Annual Report

2021/22

Atom

Registered office

Atom bank plc
The Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

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

The term "Board" refers to the board of directors of Atom bank plc from time to time. The term "Director" means a director of 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, nor does it purport to contain information that should form the basis of, or be relied upon, in making any investment decision in connection with the same.

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 "FY22" refers to the financial year from 1 April 2021 to 31 March 2022. References to "FY21" refers to the financial year 1 April 2020 to 31 March 2021 and references to "FY20" refers to the financial year 1 April 2019 to 31 March 2020. References to "2022" shall mean the calendar year from 1 January 2022 to 31 December 2022. References to "2021" shall mean the calendar year from 1 January 2021 to 31 December 2021.

Contents

We're here to build the world's most compelling bank, one that will change banking for the good, for the better, for ***everyone.***

We want to make the experience of borrowing and saving simpler, faster and better value than anyone else.

Simpler

Providing a streamlined and straightforward customer experience

Faster

Making transformational improvements in the speed of mortgage customer origination

Better value for money

Higher returns for savers and lower costs for borrowers without impacting profitability

Founded in
2014

Launched in
2016

HQ
Durham, UK

Trustpilot
Reviews 6,830 • Excellent
4.7/5

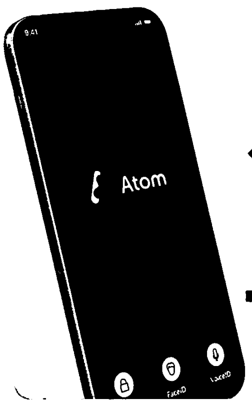
473 Employees

4.7/5
24.6K Ratings

4.8/5
6K Ratings

Loans under management
£3.3bn

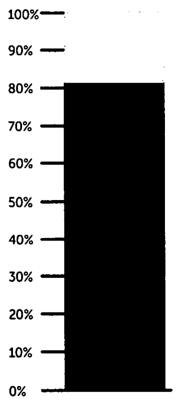
Savings balances
£3.2bn



123k
Registered customers

FY22 Achievements

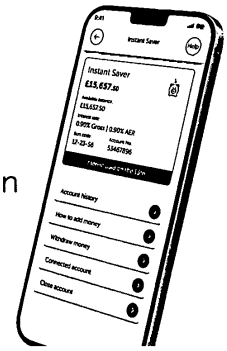
Employee Engagement score **81%**



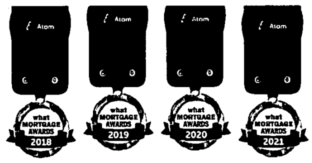
Launched Near prime Mortgages

RLS Accreditation

Confirmation of Payee



Achieved operating break even



Best Online Lender 4th year in a row

What Mortgage Awards

NACFB PATRON AWARDS 2021

Business Bank of the year 2021

Better Health at Work Award

Awarded Gold

North East Better Health at Work Award Gold Award

European Contact Centre & Customer Service Awards 2021

Best use of customer insight

Awarded Bronze

Chairman's Statement

Bridget Rosewell, CBE
Chairman

It has been an enormously successful year for Atom. Against a backdrop of pandemic, war, and economic headwinds we have continued to grow and deliver our strategy. It's been a privilege to continue to serve as Atom's Chairman.

In June of 2021 we started generating underlying operating profits and for three quarters in succession we have continued to do so. We have grown our balance sheet, expanded our product range, increased our customer base, further improved both our customer experience and our customer trust ratings and positively engaged our employees.

We have enjoyed strong support from our shareholders in the form of equity capital (£117m raised in the last 12 months) but also through their continued participation on our board. Our focus is on accelerating our growth – in both scale and profitability so that we can deliver to the needs of a diverse shareholder group both in terms of returns and for those who want liquidity.

This illustrates our maturing capabilities. We are no longer a start-up neo-bank. Today we are a growth company. We have loaned well in excess of £3bn to home owners and another £1bn+ to SMEs. We are managing over £3.2bn in personal savings.

Our growing maturity is further exemplified by our ongoing investment in credit and loss forecasting models. We have now submitted our Module 1 application for an Advanced-Internal Ratings Based (A-IRB) waiver to the PRA. The product of many years of hard work and investment, the submission is a significant milestone on our journey to create a radically more efficient banking machine.

The Year Ahead

Our hopes that the stress of the Covid pandemic might give way to a period of stability and predictability were not long lived. The Russian invasion of Ukraine combined with already strained supply chains has triggered rises in interest rates and 40-year highs in inflation. This cost of living crisis is affecting everyone. Recently we have completed affordability and debt serviceability stresses on our lending portfolios. The results were very reassuring but, if we have yet to discern signs of material credit stress on our outstanding loans, then we are far from complacent.

Nonetheless, after two years of living with restrictions it seems that people are showing no immediate willingness to stay indoors and postpone life. Our priority is to help our customer make the most of their money. We remain committed to lending responsibly and in contrast to the UK's largest banks we offer UK savers great value for money. We ourselves will need to be disciplined in our cost controls but I am reasonably optimistic that we can negotiate these challenging conditions positively and continue to grow profitably and sustainably.

Our Board

In the last year we have welcomed two new colleagues to the Atom Board. In the early part of the year Christine Coe took over as our new Chairman of the Atom Board Risk Committee (replacing Patricia Jackson). Christine brings impressive credentials in banking and risk management to the team married to commercial and entrepreneurial experience. I am also delighted to welcome Laurence Hollingworth to the team. Prior to joining our board, Laurence enjoyed a long and distinguished career in investment banking. Their experience combined with that of the established board will be critical in helping us navigate through the next phase of our growth and development.

Culture and Community

Atom has long been a special place to work. Whatever the demands of home working and of lockdown restrictions, we have continued to invest in creating a great work experience and a positive company culture. We continue to grow our team, and employed 473 people at the year end, the majority here in the North East of England. In the final quarter of 2021 we started trialing our 4-day week, something that has since been started by 70 more UK companies equally determined to pioneer the future of work. To date, we have seen no drop off in company or employee performance and in many cases, quite the opposite. Our attrition is falling as is our days lost through sickness.

Atom remains determined to challenge the status quo. It's why we exist. We have enjoyed a successful year and although we are mindful of the challenges ahead, we are also rising to meet them.

Thank you.

Bridget Rosewell, CBE
Chairman
1st July 2022

Chief Executive's Review

Mark Mullen

Chief Executive Officer

Atom has always focussed its resources on helping savers and borrowers, on serving the needs of people who want to own their own homes or build their own businesses. Now more than ever, we remain committed to delivering for their benefit and for the benefit of all of our stakeholders.

Our analysis of UK retail bank profitability confirms that interest income derived from lending is by far the biggest source of revenue. 'Free-if-in-credit' banking is paid for by borrowers. If it's been a good time to borrow then it's been a dreadful time to save. It seems to us that high street banks have paid their savings customers as little as possible – more often than not, as close to zero as their computer systems will allow.

Not so at Atom. For many years we have offered our customers a better deal. Better rates for savers. Better rates for borrowers. Better experiences for both. We do it because our vision is to change banking for good, for the better - for everyone. We are here to make the experience of borrowing and saving simpler, faster and better value than anyone else. In the last 12 months we believe that we have made remarkable progress on our journey towards realising that ambition.

We have expanded our lending assets to include Near-Prime retail mortgages and grown our on-balance sheet residential mortgage lending to £1.5bn (up from £1bn in FY21 and well over £3bn in total since launch). We concluded a record-breaking year for our Business Lending, growing the book to £1bn (from £0.7bn in FY21). We celebrated lending more than £1bn to SMEs since our launch and in doing so we delivered our 1,000th secured loan to an SME customer. We were also accredited to participate in the Recovery Loan Scheme (RLS) and we've just introduced our Fixed Rate loan product to help our SME customers combat the combination of rising interest rates and inflation. Our business customer Net Promoter Score is +88. We have actively adjusted our deposit pricing to offer better rates to savers and have been rewarded with new customers and increased deposit inflows (over £3.2bn at year end vs £2.2bn FY21).

Our income is growing strongly – this year our Underlying Net Interest Margin has widened from 54 bps in FY21 to 127bps. We earned our first monthly operating profit in June and delivered quarterly operating profits through Q2, Q3 and Q4. We are also managing our costs tightly; they increased by only 6% while our earnings grew by over 200%.

We conclude the year by reporting a small operating loss of £2m – a £34m improvement over the previous year. Our Statutory Loss after tax was £9m – a very substantial £53m improvement year-on-year.

As confidence in our future profitability has increased, we have recognised a £5m deferred tax asset for the first time this year which will be used against future profits. We have moved significantly closer to achieving statutory profits and becoming capital generative and the equity capital provided by our shareholders in March is now being put to work to generate further business growth.

We continue to invest in providing our customers with an exceptional banking experience and we ended the financial year with a Trust Pilot score of 4.7/5. Our App Store ratings are at record highs and our personal customer Net Promoter Score of +87 is also exceptional. We are also investing in our technology stack and in our Change and Technology teams. We have prioritised data architecture and data management (underpinning our credit loss models) and optimisation of DevOps as well as the automation of our mortgage processes and associated customer journeys. In these last 12 months we have also made dozens of App releases to drive out contact centre failure demand and in the coming year we will turn more and more of our attention to automating customer retention and to the direct origination of both commercial and retail mortgages.

We are every bit as concerned about our employee welfare as we are about our customers' financial wellbeing. In November we implemented a 4-day week trial for all employees - reducing hours without reducing pay. It's likely that we will convert the trial into a permanent change. Since we started we've seen improvements in recruitment, reductions in attrition and in sickness and improvements in employee engagement (81% at the year end). Is this just a fad? We don't think so. More than 70 UK companies have since started their own trials. The competition for talent in the UK and elsewhere has never been more intense. In addition to our 473 employees here in the UK we have a team of 30 highly talented and engaged technology colleagues working with us in Poland.

We have made these changes without adversely impacting customer service – in fact quite the opposite. Today we are also looking to more formally implement hybrid working, allowing our colleagues the freedom to choose whether to work from home or in the office

Facts & Figures

Underlying operating loss
£2m
(FY21 £36m)

Statutory profit before other charges
£1m
(FY21 £49m loss)

Employee Engagement
81%
(FY21: 72%)

Trustpilot Trust Score
4.7/5

Underlying Net interest margin
127bps
(FY21: 54bps)

Loans under management
£3.3bn
(FY21 £2.7bn)

We have also made some important changes to our Executive Leadership team, welcoming Helen Wilson and Andrew Marshall to the team. Helen takes over as Chief Operating Officer and Andrew as our Corporate Finance Director. Chris Storey has taken over as Commercial Director to bring renewed focus to product developments and to pricing. Rachael Mclauchlan, formerly our Chief Audit Executive has taken a secondment as our Chief Data Officer and she has been replaced by her colleague Gavin Cruise. After many years of fantastic service Stewart Bromley retired in April 2022 and in his place we have been joined by Andy Sturrock formerly of BP as our new CTO.

It's scarcely believable that we are witness to another war in Europe - the Russian invasion of Ukraine continues to cause unspeakable and needless death and misery. Atom made a financial donation to relief agencies in the immediate aftermath and we will continue to do what little is in our power to support Ukraine.

But we must also attend to the needs of our customers here in the UK. The 'cost-of-living' crisis looms large over the economy. To date Atom has attracted very high quality customers. Prime lending will remain our priority and we will continue to focus on stressed affordability and on providing our customers with guidance and support as we navigate this situation.

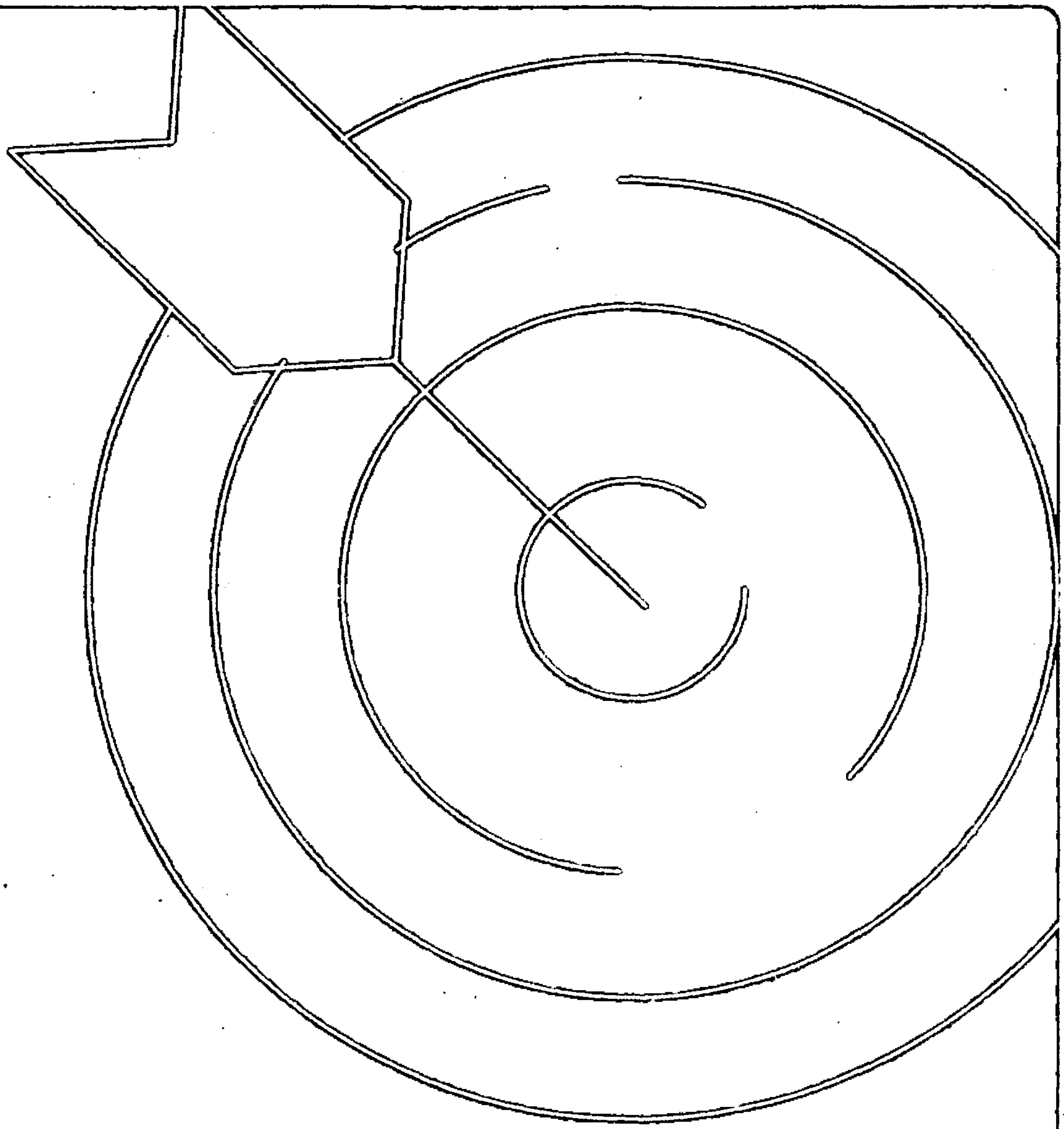
We continue to see growth opportunities. In the coming year we will further expand our savings range to reduce our overall blended cost of funding. We will invest further in technology driven automation and build out our in-App mortgage proposition. We will continue to develop our partnerships and look for new opportunities to leverage our digital platform capabilities.

At the same time, we will maintain a strong focus on cost discipline. Market disruption notwithstanding, we will also continue to invest in our IPO readiness and to drive the development of our credit loss forecasting models in anticipation that in due course our regulators will grant us an A-IRB waiver.

These efforts and activities are ruthlessly aligned – we believe that we can create a truly disruptive platform but only if we build the industry's most efficient and effective banking machine.

As always, I'll sign off by thanking my colleagues here in Atom for their steadfast dedication and support; by thanking our customers for choosing Atom and by thanking our shareholders for their patience, faith (and money!).

Mark Mullen
Chief Executive Officer
1st July 2022



Business model and strategy

Our Vision

We're here to build the world's most compelling bank, one that will change banking for good, for the better, for everyone.

The Group was founded in 2014 by a small team who shared a common belief that banking could be a force for good but that banks were mediocre and that the banking model was outdated. The industry is characterised by low levels of trust and satisfaction, inefficient and high-cost operations and a 'free' banking model that sees these high costs being recovered from borrowers and savers.

The desire to provide a better customer experience and better value products than those currently on offer, and 'change banking for the good' has been a consistent feature of Atom's strategy from the outset and is embedded in our culture.

Our Mission

We want to make the experience of borrowing and saving simpler, faster and better value than anyone else

Securing a mortgage is a bureaucratic, slow and uncertain process with numerous touchpoints, where many borrowers are forced into an advised process that they neither want nor need. SME borrowers face a process which is even slower with greater bureaucracy and more uncertainty.

Neither market has yet seen the innovation and digitisation that is beginning to successfully disrupt the market for transactional banking products.

The costs of structurally unprofitable infrastructure of the mainstream banking model are recovered through higher mortgage rates and lower savings rates, punishing the financially unsophisticated customer.

By designing a 'built for digital' business model and developing both intermediated and direct, non-advised sales channels we will offer customers a materially faster, easier way of accessing better value products.

Our Strategy

Our objective is to become the fastest growing lender in the UK.

We focus on serving the needs of people who want to own their own homes or build their own businesses.

By focusing on the biggest lending and deposit markets we are able to offer a better deal for customers on those products that matter most.

Our advantage is that we will engineer the lowest unit costs in the industry and invest the savings in innovation, in growth and in shareholder returns.

Our Values

We treat people with respect

We are inclusive and accepting

We conserve the environment

We tell the truth

And we do it all with energy and enthusiasm

Thought Machine

Google Cloud Platform

kafka

State of the art technology

Our banking platform is purpose built and scalable and its capabilities are proven. We work with a small number of strategic partners and employ a highly capable team of more than 110 change and technology personnel.

We develop and engineer our own apps, micro-services, technology and data architecture, integration, testing, security and DevOps.

We are the UK's first app-based bank. The app is clear, simple and straightforward to use, and is secured using passcode, voice and facial recognition.

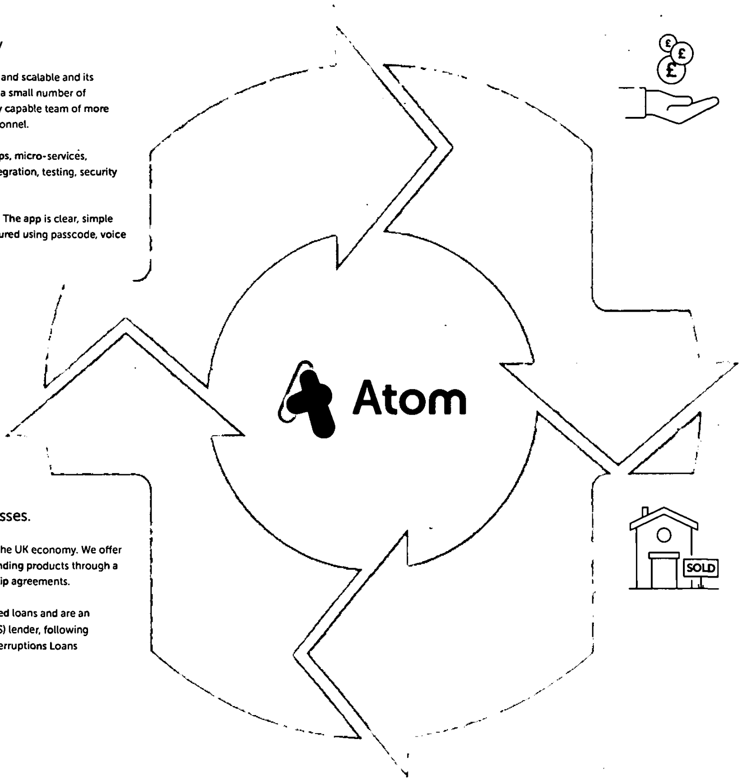
Helping customers to save...

We have developed a highly automated and scalable retail deposit business. We currently offer instant access and fixed term savings products.

Accounts are opened and serviced in-app: 99% of new savings customers don't need to use any of our support channels (voice, chat, email) in the account opening process.

At Atom better value for money means transparency, security and price. At least one of our savings products was at the top of best buy tables for a total of 116 days during 2021.

Retail deposits are used to fund loans to people who want to own their own homes or build their own businesses.



...and to grow their businesses.

Small businesses are the lifeblood of the UK economy. We offer hassle free secured and unsecured lending products through a trusted broker network and partnership agreements.

We offer fixed and variable rate secured loans and are an accredited recovery loan scheme (RLS) lender, following on from the Coronavirus Business Interruptions Loans Scheme (CBILS).

...to own their own home...

The UK mortgage is market poised for disruption with customers looking for better service, quicker decisions and an easier user experience at fair rates.

We offer a range of residential mortgage products to the prime and near-prime market to first time buyers as well as those moving or re-mortgaging. Loans are offered through an independent broker network and the process can be followed step-by-step in the app.

By automating key parts of the account opening and decision making process we are building the capacity to be able to scale.

Performance against strategic priorities

We want to make the experience of borrowing and saving simpler, faster and better value than anyone else

Our operating model is built around the principle of customer self-service and automation. We track ratings on the app and google play store and feedback on customer perception of the design and usability of the app.

We track how quickly we can make offers to customers, with our fastest mortgage offer in just 13 seconds. *By increasing automation we can speed* up the average time to offer for business loans and mortgages. Our target is that the average application to offer is reduced to under 5 days by the end of FY23.

Mortgage application to offer (Q4 average)
12days
(FY21: 14 days)

App store rating
4.7/5.0
(FY21: 4.7)

Google play store rating
4.8/5.0
(FY21: 4.7)

Our objective is to become the fastest growing lender in the UK

We track the growth in customer numbers which is driven from mortgage and business loan completions and new savings account openings.

The value of customer deposits and loans under management tracks balance sheet growth and performance vs forecast.

Alongside measures of absolute growth we track various financial performance growth metrics, including net interest margin and expected credit losses.

Loans under management
£3.3bn
(FY21: £2.7bn)

Deposit balance
£3.2bn
(FY21: £2.2bn)

Customer numbers
123k
(FY21: 86k)

Our advantage is that we will engineer the lowest unit costs in the industry and invest the savings in innovation, in growth and in shareholder returns.

Our operating model relies on being able to increase lending at scale while maintaining our cost base. We monitor the number of operational headcount, operating costs and monitor the cost to assets under management ratio and trend.

This year our target was to reach operating break even before the end of the financial year. We achieved this in June, and have done so for each of Q2, Q3 and Q4. Our target is full year operating profit during FY23.

Income to cost growth ratio (jaws)
203%
(FY21 529%)

Operating cost: loans under management ratio
1.52%
(FY21: 1.72%)

Underlying operating loss
£2m
(FY21: 36m)

We treat people with respect. We are inclusive and accepting. We conserve the environment. We tell the truth. And we do it all with energy and enthusiasm And we do it all with energy and enthusiasm.

We use trustpilot trust scores as our primary measure of how well we delivering on our commitments to our customers. The measure is publicly available via the trustpilot website. We compliment this with a comprehensive suite of internal monitoring and research methods to provide more granular tracking.

