PILLAR 3

STARLING BANK

CONTENTS

01. INTRODUCTION

1.1. Purpose

This document comprises Starling Bank Limited's ('Starling' or 'the Bank's') Pillar 3 disclosures on capital and risk management at 30 November 2019. It has two principal purposes:

1. It provides information on the policies and approach taken by Starling Bank to manage risk and to maintain its capital resources. It also includes details of:

- The governance structure of the Bank, and
- Information quantifying the Bank's assets and capital resources.

2. To meet the regulatory disclosure requirements under the Capital Requirements Regulation (EU) No 575/2013 ("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 2019 financial statements. The processes for preparing these disclosure are set out in the Bank's Pillar 3 policy.

Full details of the Bank's financial results for 2019 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

1.3. Legislative Framework

Starling Bank Limited is subject to the European Union's Capital Requirements Directive (CRD) and CRR. The CRR and CRD, commonly known together as "CRD IV", provide consistent capital adequacy standards for financial services companies and an associated supervisory framework across the European Union and are enforced in the UK by the PRA.

01. INTRODUCTION

The CRD IV regulations split the Bank's capital resources and reporting requirements into 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 minimal Pillar 1 capital requirement for 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. The Bank is required to publish a Pillar 3 report annually.

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 for setting 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
- Maintaining a control environment to manage the principal risks, and ensuring the capital and liquidity resources are adequate to achieve the Bank's objectives without taking undue risk.
- The Board is supported by sub-committees, being:

Board Level Committees

Board Risk Committee

The Board Risk Committee has been established by the Board to determine a structure for effective operation of risk management and to ensure 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 15 times in the period 1 December 2018 to 30 November 2019.

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

- Defining 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;
- Reviewing and recommending to the Board the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP);
- Promoting a culture of risk awareness across the Bank;
- Providing feedback to the remuneration Committee;
- Advising the Audit Committee and/or the Board on the adequacy of the risk-related disclosures in the annual report and accounts, Pillar3 disclosures and any other risk-related disclosures in the public domain;
- Determining the management information necessary to oversee the risk situation 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.

02. GOVERNANCE AND COMMITTEES

Board Audit Committee

- The Board Audit Committee has been established by the Board to provide an independent interface with the external auditors, to direct the work of Internal Audit, and to provide 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; and
  - Overseeing management's actions to address control weaknesses identified by internal or external audit, compliance or supervisory authorities.

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 Group that are aligned to the Group'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. The committee will also have responsibility for approving any changes to the structure and makeup of the Executive management team;
  - Considering succession planning for directors and other senior executives;
  - Identifying and nominating candidates, for the approval of the Board, to fill Board vacancies;
  - Reviewing the leadership needs of the organisation, both executive and non-executive to ensure that Starling can compete effectively in the marketplace.

Executive Level Committees

Executive Committee

The Executive Committee has been established by the Board to manage 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, 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)

- To manage interest rate policy, set the strategy and limits for liquidity management, monitor gapping and market risk within the parameters set by the Board; and
- To oversee management of capital.

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 TCF;
- 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.

