Starling Bank

PILLAR 3 REPORT

Starling Bank

CONTENTS

01. INTRODUCTION

1.1. Purpose

This document comprises the Pillar 3 disclosures on capital and risk management for Starling Bank Limited ('Starling' or 'the Bank') as at 31 March 2021.

It has two principal purposes:

1. It provides information on the policies and approach taken by Starling to manage risk and to maintain its capital resources. It also includes details on:
   - The governance structure of the Bank, and
   - Information on the Bank's assets and capital resources.
2. To meet the regulatory disclosure requirements under the UK Capital Requirements Regulation ("CRR"), Part 8 and the rules of the Prudential Regulation Authority ("PRA").

1.2. Overview

Starling Bank is a UK registered bank authorised by the PRA, and regulated by both the Financial Conduct Authority and the PRA. It is also registered under the Financial Services Compensation Scheme.

The Bank's registered office is 3rd Floor, 2 Finsbury Avenue, London, EC2M 2PP.

These disclosures are not subject to external audit; however, some of the information within these Pillar 3 disclosures also appear in the audited 2021 Annual Report and Financial Statements. The processes for preparing these disclosures are set out in the Bank's Pillar 3 policy.

Full details of the Bank's financial results for 2021 are reported in its Annual Report and Financial Statements which are published on its website (www.starlingbank.com) and also available from Companies House, Crown Way, Cardiff, Wales, CF14 3UZ.

This Pillar 3 document should be read in conjunction with the Annual Report and Financial Statements.

With respect to these Pillar 3 disclosures and also the Bank's Annual Report and Financial Statements, Starling changed its year end from 30 November to 31 March for audit purposes and this is the first reporting period adopting the new year end date.

1.3. Legislative Framework

Starling Bank Limited is subject to the Capital Requirements Directive ("CRD"), and the CRR, as amended and as onshored by the UK. The CRR and CRD, provide consistent prudential standards for financial services companies and an associated supervisory framework and are enforced in the UK by the PRA and FCA.

01. INTRODUCTION

The prudential framework has 3 pillars:

Pillar 1	Pillar 2	Pillar 3
Pillar 1 capital is the Bank's minimum regulatory capital requirement relating to credit, market and operational risk. The Bank follows the Standardised Approach when calculating the minimum capital requirements for credit risk (which includes counterparty credit risk). The Bank has de minimus market risk relating to foreign exchange positions. The Bank uses the Basic Indicator Approach (BIA) for operational risk requirements.	To calculate its Pillar 2 capital requirements the Board has performed a detailed assessment of the risks facing the Bank including the impact of a severe economic downturn. It has calculated the amount of capital that it considers necessary to cover these risks within its Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP is reviewed and assessed by the PRA under its Supervisory Review and Evaluation Process.	Pillar 3 sets out the disclosures that banks are required to make in order to promote market discipline through the external disclosure of their risk management and risk exposures.

1.4. Scope of Application

Starling Bank Limited reports its risk exposures on a solo-consolidated basis for regulatory reporting, following permission from the PRA, it uses the Individual Consolidation method in accordance with Article 9 of the CRR, and has incorporated in the calculation of its requirement its ancillary undertaking, Starling FS Services Ltd. The Bank's Annual Report and Financial Statements are prepared on a consolidated basis, additionally including Murmur Financial Services International DAC, currently a non-trading entity, in the accounting consolidation, which does not fall within the scope of the prudential regulatory consolidation.

1.5. Directors

Starling Bank has a number of Executives and Non-Executive Directors on its Board. A summary of their experience is disclosed on the Bank's website (www.starlingbank.com). Further details on the Directors are contained in the Appendix.

Recruitment to Starling's Board of Directors is governed by the terms of reference of its Nomination Committee. The Nomination Committee evaluates skills, knowledge and experience of the Board of Directors generally and individual candidates for appointment to the Board. Starling draws its Board and senior management team from a diverse pool with the express purpose of establishing a varied mix of skills, experience and outlook. Board members are screened for conflicts of interest and relationships with companies that do not meet our values and ethics.

The Bank is committed to promoting equal opportunities in employment. As such, recruitment at all levels is without discrimination on any protected characteristic.

02. GOVERNANCE AND COMMITTEES

The Board is Starling Bank's primary governing body and is responsible to the shareholders for delivering the strategy of the Bank. It has ultimate responsibility approving the design and implementation of the Bank's strategy, corporate objectives and enterprise risk management framework, taking into consideration the interests of customers and shareholders.

In addition, the Board is responsible for:

- Approving overall policy in relation to the types and level of risk that the Bank is permitted to assume in the implementation of its strategic and business plans, and
- Overseeing a control environment which manages the Bank's principal risks, and ensures that capital and liquidity resources are adequate to achieve the Bank's objectives without taking undue risk.

Board Level Committees

Board Risk Committee

The Board Risk Committee has been established by the Board to ensure the effective operation of risk management and that the Bank operates within the overall risk appetite approved by the Board, in order to achieve its business/corporate objectives. The committee also provides oversight of the Bank's Risk and Compliance function. The committee met 14 times in the period 1 December 2019 to 31 March 2021.

The Board Risk Committee's key duties and responsibilities include:

- Reviewing and submitting for Board approval risk management principles, frameworks and policies within the Enterprise Risk Management Framework (ERMF) under which risk is managed and controlled within the Bank;
- Advising and developing recommendations for the Board on the risk appetite and risk strategy;
- Overseeing the production, monitoring and updating of the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) Recovery Plan and Resolution Pack;
- Promoting a culture of risk awareness across the Bank;
- Advising the Audit Committee and/or the Board on the adequacy of the risk-related disclosures in the annual report and accounts, Pillar 3 disclosures and any other risk-related disclosures in the public domain;
- Determining the management information necessary to oversee the risk exposures of the Bank; and
- Evaluating and recommending to the Board the risks related to any new activities, such as new markets, companies or business ventures.

Board Audit Committee

- The Board Audit Committee provides an independent interface with the external auditors; directs the work of Internal Audit; and provides oversight of the Bank's control environment. Its key duties and responsibilities include:
- Monitoring the integrity, accuracy and reliability of the financial reporting process and Financial Statements, including provisions and accounting policies and practices;
- Overseeing the relationship with external auditors, including their appointment, effectiveness and other non-auditing services;
- Overseeing the relationship with the provider of internal audit services, including its plan, as well as the adequacy and effectiveness of the internal control and information systems based on reports from the internal audit function, external auditors and supervisory authorities;
- Overseeing management's actions to address control weaknesses identified by internal or external audit, compliance or supervisory authorities; and
- Overseeing a control environment which manages the Bank's principal risks, and ensures that capital and liquidity resources are adequate to achieve the Bank's objectives without taking undue risk.

02. GOVERNANCE AND COMMITTEES

Board Remuneration Committee

- The Board Remuneration Committee's key duties and responsibilities include:
- Defining and recommending for Board approval the Remuneration Policy, including pensions and variable compensation, and the Remuneration Principles for the Bank that are aligned to the Bank's strategic objectives and values;
- Reviewing whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings; and
- Preparing proposals for Board approval on the remuneration packages, including retirement and other benefits, of Executive and Non-Executive Members of the Board, as well as of the Chief Executive Officer and her direct reports.

Board Nomination Committee

- The Board Nomination Committee's key duties and responsibilities include:
- Regularly reviewing the structure, size and composition of the Board and making recommendations to the Board with regard to any changes;
- Considering succession planning for directors and other senior executives;
- Identifying and nominating Board candidates for approval of the Board.
- Ensuring that the Bank acts in accordance with all relevant and applicable legislative and regulatory rules, including the Directors' Duties contained in the Companies Act 2006 and the UK Corporate Governance Code, together with the factors listed in section 172 of the Companies Act 2006.

Executive Level Committees

Executive Committee

The Executive Committee manages the activities of the Bank on an on-going basis, within the framework of the Business Plan and subject to the overall control of the Board.

It directs day-to-day business activities and oversees the execution of the Bank's strategy within the risk appetite defined by the Board, in compliance with applicable laws, regulations and corporate governance principles, including:

- Ensuring implementation of effective risk and compliance frameworks, policies and on- going monitoring and management of risk and compliance matters; and
- Considering all major findings and periodic reports by all control functions and supervisory authorities and ensuring such findings are appropriately addressed.

Sub-Committees of the Executive Committee

Executive Risk Committee

- To oversee all risks types across Starling Bank, including monitoring and reviewing risk appetite and other approved policy limits and reviewing and making recommendations on all risk matters where the Board has reserved authority;
- To define and submit to the Board Risk Committee/Board for approval all risk principles, frameworks and policies under which risk is taken, managed and controlled;
- To review risk related papers to be submitted by executive management to the Board Risk Committee or Board Audit Committee;
- To cultivate a robust risk culture to support decision-making processes; and
- To oversee and receive reports from the Product and Conduct Committee,
- Operational Risk Committee, Credit Risk Committee and Pricing Committee.

Asset and Liability Committee (ALCO)

- Overall balance sheet management of the Bank
- Managing interest rate risk and foreign exchange risk; and
- Day-to-day management of capital, solvency and liquidity risks within the parameters set by the Board.

Sub-Committees of the Executive Risk Committee

Product and Conduct Committee

Product and Conduct Committee is constituted to ensure that all product and service related designs, developments, implementations and communications are controlled effectively to deliver the Bank's objectives and accountabilities with regard to:

Conduct Risk and Treating Customers Fairly;

- Customer experience, satisfaction and recommendation; and
- Operational efficiency and effectiveness.

