



Revolutionising Banking in the UK and Beyond

Strategy Teardown by



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Executive Summary

Providing comprehensive and carefully curated banking services tailored for the mass affluent segment

By targeting the mass affluent segment and servicing their banking needs with contextual digital offerings, Starling Bank has managed to gain over 3.6 million customers, 77% of which are active users. It is actively also becoming a primary account for many users with average balances increasing and contribution per user growing by 88% y-o-y.

Establishing a marketplace that offers complementary services in collaboration with fintech specialists

Starling's retail and business marketplace is a leading example in the power of fintech collaboration – with over 20 partner providers on its platform, users can access any additional financial service they may need apart from Starling's core products.



Betting big on the business banking opportunities in the UK market

Since being awarded the Capability and Innovation Fund (CIF) grant by the Banking Competition Remedies (BCR) in 2019, Starling has had a renewed focus on business banking. This focus was bolstered by originating over £2.4 billion government-backed support loans to SMEs during the COVID-19 pandemic.

Leveraging strategic acquisitions as a means to expand the mortgage business

As the business has matured, Starling has made smart decisions to scale through targeted M&A. Its acquisition of Fleet Mortgages in 2021 and an additional two closed portfolio acquisitions in 2022 has led to a diversified low-risk asset side with mortgage lending forming 70% of its loan portfolio in March 2023.

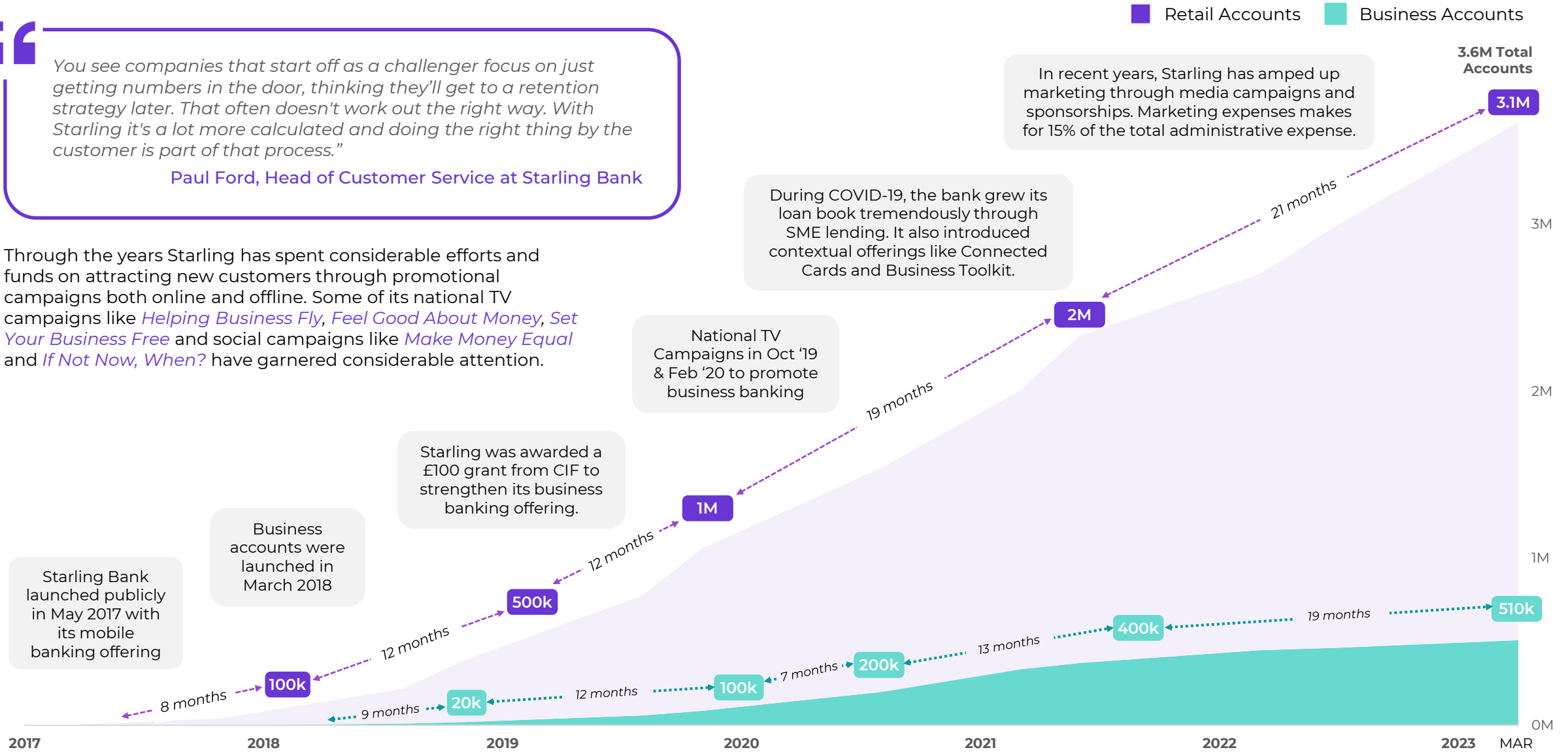
Unlocking the value of Starling's cutting-edge technology to deliver SaaS offerings to financial firms worldwide

