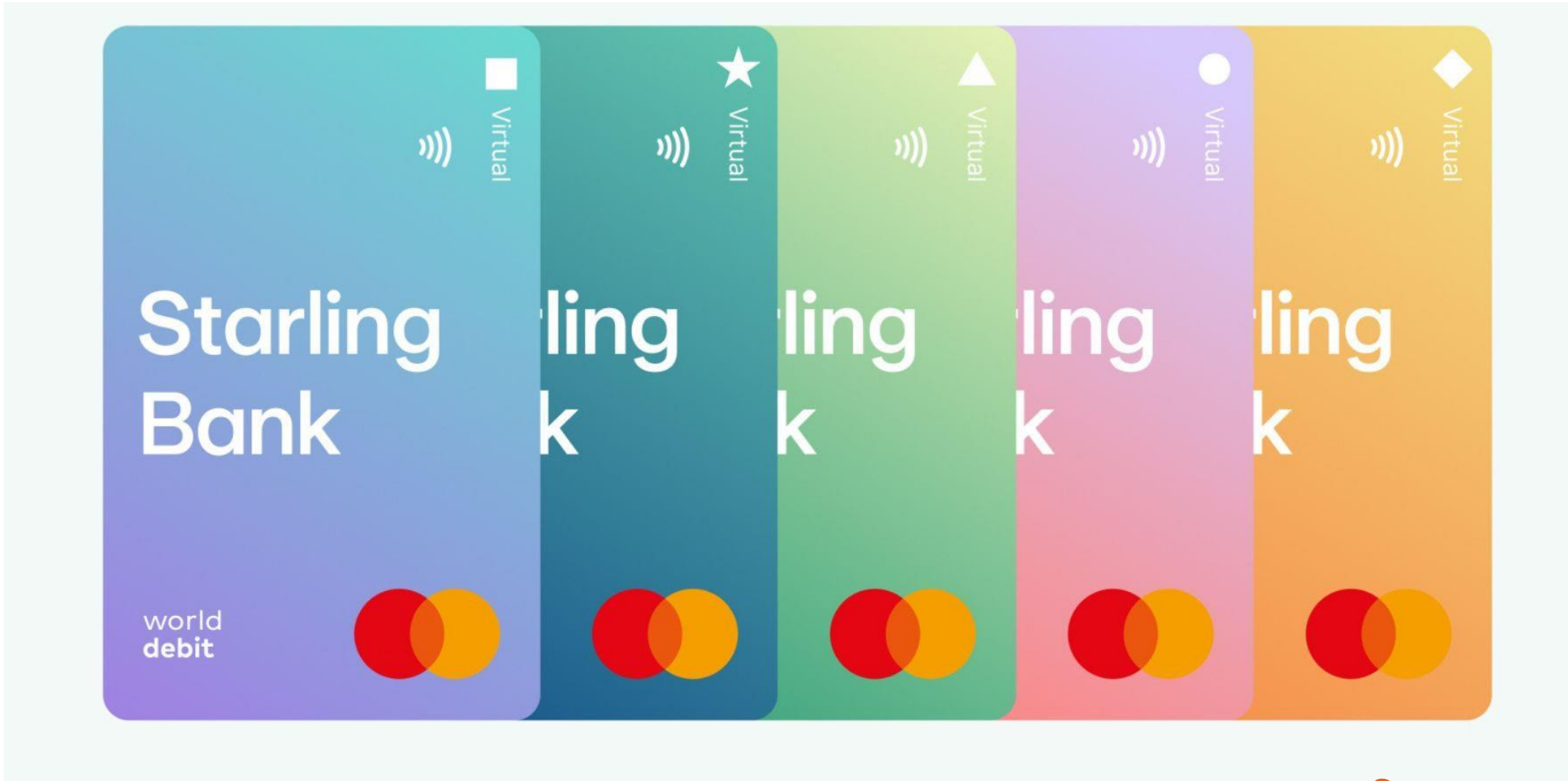




Phenomenal Growth: Unleashing Profitability and Dominating the Lending Landscape



FinTech strategy deep-dive and benchmarking collection by



C-INNOVATION
EMPOWERING STRATEGY

FinTech Strategy deep-dive and benchmarking collection

- C-Innovation offer you access to high quality, actionable, business-oriented reports.
- Over the next few months, our teams will be compiling research on a number of successful FinTechs, taking deep dives into their company history, culture, success, competition and outlook.
- By placing FinTechs under the magnifying glass, we offer a better understanding of the factors that enabled them to become challengers in the financial services industry, as a guide for actors seeking to reach similar exponential growth.
- These reports aim at providing actionable insights and benchmarking to those interested in the financial technology industry, and more specifically, to businesses and entrepreneurs seeking to improve their strategies and increase their competitiveness.

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Financial Snapshot Report: Updated Figures and Strategic Insights 2023



by



Learn more on Starling in our Strategic Deep-Dive Report

[Starling Bank: Money-making In Digital Banking](#)

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This is not a commissioned report and all data used for the analysis is taken from Starling's financial statements and other publicly available sources. The information presented here is intended for informational purposes only. The opinions expressed here are those of their authors and do not constitute an offer to sell, or a recommendation to buy any investment product or service.

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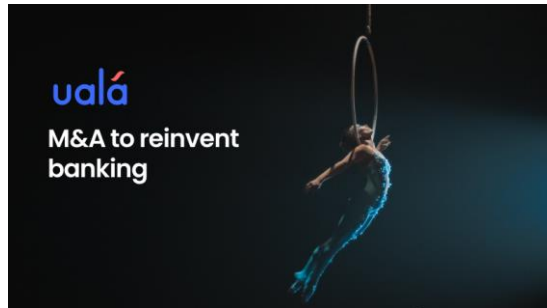


7Wise

New Brand to Next-Generation Banking

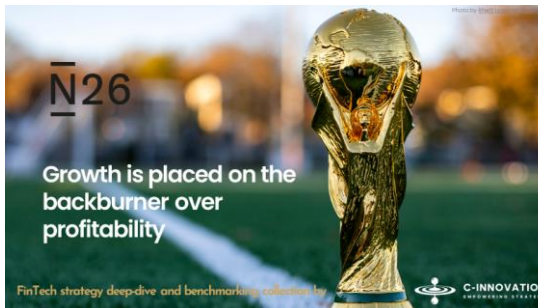


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uala

M&A to reinvent banking



N26

Growth is placed on the backburner over profitability

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monzo

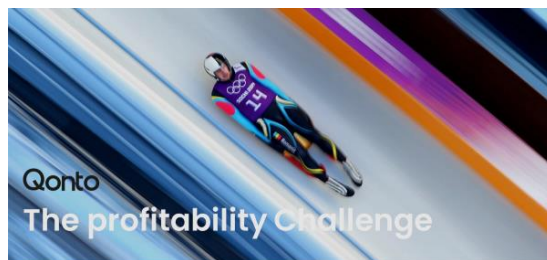
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Ins and Outs of Digital Banks

Success and failure lessons of independent and incumbent-led Challenger Banks.
A comparative analysis of market strategies looking at 80 Digital Banks globally.



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Executive Summary

01

As part of a strategic shift, Starling Bank undergoes a leadership transition with Anne Boden stepping down as CEO. John Mountain assumes the role of interim CEO, overseeing operations until the completion of the international search for a new CEO. This transition marks **a significant milestone in Starling Bank's evolution**, paving the way for new leadership and future growth opportunities.

02

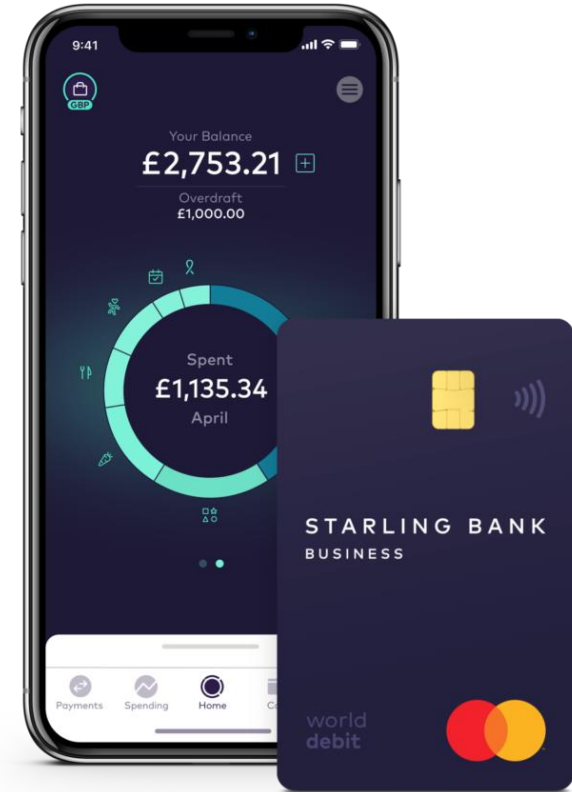
In March 2023, Starling reported an impressive customer base of over 3.6 million, resulting in unparalleled deposit growth of £10.6 billion, surpassing last year's £9 billion. **The bank's remarkable profitability soared with a six-fold increase in profit before tax (PBT), reaching £195 million from £32 million the previous year, attributed to higher interest rates.** Furthermore, the revenue surged by 109% year-on-year, soaring from £216 million to £453 million.

03

Starling Bank **has strategically positioned mortgage lending as a central offering, experiencing significant growth both organically through Fleet originations and through the acquisition of two mortgage books.** Mortgage lending now accounts for 70.5% of the total lending portfolio, a notable increase from 36.7% in the previous year. On the other hand, the SME lending segment has experienced a decline. Starling currently holds approximately 9.4% of the SME market share in the UK.

04

As one of the few profitable Digital Banks globally, **Starling continues to sustainably grow its balance sheet, with the plan to expand lending. Offer SaaS service** that wants to build their own financial capability and targets M&A strategy focusing on selected lending originators after acquiring Fleet Mortgages.



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- Deep-Dive into Starling Loan Book
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Change for good

1. Business Update



Starling
Bank

**Phenomenal Growth: Unleashing Profitability and
Dominating the Lending Landscape**

“We strive constantly to focus on creating a delightful user experience combined with maximum utility.”

*Anne Boden
CEO of Starling Bank*



Company Overview

A mobile banking platform that offers personal, joint, and business accounts, as well as financial services marketplace and Banking-as-a-Service



2014

Founded



\$1.1B

Total Funding Raised



\$3,4B

Valuation



3.6+M

Customers



2700+

Employees



3

Countries



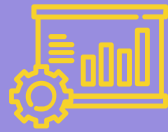
£453m

Revenue for FY 2023

Products offered :

PERSONAL:

BUSINESS:



Personal, joint, teen and Euro Account

Personal overdraft, money transfers and finance marketplace

Business, Sole trader and multicurrency accounts. Overdrafts, loans and SME marketplace



It provides a mobile app that enables users to manage their finances and track transfers in their accounts.

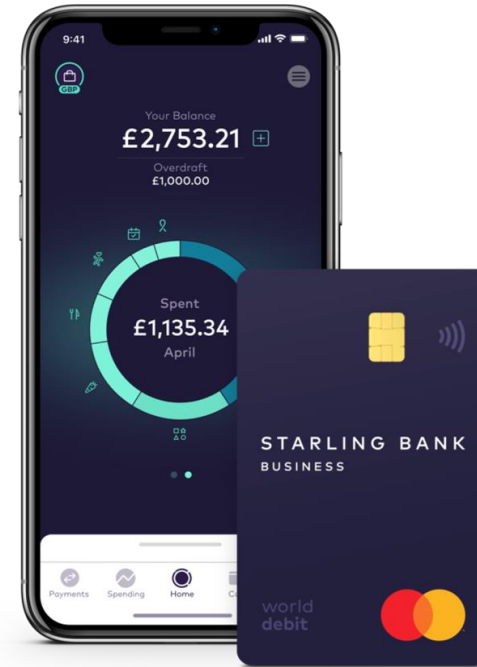
Tools and features for business and retail customers

Online banking and cards in-app

- Access to current account
 - Debit card for kids
- Instant payments notifications
 - Control overdraft
 - Lock and unlock card
- Simple payment link with IOUs
 - Cheque deposit by phone scan
 - Marketplace (third-party products, from mortgage and insurance providers to smart pension tools)
- Money transfers supported to 37 countries worldwide

Budgeting and analytics

- Possibility to have a Euro account
 - Categorised spending insight
 - Saving Spaces
 - Split the bill
- Round-up to save the change
 - Bills Manager



Starling Business

- Multi-currency account (US dollar and Euro for Uk businesses)
- Multidirector access
- Marketplace (Integration, from accountancy software and Insurance to payments platform)
- Invoicing
- Saving spaces
- Tax estimation and VAT manager
- Bill upload and payment scheduling

B2B Banking Services

- Payments
- Banking Accounts
- Banking as a service



Source : [Starling Bank](#), [dealroom](#) and news sources. 2022

Company Overview

Recent events

- Hits profitability for the first time in 2022 (£32m)
- Starling most-switched-to bank in Q3 2022 that didn't offer incentives
- Partnership with National Trust for the next three years, refer a friend program.
- Anne Boden (CEO) Stepped down amidst a profit boost, John Mountain is the new CEO.
- Jupiter Asset Management sold its stake in the neo-bank, dropping Starling's valuation by more than £1 billion.
- Pre-tax profit was £195m, which is a 6x increase compared to 2022, driven by growing mortgage book.

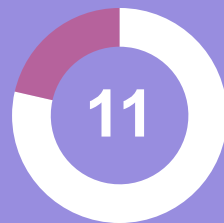
Product score compared to competitors on C-Innovation sample.

Retail products



Out of 20

Business products



Out of 14

Source: C-Innovation Digital Banks benchmarking. 2023

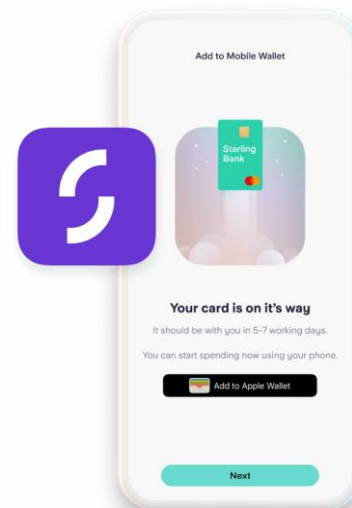


Strategy

Personal, SME loans and mortgages

Success Factors

- Starling from the start was **looking to build trust with consumers and focalized in profitability.**
- During **pandemic**, Starling took advantage of an opportunity to **help small and medium-sized enterprises by offering Government lending schemes services.**
- Starling Bank loan book has grown from less than £100m to almost £5B in Financial Year **pushed in 2023 by the Inclusion of mortgages** into its lending activity, following fleet acquisition.



Opportunities

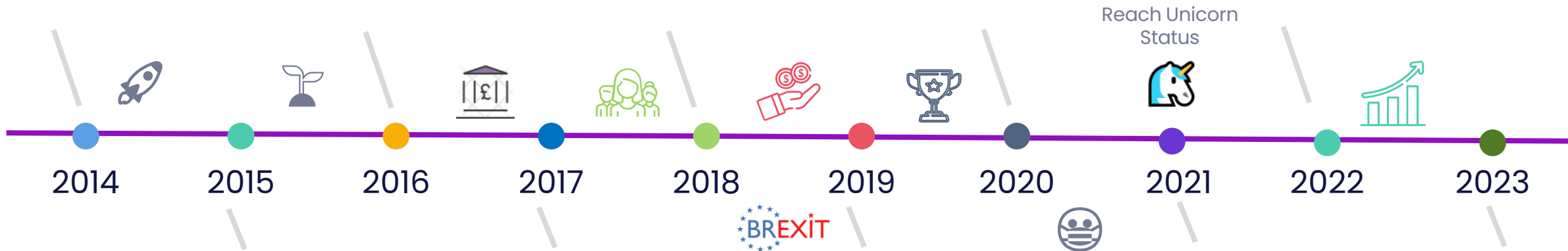
- In future, Starling plans to draw on its unbeatable user experience to **offer UK customers residential mortgages**, enhancing their Retail product offering and generating a reliable source of high-quality assets.
- Starling has attracted higher than average levels of customer deposits. This **entices customers to deposit and entrust their funds with them opening other revenue streams.**

C-innovation Analysis

Starling's strategic vision to expand into the residential mortgage market and its ability to attract above-average customer deposits, strengthens Starling's position as a reliable and innovative player in the financial industry.