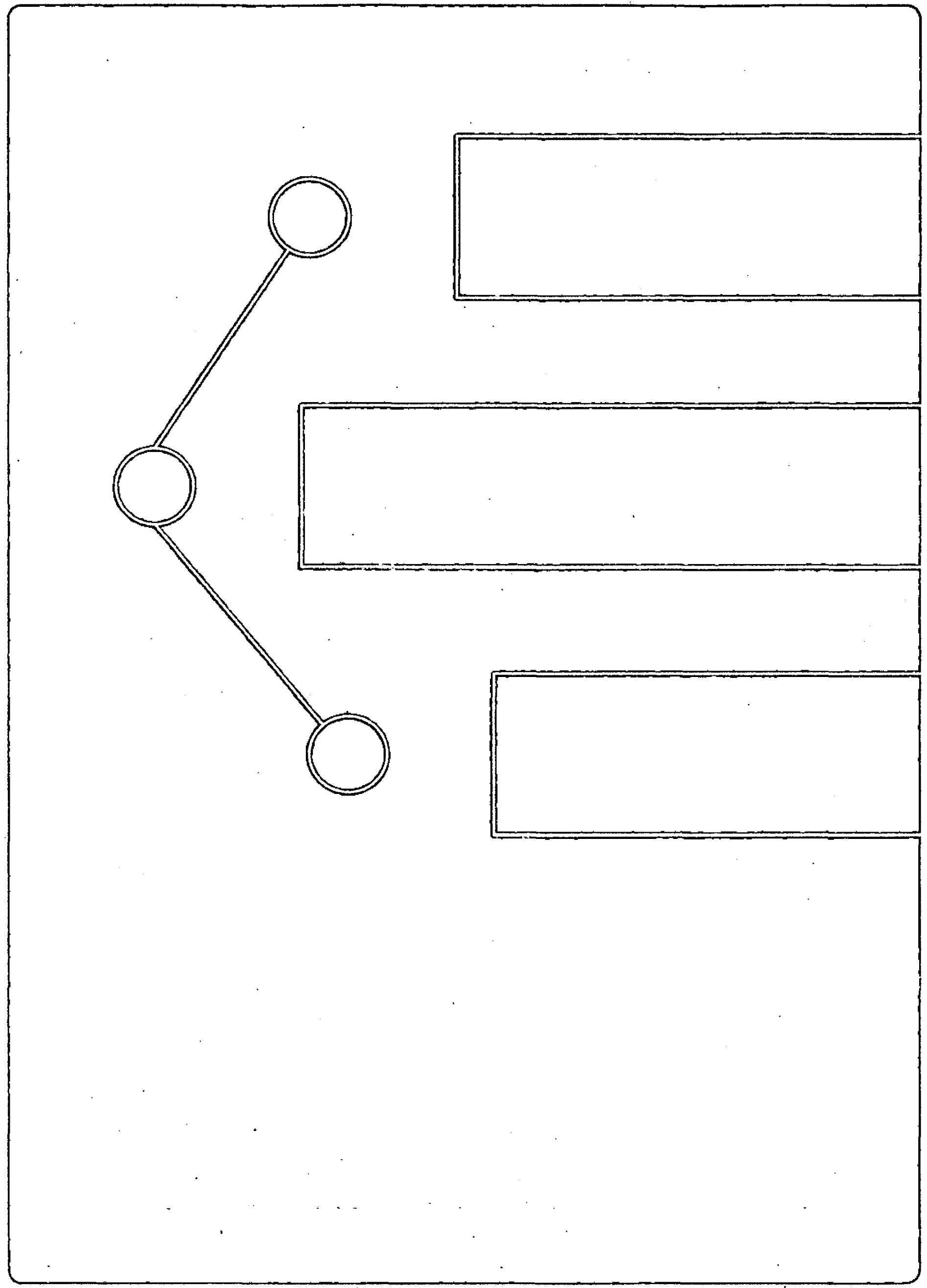
We track employee engagement through business surveys and feedback, and have made huge improvements in this area this year.

For the first time, we undertook a carbon audit to understand our impact on the environment and how we can develop our strategy to further reduce this.

★ Trustpilot
4.7/5.0
(FY21: 4.6/5.0)

Employee engagement
81%
(FY21: 72%)

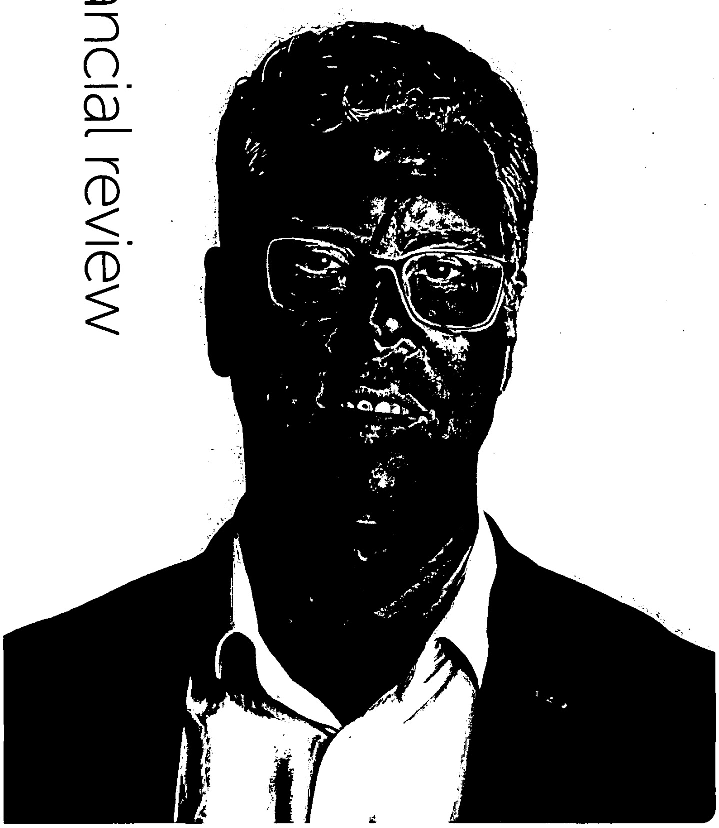
Carbon emissions per FTE
1.1 tCo2
per FTE



Financial review

Financial review

David McCarthy
Chief Finance Officer



I am pleased to report upon a year of considerable financial progress. Loss after tax improved significantly to £9m (FY21: £62m) due to strong income growth driven by asset balance sheet growth, combined with effective cost control.

For the first time, a profit before other charges (being amortisation, depreciation and equity settled share based payment charges) was recorded of £1m (FY21: £49m loss), and the underlying operating loss improved by £34m during the year to just £2m (FY21: £36m loss) and was profitable for the final three quarters this year.

Having issued £117m of ordinary shares in the year, we completed FY22 with robust capital ratios which will provide capacity for growth and development in the year ahead.

The financial review includes both underlying and statutory performance measures. Underlying results, those used by management to assess performance, reflect adjustments to exclude one-off or non-recurring items so as to better reflect performance against KPIs. This helps to facilitate year-on-year comparisons and better illustrates underlying performance trends.

A reconciliation between underlying and statutory results is included on page 28.

Underlying Net Interest Margin
127bps
(FY21: 54bps)

Statutory Net Interest Margin
126bps
(FY21: 42bps)

Underlying Operating Loss
£2m
(FY21: £36m)

Statutory profit before other charges
£1m
(FY21: £49m loss)

Statutory and Underlying Loss after tax
£9m
(FY21: £62m)

Customer Deposits
£3.2bn
(FY21: £2.2bn)

Loans Under Management
£3.3bn
(FY21: £2.7bn)

Cost: Income growth ratio
203%
(2021: 529%)

Operating cost: loans under management ratio
1.52%
(FY21: 1.72%)

Net Interest Income

Underlying
£47m
FY21: £15m

Statutory
£47m
FY21: £12m

Net interest income (NII) has improved considerably during the year, by £32m to £47m.

- Lending to business customers has grown 41% to £930m (FY21 £662m). Our business lending portfolio includes both secured (£496m, FY21: £348m) and higher yielding unsecured lending (£434m, FY21 £310m).
- 55% of secured and 94% of unsecured SME lending benefit from *the partial government guarantees provided under the* CBILS and RLS schemes.
- Our residential lending product offering was expanded during the year, first to include near-prime mortgage offerings, and second via a partnership with a platform to originate buy-to-let loans.
- Spreads on customer deposits improved during the year, while competitive Instant Access Saver (IAS) pricing resulted in strong deposit inflows. IAS funding is cheaper than for fixed savers, and contributed a greater proportion of the balance this year. A proportion of these funds are reserved for liquidity management purposes
- Atom has drawn a further £339m (FY21: £336m) secured term funding from the Bank of England under their TFSME scheme, bringing the total to £675m. The scheme closed in October 21.

Net Interest Margin

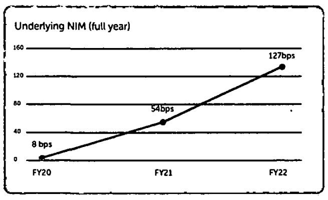
Underlying
127bps
FY21: 54bps

Statutory
126bps
FY21: 42bps

Net Interest Margin (NIM) is calculated as NII divided by the average total assets during the period in which that income was generated NIM continued to increase during the year, with underlying NIM up 73bps to 127bps.

NIM growth was driven by the improvements in NII, as well as by balance sheet growth. Total assets increased by 61% to £4.6bn (FY21: £2.9bn), with £785m of this increase due to growth in the *on-balance sheet loan book.*

The chart below shows the strong upwards progress in underlying NIM over the past three years.



Credit impairment charges

Credit impairment charges of £1.1m (FY21: £3.6m) were recorded. The overall provisions on the balance sheet for expected credit loss provision remains unchanged at £10m. Growth in the loan book has been offset by a reduction in coverage rates as the economic uncertainty attributable to Covid-19 has reduced, and the relative proportion of the business lending book which attracts a government guarantee has increased.

Post model adjustments (PMA) of £2.4m have been recorded to reflect the higher risks associated with rising inflation and pressures on the cost of living which are not fully reflected in the economic scenarios modelled.

Both secured and unsecured business loans have been advanced under the CBILS and RLS during the year, with 55% of the BBSL loan book (FY21 20%) and 94% (FY21: £100%) of BBUL loan books covered by guarantees under these schemes. This has contributed to a reduction in provision coverage rates for business lending.

During the year 38 claims have been made in relation to unsecured loans in default (FY21: 2).

The level of non-performing loans has increased as the book begins to mature, but remains low across all portfolios.

Non-performing loans (proportion of loan book in arrears or forbearance)	**FY22**	**FY21**
Residential	0.2%	0.2%
BBSL	2.2%	0.8%
BBUL	1.5%	0.0%

Underlying Operating Loss

£2m
FY21: £36m

Growth in:

Loans under management	20%
Retail deposits	50%
Customer numbers	42%

The underlying operating loss has improved considerably during the year. It reduced by £34m to just £2m. Operating profits were recorded for all but the first quarter of the financial year and a full year operating profit is expected for FY23.

This improvement is due to substantial net interest income growth due to new lending and higher spreads, and by lower credit impairment charges than in FY21. This was offset by an increase in staff and administrative expenses as the business has grown, Tight cost control means staff and administrative expenses increased at a significantly lower rate than income.

Staff and administrative expenses

Our business model is designed to be scalable and highly automated, so that lending and deposit growth does not require equivalent scaling of our operational functions, and an associated increase in costs.

Staff and administrative costs grew by £3.4m during the year, to £50.7m, with the variance explained by the following:

- Average headcount increased by 22, to 424 FTE to support growth in the operations and technology teams. These movements have driven an increase in staff costs of £4m.
- This increase was partially offset by a reduction in cash bonus expenses. A one-off cash award of £2m was paid in FY21. This year's bonus has been awarded as share options to all employees. Equity settled share based payment expenses are included within "other charges" in the P&L.
- Loan servicing expenses have increased by £3.2m, to £5m for the year. This cost is due to a partnership agreement where unsecured business loans are originated and serviced by a third part on Atom's behalf. The unsecured loan book has contributed to the significant income growth during the year, which more than offsets this cost growth.
- The ongoing cost savings associated with using the new banking platform result in an ongoing cost saving. During FY21 a period of parallel running both systems prior to decommissioning increased costs by £1.8m

£50.7m
FY21: £47.3m

Cost: asset growth ratio
203%
FY21: 529%

Average FTE
424
FY21: 402

Adjustments between statutory and underlying results

Within Net interest income, a charge of £0.4m (FY21 £3.2m) has been removed to arrive at the underlying figure. This represents amortisation on previously crystalised closed hedge accounting relationships.

A further £3.4m gain (FY21 £nil) within Other Income has also been removed to show the underlying result. This represents further derivative fair value movements, due both to hedge ineffectiveness and volatility before a derivative is entered into a hedge accounting relationship. This volatility can cause credits and charges and cannot be reliably forecast, and so is recorded as an adjustment between statutory and underlying.

In FY21, a loss of £10m was also removed from other income, being the one- off loss recorded on completion of a deconsolidating securitisation transaction.

The Bank continued its programme of securitisation transactions this year, securitising £370m of residential mortgages as part of the "Elvet-21" transaction. This entity is consolidated by the group, so no gain or loss on derecognition is recorded.

	FY22		FY21	
	Statutory	Underlying	Statutory	Underlying
Net interest income	46.8	47.2	12.0	15.2
Net operating income	51.3	48.3	(1.5)	11.7
Staff and administrative expenses	(50.7)	(50.7)	(47.3)	(47.3)
Operating profit/ (loss) (before other charges)	0.6	(2.4)	(48.8)	(35.6)
Other charges	(15.1)	(15.1)	(13,5)	(13.5)
Adjusting items		3.0		(13.2)
(Loss) before tax	(14.5)	(14.5)	(62.3)	(62.3)
Tax credit	5.4	5.4	-	-
(Loss) after tax	(9.1)	(9.1)	(62.3)	(62.3)

Taxation

A £5m tax credit was recorded, representing a deferred tax asset in relation to historic trading losses which are expected to be utilised in the near future. This is the first year a deferred tax asset has been recognised as a result of the increased certainty that the board has in the ability to generate taxable profits in the near future.

Other Charges

Other charges include depreciation and amortisation of £10m (FY21: £10m) and equity settled share based payments of £5m, an increase from the £2m charged during FY21. This year employee awards were wholly equity settled with no cash payments made.

Capital

We secured £117m of new equity capital during the year, net of transaction costs, through two separate transactions with existing investors in April 2021 and March 2022. The capital raised in April 21 was used predominately to expand the business and grow lending with a small amount to make good residual operating losses.

During the second half of the year Atom achieved operating profit and so all of the March capital raise can be used to fund balance sheet growth and investment in capabilities. This growth is the next step towards increasing profitability and generating shareholder returns.

We continues to maintain capital ratios that, at all times, have been prudently in excess of the minimum requirement under the CRD V regulatory framework.

Common Equity Tier 1
20.8%
FY21: 15.3%

Equity Capital Raised
£117m

Total Capital Ratio
21.6%
FY21: 16.4%

Balance Sheet Growth

Total assets increased to £4.6bn (FY21 £2.9bn) following strong growth both to home-owners and business-owners.

We have funded this lending by growing instant access and fixed rate savings with customers attracted by our straightforward products and fair interest rates.

Business Lending

Secured loans £495m (FY21: £352m)

Unsecured loans £440m (FY21: £310m)

Following accreditation as a CBILS lender in FY21, Atom became accredited to lend under the Recovery loan Scheme (RLS) this year. These schemes have proven attractive to SME borrowers which has helped us drive business lending growth during the year while reducing exposures to future credit losses. Impairment provision coverage rates have reduced as the proportion of the portfolio subject to a government guarantee has increased.

The secured loan book grew 41% to £495m, with £254m of this balance having been advanced through the CBILS and RLS schemes.

The unsecured loan book of £440m has been originated through a partnership with a non-bank lender and £408m of this total was advanced through these schemes.

Mortgages £1.5bn (FY21 £1.0bn)

The mortgage loan book has grown 48% to £1.5bn. During the period, the range of products Atom offers has increased and now includes "near-prime" mortgages and portfolio buy to let loans, originated via a partnership agreement.

The credit performance of these loans has remained extremely strong, there have been no defaults, and just 0.2% of the book was in arrears or forbearance measures at year end (FY21: 0.2%).

In addition to this balance, £0.9bn (FY21: £1.1bn) of mortgage loans are held off balance sheet in securitisation vehicles, and are included in the loans under management total.

Deposits £3.2bn (FY21 £2.2bn)

The Instant Access Saver, launched in FY21, has become a reliable source of low cost funding, increasing to £1.3bn (FY21 £0.7bn) during the year.

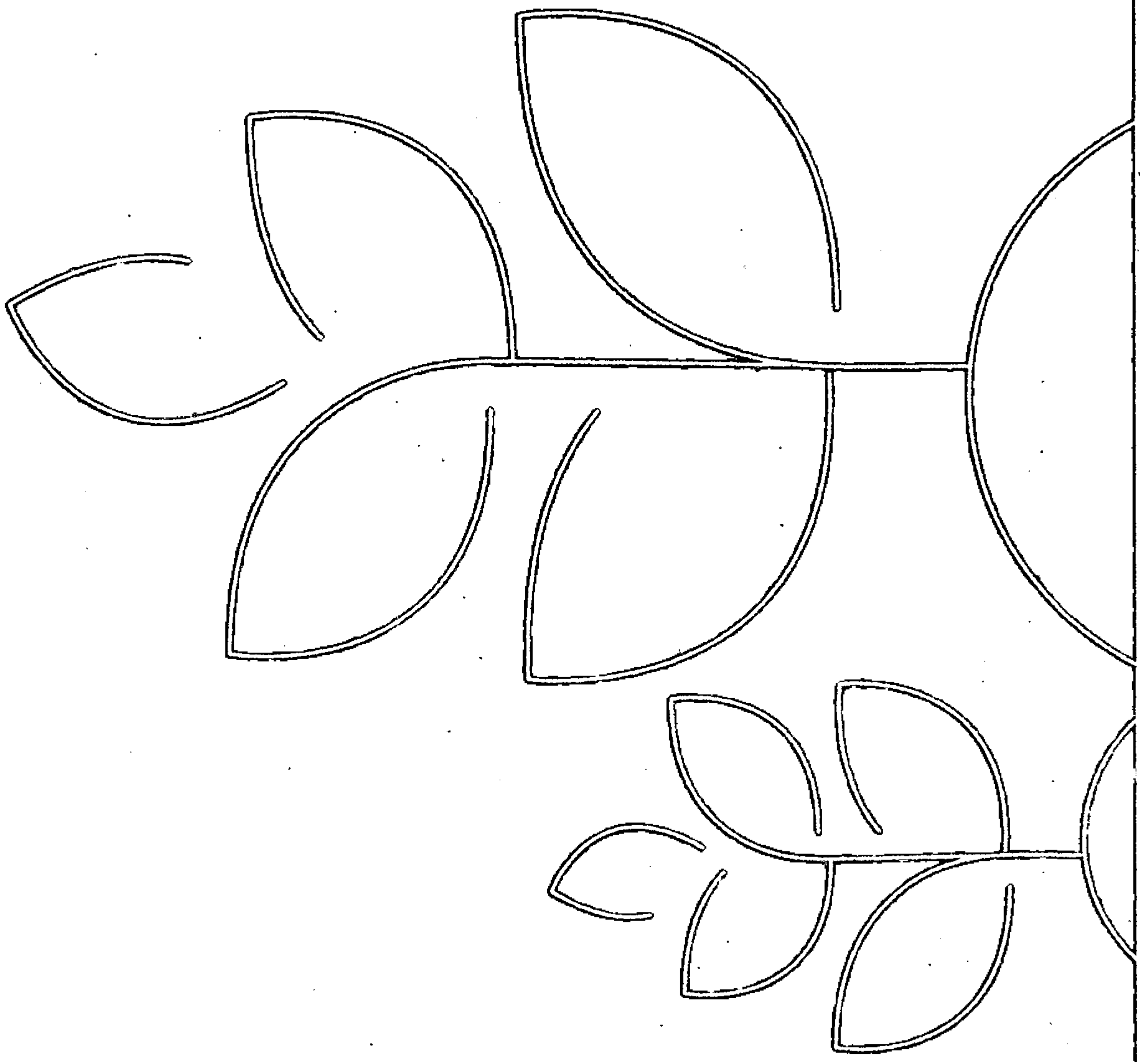
Interest rates on both the fixed rate and instant access savers have been reset regularly to respond to changing market conditions while ensuring that we continue to provide good value for customers.

The favourable spreads in March meant Atom could increase deposit inflows at low cost to prefund future lending. As a result the liquidity coverage ratio (LCR) was 449% at year end (FY21: 209%). The LCR has been held at levels comfortably in excess of the regulatory minimum throughout the year.

As well as customer deposits, the Bank manages sources of funding carefully to ensure that sufficient liquid assets resources are available at all times.

In November, a residential mortgage backed securitisation transaction of £360m was completed as a means to source funding.

£675m (FY21 £336m) in total of the Bank of England's 4-year secured funding to Banks via the TFSME has been drawn down. This scheme offers funding at lower interest rates than available through retail deposits.

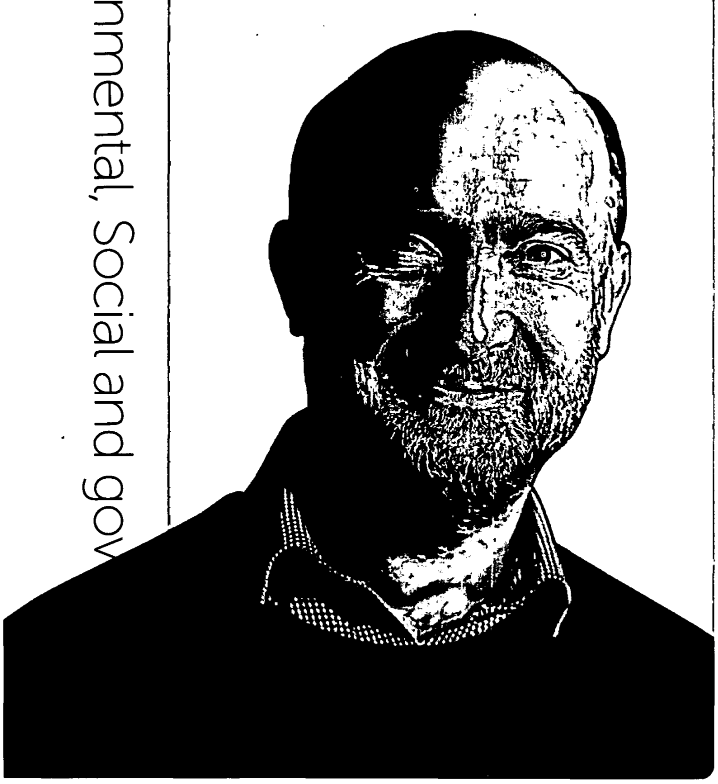


Environmental, Social and governance

Environmental, Social and gov

Edward Twiddy

Chief Customer Officer



Atom is committed to delivering long term, sustainable success, and has made progress in embedding an ESG strategy as part of the Bank's broader strategic plan.

Our vision is to change banking for the good, for the better, for everyone. This includes society as a whole not just our customers and employees. Conserving the environment is core to our values and our ambition is to reduce our emissions to zero, and then net positive.

The board has ultimate responsibility for overseeing delivery of the ESG strategy, and delegates some of this responsibility and decision making to the principal board committees and sub-committees as outlined within our governance framework.

The Environment

Climate change is an existential risk to communities, society and economies around the world. Global temperatures are already over 1°C higher as a result of human activity pushing carbon dioxide concentrations in the atmosphere to their highest levels for 2 million years (source: IPCC, February 2022).

Atom is passionate about sustainability and has set clear objectives on how to act: To reduce emissions, to substitute suppliers with better carbon emissions for key services and products where they cannot be reduced, and to invest in carbon sequestration through direct action to create a carbon budget with the aim of being carbon neutral and then becoming a carbon positive business.

Climate change is not the only risk facing our planet and communities. Habitat loss and with it the diminution in resilience and biodiversity that comes with heavily modified landscapes is a threat to local and global economies. Around our own headquarters we continue to manage the woodland and open ground for biodiversity and to increase interception of surface water; these are issues that will continue to rise in importance for Atom and all lenders with an interest in property and sustainable development, not least because of new obligations on biodiversity net gain and nutrient management that are already impacting the supply of new residential and commercial property in locations across the UK.

Streamlined energy and carbon reporting

Under scope 1, Atom consumed:

Total Emissions
220
megawat hours

Energy during FY22 (FY21: 203 MwH) as a business. This is equivalent to 47 tCO_2e (FY21 47 tCO2e).

Emissions per FTE reduced to
0.11 tCO_2e
per FTE equivalent

During the year (FY21: 0.12 tCO_2e per FTE).

Full scope emissions review

For the first time in 2021, an independent firm was engaged to review the emissions that Atom creates and is responsible for. This includes scope one direct emissions, as well as scope 2 and 3 indirect emissions, including the impact that suppliers have. The review reported a total emissions level equivalent to 1.09t Co_2e per FTE for 2021.

Total Emissions
463 tCO_2e

Facilities	Operations	Transport
183 tCO_2e	207 tCO_2e	68 tCO_2e
40.45% of total	44.75% of total	14.8% of total

Emissions per FTE
1.09 tCO_2e

This level of emissions is low compared to other banks, and reflects our digital app-based strategy, our choice of premises and partners, and as our closely managed approach to costs.

Our target is to maintain a market leading position of very low emissions per head. We will prioritise investments in our IT estate and the daily commute as the key areas for reducing emissions in FY23, and adopt a business wide Environmental Procurement Policy. We will invest in carbon sequestration and reduction projects to meet our longer term target of carbon neutrality and to becoming carbon positive.

Our People

Atom's team is central to the success of the business. Access to talent is key in achieving the strategic priorities, driving growth, serving customers and remaining compliant.

A 4-day working week trial started in November, condensing the week into 34 hours across four days, with no change in employee pay. This trial has been a resounding success, increasing employee engagement to 81% (FY21: 72%) while reducing attrition and sickness levels. During the trial period there has been no impact on operations or performance, and customer goodwill indicators increased.

Employee engagement	Atom headcount
81%	473
FY21: 72%	FY21: 423

Atom continues to invest in and develop people and has offered 65 internal promotions and secondments during the year. This year we launched our Coaching and Leadership framework providing development for everyone from the executive to those who have aspirations of being a coach or leader in our business.

Headcount has further increased from 423 to 473 at year end of which 101 are being supported through professional qualifications.

As part of the commitment to developing people, the Coaching and Leadership framework has been expanded, to provide structured development for all employees, and career pathways provide development paths supported by progression.

The number of Mental Health First Aiders has increased, as well as providing support on specific areas of wellbeing, such as the menopause. Atom received the Better Health at Work (BHAW) Gold accreditation acknowledging the ongoing investment in health and wellbeing and in the support of our people.

