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Annual Report and Accounts 2025

Starling Bank Limited

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Throughout this document Starling, Starling Group and Group are used interchangeably and refer to Starling Bank Limited and all of its direct and indirect subsidiaries. Company, Bank and Starling Bank are used interchangeably and refer to Starling Bank Limited. The regulatory solo-consolidated Group only includes the company Starling Bank Limited and the subsidiary Starling FS Services Limited and it is referred as Starling or Group throughout this document.

References to 2025 relates to the financial year ended 31 March 2025. Similarly, 2024 relates to the financial year ended 31 March 2024.

Abbreviations and acronyms are used throughout this document. Full definitions of any abbreviated terms can be found on page 224.

Alternative performance measures (Non-IFRS) referenced in the strategic report are defined on page 218.

Strategic report

This year at Starling

Financial performance

		2024
Revenue	£714m	£682m
Statutory PBT	£223m	£301m
ROTE	17.9%	31.5%
ROCE	26.7%	51.5%

Customers

		2024
Open accounts	4.6m	4.2m
Retail active core accounts	2.6m	2.4m
SME active core accounts	0.4m	0.4m
Engine clients	2	2

Unit economics

		2024
ARPAC	£218.7	£241.6
Cost to serve	£42.4	£48.1
Unit contribution	£176.3	£193.5
Cost per acquisition	£37.1	£36.0

Balance sheet

		2024
Gross lending	£4.8bn	£4.7bn
Customer deposits	£12.1bn	£11.0bn
Net interest margin	4.12%	4.34%
Cost of deposits	0.78%	0.38%

Turning the page

"We have finished this year reporting a resilient financial performance amid challenging markets and as we resolved some important legacy matters."

David Sproul
Chair of the Board,
May 2025

Since we opened the first customer account in 2017, the Starling Group has grown by using its strengths in technology, backed by brilliant human service, to solve people's banking problems and to boost their financial wellbeing. This year we continued to deliver on this mission, both through Starling Bank at home and through Engine by Starling overseas.

From using the in–app bills manager to gain greater control over their outgoings, to creating virtual cards to manage spending, to encouraging good money habits for the kids through our free Kite cards, our customers have used our tools more than ever this year. Thanks to our product innovation and our brand strength, we grew retail and SME accounts by 9% to 4.6m. Almost 80% of core accounts are active, proving that those who try us, like us.

We saw a continued upward trend for retail card spend and deposits, rising to £16.9bn and £6.4bn respectively as people managed higher costs but also sought higher returns on their savings. We saw a slight dip in card spend and deposits for SME customers, to £4.4bn and £5.7bn respectively, as entrepreneurs grappled with a challenging operating environment.

At home, our success was recognised with accolades including coming top of The Banker magazine's inaugural UK Neobank Ranking and joining the ranks of Deloitte's UK Technology Fast 50 winners. We became the first digital bank to achieve a gold award under the Small Business Commissioner's new Fair Payment Code, recognising our commitment to paying our suppliers promptly and to doing business the right way.

Overseas, Engine's first two clients - Salt Bank in Romania and AMP Bank in Australia - are now both live on our platform and growing well. Whilst Engine's fee income contribution to the Group was fairly modest at £8.7m, this represents a 284% increase year-on-year and gives an early indication of the business's enormous potential earnings value. Despite market volatility and the start of a downward phase in the rate cycle, Fleet Mortgages still added £759m to our lending assets to bring them up to £4.7bn at the year-end.

Executive leadership

In late June we were delighted to welcome Raman Bhatia into Starling as our new Group CEO. Raman was a standout choice for the Board, bringing with him a wealth of consumer tech, fintech and banking experience. He joined us from OVO, the tech-enabled energy retailer, and he previously led digital banking for HSBC's retail banking business in the UK and Europe.

One of Raman's first projects was to work closely with the Board to help us understand our culture better and to set clear direction for the future. The work included engaging external specialists to undertake a deep dive analysis including workshops across the business. The outcome of this work includes a clearer articulation of our purpose and values supported by a new performance management system. The creation of a group of culture champions - volunteers from across our offices, businesses and functions - will play a crucial role in amplifying the voices of colleagues as we scale, promoting collaboration and transparent open communication.

Regulatory actions

Turning to regulatory matters, this was a significant year for the Group as we addressed some historic weaknesses in Starling Bank's risk management frameworks, policies and procedures.

In September, the Financial Conduct Authority (FCA) completed an investigation into Starling's anti-money laundering and financial crime systems and control framework, as referenced in last year's annual report. The FCA found that these controls failed to keep pace with the growth of the business between December 2019 and November 2023. We accepted those findings and paid a fine of £29.0m.

This was a very difficult time for everyone at Starling, and I apologised to our customers and stakeholders on behalf of the Group. Today, we have learned important lessons and emerged stronger as a result. Some regulatory restrictions on higher risk customer acquisition remain in force, but I am confident that the comprehensive investment programme we put in place means that we have an established risk management and control framework that, as it becomes fully operationalised, will support a new phase of careful, safe, sustainable growth. We will continue to engage transparently with the FCA and the PRA, to ensure they maintain confidence in it too.

Since the end of the Covid pandemic we have supported customers with loans under the Bounce Back Loan Scheme (BBLS) to help them manage their repayments, and worked with the British Business Bank (BBB) to help protect taxpayers' money. Towards the end of the financial year, we concluded talks with the BBB regarding issues with a small proportion of our BBLS portfolio.

We identified a group of loans made before April 2021 which potentially did not comply with a guarantee requirement. We communicated this to the BBB, and we volunteered to remove the government guarantee on those loans. As a result, we have taken a £28.2m provision in this year's accounts, equivalent to 1.8% of our £1.6bn in total BBLS lending.

In summary, where we have identified past cases in which the bank did not meet its regulatory obligations, we have initiated remediation processes to address those issues. Building on those actions, we are very well progressed with a firm-wide risk management maturity programme to further strengthen our control environment and we have invested to increase risk skills and resources.

Governance and structure

Enhancing our oversight capabilities, we welcomed Darren Pope as a new independent non-executive member of the Board and Board Audit Committee Chair in October. Darren brings an in-depth understanding of financial and risk matters, having served as a non-executive to several financial services firms and as a senior executive at Lloyds Banking Group and TSB Bank.

As well as welcoming Darren to the Board, through the work of the Board Nomination Committee and Board Remuneration Committee we have supported and overseen a number of changes to the Bank's leadership team, focusing on strengthening capabilities for the next phase of growth.

Looking ahead, we are starting the next year with a strong capital position that is significantly in excess of minimum requirements. We also intend to transition to a new holding company and internal group structure. This will better position us for long-term growth alongside future-proofing the Bank for ongoing compliance with the Bank of England's resolution requirements.

We have finished this year reporting a resilient financial performance amid challenging markets and as we resolved some important legacy matters. This gives us a solid platform from which we launch into the new year with renewed confidence in the strength and long-term potential of our business.

David Sproul
Chair of the Board, May 2025

A tremendous platform for growth

> **"We were able to achieve a fourth straight year of profitability, and to attract more customers, by remaining best-in-class at meeting the needs of our customers."**

Raman Bhatia
Group Chief Executive Officer,
May 2025

In the spring of 2024, as I prepared to take up my new role as Group CEO of Starling, I was interviewed for an internal video by a colleague. Her opening question was to ask why I wanted to come to Starling. For me, I told her, Starling's greatest attraction isn't the business it does but the way that it does it.

I joined this Group because I firmly believe that making banking fair and intuitive - even delightful - will enable customers to thrive and the business to grow. In the months since I started here, I've found this to be a belief that is held deeply by colleagues, customers and investors alike.

Fourth straight year of profitability

Whilst our collective commitment to Starling's founding principles remains firm, the world around us has often felt anything but stable. Here in the UK, the cost of living crisis continues to squeeze household budgets as the Government battles anaemic economic growth and sticky core inflation. Consumer, business and investor confidence is being buffeted constantly by external headwinds, from prolonged conflicts in Ukraine and the Middle East to the 'shock and awe' of the US Government's new trade policies.

Against this backdrop, I am pleased to report that the Starling Group increased revenue to £714m in the twelve months to 31 March 2025, from £682m in the prior year. Customer deposits rose to £12.1bn from £11.0bn and open accounts rose to 4.6m from 4.2m. Profit before tax declined to £223m from £301m as the Group incurred a regulatory fine covering historic compliance failings and provisioned for the voluntary removal of guarantees on some Covid-era loans.

We were able to achieve a fourth straight year of profitability, and to attract more customers, by remaining best-in-class at meeting the needs of our customers.

Supporting our customers

I love the fact that I can see a live feed of our App Store reviews. These reviews bring to life our customers' daily experience of Starling, from how they love the intuitive simplicity of the app, to the delight of using our pioneering spaces and card control features, to the obsession our UK-based, 24/7 service teams have about fixing customer problems.

These reviews show me why our current account NPS is market leading at 63 and we're now in our sixth year as a Which? recommended current account provider. But our customer service accolades are not limited to the banking sector. I'm very pleased that we recently ranked No. 2 for overall service quality in a cross-industry analysis by the Institute of Customer Service.

In July, in support of the Home Office's 'Stop! Think Fraud' campaign, we launched our Safe Phrases initiative to protect customers from AI Voice scams. In October, we launched a new way to help protect our customers from fraud. Our Call Status Indicators feature tells customers making a payment whether they're on the phone to us or not, warning them if they're speaking to a scammer who is pretending to be from the bank. Our incidents of bank impersonation fraud have plunged by 73% since this innovative feature went live.

In November, we launched the 'Easy Saver' offering a competitive interest rate payable on balances up to £1m, with penalty-free access and full integration into the Starling app. We designed this account to give retail customers greater scope for savings growth and to encourage them to migrate savings balances from other banks. By the close of the financial year, Easy Saver had attracted over £1.5bn in deposits.

Artificial Intelligence (AI)

At Starling we are at the forefront of using AI at scale to support the needs of our customers, whilst ensuring we give due consideration to ethics and data privacy. AI-generated chat summaries of customer interactions are now saving our colleagues about 8,000 hours of administrative time every month, while our 'StarAI' agent chat tool has cut referral volumes in half. By leveraging machine learning models, which identify complex data patterns that humans may miss, we've also achieved a 16% increase in the detection and prevention of Authorised Push Payment (APP) fraud.

Whilst we pride ourselves on the fact that customers can speak to a real UK-based human whenever they want, we see AI as a tool to enhance the abilities of our staff and to improve customer experiences. For example, we are using Retrieval Augmented Generation (RAG) technology to provide customers with an AI-powered FAQ system to resolve common banking issues, offering streamlined issue resolution and improved response times.

Starling is also helping shape the future of AI for financial services, and we have been substantively engaged with regulators over the past five years to help realise the benefits AI can bring to the financial services sector. I'm very pleased that our Chief Information Officer, Harriet Rees, is the Co-Chair of the Bank of England's AI Taskforce.

Engine

A feature of our tech stack that really impressed me when I joined Starling, and that continues to impress prospective Engine by Starling customers, is the holistic view of a customer that Management Portal (MP) provides on a single screen. Anyone who has experienced the composite core banking systems at some legacy banks, and tried to connect data points across 14 or 15 different screens, will know how powerful a tool MP is. The simplicity of our proposition is very attractive to Engine clients, and the total cost of ownership is far lower because Starling has already invested to develop the platform for our own bank.

Engine's first two international clients, Salt Bank in Romania and AMP Bank in Australia, went from strength to strength during the year. Salt Bank attracted 500,000 customers in its first 12 months, catapulting it into Romania's top 10 banks from a standing start. In February, AMP launched its mobile-first proposition targeting small businesses and everyday banking customers in Australia. Everyone at Starling is wishing them well for their first year as a 170-year old digital challenger.

Our people

Now let me turn to the most important Starling strength; our people. Over the last few months we began three initiatives that will capitalise on the best of Starling's culture and ensure that it scales alongside our business. The first of these is work to re-articulate our strategy and to refresh our brand and purpose in light of that strategy. The second is to embed a risk management maturity programme so that we can continue to grow safely. And the third is to build and strengthen our leadership capabilities by bringing together the best of technology and banking.

During my first year as Group CEO I'm delighted to have been able to add exceptional talent to Starling's executive team. Adeel Hyder joined us from TSB as Managing Director of SME Banking. Joe Gordon, our new Chief Operating Officer, is a former CEO of first direct bank. Raghu Narula, Chief Customer and Banking Officer, joined in February from NatWest with a mandate to lead the development and launch of new products and customer propositions. Michele Rousseau (ex Apple and Expedia), our new Chief Marketing Officer, will lead our brand refresh during the coming financial year.

This year we raised the target we set ourselves through the Women in Finance Charter to increase female representation in senior leadership to 50% by 2027 from 43% today. In our technology team we increased the share of female hires to 35% in calendar 2024 from 24% a year earlier and 9% in 2022.

Looking ahead

Our profitable business model, strong capital position and unrivalled customer advocacy provide a tremendous platform and runway to grow in the UK. In the coming year we will continue to invest in building our internal capabilities, from risk management to software engineering, so that we can grow our customer base safely and serve those customers with more products and features. Building on the success of our Easy Saver product, we will launch a cash ISA and a suite of new features including a market-leading AI insights tool for our customers.

We are very proud to serve 9% of small businesses in the UK, and in the coming year we will broaden the range of features available to these businesses to help them boost productivity and drive growth. We will build on a new partnership with Small Business Britain; an organisation that shares our passion for entrepreneurship and our commitment to champion the UK's 5.5m small businesses.

Our ambition is global, and with Engine we are now poised to bring our proprietary technology to a global addressable market of some £100bn. In the coming year we will expand Engine's unique Software-as-a-Service (SaaS) proposition to new markets in North America and the Middle East; helping banking clients launch new propositions as well as modernise their core offerings.

I would like to thank all our colleagues for their tireless efforts on behalf of our customers, our customers for entrusting us with their finances, and our Board for their ongoing guidance and support.

Raman Bhatia
Group Chief Executive Officer, May 2025

Robust underlying results underpin a financial services group which continues to scale internationally through Engine

> “The Group continues to perform strongly with Engine's international expansion beginning to support revenue diversification and business resilience. In 2025 the Group reached 4.6m accounts and £280.6m of underlying PBT, 7% down from 2024.”

Declan Ferguson
Group Chief Financial Officer,
May 2025

Statutory PBT	Total open accounts	Loan-to-deposit ratio	Net interest margin
£223m	4.6m	39.5%	4.12%
2024: **£301m**	2024: **4.2m**	2024: **42.7%**	2024: **4.34%**

CET1 ratio	Revenue	Cost-income-ratio	ROTE (post-tax)
31.55%	£714m	67.6%	17.9%
2024: **32.55%**	2024: **£682m**	2024: **51.3%**	2024: **31.5%**

The Group's results are prepared in accordance with IFRS as detailed in the financial statements starting on page 144.

To measure the performance of the Group, a range of metrics is considered. These include a combination of financial (IFRS and non-IFRS based) and non-financial metrics.

Other key performance indicators can be found on page 4 and in the strategic review and business model starting on page 18. Further information on how these metrics are calculated can be found on page 218.

Review of the year

The Group PBT for the year to 31 March 2025 was £223.4m, a 25.8% decrease on prior year (2024: £301.1m), driven primarily by the recognition of two notable items. The Group incurred a £29.0m regulatory fine that concluded a FCA investigation into historic financial crime failings. And the Bank identified a group of BBLS loans which potentially did not comply with a guarantee requirement. We communicated this to the BBB, and we volunteered to remove the government guarantee on those loans. As a result, we have taken a £28.2m provision in this year's accounts. Excluding these two items, the Group generated an underlying PBT of £280.6m and an adjusted post-tax ROTE of 24.7% (2024: 31.5%).

Total income increased 5.1% year on year as interest rates remained at higher than expected levels and the Group's Asset and Liability Management strategy afforded some protection against rate reductions. Other favourable movements during the year include a reduction in hedge accounting losses and impairment charges. Operating expenses, excluding the above notable items, increased by 21.3% compared to 2024 due to continued investment in enhancing the Group's capabilities in risk management and in support of the Group's strategy and future growth ambitions. The Group PAT was £150.7m (2024: £220.0m) and ROTE on a post-tax basis of 17.90% (2024: 31.51%).The Group cost-income ratio for the year increased to 67.6% (2024: 51.3%).

Investing in our customer service

Starling's unit economics remain robust, with an ARPAC and Unit Contribution of £219 (2024: £242) and £176 (2024: £194) respectively. We continue to respond to customer needs with new features and products while continuing to maintain high levels of quality service[1]. We remain one of few UK banks to offer UK based 24/7 customer service, with call response times averaging around 14 seconds and 95% of our customer interactions being fully digital. We have significantly reduced our non-staff unit running costs over the last two years from £10.60 in 2023 to £6.50 in 2025.

Over the next two years, we aim to invest further in our award-winning customer service team through the development and deployment of AI tools and capability. We are already using this industry leading capability with our customers from onboarding and verification through to supporting customers in making payments. We will also be introducing a number of AI enabled customer features to support spending insights and analytics in the coming months. Leveraging AI in real use cases in our business presents substantial innovation opportunity for our customers alongside significant operating model benefits.

Expanding our deposit proposition

In November we rolled out our Easy Saver proposition, an instant access savings account with a launch rate of 4% AER and unlimited immediate withdrawals[2]. This supported growth in our existing deposit base and attracted further new customers, which resulted in more than 4.6m (2024: 4.2m) accounts and a deposit base of nearly £12.1bn (2024: £11.0bn). On the asset side, the Group's BTL mortgage business, originated through Fleet, continued to deliver growth, adding £0.8bn to our lending assets to reach £4.8bn (2024: £4.7bn).

Improving capital position to fund growth

In April 2025, the Group received further capital guidance from the PRA in a number of areas, which has resulted in material reduction in its capital requirements. This, coupled with the Group's 2025 earnings approved with this Annual Report and Accounts, will result in a capital surplus in excess of £400m. This will, in due course, provide further resource for investment into organic ventures such as Engine and also in time for inorganic growth and consolidation opportunities across the Group.

Momentum in Engine

Engine continues to outperform expectations and is already building a strong pipeline of customer demand following its proven implementations of its first two contracts with Salt Bank in Romania and AMP Bank in Australia. Salt and AMP launched their digital bank propositions on Engine in April 2024 and in February 2025 respectively. As of April 2025, Salt Bank has already surpassed 500k customers, representing approximately 3% of the adult Romanian population, with deposits already in excess of £1.0bn. This success contributed to £8.7m of fee revenue for Engine, an increase of £6.4m or 283.8% from 2024.

Looking ahead

Starling has achieved so much in just ten years and has redefined digital banking for retail customers and SMEs in the UK. Despite some challenges materialising this year and certain regulatory onboarding restrictions still in place, we remain confident that the Group has begun to lay the foundations for its next stage of growth.

Fintech is undoubtedly a maturing category in both the UK and around the world, but we believe the continued strong financial performance of the Bank and the early performance of Engine leaves us incredibly well positioned to execute on the domestic and global opportunity ahead of us.

Basis of preparation
Statutory basis: The statutory results are set out in the financial statements on page 157 to 160.

Underlying basis: The statutory numbers are adjusted to provide management's view of the Group's performance. A reconciliation can be found on page 11 and further detail of the adjustments on page 14.

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[1] Starling Bank Limited ranked 2nd in SME and 3rd in retail for Overall Service Quality by an independent survey published February 2025.

[2] Starling Easy Saver is a savings account linked to a personal current account that offers penalty-free, immediate withdrawals and a launch interest rate of 4% AER on balances up to £1 million.

Income statement

	Group 2025 £'000	Group 2024 £'000
Net interest income	**590,162**	592,871
Interest income	**811,695**	754,808
Interest expense	**(221,533)**	(161,937)
Net fees and commissions	**94,767**	84,423
Fees and commission income	**128,306**	119,467
Fees and commission expense	**(33,539)**	(35,044)
Other (expense)/income	**(4,546)**	(30,176)
Total income	**680,383**	647,118
Operating expenses	**(403,014)**	(332,130)
Impairment release/(charge)	**3,243**	(13,889)
Underlying profit before taxation	**280,612**	301,099
Regulatory fine	**(28,959)**	–
Other operational provisions	**(28,240)**	–
Statutory profit before taxation	**223,413**	**301,099**
Taxation	**(72,691)**	(81,098)
Statutory profit after taxation	**150,722**	220,001

Net interest margin	**4.12 %**	4.34 %
Average interest-earning assets	**14,339,465**	13,647,067
Average interest-earning liabilities	**13,401,408**	13,120,415

Net interest income and NIM

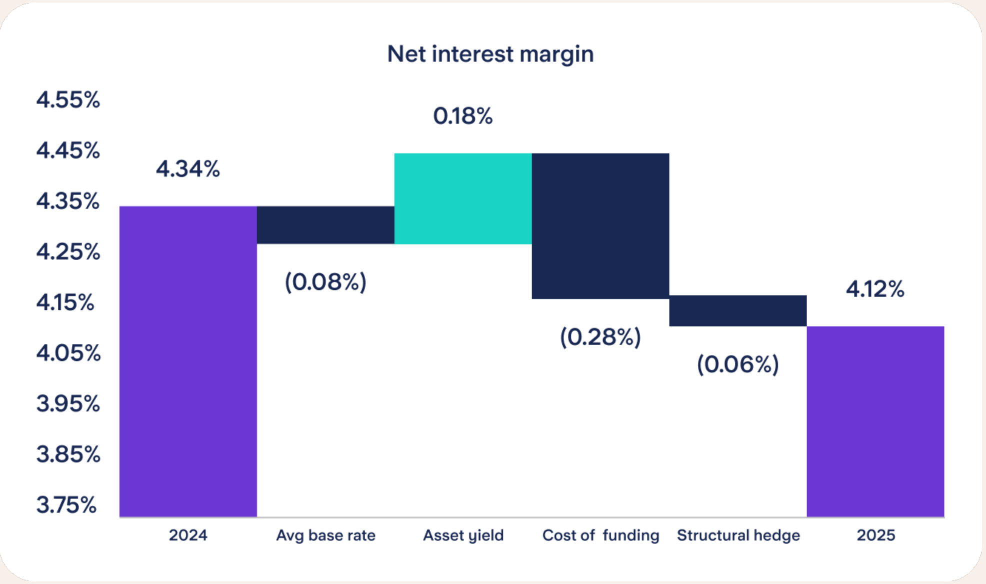
Net interest income continues to be the main source of revenue for the Group, accounting for 87% of total income (2024: 92%). In the year ended 31 March 2025, interest income increased by 7.5% to £811.7m (2024: £754.8m), mainly driven by a 5% growth in average interest-earning assets by £692.4m to £14.3bn. Interest-earning assets are either contractually or economically floating and therefore benefited from higher than expected interest rates.

Looking at our key asset classes, lending interest income increased by 1.5% driven by an uplift of yields from 6.39% to 6.75%. Our largest lending asset class, mortgages, saw yields increase by 67.6bps to 6.33% from 5.65%. This increase was driven by our interest rate risk hedging strategy, which involves swapping fixed rates on our assets for floating rates. The strategy benefited the Group in the year from favourable interest rate movements. Our investment portfolio grew by £650.1m to £3.9bn with yields marginally up to 5.33% from 5.32% in 2024; and our cash held at the BoE grew by £266.6m to £6.7bn (2024: £6.4bn) with yields down to 4.73% from 4.95% in 2024 in line with base rates cuts.

Starling's structural hedge notional as at 31 March 2025 was £5.0bn (2024: £5.0bn), which during the year provided gross structural hedge income of £237.3m (2024: £136.3m) and gross structural hedge expense of £249.9m (2024: £139.8m), leaving a net expense of £12.6m (2024: £3.5m) in respect of the structural hedge, which represents the difference between structural hedge rate and prevailing floating rate. We expect to benefit from our structural hedge programme further as BOE base rates continue to fall.

Interest expense increased to £221.5m (2024: £161.9m) as a result of increased deposit costs primarily due to increase in rates paid to our current account introduced in prior year, and to a lesser extent the launch in November of our Easy Saver product. The interest paid on these on-demand deposits and our saving products more than offset rate decreases on the Group's long-term TFSME funding from the BoE. Consequently, in the year our cost of funding increased by 42 bps to 1.65% from 1.23%; while the average interest-earning liabilities grew by £0.3bn to £13.4bn (2024: £13.1bn).

As a result, NIM compressed marginally in 2025 but remained in excess of 4% throughout the year. Overall, modest rate cuts and an increased cost of funding were the primary factors behind the 22bps contraction in NIM to 4.12% (2024: 4.34%).



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1 Non-IFRS measures referenced in the strategic report are defined on page 218.

Net fees and commissions

Net fees and commissions which include fees the Group earned on its BaaS and SaaS products, grew by 12.3% to £94.8m (2024: £84.4m), underscoring the Group's continued strategy of diversifying its sources of revenue and reducing its dependency on NII.

Starling continued to earn the majority of its fees and commissions income from customers' use of debit cards. The Group's fees and commissions income grew by 7.4% to £128.3m (2024: £119.5m) driven primarily by card usage. The average number of active core accounts increased by 0.2m to 2.9m (2024: 2.7m), and total card spend increased to £21.4bn from £20.1bn during the year; while average spend per customer dropped by 3.45%.

Engine's first two SaaS clients, Salt Bank Romania and AMP Bank in Australia, launched their digital banking platforms during the year, contributing £8.7m (2024: £2.3m) to the Group fee income, which represents 6.8% (2024: 1.9%) of total fees and commissions income.

Fees and commissions expense decreased by 4.3% to £33.5m (2024: £35.0m), mostly as a result of a reduction of loan servicing fees to third parties as the underlying mortgage portfolios continued to run-off. The reduced loan servicing costs seen were partially offset by an increase in payment scheme related expenses, which increased in line transaction volume growth.

Other (expense)/income

	Group 2025 £'000	Group 2024 £'000
Net fair value (loss)/gain from hedge relationships	**(6,772)**	(27,746)
Net (loss)/gain from foreign exchange	**(3,992)**	(4,045)
Other income	**6,218**	1,615
Other (expense)/income	**(4,546)**	(30,176)

In 2025, the Group incurred £6.8m losses (2024: £27.7m losses) from its hedging activities. On implementation of the Group's £5bn structural hedge programme in 2024, existing swaps were allocated into a matched book. The allocation resulted in a fair value adjustment that continues to unwind against other swaps in the matched book. These unwinds, alongside amortisation of existing designated hedge relationship adjustments and ineffectiveness, produced losses in the year, which were partially offset by gains from economic hedges.

Non-GBP cash balances in the Group primarily arise from customer deposits. The Group manages non-GBP cash balances through FX swaps to ensure minimal net FX exposure. Net losses from foreign exchange are primarily driven by the cost of these swaps, though these losses are offset by incremental interest from the GBP cash received being placed at the BOE. More detail can be found in page 136.

Other operating income includes RDEC income recognised and a gain on sale of an immaterial loan portfolio held at amortised cost.

Operating expenses

	Group 2025 £'000	Group 2024 £'000
Staff costs	**303,741**	230,381
Other administrative expenses (excluding notable items)	**99,273**	101,749
Underlying operating expenses	**403,014**	332,130

[1] The Group's average headcount in 2025 was 3,939 (2024: 3,231)

Total operating expenses, excluding notable items, increased by 21.3% to prior year with several factors contributing to the increase.

Staff costs, which make up the majority of the operating expenses, grew by 31.8% to £303.7m (2024: £230.4m), of which £22.1m (2024: £29.8m) related to further investments in enhancing and embedding robust and effective systems and controls, including those in the area of financial crime. The remaining increase in staff costs is attributable to salary inflation and the increase in average headcount by 708 to 3,939 to support the Group's strategic growth and build of our SaaS proposition through Engine.

Other administrative expenses decreased by 2.4% to £99.3m (2024: £101.7m); mostly due to a reduction in customer acquisition costs, including marketing. As the Group focused on enhancing its capabilities in risk management and financial crime, it consciously contracted its marketing spend whilst certain regulatory onboarding constraints remained in place. Provisions for customer remediation increased by £10.8m compared to £8.4m recognised in 2024 (more detail is provided in note 22).

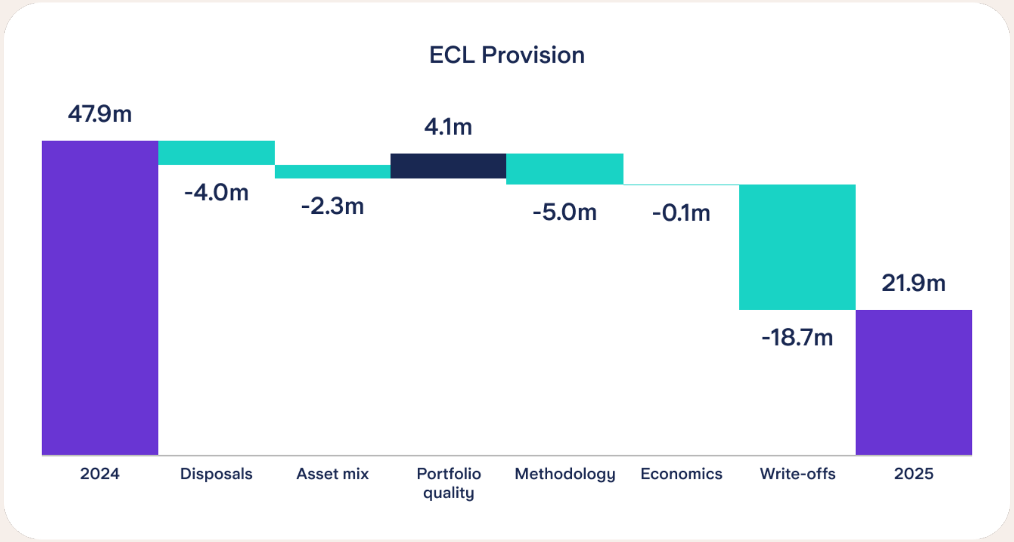
Impairments

2025	Exposure after government guarantee £'000	Impairment provision £'000	Coverage ratio %	Loans in stage 2 %	Loans in stage 3 %
Mortgages	4,300,822	9,771	0.2 %	4.9 %	3.5 %
SME	42,435	7,382	17.4 %	25.9 %	11.3 %
Retail	20,176	3,703	18.4 %	32.9 %	14.4 %
Undrawn	190,376	1,057	0.6 %	1.0 %	0.1 %
Total	**4,553,809**	**21,913**	**0.5 %**	**5.0 %**	**3.5 %**
of which Stage 2	*228,850*	*5,166*	*2.3 %*		
of which Stage 3	*159,469*	*10,403*	*6.5 %*		

2024	Exposure after government guarantee £'000	Impairment provision £'000	Coverage ratio %	Loans in stage 2 %	Loans in stage 3 %
Mortgages	3,829,403	12,884	0.3 %	6.2 %	3.5 %
SME	89,518	26,468	29.6 %	21.9 %	20.4 %
Retail	28,416	7,611	26.8 %	24.5 %	23.9 %
Undrawn	204,965	907	0.4 %	0.5 %	0.1 %
Total	4,152,302	47,870	1.2 %	6.4 %	3.9 %
of which Stage 2	*266,374*	*9,974*	*3.7 %*		
of which Stage 3	*160,167*	*28,722*	*17.9 %*		

Impairments continued
Total impairment provision decreased to £21.9m from £47.9m. £18.7m (2024: £0.9m) of the decrease related to write-offs; particularly on SME lending where a refinement to write off criteria was implemented during the year. A further £4.0m (2024: £–) reduction in impairment provision arose from the disposal of a third-party originated retail loan book. These two releases did not impact the income statement. Further there was a net £3.2m impairment release (2024: £13.9m charge) to the income statement.

The net credit to the income statement in 2025 reflects improvements from our asset mix and favourable mortgage collateral valuation methodology changes, which outweighed the credit deterioration seen in the SME portfolio. The impact of the UK economic forecast on ECL was neutral across the year as improvements in the outlook in the first half of the year were reversed in the latter half. A breakdown of the key changes to the ECL provision is shown in the below waterfall and further analysis on movements in impairment by sector can be found on page 113.



In 2025 the Group's impairment provision continued to be calculated using a probability-weighted view of future economic scenarios, which at 31 March 2025 incorporated a 10.0% (2024: 12.5%) weighting to the upside, 30.0% (2024: 50.0%) to the base, 30.0% (2024: 23.0%) to the downside and 30.0% (2024: 14.5%) to the severe scenario. The change in scenario weightings at year end reflected an uncertain outlook for the UK economy due to global geopolitical tensions and emerging protectionist trade policies.

Additionally, to estimate the final level of the Group's impairment provision for the year, the Group applies expert judgement adjustments to the modelled provision to account for model limitations. Judgemental adjustments to ECL on loans and advances to customers in the current year totalled £3.8m (2024: £6.0m), a decrease of 36.7% compared to the prior year. £2.8m of this decrease related to the release of previous adjustments made to capture economic sensitivities of BTL mortgage portfolios which were incorporated within the ECL model during the year. While judgemental adjustments have decreased in value in 2025, they have increased as a percentage of total ECL and now represent 19.7% of the total impairment provision, an increase from 13.6% in prior year.

Further detail can be found on pages 175 to 183.

Notable items

Regulatory fine
In September 2024 the FCA fined Starling £29.0m for failings that occurred between December 2019 and November 2023 in relation to the onboarding of certain high-risk customers and sanctions screening processes. The fine concluded the FCA investigation referred to in note 33 of the Annual Report and Accounts 2024. Through extensive investment across both resource and expertise relating to financial crime this year and last year, we now have an established risk management and control framework that will support a new phase of safe, sustainable growth.

Other operational provisions
During the year the Bank identified a group of BBLS loans which potentially did not comply with a guarantee requirement. We communicated this to the BBB, and we volunteered to remove the government guarantee on those loans. As a result, we have taken a £28.2m provision in this year's accounts. More detail is provided in note 22.

Taxation

The tax charge for the year was £72.7m (2024: £81.1m). The decrease is driven by the fall in the Group PBT to £223.4m (2024: £301.1m), but is partially offset by an increase in non-tax deductible items such as the FCA fine, customer remediation costs and share-based payments. In previous years the Group was able to reduce the taxable profit by utilising carried forward tax losses, however these were all fully utilised in 2024 given the ongoing profitability of the Group. The non-deductible/taxable items resulted in an effective tax rate of 32.5% (2024: 26.9%) for the Group.

Statement of financial position and liquidity

	Group 2025 £'000	Group 2024 £'000	Change %
Cash and balances at central banks and deposits at banks	**6,717,177**	6,456,994	4.0 %
Loans and advances to customers	**4,670,567**	4,537,663	2.9 %
Mortgages	**4,300,822**	3,829,403	12.3 %
SME	**441,387**	831,894	(46.9)%
Retail	**20,176**	28,416	(29.0)%
Impairment, accrued interest and adjustment for hedged risk	**(91,818)**	(152,050)	(39.6)%
Debt securities	**3,934,922**	3,284,867	19.8 %
Other assets[1]	**375,006**	488,368	(23.2)%
Total assets	**15,697,672**	14,767,892	6.3 %
Customer deposits	**12,066,650**	10,970,237	10.0 %
Current accounts	**10,265,753**	10,540,170	(2.6)%
Savings accounts	**1,800,656**	430,583	318.2 %
Adjustment for hedged risk	**241**	(516)	(146.7)%
Deposits from banks	**2,278,221**	2,420,471	(5.9)%
of which: TFSME	**2,174,386**	2,228,796	(2.4)%
Other liabilities[2]	**306,749**	487,414	(37.1)%
Total liabilities	**14,651,620**	13,878,122	5.6 %
Equity	**1,046,052**	889,770	17.6 %
Total liabilities and equity	**15,697,672**	14,767,892	6.3 %

Loan deposit ratio (LDR)	**39.5 %**	42.7 %
Liquidity coverage ratio (LCR)	**574 %**	408 %
Eligible liquidity buffer	**7,207,863**	6,750,293

Loans and advances to customers

In 2025 our total loans and advances to customers increased by 2.9% to £4.7bn (2024: £4.5bn), driven by further expansion of the BTL mortgage portfolio, which is originated by our Group company Fleet. Fleet's lending grew by 33.7% or £0.8bn, reaching £3.0bn at 31 March 2025, while our closed mortgage portfolios decreased by 18.2% and government-backed lending by 47.1%. By the end of March 2025 mortgages grew to represent 92.1% (2024: 84.4%) of total lending, while UK government-backed lending reduced to 9.2% (2024: 17.7%), reflecting the Group's continued focus on its secured lending growth strategy.

At the end of the year, the impairment provisions for drawn balances before UK government guarantee of £20.9m (2024: £47.0m) represented a provision coverage of 0.4% (2024: 1.0%). The 56bps decrease in the coverage ratio was primarily attributable to write-offs in the SME portfolios, which had relatively higher coverage ratios.

Adjusting the exposure value for the benefit of UK government guarantees increases the coverage ratio to 0.5% (2024: 1.2%). While the coverage ratio of 0.2% (2024: 0.2%) was flat across stage 1 when compared to prior year; stage 2 and stage 3 lending coverage ratios reduced to 2.3% (2024: 3.7%) and 6.5% (2024: 17.9%) respectively driven by the above noted changes in the SME portfolio and the adoption of a new collateral valuation methodology in our mortgage portfolios leading to lower ECL.

Debt securities

The Group's total debt securities increased by 19.8% to £3.9bn (2024: £3.3bn) at March 2025. These assets are part of the HQLA investment strategy, which focuses on a range of low-risk weight, high-credit quality assets for managing the Group's liquidity position and further optimising returns using surplus capital and liquidity resources. Of the total balance, £2.2bn (2024: £1.9bn) has been pledged as collateral under the BoE's Sterling Monetary Framework, for derivative counterparty margining purposes or as collateral for card scheme providers The remaining balance is retained for liquidity management purposes.

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[1] Other assets include derivative assets, other assets, property, plant and equipment and right of use assets, intangible assets, goodwill and tax assets from the statement of financial position.

[2] Other liabilities include derivative liabilities, other liabilities, deferred income, provisions and tax liabilities from the statement of financial position.

Financial review

Other assets
Other assets include intangible assets of £108.9m (2024: £71.5m).

The Group continued to invest in the design, specification, build and implementation of its banking software, developed for internal use and for Engine SaaS proposition. During the year the net book value of intangible assets increased by £37.4m to £108.9m, which included enhancements to our Management Portal, our core banking platform. Further investments included the build of the Easy Saver product, our in-app tool to help customers identify and protect themselves against bank impersonation scams and additional development of Engine's infrastructure.

Customer deposits
Starling continues to be a market-leading retail and SME deposit franchise. During the year Starling grew its number of retail and SME accounts by 8.9% to 4.6m, as a result of its continued user experience innovations, highly rated 24/7 customer service and relentless focus on customer-orientated products and features. The launch of the Easy Saver in November 2024 further expanded the Group's savings proposition, which began with the release of one-year fixed-term deposits in the prior year.