Starling breaking milestones

- **Founded** by Anne Boden
- Kick-Off with Regulators
- Granted Partial Banking license by PRA
- Launched alpha app
- **Received 1st investment** £ 48M
- **Launched Baas and CASS** for business and Joint accounts
- Awarded Best British Bank and Best Current Account provider
- Refer a friend scheme in partnership with Trillion Trees
- **In-house Faster Payments**
- Business Cloud Named Starling #1 in its ranking of 100 Fintech Disruptors
- **Prepares for global expansion with Software as a service (SaaS)**

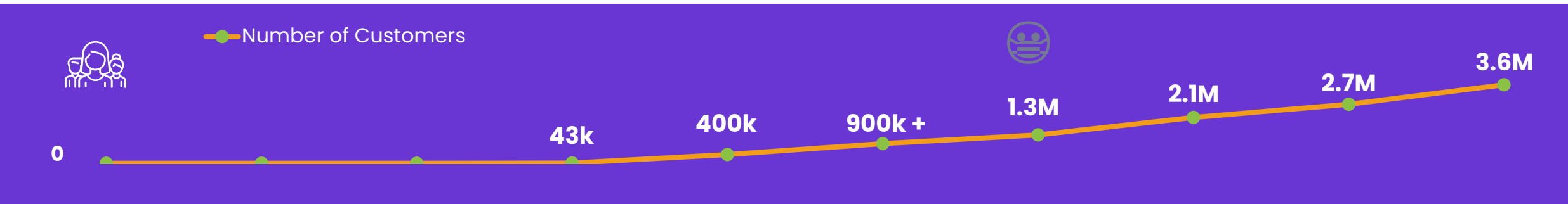
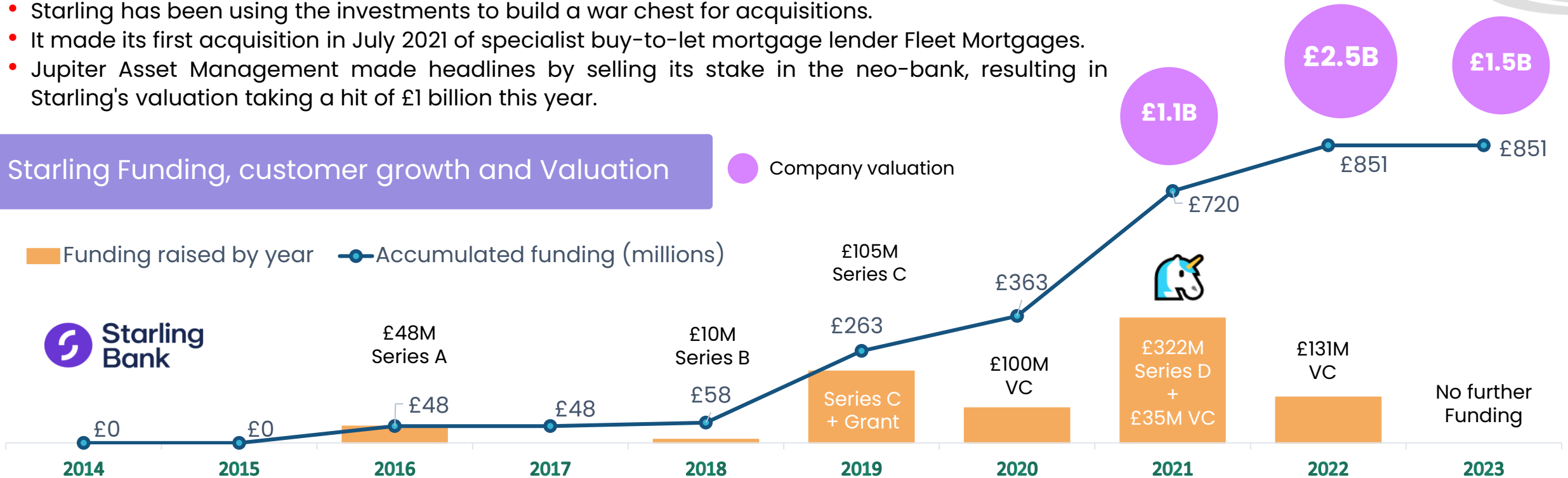


- Built **first technical prototypes**
- **Granted full Banking license**
- Sign women in Finance Charter
- **Launched to public**
- **Crossed 1M customer**
- 3 new offices - Southampton, Cardiff, and Dublin
- **Made its first acquisition (buy-to-let lender Fleet mortgage)**
- Post **first annual profit**
- Reaches **3.6+M** customers.
- **Anne Boden steps down as CEO.**
- Posts **second annual profit**

Company Value – Significant Devaluation

- Starling has been using the investments to build a war chest for acquisitions.
- It made its first acquisition in July 2021 of specialist buy-to-let mortgage lender Fleet Mortgages.
- Jupiter Asset Management made headlines by selling its stake in the neo-bank, resulting in Starling's valuation taking a hit of £1 billion this year.

Starling Funding, customer growth and Valuation



Executive Team – Transition and Succession

Anne Boden Starling stepped down as CEO to **shield the bank from conflict-of-interest** concerns as a major shareholder. The Board selected John Mountain as Interim CEO. There has been also a change in the CFO as Tony Ellingham retired.

Recent Leadership changes



John Mountain

Interim CEO, Chief Operating Officer

John Mountain **has been at Starling for 7 years, occupying key leadership roles**, first as Chief Information Officer and, for the last year, as Chief Operating Officer. He is a director of Engine, Starling's Software as a Service subsidiary, and is a past director of Pay.UK. His appointment as interim CEO of Starling Bank is subject to regulatory approval.

He previously spent 15 years as a technical architect, including with BJSS, working for clients such as Lloyds Bank and Waitrose.



Declan Ferguson

Chief Financial Officer

As CFO, Declan manages the bank's overall financial operations and is **responsible for the financial management of the company, including capital and liquidity management**. He is also responsible for strategic and corporate development activity, capital raising, and long-term financial and business planning. Prior to being appointed as CFO, Declan was Starling's Chief Strategy Officer.

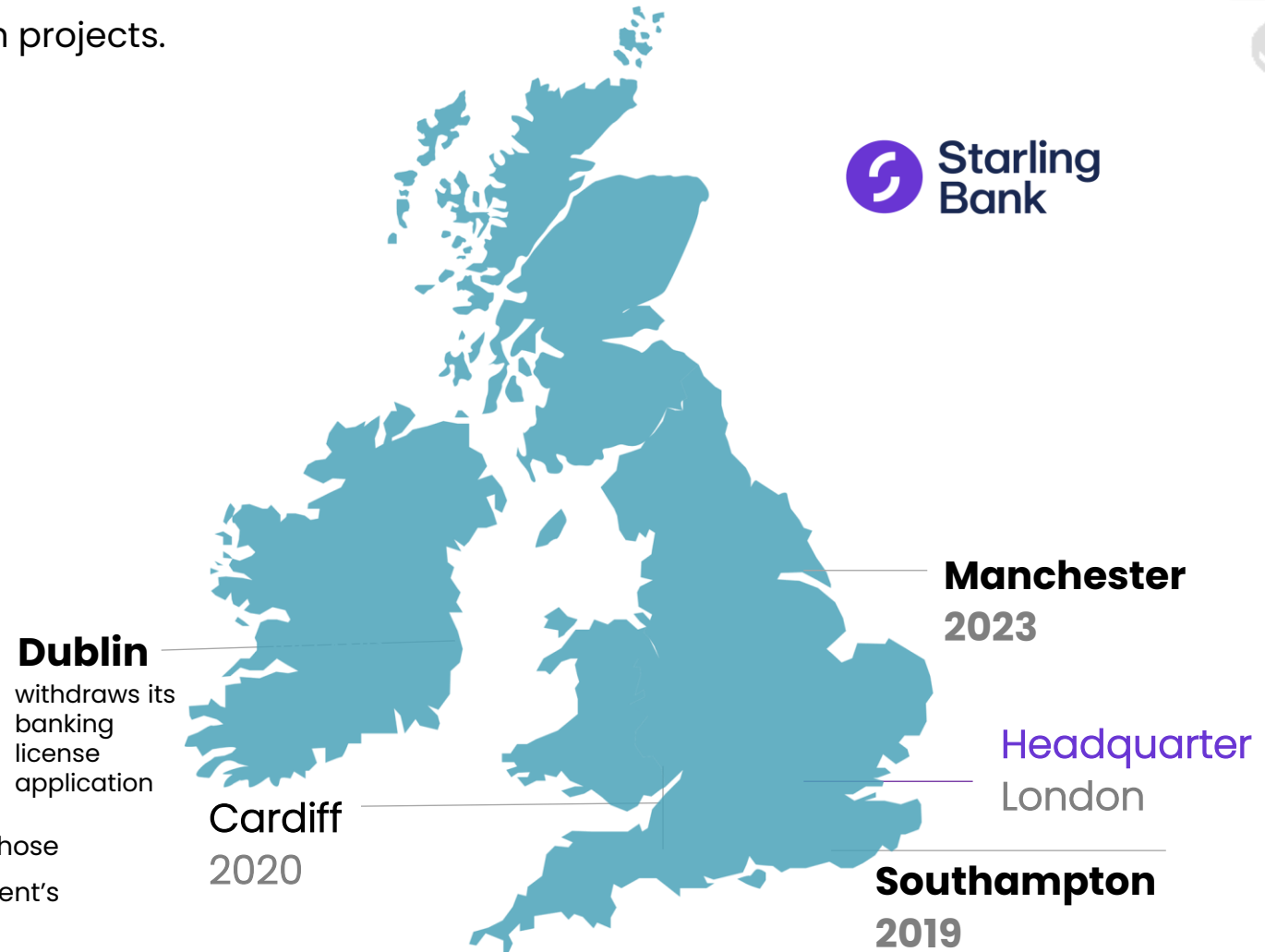
Before joining Starling in early 2017, he trained as a chartered accountant at PwC where he led engagements across corporate finance working on the turnaround, restructuring, and sale of European banks as well as on a range of large loan portfolios and other credit-related transactions involving UK and European banks.

Manchester – new Office Location

In a strategic move on July 2022, **Starling Bank decided to withdraw its banking license application in the Republic of Ireland**, reallocating its resources towards other expansion projects.

- Starling revealed its Northern base location in March 2023 as **Manchester**.
- It chose Manchester as the home for its Northern expansion due to its **deep pool of FinTech talent, with the city boasting the largest regional FinTech ecosystem in the UK.**
- Starling **intends to create up to 1,000 new jobs** for the region to fulfill roles across the company, including in operations, engineering, data science and cybersecurity.

New Centre for Finance, Innovation, and Technology (CFIT) also chose Manchester to house a financial innovation hub that will drive the government's ambitions to make the UK a technology and science superpower.



Product Stack – Retail banking – Added Fixed term saving deposits and virtual cards.



- Personal Overdraft
- Debit Card
- Personal A/c
- Mobile App

- Retail Marketplace**
- Cash withdrawal & Deposits @ Post office
 - Instalment Credit
 - Teen A/c
 - Joint A/c
 - Intl. Payments



- Euro A/c

FY 2023, Starling added Products such as Fixed term saving deposits, and virtual cards and partnered with Setld to support end-of-life admin for bereaved individuals

- Connected Card
- Mobile cheque deposit
- Kite debit card

- Bills Manager
- Debit cards (recycled)

- Joint Virtual cards
- Virtual cards
- Fixed-rate Savings
- Sadmin**



2017

2018

2019

2020

2021

2022



Product Stack – Business banking – Business Fixed savings deposits

Starling is **working to embed integrations** more conveniently in the app so that consumers can start to use these services more intuitively. Has recently **introduced Business Fixed savings deposits**.

SME Marketplace
Business Overdraft
Debit Card
Sole Trader A/c
Mobile App

Euro A/c
Web App
Limited Co. A/c

Business Loans
Multicurrency A/c
Business Toolkit



Bills Manager

Fixed Rate savings



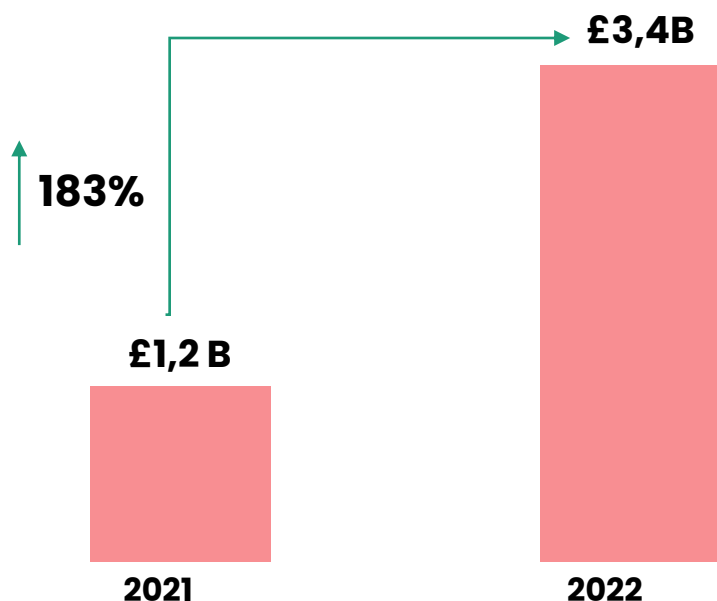
B2B Services

Fleet Acquisition – Transformation and Expansion

By acquiring Fleet Mortgage in 2021, **Starling successfully revitalized its offering**, gaining a distinct competitive edge. It allowed the Bank to expand its lending portfolio, effectively diversifying its services and enhancing its market position.



Mortgage Lending Value – Fleet Mortgages



70% represents mortgages of Starling's total lending

- **Fleet Mortgages is a buy-to-let and specialist lender.**
- It lends exclusively **through the intermediary sector** offering buy-to-let mortgages for residential landlords as well as limited companies and those seeking finance for Houses in Multiple Occupation (HMOs).
- **Two additional mortgage portfolios were acquired** in 2022.
 - £503m portfolio of residential mortgage loans
 - £482m portfolio of buy-to-let loans
- The growth in mortgage lending was **“achieved organically”** via Fleet originations and through the acquisition of the two mortgage books.
- **Starling grew its specialist buy-to-let lending** through Fleet Mortgages, reporting £1.5bn in lending as of 31 March 2023.

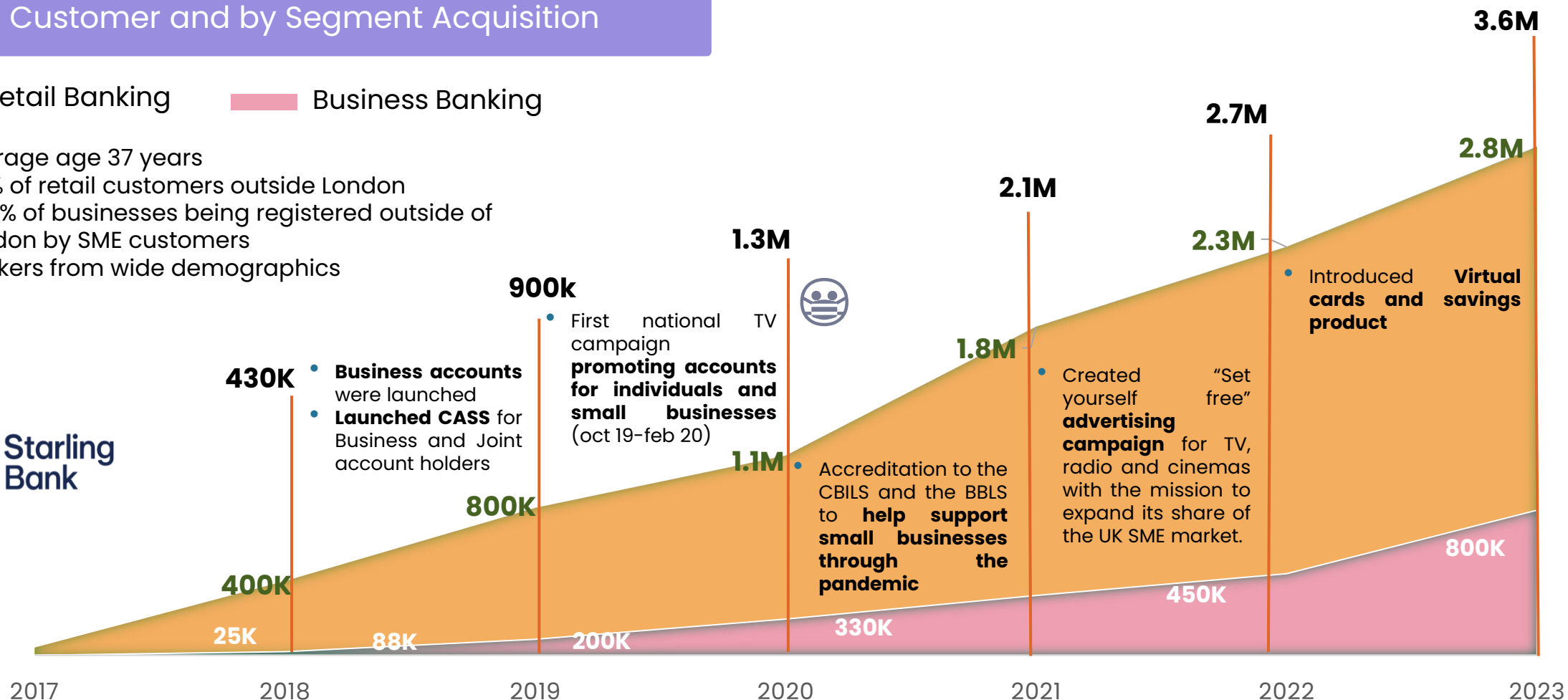
Customer Base - User-centric Growth

In the last 12 months the **customer base has grown by 28%** with a strong product pipeline expected to drive this even further. Over 2.8 million retail customers and 800K small to medium-sized businesses bank through Starling.