Operational Risk Committee

Operational Risk Committee is responsible for the implementation of the Operational Risk Framework and for overseeing and ensuring the efficient and effective identification, management and satisfactory mitigation of operational risks.

Impairment Committee

Impairment Committee's responsibilities include:

- Monitoring the impairment profile of the Bank;
- Ensuring expected credit loss methodologies and assessments are compliant to IFRS9;
- Overseeing the implementation of the IFRS9 Provisioning Policy delivered by the business;
- Considering findings from both second and third line assurance activity, and monitoring management responses as appropriate;
- Agreeing impairment model development priorities and timelines;
- Formally approving any new impairment model developments or any material impairment model changes, following independent validation, noting any model limitations;
- Formally note completion of model implementations and review of testing; and
- Reviewing impairment model performance at least annually.

Third Party Credit and Forward Flow Committee (TPCFFC)

TPCFFC reviews in relation to Forward Flows and credit originated through Third Parties:

- Ongoing credit performance of originations;
- Credit origination metrics against contracted criteria and portfolio performance against specific covenants, concentration limits or other terms of the origination agreement;
- Servicing performance, including counterparty solvency assessments and the impact of servicing performance against credit performance;
- Reports of statutory audits or other third party assurance, quarterly business reviews with originators and other one-off issues;
- Reports of originator/servicer financial results; and
- Future transactions pipeline and the impact of the day-to-day management of those potential transactions on the Bank's operations.

Fraud and Financial Crime Committee

Fraud and Financial Crime Committee's responsibilities include:

- Raise and debate key fraud and financial crime risks that exist or are emerging within the business;
- Review strategy and growth plans that could have a downstream impact on fraud or financial crime and how they will be managed in Operations;
- Review Management Information from the first and second lines of defence;

Review the root cause analysis and key learnings from any major fraud or financial crime incidents/ events and discuss potential mitigation;

Review any new regulatory developments/ intelligence to determine how it might affect people, process and technology. The committee is responsible for discussing and understanding the impacts and then raising any requirements for prioritisation/implementation; and

Considering any emerging training requirements as a consequence of new legislation, regulation or financial crime trends.

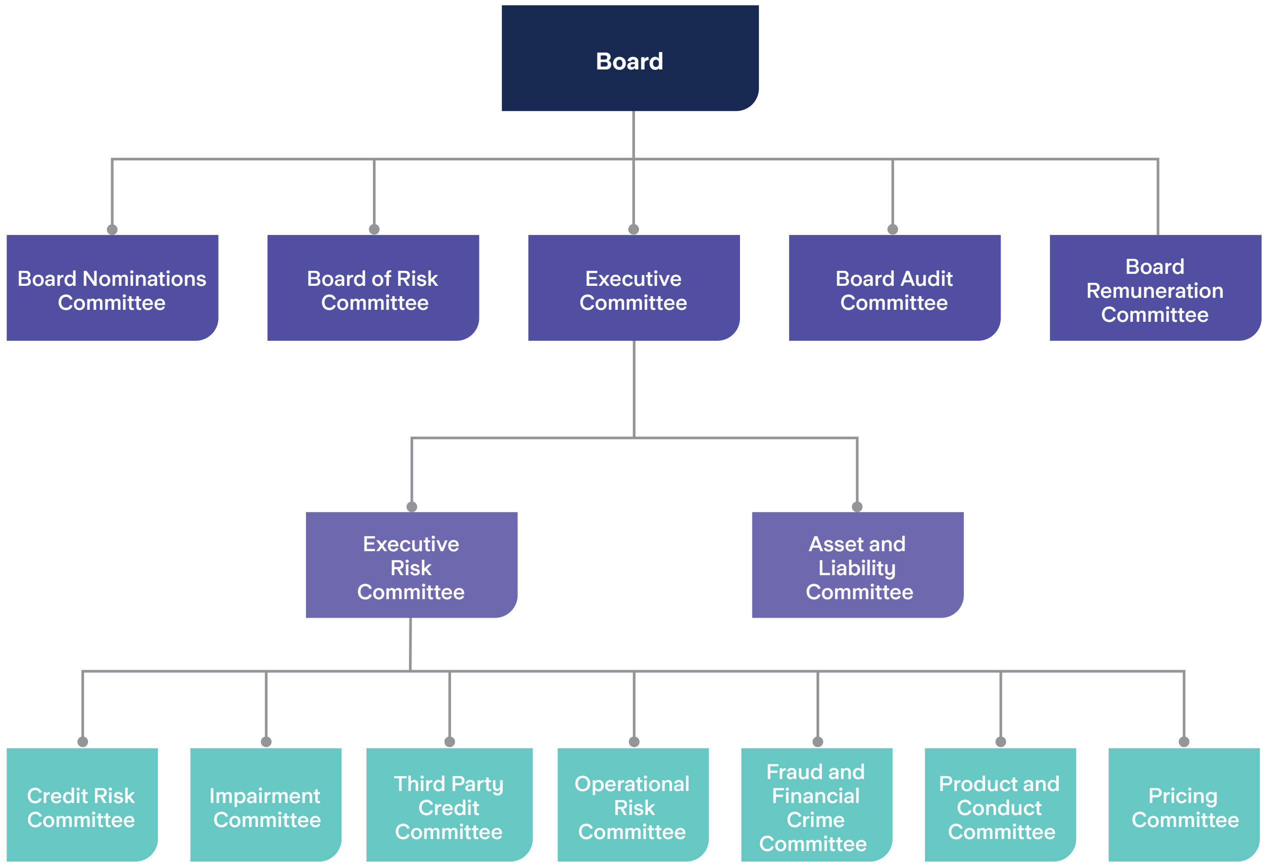
Credit Risk Committee

Credit Risk Committee is constituted to monitor the Bank's lending portfolio against the Board-agreed Credit risk appetite. It ensures that the Bank has sufficient capacity and capability, supported by quality management information, to deliver against the Bank's lending strategy.

Pricing Committee

Pricing Committee is responsible for setting all customer related pricing for the bank, including credit and debit interest levels, as well as any other fees, charges or benefits that have a customer impact.

Governance Structure



03. RISK MANAGEMENT

Starling Bank defines Risk as any unexpected future event that could damage our ability to achieve our strategic, financial or overall business objectives, including damage to earnings capacity, capital positioning, business reputation, cash flows, or poor customer outcomes.

Risk taking is fundamental to Starling Bank's business profile and therefore prudent risk management, limitation and mitigation form an integral part of the Bank's governance structure.

The Board has ultimate responsibility for setting the Bank's strategy, risk appetite and control framework. The Board considers that, as at 31 March 2021 it had in place adequate systems and controls with regard to the Bank's risk profile and strategy. Whilst risk cannot be eliminated, the Board is satisfied that the Bank works effectively to identify, monitor and manage all relevant risks.

3.1. Risk Management Framework

The Enterprise Risk Management Framework (ERMF) outlines the Bank's approach to risk management and the risk management processes employed by the Bank. The key objectives of the ERMF are to:

- Describe and facilitate the delivery of Starling's risk strategy;
- Establish standards for the consistent identification, measurement, management, monitoring and reporting of risk exposures;
- Define the categories of risk to which Starling is exposed;
- Provide an overview of Starling's key risk management frameworks and processes;
- Define the Three Lines of Defence model;
- Outline the approach taken in respect of setting and defining risk appetite and associated tolerances; and
- Identify the governance committees that provide oversight and challenge of the risk management process.

3.2. Strategy and Culture

Starling's risk management strategy is regularly reviewed by the Board to ensure that it remains consistent with the Board's requirements and with the Bank's overarching business strategy.

The strategy involves creating and maintaining a robust risk culture, with effective risk management embedded into decision-making and process design in order to ensure that Starling remains a responsibly managed and sustainable bank which is trusted by its customers. This is achieved through providing an open and transparent environment where well-trained, well-informed individuals take intelligent risk, subject to clear policies, appetite boundaries and mandates, in pursuit of the bank's business strategy.

3.3. Governance and Oversight

Starling's risk governance is the architecture within which risks are monitored and reported. The Board is responsible for ensuring that the risk management framework and governance structure is applied and operated robustly by the Executives.

The Board Risk Committee is the primary committee to receive and review risk-related information.

First line management and committees are responsible for ensuring that the risk and control environment is established and maintained in day-to-day decision making, and that individual decisions are made in line with the agreed risk appetite.

The Risk Function is responsible for assessing the adequacy and effectiveness of first line risk governance and control activities. They ensure that risk limits are set at appropriate levels to keep aggregate risks within risk appetite and that the aggregate forward-looking risk profile relative to risk appetite is effectively monitored and reported to Board-level committees.

03. RISK MANAGEMENT

3.4. Risk Operating Model

In order to support risk management activities, the risk management framework operates within the principles of the "Three Lines of Defence" model. The respective roles of the three lines are described below.

The structure and remit of Starling's governance committees is covered in section 2.

1 First line of defence The Business	2 Second line of defence The Risk Function	3 Third line of defence Internal Audit
• Manage risks within appetite via proactive identification, measurement, management, monitoring and reporting; • Report on risks and issues; • Design and implement controls to manage risks; • Review the design and effectiveness of controls; • Establish effective risk culture.	• Develop, implement and maintain the ERMF; • Provide independent, expert advice and guidance; • Ensure effective risk-based decision-making subject to governance and oversight; • Support and challenge first line risk management; • Provide assurance on regulatory compliance and effectiveness of key controls.	• Independent assurance; • Assess whether risk management is being implemented and operating effectively across both first and second lines; • Review the overall risk management framework to ensure alignment to regulatory expectations and industry standards.