Against a backdrop of an increasingly competitive market for savers and current accounts, our on demand customer deposits grew by 12.1%, or £1.3bn, to £11.8bn driven by the success of the launch of our Easy Saver account, which by the end of the financial year had attracted over £1.5bn in deposits. Our fixed term deposits decreased by 41.1% to £253.6m in the year (2024: £430.6m). Overall the growth in our deposit base outpaced the growth in our lending resulting in a reduction in our LDR of 3.3% from 42.7% to 39.5%. Customer deposits is the Group's main source of funding. The Group's funding strategy is not currently expected to change.

Deposits from banks
Starling maintained its access to central bank funding during the year for liquidity risk management purposes under the TFSME. The term of the central bank funding coincides with the UK government BBLS and CBILS programmes. During the year £50m of TFSME funding was repaid and as at 31 March 2025 our remaining TFSME drawdowns of £2,150m (2024: £2,200m) had residual maturities of between less than a year and six years (2024: less than a year and three years). The increased residual maturity in the year is a result of the approval of a maturity extension for existing drawdowns of £460m. Starling continued to pledge its portfolio of BBLS loans as collateral for funding under the TFSME. £285.1m of BBLS loans have been utilised as collateral at 31 March 2025 (2024: £472.4m).

Funding
At 31 March 2025, the Group’s LDR was 39.5% (2024: 42.7%) and the regulatory measure of NSFR[1], which measures the stability of funding sources, was 246% (2024: 216%). The Group’s key funding ratios, alongside other critical liquidity metrics and daily MI, are closely monitored by senior management and the NSFR has remained substantially in excess of regulatory minimums throughout the year.

Liquidity
The Group's[1] prudent approach to liquidity management has resulted in it continuing to maintain high levels of liquid assets. At 31 March 2025 the regulatory measure of LCR[1] was 574% (2024: 408%). The Group’s liquidity levels are closely managed by senior management and have remained well in excess of regulatory minimums throughout the year. Our liquidity buffer uses cash and assets capable of generating liquidity within a short period with little or no loss of value.

An ILAAP is maintained by the Group in accordance with the PRA's regulatory guidance and during the year, the PRA conducted a supervisory review of the Group's liquidity and related processes as part of the L-SREP. The Board remains satisfied that the Group at all times maintains liquidity resources that are adequate, both as to the amount and the quality, to ensure that the Group can meet its liabilities as they fall due.

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[1] Funding and liquidity regulatory requirements apply to the Company only.

Capital

	Group 2025 £'000	Group 2024 £'000
CET1 capital	**1,000,231**	870,769
RWAs	**3,170,032**	2,675,477
Total regulatory capital ratio	**31.55 %**	32.55%
UK leverage ratio	**11.14 %**	10.39%

Throughout the year, the Group maintained a strong capital position, in excess of its minimum capital requirements. The Group's CET1 ratio decreased to 31.55% (2024: 32.55%) as a result of increased operational risk RWAs and expansion in the Group's lending. Starling currently meets its binding MREL requirements with CET1 capital.

RWAs increased by £0.5bn in the year to £3.2bn (2024: £2.7bn) primarily due to an increase in the average risk weighted density of credit risk assets as the growth in our higher risk-weighted mortgage lending outweighed the run-off in lower risk-weighted government-backed lending. The Group generated £166.6m of retained earnings that qualify as CET1 capital.

As at 31 March 2025, the Group's TCR was £419.1m giving a headroom over TCR of £581.1m, excluding the impact of any Pillar 2b buffers. The increase in capital resources and cash deposits placed with the BoE led to an improvement in the Group's UK leverage ratio to 11.1% (2024: 10.4%).

Starling monitors its capital adequacy on an ongoing basis, which includes undertaking regular stress testing and preparing an ICAAP annually in accordance with the PRA's regulatory requirements. Based on the Group's assessment of internal and external risks underpinning its business model and strategy, the Board remains satisfied that the Group has sufficient capital resources to meet its ongoing obligations over the current planning horizon.

In 2025, the PRA conducted a supervisory review of the Group's capital adequacy and related processes as part of its C-SREP review, which is expected to reduce the Group's TCR from 13.22% of RWAs to 10.48% following the end of the financial year. The Group also complies with its MREL which, from April 2025, is the lower of 18.0% of RWAs or 1.15x its TCR. The Group's future MREL will be determined by the BoE based on the BOE's preferred resolution strategy. The timing and quantum of any changes to the Group's MREL are expected to be determined by its asset growth and the outcome of the BoE's consultation on the MREL regime.

Further detail on regulatory capital is included in the Group's Pillar 3 Report available on Starling's website.

Declan Ferguson
Group Chief Financial Officer, May 2025

Strategic review and business model

Who we are

Page 19-21

A best-in-class digital bank loved by our customers, and an international technology business that empowers consumers and small businesses globally

World class technology

Page 22

Underpinned by a proprietary technology stack built from scratch, which has given us unparalleled advantage in the market

Benefiting customers with innovative experiences

Page 23-25

Rapid delivery of innovative products drives customer engagement and brand loyalty translating into high quality recurring revenue

Powering a market-leading service model

Page 26-29

Unrivalled operating leverage with continued realisation of cost advantages in our service model without compromising on the customer experience

Impressive returns

Page 30-31

Our focused and disciplined approach delivers superior returns

engine

Taking our success global through Engine's SaaS proposition

Page 32

Pioneering banking for enterprising people

Our mission

To use technology and a human-centric approach to help customers gain active control of their finances through effortless everyday habits

Our guiding principles

- Embed effective risk management as we pursue growth
- Obsess over the customer experience
- Leverage our tech DNA to build products and features
- Focus on tech-first solutions in how we operate

Our foundations

Our people

- Purpose driven
- Real learning and development
- A compelling employee proposition

Our ways of working

- Technology-first with deep banking expertise
- Open & transparent communication
- Highly aligned and autonomous

Our culture

- Values driven
- Risk mature
- Empathetic and inclusive
- Relentless curiosity and high performance

Our values

- Listen
- Keep it simple
- Do the right thing
- Own it
- Aim for greatness

We are a globally differentiated digital bank and software platform

Starling Bank

engine

Business model

UK

A best-in-class digital bank loved by our customers. Using technology, fair service and honest values to put customers in control of their money

Retail
Relentlessly innovate the customer experience to create a market-leading proposition for our customers

SME
Perfect blend of banking and financial tools to support small businesses

International

Empowering consumers and businesses worldwide through our proprietary technology.

Partnering with clients
A differentiated SaaS core banking platform powering banks globally

Strategy

Innovate to drive deposit growth across our Retail and SME propositions

- **Deploy assets to generate capital-light NII**
  - Cash
  - HQLAs
  - Captive BTL
  - Forward flow
- **Chargeable SME products to increase fee Income**
  - Interchange
  - SME subscriptions

Expand Engine success across the globe

- **Generate fee income through SaaS contracts**
  - Implementation
  - Run

Starling is the bank of choice for SMEs and retail customers

The Institute of Customer Service[1]

1	TIMPSON	87.2
2	**Starling Bank**	**86.5**
3	nationwide	86.0
4	M&S	85.8
5	JOHN LEWIS & PARTNERS	85.5
6	first direct	84.5
7=	Holland&Barrett	84.1
7=	monzo	84.1
9	amazon	83.7
10=	COSTCO WHOLESALE	83.6
10=	ocado	83.6

CMA Overall Service Quality[2]

Retail
No. 3 ranking
79%

SME
No. 2 ranking
82%

Product NPS[3]

Ranked Number 1 out of 18 competitors

1	Starling Bank	63
	Industry average	35

THE BANKER

NEOBANK RANKING
2025

Ranked #1
The UK

Which? Recommended
six years in a row.

NOVEMBER 2019 Which? Recommended Provider CURRENT ACCOUNTS
NOVEMBER 2020 Which? Recommended Provider CURRENT ACCOUNTS
NOVEMBER 2021 Which? Recommended Provider CURRENT ACCOUNTS
NOVEMBER 2021 Which? Recommended Provider CURRENT ACCOUNTS
OCTOBER 2023 Which? Recommended Provider CURRENT ACCOUNTS
OCTOBER 2023 Which? Recommended Provider CURRENT ACCOUNTS

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[1] Institute of Customer Service, UK Customer Satisfaction Index - January 2025.
[2] CMA Overall Service Quality for Great Britain awarded in February 2025.
[3] Third party survey - question "Thinking about your overall personal experience with the product, on a scale of 0 to 10, how likely would you be to recommend your bank to a colleague, friend, and/or family member", Starling tied for first.

Our proprietary technology underpins our success

Key advantages

Unmatched operational resilience

Technology stack purposefully designed for resilience resulting in an industry-leading zero customer downtime

Single view of the customer

One single source of truth across the entire banking estate supports a highly efficient service model

Robust data platform fuels AI innovation

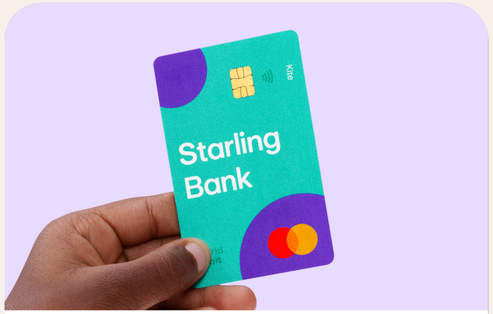
Our data platform enables the rapid deployment of the latest advancements of AI

Ways of working

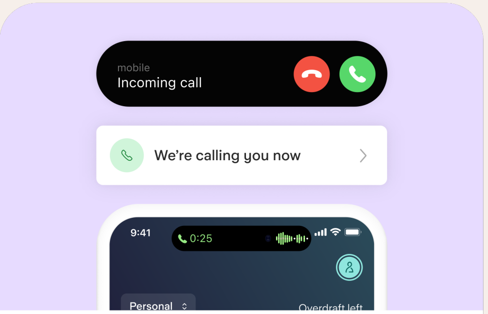
Tech-first approach and principles

Underpinned by a tech-first approach making our success difficult to replicate

A track record of innovating to meet customer needs, launching our Easy Saver this year

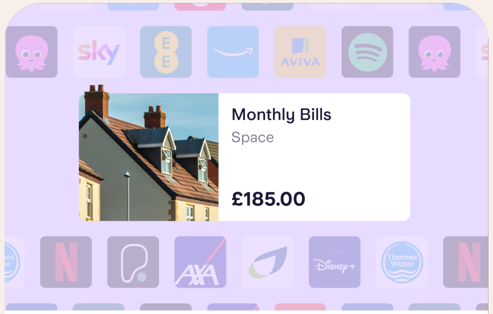


Free Kite cards to encourage healthy financial habits for kids from the get go


mobile
Incoming call

We're calling you now

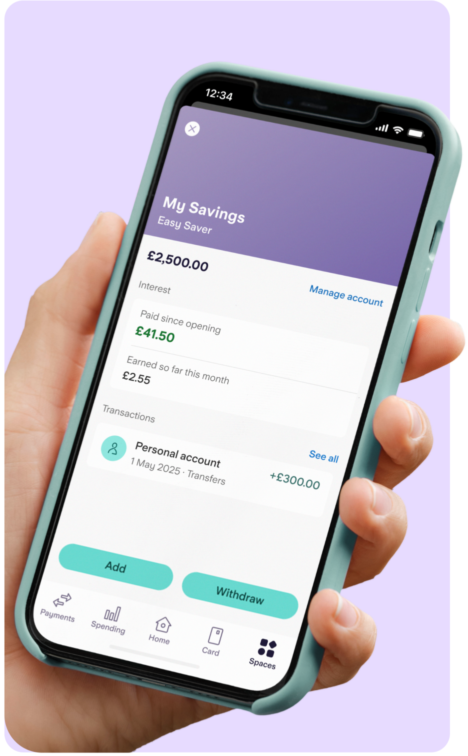
Call status indicators help customers identify suspicious calls


Monthly Bills
Space
£185.00

Bills manager to give customers greater financial control

Virtual cards for more organised spending

Easy Saver


12:34
My Savings
Easy Saver
£2,500.00
Interest
Manage account
Paid since opening
£41.50
Earned so far this month
£2.55
Transactions
See all
Personal account
1 May 2025 · Transfers
+£300.00

Open Easy Saver accounts

191k

Total Easy Saver deposits

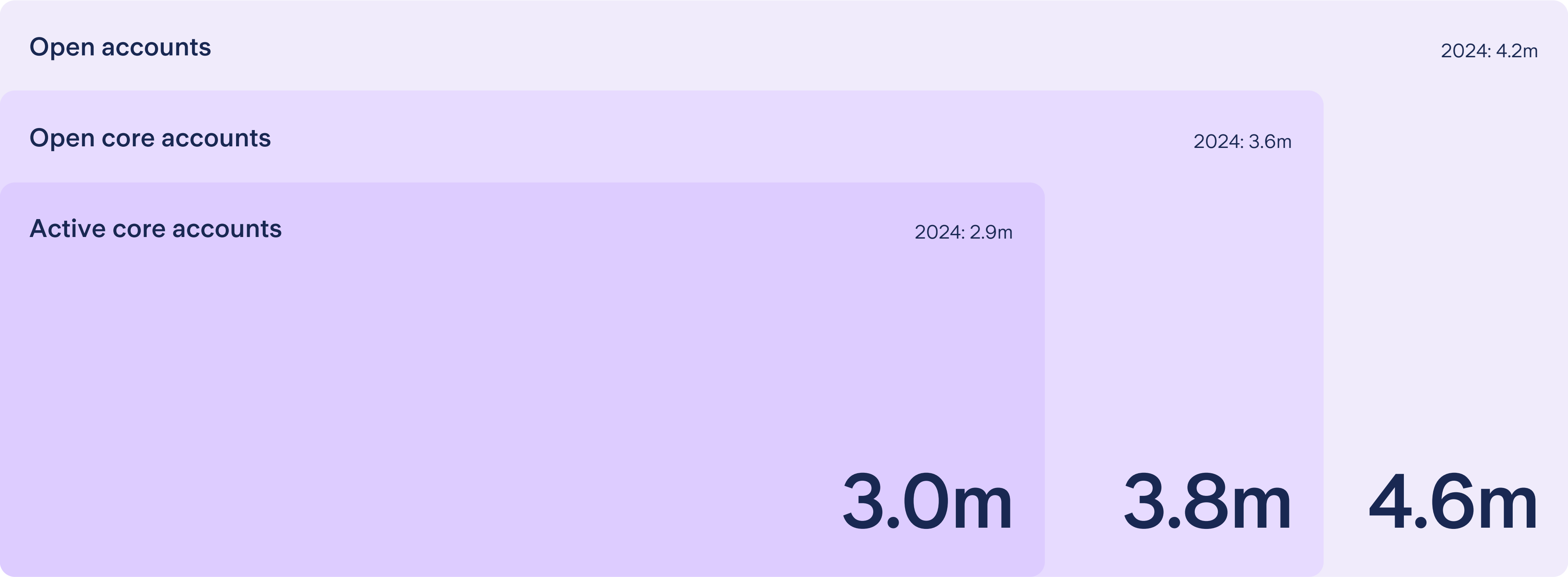
£1.5bn

Average Easy Saver deposits

£8.1k

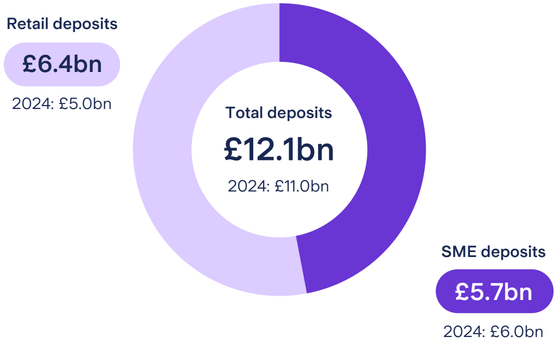
Highly engaged customer base with 79% of core accounts considered active

Starling accounts



Customers' high balances and card usage are key drivers of our revenue

Customer deposits - Net interest income

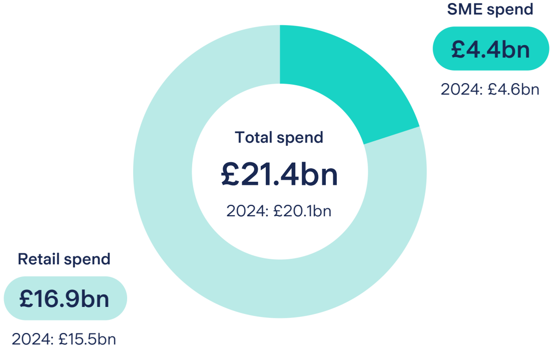


Net interest income

£590m

2024: **£593m**

Total card spend - Interchange



Net card income

£87m

2024: **£82m**

Unit net interest income

£183

2024: **£204**

Unit card income

£30

2024: **£31**

Unit other fee income

£6

2024: **£6**

ARPAC

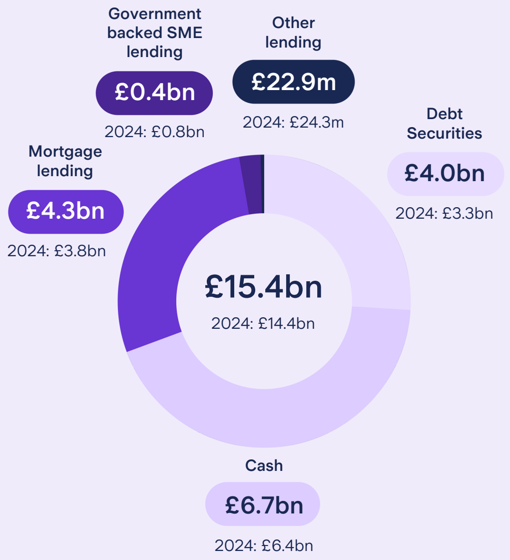
£219

2024: **£242**

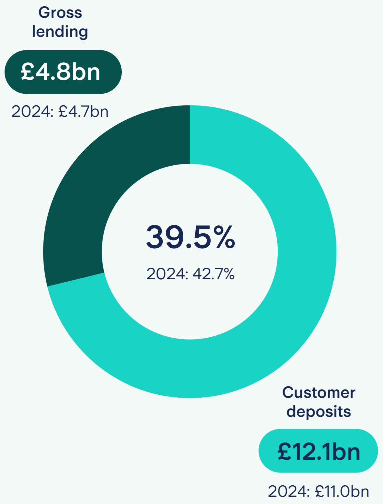
We generate a large portion of our revenue from a low risk and capital-light asset strategy

Balance sheet composition

Interest earning assets



Loan-to-deposit ratio



Low-risk asset strategy

01 Prioritising assets with a robust through-the-cycle credit performance

02 Maximising surplus capital as efficiently as possible

03 Pursuing lending opportunities that are capital light and/or providing attractive risk adjusted returns

Credit risk weight density	13.36%	2024 13.04%
Cost of risk	(0.07)%	2024 0.29%
Gross yield	5.66%	2024 5.53%
NIM	4.12%	2024 4.34%
Cost of Deposits	0.78%	2024 0.38%
Cost of Funds	1.65%	2024 1.23%

Leveraging our excellence in technology to create a highly scalable operating model without compromising on service

Technology excellence with embedded AI

Use tech and AI across the business to make us more efficient in our day-to-day activities

Use AI to support customers to self-serve

+

Unrivalled blend of banking expertise and agility

Embed agility across the organisation to be entrepreneurial at scale

Complement agility with mature banking expertise across the organisation

=

Scalable service model gives us more time to dedicate to our customers

Cost-income-ratio

67.6%

2024: **51.3%**

Embedding AI into our operating model delivering real-time efficiencies

8,000 hours saved

per month using AI-based contact summaries

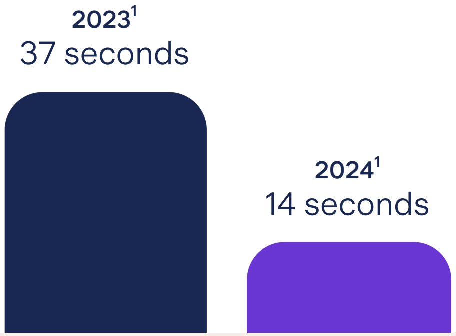
Use of AI to summarise customer interactions and outcomes helps our contact centre staff achieve higher efficiency

50% reduction

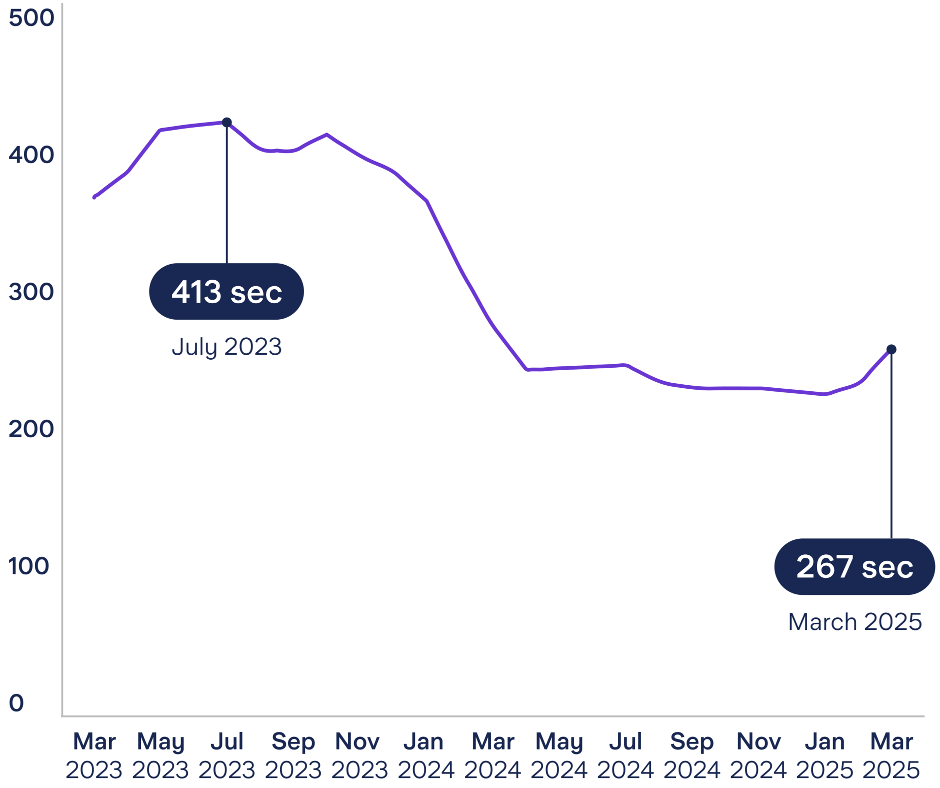
in chat referral volumes

Customer service staff leverage our StarAI chat tool to address customer queries reducing the number of referrals to specialist teams

Speed to answer a customer call reduced by 60%



Time spend on wrap ups dropped 40%



[1] 2023 and 2024 relate to the calendar years.

An uncompromising service model and highly engaged customer base deliver strong unit economics

Cost to serve

£42.4

2024: **£48.1**

Staff running costs

£31.3

2024: **£31.0**

Non-staff running costs

£6.5

2024: **£7.4**

Unit impairment and fraud

£4.6

2024: **£9.7**

ARPAC

£218.7

2024: **£241.6**

Unit Contribution

£176.3

2024: **£193.5**

Resulting in underlying returns on capital that greatly exceed the market average

UK Banks' Average ROTE[1]

18.3%

Starling underlying ROTE

24.7%

Starling statutory ROTE

17.9%

2024: **31.5%**

Starling underlying ROCE

36.8%

Starling statutory ROCE

26.7%

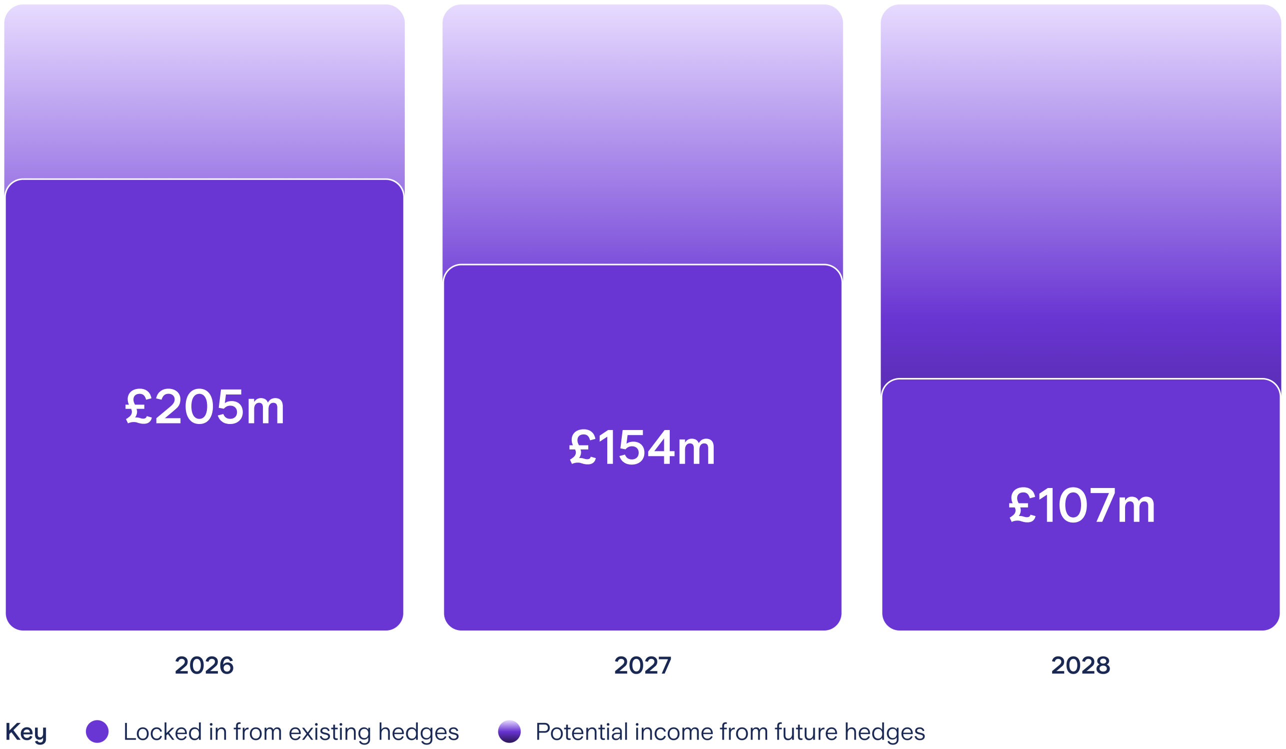
2024: **51.5%**

---

[1] UK Banks' Average ROTE is calculated based on the reported 2024 ROTE figures from HSBC UK, Barclays UK, NatWest Group, and Lloyds Group in their respective Annual Reports.

Supported by a structural hedge that provides protection against lower rates

Expected structural hedge income



Locking in income for future years

Average swap duration

2.5 years

Notional amount

£5bn

Average fixed yield

4.33%

2024: 4.65%

Engine has supported its second client go live in less than 12 months, gaining industry-wide recognition

AMP

"Working with Engine enables us to equip small businesses with the best digital tools to help them manage their finances efficiently and conveniently on their mobile phone whilst on the go"

Sean O'Malley, CEO, AMP Bank

Full public launch in February 2025

Launched on time, and on budget

Delivered in 12 months to AMP employees in October 2024

Salt

"Engine provides a best-in-class platform that fits into our digital strategy and we were impressed by Engine's success with Starling Bank in the UK"

Gabriela Nistor, CEO, Salt Bank

>500k
customers

"Best Use of Tech in Retail Banking"

Banking Tech Awards, 2024

"Most Innovative Cloud Deployment - Most Impactful Project"

IBSi Global FinTech Innovation Awards, 2024

Non-financial information and non-financial key performance indicators

This section provides the non-financial and sustainability information statement, prepared in order to comply with Sections 414CA and 414CB of the Companies Act. The information is provided by cross-reference to other sections in the strategic report.

Companies Act Reference	Reporting requirements	Reference	Policies and standards which govern Starling's approach
414CB (A1)(1)(A)	**Environmental matters**	ESG review, page 34, Directors' report, page 85	• Responsible investment policy. • Climate risk policy.
414CB (A1)(1)(B)	**Employees**	ESG review, page 34	• Code of conduct and FCA Conduct Rules. • Whistleblowing policy. • Compliance training and competence policy. • Performance management policy. • Remuneration policy. • Health and safety policy. • Equal opportunities and Respect at Work policy. • Family friendly policies; Maternity, Paternity, Shared Parental Leave.
414CB (A1)(1)(C)	**Social matters**	ESG review, page 34	• Ethics statement. • Charity and community policy.
414CB (A1)(1)(D)	**Respect for human rights**	ESG review, page 34	• Data management policy. • Records management and data retention policy. • Modern slavery and human trafficking policy.
414CB (A1)(1)(E)	**Anti-corruption and anti-bribery matters**	ESG review, page 34	• Anti-corruption and bribery policy. • Fraud risk policy. • Sanctions policy. • Anti-money laundering policy. • Market abuse policy. • Conflict of interest policy.
414CB (2A)	**Climate-related financial disclosures**	Climate-related financial disclosures, page 44	• Climate risk policy.
414CB (A1)(2)(A)	**Description of business model**	Strategic review and business model, page 18	
414CB (A1)(2)(D)	**Description of principal risks and impact of business activity**	Risk report, page 89	
414CB (A1)(2)(E)	**Non-financial key performance indicators**	This year at Starling, page 4 Strategic review and business model, page 18 ESG review page 34 Climate-related financial disclosures, page 44	

Pioneering banking for good

Starling is committed to using its technology and influence to address societal challenges. We aim to integrate ESG principles across our business. This commitment is reflected in our product development, messaging, customer service and engagement with the wider community as we work to build a better future for all.

This past year has seen significant progress in our ESG efforts. We are pleased to share some key achievements and milestones that demonstrate our ongoing commitment to responsible banking.

The environment

We serve millions of people and more than half a million small businesses across the UK and strive to create meaningful and lasting impact. We recognise the importance that our products and services play in supporting the UK's transition to a low carbon economy and we have publicly committed to achieve Net Zero by 2050. We are reviewing our target to reduce emissions from our own operations and supply chain by one third by 2030, to take into account the significant growth of our business since our 2021 baseline. Each year, we purchase carbon removal and avoidance credits equal to the prior year's emissions from our own operations and supply chain.

During the year, we originated £211m of new mortgages to properties with an EPC rating of C or above, contributing towards our total gross lending to properties with an EPC of C or above of £1.5bn.

Fleet continued to offer their innovative cashback product during the year, rewarding landlord borrowers with £1,000 cash back if they improved the energy efficiency of their property to a C or above during their initial fixed rate period. Additionally, in September 2024, Fleet reintroduced EPC A-C Products across the three core product ranges, which are priced 10bps below equivalent 5 year products.

Starling is green by design. Our branchless business model has an inherently lower impact on the environment, and our debit cards are made from 95% recycled plastic, 5% chip.

Caring for the environment does not stop there, we continue to do our bit and support sustainability initiatives, most significantly our partnership with the National Trust. Starling's climate-related financial disclosures are set out on pages 44 to 54.

Social

Our People

Our colleagues power our business. Our people live our values - listen, keep it simple, do the right thing, own it, and aim for greatness- and are focused on delivering for our customers and partners.

Belonging and Engagement

Quarterly, we invite our colleagues to give feedback on Starling’s culture via our Peakon surveys. Colleague engagement remains a key focus for us as we continue to prioritise our inclusive and collaborative culture. Through attracting, developing and nurturing people with diverse mindsets, experiences and skills we bridge the gap between traditional banking expertise and modern digital innovative entrepreneurship.

Belonging is important and we know people perform at their best when they feel that they belong. We also believe that diverse teams make better teams. Starling builds high performing teams by attracting, developing and nurturing highly talented people, and providing those talented people with an inclusive workplace with the right environment, tools, training and development to thrive.

We have strong employee-led networks in place: Bend the Bank (LGBTQIA+), EmbRace (race, ethnicity and religion), Mental Health Positive (mental health), United Abilities (disabilities) and With Women (women) all under the umbrella of our Always Open Forum supporting and championing the voice of colleagues across the organisation and building cultural hubs. Our Peakon scores on Equity, Diversity and Inclusion (ED&I) reflect our employees' satisfaction with Starling’s efforts to support ED&I.

Strong female leadership is part of our heritage. We have consistently over performed against our Women in Finance Charter target of 40%, and have set ourselves a new target to increase female representation in senior leadership to 50% by 2027. At Starling 43% of our senior leaders are women so we are well on our way, but we know there is more to do and we are confident in our ability to attract exceptional female talent and create the right conditions for them to lead, innovate and drive meaningful change.

Social continued

We continue to listen to colleague feedback and work with our With Women network to remove barriers to work. During the year, we enhanced our family leave benefits for all, providing further support to colleagues with young families. The With Women network also runs a Mentoring programme and hosts regular speaker events showcasing inspirational women.

Technology is in our DNA and we are very proud that we have increased the percentage of female hires into Technology year on year. Through attracting and recruiting talented women into technology, working with external partners and industry groups, we continue to make a meaningful difference both at Starling and to the industry as a whole.

During the year we have focused on better understanding our culture. We have spent time really listening to and understanding feedback from our colleagues, analysing our data and engaging experts to help us ensure that Starling remains a great place to work. Based on that work, we've taken several key actions, including developing a culture dashboard, improving our internal comms and building a group of Cultural Champions to help drive a stronger organisational culture and lead meaningful change. All colleagues complete training focused on promoting respectful conduct and highlighting the behaviours that contribute to an inclusive environment.

Reward and benefits

We continue to review our reward and benefits package to ensure our people are compensated competitively. Following a colleague consultation in early 2025, we have enhanced our reward and benefits package for UK-based colleagues through significant improvement to our colleague pension scheme. At Starling we are passionate about healthy relationships with money and through this change demonstrate that that we value colleague commitment today, while helping them save for their future. At Starling we are proud to be an accredited Living Wage employer, ensuring all our colleagues are paid fairly.

Supporting colleagues to be their best

Starling is a hybrid working company. We support a mix of in-office and home working reflecting our believe that optimal creativity, collaboration, problem solving and engagement is achieved through in-person connections. Our hybrid working empowers colleagues and leaders to balance where they spend their time in a way that works for them and supports their performance.

We have introduced a Starling Performance Management framework for all colleagues this year, designed to support colleague/manager alignment around expectations, whilst also providing the space to prioritise feedback and meaningful development conversations. Those with line management responsibilities are supported by our newly developed Leadership Framework,which defines the skills and behaviours we expect from them. Our new leadership framework is being used to design and develop our approach to leadership going forward across the employee lifecycle. We provide ongoing training throughout the year to colleagues from technical-specific learning dependent upon role to regulatory training, such as our Consumer Duty learning journey that launched in 2024.

We are committed to supporting the health and wellbeing of our colleagues which we also measure through Peakon. We have mental health first aiders in place for those who need support. Throughout the year we provide opportunities for colleagues to engage with our healthcare provider and the many wellness initiatives that they run for us.

People policies

Our People policies are designed to foster an inclusive culture and to support the wellbeing and career development of our colleagues. Throughout the colleague lifecycle we make sure our policies and practices are accessible and equitable to all - this flows through our hiring, reward, talent and promotion policies and procedures.

We have comprehensive policies in places that all colleagues are expected to adhere to. These policies are refreshed annually and are available to everyone. Our Staff Handbook details the expected behaviour and conduct of all colleagues whilst other policies like Equal Opportunities and Respect at Work emphasises our stance on creating and maintaining an equal workplace for all.

Social continued

Community and Charity
We're committed to supporting organisations that make a real difference in people's lives. This year, we continued our long-standing partnerships with Action for Children and Smart Works, two charities doing incredible work in their respective fields.

Through our donations, we're proud to be part of their efforts:

- Action for Children: a charity that's been working tirelessly for over 150 years to help ensure that children in the UK don't miss out on a safe and happy childhood. Their commitment to giving children and young people the protection and practical help they deserve mirrors our own values, which is why we entered into a partnership with them two years ago. We've collaborated with Action for Children to create valuable money management articles on Parent Talk, a free online resource providing essential parenting advice. These articles, now read more than 20,000 times by parents and carers, help equip families with the tools they need to manage their finances effectively. We've also provided funding for a part-time parenting coach, helping to ensure that families have access to expert guidance and support through Parent Talk's 1:1 chat service.
- Smart Works: We're delighted to have supported more than 20,000 women through our partnership with Smart Works, which provides unemployed women returning to work with free coaching, interview training, and professional attire, helping to give them the confidence they need to secure employment and succeed. We've also created opportunities for our employees to give back, including training Starling colleagues to become volunteer Smart Works Coaches, both in London and virtually from Cardiff.

We're also proud to be in the second year of our three-year partnership with the National Trust. This £1 million annual commitment, which includes a marketing partnership of £0.9m and a monetary donation of £0.1m, will support programmes designed to significantly improve the lives of children and young people and protect the environment.

Our partnership has enabled the expansion of a nature programme specifically designed to bring the outdoors to those who might not otherwise have access to it. Working with 134 schools, the first year of the programme supported more than 8,000 children, surpassing its target of 6,000. We're also proud to have provided nearly 10,000 free lunches for children at National Trust cafes throughout the summer when we sponsor their Summer of Play programme, which encourages families to get out into nature and enjoy the magic of it.

Another key element of our partnership focuses on peat restoration, a crucial step in combating climate change and protecting our precious ecosystems.

During the year we provided £350,000 worth of kit, equipment and coaching vouchers to women and girls football teams as part of our Kick On With Starling initiative run with the organisation Gift of Kit. The campaign fought for equal pitch access, supported by the England stars Jill Scott and Beth Mead.

We continued our work with Southampton FC Women. By the end of the 2024-25 season, Southampton FC and Starling will have introduced 70 new coaches and 50 new scouts to women’s and girls' football, while also providing 180 children with the opportunity to play at Southampton’s elite facilities free of charge.

These partnerships are a testament to our belief that businesses have a responsibility to give back to the community and contribute to a brighter future.

For the 2025 financial year, Starling made donations of £331,416:

- £110,138 to Action for Children (charity number 1097940);
- £100,000 The National Trust (charity number 205846);
- £80,138 to Smart Works (charity number 1080609);
- £40,000 to Surviving Economic Abuse (charity number 1173256);
- £1,000 to Compassion in World Farming International (charity number 1095050);
- £110 to Stepney City Farm Ltd (charity number 1136448); and
- £30 to Citizens Advice (charity number 279057).

Social continued

Supplier management
During the year, we onboarded a new third-party vendor management system which automates due diligence assurance over the supply chain, further engagement and helping ensure vendors align with our values.