Total Customer and by Segment Acquisition

■ Retail Banking
 ■ Business Banking

- Average age 37 years
- 78 % of retail customers outside London
- 68.7% of businesses being registered outside of London by SME customers
- Bankers from wide demographics



Source: [Starling Bank 2023](#), [Altifi](#)

Note: A customer is defined as a customer who has completed all phases of the account opening process

Revenue Streams – Interest Income Focused

Starling business model, utilization of innovative technologies and products, strategic approaches, and commitment to supporting SMEs have contributed to **its ability to generate revenue primarily from interest income.**

Starling's Main sources of Income 2023

Interest

- Loans & Advances to Banks and customers
- Debt securities

Fees & Commissions

- Customer Card transaction
- Payments and Platform
- Marketplace
- others

Others

- Foreign Exchange
- Hedge Relationships
- Others

Interest

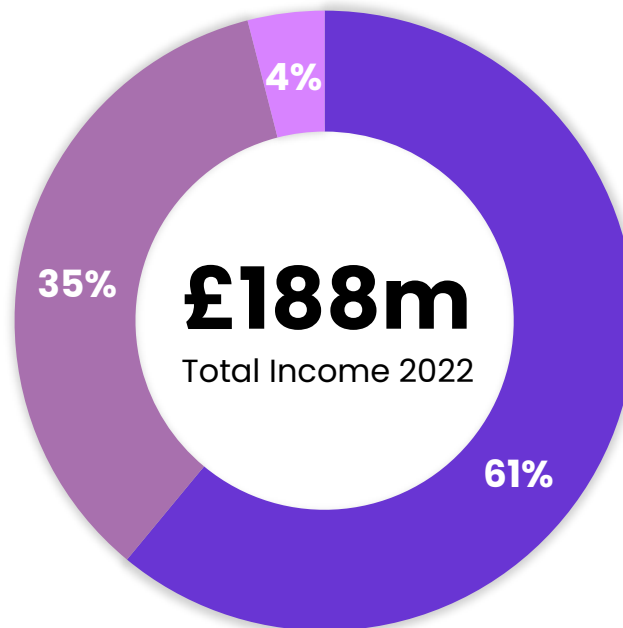
Fees & Commissions

Others

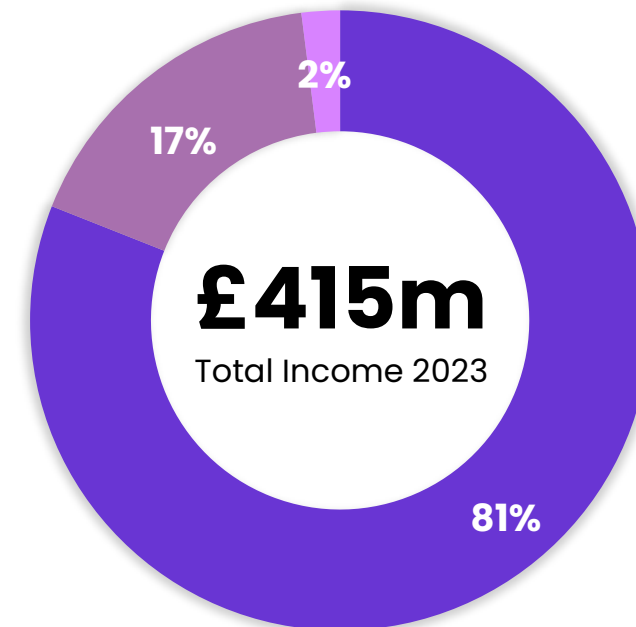
2022



2023



Profit-Oriented



Enhanced emphasis on Interest Income



Question 5

If Starling were to launch a mortgage product would that be of interest?*

Yes

2. Financial Metrics



Phenomenal Growth: Unleashing Profitability and Dominating the Lending Landscape



3.6m+

Customers . An increase of 800K compared to 2022 report.



£10.6bn

Total deposit, up from £9Bn reported in 2022



9.4%

SME market share in the UK, up from 8% in 2022



£452.8m

Total revenue. An increased of 109% from £216m in 2022



£403m

Income from interest. An increased of 218% from £126m interest income reported in 2022

KPIs – Holistic Assessment

Starling approach **covers a broad spectrum of financial indicators**, providing a thorough evaluation of financial performance and stability. Moreover, non-financial metrics showcase their commitment to comprehensive growth and customer-centric strategies.

Starling Key Performance Indicators

Profit Before Taxation (“PBT”)

Unit Economics (operating cash flow per customer, Administrative expense)

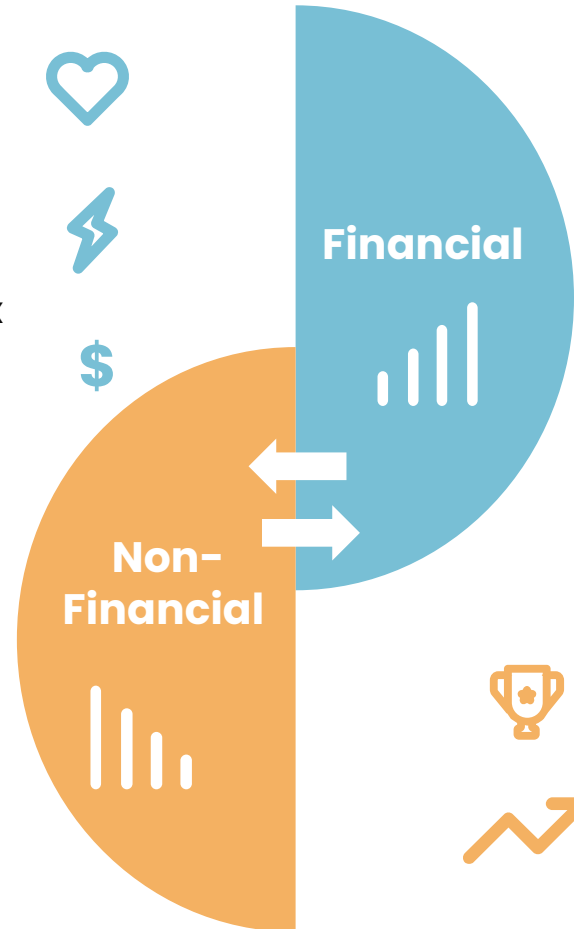
Return on Tangible Equity (“ROTE”) – Pre-Tax

CET1 Ratio

Deposits

Average Deposit Size (Retail / SME)

Volume of Spend on Card Transactions



“Our aspiration is that when people look at Starling in the future, they will see an international tech company that also owns a successful banking business”.

Anne Boden

Founder Starling Bank



Number of Accounts

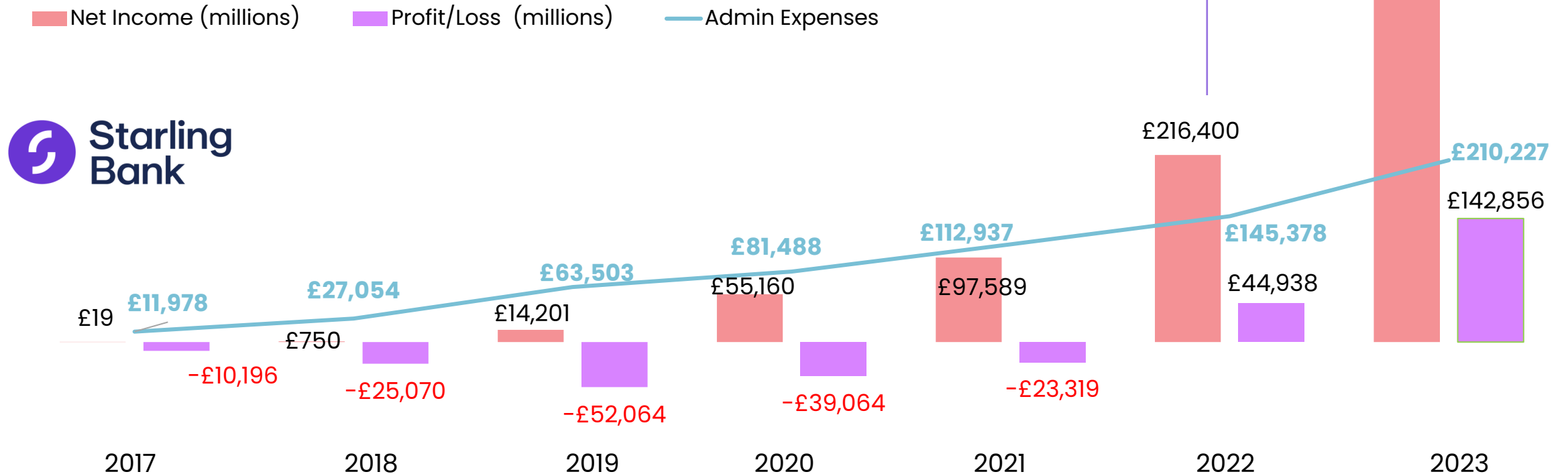
Market Share – Retail & SME

Global expansion with BaaS

Financials – Record-breaking Performance

Starling **Achieves Record Revenue of £452.8m**, Doubles Previous Year's Performance. Profits Soar 6X with £195m Before Tax and £142K After Tax, Fueled by Higher Interest Rates.

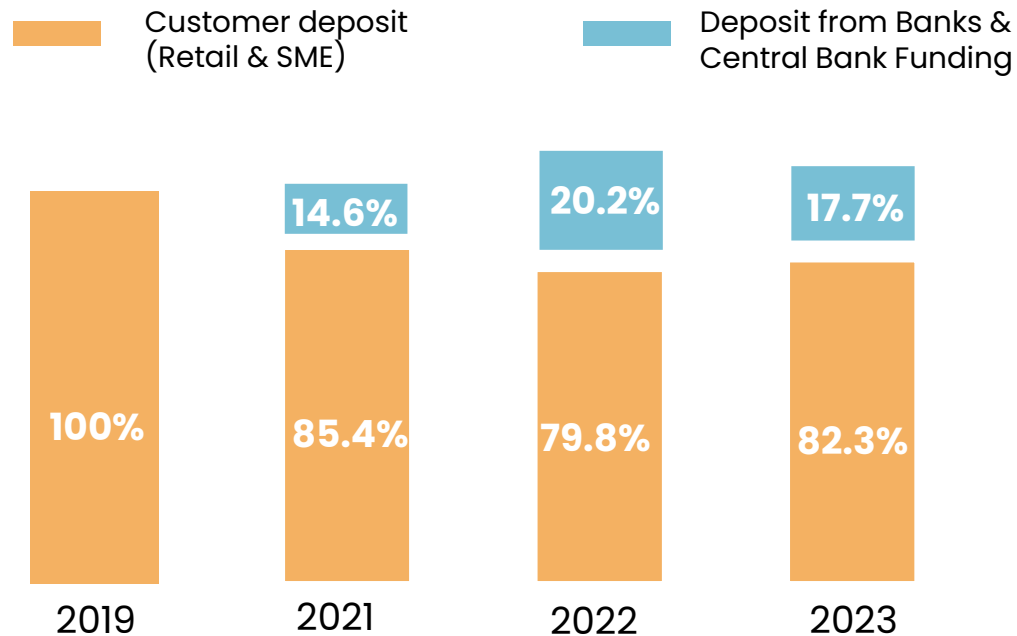
Net Income, costs & Net Loss
(millions)



Business Model – Liability-driven

Starling continues to benefit from a liability-driven business model that sources funding from both retail and SME customers in the UK. In December 2022, Starling introduced its first retail savings product, which also rolled out to SMEs in early 2023.

Starling Funding

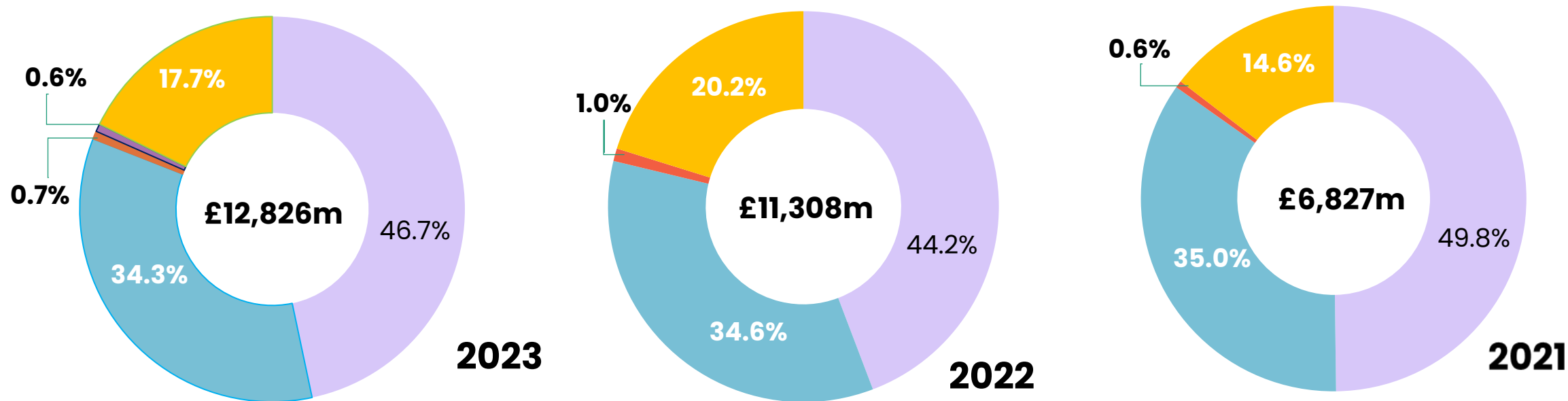
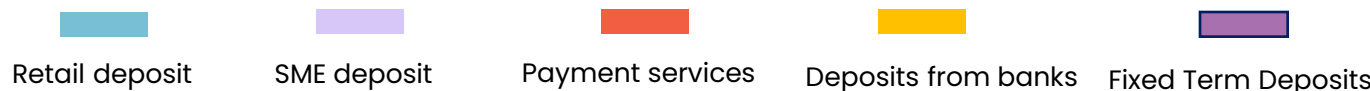


- Starling has built **a strong retail and SME deposit base**; it is widely diversified for the size of the organization.
- **Starling has continued to access central bank funding**, which coincides with the Government BBLs and CBILS programs.
- **In 2023, funding increased to 17.7%** from 20.2% in 2022
- **SME deposits and Retail deposits have grown head-to-head.**
- Funding mix is not expected to change in the short term.
- Although the deposit base has grown, both the LCR and NSFR have declined slightly year-on-year as Starling continues to grow its asset base.
- **Starling continued to pledge its portfolio of BBLs loans** as collateral for funding **under the TFSME.**
- **£707m has been utilized at 31 March 2023 (2022: £1,086m)**

Funding – Incorporates fixed-term deposits

Starling's **funding strategy for this year incorporates fixed-term deposits** as a new product, along with deposits from retail and SME customers, other banks, and grants in the UK. This diverse mix of funding sources supports the bank's lending activities in the retail and SME market.

Funding Breakdown



In order to support its lending to the SME market, Starling has continued to utilize central bank facilities provided by the BoE under the Term Funding Scheme with additional incentives for SMEs (TFSME).

