STARLING BANK

ANNUAL REPORT & CONSOLIDATED FINANCIAL STATEMENTS

30th November 2017

For more information on Starling, including our blog, visit starlingbank.com. We are registered in England & Wales as Starling Bank Limited (No. 09092149), 3rd floor, 2 Finsbury Avenue, London, EC2M 2PP. We are authorized and regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) under registration number 730166. Starling Bank Limited is a member of the Financial Services Compensation Scheme and the Financial Ombudsman Service.

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COMPANY INFORMATION

DIRECTORS

Oliver Stocken (Independent Non-Executive Chairman)
Mark Winlow (Independent Non-Executive Director)
Steve Colsell (Independent Non-Executive Director)
Victoria Raffé (Independent Non-Executive Director)
Marcus Traill (Non-Executive Director)
Craig Mawdsley (Non-Executive Director)
Anne Boden (Chief Executive Officer)
Tony Ellingham (Chief Financial Officer)

COMPANY SECRETARY

Matthew Newman

REGISTERED OFFICE

3rd Floor
2 Finsbury Avenue
London
EC2M 2PP

COMPANY REGISTRATION №

09092149 (England & Wales)

AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London
E14 5GL

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STRATEGIC REPORT

Our business

Starling Bank Limited ("Starling" or the "Bank" or the "Parent Company" or the "Company" or the "Group"), was established in June 2014. Its aim is to create the best current account in the world. It is a UK-based retail bank that specialises in providing current accounts for individuals.

Starling is a different proposition in the world of retail banking in that it has no physical branches and its current account is run entirely from a mobile phone app. This differentiator is not only a cost reducer but it also allows the Group to be nimble and agile in its evolution of technology. Starling has recently announced that it will be rolling out its current account functionality for sole traders and micro businesses, additionally, it will be launching a multi-currency current account that will support both Personal and Business current accounts in the UK and in Europe. To Support the next stage of Starling's development in the SME market, the Bank intends to apply for the RBS Alternative Remedies Package (the 'Package"). This focus on providing one product to the best standard possible means everyone within the team is pulling towards that one goal.

Business Review

In January 2017, the Bank joined the UK's Faster Payments Scheme as its 13th member and in March 2017, the Company joined the Current Account Switching Service ("CASS"). In April 2017, the Company received notification from the PRA/FCA that the restrictions imposed at the time of granting its licence had been lifted.

Starling Bank Limited opened to the public at the beginning of May 2017 when its Mobile Banking App went live in the Apple App Store. In July 2017, Starling was the first mobile-only Challenger Bank to launch Apple Pay on its App. In September 2017 it opened its App service on Google Play Store, followed later in the year by Android Pay and more latterly Fitbit Pay.

During November 2017, the Bank received permission from the PRA/FCA that it had met all of their requirements for changing its permissions, under Part 4A of the Financial Services and Markets Act 2000 (FSMA), to include accepting deposits from all types of customers and being able to introduce customers to financial products from within the Starling App; this will allow the Bank to offer current account services to corporates and introduce customers to third parties via its marketplace.

By the end of November 2017, over 43,000 customers had opened an account with Starling Bank Limited, ahead of our budget expectations. Starling customer satisfaction is embedded in its management culture and this has translated into high scoring levels in the Apple App Store (4.2/5.0, 84%) and Android Play Store (4.1/5.0, 82%). Many customers have provided feedback on the product that has helped in making the App functionality better. Operationally, Starling has created 34,831 cards for customers, processed in excess of 1.4 million transactions through its card management system and attracted 1,639 net new current accounts as part of the Current Account Switching Service ("CASS"). Starling is in its first year of trading as a Bank, and its overall Net interest income margin was 30 bps.

As with any business, the staff are central to the success or failure of executing the business plan. The team has made an exceptional commitment to bring about the success of Starling through their expertise. Over the last financial year, staff numbers have increased from 62 full-time employees to 125 of which 43 are women and 82 are men. Starling embraces diversity and inclusion and support the Women in Finance Charter which sets out to bring the level of Female staff within Senior Management above 30% by 2021. With 29 different nationalities, the ethnic spectrum and foreign talent pool is also well represented.

Financial Review

The Group reported a Loss before tax of £(11,610)k for the year to 30th November 2017 (2016: £(4,346)k). The Loss after tax for the period was £(10,196)k (2016: £(4,253)k).

During the year the Group received income from depositing its capital with the Bank of England and other banks, lending activity and revaluing the collateral it has placed with other banks to support its card operations.

The Group incurred operating overheads of £(16,688)k (2016: £(8,370)k) some of which was directly attributable to the cost of designing, specifying, building, testing and implementing the software to support its banking platform. At the end of the period an assessment was made of the sustainability of the software developed and an amount of £4,710k (2016: £5,083k) was capitalised in the Statement of Financial Position as an Intangible asset resulting in total operating costs of £(11,978)k (2016: £(3,287)k) in the Statement of Comprehensive Income.

Principal Risks & Uncertainties

The Board considers the principal risks and uncertainties to be strategic, capital adequacy, credit including concentration & counterparty, funding & liquidity, market, conduct, operational and compliance.

Risks & Mitigating Controls

RISK	MITIGATING CONTROLS
Strategic Risk is the risk that Starling fails to execute its strategic plan due to poor planning or changes in the macroeconomic environment.	Starling has assumed a corporate governance framework with a board of experienced executive and non-executive directors, board sub-committees and executive committees to oversee and address strategic issues as they arise. This is supported by a detailed business plan, risk appetite statement and recovery and resolution plan as well as a skilled and experienced executive team.
Capital Adequacy Risk is the risk that capital is or will be insufficient to meet both Starling's regulatory and business operating requirements.	Starling assesses its capital requirements under an Internal Capital Adequacy Assessment Process (ICAAP) that is aligned to its business plan and capital-raising activities. Key metrics are monitored daily and regularly reviewed by the Board, including the adequacy of capital and its consumption for operational requirements.
Credit Risk, is the risk that customers or counterparties will be unable to meet their commitments when due.	Starling has a suite of retail customer credit policies and procedures linked to a scorecard-driven customer acquisition and credit management processes. Credit exposure to retail customers comprises overdraft only. Starling also has a suite of counterparty credit policies that are designed to limit its risk to counterparty failure. Credit exposure is overseen by the Executive Risk Committee (ERC) and, on behalf of the Board, by the Board Risk Committee (BRC).
Funding & Liquidity Risk is the risk that Starling has insufficient funds to meet its liabilities when due or to support its business objectives.	Starling has a suite of funding and liquidity risk policies and procedures with the risk managed and reported by a designated Treasury function. Starling has assessed its day to day liquidity requirements under an Internal Liquidity Adequacy Assessment Process (ILAAP), mitigated by a Contingency Funding Plan. The end to end process is overseen by the Assets and Liabilities Committee (ALCO). Key metrics are monitored daily and regularly reviewed by the Board.

Risks & Mitigating Controls (Cont.)

RISK	MITIGATING CONTROLS
Market Risk is the risk that changes in market prices impact the Bank's earnings or the value of its assets and liabilities.	Starling's market risks are mainly Interest Rate Risk in the Banking Book associated with investments in UK government bonds (Gilts), and currency risk associated with contracts or deposits with service suppliers. Risk is managed within risk appetite under a market risk policy and related procedures and overseen by ALCO, ERC and BRC.
Operational Risk, including Conduct & Culture Risk is the risk that failures in the Bank's operations, people or technology causes monetary loss, service disruption or customer harm.	Starling has a suite of operational risk policies and procedures covering the identification, management and reporting of the risks associated with internal and external fraud, employee performance management, transaction processing, accounting, supplier and outsource management, legal risk, health and safety, business continuity management and disaster recovery, information management, cyber-security and data protection.
Compliance Risk is the risk that Starling fails to comply with prevailing regulatory and financial crime prevention requirements and standards.	Starling manages regulatory compliance and financial crime under a series of policies, procedures and manuals, including anti-money laundering, countering financing of terrorism, sanctions, conflicts of interest and regulatory compliance. A Compliance Monitoring Plan is in place as is a mandatory staff training program. There is frequent interaction with the Prudential Regulation Authority and the Financial Conduct Authority.

Risks & Mitigating Controls (Cont.)

a. Macroeconomic Risk

Macroeconomic Risk is the risk that Starling faces from a downturn in the UK's economic conditions.

Starling is sensitive to UK macroeconomic conditions as its revenue is linked to the number and volume of customers' transactions which in turn depends, amongst other things, on levels of employment and disposable income available to customers in the UK.

b. Capital Risk

Capital Risk is the risk that the Bank has insufficient capital resources to meet its operational and regulatory capital requirements and to absorb unexpected losses if they were to occur.

Causes of inadequate regulatory capital could include lending origination volumes far exceeding expectations, suffering a high level of defaults on its overdrafts, or by having large unexpected development/operating costs or other losses for the business.

Capital risk is particularly important for a growing bank, since if the Bank is either expanding rapidly or is experiencing setbacks that impact upon its profitability, it will require more operational capital than originally estimated.
Capital is one of the key measures for the Bank and the Board sets a capital risk appetite. Capital is actively managed with regulatory ratios being a key factor in the Bank's planning processes and stress analysis.

The principal committee at which the Bank's capital is scrutinised and managed is ALCO. Both EXCO and ERC plus the BRC review high level capital metrics, together with more granular details if there are any matters of concern. The Board and BRC also receive a high level commentary on capital utilisation.

Risks & Mitigating Controls (Cont.)

Key capital risk mitigations

Starling refreshes its Internal Capital Adequacy Assessment Process (ICAAP) in line with regulatory expectations, as a minimum on an annual basis, which includes a 3 year forecast of the Bank's capital position. The ICAAP is used to inform the future capital strategy and is submitted to the PRA following Board scrutiny and approval.

The ICAAP assesses the Bank's Pillar 1 requirements using the Standardised/Basic Indicator approaches, for credit risk and operational risk respectively, and determines additional Pillar 2A capital to be held for those risks not captured or not fully captured by Pillar 1 capital. The Bank also holds Pillar 2B capital based upon wind-down costs and the regulatory defined capital conservation buffer and counter-cyclical buffer.

A series of extreme but plausible macro-economic scenarios that might arise during a 3 year horizon of the business plan are also run to assess the resilience of the capital position. The stress testing affects capital (either by depletion of capital or by failure to raise new capital) or by increasing capital requirements as a consequence of changes in risk profile.

In order to avoid breaching a regulatory capital measure, a Board approved buffer of additional capital is maintained above the regulatory threshold.

Risks & Mitigating Controls (Cont.)

Key capital risk metrics

The Bank's key capital metric is the current and projected surplus of capital resources over regulatory capital requirements. The Leverage Ratio is also monitored, so as not to overstretch the extent of its total assets in comparison with its capital base.

Capital metrics are produced monthly to assess the current and projected capital. Since baseline projection are based upon future capital raises, an additional, stressed projection is also produced, which shows the potential capital position in the event capital raises were to prove impossible.

During 2017, the Bank complied in full with all its regulatory capital requirement. Note 19 provides information on capital and reserves per the IFRS Statement of Financial Position, with a reconciliation to the regulatory definition of capital. Further Capital Risk disclosures can be found in the Bank's supplementary Pillar 3 disclosures.

Risks & Mitigating Controls (Cont.)

c. Lending, Credit Risk Management and Mitigation

Credit risk is the current or prospective risk that a customer of the Bank defaults on their contractual obligations to Starling Bank, or fails to perform their obligations in a timely manner.

Lending creates credit risk as borrowers might fail to pay the interest or repay the outstanding amount due. This is usually caused by adverse changes in macroeconomic factors or a change in an individual customer's behaviour and circumstances. As a material risk to the Bank, there is a significant management focus on setting credit risk appetite and embedding appropriate credit monitoring and collections.