Atom remains committed to being a truly inclusive employer, and our team of talented individuals from a wide range of backgrounds and experiences continues to grow. Our internal policies outline the approach to equal opportunities and supporting those who may be disadvantaged or disabled. In practice, people are not segregated into defining groups – Atom has created an environment that is inclusive for all.

That being said, financial services and technology industries continue to experience systemic diversity issues, and it is difficult to source female talent in emerging technologies and at senior levels. As a result women in Atom were paid 31% less than Men (FY21 27.5%). The detailed analysis of what is driving our gender pay gap continues ensuring we truly understand the issue for our own business. That said, we constantly monitor equal pay and are confident that there is pay parity for men and women in the same role.

Communication and an open and transparent culture is maintained by frequent whole company updates on progress and performance, alongside celebrating successes and achievements. The company newsletter, Inside Atom, provides a roundup of internal news, role changes, and key business projects.

We have continued to support working both from our offices in Durham and London, as well as invested in remote working technologies to promote flexibility. This has helped better suit those who live further from our offices, those who juggle family life or have caring responsibilities or for those who find they are more productive when working at home.

Atom and the community

Atom has taken a clear position since its inception to support initiatives and organisations that help develop young people and groups that are under represented within the industry and in science and technology. Atom invests time and resources in relationships with schools and universities dedicated to meeting these aims. A number of our team members are directly involved in supporting local schools as governors, or by assisting with cyber security and attending events.

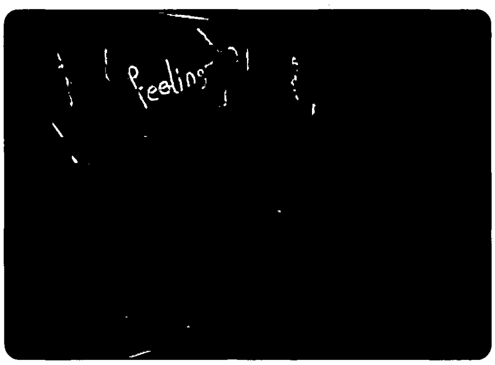
Atom offers support through donations and sponsorships and was delighted to support one of the light installations at the Durham Lumiere festival this year, an event attended by over 100,000 people over the course of the festival. The work was designed by pupils from the Durham Federation school in Ushaw Moor based on the students personal experience and response to the pandemic. Atom was short-listed for the UK Sponsorship Awards for this project.

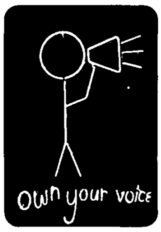
This year the second Knowledge Transfer partnership (KTP) with Durham University and the University of Newcastle successfully concluded. The KTP and the University of Newcastle's FinTrust (financial Trust) project led directly to a significant contribution to the national FinClusion (Financial Inclusion) programme led by TechNation as part of HM Treasury's FinTech Delivery Panel on the use of verifiable credentials to simplify and de-risk financial processes and digital journeys for vulnerable customers. A series of presentations and podcasts followed, with significant interest and uptake from the private and public sectors.

Ukraine

After weeks of military and political positioning, on February 24th 2022 Russia invaded Ukraine. Armed conflict and the consequent humanitarian disasters that inevitably follow are all too widespread in the world, but it has been nearly 30 years since Europe saw war within its boundaries and not since World War 2 have so many people been displaced by war within Europe. As the people of Ukraine faced into the horror of separation, siege and worse, Atom moved to join many other businesses and hundreds of thousands of people in providing support to some of the organisations on the front line and in adjacent countries helping the displaced, the young and the vulnerable.

Atom's donation of £100,000 was divided equally between the United Nations Refugee Agency (UNHCR), the United Nations Children's Fund (UNICEF) and the International Rescue Committee (IRC). With our team and partners across the world we stand with the people of Ukraine. https://www.atombank.co.uk/blog/atom-stands-with-ukraine/





Above abd left: Year 10 Students from Durham Federation School with Lucie Brownlee and Neon Workshops. Lumiere 2021. Produced by Artichoke.

Board of Directors

Mark Mullen
Executive Director and Chief Executive Officer

David McCarthy
Executive Director and Chief Financial Officer

Bridget Rosewell
Chairman

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

Cheryl Millington
Non-Executive Director and Chair of Board Nominations and Remuneration Committee

Ergun Özen
Non-Executive Director

Gonzalo Romera Lobo
BBVA appointed Non-Executive Director

Alicia Pertusa Santos
BBVA appointed Non-Executive Director

Laurence Hollingworth
Non-Executive Director (appointed 29 September 2021)

Christine Coe
Non-Executive Director and Chair of Board Risk Committee (appointed 27 October 2021)

Executive Management Team

Mark Mullen
Executive Director and Chief Executive Officer

David McCarthy
Executive Director and Chief Financial Officer

Edward Twiddy
Chief Customer Officer

Stewart Bromley
Chief Technology Officer

Helen Wilson
Chief Operating Officer (appointed 1 May 2021)

Chris Sparks
Chief Risk Officer

Laura Farnworth
General Counsel and Company Secretary

Marcus Mitchell
Director of Strategy

Anne-Marie Lister
Chief People Officer (appointed April 2021)

Andrew Marshall
Director of Corporate Finance (appointed 1 May 2021)

Chris Storey
Commercial Director (appointed 1 December 2021)

Gavin Cruise
Chief Audit Executive (appointed 1 December 2021)

Governance

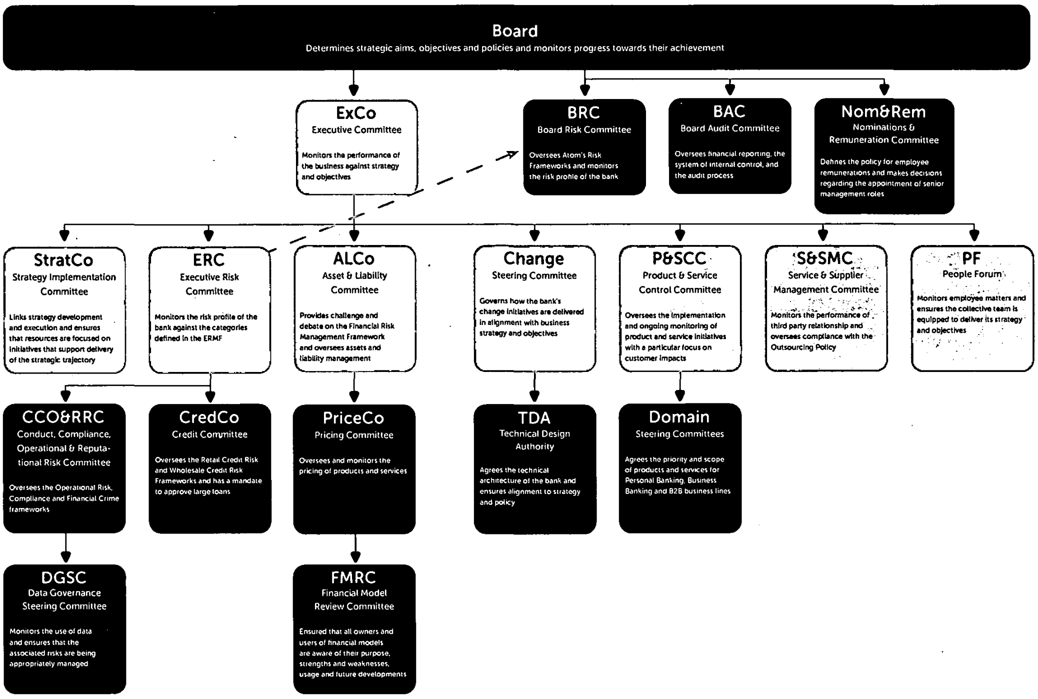
We have created a strong team culture and organisational structure to ensure the business is appropriately governed and manages its risks.

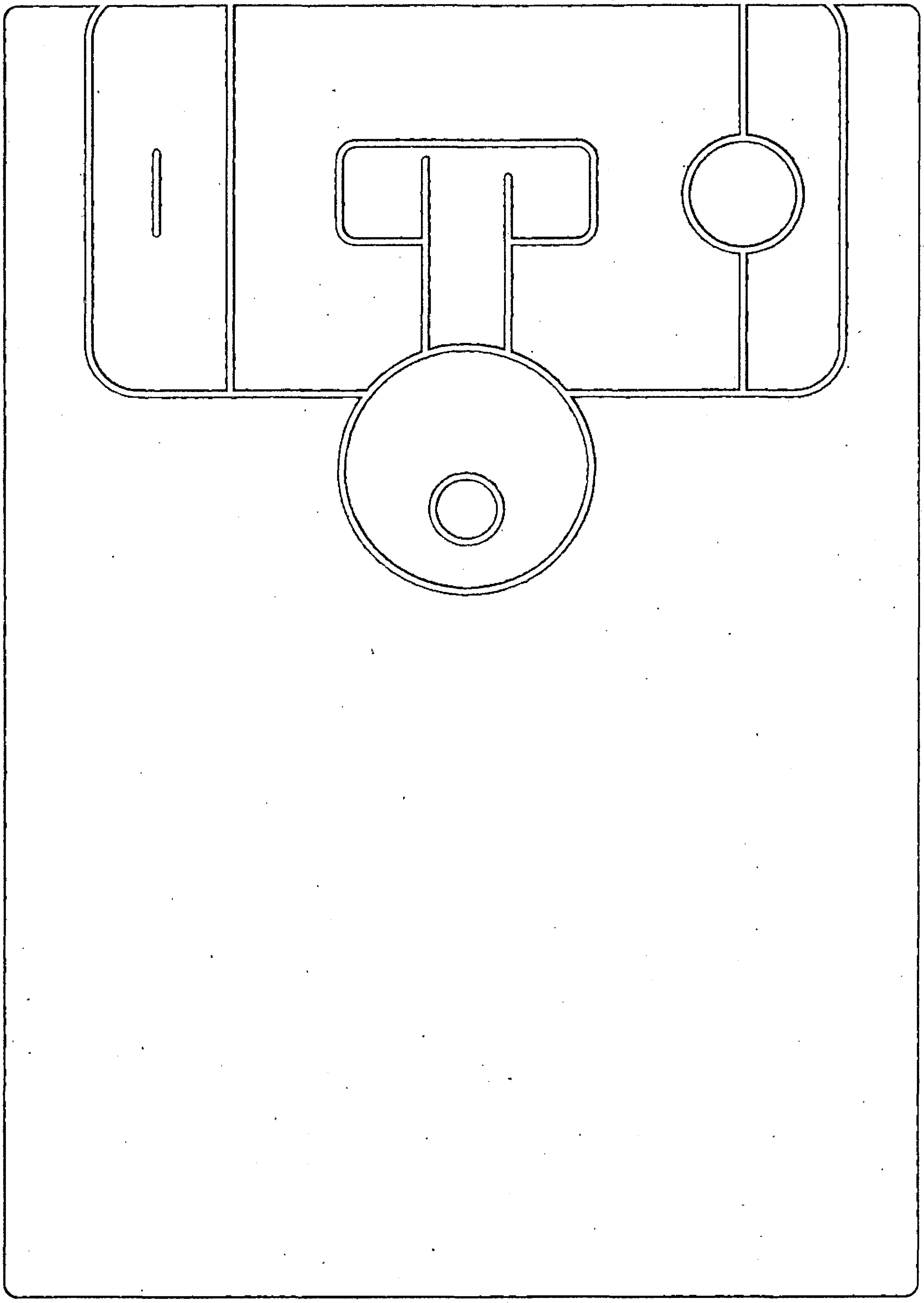
Good corporate governance underpins the integrity of Atom and the wider community in which it operates. The success of the Bank is predicated on a framework of effective systems of internal control, risk management and compliance with regulatory requirements. Effective governance is not achieved by one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

The governance structure for Atom comprises the following:

- **A Board of Executive and Non-Executive Directors**
  Atom's Board of Directors is responsible for the overall governance of the Bank, determining strategic aims, objectives and policies and monitoring progress against these objectives.
- **Board Risk Committee (BRC)**
  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 risk management framework.
- **Board Audit Committee (BAC)**
  The primary role of the BAC is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, systems of internal control, the internal audit process, and the processes for monitoring compliance with all applicable laws and regulations.
- **Board Remuneration and Nominations Committee (Rem&Nom)**
  The Board Remuneration and Nominations Committee's core role is to lead the appointment process for nominations to the Board and to assist the Chairman in keeping the composition of the Board under review. It also approves the strategy for personal remuneration of the Board and senior management.
- **An Executive Committee reporting to the Board**
  The Executive Committee (ExCo) reports to the Board and is responsible for executing the strategy and the day-to-day running of the Bank. It executes many of its responsibilities via a series of sub committees.

Atom's Committees





Risk

Risk

Chris Sparks
Chief Risk Officer

Building and running a bank is a complex challenge and management of the risks posed to Atom is vital to ensure decision making is informed and risk-based so we can succeed to make things better for our customers.

Atom has an Enterprise Risk Management Framework (ERMF) at the heart of its risk arrangements, supported by a prudent risk appetite, well designed and complementary policies, frameworks and processes to consistently identify, assess, manage and monitor material risk exposures. This enables Atom to make operational and strategic decisions aligned to a well understood and reported risk appetite.

Enterprise Risk Management Framework

The Board approved ERMF is the foundation for Atom's approach to risk management. The ERMF defines Atom's Principal Risks and Risk Universe and outlines the consistent standards for management of risk across Atom supported by policies, frameworks and processes to execute the management of risk, to meet these standards. The Principal Risks are reviewed periodically through the Key and Emerging Risks survey of senior and executive management. The results of the most recent survey are discussed later in this section.

Risk Strategy and Culture

Atom's risk strategy is to facilitate the creation of a reputable, responsible and sustainable bank which provides a range of products and services to both personal and business customers using a centralised, self-service and technologically enabled operational model to deliver better prices, faster processes and greater transparency for customers. Sustainable growth is underpinned by pricing appropriately for risk, protecting and enhancing our reputation and controlling the credit and operational risks we accept.

Underpinning the effectiveness of the risk management framework is a strong risk culture which sets the tone for Atom, influencing the risk consciousness of employees as they conduct their daily activities and pursue business objectives.

The risk culture of Atom aims to ensure that all business functions and employees consider risk management and consult appropriately with the Risk Function during the development of new products, procedures, policies and systems.

Effective risk management at Atom is supported by a three lines of defence model.

- **First Line of Defence - The Business**
  The business is responsible for identifying, assessing, managing and monitoring risks and controls related to business activities on a day-to-day basis, and for operating the business in accordance with the risk management framework and ensuring that its requirements are translated into effective operating processes.
- **Second Line of Defence - Risk Function**
  Independent from the first line, the Risk function coordinates recommendations on risk appetite to the Board. The second line provides insight, oversight and challenge to the application of the risk management frameworks and ensures that the business operates within the risk appetite, limits and tolerances that have been set by the Board.
- **Third Line of Defence - Internal Audit**
  Internal Audit 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.

Risk appetite

Atom's risk appetite defines the type and level of risks that the Bank 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 our Principal Risks and sub risk types within the Risk Universe. Atom's risk appetite is subject to regular review and approval by the Board.

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

Risk governance and oversight

Atom's risk governance is the architecture within which risks are identified, assessed, managed, monitored and reported. 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 (BRC) is the primary committee to receive and review risk related information.

BRC delegates some of this responsibility and decision making to the executive committees including the executive risk committee, credit committee, and the conduct, compliance, operational and reputational risk committee.

Principal Risks

Within the ERMF, there are Principal Risks listed, as those material to our organisation and these are underpinned by a Risk Universe that details the full suite of risks posed to Atom:

Risk	Key Mitigation	Trend
Strategic Risk The business could fail if management make poor strategic decisions, if decisions are not well executed, or if the strategy does not effectively respond to changes in the external environment.	• 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 – risk remains a priority for Atom but suitable controls exist to manage this risk.
Capital Adequacy Risk The risk that Atom has insufficient quantity or quality of capital to support its operations	• At least annual assessment of capital requirements using the Internal Capital Adequacy Assessment Process (ICAAP) • Forward-looking capital adequacy is monitored to ensure resource consumption is effectively managed. • Maintaining an up-to-date Recovery and Capital Contingency Plan appropriate triggers and management actions in place. • Periodic capital raises from Investors and progression to break-even.	Decreasing risk – Atom received £117m of equity capital during FY22 and is no longer reliant on equity capital to fund operating losses having achieved operating breakeven during the year. There is an agreed funding plan in place, with active progression towards IPO.
Retail Credit Risk There is a risk that customers to whom we have loaned money will default on their contractual obligations to Atom giving rise to financial losses.	• 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 diverse lending portfolios remain within risk limits and that we act as a responsible lender. • Collections policies ensure sustainable forbearance solutions to deliver fair customer outcomes whilst we rehabilitate accounts in financial difficulties. • Dedicated Credit Committee monitors credit metrics on a monthly basis. • Stress and scenario testing is performed regularly to ensure the portfolio is resilient to market wide and idiosyncratic events. • Policies in place to ensure that we deliver good customer outcomes for vulnerable customers.	Increasing risk – higher costs of living and increasing interest rates create uncertainty within the economic environment and increase the risk of customers being unable to meet repayment obligations resulting in credit losses. A range of macroeconomic scenarios have been incorporated into our latest stress testing and credit provisioning models to mitigate the impact of this outcome and lending is closely monitored for early signs of deterioration.
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 cover our 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 • Business continuity and IT disaster recovery plans are refreshed and tested regularly.	No change – continued enhancements in operational processes and controls underway.
Regulatory Risk Failure to comply with regulatory or legislative requirements could result in financial loss and reputational damage. Furthermore, changes to regulatory rules could negatively impact Atom's strategy and business model	• 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.	Increasing risk - based on growing levels of oversight/ scrutiny and scale of embedding regulatory deliverables in 2022 and introduction of Consumer Duty in 2023, with additional papers being released that will likely require further action.
Conduct Risk Inappropriate behaviour by Atom in its relationship with customers, counterparties or markets can result in reputational and financial loss	• 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 – robust control framework in place.

Risk	Key Mitigation	Trend
Financial Crime The risk that Atom or its customers are exploited through money laundering, terrorist financing, internal fraud, external fraud, and bribery and corruption.	• The Financial Crime Framework outlines controls and governance arrangements to address financial crime and fraud risks. • Anti-Money Laundering and Counter Terrorism policy sets out our risk-based approach to ensure that our products are not used to facilitate such crimes. • The Anti-Bribery and Corruption policy sets out the approach to customers, suppliers and people. • All employees must complete mandatory training at onboarding and annually thereafter in, Anti-Money Laundering, Anti-Bribery and Corruption and Fraud Prevention. • Atom has a Whistleblowing Policy and a Whistleblower's Champion to whom employees can report confidentially and anonymously any reportable events.	No change – no adverse trends identified and supported by mature control environment.
Reputational Risk Damage to reputation and brand as a result of the actions of Atom itself, or indirectly via actions of employees, suppliers or other parties	• Effective systems and controls in place to ensure high levels of customer service and compliance. • Use of customer feedback to inform our change agenda. • Monitor events with the potential to cause reputational damage.	No change – risk remains stable and has seen positive outcomes from 4-day working week launch.
Market Risk Changes in market prices, for example interest rates, create the risk of financial loss through a reduction in income or change in the value of assets or liabilities	• 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	Increasing risk – economic and geopolitical climate increased volatility in interest rates. Atom has enhanced its framework, policies and controls to assess, manage and monitor the risk of financial losses arising from market risk.
Liquidity and Funding Risk This is the risk that the Bank could fail to meet its obligations as they fall due	• 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 Internal Liquidity Adequacy Assessment Process (ILAAP)	No change – the increasing inherent risk by having a greater proportion of funding sourced from instant access savings accounts is mitigated by maintaining relatively greater liquidity resources.
Wholesale Credit Risk The risk that a wholesale counterparty defaults on its contractual obligations to Atom giving rise to financial losses.	• Defined risk appetite and limits focussing exclusively on high quality credits. • Robust assessment framework for wholesale credit names. • Daily collateralisation of derivative and repurchase transactions exposures. • Daily monitoring of early warning indicators for potential deterioration of credit quality	No change – although the economic environment increases risks in the banking and financial sector, the likelihood of impact on Atom is mitigated by prudent risk appetite focusing on high quality obligors and robust operational controls.
Model Risk The risk that Atom makes sub-optimal decisions and/ or suffers loss as a result of poorly specified, incorrectly implemented or inappropriately applied models	• Model governance policy ensures a consistent approach to the development, validation, implementation and ongoing monitoring of models. • Model performance and review status is monitored at least monthly. • Independent Model Validation is performed by a specialist third party for high materiality risk models at least annually.	No change – risk remains stable with a strong control environment in place.
Data Protection Risk Inappropriate collection, storage, security or use of personal data results in a breach of data protection regulation	• Policies and procedures ensure compliance with all relevant data protection regulations. • Compliance Monitoring Plan provides assurance regarding data protection activities. • Atom's Record of Processing documents all data artefacts that exist within the business.	No change - no adverse trends identified.

Key and Emerging Risks

Atom maintains a register of its key and emerging risks which are assessed alongside Atom's Principal Risks and its wider Risk Universe. This activity forms an integral cornerstone of our business planning activities, ensuring that strategies and activities are appropriately focused on addressing the identified concerns and ensuring the right risk arrangements are applied to minimize their exposure. Current risk considerations include:

Access to Capital	Capital raising is an integral part of Atom's strategy and we are working with existing and prospective investors to ensure that future raises are managed effectively and completed in a timely manner. A capital raise through IPO is an active area of interest for Atom.
Economic / Geopolitical Climate	The aftereffects of the Covid-19 pandemic have been a factor in driving a downturn in the economy and credit risk outlook, particularly as most of the government support schemes have now come to an end. The Russian invasion of Ukraine has put pressure on both the price and availability of core essentials such as food and gas and has created cause for concern in the cyber-attack space, and this is likely to continue for a prolonged period. Elements of the Brexit arrangements in relation to trade agreements with Europe fuel further issues in this climate.
Credit Risk	Credit risk outlook is worsening as high inflation and rising interest rates begin to put pressure on business and household income levels, increasing the risk that customers will be unable to maintain loan repayment. Our robust approach to verifying sustainable serviceability when underwriting new business provides mitigation against this risk and stress testing confirms a reasonable level of resilience to income pressure in the portfolio. However, we continue to monitor early warning indicators closely to ensure that we are positioned to respond to any future increase in arrears levels.
Regulatory Risk	Risk trending upwards based on growing levels of oversight/scrutiny and scale of embedding regulatory deliverables in 2022 and introduction of Consumer Duty in 2023, with further Consultation Papers ('CP') being released that will likely require further action.
Information Security/ Cyber Crime	As a digital bank, cyber remains a key threat with ever increasing sophistication in attacks that require continued focus and mitigation. As well as the due diligence, design and testing that contributes to building network and systems security, Atom operates perimeter controls to detect and prevent attempts to compromise systems.
Climate Change	Atom has an established governance framework to ensure that the risks associated with climate change are deliberated at senior levels within the business. Our Board sets the overarching approach to managing climate change risk with periodic reports provided as part of the wider review of the business' risk profile. Expectations of firm's responses to climate change also continues to increase from customers, regulators and investors which adds the potential for reputational risks
People Risk	People Risk continues to be actively monitored against themes of employee retention and key person dependencies. The implementation of the 4-day working week has yielded tangible benefits for recruitment, retention and employee wellbeing.
Technology & Change Execution	As a digital, fast-paced bank, the effective delivery of our change and technology agenda remains paramount for our growth phase and sustainability.
Operational Resilience	Revisions to the Operational Resilience framework have been successfully applied to comply with SS1/21 and the relevant sections of the Handbook and Rulebook and will be further enhanced as we work towards full compliance by March 2025. This works to strengthen Atom's resilience and harmonise with the Outsourcing and Third-Party risk management arrangements at Atom.
Outsourcing and Third-Party Risk Management	As a digital bank, with reliance on Third-Parties, Atom applies robust monitoring and management to Material vendors, supported by a robust framework that meets EBA and SS2/21 requirements.

s. 172 statement

Anne-Marie Lister

Chief People Officer

s. 172 Statement

The Board recognizes its obligations under the Companies Act 2006 and looks to consider, consult and engage with our key stakeholders when making decisions that could have a material impact or generally when reviewing our strategy, financial and operational performance as well as areas such as key risks and compliance.

In taking this approach, the Board looks to ensure that the Directors have, on both an individual and collective basis, acted in a way that they would consider, in good faith, to be most likely to promote the success of Atom for the benefit of the members as a whole, and in doing so have regard to the matters set out in section 172(a) to (f) of the Companies Act 2006.

Customers

Atom was built for customers, and has a multi award winning voice of the customer programme that gathers customer feedback across all channels and touchpoints. This data is collated and analysed to understand what really matters to customers and how we are performing in those areas that matter most, as well as to understand where change initiatives would make things better. This insight is translated into actionable intelligence and shared via various score cards and forums including the Executive Committee. Any changes proposed are discussed in customer-focused governance forums and, once delivered, the impact continues to be monitored via leading and lagging measures such as contact centre failure demand, app store ratings, complaint reduction, customer effort and net promoter scores.