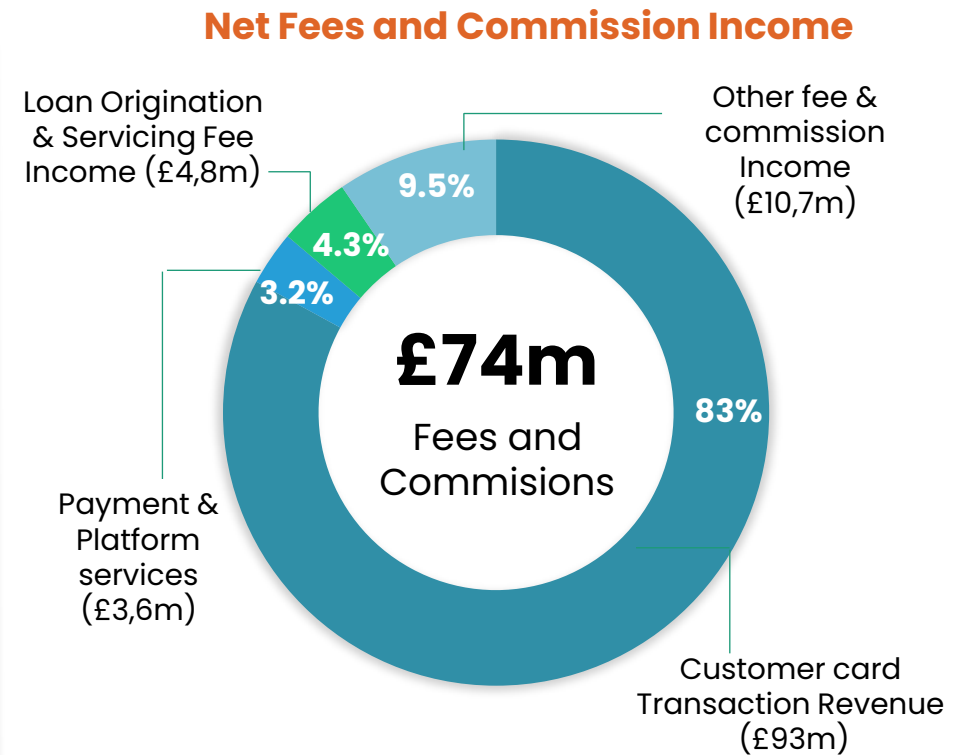
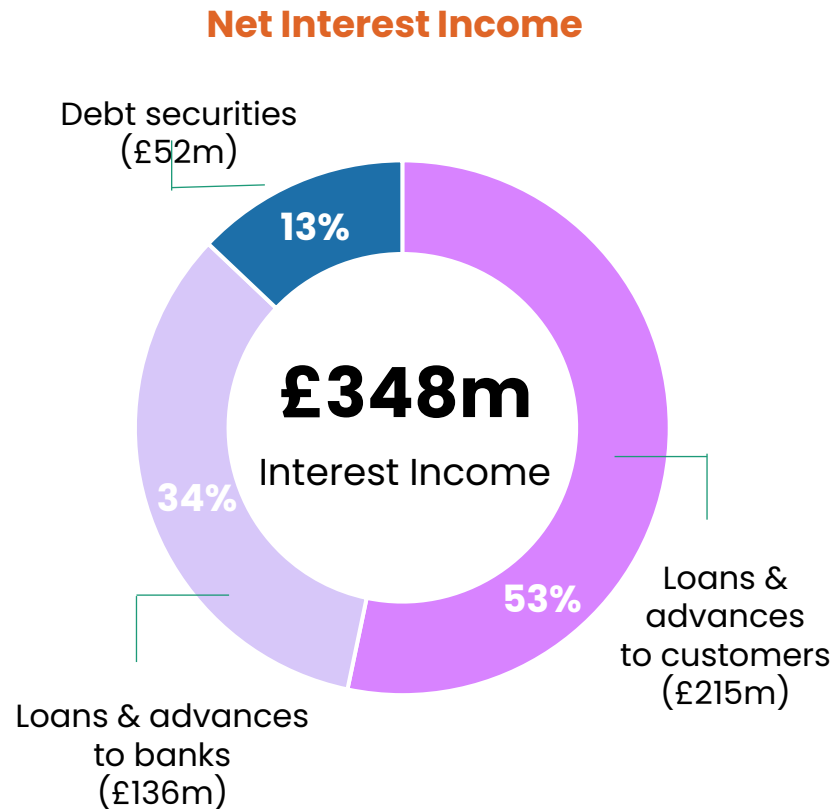
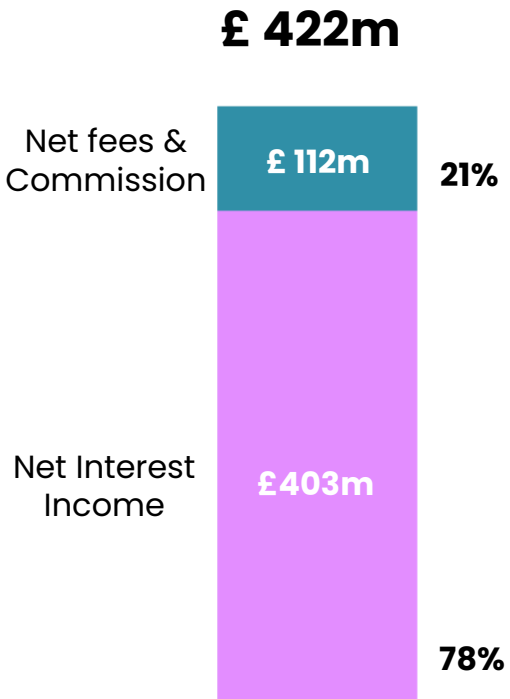
Source of Income – Interest-driven

Total Income rose by 120.6% (£415M), **driven by a significant increase in Net Interest Income of 186.6% (£348M)**, primarily from expanded lending and customer deposits.. Net Fees and Commissions grew by 28.9% due to higher customer activity. Debit cards and client transaction charges account for about 83% of net fee and commission income.



Total Net Income
(Year ended March 2023)

Income breakdown by Source
(Year ended March 2023)



Transactions – Customer Engagement is driving growth

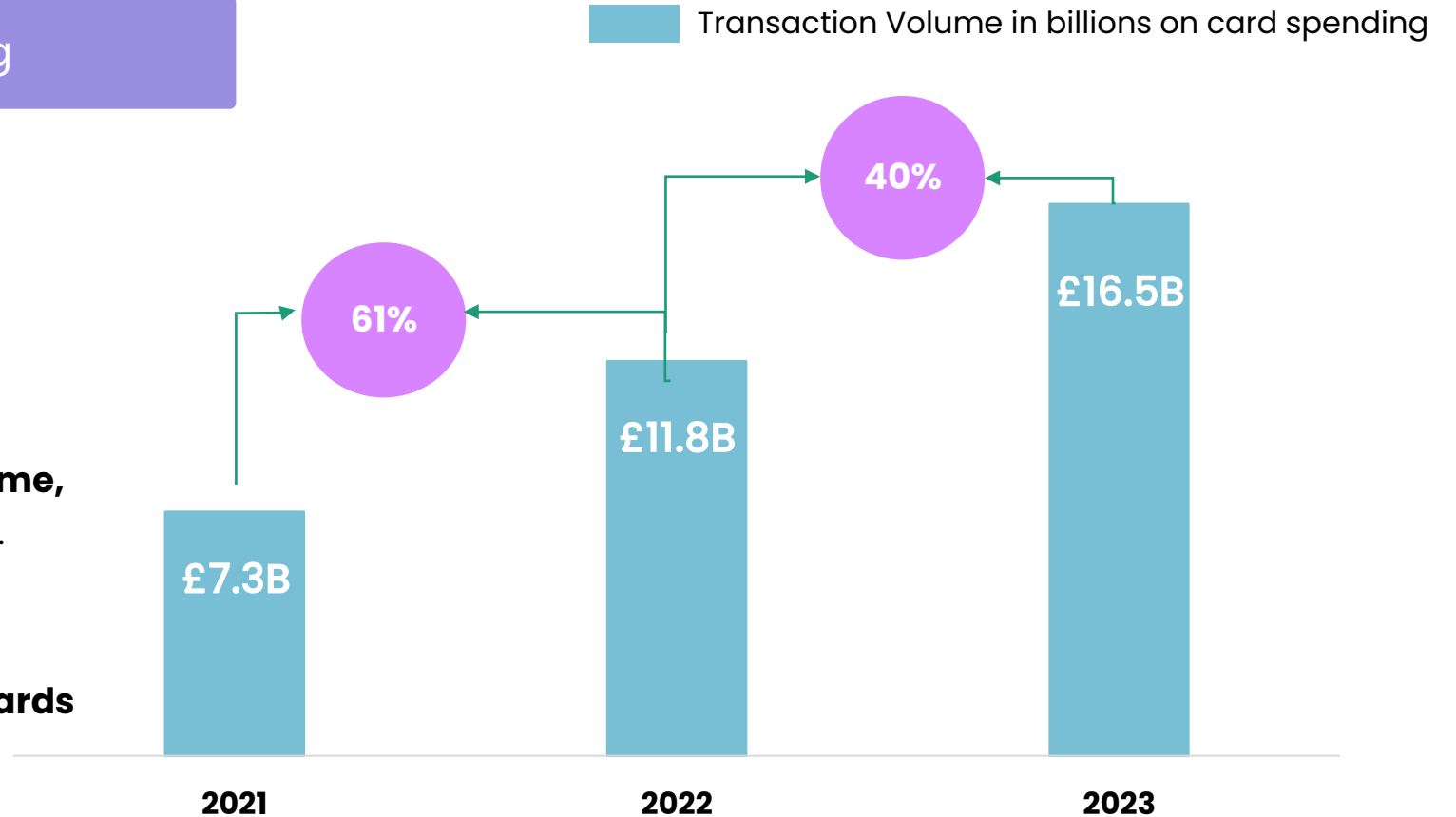
The value of **Starling's proposition has created a strong sense of engagement among customers**. As the customer base continues to grow, 2.4m of 3.2m accounts have been considered active increasing the transaction volume on card spending further by 40% compared with 2022 reaching £16.5 bn.

Transactions Volume on Card Spending



£143.4bn Total Transactions Volume,
an increased by 38.5% compared to FY2022.

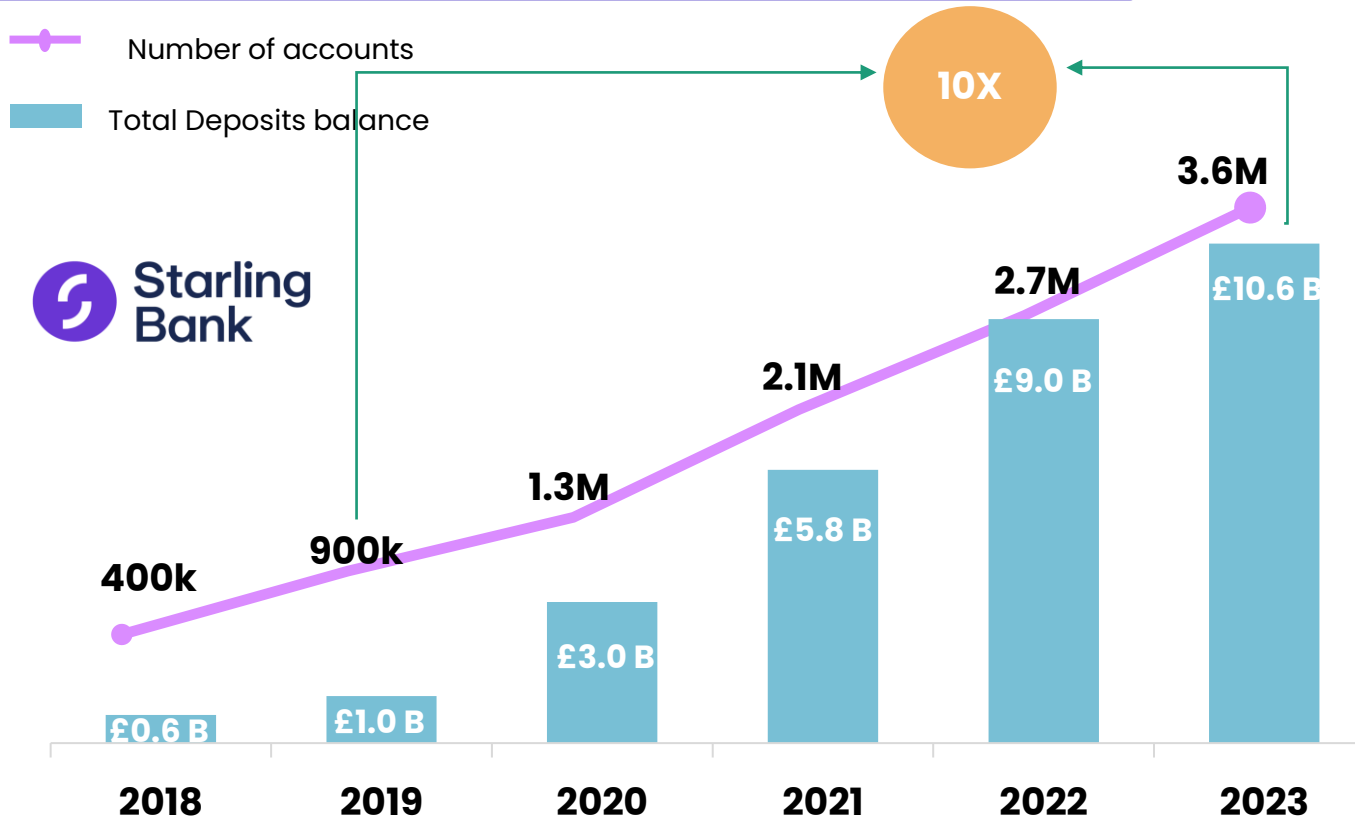
£16.5bn Transactions through cards



Deposits – Customer trust-driven growth

Since its inception, Starling has gained customers' trust who in turn are trusting their cash to Starling. This is evident as its **balance sheet increased by 17%** from 2021 to 2023, driven by customer deposits accumulated with proactive marketing efforts and lending activities.

Evolution of Customer Deposits (£ billions)



£3000 Average deposits balance by account

- **Starling achieved unrivaled deposit growth holding £10.6 billion in deposits at the end of March 2023.**
- On average, in 2023 **customers are holding about £3000 in their accounts**, compared with £2,139 last year.
- These deposits are used for lending SMEs, mortgages, and deposits at central banks incurring interest income.
- Starling **continues to benefit from a liability-driven business model** that sources funding from both Retail and SME customers in the UK

Loan Book – Leveraged by Covid-19.

Starling Bank **strategically leveraged the COVID-19 environment** to significantly expand its loan book, which skyrocketed from under £100m to over £1B during the pandemic. By capitalizing on government-backed schemes, Starling successfully experienced substantial growth that continues to propel its profitability journey.

Deposits and Loans Book Value

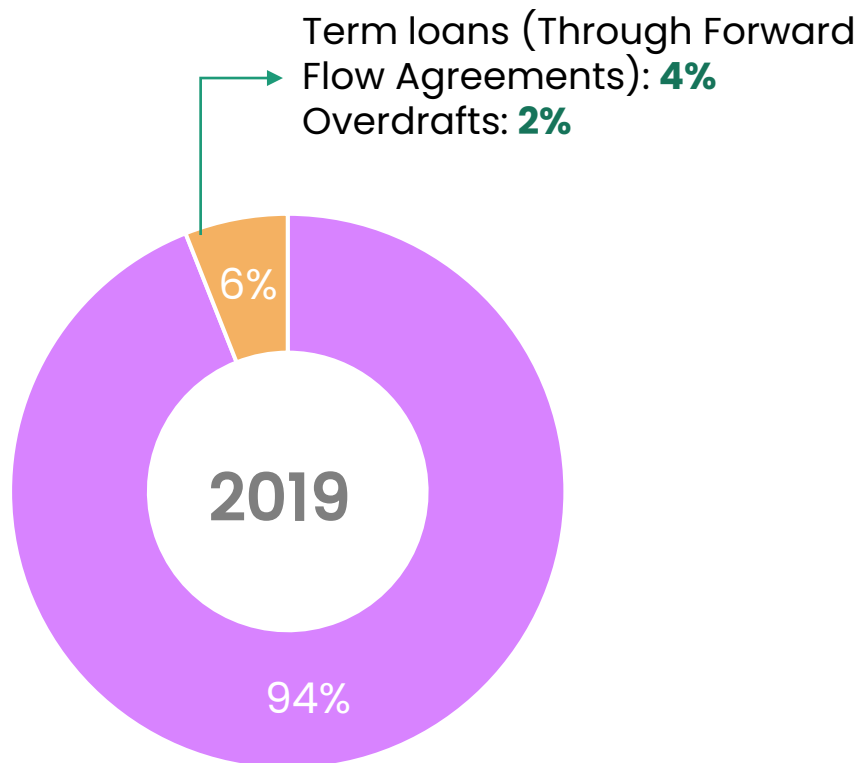
Pre-COVID

£1 billion

Deposit Base.

£54 million

Loans & Advances.