3.5. Risk Appetite

Risk appetite is the type and amount of risk that Starling is prepared to pursue, retain or take, in line with its strategic objectives.

Starling's approach is to design and implement processes, systems and controls through which risk appetite is established, communicated, controlled, managed and monitored. The framework also includes an assessment of the capacity for risk that Starling can assume, given its levels of resources, before breaching constraints determined by regulatory capital and liquidity needs; the operational environment; and obligations to customers, employees, regulators and other stakeholders.

Risk appetite is expressed through quantitative measures and qualitative statements that provide direction to the business and set clear tolerances for activities that are within and outside risk appetite. Appetite is monitored using a range of indicators to ensure that the business is being managed within the limit structure for each risk category. This facilitates the identification of potential breaches in appetite and ensures that they are promptly escalated and managed appropriately. Further detail on the bank's risk appetite is detailed in Appendix 4.

04. REMUNERATION

The Bank is classified as a “Tier 3” firm, per PRA guidelines, with respect to proportionality of remuneration disclosures.

- The Bank’s Remuneration Committee (the “Committee”) is responsible for designing, implementing and overseeing the remuneration policy and the reward structure of the Bank. The Committee ensures that effective risk management is a key component of remuneration and incentive structures. Membership of the Committee is restricted to Non-Executive Directors only.
- The Committee’s terms of reference are reviewed on an annual basis and describe the Committee’s responsibilities. The Committee meets regularly throughout the year.
- The Board is committed to adhering to the Financial Services Remuneration Code, thus ensuring that the Bank has risk-focused remuneration policies, which are consistent with and promote effective risk management and do not expose the Bank to excessive risk. This is done in a manner which is appropriate to the Bank’s size, internal organisation and the nature, scope and complexity of its activities.
- Starling ensures that its remuneration policies, practices and procedures are clear and documented. To record those policies, practices and procedures, and assess its compliance with the Remuneration Code, the Bank’s remuneration policy is reviewed annually to take account of any changes to policies, practices and procedures. When necessary the Bank seeks external advice to support decision making and inform the Board prior to approval of the remuneration policy.
- The table below sets out the remuneration of the Bank’s Executive and Non-Executive Directors, and others included under the Senior Managers and Certification Regime (SMCR). These members of staff have been classified as ‘Code Staff’ as they could have a material impact on the profit of the Bank.

	2021
Number of Employees	**24**
	£’000
Total remuneration	7,805
Of which: Cash-based	6,468
Of which: Deferred	-
Of which: shares or other share-linked instruments	1,337
Of which: Deferred	-
Of which: Other forms	-
Total remuneration	**7,805**

05. CAPITAL RESOURCES

The Bank meets its capital obligations under the CRR. The rules are enforced in the UK by the PRA.

The Bank's policy is to maintain a strong capital base to maintain investor and market confidence and to sustain the future development of the business. The Board manages its capital levels for both current and future activities and documents its risk appetite and capital requirements during stress scenarios as part of the ICAAP.

The Bank has complied with all externally imposed capital requirements during the period from 1 December 2019 to 31 March 2021.

The Bank has elected to use the Standardised Approach for credit risk. Under the CRR the Bank must set aside capital equal to 8% of its total risk weighted assets to cover its Pillar 1 capital requirements. The Bank must also set aside additional Pillar 2 capital to provide for additional risks.

As at 31 March 2021, the Bank's capital base comprised of £136.8m of CET 1 compliant Tier 1 capital and there was no Tier 2 capital.

Subsequent to the balance sheet date, Starling received notice from the PRA that the Series D Funding round, announced on 8 March 2021, had received regulatory approval. Following the approval, Starling's equity capital base has increased by £225m net (£232m before expenses of issue). As a consequence of receiving regulatory approval the Bank's CET 1 and Tier 1 Ratios increased to 127%, EU leverage ratio increased to 5.1%, and UK Leverage ratio increased to 14.2%.

The new capital did not formally form part of the regulatory capital base until June 2021, so is not reflected in the figures below.

05. CAPITAL RESOURCES

The Bank's regulatory capital consists of the following elements:

	31 March 2021	30 November 2019
	£'000	£'000
Tier 1		
Ordinary Share Capital	9	7
Share Premium	253,335	159,332
Retained Earnings	(113,141)	(92,174)
Other Reserves	2,889	-
Total Equity	**143,092**	**67,165**
Regulatory Deductions	(17,629)	(16,056)
Transitional Adjustment to CET1	11,306	-
Total Common Equity Tier 1 Capital	136,769	51,109
Tier 2		
Total Tier 2 Capital	-	-
Total Regulatory Capital	**136,769**	**51,109**

	31 March 2021	30 November 2019
	£'000	£'000
Equity as per Statement of Financial Position	140,831	67,165
Regulatory adjustments: Regulatory deductions	(15,368)	(16,056)
Transitional Adjustment	11,306	-
Total Regulatory Capital	136,769	51,109

	31 March 2021	30 November 2019
	%	%
Common equity Tier 1 capital ratio	47.9%	41.8%
Tier 1 capital ratio	47.9%	41.8%
Total capital ratio	47.9%	41.8%

- The 2021 profits and reserves as at 31 March 2021 have been audited and verified;
- The Bank's Own Funds are disclosed in the regulatory CRR format in Appendix 1.
- The Bank's Total Capital Requirement ("TCR") at 31 March 2021, as set by the PRA, was 17.47% of Risk Weighted Assets ("RWAs"). These disclosures have been prepared using this TCR.

05. CAPITAL RESOURCES

5.1. Risk Weighted Exposure Amounts

The assets of the Bank are analysed by risk category and given weightings according to the level of risk entailed per the CRR.

The Bank's credit risk principally arises from its loans and advances to customers. The Bank's minimum capital requirements for credit risk are calculated by applying credit risk weightings to the risk weighted assets under the Standardised Approach.

Starling has no regulatory trading book and has de minimis market risk relating to foreign exchange risk. As such, in line with Article 351 CRR, no market risk RWA is shown below.

Overview of RWA

31 March 2021 £'000	Risk Weighted Assets		Minimum Capital Required	
Description	**2021**	**2019**	**2021**	**2019**
Credit Risk (excluding CCR)	227,167	92,339	18,173	7,387
Of which: Standardised Approach (SA)	227,167	92,339	18,173	7,387
Counterparty Credit Risk (CCR)	13,498	-	1,080	-
Credit Valuation Adjustment (CVA)	19,949	-	1,596	-
Market Risk	-	1,712	-	137
Operational Risk	25,075	28,250	2,006	2,260
Of which: Basic Indicator Approach (BIA)	25,075	28,250	2,006	2,260
Total	285,689	122,301	22,855	9,784

5.2. Leverage Ratio

The prudential framework requires firms to calculate a non-risk based leverage ratio that is a supplementary measure to the risk-based capital requirements. The ratio is defined as Tier 1 capital divided by the total of on and off-balance sheet exposures expressed as a percentage. Starling's leverage ratio is 1.9% according to the CRR (EU) Leverage Ratio definition.

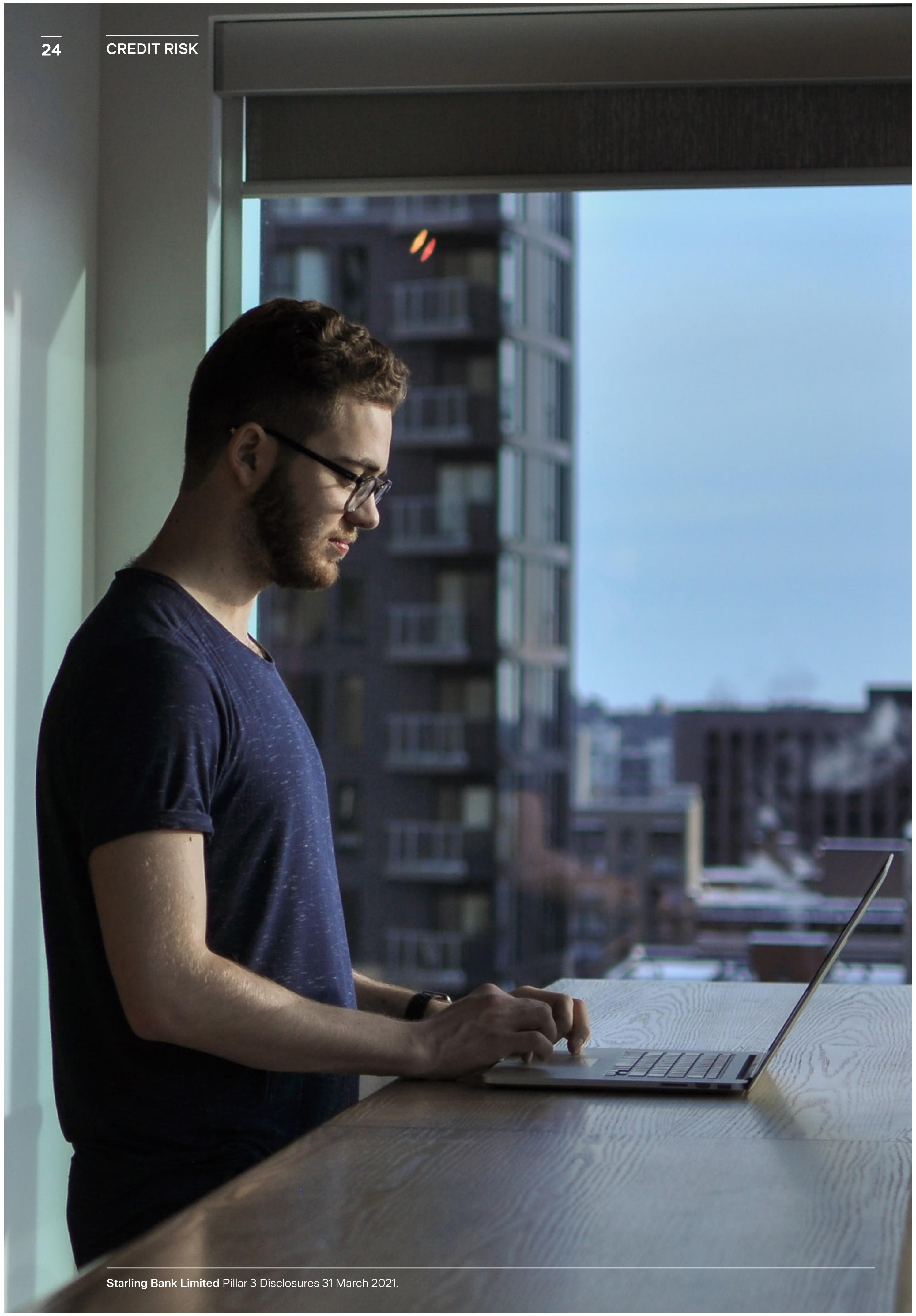
Although Starling is not subject to the PRA Handbook's (UK) leverage ratio, the Bank's leverage ratio under that definition is 5.4%. The primary difference between the leverage measures is that the UK leverage ratio allows for Starling to exclude exposures to central Governments (e.g. holdings of UK government securities and BBLS).

