2,551
<b>Net cash used in operating activities</b>	<b>(18,557)</b>	<b>(5,994)</b>
<b>Cash flows from investing activities</b>		
Payments for software	(18,417)	(2,564)
Payments for banking licence	(8)	(674)
Purchases of property, plant and equipment	(247)	(333)
<b>Net cash outflows from investing activities</b>	<b>(18,672)</b>	<b>(3,571)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issuance of ordinary shares, net of expenses	39,337	12,449
Redemption of preference shares	(50)	-
<b>Net cash inflows from financing activities</b>	<b>39,287</b>	<b>12,449</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,058</b>	<b>2,884</b>
Cash and cash equivalents at beginning of the financial year/period	5,182	2,298
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>7,240</b>	<b>5,182</b>



# Notes to Financial Statements

Year Ended 31 March 2016

## 1. Accounting Policies

### Basis of preparation

The financial statements of Atom Bank plc have been prepared and approved by the Board of Directors in accordance with the Companies Act 2006 and with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU").

In preparing the 2016 financial statements, the 2015 comparative numbers were restated from the original £ (nearest pound) to £ '000 (nearest thousand pounds). As a result of rounding issues arising from this change, the presentation of some of the comparative numbers may differ slightly to the 2015 financial statements.

The accounting policies have been applied consistently, except as explained in the prior year restatement note below. The amounts expected to be recovered or settled for assets and liabilities in the financial statements are due no more than twelve months after the reporting period unless specifically stated.

### Accounting convention

The financial statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments. The principal accounting policies are set out below.

### Future accounting developments

At the date of authorisation of these financial statements, certain standards and interpretations were in issue but not yet effective and have not been applied in these financial statements.

The Directors do not expect that the adoption of those standards will have a material impact on the financial statements of the Company in future periods, except as follows:

- IFRS 9 will impact both the measurement and disclosures of financial instruments.
- IFRS 15 may have an impact on revenue recognition and related disclosures.

Beyond this information, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

### Going concern

The financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Company 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 long term strategy of the business.

The Company's forecasts and projections show that it will be able to operate at adequate levels of both liquidity and capital for the foreseeable future, including a range of stressed scenarios. After making due enquiries, the Directors believe that the Company has sufficient resources to continue its activities for the foreseeable future and to continue its expansion, and the Company has sufficient capital to enable it to continue to meet its regulatory capital requirements as set out by the Prudential Regulation Authority ("PRA").

### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The critical accounting judgements are noted in relevant notes to the financial statements.

### Interest and similar income and expense

Interest and similar income on financial assets that are classified as loans and receivables, held to maturity or available for sale, and interest expense on financial liabilities other than those at fair value through profit or loss, are recognised in the

'Interest and similar income' and 'Interest and similar expense' sections of the income statement using the effective interest rates of the financial assets or financial liabilities to which they relate.

### Financial assets and liabilities

The Company applies IAS 39 Financial Instruments: Recognition and Measurement to the recognition, classification and measurement, and derecognition of financial assets and financial liabilities and the impairment of financial assets.

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 would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

### Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any provisions for impairment. Historical cost includes expenditure that is directly attributable to the cost of the assets.

Property, plant and equipment are depreciated, other than freehold land, at their depreciable amounts according to the straight-line method over the estimated useful life of each class of asset. Depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

The useful life for each class of asset is as follows:

- **Leasehold improvements:** Over the remaining life of the lease
- **Fixtures and fittings:** 5-25 years
- **Office equipment:** 3 years
- **IT equipment:** 3 years

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.

#### 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 is assumed to have 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.
- **IT Infrastructure:** 5 years
- **App Development:** 7 years

At each balance sheet date, the Company 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 its 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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 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 Company is expected to benefit. This expected period is detailed in the amortisation policy detailed above.

#### Employee benefits

Short-term employee benefits, such as salaries, paid absences and other benefits, are accounted for on an accruals basis over the period during which employees have provided services in the year.

The Company also provides a defined contribution pension scheme for its staff and share options scheme.

#### i Pension Scheme

For defined contribution schemes, the Company recognises contributions due in respect of the accounting period in the income statement. Any contributions unpaid at the balance sheet date are included as a liability.

#### ii Share Options Scheme

Employees (including senior executives) 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.

The cost of the employee services received in respect of the shares or

share options granted is recognised in the income statement over the period that employees provide services. This is generally the period in which the award is granted or notified and the vesting date of the shares or options. The overall cost of the award is calculated using the number of shares and options expected to vest and the fair value of the shares or options at the date of grant.

The fair value of options at grant date is recognised as an employee expense with a corresponding increase in equity over the period that the employees become unconditionally entitled to the awards. The grant date fair value is determined using valuation models which take into account the terms and conditions attached to the awards. Inputs into valuation models include the risk free interest rate, the expected volatility of the Company's share price and other various factors which relate to performance conditions attached to the award.