Funds at Central banks & in debt securities

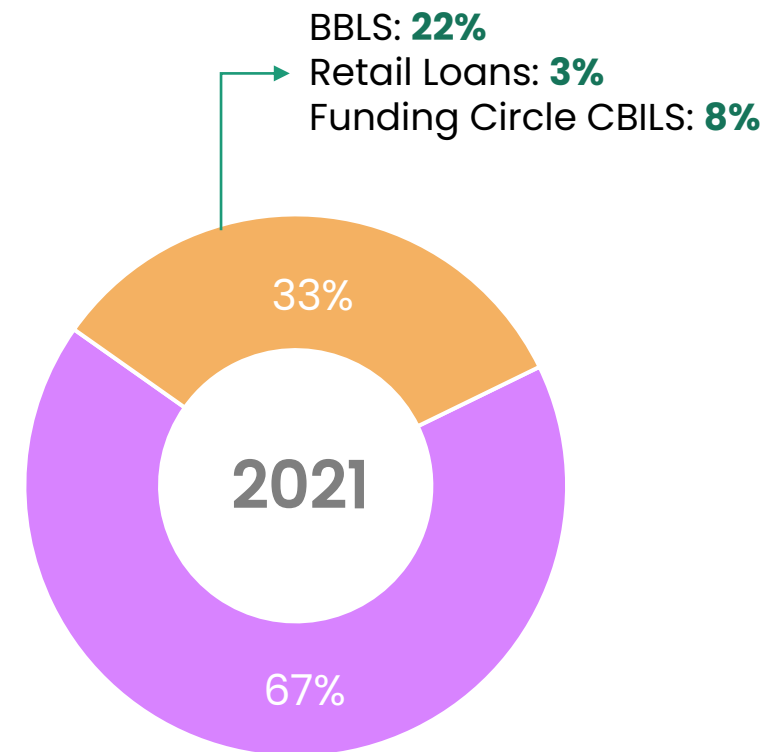
During COVID

£3 billion

Deposit Base.

£1 billion

Loans & Advances.



Funds at Central banks & in debt securities

Note: 2019-21 annual report Covers a period of 16 months, from 30 November 2019 to 31 March 2021.

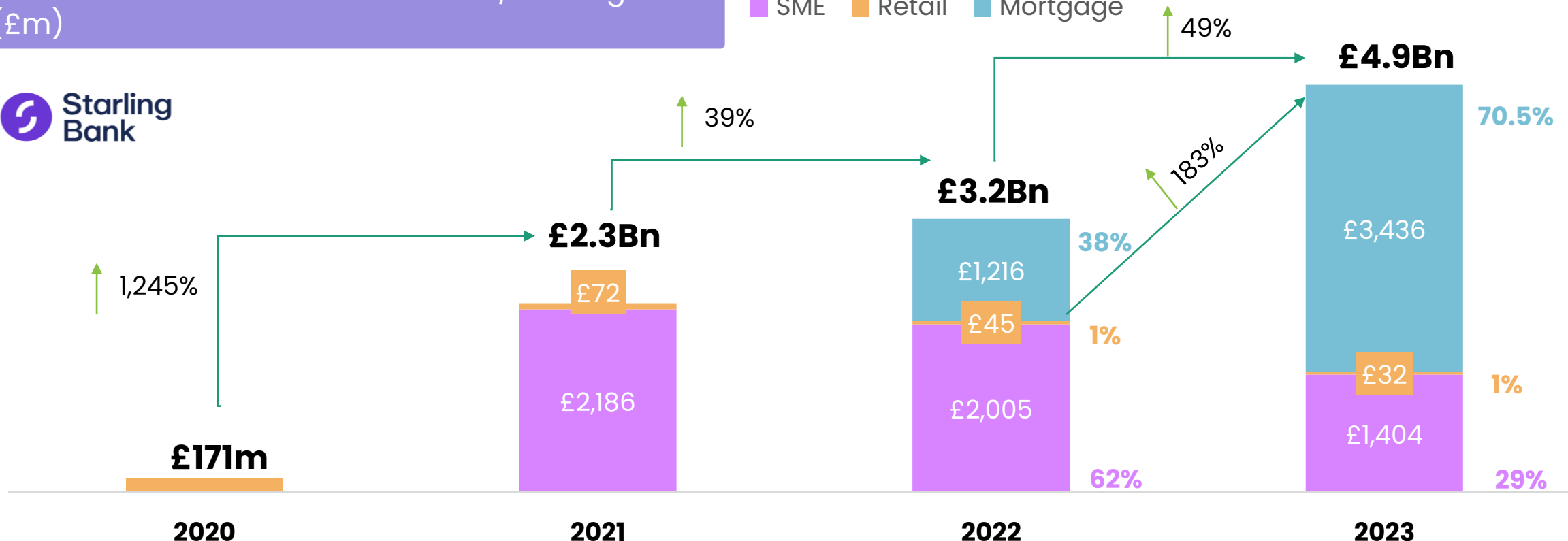
Lending surges – Mortgages catalyst

Starling Bank loan book has reached almost £5B in Financial Year 2023 through government-backed schemes during COVID-19 and **pushed from 2022 by the Inclusion of mortgages** into its lending activity. Mortgages represent 70.5% of total lending compared to 36.7% in 2022.

Loans and Advances to Customers/Lending (£m)



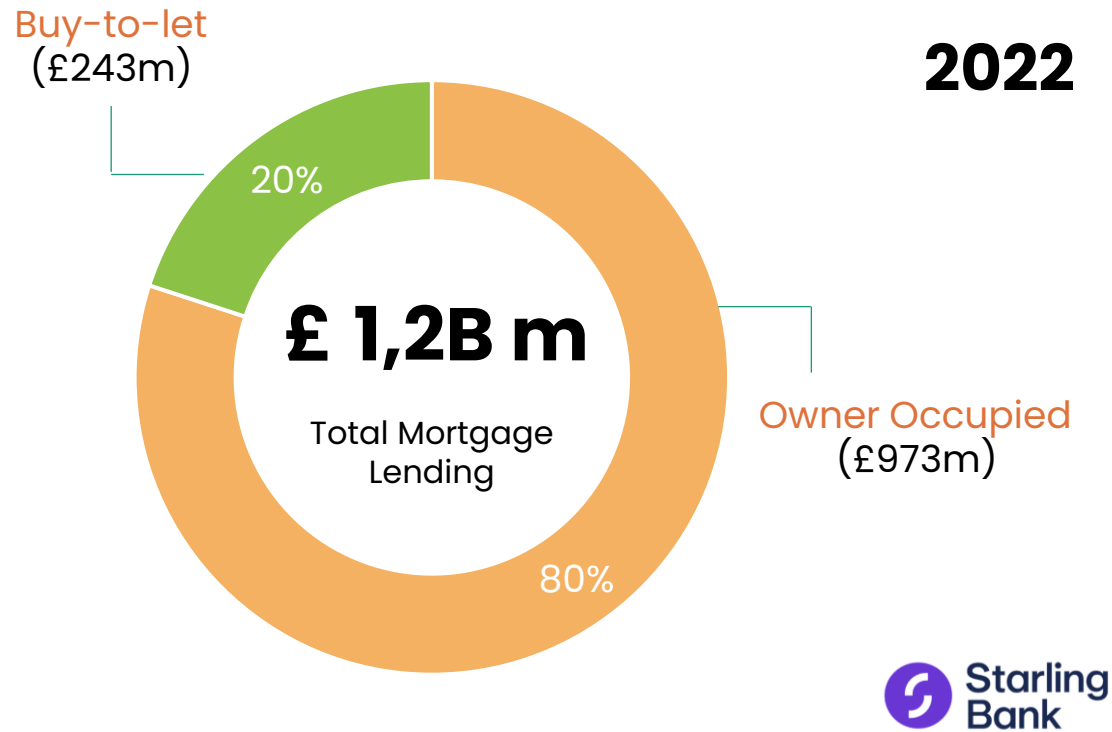
■ SME ■ Retail ■ Mortgage



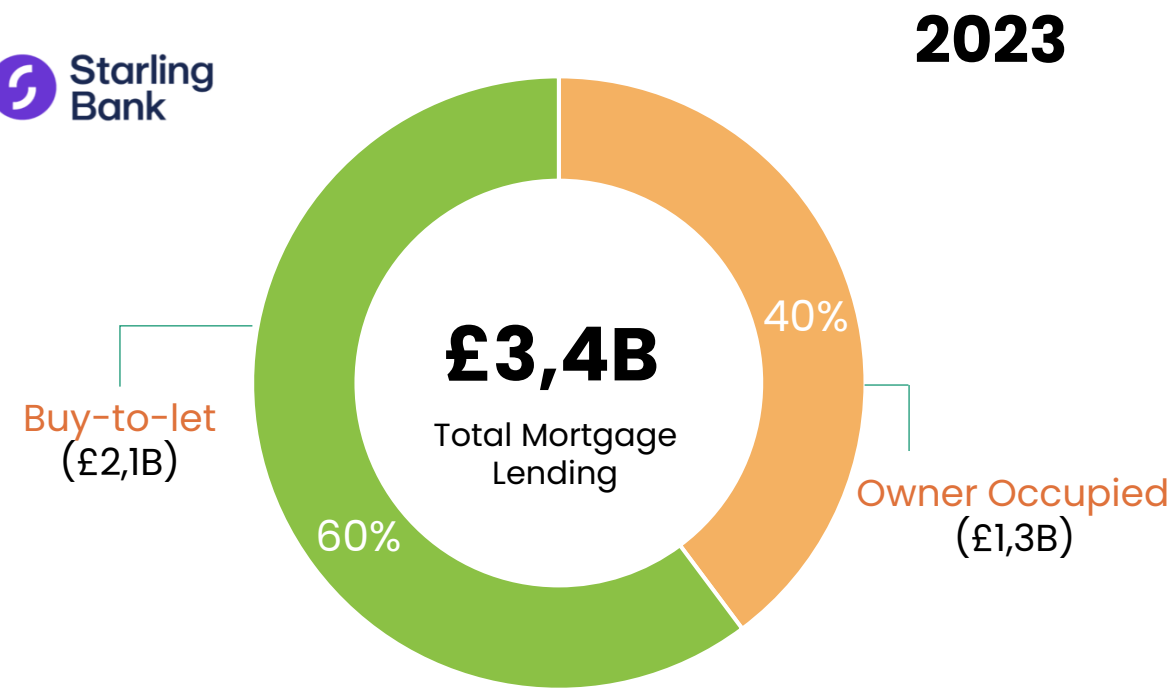
Buy-to-let – Mortgage dominance

Starling purchased two portfolios of mortgages containing a mix of owner-occupied and buy-to-let assets and continued to originate buy-to-let mortgages through its Fleet subsidiary.

Lending Breakdown – Mortgages



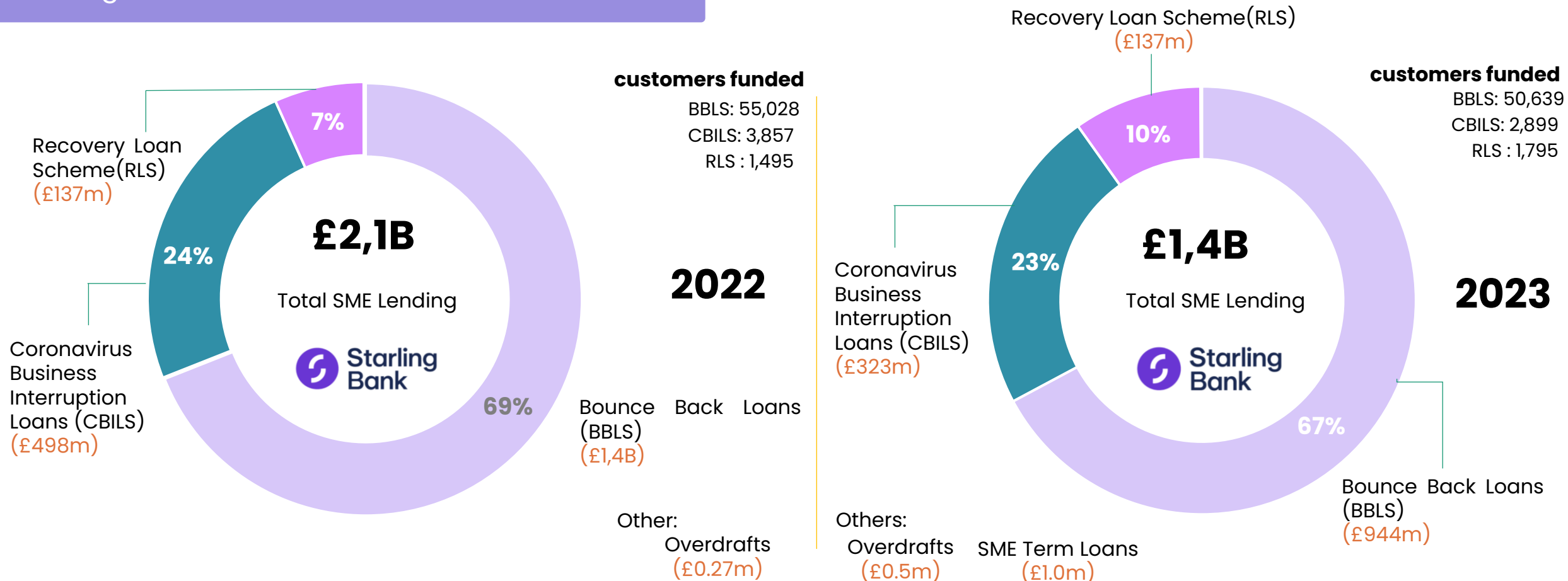
Owner Occupied Buy-to-let



SME Lending – Decreased focus

Starling's SME lending decreased by 28.8% to £1,404m in FY2023. **Starling's SME portfolio predominantly comprises UK Government-backed term loans** and a small number of overdrafts under the BBLs, CBILS and RLS programmes.

Lending Breakdown – SME

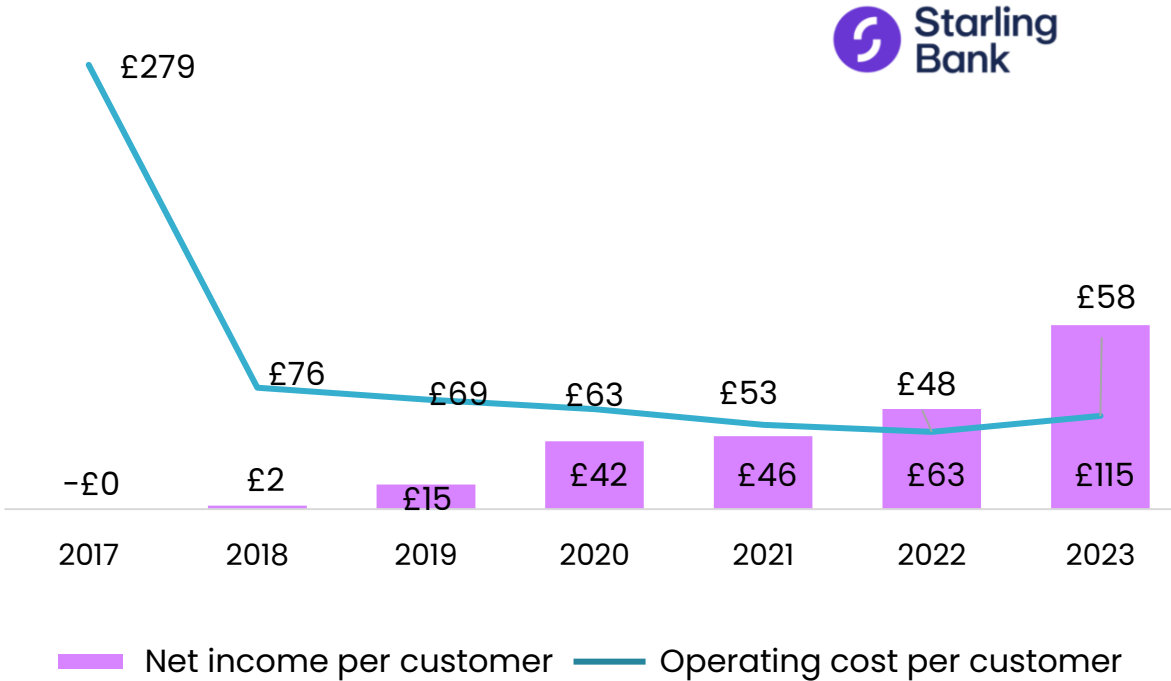


Enhanced unit economics – Notable ARPAC

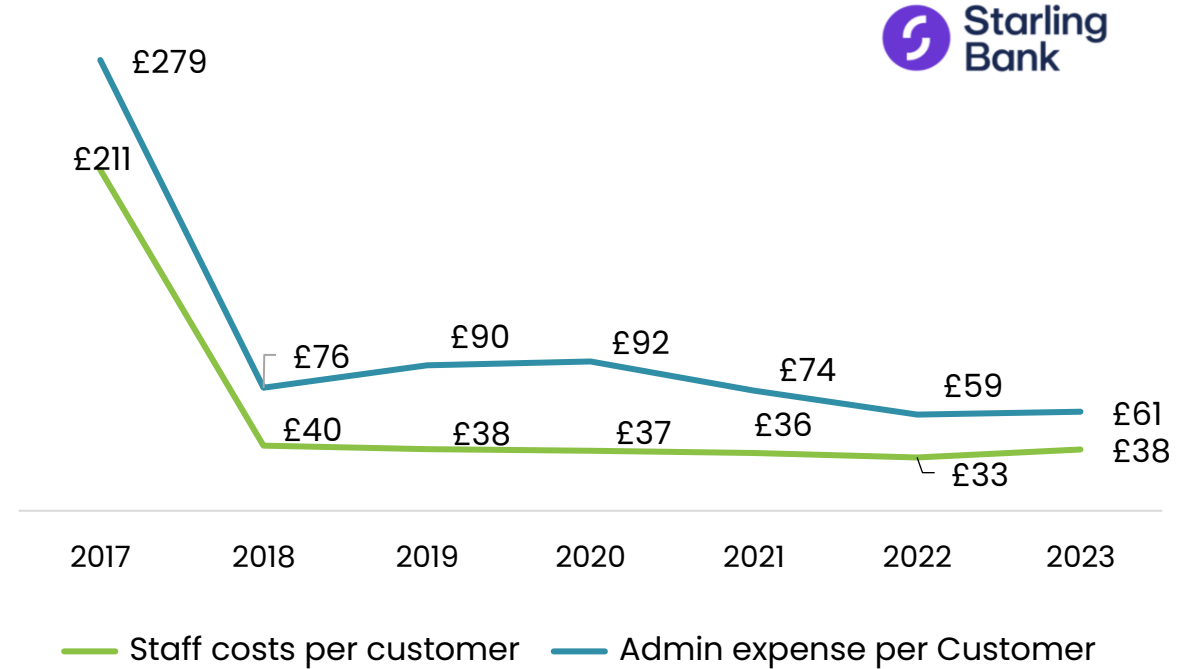
Continual unit economics enhancement **through cost control and increased income per customer** has propelled Starling's success. In 2023, the company achieved an outstanding ARPAC of £202.86, indicating a positive trend of rising administrative expenses and staff costs aligning with a growing margin, leading to another profitable year.