Atom takes care to understand the needs of its customers and invests in capturing the reasons for demand so that the business can continue to evolve and can remove any emerging areas of friction or frustration in the provision of service, this includes tailoring service approaches for those with special requirements or vulnerabilities.

During FY22, the Board received regular insights on how Atom is performing from the perspective of customers, including customer measure trend reporting and updates on changes that had been implemented to enhance our customers' experience. These insights to the Board are supplemented by ongoing trend reporting and commentaries, demonstrating the improvement in output measures, including customer goodwill, over time.

Shareholders

Atom has a wide range of different shareholders, with employees, individual "angel" investors, investment vehicles, hedge funds and a global financial services group on our register. The Board and Executive team are very mindful of differing perspectives and priorities of these different groups. The appointment of Laurence Hollingworth, former Managing Partner of JP Morgan, was designed to deepen the awareness and interests of shareholders at the Board. Regular communication is maintained with all shareholders via quarterly performance reports and the Annual General Meeting (AGM). The Bank's Corporate Secretariat team also maintain an email account to facilitate timely responses to any enquiries from shareholders.

During the year, the quarterly reports were redesigned to give shareholders more detailed quantitative and qualitative information, including regular video updates from the CEO and CFO.

The AGM provides an opportunity for all investors to ask questions to the Board. Following a fully virtual meeting enforced by lockdown rules in 2020, in 2021 a hybrid meeting was held using the Lumi AGM platform, with shareholders having the option to attend the meeting in person at the Bank's office in Durham or through the platform, offering shareholders more opportunities to raise questions of the Board.

Due to additional investment rights, Atom's "cornerstone" investors receive additional and more regular information. BBVA have appointed three directors to the Board (one of whom is an alternate director), while Toscafund and Schroders have the ability to appoint an observer to Board meetings. Outside of these formal interactions, regular and more informal communication is maintained via members of the Board and Executive team.

Case study: 4-day week

Our team has always been central to our success and to everything that we do. Access to talent is one of the key determinants of maintaining our growth momentum, continuing to serve customers and remaining compliant.

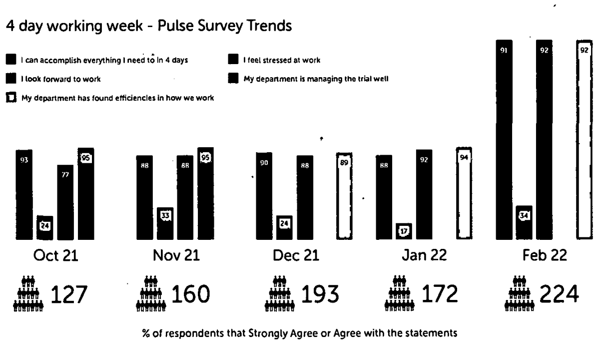
Responding to the increasing competition for talent and what the business regards as a long-term shift in the nature of work, Atom acknowledged the need to refresh and revise its employee value proposition, and so during FY22 considered the implementation of a 4-day working week.

External research was undertaken, and analysis of that research showed that organisations operating on a 4-day working week with a reduction in hours and for the same pay broadly experienced greater employee engagement, better employee health, a reduction in the impact on the environment and an increase in productivity.

Internal research and planning was then undertaken, in which all Heads of Departments, in collaboration with their teams, created operational plans to consider the viability of a 4-day working week, with a focus on the potential impact on customers, suppliers, productivity and any resource or key person risks. There was also careful consideration of how the arrangement would be communicated to impacted stakeholders, including internal communications, with the outputs presented to the Executive Committee, who approved an initial trial for a 3-month period.

The Board was engaged in the implementation process, reviewing the research carried out by the People team and providing challenge on aspects such as the practical logistics for teams within the business, any potential decline in service levels, and utilisation and cost of overtime. During the course of the trial, the Board was regularly provided with departmental metrics, which included 165 productivity, wellbeing and workforce indicators, together with the results of pulse surveys and the annual Atom People Survey. Key people metrics such as attrition and sickness had improved, with the key indicator of engagement for the whole business rising to 81% (compared to 72% in the previous year). The Chief People Officer regularly attended Board meetings during the trial period to provide updates to the Board and detail any trends being identified in the data being gathered both internally and externally.

As the business gains further insights into the future of work, particularly through implementation of the 4-day working week trial, the Board will continue to monitor and review the findings to ensure the continuing positive engagement with our people.



s. 172 Statement continued

People

The Board has always recognized that it is our People that make Atom. Their continued input and commitment to the Bank's mission and values is instrumental to the success of Atom for the benefit of all of its stakeholders.

The Board has given careful consideration to the changing needs of the Bank, particularly as it moved from a fledgling start-up to a commercially driven high-growth business, focusing on three concepts: Refresh, Reshape and Retain. These included new appointments to the Executive team, with the aim of strengthening the skills and talent on the Executive Committee and increasing the diversity of the leadership team, but also reviewing the Bank's operating model to drive key business targets and accelerate delivery.

Retention of our people has been a key consideration this year, with one of the flagship decisions being the introduction of a trial of a 4-day working week (see case study) as well as agreeing changes to the bonus structure of the Bank, so that bonus is now dependent on business performance for everyone, thus reinforcing that our People are "all in this together".

The Board, with the support of the Executive Committee and the Nominations and Remuneration Committee, are regularly appraised of developments in the employee value proposition. Particularly during FY22, the Chief People Officer was a regular attendee at Board meetings to provide updates as to the latest initiatives and feedback on the impact of issues such as sickness and the implementation of the 4-day working week trial.

The People Forum is used to obtain feedback on new propositions and initiatives, while regular Up 'N' Atom meetings take place where all employees receive business and performance updates and can raise questions to the Executive team or any member of the senior manager population.

Regular anonymous pulse surveys are carried out in addition to a more comprehensive annual people engagement survey. In response to findings from previous surveys, the Coaching and Leadership Framework has been expanded, to provide structured development for all employees from Executives to new and aspiring coaches, and career pathways have been rolled out, to provide aspirational development and challenge supported by progression.

Regulators

Compliance with Regulation is critical to running a Bank. Atom maintains open and transparent relationships with its regulators. Regular meetings are held with the PRA as the lead supervisory team, and the FCA where appropriate. These meetings cover strategic delivery, capital and operational performance. The PRA receive all Board and Board Risk Committee papers and attend Board meetings to present findings from their annual reviews.

Outside of the regular schedule of interaction, both the PRA and FCA are kept up to date with developments as and when they arise. Key areas of focus have been the impact and response to the COVID-19 pandemic, strategic developments and new product launches, fair treatment of customers, including the impact of affordability and financial hardship arising from the wider economy, and operational resilience.

The Board and senior management keep fully up to date across all regulatory requirements, including forthcoming regulatory change. This is supported by regulatory horizon scanning reported to the Senior Management of the bank on a regular basis. The Chairman, Board Members and Senior Management also attend cross industry round table events to ensure continued understanding of current and upcoming regulatory and conduct issues.

Suppliers

Supplier relationships are critical to the efficient running of the business. Atom's supplier relationships are managed on a risk-based, proportionate basis, with the most attention paid to material suppliers, and with a robust governance, oversight and engagement framework in place. This approach is overseen by the Supplier and Service Management Committee, with oversight by the Executive Risk Committee and Board Risk Committee to ensure compliance with regulatory requirements. Material new arrangements must be approved by the Board, who also review the contractual uplifts required as part of the regulatory framework.

Supplier management is formally documented within the Procurement and Third-party management policies approved by the Board Risk Committee. These policies aim to ensure that Atom has conducted appropriate due diligence and risk assessments and that there are operational plans in place for all life cycle stages to ensure a seamless delivery of service to customers.

Atom is committed to providing ethical and environmentally responsible solutions, and requires suppliers adhere to a Code of Conduct covering Modern Slavery, Continuous Improvement and Ethical Behaviour, amongst others.

Directors' Report

Mark Mullen

Chief Executive Officer

The Directors present their report and financial statements for the year ended 31 March 2022.

Atom Bank plc is a public limited company, incorporated and domiciled in England and Wales, having its registered office in England and is authorised by the PRA and is regulated by the FCA and PRA.

Information regarding a review of the business, past and future performance and risk management is disclosed in the Strategic Report.

Results

The statements of comprehensive income and the statements of financial position can be found on page 44 and 45 respectively. 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.

- Bridget C Rosewell CBE
- Mark T Mullen
- David J McCarthy
- Patricia D Jackson, resigned 29 September 2021
- David Roper
- Cheryl Millington
- Ergun Özen
- Gonzalo Romera Lobo
- Alicia Pertusa Santos
- Laurence Hollingworth, appointed 29 September 2021
- Christine Coe, appointed 27 October 2021

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 Bank'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 Bank'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. A competitive tender process for the external audit of the Bank and Group from FY24 took place this year, with PricewaterhouseCoopers LLP selected to continue in office as auditor with an independent audit partner.

Indemnity insurance Qualifying third party indemnity provisions (as defined by section 234 of the Companies Act 2006) were in force during 2021 as the Company 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 are being signed on its behalf by

Mark Mullen
Chief Executive Officer
1st July 2022

Directors Responsibilities stat

Laura Farnworth

General Counsel and Company Secretary

Directors Responsibilities statement

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 the Companies Act 2006 as applicable to companies using IFRS and with International Financial Reporting Standards (IFRS) as adopted by the United Kingdom (UK).. 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 Bank and Group and of the profit or loss of the Bank and Group 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 Bank and Group will continue in business.

The consolidated and individual financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group and the Bank has the resources to continue in business for the foreseeable future. This is as a minimum 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. The Bank's base case forecast assumes that it will be sufficiently income generative such that capital will not be required to fund ongoing losses during the year. The going concern basis is not contingent on further future capital transactions which are forecast to occur during the year.

A combination of stressed financial forecast scenarios have been considered, including the failure to raise capital, increased regulatory capital requirements and significant increased variability in credit losses given the higher inflation environment and pressures on the cost of living. In this scenario, Atom can continue to trade for the foreseeable future without employing management actions.

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

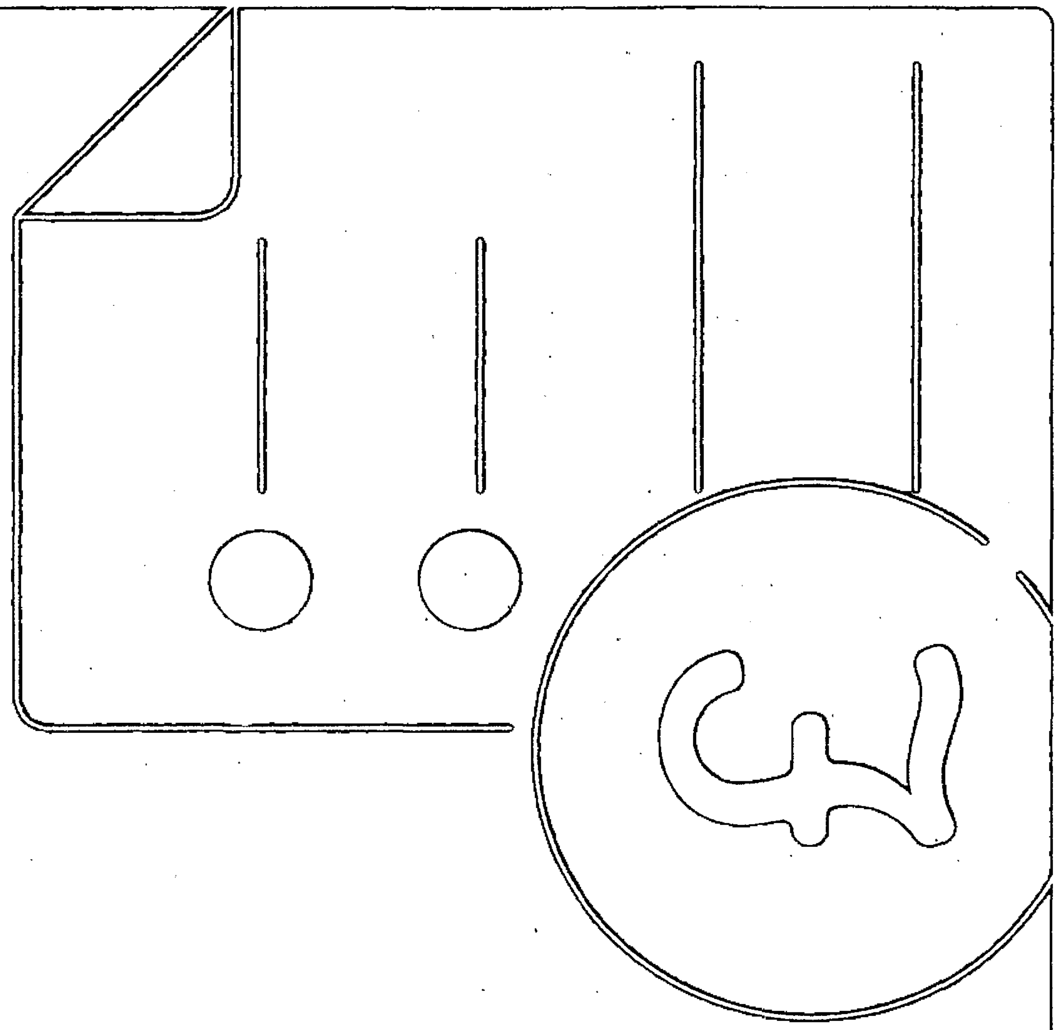
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and Group's and enable them to ensure that the financial statements comply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

They are also responsible for safeguarding the assets of the Bank and Group 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 Bank'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:

Laura F

Laura Farnworth
General Counsel and Company Secretary
1st July 2022



Financial statements

Contents

Statements of comprehensive income

For the year ended 31 March	Note	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Interest income		76,844	76,836	42,297	42,262
Interest expense		(30,014)	(33,566)	(30,314)	(30,199)
Net interest income	2	**46,830**	**43,270**	**11,983**	**12,063**
Net fee and commission income/(expense)		456	695	(782)	(1,072)
Gain/(Loss) on disposal of assets held at amortised cost		1,749	1,749	(9,241)	(9,241)
Other Income	3	3,404	3,404	188	188
Credit impairment charges	4	(1,100)	(1,100)	(3,652)	(3,652)
Net operating income/(expense)		**51,339**	**48,018**	**(1,504)**	**(1,714)**
Staff costs	5	(25,882)	(25,882)	(24,183)	(24,183)
Administrative and general expenses	7	(24,807)	(24,300)	(23,103)	(22,946)
Staff and administrative expense		**(50,689)**	**(50,182)**	**(47,286)**	**(47,129)**
Profit/(loss) before other charges		**650**	**(2,164)**	**(48,790)**	**(48,843)**
Amortisation and depreciation	8	(10,531)	(10,531)	(10,443)	(10,443)
Platform transformation costs	37	-	-	(596)	(596)
Equity-settled share-based payments	5	(4,585)	(4,585)	(2,497)	(2,497)
Other charges		**(15,116)**	**(15,116)**	**(13,536)**	**(13,536)**
Loss before taxation		**(14,466)**	**(17,280)**	**(62,326)**	**(62,379)**
Taxation	9	5,353	5,353	-	-
Loss after Taxation		**(9,113)**	**(11,927)**	**(62,326)**	**(62,379)**
Other comprehensive (expense)/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 (loss)/gain in fair value		(388)	(388)	725	725
- Net amount transferred to profit or loss		51	51	(16)	(16)
Other comprehensive (expense)/income, net of tax		(337)	(337)	709	709
Total comprehensive expense attributable to equity holders of the parent		**(9,450)**	**(12,264)**	**(61,617)**	**(61,670)**

The result for the year is derived entirely from continuing activities.
The Group represents the consolidated results of the Bank and its subsidiaries

Statements of financial position

As at 31 March	Note	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Assets					
Cash and balances at central banks	17	1,489,627	1,453,596	344,184	316,826
Debt instruments at fair value through other comprehensive income	17	297,334	297,334	151,052	151,052
Debt Instruments held at amortised cost	17	295,103	295,103	649,503	649,503
Derivatives held for hedging purposes	26	36,021	36,021	4,058	4,058
Loans and advances to customers	11	2,384,066	2,384,066	1,638,851	1,638,851
Other assets	33	45,186	46,845	24,625	26,077
Property, plant and equipment	34	4,068	4,068	4,865	4,865
Intangible assets	35	36,129	36,129	35,889	35,889
Deferred tax asset	36	5,353	5,353	-	-
Total assets		**4,592,887**	**4,558,515**	**2,853,027**	**2,827,121**
Liabilities					
Customer deposits	20	3,229,796	3,229,796.	2,154,419	2,154,419
Borrowings from central banks	21	675,749	675,749	378,093	378,093
Deemed loan	21	-	343,856	-	110,700
Debt securities in issue	21	379,719	-	141,357	-
Subordinated liabilities	21	8,192	8,192	8,180	8,180
Derivatives held for hedging purposes	26	108	108	4,422	4,422
Provisions	37	310	310	197	197
Other liabilities	38	49,418	49,410	29,336	29,780
Total liabilities		**4,343,292**	**4,307,421**	**2,716,004**	**2,685,791**
Equity					
Share capital and share premium	30	566,378	566,378	448,935	448,935
Other reserves	31	25,406	26,875	21,164	22,627
Accumulated losses		(342,189)	(342,159)	(333,076)	(330,232)
Total equity		**249,595**	**251,094**	**137,023**	**141,330**
Total liabilities and equity		**4,592,887**	**4,558,515**	**2,853,027**	**2,827,121**

The notes and information on pages 60 to 155 form part of these financial statements. Unless explicitly stated notes are for both the Group and Bank. The financial statements from pages 60 to 155 were approved by the Board of Directors on 1 July 2022 and signed on its behalf by:

Mark Mullen
Chief Executive Officer
1 July 2022

David McCarthy
Chief Financial Officer
1 July 2022

Statements of Changes in Equity

	Share capital and share premium	Fair value reserve	Share based payment reserve	Other reserves and treasury shares	Accumulated Losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Group balance as at 1 April 2020	**448,935**	**(433)**	**19,854**	**(1,463)**	**(270,750)**	**196,143**
Loss for the year	-	-	-	-	(62,326)	(62,326)
Fair value reserve (debt instruments), net of tax						
- Net gain in fair value	-	725	-	-	-	725
- Net amount transferred to profit or loss	-	(16)	-	-	-	(16)
Total comprehensive income/(expense)	**-**	**709**	**-**	**-**	**(62,326)**	**(61,617)**
Share schemes – value of employee services	-	-	2,497	-	-	2,497
Group balance as at 31 March 2021	**448,935**	**276**	**22,351**	**(1,463)**	**(333,076)**	**137,023**
Loss for the year	-	-	-	-	(9,113)	(9,113)
Fair value reserve (debt instruments), net of tax						
- Net loss in fair value	-	(388)	-	-	-	(388)
- Net amount transferred to profit or loss	-	51	-	-	-	51
Total comprehensive expense	**-**	**(337)**	**-**	**-**	**(9,113)**	**(9,450)**
Issue of new ordinary shares, net of transaction costs	117,443	-	-	-	-	117,443
Share schemes – value of employee services	-	-	4,585	-	-	4,585
Purchase of treasury shares	-	-	-	(6)	-	(6)
Group balance as at 31 March 2022	**566,378**	**(61)**	**26,936**	**(1,469)**	**(342,189)**	**249,595**

Statements of Changes in Equity

	Share capital and share premium	Fair value reserve	Share based payment reserve	Other reserves and treasury shares	Accumulated Losses	Total Equity
	£'000	£'000	£'000	£'000	£'000	£'000
Bank balance as at 1 April 2020	**448,935**	**(433)**	**19,854**	**-**	**(267,853)**	**200,503**
Loss for the year	-	-	-	-	(62,379)	(62,329)
Fair value reserve (debt instrument), net of tax						
- Net gain in fair value	-	725	-	-	-	725
- Net amount transferred to profit or loss	-	(16)	-	-	-	(16)
Total comprehensive income/(expense)	**-**	**709**	**-**	**-**	**(62,379)**	**(61,670)**
Share schemes – value of employee services	-	-	2,497	-	-	2,497
Bank balance as at 31 March 2021	**448,935**	**276**	**22,351**	**-**	**(330,232)**	**141,330**
Loss for the year	-	-	-	-	(11,927)	(11,927)
Fair value reserve (debt instruments), net of tax						
- Net loss in fair value	-	(388)	-	-	-	(388)
- Net amount transferred to profit or loss	-	51	-	-	-	51
Total comprehensive expense	**-**	**(337)**	**-**	**-**	**(11,927)**	**(12,264)**
Issue of new ordinary shares, net of transaction costs	117,443	-	-	-	-	117,443
Share schemes – value of employee services	-	-	4,585	-	-	4,585
Bank balance as at 31 March 2022	**566,378**	**(61)**	**26,936**	**-**	**(342,159)**	**251,094**

Cash flow statement

For the year ended 31 March	Note	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Cash flows from operating activities					
Loss for the year		(9,113)	(11,927)	(62,326)	(62,379)
Adjustments for non-cash items					
Depreciation and amortisation	8	10,531	10,531	10,442	10,442
Deferred tax asset recognised	9	(5,353)	(5,353)	-	-
Share option scheme reserves	5	4,585	4,585	2,497	2,497
Other non cash movements		(337)	(345)	1,306	1,306
Changes in operating assets and liabilities					
Loans and advances to customers	11	(745,215)	(745,215)	331,967	331,967
Customer deposits	20	1,075,377	1,075,377	289,607	289,607
Borrowings from central banks	21	297,656	297,656	22,612	22,612
Deemed loan	21	-	233,156	-	(122,391)
Debt securities in issue	21	238,362	-	(192,432)	-
Debt instruments held at amortised cost	17	354,400	354,400	(426,192)	(426,192)
Other assets	33	(20,561)	(20,768)	(5,275)	(4,443)
Other liabilities and provisions	38	20,857	20,413	1,653	1,828
Derivatives held for hedging purposes	26	(36,277)	(36,277)	(14,013)	(14,013)
Net cash inflow/(outflow) in operating activities		**1,184,912**	**1,176,233**	**(40,154)**	**30,841**
Cash flows from investing activities					
Acquisition of intangible assets	35	(9,707)	(9,707)	(8,641)	(8,641)
Acquisition of property, plant and equipment	36	(267)	(267)	(271)	(271)
Net (acquisition)/maturity of debt securities at FVOCI	17	(146,282)	(146,282)	25,681	25,681
Net cash (outflow)/inflow from investing activities		**(156,256)**	**(156,256)**	**16,769**	**16,769**
Cash flows from financing activities					
Proceeds from the issuance of shares, net of expenses	30	117,437	117,443	-	-
Payment of principal portion of lease liabilities	39	(650)	(650)	(699)	(699)
Net cash inflow/(outflow) from financing activities		**116,787**	**116,793**	**(699)**	**(699)**
Net increase/(decrease) in cash and balances at central banks		**1,145,443**	**1,136,770**	**(24,084)**	**46,911**
Cash and balances at central banks at the beginning of year	17	344,184	316,826	368,268	269,915
Cash and balances at central banks at the end of year	17	**1,489,627**	**1,453,596**	**344,184**	**316,826**

Notes to the Financial Statements

1. Summary of significant accounting policies

This section describes the Group and Bank'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 Bank plc and its subsidiaries ("the Group", "Atom"). Atom Bank plc ("the Bank") is a public limited company incorporated and registered in the United Kingdom and is limited by shares. Individual financial statements have been presented for the parent company.

b. Basis of preparation

The consolidated and individual financial statements have been prepared and approved by the Board of Directors in accordance 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 (£), the functional and presentational currency of Atom, and are rounded to the nearest thousand (£'000) unless otherwise stated.

The financial statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments.

c. Going concern

The consolidated and individual financial statements have been prepared on a going concern basis, as the Directors are satisfied that the Group and the Bank 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' responsibilities statement on page 55.

d. Consolidation

Atom 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 has the ability to 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 to the Bank 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 Bank plc.

e. 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. Where a balance sheet item has recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current), a maturity analysis is presented in note 23.

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

Other instruments, primarily over-the-counter derivatives, are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the Bank also intends to settle on a net basis in all the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of Atom and/or its counterparties.

All notes to the financial statements relate to Group and Bank, unless specifically stated otherwise.

f. Cash and Cash Equivalents

Cash and cash equivalents include notes, 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 statement of financial position.

1. *Summary of significant accounting policies cont*

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 to allocate resources to segments and to assess their performance. For this purpose, the Chief Operating Decision Maker of the Group is the Board of Directors. The Board considers the results of the Group as a whole when assessing the performance of the Group 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. Atom is not reliant on any single customer.

h. Financial assets and liabilities

Atom 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 Atom becomes party to the terms of the contract. For the purchase or sale of securities this is deemed to be the trade date as 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 Profit & Loss (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 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 revenues 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 11, contains both estimation uncertainty and significant judgements.
- Deferred tax, note 36. A deferred tax asset has been recognised for the first time this year, resulting in a change to the group's significant estimates and judgements.

k. Changes to accounting policies and future accounting developments

There have been no changes to our accounting policies during the year. The Bank has not provided disclosures in respect of new and amended standards and interpretations that became effective for FY22, as none of these issued had impact on the Bank or Groups financial statements. This includes Interest Rate Benchmark Reform amendments to IFRS 9, IAS 39 and IFRS 7 because Atom has no IBOR exposures.