#### Provisions

Provisions (except impairment provisions) are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events, and a reliable estimate can be made of the amount of the obligation.

#### Taxes

Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders'

equity, in which case it is recognised in shareholders' equity.

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

#### Deferred Tax

A deferred tax liability 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 liabilities are generally recognised for all taxable temporary differences and 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 or the deferred tax liability is settled.

#### Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

#### Capital Instruments

The Company classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Company after the deduction of liabilities. The components of a compound financial instrument issued by the Company are classified and accounted for separately as financial assets, financial liabilities or equity as appropriate.

#### Prior Year Restatement

The comparative balances for the period ended 31 March 2015 have been restated.

In the period ended 31 March 2015, costs relating to subscriptions for software licences were capitalised as intangible assets along with the development of IT infrastructure. However annual subscriptions for software licences are not regarded as an asset with long term benefits but a consumable cost requiring renewal on annual/periodic basis to carry out operations of the company. £2.0m of such costs (along with amortisation of £0.1m) has been moved from intangible assets to current assets as a prepayment of subscription for licences. This further ensures consistency of treatment across all software and non IT related licence costs. There is no impact of the restatement on the Statement of Comprehensive Income.

The effect of the restatement on the lines in the Statement of Financial Position and the Statement of Cash Flows is as follows:

### 1. Accounting Policies, continued...

	31 March 2015 £'000
<b>Statement of Financial Position</b>	
Decrease in Intangible Assets	(1,900)
Increase in Other assets	1,900
<b>Net impact on Total assets</b>	-

### 2. Interest and Similar Income

	12 Months to 31 March 2016 £'000	8 Months to 31 March 2015 £'000
<b>Interest and similar income</b>		
Cash and cash equivalents	23	13
Financial investments	23	-
	<b>46</b>	<b>13</b>

Notes to Financial Statements, continued...

### 3. Staff Costs

	12 Months to 31 March 2016 £'000	8 Months to 31 March 2015 £'000
Wages and salaries	6,701	2,635
Employee share option schemes	3,501	-
Pension costs	577	207
Social security costs	801	335
	<b>11,580</b>	<b>3,177</b>

The analysis above includes staff costs in relation to Executive and Non-Executive Directors.

	31 March 2016 Number	31 March 2015 Number
<b>Average monthly number of employees during the year/period</b>		
Executive	7	2
Business and customer operations	29	5
Marketing and Innovation	27	12
Risk	11	3
Finance	8	4
Technology	12	5
	<b>94</b>	<b>31</b>

The total number of persons employed at the end of 2016 was 158 (2015: 54). See note 17 for further information on employee share option schemes.

### 4. Disclosure of Key Management Personnel and Directors' Emoluments

	12 Months to 31 March 2016 £'000	8 Months to 31 March 2015 £'000
Wages and salaries	1,036	736
Employee share option schemes	937	-
Pension costs	107	81
Social security costs	136	97
	<b>2,216</b>	<b>914</b>

Key management personnel are defined as those on the Executive Committee, excluding any Directors, for whom amounts have been separately disclosed below

<b>Directors' emoluments</b>		
Wages and salaries	1,132	822
Pension contributions	50	32
Social security costs	155	107
Share based schemes	346	-
	<b>1,683</b>	<b>961</b>

<b>Highest paid Director</b>		
Wages and salaries	269	172
Pension contributions	20	20
Social security costs	36	23
Share based schemes	161	-
	<b>486</b>	<b>215</b>

The highest paid Director did not exercise any share options. There were 2 Directors (2015: 2) who accrued retirement benefits under the defined contribution scheme:

Notes to Financial Statements, continued..

## 5. Operating Expenses

	12 Months to 31 March 2016 £'000	8 Months to 31 March 2015 £'000
Administrative expenses	2,839	732
IT costs	5,535	320
Contractor costs	1,437	1,730
Marketing	1,918	252
Auditors' remuneration for audit of the company's financial statements	27	19
Auditors' remuneration for other services	13	124
	<b>11,769</b>	<b>3,177</b>

The auditors' other services of £13k during the year comprised of work on audit related assurance services (2015: ICAAP advisory £111k and audit related assurance services £13k).

## 6. Depreciation and Amortisation

	12 months to 31 March 2016 £'000	8 months to 31 March 2015 £'000
Amortisation of intangible assets	484	101
Depreciation of property plant and equipment	120	42
	<b>604</b>	<b>143</b>

## 7. Taxation

	12 Months to 31 March 2016 £'000	8 Months to 31 March 2015 £'000
Loss on ordinary activities before tax	23,935	6,485
Standard rate of corporation tax	20%	21%
Expected tax credit	4,787	1,362
Adjustments in respect of prior periods	-	73
Research and development tax credits	1,420	541
Other timing differences	(4,787)	(1,362)
<b>Total tax credit</b>	<b>1,420</b>	<b>614</b>

No corporation tax liabilities are payable nor receivable from HMRC for the year (2015: Nil).  
Total tax credit £1,420k (2015: £614k) relates to amounts due from HMRC in respect of research and development tax credits for the year.