Starling's Unit Economics (£)

Contribution Margin trends



Administrative Expense trends



Source: Starling Bank Annual Reports – [2017-18](#), [2018-19](#) & [2019-21](#) & – [2022](#), [2023](#)
 2019-21 annual report Covers a period of 16 months, from 30 November 2019 to 31 March 2021, 2022 details have been restated and taken here for analysis.
 Revenue details for all financial year was not available during the time of research.
 Analysis is carried for total number of customers.



3. Competitors

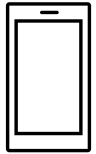


Phenomenal Growth: Unleashing Profitability and Dominating the Lending Landscape

Challenger Bank – Holding full Banking License

The pandemic proved to be Starling's finest moment. It is one of a breed of new banks that aims to challenge the UK high street banking giants with technology. The banking license, allows Starling to offer a wider set of products and increasingly profitable alternatives.

Challenger Banks (with full banking license)



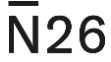
FinTech Banks

Start-ups that have acquired a full banking license.



Backed by Corporates

Financial or non-financial corporates brands that have launched a digital brand



Neo-banks (without full banking licence)



Partnership

Firms that partner with a bank license holder, to provide banking products and services.



Independent

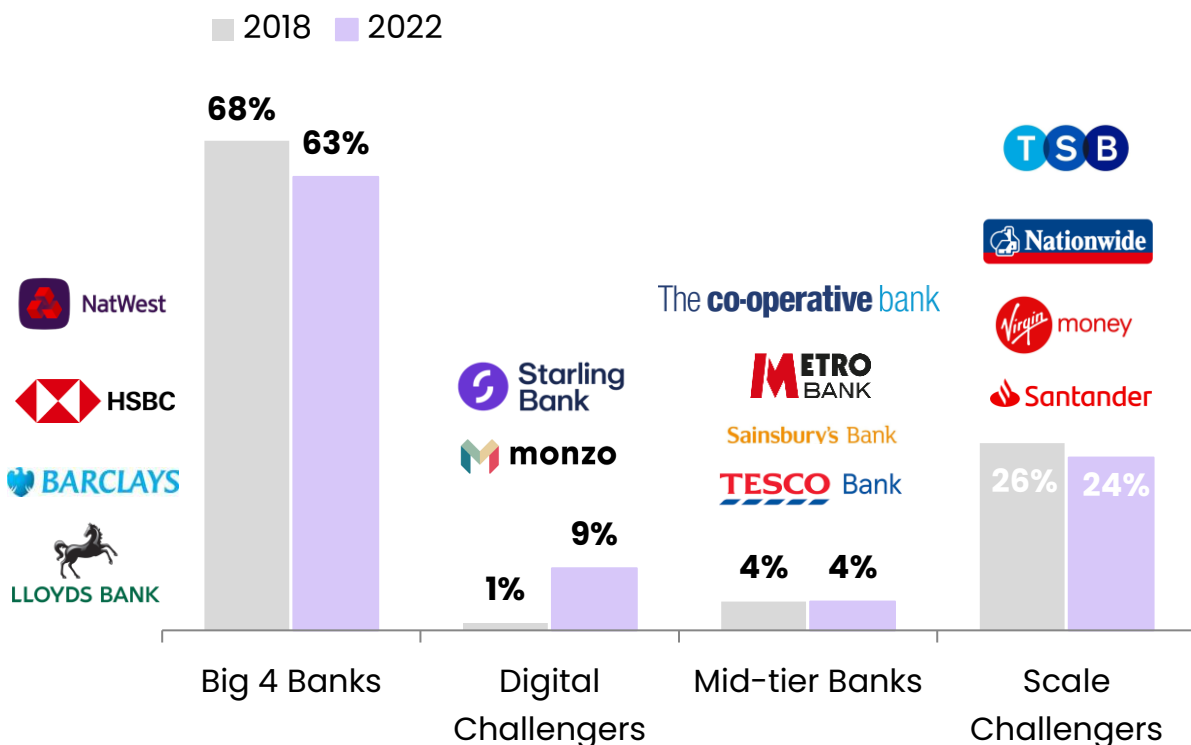
Firms that have acquired other than a full banking license and provides bank-like" services.



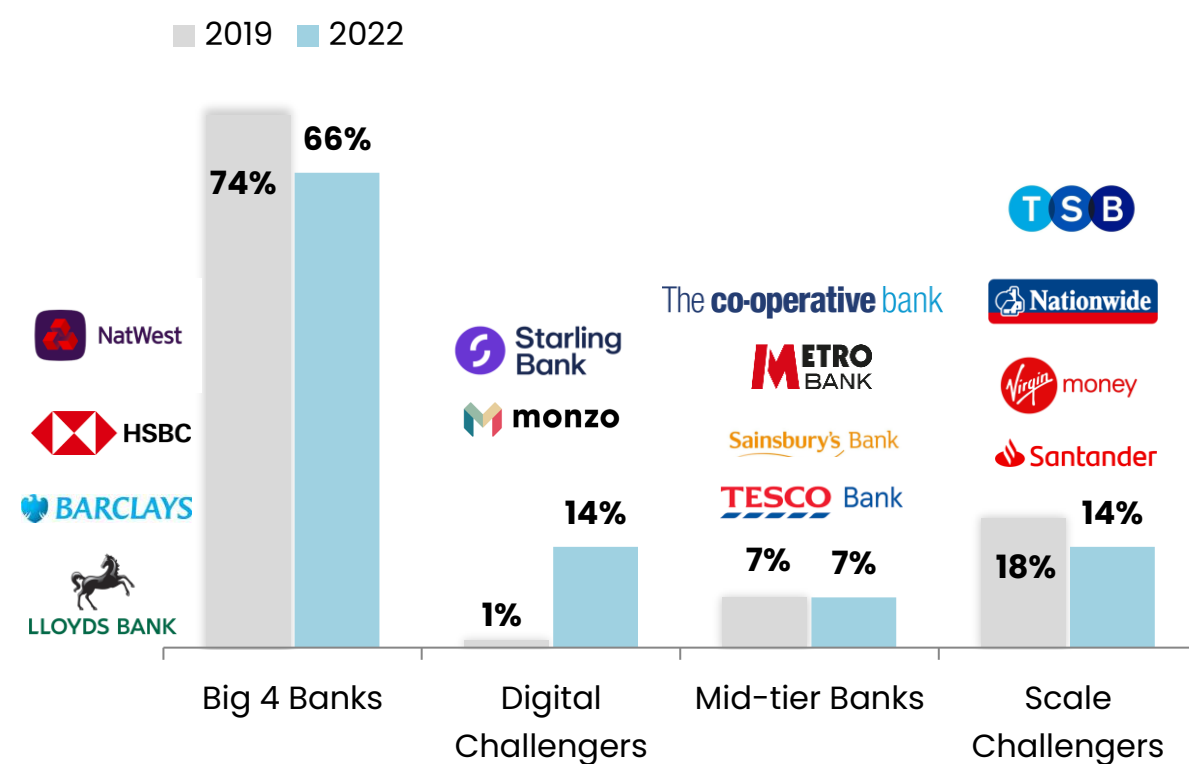
Digital disruption – Propel Market Share Gain

Market shift favors Starling's growth as consumer behavior and **digitalization diminish the significance of traditional branch networks**, enabling the rise of innovative challengers like Monzo and Starling to capture market share from established banks in the UK.

Share of personal current accounts in the UK by type of player (2022)



Market share of business accounts in the UK by type of player (2022)

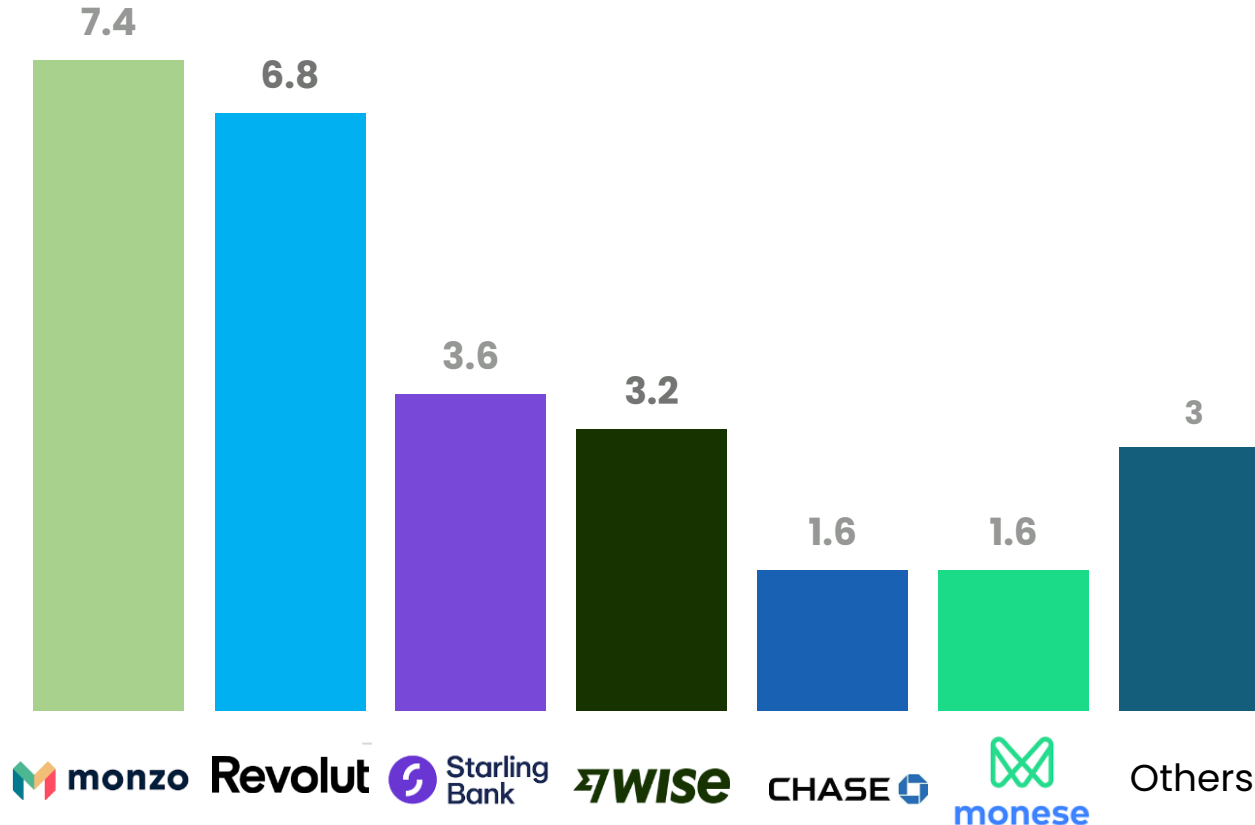


A leading bank – In a competitive environment

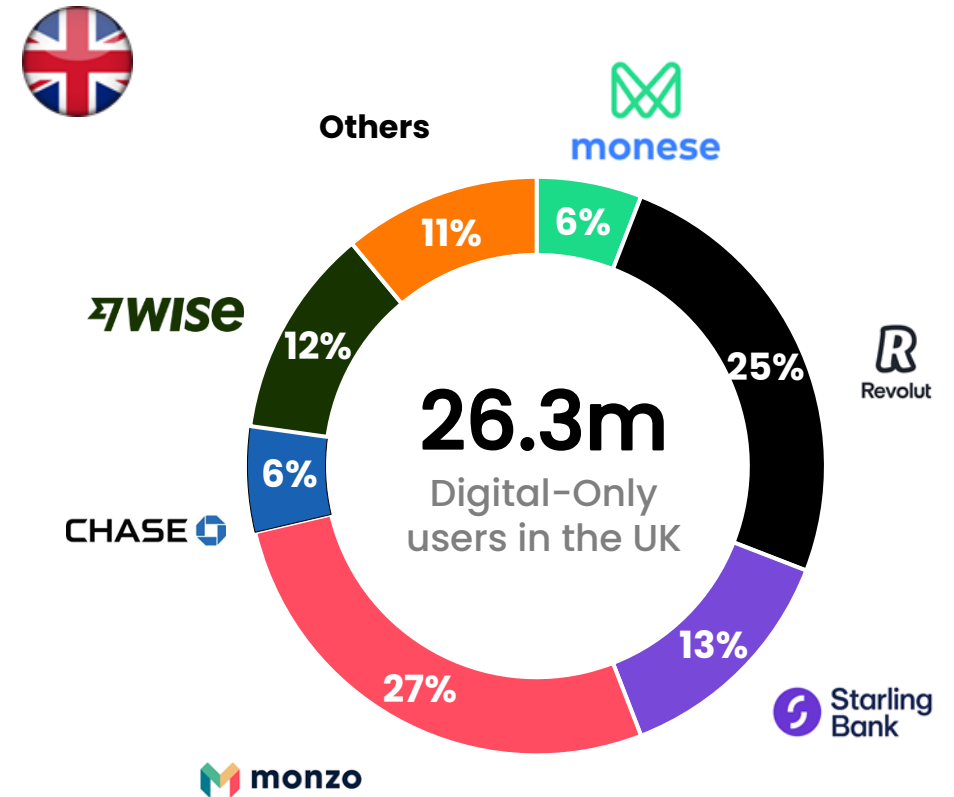
The percentage of the UK population with digital-only bank accounts has surged to 37%, a substantial rise from the 9% reported in 2019. Starling, positioned third, stands out as a leading digital bank in the UK.