Subsequent to the balance sheet date, the Group received notice from the PRA that the Series D Funding round, announced on 8 March 2021, had received regulatory approval. Consequently, the Group's equity capital base has been increased by £225m net (£232m before expenses of issue). As a consequence of receiving regulatory approval the Bank's CET 1 and Tier 1 Ratios increased to 127%, EU leverage ratio increased to 5.1%, UK Leverage ratio increased to 14.2%.

The risk of building up excessive leverage is actively monitored and managed. The Bank's leverage ratio is shared with appropriate management and the Board, and the capital planning process considers the impact on the Bank's leverage ratio.

Further analysis of the Bank's leverage ratio can be found in Appendix 1.

Leverage Ratio	**31 March 2021**
	£'000
Total Tier 1 Capital	136,769
Exposures	
Balance sheet exposures	7,064,135
Derivatives	27,658
SFTs	23,250
Off Balance sheet exposures	15,246
Total Exposures	**7,130,289**
(EU) Leverage Ratio	**1.9%**
(UK) Leverage Ratio	**5.4%**



06. CREDIT RISK

Credit risk is the risk of financial loss to the Bank if a customer, or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Bank's receivables from customers.

The Bank's credit risk appetite is set out in its Risk Appetite Statement in Appendix 4. The Bank's risk appetite is reviewed at least annually and approved by the Board.

Credit risks associated with lending are managed through the use of detailed lending policies which outline the approach to lending, underwriting criteria, concentration limits and product terms.

6.1. Credit Risk - Exposure Values

The Bank's maximum exposure to credit risk after provisions for impairment is set out below.

As at 31 March 2021 **£'000**	**Gross carrying value of**			
Asset Classes	**Defaulted Exposures**	**Non-defaulted Exposures**	**Allowances/ Impairments**	**Net Values**
Loans	5,472	5,892,308	5,386	5,892,394
Of which: Cash at Central Banks	-	3,527,647	-	3,527,647
Of which: Loan and Advances to Banks	-	54,545	-	54,545
Of which: Loan and Advances to Corporates	-	20,902	-	20,902
Of which: Loan and Advances to Customers	5,472	2,269,007	5,386	2,269,094
Of which: Other Assets	-	20,207	-	20,207
Investment Securities	-	1,172,327	-	1,172,327
Total On Balance Sheet	**5,472**	**7,064,636**	**5,386**	**7,064,722**
Off-Balance Sheet Exposures	-	112,456	563	111,892
Total	**5,472**	**7,177,091**	**5,949**	**7,176,614**

06. CREDIT RISK

The following tables break down the Bank's credit risk exposure by asset class and risk weighting. The assets of the Bank are analysed by risk category and given weightings according to the level of risk entailed. Credit risk weightings are determined by the Standardised Approach as set out in the CRR.

As at 31 March 2021 **£'000**	**Credit risk exposure, credit conversion factors (CCF), and credit risk mitigation (CRM) effects**					
	Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA Density**	
Asset Classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
Governments and Central Banks	3,527,646	-	5,596,504	6,800	-	-
Multilateral Development Banks (MDBs)	776,037	-	776,037	-	-	-
Banks	54,545	-	54,545	-	22,260	41%
Corporates	20,902	-	20,902	-	18,618	89%
Retail Exposures	2,264,565	111,892	197,585	1,200	125,991	63%
Exposure in Default	4,529	-	2,651	-	2,803	106%
Covered Bonds	382,638	-	382,638	-	38,264	10%
Securitisations	13,652	-	13,652	-	1,365	10%
Other Assets*	20,207	-	20,207	-	17,866	88%
Total	**7,064,722**	**111,892**	**7,064,722**	**8,000**	**227,167**	**3%**

* Other Assets includes Fixed Assets and Other Debtors.

Starling Bank Limited Pillar 3 Disclosures 31 March 2021.

06. CREDIT RISK

6.2. Credit Risk – Maturity Profile

The table below analyses the Bank's contractual cash flows of its financial assets.

As at 31 March 2021	Total	Contractual Cash Flows		
	£'000	Less than 3 months	3 months to 1 year	Greater than year
Assets				
Cash and Balances at Central Banks	3,527,646	3,186,696	41,336	299,615
Loans and Advances to Banks	54,545	27,270	-	27,275
Loans and Advances to Corporates	20,902	20,902	-	-
Loans and Advances to Customers	2,269,094	53,938	279,174	1,935,982
Investment Securities	1,172,327	-	80,838	1,091,490
Other Assets	20,207	20,207	-	-
Total	**7,064,722**	**3,309,013**	**401,348**	**3,354,361**

6.3. Credit Risk – Geographical Breakdown

All of the Bank's retail loans and overdrafts are to customers resident in the UK, therefore, no further geographical breakdown is provided.

As at 31 March 2021 £'000	Concentration of Exposures by Geographic areas					
Account type	**UK**	**Europe/ EEA**	**US**	**Philippines**	**Côte d'Ivoire**	**Total**
Governments and Central Banks	5,265,200	338,104	-	-	-	5,603,304
Multilateral Development Banks	104,890	334,197	95,138	211,573	30,240	776,037
Institutions	48,820	5,725	-	-	-	54,545
Corporates	16,335	4,567	-	-	-	20,902
Retail Exposures	171,127	-	-	-	-	171,127
Exposures in Default	2,651	-	-	-	-	2,651
Covered Bonds	382,638	-	-	-	-	382,638
Securitisations	13,652	-	-	-	-	13,652
Other Exposures	20,174	33	-	-	-	20,207
Off-balance Sheet Exposures	27,658	-	-	-	-	27,658
Total Standardised Approach	**6,053,145**	**682,626**	**95,138**	**211,573**	**30,240**	**7,072,722**
Total	**6,053,145**	**682,626**	**95,138**	**211,573**	**30,240**	**7,072,722**

6.4. Credit Risk – Sectoral Information Breakdown

All of the Bank's customer lending is to retail and SME customers.

07. USE OF EXTERNAL CREDIT AGENCIES

Under the Standardised Approach to credit risk, the Bank makes use of External Credit Agencies ('ECAIs') credit ratings from the main 3 credit rating agencies (Fitch, S&P, Moody's) to assess the credit risk weight of exposures. Ratings published by the ECAIs are mapped to Credit Quality Steps ('CQS') according to mapping tables laid down by the FCA and European Banking Authority ('EBA'). The CQS value is then mapped to a risk weight percentage.

07. USE OF EXTERNAL CREDIT AGENCIES

The table below sets out the Bank's credit risk exposures by regulatory portfolio and risk weight, driven by CQS.

As at 31 March 2021 **£'000**									**Total**
Asset Classes	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total Credit Exposures amount (post CCF and post CRM)**
Governments and Central Banks	5,603,304	-	-	-	-	-	-	-	5,603,304
Multilateral Development Banks (MDBs)	776,037	-	-	-	-	-	-	-	776,037
Banks	-	-	16,709	37,836	-	-	-	-	54,545
Corporates	-	-	-	4,567	-	16,335	-	-	20,902
Retail Exposures	-	-	-	-	198,785	-	-	-	198,785
Exposure in Default	-	-	-	-	-	2,346	305	-	2,651
Covered Bonds	-	382,638	-	-	-	-	-	-	382,638
Securitisations	-	13,652	-	-	-	-	-	-	13,652
Other Assets	1	-	2,925	-	-	17,281	-	-	20,207
Total	**6,379,342**	**396,290**	**19,635**	**42,403**	**198,785**	**35,962**	**305**	**-**	**7,072,722**

Starling Bank Limited Pillar 3 Disclosures 31 March 2021.

08. CREDIT QUALITY -IMPAIRMENTS AND PROVISIONS

The Bank's accounting policy for IFRS9 impairment and provisions can be found in the Annual Report and Financial Statements Note 1: "Accounting Policies" disclosed at www.starlingbank.com.