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 Bank or Group.

Performance

The notes in this section seek to explain Atom's Profit and Loss performance during the year. We seek to make profit by earning interest on loans originated to customers and on financial instruments we hold. This income is reduced by the interest paid to customers on their deposits and on wholesale funding facilities which fund our lending. We also incur the costs of running a digital bank, with our primary expenditure on employees and technology infrastructure.

2. Net Interest Income

Accounting for interest income and expense

Interest income and expense are recognised in the income statement for all instruments measured at amortised cost using the effective interest rate method.

This method calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments, through the expected life of the financial instrument (or, where appropriate, a shorter period) to the gross carrying amount of the financial asset or liability. The Bank estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all amounts received or paid by the Bank that are an integral part of the overall return, 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 (not as part of the fair value movement of the derivative) and are 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.

Other similar interest income/expense represents interest on derivatives in economic hedge relationships (see Note 26 - Derivatives) using the contractual interest rate.

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Interest and similar income				
Loans and advances to customers	70,282	70,282	35,413	35,413
Other assets held at amortised cost	6,089	6,081	6,275	6,240
Assets held at fair value through other comprehensive income	473	473	477	477
Total interest income	**76,844**	**76,836**	**42,165**	**42,130**
Other similar interest	-	-	132	132
Total interest and similar income	**76,844**	**76,836**	**42,297**	**42,262**
Interest and similar expense				
Customer deposits	(25,309)	(25,309)	(26,049)	(26,049)
Other liabilities held at amortised cost	(4,705)	(8,257)	(4,265)	(4,150)
Total interest expense	**(30,014)**	**(33,566)**	**(30,314)**	**(30,199)**
Net interest income	**46,830**	**43,270**	**11,983**	**12,063**

Net interest income increased by £34.8m to £46.8m for the Group and £31.2m to £43.3m for the Bank. The improvement is due to loan book growth during the year, in particular within the higher spread unsecured and secured business lending portfolio. Interest expense has not grown at the same rate due to the greater use of lower cost instant access saver deposits and TFSME, and an overall reduction in the cost of retail deposits.

3. Other income

Accounting for other income

The significant items within other income are due to gains and losses on derivative financial instruments at fair value through profit and loss and those designated within hedge relationships. Please see Note 26 – Derivatives for further information.

Other income	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Hedge ineffectiveness	1,317	1,317	(168)	(168)
Net income from mortgage hedging derivatives pre-designation	2,109	2,109	453	453
Derivatives in economic but not accounting hedges	10	10	(119)	(119)
Other (expense)/income	(32)	(32)	22	22
Total	**3,404**	**3,404**	**188**	**188**

Hedge ineffectiveness arises when the fair value movement in the hedge item does not perfectly correlate to the fair value movement in the associated hedge instrument. Income from mortgage hedging derivatives pre-designation represents the fair value movement on derivatives before they are formally designated in a hedge relationship. Please see Note 26 – Derivatives for further information.

4. Credit impairment charges

Accounting for credit impairment charges

Please see Note 11 - Amounts arising from expected credit losses for the accounting policy.
The below table summarises the charge for the year in the income statement.

Net impairment on financial assets	2022 £'000	2021 £'000
Movement in impairment provisions for:		
Mortgages	681	(217)
BBSL	(1,597)	(1,054)
BBUL	1,868	5,120
Impairment charges on loans and advances to customers	**952**	**3,849**
Movement in impairment charges on loan commitments for:		
Mortgages	140	3
BBSL	(23)	(244)
Provision charges/(credit) on loan commitments	**117**	**(241)**
Credit impairment charge on debt instruments at amortised cost	51	4
Credit impairment (credit)/charge on debt instruments at fair value through other comprehensive income	(20)	40
Credit impairment charges and other provisions	**1,100**	**3,652**

The £1.1m (FY21: £3.7m) charge reflects the recognition of impairment provisions under IFRS 9 Financial Instruments. The charge for the year is due to loan book growth, offset by a reduction in the provision coverage rates during the year. The BBSL credit is driven by the reduction in the provision coverage rate, as a higher proportion of the loan book attracted a government guarantee. Further information on the change in expected credit loss provision is disclosed in note 11.

5. Staff costs

Accounting for staff costs

The Bank applies IAS 19 Employee benefits in its accounting for most of the components of staff costs. All employees in the Group are employed by the Bank.

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 Bank 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.

Share based payments

Please see Note 6 – Share based payment arrangements for the accounting policy

Staff costs	2022 £'000	2021 £'000
Wages and salaries	20,591	17,844
Social security costs	3,083	2,343
Contributions to defined contribution plans	2,208	1,939
Cash bonus and cash-settled share-based payments	-	2,057
Total staff costs	**25,882**	**24,183**
Equity-settled share-based payments	4,585	2,497

Wages and salaries of £20.6m (FY21: £17.8m) are reported net of £2.4m (FY21: £2.4m) of staff time capitalised, and net of £0.2m (FY21: £0.4m) Banking Competition Remedies (BCR) funding released to the income statement to match eligible expenditure. The increased cost is primarily due to an increase in headcount for the year.

No cash bonus was paid in the year (FY21: £2.1m).

Average monthly number of employees during the year	2022	2021
Executive	11	9
Business and customer operations	243	234
Administration	60	59
Technology	110	101
Total	**424**	**403**

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 a staff cost 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 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.

For equity settled options the fair value is set at the grant date and recognised as an employee expense 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 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 Bank'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.

As at 31 March 2022 the Bank and 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 2022	Annual performance award. APSS17 to 22 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

Method of settlement

Following a modification to existing schemes in March 2020, all share options are equity settled only and there are no cash settlement alternatives.

Employee Benefit Trust

The Group 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. No shares were purchased by the EBT during the year (FY21: nil), and the outstanding loan balance between Atom and the EBT was £1,469k (FY21: £1,463k).

6. Share based payment arrangements cont

	BTB	APSS	LTIP	JSOP
Outstanding as at 1 April 21	**3,943,000**	**12,272,102**	**489,723**	**3,800,000**
Forfeited during the period	-	(81,800)	-	-
Exercised during the period	-	(99,244)	-	-
Granted during the period	-	8,753,084	-	-
Outstanding as at 31 March 22	**3,943,000**	**20,844,142**	**489,723**	**3,800,000**
Exercisable as at 31 March 22	3,943,000	9,661,936	489,723	3,800,000
Weighted average exercise price (pence)	35	0.001	66	0.001
Weighted average remaining contractual life	4 years	8 years	3 years	5 years
Fair value of share awards issued in FY22 (pence)	N/A	0.7	N/A	N/A

	BTB	APSS	LTIP	JSOP
Outstanding as at 1 April 20	**3,943,000**	**10,079,966**	**489,723**	**3,800,000**
Forfeited during the period	-	(43,488)	-	-
Exercised during the period	-	(63,000)	-	-
Granted during the period	-	2,298,624	-	-
Outstanding as at 31 March 21	**3,943,000**	**12,272,102**	**489,723**	**3,800,000**
Exercisable as at 31 March 21	3,943,000	9,069,235	489,723	3,800,000
Weighted average exercise price (pence)	35	0.001	66	0.001
Weighted average remaining contractual life	5 years	6 years	4 years	6 years
Fair value of share awards issued in FY21 (pence)	N/A	0.6	N/A	N/A

The fair value of share awards issued in FY22 was estimated on the grant date using the Black Scholes Merton formula, and using the following inputs:

Weighted average share price	70p
Exercise Price	0.001p
Expected volatility	38.80%
Expected life	2 years
Risk-free interest rate	1.34%

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

Modifications to existing schemes

No modifications have taken place during the year. The exercise price of certain share options in the LTIP and BTB schemes were reduced in the prior year, to ensure that the options continue to act as reward and retention mechanisms as intended.

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 (FY21: nil).

7. Administrative and general expenses

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Administrative expenses	546	527	929	929
Loan servicing expense	4,994	4,994	1,745	1,745
IT costs	13,482	13,482	15,905	15,905
Marketing	832	832	720	720
Legal and professional	3,763	3,275	2,831	2,674
Office and premises	1,190	1,190	973	973
Total administrative and general expenses	**24,807**	**24,300**	**23,103**	**22,946**

Administrative and general expenses are recorded net of £0.4m (FY21: £0.8m) of Banking Competition Remedies (BCR) funding held within other liabilities which was released to the income statement to match eligible expenditure.

Loan servicing expenses are paid to third parties in instances where this service is outsourced. The increased charge is due to growth in the BBUL loan book.

IT costs of £13.5m (FY21: £15.9m) includes the running costs of customer savings and lending platforms, customer contact systems, and IT infrastructure supporting back-office functions. Costs are lower than in FY21, during which the migration to the Thought Machine banking platform resulted in operating two banking platforms in parallel for several months.

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

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Audit fees for the Group and Bank statutory audit	298	298	262	262
Fees payable for other services:				
Audit of Group subsidiaries	73	-	44	-
Total audit and audit related assurance services	371	298	306	262
Other non-audit services	62	62	65	65
Total auditors remuneration	433	360	371	327

8. Amortisation and depreciation of intangible assets and property, plant and equipment

Accounting for amortisation and depreciation

Accounting policies and further details relating to amortisation and depreciation are set out in notes 34 - Property, plant and equipment, and note 35 - Intangible assets respectively

	2022 £'000	2021 £'000
Amortisation of intangible assets	9,467	9,398
Depreciation of property, plant and equipment	1,064	1,045
Total amortisation and depreciation	10,531	10,443

9. Taxation

Accounting for taxation

Income tax on the profit or loss 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 the previous year.

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 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.

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Current tax				
Current year	-	-	-	-
Deferred tax (note 36)				
Current year	4,068	4,068	-	-
Effect of change in tax rate	1,285	1,285	-	-
Tax credit for the year	5,353	5,353	-	-

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Loss on ordinary activities before taxation	14,466	17,280	62,326	62,379
Standard rate of corporation tax	19%	19%	19%	19%
Expected tax credit	2,749	3,283	11,842	11,852
Items not taxable	78	78	182	7
Effect of changes in tax rates	1,285	1,285	-	-
Other temporary differences	1,241	707	(12,024)	(11,859)
Total tax credit	5,353	5,353	-	-

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was deemed substantively enacted on 17 March 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. This new law was deemed substantively enacted on 24 May 2021 and the deferred tax balances at the year end have been calculated based on this rate.

On 27 October 2021 the government also announced that the banking surcharge will be reduced from a rate of 8% to 3%, and that it will be chargeable on banking profits above £100m (previously £25m). The changes will be effective from 1 April 2023 for current tax, aligning with the already enacted rise in the main rate of corporation tax, so that the combined rate of tax on banking profits in excess of £100m will be 28%.

No corporation tax liabilities are payable or receivable from HMRC for the year (FY21: Nil).

The Group has recognised a deferred tax asset in respect of future taxable profits for the first time this year. Further detail on the deferred tax is provided in note 36.

Lending and Credit Risk

This section provides information on our lending and the provisions held for credit impairment. As a retail bank we use the funds deposited with us to lend to customers. We currently provide secured and unsecured loans to small and medium enterprises and mortgages to individuals. As the principal risk of lending, disclosure is also provided on how Atom manages and mitigates credit risk.

10. Managing credit risk

Credit risk is 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 currently provides mortgages to individuals and businesses 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 the Bank, there is significant management focus on setting credit risk appetite and embedding appropriate credit risk mitigation.

Retail Credit Risk Management

Exposure to credit risk is monitored and managed by the Credit Risk function and is overseen by the Credit Committee. Credit Committee's activities and decisions are overseen by both ERC and BRC.

The Board, acting via BRC, defines the Bank's overall risk appetite, namely that, by originating a high-quality and well-diversified residential 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.

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.

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 Risk 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 risk function performs detailed due diligence of the "outsourced" processes 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, credit performance of this type of lending is regularly monitored and reported to Credit Committee. Individual underwriter mandates are approved by the Credit Risk function 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.

In order to assess the quality of new lending, 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.

10. Retail Credit Risk Mitigation cont

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. Atom will offer such customers 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.

11. Loans and advances to customers and expected credit losses

Accounting for lending and credit risk

i) Classification and Measurement

Under IFRS 9 mortgages and business 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 impairment model calculates ECL at a customer level by multiplying PD, LGD and 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 historic industry data to calculate the lifetime PD.
- EAD is based on the amount expected to be owed at the point of default.
- LGD is the expectation of loss on a defaulted exposure at the point of default.

Determining a significant increase in credit risk since initial recognition

The impairment model utilises both a 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 two-fold increase in probability of default (PD) since origination with a minimum 0.5% increase.
- 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.

11. Loans and advances to customers and expected credit losses cont

Forecast economic data

IFRS 9 requires ECL to reflect a range of possible outcomes and considering a range of future economic scenarios. The Bank utilises an independent economic consultancy to calculate its base and alternative scenarios on a quarterly basis. This year the Bank has used four separate narrative driven scenario, which has increased the variability and range between these economic scenario. In FY22 a base case scenario was modelled, with three alternative scenarios are calculated from a range of economic variables that are stressed around the base case.

The base economic scenario used is modelled around the assumption that there will be prolonged conflict between Russia and Ukraine, with western sanctions remaining and intensifying from March, and global oil prices remaining high during that period. The scenario assumes that no further Covid-19 restrictions are reintroduced.

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 price (residential) or business investment forecasts (business lending), and unemployment rates.

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

	2022				2021			
	Upside	Base	Downside 1	Downside 2	Upside	Base	Downside 1	Downside 2
Scenario weighting	30%	40%	25%	5%	10%	25%	50%	15%

The current year probability weighting reverts to a more normal distribution. In FY21 a higher probability weighting was attributed to the two downside scenarios given the continued ongoing uncertainty associated with the Covid pandemic.

The impact that the ongoing conflict in Ukraine has on economic markets, along with concerns around the impact of higher cost of living creates uncertainty at year end that is not fully reflected in the economic forecasts. A post model-adjustment has been incorporated this year to ensure that the provision in place for customers most vulnerable to these pressures remains appropriate.

The following table presents the forecasts used in FY22 by year:

	2022 %	2023 %	2024 %	2025 %	2026 %
Upside					
BoE Interest rate[1]	0.9	1.3	1.4	1.5	1.6
House price index[2]	0.6	3.6	4.0	4.0	4.0
Commercial real estate index[2]	1.3	1.2	0.6	0.5	0.5
Unemployment rate[3]	4.5	4.5	4.4	4.3	4.3
Base					
BoE Interest rate[1]	0.7	1.2	1.2	1.4	1.5
House price index[2]	(0.2)	2.3	4.0	4.0	4.0
Commercial real estate index[2]	(3.2)	2.6	0.6	0.5	0.5
Unemployment rate[3]	5.1	5.1	4.8	4.6	4.5
Downside 1					
BoE Interest rate[1]	0.5	0.8	1.0	1.1	1.2
House price index[2]	(3.6)	0.1	4.0	4.0	4.0
Commercial real estate index[2]	(11.3)	3.1	3.9	1.0	0.5
Unemployment rate[3]	5.9	6.5	6.3	5.8	5.0
Downside 2					
BoE Interest rate[1]	(0.1)	(0.1)	0.0	0.1	0.2
House price index[2]	(9.8)	12.5	2.7	0.7	3.9
Commercial real estate index[2]	(6.8)	0.5	1.7	1.8	0.4
Unemployment rate[3]	6.2	6.2	5.8	5.6	5.2

[1]BoE interest rate is the rate for the final quarter each year.
[2]HPI and CREI are the Q4 v Q4 year on year movement
[3]Unemployment rate is the average rate for the year.

11. Loans and advances to customers and expected credit losses cont

Definition of default and credit impaired assets

Atom's default definition is aligned to 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 have been met: 90 days past due; entered forbearance; security has been taken into possession; or the customer is bankrupt.

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. There have been 38 BBUL loans that defaulted and were subsequently written off during the year, all of which were part of the CBIL scheme.

Post Model Adjustments (PMAs)

PMAs have been recognised to estimate the impact on the IFRS 9 impairment provision that a higher inflation environment and increased cost of living will have. This is increased given the uncertainty on global and UK economies caused by the ongoing conflict in Ukraine.

LGD assumptions
The downside economic scenarios were not deemed to fully reflect the impact a higher inflationary environment might have. More severe downturn parameters for forced sale discount (FSD) and the probability of possession given default (PPD) have been used in the downside 1 and downside 2 scenario to better reflect this risk. This increased the applied range of FSD to 20-49% and PPD to 19-76% for residential mortgages and the range of FSD to 0.35%-1% and PPD to 33%-68% for BBSL. The BBUL downturn parameter assumed a 100% loss given default. Incorporating these downturn parameters had the impact of increasing the total year end provision by £1.5m.

Identification of higher risk customers
Interest rate rises and a higher cost of living is expected to have a larger effect on certain customers than is necessarily reflected in the observable customer data available at year end which drives model outputs. To recognise this higher risk a PMA based on reclassifying certain customers identified as most susceptible to income stressors onto a watchlist has been recorded, which moves these loans into Stage 2 and results in an increased expected credit loss provision.

For BBSL customers, this was determined to be all customers with the highest risk grade (grade 8) as well as those customers with a high risk grade, and serviceability of less than 200%. This increased the year end provision by £1.2m. For BBUL the same approach was adopted, focusing on all loans in the highest risk grade only, which increased the provision by £0.8m.

To identify those customers that would be included on a Mortgage watchlist the advanced internal rating-based ("AIRB") credit rating system was used, assigning performing loans into grade 1 – 8. It was assumed that all loans would roll to a higher risk grade, and the watchlist was determined to be those customers for which that roll would result in a significant increase in credit risk and a move into Stage 2. This increased the year end provision by £0.4m

Critical accounting 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 or not a SICR has occurred, as outlined above.

Definition of default:
The probability of default (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 as described on page 88.

Post Model Adjustments :
These management judgements increase the ECL provision where it is considered that the modelled output does not fully reflect the most up to date economic scenario or market expectations and are described in more detail, and quantified, above. When identifying those customers most susceptible to a higher inflation environment and increased cost of living, that would be included on an additional watchlist, a range of scenarios were considered, as outlined below:

Residential mortgages: A PMA range was considered between £nil and £0.7m. This covered a range of scenarios, from no further provision is required, to a scenario where all loans roll by one full risk grade, and all loans in stage 7 and stage 8 are considered to have a significant increase in credit risk regardless of other indicators. The latter would have resulted in 17% of the portfolio being incorporated on the PMA watchlist.

BBSL: A PMA range was considered between £nil and £1.5m. The highest scenario considered was subsequently adopted, given all BBSL loans are bank rate linked and therefore immediately exposed to rate increases, resulting in a PMA of £1.5m. If the watchlist were applied to loans with LTV >60% the PMA would reduce to £0.4m.

BBUL: PMA range considered between £nil and £2.6m. In the most severe scenario 25% of the portfolio would have been included on the watchlist, being all loans originated in the lowest two risk grades.

Sources of estimation uncertainty

The calculation of the Bank'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 2022	Upside £'000	Base £'000	Downside 1 £'000	Downside 2 £'000
BBSL	(0.6)	(0.5)	1.1	1.2
Mortgages	(0.8)	(0.7)	1.2	0.8
BBUL	(0.4)	(0.4)	(0.3)	1.1
Total	**(1.8)**	**(1.6)**	**2.0**	**3.1**

Provision by stage and product

The following table summarises lending as at the year end by IFRS 9 impairment stage and the related provision:

At 31 March 2022	BBSL £'000	Mortgages £'000	BBUL £'000	Total loans and advances to customers £'000
Gross carrying amount:				
Stage 1: 12 month expected loss	361,619	1,242,221	367,076	1,970,916
Stage 2: Lifetime - loans not credit impaired	123,745	239,252	65,045	428,042
Stage 3: Lifetime - credit impaired loans	11,941	5,649	7,344	24,934
Total gross carrying amount	497,305	1,487,122	439,465	2,423,892
*Fair value adjustment**	-	(36,881)	-	(36,881)
Effective interest rate adjustment	-	6,284	258	6,542
Total gross carrying amount including valuation adjustments	497,305	1,456,525	439,723	2,393,553
Less expected credit loss provision:				
Stage 1: 12 month expected loss	(307)	(358)	(2,107)	(2,772)
Stage 2: Lifetime - loans not credit impaired	(1,331)	(771)	(1,779)	(3,881)
Stage 3: Lifetime - credit impaired loans	(841)	(128)	(1,865)	(2,834)
Provision for on balance sheet impairment losses	(2,479)	(1,257)	(5,751)	(9,487)
Net balance sheet carrying value	494,826	1,455,268	433,972	2,384,066
Loan commitments				
Gross Commitments	33,443	251,801	-	285,244
12 month expected loss provision	(15)	(169)	-	(184)
Total credit impairment provision	(2,494)	(1,426)	(5,751)	(9,671)
Total coverage ratio	0.47%	0.08%	1.31%	0.36%

*The fair value and effective interest adjustment have not been allocated across IFRS 7 credit risk disclosures as the impact is not deemed to be significant.

At 31 March 2021	BBSL £'000	Mortgages £'000	BBUL £'000	Total loans and advances to customers £'000
Gross carrying amount:				
Stage 1: 12 month expected loss	310,824	926,067	277,017	1,513,908
Stage 2: Lifetime - loans not credit impaired	37,800	47,197	32,992	117,989
Stage 3: Lifetime - credit impaired loans	3,354	3,289	149	6,792
Total gross carrying amount	351,978	976,553	310,158	1,638,689
Fair value adjustment*	-	6,172	-	6,172
Effective interest rate adjustment	-	3,610	119	3,729
Total gross carrying amount including valuation adjustments	351,978	986,335	310,277	1,648,590
Less expected credit loss provision:				
Stage 1: 12 month expected loss	(1,842)	(157)	(3,878)	(5,877)
Stage 2: Lifetime - loans not credit impaired	(1,245)	(223)	(1,178)	(2,646)
Stage 3: Lifetime - credit impaired loans	(989)	(197)	(30)	(1,216)
Provision for on balance sheet impairment losses	(4,076)	(577)	(5,086)	(9,739)
Net balance sheet carrying value	347,902	985,758	305,191	1,638,851
Loan commitments				
Gross Commitments	74,998	118,697	-	193,695
12 month expected loss provision	(38)	(29)	-	(67)
Total credit impairment provision	(4,114)	(606)	(5,086)	(9,806)
Total coverage ratio	0.96%	0.05%	1.64%	0.53%

Mortgages

Fixed rate mortgage products are offered to the market via brokers. The portfolio is predominantly owner-occupied and includes £12m (FY21 £nil) of buy to let lending. The current year portfolio grew by £0.5bn to £1.5bn.

The provision of £1.3m (FY21: £0.6m) results in a coverage ratio of 0.08% (FY21: 0.05%). Low levels of credit deterioration continue to be experienced, with 84% (FY21: 95%) of total mortgage value classified as Stage 1 following the reclassification of £137m of stage 1 loans into Stage 2 as part of the additional watchlist incorporated to identify customers most susceptible to the risk of credit deterioration. The proportion of the portfolio in arrears or forbearance remains at 0.2% (FY21: 0.2%).

Mortgages of £252m (FY21: £119m) were also committed to 1,328 (FY21: 661) customers. A provision of £169k (FY21: £29k) was held against this exposure, resulting in a total mortgage provision of £1.4m (FY21: £0.6m).

The valuation adjustment of £(36.9m) (FY21: £6.2m) reflects the IAS 39 macro hedge adjustment as described in note 26.

BBSL

Atom offers secured loans to SMEs. Atom was accredited to the Government's Recovery Loan Scheme (RLS) which followed the CBILS scheme. 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 CBIL scheme is subject to an 80% guarantee from the government.

The provision coverage rate has reduced to 0.47% from 0.96% due to the higher proportion of the loan book attracting these government guarantee. £228m (FY21 £85m) of the book balance was originated under the CBIL scheme, with a further £46m (FY21: nil) under the RLS.

Levels of arrears and forbearance remain low, having increased to just 2.2% of the outstanding balance (FY21: 0.8%). There has been an insignificant level of BBSL accounts subject to modification.

Loans totaling £33m (FY21: £75m) were committed to 36 (FY21: 117) customers. A provision of £15k (FY21: £38K) was held against this exposure, resulting in a total BBSL provision of £2.5m (FY21: £4.1m).

BBUL

Unsecured loans are offered to SMEs in conjunction with a third-party origination partner. Loans are originated under both of the CBILS and RLS, as well as to core customers during the latter part of the year. The proportion of the loan book attracting a government guarantee remains high, with £262m (FY21 £310m) attracting the CBILS guarantee, and £152m (FY21: £nil) attracting a RLS guarantee.

Loans originated under the CBILS scheme made no capital repayments during the first 12 months by the customer, instead this and any fee payments were met by the Government via a Business Interruption payment (BIP).

The provision coverage rate has reduced by 0.33% to 1.31%, predominantly due to the removal of a Covid-19 PMA that targeted specific sectors (hospitality, retail and care homes) which was no longer considered necessary following the removal of all Covid related restrictions in the UK.