United Kingdom Retail Digital Banking Landscape

Number of Users by Digital Only Banks in the United Kingdom
(Million of users)



Digital-Only Banks Market Share in the United Kingdom



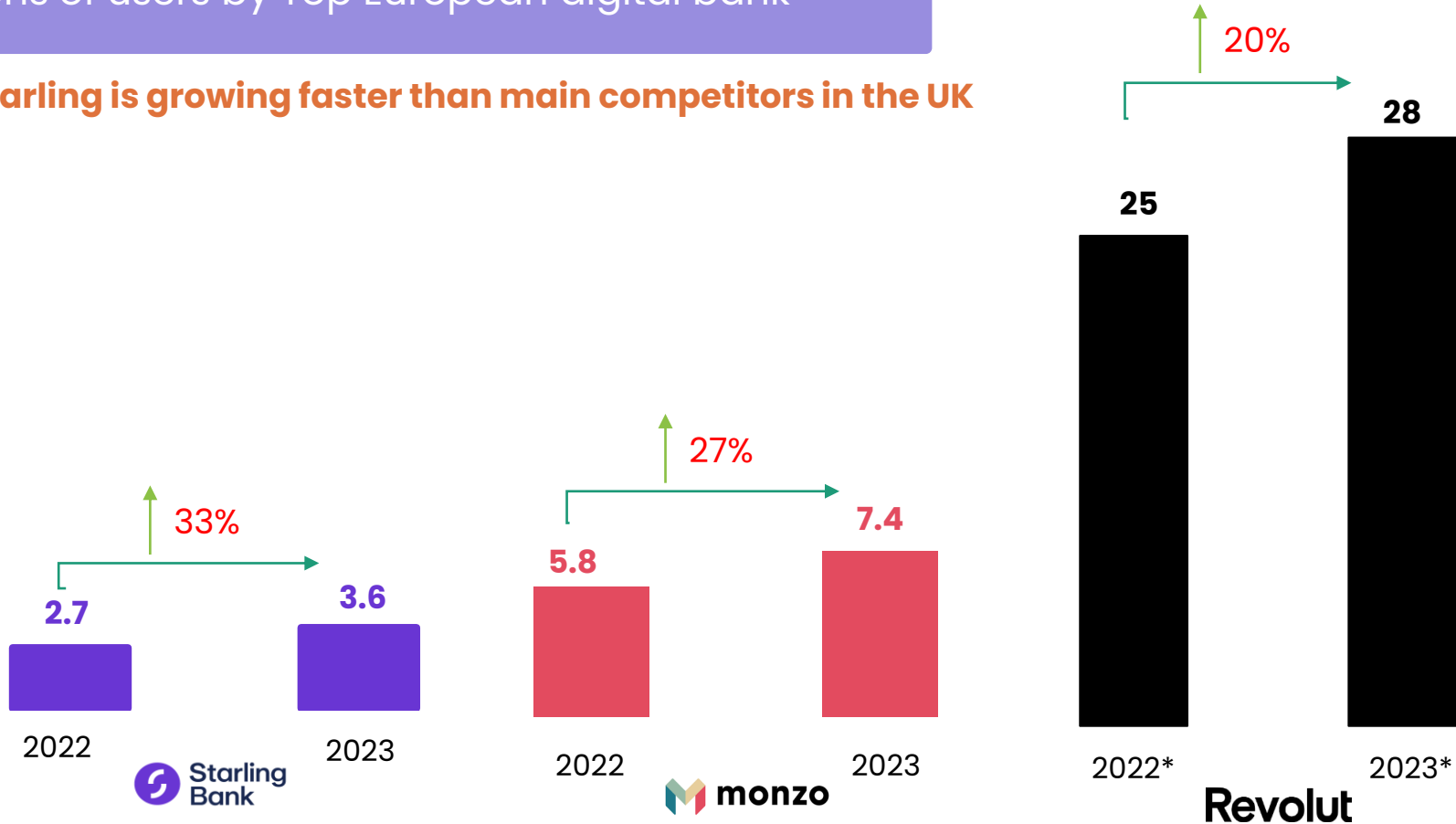
Customer Growth – Outpacing competitors

Surpassing 3.6 million customers, Starling's rapid growth is undeniable. The 2023 report highlights **an impressive influx of 0.9 million new accounts**, solidifying Starling's ever-growing presence in the market.

Millions of users by Top European digital bank

Starling is growing faster than main competitors in the UK

Million of users



3.6m
Users

Customer's Figures

- Average customers' age is **37 years**
- **78%** of customers from outside London in the UK.

Source: C-Innovation data. 2023

Note: Number of users according to financial results for year end 2023. Except for Revolut, which figures has been taken by divers' announcements from the Start-up.

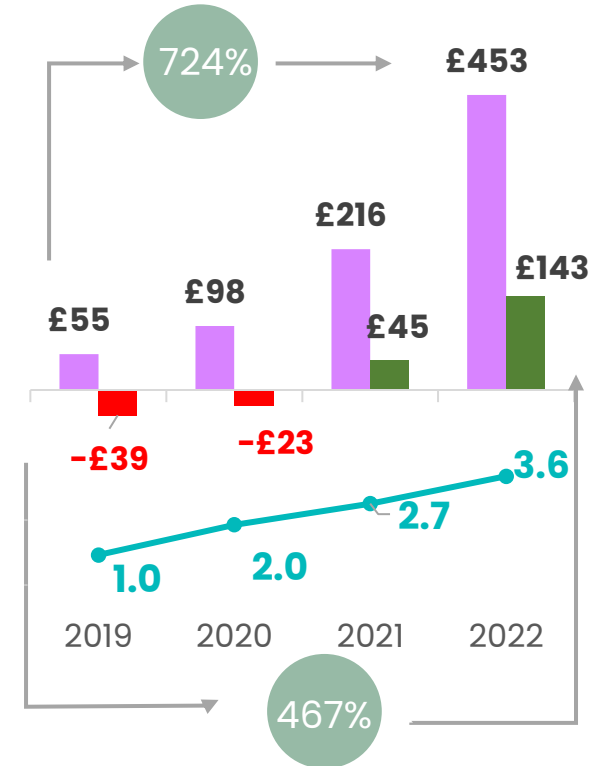
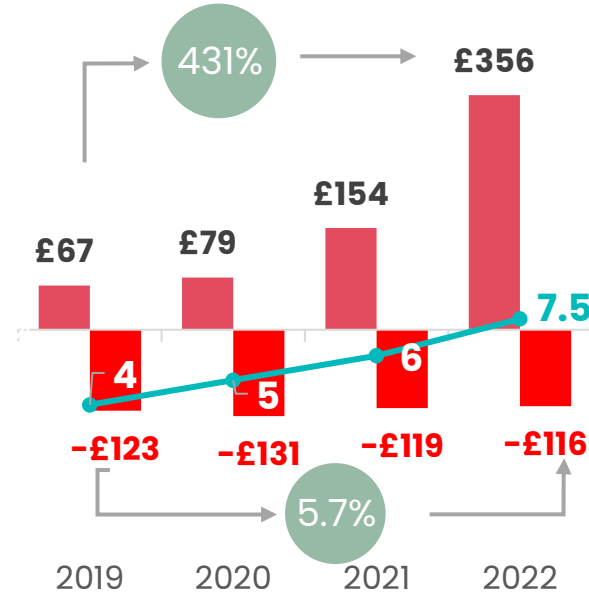
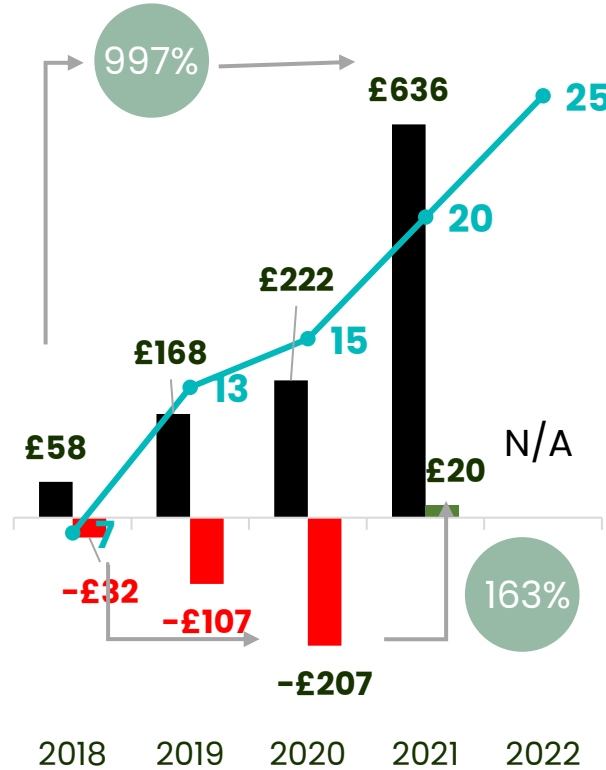
Profitability – Mortgage-driven success

\$18B **Revolut**

\$6B Market Cap **7Wise**

\$4.5Bn valuation **monzo**

\$1.9B valuation **Starling Bank**

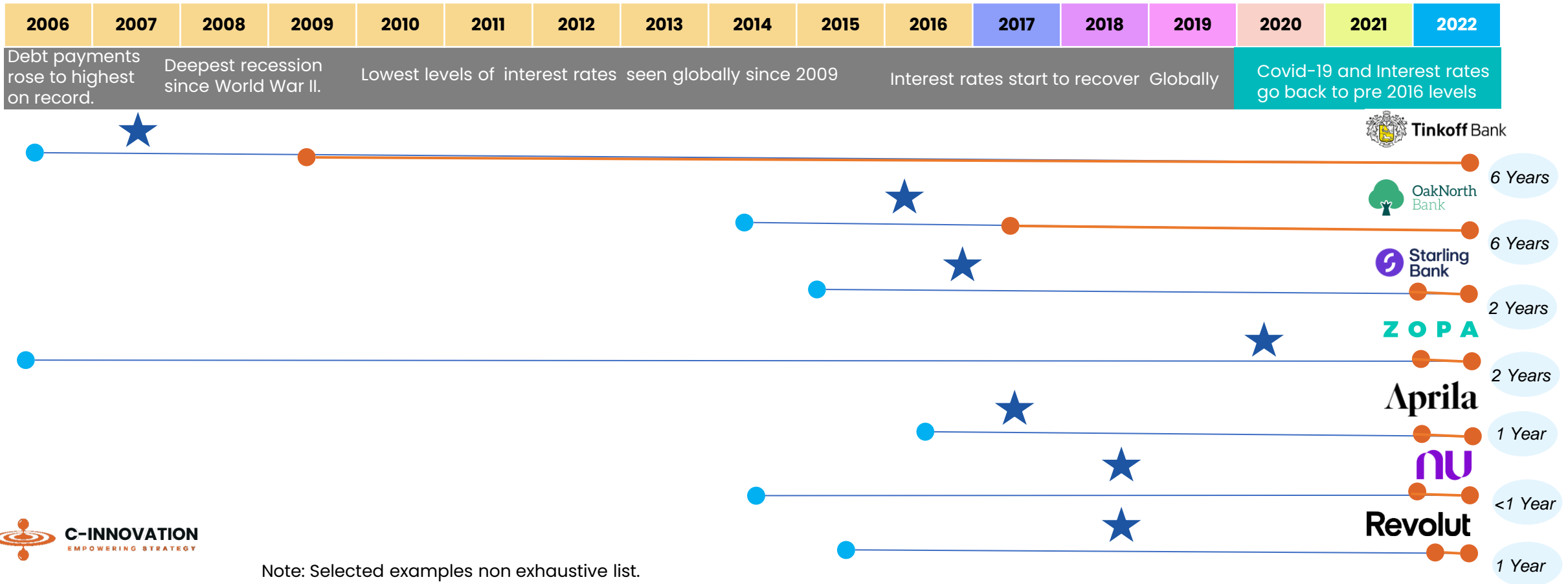


Millions of Local Currency/People : Revenues, vs Profit/Loss — Customers

Note: Figures correspond to end of Financial Year. For 2022 there is not data available for Revolut.
Source: . Player financial results.

Digital Banking Model – 2 Successful Years

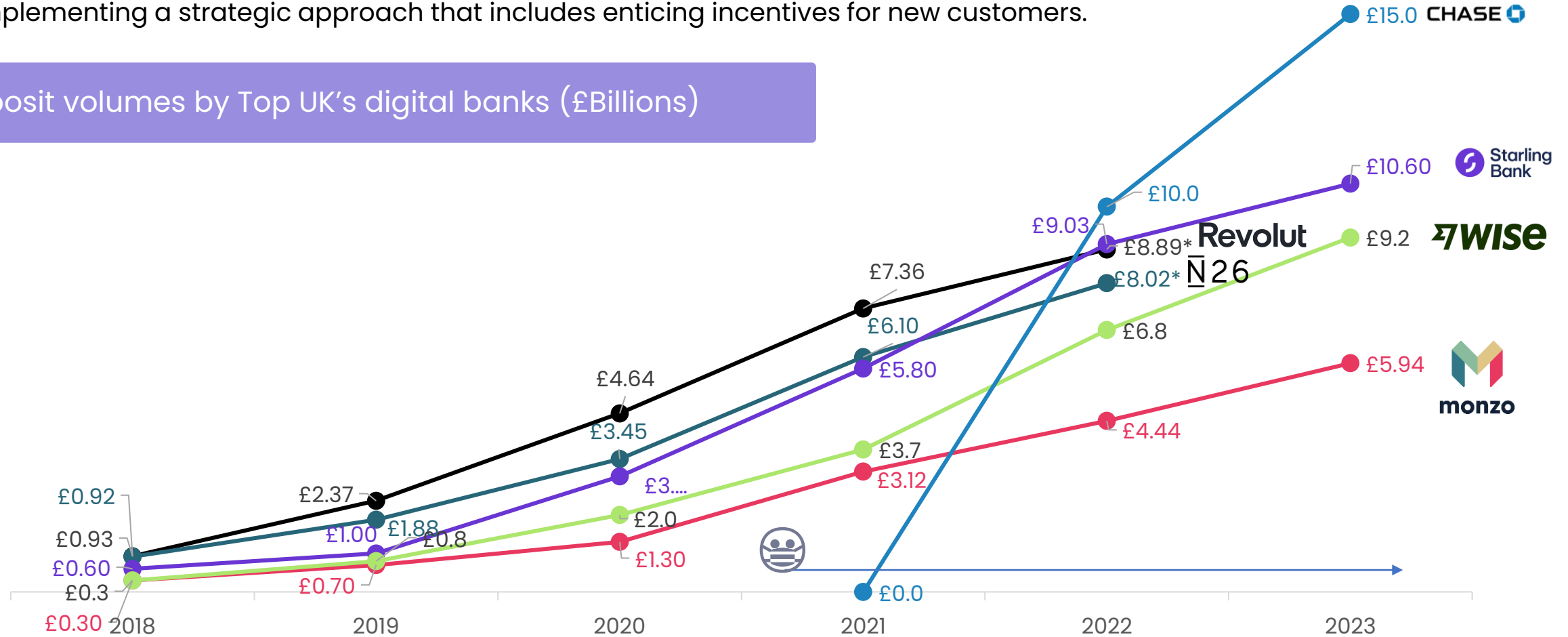
- Launch date
- ★ Indicate bank license acquisition
- Profitable period
- 5.4** Average years to become profitable
- Number of years in profit



Deposits – Chase challenges market dominance

While Starling Bank has continued its unrivaled deposit growth among independent digital-only banks, **Chase Emerges as a Strong Competitor, Challenging Starling Bank's Dominance** in the UK Market with Rapid Deposit Growth by implementing a strategic approach that includes enticing incentives for new customers.

Deposit volumes by Top UK's digital banks (£Billions)



* Estimated values for Revolut and N26 for year 2022.

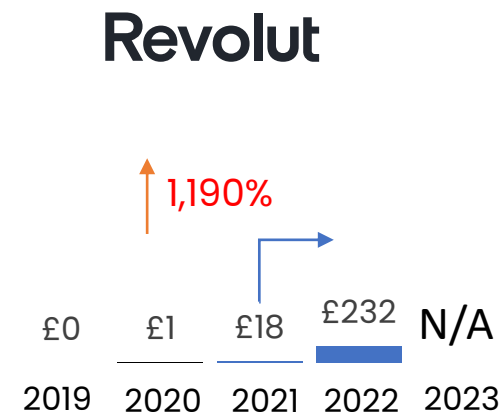
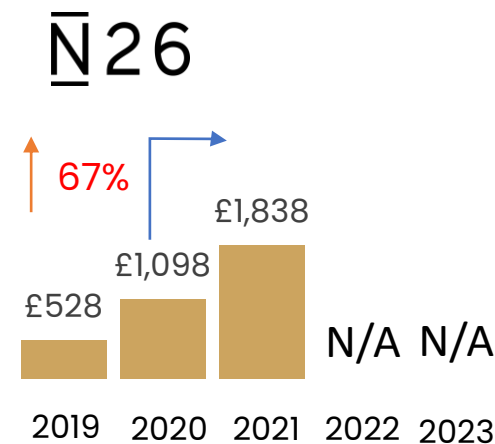
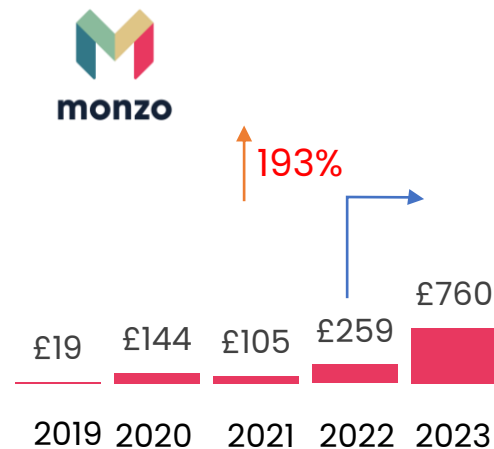
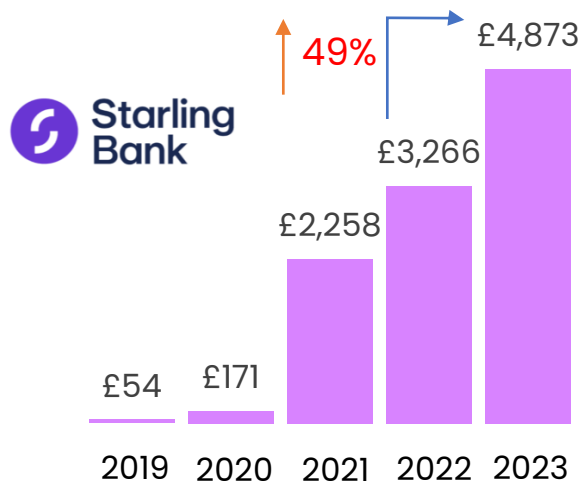
Source: Players financial reports from 2018 to 2022.