Fair Payment Code
We are committed to paying our suppliers promptly and are among the first cohort of companies to sign up to the Fair Payment Code launched in December 2024 by the UK government's Small Business Commissioner. Healthy cash flow is vital for small businesses. Late payments disrupt this flow, hindering bill payments and potentially leading to failure. Under the new Code, we're the first digital bank to achieve a Gold Award, given to firms paying at least 95% of all invoices within 30 days.

Anti-slavery and trafficking measures
We believe that everyone deserves to be treated with dignity and respect. We have a zero-tolerance policy towards slavery and human trafficking, and we are committed to upholding human rights in all our operations.

We take a proactive approach to preventing modern slavery and human trafficking by:

- **Staying vigilant:** We actively monitor our supply chains and business relationships for potential risks and red flags.
- **Sharing information:** We collaborate with the UK government, regulators, and law enforcement agencies to combat this issue.
- **Building awareness:** We educate our employees about modern slavery and human trafficking, empowering them to identify and report any potential concerns.

In October 2024 we partnered with an anti-slavery charity to hold a thought-provoking session for our entire workforce, delving into how Modern Slavery impacts all of us, and is probably closer to home than many may think. We learned that more than 49.6 million people in the world today, and an estimated 122,000 people in the UK, are trapped in conditions of modern slavery. During the session, one of the charity's staff provided a moving, in-depth real life case study.

We are continuously working to improve our efforts in this area and are committed to ensuring that our business practices are ethically sound and contribute to a fairer world.

Governance

Effective corporate governance is essential for our long-term success. Our governance framework fosters responsible decision-making, transparency, and accountability across all aspects of our business, including ESG considerations.

This framework establishes clear roles and responsibilities for our Board, board committees, and executive-level committees, enabling collaborative and proactive engagement in key areas. This structure also ensures we are well-equipped to identify emerging issues, address them effectively, and adapt to evolving industry best practices.

For a detailed overview of our governance approach to assessing and managing climate-related risks and opportunities, please refer to pages 46 to 54. Additional information regarding our overall governance framework can be found in the Governance report, commencing on page 62.

What is the purpose of the Section 172(1) statement?

Under the Companies Act, the Directors must act in good faith to promote Starling's long-term success and sustainability. This includes considering the diverse needs of Starling's key stakeholders: its people, customers, regulatory bodies, shareholders, communities and environment, and suppliers. The Board actively engages with these stakeholders to understand their priorities and fulfil their duties under Section 172(1) of the Companies Act.

The table on pages 39 to 43 forms our Section 172(1) statement, providing examples of how the Board has considered Section 172(1)(a) to (f) in Board decision-making for the year ending 31 March 2025, aligned to each stakeholder group's key priorities and our values.

Further information on how the Board and its committees considered the diverse needs of Starling's stakeholders during the year are referenced throughout this annual report and accounts; refer to the following table for details:

Section 172(1) considerations	Annual report and accounts reference	Page
Consequences of any decision in the long term	Chair statement	5
	Group CEO statement	7
	Strategic review and business model	18
	Environmental, social and governance review	34
Interests of employees	Group CEO statement	7
	Environmental, social and governance review	34
	Board Remuneration Committee report	79
	Board Ethics and Sustainability Committee report	83
Fostering business relationships with suppliers, customers and others	Group CEO statement	7
	Strategic review and business model	18
	Environmental, social and governance review	34
Impact of operations on the community and the environment	Environmental, social and governance review	34
	Climate-related financial disclosures	44
	Board Ethics and Sustainability Committee report	83
Maintaining a reputation for high standards of business conduct	Corporate governance statement	63
	Board Audit Committee report	75
	Board Risk Committee report	77
	Board Ethics and Sustainability Committee report	83
Acting fairly between members of the Company	Corporate governance review	69
	Board Audit Committee report	75

Stakeholder Spotlight

Easy Saver

What happened:
In November 2024, Starling launched the Easy Saver, an app-based instant-access savings product.

Interests of stakeholders:
Supporting the Bank's objective of creating a simple and rounded savings proposition for Starling **customers,** whilst driving long term growth for **shareholders,** the Easy Saver was introduced. This decision was underpinned by detailed customer research, involving participants with diverse income levels, life stages and financial literacy, and confirmed customer demand for an instant-access savings account.

The Easy Saver was the first product launched under Starling's updated Product Governance Policy, with key forums - including the Customer and Conduct Committee, Executive Risk Committee, Pricing Committee and Executive Committee - assessing whether the product would provide fair value and achieve good customer outcomes. This governance process had regard to the objectives of **regulatory bodies,** and regulatory mapping was conducted to ensure compliance with requirements and the Consumer Duty standards.

To ensure effective customer support, our **colleagues** received product-specific training and guidance materials. Post-launch monitoring was established and a dedicated dashboard was implemented to identify and address customer issues.

The Board monitors the performance of the Easy Saver product through monthly management reporting, and continues to receive regular updates on product feature innovation and development in response to customer feedback and target market research.

Section 172(1) statement

Why does this stakeholder matter to us?	How do we engage at a Board level?	What were the key impacts of the engagement?	Link to stakeholder priorities	Link to Starling values
People				
Our colleagues drive our business by providing excellent customer service, developing innovative technology, and maintaining a robust risk culture for sustainable growth.	The Board receives quarterly updates from the Chief People Officer, covering learning and development, recruitment, recognition and reward, culture, colleague engagement insights, and any related actions. During the year, the Board sponsored an external review of governance and culture, incorporating feedback from colleague focus groups across all Starling offices. Insights from this review were presented to the Executive and Board, and the Board received updates on the progress against recommended actions. During the year, Board meetings were held in the London and Cardiff offices. Board members also engaged with colleagues at in person Q&A sessions, including an annual financial results presentation to support colleagues' common understanding of Group financial performance. These interactions also provided direct and valuable insights into colleague priorities and perspectives on key strategic topics. In November 2024, the Board hosted a reception in Cardiff to connect with a smaller group of colleagues alongside members of the Executive. Attendees included senior operations colleagues, key culture carriers and local representatives from Starling's colleague-led ED&I networks. As part of our Directors' Induction Programme, new directors meet with a range of colleagues across all levels of the organisation to discuss their priorities and challenges and to better understand how the work of each team contributes to the delivery of agreed Board strategy.	To drive clearer expectations around behaviours and contributions, we launched a new performance management framework. A one-off LTIP share catch-up offer was also introduced for long-standing employees, alongside our periodic all-employee share awards. Further details on these awards, and the Bank's employee share schemes, are available in note 26 of the financial statements.	Recognition and reward	Listen Do the right thing Keep it simple
		Insights from the firm-wide governance and culture review helped shape a Board-level culture dashboard, enabling oversight and monitoring of key cultural metrics.	Organisational culture	Listen Aim for greatness
		A leadership framework was developed to foster a high-performance culture, accountability and appropriate risk behaviours across the organisation.	Growth and development	Aim for greatness
		In the 2024 Women in Finance Charter, Starling demonstrated its commitment to diversity and inclusion, by setting a target of 50% of women in senior roles by 2027.	Diversity and inclusion	Aim for greatness Do the right thing
		In response to employee feedback, the Board approved changes to Starling's family friendly policies and, as part of our commitment to employee financial wellbeing, we enhanced our employee pension plan following a statutory consultation.	Personal wellbeing	Listen Do the right thing

Section 172(1) statement

Why does this stakeholder matter to us?	How do we engage at a Board level?	What were the key impacts of the engagement?	Link to stakeholder priorities	Link to Starling values
Customers				
Our customers are at the heart of everything we do. Engaging with them to understand their needs is essential to our strategy and purposeful innovation.	The Bank undertakes an annual Operational Resilience Self-Assessment, which is discussed by the BRC and, if thought fit, approved by the Board. The assessment is principally conducted to ensure that the Bank can restore important business services to customers within impact tolerances to minimise disruption in severe but plausible business disruption scenarios. The Board receives quarterly updates from the Chief Information Officer where technology priorities and product development, focusing on customer feedback and priorities, are reviewed and debated. The Board closely monitors customer experience through bi-monthly reporting covering complaints, vulnerable customers and service queues. During the year, the Board took part in a Consumer Duty focus session led by the Chief Customer Officer, with insights from an external expert. This session covered key areas such as preventing foreseeable customer harm and the role of the Consumer Duty Champion. As part of our Directors' Induction Programme, new directors are able to meet with front-line customer operations colleagues to discuss their role and better understand how the Bank has designed its processes to deliver excellent customer service. Engaging with SMEs is central to refining Starling's SME strategy, ensuring it provides a compelling value proposition to small businesses. The Board receives regular updates on SME strategy development. This will remain a key focus for the year ahead. The Board receives bi-annual updates on the Bank's brand, positioning, and strategy, which are informed by customer research to monitor whether our brand and strategy meet our customers' needs. In March 2025, the Board discussed a refresh of the Bank's purpose and mission, aiming to empower customers to take control and make smart financial decisions.	An external review of operational resilience in 2024 found that the Bank was significantly ahead of its peers in its compliance to UK Operational Resilience Regulations.	Trust and reliability	Own it Aim for greatness
		Launched the flexible, easy-access savings account, which was developed in direct response to customer demand. Its launch was supported by the Sunny Day Saver campaign, reinforcing Starling's commitment to helping customers save. Starling also launched an in-app call status indicator to verify genuine bank calls in response to customer feedback.	High-quality products and features	Listen Do the right thing Aim for greatness Keep it simple
		Enhanced the Bank's support for customers facing financial difficulties by establishing a Financial Assistance team designed to provide empathetic, practical and effective support.	Excellent customer service	Listen Do the right thing
		A brand refresh and re-positioning that aligns to our core values and encourages positive, daily financial activity to help customers integrate positive financial habits into their everyday lives. The Bank established the Chief Compliance Officer position in April 2025, bringing our compliance and conduct agenda closer to our business strategy, with a strong focus on ensuring good customer outcomes.	Honest values	Do the right thing Aim for greatness

Section 172(1) statement

Why does this stakeholder matter to us?	How do we engage at a Board level?	What were the key impacts of the engagement?	Link to stakeholder priorities	Link to Starling values
Regulatory bodies				
Regulators play a vital role in maintaining financial stability, protecting customers, and preventing financial crime. We value an honest and open dialogue with our regulators to ensure our strategic priorities are aligned to their expectations.	Throughout the year, executive and non-executive Board members met with the FCA and PRA to discuss a range of topics, including organisational culture, operational resilience and consumer protection. The Bank fully cooperated with the FCA's investigation into the Bank's financial crime systems and control framework. The Board and BRC met to approve key prudential and resolution matters, notably the Bank's ICAAP, ILAAP, resolvability self-assessment and Recovery Plan. The Board and BRC considered how Bank of England and PRA expectations had been met, how Starling had enhanced its capabilities, and how enhanced controls had been embedded. The Board receives regular updates on changes to the regulatory landscape and horizon scanning. Copies of Dear CEO letters from the PRA and FCA are shared with all Board directors and observers. The Board hosted PRA and FCA representatives for in-person discussion of their annual feedback. These sessions provided valuable insights into our regulators' priorities for the year ahead, and presented an opportunity for collective Board discussion and learning.	We operationalised our Economic Crime Enhancement Programme, addressing FCA findings on the Bank's financial crime systems and controls, significantly improving the Bank's financial crime risk profile.	Fighting financial crime	Do the right thing Own it
		We enhanced our prudential and resolution capabilities and ensured specialist resources in this area. We undertake regular training exercises to test out ability to operate in a stress. As part of the Board approval process of the 2024 ILAAP for example, a liquidity stress scenario simulation was run with the participation of key executives, including the Group CEO and Group CFO.	A strong and stable financial system	Aim for greatness
		We fostered a more transparent and open dialogue with our regulators and enhanced our approach to regulatory engagement, including the establishment of a dedicated Regulatory Affairs team, to drive better understanding of regulatory priorities and expectations.	Honest and open dialogue	Aim for greatness Own it Listen
		We aligned executive and senior management variable pay decisions with PRA and FCA requirements and expectations, reinforcing our commitment to responsible governance and regulatory compliance. The Board commissioned an external review to evaluate the Bank's governance and cultural framework and to understand how cultural factors, behavioural norms, and organisational values interact with and influence key decision-making processes and risk management practices.	Accountability	Own it

Section 172(1) statement

Why does this stakeholder matter to us?	How do we engage at a Board level?	What were the key impacts of the engagement?	Link to stakeholder priorities	Link to Starling values
Shareholders				
Our shareholders are investors in, and owners of, Starling, providing the capital that drives our long-term growth and success. We prioritise open communication and high standards of governance to ensure our investors remain confident in the sustainable growth of our business.	The Chair of the Board, Group CEO and Group CFO regularly engaged with key shareholders throughout the year, ensuring open discussions where questions and concerns could be addressed directly. Significant shareholders have representation on the Board, or the ability to nominate an observer to attend and raise questions at Board meetings. Additionally, Investor Non-Executive Directors are members of RemCo, NomCo and BRC, ensuring shareholder perspectives are factored into a range of decision-making.	To further strengthen our shareholder engagement, we hired an Investor Relations specialist focused on investor communications and cultivating shareholders' understanding of the firm's financial performance and business plan on an ongoing basis.	Clear and transparent communications	Listen
		Certain matters are reserved for shareholder approval to ensure alignment between Starling's strategy and investor interest. During the year, shareholders approved future expansion of the Engine sub-group.	Strong governance	Own it
		Through the work of NomCo and RemCo, shareholder perspectives were considered in the context of Board and Executive changes, succession planning, leadership development, and aligning remuneration policies, principles and practices with the Group's values, strategy and risk appetite.	Leadership and culture	Aim for greatness
Communities and environment				
	During its November 2024 visit to Cardiff, the Board met with local business representatives to deepen its understanding of the Cardiff community, and how local investment has benefited colleagues through a range of city based campaigns and initiatives. The Board also approved the relocation of Starling's Southampton office, ensuring sustainability and community impact were key considerations. The ESC provides Board-level oversight on environmental, community, and charitable initiatives, including: • reviewing the Bank's partnerships and sponsorships; • emerging risks related to climate, ethics and social responsibilities; • enhancements to modern slavery and human trafficking monitoring; • approving updates to the Bank's ethics statement and responsible investment statement; and • annual reviewing the Bank's Charity and Community Policy.	Starling's 'Safe Phrases' campaign, which supported the government's 'Stop! Think Fraud' initiative and was fronted by actor James Nesbitt, was widely featured in media articles and broadcasts, raising customer and public awareness of the emerging threat of AI-cloned voice fraud.	Social responsibility	Do the right thing
		We closely monitored our carbon footprint and offset our prior year's non-financial emissions through carefully selected carbon offsetting projects. These projects, which were chosen for their robust certifications and independent verification, supported both climate mitigation and sustainable development, including reforestation and revegetation in priority conservation areas.	Sustainability	Own it
		Through Action for Children, we identified a need for financial literacy among families, creating money management articles for Parent Talk, a free online resource for parents and carers. These articles have been read over 20,000 times, helping families gain better financial control. Additionally, our donations funded a part-time parenting coach to provide expert support via Parent Talk's 1:1 chat service.	Inclusivity	Listen Aim for greatness

Section 172(1) statement

Why does this stakeholder matter to us?	How do we engage at a Board level?	What were the key impacts of the engagement?	Link to stakeholder priorities	Link to Starling values
Suppliers				
Starling prioritises building relationships with high-quality suppliers, who are committed to operating under ethical standards and values equivalent to our own. These partnerships are important to our infrastructure, agility, and growth, ensuring we meet the needs of our key stakeholders.	In recognition of the need for supplier relationships to provide services, capacity and resources that support Starling to deliver its strategy, the Board, through the ERMF, ensures that a strong risk culture and commitment to ethical principles exists across the Group. Through the Supplier and Outsourcing Policy, the Board sets the control environment for the Group to ensure it has appropriate and effective risk management systems and strategies in place to deal with outsourced service providers. Routine updates to the Board provide insight into areas of importance for suppliers, which helps inform our relationships with them. For SME suppliers, this includes paying them promptly to enable them to better manage their cashflows, while for multinational technology companies this includes learning how the Bank has utilised their technology in product features. The ESC provides Board-level oversight on: • ensuring the Bank has robust policies and practices in place to prohibit modern slavery and human trafficking practices in all third party contracts and encouraging suppliers to enforce the same standards; • monitoring reporting in connection with findings and recommendations from the Group's annual Modern Slavery Statement and to assess supply chain risks; • monitoring material changes to average supplier payment times, to ensure fair and timely payments; and • reviewing the Bank's detailed diligence on our carbon offsetting programmes and approving projects that appropriately balance impact with reputational risk.	Starling's Vendor Management team ensures rigorous due diligence for new and existing supplier relationships. During the year, they introduced a new third-party management system to oversee standards and report on ethics, modern slavery and business conduct in the supply-chain. This commitment to responsible sourcing extends to our carbon offsetting practices. Our detailed carbon offsetting diligence framework ensured that we chose carbon offsetting projects with goals and targets aligned with our values and that contribute to our overarching strategy.	Supply chain risk management	Do the right thing Keep it simple
		We value our partnerships with businesses of all sizes and recognise the importance of timely payments, especially for SME businesses. In 2025, we were awarded Gold at the Office of the Small Business Commissioner's Fair Payment Code Awards for paying at least 95% of our suppliers' invoices within 30 days.	Fair and timely payments	Own it Aim for greatness

Climate-related financial disclosures

The section constitutes the climate-related financial disclosures, prepared in order to comply with Section 414CB of the Companies Act. These disclosures also consider the requirements of the PRA's Supervisory Statement 3/19 "Enhancing banks' and insurers' approaches to managing the financial risks from climate change". These disclosures encompass the Bank and its direct and indirect subsidiaries.

Companies Act 414 (CB)	Page reference	Our progress
(a) A description of the governance arrangements of the company or LLP in relation to assessing and managing climate-related risks and opportunities;	See governance section from page 46	The Board and Executives work together to oversee, assess and manage climate-related issues. On pages 46 to 48 the environment and climate-related governance approach is outlined, including examples of key discussions and/or approvals that took place during the year. Starling's governance structure chart, as at 31 March 2025, is detailed in full on page 73.
(b) A description of how the company or LLP identifies, assesses, and manages climate related risks and opportunities;	See risk management section on page 50	Starling undertakes an annual risk assessment looking at both physical risks and transition risks relevant for Starling's business and considers how these risks could impact credit, operational and market risk under different scenarios. Additional risk assessments are undertaken as part of any changes to the Bank's strategy.
	See opportunities and strategy section from page 49	Starling undertakes an annual strategic review which involves identifying a range of potential climate-related opportunities across a number of categories that are applicable to Starling's business model.
(c) A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the overall risk management process in the company or LLP;	See risk management section on page 50	Climate risk has been incorporated into the Bank's risk taxonomy and a climate risk policy has been implemented. Starling has incorporated climate-related financial risks into the terms of reference of key governing committees.

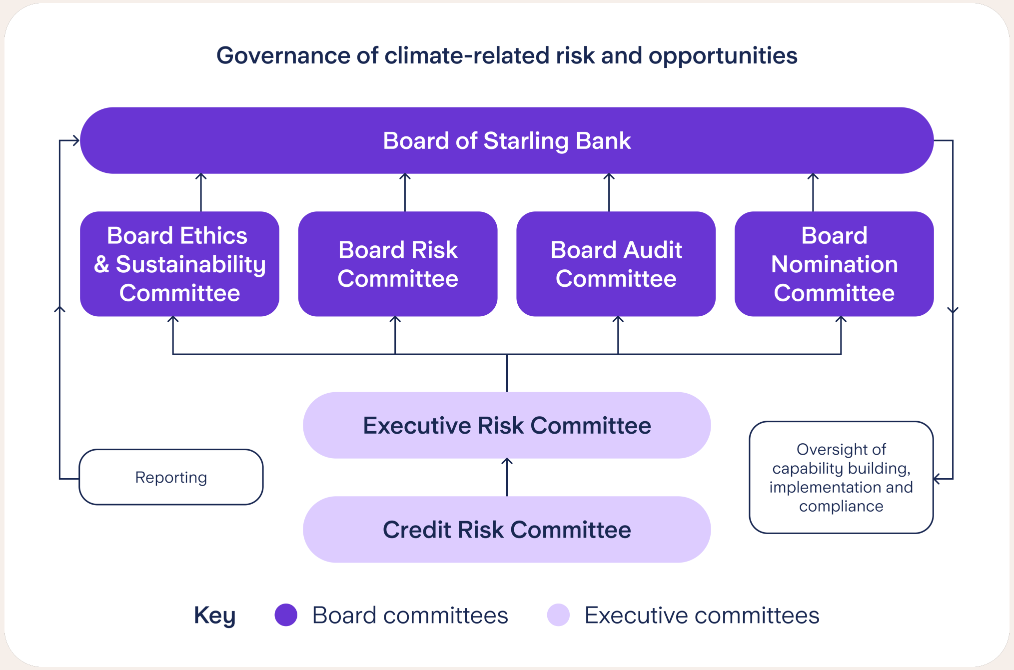
Climate-related financial disclosures

Companies Act 414 (CB)	Page reference	Our progress
(d) A description of— (i) the principal climate-related risks and opportunities arising in connection with the operations of the company or LLP, and (ii) the time periods by reference to which those risks and opportunities are assessed;	See risk management section on page 50	Climate-related financial risks are considered low for Starling, transitional and physical risk impacting credit risk in Starling's mortgage portfolios is the area where this risk is most material. However, Starling does not expect this risk to have a significant impact on its profitability or capital position in the short to medium term.
	See opportunities and strategy section from page 49	Starling has identified opportunities to support its customers in their transition to net zero, including through the offer of cashback to Fleet mortgage holders who improve the energy efficiency rating of their property. Starling also aims to improve its energy efficiency, reduce emissions from its supply chain and build its reputation as a sustainable choice.
(e) A description of the actual and potential impacts of the principal climate-related risks and opportunities on the business model and strategy of the company or LLP;	See opportunities and strategy section from page 49 and risks from page 55	The largest potential climate-related financial risks for Starling are flood risk impacting credit risk, and transition risk impacting credit risk.The latter resulting from the recent government consultation on changes to legislation for a minimum EPC rating of C for BTL properties. However, from the results of scenario analysis undertaken, these should not lead a significant impact on Starling's profitability or capital. The potential impact of climate-related opportunities has been assessed during the annual sustainability strategic review, and are not anticipated to result in a material impact to Starling's business model.
(f) An analysis of the resilience of the business model and strategy of the company or LLP, taking into consideration different climate-related scenarios;	See risk management section on page 50	Starling assesses its climate risks and carries out scenario analysis on the highest potential risk areas which are physical and transition risks impacting credit risk. For example, Starling has carried out scenario analysis to look at the increase in capital requirements if all properties transitioned to their highest possible EPC rating and considered the costs for enhancing the energy efficiency of the homes. The impact on Starling's ECLs, profit and capital was not significant now and over the next 5 years. Starling will continue to incorporate climate risk scenarios in its stress testing for potential high-risk areas.
(g) A description of the targets used by the company or LLPs to manage climate-related risks and to realise climate-related opportunities and of performance against those targets; and	See metrics and targets on page 53	Starling has committed to achieving Net Zero by 2050 at the latest. We are reviewing our interim target to reduce emissions from our own operations and supply chain by one third by 2030, to take into account the significant growth of our business since our 2021 baseline. We report separately on carbon and energy efficiency measures as part of our SECR requirements on page 54. Key risk indicators are in place to monitor Starling's exposure to potential EPC ratings and flood risk exposure. These are monitored monthly and a trigger and limits against these have been calibrated.
(h) The key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and a description of the calculations on which those key performance indicators are based.	See metrics and targets on page 53	

Governance

Our climate-related governance structure

An extract of Starling's governance structure, that demonstrates how climate-related risks and opportunities are assessed and managed, is illustrated in the chart below. Starling's full governance structure can be found on page 73.



Board of Starling

The Board is the principal decision-making body for all significant matters affecting Starling. The Board sets Starling's overall strategy and considers related issues, investments, opportunities, and risks. It is accountable to shareholders for delivering long-term sustainable value.

The Board participates in an ongoing learning and development programme to ensure the Directors can provide effective challenge on their key areas of responsibility. Information on how the Board and its committees considered the Group's communities and environment stakeholder needs can be found in the Section 172(1) statement on pages 38 to 43.

The Board Ethics & Sustainability Committee, Board Risk Committee and Board Audit Committee oversee specific areas of climate-related risks and opportunities, supporting the Board in making informed decisions regarding the Bank's strategy, objectives and risk appetite.

Board Ethics & Sustainability Committee

The ESC provides the Board with oversight and advice on climate and environmental matters, including the Bank's direct impact on the natural environment as well as its indirect impacts from suppliers and investments. It recommends strategic proposals to the Board associated with environmental matters and monitors progress made against strategic objectives related to climate and sustainability targets.

The ESC provides input and guidance for consideration by the BRC on current and emerging risk exposures of the Group arising from climate responsibilities.

The ESC reviews external reporting and disclosures required to meet statutory requirements for environmental and climate-related matters, including those in the Annual Report and Accounts. The committee provides input and guidance to the BAC as required.

During the year, the climate-related activity of the ESC included:

- Reviewing the Bank's 2023 carbon emissions calculation and methodology.
- Overseeing the Bank's carbon offsetting programme due diligence and approved the expenditure to offset all of Starling's 2023 non-finance emissions.
- Monitoring the progress towards the Bank's Energy Savings Opportunity Scheme action plan, and approved its submission to the Environment Agency.

Further information on the ESC, including key climate-related activities during the year, can be found in its committee report on pages 83 to 84.

Climate-related financial disclosures

Board Risk Committee

The BRC oversees and monitors current and potential future risk exposures of the Bank, including in relation to climate risks.

During the year, key climate-related activity of the BRC included:

- Recommending that the Board approve the inclusion of a specific statement for Climate Risk in the Strategic Risk Appetite Statement. Raising awareness of such risks as the Bank continues to build its climate risk management capability.
- Monitoring and discussing the Bank's 2024 climate-related financial risk assessment, which provided detailed analysis of financial losses the Bank might suffer as a result of physical and transitional climate risk crystallising under different scenarios. The conclusion of the assessment, in terms of impact on capital, was included in the Bank's 2024 ICAAP, which was approved by the Board following recommendation by the BRC.
- Reviewing the Bank's principal and emerging risks, including climate-related financial risks and emerging BTL legislation, with reference to the Government's consultation on proposals to raise minimum energy efficiency standards for privately rented homes in England and Wales by 2030. Further information on climate-related financial risks can be found on pages 50 to 52.

Further information on the BRC can be found in its committee report on pages 77 to 78.

Board Audit Committee

The BAC reviews and monitors Starling's external reporting and disclosures, including the integrity of financial and non-financial reporting, such as statutory climate and environmental disclosures. This includes overseeing and reviewing the key controls and processes associated with the preparation of the Annual Report and Accounts. The BAC assesses whether the Annual Report and Accounts, including climate-related disclosures, are fair, balanced, and understandable. The BAC recommends the Annual Report and Accounts to the Board for approval.

During the year, the BAC received insight from Starling's external auditor on the ESG regulatory landscape and considered Starling's current and prospective ESG and climate-related disclosure requirements.

Further information on the BAC can be found in its committee report on pages 75 to 76.

Board Nomination Committee

NomCo oversees a robust and transparent process for the appointment of non-executive directors and Senior Management Function holders of the Bank. This ensures appointments to senior executive positions bring valuable expertise and capabilities to the firm aligned with Senior Management Function responsibilities. NomCo also reviews the annual Board Learning and Development Plan. In the prior year, this included an externally facilitated session on ESG strategy, which involved a deep-dive discussion of Starling's Scope 1, 2 and 3 emissions and the risks of greenwashing.

Further information on NomCo can be found in its committee report on pages 81 to 82.

The following ExCo sub-committees report on climate-related risks and opportunities.

Executive Risk Committee

The ERC ensures that the Bank maintains an appropriate risk and control environment, which includes oversight of climate-related risks. An example of the committee's climate-related activity during the year is its review of the climate-related financial risk assessment prior to submission to the BRC.

Credit Risk Committee

The CRC ensures that the Bank maintains an appropriate risk and control environment for its credit risk management activity and oversees the management of credit risk across the Bank.

The CRC reviews relevant parts of the Bank's ICAAP, including climate risk, prior to submission to the ALCO and BRC for recommendation to the Board for approval.

Further information on the purpose of the ERC and CRC can be found on page 74.

Implementation and compliance

The following roles and business units play a part in the day-to-day management, implementation and compliance of climate-related risk and opportunity matters:

- The Group CEO is responsible for ensuring the Bank effectively executes the Board approved strategy. He is supported by the Strategy function who are responsible for developing Starling's strategy, including environmental matters, and providing regular reports and MI to the ESC on ESG matters.
- The Group CFO is the risk owner for climate risk for wholesale credit and market risk. He is supported by the Finance function, who are responsible for including all material exposures relating to financial risks from climate change in the ICAAP and climate-related financial disclosures in the Annual Report and Accounts. Additionally, the Group CFO is supported by the treasury function who are responsible for understanding and monitoring climate risk and its impact on wholesale credit risk and market risk relating to the treasury asset portfolio.
- The Chief Asset Management Officer is the risk owner for climate risk for retail and SME credit and is supported by the Asset Management function who assess and monitor the physical and transitional risks from climate change on credit risk, with reference to retail exposures.
- The CRO is the Senior Management Function holder for climate risk at the Bank and is the Climate Risk Policy owner. The CRO is supported by the Risk function who own and author the Climate Risk Policy, undertake the annual climate risk assessment, and review and challenge the Bank's climate-related financial disclosures and Climate Risk Policy application in line with regulatory expectations. The Risk function includes a Financial Risk team who produce the Bank's climate-related financial risk assessment, including the collation of data and statistical analysis.

Additionally, operational risks arising from climate change are managed under the Bank's Operational Risk Policy.

Opportunities and strategy

Starling monitors for climate-related opportunities on an ongoing basis. These opportunities, alongside the likelihood of materialising and potential impact, are reported to the ESC.

The following time horizons have been used when considering when climate-related opportunities are likely to impact the business: Short: 0-1 years, Medium: 1-5 years, Long: 5+ years. None of these opportunities are expect to have a material impact within our five-year planning cycle.

Opportunity	Description	Potential impact on Starling	Time horizon
Supporting our customers in their transition to net zero	Through Fleet, Starling offers various products to support mortgage customers in improving the energy efficiency of their properties. There is opportunity to both expand our suite of sustainable mortgage products as well as exploring new forms of sustainable products and services to support non-mortgage customers in their net zero transition.	Offering a greater suite of green products can enable us to help both existing and new customers meet their sustainability goals, which in turn leads to deposit and lending growth.	Long
Improving our own energy efficiency	We make continuous effort to reduce energy consumption in our own operations, supported by development and adoption of more efficient technologies.	Improved energy efficiency will reduce our emissions and operating costs.	Medium
Reducing emissions from our supply chain	We will work with our suppliers to encourage their sustainability progress, and incorporate sustainability considerations in our procurement decisions.	A sustainable supply chain has knock-on effects of reducing Starling’s Scope 3 carbon footprint, helping us in our mission to do the right thing.	Long
Building our reputation as a sustainable choice	Customers are increasingly looking for financial service providers with a lower carbon footprint. Starling's decision not to invest in fossil fuels, our branchless operating model, and commitment to offsetting our emissions, help us attract and retain these customers.	Our reputation is an important aspect of our brand values and contributes to our ability to attract and retain customers.	Long

Risk Management

Risk assessment

On at least an annual basis, Starling's Risk team works with the business to undertake a qualitative assessment of the impact of physical and transition risk on credit, operational and market risk. There is a climate risk policy that sets out roles and responsibilities for the identification and management of climate-related financial risks. The results of this analysis indicated that the largest potential climate-related financial risk is the physical and transition risk impacts on the credit risk in Starling's mortgage portfolio. Scenario analysis was undertaken which determined that these risks would not have a significant impact on Starling's profitability or capital position now and over the next 5 years. The results of this analysis was presented to the BRC in September 2024 and is presented to them on at least an annual basis.

See tables on page 51 and 52 for detailed analysis of physical and transition risks with the following risks and time horizons.

- Low risk – there is a low probability that this risk crystallising will impact the Bank's financial position.
- Medium risk – the risk crystallising could impact the Bank's financial position but will not have a significant impact on capital.
- High risk – the risk crystallising could have a significant impact on the Bank's capital position.

The following time horizons have been used when considering when climate-related risks are likely to impact the business: Short: 0-1 years, Medium: 1-5 years, Long: 5+ years.

Scenario analysis

Starling has undertaken scenario analysis on transition risk which considers the potential impact under the scenario where the transition risk crystallises whereby BTL properties below an EPC rating of C are not able to be let. This could impact credit risk and hence profitability and capital. Starling considered the increase in capital requirements if all properties had to transition to a minimum EPC rating of C and the costs of enhancing the energy efficiency of the homes was added to the current loan balance. The BoE's Climate Biennial Exploratory Scenario methodology was used for this analysis. It considered the additional capital required for loans where the LTV increased. The conclusion was that the impact on capital and profitability was not significant now and over the next 5 years. There has been no material impact identified on the financial statements, including ECL estimates and judgements, in the current period from the transition risk.

The physical risk scenario analysis, considered the impact of flood risk, the physical risk area most likely to impact Starling's credit risk. This looked at the impact on ECLs, and therefore capital and profitability, under three scenarios where stage 2 is applied to different permutations of moderate to very high flood risk properties. This was a conservative analysis at it assumed that flooding impacted all of these properties at the same time, whereas the properties are spread around the country. Under the most severe scenario run, the impact was not significant in terms of profitability and capital. There has been no material impact identified on the financial statements, including ECL estimates and judgements, in the current period from the physical risk.

Risk management and monitoring

Starling regularly monitors its exposure to high flood risk areas, its split of EPC ratings for its mortgages and annually its Scope 1, 2 and 3 emissions. There are early warning indicators trigger and limits in place and any concerning trends are escalated to the CRC. At least annually Starling reperforms analysis to consider the totality of climate-related risks and considers whether mitigation is required. Gap analysis against the PRA's Supervisory Statement on climate-related financial risks has been undertaken and climate-related financial risks have been embedded into governance and risk management frameworks.

Change in the year

Inherent climate risk is increasing for Starling as its asset mix is changing, which is primarily driven by the growth in its BTL mortgage portfolio. Transition risk is expected to increase due to the Government's consultation, released on 7 February 2025, on proposals to raise minimum energy efficiency standards for privately rented homes in England and Wales by 2030. This is still under consultation. Starling is currently considering the impact of the consultation on its business.

Physical risks

Physical risks	Description of potential risks	Potential impact on Starling	Time horizon
Credit risks arising from mortgage portfolios	The physical risk that was considered was extreme weather events that can potentially cause significant losses for homeowners, reducing their ability to repay their loan and damaging the value of the property. This might increase credit risks from loans as both the PD and LGD could increase. Flood risk is usually insured. However, during the lifetime of a mortgage, homeowners might fail to renew their policy, leaving themselves, and eventually the Bank, exposed to the financial risk of flooding. Insurance may decrease in availability or the price may rise to become unaffordable.	Medium risk All properties need to have flood insurance at the time of underwriting. Starling engaged with an external data provider to assess key physical risks such as heat waves, floods, wildfires and storms impacting properties. Flooding is the primary physical risk to Starling's mortgage portfolio. Starling's mortgage flood risk exposure to high and very high flood risk categories is in line with industry averages. Starling also reviews its flood risk exposure by LTV band and geographical area. The inherent risk increases as Starling’s mortgage portfolio grows.	Medium/Long
Credit risk from SMEs	Structural changes in climate could cause business disruption and losses for companies. This could impact their ability to pay back loans, increasing PDs.	Low risk Starling has a diverse range of SME customers. It is possible that some could be impacted by damage caused from extreme weather events but the risk of this having a big impact on our financial position is low as our exposures to different sectors is diversified and most of the current SME lending is government guaranteed.	Medium
Operational risks	Severe weather events could impact business continuity.	Low risk Starling has demonstrated the ability to effectively work from home if damage is caused to any of its offices. With five Starling offices located across the UK, and an office in Ireland, this further diversifies Starling's ability to be more resilient to severe local weather events to maintain customer services in the event of any disruptions. Starling’s platform is hosted by Amazon Web Services which is built so that its services are distributed across three or more geographically distinct data centres.	Medium/Long
Risks from the treasury asset portfolio	Increased credit risk where physical changes from climate change materialise to impact different countries causing a negative credit environment for global sovereign and supranational organisations. Other physical changes could directly impact the value of underlying assets in securitised products such as covered bonds and residential mortgage-backed securities. Both these scenarios could cause ratings downgrades.	Low risk The treasury portfolio has strong credit protection, is considered stable and consists of highly liquid assets. Starling does not invest in corporate bonds or equities and does not invest in sectors which are considered carbon intensive which are expected to be more vulnerable to losses from climate change.	Medium

Climate-related financial disclosures

Transition risks

Transition risks	Description of potential risks	Potential impact on Starling	Time horizon
Credit risks arising from mortgage portfolios	The Government in February 2025, consulted on requiring the energy efficiency of BTL properties to have a minimum EPC of C by 2030 for residential lets and it proposes reforms to EPCs. Starling monitors the potential EPC ratings of its mortgages and this escalates this to the CRC, if the risk metrics are close to its trigger point. Starling's BTL EPC ratings are in line with national averages. The potential risk is that if properties below an EPC rating of C cannot be let from 2030, this could impact the credit risk of the Bank.	Medium risk Starling's main climate transition risk is from potential legal requirements for BTL properties to have a minimum EPC rating of C. This could manifest itself in credit risk from: An increase in PDs: • The increased cost to landlords improving the energy efficiency of their homes may inhibit their ability to repay, increasing PDs; and • Landlords not being able to let their properties if they can't afford to upgrade them, thereby increasing default rates. An increase in LGDs: • A possible increase in losses from homes that do not meet minimum energy efficiency standards reducing in value; • Owner demand for D and below rated properties reducing thus reducing collateral value of these homes, increasing loss given defaults; and • Landlords exiting the buy to let market where the rental yield doesn't justify the cost of retrofitting. The value of these homes may fall and the market size for BTL loans may decrease, inhibiting the Bank's desired origination volume forecasts.	Medium
Credit risk to SMEs	Potential credit exposures to companies with business models that are not aligned with a 2°C scenario. These companies face a higher risk of reduced corporate earnings and business disruption from a low-carbon transition.	Low risk There is diversity in Starling's SME loans in terms of customer sectors. Financial risk from this exposure is currently low as a significant amount of these loans are government guaranteed.	Medium
Risks from the treasury asset portfolio	Firms could be left with stranded assets if the market reallocates capital away from carbon intensive assets or businesses.	Low risk Starling's treasury portfolio largely consists of Supranational Bonds, a large amount of which are issued by Multilateral Development Banks and UK Covered Bond issuers. Starling does not expect these assets to become stranded in the short or medium term. Starling does not currently invest in corporate bonds or equities and has no direct exposure to carbon intensive sectors which are expected to experience more losses due to climate factors.	Medium

Metrics and targets

We have set ambitious targets to support the decarbonisation of our business. These include:

- Net zero by 2050 at the latest;
- 1/3 reduction in emissions from our operations and supply chain by 2030; and
- Offset 100% of remaining emissions from our operations and supply chain annually.