## Deferred Tax Assets

The Directors have concluded that it is not appropriate to recognise a deferred tax asset at the balance sheet date as the majority of accumulated losses will be available to offset against future taxable profits and the Company is not expected to make a profit in the foreseeable future. Were it to have been recognised, deferred tax asset would have an estimated value of £4.6m, being £25.6m (2015: £1.3m) of trading losses carried forward taxed at the expected rate of 18%. These timing differences may be recognised in the future as taxable profits arise.

**8. Cash and Cash Equivalents**

	31 March 2016 £'000	31 March 2015 £'000
Cash at bank and in hand	240	5,182
Investments	7,000	-
	<b>7,240</b>	<b>5,182</b>

Investments comprise money market and time deposits with original maturities of 3 months or less

**9. Financial Investments**

	31 March 2016 £'000	31 March 2015 £'000
Financial instruments	6,559	-
	<b>6,559</b>	<b>-</b>

Financial instruments comprise UK Treasury Bills and Gilts and are valued by reference to a quoted market price, therefore included in IFRS13 Level 1 at 31 March 2016

**10. Other Assets**

	31 March 2016 £'000	31 March 2015 (restated) £'000
Rent and rates on premises	21	48
Prepayments	2,424	2,158
	<b>2,445</b>	<b>2,206</b>

**11. Property, Plant and Equipment**

	Fixtures and Fittings £'000	Office and IT Equipment £'000	Total £'000
<b>Cost</b>			
As at 1 April 2015	159	243	402
Additions	80	167	247
<b>As at 31 March 2016</b>	<b>239</b>	<b>410</b>	<b>649</b>
<b>Depreciation</b>			
As at 1 April 2015	5	40	45
Charge for the year	23	97	120
<b>As at 31 March 2016</b>	<b>28</b>	<b>137</b>	<b>165</b>
<b>Net book value</b>			
As at 31 March 2016	<b>211</b>	<b>273</b>	<b>484</b>
<b>Cost</b>			
As at 1 August 2014	-	69	69
Additions	159	174	333
<b>As at 31 March 2015</b>	<b>159</b>	<b>243</b>	<b>402</b>
<b>Depreciation</b>			
As at 1 August 2014	-	3	3
Charge for the year	5	37	42
<b>As at 31 March 2015</b>	<b>5</b>	<b>40</b>	<b>45</b>
<b>Net book value</b>			
As at 31 March 2015	<b>154</b>	<b>203</b>	<b>357</b>

## 12. Intangible Assets

	Banking License £'000	IT Infrastructure and App Development £'000	Total £'000
<b>Cost</b>			
As at 1 April 2015 (restated)	990	2,706	3,696
Adjustments	(111)	(12)	(123)
Additions	8	18,417	18,425
Write-off	-	(2,172)	(2,172)
<b>As at 31 March 2016</b>	<b>887</b>	<b>18,939</b>	<b>19,826</b>
<b>Amortisation</b>			
As at 1 April 2015 (restated)	-	1	1
Charge for the year	-	886	886
Write-off	-	(402)	(402)
<b>As at 31 March 2016</b>	<b>-</b>	<b>485</b>	<b>485</b>
<b>Net book value</b>			
As at 31 March 2015 (restated)	<b>990</b>	<b>2,705</b>	<b>3,695</b>
<b>As at 31 March 2016</b>	<b>887</b>	<b>18,454</b>	<b>19,341</b>

Certain costs incurred in software development that had previously been capitalised have been written-off. This follows a review by the Board of the various software components which concluded that elements would not be used, as alternative internally developed solutions would replace them.

Adjustments relate to the revision of cost estimates used to capitalise Banking Licence in the prior period.

## 12. Intangible Assets, continued...

	Banking License £'000	IT Infrastructure and App Development £'000	Total £'000
<b>Cost</b>			
As at 1 August 2014	316	142	458
Additions	674	2,564	3,238
<b>As at 31 March 2015 (restated)</b>	<b>990</b>	<b>2,706</b>	<b>3,696</b>
<b>Amortisation</b>			
As at 1 August 2014	-	-	-
Charge for the year	-	1	1
<b>As at 31 March 2015 (restated)</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Net book value</b>			
As at 31 July 2014	<b>316</b>	<b>142</b>	<b>458</b>
<b>As at 31 March 2015 (restated)</b>	<b>990</b>	<b>2,705</b>	<b>3,695</b>