The Bank takes credit risk as it provides unsecured overdrafts to individuals, via its app-only banking services, in order to generate a return through interest income.

Exposure to credit risk is monitored and managed by the Credit Risk function, and is overseen by the Executive Risk Committee which meets monthly. The Executive Risk Committee's activities are overseen by the Board Risk Committee on behalf of the Board of Director.

Risks & Mitigating Controls (Cont.)

Retail Credit Risk Management

The Board defines its credit risk appetite within the context of its risk appetite statement. This is achieved by setting and monitoring lending policy and ensuring appropriate controls are in place to maintain the quality of lending facilities and reviewing management information that includes both credit portfolio and financial accounting metrics.

Counterparty Credit Risk Management

Exposure to counterparty credit risk is monitored by the Finance function and the Chief Risk Officer. Counterparty credit risk comprises deposits at UK banks, investments in UK Government Securities (e.g. Gilts), deposits held with service providers and funds in transit with payment service providers. Limits are determined by the Executive Risk Committee and exposure is monitored and reported daily to management.

Risks & Mitigating Controls (Cont.)

Key Credit Risk Mitigations

In order to assess the quality of current accounts and overdrafts, Starling utilises a combination of statistical modelling (credit scores/risk grades) and assessment of applications against credit policy criteria embedded within its decision system, including but not limited to, a customer probability of default and probability of becoming over-indebted. This approach allows for consistent lending decisions, and helps determine when manual intervention is required.

Collections and recovery activity is overseen by the Executive Risk Committee. The Committee is responsible for establishing the collection policy, with a core objective of treating customers fairly, and for subsequently monitoring performance and compliance with policy and regulation.

Key Credit Risk Metrics

Credit performance trends and key risk indicators are monitored with recommendations discussed at Executive Risk Committee, Board Risk Committee and the Board for approval and subsequent implementation.

Risks & Mitigating Controls (Cont.)

d. Liquidity Risk

Liquidity risk is the risk that the Bank 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.

The Bank takes liquidity risk when it uses customer's deposits either for investment in Government Securities or it lends on overdrafts, and customer's demand their deposits are returned either before the investments mature or before the overdrafts are repaid.

Liquidity risk is managed by the Treasury function within Finance and is monitored by the second line Risk team. Reporting and management of liquidity is monitored by ALCO, which meets on a monthly basis. The ALCO's activities are overseen by the Board Risk Committee, on behalf of the Board.

Key Liquidity Risk Mitigations

The key liquidity risk mitigant used by the Bank is the holding of a portfolio of High Quality Liquid Assets (HQLA) which can be sold under repurchase agreements with minimal downside at any time to provide cash to the Bank. Starling uses a forward looking projection of cash-flows (both inflows and outflows) which are stressed to determine whether there will be sufficient liquidity to cope with unexpected outflows. The Bank adheres to all regulatory liquidity requirements, but also considers additional, more severe stress scenarios. It then ensures that a number of liquidity mitigations are put in place to be certain that the Bank has access to adequate liquidity at all times. Intra-day, daily and overnight liquidity positions are also assessed.

Risks & Mitigating Controls (Cont.)

Key Liquidity Metrics

Given the nature of the Starling business model, being a start-up, with a simple product offering to retail individual customers through a single channel, the focus of the test has been to look at the impact of the run off of retail funding. With all customer balances being on an open maturity, i.e. able to be withdrawn at any time, this represents the greatest risk to the Bank's liquidity position under stress scenarios.

The key metrics used to monitor liquidity risk are the Liquidity Coverage Ratio (LCR) and four in-house stress measures comprised in the Bank's Overall Liquidity Adequacy Requirement (OLAR).

All tests are modelled using the LCR framework and are performed regularly, so as to ensure robust control of the Bank's liquidity.
Although not a regulatory requirement until 1 January 2018, The Net Stable Funding Ratio (NSFR) is monitored on a daily basis.

All the stress test are performed not only on the Bank's current position, but also on the monthly projected positions for the next 12 months.

At year end Starling Bank was significantly in excess of all liquidity targets which can be found in its Pillar 3 disclosures.

Risks & Mitigating Controls (Cont.)

e. Market Risk

Market risk is the risk that asset and liability prices will vary significantly from that recorded as the fair value at the date of recognition and that achieved at the date of ultimate realisation. As a result of the asset and liabilities held, the Bank is exposed to market risk. This means losses could be incurred as a consequence of the adverse movements in market prices. These losses could impact the Bank earnings, and the value of assets, liabilities or reserves. Market risk is managed by the Treasury function.

Key interest rate risk mitigations

The main form of market risk exposure faced during the year was Interest Rate Risk in the Banking Book (IRRBB). The Bank holds its Investment Securities to maturity and consequently doesn't recognise short term market movements caused by changes in market prices in its Statement of Comprehensive Income. As a mitigant, wherever possible, Starling uses natural hedges by matching interest rate risk on assets with liabilities of similar tenor.

Measuring exposure to interest rate risk

Interest rate risk exposure is measured by calculating both positive and negative instantaneous shocks to interest rates on:

- The regulatory PV200 measure is a key metric used by the Bank to evaluate its interest rate risk sensitivity. 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.
- Earning at Risk (EaR) is considered for assets and liabilities on the forecast Statement of Financial Position over 12 months period, measuring the adverse change to net interest income from a movement in interest rates.

Risks & Mitigating Controls (Cont.)

Market Risk Metrics – Rate Sensitivity

Sensitivity analysis of NII is performed on the Bank's consolidated Statement of Financial Position. As at 30th Nov 2017, the projected change in NII in response to an immediate parallel shift in all relevant interest rates would be an increase / decrease of £0.377m from 200bps interest rate shift. The measure assumes all interest rates, for all currencies and maturities move at the same time.

Market Risk Metrics - FX Sensitivity

The Bank has placed collateral with overseas financial institutions to support its card issuance activity; the amount is denominated in US Dollars and is unhedged. The Bank re-measures its exposure to FX risk monthly and recognise the change in its Statement of Comprehensive Income.

f. Operational Risk

Operational Risk is the risk that failures in the Bank's operations, people or technology causes monetary loss, service disruption or customer harm, including but not limited to IT issues, legal or litigation losses, internal or external fraud (including cyber-attacks or breaches), outsourcing or supplier failures, marketplace partner failures, information security issues and inadequate data management.

Starling relies on its operational processes, IT and related communication systems and controls, some of which are outsourced to key suppliers. These processes and systems may not operate as expected, may not fulfil their intended purpose or may be damaged by disruptive events such as cyber-crime or human error.

Risks & Mitigating Controls (Cont.)

g. Conduct & Culture Risk

Conduct & Culture Risk is the risk that customers suffer loss or detriment due to failures in the design, promotion or delivery of the Bank's products and services arising from the actions or inactions of bank employees or others acting on behalf of the bank.

Key Conduct & Culture Risk Mitigations

Starling's risk appetite for Conduct & Culture Risk is established by the Board and includes, among other things, no tolerance for ethical breaches or employee behaviour that could bring them or the Bank into disrepute.

Starling also has a suite of conduct-related policies and procedures covering responsible lending, customer treatment, arrears management and collections, new product approvals as well as review and complaints management. Starling operates a simple, well designed, product set with features and charging which are clearly communicated to customers in plain English. Starling also operates a value system where all employees understand the importance of treating customers fairly and avoiding customer harm. The Bank has designated functions that manage product development, marketing, operations, compliance and credit with the skills, expertise and ethos to manage conduct risk appropriately.

Key Conduct & Culture Risk Metrics

Starling monitors and regularly reports to the Executive and BRC on the number, resolution and root-cause of complaints, conduct-related costs and losses and the clarity financial promotions.

Risks & Mitigating Controls (Cont.)

h. Compliance Risk

Compliance Risk is the risk that Starling fails to comply with prevailing regulatory and financial crime prevention requirements and standards or to meet the expectations of its regulators as a newly authorised institution.

Starling operates in an industry that is subject to extensive and comprehensive regulation. Consequently, it is exposed to many forms of risk in connection with its compliance with laws and regulations. Starling assess all relevant changes in regulation to ensure that compliance with regulatory requirements is maintained at all times.

Starling is subject to the risk of criminal activity and potential losses due to financial crime (e.g. use of false identity to open an account or card cloning).

Key Compliance Risk Mitigations

Starling's business during the period was primarily focused on personal accounts for UK residents for their personal use. While this is not viewed as a high risk business model, Starling has robust KYC and AML procedures in place to onboard customers and also performs ongoing monitoring of transactions on a risk basis. Starling is committed to maintaining a control environment that enables it to respond effectively to emerging financial crime threats as the Group continues to grow. Starling also has a Compliance Monitoring Program under which compliance processes are regularly tested.

Key Compliance Risk Metrics

Starling provides a wide range of compliance and financial crime metrics to the Executive and the BRC, including those related to onboarding due diligence and alerts handling arising from fraud screening, sanctions screening and other transaction monitoring.

Risk Governance Framework

Starling assumes a variety of risks in its business activities and has adopted an Enterprise Risk Management Framework which sets out the requirements for managing these risks within the Bank. Starling maintains a three lines of defence model with designated first line functions taking, owning and managing risk. The second line is the risk and compliance function which develops and monitors adherence to the risk policies approved by the Board. The third line is internal audit, which is outsourced to BDO.

Starling's risk appetite is defined as the maximum amount of risk that the Bank is willing to accept or tolerate to deliver on its strategic objectives. The Board-approved Risk Appetite Statement is a blend of qualitative statements and quantitative limits and management actions based on triggers linked to these strategic objectives. The Risk Appetite Statement also sets the Bank's risk capacity, to which the Bank's Contingency Funding Plan and Recovery & Resolution Plan are aligned.

Risk Identification and Assessment Process

Starling identifies its material risks primarily through the Enterprise Risk Management Framework, including a Material Risk Assessment process, and related ICAAP and ILAAP processes and individual risk assessments. Starling assesses its most significant risks in terms of their likelihood and impact using a Board Risk Committee approved materiality matrix.

Risk Governance Framework

The key aspects of Starling's risk management governance are described below.

The Board is ultimately accountable for ensuring that the Bank's risks remain within its risk appetite and that there is a robust risk and control environment. It is supported by:

- The Board Risk Committee (BRC), which is composed of Non-Executive Directors. It provides independent oversight and challenge of the Bank's risks and controls, reviews and recommends risk policies to the Board and ensures the independence of the risk and compliance function of the Bank.
- The Board Audit Committee, which is composed of Non-Executive Directors. It oversees the Bank's internal and external audit functions, the Bank's systems of controls and the integrity of the Bank's financial statements.
- The Executive Risk Committee (ERC) is the executive body primarily responsible for the day-to-day oversight of the Bank's risks and controls, including the review and recommendation to the BRC of the Bank's risk frameworks and policies and the approval of the Bank's risk procedures and risk assessments. The ERC reports to the Executive committee.
- The Asset & Liability Committee (ALCO) is responsible for the day-to-day oversight of the Bank's funding, liquidity, market and credit counterparty risks. The ALCO reports to the ERC.

The Risk & Compliance Function led by the Chief Risk Officer is primarily responsible for the day-to-day second line of defence oversight and control of the Bank's risk profile within Board-approved Risk Appetite Statements and risk policies.

Internal Controls

The Board is responsible for overseeing the development and implementation of an effective system of risk management and compliance and ensuring that the Bank and the Executive maintains this framework of processes and controls.