02. GOVERNANCE AND COMMITTEES

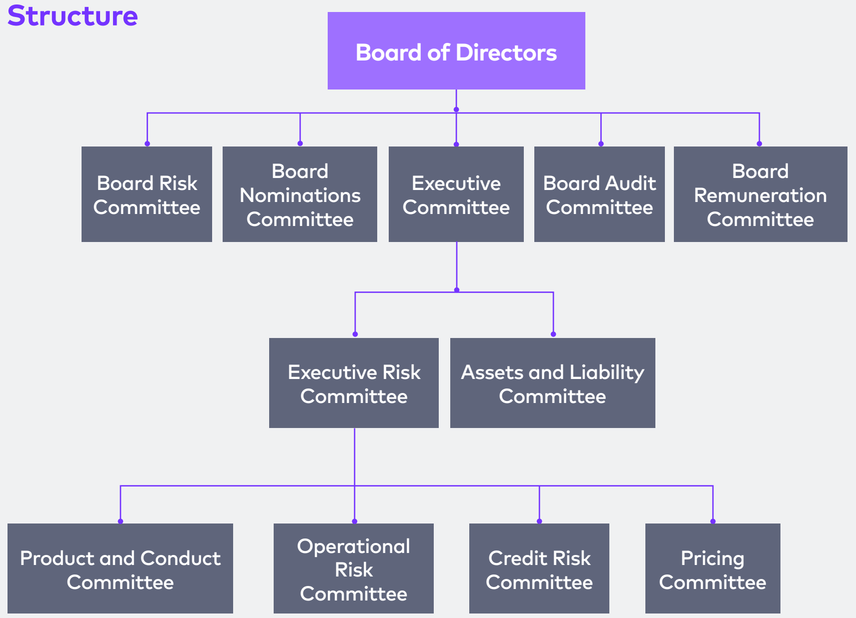
Credit Risk Committee

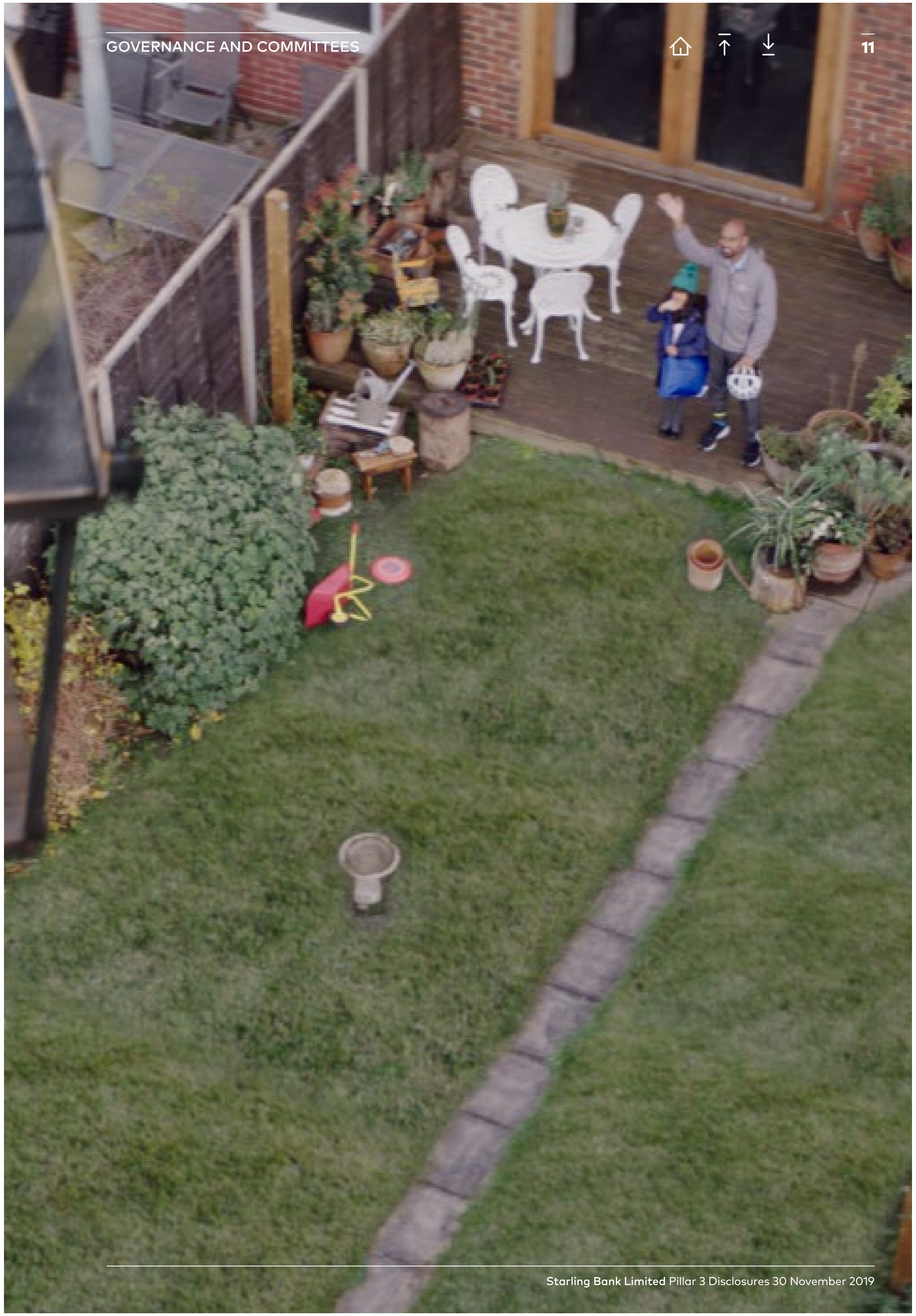
Credit Risk Committee is constituted to monitor the Bank's lending portfolio against the Board-agreed Credit risk appetite. It ensures that the Bank has sufficient capacity and capability, supported by quality management information, to deliver against the Bank's lending strategy.

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 November 2019 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 Bank works effectively to limit the negative impacts through identifying, monitoring and managing all relevant risks.

3.1. Framework

Starling has adopted an Enterprise Risk Management Framework (ERMF) which sets out 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

Starling's Risk Strategy is to create and maintain a robust risk culture and embed effective risk management practices. We recognise that this needs to be achieved through providing an open and transparent environment where well-trained and informed individuals take intelligent risk, subject to clear policies, in pursuit of the bank's business strategy.

The overarching direction of the Board is to take risk consciously and methodically in order to deliver the Bank's strategic and business objectives, whilst demonstrating management of material risks to levels that preserve financial and operational resilience, and which ensure the ongoing confidence of customers, regulators and investors.