The table below provides information on the past due status of loans and advances to customers at 31 March 2021.

The following tables show analysis on the split of the Bank's lending and the breakdown of arrears and provisions.

As at 31 March 2021 £'000	**Ageing of past-due Exposures**						
	Net Exposure Value						
Exposure type	**≤30 days**	**>30 days ≤60 days**	**>60 days ≤90 days**	**>90 days ≤180 days**	**>180 days ≤1 year**	**>1 year**	**Total**
Loan and Advances to Customers	14,784	242	254	1,976	-	-	17,256
Investment Securities	-	-	-	-	-	-	-
Total Exposures	**14,784**	**242**	**254**	**1,976**	**-**	**-**	**17,256**

08. CREDIT QUALITY -IMPAIRMENTS AND PROVISIONS

Impairment provisions against customer loans and advances at 31 March 2021 have been made up as follows:

Changes in Stock of General and Specific Credit Risk Adjustments		
As at 31 March 2021 **£'000**	**Specific Credit Adjustments**	**General Credit Adjustments**
Opening Balance	**2,778**	**-**
Increase due to Amounts set aside for Estimated Loan Losses During the Period	20,683	-
Decrease due to Amounts set aside for Estimated Loan Losses During the Period	(10,338)	-
Decrease due to Amounts taken Against Accumulated Credit Risk Adjustment	-	-
Transfer between Credit Adjustment	2,455	-
Impact of Exchange Rate Differences	3,123	-
Business Combinations, including Acquisitions and Disposals of Subsidiaries	-	-
Other Adjustments	(1,445)	-
Closing Balance	**17,256**	**-**
Recoveries on Credit Risk Adjustments recorded directly to Statement of Income	(61)	-
Specific Credit Adjustment directly recorded to the Statement of Income	-	-

Changes in Stock of Defaulted Loans and Debt Securities	
As at 31 March 2021 **£'000**	**Gross carrying Value Defaulted Exposures**
Defaulted Loans and Debt Securities at the end of previous Reporting Period	**2,126**
Loans and Debt Securities that have Defaulted since the last Reporting Period	1,992
Returned to Non-defaulted Status	-
Amounts Written off	1,354
Other Changes	-
Defaulted Loans and Debt Securities at the end of Reporting Period	**5,472**

Further disclosures on the Bank's credit quality are included in Appendix 2.

09. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Starling is exposed to IRRBB due to the mismatch between repricing frequencies of its assets and liabilities.

Customer assets comprises fixed term loans and variable rate overdrafts to individuals and SMEs.

In addition to customer assets, Starling invests in liquid securities, including fixed rate instruments.

Liabilities consist of variable rate deposits from individual and SME customers. The interest rate position is managed using interest rate swaps.

Starling monitors its exposure to IRRBB through earnings and value metrics, across a range of interest rate scenarios. These metrics are calculated using behavioural profiles. Loans are adjusted for potential early repayments and deposits profiled according to assumed interest rate sensitivity. Metrics are produced at least monthly and reported to ALCO and the Board.

The Bank considers a 200 basis points ("bps") movement to be appropriate setting risk appetite. IRRBB risk appetite is set against economic value sensitivity measured by the PV200 metric. The PV200 test assesses the change in the net present value of the Bank's net cash-flows if market interest rates were to experience a parallel shift, both upwards and downwards of 200 basis points.

The Bank also monitors net interest income sensitivity of the current and forecast balance sheet. This is measured over a 12-month horizon. The Bank estimates that a +/-200bps instantaneous, parallel increase and decrease in interest rates would have impacted net interest income by +£78m/-£84m respectively.

10. ASSET ENCUMBRANCE

Encumbered assets represent operational cash requirements for participation in central bank payment schemes and card scheme collateral.

The following table discloses in respect of the Bank's encumbered and unencumbered assets.

As at 31 March 2021 £'000	Carrying Amount of Encumbered Assets	Fair Value of Encumbered Assets	Carrying Amount of Unencumbered Assets	Fair value of Unencumbered Assets
Assets of the Reporting Institution	269,661	-	5,841,908	-
Loans on Demand	1,292,912	-	3,085,555	-
Debt Securities	1,023,250	1,023,250	490,028	494,118
- of which: Covered Bonds	-	-	382,638	385,867
- of which: Asset-backed Securities	-	-	13,652	13,223
- of which: Issued by General Governments	1,023,250	1,023,250	93,738	95,028
Loans and Advances other than Loans on Demand	-	-	269,661	-
Other Assets	**-**	**-**	**13,047**	**-**

11. SECURITISATION

Starling does not act as a sponsor or originator in securitisations. The Bank has no resecuritisation positions.

Starling invests in High Quality Liquid Assets, including securitisation issues.

Our purchased securitisation positions are highly rated. We monitor our investments against limits to each individual issuer daily. We carry out interviews with originators at least annually.

There are a number of risks related to securitisations, including credit risk and liquidity risk. We monitor price movements daily. We also periodically assess market liquidity as well as review the performance of the underlying assets.

Starling's securitisation exposures are as an investor. All the underlying assets for securitisation exposures were residential mortgages. Our approach to calculating risk-weighted exposure amounts follows the SEC- SA approach.

The Bank's accounting policy for securitisation positions held can be found in the Annual Report and Financial Statements Note 2: "Accounting Policies" disclosed at www.starlingbank.com.

12. LIQUIDITY

Liquidity risk is the risk that the Bank fails to meet its obligations as and when they fall due or that they can only be met at an uneconomic price. At all-times the Bank has had sufficient liquid assets to meet its liabilities.

Liquidity risk is managed by the Treasury function and the Bank monitors funding and liquidity risk daily using a range of sources and metrics including the ratio of deposits to loans, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

	31 March 2021 £'000
Liquidity Coverage Ratio	
Total High-quality Liquid Assets (HQLA)*	3,410,070
Total Net Cash Outflow	674,460
LCR	506%
Net Stable Funding Ratio	
Total Available Stable Funding	6,366,591
Total Required Stable Funding	2,127,872
NSFR	299%

*After regulatory adjustments, per the LCR Delegated Act (as applied in the UK)

13 COUNTERPARTY CREDIT RISK

Counterparty credit risk (CCR) is the risk that a counterparty to a transaction could default before settlement leading to an economic loss for Starling where we have a positive economic value at the time of default.

The Bank faces CCR on interest rate and foreign exchange swaps with market counterparts. The Bank has also entered into securities financing transactions with the Bank of England.

Starling uses derivative contracts to manage interest rate risk in the banking book and foreign exchange risk on foreign denominated investments. The market value of derivatives can vary over time due to movements of the underlying market factors. Policies and contracts are in place to exchange cash collateral for derivative mark-to-market exposures.

For bilateral derivatives a regulatory credit valuation adjustment (CVA) capital charge is also required.

The Bank uses the CRR mark-to-market method (Current Exposure Method (CEM)) for measuring exposure values for CCR, and the Standardised Approach for CVA.

Starling provisions internal capital for counterparty credit exposures using the CEM approach. Credit limits are set and managed through ALCO.

Collateral is managed under standard industry agreements, such as International Swaps and Derivatives Association (ISDA) agreements. The process is overseen by the Treasury Operations teams. Reserves for collateral are managed through the Encumbrance and Liquidity policies.

Starling regularly reviews its counterparty credit exposures, and does not currently have any material Wrong-Way risk.

As at 31 March 2021 £'000	**Replacement Cost**	**Potential Future Exposure**	**Total Exposure**	**RWA**
CCR Mark-to-market Method	12,918	14.740	27,658	13,498
CVA				19,949

14. COUNTERCYCLICAL CAPITAL BUFFER (CCyB)

Banks are required to apply a CCyB to exposures calculated by multiplying the country specific CCyB rate with the RWA for any relevant credit exposures in that country. The CCyB rate for the UK is set by the Financial Policy Committee (FPC) of the Bank of England and can be revised in periods of stress. The rate in place for the UK as at 31 March 2021 was 0%. The Bank specific rate and its geographic distribution are set out below.

Geographic Distribution of Credit Exposures used in the Calculation of the Bank-specific Countercyclical Capital Buffer Requirement
(£'000)

31 March 2021

Geographical breakdown	Countercyclical Capital Buffer Rate	Exposure Values and/or RWA used in the Computation of the Countercyclical Capital Buffer		Bank-specific Countercyclical Capital Buffer	Countercyclical Capital Buffer Amount
		Exposure Values	RWA		
UK	0%	634,235	202,591	-	-
BELGIUM	0%	4,600	2,317	-	-
Total	**-**	**638,835**	**204,908**	**-**	**-**

15. OTHER DISCLOSURES

The Bank has:

- no regulatory trading book;
- not been identified as having any global or domestic systemic importance;
- no public credit rating;
- no positions in credit derivatives;
- no minimum requirements for Own funds and Eligible Liabilities (MREL) above its minimum capital requirement.

