

Assessment Period 1 (October 1st, 2019 – December 31st, 2019)

Atom Bank PLC - £10M Grant

In the quarter since receiving funding from the Capability and Innovation Fund, Atom has made good progress in mobilising to deliver transformational banking experiences for SMEs, and products that provide them with the confidence and practical means to focus on growth.

Our report is aligned to the business case submitted to the Banking Competition Remedies (BCR) in June 2019, and Atom remains on track to deliver on our Public Commitments and bring much needed competition to the UK SME market. We provide an update on each of those commitments below.

COMMITMENT TO OWN FUNDS MULTIPLIER

Atom will spend £1.50 of its own funds for every £1 received from BCR.

This remains on track; Atom Bank remains committed to our co-investment of £15m.

COMMITMENT TO BRING INNOVATIVE SMART LENDING PRODUCTS TO MARKET

Atom recognises that the needs of smaller businesses are distinct and different from those of larger firms.

At the core of Atom's proposal are Smart Lending products designed specifically with and for SMEs and underpinned by Atom's unique smart contract technology and machine learning capabilities. Each element of Atom's proposal responds to individual firms' data and behaviour, to better anticipate their financing needs and deliver informed and responsible lending solutions.

Responding directly to what SMEs have told us, Atom's Smart Lending products will include:

- **An on-demand working capital facility (delivered in 2020);**
- **Unsecured term lending that responds dynamically to forecast cash flow and financial health (2020);**
- **Access to lending secured over business assets (2021); and**
- **Invoice discounting to provide instant access to cash tied up in outstanding invoices (2021).**

Our industry-leading and cost-efficient operating model will enable us to provide competitively priced lending and help make Atom the bank of choice for financing SME cash flow management and growth. In situations where we cannot meet an SME's lending needs, we will, with their explicit consent, offer transparent referrals to alternative providers (2021).

This remains on track. Atom remains committed to launching a number of Smart Lending products designed specifically with - and for - SMEs, recognising that the needs of smaller businesses are distinct and different from those of larger firms. We have mobilised and resourced a programme of work to deliver our first smart lending in 2020.

COMMITMENT TO DELIVER A COMPLEMENTARY DIGITAL TOOLKIT TO SUPPORT UNMET SME NEEDS

We will build and implement an extensive roadmap of complementary digital products and tools.

During 2020, Atom will launch a real-time cash flow monitor and long-range financial health tool. Powered by machine learning, it will help SMEs to monitor their finances and anticipate shortfalls or surpluses in cash flow. It will also provide meaningful and actionable insights to help drive efficiency and profitability.

Finding appropriate funding to help turn new opportunities into growth is a key concern for SMEs. From 2021 our digital 'Lending Coach' will provide insight and intelligence to navigate funding

options, with personalised prompts and simple actions to undertake every day that help them get credit ready.

We are also committed to supporting the ‘permanent-non-borrowers’ that make up 47% of SMEs – those who prefer to self-fund expansion. In 2020 we will offer competitively priced savings products that integrate with cash flow forecasts and respond to AI-driven nudges and alerts.

Finally, to allow SMEs to get on with the day-to-day running of their businesses, we will develop a range of digital tools including invoice management (2022); investment appraisal (2021) and scenario planning to visualise the impact of delayed or accelerated payments (2021).

This remains on track, with the first deliverables scheduled for later in 2020. We know that it is important that SMEs can monitor their finances and anticipate shortfalls or surpluses in cash flow, and we remain excited about bringing free, digital products and tools, starting with a real-time cash flow monitor. This will benefit SMEs that want to unleash the value of their financial information by sharing their transactional history via Open Banking and cloud accounting package data.

COMMITMENT TO ADDRESS DISCOURAGED DEMAND AND ENHANCE THE FINANCIAL WELLBEING OF SMEs

To ensure small businesses have the confidence to seek the external finance that is right for them, our proposal will include:

- **A rapid and frictionless onboarding process that captures financial aspirations, and generates bespoke customer solutions;**
- **Seamless API integration with existing bank accounts and accounting software;**
- **A simple visualisation of financial health, giving SMEs time to focus on their business;**
- **Use of alternative performance data to assess under-served ‘thin-file’ applicants;**
- **A simple fee structure and tailored repayment plans so SMEs can borrow with confidence.**
- **Our proposition development will also be informed by the outputs of our partnership with Newcastle University’s FinTrust programme, the focus of which is to avoid unintended bias and reduce financial exclusion.**

This Commitment remains on track. The core to what we are building emphasises the importance of providing small businesses the confidence to seek the external finance that is right for them; we will strive to make it easier for more SMEs to borrow, but only when it is the right thing for them to do.

Atom’s proposition is being built for - and with - small businesses. Alongside our partnership with Newcastle University’s FinTrust programme, in the first quarter of 2020 we will launch an online business community, allowing SMEs to offer their feedback and actively participate in the creation of rich user experiences.

COMMITMENT TO TRANSFORM SME BANKING

Atom will help SMEs to secure finance, and materially address the funding gap in the market by delivering an additional £3bn of business financing by March 2024.

We will set a new standard for customer experience in the sector and work to replicate our personal customer Net Promoter Score of +74 for the benefit of SMEs.

Atom will also cater for savers but stand ready to support them with Smart Lending solutions when their needs or ambitions change. We have set a goal of opening an additional 88k business savings accounts by March 2024.

Atom will package its SME proposition in a free-to-download and use application. Available to all SMEs, we forecast that this will benefit in excess of 340k by 2024 and provide them with data insights valued at c.£150m per annum.

No update in this assessment period. We remain confident in our ability to attract customers and lend efficiently.

COMMITMENT TO PARTNER WITH INNOVATIVE SMEs

Atom has a proven track record of partnering with UK FinTech and other innovative SMEs. In delivering our bid commitments we will extend these partnerships to include at least a further 10 SMEs.

This remains on track. Atom has already partnered with one innovative UK SME in delivering our bid commitments and are in active dialogue to collaborate commercially with a number of other fintech partners.

COMMITMENT TO CREATE 70 NEW JOBS IN NORTH EAST ENGLAND

On top of the 348 roles we have already created in the North East, we will add an additional 55 high skilled jobs and 15 graduate and apprentice roles in Durham.

We are committed to changing the balance of who works in finance and technology. Atom already supports seven initiatives to boost inclusion and employment among under-represented groups, and we will use these initiatives to help us fill these roles.

This Commitment is on track. Atom is creating high quality jobs in the North East of England, including roles in data science and engineering. To date, 8 people in support of this initiative have joined Atom, including 2 graduates, with a further 12 vacancies currently advertised.

COMMITMENT TO DELIVER TRANSPARENCY TO THE BCR AND PUBLIC

We will provide quarterly progress reports and access to our real-time cloud hosted programme dashboards to the BCR, together with a transparent product roadmap and quarterly updates on our public website.

We will imminently provide access to the first incarnation of our real time dashboard; this will enable the BCR to track our progress against project milestones. We will also publish our first BCR Commitments Update to our public website in February so that a wider group of stakeholders can monitor our progress.

Furthermore, during the first half of 2020, SME prospects will begin to see our product roadmap online and have the ability to influence the experience and insights delivered to SMEs.