**13. Other Liabilities**

	31 March 2016 £'000	31 March 2015 £'000
Trade creditors	4,816	835
Other taxes and social security costs	323	181
Accrued pension costs	183	51
Accruals and deferred income	2,861	2,001
	<b>8,183</b>	<b>3,068</b>

**14. Share Capital**

	31 March 2016 Number	31 March 2016 £
<b>Issued share capital</b>		
Ordinary shares of £0.00001 each	74,573,229	746
Preference shares of £1 each		-
	<b>74,573,229</b>	<b>746</b>

	31 March 2015 Number	31 March 2015 £
<b>Issued share capital</b>		
Ordinary shares of £0.00001 each	27,135,090	271
Preference shares of £1 each	50,000	50,000
	<b>27,185,090</b>	<b>50,271</b>

Ordinary shares have full voting rights attached, save that, irrespective of the number of shares held by CF Woodford Equity Income Fund, it will hold a maximum of 19.5% of the voting rights in the Company.

During the year 47,438,139 Ordinary shares of £0.00001 were issued for £41,873k.

The preference shares did not hold any voting rights in the Company nor do they carry rights to dividends. All preference shares were repaid during the year at par.

**15. Share Premium Account**

	31 March 2016 £'000	31 March 2015 £'000
Share premium issued	58,221	16,348
Expenses of issue of shares	(3,225)	(791)
	<b>54,996</b>	<b>15,557</b>

**16. Capital Management**

The Company maintains an actively managed capital base to cover risks inherent in the business. The primary objectives of the capital management is to ensure that the Company complies with both external and internal capital requirements and that the Company maintains healthy capital ratios in order to support its business and maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions, risk characteristics of its activities and regulatory requirements.

The adequacy of the Company's capital is monitored using, amongst others, the rules and ratios established by the PRA. During the past year, the Company complied in full with all its externally imposed capital requirements.

Atom's capital comprises net equity of £29m (2015: £9m). The regulatory capital base differs from amounts reported above due to differing treatment of certain reserves and deduction of intangible assets.

**17. Employee Share Option Scheme**

There were three equity based employee share option schemes exercisable over 10 years available to employees and senior executives during the year as described below:

	Eligible Employees	Nature of Award	Vesting Period
<b>Build the bank share scheme</b> To reward selected employees engaged in development of the Company in early years	Selected employees engaged in earliest days of set up.	Employees will be granted shares once the options vest.	Period to launch of first customer product to market.
<b>Annual performance share scheme</b> Replacement for cash bonuses to reward annual performance.	All employees.	Share options based on performance of bank and employee	Vesting period is up to 4 years from grant depending on the grade of the employees. For Executive Committee members this is split equally over 4 years.
<b>Long term incentive scheme</b> Retention and recruitment of selected senior managers.	Certain senior managers.	Share options based on performance of employee.	50% on 3rd and 50% on 5th anniversary of award.

The charge for the year arising from share based payment schemes was as below. There are no comparative figures as this was the first year for employee share options schemes.

	Build the bank share scheme	Annual performance share scheme	Long term incentive scheme
Number of options on ordinary shares granted	4,000,000	3,536,978	528,333
Number of options exercisable as at 31 March 2016	4,000,000	404,015	-
Weighted average exercise price	£0.75	£0.00001	£0.90
Weighted average remaining life	5 years	5 years	5 years
Expense charged to the income statement £'000	1,849	1,605	47

**17. Employee Share Option Scheme, continued...**

The expense charged to the income statement is based on the weighted average fair value of options, granted during the year, estimated by using the Black-Scholes valuation model. The fair value of the options was estimated on the date of grant, based on the following assumptions:

	Build the Bank Scheme	Annual Performance Share Scheme	Long Term Incentive Scheme
Weighted average share price at date of grant	£1	£0.97	£0.90
Weighted average exercise price	£0.75	£0.00001	£0.90
Expected volatility	40.80%	40.80%	40.80%
Expected life	5 years	5 years	5 years
Risk free rate	0.93%	0.93%	0.93%

The fair value of the share awards is calculated using statistical models. The inputs to these models require management judgement to estimate the probability and timings of events taking place in the future. The significant inputs used in the models include the exercise price, share price, expected volatility and the risk-free rate. The share-based payment recognised can be materially affected by these assumptions.

**18. Ultimate Parent Undertaking**

There is no parent undertaking or ultimate controlling party.

**19. Subsequent Events**

The restriction to maximum total deposits of £50,000 was lifted by the FCA and a full banking licence was granted on 4 April 2016.

A further £78m of shareholder capital was raised after the year end.



**Atom**

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\*Atom Bank\* and \*Atom\* are trading names of Atom Bank plc, a company registered in England and Wales with company number 0852552. Registered office, Northumbria House, Aykley Heads, Durham DH1 5TS. Atom Bank plc is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority and the PRA. Our Financial Services Register number is 661460.