APPENDIX 1:

OWN FUNDS AND LEVERAGE RATIO

Main Features of Regulatory Capital Instruments **As at 31 March 2021**	**Quantitative/Qualitative Information**
Issuer	Starling Bank Limited
Unique identifier (eg Committee on Uniform Security Identification Procedures (CUSIP), International Securities Identification Number (ISIN) or Bloomberg identifier for private placement)	N/A
Governing Law(s) of the Instrument	English (UK)
Means by which enforceability requirement of Section 13 of the TLAC Term Sheet is achieved (for other TLAC-eligible instruments Governed by Foreign Law)	N/A
- Transitional Basel III rules	Common Equity Tier 1
- Post-transitional Basel III rules	Common Equity Tier 1
- Eligible at solo/group/group and solo	Solo
- Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
Amount recognised in regulatory capital (currency in GBP Thousand, as of most recent reporting date)	£8.85
Par Value of Instrument	£8.85
Accounting Classification	Shareholders' Equity
Original date of Issuance	Various
Perpetual or Dated	Perpetual
- Original Maturity Date	No Maturity
Issuer all subject to prior Supervisory Approval	N/A
- Optional call date, contingent call dates and Redemption Amount	N/A
- Subsequent call dates, if applicable	N/A

APPENDIX 1:

OWN FUNDS AND LEVERAGE RATIO

Main Features of Regulatory Capital Instruments	
Fixed or Floating Dividend/Coupon	N/A
Coupon Rate and any Related Index	N/A
Existence of a Dividend Stopper	No
Fully Discretionary, Partially Discretionary or Mandatory	Fully Discretionary
- Existence of Step-up or other Incentive to Redeem	N/A
- Non-cumulative or Cumulative	Non-cumulative
Convertible or Non-convertible	N/A
Write Down Feature	N/A
Type of Subordination	Statutory
Position in subordination Hierarchy in Liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Tier 1
Non-compliant Transitioned Features	No
If yes, Specify Non-compliant Features	N/A

APPENDIX 1:

OWN FUNDS DISCLOSURE

Own Funds	31 March 2021 £'000
Description	
Common Equity Tier 1 (CET1) Capital: Instruments and Reserves	
Capital Instruments and the Related Share Premium Accounts	253,344
Other Reserves	2,889
Retained Earnings	(113,141)
Common Equity Tier 1 (CET1) Capital before Regulatory Adjustments	**143,092**
Common Equity Tier 1 (CET1) Capital: Regulatory Adjustment	
Additional Value Adjustments	(23)
Intangible Assets	(9,530)
Deferred Taxes	(6,088)
Other Regulatory Adjustments (including IFRS 9 Transitional Adjustments)	9,318
Total Regulatory Adjustments to Common Equity Tier 1 (CET1)	**(6,323)**
Common Equity Tier 1 (CET1) Capital	**136,769**
Additional Tier 1 (AT1) Capital	-
Tier 1 Capital (T1 = CET1 + AT1)	**136,769**
Tier 2 (T2) Capital: Instruments and Provisions	
Tier 2 (T2) Capital	-
Total Capital (TC = T1 + T2)	**136,769**
Total Risk Weighted Assets	**285,689**
Capital Ratios and Buffers	
Common Equity Tier 1 (as a percentage of Total Risk Exposure amount)	47.9%
Tier 1 (as a percentage of Total Risk Exposure amount)	47.9%
Total Capital (as a percentage of Total Risk Exposure amount)	47.9%
Capital conservation buffer	2.5%
Institution specific countercyclical capital buffer	0%

APPENDIX 1:

LEVERAGE RATIO REGULATORY DISCLOSURES

Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures	31 March 2021 £'000
Total Assets as per published Financial Statements	7,048,834
Adjustment for Derivative Financial Instruments	27,658
Adjustment for Securities Financing Transactions (SFTs)	23,250
Adjustment for Off-balance Sheet items	15,246
Other adjustments	15,301
Leverage Ratio total Exposure Measure	7,130,289

(EU) Leverage Ratio Common Disclosure	31 March 2021 £'000
On-balance Sheet items	7,070,460
Asset Amount Deducted in Determining Tier 1 Capital	(6,325)
Total On-balance Sheet Exposures	7,064,135
Derivative Exposures	
Replacement Cost	12,918
Add-on amount for PFE associated with all Derivatives Transactions	14,740
Total Derivatives Exposure	27,658
SFT Exposures	
SFTs: Add-on for Counterparty	23,250
Total Securities Financing Transaction Exposures	-
Off-Balance Sheet Exposures	
Total other Off-balance Sheet Exposures	15,246
Capital and Total Exposure Measure	
Tier 1 Capital	136,769
Leverage Ratio Total Exposure Measure	7,130,289
Leverage Ratio	
Leverage Ratio	1.92%

Split of On-balance Sheet Exposures	31 March 2021 £'000
Total On-balance Sheet Exposures (excluding derivatives, SFTs, and exempted exposures)	7,070,460
Of which: Exposures treated as Sovereigns	4,303,684
Of which: Institutions	54,545
Of which: Retail	2,264,565
Of which: Corporate	20,902
Of which: Exposure in Default	4,529
Of which: Covered Bonds	382,638
Of which: Other Exposures	39,597

Starling uses the IFRS 9 transitional arrangements set out in the CRR. The CRR "quick fix" amendments in 2020 changed some of the transitional arrangements for increases in expected credit loss provisions since 1 January 2020. Increases in provisions are added back to CET1 capital on a reducing scale over a set period: 100% in 2020 and 2021; 75% in 2022; 50% in 2023; 25% in 2024 and no add-back from 2025.

For provisions relating to periods before 1 January 2020, the transitional relief is applied on a different reducing scale: 70% in 2020; 50% in 2021; 25% in 2022 and no add-back from 2023.

The figures in this document are presented considering these transitional arrangements, as these are the requirements Starling is subject to. Starling's CET1 ratio as if the IFRS 9 transitional arrangements had not been applied would have been 45%, comprised of CET1 capital of £126m and RWA of £278m. Starling's CRR leverage ratio would have been 1.8%.

APPENDIX 2:

ADDITIONAL CREDIT RISK DISCLOSURES

The following table shows the maturity of the Bank's assets.

Maturity of Exposures						
As at 31 March 2021 £'000	**Net Exposure Value**					
Exposure type	**On Demand**	**≤ 1 Year**	**>1 year ≤ 5 years**	**>5 years**	**No dated maturity**	**Total**
Governments and Central Banks	3,185,386	31,156	287,966	21,829	1,310	3,527,647
Multilateral Development Banks	-	74,443	643,964	57,630	-	776,037
Institutions	32,435	-	-	-	22,111	54,545
Corporates	20,902	-	-	-	-	20,902
Retail Exposures	-	333,112	1,804,757	130,923	301	2,269,094
Covered Bonds	-	6,080	346,521	30,037	-	382,638
Securitisation	-	315	13,337	-	-	13,652
Other Exposures	20,207	-	-	-	-	20,207
Total On-Balance sheet	**3,258,929**	**445,105**	**3,099,245**	**240,420**	**23,722**	**7,064,722**
Off-Balance sheet	111,892					111,892
Total Standardised Approach	**3,370,821**	**445,105**	**3,096,546**	**240,420**	**23,722**	**7,176,614**
Total	**3,370,821**	**445,105**	**3,095,546**	**240,420**	**23,722**	**7,176,614**

APPENDIX 2:

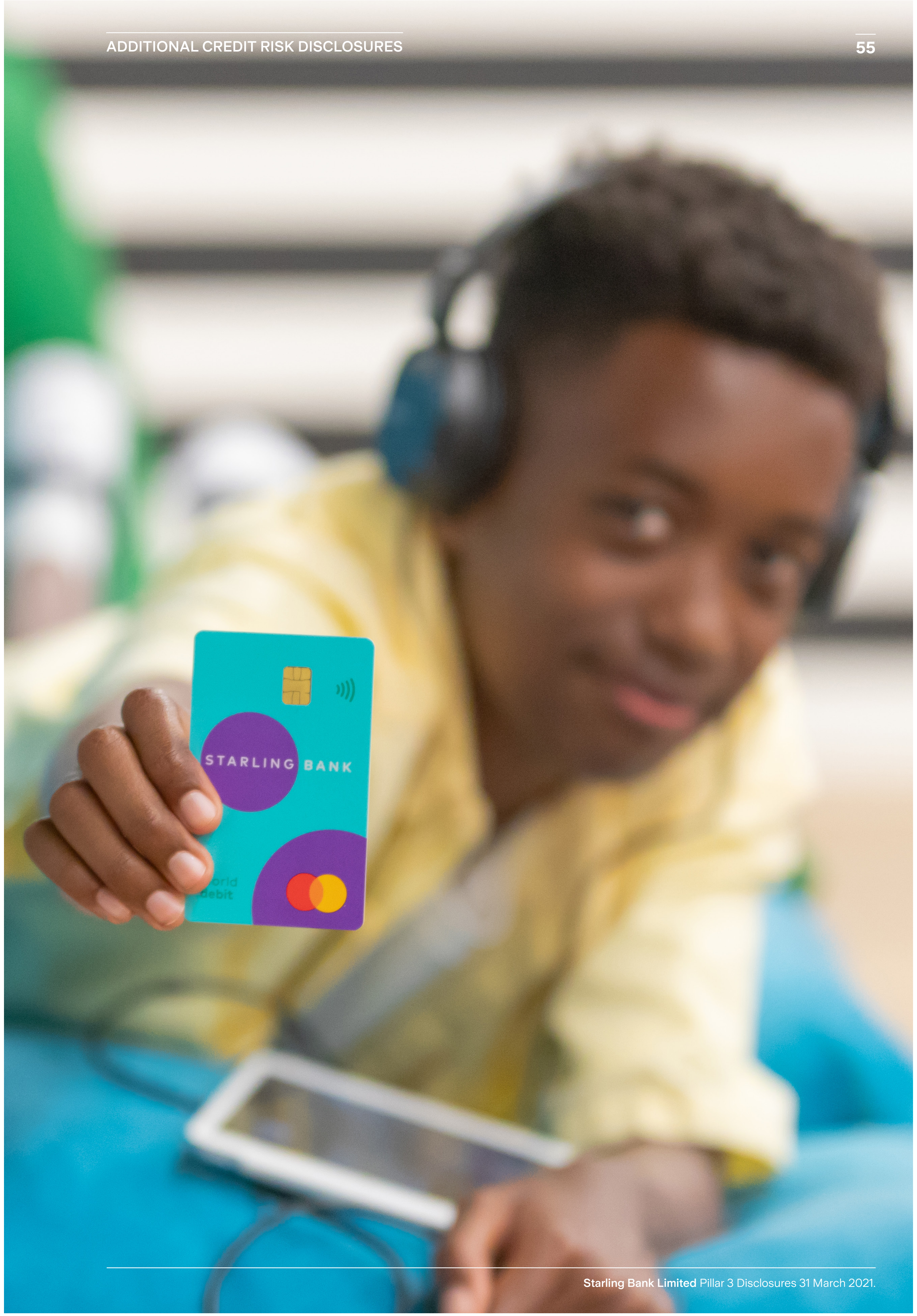
ADDITIONAL CREDIT RISK DISCLOSURES

Loan impairments, provisions and credit mitigation

The following tables show analysis on the split of the Bank's lending and the breakdown of arrears and provisions.