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

The Chief Risk Officer (CRO) has responsibility for ensuring that there is an appropriate risk management framework in place that is aligned to the three lines of defence model below and covers all risk categories appropriately.
The CRO is also responsible for providing oversight and challenge on all significant risks identified for the Bank, in order to ensure that they are being appropriately monitored and controlled and that they are in line with the defined risk appetite tolerances.

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

3.4. Three Lines of Defence

Starling Bank operates a three lines of defence model as outlined in the table below:

Line	Business Function	Description
First Line of defence	Operational Management	The first line of defence is responsible for identifying, assessing and managing risks and controls related to their own business line activities on a day-to-day basis. The first line operates the business in accordance with the ERMF and ensures that the requirements of the framework are translated into effective operating processes and procedures. It is the responsibility of senior management, who are the risk takers in the business, to ensure relevant risk management processes and procedures are followed to meet the Board's agreed risk profile and that risks within all new and existing products and processes are effectively considered, controlled and managed.
Second line of defence	Risk and Compliance	The second line is fully independent from the first line and is responsible for overseeing the application of the ERMF, challenging the information presented by the first line and monitoring and reporting on risks and controls to the relevant committees, ensuring that the first line continues to operate within the risk appetite and tolerances that have been set. The Function is responsible for oversight of forward-looking risk at an aggregate level relative to the risk appetite of the Bank.
Third line of defence	Internal Audit	Internal Audit acts as the third line of defence and is accountable for providing independent assurance. Starling uses an external accountancy firm (BDO LLP) to fulfil this function. The third line provides independent assessment over the adequacy of first and second line activities in relation to all aspects of the business, including risk management. Internal Audit regularly assesses the appropriateness and operating effectiveness of Starling's ERMF and the Risk Appetite Framework to ensure that they are aligned to regulatory expectations and industry standards.

3.5. Risk Appetite

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

Starling's risk appetite considers the material risks to the Bank, with consideration given to the potential impact on elements such as the balance sheet, profit and loss, customers, employees, reputation, regulators and other stakeholders. It is set well within a capacity for risk that has amongst its boundaries regulatory minima for capital and liquidity, as well as conduct breaking points for the Bank in terms of customer treatment.

Risk appetite is embedded through the use of quantitative and qualitative measures that provide direction to all areas of the business and set clear tolerances for activities that are both within and outside risk appetite. From time to time it is expected that risk exposures will be outside of the defined appetite, however, the Framework is designed to assist in identifying such instances and ensuring they are escalated and managed appropriately. Further detail on the bank's risk appetite is detailed in Appendix 4.

04. REMUNERATION

As a Bank with less than £15bn of assets, the Bank is classified as a "Tier 3" firm, per PRA guidelines, with respect to proportionality of remuneration disclosures.

- The Bank's Remuneration Committee is responsible for designing and implementing the reward structure of the Bank. The committee ensures that effective risk management is a key component of remuneration and incentive structures. Membership is restricted to Non-Executive Directors only.
- The committee's terms of reference describe the committee's responsibilities. The committee's terms of reference are set out in Appendix 4.
- The Remuneration Committee met quarterly, 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 does 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 the 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 Code, the Bank's Remuneration Policy is reviewed annually to take account of any changes to policies, practices and procedures and is approved by the Board.
- 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.

		2019
Remuneration Amount		**Senior Management**
	Number of employees	**27**
		£'000
	Total fixed remuneration	**4,980**
	of which: cash-based	4,401
Fixed remuneration	of which: deferred	
	of which: shares or other share-linked instruments	579
	of which: deferred	
	of which: other forms	
Total remuneration		**4,980**

The Bank has no variable remuneration.

05. CAPITAL RESOURCES

The Bank manages its capital under the CRD IV framework. The framework is 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.

The Bank has elected to use the Standardised Approach for credit risk. Under CRD IV 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 30 November 2019, the Bank's capital base comprised of £51,109k of CET 1 compliant Tier 1 capital and there was no Tier 2 capital. The Bank's regulatory capital consists of the following elements:

	30 November 2019 £'000	**30 November 2018 £'000**
Tier 1		
Ordinary share capital	7	5
Share Premium	159,332	67,784
Retained earnings	(92,174)	(39,790)
Total Equity	**67,165**	**27,999**
Regulatory deductions	(16,056)	(13,221)
Total Common Equity Tier 1 Capital	51,109	14,778
Tier 2		
Total Tier 2 capital	-	-
Total regulatory capital	51,109	14,778

	30 November 2019 £'000	**30 November 2018 £'000**
Equity as per statement of financial position	67,165	27,999
Regulatory adjustments: Regulatory deductions	(16,056)	(13,221)
Total regulatory capital	51,109	14,778

05. CAPITAL RESOURCES

	30 November 2019 %	30 November 2018 %
Common equity Tier 1 capital ratio	41.8%	34.5%
Tier 1 capital ratio	41.8%	34.5%
Total capital ratio	41.8%	34.5%

- The 2019 profits and reserves as at 30 November 2019 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 30 November 2019, as set by the PRA, was 9.3% of RWAs plus a static add-on of £2.915m. These disclosures have been prepared using this TCR.