The risk management and compliance frameworks are guided by its following key principles:

a. **Responsibility** – The Board and Executive Committee takes responsibility for risk management and compliance at an individual level and understand their responsibilities and commitments to customers and shareholders, ensuring risk management and compliance is given due consideration when seeking to achieve a commercial return and driving a culture of compliance and risk awareness throughout the Bank.

b. **Accountability** – The Board wants risk taking to be transparent, controlled, monitored and reported. Additionally, the Board will only take risk within agreed limits, taking into account the overall capacity for risk, infrastructure and resources.

c. **Control** – The Board and Executive committee ensure an appropriate control environment is in place across the three lines of defence to facilitate effective management of risk and compliance with laws, regulations and the Bank's policies.

d. **Balance** – The Bank takes risks in accordance with its established risk appetite and in line with the Board approved risk strategy and appetite. Regular reviews and assessments of risk strategy and appetite at Board level ensure that the risk management framework is kept up to date and that the level of risk is maintained at an appropriate level.

e. **Anticipation** – The Board seeks to anticipate events that would lead to a change in risk strategy and management, and ensure awareness of such changes.

f. **Competition** – The Board aims to achieve a competitive advantage through efficient risk management and appropriate risk appetite.

Internal Controls

A robust control environment is fundamental to the effective running of the Bank. The Board has the overall responsibility for establishing and overseeing the control environment. In addition to the three lines of defence model and the risk and compliance frameworks, the control environment also covers the following areas:

a. **Whistle-blowing** – All employees of the Bank are provided with the opportunity to report concerns under the Bank's whistleblowing policy. The Chair of the Audit Committee oversees this policy and is the designated whistleblowing champion of the Bank.

b. **Conflicts of interest** – All Board members and employees must avoid any situation where a conflict of interest is possible or likely. If Directors or employees of the Bank find themselves in such a position, they are required by Bank policy to report the conflict of interest, and take the necessary steps to avoid misconduct.

c. **Gifts and hospitality** – All Board members and employees must act in accordance with the Bank policy as set out in a Staff Handbook when considering giving or receiving hospitality and gifts. Gifts or hospitality may not be accepted, irrespective of value, which might influence or be seen to influence the outcome of a decision or a transaction.

d. **Bribery & corruption** – The Bank does not tolerate any involvement or facilitation of bribery and corruption by its Board members or employees. Board members and employees must not offer, pay, make, seek or accept a personal payment, gift or favour in return for favourable treatment or to gain any business advantage.

03

CORPORATE GOVERNANCE

Corporate Governance

The Board of Directors is the governing body of Starling. It sets the strategic aims and ensures that the necessary financial and human resources are in place to meet the strategic and operational objectives of the Group. The Board has the overall responsibility for:

a. Determining the matters that should be reserved for the Board's decision;
b. Setting and overseeing the business model, goals, strategy and its values and standards;
c. Establishing and monitoring the culture of the organisation;
d. Setting the Group's risk appetite, control framework and budgets;
e. Defining and agreeing appropriate Board, organisational and Committee structures;
f. Maintaining effective systems and controls to ensure effective operation of Starling and compliance with applicable laws and regulation;
g. Ascertaining and establishing financial and human resources required to enable Starling to implement its business strategy;
h. Setting the framework and policy for effective governance and oversight of Starling;
i. Monitoring business performance against the strategic objectives, risk appetite and expected standards.

Corporate Governance

In order to discharge its duties effectively the Board meets at least 10 times per year. Additional meetings are held as required.

The Board comprises a balance of the Executive and Non-Executive Directors, some of whom are Independent Non-Executive Directors. The Chairperson (who is an Independent Non-Executive Director) is appointed to lead and manage the Board.

The Board has overall responsibility for the effective running of the Bank. The Board has delegated to the CEO and through the CEO to the Executives, the day-to-day management of the Bank and its Subsidiary in line with the Group's overall strategy, risk appetite, risk management framework and internal control requirements.

The responsibilities of the Chairperson and the CEO are exercised by the individuals. There is a clear division of responsibilities between the Chairperson and the CEO which ensures proper balance of power and authority in the Group.

The CEO is required to report to the Board on a regular basis on the performance of the Group, from a product, operational and a risk management perspective. The CEO is also required to escalate certain matters, in line with the Board escalation procedures and/or to engage the Board on significant developments. The CFO reports the financial performance to the Board at each monthly meeting.

The CEO is supported by an Executive Committee that comprises the senior executives of the Bank. It meets monthly and is the ultimate decision making body operating within a clearly defined, Board approved risk appetite.

04

DIRECTORS' REPORT

Directors' Report

The Directors of Starling Bank Limited ("Starling" or the "Bank" or the "Parent Company" or the "Company" or the "Group") present their report along with the consolidated financial statements of the Group for the period ended 30th November 2017.

PRINCIPAL ACTIVITIES

The principal activity of the Group in the period under review has continued to be the establishment of a mobile only bank to support retail current accounts in the UK along with the associated operational infrastructure.

In January 2017, the Bank joined the UK's Faster Payments Scheme as its 13th member and in March 2017, the Company joined the Current Account Switching Service ("CASS").
On 12th April 2017 the Company received notification from the PRA/FCA that they had lifted their restrictions on the quantum of deposits that could be received from customers.
On 9th May 2017, the mobile-banking app went live in Apple's App Store and Starling Bank Limited opened for business to the general public.
In July 2017, Starling was the first mobile-only Challenger Bank to launch its app compatibility with Apple Pay.
In September 2017, the Bank opened its app service on Google Play Store, followed later in the year by Android Pay and latterly Fitbit Pay.
On 24th November 2017, the Bank received permission from the PRA/FCA that it had met all of their requirements for changing its permissions, under Part 4A of the Financial Services and Markets Act 2000 (FSMA), to include accepting deposits from all types of customers and being able to introduce customers to financial products from within the Starling app; this will allow the Bank to offer deposit taking facilities to corporates and introduce customers to third parties via its marketplace.

The activities of both the Company and its Subsidiary are referred to as the Group.

Directors' Report (Cont.)

RESULTS AND DIVIDENDS

The results of the Group for the year ended 30th November 2017, are shown on pages 41 to 45. The Directors do not propose the payment of any dividend in respect of the ordinary shares for the year (2016: Nil).

DIRECTORS

The Directors of Starling Bank Limited shown below held office throughout the period:

Oliver Stocken (Independent Non-Executive Chairman)
Mark Winlow (Independent Non-Executive Director)
Steve Colsell (Independent Non-Executive Director)
Victoria Raffé (Independent Non-Executive Director)
Marcus Traill (Non-Executive Director)
Craig Mawdsley (Non-Executive Director)
Anne Boden (Chief Executive Officer)
Tony Ellingham (Chief Financial Officer)

POLITICAL AND CHARITABLE DONATIONS

The Group made no political donations during the period.
The Group made two charitable donations during the period totalling £1,500 (2016: £1,000) to MyBnk (Charity Number: 1123791).

EMPLOYEE BENEFIT TRUST

During the year, share awards were made to employees under the Employee Benefits Trust ("EBT"), the details of which are set out in note 10 to the Financial Statements.

Going Concern

In preparing the consolidated financial statements, the Directors must satisfy themselves that it is reasonable for them to adopt the going concern basis.

As described in the Notes to the Accounts – Accounting Policies - 1(c), the Directors have a reasonable expectation that the Group/Company has adequate resources to continue in operational existence for the foreseeable future. Projections for the Group have been prepared concerning its future financial performance, its capital adequacy and requirements and its liquidity for a period of at least 12 months from the signing of these financial statements, in support of its business plan. To meet these projections the Group is dependent on the continued support of its principal investor (the Investor). The Directors have a reasonable expectation that such support will be forthcoming and the Investor has indicated its intention to support the Group in line with the Group's/Company's financial projections. Consequently, the going concern basis of accounting has been used to prepare these financial statements.

Disclosure of Information to the Auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant information and to establish that the Group's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

This report was approved by the Board of Directors on 31/01/2018.

Matthew Newman
Company Secretary

05

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Statement of Directors' responsibilities in respect of the annual report and the consolidated financial statements

The Directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group and parent Company financial statements in accordance with International Financial Reporting Standards (IFRSs as adopted by the EU) and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Statement of Directors' responsibilities in respect of the annual report and the consolidated financial statements (Cont.)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company and the Subsidiary transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and the Subsidiary, enabling them to ensure that the Consolidated, Parent Company and Subsidiary's financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

SIGNED ON BEHALF OF THE BOARD BY:

Anne Boden, Chief Executive Officer
Director
31/01/2018

Tony Ellingham, Chief Financial Officer
Director
31/01/2018

06

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report

to the members of Starling Bank Limited

1. Our opinion is unmodified

We have audited the financial statements of Starling Bank Limited ("the Company") for the year ended 30 November 2017 which comprise the consolidated and company statement of financial position, consolidated and company statement of comprehensive income, consolidated and company cash flow statement, consolidated and company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 November 2017 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the Directors on February 9 2016. The period of total uninterrupted engagement is for the 3 financial years ended 30 November 2017. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole		£0.4m (2016:£0.3m) 4.2% (2016: 4.9%) of loss before tax
Risks of material misstatement		**vs 2016**
New risks	Capitalisation of Intangible Assets	◄►

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

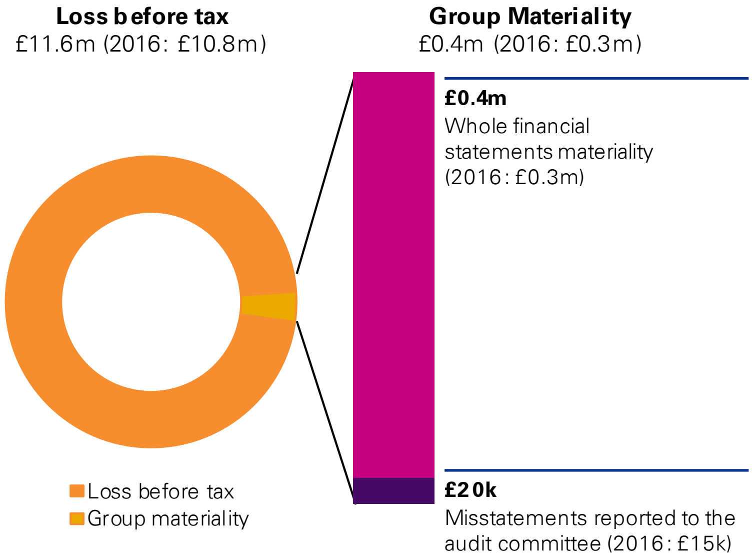
Key Audit Matter	The risk	Our response
Capitalisation of Intangible Assets (£9.3 million; 2016: £5.1 million) *Refer to page 30 (accounting policy) and page 38 (financial disclosures).*	**Accounting Treatment** A key audit matter for the company is the treatment of software development costs under IAS38. Specifically, management judgement is exercised in identifying the costs which are eligible for capitalisation under IAS38. Management judgement is exercised in order to identify the correct point from which amortisation of the asset should commence. Lastly, management's judgement is required to estimate the useful life of intangible assets.	Our procedures included: — **Accounting Analysis:** We have assessed management's judgements made regarding the eligibility of costs incurred to be capitalised under the criteria set out in IAS 38. We have assessed both the start date of the amortisation and the estimated useful life of the asset. — **Our Sector Experience:** We have assessed the appropriateness of the amortisation policy applied through comparing the policy selected to our experience of those applied by similar entities. — **Tests of Details:** We have agreed individual costs capitalised to supporting documentation to assess the accuracy of the amounts recorded. We assessed the nature of these costs against the criteria of IAS 38 to conclude on the appropriateness of the capitalisation. **Our results** — As a result of the work performed, we considered the capitalisation of intangible assets to be acceptable (2016: acceptable).
Recoverability of Intercompany Debtor (£10.3 million; 2016: £6.0 million) *Refer to page 32 (accounting policy) and page 41 (financial disclosures).*	**Low risk, high value** The carrying amount of the intercompany balance between the parent company and the subsidiary represents 19.4% (2016: 37.6%) of the parent company's total assets. The recoverability of this balance is reliant upon the continued supportability of the carrying value of the intangible asset held by the subsidiary. The risk therefore exists that if an impairment loss is incurred on the intangible asset that the balance will be irrecoverable. Due to the materiality of this balance in the context of the parent company financial statements we therefore consider this to be a key audit matter.	Our procedures included: — **Tests of Detail:** We have compared the carrying amount of the parent company's intercompany asset to the net asset position of the subsidiary in order to assess whether this position indicates that the balance outstanding is recoverable in full. — **Accounting Analysis:** We have considered the company's assessment for indicators of impairment of the intangible assets, and have assessed the forecast revenue generated by those intangible assets. **Our results** — As a result of the work performed, we considered the estimate of the recoverability of the intercompany asset to be acceptable (2016: acceptable).