Net zero

Our overarching climate target. We have set this target for ourselves because it is the right thing to do. We are working on communicating our progress through appropriate channels to help our customers understand our targets and mitigate our reputational risk.

Reducing emissions from our own operations and supply chain

Each year we estimate emissions generated from our own operations and supply chain with help from Orbis Advisory Ltd. We use these estimates to assess progress against our target to reduce these emissions and to inform our annual purchases of offsets from carbon avoidance and removal projects. We are reviewing our target to reduce emissions from our own operations and supply chain by one third by 2030, to take into account the significant growth of our business since our 2021 baseline.

Financed emissions - those related to our investments and loans - are not included in our reduction targets, nor do we purchase offsets for them.

Our use of carbon offsets

At Starling, we are constantly reassessing the way we operate as a business. Our priority remains focused on reducing carbon emissions as far as possible before using carbon offsets. Where carbon offsets are deemed necessary, we use them as a tool in combating climate change, whilst we continue our decarbonisation efforts.

We recognise the importance of ensuring the integrity of carbon offsets and as such, we carefully select our offsetting projects to ensure their impacts are robustly measured, minimising double-counting and negative side-effects. We only select projects that would not go ahead without the revenue from carbon credits, and we prefer project that deliver significant benefits for the local environment and community as well as reducing or avoiding emissions.

We continue to purchase certified carbon offsets equal to prior year emissions from our own operations and supply chain, with an increased proportion of removal-type projects relative to the previous year. Once our emissions audit for the year ended 31 March 2025 is complete in the coming months we plan to purchase offsets for these amounts, and hope to increase the proportion of removal-type offsets even further. Starling does not currently plan to purchase carbon offsets for our financed emissions, but will closely monitor and adhere to industry standards.

Streamlined energy and carbon reporting (SECR)

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's policy on SECR. Starling meets the mandatory reporting criteria for SECR legislation. The disclosure includes all of the Group companies except Fleet, who are exempt from this disclosure requirement.

Reporting has been conducted in accordance with the methodology set out in the GHG Protocol Corporate Standard, and using the DESNZ emissions factors to calculate emissions.

The following table presents our Scope 1, Scope 2 and Scope 3 emissions related to energy consumption for the year to 31 March 2025 and prior year. Our Scope 1 emissions come from gas consumption in our London office. Scope 2 emissions come from electricity consumption, which can be measured in two ways: the location-based emissions reflect that the UK electricity grid as a whole is not yet fully decarbonised, whereas on a market basis our contracts to purchase renewable electricity result in zero emissions in this category. In 2025, Starling also had indirect emissions from fuel consumption from employee-owned cars used for business purposes. This was calculated using the mileage expenses submitted by employees.

	Unit	2025	2024
Scope 1 emissions	tCO2e	**40.45**	31.66
Scope 2 emissions (location-based)	tCO2e	**214.61**	173.41
Scope 3 category 6 emissions[1]	tCO2e	**48.17**	32.48
Total gross organisational emissions	tCO2e	**303.23**	236.55
Total energy consumption used to calculate carbon emissions (location-based)	kWh	**1,446,320**	1,004,196
Carbon intensity ratio - carbon emissions per full-time employee (location-based) [kgCO2e/full-time employee]		**80.39**	69.81

Alternative measures (market-based):			
Scope 2 emissions (market-based)	tCO2e	**–**	–
Total organisational emissions (market-based)	tCO2e	**88.62**	64.14
Carbon intensity ratio - carbon emissions per full-time employee (market-based) [kgCO2e/full-time employee]		**23.49**	18.85

[1] Scope 3 emissions relate solely to category 6, emissions from business travel, in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel.

Carbon and energy efficiency measures

Starling has used the data collected as well as independent on-site audits to inform our plans to decarbonise the business and support ongoing efforts to achieve our overarching net zero target. As a branchless, digital and largely paperless bank, built and hosted in the cloud, Starling's baseline operational carbon footprint is low. However, we are still determined to play our part in fighting climate change and protecting the environment through energy and resource efficiency, along with appropriate recycling and waste management, to reduce our impact even further.

The Bank's offices in London, Southampton, Cardiff, Dublin and Manchester all run on renewable electricity. We recently installed LED lighting on one floor of our Cardiff office, which is estimated to save 5,500 kWh of electricity each year - equivalent to the consumption of two average houses in the UK.

Sustainability was a key consideration during the selection process for our Manchester office which is built with sustainable materials and is home to two bee hives, each containing c. 80,000 worker bees during the summer. These hives also support our ambitions to help protect nature, which we are also targeting through our 3-year partnership with the National Trust.

Starling offers employees a number of schemes to help them make greener choices outside of work. This includes an EV leasing scheme as well as a Cycle to Work scheme, both of which operate through "salary sacrifice". Additionally, Starling sponsors the Greater Manchester bike hire scheme, enabling people to opt for a more active and environmentally friendly mode of transport.

Current year update

The year-on-year increase in energy consumption is driven primarily by increased headcount and additional floorspace in our Cardiff office.

Risk management overview

Risk approach

Starling defines risk as any unexpected future event that could damage the Group's ability to achieve its strategic, financial or business objectives. This includes poor customer outcomes or damage to earnings capacity, capital positioning, reputation or cash flows.

Risk taking is fundamental to Starling's business model and therefore prudent risk management and mitigation form an integral part of the governance structure. The Board has ultimate responsibility for setting the strategy, risk appetite, risk and control frameworks and for ensuring that Starling's risk management approach and risk governance structure operate as expected.

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

Key developments

Ensuring that Starling has a risk infrastructure that is commensurate with the Group's rapid historic growth and future strategic ambitions is a priority for the Board and Senior management. Substantial investment has been made in strengthening risk capabilities in this financial year. The first phase of the Bank's risk management maturity programme has been delivered with the Bank now focusing on the continued enhancement and embedding of risk management practices, systems and controls, supported by a significant increase in risk skills and resources across the Bank.

Phase 1 of RMMP was completed during the year and our ECEP is now in its third year. Both have delivered a further uplift to Starling's approach to risk and control monitoring and oversight, with corresponding increases in risk management capability and capacity. This includes enhancements to the ERMF, a significant uplift in the Risk and Control Self Assessment standards, a focus on further developing a strong risk culture, a comprehensive remediation of our financial crime controls and further improvements to risk reporting.

Other notable investments include the rollout of the tools and processes required to meet the new Consumer Duty requirements and further investments in operational resilience, an area of strength but also of strategic importance for a digital bank.

Throughout the year, the Bank has maintained a cautious approach to Financial Risk, with a strong capital position, ample liquidity and a low risk appetite in its lending book. The Bank continues to actively manage the risks attached to legacy government-backed lending, with a further provision recognised this year linked to isolated historical control gaps. A formal Customer Remediation programme has also been stood up to address legacy issues in Financial assistance and Lending.

The Group's Governance, Risk & Compliance infrastructure will continue to be strategically developed and its use embedded across all three lines, supporting the growth of the Bank as well as the growing Engine business. Particular attention will continue to be paid to the further development of a strong risk culture with a focus on maintaining a healthy speak-up culture, building risk capabilities across all lines of defences and ensuring that risk remains adequately reflected in our performance management and remuneration policies.

Principal risks

Starling defines its principal risks as those which could result in events or circumstances that might threaten the company's business model, future performance, solvency or liquidity and reputation.

Principal risks are divided into current and emerging risks. Current risks are those which the Group is actively managing now, whereas emerging risks are newly developing or changing risks which may crystallise over a longer time horizon, and which could have a material impact on Starling’s ability to achieve its long-term strategy. Emerging risks are typically highly uncertain, but if they were to crystallise they would cause the Group to adjust its strategic risk assessment and to react accordingly. Starling takes a proactive approach to horizon scanning and regularly assesses the potential impact of both current and emerging risks.

Starling's principal risk assessment is prepared by combining the key risks identified through bottom-up registers and reporting with top-down analysis from the Executives and Board as well as drawing on external sources (e.g. risk analysis prepared at an industry level by consultants, regulators and government agencies).

For emerging risks, Starling considers the timeframe within which the risk might occur and the potential impact on the strategic direction of the Group. This enables the Group to decide which risks to take action on and which may shape business planning decisions.

The tables on the following pages show Starling's principal risks divided into current and emerging risks. The principal risks have been mapped to Starling's risk taxonomy, but are more dynamic and specific in nature than the Level 1 taxonomy risks; often spanning multiple taxonomy categories.

Risk management overview

Summary of current risks

Risk title	Risk description	Inherent impact	Inherent likelihood	Trend	Mitigants and controls	Level 1 risk category
Macroeconomic and geopolitical risk	The risk that monetary policy decisions, geopolitical and economic instability, inflation and cost of living impacts the Bank's revenue growth and credit losses.	High	Likely	Increasing	The Bank is exposed to this risk in two primary ways: rising ECL on its lending book as a result of worsening macro-economic conditions and/or reduced interest income as result of faster than expected reduction in interest rates. The Bank maintains a low risk appetite on its lending book, with ample liquidity and a conservative approach to managing credit and counterparty risks. The Bank will continue to maintain a structural hedge programme in 2026 to manage the risk to earnings in a low interest rate environment from the behavioural duration of its core deposits. The Bank undertakes risk specific stress testing and whole balance sheet macroeconomic and idiosyncratic stress testing. Macroeconomic and customer behaviour scenarios are designed by considering the key vulnerabilities of the Bank and severity is benchmarked against BoE and other scenarios. Senior risk committees and the Board are involved in challenging scenario assumptions and stress test results.	Strategic risk Credit risk Liquidity risk Capital risk
Strategic risk	The risk that a delay in executing the Group's long term strategy could result in not achieving growth expectations and extending an over reliance on interest income in a rate reducing environment.	High	Possible	Stable	Starling's strategic plan aims to expand its banking franchise and develop Engine as a global SaaS banking platform to address its dependence on net interest income and consequent sensitivity to interest rate changes. The delivery of this strategy remains dependent on continuing to improve risk management maturity and capabilities and addressing regulatory concerns. Material progress has been achieved in the last 12 months with the focus now primarily on further enhancing and embedding. The Bank remains under restrictions to open high risk accounts. The lifting of these restrictions will be required to allow the Bank to deliver in full against its growth aspirations. Senior management and the Board actively monitor, manage and oversee the execution risks inherent in Starling's strategy, ensuring that our strategic initiatives deliver the right outcomes for our customers, people and other stakeholders and are underpinned by appropriate risk infrastructure.	Strategic risk

Risk management overview

Risk title	Risk description	Inherent impact	Inherent likelihood	Trend	Mitigants and controls	Level 1 risk category
Conduct risk	The risk the Bank fails to have adequate systems and controls in place to meet Consumer Duty requirements and manage conduct risks as they arise throughout the Bank's product and processes, giving rise to potential regulatory censure and penalties as well as reputational damage.	High	Possible	Stable	In 2025, the Bank completed a large-scale programme to deliver a material uplift in tools and capabilities and ensure compliance with the Consumer Duty. Outcome testing has been successfully embedded in the Bank with substantial investments made in product governance, customer understanding and customer support. Starling offers a simple suite of products and services, focusing on transparency of fees and charges, ease of access, and supported by reliable technology and 24/7 UK-based customer service. Delivering good outcomes across all key customer journeys remains a priority. A few areas of focus remain, with further effort and investment being made to support vulnerable customers and customers in financial difficulty and reduce complaints. Lastly, the Bank has initiated a remediation programme to address identified cases of customer detriment.	Conduct risk
Financial crime risk	The risk of individuals or businesses attempting to use the Bank, its products or its services to advance financial crime.	High	Likely	Decreasing	Appropriately managing financial crime risk is critical to both the integrity of UK financial services and the prevention of consumer harm. Starling has been undertaking a detailed remediation programme in respect of the contraventions detailed in the FCA's Final Notice, this programme has now moved into its final stage which is focussed on the continued embedding and transition to business as usual. Ongoing investment in financial crime capabilities remains a priority. The Bank is continuously improving its policies and processes to allow for the identification, assessment and control of fraud and financial crime risks. The Bank continues to invest in prevention and detection systems and controls on a risk-sensitive basis, throughout the lifecycle of a product or customer relationship. Where Starling identifies deficiencies in its controls it seeks to remediate and improve its control environment to deter such fraud or financial crime recurring.	Financial crime risk
Compliance with an evolving regulatory regime	The risk of regulatory sanctions, material financial loss or loss to reputation the Bank may suffer resulting from a failure to comply with applicable regulatory requirements, self-regulatory organisation standards and/or codes of conduct applicable to its banking activities.	High	Possible	Stable	Significant investments have been made through 2025 to uplift capabilities and ensure that Starling meets its regulatory obligations. This has been further supported by hiring senior management and leadership with extensive banking experience. Following identification of historical cases where the Bank did not meet its regulatory obligations, it has implemented remediation programmes to address known issues. Following the identification of some legacy breaches to the CMA Retail Banking Market Order, the Bank has put in place an action plan to ensure that these and all requirements of the Binding Directions are adequately addressed. The Bank will continue to make investments in its risk management and regulatory compliance capabilities by ensuring that it has the right systems and controls in place.	Compliance risk

Risk management overview

Risk title	Risk description	Inherent impact	Inherent likelihood	Trend	Mitigants and controls	Level 1 risk category
Government-backed lending	The risk the Bank breaches its contractual obligations on government-backed Lending resulting in a loss of the guarantee and reputational damage.	High	Possible	Stable	The Bank has a number of contractual obligations that it needs to comply with to remain eligible for the government guarantee, the most material being detailed obligations regarding fraud checks at onboarding. A review of the Bank's historic fraud checks at onboarding resulted in the identification of some weaknesses that have resulted in Starling voluntarily offering to remove the guarantee on £28.7m of loans. All risks attached to government-backed Lending remain subject to ongoing monitoring and senior governance oversight. The Bank continues to work closely with the British Business Bank to ensure all loans have been originated in accordance with the guarantee rules.	Compliance risk Capital risk
Cyber and operational resilience risk	The risk that the Bank's systems, important business services or information assets are compromised by resilience weaknesses or threat actors exploiting technical vulnerabilities, which results in operational disruption, financial losses and reputational damage.	High	Possible	Stable	Being a digital bank, both our customers and regulators expect that Starling can provide an uninterrupted service. The Bank continues to invest heavily in its technology infrastructure. Starling has actively developed a simple technology stack that is fully owned and supported by the business. In addition, the lack of legacy systems and a fully cloud-based solution with multi-region capability have resulted in the Bank having strong operational resilience. The Bank was compliant with the requirements of the Operational Resilience Rules as at the end of March 2025, and this has been validated by external advice. Starling also recognises cyber security threats as a key risk facing the organisation that continues to evolve. In response, senior management has committed to the continued enhancement of Starling's security posture through a multi-year cyber security strategy, with a dedicated security team conducting threat and vulnerability management and ongoing penetration testing to ensure that associated risks remain within appetite.	Operational risk

Risk management overview

Risk title	Risk description	Inherent impact	Inherent likelihood	Trend	Mitigants and controls	Level 1 risk category
Third party risk	The risk of poor performance, or non-performance, by a third party service provider of a process, service or activity transferred to it by the Bank, whether directly or via sub-outsourcing.	High	Possible	Stable	The Bank engages a number of third parties to provide goods and services, including IT systems. It is critical that there are appropriate risk management policies, processes and practices over the selection, governance and oversight of third parties and their supply chain, particularly for key activities that could affect our operational resilience. The Bank undertakes initial and periodic due diligence and risk assessments for third parties. In addition, material outsource providers and material third parties are subject to regular monitoring and reviews. Lastly, all third party provision is contractually supported through clear and competitive commercial terms and SLAs. Where a critical dependency exists through the provision of goods and/or services through a third party, a secondary vendor is engaged to provide a robust level of resilience where it is commercially practical to do so.	Operational risk
People risk - Workforce capacity and capability	The risk that Starling's workforce capacity and capabilities are significantly stretched due to the need to continue to strengthen risk management and address historical weaknesses while pursuing the longer term strategy to grow the UK bank as well as the Engine SaaS business.	High	Possible	Stable	Starling is currently delivering multiple initiatives which collectively create an elevated level of risk in terms of the Bank's ability to effectively absorb these changes from a resource capacity and capability perspective. Given the scale and pace of these programmes, there is a risk of disruption to business-as-usual processes, including potential operational inefficiencies and resource constraints. The Bank has implemented a Change Management Framework and Change Risk Policy to support strategic change, alongside significant recruitment of experienced, skilled individuals to support the development of the organisation. Governance arrangements have also been developed to track capacity constraints, with escalation mechanisms being established to identify and address emerging risks to stability.	Operational risk

Risk management overview

Summary of emerging risks

Risk	Risk detail	Horizon	Management response
Emerging buy to let legislation	The Renters' Rights Bill, currently progressing through Parliament, is set to introduce significant changes to the rental market, with a stronger focus on tenants' rights and stricter obligations for landlords. In addition, on 7 February 2025 the Government published a public consultation on its proposals to raise Minimum Energy Efficiency Standards for privately rented homes in England and Wales. The consultation proposes new energy performance requirements that would be required for new tenancies by 2028, and for all tenancies by 2030. The Government is also seeking views on the proposal that landlords should be required to invest up to a maximum of £15,000 per property on improvements to meet the standard (the 'cost cap'). The full impact of this new legislation to the Buy-to-Let market (which has already been contracting) and consequently to the Bank is currently unknown.	1 - 3 years	The Bank is engaged with UK Finance as part of a broader industry engagement on the proposed legislation. The Bank has also implemented measures to monitor the EPC ratings for the portfolio that would be impacted by the legislation.
Artificial Intelligence and expansion of use in the Bank	Innovations in AI, including generative AI, may rapidly transform and disrupt customers, the industry and the economy. The full impacts of advances in AI remain unknown but it is identified as an emerging risk that could have multiple adverse effects. For example, integrity, confidentiality and availability of Starling assets and services could be compromised through deep fake or adversarial AI attacks on customer-facing services, leading to customer distress, reputational damage and increased regulatory scrutiny. Additionally the Bank is reviewing options to expand the use of AI in its operational processes including potentially some customer-facing activities and/or without human supervision. The untested nature of this may introduce new risks as well as exacerbate existing risks.	1-3 years	As the Bank continues to explore its use of AI in internal processes and activities, Management will ensure that this is developed alongside proportionate governance to mitigate any risks as they arise. As such ensuring appropriate policies and procedures are in place will be key.

See risk report on page 89 for further detail on risk taxonomy categories and risk mitigation.

The strategic report was approved by the Board of Directors on 26 May 2025 and signed on its behalf by:

Declan Ferguson
Group Chief Financial Officer
Director

Governance

Corporate governance statement

This section was prepared pursuant to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. For the year ended 31 March 2025, Starling has applied the Wates Corporate Governance Principles for Large Private Companies as an appropriate framework for its corporate governance practices. Further details on how Starling applies the principles are set out below. The Wates Corporate Governance Principles for Large Private Companies are available at www.frc.org.uk.

Principle One: Purpose and Leadership

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

During the year, the Board discussed a repositioning of the Bank's brand vision, mission and purpose, with a renewed focus on using technology and a human-centric approach to empower customers to gain active control of their finances through effortless everyday habits. This purpose is supported by Starling's five core values, embedded in operational practices across the Group: listen, keep it simple, do the right thing, own it and aim for greatness.

In promoting the Group's purpose, the Board recognises the importance of a high performance, creative and customer-first culture. This is supported by Board discussion of customer insights, segmentation and behaviours, alongside the outcomes of employee engagement initiatives, performance management, leadership development, culture metrics, and regular updates from the Technology team on product development. The Bank's purpose is directly linked to Group strategy, which is debated annually by the Board with detailed input from the Executive team.

The Section 172(1) statement on pages 38 to 43 provides examples of how the Board's decision-making in the year impacted our key stakeholders and aligned with their priorities and our values.

Principle Two: Board Composition

Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.

The Board is led by an experienced Chair who is responsible for the Board's overall effectiveness, promoting a culture of openness and debate and facilitating constructive Board discussions.

The collective skills and experience of the Board are kept under review by the Chair and NomCo. Page 65 provides further details. The skills and knowledge of individual directors are assessed annually, the results of which inform Board succession planning, individual director performance reviews and updates to the Board Learning and Development Plan, as required.

The balance and composition of the Board is described on page 65 and director biographies are set out on pages 66 to 68. Starling's Directors' Induction Programme is key to ensuring new Board members receive the information they need to become as effective as possible in their role in the shortest practicable time. Further details, including a Board induction case study, are set out on pages 71 to 72.

Any changes to external roles held by a director are required to be notified to the Chair, to ensure the director continues to have sufficient time to adequately discharge their duties.

Principle Three: Director Responsibilities

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

The Board is Starling's governing body, accountable to key stakeholders for setting Group strategy aligned to the Bank's purpose and values, delivering sustainable long-term growth, monitoring risk appetite, and overseeing the Group's culture. The Chair, Group CEO, and Senior Independent Director have separate, defined responsibilities as outlined in Starling's Corporate Governance Framework. The respective responsibilities of the executive and non-executive directors are well understood. Further details can be found on page 69.

The Board discharges its responsibilities directly and through the work of the BAC, BRC, RemCo, NomCo and ESC as described in more detail on pages 75 to 84. Board committee terms of reference provide a clear remit of responsibility for each committee.

The membership of board committees principally comprises non-executive directors to ensure independent challenge of senior management thinking. Aside from ExCo, which is chaired by the Group CEO, each board committee is chaired by an independent non-executive director who is responsible for reporting to the Board on the outcomes of each board committee meeting.

Principle Four: Opportunity and Risk

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

In promoting the long-term sustainable success of the Group, the Board's overarching direction is to take risk consciously and methodically, while demonstrating management of material and emerging risks to levels that both prevent poor customer outcomes and preserve financial and operational resilience. This ensures the ongoing confidence of customers, regulators and investors.

In order to support and strengthen its risk management activities, Starling operates a three lines model for risk management and oversight. Risks are managed within 1L via proactive identification, assessment, control, monitoring and reporting. 2L supports and constructively challenges 1L. In the 3L, the Group Internal Audit function is responsible for providing assurance to the Board on the effectiveness of the controls, risk management and governance processes for the Group and supports the compliance with regulatory obligations and alignment with industry standards.

The BRC receives regular reporting from 1L and 2L. The BAC receives regular reporting from 3L, and the Group's external auditors. The outcomes of each BRC and BAC meeting are discussed by the Board. Further details of the work and priorities of the BRC and BAC are set out on pages 75 to 78.

Further information on Starling's approach to risk management and current and emerging risks can be found in the risk report from page 89.

Principle Five: Remuneration

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

Starling's remuneration policies, principles and practices are aligned to the Group's purpose, values, business strategy and risk appetite.

RemCo is responsible for approving the compensation packages of the Executive team, and other members of senior management, as required by regulation, taking into account pay and conditions across the Group. In assessing the annual performance of executive directors and material risk takers, RemCo considers a range of business (financial and non-financial) and personal performance objectives, aligned to leadership, risk, strategic and cost-based priorities.

In carrying out its responsibilities, RemCo has regard to all relevant legal and regulatory requirements and guidance applicable to the Bank. Through the design of appropriate reward principles and objectives, RemCo promotes effective risk management by supporting initiatives to deliver a high-performance culture, accountability and appropriate risk behaviours across the organisation.

Further details of the work and operation of RemCo can be found on pages 79 to 80.

Principle Six: Stakeholder Relationships and Engagement

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

The Board fosters effective stakeholder relationships aligned to the Group's purpose and values. Starling's key stakeholders are its people, customers, regulatory bodies, shareholders, communities and environment, and suppliers. The Board fully recognises the importance of engaging with each of these groups to inform Group strategy and Board decision-making. Further details on how the Board has engaged and had regard to its key stakeholders during the year can be found in the Section 172(1) statement on pages 38 to 43.

Starling is committed to conducting its business with honesty and integrity in an open and transparent manner. Starling's Whistleblowing Policy details a robust process to enable concerns of wrongdoing to be escalated in a confidential manner so that necessary investigations, remediation actions and reporting can take place. The Board monitors these reports and follows up on actions through the BAC, as needed.

The BAC Chair is the Bank's nominated Whistleblowing Champion and responsible for ensuring and overseeing the integrity, independence and effectiveness of the Bank's policies and procedures on whistleblowing. The Group Head of Internal Audit operates the Bank's whistleblowing processes on behalf of the Whistleblowing Champion.

Starling Board

The composition of the Board is designed to ensure that directors bring varied professional backgrounds and experience to enable effective decision-making and valuable contributions to Board discussions. The Board has a clear understanding of its compliance obligations, markets and the regulatory frameworks within which Starling operates, whilst considering the needs of its stakeholders.

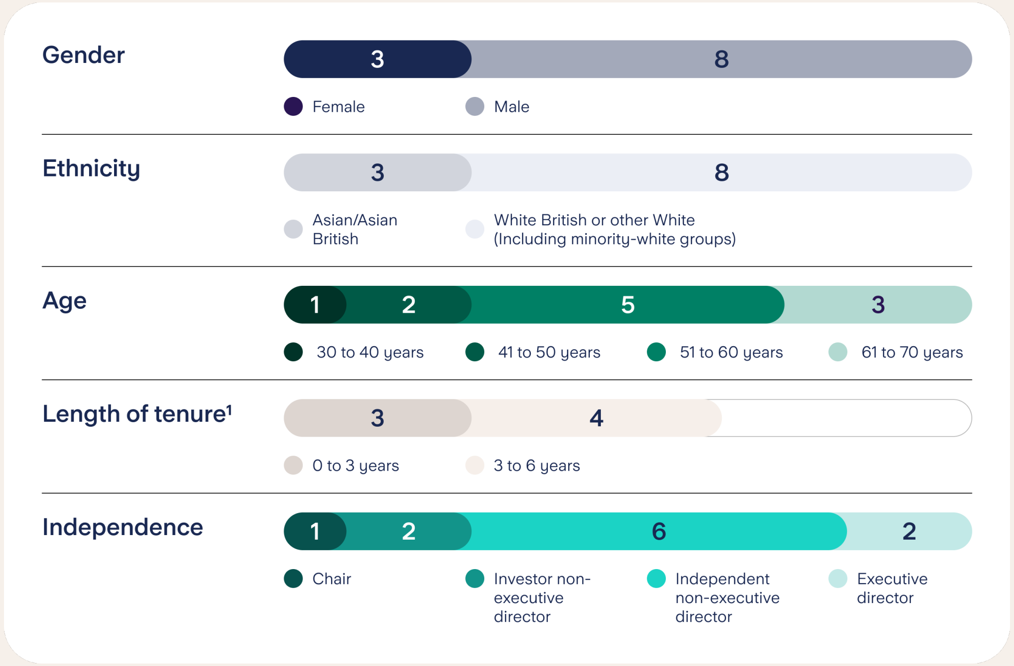
Biographical information of the directors as at 31 March 2025, and their board committee memberships, are summarised on pages 66 to 68.

Board composition
The chart below shows the composition of the Board by gender, ethnicity, age, length of tenure and independence as at 31 March 2025.

Board skills
The Board has an effective balance of skills, knowledge and diversity which assists it in making informed decisions promoting the long-term success of the Group, and to deliver Starling's strategic objectives.

During the year, directors completed an externally facilitated skills assessment, involving self and peer assessments. This process identified the skills each director brings to the Board, and development areas where applicable. The skills chart below summarises the directors' experience level for each assessed skill area.

Further information on the outputs of the self and peer skills assessment can be found in the Board Nomination Committee report on pages 81 to 82.



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1 Length of tenure for the Chair and independent non-executive directors.

Starling Board

Our Board

Board committee memberships are included for each director using the following key:

Key	Board committee
A	Board Audit Committee
E	Board Ethics and Sustainability Committee
N	Board Nomination Committee
R	Board Remuneration Committee
Ri	Board Risk Committee
Ex	Executive Committee

Key	Membership position
■	Board committee chair
●	Board committee member

Director changes during the year, and up to the date of this report, are detailed on page 85.

David Sproul

Chair of the Board

Board committee memberships:
N R

Skills and experience:
David has more than 30 years' experience in key leadership roles across the financial and professional services sector. He brings extensive experience of strategy, risk management, M&A and organisational and operational transformation. David served as global deputy chief executive of Deloitte following his 8 year term as chief executive and senior partner of Deloitte UK and North West Europe. During this time, he led the firm's globalisation, transformation of its market positioning to be a leading professional services firm and drove changes to create a more inclusive culture, focused on opportunity for all. David is chair of Pennon Group, a director of Safanad, chair of the board of governors at the University of Hertfordshire and a senior adviser to Bridgepoint Group.

Appointed: June 2021

Tracy Clarke

Senior Independent Director

Board committee memberships:
R N Ri

Skills and Experience
Tracy brings considerable international banking and financial services experience to the Board, following a 35 year career with Standard Chartered Bank, where she held a portfolio of leadership, compliance, human resources, corporate affairs, brand and marketing positions, culminating in the role of chief executive officer, Europe and Americas and global chief executive officer, Private Banking. She is a director of TP ICAP, chair of Olex.ai an online learning platform and a director, chair of the board remuneration committee and member of the board audit committee of Haleon, a consumer healthcare company.

Appointed: May 2021

Julie Chakraverty

Independent Non-Executive Director

Board committee memberships:
E Ri

Skills and experience:
Julie brings more than 30 years of financial services and technology leadership experience to the Board. She built her executive career at UBS where she held multiple leadership roles, and created an award winning portfolio risk management platform. Julie is an experienced non-executive director, currently serving global cyber security firm NCC Group as senior independent director, the AJ Bell board as a non-executive director and she recently joined the board of EasyJet. Previously, Julie was senior independent director and board risk committee chair at Aberdeen Asset Management (now Aberdeen Group), and served on the boards of Santander UK, the insurer Amlin, and the hospitality company Spirit Pubs (now Greene King). She was also the founder and chief executive officer of the employee engagement platform Rungway.

Julie is the Board Consumer Duty Champion.

Appointed: March 2024

Starling Board

Faisal Galaria
Independent Non-Executive Director

Board committee memberships:
E A

Skills and experience:
Faisal has over 25 years' experience growing and leading teams in global consumer technology companies including Spotify, Kayak, Skype and Magic Leap. He has extensive experience of strategy, international growth and digital transformation and has been involved in a number of tech and Web3 IPOs in the UK and the US. In 2022 Faisal stepped down as chief executive officer of Blippar, one of the UK's first tech unicorns and more recently as chief growth officer of the Magic Leap. In addition to his executive roles, he previously served as senior partner at Alvarez & Marsal where he led the digital and media practices across EMEA. Faisal sits on the advisory board of Imperial College Business School.

Appointed: June 2022

Ian Jenkins
Independent Non-Executive Director

Board committee memberships[1]**:**
A

Skills and experience:
With over 35 years' experience, Ian has held a range of chief financial officer, chief risk officer and chief operating officer roles within banking and financial services, including at Diem Networks, HSBC, Santander and Credit Suisse. He is a chartered accountant and brings varied finance, risk, operations, and strategy expertise to the Board. Ian is currently serving as the interim group chief financial officer of Aberdeen Group.

Appointed: October 2021

Marian Martin
Independent Non-Executive Director

Board committee memberships:
Ri A E N

Skills and experience:
Marian is a chartered accountant with a background in risk management. As an executive she was latterly chief risk officer of Virgin Money during a period of significant growth and strategic development, including the company's listing on the London Stock Exchange. In addition to her role at Starling, she is a non-executive director and chair of the board risk committee of Castle Trust and a non-executive director and chair of the board audit and risk committees of PPRO Holdings.

Appointed: June 2019

Darren Pope
Independent Non-Executive Director

Board committee memberships:
A Ri

Skills and experience:
Darren brings more than 30 years of experience in the retail banking and financial services sectors, where he has held a range of senior and board level positions. He is skilled in board governance and has an in-depth understanding of financial and risk matters, including managing relations with investors and regulators. He has significant experience of both IPO and M&A transactions. Darren is a non-executive director and chair of the audit & risk committee at Welsh Water. Darren previously served as senior independent director and chair of the audit committee at Network International Holdings, a non-executive director and chair of the remuneration committee at Virgin Money UK and a non-executive director and chair of the audit committee at Hargreaves Lansdown. Senior independent director and chair of the audit committee of Equiniti Group and chair of HSBC Innovation Banking. He has also held several executive banking and finance roles at Lloyds Banking Group and was the chief financial officer of TSB Bank.

Appointed: 1 October 2024

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[1] Ian Jenkins stepped down as a member of the Board Risk Committee on 31 March 2025.

Starling Board

Lazaro Campos
Investor Non-Executive Director

Board committee memberships:
N R

Skills and experience:
Lazaro is a fintech investor and entrepreneur with more than 30 years' experience in global finance. Until 2012, he served as chief executive officer of SWIFT, the global banking network, where he led its re-positioning as a commercially driven, innovative and customer centric cooperative. He is the chairman of the advisory board of PPRO, a non-executive director and senior independent director of IWG plc, an independent member of the Payoneer Europe Limited board and co-founder of FinTechStage International.

Appointed: June 2018

Marcus Traill
Investor Non-Executive Director

Board committee memberships:
R Ri

Skills and experience:
Marcus is a founding partner at Altered Capital, a venture capital and private equity fund manager, contributing extensive financial acumen honed through a diverse career. Prior to Altered Capital, he held key positions at QuantRes and McPike Global Family Office (MGFO), following roles at Bank of New Zealand and Owens Group (now Mainfreight). His experience encompasses quantitative trading, where he managed strategies and operations at QuantRes, and private investments, which he co-led at MGFO. Marcus now applies this comprehensive skillset to drive value by investing in and advising high-potential private technology companies across various growth stages at Altered Capital.

Appointed: December 2015

Raman Bhatia
Executive Director - Group CEO

Board committee memberships:
Ex

Skills and experience:
Raman joined Starling in summer 2024. Prior to this, he was the CEO of OVO, and led its acceleration into green and sustainable technology and successfully campaigned for government support for customers during the energy and cost of living crisis. Prior to OVO, Raman was the head of digital bank for HSBC Retail Banking and Wealth Management in the UK and Europe. He led innovation, new digital ways of working, risk management and the design, development, deployment and commercialisation of digital platforms, products and channels within the UK and Europe. Before HSBC, Raman worked in consumer tech as VP at HouseTrip and director of strategy at Expedia for EMEA. Earlier in his career Raman worked as a management consultant at Bain as well as an adviser to governments and international development agencies on urban governance and planning. Raman holds an MBA from Harvard Business School and is also a Trustee at Business in the Community.

Appointed: June 2024

Declan Ferguson
Executive Director - Group CFO

Board committee memberships:
Ex

Skills and experience:
As Group CFO, Declan manages the Group's overall financial operations and is responsible for the financial management of the UK Bank and Engine. He also has responsibility for the Group's strategic and corporate development activity, capital raising and allocation as well as longer term financial and business planning.

Declan joined Starling in 2017 as Head of Strategy later becoming Chief Strategy Officer. Prior to this, Declan trained as a chartered accountant at PricewaterhouseCoopers where he worked across a range of business lines, but was latterly focused on leading engagements in the turnaround and restructuring of European banks as well as on a range of large loan portfolio and other credit-related transactions involving UK and European banks.

Appointed: July 2022

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[1] Marcus Traill stepped down as a Member of the Board Audit Committee on 1 October 2024

Corporate governance review

Role of the Board

The Board is the principal decision-making body for all significant matters affecting the Group and is accountable to shareholders for creating and delivering long-term sustainable value. Having regard to the interests of all stakeholders, the directors drive informed, collaborative and accountable decision-making and provide constructive challenge, advice and support to the Executive. Further information on how the Board engaged with its key stakeholder groups to inform its strategy and decision-making in the year can be found in our Section 172(1) statement on pages 38 to 43.

The Board is responsible for promoting high standards of corporate governance and ensuring Starling has the necessary resources, processes, controls and culture in place to deliver on its values and strategic objectives.

Division of responsibilities

A clear division of responsibilities exists between the roles of the Chair and the Group CEO. The Chair is responsible for leading the work of the Board, promoting a culture of openness and debate and establishing effective stakeholder engagement.

Responsibility for the Group’s executive leadership and day-to-day management of the Group's business is delegated to the Group CEO. The Group’s strategy and overall objectives are proposed and developed by the Group CEO for review, challenge and approval by the Board. The Group CEO is responsible for implementing the decisions of the Board and board committees. The Group CEO is supported in his role by ExCo, further information on which can be found on page 74.

The Senior Independent Director acts as an experienced sounding board for the Chair and a trusted intermediary for shareholders and other Board members.

The directors have access to the advice and services of the Company Secretary who is responsible for ensuring that Board procedures and applicable rules are observed. Supported by the Secretariat, the Company Secretary works closely with the Chair, the Group CEO, the chairs of the board committees and members of ExCo to set meeting agendas and to ensure the timely presentation of high-quality information to the Board and its committees. All directors are able to propose items for discussion at Board meetings.

Meetings

The Board held 12 scheduled meetings during the year, including a dedicated strategy meeting. At each scheduled meeting, the executive directors provided high-level strategic, operational and financial updates, presented the key challenges, opportunities and actions taken during the reportable month, and also reviewed upcoming priorities. The Board benefited from holding the majority of its scheduled meetings in person. This facilitated non-executive directors’ engagement with the Executive and constructive challenge on senior management thinking. It also enabled a broader range of session formats, including deep-dives and briefings, strengthening the Board's oversight role.

The Board also held several additional meetings, principally to consider matters related to the FCA's investigation into the Bank's financial crime systems and control framework.