12. Collateral held and other credit enhancements

The Bank 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.

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

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2022	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
LTV <= 60%	331,678	15	69,479	138	1,043	8	10,541	6
60% < LTV <= 65%	90,507	14	17,077	59	728	15	4,564	3
65% < LTV <= 70%	108,340	21	24,667	96	2,750	44	4,216	2
70% < LTV <= 75%	77,017	29	18,375	68	626	13	10,016	6
75% < LTV <= 80%	129,675	47	20,055	79	-	-	41,863	21
80% < LTV <= 85%	295,909	148	58,696	216	502	48	38,274	27
85% < LTV <= 90%	168,847	73	24,450	96	-	-	100,034	72
90% < LTV <= 95%	40,248	11	6,453	19	-	-	42,293	32
Total Mortgages	1,242,221	358	239,252	771	5,649	128	251,801	169

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2021	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
LTV <= 60%	301,766	5	13,683	10	910	11	7,203	-
50% < LTV <= 65%	74,433	5	5,111	13	63	3	1,325	-
55% < LTV <= 70%	89,208	7	4,296	31	126	6	2,130	-
70% < LTV <= 75%	116,773	12	5,603	17	597	63	6,324	1
75% < LTV <= 80%	150,811	25	7,031	47	1,052	64	5,524	-
80% < LTV <= 85%	90,801	27	7,117	86	417	43	16,294	4
85% < LTV <= 90%	96,564	70	4,228	19	124	7	78,514	24
90% < LTV <= 95%	5,711	6	128	-	-	-	1,383	-
Total Mortgages	926,067	157	47,197	223	3,289	197	118,697	29

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2022	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
LTV <= 50%	115,957	43	44,057	388	1,863	93	8,312	3
50% < LTV <= 60%	124,963	99	51,899	578	3,439	362	7,108	2
60% < LTV <= 70%	107,694	151	26,124	345	6,227	292	16,506	9
70% < LTV <= 80%	13,005	14	1,665	20	412	94	1,517	1
Total BBSL	361,619	307	123,745	1,331	11,941	841	33,443	15

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2021	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	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
LTV <= 50%	76,311	283	7,366	119	1,188	135	32,332	8
50% < LTV <= 60%	101,932	702	15,403	430	1,380	569	23,713	11
60% < LTV <= 70%	95,235	700	13,834	656	363	118	11,571	6
70% < LTV <= 80%	37,346	157	1,197	40	423	167	7,382	13
Total BBSL	310,824	1,842	37,800	1,245	3,354	989	74,998	38

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

13. Credit quality

The table below provides 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 2022	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Very low risk	702,085	55	53,616	121	-	-	216,130	134
Low risk	291,661	61	54,503	117	-	-	25,982	22
Medium low risk	134,850	59	44,698	114	-	-	7,612	8
Medium risk	113,625	183	86,435	419	-	-	2,077	5
Higher risk	-	-	-	-	5,649	128	-	-
Total Mortgages	1,242,221	358	239,252	771	5,649	128	251,801	169

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2021	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Very low risk	629,153	22	1,065	-	-	-	106,529	25
Low risk	152,560	18	5,254	4	-	-	5,810	2
Medium low risk	75,831	22	15,822	23	-	-	2,825	1
Medium risk	68,523	95	25,056	196	-	-	3,533	1
Higher risk	-	-	-	-	3,289	197	-	-
Total Mortgages	926,067	157	47,197	223	3,289	197	118,697	29

The mortgage portfolio continues to be predominantly in the very low, low and medium risk bands which is a reflection of our 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.

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2022	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Very low risk	114,615	36	190	2	-	-	10,244	2
Low risk	125,508	93	49,321	499	-	-	7,978	2
Medium risk	121,171	174	60,238	619	-	-	14,031	10
Medium high risk	325	4	13,996	211	11,941	841	1,190	1
Total BBSL	361,619	307	123,745	1,331	11,941	841	33,443	15

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2021	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Very low risk	80,185	169	4,437	392	-	-	16,253	10
Low risk	116,839	520	3,166	185	-	-	22,958	10
Medium risk	103,363	896	22,857	480	-	-	34,557	17
Medium high risk	10,437	257	7,340	188	3,354	989	1,230	1
Total BBSL	310,824	1,842	37,800	1,245	3,354	989	74,998	38

The BBSL portfolio is currently predominantly in Low and Medium risk grades. Monitoring of customer profile and payment behaviour through monthly credit bureau updates has resulted in 120 customers being transferred to the watch list, which represents 12.3% of the portfolio.

13. Credit quality cont

As at 31 March 2022	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision
BBUL by origination PD	£'000	£'000	£'000	£'000	£'000	£'000
Low risk	48,816	241	-	-	241	38
Medium risk	114,173	543	918	44	906	243
Medium high risk	169,219	1,052	3,023	210	3,965	959
Higher Risk	34,868	271	61,104	1,525	2,232	625
Total BBUL	367,076	2,107	65,045	1,779	7,344	1,865

As at 31 March 2021	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision
BBUL by origination PD	£'000	£'000	£'000	£'000	£'000	£'000
Low risk	48,628	562	-	-	-	-
Medium risk	116,565	1,290	-	-	149	30
Medium high risk	72,226	1,302	21,170	752	-	-
Higher Risk	39,598	724	11,822	426	-	-
Total BBUL	277,017	3,878	32,992	1,178	149	30

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 below tables provide analysis of those loans that were in arrears or forbearance measures at year end.

	2022 Gross carrying amount	2022 Proportion of loan portfolio	2022 ECL Provision	2021 Gross carrying amount	2021 Proportion of loan portfolio	2021 ECL Provision
Residential mortgages	£'000	%	£'000	£'000	%	£'000
Forbearance measures (not in arrears)	281	0.0%	5	117	0.0%	9
Arrears	1,114	0.1%	9	925	0.1%	108
Arrears and Forbearance	1,067	0.1%	52	469	0.0%	43
Total	2,462	0.2%	66	1,511	0.2%	160

	2022 Gross carrying amount	2022 Proportion of loan portfolio	2022 ECL Provision	2021 Gross carrying amount	2021 Proportion of loan portfolio	2021 ECL Provision
BBSL	£'000	%	£'000	£'000	%	£'000
Forbearance measures (not in arrears)	-	-	-	423	0.1%	167
Arrears	4,818	1.0%	410	2,516	0.7%	453
Arrears and Forbearance	5,875	1.2%	211	-	-	-
Total	10,693	2.2%	621	2,939	0.8%	620

	2022 Gross carrying amount	2022 Proportion of loan portfolio	2022 ECL Provision	2021 Gross carrying amount	2021 Proportion of loan portfolio	2021 ECL Provision
BBUL	£'000	%	£'000	£'000	%	£'000
Forbearance measures (not in arrears)	1,925	0.4%	11	-	-	-
Arrears	4,795	1.1%	434	-	-	-
Arrears and Forbearance	-	-	-	-	-	-
Total	6,720	1.5%	445	-	-	-

A further 1.7% (FY21: 0.1%) of the BBUL portfolio was in default at year end and is not included in the table above. All but one of these loans were originated under the CBILS or RLS.

13. Credit quality cont

The table below provides information on the portfolio by loan size.

As at 31 March 2022	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 loan size	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan <= £250k	828,827	283	162,081	540	4,387	114	154,834	109
£250k < Loan <= £500k	355,898	72	63,259	188	1,262	14	84,883	53
£500k < Loan <= £1m	46,085	2	13,912	43	-	-	12,084	7
£1m < Loan <= £2m	11,411	1	-	-	-	-	-	-
Total Mortgages	**1,242,221**	**358**	**239,252**	**771**	**5,649**	**128**	**251,801**	**169**

As at 31 March 2021	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 loan size	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan <= £250k	610,975	122	32,695	184	2,535	183	76,061	24
£250k < Loan <= £500k	253,612	32	12,248	33	754	14	37,716	5
£500k < Loan <= £1m	50,108	2	1,125	6	-	-	3,251	-
£1m < Loan <= £2m	11,372	1	1,129	-	-	-	1,669	-
Total Mortgages	**926,067**	**157**	**47,197**	**223**	**3,289**	**197**	**118,697**	**29**

As at 31 March 2022	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 loan size	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan <= £250k	28,468	34	18,431	215	746	64	429	-
£250k < Loan <= £500k	70,411	71	34,378	374	1,635	199	4,326	3
£500k < Loan <= £1m	117,087	98	48,987	543	4,663	413	8,246	5
£1m < Loan <= £2m	90,061	56	8,166	74	-	-	14,101	6
Loan > £2m	55,592	48	13,783	125	4,897	165	6,341	1
Total BBSL	**361,619**	**307**	**123,745**	**1,331**	**11,941**	**841**	**33,443**	**15**

As at 31 March 2021	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 loan size	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan <= £250k	37,460	300	6,302	206	435	128	4,303	4
£250k < Loan <= £500k	79,022	545	11,064	278	756	226	16,797	14
£500k < Loan <= £1m	117,215	686	17,291	401	2,163	635	19,988	10
£1m < Loan <= £2m	54,703	193	1,168	38	-	-	20,321	6
Loan > £2m	22,424	118	1,975	322	-	-	13,589	4
Total BBSL	**310,824**	**1,842**	**37,800**	**1,245**	**3,354**	**989**	**74,998**	**38**

As at 31 March 2022	Stage 1		Stage 2		Stage 3	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision
BBUL by loan size	£'000	£'000	£'000	£'000	£'000	£'000
Loan <= £100k	82,548	563	15,002	430	886	301
£100k < Loan <= £250k	239,340	1,138	46,742	1,232	3,127	701
£250k < Loan <= £500k	43,631	380	3,301	117	3,331	863
£500k < Loan <= £1m	1,557	26	-	-	-	-
Total BBUL	**367,076**	**2,107**	**65,045**	**1,779**	**7,344**	**1,865**

As at 31 March 2021	Stage 1		Stage 2		Stage 3	
	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision	Gross carrying amount	ECL Provision
BBUL by loan size	£'000	£'000	£'000	£'000	£'000	£'000
Loan <= £100k	22,801	319	2,956	104	-	-
£100k < Loan <= £250k	141,127	1,910	20,676	744	149	30
£250k < Loan <= £500k	113,089	1,649	9,360	330	-	-
£500k < Loan <= £1m	-	-	-	-	-	-
Total BBUL	**277,017**	**3,878**	**32,992**	**1,178**	**149**	**30**

14. Credit concentrations

The Bank 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.

The table below provides information on the portfolio segmented by geographic distribution.

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2022	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Greater London	185,164	35	31,725	81	406	34	41,676	24
Midlands	222,757	37	41,824	112	2,058	23	46,596	29
North	366,539	146	75,309	310	1,454	46	78,866	59
South	233,998	31	43,804	103	595	6	50,808	31
Scotland	143,552	67	30,101	103	697	12	16,718	12
Wales	47,151	17	8,364	31	338	5	12,507	10
Northern Ireland	43,060	25	8,125	31	101	2	4,630	4
Total Mortgages	1,242,221	358	239,252	771	5,649	128	251,801	169

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2021	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Greater London	151,824	11	7,240	13	607	16	17,144	2
Midlands	161,494	14	7,413	62	810	33	23,748	4
North	253,453	60	11,845	83	1,024	73	38,337	15
South	200,568	12	9,950	18	118	2	25,489	4
Scotland	92,237	36	6,705	30	378	44	3,424	1
Wales	32,455	13	1,710	5	352	29	6,292	2
Northern Ireland	34,036	11	2,334	12	-	-	4,263	1
Total Mortgages	926,067	157	47,197	223	3,289	197	118,697	29

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2022	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Greater London	68,000	41	20,109	192	6,280	229	6,998	2
Midlands	52,899	49	29,761	307	1,373	113	9,159	4
North	120,981	89	33,583	352	927	31	5,112	3
South	67,924	68	20,744	226	1,762	201	10,028	3
Scotland	34,726	43	13,523	190	143	2	1,643	3
Wales	10,508	8	1,647	21	726	44	503	-
Northern Ireland	6,581	9	4,378	43	730	221	-	-
Total BBSL	361,619	307	123,745	1,331	11,941	841	33,443	15

	Stage 1		Stage 2		Stage 3		Stage 1	
As at 31 March 2021	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Greater London	51,539	213	3,117	118	573	176	10,704	7
Midlands	61,692	377	7,785	196	855	76	11,539	10
North	92,024	514	6,707	149	975	437	32,823	15
South	51,883	350	12,262	577	756	226	8,573	4
Scotland	30,821	235	4,709	120	-	-	9,630	2
Wales	11,081	74	1,881	60	195	74	1,609	-
Northern Ireland	11,784	79	1,339	25	-	-	120	-
Total BBSL	310,824	1,842	37,800	1,245	3,354	989	74,998	38

14. Credit concentrations cont

As at 31 March 2022	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision
BBUL by UK region	£'000	£'000	£'000	£'000	£'000	£'000
Greater London	53,215	316	10,630	245	850	173
Midlands	54,353	295	9,634	279	1,061	312
North	79,817	453	12,749	348	1,031	308
South	144,564	818	24,162	645	3,616	908
Scotland	16,500	98	4,112	123	338	79
Wales	10,173	73	2,524	89	448	85
Northern Ireland	8,454	54	1,234	50	-	-
Total BBUL	**367,076**	**2,107**	**65,045**	**1,779**	**7,344**	**1,865**

As at 31 March 2021	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision
BBUL by UK region	£'000	£'000	£'000	£'000	£'000	£'000
Greater London	39,853	569	7,137	250	-	-
Midlands	45,398	642	4,474	160	-	-
North	61,263	851	7,579	271	-	-
South	106,185	1,475	10,493	376	149	30
Scotland	12,336	178	2,040	76	-	-
Wales	6,793	89	777	27	-	-
Northern Ireland	5,189	74	492	18	-	-
Total BBUL	**277,017**	**3,878**	**32,992**	**1,178**	**149**	**30**

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

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

As at 31 March 2022	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision	Stage 1 Gross loan commitment	Stage 1 Provision against loan commitments
BBSL by sector	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accommodation & Food Services	32,316	26	8,950	97	1,696	195	2,886	1
Human Health & Social Work	44,723	37	7,764	88	-	-	3,508	1
Manufacturing	13,860	7	1,849	19	65	4	1,054	1
Property & Real Estate	219,160	207	96,085	1,036	9,072	532	21,863	10
Transport, Storage & communications	-	-	-	-	-	-	-	-
Wholesale & Retail Trade	27,069	15	5,368	54	920	72	2,234	1
Construction	-	-	-	-	-	-	-	-
Other	24,491	15	3,729	37	188	38	1,898	1
Total BBSL	**361,619**	**307**	**123,745**	**1,331**	**11,941**	**841**	**33,443**	**15**

As at 31 March 2021	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision	Stage 1 Gross loan commitment	Stage 1 Provision against loan commitments
BBSL by sector	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Accommodation & Food Services	29,962	115	8,574	571	1,492	609	6,035	6
Human Health & Social Work	35,286	114	3,023	35	-	-	4,335	1
Manufacturing	12,237	38	-	-	71	10	3,930	2
Property & Real Estate	183,825	1,413	22,693	541	1,596	296	45,679	21
Transport, Storage & communications	5,699	8	-	-	-	-	-	-
Wholesale & Retail Trade	23,174	66	2,896	96	-	-	3,558	3
Construction	5,681	40	-	-	-	-	-	-
Other	14,960	48	614	2	195	74	11,461	5
Total BBSL	**310,824**	**1,842**	**37,800**	**1,245**	**3,354**	**989**	**74,998**	**38**

14. Credit concentrations cont

As at 31 March 2022	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision
BBUL by sector	£'000	£'000	£'000	£'000	£'000	£'000
Accommodation & Food Services	14,075	82	4,390	72	500	156
Human Health & Social Work	21,127	121	2,762	43	678	125
Manufacturing	59,452	302	10,495	341	471	180
Property & Real Estate	76,311	425	14,279	420	2,817	649
Transport, Storage & communications	36,180	179	5,676	164	390	135
Wholesale & Retail Trade	81,628	549	17,057	426	1,432	335
Other	78,303	449	10,386	313	1,056	285
Total BBUL	367,076	2,107	65,045	1,779	7,344	1,865

As at 31 March 2021	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision
BBUL by sector	£'000	£'000	£'000	£'000	£'000	£'000
Accommodation & Food Services	5,349	59	8,411	296	-	-
Human Health & Social Work	9,800	108	7,330	266	-	-
Manufacturing	51,379	720	-	-	-	-
Property & Real Estate	63,508	935	-	-	-	-
Transport, Storage & communications	32,581	471	-	-	-	-
Wholesale & Retail Trade	47,883	632	17,251	616	149	30
Other	66,517	953	-	-	-	-
Total BBUL	277,017	3,878	32,992	1,178	149	30

15. Impairment provision movement table

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

Residential mortgages	Stage 1 Gross carrying amount	Stage 1 ECL Provision	Stage 2 Gross carrying amount	Stage 2 ECL Provision	Stage 3 Gross carrying amount	Stage 3 ECL Provision	Total Gross carrying amount	Total ECL Provision
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	1,598,033	424	110,639	589	2,703	194	1,711,375	1,207
Increase due to originations	354,554	143	5,311	6	284	32	360,149	181
Decrease due to repayment or derecognition	(999,986)	(195)	(57,215)	(284)	(1,144)	(52)	(1,058,345)	(531)
Change in credit risk	(34,379)	(211)	(703)	22	(72)	(42)	(35,154)	(231)
Model changes	(640)	1	-	-	-	-	(640)	1
Transfers between stages	8,485	(5)	(10,835)	(110)	1,518	65	(832)	(50)
At 31 March 2021	926,067	157	47,197	223	3,289	197	976,553	577
Increase due to originations	759,799	374	-	-	-	-	759,799	374
Decrease due to repayment or derecognition	(187,943)	(23)	(11,614)	(21)	(1,597)	(91)	(201,154)	(135)
Change in credit risk	(44,373)	(270)	(2,391)	(176)	(113)	(174)	(46,877)	(620)
Model changes	-	420	-	185	-	(5)	-	600
Transfers between stages	(74,274)	(201)	69,281	89	3,794	194	(1,199)	82
Post model adjustments	(137,055)	(99)	136,779	471	276	7	-	379
At 31 March 2022	1,242,221	358	239,252	771	5,649	128	1,487,122	1,257

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

15. Impairment provision movement table cont

	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	**184,268**	**1,467**	**53,385**	**3,060**	**2,300**	**943**	**239,953**	**5,470**
Increase due to originations	137,763	1,221	-	-	-	-	137,763	1,221
Decrease due to repayment or derecognition	(14,892)	(104)	(2,670)	(52)	(1,481)	(537)	(19,043)	(693)
Change in credit risk	(5,420)	(938)	(1,059)	(1,414)	(167)	307	(6,646)	(2,045)
Model changes	-	-	-	-	-	(306)	-	(306)
Transfers between stages	9,105	196	(11,856)	(349)	2,702	582	(49)	429
At 31 March 2021	**310,824**	**1,842**	**37,800**	**1,245**	**3,354**	**989**	**351,978**	**4,076**
Increase due to originations	198,668	131	-	-	-	-	198,668	131
Decrease due to repayment or derecognition	(36,526)	(105)	(6,726)	(99)	(2,176)	(669)	(45,428)	(873)
Change in credit risk	(6,302)	(1,387)	(1,239)	(851)	(101)	(966)	(7,642)	(3,204)
Transfers between stages	(6,760)	(13)	(2,986)	(62)	9,475	1,215	(271)	1,140
Post model adjustments	(98,285)	(161)	96,896	1,098	1,389	272	-	1,209
At 31 March 2022	**361,619**	**307**	**123,745**	**1,331**	**11,941**	**841**	**497,305**	**2,479**

	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	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 31 March 2020	-	-	-	-	-	-	-	-
Increase due to originations	312,271	4,375	-	-	-	-	312,271	4,375
Decrease due to repayment or derecognition	(2,113)	(34)	-	-	-	-	(2,113)	(34)
Change in credit risk	(149)	-	-	-	149	-	-	-
Transfers between stages	-	(2)	-	-	-	30	-	28
Post model adjustments	(32,992)	(461)	32,992	1,178	-	-	-	717
At 31 March 2021	**277,017**	**3,878**	**32,992**	**1,178**	**149**	**30**	**310,158**	**5,086**
Increase due to originations	238,006	2,023	-	-	-	-	238,006	2,023
Decrease due to repayment or derecognition	(60,519)	(488)	(6,139)	(84)	(5,998)	(1,213)	(72,656)	(1,785)
Change in credit risk	(33,163)	(2,914)	(2,418)	(725)	-	557	(35,581)	(3,082)
Transfers between stages	(18,436)	(70)	4,781	251	13,193	2,491	(462)	2,672
Post model adjustments	(35,829)	(322)	35,829	1,159	-	-	-	837
At 31 March 2022	**367,076**	**2,107**	**65,045**	**1,779**	**7,344**	**1,865**	**439,465**	**5,751**

Liquidity and Funding Risk

Atom's balance sheet is primarily funded by customers depositing money in their fixed and instant access savings accounts, supplemented with wholesale funding. Atom's Treasury team manages the funding mix and liquid asset buffer to ensure the demands of customers, creditors and regulators are met at all times.

16. 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 meet its obligations as they fall due.

Funding Risk 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 over reliance 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 the Asset & Liability Committee (ALCO), which reviews performance and forecasts monthly. The Board sets risk appetite and its Risk Committee reviews and approves the Bank's policy for liquidity and funding risk 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

The Bank 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, the Bank maintains a* substantial amount of 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, updated at least annually.

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 internal 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.

The in-house stresses comprise:

- a 90-day slow-burn scenario assessing the Bank's ability to fund its lending pipeline while experiencing greater than normal deposit outflows ("persistent" stress).
- 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 value of readily available funding sources using unencumbered collateral
- the Loan to Deposit ratio

Monitoring

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

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 at least annually.

At year end Atom held significant surplus liquidity over the minimum requirements. Additional disclosures are included within the Pillar 3 report, which is available at https://www.atombank.co.uk/investor-information.

17. Encumbered assets

Some of the Bank'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.

Bank	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 2022	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	-	12,814	1,440,782	-	-	1,453,596
Derivatives held for hedging purposes	-	-	-	-	36,021	36,021
Debt instruments at fair value through other comprehensive income	-	244,454	52,880	-	-	297,334
Debt Securities held at amortised cost	-	249,289	45,814	-	-	295,103
Loans and advances to customers	359,361	491,683	109,516	1,407,613	15,893	2,384,066
Other assets	32,930	-	-	-	59,465	92,395
Total assets	**392,291**	**998,240**	**1,648,992**	**1,407,613**	**111,379**	**4,558,515**

Bank	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 2021	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	-	9,351	307,475	-	-	316,826
Derivatives held for hedging purposes	-	-	-	-	4,058	4,058
Debt instruments at fair value through other comprehensive income	-	146,850	4,202	-	-	151,052
Debt Securities held at amortised cost	-	549,738	99,765	-	-	649,503
Loans and advances to customers	131,636	245,429	61,055	1,199,453	1,278	1,638,851
Other assets	4,834	-	-	-	61,997	66,831
Total assets	**136,470**	**951,368**	**472,497**	**1,199,453**	**67,333**	**2,827,121**

Atom's asset encumbrance of £1,277m (FY21: £647m) is predominantly through its participation in the Bank of England's TFSME scheme and its securitisation issuance via Elvet Mortgages 2018-1 plc and Elvet Mortgages 2021-1 plc. Mortgages and other liquid securities have been used to provide the required collateral.

Wholesale Credit Risk

Wholesale credit risk is the risk that these counterparties or issuers fail to meet their obligations when they become due.

18. 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 the UK government and the central bank, supranational institutions and UK banks *and building societies, with additional limits extended to a small* number of highly rated financial institutions in Europe and other G10 economies. The Bank 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.

19. Assets held for liquidity management

Accounting for debt instruments

The majority of assets held to manage liquidity risk are held 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, interest revenue and foreign exchange gains and losses 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 10. 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. Atom 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.

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Cash and balances at central banks	1,489,627	1,453,596	344,184	316,826
UK Gilts	191,363	191,363	65,036	65,036
Covered Bonds	70,051	70,051	79,513	79,513
Multilateral Development Bank and Government Sponsored Debt	35,920	35,920	6,503	6,503
Total debt instruments at FVOCI	**297,334**	**297,334**	**151,052**	**151,052**
Total debt instruments at amortised cost	**295,103**	**295,103**	**649,503**	**649,503**
Financial assets held for liquidity management	**2,082,064**	**2,046,033**	**1,144,739**	**1,117,381**

The £297m (FY21: £151m) of debt instruments held at FVOCI predominately represents high quality assets to meet ongoing regulatory requirements.

The £295m (FY21: £650m) portfolio of debt instruments at amortised cost contains retained notes from the Elvet securitisations (see note 22). The balance has reduced due to principal repayments during the year.