3. Our application of materiality and an overview of the scope of our audit

Materiality for the Consolidated and Company's financial statements as a whole was set at £400,000 (2016: £300,000), determined with reference to a benchmark of loss before tax (of which it represents 4.2% (2016 4.9%)).

We agreed to report to those charged with governance any corrected or uncorrected identified misstatements exceeding £20,000 (2016: £15,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the group was undertaken to the materiality level specified above and was performed at the group's office in London.



4. We have nothing to report on going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

5. We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

— we have not identified material misstatements in those reports;

— in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page [A], the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud, other irregularities, or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. The risk of not detecting a material misstatement resulting from fraud or other irregularities is higher than for one resulting from error, as they may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control and may involve any area of law and regulation not just those directly affecting the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
Canary Wharf,
E14 5GL

31 January 2018

07

FINANCIAL STATEMENTS

Consolidated and Company Statement of Financial Position

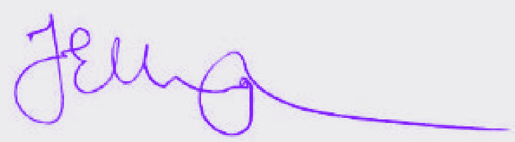
For the year ended 30th November 2017

ASSETS	NOTES	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Loans and Advances to Banks	2	37,544	9,797	36,563	9,621
Debt Securities Held-To-Maturity	3	3,014	-	3,014	-
Loans and Advances to Customers	4	804	-	804	-
Fixed Assets	6	253	94	251	91
Intangible Assets	6	9,330	5,091	8	8
Other Assets	7	2,236	378	2,111	241
Accrued Interest and Prepayments	8	96	10	97	10
Inter-company Account	9	-	-	10,322	5,998
Total Assets		**53,277**	**15,370**	**53,170**	**15,969**
LIABILITIES					
Customer Deposits	11	18,083	2	18,083	2
Provisions for Liabilities and Charges	13	183	1,161	183	1,161
Other Liabilities	14	808	905	808	760
Accruals and Deferred Income	15	1,485	253	1,365	371
Total Liabilities		**20,559**	**2,321**	**20,439**	**2,294**
EQUITY					
Share Capital	16	5	3	5	3
Share Premium	17	47,846	17,889	47,846	17,889
Other Reserves	18	(94)	-	(94)	-
Cumulative Retained Earnings	18	(15,039)	(4,843)	(15,026)	(4,217)
Total Equity		**32,718**	**13,049**	**32,731**	**13,675**
Total Liabilities & Equity		**53,277**	**15,370**	**53,170**	**15,969**

The financial statements were approved by the Board of Directors on 31/01/2018.

SIGNED ON BEHALF OF THE BOARD BY:

Anne Boden, Chief Executive Officer



Tony Ellingham, Chief Financial Officer

The notes to these financial statements can be found on pages 46 to 99.

Consolidated Statement of Comprehensive Income

For the year ended 30th November 2017

	NOTES	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Net Interest Income	20	76	7	76	7
Fees & Commissions Expense		(38)	-	(38)	-
Other Income		(57)	6	3,559	3,561
Total Income/(Expense)		**(19)**	**13**	**3,597**	**3,568**
Other Operating Costs	21	(16,688)	(8,370)	(14,827)	(6,216)
Capitalisation of Intangible Asset	21	4,710	5,083	-	-
Total Operating Costs	21	**(11,978)**	**(3,287)**	**(14,827)**	**(6,216)**
Provisions for Liabilities and Charges	13	387	(1,072)	387	(1,072)
Loss before Taxation		**(11,610)**	**(4,346)**	**(10,843)**	**(3,720)**
Taxation	22	1,414	93	34	93
Loss after Taxation	18	**(10,196)**	**(4,253)**	**(10,809)**	**(3,627)**

There is no difference between the loss after taxation and the total comprehensive income of the Group. All amounts are attributable to the Equity Holders. The notes to these financial statements can be found on pages 46 to 99.

Consolidated Cash Flow Statement

For the year ended 30th November 2017

	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Cash Flows from Operating Activities				
Loss for the Period after Taxation	(10,196)	(4,253)	(10,809)	(3,627)
Adjustments for Non-Cash items				
Depreciation & Amortisation	557	52	85	51
Net changes in Operating Assets and Liabilities				
Net increase in Loans and Advances to Customers	(804)	-	(804)	-
Net increase in Debt Securities	(3,014)	-	(3,014)	-
Net Increase in Other Assets	(1,858)	(378)	(1,870)	(241)
Net increase in Accrued Interest and Prepayments	(86)	(9)	(87)	(9)
Net Increase in the Inter-Company Account	-	-	(4,324)	(5,998)
Net increase in Customer Deposits	18,081	2	18,081	2
Net decrease in Other Liabilities	(97)	383	48	238
Net decrease in Provisions	(978)	1,072	(978)	1,072
Net Cash Flows from Operating Activities	**2,837**	**(2,878)**	**(2,678)**	**(8,141)**
Cash Flows from Investing Activities				
Purchases of Tangible Assets	(242)	(133)	(242)	(129)
Capitalisation of Intangible Asset	(4,710)	(5,083)	-	-
Purchases of Intangible Assets	(3)	-	(3)	-
Net Cash Flows from Investing Activities	**(4,955)**	**(5,216)**	**(245)**	**(129)**
Cash Flows from Financing Activities				
Issuance of ordinary shares, less expenses	29,959	17,890	29,959	17,890
Acquisition of shares by Employee Benefit Trust	(94)	(-)	(94)	(-)
Net Cash Flows from Financing Activities	**29,865**	**17,890**	**29,865**	**17,890**
Net Cash Flows for the Period	**27,747**	**9,796**	**26,942**	**9,620**
Cash and Cash Equivalent at start of period	9,797	1	9,621	1
Cash and Cash Equivalent at end of period	**37,544**	**9,797**	**36,563**	**9,621**

The notes to these financial statements can be found on pages 46 to 99.

Consolidated Statement of Changes in Equity

For Year ended 30 November 2017

GROUP	NOTES	SHARE CAPITAL ACCOUNT £'000	SHARE PREMIUM ACCOUNT £'000	OTHER RESERVES £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
As at 30 November 2015		**2**	**-**	**-**	**(590)**	**(588)**
Proceeds from issue of shares, less expenses	17	1	17,889	-	-	17,890
Shares held by EBT	18			-	-	(-)
Loss for the Period	18				(4,253)	(4,253)
As at 30 November 2016		**3**	**17,889**	**-**	**(4,843)**	**13,049**
Proceeds from issue of shares, less expenses	17	2	29,957			29,959
Shares held by Employee Benefit Trust	18			(185)		(185)
Fair Value of Shares allocated to employees	18			91		91
Loss for the Period	18				(10,196)	(10,196)
As at 30 November 2017		**5**	**47,846**	**(94)**	**(15,039)**	**32,718**

The notes to these financial statements can be found on pages 46 to 99.

COMPANY	NOTES	SHARE CAPITAL ACCOUNT £'000	SHARE PREMIUM ACCOUNT £'000	OTHER RESERVES £'000	RETAINED EARNINGS £'000	TOTAL EQUITY £'000
As at 30 November 2015		**2**	**-**	**-**	**(590)**	**(588)**
Proceeds from issue of shares, less expenses	17	1	17,889	-	-	17,890
Shares held by EBT	18	-	-	-	-	-
Loss for the period	18	-	-	-	(3,627)	(3,627)
As at 30 November 2016		**3**	**17,889**	**-**	**(4,217)**	**13,675**
Proceeds from issue of shares, less expenses	17	2	29,957	-	-	29,959
Shares held by Employee Benefit Trust	18	-	-	(185)	-	(185)
Fair Value of Shares allocated to employees	18	-	-	91	-	91
Loss for the period	18	-	-	-	(10,809)	(10,809)
As at 30 November 2017		**5**	**47,846**	**(94)**	**(15,026)**	**32,731**

08

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

a. Basis of Preparation

The financial statements have been prepared in accordance with the Companies Act 2006 and with International Financial Reporting Standards ("IFRS") and Interpretations ("IFRICs") issued by the International Accounting Standards Board ("IASB") as adopted by the European Union ("EU"). The financial statements have been prepared under the historical cost convention.

The accounting policies that were relevant in 2017 have been consistently applied.

The amounts expected to be recovered or settled for assets and liabilities in the financial statements are due no more than twelve months after the reporting period unless specifically stated.

1. Accounting Policies (Cont.)

b. Basis of Consolidation

The Group accounts consolidate the assets, liabilities and results of Starling Bank Limited and its Subsidiary Starling FS Services Limited. Consistent accounting policies are used by the Group, the Parent Company (the Bank), and the Subsidiary.

The Subsidiary has been fully consolidated from the date of its incorporation which coincided with the date on which control was acquired by the Parent. Upon consolidation, inter-company transactions and balances are eliminated.

Investments in Subsidiary undertakings are stated in the accounts of Starling Bank Limited at cost less any provisions for impairment in value. The Directors consider it appropriate for administrative and commercial reasons that Subsidiary undertakings have financial years ending on 30 November 2017; the Parent Company's year-end.

The assets and liabilities of the Employee Benefit Trust have been included within these financial statements in accordance with IFRS 2 and are accounted for as an extension of the Company's own business.

1. Accounting Policies (Cont.)

c. Going Concern

As stated in the Directors' report, the financial statements have been prepared on a going concern basis, as the Directors have a reasonable expectation that the Group/Company has adequate resources to continue in operational existence for the foreseeable future.

Projections for the Group have been prepared concerning its future financial performance, its capital adequacy and requirements and its liquidity for a period of at least 12 months from the signing of these financial statements, in support of its business plan. To meet these projections the Group is dependent on the continued support of its principal investor (the Investor).
The Directors have a reasonable expectation that such support will be forthcoming and the Investor has indicated its intention to support the Group in line with the Group's/Company's financial projections. Consequently, the going concern basis of accounting has been used to prepare these financial statements.

The Directors have considered a wide range of present and future conditions, including the current state of the statement of financial position, the capital resources, cash flow and the long-term strategy of the business.

d. Use of Estimates and Judgements

The preparation of these financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of: (i) assets and liabilities at the date of the financial statements and (ii) revenues and expenses during the year. The principal areas where judgement has been applied include: going concern, share based payments, recognition of deferred tax, assessment of credit risk and capitalisation of intangible assets. Management has applied judgements in these areas to the best of their knowledge although, the amount, event or action, and ultimate result may differ from the estimates used.