Note. Values for N26 and Revolut for year 2022 has been estimated, using average customer deposits +15% increase from previous available year (2021 and 2020) and multiplied by the effective number of customers reported by each company for years 2021 and 2022. For comparison consistency N26 values has been converted into sterling using an Exchange rate of 0.86 pounds per Euro.

Lending – Prominent among digital lenders

While Starling Bank is the biggest lender of the independent featured Neo-banks driven by new originations from Fleet Mortgages, following its successful acquisition of the business in 2021, Revolut lending business is just starting.

Loans and advances to customers by Top Digital Banks (£Millions)



- In 2022 lending grew as a **direct result of new lending under the Government-backed BBLs and CBILS schemes and Inclusion of mortgages.**
- In March 2023, lending increased driven by **new originations from Fleet Mortgages**, and supplemented by tactical portfolio purchases.

- Customers had borrowed a total of £759.7m from Monzo as at the end of FY2023, up £500.9m from £258.8m in FY2022.
- Growth driven by **more customers borrowing across all our lending products**

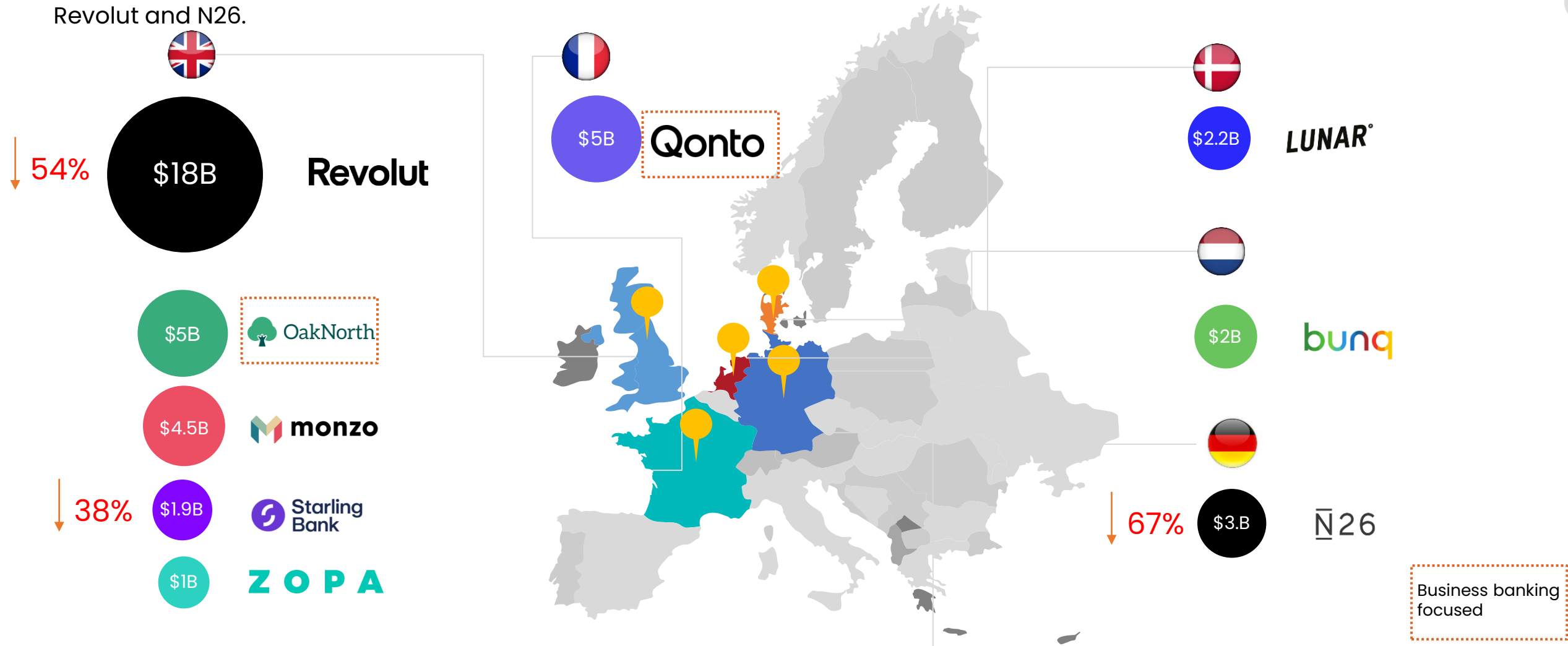
- Loans and advances to customers amounted to EUR 2,134 million in 2021 (up from £1,274m).
- **Broken down into EUR 1,296m in municipal loans, EUR 576.9m in mortgages and EUR 183m on overdraft facilities and installment loans** used by customers.

- **Revolut launched consumer lending services, in July 2020**, comprising now personal loans, credit card limits and pay later limits.
- Loans have been incorporated through banking subsidiary, Revolut Bank UAB.
- **These services have been extended on a gradual basis and loan portfolio remained small.**

Source: Players financial reports from 2018 to 2023.
Note: N/A refers to information not available at the time of research.

Valuation – corrected from the 2021 highs

The global banking sector has been turbulent, the raise of interest rates, excessive inflation and growing financial uncertainty have seen Digital Banks valuations corrected from the 2021 highs. The latest casualties includes Starling, Revolut and N26.



Note: Valuation data as of 31 May 2023
Source: Dealroom [Lunar](#)



4. Future Prospects



Starling
Bank

Phenomenal Growth: Unleashing Profitability and Dominating the Lending Landscape

“Now that we have grown from being an aspiring challenger to an established bank, it is clear the roles and priorities of a CEO and a large shareholder ultimately differ and require distinct approaches.”

*Anne Boden
Founder of Starling Bank*



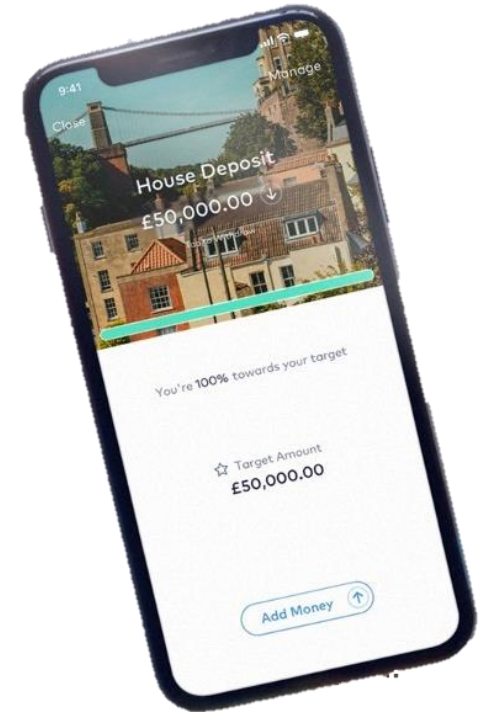
Strategy – M&A to fuel expansion and innovation, focused on Personal, SME loans and mortgages.

1 Focus on Residential Mortgages

- Starling primarily courted retail consumers but **pivoted to target companies at the start of the pandemic and beefed up its loan book** through the government's coronavirus business support schemes.
- Now Starling **grows more strongly with lending activities** generating the highest source of interest income in 2023 with £214m.
- Starling **plans to draw on its unbeatable user experience to offer customers UK residential mortgages**, enhancing its Retail product offering and generating a reliable source of high-quality assets.

2 Accelerating growth and enhance proposition through M&A

- Starling being **well-capitalized is still on the lookout for good M&A opportunities**.
- Starling believes to build a global technology company that owns a very successful bank in the UK in the next five years.
- Acquiring small technology companies can be a strategic move **to expedite the digital bank's growth and expansion plans**. It allows them to quickly enter new markets, expand their product offerings, or target specific customer segments by leveraging the capabilities of the acquired companies.
- **M&A aligns with Starling's strategic objectives of growth, innovation, and providing superior digital banking experiences** to their customers. It could give Starling a competitive edge by staying ahead in the technological advancements within the industry and to adapt to changing customer preferences,



A promising Growth Path – a pivot to expand globally thought SaaS offering while IPO remains in the cards.

3

Starling business offering sees room for growth globally

- On the international scene, it also sees a **significant addressable market for its proprietary technology** software Engine (SaaS).
- This **strategy involves partnering with banks worldwide**, facilitating the launch of new propositions or brands, with Starling providing the core technological backbone on a Software-as-a-Service (SaaS) basis.
- Engine by Starling, **Software-as-a-Service (SaaS)** subsidiary, made great strides in the European and Australian markets up to 31 March 2023 and is taking bigger leaps.

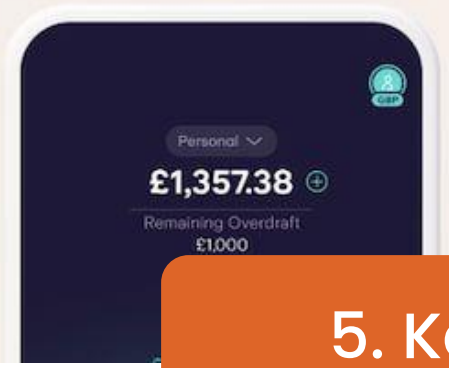
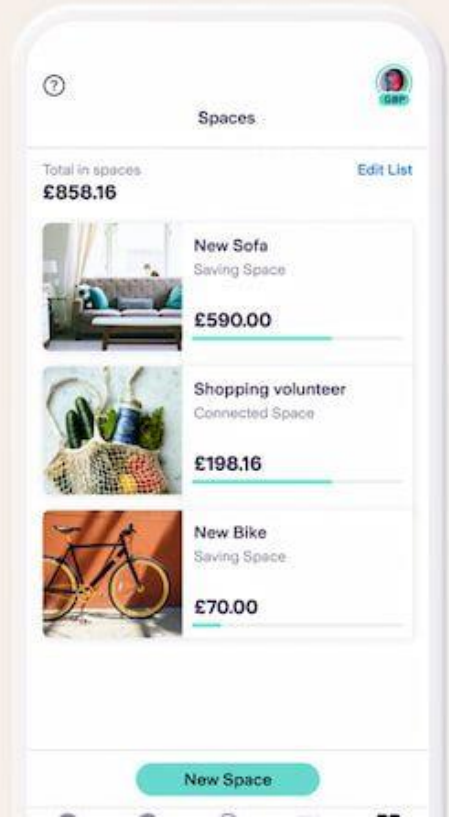
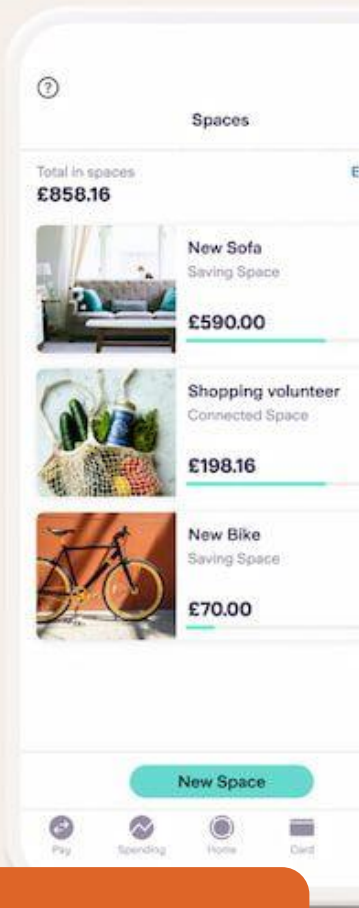
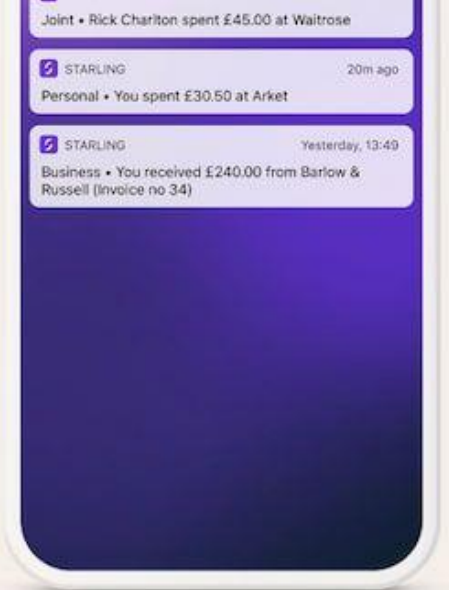
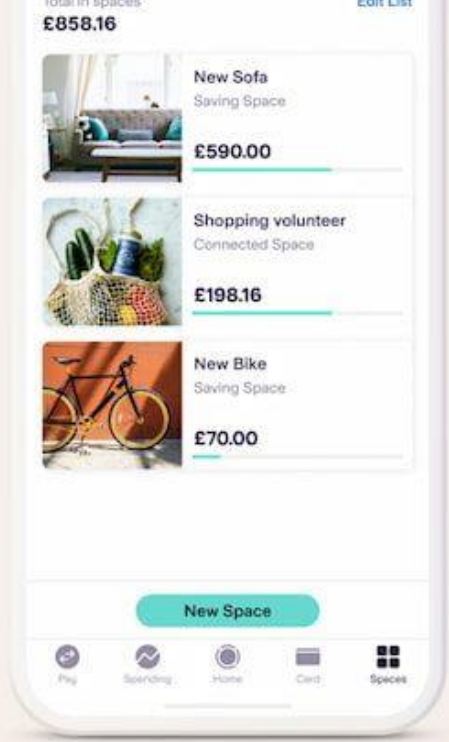


4

With two years in row of annual profit posted, the IPO plan is on the cards

- Starling **has not ruled out an IPO plan.**
- Banking turmoil has led to tighter credit conditions, which **could push some companies to go public.** Without access to loans from banks and private equity, companies need to get money somewhere.
- Going public allows a profitable business to raise significant capital by selling shares to the public. **This capital infusion can be used to fund international growth initiatives.**
- As founder Anne Boden is stepping down as chief executive, it is opening the door for her replacement **to lead the banking startup into an initial public offer.**





5. Key Take-aways



Phenomenal Growth: Unleashing Profitability and Dominating the Lending Landscape

Key take-aways



In a strategic shift, Anne Boden, with her significant stake in the company, steps down from her dual role, paving the way for John Mountain to take charge as the interim CEO. **This decision reflects the need for fresh perspectives and distinct approaches, signaling a potential change in direction for Starling Bank.**



Starling has strategically **enhanced its profitability by leveraging a strong and low-risk balance sheet**, establishing a self-sustaining business model. The company's impressive financial performance,, has been propelled by higher interest rates. Additionally, **Starling has achieved remarkable revenue growth, by prioritizing lending expansion as a core element of its business strategy,**



Moving forward, Starling Bank is embarking on an impactful journey with its SaaS plans, **poised to make a resounding impact on a global scale.** Leveraging its unparalleled user experience, Starling is set to revolutionize the market by **introducing UK residential mortgages, elevating its retail product offerings, and establishing a robust foundation of high-quality assets.** This strategic expansion not only enriches the customer experience but also fortifies Starling's position as a trailblazer in the industry, paving the way for sustained growth and enhanced value for its clientele.



Starling being well-capitalized **has not ruled out IPO plan and is still on the lookout for good M&A opportunities** as the strategy is crucial to lead into long-term and sustainable profitability for Starling.

The research team



Senior Insight Analyst

 **Ramya**

Ramya has graduated with a Master's degree in Aeronautical Engineering from Politecnico Di Milano, Italy. Her passion for FinTech pushed her to become a junior market researcher with a Fintech start-up in Milan and is currently a Senior Insight Analyst in C-innovation. She has an ardent zeal for traveling, politics, and sports.



Leading Consultant

 **Javier**

Javier is co-founder and CEO of C-Innovation. Having worked with both technology companies and corporates such as HSBC and Santander, he has a unique view of the challenges from both sides of the table.

Stay tuned for more!



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