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. The Bank's credit risk principally arises from its loans and advances to customers.

The Bank's minimum capital requirements are calculated by applying credit risk weightings to the risk weighted assets under the Standardised Approach.

Overview of RWA

30 November 2019 £'000	**Risk Weighted Assets**		**Minimum Capital**	
Description	**2019**	**2018**	**2019**	**2018**
Credit risk (excluding CCR)	92,339	13,536	7,387	1,083
Of which: Standardised Approach (SA)	92,339	13,536	7,387	1,083
Counterparty credit risk (CCR)	-	-	-	-
Market risk	1,712	-	137	-
Of which: Standardised Approach (SA)	1,712	-	137	-
Operational risk	28,250	28,300	2,260	2,264
Of which: Basic Indicator Approach	28,250	28,300	2,260	2,264
Total	**122,301**	**41,836**	**9,784**	**3,347**

05. CAPITAL RESOURCES

The tables below show the Bank's exposures at 30 November 2019 by exposure class, net of provisions.

Credit risk exposure and capital requirement

Credit Risk Exposure 30 November 2019

Exposures Breakdown	Exposure Value	Risk Weighted Exposure Value	Minimum Pillar 1 Capital Requirements
	£'000	£'000	£'000
Governments and Central Banks	765,263	-	-
Multilateral Development Banks	40,032	-	-
Institutions	20,615	9,229	738
Corporates	1,201	681	55
Retail	54,084	40,780	3,262
Covered bonds	263,422	26,692	2,135
Securitisation positions	24,214	4,843	387
Other items	15,988	10,114	809
Balance sheet Exposures	**1,184,819**	**92,339**	**7,386**
Off Balance sheet commitments	71,068	-	-
Total Credit Exposures	**1,255,887**	**92,339**	**7,386**
Operational risk capital requirement	28,250	28,250	2,260
Market risk capital requirement	1,712	1,712	137
Credit Value adjustment	-	-	-
Total Pillar 1 Capital requirement	**1,285,849**	**122,301**	**9,783**

5.2. Leverage Ratio

The CRD IV 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. At 4.3%, the Bank's ratio is in excess of the future minimum (EU) Leverage Ratio regulatory requirement of 3%.

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

Leverage Ratio	30 November 2019 £'000
Total Tier 1 Capital	51,109
Exposures	
Balance sheet exposure	1,184,819
Off Balance sheet exposure	7,107
Total Exposures	1,191,926
(EU) Leverage Ratio	**4.3%**

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 30 November 2019 - £'000	a	b	c	d
	Gross carrying value of			
Asset Classes	**Defaulted Exposures**	**Non-defaulted exposures**	**Allowances/ Impairments**	**Net Values (a+b+c)**
Loans	2,126	854,873	2,778	854,221
Cash at Central Banks		762,333		762,333
Loan and advances to banks		20,615		20,615
Loan and advances to corporates		1,201		1,201
Loan and advances to customers	2,126	54,736	2,778	54,084
Other Assets		15,988	-	15,988
Investment securities		330,598		330,598
Total On Balance Sheet	**2,126**	**1,185,471**	**2,778**	**1,184,819**
Off-Balance sheet exposures		71,068		71,068
Total	**2,126**	**1,256,539**	**2,778**	**1,255,887**

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. The Bank makes no use of the credit risk mitigation provisions in the CRR.

As at 30 November 2019	Credit risk exposure, credit converstion factors (CCF), and credit risk mitigation (CRM) effects					
	a	b	c	d	e	f
£'000	**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	765,263	-	765,263	-	-	0%
Multilateral development banks (MDBs)	40,032		40,032		-	0%
Banks	20,615	-	20,615	-	9,229	45%
Corporates	1,201	-	1,201	-	681	57%
Regulatory retail portfolio	54,084	71,068	54,084	-	40,780	75%
Covered bonds	263,422	-	263,422	-	26,692	10%
Securitisations	24,214	-	24,214	-	4,843	20%
Other assets*	15,988	-	15,988	-	10,114	63%
Total	**1,184,819**	**71,068**	**1,184,819**	**-**	**92,339**	**8%**

(*) Other Assets includes Fixed Assets and Other Debtors.