Corporate governance review

Board activities

During the year ended 31 March 2025, the Board’s key activities and outcomes included:

Key activities	Key outcomes	Link to stakeholders
Regular strategy discussions, featuring Executive presentations on the delivery of core strategic priorities, and a dedicated Strategy Day held in November 2024.	Agreed the Group's long-term strategic goals, and determined the choices the business needed to make in the short and medium-term to achieve them.	⚫ 🟣 🟢 🔵 ⚪
Considering recognition and reward, culture, leadership development, performance management and employee engagement insights, including those identified through a Board-sponsored external review of governance and culture.	Informed the development of a Board-level culture dashboard, enabling oversight and monitoring of key cultural metrics. Approved changes to Starling's family friendly policies and recommended improvements to the Group’s UK employee pension plan, reinforcing our commitment to social and financial wellbeing.	⚫ 🟢
Assessing Starling's leadership requirements to ensure strong leadership at both the Board and Executive levels, and overseeing the recruitment and orderly transition of key roles.	Approved the Executive Succession Plan and appointments of Raman Bhatia as Group CEO and Darren Pope as BAC Chair.	⚫ 🟢 🔵
Monitoring the Bank’s regulatory agenda, discussed key themes and priorities, progress on remediation activities and responded to regulatory feedback.	Fostered a more transparent and open dialogue with our regulators and enhanced our approach to regulatory engagement, including the establishment of a dedicated Regulatory Affairs team, to drive better understanding of regulatory priorities and expectations.	⚫ 🟣 🟢 🔵 🟪 ⚪
Convening dedicated meetings to discuss material developments and regulatory engagement related to the FCA's investigation into the Bank's financial crime systems and control framework.	Oversaw the operationalisation of the Economic Crime Enhancement Programme, addressing FCA findings on Starling's financial crime systems and controls, significantly improving the Bank's financial crime risk profile.	⚫ 🟣 🟢 🔵 🟪 ⚪
Overseeing transparent and open communication with the British Business Bank on government-backed lending schemes.	Voluntarily removed the government guarantee on certain BBLS facilities provided by the Bank in view of potential non-compliance with a guarantee requirement.	⚫ 🟣 🟢 🔵 🟪 ⚪
Monitoring increasing risk maturity across the business, including the delivery of actions under the RMMP through regular updates.	Oversaw completion of the first phase of the RMMP, and commissioned an independent assessment, which found the design of Starling's risk management frameworks to be in line with peer bank maturity. Commenced the second phase of the RMMP, focused on embedding enhanced risk management practices.	⚫ 🟣 🟢 🔵
Receiving regular updates on the Bank's implementation and embedding of the FCA's Consumer Duty requirements, alongside perspectives shared by the Board Consumer Duty Champion.	Approved the Bank's inaugural Consumer Duty Annual Report.	🟣 🟢
Considering the Bank's Operational Resilience Self-Assessment alongside the findings of an external review that concluded that the Bank had successfully embedded a resilience mindset.	Approved the Operational Resilience Self-Assessment.	🟣 🟢 🔵
Debating the Bank's resolvability capabilities and Recovery Plan, taking into account Bank of England and PRA expectations and market developments, including the deployment of Board and management actions in a severe financial stress scenario.	Approved the Bank's resolvability capabilities documents and Recovery Plan. Scheduled a Board resolvability simulation exercise for 2025.	⚫ 🟣 🟢 🔵 🟪 ⚪
Monitoring macro-economic changes and debated financial resilience matters, including in the context of the Bank's ICAAP and ILAAP.	Approved the ICAAP and ILAAP.	🟣 🟢 🔵
Overseeing the preparedness for a revised target Group structure which will add a new Group holding company.	Agreed the governance approach and key design principles associated with the revised Group structure.	🟢 🔵
Reviewing the Group's financial reporting, key performance indicators, regulatory capital and cost base.	Approved the Group's FY26 Budget and Strategic Plan, FY24 annual financial statements and Pillar 3 disclosures.	⚫ 🟣 🟢 🔵 🟪 ⚪

Key ⚫ People 🟣 Customers 🟢 Regulatory bodies 🔵 Shareholders 🟪 Communities and environment ⚪ Suppliers

Time commitment

To ensure directors have sufficient time to adequately discharge their duties, directors must obtain the Chair's approval prior to accepting any new proposed external directorships. All new directors are requested to disclose their other significant commitments prior to appointment. This process also serves to maintain director independence and identify potential conflicts.

Independence

The Board annually reviews the independence of its non-executive directors, taking into account the nature of their external appointments, the market value of Company shareholdings, any potential conflicts of interest and length of service. Aside from Marcus Traill and Lazaro Campos (who are appointed by a Company investor), the Board has determined that all current non-executive directors (including the Chair) are independent in judgement and character, and are able to provide objective oversight and constructive challenge.

Conflicts of interest

The Board has procedures in place for the disclosure of conflicts of interest. The directors are aware of their responsibility to avoid a situation whereby they may have an actual or potential conflict of interest and the requirement to inform the Chair, the Group CEO and the Company Secretary of any change in their situation. A procedure is in place for the Board to authorise conflict situations, should they arise, in accordance with the Companies Act and the Company's articles of association. The Company Secretary is responsible for keeping appropriate records, including the scope of any authorisations granted by the Board. The Board undertakes an annual review of conflict authorisations.

In line with internal policy, conflicts of interest are only permitted where the risk can be monitored, measured and managed within the Group's risk appetite, with particular focus on conduct risk appetite and the need to ensure Starling's customers are treated fairly.

Learning and development

Directors participate in ongoing learning and development sessions, including strategic deep-dive discussions with the Executive and detailed briefings from external advisers on new and emerging developments, to enhance their knowledge and ability to provide effective challenge in areas of key decision making and oversight.

Following review by NomCo, the Board annually adopts a comprehensive Board Learning and Development Plan aligned to Group strategy and key stakeholder priorities. Board members are invited to request sessions on any areas that they would like specific training on. Additional sessions are arranged in response to market or regulatory developments.

During the year, the Board:

- Received training from external advisers on Consumer Duty, which built upon the Consumer Duty training held in the prior year. The Board also participated in a customer focused session, which provided insight into customer outcomes;
- Were kept apprised of their legal and regulatory duties. For Darren Pope and Julie Chakraverty, who joined the Board as independent non-executive directors in 2024, this included an interactive directors' duties training session. As experienced directors, the session focused on recent developments and practical points; and
- Participated in externally led training on AI governance, identified as a priority learning and development topic in the 2024 Board Skills review. The session focused on managing risks and implementing effective AI governance.

The 2025 learning and development plan incorporate themes and feedback from the 2024 Board Skills review, including: customer focused sessions, AI governance, a cyber simulation exercise, training on the Bank's internal controls framework, and a resolvability simulation exercise.

Directors' induction

Following appointment, each director receives a comprehensive induction to Starling that is tailored to their background, experience, existing knowledge and skill set.

The Starling Directors' Induction Programme, managed by the Company Secretary, helps new directors learn about the Group's operations, strategic priorities, people, culture and stakeholders. Through a range of technical briefings and introductory meetings over several months, the programme aims to enable a new director to become as effective as possible in their role in the shortest practicable time; further details are provided in the table below. After the programme has completed, directors are invited to provide feedback, to ensure it is useful and well-targeted. Directors appointed to Group subsidiary boards receive a briefing on subsidiary directors' roles and responsibilities. Specialist training is arranged as required.

Key stages	Summary
Programme materials	Information on the Group's background, purpose, values, key stakeholder groups, regulatory requirements, key operating policies, constitutional documents, group structure and key business documents (e.g. business plan, ICAAP, ILAAP, and Consumer Duty Annual Report).
Resource library	Access to past Board and committee minutes and papers, current work plans, biographies of leadership, key governance documents, and the Board Learning and Development Plan.
Briefings and meetings	Meetings with the Chair, Group CEO, Group CFO and board committee chairs, and other leaders to discuss strategy, performance, operations, compliance, regulatory priorities and employee engagement. Where relevant to a new director's board committee participation, introductory meetings with Starling's external auditor and/or regulators.

Director induction Q&A

Strengthening governance through expertise

Darren Pope

Independent Non-Executive Director and
Board Audit Committee Chair

Darren's biography can be found on page 67.

Following his appointment to the Board in October 2024, Darren and the Company Secretary worked together to develop a tailored and comprehensive induction programme to efficiently and effectively introduce Darren to Starling's business and his role on the Board.

Darren's insights on the programme highlight the value of a comprehensive induction, emphasising the importance of building relationships with key executives, internal teams, and external stakeholders:

Q: What motivated you to join the Board as an Independent Non-Executive Director and Chair of the BAC?

A: Having spent over 30 years in the retail banking and financial services sectors, I was drawn to the Bank's amazing relationship with its customers, strong digital led customer-centric approach and market leading technology capabilities. As an ex-bank CFO, joining as Chair of the BAC presented an opportunity to use my experience to support a really exciting future while ensuring transparent financial reporting and robust internal controls, and providing constructive challenge and independent oversight.

Q: How did your induction process help you understand the Bank's strategy, risks, and governance framework?

A: The induction was well-structured and gave me a comprehensive understanding of the Bank's operations, strategic priorities and risk profile. The detailed Directors' Induction Programme gave a useful introduction to the Group and how the Board operates, supported by in-depth discussions with Executives including the Group CEO, Group CFO, CRO, one to one meetings with other Board members, and a series of business and governance briefings with senior management. I particularly enjoyed a site visit to Cardiff where I was able to meet with local team members and see first hand the important role they play in supporting our customers.

Q: What aspects of the induction were most valuable in preparing you for your role as BAC Chair?

A: The handover from my predecessor, Ian Jenkins, was invaluable in understanding the BAC's ongoing work and key areas of focus. Early and direct engagement with the Finance, Risk and Internal Audit teams provided insights into the Bank's financial controls, audit priorities, and risk oversight. In addition, the opportunity to meet with the PRA, and to observe Board and BAC meetings before formally taking up the role as BAC Chair, presented a valuable opportunity to begin to understand the Bank's governance arrangements and key stakeholder relationships at play.

Q: What advice would you give to new independent directors joining the Board?

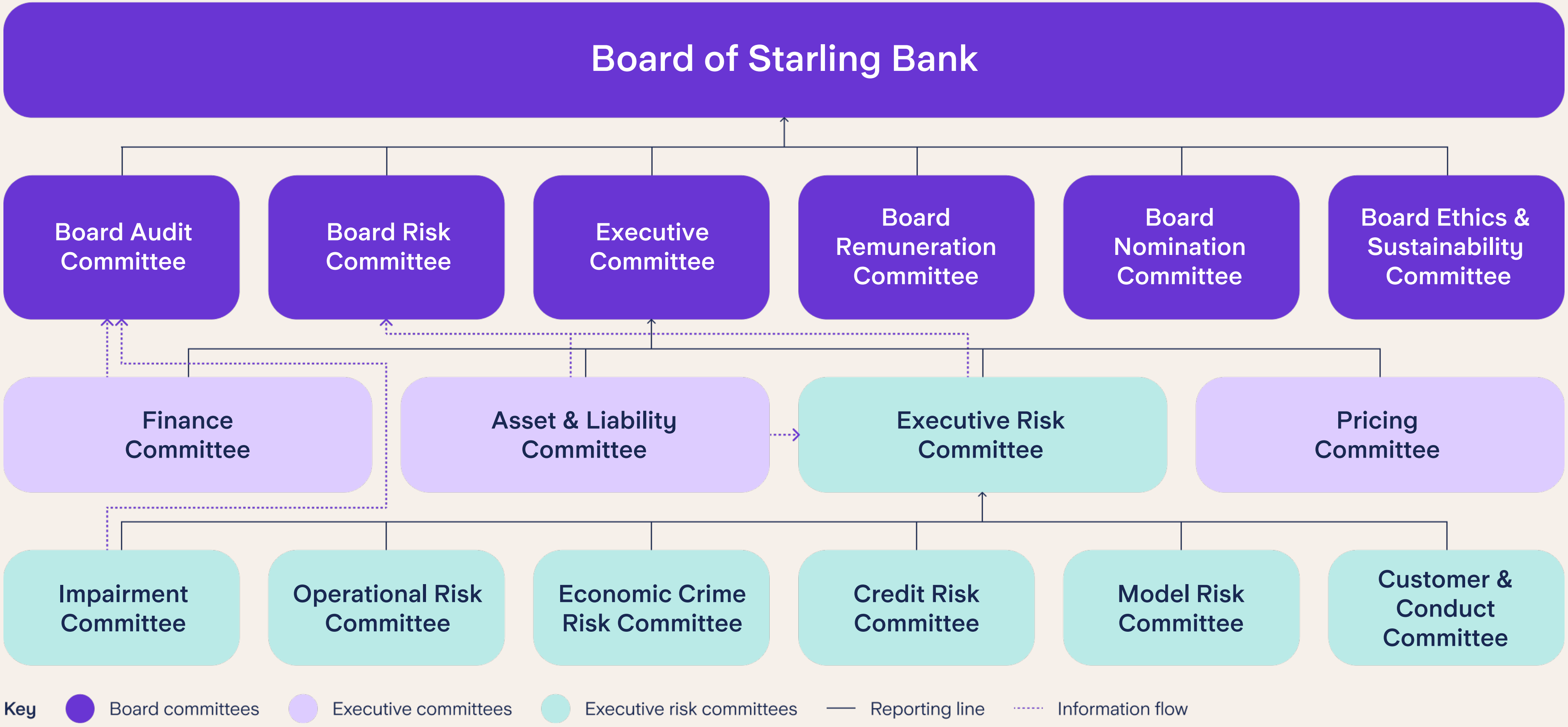
A: Even if you have lots of banking experience, take the time to fully understand the nuances of the business model, strategy, and regulatory relationships specific to the firm. Engage with key stakeholders across the organisation to gain different perspectives and don't hesitate to ask questions or challenge constructively to test that what you are hearing is consistent.

Corporate governance review

Governance structure chart

Starling's governance structure as at 31 March 2025 is shown in the chart below and comprises the Board, the board committees and principal executive committees[1]. The structure supports the Board in effective decision-making, provides clear lines of accountability and responsibility, and enables independent challenge and problem-solving to promote the long term success of the Group. There are instances where ExCo sub-committees have the right to raise matters of note to a board committee, as shown by the information flow lines below. For example, ALCO has the right to raise matters of note to the BRC including recommendation of the Bank's ICAAP, ILAAP and Recovery Plan.

More information on the remit and responsibilities of the board committees can be found in their committee reports on pages 75 to 84. Further details of ExCo and its principal sub-committees' responsibilities can be found on page 74.



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[1] On 14 April 2025, the Change Management Committee was established as a sub-committee of ExCo.

Executive committees

Executive Committee
Led by the Group CEO, the ExCo is responsible for executing the Board approved strategy and managing the day-to-day activities of the Bank. Its remit includes oversight of the Bank's financial and operational performance, providing strategic direction by prioritising, allocating and optimising the Bank's investments and resources, considering new products and services, and playing a key role in establishing and fostering Starling's corporate culture, conduct, and values.

Following his appointment, the Group CEO strengthened the Bank's leadership team, adding new members to ExCo with diverse backgrounds, skills and experience, with a particular focus on deepening expertise in financial services and technology. These appointments are designed to support Starling's next phase of innovation and growth. More information can be found on page 8 of the Group Chief Executive Officer statement.

The structure of ExCo and its sub-committees aligns to regulatory requirements for the Group's size and complexity. Responsibilities and processes are designed to ensure proper and effective management and oversight of Group affairs. Governance policies and terms of reference are reviewed annually in accordance with the demands of the business, changing regulation and emerging good practice.

Executive level committees
Starling's governance structure is set out on page 73. All sub-committee members have appropriate knowledge, experience and expertise to make decisions and report back to ExCo or the ERC, as applicable. The tables below summarise the key purpose of the ExCo's principal sub-committees as at 31 March 2025[1].

Direct sub-committees of ExCo and their purpose			
Asset and Liability Committee	**Executive Risk Committee**	**Finance Committee**	**Pricing Committee**
Managing the Bank's balance sheet including the oversight of planned strategic changes, identification of the associated emerging risks, and proactive management, referring matters of note to the ERC and BRC.	Ensuring an appropriate risk and control environment is maintained in relation to the Bank's risk management activity and for overseeing the management of risk across the Bank including, reviewing the effectiveness of the Bank's risk management framework and associated internal controls.	Providing oversight of the Bank's statutory and management accounting, regulatory reporting, taxation and other finance risk and controls matters.	Reviewing and approving pricing for new and existing Bank products, reviewing Fair Value Assessment and Financial Impact Analysis when considering appropriate pricing for the Bank's products.

Indirect principal sub-committees of ExCo and their purpose					
Credit Risk Committee	**Customer and Conduct Committee**	**Economic Crime Risk Committee**	**Impairment Committee**	**Model Risk Committee**	**Operational Risk Committee**
Overseeing the management of credit risk across the Bank including, reviewing the effectiveness of the Bank's credit risk management framework and associated internal controls.	Overseeing the management of conduct risk across the Bank including reviewing the effectiveness of the Bank's conduct risk management framework and associated internal controls.	Overseeing the management of financial crime (including fraud) risk across the Bank including, reviewing the effectiveness of the Bank's financial crime risk management framework and associated internal controls.	Ensuring the Bank holds an appropriate level of impairment provision through the review, challenge and agreement of IFRS 9 models, post model adjustments, economic scenarios and scenario weightings.	Overseeing the management of model risk across the Bank including, reviewing the effectiveness of the Bank's model risk management framework and associated internal controls.	Overseeing the management of operational risk across the Bank including, reviewing the effectiveness of the Bank's operational risk management framework and associated internal controls.

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[1] On 14 April 2025, the Change Management Committee was established as a direct principal sub-committee of ExCo. The purpose of this committee is to manage the Bank's portfolio of major change programmes.

Board Audit Committee report

> **“The committee recognised that the capabilities of our Internal Audit function needed to be enhanced to support the business going forward and this has been a very significant focus for the committee over the last 12 months.”**

Members[1]:

- Darren Pope (Chair)
- Faisal Galaria
- Ian Jenkins
- Marian Martin

Further information on the skills and experience of the committee members can be found on page 67.

Dear Stakeholder

I am pleased to present my first Board Audit Committee report as chair, having been appointed to the role in November 2024. I thank Ian Jenkins for his stewardship whilst serving as interim chair of the committee, and his continued contribution as a committee member, and Marcus Traill, who stepped down as a valued committee member in October 2024.

The Board delegates responsibility to the committee to monitor the integrity of the Group's financial reporting and the processes and controls that support it. In addition, the committee ensures the integrity of its financial reporting through the Group's relationship with the external auditor. This includes making recommendations to the Board in relation to their appointment, fees and the scope of their work. The committee reviews the auditor's independence, objectivity and effectiveness on an annual basis.

Finally the Group's internal control framework is a fundamental part of ensuring the integrity of its financial reporting. The committee reviews this through the work of Internal Audit, which reports directly to the Chair of the committee. The committee reviews the effectiveness of the Internal Audit function on an annual basis.

The committee also oversees the Group's whistleblowing arrangements.

In overseeing the integrity of Starling’s financial disclosures, the committee has reviewed accounting policy choices and key areas of judgement and provisioning. In 2025, particular attention was paid to our IAS 37 provisions for BBLS and customer remediation, as well as our assessment of contingent liabilities and their subsequent disclosure. Further details on key judgements can be found in notes 3, 22 and 32 to the financial statements.

We also continued to monitor the internal control and risk management systems in relation to financial reporting. We considered the work undertaken across the Group to ensure that the control environment operates effectively, including an ongoing regulatory reporting control improvement programme, involving tactical enhancements made in response to a third party review completed in November 2023. Following the consideration of assessments on internal controls on financial reporting from 1L, and opinions on the design and effectiveness of the Group's internal control environment from 2L and 3L, the committee was satisfied that internal controls over financial reporting were appropriately designed and operating effectively as at 31 March 2025.

The independent assurance and challenge provided by Internal Audit and KPMG, our external auditor, is crucial to the committee’s oversight of financial reporting and associated controls.

The committee recognised that the capabilities of our Internal Audit function needed to be enhanced to support the business going forward and this has been a very significant focus for the committee over the last 12 months. We commissioned Ernst & Young to undertake an independent external quality assessment on the function. This assessed conformance with relevant industry standards, associated regulatory guidance and the alignment of processes and practices with stakeholder expectations. All improvement areas identified by the external quality assessment (e.g. the refinement of the audit universe structure and risk assessment methodology to strengthen risk-based planning) have been fully incorporated into an enhancement programme. This programme is fully funded and resourced and seeks to mature and optimise audit processes to achieve best-in-class status. I have been delighted with the progress made already and we welcomed a new, experienced Group Head of Internal Audit, Ian Cox, in April 2025.

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[1] Marcus Traill stepped down as a Board Audit Committee member on 1 October 2024.

In line with best practice, we assessed KPMG's performance following the 2024 external audit and concluded that KPMG and Starling's Finance team performed well; enhancements were recommended on audit planning and project management. KPMG has served as the Group's external auditor since 2016, and was reappointed following a competitive audit tender process in 2024. Karyn Nicoll has been the lead audit partner for KPMG since January 2024 and attended all meetings of the committee in 2025, providing consistent engagement, challenge and valuable insights. Fees relating to services proposed to be performed by the external auditor are presented to the committee for approval. Details of fees paid to KPMG in relation to the 2025 audit can be found in note 7 to the financial statements; fees for non-audit services performed by KPMG during 2025 are disclosed in note 7. Having reviewed the non-audit services and the nature of work performed by KPMG, the committee is satisfied that these services do not compromise KPMG's audit independence.

I thank my fellow committee members for their continued diligence and support throughout the year. We remain committed to ensuring the integrity of Starling's financial disclosures and the effectiveness of the internal control environment.

Darren Pope
Board Audit Committee Chair

Operation of the committee:
The BAC held seven scheduled meetings during the year ended 31 March 2025, and three ad-hoc meetings. The committee sets an annual work plan, developed from its terms of reference, with standing items to consider at each meeting, in addition to areas identified for detailed review and matters arising during the year.

The BAC possesses recent and relevant financial experience and competence relevant to the banking sector. More information on the skills and experience of BAC members can be found on page 67.

Regular attendees at BAC meetings include the Group CEO, Group CFO, CRO, Group Head of Internal Audit, the External Audit Lead Partner and members of the Secretariat. The committee invites other senior finance and internal audit representatives to attend and present specialist technical knowledge, as required. To facilitate open discussions, the committee holds private sessions with the Group Head of Internal Audit and KPMG's lead audit partner without management present to discuss any issues arising from audits and the factors that could affect audit quality.

Stakeholder engagement and considerations in 2025

Shareholders	• Upheld high standards of financial reporting, relied on by shareholders to assess the Company's performance, through its activity, including monitoring the integrity of financial statements, systems and processes to support the Group's 2025 Annual Report and Accounts ahead of recommendation to the Board, and reviewing, monitoring and challenging significant accounting policies, judgments and other accounting matters.
People	• Received whistleblowing reports from the Group Head of Internal Audit covering colleague reports of instances of non-compliance with policies and procedures, including required action.
Regulatory bodies	• Considered arrangements established by Management to ensure compliance with regulatory financial reporting and best practice requirements including regular discussion on an ongoing regulatory reporting control improvement programme. This involved tactical enhancements made in response to a third party review completed in November 2023.

Focus areas for 2026

Continued Internal Audit enhancements	• Ensure that the Group's internal control processes and internal audit capabilities evolve alongside the growing maturity of the Group and emerging best practice. • Continue overseeing the enhancements to the internal audit function and monitor progress against EQA recommendations.
Regulatory reporting	• Oversee the implementation of a platform that enhances the regulatory reporting process and reduces manual intervention. • Oversee the Bank's preparatory work to comply with Basel 3.1 rules.
Financial reporting	• Consider enhancements to Starling's annual report and accounts, including with reference to FRC guidance and reviews.

Board Risk Committee report

"Throughout the year, the committee has focused on the development of embedded first line risk management capabilities, enhanced second line oversight and assurance, alongside improvements in Internal Audit approaches."

Members[1]:

- Marian Martin (Chair)
- Julie Chakraverty
- Tracy Clarke
- Darren Pope
- Marcus Traill

Further information on the skills and experience of the committee members can be found on pages 65 to 68.

Dear Stakeholder

I am pleased to present the Board Risk Committee report for the year ending 31 March 2025, outlining the role the committee plays in providing robust independent oversight of Starling's risk management frameworks and capabilities across the organisation and the Group's current and emerging risk profile.

We were delighted to welcome Darren Pope, Chair of the Board Audit Committee, to the committee during the year. His extensive experience in retail banking and financial services is welcome. We thank Ian Jenkins for his valuable contributions to the committee during his membership, which ended at the close of the financial year.

Throughout the year, the committee has focused on the development of embedded first line risk management capabilities, enhanced second line oversight and assurance, alongside improvements in Internal Audit approaches. These improvements deliver a robust approach to risk management and oversight for the Group which is crucial for long-term growth and sustainability.

The committee has continued to oversee the implementation of the risk management maturity programme and the economic crime enhancement programme. These programmes are designed to deliver a risk and control environment and culture commensurate with Starling's growing scope, size and scale, and to strengthen the Bank's financial crime risk management. I am pleased to report that these programmes have materially progressed during the year.

The first phase of the RMMP is now complete and has demonstrably improved Starling's risk management capabilities. An independent assessment undertaken by Deloitte found the design of Starling's risk management frameworks to be in line with peer bank maturity. Key risk management developments include greater first line accountability for risk management, firm-wide risk and controls self-assessments, and investment in additional skilled personnel. The second phase of RMMP is now underway, focused on embedding these practices.

The committee's assessment and monitoring of the Bank's risk culture is supported by a framework offering insight into risk awareness. The committee looks for evidence of an open and transparent culture where colleagues feel comfortable raising concerns without fear of repercussions. Mature risk management approaches and a strong risk culture aligned with Starling's values are central to ensuring that robust risk operations are fully developed and embedded.

During the year, the committee continued to hold dedicated sessions focused on the financial crime control environment. This included the economic crime enhancement programme, a three year financial crime remediation programme now in its final year, which addresses findings highlighted by the FCA following their investigation into Starling's anti-money laundering and financial crime systems and control framework and has materially improved the Bank's financial crime risk position.

The committee dedicates significant time to areas of regulatory focus, with a particular area of committee oversight being the conduct and contractual risks related to government-backed lending schemes. This included ongoing scrutiny on certain BBLS facilities where a voluntary removal of the government guarantee was required in view of potential non-compliance with a guarantee requirement. Another core regulatory priority is customer remediation programmes, with customer outcomes, vulnerable customer support, and customer complaint handling central to the committee's discussions. Additionally, the committee actively oversees the firm's Consumer Duty work, monitoring management's progress and delivery against key milestones.

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[1] Ian Jenkins stepped down as a Board Risk Committee member on 31 March 2025.

Board Risk Committee report

The BRC also maintained close oversight of key prudential matters throughout the year, focusing particularly on the embedding of operational practices. The committee was pleased to see the enhancements to Starling's resolvability capabilities now embedded in key processes. Additional outcomes of our prudential oversight include the approval of the ILAAP, ICAAP and recovery plan by the Board, following recommendation by the committee.

In 2025, other areas of focus included AI risk, operational resilience and cyber and information security risk. The operational resilience deep dive included an independent assessment by Ernst & Young which found the Bank's compliance to UK operational resilience regulations to be significantly ahead of peers. This reflects the Bank's successful embedding of a resilience mindset, which recognises operational resilience as a strategic priority and an integral part of business as usual, as well as a regulatory obligation.

I am grateful for the hard work and commitment of the committee members during the year and the dedication of Starling's teams. We look forward to building on the progress and continuing to strengthen Starling's risk culture and controls in the year ahead.

Marian Martin
Board Risk Committee Chair

Operation of the committee:
The committee held six scheduled meetings during the year ended 31 March 2025 and five ad-hoc meetings to address significant decision matters, including the Consumer Duty Annual Report and Recovery Plan.

The committee sets an annual work plan, developed from its terms of reference, with standing items to consider at each meeting, in addition to areas identified for further review and matters arising during the year.

Regular attendees at BRC meetings include the CRO, Group CEO, Group CFO, Group Head of Internal Audit, the External Audit Lead Partner and members of the Secretariat. Other members of senior management and 2L are invited to attend and present, as required.

Stakeholder engagement and considerations in 2025

Customers	• Monitored the Bank's implementation and embedding of the FCA's Consumer Duty, alongside perspectives shared by the Board Consumer Duty Champion. • Oversaw conduct risk and customer remediation programmes through reporting on customer outcomes, vulnerable customer experience and customer complaint handling, including presentations from the Chief Customer Officer. • Recommended the Bank's Operational Resilience Self Assessment to the Board for approval following discussion on the Bank's ability to restore important business services within impact tolerances to minimise disruption to customers in severe but plausible business disruption scenarios.
People	• Monitored the embedding of a strong risk culture and awareness within the Bank.
Regulatory bodies	• Received regulatory updates, covering key messages from the FCA and PRA and changes in the regulatory landscape, from the Bank's Regulatory Affairs team. • Engaged with the PRA and FCA on key topics including the Bank's ILAAP and ICAAP, ECEP, RMMP and Consumer Duty.
Shareholders	• The committee includes one Investor Non-Executive Director. This ensures that shareholder perspectives can be taken into account in committee discussions and decision-making. • Oversaw key financial risks including capital and liquidity adequacy and associated scenario testing.
Communities and environment	• Discussed Starling's climate risk assessment, which analysed the financial loss Starling might suffer as a result of physical and transitional climate risk crystallising under different scenarios.

Focus areas for 2026

Risk management maturity	• Oversee the further embedding of the risk management maturity practices established in the first phase of the RMMP.
Financial crime risk and control environment	• Oversee the further enhancements to the financial crime risk and control environment, for example in transaction monitoring, and reviewing the Bank's financial crime capabilities.
Conduct and remediation	• Continue to monitor the Bank's conduct risk and remediation programmes, and oversee the embedding of a robust insider fraud control environment.

Board Remuneration Committee report

"A key focus this year has been aligning the remuneration framework with sustainable growth and the Bank's culture and values, with an emphasis on responsible conduct."

Members:

- Tracy Clarke (Chair)
- Lazaro Campos
- David Sproul
- Marcus Traill

Further information on the skills and experience of the committee members can be found on pages 65 to 68.

Dear Stakeholder

I am pleased to present the Bank's first Board Remuneration Committee report, outlining the committee's work and how its decisions support the Group's long-term success.

The committee is responsible for making recommendations to the Board concerning the Group's remuneration strategy, framework and policy, and approving the compensation packages for the Executive team, and other members of senior management, as required by regulation. We also oversee remuneration policies and arrangements for the wider employee population. In designing remuneration policies, principles and practices, the committee seeks to align with the Group's purpose, values, business strategy and risk appetite, taking into account pay and employment conditions across the Group. No individual is involved in discussions relating to their own remuneration.

A key focus this year has been aligning the remuneration framework with sustainable growth and the Bank's culture and values, with an emphasis on responsible conduct. To support this, we reviewed and strengthened our framework of measures and targets to assess the performance of executive directors and Material Risk Takers against a range of strategic objectives. This included a range of business (financial and non-financial) and personal performance objectives, aligned to leadership, risk, strategic and cost-based priorities. The CRO and BRC Chair provided input on the Bank's risk performance and major risk events during the year, while the Group CFO updated on financial performance and forecasts, including forward-looking capital assessments. These discussions included considering financial and non-financial impacts of major risk events in the year, to the extent applicable to 2025 remuneration outcomes.

We supported strengthening the Bank's senior leadership by overseeing remuneration packages and benchmarking for key hires, ensuring alignment with regulatory requirements and market standards. During the year, we recommended the introduction of a new long-term equity incentive plan for senior management, enabling the Group to offer greater flexibility in its equity awards to attract and retain key talent.

We also supported the introduction of an all employee performance management framework to help managers assess both the 'how' and the 'what' of individual performance. Every employee was required to set at least one risk-based performance objective. These initiatives support a high-performance culture, alongside our commitment to accountability and appropriate risk behaviours across the organisation.

We reviewed our employee value proposition and approved a revised remuneration approach for the Group. We approved changes to the Group's UK employee pension plan, in recognition of employee feedback to reinforce our commitment to employee financial wellbeing. Additionally, we approved a one-off long-term incentive plan share award for approximately 540 long-serving employees, alongside our periodic all-employee share awards. These awards give our employees an opportunity to benefit from our future collective success.

As part of the Group's commitment to diversity, equity and inclusion, we review the Bank's annual gender pay gap reporting. This year, we considered the key findings and underlying drivers. We also discussed the effectiveness of existing initiatives aimed at promoting gender balance across all levels of the organisation. We will continue to monitor progress in this area.

We also reviewed the total compensation for the Chair of the Board, recognising the significant time commitment and responsibilities for the role, while remaining in line with market practice and regulatory expectations.

I hope this report provides a useful summary of our key activities. With the support of my fellow committee members, I look forward to continuing this important work in the year ahead.

Tracy Clarke
Board Remuneration Committee Chair

Operation of the committee:
The committee met nine times during the year. The committee's terms of reference are reviewed annually by the Board. The committee sets an annual work plan, developed from its terms of reference, with standing items to consider at each meeting, in addition to areas identified for further review and matters arising during the year.

Standing attendees at RemCo meetings comprise the Group CEO, Chief People Officer, Head of Reward, and the Company Secretary. Other members of senior management, including the Group CFO and CRO, and the committee's independent remuneration advisers, who provide input on regulatory expectations, market practice and remuneration benchmarking, are invited to attend and present, as required.

Stakeholder engagement and considerations in 2025

Shareholders	• The committee includes two Investor Non-Executive Directors, with a Board Observer as a standing attendee at committee meetings. This ensures that shareholder perspectives can be taken into account in committee discussions and decision-making.
People	• Reviewing employee remuneration to stay competitive and attract top talent. • In response to employee feedback, supporting the introduction of a formal pay review cycle and an employee dashboard to enhance equity ownership understanding. • Reviewing all employee pension arrangements. • Analysing insights from the Bank's gender pay gap report.
Regulatory bodies	• Engaging on remuneration arrangements for senior management. • Aligning executive and senior management pay decisions with PRA and FCA requirements and expectations, including in respect of major risk events during the year. • Updating policies and procedures to maintain compliance with regulatory, legal and governance requirements.

Focus areas for 2026

Performance and pay	Ensuring the Bank's executive and employee remuneration structures continue to incentivise sustainable growth while reflecting the Bank's risk appetite, regulatory expectations, and long-term performance. This will include balancing financial and non-financial metrics in variable pay outcomes.
Retention and attraction of talent	Reviewing remuneration policies to attract, retain and motivate top talent in a competitive market. This will include benchmarking total compensation and ensuring reward structures support the recruitment of key hires and development of talent.
Culture, conduct and values	Continuing to embed culture and responsible behaviours into pay decisions, ensuring remuneration practices promote positive conduct, alignment with Group values and regulatory expectations, and actively encourage contributions to the Group's diversity profile.

Board Nomination Committee report

> **"The committee plays a crucial role in ensuring the Board and executive leadership have the right mix of skills, experience and diversity to support the Group's long-term success."**

Members:

- David Sproul (Chair)
- Lazaro Campos
- Tracy Clarke
- Marian Martin

Further information on the skills and experience of the committee members can be found on pages 65 to 68.

Dear Stakeholder

I am pleased to present our first Nomination Committee report. The committee plays a crucial role in ensuring the Board and executive leadership have the right mix of skills, experience and diversity to support the Group's long-term success.

We are responsible for reviewing the structure, size and composition of the Board and its committees, and overseeing a robust and transparent process for appointing new non-executive directors and Senior Management Function holders. We also assess Board independence annually, to ensure compliance with regulatory expectations and corporate governance best practice.

This year, we oversaw several key appointments, including Darren Pope as an independent non-executive director and Chair of the Board Audit Committee, where we engaged a specialist search consultancy to ensure a robust and independent selection process. With over 30 years of experience in retail banking and financial services, Darren brings considerable governance, financial and risk management skills to the Board. To support his effective transition, we ensured he received a tailored and comprehensive induction, delivered by the Secretariat team. Further details on Darren's induction can be found in the case study on page 72.

During the year, we commissioned an externally facilitated Board skills assessment to ensure the Board has the right expertise to navigate an evolving financial and regulatory landscape. The assessment included self and peer reviews, focusing on skills aligned with Group strategy. Insights were shared with the Board collectively and used to inform Board succession planning, non-executive director performance reviews and updates to the Board Learning and Development Plan. The results of the assessment are summarised on page 65.

Continuous learning and active engagement are key to ensuring Board members have the knowledge they need to fulfil their responsibilities to the Group. This year, the Board Learning and Development Plan included executive-led focus sessions on key topics relevant to Group strategy and regulatory priorities, presentations from external advisers on emerging trends and market developments, and a series of technical briefings. Feedback from last year's Board skills review identified customers, AI and cyber resilience as focus areas for training in 2025.

Recognising the value of external perspectives to challenge and guide the Board's effectiveness, we have agreed to conduct an externally facilitated Board Performance Review in 2025. In assessing potential providers, we prioritised regulatory and financial services expertise and the ability to offer pragmatic and meaningful recommendations relevant to the Board's priorities. We agreed that this review should focus on the Board's role in overseeing and setting the right culture, identifying behaviours that drive good outcomes, accountable leadership, evaluating how the Board communicates with, and listens to, its key stakeholders and encouraging effective challenge and support for the Executive team by promoting a range of views in decision-making. I look forward to reporting on the findings next year.

Ensuring a strong pipeline of talent remains a key priority for the Group. This year, the committee focused on succession planning for the Executive and Senior Management Function roles, reviewing and enhancing the Bank's executive structure to strengthen accountability and decision-making, and overseeing the introduction of a new Leadership Programme to define the skills and behaviours important for our current and future leaders.

I would like to thank my fellow committee members for their insights and commitment throughout the year, and I look forward to continuing our work in the year ahead.

David Sproul
Board Nomination Committee Chair

Operation of the committee:
The committee met three times during the year. The committee's terms of reference are reviewed annually by the Board. Standing attendees at NomCo meetings comprise the Group CEO, Chief People Officer and Company Secretary.

Stakeholder engagement and considerations in 2025

Shareholders	• The committee includes one Investor Non-Executive Director, with a Board Observer as a standing attendee at committee meetings. This ensures that shareholder perspectives can be taken into account in committee discussions and decision-making.
People	• Insights from externally facilitated interviews with members of the Executive and senior management, as well as focus groups with people managers at a more junior level, were discussed and considered by the committee in providing its feedback on the Leadership Programme.
Regulatory bodies	• Regulatory expectations were considered in defining roles and responsibilities for new appointments to Senior Management Function and certified roles. • Regulatory feedback and priorities were discussed when defining the scope and objectives for a 2025 Board Performance Review.

Focus areas for 2026

Board and executive succession planning	• Overseeing the identification and development of internal talent for future leadership positions. • Reviewing the tenure and succession plans for non-executive directors to maintain an effective and independent Board.
Board and board committee performance	• Implementing recommendations arising from the 2025 Board Performance Review to improve Board and board committee performance. • Supporting targeted learning and development for Board members, including regulatory, legal and industry best practice updates. • Strengthening the Board's engagement with senior management, ensuring effective challenge and oversight.
Board and board committee composition	• Ensuring board committee structure and membership remain fit for purpose. • Enhancing Board diversity, ensuring representation across gender, ethnicity, professional background and experience.

