

Atom Bank - £10M Award

CIF Key Achievements to Date

- Since receiving the BCR grant Atom has built the underlying infrastructure for its small business app in partnership with our strategic partner Thought Machine. We have also completed the underpinnings of our smart lending and savings platform with Thought Machine.
- We have built a radically enhanced pricing engine and quote tool that enables us to give a quote on a secured lending application, often the hardest to quote on quickly, within 60 seconds.
- We have launched our closed online community for SMEs - 'The Kitchen' - allowing small businesses to offer their feedback and be actively involved in prioritising our product roadmap.
- We are working with Newcastle University; the Federation of Small Businesses and the NE Chamber of Commerce on the build out of our proposition and reducing financial bias in lending decisions.
- Atom are creating high quality jobs in the North East of England, including roles in Data Science and Engineering. To date 20 people have joined Atom, including 6 graduates.
- We remain committed to changing the balance of who works in finance and technology and over the period have engaged with a number of initiatives and bodies, including Women in Finance Charter, Tech Talent Charter, TechUp Women to look to promote our vacancies.
- Atom has responded to the challenge of COVID-19 and released its balance sheet to support the economy, with £289m of applications received for our secured lending CBILS product which we introduced in under 6 weeks.
- We have made a commitment to adhere to the Standards of Lending Practice for all business lending customers and have become an interim registered firm with the Lending Standards Board.

Assessment Period 4 (July 1st, 2020 – September 30th, 2020)

COMMITMENT TO OWN FUNDS MULTIPLIER

Original Commitment:

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

Rationale for the change:

As a result of our response to support existing customers, to provide access to funding under the Coronavirus Business Interruption Loan Scheme (CBILS) and the very different economic landscape facing SMEs in 2020 and at least into 2021, we have re-programmed our delivery plan and updated our business case. The amendments detailed below see the roadmap extended out to March 2025 and accordingly, given that this commitment includes operational costs, the Atom spend profile will increase over the course of this updated business case.

Updated Commitment:

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

This commitment remains on track.

COMMITMENT TO BRING INNOVATIVE SMART LENDING PRODUCTS TO MARKET

Original Commitment:

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).

Rationale for the change:

The amended delivery sequence, and the addition of a new commitment, is a direct response to the fundamental changes facing both lenders and SMEs as a result of COVID-19. Having re-prioritised resources to support our existing customer base and pivoting our development activity to introduce a new CBILS product through April and May, it is inevitable that the launch dates for elements of our proposition have moved.

Atom is also concerned that there are limits to the indebtedness that SMEs can bear. With SME borrowing likely to be four times higher in 2020 than in 2019, we believe that 2021 is likely to be a year when viable businesses will be cautious borrowers, having taken advantage of the lifeline thrown to the economy by BBLs and CBILs. There will be some key areas of lending however, that will be crucial for the recovery and re-shaping of businesses for the future. Re-stacking of premises and re-mortgaging of existing premises will be fundamental to creating a new normalised level of cost and efficiency in the economy.

We will therefore automate these complex secured lending propositions, initially for brokers and then direct to market, as part of an additional commitment under our BCR-funded roadmap. In particular we will introduce a new fixed-rate secured lending product, with a next generation portal, to be launched in Q1 2021. Atom will enter the market for unsecured lending direct to SMEs in more normalised conditions, having built an automated decision engine capable of supporting both secured and unsecured lending as part of our new commitment.

Updated Commitment:

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:

**Access to lending secured over business assets (2021);
Unsecured term lending that responds dynamically to forecast cash flow and financial health (2021);
An on-demand working capital facility (delivered in 2021); and
Invoice discounting to provide instant access to cash tied up in outstanding invoices (2022).**

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 commitment remains on track. We have now completed the underlying infrastructure to support our new range of smart lending propositions and, during the period, began the build of our real-time, automated decisioning architecture. We are partnering with several innovative fintechs and more established players in the credit space to build this, which includes multiple data sources for automated eligibility and affordability decisioning. This componentry is extensible and will underpin the entirety of our lending inventory.

New Commitment:

COMMITMENT TO DELIVER A NEXT GENERATION BROKER EXPERIENCE

The economic effects of COVID-19 are set to last for many months and likely years. Whilst these uncertainties exist, Atom believes that many SMEs with relatively complex needs will seek support from expert intermediaries in lending markets. Complementing our direct to market proposition, in early 2021, Atom will launch a digital portal that will enable intermediaries to submit complex secured lending applications on behalf of small businesses and receive indicative eligibility and affordability decisions instantly, and an underwriter-backed decision within 48 hours. Providing automated access to Atom's core banking machine for these complex cases does not necessarily mean that Atom can serve every customer's needs, so this platform will be linked to our digital referral platform so that customers' requirements can be considered alongside a range of alternative lending provision.

This commitment remains on track. We have now completed the MVP build of the portal, aimed at improving overall user experience with a simplified journey and additional tools to speed the loan application. Additional features, including the integration of Open Banking and accountancy data have been scoped ahead of delivery in 2021.

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

Original Commitment:

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).

Rationale for the change:

We have sought to rephase our product roadmap to ensure that the scope of both our BCR and our co-committed funds are focused upon initiatives that will most urgently address evolving customer needs during this time of crisis: the provision of fair, affordable and timely lending.

We have reflected on the relevance and applicability of some elements of our proposition to the current situation. With the economic shape of the recovery still to be determined, the utility of historical data as a predictor for likely health of SMEs has been significantly curtailed. We will build our free to use insight capability and introduce it as conditions normalise and not before the insights that it produces can be demonstrated to add value.

Updated Commitment:

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

During 2022, 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 2023 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 2021 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 (2024); investment appraisal (2024) and scenario planning to visualise the impact of delayed or accelerated payments (2024).

This commitment remains on track.

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. During the period we have made a commitment to adhere to the Lending Standards Boards (LSB) Standards of Lending Practice for all business lending customers. As an interim registered firm, we will be working with the LSB who will review our adherence to the Standards and assess any opportunities to enhance our products, policies and processes. On confirmation of our compliance, we will be admitted as a fully registered firm.

In the period, we have launched our closed online community 'The Kitchen' and continue to actively recruit members to help shape our ambitious roadmap.

COMMITMENT TO TRANSFORM SME BANKING

Original Commitment:

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.

Rationale for the change:

In response to COVID-19, inevitably, some commitments will take longer to achieve than originally envisaged, we are therefore extending the timelines of full benefit realisation to March 2025. Our rephased roadmap - versus our previous plan - delivers more lending into the hands of more small businesses, sooner: with in excess of £250m of CBILS applications to date.

Updated Commitment:

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 2025.

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 2025.

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 2025 and provide them with data insights valued at c.£150m per annum.

We have continued to respond to the challenge of COVID-19 and to support small businesses at this difficult time. To date, we have issued £571m of quotes and received £289m of applications for our secured lending CBILS product. During this period we have continued to lend outside government guarantee schemes and remain confident in our ability to surpass our net lending targets to small businesses during the course of 2020.

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 Commitment is on track. To date Atom has partnered with two new innovative UK SME companies and is in advanced commercial discussions with a number of other FinTechs to help support and deliver our bid commitments.

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 remains committed to creating high quality jobs in the North East of England, including roles in Data Science and Engineering. To date 20 people have joined Atom directly supported by the BCR funding, including 6 graduates.

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.

Following the acceptance of our Updated Business Case, Atom is reshaping our dashboard to include agreed project milestones. We continue to publish BCR Commitments Updates to our website so that a wider group of stakeholders can monitor our progress. In the next quarter we will release our transparent product roadmap.