1. Accounting Policies (Cont.)

e. Presentation of the Financial Statements

The financial statements have been presented using the following conventions:

- Currency: GBP £
- Rounding: £'000
- Statement of Financial Position is presented first in the Primary Statements and, Assets are listed in order of liquidity.

f. Foreign Currency Translation

The Consolidated financial statements are presented in sterling, which is the functional currency of the Group. Items included in the financial statements of each of the Group's entities are measured using their financial functional currency. Foreign currency transactions are translated into sterling using the exchange rate prevailing at the dates of the transactions.

Monetary items denominated in foreign currencies are retranslated at the rate prevailing at the reporting date. Foreign exchange gains and losses resulting from the retranslation of these items are recognised in the Statement of Comprehensive Income.

g. Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

1. Accounting Policies (Cont.)

h. Interest Income and Interest Expense

Interest Income on financial assets that are classified as Held-to-Maturity Investment Securities is recognised in the Statement of Comprehensive Income using the effective yield to maturity method.

Interest receivable and similar income on financial assets that are classified as loans and receivables, and interest payable on financial liabilities that are classified as deposits, are recognised as Interest Income and Interest Expense respectively in the Statement of Comprehensive Income, using the effective interest rates of the financial assets or financial liabilities to which they relate.
The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the gross carrying amount of the financial asset or liability.

The Effective Interest Rate method calculates the amortised cost of a financial asset or liability and allocates the interest income or expense over the relevant period. The Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses.

i. Fees and Commissions

Fees and commissions receivable are recognised when the service is provided or transactions are processed on an accruals basis. Those directly attributable to generating a financial instrument are recognised on the accruals basis on the transaction date.

j. Segmental Reporting

No segmental analysis is presented on operating segments as the Bank currently only offers a current account, nor on geographical analysis because all of the Banks's activities are in the United Kingdom.

1. Accounting Policies (Cont.)

k. Cash and Cash Equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents comprise cash deposits with banks at call and on fixed term notice and are categorised in the Statement of Financial Position as Loans and advances to banks.

l. Investment Securities and Other Financial Assets

The Group classifies its financial assets in its Statement of Financial Position into the following categories:

(i) Investment Securities, and
(ii) Loans and Receivables

The classification depends on the purpose for which the Investments or Other Financial Assets were acquired or originated. Management determines the classification at initial recognition and, in the case of assets classified as Investment Securities that are held-to-maturity, re-evaluates the designation at the end of each reporting period.

Loans and receivables comprises loans and advances to customers.

The Group does not hold any collateralised positions and therefore has no enforceable rights to net-off or offset assets against liabilities.

1. Accounting Policies (Cont.)

(i) Investment Securities

Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of the ownership.

Measurement

At initial recognition, the Group measures an Investment Security at its fair value plus related transaction costs that are directly attributable to the acquisition of the financial asset.

The Group designates its Investment Securities as Held to Maturity investment assets and subsequently measures them at amortised cost using the effective yield to maturity method.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

Impairment

The Group assess at each reporting date whether there is objective evidence that an Investment Security is impaired. An Investment Security is impaired and impairment losses are incurred as a result of one or more events that occur after the initial recognition of the asset (a "loss event") and that has an impact in the estimated future cash flow of the financial asset and can be reliably estimated.

When an Investment Security is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired Investment Securities are recognised using the original effective interest rate.

1. Accounting Policies (Cont.)

(ii) Loans and Receivables

Recognition

The Group applies IAS 39 to its Loans and Advances to Customers. Under IAS39, Loans and Advances are initially recognised as fair value, being the amount of overdraft balance outstanding. All overdraft facilities provided to customers of Starling Bank are unsecured exposures to individuals.

Measurement

The Group measures its Loans and Receivables at their amortised cost using the effective interest rate method.

Impairment

Under IAS39 an individual impairment provision is recognised upon objective evidence that a loan and receivable (e.g. an overdraft) is impaired. If there is such evidence, the amount of impairment loss is calculated.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

If, in a subsequent period the amount of the impairment loss decreases and it can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in Statement of Comprehensive Income.

1. Accounting Policies (Cont.)

(ii) Loans and Receivables (Cont.)

Definition of default and credit impaired assets

Loans and Receivables are classified as in default if any of the following criteria has been met: there has been no credit to the account for more than 90 days; the Bank has entered into a forbearance arrangement with the customer; any security/personal guarantee has been taken into the Bank's possession; or if the customer is bankrupt or has proposed an Individual Voluntary Arrangement; or is subject to a Debt Relief Order; or is deceased.

Write off policy

A loan and receivable is written off either partially or in full against the related provision when the proceeds from realising any available security/guarantee have been received or there is no realistic prospect of recovery and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Statement of Comprehensive Income.

m. Property, Plant & Equipment

Fixtures, Fittings and Equipment are included as Fixed Assets in the Statement of Financial Position at historical cost less accumulated depreciation and any accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items, major alterations and refurbishments. Depreciation on Fixed Assets is included in Other Operating Costs in the Statement of Comprehensive Income according to the type:

- Fixtures and Fittings: 3 year expected life
- IT Equipment: 3 year expected life

Gains and losses on disposals are included in Other Operating Income in the Statement of Comprehensive Income.

1. Accounting Policies (Cont.)

n. Intangible Assets

The Group applies IAS 38: Intangible Assets to the categorisation of certain expenditure relating to software development costs and the cost of creating its brand, website and associated domain names.

The carrying values of Intangible Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on value in use calculations.

Software Development

Software development costs are capitalised as Intangible Assets if it is probable that the asset created will generate future economic benefits. Software costs, including the design specification, build, test and implementation of the Group's banking software and mobile application, are recognised in the Statement of Financial Position as fixed assets and amortised using the straight-line method over their estimated useful lives from the date the software becomes operational.

Amortisation on Software Development is included in the Operating Costs in the Statement of Comprehensive Income over the estimated useful economic life of 7 years. The amortisation periods used are reviewed annually.

Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense in the Statement of Comprehensive Income.

Brand, Domains and Website

The cost of brand and domain names acquired for trademark protection and website development costs are capitalised and classified as Intangible Assets in the Statement of Financial Position. Intangible Assets are carried at cost less accumulated amortisation and impairment. Amortisation of Brand, Domains, and Website is included in Operating Costs in the Statement of Comprehensive Income, using the straight line method over their estimated useful lives of 5 years. The amortisation period is reviewed annually.

1. Accounting Policies (Cont.)

o. Other Assets, Accrued Interest and Prepayment

Other assets, accrued interest receivable and prepayments are initially recognised at fair value and subsequently measured at amortised cost, or in the case of interest accruals the amount receivable, using the effective interest method.

Payment Scheme Collateral is recognised at the fair value of the amount placed with nominated banks.

p. Leases

The Group has entered into an operating lease for its premises. Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership to the lessee. Operating lease payments (adjusted for any rent-free periods) are charged to the Statement of Comprehensive Income on a straight line basis over the life of the benefit of the lease.

q. Taxation including deferred tax

Taxation in the Statement of Comprehensive Income comprises current tax and deferred tax. Income tax is recognised except to the extent that it relates to items recognised directly in shareholders' equity.

1. Accounting Policies (Cont.)

Current Tax

Current tax is the tax expected to be payable on the taxable profit, calculated using tax rates enacted or substantively enacted by the Statement of Financial Position date, and any adjustment to tax payable in respect of previous year.

Research and Development (R&D) tax credits, are recognised as income in the period in which the R&D income is received.

Corporation tax recoverable from losses, is determined using tax rate and legislation in force in the UK at the reporting date, and are carried forward for future recovery.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Statement of Financial Position and the amounts attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is determined using tax rates and legislation in force at the reporting date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

r. Customer Deposits

Customer deposit liabilities are measured at amortised cost in accordance with IAS 39. Deposit are initially recognised at fair value and are subsequently measured at amortised cost.

1. Accounting Policies (Cont.)

s. Trade and Other Payables, Other Liabilities, Accruals and Deferred Income

These represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Deferred Income represents amounts received that can not be recognised in the Statement of Comprehensive Income until certain conditions on volume thresholds have been reached. An objective assessment of whether the Bank has achieved those thresholds is carried out at each reporting date.

t. Provisions

Provisions (other than impairment provisions) are recognised when it is probable that an outflow of economic benefits will be required to settle a current legal or constructive obligation as a result of past events and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

u. Contingent Liabilities

Contingent liabilities occur during the ordinary course of business if the Group is subject to threatened or actual legal proceedings. All such material cases are periodically assessed, with the assistance of external professional advisers where appropriate, to determine the likelihood of incurring a liability. The Group does not disclose amounts in relation to contingent liabilities associated with such claims where the likelihood of any payment is remote or where such disclosure could be seriously prejudicial to the conduct of the claim(s).

1. Accounting Policies (Cont.)

v. Related Party Transactions

Transactions with related party have been included in the financial statements in accordance with IAS24. Related parties comprise persons or a person, or a company or a group of companies and/or an unincorporated entity or a group of unincorporated entities who either have individual control or joint control of the Group or can exercise significant influence, or is a member of the key management personnel.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

w. Employee Benefits

The Group applies IAS19 Employee benefits in its accounting for direct staff costs.

Short-term employee benefit

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Group applies IFRS 2 in Accounting for Share Based Payments.

1. Accounting Policies (Cont.)

Share based payments

Certain employees have been offered the opportunity to purchase a beneficial interest in the shares of Starling Bank Limited in order to reward those individuals that help to build Starling, therefore aligning the interests of key employees with the interests of shareholders. To facilitate the efficient transfer of the beneficial interests in the shares to employees on their purchase dates, an Employee Benefit Trust (EBT) has been set up.

To fund the purchase, employees are granted a bonus (grossed up for income tax and national insurance) that is used by the employees to subscribe for the right to the beneficial interest at each award date. The grossed-up bonus amounts are expensed in the Statement of Comprehensive Income in the financial year that the awards are granted.

The fair values of equity settled share-based payments are calculated at each grant date and recognised over an eight-year vesting period. The amount is recognised in Staff Costs in the Statement of Comprehensive Income with a corresponding entry through Reserves.

x. Future Accounting Developments

The following announcements relevant to the Group have been adopted by the EU but are not effective at the reporting date, and have therefore not been applied in preparing these financial statements:

- **IFRS 9 Financial Instruments – Effective date: Accounting periods starting on or after 1 January 2018.**

The new standard replaces IAS 39. Changes include classification and measurement of the Group's financial assets and liabilities, the recognition of impairment, and hedge accounting.

1. Accounting Policies (Cont.)

Recognition

Financial assets and liabilities are recognised when Starling Bank becomes party to the terms of the contract. For the purchase or sale of securities this is deemed to be the trade date as the Bank is legally committed to the transaction.

Classification and measurement

Financial Assets and Liabilities are initially recognised at fair value and may be held at amortised cost, Fair Value through Other Operating Income (FVOCI), or Fair Value through P&L (FVTPL).

An investment in a debt instrument is only measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of interest on the principal amount outstanding.

An investment in a debt instrument is only measured at FVOCI if both of the following conditions are met:

- The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets (i.e. Available For Sale);
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument that is not measured at amortised cost or at FVOCI is measure at FVTPL. Equity instrument and derivatives are measured at FVTPL.

1. Accounting Policies (Cont.)

De-recognition

Financial Assets are de-recognised where the contractual rights to cash flows from the asset have expired, or have been transferred, usually by sale, with substantially all the risks and rewards of ownership transferred.

Financial Liabilities are de-recognised when the liability has been settled, has expired or has been extinguished. An exchange of an existing financial liability for a new liability with the same lender on substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Impairment

Provisions for impairments are calculated using the whole life method whereby an assessment of the expected economic outturn is estimated at the date the asset is recognised and then objectively re-measured at each reporting date.