Starling is leveraging its cloud-native core banking technology, which was built in-house from scratch before launching in 2017, to grow beyond its domicile in the UK. Engine, which has been established as a software-as-a-service subsidiary, aims to monetise the technology and scale the Starling brand globally.

“ You see companies that start off as a challenger focus on just getting numbers in the door, thinking they’ll get to a retention strategy later. That often doesn’t work out the right way. With Starling it’s a lot more calculated and doing the right thing by the customer is part of that process.”

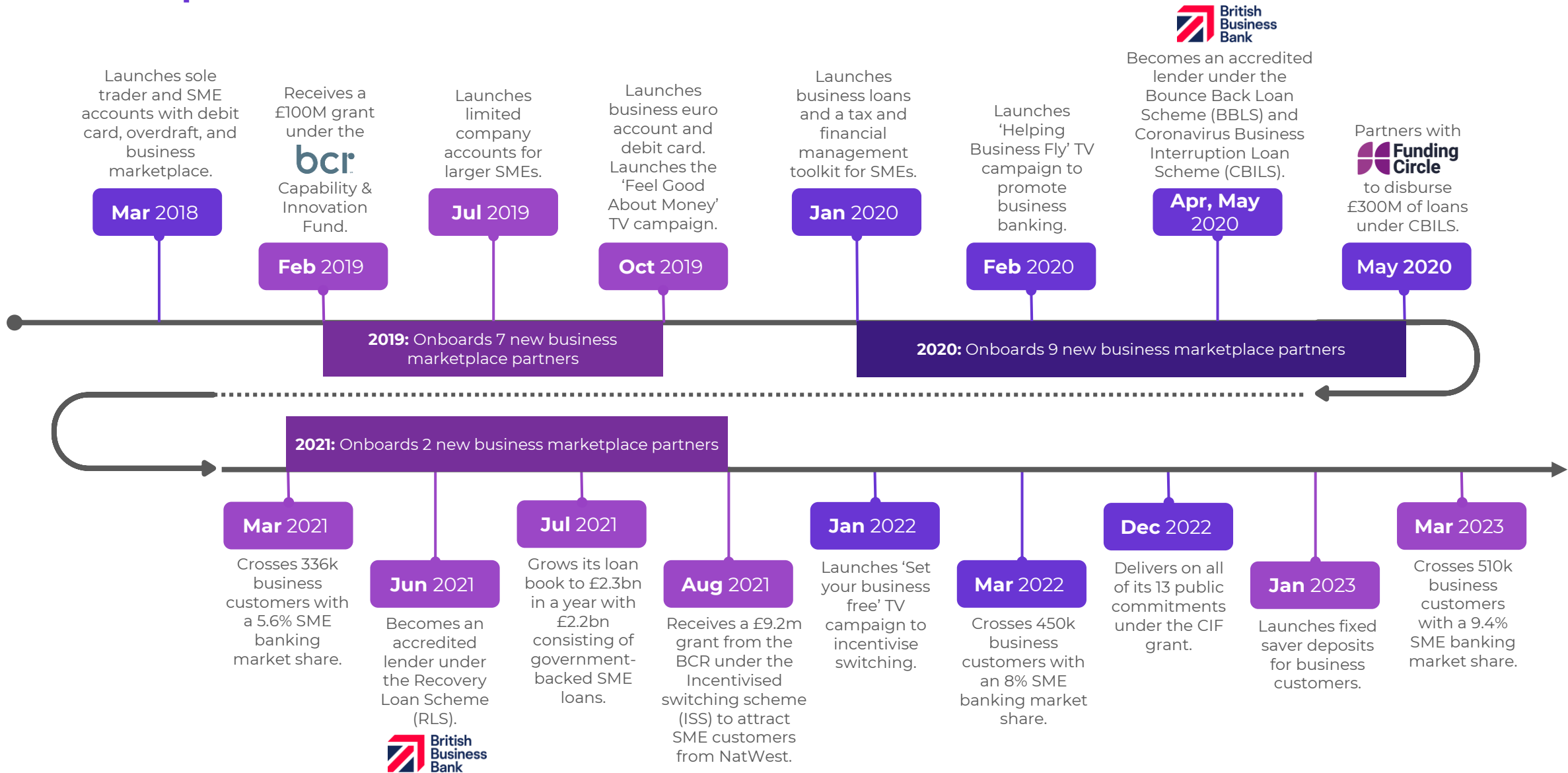
Paul Ford, Head of Customer Service at Starling Bank