Board Ethics and Sustainability Committee report

"The ESC has strengthened its oversight through the development and review of consolidated ESG MI across four key pillars: Customers, Employees, Environment and Society."

Members:
- Julie Chakraverty (Chair)
- Faisal Galaria
- Marian Martin

Further information on the skills and experience of the committee members can be found on pages 65 to 68.

Dear Stakeholder
I am pleased to introduce the Bank's first ESC report. I would like to thank the committee members for their valued contributions during the year.

The ESC oversees and advises the Board on ethical, environmental and societal matters, including the impacts of the Group's long-term strategy on people, the environment and the communities which the Group operates in. Following feedback from the previous board effectiveness review, the committee has expanded and more clearly defined its role and remit.

The ESC has strengthened its oversight through the development and review of consolidated ESG MI across four key pillars: Customers, Colleagues, Environment and Society. An example is producing new data on areas like modern slavery and human trafficking, demonstrating Starling's commitment to mitigating these risks within its business and supply chains. As our MI in this area matures, supported by the use of external intelligence platforms, the committee will gain deeper insight into how Starling identifies these threats, safeguards customers, and provides employee training on modern slavery awareness, further informing the ongoing improvement of our modern slavery controls and improving our capability to detect, disrupt, and prevent exploitation.

This ongoing work is reflected in Starling's 2024 Modern Slavery and Human Trafficking Statement, which the committee was pleased to recommend to the Board for approval during the year.

During the year, the ESC reviewed external reporting and disclosure requirements on environmental matters, including the ESOS Action Plan, which was approved and submitted to the Environment Agency. We also oversaw the ESG narrative in the Annual Report and Accounts, reflecting on the messages that were being conveyed to our stakeholders.

Additionally, following the FCA's introduction of an anti-greenwashing rule, the ESC reviewed the findings of Starling's greenwashing audit. Assurance on how Starling remains compliant with its sustainability claims will continue to be reviewed in 2026. The committee is cognisant of the complex and expanding external regulatory landscape. Accordingly, the ESC has closely monitored Starling's resourcing and internal capabilities in this area and this will remain a focus in 2026.

Reflecting one of Starling's values being to 'listen', consideration has also been given to employee sentiment on notable events including the launch of the new performance management framework, designed to balance organisational success with personal success.

Additionally, the ESC began engaging with Starling's employee-led 'Always Open' networks during the year, supporting their efforts to foster a diverse, equitable and inclusive working environment.

The committee received its first deep dive from the With Women network, which focused on its mission and objectives. With Women had successfully launched Starling's first Mentorship Programme and had positively influenced important changes to Starling's family friendly policies which were subsequently approved by the Board. The ESC will continue to receive updates on progress towards the network's objectives and goals.

Julie Chakraverty
Board Ethics and Sustainability
Committee Chair

Operation of the committee:
The ESC met four times during the year. The committee's terms of reference are reviewed annually by the Board. The committee sets an annual work plan, developed from its terms of reference, with standing items to consider at each meeting, in addition to areas identified for further review and matters arising during the year.

Standing attendees at ESC meetings are the Group CEO, Chief Corporate Affairs Officer, Chief People Officer and members of Secretariat. Other members of senior management and 2L are invited to attend and present as required.

Stakeholder engagement and considerations in 2025

Suppliers and customers	• Reviewing and approving the Modern Slavery and Human Trafficking policy. • Monitoring the Bank's responsibilities and practices in relation to its customers and suppliers, including through a deep dive on customer MI.
People	• Reviewing the Bank's gender pay gap reporting. • Monitoring progress against ED&I initiatives and targets. • Considering employee sentiment on significant messages delivered by the Bank.
Communities and environment	• Overseeing the Bank's due diligence and approach to its selection of carbon offsetting projects. • Monitoring compliance with mandatory ESG reporting requirements. • Monitoring and reviewing climate and sustainability targets for the Bank to move to net zero. • Monitoring and reviewing the EPC rating of mortgage portfolios. • Reviewing and approving the Bank's charitable partners for the year and Charity and Community Policy. • Reviewing and approving the Responsible Investment Statement. • Reviewing and approving the Ethics Statement.

Focus areas for 2026

AI	• Monitor ethical and geopolitical opportunities and risks associated with AI use.
People	• Continue to monitor, and deepen insight into, employee sentiment and proactively engage with employee-led networks.
Environment	• Monitor ESG internal capabilities and resourcing. • Monitor the performance of the Bank against its diversity and inclusion targets. • Monitor the Bank's ESG strategic objectives. • Continue to oversee Starling's approach to carbon offsetting projects and review and approve an updated carbon reduction plan.
Communities	• Review the Bank's approach to charitable giving to ensure it is aligned to the Group's purpose and wider objectives.

Directors' report

Other statutory information

Set out below is additional statutory information that Starling is required to disclose in its Directors' report. Some of the matters normally included in the Directors' report have instead been incorporated elsewhere in the annual report and can be found within:

Matter	Report section	Page(s)/note
Board of directors' biographies	Governance/Starling Board	66 - 68
Corporate governance statement	Governance/Corporate governance statement	63 - 64
Employee engagement	Strategic report/ESG review Strategic report/Section 172(1) statement Governance/Corporate governance statement	34 - 37 38 - 43 63 - 64
Financial instruments	Financial statements/Notes to the financial statements	Notes 11 and 27
Fostering business relationships with suppliers, customers and others	Governance/Corporate governance statement Strategic report/Section 172(1) statement	63 - 64 38 - 43
Future developments	Strategic report/Chair statement Strategic report/Group Chief Executive Officer statement	5 - 6 7 - 8
Research and development	Financial statements/Notes to the financial statements	Notes 7 and 16
Results of the Group the year ended 31 March 2025	Financial statements Other information	144 - 215 216 - 226
Section 172(1) statement	Strategic report/Section 172(1) statement	38 - 43
Starling's ERMF and practices	Risk report/Risk framework	90
Streamlined energy and carbon reporting	Strategic report/Climate-related financial disclosures	54
Subsidiary undertakings and related party transactions	Financial statements/Notes to the financial statements	Notes 14 and 28

Directors

The following directors held office throughout the financial year ended 31 March 2025 and up to the date of signing the financial statements: David Sproul, Tracy Clarke, Julie Chakraverty, Faisal Galaria, Ian Jenkins, Marian Martin, Lazaro Campos, Marcus Traill and Declan Ferguson.

The following director changes occurred during the year:

Raman Bhatia	Appointed 24 June 2024
Anne Boden	Resigned 30 June 2024
Claire Imam (Thompson)	Appointed 12 August 2024 Resigned 17 October 2024
John Mountain	Resigned 24 June 2024
Darren Pope	Appointed 1 October 2024

Details of the directors as at 31 March 2025, together with their biographies, can be found on pages 66 to 68.

Dividends

The directors do not propose the payment of any dividend for the year (2024: Nil).

Directors' indemnities

Qualifying third party indemnity provisions (as defined in Section 234 of the Companies Act) were in force during the year and remain in force at the date of this report, for the benefit of all directors of the Group in relation to certain losses and liabilities which they may incur when acting in their capacity as a director or officer of any Group company.

The Group holds directors' and officers' liability insurance to indemnify the directors against loss arising from any claim made against them jointly or severally for any failure of duty of care in their capacity as a director. Neither the indemnity nor the insurance provides any protection in the event of a director being found to have acted fraudulently or dishonestly in respect of the Bank or any Group company.

Employment policies

Starling believes that diverse teams make better teams. Starling builds high performing teams by attracting and recruiting talented people, irrespective of race, ethnicity, sex, sexual orientation, religious belief, disability, age or background and providing those talented people with an inclusive workplace with the right environment, tools, and training to ensure they thrive.

Starling achieved Level 1 Disability Confident status in 2022, certifying that its hiring practices are accessible and equitable for disabled applicants and that Starling is committed to playing a role in positively changing attitudes, behaviours and cultures. Starling supports colleagues with a disability or long-term health condition through providing adjustments at both the recruitment stages and when colleagues are employed, investing in workplace technology solutions in particular. Starling has an active employee-led network to support colleagues with disabilities, or those who develop disabilities whilst working at Starling.

Starling recognises the role line managers play in creating an inclusive environment in which all employees feel they belong. In recognition of this, during the year we developed a new Leadership Programme to define the skills and behaviours important for our current and future leaders; further information on the Leadership Programme can be found on page 81. This is supported by Starling's long-standing and award-winning manager capability training programme, the Starling Flight Path, which covers leadership, unconscious bias and coaching and listening skills to ensure team members are supported by their managers to be their best. Group employment policies are updated regularly to ensure they align with Starling's aspirations.

Streamlined energy and carbon reporting

The Companies (Directors’ Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the UK government’s policy on SECR. Starling meets the mandatory reporting criteria for SECR legislation. Starling has chosen to disclose SECR information as part of the strategic report, for further information see page 54.

Donations

During the year the Group made charitable donations amounting to £331,416 (2024: £276,450). Details of these donations are set out on page 36 of the strategic report. During the year the Group made no political donations nor incurred any political expenditure in the UK or outside of the UK (2024: Nil).

Research and development

Starling is dedicated to the research and development of innovative digital banking and the enhancement of its leading technology platform. Research and development costs recognised for the year ended 31 March 2025 can be found in note 7 with capitalised expenditure in note 16 of the financial statements.

Financial instruments

Starling enters into numerous material financial instruments as part of its business operations, further details of which are set out in note 27 of the financial statements. Details of Starling’s ERMF and practices for managing the principal risks of the business are set out from page 90 of the risk report. Details of hedging strategies using financial instruments are set out in note 11.

Subsequent events

On 2 April 2025, Engine by Starling Services US LLC was formed in the State of Delaware, United States (251 Little Falls Drive, Wilmington, County of New Castle, Delaware 19808) as an indirect wholly owned subsidiary of the Company.

There are no other material events that have taken place between 31 March 2025 and the date of approval of these accounts that require disclosure or adjustment 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.

In assessing the Group and Bank's going concern position as at 31 March 2025, the directors considered a wide range of information relating to the present and future conditions, including the Group and Bank's current financial position and future projections of profitability, cash flows and capital resources and requirements, which all form part of the business plan. Base case forecast projections are based on detailed financial planning by management that take account of the current and expected economic environment. The directors also considered the impact of key existing risks and emerging risks on the Group and Bank business model and plan (see page 61). The directors have assessed the outlook for the Group and Bank for at least 12 months from the signing of these financial statements as required under IFRS.

The directors have reviewed a range of severe but plausible stresses, and a reverse stress in respect of contingent liabilities (refer to note 32), that have been applied to the base case business plan with the impact assessed against the Group and the Bank's profits, capital and liquidity resources. The Group/Company has modelled a severe low interest rate stress downside scenario (detail on this scenario can be found on page 177), as well as considering the impact of a number of single-variable stress tests in order to test the limits and vulnerabilities of the business plan and strategy. The impact of management actions that might be taken to mitigate the impact of these stresses is also assessed. The projections under these stress scenarios show that the Group/Company will be able to operate at adequate levels of both capital and liquidity resources whilst remaining in excess of PRA minimum capital requirements and using its buffers to execute recovery actions to replenish its capital resources, if needed. On this basis, the Group and Company will meet its future obligations for at least 12 months from the signing of these financial statements.

Stress testing is performed regularly throughout the year to support the business planning cycle and re-forecasting as well as to monitor business performance and also to inform and support management's decision making. It also forms a fundamental part of the annual production of the ICAAP, ILAAP and recovery and resolution planning.

As a result of this assessment, the directors have a reasonable expectation that the Group and Bank have adequate capital, liquidity and other resources to continue in operational existence for at least 12 months from the signing of these financial statements and that the Group and Bank have adequate capital and liquidity resources to meet its minimum regulatory requirements as prescribed by the PRA. Accordingly, the going concern basis of accounting has been adopted 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. This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act.

By order of the Board

Raman Bhatia
Group Chief Executive Officer
Starling Bank Limited
Company number 09092149
26 May 2025

Declan Ferguson
Group Chief Financial Officer
Starling Bank Limited
Company number 09092149
26 May 2025

Statement of Directors' responsibilities in respect of the Annual Report and the 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 UK-adopted IAS 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 the Group's and parent company's 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 UK-adopted IAS;
- 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act. 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.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and a directors' report that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Raman Bhatia
Group Chief Executive Officer
Starling Bank Limited
Company number 09092149
26 May 2025

Declan Ferguson
Group Chief Financial Officer
Starling Bank Limited
Company number 09092149
26 May 2025

Risk report

Risk management

See page 55 of the strategic report for an overview of Starling's risk management arrangements including the approach to risk and details of principal and emerging risks.

Starling's risk culture is founded on and reinforced by the Group's purpose and core values, which have at their heart a belief in transparency, fairness and inclusion. A strong risk culture promotes effective risk management which, in turn, facilitates informed, risk-aware decision-making at all levels within the parameters set by the Board.

Starling's ERMF outlines the Group's approach to risk management across its 10 key risk categories. It lays the foundation for a sound approach to risk identification, assessment, control, monitoring and reporting within an agreed risk appetite and risk governance structure. The ERMF is underpinned by processes, policies and standards that govern each category of risk. Risk management is governed through the Group's risk committee structure.

The ERMF and supporting policies, procedures, controls and reporting are regularly reviewed and refreshed. In addition, the ERMF underwent a significant update in 2025 as part of Phase 1 of the RMMP, to ensure it continues to align with evolving regulation, corporate governance and industry good practice.

The ERMF is further underpinned by a risk taxonomy that supports the consistent identification and management of risks. Starling's key risk categories are the highest level categorisation used to support the identification, assessment, monitoring and mitigation of key risks inherent to the Group's business.

The key components of the ERMF are illustrated in the following diagram.

Risk management

Risk strategy

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

This risk management strategy is reviewed and approved by the Board on an annual basis to ensure it remains consistent with the Board's requirements and the Group's overarching business strategy.

Risk appetite

Starling's risk appetite is set by the Board and defines the types and aggregate level of risk the Group is willing to accept, as well as those it seeks to avoid, in pursuit of its strategic objectives, in alignment with its overarching risk strategy. Risk appetite is expressed through quantitative measures and qualitative statements that provide direction to the business and set clear tolerances for activities that are both within and outside risk appetite.

Adherence to risk appetite is monitored using a range of indicators to ensure that the business is managed within the set limits for each risk category. This facilitates the identification of potential breaches in appetite and ensures they are promptly escalated and managed appropriately.

The Risk Appetite Framework sets out the approach through which risk appetite is established, communicated, managed, monitored against and reported.

Starling's risk appetite in relation to each risk category is detailed in the risk categories and risk mitigation section from page 93.

Risk policy

Starling's risk frameworks and policies communicate the Group's risk management philosophy and operationalise its risk appetite. They set out the high-level governing principles, roles and responsibilities and mandatory requirements pertaining to the management of each risk category. They are the foundation on which granular standards and procedures are built.

Risk and control assessment

The RCSA process is used to identify, assess, control, monitor and report on risks across the Group. The effectiveness of controls in place to manage risks is regularly assessed.

The RCSA process has been enhanced during 2025 to ensure risks are clearly articulated and to improve the coverage of controls testing.

Risk governance

Starling's risk governance is the architecture within which risks are monitored and reported. Regular reporting of the Group's risks and controls ensures senior management, the Executive and the Board are fully aware of the Group's risk position, which enables better decisions to be made.

The Board has ultimate responsibility for ensuring that the Group's risk management approach and risk governance structure are applied in practice and operate as expected. To do this, the Board regularly receives reports on the Group's risk and control processes and recommendations from the BRC on matters related to all risk categories.

The BRC is the primary committee to receive and review risk-related information and provides its advice to the Board.

The Risk function is responsible for facilitating risk governance and for reporting the aggregate risk profile to risk committees. Business areas also maintain local risk forums as needed to monitor their local risk profile.

The overall governance structure and risk management governance structure can be seen on page 62.

The specific roles of the Board and its sub-committees including ExCo are detailed in the corporate governance review from page 69.

Risk operating model

The Group operates within the principles of a three lines of defence risk operating model, which distinguishes between risk ownership and management (1L), risk oversight (2L) and risk assurance (3L). The respective roles of the three lines are described on the right.

The Group's risk operating model has been enhanced in 2025 to ensure more clearly defined roles and responsibilities across the three lines and to reinforce 1L ownership of risk.

As the Group continues to expand, it is investing in developing risk management capabilities across each of the three lines. In 1L, control teams have improved their assessment of the effectiveness of controls; in 2L, the Group has expanded its capacity and capability to oversee and provide assurance in relation to risk and control; and in 3L, the Group has further strengthened its Internal Audit function.

First line: The business

- Manage risks within appetite via proactive identification, assessment, control, monitoring and reporting;
- Notify on heightened risks and issues;
- Embed risk appetite into decision-making;
- Adhere to risk management frameworks and policies;
- Comply with relevant laws and regulations; and
- Establish effective risk culture.

Second line: The Risk function

- Develop, implement and maintain the risk management frameworks and policies;
- Develop an appropriate risk appetite for Board approval;
- Provide independent, expert advice, guidance and oversight;
- Facilitate effective risk governance;
- Support and challenge first line risk management;
- Provide assurance on regulatory compliance and effectiveness of key controls;
- Report aggregate risk profile to risk committees; and
- Own regulatory relationships.

Third line: Internal Audit

- Provide independent assurance on the effectiveness of risk management and control arrangements;
- Assess whether risk management is implemented and operating effectively across both first and second lines; and
- Review the overall risk management approach to ensure alignment to regulatory requirements and industry standards.

Risk taxonomy and risk mitigation

The following sections set out how the Group assesses each of the key risk categories identified in the ERMF, sets risk appetite, manages and controls risk and how it monitors, mitigates and reports each risk.

Strategic risk

Risk assessment
Strategic risk is the risk that Starling does not deliver the expected financial and non-financial benefits to its customers, shareholders and wider stakeholders. This may be as a result of poor decision making, substandard execution of decisions, inadequate resource allocation or from a failure to effectively respond to changes in the business and/or market environment.

Risk appetite
Starling seeks to strike a balance between risk and opportunity in pursuit of its strategic objectives. It has a Board-defined strategic risk appetite statement that is underpinned by a series of quantitative limits to monitor key strategic risk exposures. This sets out that Starling will:

- Pay due consideration to the effective management and control of risks relating to strategic decision-making and execution as it continues to innovate and disrupt to bring greater benefits to customers;
- Manage ESG risks in consideration of the long-term value of the Group to its customers, shareholders and wider stakeholders; and
- Strike a balance between the financial risks arising from physical and transitional climate risk and its strategy to grow its lending book.

Risk management
Starling has a clearly defined Board-approved strategy and has adopted a corporate governance framework with a Board of experienced Executive and Non-Executive Directors, supported by sub-committees, to oversee and address strategic issues as they arise. This is supported by a detailed business plan, capital plan, risk appetite statements, recovery plan, resolution framework as well as a skilled and experienced Executive team.

The strategy is translated into a 5 year business plan which identifies the financial parameters of the strategic options. This is based on Starling's core purpose, operating environment and opportunities, and Starling's current and prospective resources and capabilities, including capital, forecasted funding and deposit raising capabilities and expected asset generation capabilities. Prospective market share, profitability, shareholder value, rates of growth and capital requirements are assessed in the context of the Group's risk capacity and risk appetite.

Risk measurement and monitoring
The Group conducts regular strategic risk assessments of the strategy and business plan. Assessments consider the proposed strategy against each of Starling's key risk categories to identify where action may be required to maintain risk within appetite and to review the appropriateness of risk capabilities to achieve the plan. The assessment is reviewed at least annually, but more often where there is a material new business opportunity. This enables Starling to adjust its strategy and/or introduce additional mitigants in a timely manner.

Change in the year
The Board regularly reviews the principal current and emerging risks that could pose a threat to Starling's strategy. The nature of these risks changes over time and an assessment of those prevalent at 31 March 2025, including changes in the year, has been set out on page 56.

Credit risk

Starling's credit risk subdivides into two distinct categories: exposure to the risks arising from customer lending balances, covered from page 95; and exposure to the risks arising from an institutional borrower failing to make required payments, covered from page 128.

The Group is exposed to credit risk across all of its financial asset classes. The maximum exposure to credit risk on financial assets, undrawn facilities and commitments (audited) is shown below:

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
Cash and balances at central banks	**6,686,688**	6,420,115	**6,686,688**	6,420,115
Loans and advances to banks	**30,489**	36,879	**27,008**	35,441
Debt securities	**3,964,018**	3,320,702	**3,964,018**	3,320,702
Derivative assets	**156,615**	246,541	**156,615**	246,541
Loans and advances to customers	**4,762,385**	4,689,713	**4,762,385**	4,689,713
Undrawn facilities and commitments	**190,376**	204,965	**190,376**	204,965
Exposure to credit risk	**15,790,571**	14,918,915	**15,787,090**	14,917,477
UK government guarantee	**(398,952)**	(742,376)	**(398,952)**	(742,376)
Exposure after guarantee	**15,391,619**	14,176,539	**15,388,138**	14,175,101

Included in loans and advances to customers are BBLS, CBILS and RLS lending which benefit from additional credit enhancement from guarantees received from BBB (backed by HM Government) as part of the schemes' features. Guarantees are set against the outstanding balance of a defaulted facility after any recoveries have been made. At 31 March 2025, an ECL provision of £0.8m (2024: £0.4m) was held in relation to certain loans provided by the Company under the BBLS, where the guarantee provided under the BBLS guarantee agreement may no longer be available to the Company.

No impairment has been recognised against the carrying value of cash and balances at central banks or loans and advances to banks as both are amounts placed with institutions rated CQS2 or above and considered low risk.

No impairment has been recognised against debt securities as they are considered to have low credit risk with credit ratings equivalent to the globally understood definition of investment grade.

Credit quality of drawn and undrawn financial assets (audited)

The following table shows the credit quality of financial assets, undrawn facilities and commitments:

2025	Exposure to credit risk £'000	UK government guarantee £'000	Exposure after guarantee £'000	Impairment provision £'000	Net exposure £'000	% of total net exposure after guarantee
Cash and balances at central banks[1]						
Cash and balances with central banks - CQS1	6,686,688	–	6,686,688	–	6,686,688	43.5 %
Loans and advances to banks[1]						
Loans and advances to banks - CQS1	7,676	–	7,676	–	7,676	<0.1%
Loans and advances to banks - CQS2	22,813	–	22,813	–	22,813	0.1 %
Debt securities[1, 2]						
Debt securities - CQS1	3,964,018	–	3,964,018	–	3,964,018	25.8 %
Derivative assets[1]						
Derivative assets - CQS1	156,615	–	156,615	–	156,615	1.0 %
Mortgages[3]						
Low risk (Stage 1)	3,939,958	–	3,939,958	(4,290)	3,935,668	25.6 %
Medium risk (Stage 2)	209,239	–	209,239	(1,868)	207,371	1.3 %
Higher risk (Stage 3)	151,625	–	151,625	(3,613)	148,012	1.0 %
SME lending[3]						
Low risk (Stage 1)	342,469	(315,838)	26,631	(1,255)	25,376	0.2 %
Medium risk (Stage 2)	54,853	(43,851)	11,002	(1,612)	9,390	<0.1%
Higher risk (Stage 3)	44,065	(39,263)	4,802	(4,515)	287	<0.1%
Retail lending[3]						
Low risk (Stage 1)	10,638	–	10,638	(135)	10,503	<0.1%
Medium risk (Stage 2)	6,634	–	6,634	(1,313)	5,321	<0.1%
Higher risk (Stage 3)	2,904	–	2,904	(2,255)	649	<0.1%
Undrawn facilities and commitments	190,376	–	190,376	(1,057)	189,319	1.2 %
Total	15,790,571	(398,952)	15,391,619	(21,913)	15,369,706	100 %

[1] Credit Quality Steps of CQS1 and CQS2 are assigned in accordance with the Standardised Approach to credit risk. This scale goes from CQS1 (highest quality and very low credit risk) to CQS6 (lowest quality and very high credit risk). Both CQS1 and CQS2 are considered investment grade.

[2] Debt securities include £342.5m of T-bills (2024: £99.5m) which are unrated and have been assigned the same rating as the UK sovereign issuer at CQS1.

[3] Low to High Risk, Stages 1 to 3 relate to IFRS 9 ECL staging allocation.

Credit quality of drawn and undrawn financial assets (audited)

The following table shows the credit quality of financial assets, undrawn facilities and commitments:

2024[4]	Exposure to credit risk £'000	UK government guarantee £'000	Exposure after guarantee £'000	Impairment provision £'000	Net exposure £'000	% of total net exposure after guarantee
Cash and balances at central banks[1]						
Cash and balances with central banks - CQS1	6,420,115	–	6,420,115	–	6,420,115	45.4 %
Loans and advances to banks[1]						
Loans and advances to banks - CQS1	10	–	10	–	10	<0.1%
Loans and advances to banks - CQS2	36,869	–	36,869	–	36,869	0.3 %
Debt securities[1, 2]						
Debt securities - CQS1	3,320,702	–	3,320,702	–	3,320,702	23.5 %
Derivative assets[1]						
Derivative assets - CQS1	246,541	–	246,541	–	246,541	1.7 %
Mortgages[3]						
Low risk (Stage 1)	3,455,639	–	3,455,639	(4,631)	3,451,008	24.4 %
Medium risk (Stage 2)	238,814	–	238,814	(3,677)	235,137	1.7 %
Higher risk (Stage 3)	134,950	–	134,950	(4,576)	130,374	0.9 %
SME lending[3]						
Low risk (Stage 1)	588,431	(536,796)	51,635	(3,652)	47,983	0.3 %
Medium risk (Stage 2)	162,424	(142,790)	19,634	(4,821)	14,813	0.1 %
Higher risk (Stage 3)	81,039	(62,790)	18,249	(17,995)	254	<0.1%
Retail lending[3]						
Low risk (Stage 1)	14,664	–	14,664	(174)	14,490	0.1 %
Medium risk (Stage 2)	6,958	–	6,958	(1,294)	5,664	<0.1%
Higher risk (Stage 3)	6,794	–	6,794	(6,143)	651	<0.1%
Undrawn facilities and commitments	204,965	–	204,965	(907)	204,058	1.4 %
Total	14,918,915	(742,376)	14,176,539	(47,870)	14,128,669	100 %

1 Credit Quality Steps of CQS1 and CQS2 are assigned in accordance with the Standardised Approach to credit risk. This scale goes from CQS1 (highest quality and very low credit risk) to CQS6 (lowest quality and very high credit risk). Both CQS1 and CQS2 are considered investment grade.
2 Debt securities include £99.5m of T-bills which are unrated and have been assigned the same rating as the UK sovereign issuer at CQS1 in this table.
3 Low to High Risk, stages 1 to 3 relate to IFRS 9 ECL staging allocation.
4 Credit quality table has been relabelled from the prior year to reflect CQS assigned in accordance with the Standardised Approach to credit risk.

Credit risk – lending

Risk assessment

Credit risk from customer lending is the risk that a customer defaults on their contractual obligations, or fails to perform their obligations in a timely manner.

Credit risk arises through the lending facilities that Starling offers to its mortgage, SME and retail customers, both through its own origination channels and through third parties. Starling's credit risk is categorised into three components:

- Mortgage lending – the mortgage portfolio comprises owner occupied, BTL and a small number of second charge mortgages. During the year, the Group continued to originate BTL mortgages through its Fleet subsidiary;
- SME lending – the SME portfolio predominantly comprises UK government-backed term loans under the BBLS, CBILS and RLS programmes. Some non-guaranteed facilities are also held as well as a small number of overdrafts; and
- Retail lending – the retail portfolio predominantly comprises overdrafts linked to current accounts.

Risk appetite

Starling's credit risk appetite is approved by the Board on the recommendation of the BRC. It is further underpinned by a series of quantitative limits that control the overall quality of the portfolios. Authority is delegated to the CRC, as a sub-committee of ERC, to monitor the lending portfolio against the Board-approved credit risk appetite, subject to the Group's risk escalation protocols.

Starling aims to be a responsible lender and seeks to only originate and fund lending facilities to applicants who are not over-indebted and who can evidence an ability to service their lending. All new retail lending is provided to customers in accordance with responsible lending requirements. Starling monitors this through regular oversight activities.

Starling's lending is limited to the UK and aims to be diversified across a range of factors, including sectors, risk profile and regional locations to avoid excessive risk concentration. Starling mitigates concentration risk by monitoring exposure to different segments to identify and mitigate any adverse trends.

The Group ensures all new lending is subject to underwriting checks that include eligibility criteria and affordability tests.

In addition, Starling has arrangements with third parties who originated and who continue to service mortgage portfolios, where the third party has extensive experience in managing portfolios through the credit lifecycle. Each engagement is assessed under various stressed scenarios, and the expected risk exposure of each arrangement is assessed and monitored against Starling's risk appetite. Starling ensures there is sufficient expertise in the Group to oversee the management of its portfolios.

Risk management

All material credit risk decisions are managed through Starling's Board and risk committee structures, as set out from page 73.

Given the relative significance of credit exposures of the Bank to the overall Group's credit risk position, the following credit risk detail is focused on the Bank's assets.

Measurement of credit risk

In order to measure credit risk under IFRS 9, the Bank uses statistical models that incorporate economic input variables, alongside loan level data points, to derive the ECL arising from a financial asset.

Where deficiencies or weaknesses in models are known to exist, historical data trends do not reflect current circumstances or the future direction of economic input parameters is unclear, judgemental adjustments are applied to ensure that the resultant ECL remains appropriate.

Full statistical models incorporating forward-looking economic assumptions have been developed for all portfolios, except for the organic government-backed lending (BBLS, CBILS and RLS), where the Bank utilises an internal assessment of credit risk that captures the latest monthly arrears and forbearance to stage the exposures. The adequacy of provisions, for those loans or portions not covered by the government guarantee, is assessed using the most recent default performance.

The Bank's IFRS 9 methodology considers three estimates in order to calculate the ECL:

- EAD - which estimates the exposure of the asset at the point it is expected to default;
- PD - which estimates the likelihood of an asset moving to default in the next 12 months, or over the remainder of its life, depending on the stage; and
- LGD - which estimates the financial amount that the Bank expects to lose in the event of default of the asset.

Based on their status, assets are assigned to one of three stages:

- Stage 1 - where the asset is not credit-impaired at origination, and has not experienced a SICR since it was originated;
- Stage 2 - where the asset has experienced a SICR since the point it was originated, but is not yet credit-impaired; or
- Stage 3 - where the asset is credit-impaired.

In addition, POCI financial assets are those that are assessed as being credit-impaired upon initial recognition. Once a financial asset is classified as POCI, it remains there until derecognition irrespective of any changes to its credit quality.

Assets in stage 1 are assigned a 12-month PD, whereas assets in stage 2 use PDs based on the remaining life of the asset. Stage 3 assets are assigned a PD of 100%.

Measurement of credit risk continued

Significant increase in credit risk

In determining whether there has been a SICR the Group uses quantitative tests, together with qualitative indicators such as watchlists and other behaviours observed on individual customers' accounts.

For mortgage and retail lending products, the Group includes a rebuttable presumption that credit risk has significantly increased from the point of origination or acquisition, when arrears have increased by one month or loans are more than thirty DPD. For SME lending (except BBLS), the Group includes a presumption that credit risk has significantly increased when contractual payments are past due by 10 or more days. For BBLS lending, credit risk is considered to significantly increase when contractual payments are past due by 1 day or more.

Additionally, an increase in other observable data points that might point to a SICR, such as a material deterioration in credit bureau score, is amongst other factors taken into consideration. The criteria vary across portfolios, as set out in the table.

In order to determine the appropriate stage for each asset, the Bank applies a range of criteria:

- Those assets which are deemed unlikely to pay, with a backstop of 90 DPD or three MIA, are deemed credit-impaired and placed into stage 3; and
- For assets which are not in stage 3, a combination of change in credit risk as measured by statistical models, and other criteria such as forbearance are used to determine SICR which drives accounts into stage 2.

The SICR criteria are shown in the table below:

Portfolio	SICR criteria
Mortgages	• 1+ MIA • Term expired by less than 3 months • Forbearance (portfolio dependent) • 100% increase in PD since origination based on bureau score (portfolio dependent) • Suspected fraud (portfolio dependent) • Unpaid service charges paid by lender (portfolio dependent)
SME – Third party CBILS	• 10+ days in arrears • Forbearance • 100% increase in PD since origination based on bureau score
SME - Third party RLS	• 10+ days in arrears • Forbearance • 100% increase in PD since origination based on bureau score
SME - Organic CBILS and RLS	• 15+ days in arrears • Indication of financial distress assessed by a close monitoring watchlist
SME - Organic BBLS	• 1+ days in arrears • Forbearance
Retail – Overdrafts and term loans	• 100% increase in PD since origination based on bureau score • Potential financial difficulty trigger (retail overdrafts only) • Forbearance • 1+ MIA or 30 DPD

Measurement of credit risk continued

Definition of arrears

Loans and advances to customers are classified as in arrears if:

- Either a scheduled payment for a mortgage or term loan has failed or has not been paid when due by a customer; or
- The customer has exceeded their authorised overdraft limit due to either a payment or bank interest being applied.

Definition of default

Loans and advances to customers are classified as in default if any of the following criteria has been met:

- The outstanding balance is overdue for more than 90 days or the account is three or more MIA;
- Any security or personal guarantee has been taken into the Bank's possession;
- If the customer is bankrupt or has proposed an Individual Voluntary Arrangement;
- The customer is subject to a Debt Relief Order; or
- The customer has undergone a Distressed Restructure.

For mortgages, accounts are also deemed to be defaulted if any of the following criteria has been met:

- They are three or more months in arrears;
- They are term expired for three or more months;
- The property is subject to litigation;
- Evidence of fraud is received;
- The customer is deceased; or
- A LPA receiver has been appointed for a BTL mortgage.

For arrears-based defaults where a customer cures from an arrears default position and makes six consecutive contractual monthly payments, the customer will cure to stage 1 or stage 2. For distressed restructures, 12 consecutive repayments must be observed before the customer can cure to stage 1 or stage 2. For default criteria other than arrears and distressed restructures, the default criteria are deemed to be absorbing, and the customer cannot cure from stage 3.

Credit-impaired financial assets

The Group assesses on an on-going basis whether its financial assets are credit-impaired. IFRS 9.5.4.1(b) requires that where assets have become credit-impaired, interest revenue is subsequently calculated by applying the EIR to the amortised cost less impairment provisions of the asset.

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes the following:

- Notification of a breach of contract such as a default; or
- Non-payment of amounts past due.

Forbearance

Forbearance is a qualitative indicator of a SICR applied to some portfolios which may provide an early indication of an exposure being credit-impaired before reaching the arrears backstop.

Write-offs

A financial asset is written off in full when the Bank judges there to be no reasonable expectation that the asset can be recovered in full. This is typically the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. This assessment is judgemental.

The loan is written off against its related impairment loss allowance once all the necessary procedures have been completed and the loss amount has crystallised. Financial assets that are written off could still be subject to enforcement activities, and subsequent recoveries of amounts previously written off would be recognised in the income statement.

For certain portfolios, including some which are managed by third parties, accounts may not always be closed at the point that it is determined that the borrower meets the conditions where the remaining amounts should be subject to write-off. To address this, the Bank operates thresholds at which point a loan will be written off for accounting purposes, even if the account is not closed. These are as follows:

- For Retail and SME overdrafts, 180 DPD; and
- For SME loans, 12 months after the date of default.

For SME loans, these thresholds were introduced in the year.

For mortgages there is no time threshold, instead the point of write-off is when all avenues for recovery have been exhausted.

Stress testing

The Bank uses a range of statistical models to measure the credit risk within its portfolios. These models are developed on internal data, supplemented by external data where it is available and where internal historical data is limited. The models are used to assess the Bank's ECL in line with IFRS 9 requirements.

Whilst the Bank is not required to take part in the BoE's annual stress testing exercise, the Bank does undertake stress testing as part of its ICAAP and to support its wider business planning and decision-making. In addition to using scenarios provided by the BoE, the Bank uses an external third party to assist with the development of economic scenarios for forecasting and stress testing purposes. As part of the stress test, the Bank's IFRS 9 models are utilised to provide an estimate of ECL under each scenario.

The Bank also utilises its IFRS 9 models to inform certain judgemental adjustments to ECL, typically through scenario testing where there is reason to believe that there are model limitations or inaccuracies in the input data. This can be as a result of model monitoring showing potential discrepancies between assumptions and the actual observed performance, or where material uncertainty exists in forward-looking adjustments.

Risk mitigation

At the highest level, the Bank mitigates credit risk through the operation of a Credit Risk Appetite Statement and supporting limits, which are operationalised through credit risk policies and procedures designed to target a lending profile in line with the Bank's appetite for credit related losses.

In particular, the Bank employs a number of risk mitigation techniques to manage and control its exposure to credit risk:

Credit policy

The Bank operates detailed credit policies and procedures setting out requirements for credit approvals, responsible lending, collections and recoveries in order to manage credit risk throughout the credit life cycle. Policies are reviewed and either approved by the ERC or the Board, depending on materiality.

A specialist Quality Assurance and Outcome Testing team in the 1L reviews individual cases in the organic lending book to check for adherence to policy and procedures to ensure good customer outcomes. In addition, 2L undertakes regular assurance reviews of 1L activity and reports any issues identified to senior management.

Credit assessment

Applications for new or increased credit lines are assessed in accordance with the Bank's credit and lending policies and procedures, which includes affordability assessments for all applications.

The Bank uses manual underwriting and statistical models, where appropriate, to make or inform credit decisions. The statistical models take into account the past payment performance of the customer, as evidenced by information declared as part of the application, and supplemented by credit bureau, internal and customer supplied information.

The Bank's credit policies allow for decisions on cases to be automated through the use of decisioning models and policy rules. Where the automated decisioning triggers certain policy rules that drive the requirement for a manual referral of the underwriting to occur, the Bank utilises specialist underwriters in order to make the final decision. Similarly, lending decision appeals are assessed by specialist underwriters.

The Bank's statistical models are developed by its Data Science team in 1L, with independent oversight and validation of models being undertaken by the Bank's 2L. All model developers and validators are appropriately skilled, and the Bank also uses external third parties to support modelling activity if required.

Within the Fleet subsidiary, skilled credit underwriters support BTL mortgage lending. Each underwriter is required to reach the appropriate level of competence before being allocated a lending mandate. Similarly, cases can be referred to specialists where required.

For lending undertaken and serviced through third parties, the Bank undertakes regular assurance activity.

Credit Risk Monitoring

Regular detailed credit risk and impairment monitoring is reviewed by senior management, with key highlights shared at the CRC. This includes a full assessment against risk limits, supported by a series of key risk and early warning indicators, and consideration of any judgemental adjustments to ECL, across individual portfolios and in aggregate for the Bank's lending portfolios.