The impact of this is to recognise a charge in the Statement of Comprehensive Income earlier than under the current IAS39 method. Given the infancy of the Bank's credit book, the transition to IFRS9 is not expected to have a material impact on the Bank impairment provision calculations.

1. Accounting Policies (Cont.)

- **IFRS 15 Revenue from Contracts with Customers – Effective date: Accounting periods starting on or after 1 January 2018.**

IFRS 15 supersedes IAS 11 'Construction Contracts' & IAS 18 'Revenue' and sets out the requirements for recognising revenue that applies to contracts with customers, except for those revenue items that are covered by standards on leases, insurance contracts and financial instruments.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group is currently assessing the impact.

- **IFRS 16 Leases – Expected effective date: 1 January 2019, and endorsed by the EU.**

IFRS 16 eliminates the classification of leases as either operating or finance leases and introduces a single lessee accounting model. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The Group has not yet assessed what other adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's Statement of Comprehensive Income and classification of cash flows going forward.

2. Loans & Advances to Banks

	GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Cash and Cash Equivalent	**37,544**	9,797	**36,563**	9,621

Cash and cash equivalents include unrestricted balances held with the Bank of England and other UK banks, the latter being rated AA+ or above. Of the total amount, £35,102k was held at the Bank of England (2016: £ nil).

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Included within cash and cash equivalents is £31k (2016: £5k) held by the Employee Benefit Trust. Other than balances held by the Employee Benefit Trust, deposits placed with other UK banks are repayable on demand.

3. Investment Securities held to maturity at amortised cost and Other Financial Assets

IFRS13 Fair Value Measurement requires the Bank to classify its assets and liabilities according to a hierarchy that reflect the observability of significant market input. The three levels of the fair value hierarchy are defined below:

- Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2 valuations are those where quoted markets prices are not available, or valuation techniques are used to determine fair value and the inputs are based significantly on observable market data.
- Level 3 portfolios are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

BOOK VALUE	GROUP	GROUP	COMPANY	COMPANY
ASSETS	2017 £'000	2016 £'000	2017 £'000	2016 £'000
UK Government Securities	3,014	-	3,014	-
Loans and Advances	804	-	804	-
Financial Assets – Book Value	3,818		3,818	

3. Investment Securities held to maturity at amortised cost and Other Financial Assets (Cont.)

FAIR VALUE ASSETS		GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
UK Government Securities	Level 1	2,995	-	2,995	-
Loans and Advances	Level 2	804	-	804	-
Financial Assets – Fair Value		3,799	-	3,799	-

UK Government securities are assets held for liquidity management and are valued using quoted market price and therefore classified as Level 1 assets. The Bank is holding these assets to maturity at historical cost and they are measured at amortised cost.

4. Loans and Advances to Customers and Impairment Allowances

LOANS AND ADVANCES TO CUSTOMERS	GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Customers overdrafts	804	-	804	-
Less Impairment Provisions	(51)	-	(51)	-
Net carrying value	753	-	753	-

All lending to individuals and related provisions were originated during the year. There have been no write offs, recoveries or changes in the impairment model during the year.

LOANS AND ADVANCES TO CUSTOMERS	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Outstanding Credit facilities	4,965	-	4,965	-

5. Deferred Tax

	GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Balance brought forward – 1 December 2016	-	-	-	-
Unrecognised Deferred Tax – B/F	**(890)**	(98)	**(745)**	(97)
B/F Prior Year computation adjustment	**737**	-	**(5)**	-
Less R&D Tax credit received	**1,414**	93	**34**	93
	1,261	**(5)**	**(716)**	**(4)**
Current Year Taxation (see note 22)	**(2,482)**	(885)	**(1,648)**	(741)
Unrecognised Deferred Tax	**(1,221)**	**(890)**	**(2,364)**	**(745)**
Deferred Tax not recognised	**1,221**	890	**2,364**	745
Balance carried forward – 30 November 2017	-	-	-	-

- Tax losses are expected during the build phase and the early years of operational growth of the Bank, largely due to the cost of establishing mobilisation and client on-boarding when there is no material income.
- The tax effects of such tax losses are available for carry forward against future profits.
- The Directors have concluded that it is not appropriate to recognise a deferred tax asset at the reporting date as the majority of accumulated losses will be available to offset against future taxable profits. Were it to have been recognised, the deferred tax asset would have an estimated value of £1,221k (2016: £890k), being £7,182k (2016: £4,445k) of trading losses carried forward taxed at the expected rate of 17% (2016: 20%) corporation tax, being the rate for 2020 which is the expected year of utilisation. These and other temporary differences may be recognised in the future as taxable profits arise.

6. Fixed Assets & Intangible Assets

GROUP COST	PROPERTY, PLANT AND EQUIPMENT £'000	INTANGIBLE ASSETS £'000	TOTAL FIXED AND INTANGIBLE ASSETS £'000
As at 1 December 2016	**148**	**5,097**	**5,245**
Additions	263	4,713	4,976
Disposals	(21)	-	(21)
As at 30 November 2017	**390**	**9,810**	**10,200**
DEPRECIATION AND AMORTISATION			
As at 1 December 2016	**54**	**6**	**60**
Charge for the year	83	474	557
As at 30 November 2017	**137**	**480**	**617**
Net Book Value	**253**	**9,330**	**9,583**

During the year the Group capitalised as Intangible Assets expenditure it had incurred on the design, specification, build, test and implementation of its banking software.

COST	PROPERTY, PLANT AND EQUIPMENT £'000	INTANGIBLE ASSETS £'000	TOTAL FIXED AND INTANGIBLE ASSETS £'000
As at 1 December 2015	15	14	29
Additions	133	5,083	5,216
Disposals	-	-	-
As at 30 November 2016	148	5,097	5,245
DEPRECIATION AND AMORTISATION			
As at 1 December 2015	5	3	8
Charge for the year	49	3	52
As at 30 November 2016	54	6	60
Net Book Value	94	5,091	5,185

6. Fixed Assets & Intangible Assets (Cont.)

COMPANY COST	PROPERTY, PLANT AND EQUIPMENT £'000	INTANGIBLE ASSETS £'000	TOTAL FIXED AND INTANGIBLE ASSETS £'000
As at 1 December 2016	**144**	**14**	**158**
Additions	263	3	266
Disposals	(21)	-	(21)
As at 30 November 2017	**386**	**17**	**403**
DEPRECIATION AND AMORTISATION			
As at 1 December 2016	**53**	**6**	**59**
Charge for the year	82	3	85
As at 30 November 2017	**135**	**9**	**144**
Net Book Value	**251**	**8**	**259**

During the year the Company has capitalised expenditure incurred on trademark protection in different world wide jurisdictions.

COMPANY COST	PROPERTY, PLANT AND EQUIPMENT £'000	INTANGIBLE ASSETS £'000	TOTAL FIXED AND INTANGIBLE ASSETS £'000
As at 1 December 2015	15	14	29
Additions	129	-	129
Disposals	-	-	-
As at 30 November 2016	144	14	158
DEPRECIATION AND AMORTISATION			
As at 1 December 2015	5	3	8
Charge for the year	48	3	51
As at 30 November 2016	53	6	59
Net Book Value	91	8	99

7. Other Assets

	GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Payment scheme collateral	1,111	238	1,111	238
Other Assets	1,125	140	1,000	3
	2,236	378	2,111	241

Payment scheme collateral comprises security deposits placed in US Dollars at a nominated overseas bank at the request of the Bank's card scheme provider to support customers' transaction volumes.

8. Accrued Interest and Prepayments

	GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Accrued Interest	33	-	33	-
Prepayments	63	10	64	10
	96	10	97	10

9. Investment in Subsidiary Company

INVESTMENT IN SUBSIDIARY	AS AT 30 NOVEMBER 2017 £'000	NET INCREASE/ (DECREASE) DURING PERIOD £'000	AS AT 30 NOVEMBER 2016 £'000
Balance on Investment in Subsidiary A/c	-	-	-

The Company has a 100% interest in the Subsidiary Starling FS Services Limited (company registration number: 10091094 - England & Wales). The Subsidiary has been established to design, specify, build, test and implement banking software and operates from the same premises as its parent and has issued Share Capital of £1 nominal value.

INTER-COMPANY ACCOUNT	AS AT 30 NOVEMBER 2017 £'000	NET INCREASE/ (DECREASE) DURING PERIOD £'000	AS AT 30 NOVEMBER 2016 £'000
Balance on Inter-company account	10,322	4,324	5,998

The Balance on Inter-company account is solely related to the Subsidiary Starling FS Services Limited (company registration number: 10091094 – England & Wales). See Note 23 for further information on related party and transactions.

The balance on the Inter-company account is repayable on demand and is interest free.

During the year, the Parent Company charged its subsidiary £4,324k (2016: £3,555k) for the attributable proportion of staff salaries, employers NIC and other identified costs incurred by the Parent in the design, specification, build and implementation of the mobile phone App and associated infrastructure.

10. Employee Benefit Trust

The Starling FS Employee Benefit Trust ("EBT") was established on 18th December 2015 to provide for future obligations of the company and to reward certain employees that help build Starling, therefore ensuring that the interests of key employees are aligned with the interests of shareholders.

Starling has created two schemes for the benefit of employees:

- In May 2016 a share scheme – Scheme 1 (share awards granted in May & June 2016); and
- In December 2016, a Joint Ownership Scheme – Scheme 2 (share awards granted in December 2016 & April 2017).

Under Scheme 1, certain employees purchased from the EBT, 100% of the beneficial interest in the shares in any capital return on a Realisation, as well as the right to receive dividends (depending on the time held).

Under Scheme 2, certain employees purchased from the EBT the beneficial interest in any capital return above a Hurdle on a Realisation, as well as the right to receive dividends (depending on the time held).

Under each scheme, the legal title (and the beneficial interest to a capital return in relation to sums below the Hurdle in the case of the December 2016 scheme) remains with the EBT throughout the lifetime of the schemes.

The scheme trustee is Estera Trust (Jersey) Limited (formerly Appleby Trust (Jersey) Limited), a company registered in Jersey (number: 21755) and whose registered office is at 13-14 Esplanade, St Helier, Jersey, JE1 1BD.

10. Employee Benefit Trust (Cont.)

The shares held by the EBT at the reporting date were as follows:

ANALYSIS OF SHARES HELD BY EMPLOYEE BENEFIT TRUST	SHARES NUMBER	NOMINAL VALUE £	AVERAGE COST £
Gift to establish EBT	7,088	71	71
Shares sold	(1,000)	(10)	(10)
Outstanding as at 1 December 2016	**6,088**	**61**	**61**
Purchased from ex-employees	16,560	165	186,548
Shares sold	(425)	(4)	(2,135)
As at 30 November 2017	**22,223**	**222**	**184,474**

The Average cost of shares held by the EBT on behalf of employees is shown as a reduction from Reserves (see note 18)

At the reporting date 17,925 shares (2016: 4,060 shares) were held by the EBT on behalf of employees who paid £1.00 per share for the right to benefit in the future value of the shares upon a Realisation. Under the beneficial ownership terms of scheme rules and individual agreements, these shares vest over 4 years and are subject to various conditions that must be satisfied in order for employees to benefit fully.

Management consider that the likely date of Realisation as 8 years from the Grant date.