06. CREDIT RISK

As at 30 November 2019 - £'000	a	b	c	e	f	g	h	i	j
Asset Classes/Risk Weight	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total Credit Exposures amount (post CCF and post CRM)**
Governments and central banks	765,263								765,263
Multilateral development banks (MDBs)	40,032								40,032
Banks			3,596	17,019					20,615
of which securities firms and other financial institutions									-
Corporates				1,039		162			1,201
Retail exposures	71,068				54,084				125,151
Covered bonds		259,919	3,503						263,422
Securitisations			24,214						24,214
Other assets (*)	2,481		4,246			9,261		0	15,988
Total	**878,844**	**259,919**	**35,559**	**18,058**	**54,084**	**9,423**	**-**	**0**	**1,255,887**

(*) Other Assets includes Fixed Assets and Other Debtors.

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 30 November 2019	Total	Contractual cash flows		
	£'000	Less than 3 months	3 months to 1 year	Greater than 1 year
Assets				
Cash and balances at central banks	762,333	762,333		
Loans and advances to banks	20,615	3,596		17,019
Loans and advances to corporates	1,201	1,201		
Loans and advances to customers	54,084	54,084		-
Investment securities	330,598		5,003	325,594
Other Assets	15,988	15,988		
Total	**1,184,819**	**837,202**	**5,003**	**342,613**

6.3 Credit Risk – Geographical Breakdown

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

As at 30 November 2019 £'000	Concentration of Exposures by Geographic areas		
Account type	**UK**	**Europe/EEA**	**Total**
Governments and central banks	735,388	29,875	765,263
Multilateral Development Banks	30,019	10,013	40,032
Institutions	19,266	1,349	20,615
Corporates	48	1,153	1,201
Retail exposures	54,084	-	54,084
Covered bonds	261,926	1,496	263,422
Securitisations	24,214	-	24,214
Other Exposures	15,969	19	15,988
Off-balance sheet exposures	71,068	-	71,068
Total Standardised Approach	**1,211,982**	**43,905**	**1,255,887**
Total	**1,211,982**	**43,905**	**1,255,887**

6.4 Credit Risk – Sectoral Information Breakdown

All of the Bank Customer Lending is to Retail 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 European Banking Authority ('EBA'). The CQS value is then mapped to a risk weight percentage.

USE OF EXTERNAL CREDIT AGENCIES

07. USE OF EXTERNAL CREDIT AGENCIES

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

As at 30 November 2019 - £'000									Total
Asset Class	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total Credit Exposure amount (post CCF and post CRM)**
Governments and central banks	765,263								765,263
Multilateral development banks (MDBs)	40,032								40,032
Banks			3,596	17,019					20,615
Corporates				1,039		162			1,201
Retail exposures					54,084				54,084
Covered bonds		259,919	3,503						263,422
Securitisations			24,214						24,214
Other assets (*)	2,481		4,246			9,261			15,988
Total	**807,776**	**259,919**	**35,559**	**18,058**	**54,084**	**9,423**	**-**	**-**	**1,184,819**

(*) Comprising of Fixed Assets and Other Debtors.

Starling Bank Limited Pillar 3 Disclosures 30 November 2019

08. CREDIT QUALITY -IMPAIRMENTS AND PROVISIONS

The institution'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 30 November 2019. All of Starling Bank's overdrafts and personal loans are unsecured and UK domiciled.

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

	Ageing of past-due exposures						
As at 30 November 2019 £'000	**a**	**b**	**c**	**d**	**e**	**f**	**g**
	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	620	2,115	42	1	-	-	2,778
Investment Securities	-	-	-	-	-	-	-
Total Exposures	**620**	**2,115**	**42**	**1**	**-**	**-**	**2,778**