The performance of the ECL estimation process is assessed on a qualitative basis through a number of methods, including assessments of the overall levels of staging within the portfolios, benchmarking to peer lenders where appropriate, and continuous review and challenge by Management within the committees to ensure the Bank has adequate levels of provision coverage.

The Bank performs back testing of the IFRS 9 modelled estimates on a monthly basis. In addition, monthly monitoring of PD, LGD, EAD, staging, and mortgage valuations is carried out wherever robust outcome data is available. Further sub-segments such as arrears, owner occupied vs BTL, and fixed term vs variable are also monitored wherever possible.

Portfolio oversight

Management information on credit performance for all portfolios is reviewed by senior management, with summary information shared at monthly CRC meetings. This includes:

- Position against risk limits;
- Levels of arrears;
- New lending and portfolio quality metrics; and
- Any other information assessed as key in the management of the portfolio.

The CRC acts as the main forum for discussion around portfolio performance, credit risk management, credit strategy changes and impairment, underpinned by the detailed portfolio management information provided. It is a decision making forum in relation to credit strategy and impairment. Material matters are escalated for decision to the ERC and BRC as appropriate.

Forbearance

Forbearance is considered to have been applied when Starling, Fleet or one of its third party servicers, offers a customer who is experiencing financial difficulties a temporary or permanent restructuring of their facility. The approach taken to forbearance is defined within Starling's policies and procedures.

Mortgages

The Bank's subsidiary, Fleet, originates and services BTL lending on behalf of Starling. Fleet operates policies which set out the situations under which forbearance will be offered to borrowers in financial difficulty. Outside of Fleet, Starling's other mortgage portfolios are serviced by third parties who are also responsible for offering appropriate forbearance solutions to customers. Each third party servicer operates their own forbearance and collections policies, which are reviewed by Starling at the outset and adherence is confirmed throughout the relationship through various audits and regular monitoring.

PTP and ATP options are typically the primary forbearance measure used, with each borrower's needs being assessed and managed on a case-by-case basis. In certain circumstances, the third party servicer may agree to one-off forbearance measures, such as term extensions or interest rate adjustments, where these are deemed appropriate.

SME • BBLS - Pay as you grow

UK government-backed BBLS, PAYG options have been designed by HM Treasury and the BBB to support and provide customers with the majority of the forbearance they need.

PAYG is designed to support customers in, or approaching, financial difficulty. These options recognise that many borrowers may face potential liquidity challenges and, as such, under PAYG all qualifying borrowers are able to utilise the following options, either individually or in combination. These options can be used consecutively or at different stages during the life of the loan, and the term extension can be offered at the same point in time as either of the other two options. Under the scheme, borrowers can instruct Starling that they would like to utilise the options up to three months prior to when they would like to make use of the PAYG option:

- Payment holiday for six months – borrowers can choose to pause both principal and interest repayments on the loan entirely, for a period of up to six months. This option can be used back-to-back with interest only periods. Interest will continue to accrue during this payment holiday;
- Interest only payments for six months – borrowers can choose to move to interest only payments for a period of up to six months. This option can be used up to three times throughout the lifetime of the loan, and can be used back-to-back, totalling eighteen months; or
- Term extension for up to ten years – borrowers can choose to extend the term of their loan to ten years. Borrowers also retain the option to repay the ten year loan early, without any early repayment fees. The interest rate would remain at 2.5% throughout the entire length of the loan.

While PAYG options designed by HM Treasury and the BBB provide customers with forbearance alternatives, Starling also offers forbearance and other options above and beyond PAYG both pre and post default, depending on customer circumstances. The other options include, but are not limited to:

- Breathing space, either within or outside the Debt Respite Scheme dependent upon business type;
- Stopping the charging of interest;
- PTP based on a discussion with the customer and a commitment to make the next payment;
- ATP based on a discussion of what is sustainable for the customer given their incomings and outgoings; and
- Arrangements with third parties, such as debt management plans.

SME lending through third parties:
For SME loans offered under the various COVID-19 schemes, the forbearance measures available to customers are similar to what is offered to Starling customers as outlined above. Term extensions of up to ten years are offered on BBLS loans, with payment holidays and temporary interest only payments available across all SME lending.

Retail:
The following forbearance and other options are possible considerations to support customers who are experiencing financial difficulties:

- Breathing space, either within or outside the Debt Respite Scheme;
- Stopping the charging of interest;
- PTP or ATP based on a discussion of what is sustainable for the customer given their incomings and outgoings; or
- Arrangements with third parties, such as debt management plans.

Where assets are serviced through a third party, similar forbearance options to the above are offered based on an individual assessment of the customer's needs.

Collections

Mortgages
Mortgage collections are either undertaken by the Group's wholly owned subsidiary, Fleet, or by Starling's third party servicers. The activities largely depend on whether the mortgage is unregulated or regulated. In all scenarios, either Fleet or the servicer will work with the borrower to determine the cause of non-payment and, where appropriate, will agree to implement a forbearance option. Where forbearance measures are inappropriate or ineffective, and all other possible avenues have been explored with the borrower to assist them to fulfil their contractual obligations, further collections activity will be undertaken.

For unregulated mortgages, a LPA receiver may be appointed to act in the best interests of the borrower by servicing the mortgage debt, either through continued receipt of rent or through sale of the property, with the proceeds being used to repay the mortgage.

For regulated mortgages, should a borrower be unwilling or unable to pay, litigation proceedings will likely begin. During this process, the borrower will be fully informed and given the opportunity to repay arrears or the full debt, at which point litigation will cease. Should this not be the case, the third party servicer will apply for a possession order to generate proceeds from a sale in order to repay the debt.

In certain circumstances, where a property is sold to repay the mortgage, there may be a shortfall resulting in a portion of the loan remaining outstanding. Starling, either in discussion with Fleet or the third party servicer, may decide to write off this shortfall, or pursue it through other means. This will be considered on a case-by-case basis.

SME and retail
When a customer requires forbearance or is in arrears on their organic lending facility, Starling's dedicated Financial Assistance function will attempt to contact the customer and support them, wherever possible, to clear all arrears and to bring their lending facility back into order.

Starling assesses the individual circumstances of any customer or business in financial difficulties or arrears and treats them fairly and in accordance with regulatory requirements.

For the Bank's BBLS portfolio, post default recovery activity is supported by third party debt collection agencies who are regulated to undertake this activity and ensure that all regulatory and legal requirements are met, as well as ensuring that customers are treated fairly at all times. BBLS customers in discussion with the third party debt collection agencies will have access to forbearance options in line with the those available through the Bank. PAYG options are only available prior to default.

All Financial Assistance team members receive initial and ongoing training on how to support customers in financial difficulty, with additional specialist support available where a customer is identified as having additional or complex needs. If a customer enters default on their lending facility, the Financial Assistance function will issue the required legal and regulatory documentation to demand repayment from the borrower.

Starling's operates policies and procedures which set out its treatment of customers who show signs of financial difficulty, including the Bank's approach to forbearance. Ongoing quality assurance and outcome testing is undertaken on the Financial Assistance function to monitor the function's performance, with 2L also undertaking regular assurance reviews. Gaps identified in previous assurance reviews are being addressed as part of a Collection Improvement Programme that is expected to complete in 2025. Where these gaps have generated potential customer detriment, this will be captured by the broader Customer Remediation programme.

For third party originated loans, collections activity is undertaken by the contracted third party. As with lending originated organically, Starling expects all of its third party providers to undertake collections activities in line with regulatory requirements and monitors their service levels regularly.

Customers in vulnerable circumstances

Starling operates a vulnerable customer policy, which sets out how Starling will support customers in vulnerable circumstances or who have additional or complex needs and ensures they are treated appropriately in accordance with Starling's values as well as applicable regulatory requirements, including the Consumer Duty.

Starling ensures that all staff that are directly in contact with customers are trained to identify customers in vulnerable circumstances, provide additional support and have the ability to escalate to a specialist team if needed.

Starling undertakes monitoring and assurance work to ensure that its vulnerability policies, procedures and processes, along with supporting controls are designed and operating effectively. For portfolios of customers who have been outsourced to a third party, Starling assesses the servicer's vulnerable customer policies to satisfy itself that they are aligned to market expectations and regulatory requirements. Adherence to these policies is monitored through regular oversight.

Credit risk exposures

Given the relative significance of customer lending exposures to the overall Group's credit risk position the following pages are principally focused on customer lending. The tables in this section do not distinguish between the Group and Company as the credit risk exposure for customer lending is the same.

Credit risk exposure tables

Lending exposure and impairment provision, by stage and coverage (audited)

The following table outlines lending exposures and impairment provision by stage and coverage.

2025	Stage 1 £'000	Stage 2 £'000	Stage 3[1] £'000	Total £'000
Exposure after guarantee				
Mortgage lending[1]	3,939,958	209,239	151,625	4,300,822
Mortgage pipeline (undrawn)	111,303	–	–	111,303
SME lending after UK government guarantee	26,631	11,002	4,802	42,435
SME lending	342,469	54,853	44,065	441,387
Of which subject to UK government guarantee	(315,838)	(43,851)	(39,263)	(398,952)
SME overdraft facilities (undrawn)	4,841	–	–	4,841
Retail lending	10,638	6,634	2,904	20,176
Retail overdraft facilities (undrawn)	72,119	1,975	138	74,232
Total exposure after guarantee	4,165,490	228,850	159,469	4,553,809
Of which on balance sheet	3,977,227	226,875	159,331	4,363,433
Of which off balance sheet	188,263	1,975	138	190,376
Impairment provision				
Mortgage lending	4,290	1,868	3,613	9,771
Mortgage pipeline (undrawn)	84	–	–	84
SME lending	1,255	1,612	4,515	7,382
SME overdraft facilities (undrawn)	66	–	–	66
Retail lending	135	1,313	2,255	3,703
Retail overdraft facilities (undrawn)	514	373	20	907
Total impairment provision	6,344	5,166	10,403	21,913
Of which on balance sheet	5,680	4,793	10,383	20,856
Of which off balance sheet	664	373	20	1,057
Exposure net of impairment provision				
Mortgage lending	3,935,668	207,371	148,012	4,291,051
Mortgage pipeline (undrawn)	111,219	–	–	111,219
SME lending	25,376	9,390	287	35,053
SME overdraft facilities (undrawn)	4,775	–	–	4,775
Retail lending	10,503	5,321	649	16,473
Retail overdraft facilities (undrawn)	71,605	1,602	118	73,325
Net exposure	4,159,146	223,684	149,066	4,531,896
Of which on balance sheet	3,971,547	222,082	148,948	4,342,577
Of which off balance sheet	187,599	1,602	118	189,319
% Coverage	0.2 %	2.3 %	6.5 %	0.5 %

[1] Included in stage 3 mortgage exposures are POCI loans of £14.0m with an impairment provision of £0.3m.

2024	Stage 1 £'000	Stage 2 £'000	Stage 3[1] £'000	Total £'000
Exposure after guarantee				
Mortgage lending[1]	3,455,639	238,814	134,950	3,829,403
Mortgage pipeline (undrawn)	125,316	–	–	125,316
SME lending after UK government guarantee	51,635	19,634	18,249	89,518
SME lending	588,431	162,424	81,039	831,894
Of which subject to UK government guarantee	(536,796)	(142,790)	(62,790)	(742,376)
SME overdraft facilities (undrawn)	3,938	–	79	4,017
Retail lending	14,664	6,958	6,794	28,416
Retail overdraft facilities (undrawn)	74,569	968	95	75,632
Total exposure after guarantee	3,725,761	266,374	160,167	4,152,302
Of which on balance sheet	3,521,938	265,406	159,993	3,947,337
Of which off balance sheet	203,823	968	174	204,965
Impairment provision				
Mortgage lending	4,631	3,677	4,576	12,884
Mortgage pipeline (undrawn)	191	–	–	191
SME lending	3,652	4,821	17,995	26,468
SME overdraft facilities (undrawn)	53	–	–	53
Retail lending	174	1,294	6,143	7,611
Retail overdraft facilities (undrawn)	473	182	8	663
Total impairment provision	9,174	9,974	28,722	47,870
Of which on balance sheet	8,457	9,792	28,714	46,963
Of which off balance sheet	717	182	8	907
Exposure net of impairment provision				
Mortgage lending	3,451,008	235,137	130,374	3,816,519
Mortgage pipeline (undrawn)	125,125	–	–	125,125
SME lending	47,983	14,813	254	63,050
SME overdraft facilities (undrawn)	3,885	–	79	3,964
Retail lending	14,490	5,664	651	20,805
Retail overdraft facilities (undrawn)	74,096	786	87	74,969
Net exposure	3,716,587	256,400	131,445	4,104,432
Of which on balance sheet	3,513,481	255,614	131,279	3,900,374
Of which off balance sheet	203,106	786	166	204,058
% Coverage	0.2 %	3.7 %	17.9 %	1.2 %

[1] Included in stage 3 mortgage exposures are POCI loans of £16.5m with an impairment provision of £0.9m.

Change in the year

During the year, overall ECL reduced by £26.1m across all lending portfolios.

This is driven largely by write-offs of £18.7m in the year, particularly in the SME portfolios (£18.3m) leading to a large reduction in stage 3 ECL. Further impacts to ECL include the disposal of a third-party originated retail loan portfolio of £4.0m, and an impairment release from the change in asset mix of £2.3m, largely due to the increased concentration of higher quality Fleet lending in the mortgage portfolio offsetting the run-off of higher risk lending.

Refinements to the ECL provisioning methodology, such as changes in the application of bureau scores and the onboarding of a new mortgage valuations data provider, led to a downward pressure on PD and LGD estimates leading to a further ECL release of £5.0m. This release was offset by the increase in ECL due to changes in portfolio quality of £4.1m, such as the emergence of new default or arrears.

The economic outlook has shifted to a more pessimistic view towards the end of the year, with scenario weighting on downside and severe outcomes now 30.0% each (2024: 23.0% and 14.5% respectively). This has had an overall neutral effect on ECL (£0.1m decrease), as the improvement in economic outlook in the first half of the year was reversed by the global economic uncertainty in latter half.

Mortgages

During the year, the Group continued to originate BTL mortgages through Fleet. Acquired portfolios and mortgages originated through forward flow agreements continued to run-off. Total on balance sheet mortgage lending increased to £4.3bn (2024: £3.8bn). Additionally, undrawn mortgage balances were £111.3m (2024: £125.3m), relating to committed future mortgage lending through Fleet.

At the year end, the impairment provision for the drawn mortgage portfolio was £9.8m (2024: £12.9m) and the impairment provision on the committed future lending was £0.1m (2024: £0.2m). This results in an overall coverage ratio of 0.2% (2024: 0.3%). The reduction in mortgage coverage ratio was largely driven by refinements made to the property valuation methodology, including the onboarding of a new AVM third party provider, and lead to a release of £3.5m. The change in portfolio asset mix, where new, higher-quality Fleet-originated lending is offsetting the run-off and redemptions of higher risk assets in acquired portfolios, has driven an ECL release of £0.7m. These are partially offset by an increase in ECL of £1.0m due to the pessimistic change in economic outlook, where the increase in downside and severe scenario weightings and increased economic uncertainty have increased mortgage ECL.

SME

During the year the drawn SME portfolio reduced to £441.4m (2024: £831.9m). In addition, SME undrawn balances, relating to SME overdraft facilities, increased to £4.8m (2024: £4.0m).

At the year end, the impairment provision for the drawn SME portfolio was £7.4m (2024: £26.5m). The impairment provision on undrawn SME overdraft facilities was £66k (2024: £53k). This results in an overall coverage ratio of 15.8% (2024: 28.4%). The reduction in coverage ratio is largely driven by refinement of write off criteria within the portfolio. All Stage 3 assets in default for more than 12 months have been written off the balance sheet in line with the SME write-off policy. This subsequently led to the reduction in ECL of £18.3m.

The SME portfolio includes UK government-backed lending schemes, which are shown below:

Government lending schemes (audited)	**2025** **£'000**	2024 £'000
BBLS	**314,660**	544,388
CBILS	**64,723**	187,997
RLS	**59,269**	96,882
Government lending schemes	**438,652**	829,267

Government lending schemes include BBLS, CBILS and RLS lending which benefit from additional credit enhancement from guarantees received from BBB (backed by HM government) as part of the schemes' features. Guarantees are set against the outstanding balance of a defaulted facility after any recoveries have been made.

BBLS exposure movement is shown in the following table:

	Exposure			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Loans and advances as at 31 March 2024	**398,034**	**89,954**	**56,400**	**544,388**
Changes in credit risk	**(50,239)**	**(62,024)**	**112,263**	**–**
Claims paid by HM government	**–**	**–**	**(126,802)**	**(126,802)**
Write-offs	**–**	**–**	**(1,265)**	**(1,265)**
Repayments	**(89,653)**	**(8,306)**	**(3,702)**	**(101,661)**
Loans and advances as at 31 March 2025	**258,142**	**19,624**	**36,894**	**314,660**

	Exposure			
	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000
Loans and advances as at 31 March 2023	618,321	114,065	211,143	943,529
Changes in credit risk	(120,215)	(17,203)	137,418	–
Claims paid by HM government	–	–	(285,484)	(285,484)
Repayments	(100,072)	(6,908)	(6,677)	(113,657)
Loans and advances as at 31 March 2024	398,034	89,954	56,400	544,388

The Company participated in certain government-backed/sponsored COVID-19 pandemic lending schemes, including the BBLS. This required the Company to operationalise the BBLS and release funds to customers quickly and efficiently in accordance with the overarching aims of the BBLS and the specific terms of the BBLS guarantee agreement and supporting documentation. In this context, the Company may be exposed to certain risks arising from the requirements of the BBLS guarantee agreement, which in turn could affect the Company's ability to claim under the guarantee agreement in respect of certain loans made to customers. At 31 March 2025, an ECL provision of £0.8m (2024: £0.4m) was held in relation to certain loans provided by the Company under the BBLS, where the guarantee provided under the BBLS guarantee agreement may no longer be available to the Company.

The BBLS scheme offers a range of forbearance options. As these options are a feature of the BBLS rather than a concession granted by the Bank, these features are not automatically considered a SICR indicator and therefore, a stage 2 trigger. The Bank relies on existing credit monitoring procedures to identify significant financial difficulties. When credit deterioration is confirmed, the loan is transferred to stage 2.

Retail

The drawn retail portfolio decreased in the year to £20.2m (2024: £28.4m). The retail undrawn balances, relating to retail overdraft facilities, decreased to £74.2m (2024: £75.6m). The sale of a third-party originated loan portfolio is the main driver of the reduction in drawn balances.

At the year end, the impairment provision for the drawn retail portfolio decreased to £3.7m (2024: £7.6m). In addition, a further provision of £0.9m (2024: £0.7m) was held on undrawn retail overdraft facilities. This results in an overall coverage ratio of 4.9% (2024: 8.0%). The reduction in impairment provision and coverage is largely driven by the sale of a third-party originated loan portfolio, which had a large stage 3 concentration at the point of sale. Underlying provisions on the remainder of the portfolio have been largely stable over the year. Whilst some increases in arrears have been observed, the overall portfolio (including new facilities agreed) continues to perform appropriately.

Staging profile of customer lending (audited)

The following table provides additional information on the staging profile of the Group's customer lending, after UK government guarantees, which is key for understanding the asset quality of those portfolios:

2025	Mortgage £'000	SME £'000	Retail £'000	Undrawn £'000	Total £'000
Loans and advances to customers					
Stage 1	3,939,958	26,631	10,638	188,263	4,165,490
Stage 2	209,239	11,002	6,634	1,975	228,850
Stage 2 – =<30 DPD[1]	164,928	10,091	6,516	1,975	183,510
Stage 2 – >30 DPD	44,311	911	118	–	45,340
Stage 3[2]	151,625	4,802	2,904	138	159,469
Exposure after guarantee	4,300,822	42,435	20,176	190,376	4,553,809
Impairment provision					
Stage 1	4,290	1,255	135	664	6,344
Stage 2	1,868	1,612	1,313	373	5,166
Stage 2 – =<30 DPD[1]	1,305	920	1,289	373	3,887
Stage 2 – >30 DPD	563	692	24	–	1,279
Stage 3[2]	3,613	4,515	2,255	20	10,403
Total impairment provision	9,771	7,382	3,703	1,057	21,913
Coverage					
Stage 1	0.1 %	4.7 %	1.3 %	0.4 %	0.2 %
Stage 2	0.9 %	14.7 %	19.8 %	18.9 %	2.3 %
Stage 2 – =<30 DPD	0.8 %	9.1 %	19.8 %	18.9 %	2.1 %
Stage 2 – >30 DPD	1.3 %	76.0 %	20.3 %	– %	2.8 %
Stage 3	2.4 %	94.0 %	77.7 %	14.5 %	6.5 %
Coverage ratio	0.2 %	17.4 %	18.4 %	0.6 %	0.5 %

[1] For SME exposures and impairment provisions, =<30 DPD includes loans >10 DPD, in line with SME SICR criteria.
[2] Included in mortgages stage 3 exposures are POCI loans of £14.0m with an impairment provision of £0.3m.

2024	Mortgage £'000	SME £'000	Retail £'000	Undrawn £'000	Total £'000
Loans and advances to customers					
Stage 1	3,455,639	51,635	14,664	203,823	3,725,761
Stage 2	238,814	19,634	6,958	968	266,374
Stage 2 – =<30 DPD[1]	179,772	18,207	6,730	968	205,677
Stage 2 – >30 DPD	59,042	1,427	228	–	60,697
Stage 3[2]	134,950	18,249	6,794	174	160,167
Exposure after guarantee	3,829,403	89,518	28,416	204,965	4,152,302
Impairment provision					
Stage 1	4,631	3,652	174	717	9,174
Stage 2	3,677	4,821	1,294	182	9,974
Stage 2 – =<30 DPD[1]	2,296	3,680	1,220	182	7,378
Stage 2 – >30 DPD	1,381	1,141	74	–	2,596
Stage 3[2]	4,576	17,995	6,143	8	28,722
Total impairment provision	12,884	26,468	7,611	907	47,870
Coverage					
Stage 1	0.1 %	7.1 %	1.2 %	0.4 %	0.2 %
Stage 2	1.5 %	24.6 %	18.6 %	18.8 %	3.7 %
Stage 2 – =<30 DPD	1.3 %	20.2 %	18.1 %	18.8 %	3.6 %
Stage 2 – >30 DPD	2.3 %	80.0 %	32.5 %	– %	4.3 %
Stage 3	3.4 %	98.6 %	90.4 %	4.6 %	17.9 %
Coverage ratio	0.3 %	29.6 %	26.8 %	0.4 %	1.2 %

[1] For SME exposures and impairment provisions, =<30 DPD includes loans >10 DPD, in line with SME SICR criteria.
[2] Included in mortgages stage 3 exposures are POCI loans of £16.5m with an impairment provision of £0.9m.

Stage 2 balances (audited)

There are a number of reasons why a loan could be subject to a stage 2 lifetime impairment provision. For the purpose of this table where a loan satisfies more than one stage 2 criteria, the loan is included in one category only and in order of the categories presented. Over 30 DPD, therefore, includes all stage 2 loans which are now over 30 DPD as at year end, including where this was not the initial reason for being classified as stage 2.

2025	Exposure after guarantee	Impairment provision	Coverage
	£'000	£'000	%
>30 DPD	44,311	563	1.3 %
Forbearance	27,160	97	0.4 %
PD deterioration and other[1]	137,768	1,208	0.9 %
Mortgage	209,239	1,868	0.9 %
>30 DPD	911	692	76.0 %
Forbearance	192	17	8.9 %
PD deterioration and other[1, 2]	9,899	903	9.1 %
SME	11,002	1,612	14.7 %
>30 DPD	118	24	20.3 %
Forbearance	191	158	82.7 %
PD deterioration and other[1]	6,325	1,131	17.9 %
Retail	6,634	1,313	19.8 %
Total drawn	226,875	4,793	2.1 %
Forbearance	42	33	78.6 %
PD deterioration and other	1,933	340	17.6 %
Total undrawn	1,975	373	18.9 %
Total Stage 2	228,850	5,166	2.3 %

[1] PD deterioration and other includes loans in stage 2 that are in their cure period. As of 31 March 2025 this included £58.8m of mortgages, £7.7m of SME and £1.3m of retail.

[2] For SME exposures and impairment provisions, PD deterioration and other includes loans > 10 DPD, in line with SME SICR criteria.

2024	Exposure after guarantee	Impairment provision	Coverage
	£'000	£'000	%
>30 DPD	59,042	1,381	2.3 %
Forbearance	22,494	97	0.4 %
PD deterioration and other[1]	157,278	2,199	1.4 %
Mortgage	238,814	3,677	1.5 %
>30 DPD	1,427	1,141	80.0 %
Forbearance	2,599	474	18.2 %
PD deterioration and other[1, 2]	15,608	3,206	20.5 %
SME	19,634	4,821	24.6 %
>30 DPD	228	74	32.5 %
Forbearance	206	138	67.0 %
PD deterioration and other[1]	6,524	1,082	16.6 %
Retail	6,958	1,294	18.6 %
Total drawn	265,406	9,792	3.7 %
Forbearance	31	22	71.0 %
PD deterioration and other	937	160	17.1 %
Total undrawn	968	182	18.8 %
Total Stage 2	266,374	9,974	3.7 %

[1] PD deterioration and other includes loans in stage 2 that are in their cure period. As of 31 March 2024 this included £32.6m of mortgages, £18.8m of SME and £0.4m of retail.

[2] For SME exposures and impairment provisions, PD deterioration and other includes loans > 10 DPD, in line with SME SICR criteria.

Sectoral concentration (audited)

The following table provides information on the sectoral concentration of total drawn exposures before UK government guarantees:

2025	**Total** **£'000**	**Total** **%**
Mortgage		
Buy-to-let	3,521,088	73.9%
Owner occupied	779,734	16.4%
SME		
Agriculture, forestry, mining and water supply	2,952	0.1%
Manufacturing	34,648	0.7%
Construction	55,975	1.2%
Wholesale and retail trade	66,843	1.4%
Transportation and storage	17,605	0.4%
Accommodation and food service activities	24,630	0.5%
Information and communication	45,476	1.0%
Financial, insurance and real estate activities	38,840	0.8%
Professional, scientific and technical activities	50,255	1.1%
Administrative and support service activities	44,427	0.9%
Education, human health and social work	25,495	0.5%
Arts, entertainment and other service activities	34,241	0.7%
Retail		
Households	20,176	0.4%
Exposure before impairment provision and UK government guarantee	4,762,385	100%

2024	Total £'000	Total %
Mortgage		
Buy-to-let	2,808,977	59.9%
Owner occupied	1,020,426	21.8%
SME		
Agriculture, forestry, mining and water supply	6,066	0.1%
Manufacturing	71,861	1.5%
Construction	110,449	2.4%
Wholesale and retail trade	129,731	2.8%
Transportation and storage	35,440	0.8%
Accommodation and food service activities	50,013	1.1%
Information and communication	81,998	1.7%
Financial, insurance and real estate activities	62,534	1.3%
Professional, scientific and technical activities	86,356	1.8%
Administrative and support service activities	84,898	1.8%
Education, human health and social work	49,810	1.1%
Arts, entertainment and other service activities	62,738	1.3%
Retail		
Households	28,416	0.6%
Exposure before impairment provision and UK government guarantee	4,689,713	100%

Geographic concentration

The table below provides information on the geographic concentration of total mortgage lending. As there is no difference in mortgages for Group or Company the tables below do not distinguish between the two.

Mortgage region **2025**	**Stage 1** **£'000**	**Stage 2** **£'000**	**Stage 3** **£'000**	**Total** **£'000**
Scotland	**18,745**	**7,208**	**4,479**	**30,432**
East Midlands	**233,769**	**13,375**	**9,124**	**256,268**
South West	**235,046**	**17,964**	**13,678**	**266,688**
West Midlands	**291,758**	**16,086**	**16,344**	**324,188**
Greater London	**1,467,347**	**64,618**	**42,730**	**1,574,695**
East England	**358,978**	**13,262**	**16,956**	**389,196**
North West	**339,188**	**20,278**	**15,987**	**375,453**
South East	**626,631**	**35,213**	**18,536**	**680,380**
North East	**253,128**	**13,268**	**7,414**	**273,810**
Wales	**114,115**	**7,830**	**5,432**	**127,377**
Northern Ireland	**1,253**	**137**	**945**	**2,335**
Total mortgage lending before impairment provision	**3,939,958**	**209,239**	**151,625**	**4,300,822**

Mortgage region **2024**	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Scotland	29,001	5,770	4,748	39,519
East Midlands	202,738	18,609	9,094	230,441
South West	220,352	17,070	10,194	247,616
West Midlands	258,981	19,966	15,387	294,334
Greater London	1,263,415	81,456	38,031	1,382,902
East England	329,724	20,948	17,766	368,438
North West	295,487	22,806	16,672	334,965
South East	537,742	29,997	11,794	579,533
North East	205,631	14,131	5,833	225,595
Wales	110,420	7,921	5,062	123,403
Northern Ireland	2,148	140	369	2,657
Total mortgage lending before impairment provision	3,455,639	238,814	134,950	3,829,403

Movement in loans and advances to customers and impairment provision (audited)

The following table shows the movement in total impairment provision and lending exposure after UK government guarantees, during the period. The first two tables outline drawn balance sheet positions. The tables thereafter provide information at asset class level. The final two tables detail movement in undrawn and off balance sheet positions.

Total drawn	Exposure after guarantee				Impairment provision			
	Stage 1	Stage 2	Stage 3[5]	Total	Stage 1	Stage 2	Stage 3[5]	Total
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
As at 1 April 2024	3,521,938	265,406	159,993	3,947,337	8,457	9,792	28,714	46,963
Movements								
Originations[1]	816,609	21,781	483	838,873	1,322	586	269	2,177
Repayments and other movements	(304,516)	(76,353)	(17,213)	(398,082)	(3,103)	(2,323)	(1,521)	(6,947)
Changes in credit risk[2]	–	–	–	–	(2,360)	(14)	3,753	1,379
Impairment charge/(release) recognised					(4,141)	(1,751)	2,501	(3,391)
Disposals	(1,924)	(171)	(3,912)	(6,007)	(15)	(114)	(3,899)	(4,028)
Write-offs[3]	–	–	(18,688)	(18,688)	–	–	(18,688)	(18,688)
Stage transfers[4]								
To stage 1	80,747	(79,927)	(820)	–	2,386	(2,355)	(31)	–
To stage 2	(112,472)	123,826	(11,354)	–	(701)	1,254	(553)	–
To stage 3	(23,155)	(27,687)	50,842	–	(306)	(2,033)	2,339	–
As at 31 March 2025[6]	3,977,227	226,875	159,331	4,363,433	5,680	4,793	10,383	20,856
Coverage ratio					0.1 %	2.1 %	6.5 %	0.5 %

[1] Includes loans at reporting date stage, rather than stage at origination or acquisition.
[2] Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
[3] In order to comply with the Group's procedures for recovery of amounts due, lending written-off during the year of £18.7m is still subject to enforcement activities.
[4] ECL on stage transfers represents the ECL of the stage that the assets are transferred from.
[5] Included in stage 3 are POCI loans of £14.0m with an impairment provision of £0.3m. There were no POCI loans acquired during the year. Repayments in the year totalled £2.5m.
[6] Included within stage 2 and stage 3 in the above table are £67.9m and £14.1m of exposures in their cure period. The related ECL is £0.9m and £0.7m respectively.

Staging movements are driven by factors at individual asset class level, with further detail provided in the following pages.

Movement in loans and advances to customers and impairment provision (audited)

Total drawn	Exposure after guarantee				Impairment provision			
	Stage 1 £'000	Stage 2 £'000	Stage 3[4] £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3[4] £'000	Total £'000
As at 1 April 2023	3,345,617	143,938	103,707	3,593,262	10,412	5,737	18,381	34,530
Movements								
Originations[1]	797,465	10,874	1,249	809,588	1,767	309	311	2,387
Repayments and other movements	(422,318)	(22,948)	(9,340)	(454,606)	(3,303)	(1,227)	(1,275)	(5,805)
Changes in credit risk[2]	–	–	–	–	1,221	6,071	9,466	16,758
Impairment charge/(release) recognised					(315)	5,153	8,502	13,340
Write-offs	(452)	(207)	(248)	(907)	(452)	(207)	(248)	(907)
Stage transfers[3]								
To stage 1	34,955	(32,930)	(2,025)	–	710	(586)	(124)	–
To stage 2	(202,297)	208,051	(5,754)	–	(1,421)	1,602	(181)	–
To stage 3	(31,032)	(41,372)	72,404	–	(477)	(1,907)	2,384	–
As at 31 March 2024[5]	3,521,938	265,406	159,993	3,947,337	8,457	9,792	28,714	46,963
Coverage ratio					0.2 %	3.7 %	17.9 %	1.2 %

[1] Includes loans at reporting date stage, rather than stage at origination or acquisition. Includes loans acquired in the year. See note 12, on page 193.

[2] Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.

[3] ECL on stage transfers represents the ECL of the stage that the assets are transferred from.

[4] Included in stage 3 are POCI loans of £16.5m with an impairment provision of £0.9m. There were no POCI loans acquired during the year. Repayments in the year totalled £2.4m.

[5] Included within stage 2 and stage 3 in the above table are £51.8m and £8.9m of exposures in their cure period. The related ECL is £1.1m and £0.3m respectively.

Movement in loans and advances to customers and impairment provision - mortgages (audited)

Mortgages - drawn	Exposure				Impairment provision			
	Stage 1	Stage 2	Stage 3[5]	Total	Stage 1	Stage 2	Stage 3[5]	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2024	3,455,639	238,814	134,950	3,829,403	4,631	3,677	4,576	12,884
Movements								
Originations[1]	811,841	20,343	52	832,236	1,262	239	2	1,503
Repayments and other movements	(276,142)	(67,399)	(17,218)	(360,759)	(666)	(1,078)	(1,109)	(2,853)
Changes in credit risk[2]	–	–	–	–	(1,898)	380	(187)	(1,705)
Impairment charge/(release) recognised					(1,302)	(459)	(1,294)	(3,055)
Write-offs[3]	–	–	(58)	(58)	–	–	(58)	(58)
Stage transfers[4]								
To stage 1	73,505	(72,722)	(783)	–	1,187	(1,187)	–	–
To stage 2	(103,513)	114,513	(11,000)	–	(102)	397	(295)	–
To stage 3	(21,372)	(24,310)	45,682	–	(124)	(560)	684	–
As at 31 March 2025[6]	3,939,958	209,239	151,625	4,300,822	4,290	1,868	3,613	9,771
Coverage ratio					0.1 %	0.9 %	2.4 %	0.2 %

1 Includes loans at reporting date stage, rather than stage at origination or acquisition.
2 Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
3 In order to comply with the Group's procedures for recovery of amounts due, lending written-off during the year of £0.1m is still subject to enforcement activities.
4 ECL on stage transfers represents the ECL of the stage that the assets are transferred from.
5 Included in stage 3 are POCI loans of £14.0m with an impairment provision of £0.3m. There were no POCI loans acquired during the year. Repayments in the year totalled £2.5m.
6 Included within stage 2 and stage 3 in the above table are £58.8m and £13.5m of exposures in their cure period. The related ECL is £0.3m and £0.2m respectively.

Analysis of movements during the year

While there has been growth in total drawn exposures of £471.4m (12.3%), the impairment provision on mortgages decreased by £3.1m (24.2%) during the year. The decrease in stage 2 ECL of 49% is largely driven by an adjustment made to the quantitative threshold for determining SICR within BTL portfolios. This adjustment was made to ensure that the SICR criteria remains sensitive to increases in the BTL PD. There has been a £1.3m ECL release in stage 3 assets largely driven from improvements in collateral valuation methodology, including the adoption of a new AVM provider. There has been a further decrease in ECL due to change in asset mix over the last 12 months as high quality loans originated by Fleet £832.2m (2024: £798.8m) replaced the repayments in the closed portfolios.

Movement in loans and advances to customers and impairment provision - mortgages (audited)

Mortgages - drawn	Exposure				Impairment provision			
	Stage 1 £'000	Stage 2 £'000	Stage 3[4] £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3[4] £'000	Total £'000
As at 1 April 2023	3,228,301	121,395	87,093	3,436,789	4,275	879	2,699	7,853
Movements								
Originations[1]	790,130	8,010	657	798,797	1,311	127	57	1,495
Repayments and other movements	(384,773)	(13,593)	(7,817)	(406,183)	(1,467)	(255)	(624)	(2,346)
Changes in credit risk[2]	–	–	–	–	641	2,881	2,360	5,882
Impairment charge/(release) recognised					485	2,753	1,793	5,031
Stage transfers[3]								
To stage 1	32,074	(30,124)	(1,950)	–	226	(168)	(58)	–
To stage 2	(184,471)	190,191	(5,720)	–	(316)	469	(153)	–
To stage 3	(25,622)	(37,065)	62,687	–	(39)	(256)	295	–
As at 31 March 2024[5]	3,455,639	238,814	134,950	3,829,403	4,631	3,677	4,576	12,884
Coverage ratio					0.1 %	1.5 %	3.4 %	0.3 %

[1] Includes loans at reporting date stage, rather than stage at origination or acquisition. Includes loans acquired in the year, see note 12.
[2] Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
[3] ECL on stage transfers represents the ECL of the stage that the assets are transferred from.
[4] Included in mortgage stage 3 exposures are POCI loans of £16.5m with an impairment provision of £0.9m. There were no POCI loans acquired during the year. Repayments in the year totalled £2.4m.
[5] Included within stage 2 and stage 3 in the above table are £32.6m and £8.8m of exposures in their cure period. The related ECL is £0.2m and £0.2m respectively.

Movement in loans and advances to customers and impairment provision - SME (audited)

SME - drawn	Exposure after guarantee				Impairment provision			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 April 2024	51,635	19,634	18,249	89,518	3,652	4,821	17,995	26,468
Movements								
Originations[1]	908	1	3	912	11	1	1	13
Repayments and other movements[2]	(22,775)	(7,560)	663	(29,672)	(2,201)	(1,088)	(29)	(3,318)
Changes in credit risk[3]	–	–	–	–	(279)	(531)	3,352	2,542
Impairment charge/(release) recognised					(2,469)	(1,618)	3,324	(763)
Write-offs[4]	–	–	(18,323)	(18,323)	–	–	(18,323)	(18,323)
Stage transfers[5]								
To stage 1	4,694	(4,693)	(1)	–	803	(800)	(3)	–
To stage 2	(6,394)	6,394	–	–	(556)	556	–	–
To stage 3	(1,437)	(2,774)	4,211	–	(175)	(1,347)	1,522	–
As at 31 March 2025[6]	26,631	11,002	4,802	42,435	1,255	1,612	4,515	7,382
Coverage ratio					4.7 %	14.7 %	94.0 %	17.4 %

1 Includes loans at reporting date stage, rather than stage at origination.
2 Other movements include the voluntary removal of the guarantee on certain BBLS loans, which has resulted in an increase in exposure after guarantee.
3 Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
4 In order to comply with the Group's procedures for recovery of amounts due, lending written-off during the year of £18.3m is still subject to enforcement activities.
5 ECL on stage transfers represents the ECL of the stage that the assets are transferred from.
6 Included within stage 2 in the above table are £7.7m of exposures in their cure period. The related ECL is £0.2m.