10. Employee Benefit Trust (Cont.)

SCHEME 1	NUMBER OF SHARES PURCHASED	NUMBER OF ELAPSED MONTHS	PERCENTAGE APPLIED	VALUE PER SHARE TO BE APPLIED	AMOUNT RECOGNISED
Purchases made during May 2016	2,985	18.5	19.27%	£1.00	£575
Purchases made during June 2016	350	17.5	18.23%	£1.00	£64

SCHEME 2	NUMBER OF SHARES PURCHASED	NUMBER OF ELAPSED MONTHS	PERCENTAGE APPLIED	VALUE PER SHARE TO BE APPLIED	AMOUNT RECOGNISED
Purchases made during Dec 2016	7,240	11.5	11.98%	£63.16	£54,782
Purchases made during April 2017	7,350	7.5	7.81%	£62.57	£35,917

The fair value of the shares at the Grant date were valued using the Black-Scholes valuation model. The assumptions used are as follows;

Grant Date:	Dec16	Apr 2017
Expected volatility:	62%	51%
Risk free interest rate:	1.50%	1.07%
Dividend yield:	0.00%	0.00%
Expected Life:	8 Years	7.67 Years

10. Employee Benefit Trust (Cont.)

Although the Black-Scholes equation assumes predictable constant volatility this is not observed in real markets. In order to estimate the annualized volatility, we have assessed the past standard deviation of the stock price of comparable quoted banks over various time frames.

ANALYSIS OF SHARES HELD BY EMPLOYEE BENEFIT TRUST	SHARES NUMBER	NOMINAL VALUE £	FAIR VALUE £
May 2016 – Shares allocated to employees	3,485	35	35
Jun 2016 - Shares allocated to employees	575	6	6
Nov 2016 – Unallocated Shares	2,028	20	20
As at 30 November 2016	**6,088**	**61**	**61**
May 2016 – Shares allocated to employees	2,985	30	575
Jun 2016 – Shares allocated to employees	350	4	64
Dec 2016 – Shares allocated to employees	7,240	72	54,782
Apr 2017 – Shares allocated to employees	7,350	74	35,917
Nov 2017 – Unallocated shares	4,298	42	0
As at 30 November 2017	**22,223**	**222**	**91,338**

The fair values are based on an independent valuation carried out for the Company by each Schemes' Independent Valuer at each Grant date. In accordance with IFRS2, the shares are classified as equity-settled and the fair value of shares at the Grant date, as modified by a graded recognition, is charged to the Statement of Comprehensive Income with a corresponding credit to Reserves (see note 18). The Charge to the Statement of Comprehensive Income for the year was £91,277 (2016: £61).

11. Customer Deposits

		GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Customer Deposits	Level 2	18,083	2	18,083	2
Total		18,083	2	18,083	2

Starling Bank Limited is a member of the Financial Services Compensation Scheme (FSCS), the UK Deposit Guarantee Scheme, and its eligible Customer Deposits are guaranteed up to GBP 85,000 per individual customer.

The Directors consider that there is no material difference between the book value and fair value of customer deposits.

12. Risk Management

a Credit Risk

Credit Risk is the current or prospective risk that a customer of the Bank defaults on their contractual obligations to Starling Bank, or fails to perform their obligations in a timely manner.

The maximum exposure to credit risk that the Bank is exposed to is as follows:

12. Risk Management (Cont.)

a Credit Risk (Cont.)

CREDIT RISK		GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
UK Government Securities	Level 1	3,014	-	3,014	-
Loans and Advances	Level 2	5,769	-	5,769	-
Maximum Credit Risk		8,783	-	8,783	-

CREDIT QUALITY (UNAUDITED)	GROSS CARRYING AMOUNT £'000	IMPAIRMENT ALLOWANCE £'000	GROSS LOAN COMMITMENT £'000
Gross carrying amount for:			
Very low risk	110	8	2,321
Low risk	489	27	2,294
Medium risk	75	6	106
Higher risk	130	10	244
Total	804	51	4,965

12. Risk Management (Cont.)

The portfolio is predominantly in Very Low and Low risk grades. Monitoring of customer profile and proactive notification via the Starling App of push messages has resulted in timely payment, lower past due amounts and no overdraft account in the collection and recovery process at the reporting date.

The ageing of the Group's Customer profile at 30 November 2017 is as follow:

CREDIT AGEING	TOTAL £'000	UNDER 31 DAYS £'000	OVER 31 DAYS AND NO MORE THAN 60 DAYS £'000	OVER 60 DAYS AND NO MORE THAN 90 DAYS £'000	OVER 90 DAYS £'000
Impairment Allowance	51	7	2	1	41

Credit Concentration

The Group has a single product which is aimed at the retail current account market in the UK. A geographical breakdown of its customer credit concentration is not provided as Credit risk is managed on the whole portfolio.

12. Risk Management (Cont.)

b Liquidity Risk

Liquidity Risk is the risk that the Group is unable to meet its current and future financial obligations as they fall due, or is only able to do so at excessive cost. At 30 November 2017 the Group's contractual maturities of the financial assets and liabilities were as follows:

CONTRACTUAL MATURITY	TOTAL £'000	ON DEMAND £'000	NO MORE THAN 3 MONTHS £'000	OVER 3 MONTHS AND NO MORE THAN 1 YEAR £'000	OVER 1 YEAR AND NO MORE THAN 3 YEARS £'000	OVER 3 YEARS AND NO MORE THAN 5 YEARS £'000	OVER 5 YEARS £'000
Cash and balances at Banks	37,544	37,544	-	-	-	-	-
Investment Securities held at cost	3,014	-	-	-	-	1,043	1,971
Loan and Advances to Customers	804	804	-	-	-	-	-
Total Financial Assets	**41,362**	**38,348**	**-**	**-**	**-**	**1,043**	**1,971**
Customer Deposits	18,083	18,083	-	-	-	-	-
Total Financial Liabilities	**18,083**	**18,083**	**-**	**-**	**-**	**-**	**-**
Net Financial Assets	**23,279**	**20,265**	**-**	**-**	**-**	**1,043**	**1,971**

12. Risk Management (Cont.)

c Market Risk

Market Risk is the risk that the value of, or income from, the Group's assets and liabilities change as a result of changes in market prices, the principal element being interest rate risk.

Measuring exposure to interest rate risk

Interest rate risk exposure is measured by calculating both positive and negative instantaneous shocks to interest rates on:

- Earning at Risk (EaR) is considered for assets and liabilities on the forecast Statement of Financial Position over 12 months period, measuring the adverse change to net interest income from a movement in interest rates.
- The regulatory PV200 measure is a key metric used by the Bank to evaluate its interest rate risk sensitivity. 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.

Market Risk Metrics – Rate Sensitivity

Sensitivity analysis of NII is performed on the Bank's consolidated Statement of Financial Position. As at 30th Nov 2017, the projected change in NII in response to an immediate parallel shift in all relevant interest rates would be an increase / decrease of £0.377m from 200bps interest rate shift. The measure assumes all interest rates, for all currencies and maturities move at the same time.

Market Risk Metrics – FX Sensitivity

The Bank has placed collateral with overseas financial institutions to support its card issuance activity; the amount is denominated in US Dollars and is unhedged. The Bank re-measures its exposure to FX risk monthly and recognise the change in its Statement of Comprehensive Income.

13. Provisions for Liabilities and Charges

GROUP	PROVISION FOR AMOUNT PAYABLE UPON RECEIPT OF THIRD TRANCHE FUNDING £'000	OTHER PROVISIONS £'000	PROVISION FOR IMPAIRMENT ON LOANS AND ADVANCES £'000	TOTAL FOR GROUP £'000
As at 1 December 2015	**-**	**89**	**-**	**89**
Movement in period	1,072	-	-	1,072
As at 30 November 2016	**1,072**	**89**	**-**	**1,161**
Movement in period	(1,072)	43	51	(978)
As at 30 November 2017	**-**	**132**	**51**	**183**

On 12th April 2017, the Group received notification from the PRA/FCA that its restrictions on accepting deposits had been lifted following receipt of 3rd tranche funding from the Investor. As a consequence, an amount of £685k was settled and an accrual of £387k was released.

COMPANY	PROVISION FOR AMOUNT PAYABLE UPON RECEIPT OF THIRD TRANCHE FUNDING £'000	OTHER PROVISIONS £'000	PROVISIONS FOR IMPAIRMENT ON LOANS AND ADVANCES £'000	TOTAL FOR COMPANY £'000
As at 1 December 2015	**-**	**89**	**-**	**89**
Movement in period	1,072	-	-	1,072
As at 30 November 2016	**1,072**	**89**	**-**	**1,161**
Movement in period	(1,072)	43	51	(978)
As at 30 November 2017	**-**	**132**	**51**	**183**

14. Other Liabilities

	GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Creditors due within 12 months	**554**	651	**554**	506
Creditors due in over 12 months	**254**	254	**254**	254
	808	**905**	**808**	**760**

The creditors due in over 12 months comprises a loan by a Director to the Parent Company that is repayable in greater than one year (See note 23).

15. Accruals and Deferred Income

	GROUP 2017 £'000	GROUP 2016 £'000	COMPANY 2017 £'000	COMPANY 2016 £'000
Accruals	**1,113**	253	**993**	371
Deferred Income	**372**	-	**372**	-
	1,485	253	**1,365**	371

Deferred Income represents a marketing contribution from the Bank's card services provider; recognition is contingent upon meeting certain volume thresholds.

16. Share Capital

FOR THE PERIOD 1 DECEMBER 2016 TO 30 NOVEMBER 2017	SHARES NUMBER	NOMINAL VALUE £'000
As at 1 December 2016	**275,625**	**2.756**
12 Apr 2017 - B Shares of £0.01 each	196,875	1.969
As at 30 November 2017	**472,500**	**4.725**

On 12th April 2017, the company issued a further 196,875 B shares at a price of £152.38 each, giving rise to a further addition to the share premium account (see note 17).

At the reporting date the shares in issue comprised:

	SHARES NUMBER	NOMINAL VALUE £'000
Ordinary Shares	85,050	0.850
A Shares	72,450	0.725
B Shares	315,000	3.150
As at 30 November 2017	**472,500**	**4.725**

The Ordinary shares and B shares have voting rights. All shares are fully paid.

16. Share Capital (Cont.)

FOR THE PERIOD 1 DECEMBER 2015 TO 30 NOVEMBER 2016	SHARES NUMBER	NOMINAL VALUE £'000
As at 1 December 2015	157,500	1.575
22 Dec 2015 - B Shares of £0.01 each	20,672	0.207
12 July 2016 - B shares of £0.01 each	97,453	0.974
Total increase in the period	118,125	1.181
As at 30 November 2016	**275,625**	**2.756**

	SHARES NUMBER	NOMINAL VALUE £'000
Ordinary Shares	85,050	0.850
A Shares	72,450	0.725
B Shares	118,125	1.181
As at 30 November 2016	**275,625**	**2.756**

17. Share Premium

FOR THE PERIOD 1 DECEMBER 2016 TO 30 NOVEMBER 2017	SHARES NUMBER	NOMINAL VALUE £'000
As at 1 December 2016	**118,125**	**17,889**
12 Apr 2017 – Ordinary B Shares	196,875	29,998
Less transaction costs	-	(41)
Total increase in the period	196,875	29,957
As at 30 November 2017	**315,000**	**47,846**

The company incurred transactions cost of £41k (2016: £110k) in respect of the issue of ordinary B share and this has been deducted from the share premium account.