08. CREDIT QUALITY -IMPAIRMENTS AND PROVISIONS

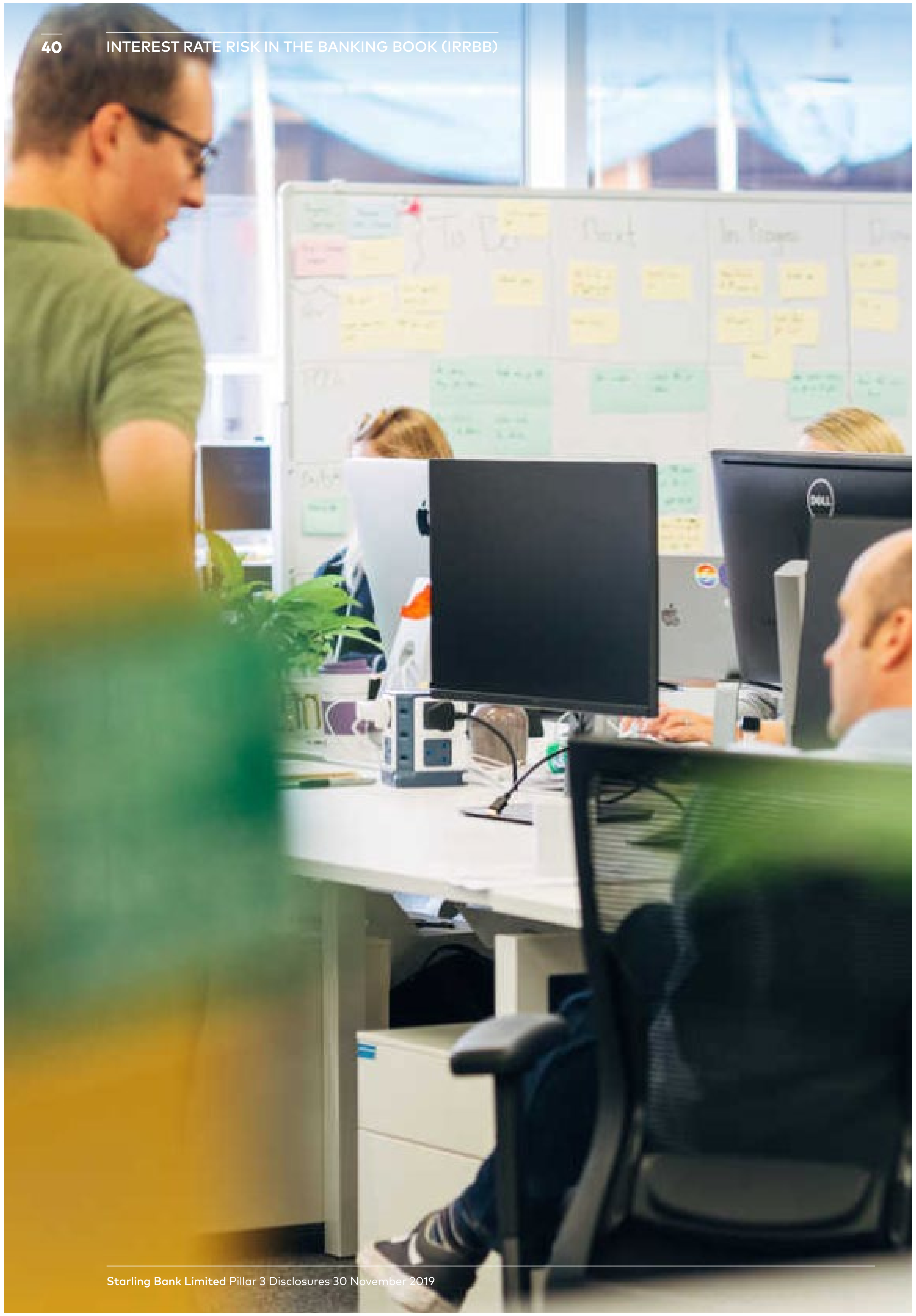
There has been no change in the Bank's use of credit mitigation techniques in 2019 and the bank makes no use of the credit risk mitigation provisions in the CRR.

Impairment provisions against customer loans and advances at 30 November 2019 have been made up as follows:

Changes in Stock of general and specific credit risk adjustments			
	As at 30 November 2019	a	b
	£'000	Accumulated specific credit adjustment	Accumulated specific credit adjustment
1	**Opening Balance**	**397**	-
2	Increase due to amounts set aside for estimated loan losses during the period	2,381	-
3	Decrease due to amounts reversed for estimated loan losses during the period	-	-
4	Decrease due to amounts taken against accumulated credit risk adjustment	-	-
5	Transfer between credit adjustment	-	-
6	Impact of exchange rate differences	-	-
7	Business combinations, including acquisitions and disposals of subsidiaries	-	-
8	Other adjustments	-	-
9	**Closing Balance**	**2,778**	-
10	Recoveries on Credit risk adjustments recorded directly to statement of income	-	-
11	Specific credit adjustment directly recorded to the statement of income	-	-

Changes in Stock of defaulted loans and debt securities		
	As at 30 November 2019	**Gross carrying value defaulted exposures**
1	**Defaulted loans and debt securities at the end of previous reporting period**	**-**
2	Loans and debt securities that have defaulted since the last reporting period	2,126
3	Returned to non-defaulted status	-
4	Amounts written off	2,126
5	Other changes	-
6	**"Defaulted loans and debt securities at the end of reporting period (1+2-3-4+/-5)"**	**-**

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 are comprised of fixed term loans and variable rate overdrafts to individuals and SMEs. In addition to customer assets, Starling invests in liquid securities, with a small allocation to fixed rate instruments. Liabilities consist of variable rate deposits from individual and SME customers.

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.

The Bank estimates that a +/-200bps instantaneous, parallel increase and decrease in interest rates paid/received would have impacted net interest income by +£16m/-£18m respectively.

This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

The regulatory PV200 measure is a key metric used by the Bank to evaluate its interest rate risk sensitivity. Starling's 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 estimated impact on economic value of an instantaneous, parallel increase and decrease in interest rates would be -£243k and +£347k respectively for a 200 basis point shock.