As at 31 March 2021
£'000

	Gross Carrying Value of						
Asset Classes	**Defaulted Exposures**	**Non-defaulted Exposures**	**Specific Credit Risk Adjustment**	**General Credit Risk Adjustment**	**Accumulated Write-offs**	**Credit Risk Adjustment Charges from the prior period**	**Net Values**
Governments and Central Banks	-	3,527,647	-	-	-	-	3,527,647
Multilateral Development Banks	-	776,037	-	-	-	-	776,037
Institutions	-	54,545	-	-	-	-	54,545
Corporates	-	20,902	-	-	-	-	20,902
Retail Exposures	5,472	2,270,636	5,386	-	1,629	-	2,269,094
Securitisation	-	13,652	-	-	-	-	13,652
Covered Bonds	-	382,638	-	-	-	-	382,638
Other Exposures	-	20,207	-	-	-	-	20,207
Off-Balance sheet	-	112,456	563	-	-	-	111,892
Total Standardised Approach	**5,472**	**7,178,720**	**5,949**	**-**	**1,629**	**-**	**7,176,614**
Total	**5,472**	**7,178,720**	**5,949**	**-**	**1,629**	**-**	**7,176,614**



APPENDIX 3:

DIRECTORSHIPS

The Bank's Board Members hold the following number of directorships as at 31 March 2021:

Name	Gender	Independent	Appointment Date	Total Number of Directorships
Anne Boden	F		18 June 2014	6
Lazaro Campos	M		21 June 2018	8
Carolyn Clarke	F	Independent	31 October 2020	3
Steve Colsell	M	Independent	18 September 2015	7
Tony Ellingham	M		17 August 2016	3
Victoria Raffé	F	Independent	10 November 2015	9
Oliver Stocken	M	Independent	12 November 2015	5
Marcus Traill	M		22 December 2015	19
Mark Winlow	M	Independent	18 August 2015	14
Marian Martin	F	Independent	26 June 2019	8

APPENDIX 4:

RISK APPETITE STATEMENTS

The types of risk, to which the Bank is exposed are as follows:

- Strategic Risk.
- Capital Adequacy Risk.
- Retail and Commercial Credit Risk.
- Wholesale Credit Risk.
- Funding and Liquidity Risk.
- Market Risk.
- Operational Risk.
- Compliance Risk.
- Conduct and Culture Risk.

The Risk Appetite Statements below describe each risk, articulate the Bank's appetite and set out how performance against risk appetite is assessed and reported.

Strategic Risk

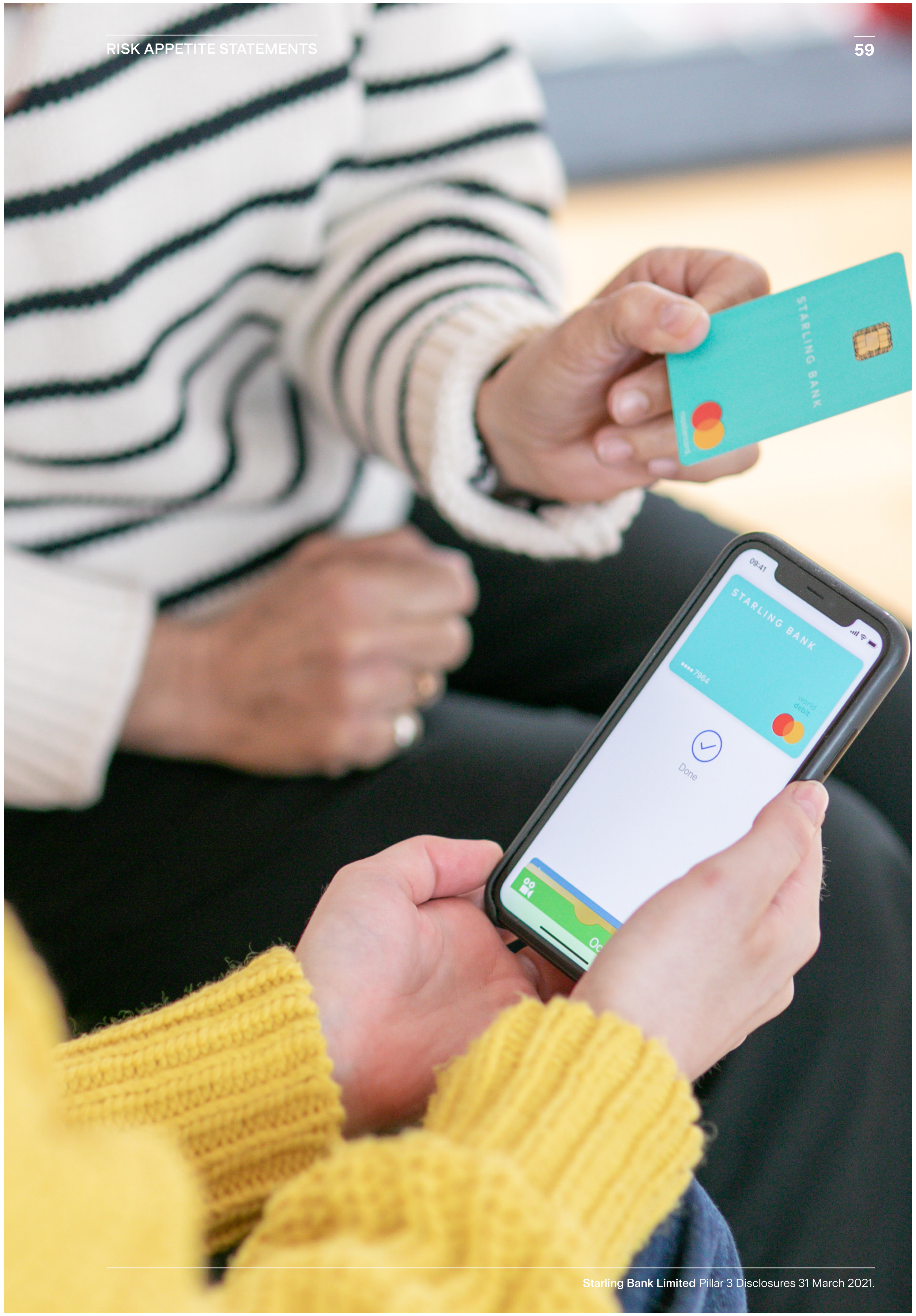
The risk that Starling fails to execute its business strategy as a result of poor decision taking, substandard execution of decisions, inadequate resource allocation or from a failure to effectively respond to changes in the business/market environment.

- Starling will maintain a clear vision, mission, strategic objectives and corporate values to support the build-out of the Bank, as agreed by the Board and Executive.
- Starling will not initiate projects that cannot be resourced to successful completion.
- Starling will not target increasing market share based on pricing or other terms that do not reflect the risks involved.
- Starling will not engage in or accept any unfair anti-competitive behaviour being exhibited against it and will alert the relevant authorities if it reasonably suspects this is occurring.

Capital Adequacy Risk

The risk that Starling could have insufficient capital to withstand an extreme, but plausible loss and thereby expose its depositors and other creditors to losses.

- Starling will, at all times, maintain sufficient capital resources to cover its risk profile and associated risk exposures.
- As a minimum, the Bank's capital resources will be maintained above the minimum total capital requirements (i.e. Pillar 1 plus Pillar 2A plus Capital Conservation Buffer and PRA Buffer).
- Starling will allocate its capital in pursuit of its stated business strategy and not for any other purpose.



APPENDIX 4:

RISK APPETITE STATEMENTS

Retail and Commercial Credit Risk (including Concentration Risk)

The current or prospective risk that a customer of the bank (retail or commercial) defaults on their contractual obligations to Starling, or fails to perform its obligations in a timely manner.

The risk that geographic concentrations of borrowers, spread of lending to individual borrowers and common relationships (e.g. industry, employer or employment sector) lead to higher than expected losses.