	SHARES NUMBER	NOMINAL VALUE £'000
Ordinary B Shares	315,000	47,846
As at 30 November 2017	**315,000**	**47,846**

17. Share Premium (Cont.)

FOR THE PERIOD 1 DECEMBER 2015 TO 30 NOVEMBER 2016	SHARES NUMBER	NOMINAL VALUE £'000
As at 1 December 2015	**-**	**-**
22 December 2015 – Ordinary B Shares	20,672	3,150
12 July 2016 – Ordinary B Shares	97,453	14,849
Less transaction costs	-	(110)
Total increase in the period	118,125	17,889
As at 30 November 2016	**118,125**	**17,889**

	SHARES NUMBER	NOMINAL VALUE £'000
Ordinary B Shares	118,125	17,889
As at 30 November 2016	**118,125**	**17,889**

18. Other Reserves and Retained Earnings

	OTHER RESERVES £'000	RETAINED EARNINGS £'000	TOTAL RESERVES £'000
As at 30 November 2015	**-**	**(590)**	**(590)**
Employee Benefit Trust	(-)		(-)
Loss for the period		(4,253)	(4,253)
As at 30 November 2016	**(-)**	**(4,843)**	**(4,843)**
Employee Benefits	(94)		(94)
Loss for the period		(10,196)	(10,196)
As at 30 November 2017	**(94)**	**(15,039)**	**(15,133)**

EMPLOYEE BENEFIT TRUST	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	BANK 30 NOV 2017 £'000	BANK 30 NOV 2016 £'000
Reserves - Shares held by EBT	**(185)**	(-)	**(185)**	(-)
Reserves - Fair Value Share rewards	**91**	-	**91**	-
As at 30 November 2017	**(94)**	**(-)**	**(94)**	**(-)**

The shares held by the Employee Benefit Trust are analysed in note 10.

19. Regulatory Capital

AUDITED	GROUP NOV 2017 £'000	GROUP NOV 2016 £'000	COMPANY NOV 2017 £'000	COMPANY NOV 2016 £'000
Shareholder equity as per the statement of financial position	**32,718**	**13,049**	**32,731**	**13,675**
Regulatory deductions				
Intangible assets (including Intercompany loan)	**(9,330)**	(5,091)	**(10,330)**	(6006)
Common Equity Tier1 (CET1) capital	**23,388**	7,958	**22,401**	7,669
Regulatory credit risk adjustments	**-**	-	**-**	-
Total Regulatory Capital	**23,388**	**7,958**	**22,401**	**7,669**
UNAUDITED				
Credit - Financial Institutions - RWA*	**711**	2,006	**514**	1,971
Credit - Retail - RWA*	**571**	-	**571**	-
Credit - Other Assets - RWA*	**715**	18	**714**	15
Operational Risk Exposure - Notional RWA*	**15,528**	15,528	**15,528**	15,528
Total Risk Weighted Assets	**17,525**	**17,552**	**17,327**	**17,514**
Common Equity Tier (CET1) ratio	**133.5%**	45.3%	**129.3%**	43.8%
Total capital ratio	**133.5%**	45.3%	**129.3%**	43.8%

* RWA = Risk Weighted Asset.

The above table presents a reconciliation between shareholders equity in the IFRS Statement of Financial Position and the Regulatory capital available to support the Group's risk activities.

The amount of capital held is measured against the regulatory framework defined by the Capital Requirement Directive and Regulation (CRR & CRD IV) as implemented in the UK by the Prudential Regulation Authority (PRA). Full details of the regulatory capital and leverage framework are provided in the Pillar 3 report.

20. Net Interest Income

	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Interest Income				
Cash and Cash Equivalent	61	7	61	7
Investment Securities	4	-	4	-
Loans and Advances to Customers	24	-	24	-
Total Interest Income	**89**	**7**	**89**	**7**
Interest Expense				
Customer Deposits	(13)	(-)	(13)	(-)
Total Interest Expense	**(13)**	**(-)**	**(13)**	**(-)**
Net Interest Income / (Expense)	**76**	**7**	**76**	**7**

The calculation includes all amounts received or paid by the Bank that are an integral part of the overall return, direct incremental transaction costs related to the acquisition or issue of a financial instrument and all other premiums and discounts.

21. Operating Costs

	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Staff Costs	**9,061**	3,276	**8,700**	3,276
Other Administrative and General Expenses	**7,627**	5,094	**6,127**	2,940
Capitalisation of Intangible Assets (note 6)	**(4,710)**	(5,083)	**-**	-
Total Operating Costs	**11,978**	**3,287**	**14,827**	**6,216**

Included within Staff costs were as follows:

Salaries, Wages and Other Costs	**8,198**	2,994	**7,837**	2,994
Social Security Costs	**759**	282	**759**	282
FV of shares issued to Employee under EBT	**91**	-	**91**	-
Pension Contributions	**13**	-	**13**	-
Total Staff Costs	**9,061**	**3,276**	**8,700**	**3,276**

Average number of persons employed by the Group (Including Directors) during the year was 92 (2016: 31).

Remuneration of Directors comprised:

Wages and Salaries	**816**	318	**816**	318
Social Security Costs	**78**	9	**78**	9
Total Directors Costs	**894**	**327**	**894**	**327**

21. Operating Costs (Cont.)

	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
HIGHEST PAID DIRECTOR:				
Wages and Salaries	256	167	256	167
Social Security Costs	34	6	34	6
Total Highest Paid Director	**290**	**173**	**290**	**173**

Included within Other Administrative and General Expenses were the following amounts:

Amortisation of Intangible Assets	474	3	3	3
Depreciation of Tangible Assets	83	49	82	48
Total Amortisation and Depreciation	**557**	**52**	**85**	**51**

Included within Other Administrative and General Expenses were the following for audit and non-audit fees:

	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Audit of Consolidated Financial Statements	66	50	66	50
Audit of the Financial Statements of the Subsidiary	9	9	-	-
Other assurance services	10	25	10	25
Taxation services	-	56	-	56
Total Audit and Non-audit Fees	**85**	**140**	**76**	**131**

22. Taxation

	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Loss on ordinary activities before Tax	**(11,610)**	(4,346)	**(10,843)**	(3,720)
Add back:				
Tax Loss Adjustments and Deductions	**(500)**	140	**(501)**	139
Taxable Loss	**(12,110)**	**(4,206)**	**(11,344)**	**(3,581)**
Standard Rate of Corporation Tax	**19.3%**	20.0%	**19.3%**	20.%
Corporation Tax on Losses	**(2,341)**	(841)	**(2,193)**	(716)
Prior Period Tax rate adjustments	**(127)**	1	**559**	1
Short-Term Temporary Differences	**(14)**	-	**(14)**	-
Capital Allowances at 19% (2016: 20%)	**-**	(45)	**-**	(26)
Potential Tax Credit	**(2,482)**	**(885)**	**(1,648)**	**(741)**
R&D Tax Credit	**1,414**	93	**34**	93
Deferred Tax (see note 5)	**2,482**	885	**1,648**	741
Total Tax Credit	**1,414**	**93**	**34**	**93**

The tax effect of tax losses has not been recognised in these financial statement as the Group is not yet generating a trading profit and consequently there is no evidence that future taxable profits will be available.

R&D eligible deductions in the prior period resulted in a tax credit from HMRC of £1,414k (2016: £93k) being received in the year to 30th November 2017.

No corporation tax liabilities are payable nor receivable from HMRC for the year (2016: Nil).

23. Related Party Transactions

a. Parent and Controlling Entities

The immediate holding company at the end of the period was JTC Starling Holdings Limited and is deemed the ultimate controlling party. At the reporting date, JTC Starling Holdings Limited holds 67% (2016: 42%) of the total shares in issue and is entitled to 67% (2016: 42%) of the voting rights.

Deposit balances held by individuals associated with JTC Starling Holdings Limited comprised:

	AS AT 30 NOV 2017 £'000	NET INCREASE/ (DECREASE) DURING PERIOD £'000	AS AT 30 NOV 2016 £'000
Balances on Deposit accounts	**46**	46	0

The terms and conditions applied to the above balances are the same as those applied to Customers.

Director Loan Account - Amounts due to Anne Boden:

Anne Boden holds 17% (2016: 29%) of the total shares in issue and is entitled to 31% of the voting rights (2016: 31%) and consequently is deemed a related party.

	DUE TO DIRECTOR AS AT 30 NOV 2017 £'000	FUNDING DURING PERIOD £'000	DUE TO DIRECTOR AS AT 30 NOV 2016 £'000
Balance on Director Loan Account	**254**	-	254

The Director loan account is repayable in greater than one year. It is interest free.

23. Related Party Transactions (Cont.)

b. Key Management Personnel Transactions

Deposits balances held by Directors and Key Management Personnel comprised:

	AS AT 30 NOV 2017 £'000	NET INCREASE/ (DECREASE) DURING PERIOD £'000	AS AT 30 NOV 2016 £'000
Balances on Deposit Accounts	**268**	268	-

The terms and conditions applied to the above balances are the same as those applied to Customers.

Overdraft balances held by Directors and Key Management Personnel comprised:

Balances on Overdraft Accounts	-	-	-

The terms and conditions applied to the above balances are at rates between 3% and 10%.

23. Related Party Transactions (Cont.)

c Key Management Personnel Compensation

	30 NOV 2017 £'000	NET INCREASE/ (DECREASE) DURING PERIOD £'000	30 NOV 2016 £'000
Salary, Wages and Other costs	**2,420**	1,467	953
Social Security costs	**255**	226	29
Share-based payment scheme	**20**	20	-
Pension contributions	**1**	1	-
Total	**2,696**	**1,714**	**982**

d Subsidiaries and Affiliates

Interest in the subsidiary is set out in Note 9.

	30 NOV 2017 £'000	NET INCREASE / (DECREASE) DURING PERIOD £'000	30 NOV 2016 £'000
Inter-company with Starling FS Services Limited	**10,322**	4,324	5,998
Total	**10,322**	**4,324**	**5,998**

23. Related Party Transactions (Cont.)

The balance on the inter-company account is repayable on demand and is interest free.

The Parent Company employees, product and software development teams and incurs the cost of salaries, NIC and other benefits; a proportion of this is recharged to the subsidiary. A management services is subsequently purchased from the subsidiary, related to intellectual property rights, of the banking app in the form of a licence fee agreement on cost-plus basis after capital expenditure, allowing a margin of 5% + VAT (OECD Transfer Pricing method at arm's length level).

During the year, the Parent Company charged its subsidiary £4,324k (2016: £3,555k) for the attributable proportion of staff salaries, employers NIC and other identified costs incurred by the Parent in the design, specification, build, specification, build and implementation of the mobile phone App and associated infrastructure.

24. Capital Commitments

At 30th November 2017, the company had £Nil (2016: £Nil) committed capital expenditure that had not been provided for in the accounts.

25. Contingent Liabilities

At 30th November 2017, the Company had no Contingent liabilities (2016: £Nil).

26. Country by Country Reporting

The Capital Requirements (Country by Country Reporting) Regulation 2013 places certain reporting obligations on financial institutions that are within the scope of EU Capital Requirement Directive (CRD IV).

The Objective of the country by country reporting requirements is to provide increased transparency regarding the source of the financial institution's income and locations of its operations. Starling Bank Limited is a UK registered entity.

Name, nature of activities and geographical location: Starling Bank Limited is a deposit taker and lender and operates only in the United Kingdom.

	GROUP 30 NOV 2017 £'000	GROUP 30 NOV 2016 £'000	COMPANY 30 NOV 2017 £'000	COMPANY 30 NOV 2016 £'000
Turnover (*)	**(19)**	13	**3,597**	3,568
Loss before Tax	**(11,610)**	(4,346)	**(10,844)**	(3,720)
Corporation Tax paid	**Nil**	Nil	**Nil**	Nil
Number of Employees on full time equivalent basis	**125**	62	**125**	62
Subsidy amounts received	**Nil**	Nil	**Nil**	Nil
Jurisdictions in which operated	**UK**	UK	**UK**	UK

(*) Turnover is defined as total income/(expense)

STARLING BANK