10. ASSET ENCUMBRANCE

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

The following tables leverage the EBA templates and show disclosures in respect of the Bank's encumbered and unencumbered assets for 2019.

- The bank has not received any collateral and associated liabilities and therefore not disclosed Template B: Collateral received or Template C: Source of Encumbrance.

Template A

As at 30 November 2019	£'000	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
		010	040	060	090
Assets of the reporting institution	010	81,039		1,108,259	
Loans on demand	020	81,039		717,082	
Equity instruments	030				
Debt securities	040			330,598	330,838
- of which: covered bonds	050			263,422	263,536
- of which: asset-backed securities	060			24,214	24,227
- of which: issued by general governments	070			42,961	43,076
- of which: issued by financial corporations	080				
- of which: issued by non-financial corporations	090				
Loans and advances other than loans on demand	100			38,438	
- of which: mortgage loans	110				
Other assets	120			**22,141**	

11. SECURITISATION

Starling Bank Ltd does not act as a sponsor or originator in securitisations. We have no re-securitisation positions.

Starling Bank Ltd 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 expect to 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 Bank's securitisation exposures are as an investor. Our approach to calculating risk-weighted exposure amounts followed the Standardised Approach (pre 2019) and SEC-SA (from Jan 2019) under the revised STS Framework.

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

All the underlying assets for securitisation exposures were to retail exposures (e.g. residential mortgages, credit-cards and credit-auto). Total exposure value was £24,214k and risk weight bands below or equal to 20% as reported under the SEC-SA STS framework and the Standardised Approach for non-STS securitised assets.

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 CRD IV Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

	30 November 2019 £'000
Liquidity Coverage Ratio	
Total high-quality liquid assets (HQLA)	1,003,302
Total net cash outflow	107,363
LCR (%)	934%
Net Stable Funding Ratio	
Total available stable funding	964,500
Total required stable funding	134,341
NSFR	718%

13. MARKET RISK

Market risk is the risk to capital or earnings from the adverse movement of market variables.

The Bank uses the Standardised Approach for market risk and does not have any trading book exposures or any derivative instruments. The Bank holds its financial assets to maturity at amortised cost in the regulatory banking book and is not subject to trading position risk.

The bank accepts a level of risk linked to exposures denominated in foreign currencies within the limit set by the Board. The Bank is therefore subject to own fund requirement for foreign exchange risk in the banking book according to CRR article 352 as stated below.

As at 30 November 2019 **£'000**	**RWA**
Interest rate risk (general and specific)	
Equity risk (general and specific)	
Foreign exchange risk	1,712
Commodity risk	
Total	**1,712**

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 period of stress. The rate in place for the UK as at 30 November 2019 was 1%. The Bank specific rate and its geographic distribution are set below.

Geographic distribution of Credit exposures used in the calculation of the bank-specific countercyclical buffer requirement

(£'000)

30 November 2019	a	b	c	d	e
Geographical breakdown	Countercyclical capital buffer rate	Exposure values and/or risk-weighted assets (RWA) used in the computation of the countercyclical capital buffer		Bank-specific countercyclical capital buffer rate	Countercyclical capital buffer amount
		Exposure values	RWA		
UK	1%	1,211,982	91,251		
JERSEY	1%	114	114		
BELGIUM	1%	1,073	553		
GERMANY	1%	10,239	45		
FINLAND	1%	1,496	150		
IRELAND	1%	29,882	7		
NETHERLANDS	1%	1,101	220		
Total		**1,255,887**	**93,340**	**1.00%**	**923**

15. OTHER DISCLOSURES

The Bank has:

- no regulatory trading book;
- no counterparty credit risk or credit valuation adjustment capital charges;
- not been identified as having any global or domestic systemic importance;
- 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 30 November 2019	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)	£6.51
Par value of instrument	£6.51
Accounting classification	Shareholders' Equity
Original date of issuance	Various
Perpetual or dated	Perpetual
- Original maturity date	No Maturity
Issuer call 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	
Coupons / dividends	
- 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 - Regulatory disclosure template	**30 November 2019 £'000**
Description	
Common Equity Tier 1 (CET1) capital: instruments and reserves	
Capital instruments and the related share premium accounts	159,339
Retained earnings	(92,174)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**67,165**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
(-) Intangibles assets / intercompany loan	(16,056)
Total regulatory adjustment to Common Equity Tier 1 (CET1)	(16,056)
Common Equity Tier 1 (CET1) capital	**51,109**
Additional Tier 1 (AT1) capital: instruments	
Additional Tier 1 (AT1) capital	-
Tier 1 Capital (T1 - CET1 + AT1)	**51,109**
Tier 2 (T2) capital: instruments and provisions	
Tier 2 (T2) capital	-
Total capital (TC = T1 + T2)	**51,109**
Total Risk weight assets	**122,301**
Capital Ratios and buffers	
Common Equity Tier 1 (as a percentage of total risk exposure amount)	41.8%
Tier 1 (as a percentage of total risk exposure amount)	41.8%
Total capital (as a percentage of total risk exposure amount)	41.8%
Capital conservation buffer	2.5%
Institution specific countercyclical capital buffer	1.0%