- Starling aims to be a responsible lender and will seek to only provide lending facilities to applicants that are not over-indebted and who can evidence an ability to service their lending. Starling targets prime and near- prime lending, with no appetite for sub-prime lending.
- Where Starling enters into an agreement to purchase or have another organisation originate loans on Starling's behalf, those loans, together with aggregate risk exposure, must comply with Starling's risk appetite.
- Starling will lend to individuals and SMEs in the form of unsecured overdrafts or other unsecured credit products, within a maximum exposure per individual or SME.
- Starling will mitigate concentration risk by limiting the percentage of customers who have limits exceeding specific lending thresholds.
- Starling's coverage rate (provisions) will not exceed a Board approved percentage.
- Starling will assess the individual circumstances of any customer/business in financial difficulties/arrears and will treat them fairly and in accordance with the FCA's Consumer Credit sourcebook.

The Bank's primary aim is to lend money to personal account and small and medium sized enterprises. It recognises that some losses are inevitable through the full range of the economic cycle, but desires low overall losses and stable earnings in line with its strategic risk appetite.

The Bank has implemented portfolio level protocols across its major business lines, setting out limits and EWIs on credit risk and portfolio concentrations. Key Risk Indicators (KRIs) relating to the lending book are produced and reported on a daily basis. Furthermore, risk positions are reported monthly to the Credit Risk Committee.

Wholesale Credit Risk (including Concentration Risk)

The current or prospective risk that a wholesale counterparty of the bank defaults on its contractual obligations to Starling, or fails to perform its obligations in a timely manner.

The risk that concentrations of wholesale counterparties (e.g. by individual counterparty, sector or country) lead to higher than expected losses.

- Starling aims never to become over-reliant upon any wholesale counterparty to the extent that a failure by that counterparty would have a severe detrimental impact upon Starling.
- Starling will take counterparty credit risk on service providers and suppliers based on individual counterparty analysis and approved limits.
- Starling has no appetite for exposures to sub-investment grade counterparties.
- Starling will hold its Liquid Assets in Sterling or Euros or US Dollars in investment grade UK-based banks, government bonds or other instruments.

Funding and Liquidity Risk

The risk that Starling could fail to meet its obligations as they fall due, including having the right type and quantity of funds, in the right place, at the right time and in the correct currency.

- Starling will, at all times, maintain sufficient liquidity to enable it to successfully meet its financial obligations as and when they fall due.
- Starling will manage its funding and liquidity risk from a central Treasury function.
- Starling will fund retail overdrafts/loans from customer deposits and will set a limit on available but undrawn limits to ensure any expected drawdowns can be funded from deposits.
- Starling will at all times maintain a pool of High Quality Liquid Assets that is sufficient to drive a Board approved Liquidity Coverage Ratio percentage.

Market Risk

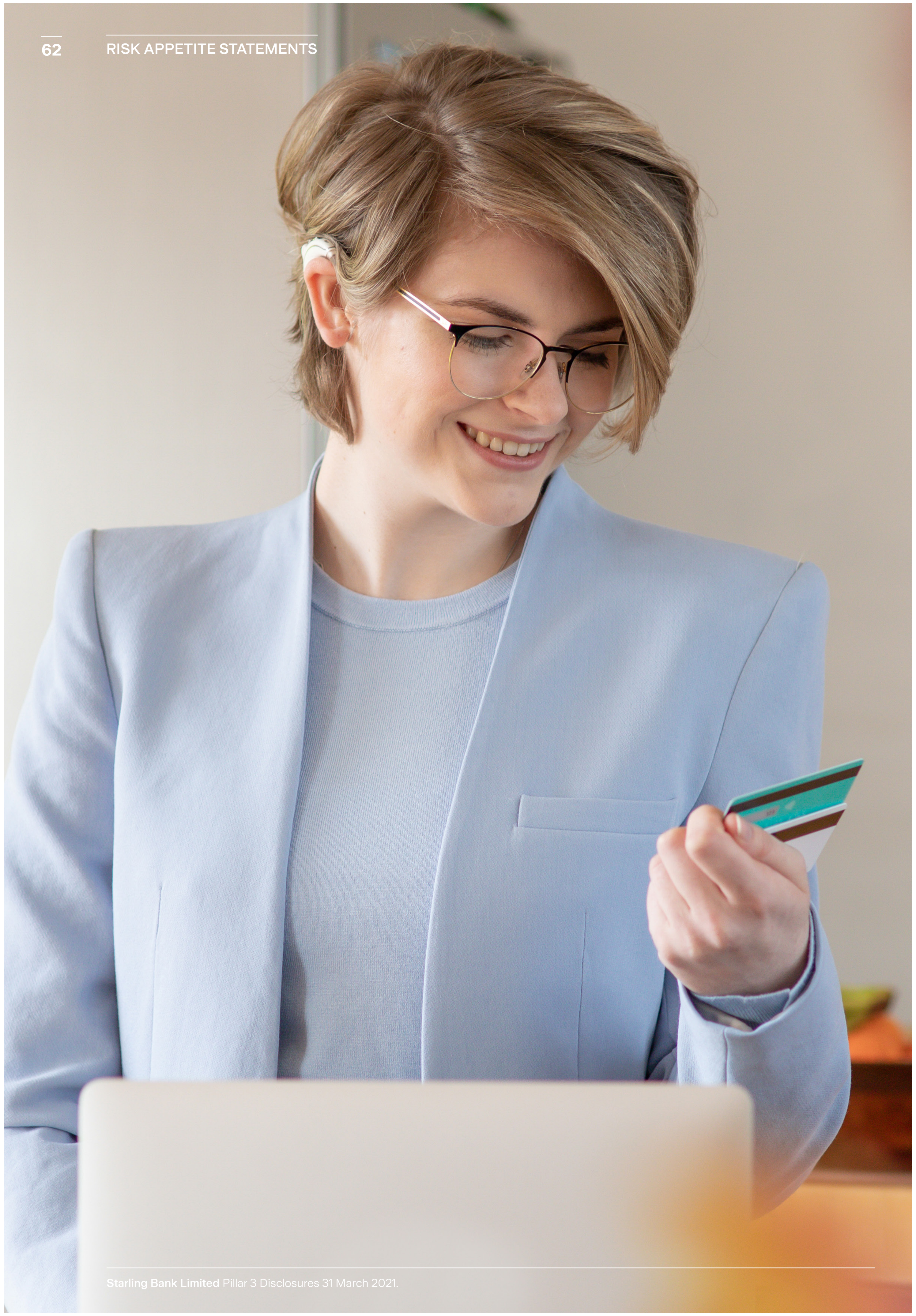
The risk to capital or earnings from the adverse movement of market variables, such as interest rates and foreign exchange rates.

- Starling will not take any proprietary (own account) trading positions other than as arising from customer-related activities.
- Starling will take Interest Rate Risk in the Banking Book related to timing differences in the repricing of its assets, liabilities and off-balance sheet positions.
- Starling will, wherever possible, operate a matched book basis for individual currency exposures and where an unhedged net exposure position arises will seek to hedge the resulting amount.
- Starling will only accept material currency exposures in Sterling, Euros and US Dollars.

Conduct and Culture Risk

The risk of creating harm to a customer, counterparty or market arising from inappropriate behaviour by Starling or its partners in the execution of business activities. This includes, but is not limited to inappropriate product design, selling and delivery.

- Starling will ensure that we deliver fair customer outcomes across all of our activities, including ensuring the appropriate conduct of our staff.
- Starling has no appetite for staff conduct which is in conflict with our business values or which results in poor customer outcomes.
- Starling will only design and deliver products if it is confident that they will not result in customer harm.
- Starling will only offer products which ensure that customers' risk exposures are no greater than those clearly communicated to them.
- Starling will only offer products and services that are aligned with the requirements of the Conduct and Culture Risk Policy and its values.
- Starling's communications with customers, including financial promotions, must always be clear, fair and not misleading, so that product and account information is clearly understood by customers.
- Starling will collect and act on feedback from customers to improve products and customer experience.



APPENDIX 4:

RISK APPETITE STATEMENTS

Compliance Risk

The risk of financial loss, reputational damage and/or regulatory censure arising from failing to comply with existing/future regulatory or legislative requirements.

The risk of financial loss, reputational damage and/or regulatory censure arising from changes to existing regulatory/legislative requirements made by regulatory/statutory authorities that negatively impact the existing strategy/business model of the Bank.

- Starling will not accept any deliberate or systemic breaches of applicable laws and regulations and will seek to avoid inadvertent regulatory errors and omissions by maintaining robust control processes.
- In the event that regulatory breaches are identified, Starling will promptly remediate the situation and, where necessary, ensure that the Bank's regulators are notified on a timely basis.
- Starling has no appetite for knowingly facilitating criminal activities by customers, including tax evasion, money laundering or any other fraudulent activity.
- Starling has no appetite for facilitating transactions with sanctioned individuals or entities.
- Starling will not open or maintain accounts or provide payment services for businesses engaged in activities deemed as 'excluded' under our Terms and Conditions (e.g. gambling or weapons).

Operational Risk

The risk of loss, whether direct or indirect, to which Starling Bank is exposed due to inadequate or failed internal processes or systems, human error or external events.

- Whilst Starling will accept operational risks in support of its business objectives, we will seek to manage those risks and minimise potential losses.
- Starling has little or no appetite for customer detriment from unplanned downtime, operational errors or information security breaches.
- Starling will ensure that data is managed in accordance with legal requirements and that data integrity is maintained.
- Starling will mitigate its process risk by ensuring key processes and controls are automated, but will accept the risk of manual processing in pursuit of its growth objectives, providing that processes are adequately documented and that customer detriment is avoided.
- Starling will not tolerate breaches of contract or Service Level Agreements with critical outsourced service providers or vendors, and wherever possible and practical will have more than one service provider and/or robust business continuity plans in the event of failure.
- Starling will not tolerate internal fraud or corruption.