Through the years Starling has spent considerable efforts and funds on attracting new customers through promotional campaigns both online and offline. Some of its national TV campaigns like *Helping Business Fly*, *Feel Good About Money*, *Set Your Business Free* and social campaigns like *Make Money Equal* and *If Not Now, When?* have garnered considerable attention.





Starling Bank has built its product capabilities from scratch, which enables it to introduce customized and contextual offerings for its customers. COVID-19 saw the bank introduce need-specific products for users like Connected Card, Business Toolkit, Bills Manager and more. Its recent launch of the 'hide references' feature to help victims of economic abuse goes to show its focus on customer centricity.



When compared to peer challenger banks and incumbent banks in the UK, Starling keeps up with the Big 4 banks across several parameters. This can be attributed to its balance sheet strength, coupled with increasing revenue and controlled growth in costs.

Financial Metrics	Challenger Banks			UK Big 4 Banks			
	Starling Bank	monzo	Revolut	HSBC	BARCLAYS	NatWest	LLOYDS BANK
Net Interest Margin (Net Interest Income / Interest Generating Assets)	2.7%	1.1%	1.1%	1.5%	1.5%	1.5%	1.5%
Efficiency Ratio (Non-interest Expenses / Revenue)	37%	39%	39%	45%	47%	48%	48%
Net Profit Margin (Net profit after tax / Total income)	34%	11%	8%	15%	16%	17%	18%
Loan to Deposits	65%	58%	128%	88%	78%	85%	88%
Provision for Credit Losses (% of Gross loans)	0.8%	1.6%	1.7%	0.4%	0.5%	0.5%	0.5%
<i>End of reporting period</i>	Mar 2023	Feb 2023	Dec 2022	Dec 2022	Dec 2022	Dec 2022	Dec 2022

Based on financial information from annual reports of respective companies.
 * Estimated through WS computation using information from annual reports.

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