APPENDIX 1

LEVERAGE RATIO REGULATORY DISCLOSURES

Table LRSum: **Summary reconciliation of accounting assets and leverage ratio exposures**	**30 November 2019** **£'000**
Total assets exposures	1,184,819
Adjustment for derivative financial instruments	-
Adjustment for off-balance sheet items	7,107
Other adjustments	-
Leverage ratio total exposure measure	**1,191,926**

Table LRCom: **Leverage ratio common disclosure**	**30 November 2019** **£'000**
On-balance sheet items per Financial Statement	1,200,875
Asset amount deducted in determing Tier 1 capital	(16,056)
Total on-balance sheet exposures	1,184,819
Derivative exposures	
Add-on amount for PFE associated with all derivatives transactions	-
Total derivatives exposure	-
SFT exposures	
Total securities financing transaction exposures	-
Off-balance sheet exposures	
Total Other off-balance sheet exposures	7,107
Capital and total exposure measure	
Tier 1 capital	51,109
Leverage ratio total exposure measure	**1,191,926**
Leverage ratio	
Leverage ratio	4.3%

Table LRSpl: **Split of on-balance sheet exposures**	**30 November 2019** **£'000**
Total on-balance sheet exposures, of which:	1,184,819
Exposures treated as sovereigns	805,295
Institutions	20,615
Retail	54,084
Corporate	1,201
Exposure in default	-
Covered bonds	263,422
Securitisation	24,214
Other exposures	15,988

APPENDIX 2

ADDITIONAL CREDIT RISK DISCLOSURES

The below table shows the average and year end exposures which give rise to a credit risk exposure.

As at 30 November 2019	Total and Average net amount of exposures	
	a	b
Account type	**Net value of exposures at the end of the period**	**Average net exposures over the period**
Governments and central banks	765,263	507,814
Multilateral Development Banks	40,032	5,005
Institutions	20,615	11,686
Corporates	1,201	309
Retail exposures	54,084	19,374
Covered bonds	263,422	110,534
Securitisation	24,214	7,422
Other Exposures	15,988	9,608
Off-balance sheet	71,068	49,705
Total Standardised Approach	**1,255,887**	**721,457**
Total	**1,255,887**	**721,457**

APPENDIX 2
ADDITIONAL CREDIT RISK DISCLOSURES

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

Maturity of exposures						
As at 30 November 2019 £'000	a	b	c	d	e	f
	Net Exposure Value					
Exposure type	On Demand	≤ 1 Year	>1 year ≤ 5 years	>5 years	No dated maturity	Total
Governments and central banks	762,333		41,014	1,948	-	805,295
Institutions	20,615				-	20,615
Corporates	1,201					1,201
Retail exposures	54,084					54,084
Covered bonds		5,003	258,419			263,422
Securitisation			24,214			24,214
Other Exposures	15,988					15,988
Total On-Balance sheet	**854,221**	**5,003**	**323,647**	**1,948**	**-**	**1,184,819**
Off-balance sheet	71,068					71,068
Total Standardised Approach	**925,289**	**5,003**	**323,647**	**1,948**	**-**	**1,255,887**
Total	**925,289**	**5,003**	**323,647**	**1,948**	**-**	**1,255,887**

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.

Credit quality of exposure calcs and instrument types							
As at 30 November 2019 £'000	a	b	c	d	e	f	g
	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		805,295					805,295
Institutions		20,615					20,615
Corporates		1,201					1,201
Retail Exposures	2,126	56,862	2,778		2,126		54,084
Covered bonds		263,422					263,422
Securitisation		24,214					24,214
Other Exposures		15,988					15,988
Off-balance sheet		71,068					71,068
Total Standardised Approach	**2,126**	**1,258,665**	**2,778**	**-**	**2,126**	**-**	**1,255,887**
Total	**2,126**	**1,258,665**	**2,778**	**-**	**2,126**	**-**	**1,255,887**

APPENDIX 3
DIRECTORSHIPS

The Bank's Board Members hold the following number of directorships as at 30 November 2019:

Name	Gender	Independent	Appointment Date	Total Number of Directorships
Anne Boden	F		18 June 2014	4
Lazaro Campos	M		21 June 2018	4
Steve Colsell	M	Independent	18 September 2015	4
Tony Ellingham	M		17 August 2016	3
Marian Martin	F	Independent	26 June 2019	8
Victoria Raffé	F	Independent	10 November 2015	8
Oliver Stocken	M	Independent	12 November 2015	8
Marcus Traill	M		22 December 2015	9
Mark Winlow	M	Independent	18 August 2015	10

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 CONC.

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 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, Euro and USD.

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.