A 12-month ECL credit impairment provision of £122k is held against the £295m (FY21: £650m) amortised cost assets and £297m (FY21: £151m) fair value through other comprehensive income asset. £41k (FY21 £61k) against the amortised costs assets and £81k (FY21: £30k) against the fair value through other comprehensive income assets. All positions are AAA or AA rated by major rating agencies.

20. Customer deposits

Accounting for customer deposits

Customer deposit liabilities are measured at amortised cost in accordance with IFRS 9. Deposits are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

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.

	2022 £'000	2021 £'000
Sterling denominated fixed term deposits	1,896,711	1,481,809
Sterling denominated instant access deposits	1,333,085	672,610
Total	3,229,796	2,154,419

Atom continued to fund lending predominantly through customer deposits, which increased by £1.1bn to £3.2bn. Instant access deposit accounts were launched in October 2020 and are now a significant source of funding for the Bank. In March Atom's instant access saver and fixed rate saver products offered market leading rates, during a period where spreads were favourable. This resulted in significant deposit inflows at low cost, which can be used to fund future lending.

The £1.9bn of Sterling denominated fixed term deposits includes a valuation adjustment asset of £7.2m (FY21: £321k liability), which reflects the IFRS 9 micro hedge adjustment as described in note 26.

21. Wholesale Funding

Accounting for wholesale borrowings

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

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Borrowings from central banks	675,749	675,749	378,093	378,093
Deemed Loan	-	343,856	-	110,700
Debt securities in issue	379,719	-	141,357	-
Subordinated liabilities – debt instruments	8,192	8,192	8,180	8,180
Total	1,063,660	1,027,797	527,630	496,973

Borrowings from central banks of £676m (FY21: £336m) relate to drawdowns from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). Funding under the Bank of England's Term Funding Scheme (TFS) was fully repaid in the year (FY21: £42m).

Subordinated liabilities represent two £4m fixed-rate callable subordinated Tier 2 notes maturing in 2027. The notes pay interest at a rate of 10% per annum, payable semi-annually in arrears. The Bank has the option to redeem these notes in 2022, subject to PRA approval.

Debt securities in issue of £380m (FY21: £141m) represents notes issued through the Group's residential mortgage backed securitisation programme, as disclosed in Note 22. Within the Bank, a deemed loan of £344m (FY21: £111m) relates to the same transactions. The increase in both the debt securities in issue and deemed loan is due to the Elvet Mortgages 2021-1 plc securitisation transaction which took place this year, net of repayments of principal. The difference between the Group and Bank is predominantly cash held within the structure at year end.

22. Securitisation

Accounting for securitisations

Atom 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.

The Group performs an assessment to determine whether, for accounting purposes, it 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 Atom and the entity, and the size of its exposure to the variability of returns are considered. Where the Group controls the entity, 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. 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. Retained debt securities may be used as collateral against amounts drawn under the Bank of England's funding schemes, or in repurchase agreements.

Securitisation that does not result in derecognition

In October 2021, mortgage loans originated by the Bank were assigned at their principal value to Elvet Mortgages 2021-1 Plc, a bankruptcy- remote structured entity, funded through the issue of RMBS to third-party debt investors. The Bank, as it is for Elvet 2018-1, is entitled to any residual income generated by the Elvet 2021-1 entity after the debt obligations and senior expenses of the programme have been met. The securitised debt holders have no recourse to the Bank other than the principal and interest generated from the securitised mortgage loans. The Bank continues to service the mortgage loans in return for a servicing fee.

This transaction is structured in a similar manner to that of the Elvet Mortgages 2018-1 Plc transaction which was completed in FY19.

In the Elvet 2018-1 and Elvet 2021-1 transactions , mortgage loans assigned to the respective structured entity do not qualify for derecognition and are not treated as sales by the Bank. The structured entity is treated as a subsidiary of the Group and is fully consolidated. The securitised mortgages did not meet the derecognition criteria and the loans continue to be recognised in the Bank Statement of Financial Position.

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

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Securitised mortgage loans, included in loans and advances to customers	505,896	-	239,858	-
Debt securities in issue, of which:				
Held by external investors	379,719	-	141,357	-
Retained by the Group (eliminated on consolidation)	-	162,040	-	129,158

The Elvet 2021-plc transaction was completed in October 2021. The Bank issued £314.6m of class A notes externally to the market, which have a coupon rate of rate of SONIA + 0.370% and a call date of 22 October 2026. Class B – Z notes were issued as part of the same transaction and were fully retained by Atom. The amount issued and coupon is as below, all of the notes have a call date of 22 October 2026.

- £11.3m of Class B notes which have a coupon rate of SONIA + 1%
- £9.6m of Class C notes which have a coupon rate of SONIA + 1.3%
- £7.0m of Class D notes which have a coupon rate of SONIA + 1.75%
- £2.6m of Class E notes which have a coupon rate of SONIA + 2.9%
- £3.5m of Class Z notes which have a coupon rate of 0%
- £18.3m of Class VRR notes, which entitle the Bank to 5% of all available receipts generated by the mortgage loans in the entity in line with regulatory requirements.

The external debt securities in Elvet 2018-1 of £79.5m (FY21: £141.4m) comprise Class A notes, which have a coupon rate of SONIA + 0.762% and a call date of 22 October 2022.

The Bank 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.

Securitisation that results in derecognition

Atom transferred certain residential mortgage loans to unconsolidated structured entities; Elvet Mortgages 2020-1 plc in FY20, and Elvet Mortgages 2019-1 plc in FY19. These transactions resulted in full derecognition of loans from Atom Bank's statement of financial position because substantially all of the risks and rewards associated with those mortgages have been transferred to the note holders. For both of these transactions certain debt securities were retained by the Bank, along with a 5% interest in the transaction which entitles the Bank to 5% of all available receipts generated by the mortgage loans in the entity in line with the regulatory requirements.

At 31 March 2022 the carrying amount of the Group's investment in debt securities issued by Elvet 2020-1 plc was £138.4m (FY21: £448m). This amount represents the Group's maximum exposure to loss from its interest in the structured entity.

At 31 March 2022 the carrying amount of the Group's investment in debt securities issued by Elvet 2019-1 plc was £156.7m (FY21: £202m). The amount represents the Group's maximum exposure to loss from its interest in the structured entity.

The Bank continues to service the mortgage loans in return for a servicing fee, and recognised income of £0.8m during the year (FY21: £0.8m). The Bank has an obligation to repurchase mortgage exposures if certain loans no longer meet the programme criteria or representations and warranties.

23. Contractual maturity of financial assets and liabilities

Contractual maturities for financial liabilities form an important source of information for the management of liquidity risk. The tables below present the contractual residual maturities of the financial assets and liabilities on the balance sheet:

Group	On demand	Not more than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 3 years	Over 3 years but not more than 5 years	Over 5 years but not more than 10 years	Over 10 years	Total
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets									
Cash and balances at central banks	1,489,627	-	-	-	-	-	-	-	1,489,627
Loans and advances to customers	5,452	65,385	52,227	109,006	410,447	331,645	417,240	992,664	2,384,066
Debt instruments at FVOCI	-	74,704	96,824	39,127	63,800	22,879	-	-	297,334
Debt instruments at amortised costs	-	12,903	3,708	7,177	271,315	-	-	-	295,103
Derivatives held for hedging purposes	-	(1,220)	(705)	6,012	24,572	7,362	-	-	36,021
Total financial assets	1,495,079	151,772	152,054	161,322	770,134	361,886	417,240	992,664	4,502,151
Liabilities									
Customer deposits	(1,396,837)	(495,415)	(455,541)	(464,118)	(394,958)	(22,927)	-	-	(3,229,796)
Borrowings from central banks	-	(749)	-	-	(336,000)	(339,000)	-	-	(675,749)
Debt securities in issue	-	(13,472)	(3,709)	(76,592)	(18,664)	(267,282)	-	-	(379,719)
Subordinated liabilities	-	(192)	-	-	-	-	(8,000)	-	(8,192)
Derivatives held for hedging purposes	-	(408)	(64)	157	207	-	-	-	(108)
Total financial liabilities	(1,396,837)	(510,236)	(459,314)	(540,553)	(749,415)	(629,209)	(8,000)	-	(4,293,564)
Loan commitments given	-	80,262	204,982	-	-	-	-	-	285,244

Group	On demand	Not more than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 3 years	Over 3 years but not more than 5 years	Over 5 years but not more than 10 years	Over 10 years	Total
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Assets									
Cash and balances at central banks	344,184	-	-	-	-	-	-	-	344,184
Loans and advances to customers	-	23,267	18,986	70,548	338,460	302,008	272,082	613,500	1,638,851
Debt instruments at FVOCI	-	10,705	59,996	-	66,473	13,878	-	-	151,052
Debt instruments at amortised costs	-	20,558	7,081	14,192	54,674	552,998	-	-	649,503
Derivatives held for hedging purposes	-	(144)	10	644	1,483	2,065	-	-	4,058
Total financial assets	344,184	54,386	86,073	85,384	461,090	870,949	272,082	613,500	2,787,648
Liabilities									
Customer deposits	(735,991)	(454,082)	(258,242)	(491,847)	(208,008)	(6,249)	-	-	(2,154,419)
Borrowings from central banks	-	(93)	-	(42,000)	-	(336,000)	-	-	(378,093)
Debt securities in issue	-	(11,607)	(1,737)	(3,435)	(124,578)	-	-	-	(141,357)
Subordinated liabilities	-	(180)	-	-	-	-	(8,000)	-	(8,180)
Derivatives held for hedging purposes	-	(1,089)	(94)	(602)	(2,637)	-	-	-	(4,422)
Total financial liabilities	(735,991)	(467,051)	(260,073)	(537,884)	(335,223)	(342,249)	(8,000)	-	(2,686,471)
Loan commitments given	-	152,985	40,710	-	-	-	-	-	193,695

23. Contractual maturity of financial assets and liabilities cont

Bank As at 31 March 2022	On demand £'000	Not more than 3 months £'000	Over 3 months but not more than 6 months £'000	Over 6 months but not more than 1 year £'000	Over 1 year but not more than 3 years £'000	Over 3 years but not more than 5 years £'000	Over 5 years but not more than 10 years £'000	Over 10 years £'000	Total £'000
Assets									
Cash and balances at central banks	1,453,596	-	-	-	-	-	-	-	1,453,596
Loans and advances to customers	5,452	65,385	52,227	109,006	410,447	331,645	417,240	992,664	2,384,066
Debt instruments at FVOCI	-	74,704	96,824	39,127	63,800	22,879	-	-	297,334
Debt instruments at amortised costs	-	12,903	3,708	7,177	271,315	-	-	-	295,103
Derivatives held for hedging purposes	-	(1,220)	(705)	6,012	24,572	7,362	-	-	36,021
Total financial assets	**1,459,048**	**151,772**	**152,054**	**161,322**	**770,134**	**361,886**	**417,240**	**992,664**	**4,466,120**
Liabilities									
Customer deposits	(1,396,837)	(495,415)	(455,541)	(464,118)	(394,958)	(22,927)	-	-	(3,229,796)
Borrowings from central banks	-	(749)	-	-	(336,000)	(339,000)	-	-	(675,749)
Deemed Loan	-	(9,107)	(2,643)	(59,634)	(15,900)	(256,572)	-	-	(343,856)
Subordinated liabilities	-	(192)	-	-	-	-	(8,000)	-	(8,192)
Derivatives held for hedging purposes	-	(408)	(64)	157	207	-	-	-	(108)
Total financial liabilities	**(1,396,837)**	**(505,871)**	**(458,248)**	**(523,595)**	**(746,651)**	**(618,499)**	**(8,000)**	**-**	**(4,257,701)**
Loan commitments given	-	80,262	204,982	-	-	-	-	-	285,244

Bank As at 31 March 2021	On demand £'000	Not more than 3 months £'000	Over 3 months but not more than 6 months £'000	Over 6 months but not more than 1 year £'000	Over 1 year but not more than 3 years £'000	Over 3 years but not more than 5 years £'000	Over 5 years but not more than 10 years £'000	Over 10 years £'000	Total £'000
Assets									
Cash and balances at central banks	316,826	-	-	-	-	-	-	-	316,826
Loans and advances to customers	-	23,267	18,986	70,548	338,460	302,008	272,082	613,500	1,638,851
Debt instruments at FVOCI	-	10,705	59,996	-	66,473	13,878	-	-	151,052
Debt instruments at amortised costs	-	20,558	7,081	14,192	54,674	552,998	-	-	649,503
Derivatives held for hedging purposes	-	(144)	10	644	1,483	2,065	-	-	4,058
Total financial assets	**316,826**	**54,386**	**86,073**	**85,384**	**461,090**	**870,949**	**272,082**	**613,500**	**2,760,290**
Liabilities									
Customer deposits	(735,991)	(454,082)	(258,242)	(491,847)	(208,008)	(6,249)	-	-	(2,154,419)
Borrowings from central banks	-	(93)	-	(42,000)	-	(336,000)	-	-	(378,093)
Deemed Loan	-	(6,461)	(987)	(1,951)	(101,301)	-	-	-	(110,700)
Subordinated liabilities	-	(180)	-	-	-	-	(8,000)	-	(8,180)
Derivatives held for hedging purposes	-	(1,089)	(94)	(602)	(2,637)	-	-	-	(4,422)
Total financial liabilities	**(735,991)**	**(461,905)**	**(259,323)**	**(536,400)**	**(311,946)**	**(342,249)**	**(8,000)**	**-**	**(2,655,814)**
Loan commitments given	-	152,985	40,710	-	-	-	-	-	193,695

24. 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 on the basis of the earliest opportunity at which they are available to customers.

Group As at 31 March 2022	On demand £'000	Not more than 3 months £'000	Over 3 months but not more than 6 months £'000	Over 6 months but not more than 1 year £'000	Over 1 year but not more than 3 years £'000	Over 3 years but not more than 5 years £'000	Over 5 years but not more than 10 years £'000	Total £'000
Customer Deposits	1,396,764	510,986	462,690	473,725	402,525	23,534	-	3,270,224
Deposits from banks	-	1,262	1,276	2,524	344,863	340,130	-	690,055
Debt securities in issue	-	14,623	4,848	78,520	24,566	269,376	-	391,933
Subordinated liabilities	-	200	200	400	1,600	1,600	8,600	12,600
Total non-derivative financial liabilities	**1,396,764**	**527,071**	**469,014**	**555,169**	**773,554**	**634,640**	**8,600**	**4,364,812**
Off-balance sheet commitments								
Loan commitments given	-	80,262	204,982	-	-	-	-	285,244

Group As at 31 March 2021	On demand £'000	Not more than 3 months £'000	Over 3 months but not more than 6 months £'000	Over 6 months but not more than 1 year £'000	Over 1 year but not more than 3 years £'000	Over 3 years but not more than 5 years £'000	Over 5 years but not more than 10 years £'000	Total £'000
Customer Deposits	735,734	475,920	260,354	497,257	210,879	6,318	-	2,186,462
Deposits from banks	-	95	95	42,188	673	336,672	-	379,723
Debt securities in issue	-	11,996	2,099	4,159	125,605	-	-	143,859
Subordinated liabilities	-	202	202	399	1,602	1,600	9,200	13,205
Total non-derivative financial liabilities	**735,734**	**488,213**	**262,750**	**544,003**	**338,759**	**344,590**	**9,200**	**2,723,249**
Off-balance sheet commitments								
Loan commitments given	-	152,985	40,710	-	-	-	-	193,695

Bank As at 31 March 2022	On demand £'000	Not more than 3 months £'000	Over 3 months but not more than 6 months £'000	Over 6 months but not more than 1 year £'000	Over 1 year but not more than 3 years £'000	Over 3 years but not more than 5 years £'000	Over 5 years but not more than 10 years £'000	Total £'000
Customer Deposits	1,396,764	510,986	462,690	473,725	402,525	23,534	-	3,270,224
Deposits from banks	-	1,262	1,276	2,524	344,863	340,130	-	690,055
Deemed loan	-	9,264	2,806	59,879	16,512	256,800	-	345,261
Subordinated liabilities	-	200	200	400	1,600	1,600	8,600	12,600
Total non-derivative financial liabilities	**1,396,764**	**521,712**	**466,972**	**536,528**	**765,500**	**622,064**	**8,600**	**4,318,140**
Off-balance sheet commitments								
Loan commitments given	-	80,262	204,982	-	-	-	-	285,244

Bank As at 31 March 2021	On demand £'000	Not more than 3 months £'000	Over 3 months but not more than 6 months £'000	Over 6 months but not more than 1 year £'000	Over 1 year but not more than 3 years £'000	Over 3 years but not more than 5 years £'000	Over 5 years but not more than 10 years £'000	Total £'000
Customer Deposits	735,734	475,920	260,354	497,257	210,879	6,318	-	2,186,462
Deposits from banks	-	95	95	42,188	673	336,672	-	379,723
Deemed loan	-	6,521	1,048	2,077	101,423	-	-	111,069
Subordinated liabilities	-	202	202	399	1,602	1,600	9,200	13,205
Total non-derivative financial liabilities	**735,734**	**482,738**	**261,699**	**541,921**	**314,577**	**344,590**	**9,200**	**2,690,459**
Off-balance sheet commitments								
Loan commitments given	-	152,985	40,710	-	-	-	-	193,695

Market Risk

Atom offers fixed and variable rate loans to borrowers and funds those with a mix of mainly fixed rate deposits, instant access deposits and variable rate wholesale funding. As a result, we are exposed to market risk. Atom's Treasury team manages market risk exposures to prevent exceeding the limited exposure the Board's risk appetite permits.

25. 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 our exposure to changes in *interest rates in the banking book. During the year the Bank 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.

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 LIBOR and SONIA.

EV and NII sensitivity

Sensitivity analysis of EV and NII is performed on the Group 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 (FY21: 25 bps).

The projected change in response to the aforementioned changes in interest rates was as follows.

	2022 £'m	2021 £'m
EV: impact of increase in rates	0.1	(0.7)
EV: Impact of decrease in rates	(0.1)	0.8
NII: impact of increase in rates	0.17	0.10
NII: impact of decrease in rates	(0.17)	(0.10)

26. 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 hedge against interest rate and foreign currency exposure.

All derivative financial instruments are recognised at their fair value. 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.

Hedge accounting

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'). This exception arises because the IASB has a separate project to address the accounting for macro hedges. In light of the above, IFRS 9 provides an accounting policy choice: entities can either continue to apply the hedge accounting requirements of IAS 39 until the macro hedging project is finalised, or they can apply IFRS 9 (with the scope exception only for fair value macro hedges of interest rate risk). This accounting policy choice will apply to all hedge accounting and cannot be made on a hedge by hedge basis. Atom has chosen to apply IFRS 9 with the scope exception.

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. Hedge accounting allows financial instruments, generally a derivative such as a swap, to be designated as a hedge of another financial instrument such as a loan or deposit or a portfolio of such instruments. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value of the hedged risk.

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.

Derivatives are classified as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable future cash flows attributable to recognised assets or liabilities (cash flow hedges). All designated hedges at the year end have been classified as fair value, which means any changes in the fair value of the hedged asset or liability attributable to the hedged risk and the hedging instrument are recognised directly in the income statement

The following table sets out the derivative instruments held:

	2022			2021		
Settled on a net basis	Notional contract amount £'000	Asset carrying value £'000	Liability carrying value £'000	Notional contract amount £'000	Asset carrying value £'000	Liability carrying value £'000
Derivatives in accounting hedge relationships						
Interest rate	3,274,700	36,017	(108)	2,192,200	4,058	(4,416)
Derivatives in economic and not accounting hedges						
FX forward	1,332	4	-	173	-	(6)
Total derivatives held for hedging purposes	**3,276,032**	**36,021**	**(108)**	**2,192,373**	**4,058**	**(4,422)**

Interest rate swaps

The Bank holds portfolios of fixed term deposits and loans and therefore 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.

Ineffectiveness is expected due to:

- the mismatch in the maturities of the hedged item and hedging instrument.
- for micro deposit hedge relationships, the mismatch in interest accrual period on the certain deposits that make up the hedged item that accrue on a monthly basis, compared to the hedging instrument that has an annual accrual. These sources of ineffectiveness are expected to be immaterial in value and have no material impact on the underlying economic relationship.
- for fixed rate loan macro hedge relationships, an assumption is made on the quantum of early repayments during the fixed term period. Variances to this assumption generate ineffectiveness.

There were no other sources of ineffectiveness in these hedge relationships. During the year hedge ineffectiveness gains of £1.3m (FY21: £168k charges) were recognised within other income.

With regard to the fixed rate loan macro hedge relationships, as Atom is exposed to interest rate risk from the point of making a customer a binding offer, interest rate swaps are generally entered into at the point of full mortgage application or loan commitment. However, IAS 39 only permits an accounting hedge relationship to be designated when the hedged item (the loan) is recognised on balance sheet. As a result during this period, a £2.1m (FY21: £453k) fair value gain in the swaps was not offset within the income statement.

Fair value gains on derivatives held in qualifying fair value hedging relationships, hedging gain or loss on the hedged items, and gain or losses on financial instruments at fair value through profit or loss are included in Other Income.

26. Derivatives held for hedging purposes cont

	Nominal amount of the hedging instrument	Carrying Amount (asset/(liability))	Line item in the statements of financial position where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness (income/(charge))
	£'000	£'000	£'000	£'000
As at 31 March 2022				
Derivatives held to hedge fixed rate deposits	1,488,000	(7,755)	Derivatives held for hedging purposes	(7,842)
Derivatives held to hedge fixed rate loans and advances to customers	1,786,700	43,664	Derivatives held for hedging purposes	44,176
As at 31 March 2021				
Derivatives held to hedge fixed rate deposits	1,124,500	722	Derivatives held for hedging purposes	(3,737)
Derivatives held to hedge fixed rate loans and advances to customers	1,067,700	(1,080)	Derivatives held for hedging purposes	3,041

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

	Nominal amount of the hedging instrument	Carrying Amount (asset/(liability))	Line item in the statements of financial position where the hedging instrument is included	Changes in fair value used for calculating hedge ineffectiveness (income/(charge))
	£'000	£'000	£'000	£'000
As at 31 March 2022				
Fixed rate deposits	1,488,000	7,177	Customer deposits	7,498
Fixed rate loans and advances to customers	1,786,700	(36,881)	Loans and advances to customers	(42,661)
As at 31 March 2021				
Fixed rate deposits	1,124,500	(321)	Customer deposits	3,644
Fixed rate loans and advances to customers	1,067,700	6,172	Loans and advances to customers	(2,894)

The following tables set out the maturity profile of the hedging instrument:

	Not more than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 3 years	Over 3 years but no more than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2022						
Nominal value of derivatives held for hedging purposes						
Derivatives held to hedge fixed rate deposits	529,000	446,000	317,000	190,000	6,000	1,488,000
Derivatives held to hedge fixed rate loans and advances to customers	255,000	59,000	267,500	895,200	310,000	1,786,700
Total	**784,000**	**505,000**	**584,500**	**1,085,200**	**316,000**	**3,274,700**
As at 31 March 2021						
Nominal value of derivatives held for hedging purposes						
Derivatives held to hedge fixed rate deposits	401,500	167,000	392,000	164,000	-	1,124,500
Derivatives held to hedge fixed rate loans and advances to customers	27,500	16,000	92,000	752,000	180,200	1,067,700
Total	**429,000**	**183,000**	**484,000**	**916,000**	**180,200**	**2,192,200**

26. Derivatives held for hedging purposes cont

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.

Settled on a net basis	Not more than 3 months	Over 3 months but not more than 6 months	Over 6 months but not more than 1 year	Over 1 year but not more than 3 years	Over 3 years but no more than 5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2022						
Assets	(1,262)	(681)	6,108	25,799	8,021	37,985
Liabilities	(354)	(56)	136	184	-	(90)
As at 31 March 2021						
Assets	(139)	10	621	1,435	2,021	3,948
Liabilities	(1,087)	(93)	(601)	(2,634)	-	(4,415)

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.

Offsetting

In accordance with IAS 32 Financial Instruments: Presentation, Atom 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:

	Gross Amounts	Amounts offset	Net amounts reported on the balance sheet	Related amounts not offset: Cash collateral placed	Net amount
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2022					
Derivative Financial Assets	44,185	(8,164)	36,021	11,871	47,892
Derivative Financial Liabilities	(8,272)	8,164	(108)	130	22
As at 31 March 2021					
Derivative Financial Assets	5,490	(1,432)	4,058	1,204	5,262
Derivative Financial Liabilities	(5,854)	1,432	(4,422)	(1,040)	(5,462)

27. 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 Bank, 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 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Debt instruments at FVOCI				
UK Gilts	191,363	-	-	191,363
Covered Bonds	70,051	-	-	70,051
Multilateral Development Bank and Government Sponsored Debt	35,920	-	-	35,920
Derivatives held for hedging purposes				
Interest rate	-	36,017	-	36,017
Fx Forwards	-	4	-	4
Total	**297,334**	**36,021**	**-**	**333,355**
Liabilities				
Derivatives held for hedging purposes				
Interest rate	-	(108)	-	(108)
Total	**-**	**(108)**	**-**	**(108)**

As at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Debt instruments at FVOCI				
UK Gilts	65,036	-	-	65,036
Covered Bonds	79,513	-	-	79,513
Multilateral Development Bank and Government Sponsored Debt	6,503	-	-	6,503
Derivatives held for hedging purposes				
Interest rate	-	4,058	-	4,058
Total	**151,052**	**4,058**	**-**	**155,110**
Liabilities				
Derivatives held for hedging purposes				
Interest rate	-	(4,416)	-	(4,416)
FX forward	-	(6)	-	(6)
Total	**-**	**(4,422)**	**-**	**(4,422)**

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

The RMBS notes are classified as level 2 as quoted market prices are not readily available, and valuation techniques based on observable market data are used.

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.

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

As at 31 March 2022	Group Carrying value	Group Level 3 Fair Value	Bank Carrying value	Bank Level 3 Fair Value
	£'000	£'000	£'000	£'000
Assets				
Loans and advances to customers:				
BBSL	494,826	489,741	494,826	489,741
BBUL	433,972	433,751	433,972	433,751
Mortgages	1,455,268	1,442,613	1,455,268	1,442,613
Debt Instruments held at amortised cost	295,103	295,926	295,103	295,926
Liabilities				
Customer Deposits	3,229,796	3,224,388	3,229,796	3,224,388
Deposits from banks	675,749	675,749	675,749	675,749
Deemed Loan	-	-	343,856	340,866
Debt securities in issue	379,719	379,500	-	-
Subordinated debt	8,192	8,357	8,192	8,357

As at 31 March 2021	Group Carrying value	Group Level 3 Fair Value	Bank Carrying value	Bank Level 3 Fair Value
	£'000	£'000	£'000	£'000
Assets				
Loans and advances to customers:				
BBSL	347,902	346,528	347,902	346,528
BBUL	305,191	305,290	305,191	305,290
Mortgages	985,758	983,213	985,758	983,213
Debt Instruments held at amortised cost	649,503	651,106	649,503	651,106
Liabilities				
Customer Deposits	2,154,419	2,148,288	2,154,419	2,148,288
Deposits from banks	378,093	378,093	378,093	378,093
Deemed Loan	-	-	110,700	110,414
Debt securities in issue	141,357	141,837	-	-
Subordinated debt	8,180	9,274	8,180	9,274

The fair value of loans and advances to customers, 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. At the year end there are no significant differences between carrying and fair value:

- The fair value of BBSL and BBUL is estimated by discounting anticipated cash flows at a rate which reflects the effects of interest rate changes, adjusted for changes in credit risk.
- Atom currently provides mortgages with a fixed rate for a limited period after which the loan reverts to a standard variable rate. The fair value is estimated by reference to the market rate for similar loans of maturity equal to the remaining fixed interest rate period.

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 fair value of deposits from customers are estimated using discounted cash flows applying either market rates or current rates for deposits of similar remaining maturities

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

Capital

As a regulated bank, to protect customers we are required to hold a minimal level of capital. To date this has been predominantly achieved through equity issuances to our investors. This has also provided the investment to build and grow the Bank through the period of early stage losses. This section provides information on our share capital, retained earnings and other equity balances. It also provides a description of how we ensure sufficient capital is maintained in order to meet regulatory requirements.

29. Managing capital adequacy risk

Capital adequacy risk is the risk that the Bank has insufficient capital resources to meet its capital requirements and to absorb unexpected losses if they were to occur. Causes of insolvency could include suffering a high level of defaults on loans already made by the Bank, having a large unexpected operational cost for the business, having lending origination rates that far exceed expectations or the inability to raise new equity to meet capital requirements.

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 Bank's current and forecast capital position is scrutinised and managed is ALCO. Both Exco and 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 BRC also receive high level metrics, projections and commentary on current and forecast capital adequacy risk.

Key capital risk mitigations

Capital adequacy is one of the key metrics of the Bank. The Board sets risk appetite for a variety of key metrics. To avoid breaching a regulatory capital measure, a Board Buffer of additional capital requirement is imposed 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.

Capital risk is particularly important for a growing bank to support lending and investment into new capabilities, as such Atom will require more capital from time to time. During the financial year, Atom made significant progress towards generating regulatory capital, with three consecutive quarters of break-even operating profit. Atom continues to work with existing and new equity investors to provide additional capital to accelerate growth, however the Bank's base case forecast assumes that it will be sufficiently income generative such that capital will not be required to fund ongoing losses during the year.

The Bank also has Tier 2 notes in issuance, which can be used to meet regulatory capital requirements in proportion to its Tier 1 common equity. Atom 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 document on an annual basis, which *includes a three-year forecast of the Group's capital position under* baseline and a variety of stressed scenarios. The ICAAP document is used to inform the future capital strategy and is submitted to the PRA following Board scrutiny and approval. It assesses the Bank's Pillar 1 requirements using the Standardised/ Basic Indicator approaches and proposes additional Pillar 2A capital to be held for those risks not captured or not fully captured by Pillar 1 capital.

The Bank also holds Pillar 2B capital based on the PRA's guidance, considering the PRA Buffer as determined by capital depletion under stress and the regulatory defined capital conservation buffer and countercyclical buffer.

A series of severe but plausible stresses that might arise during the three-year horizon of the business plan to assess the resilience of the capital position is run as part of the ICAAP. The stress testing affects both capital resources and capital requirements as a consequence of changes in risk profile. Periodic shorter term forecasts are also undertaken to understand and respond to variations in actual performance against plan.

Key capital risk metrics

Atom's key capital metric is the current and projected surplus of capital resources over capital requirements. The Leverage Ratio is also monitored against the 3.25% minimum specified within the UK Leverage Framework, to ensure that it remains above throughout the planning horizon.

Capital metrics are produced monthly and they assess the current and projected capital up to twelve months forward. A revised forecast is produced quarterly in business as usual and stressed conditions, showing the potential capital position if further capital raises prove to be delayed or unsuccessful. The Bank 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 2022, the Bank complied in full with all of its regulatory capital requirements. The following tables provide information on capital and reserves per the IFRS balance sheet with a reconciliation to the regulatory definition of capital.

30. 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) £'000	Share premium £'000	Total share capital and share premium £'000
As at 1 April 2021	433,320,028	4	448,931	448,935
Issued during the year	179,427,452	2	118,931	118,933
Expense of issue of shares	-	-	(1,490)	(1,490)
Issued to staff under share incentive plans	99,245	-	-	-
As at 31 March 2022	612,846,725	6	566,372	566,378

	Number of shares	Ordinary shares (£0.00001 each) £'000	Share premium £'000	Total share capital and share premium £'000
As at 1 April 2020	433,257,028	4	448,931	448,935
Issued to staff under share incentive plans	63,000	-	-	-
As at 31 March 2021	433,320,028	4	448,931	448,935

Of the 179,427,452 ordinary shares issued during the year, 666,666,667 were issued and fully paid ordinary "A" shares. This new class of shares have full voting rights, dividend and capital distribution rights in the same way as ordinary shares do. Ordinary "A" shares benefit from an economic anti-dilution entitlement, which has lapsed as at the date of issuance of these financial statements. Since the year end, the ordinary "A" shares have been converted to ordinary shares.

The remaining 546,180,058 (FY21: 433,320,028) issued and fully paid ordinary shares have full voting rights, dividend and capital distribution rights.

31. Other reserves

Other reserves of £25.4m (FY21: £21.2m) primarily relate to equity settled share based payments of £26.9m (FY21: £22.4m). See note 6 for further information.

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Fair value reserve	(61)	(61)	276	276
Share based payment reserve	26,936	26,936	22,351	22,351
Other reserves and treasury shares	(1,469)	-	(1,463)	-
Total other reserves	25,406	26,875	21,164	22,627

The balance also includes £(0.1)m (FY21: £0.3m) of fair value adjustments on assets held at fair value through other comprehensive income and treasury shares of £(1.5)m (FY21: £(1.5)m) relating to the EBT (see note 40 for further information).

32. Regulatory capital (unaudited)

The following table presents a reconciliation for the Bank between equity on the IFRS balance sheet and prudential capital. Atom's capital position is calculated for prudential regulatory reporting purposes for year ended 31 March 2022 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. Atom's approach 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

	2022 £'000	2021 £'000
Shareholders' equity per the statement of financial position	251,094	141,330
Regulatory adjustments		
Intangible assets	(36,129)	(35,889)
Deferred tax assets that rely on future profitability	(5,353)	-
IFRS9 transitional adjustment	7,850	8,729
Prudential valuation adjustment	(304)	(158)
Common Equity Tier 1 (CET1) capital	217,158	114,012
Eligible Tier 2 instruments	7,993	7,978
Tier 2 capital	7,993	7,978
Total capital	**225,151**	**121,990**
Risk weighted assets (RWAs)	**1,043,001**	**743,296**
Common Equity Tier (CET1) ratio	**20.8%**	**15.3%**
Total capital ratio	**21.6%**	**16.4%**
Leverage ratio	**6.6%**	**3.9%**

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

CET1 and total capital ratios of 20.8% (FY21: 15.3%) and 21.6% (FY21: 16.4%) respectively rose due to two capital issuances in the financial year ended 31 March 2022 generating £117m of capital. As the company moves towards profitability, losses of £12m (FY21: £62m) reduced capital resources. Future profitability also led to recognition of a deferred tax asset which is deducted in full from CET1 capital. Growth in Atom's loan book along with recognition of an operational risk capital requirement due to operational profits drove the increase in risk weighted assets.

Higher CET1 capital, along with deduction of claims on central banks from the Leverage Exposure measure in line with the UK Leverage Framework, drove the increase in the Leverage Ratio.

Other

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

33. Other assets

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Cash Collateral	12,001	12,001	4,834	4,834
Settlement and clearing accounts	15,790	15,790	7,158	7,158
Prepayments and other	11,673	11,660	11,888	11,877
Cash advanced to third parties	5,722	5,722	745	745
Loan to Group companies (note 40)	-	1,672	-	1,463
Total other assets	45,186	46,845	24,625	26,077

Other assets include £15.8m (FY21: £7.2m) of settlement and clearing accounts, the majority of which relates to mortgage loans where cash is being held in escrow before completion.

Collateral represents margin calls made on derivative contracts. The movement in the year is driven by the underlying terms of derivative contracts held with counterparties.

34. 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 amount 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 Bank 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 by the Bank, a right of use asset is recognised representing the right to use the underlying asset. The asset is depreciated in accordance with our property, plant and equipment accounting policy with a useful economic life aligned to the lease term. Further information on leases is disclosed in note 39.

	Fixtures and Fittings £'000	Office and IT Equipment £'000	Right-of-use Assets £'000	Total £'000
Cost				
As at 31 March 2020	480	1,298	5,775	7,553
Additions	-	271	-	271
As at 31 March 2021	480	1,569	5,775	7,824
Additions	1	190	76	267
Disposals	(2)	(18)	(13)	(33)
As at 31 March 2022	479	1,741	5,838	8,058
Accumulated depreciation and impairment				
As at 31 March 2020	262	921	732	1,915
Depreciation charge	68	243	733	1,044
As at 31 March 2021	330	1,164	1,465	2,959
Depreciation charge	62	264	738	1,064
Eliminated on disposal	-2	-18	-13	-33
As at 31 March 2022	390	1,410	2,190	3,990
Net book value				
At 31 March 2022	89	331	3,648	4,068
At 31 March 2021	150	405	4,310	4,865

35. 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 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.
- 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 Bank 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.

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 Atom is expected to benefit.

	Banking License £'000	Software £'000	Total £'000
Cost			
As at 31 March 2020	887	73,752	74,639
Additions	-	8,641	8,641
Disposals	-	(16,100)	(16,100)
As at 31 March 2021	887	66,293	67,180
Additions	-	9,707	9,707
As at 31 March 2022	887	76,000	76,887
Accumulated amortisation and impairment			
As at 31 March 2020	-	37,993	37,993
Amortisation charge	-	9,398	9,398
Disposals	-	(16,100)	(16,100)
As at 31 March 2021	-	31,291	31,291
Amortisation charge	-	9,467	9,467
As at 31 March 2022	-	40,758	40,758
Net Book Value			
As at 31 March 2022	887	35,242	36,129
As at 31 March 2021	887	35,002	35,889

36. Deferred tax

Deferred tax assets and liabilities are 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.

Critical accounting judgement

The Group has recognised a deferred tax asset in respect of future taxable profits for the first time this year. The board has limited the recognition of deferred taxes to £5.4m in respect of historical tax losses that it expects will be used to reduce future *tax charges based on the first two years from the most recent* approved financial forecasts. The forecast is inherently sensitive to the assumptions which underpin it, including macroeconomic conditions (such as forecast spreads and interest rates, future tax rates, the impact of Covid-19 and any potential climate related risks), and is dependent on the Group's ability to successfully execute its strategy. As such, the expected utilisation of the deferred tax asset may vary significantly.

Using a two-year forecasting period to calculate the deferred tax asset is a significant judgement. The reliability of forecasts in future periods is inherently more uncertain than in the near future. The business plan includes assumptions on the quantum and timing of future capital raises, as well as the launch of new products and services. For this reason the deferred tax asset calculation uses *two years of forecast future profitability only. This judgement may* be revisited, and the forecast period extended in the future, as the Group develops a track record of profitability, or when certainty over future capital inflows is reached.

If this estimation period were increased to 3 years, the deferred tax asset recognised would increase to £16.7m, or if reduced to 1 year it would be £0.6m.

The table below shows the movement in net deferred tax assets

	2022 £'000	2021 £'000
At 1 April	-	-
Recognised in the income statement	5,353	-
At 31 March	5,353	-

The Group has recognised a deferred tax asset in relation to tax losses carried forward of £5.6m, and a deferred tax liability in relation to tangible fixed assets of £0.2m during the year.

The Group has an unrecognised deferred tax asset value of £80m (FY21: £62m) which is expected to be fully utilised by the end of FY28, subject to performance in line with the business plan which includes further successful capital raises. This asset comprises £73m (FY21: £302m) of trading losses, £6m (FY21: £2m) of deferred share scheme deductions and £1m (FY21: £1m) of other short term timing differences. All these amounts are carried forward taxed at the expected rate of 25% (FY21: 19%).

In the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was deemed substantively enacted on 17 March 2020. In the Spring Budget 2021, the Government announced that from 1 April 2023 the corporation tax rate will increase from 19% to 25%. This new law was deemed substantively enacted on 24 May 2021 and the deferred tax balances at the year end have been calculated based on this rate.

37. Provisions

	IFRS 9 £'000	Platform Transformation Provision £'000	Total £'000
At 31 March 2020	308	2,444	2,752
Amounts utilised	-	(2,910)	(2,910)
(Credited)/Charged to the income statement	(241)	596	355
At 31 March 2021	67	130	197
Amounts utilised	-	(4)	(4)
Charged to the income statement	117	-	117
At 31 March 2022	184	126	310

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

38. Other liabilities

	Group 2022 £'000	Bank 2022 £'000	Group 2021 £'000	Bank 2021 £'000
Accounts payable and sundry creditors	3,694	3,686	3,781	3,777
Accrued expenses	4,651	4,651	5,562	5,562
Cash settled share based payment liability	2,569	2,569	3,360	3,360
Cash collateral	28,900	28,900	4,763	4,763
Lease liability	3,691	3,691	4,341	4,341
Capability and Innovation fund	5,913	5,913	7,529	7,529
Intercompany loan payable	-	-	-	448
Total other liabilities	49,418	49,410	29,336	29,780

Collateral represents margin calls made on derivative contracts. The movement in the year is driven by the underlying terms of derivative contracts held with counterparties.

The Bank was awarded £10m from pool C of the Capability and Innovation Fund administered by Banking Competition Remedies (BCR) in 2020. £1.6m (FY21: £2.3m) of the funding was released during the year, recorded net of the costs for which it was intended to compensate.

39. 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 our property, plant and equipment accounting policy.

Atom applies the exemptions available for short term leases and those for which the underlying asset is of low value.

The Bank leases office premises and equipment

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

	2022 £'000	2021 £'000
Not more than one year	808	792
Over one year but not more than five years	3,148	3,122
Later the 5 years	-	780
Total undiscounted lease liabilities as at 31 March	3,956	4,694

40. Related party transactions

Atom enters into transactions with related parties in the normal course of business, as detailed below:

(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 Bank. 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)	2022 £'000	2021 £'000
Wages and salaries	2,101	1,722
Compensation for loss of office	-	145
Share based payments	852	375
Pension costs	142	115
Total	**3,095**	**2,357**

There were an average of 10 (FY21: 7) members of the executive committee during the year.

Directors emoluments	2022 £'000	2021 £'000
Wages and salaries	1,574	1,338
Share based payments	382	200
Pension costs	35	23
Total	**1,991**	**1,561**

Highest paid director	2022 £'000	2021 £'000
Wages and salaries	508	456
Share based payments	214	107
Pension costs	35	12
Total	**757**	**575**

One directors (FY21: two) accrued retirement benefits under the defined contribution scheme. Two directors (FY21: two) received share based payments as part of their remuneration.

No directors exercised share options during the year (FY21: nil).

(ii) investment in subsidiaries

Atom Bank Plc is the ultimate parent company. The following entities are accounted for as subsidiary companies of the Bank, 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 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 2018-1 plc	Issue of securitised notes	8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG
Elvet Mortgages 2021-1 plc	Issue of securitised notes	8th Floor 100 Bishopsgate, London, United Kingdom, EC2N 4AG

In the course of its business, the Bank 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 2022 Atom has two consolidated structured entities, Elvet Mortgages 2018-1 plc and Elvet Mortgages 2021-1 plc, which are included above.

(iii) Transactions with subsidiaries

mounts due to and from controlled entities of the Bank other related parties are as follows:

	Bank 2022 £'000	Bank 2021 £'000
Other assets		
Amounts due from EBT	1,469	1,463
Amounts due from Elvet Mortgages 2018-1 plc	203	-
Total Other assets	1,672	1,463
Deemed Loan		
Amounts due to Elvet Mortgages 2018-1 plc	50,739	110,700
Amounts due to Elvet Mortgages 2021-1 plc	293,117	-
Total deemed loan	343,856	110,700
Other Liabilities		
Amounts due to Elvet Mortgages 2018-1 plc	-	448
Total Other Liabilities	-	448

No ECL credit impairment provision (FY21: none) is held against Intercompany receivables at year end.

Independent auditors' report to the members of Atom Bank Plc

Report on the audit of the financial statements

Opinion

In our opinion, Atom Bank plc'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 2022 and of the group's and company's loss and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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 2022; group and company statements of comprehensive income, group and company statements of changes in equity and group and company cash flow statements for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

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, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We conducted all our work across the Group using one engagement team.
- We performed audit procedures over all material account balances and financial information of the Company due to its significance to the Group's financial performance.
- We performed audit procedures over specific account balances and financial information in other Group undertakings that materially contributed to the Group's financial performance and/or position.

Key audit matters

- The risk of material misstatement in the accounting estimate due to inappropriate economic assumptions and associated scenario weightings, and the risk of inappropriate post-model adjustments being recorded (group and company)
- IT infrastructure and software may be impaired or recognition criteria for newly capitalised IT software may not have been met (group and company)

Materiality

- Overall group materiality: £2,495,000 (2021: £1,400,000) based on 1% of Net Assets.
- Overall company materiality: £2,495,000 (2021: £1,400,000) based on 1% of Net Assets.
- Performance materiality: £1,871,000 (2021: £1,050,000) (group) and £1,871,000 (2021: £1,050,000) (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.

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.

Going concern (group and company) was a key audit matter in the last year and is no longer included as such, due to the Group and the Company no longer being reliant on future funding in order to remain capital generative in the current going concern assessment period. Consideration relating to Covid-19 (group and company) which was a key audit matter last year, is no longer included as such because of our consideration of the pandemic in the current year being adequately captured by other key audit matters and it not representing an area of increased audit focus in its own right. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
The risk of material misstatement in the accounting estimate due to inappropriate economic assumptions and associated scenario weightings, and the risk of inappropriate post-model adjustments being recorded (group and company) See note 11 of the financial statements for the disclosure of the related accounting policies and critical estimates and judgements. In order to meet the requirements of IFRS 9, the group has developed impairment models that are reliant on expert judgement and industry assumptions provided by third parties in the absence of internal historical data. Post model adjustments (PMAs) have been recorded to reflect the impact of the current economic uncertainty on the ECL provision as at the balance sheet date. There is increased uncertainty as to the future economic outlook, particularly surrounding UK house prices, unemployment and wider affordability concerns, which increases the estimation uncertainty in the ECL. We considered the significant risk assumptions to be: The key economic variables and scenarios used in the model, particularly the severity and likelihood of the base and downturn economic scenarios that form part of the forward looking modelling of default rates (all portfolios), house price values (residential) and commercial real estate values (BBSL) and their impact on ECL; and the post model adjustments made to account for areas of credit risk not captured within the base modelling solution (all portfolios).	We understood management's process and tested key controls around the determination of ECL, including controls relating to: • Appropriateness of modelling methodologies and monitoring of model performance; and • model review, validation and approval of changes to the model. We found these key controls were designed, implemented and operated effectively, and therefore determined that we could place reliance on these key controls for the purposes. We performed the following procedures to address the areas of judgement and estimates used in the calculation of ECL: • We obtained an updated understanding of management's process of determining the expected credit loss (all portfolios); • We tested the design and implementation of key controls over the selection, review and approval of assumptions used in determining the ECL, and over model performance monitoring, including periodic model review and approval of model changes (all portfolios); • We compared the forward-looking economic assumptions to independent forecasters. The severity and magnitude of the scenarios were compared to external forecasts and data from historical economic downturns, and the sensitivities of the scenarios were considered (all portfolios); • We tested whether the economic scenarios used were appropriately severe so as to capture nonlinear effects in credit losses which may arise in economic downturns and were weighted appropriately given the current economic environment (all portfolios); and • We tested the appropriateness of the post model adjustments made by management, including testing the underlying assumptions used in these adjustments and consideration of completeness of adjustments made through review of ECL coverage and comparison with wider industry levels (all portfolios). Based on the procedures performed and the evidence obtained, we found management's judgements used in the determination of ECL to be reasonable.

Key audit matter	How our audit addressed the key audit matter
IT infrastructure and software may be impaired or recognition criteria for newly capitalised IT software may not have been met (group and company) See note 35 of the financial statements for the disclosure of the related accounting policies. At 31 March 2022, the Group's total netbook value of intangible assets was £36.1m (2021: £35.9m). The Group is committed to further developing its banking platform and other back office functions, and capitalised £9.7m in the year in relation to IT infrastructure and software.	We reviewed the Group's capitalisation policy to confirm it met the requirements of IAS 38. As part of our detailed work we: • Substantively tested a selection of capitalised costs to confirm that these met the criteria of IAS 38 for capitalisation as intangible assets; • Reviewed how the Group expects these assets to generate future economic benefits through a review of the business plan • Held discussions with the IT function over capitalised assets in the period; • Assessed whether existing assets continue to be used by the business or demonstrate any indicators of impairment; • Tested the amounts capitalised on a sample basis to assess that they can be reliably measured and meet capitalisation policy, and, tested a selection of costs expensed to confirm they should not have been capitalised; and • Performed an assessment of management's impairment review, including performing stress testing on the discounted cash flows to support the recoverability. Based on the procedures performed and evidence obtained, we found management's conclusions to be appropriate

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.

The consolidated financial statements include the securitisation related SPV's, Elvet Mortgages 2018-1 Plc and Elvet Mortgages 2021-1 Plc. Certain SPV balances were 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. 100% of net interest income, cash and total assets were subject to audit. All of the audit work was completed by the Group engagement team.

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 and company
Overall materiality	£2,495,000 (2021: £1,400,000).
How we determined it	1% of Net Assets
Rationale for benchmark applied	Based on the life cycle of the group, net assets is the primary measure of group growth and performance.

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 £1,679,000 to £2,495,000. 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% (2021: 75%) of overall materiality, amounting to £1,871,000 (2021: £1,050,000) for the group financial statements and £1,871,000 (2021: £1,050,000) 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 the audit committee that we would report to them misstatements identified during our audit above £124,700 (group audit) (2021: 70,000) and £124,700 (company audit) (2021: £70,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- assessed management's capital forecasting model, and tested the mathematical accuracy of the calculations of future capital levels under management's different scenarios;
- challenged the key assumptions in management's forecast, including how management actions in relation to loan book growth impacted on the capital position of the bank and the severity of the economic scenarios being included;
- compared current year actual results to previous forecasts to assess how accurate management are in their forecasting, understanding rationales for variances and challenging the feasibility of the updated business plan;
- met with the PRA to discuss their supervision of the bank as well as reading key regulatory correspondence; and
- discussed the capital forecasts with the Audit Committee and read Board and executive committee meeting minutes.

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.

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 2022 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.

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. 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 increase revenue or reduce expenditure or increase the capital position of the Group and Company, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- review of the financial statement disclosures to underlying supporting documentation;
- review of correspondence with and reports to the regulators;
- review of internal audit reports in so far as they related to the financial statements;
- identification and testing of journal entries which contained unusual account combinations back to corroborating evidence; and
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the related key audit matters above.

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.

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.

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.

Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 13 March 2014 to audit the financial statements for the year ended 31 March 2014 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 March 2014 to 31 March 2022.

Daniel Brydon (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

1 July 2022

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