Analysis of movements during the year

Exposure on SME portfolios reduced by 52.6% across the year due to the run-off of government-backed lending portfolios and a write off of £18.3m of loans. Total SME impairment provisions decreased by 72.1% to £7.4m primarily driven by the write-offs reducing stage 3 provisions. Stage 1 exposure and provisions have reduced over the year due to repayments on performing assets. At the end of the year, a greater proportion of the book now resides in stage 2 comprising 25.9% of total SME exposures at the end of the year (2024: 21.9%). Although there is an overall release to the income statement of £0.8m across all stages, stage 3 has seen a charge of £3.3m, attributed to the emergence of new defaults over the course of the year. The stage 3 charge is offset by releases of £2.5m and £1.6m to stages 1 and 2 respectively following repayments and movements into stage 3.

Movement in loans and advances to customers and impairment provision - SME (audited)

SME - drawn	Exposure after guarantee				Impairment provision			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2023	91,786	20,797	11,347	123,930	5,046	4,380	10,755	20,181
Movements								
Originations[1]	1,311	343	–	1,654	398	1	–	399
Repayments and other movements	(26,349)	(8,697)	(985)	(36,031)	(1,251)	(822)	(89)	(2,162)
Changes in credit risk[2]	–	–	–	–	186	2,350	5,549	8,085
Impairment charge/(release) recognised					(667)	1,529	5,460	6,322
Write-offs	(16)	(10)	(9)	(35)	(16)	(10)	(9)	(35)
Stage transfers[3]								
To stage 1	2,626	(2,569)	(57)	–	427	(377)	(50)	–
To stage 2	(13,706)	13,706	–	–	(818)	818	–	–
To stage 3	(4,017)	(3,936)	7,953	–	(320)	(1,519)	1,839	–
As at 31 March 2024[4]	51,635	19,634	18,249	89,518	3,652	4,821	17,995	26,468
Coverage ratio					7.1 %	24.6 %	98.6 %	29.6 %

[1] Includes loans at reporting date stage, rather than stage at origination.
[2] Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
[3] ECL on stage transfers represents the ECL of the stage that the assets are transferred from.
[4] Included within stage 2 in the above table are £18.8m of exposures in their cure period. The related ECL is £0.8m.

Movement in loans and advances to customers and impairment provision - retail (audited)

Retail - drawn	Exposure				Impairment provision			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£’000	£’000	£’000	£’000	£’000	£’000	£’000	£’000
As at 1 April 2024	14,664	6,958	6,794	28,416	174	1,294	6,143	7,611
Movements								
Originations[1]	3,859	1,436	428	5,723	48	347	266	661
Repayments and other movements	(5,599)	(1,393)	(657)	(7,649)	(236)	(157)	(383)	(776)
Changes in credit risk[2]	–	–	–	–	(183)	137	588	542
Impairment charge/(release) recognised					(371)	327	471	427
Disposals[3]	(1,924)	(171)	(3,912)	(6,007)	(15)	(114)	(3,899)	(4,028)
Write-offs[4]	–	–	(307)	(307)	–	–	(307)	(307)
Stage transfers[5]								
To stage 1	2,549	(2,511)	(38)	–	395	(369)	(26)	–
To stage 2	(2,565)	2,918	(353)	–	(42)	300	(258)	–
To stage 3	(346)	(603)	949	–	(6)	(125)	131	–
As at 31 March 2025[6]	10,638	6,634	2,904	20,176	135	1,313	2,255	3,703
Coverage ratio					1.3 %	19.8 %	77.7 %	18.4 %

[1] Includes loans at reporting date stage, rather than stage at origination.
[2] Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
[3] Disposals include the sale of a legacy lending portfolio of £6.0m. A minimal gain was recognised on the disposal and is included in note 6.
[4] In order to comply with the Group's procedures for recovery of amounts due, lending written-off during the year of £0.3m is still subject to enforcement activities
[5] ECL on stage transfers represents the ECL of the stage that the assets are transferred from.
[6] Included within stage 2 and stage 3 in the above table are £1.3m and £0.6m of exposures in their cure period. The related ECL is £0.3m and £0.5m respectively.

Analysis of movements during the year

During the year total retail exposure decreased by 29.0% whilst impairment provision decreased by 51.3%. The main driver behind the change in exposure and ECL is the sale of a third-party originated loan book during the year. Following the sale of the loan portfolio, the stage 3 population has decreased by 57.3% year on year, with the remaining portfolios showing largely stable levels of non performance. For the portfolios which remain on book, there has been a small underlying increase in provisions causing a charge to the income statement of £0.4m. The provision charge was driven by a slight build-up of assets entering stage 2 and 3 following a small increase in customers entering default or arrears and worsening economics.

Movement in loans and advances to customers and impairment provision - retail (audited)

Retail - drawn	Exposure				Impairment provision			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2023	25,530	1,746	5,267	32,543	1,091	478	4,927	6,496
Movements								
Originations[1]	6,022	2,521	592	9,135	61	180	253	494
Repayments and other movements	(11,194)	(658)	(538)	(12,390)	(585)	(150)	(562)	(1,297)
Changes in credit risk[2]	–	–	–	–	393	840	1,557	2,790
Impairment charge/(release) recognised					(131)	870	1,248	1,987
Write-offs	(436)	(197)	(239)	(872)	(436)	(197)	(239)	(872)
Stage transfers[3]								
To stage 1	256	(238)	(18)	–	57	(42)	(15)	–
To stage 2	(4,121)	4,155	(34)	–	(289)	316	(27)	–
To stage 3	(1,393)	(371)	1,764	–	(118)	(131)	249	–
As at 31 March 2024[4]	14,664	6,958	6,794	28,416	174	1,294	6,143	7,611
Coverage ratio					1.2 %	18.6 %	90.4 %	26.8 %

1 Includes loans at reporting date stage, rather than stage at origination.
2 Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
3 ECL on stage transfers represents the ECL of the stage that the assets are transferred from.
4 Included within stage 2 and stage 3 in the above table are £0.4m and £0.1m of exposures in their cure period. The related ECL is £0.1m and £0.1m respectively.

Movement in loans and advances to customers and impairment provision - undrawn (audited)

Total undrawn	Exposure				Impairment provision			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 April 2024	203,823	968	174	204,965	717	182	8	907
Movements								
Approvals, drawdowns or expirations[1]	(13,827)	(547)	(215)	(14,589)	(101)	108	7	14
Changes in credit risk[2]	–	–	–	–	26	98	12	136
Impairment charge/(release) recognised					(75)	206	19	150
Stage transfers[3]								
To Stage 1	414	(403)	(11)	–	59	(57)	(2)	–
To Stage 2	(1,937)	1,986	(49)	–	(34)	47	(13)	–
To Stage 3	(210)	(29)	239	–	(3)	(5)	8	–
As at 31 March 2025	188,263	1,975	138	190,376	664	373	20	1,057
Coverage ratio					0.4 %	18.9 %	14.5 %	0.6 %

1 Includes loans at reporting date stage, rather than stage at origination.
2 Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
3 ECL on stage transfers represents the ECL of the stage that the assets are transferred from.

Analysis of movements during the year
The decrease in undrawn exposures in the year was driven by a £14.0m decrease in pipeline mortgages and a £0.6m net decrease in undrawn overdraft balances.

Movement in loans and advances to customers and impairment provision - undrawn (audited)

Total undrawn	Exposure				Impairment provision			
	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
As at 1 April 2023	225,721	167	–	225,888	1,050	42	–	1,092
Changes Reflected in Impairment Losses:								
Approvals, drawdowns or expirations[1]	(19,618)	(1,199)	(106)	(20,923)	(305)	20	1	(284)
Changes in Credit Risk2[2]	–	–	–	–	24	77	(2)	99
Impairment Losses Recognised in SOCI					(281)	97	(1)	(185)
Transfers Between Stages:[3]								
To Stage 1	53	(53)	–	–	13	(13)	–	–
To Stage 2	(2,059)	2,059	–	–	(58)	58	–	–
To Stage 3	(274)	(6)	280	–	(7)	(2)	9	–
As at 31 March 2024	203,823	968	174	204,965	717	182	8	907
Coverage ratio					0.4 %	18.8 %	4.6 %	0.4 %

[1] Includes loans at reporting date stage, rather than stage at origination.
[2] Includes changes to the impairment provision arising from stage transfers and other changes to risk parameters.
[3] ECL on stage transfers represents the ECL of the stage that the assets are transferred from.

Credit risk exposure and impairment provision by internal IFRS 9 PD rating and IFRS 9 stage allocation - drawn (audited)

The distribution of the Group's credit risk exposures, after UK government guarantees, by internal PD rating is analysed below:

2025	Exposure after guarantee				Impairment provision			
Probability of default	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**	**Stage 1 £'000**	**Stage 2 £'000**	**Stage 3 £'000**	**Total £'000**
Mortgage								
<0.25%	163,237	367	–	163,604	83	1	–	84
0.25% - <0.5%	1,045,984	192	–	1,046,176	832	1	–	833
0.5% - <1.0%	2,172,038	1,388	–	2,173,426	2,545	2	–	2,547
1.0% - <2.5%	412,734	3,908	–	416,642	575	10	–	585
2.5% - <10.0%	132,504	53,565	–	186,069	162	275	–	437
10.0% - <100%	13,461	149,819	–	163,280	93	1,579	–	1,672
Default	–	–	151,625	151,625	–	–	3,613	3,613
Total mortgage	3,939,958	209,239	151,625	4,300,822	4,290	1,868	3,613	9,771
Coverage					*0.1 %*	*0.9 %*	*2.4 %*	*0.2 %*
SME								
<0.25%	–	19	–	19	–	–	–	–
0.25% - <0.5%	347	105	–	452	1	–	–	1
0.5% - <1.0%	618	170	–	788	4	2	–	6
1.0% - <2.5%	5,824	881	–	6,705	85	15	–	100
2.5% - <10.0%	18,483	5,240	–	23,723	706	196	–	902
10.0% - <100%	1,359	4,587	–	5,946	459	1,399	–	1,858
Default	–	–	4,802	4,802	–	–	4,515	4,515
Total SME	26,631	11,002	4,802	42,435	1,255	1,612	4,515	7,382
Coverage					*4.7 %*	*14.7 %*	*94.0 %*	*17.4 %*
Retail								
<0.25%	34	–	–	34	–	–	–	–
0.25% - <0.5%	994	100	–	1,094	2	12	–	14
0.5% - <1.0%	1,401	223	–	1,624	4	29	–	33
1.0% - <2.5%	3,222	373	–	3,595	20	63	–	83
2.5% - <10.0%	4,903	729	–	5,632	98	164	–	262
10.0% - <100%	84	5,209	–	5,293	11	1,045	–	1,056
Default	–	–	2,904	2,904	–	–	2,255	2,255
Total retail	10,638	6,634	2,904	20,176	135	1,313	2,255	3,703
Coverage					*1.3 %*	*19.8 %*	*77.7 %*	*18.4 %*
Total drawn	3,977,227	226,875	159,331	4,363,433	5,680	4,793	10,383	20,856
Coverage					*0.1 %*	*2.1 %*	*6.5 %*	*0.5 %*

2024	Exposure after guarantee				Impairment Provision			
Probability of default	Stage 1 £	Stage 2 £	Stage 3 £	Total £	Stage 1 £	Stage 2 £	Stage 3 £	Total £
Mortgage								
<0.25%	227,410	315	–	227,725	165	–	–	165
0.25% - <0.5%	739,785	–	–	739,785	440	–	–	440
0.5% - <1.0%	1,549,075	103	–	1,549,178	2,154	–	–	2,154
1.0% - <2.5%	589,979	997	–	590,976	1,415	–	–	1,415
2.5% - <10.0%	325,227	18,903	–	344,130	330	60	–	390
10.0% - <100%	24,163	218,496	–	242,659	127	3,617	–	3,744
Default	–	–	134,950	134,950	–	–	4,576	4,576
Total mortgage	3,455,639	238,814	134,950	3,829,403	4,631	3,677	4,576	12,884
Coverage					*0.1 %*	*1.5 %*	*3.4 %*	*0.3 %*
SME								
<0.25%	43	21	–	64	400	–	–	400
0.25% - <0.5%	36	7	–	43	–	–	–	–
0.5% - <1.0%	87	38	–	125	1	–	–	1
1.0% - <2.5%	9,117	430	–	9,547	164	8	–	172
2.5% - <10.0%	33,668	5,059	–	38,727	1,760	299	–	2,059
10.0% - <100%	8,684	14,079	–	22,763	1,327	4,514	–	5,841
Default	–	–	18,249	18,249	–	–	17,995	17,995
Total SME	51,635	19,634	18,249	89,518	3,652	4,821	17,995	26,468
Coverage					*7.1 %*	*24.6 %*	*98.6 %*	*29.6 %*
Retail								
<0.25%	69	13	–	82	–	6	–	6
0.25% - <0.5%	2,497	197	–	2,694	4	40	–	44
0.5% - <1.0%	3,271	649	–	3,920	8	97	–	105
1.0% - <2.5%	2,352	491	–	2,843	16	94	–	110
2.5% - <10.0%	6,370	3,395	–	9,765	129	555	–	684
10.0% - <100%	105	2,213	–	2,318	17	502	–	519
Default	–	–	6,794	6,794	–	–	6,143	6,143
Total retail	14,664	6,958	6,794	28,416	174	1,294	6,143	7,611
Coverage					*1.2 %*	*18.6 %*	*90.4 %*	*26.8 %*
Total Drawn	3,521,938	265,406	159,993	3,947,337	8,457	9,792	28,714	46,963
Coverage					*0.2 %*	*3.7 %*	*17.9 %*	*1.2 %*

Credit risk exposure and impairment provision by internal IFRS 9 PD rating and IFRS 9 stage allocation - undrawn (audited)

2025	**Exposure after guarantee**				**Impairment Provision**			
Probability of default	**Stage 1 £**	**Stage 2 £**	**Stage 3 £**	**Total £**	**Stage 1 £**	**Stage 2 £**	**Stage 3 £**	**Total £**
Undrawn								
<0.25%	111,539	–	–	111,539	84	–	–	84
0.25% - <0.5%	14,613	9	–	14,622	29	–	–	29
0.5% - <1.0%	18,362	31	–	18,393	57	4	–	61
1.0% - <2.5%	27,310	44	–	27,354	197	8	–	205
2.5% - <10.0%	16,404	85	–	16,489	294	16	–	310
10.0% - <100%	35	1,806	–	1,841	3	345	–	348
Default	–	–	138	138	–	–	20	20
Total undrawn	188,263	1,975	138	190,376	664	373	20	1,057
Coverage					*0.4 %*	*18.9 %*	*14.5 %*	*0.6 %*

2024	Exposure after guarantee				Impairment Provision			
Probability of default	Stage 1 £	Stage 2 £	Stage 3 £	Total £	Stage 1 £	Stage 2 £	Stage 3 £	Total £
Undrawn								
<0.25%	125,534	–	–	125,534	191	–	–	191
0.25% - <0.5%	13,974	14	–	13,988	14	2	–	16
0.5% - <1.0%	31,298	46	–	31,344	82	7	–	89
1.0% - <2.5%	14,116	27	–	14,143	113	5	–	118
2.5% - <10.0%	18,832	135	–	18,967	313	25	–	338
10.0% - <100%	69	746	–	815	4	143	–	147
Default	–	–	174	174	–	–	8	8
Total undrawn	203,823	968	174	204,965	717	182	8	907
Coverage					*0.4 %*	*18.8 %*	*4.6 %*	*0.4 %*

Forbearance (audited)

Forbearance is offered when a customer experiences long-term financial difficulty. In such circumstances the Group uses judgement in assessing whether a SICR indicator, impairment or default event has occurred and applies forbearance measures to support the customer.

The main arrangements offered to customers are: payment arrangement (payment plan with a reasonable timeframe); concessionary arrangement (payment plan for demonstrably temporary financial difficulties); extension (increased product term) and reduced interest. During the year, the Group continued to support its retail and SME customers through a comprehensive range of flexible measures. SME lending predominantly represents lending under BBLS, CBILS and RLS programmes. The Group continued to offer PAYG forbearance measures, as outlined under the BBLS, during the year.

2025	**Loans subject to forbearance**			
	Total	**Of which Stage 2**	**Of which Stage 3**	**Coverage rate**
	£'000	**£'000**	**£'000**	
Retail	**1,805**	**203**	**1,602**	**78.2 %**
SME	**192**	**192**	**–**	**9.4 %**
Mortgages	**70,371**	**36,013**	**34,358**	**1.1 %**
Total loans in forbearance	**72,368**	**36,408**	**35,960**	**3.0 %**

2024	Loans subject to forbearance			
	Total	Of which Stage 2	Of which Stage 3	Coverage rate
	£'000	£'000	£'000	
Retail	2,165	227	1,938	78.0 %
SME	340	340	–	20.2 %
Mortgages	58,371	34,961	21,743	1.8 %
Total loans in forbearance	60,876	35,528	23,681	4.6 %

	Loans subject to forbearance				
	No. of loans	**Exposure after guarantee**	**% of portfolio**	**Impairment allowance**	**Coverage as %**
2025		**£'000**		**£'000**	
Formal arrangements	**781**	**627**	**<0.1%**	**487**	**77.7 %**
Payment arrangement	**548**	**70,589**	**1.6 %**	**790**	**1.1 %**
Payment holiday	**299**	**227**	**<0.1%**	**191**	**84.1 %**
Legal	**1,525**	**925**	**<0.1%**	**720**	**77.8 %**
Total loans in forbearance	**3,153**	**72,368**	**1.7 %**	**2,188**	**3.0 %**

	Loans subject to forbearance				
	No. of loans	Exposure after guarantee	% of portfolio	Impairment allowance	Coverage as %
2024		£'000		£'000	
Formal arrangements	659	518	<0.1%	404	78.0 %
Payment arrangement	561	58,797	1.5 %	1,120	1.9 %
Payment holiday	966	734	<0.1%	619	84.3 %
Legal	1,350	827	<0.1%	644	77.9 %
Total loans in forbearance	3,536	60,876	1.5 %	2,787	4.6 %

Modifications of forborne loans

There were no modifications to loans and advances to customers subject to forbearance that resulted in substantial modification to the asset.

Collateral (audited)

Within loans and advances to customers, the Group obtains collateral for its exposures in the mortgage portfolio. Amounts may be secured by a first or second charge over residential property. The quality of the Group's mortgage portfolio can be considered with reference to the average LTV, as set out in the tables below:

Mortgage LTV 2025	Owner Occupied[1] £'000	Buy-to-let £'000	Total £'000	Total as %
Less than 50%	433,905	199,602	633,507	14.7 %
50% to 60%	156,739	378,877	535,616	12.5 %
60% to 70%	123,333	1,277,828	1,401,161	32.6 %
70% to 80%	52,981	1,644,135	1,697,116	39.5 %
80% to 90%	8,356	17,863	26,219	0.6 %
90% to 100%	3,187	1,854	5,041	0.1 %
Greater than 100%[2]	1,233	929	2,162	<0.1%
Total mortgage lending before impairment provision	779,734	3,521,088	4,300,822	100.0 %

Mortgage LTV 2025	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Total as %
Less than 50%	477,581	87,895	68,031	633,507	14.7 %
50% to 60%	456,487	42,290	36,839	535,616	12.5 %
60% to 70%	1,326,258	50,375	24,528	1,401,161	32.6 %
70% to 80%	1,657,715	24,952	14,449	1,697,116	39.5 %
80% to 90%	18,445	2,898	4,876	26,219	0.6 %
90% to 100%	2,315	656	2,070	5,041	0.1 %
Greater than 100%[2]	1,157	173	832	2,162	<0.1%
Total mortgage lending before impairment provision	3,939,958	209,239	151,625	4,300,822	100.0 %

[1] Includes £26.0m of mortgage lending secured by a second charge over residential property.

[2] Changes in collateral valuation methodology, including the adoption of a new AVM provider and changes in indexation, have resulted in refinements to collateral valuations and reduced LTVs calculated as greater than 100%.

Mortgage LTV 2024	Owner Occupied[1] £'000	Buy-to-let £'000	Total £'000	Total as %
Less than 50%	413,524	150,750	564,274	14.7 %
50% to 60%	209,028	260,407	469,435	12.3 %
60% to 70%	188,404	894,134	1,082,538	28.3 %
70% to 80%	132,722	1,177,036	1,309,758	34.2 %
80% to 90%	55,276	195,300	250,576	6.5 %
90% to 100%	12,205	68,262	80,467	2.1 %
Greater than 100%	9,267	63,088	72,355	1.9 %
Total mortgage lending before impairment provision	1,020,426	2,808,977	3,829,403	100.0 %

Mortgage LTV 2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000	Total as %
Less than 50%	455,664	59,955	48,655	564,274	14.7 %
50% to 60%	402,682	34,975	31,778	469,435	12.3 %
60% to 70%	983,926	72,120	26,492	1,082,538	28.3 %
70% to 80%	1,242,335	52,088	15,335	1,309,758	34.2 %
80% to 90%	228,224	14,343	8,009	250,576	6.5 %
90% to 100%	77,543	1,679	1,245	80,467	2.1 %
Greater than 100%[2]	65,265	3,654	3,436	72,355	1.9 %
Total mortgage lending before impairment provision	3,455,639	238,814	134,950	3,829,403	100.0 %

[1] Includes £33.1m of mortgage lending secured by a second charge over residential property.

[2] In 2024, the Bank continued to refine its approach to property valuations for portfolios with aged valuations. Third party indexation was used which resulted in LTV greater than 100% for certain sections of acquired portfolios.

Mortgage credit performance (audited)

During the year, the Group continued to originate BTL mortgages through its wholly-owned subsidiary Fleet. The mortgage portfolios contain a mix of customers on fixed-rate repayment terms where the customers' rates of interest are fixed for periods of up to seven years, and those on variable rates.

For the portfolio of interest only mortgages, customers are only required to make payments of interest. The customer is responsible for repaying the principal outstanding at the end of the loan term.

2025	**Stage 1** **£'000**	**Stage 2** **£'000**	**Stage 3** **£'000**	**Total** **£'000**
Mortgage lending				
Buy-to-let	**3,435,217**	**70,690**	**15,181**	**3,521,088**
Of which interest only	**3,289,924**	**64,040**	**14,826**	**3,368,790**
Owner occupied	**504,741**	**138,549**	**136,444**	**779,734**
Of which interest only	**180,412**	**58,181**	**93,494**	**332,087**
Total mortgage lending	**3,939,958**	**209,239**	**151,625**	**4,300,822**
Of which interest only	**3,470,336**	**122,221**	**108,320**	**3,700,877**

2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Mortgage lending				
Buy-to-let	2,668,619	130,996	9,362	2,808,977
Of which interest only	2,559,555	121,550	8,518	2,689,623
Owner occupied	787,020	107,818	125,588	1,020,426
Of which interest only	255,951	58,228	89,695	403,874
Total mortgage lending	3,455,639	238,814	134,950	3,829,403
Of which interest only	2,815,506	179,778	98,213	3,093,497

Interest only contractual maturity profile	**Group** **2025** **£'000**	Group 2024 £'000
Term expired	**19,933**	14,110
< 1 year	**18,834**	8,218
1 to 5 years	**134,533**	84,034
5 to 15 years	**578,957**	585,902
>15 years	**2,948,620**	2,401,233
Interest only	**3,700,877**	3,093,497

Credit risk - wholesale

Risk assessment

Wholesale credit risk is the risk of loss that may arise from an institutional borrower failing to make required payments. Counterparty credit risk is the risk that the counterparty to a market transaction defaults before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive EV at the time of default.

Starling’s wholesale credit risk arises from balance sheet management and investments in highly rated debt securities. Counterparty credit risk arises from hedging balance sheet risks with market counterparties. Interest rate swaps are cleared through the LCH and counterparty credit risk also results from FX swap and spot transactions.

Risk appetite

Starling's wholesale credit risk appetite is set by the Board. Starling aims never to become reliant upon any wholesale counterparty to the extent that a failure by that counterparty would have a severe detrimental impact upon Starling.

Risk mitigation

Starling’s counterparties are established market makers in the swap and FX markets and are highly rated by independent rating agencies. Starling has ISDA Master Agreements and CSA and Global Master Repurchase agreements for two-way daily collateral margining. Interest rate swaps are cleared via clearing house members with margin held in a segregated account.

Exposures are managed through credit analysis in line with methodologies agreed by the ERC. Exposures are managed within limits. Ongoing monitoring uses market and rating agency data.

Risk monitoring

Starling's exposures to wholesale counterparties are measured and monitored daily and maintained within risk appetite. Any breaches to limits or trigger levels are escalated in line with policies to senior management. Limits are set for overall large exposures, single name, geographic and product exposures.

ERC monitors wholesale credit risk exposures, reviews changes to models and methodologies for measuring the risk, and recommends any changes in risk appetite to the Board.

Credit quality of debt securities held

The following tables set out information about the Group's credit quality of debt securities. Ratings of all debt securities are considered CQS1[1] as assigned in accordance with the standardised approach to credit risk.

	2025 £'000	2024 £'000
UK gilts and T-bills[1]	**399,319**	101,356
Sub-sovereign, supranational and agency bonds	**1,312,305**	1,433,657
Covered bonds	**1,258,616**	1,109,808
Residential mortgage-backed securities	**993,778**	675,881
Total debt securities	**3,964,018**	3,320,702

[1] T-bills of £342.5m (2024: £99.5m) are unrated and have been assigned the same rating as the UK sovereign issuer at CQS1 in this table.

Each asset is measured at amortised cost and the Group considers that full repayment will occur.

The Group has reviewed each asset within its debt securities portfolio to ensure that the underlying asset remains of at least investment grade. At year end the impact of ECL impairment requirements on the Group's debt securities is immaterial.

Credit quality of cash and balances at central banks and loans and advances to banks

See page 96 for credit quality of cash and balances at central banks and loans and advances to banks. All are amounts placed are with institutions rated CQS2 or above and the PD has been assessed to be remote. At year end the impact of ECL impairment requirements on the Group's cash and balances at central banks and loans and advances to banks is immaterial.

Offsetting of financial assets and liabilities (audited)

The following relates to derivatives which have not been offset in the statement of financial position, but for which the Group has enforceable netting agreements and holds variation margin collateral.

Netting arrangements do not necessarily result in an offset of derivative assets and liabilities unless the right of set-off is not contingent on any future events and is legally enforceable, and the intention is to settle on a net basis as per IAS 32. As the Group does not have an unconditional right to settle on a net basis, the derivative assets and liabilities, shown under netting arrangements in the table below, have not been offset in the statement of financial position. The Group enters into derivatives with various counterparties which are governed by industry standard master netting agreements. The Group holds and provides collateral in respect of transactions covered by these agreements. All interest rate swaps clear through the LCH.

Derivatives collateral placed with swap counterparties

The Group addresses the credit risk associated with derivative activities by placing/receiving initial margin and variation margin. The counterparty credit exposure is monitored daily requiring additional collateral to be posted or returned as necessary. The only forms of collateral accepted by the Group in respect of derivatives is cash. Both cash and debt securities are placed by the Group as derivative collateral.

Group 2025	As reported £'000	Netting agreements £'000	Cash collateral[1] £'000	Net amounts after netting £'000
Derivative assets	156,615	(48,309)	(107,584)	722
Derivative liabilities	(49,052)	48,309	–	(743)
Amounts subject to netting	**107,563**	**–**	**(107,584)**	**(21)**

[1] Cash collateral includes variation margin received but excludes initial margin placed with counterparties.

Group 2024	As reported £'000	Netting agreements £'000	Cash collateral £'000	Net amounts after netting £'000
Derivative assets	246,541	(49,426)	(195,424)	1,691
Derivative liabilities	(51,417)	49,426	–	(1,991)
Amounts subject to netting	195,124	–	(195,424)	(300)

Risk taxonomy and risk mitigation

Model risk

Risk assessment
Model risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions. These adverse consequences could include a deterioration in the prudential position, non-compliance with applicable laws and/or regulations, customer detriment, damage to the Bank's reputation or financial loss.

Starling operates a wide range of models to support its business activities, the use of which give rise to the potential for adverse consequences arising from model risk. As such, model risk is considered a key risk category, underpinned by a policy and standards which set out Starling's approach to its management.

Risk appetite
The Bank has developed a series of risk appetite limits and key risk indicators in relation to model risk, which provide an assessment of the level of risks associated with the model estate. The model risk appetite is approved by the Board on recommendation of the BRC.

Starling is committed to ensuring that models are robust, reliable and used appropriately and that all models are developed, governed and maintained in accordance with internal policy and standards.

In order to avoid the use of models that are unsuitable for their proposed use due to risks relating to limitations, technical factors, assumptions or errors, Starling seeks to ensure that:

- Both model design and build reflect the model's intended purposes, employ sound methodology and produce reliable outputs; and
- Models are always used for their intended purposes, and not in a way that could lead to biased, misleading or inappropriate results.

Risk measurement
The risk is measured by tracking the status of models against the requirements set out in the Bank's Model Risk Policy.

Risk management
The Bank has established a MRC, as a sub-committee of ERC, with responsibility for overseeing the effective rollout of the Model Risk Framework and for monitoring the Bank's model estate against the Board-approved model risk appetite. The MRC reviews adherence to the framework to ensure that the Bank's models are subject to effective oversight, control and governance.

Day-to-day management of Model Risk is overseen by a dedicated team in 2L. This team is responsible for validating the Bank's most material models, in order to provide an independent view of their suitability prior to use, and on an ongoing basis.

Risk monitoring
Risk management oversight of adherence to the Model Risk Policy is exercised through the MRC, with reporting to the ERC, BRC and the Board as appropriate.

Change in the year
Over the course of the year, Starling continued the process of rolling out and embedding the Model Risk Policy, and assessing its models in line with the requirements of the policy. An inventory of models used within the Bank is in place, and each model has been assigned a tier based on its materiality and complexity.

Model validation activity has been prioritised on those models which pose the highest level of potential risk to the Bank, based on their assigned tier. The MRC regularly reviews progress against the model validation plan, alongside any findings identified through validation.

Liquidity risk

Risk assessment

Liquidity risk is the risk that Starling does not have sufficient available financial resources to enable it to meet its obligations as they fall due. This includes failure to have the right type and quantity of funds, in the right place, at the right time and in the correct currency.

Funding risk is Starling's principal form of liquidity risk. Funding risk is the risk that Starling does not have stable sources of funding in the medium- and long-term to enable it to meet its financial obligations as they fall due.

Starling's sources of (non-equity) funding are from current accounts, savings accounts, Starling payment services accounts and from the BoE's TFSME. TFSME and some short-term repurchase agreements (repos) are the only forms of wholesale funding that the Group currently utilises. There were no repos outstanding as at 31 March 2025.

The primary drivers of liquidity risk for Starling are:

- Customer funding risk: the risk that customer deposit balances fall; and
- Future balance sheet growth: the risk that Starling's deposit liabilities do not grow as planned while its assets grow according to, or faster than, the business plans.

Risk appetite

Starling's Board-approved risk appetite limits ensure compliance with the OLAR. The Group has a comprehensive suite of metrics that not only cover minimum regulatory requirements (LCR and NSFR)[1], but also ensure that liquid assets are maintained to cover both a short- and a longer-term stress. Additionally, the Group sets limits on asset encumbrance.

The Group ensures that it will, at all times:

- Maintain sufficient liquidity to enable it to successfully meet its financial obligations as they fall due;
- Maintain sufficient liquid assets to keep liquidity metrics above their required internal and regulatory minimum levels; and
- Maintain its compliance with the OLAR.

The Board's risk appetite is underpinned by a suite of early warning indicators.

Risk measurement

Liquidity risk is measured in accordance with the PRA's OLAR. Liquidity risk stress testing is undertaken as part of the annual ILAAP refresh, the Recovery Plan and on an ad-hoc basis to analyse any proposed changes to the business plan. Key risk drivers are identified and severe but plausible stress tests are developed based on these. Idiosyncratic, market, combined and reverse stress tests are undertaken.

Risk management

To protect itself against a liquidity stress, Starling maintains a liquidity buffer of central bank cash and liquid assets. The size of the liquidity buffer is calibrated in accordance with the risk appetite metrics. This requires Starling to hold sufficient liquid assets to survive a severe but plausible simultaneous market wide and idiosyncratic stress event.

The Group is able to sell or repo securities that form part of its liquidity buffer with market participants, and has pre-positioned assets with the BoE which it can use as part of the BoE's Sterling Monetary Framework operations.

Starling maintains a liquidity contingency plan as part of its Recovery Plan, which includes details of the actions Starling could take to recover from a liquidity stress event. Resolution planning is undertaken to understand the liquidity requirements if a resolution were to occur.

Details of the key liquidity risks and how they are managed are set out in the ILAAP, which is approved by the Board. Liquidity risk exposures are subject to assessment under both regulatory and internal requirements.

Risk monitoring

Monitoring and reporting of liquidity risk metrics and early warning indicators is provided to senior management daily, ALCO and ERC monthly, and regularly to BRC and the Board.

The treasury function escalates breaches of limits/triggers to senior management and to ALCO. 2L reports on the Bank's liquidity position to ERC and escalates breaches to BRC and to the Board as appropriate.

Change in the year

Starling's liquidity position remained comfortably in excess of its risk appetite limits throughout the year. As at 31 March 2025, the Bank's LCR was 574.2% (2024: 407.8%). The deposit base continued to grow from £11.0bn to £12.1bn. As at 31 March 2025, the Bank had an NSFR of 245.5% (2024: 216.3%). The NSFR measures the stability of funding sources and has remained comfortably above the minimum regulatory requirement of 100% throughout the year.

Both the LCR and NSFR have increased year-on-year as Starling continues to grow its deposit book.

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[1] Funding and liquidity regulatory requirements apply to the Company only.

Liquidity coverage ratio

The following table shows the LCR for the Bank as at 31 March 2025:

	2025 £'000	2024 £'000
Eligible liquidity buffer	**7,207,863**	6,750,293
Net stress outflows	**(1,255,263)**	(1,655,287)
Surplus	**5,952,600**	5,095,006
Liquidity coverage ratio	**574.2 %**	407.8 %

The table below shows the composition of the Bank's liquidity buffer by asset type. The eligible liquidity buffer consists of total LCR eligible HQLA held after LCR haircuts.

	2025 £'000	2024 £'000
Balances with BoE	**5,938,050**	5,718,800
UK gilts and T-bills	**152,834**	6,023
Sub-sovereign, supranational and agency bonds	**114,500**	216,072
Covered bonds	**348,520**	405,336
RMBS	**653,959**	404,062
Eligible liquidity buffer	**7,207,863**	6,750,293

Sources of funding (audited)

The following table shows the composition of the Bank's total funding as at 31 March 2025:

	2025		2024	
	£'000	%	£'000	%
SME current accounts	**5,558,783**	**39.1 %**	5,755,480	43.8 %
Personal current accounts	**4,584,232**	**32.3 %**	4,597,753	34.9 %
Savings accounts	**1,790,749**	**12.6 %**	422,491	3.2 %
Payment services accounts	**122,692**	**0.9 %**	181,687	1.4 %
Total customer deposits[1]	**12,056,456**	**84.9 %**	10,957,411	83.3 %
Bank of England - central bank facilities[1]	**2,150,000**	**15.1 %**	2,200,000	16.7 %
Total funding	**14,206,456**	**100.0 %**	13,157,411	100.0 %

[1] Total funding balances do not include accrued interest.

Encumbered assets by asset class (audited)

Starling manages the level of asset encumbrance to ensure appropriate volumes of assets are maintained to support future planned and potential stressed funding requirements.

	Encumbered		Unencumbered		Total	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Cash and balances at central banks	**670,100**	525,020	**6,016,588**	5,895,095	**6,686,688**	6,420,115
Debt securities[1]	**2,244,305**	1,936,941	**1,690,617**	1,347,926	**3,934,922**	3,284,867
Loans and advances to customers[1]	**285,116**	472,383	**4,385,451**	4,065,280	**4,670,567**	4,537,663
Other assets	**–**	38,142	**54,474**	61,905	**54,474**	100,047
Total encumbered assets	**3,199,521**	2,972,486	**12,147,130**	11,370,206	**15,346,651**	14,342,692

[1] Encumbered debt securities and loans and advances to customers include amounts pledged as eligible collateral before haircuts.

These transactions are conducted under terms that are usual and customary to collateralised transactions. The amount of assets pledged to secure liabilities may be greater than the book value of assets utilised as collateral.

Included in debt securities and loans and advances to customers are amounts pledged as eligible collateral to secure funding under the BoE's TFSME programme. See note 19 for further detail. Also included in encumbered debt securities are amounts pledged as collateral for initial margin with derivative counterparties and to card schemes in order to support customer's transaction volumes.

Included within encumbered cash and balances at central banks are balances with the BoE of £670.1m (2024: £525.0m) held as collateral for payment schemes.

In the prior year, encumbered other assets related to security deposits placed at a nominated bank at the request of the Bank's card scheme. This balance was repaid during the year and debt securities utilised as a replacement.

Financial assets and liabilities by maturity (audited)

The following table represents a breakdown of the Group's financial assets and liabilities by contractual maturity:

2025	Total	On demand	Up to 3 months	3 – 12 months	1 – 3 years	3 – 5 years	Over 5 years	Undated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cash and balances at central banks	6,686,688	6,686,688	–	–	–	–	–	–
Loans and advances to banks	30,489	30,489	–	–	–	–	–	–
Debt securities	3,934,922	–	189,905	630,337	1,058,199	1,881,182	175,299	–
Derivative assets	156,615	–	12,850	19,016	87,336	31,486	5,927	–
Interest rate swaps	156,189	–	12,424	19,016	87,336	31,486	5,927	–
FX swaps	426	–	426	–	–	–	–	–
Loans and advances to customers	4,670,567	16,735	33,733	55,526	199,797	140,670	4,224,106	–
Other assets - financial assets[1]	40,054	–	18,165	9,753	8,266	3,801	55	14
Total financial assets	15,519,335	6,733,912	254,653	714,632	1,353,598	2,057,139	4,405,387	14
Customer deposits	12,066,650	11,812,779	55,272	198,599	–	–	–	–
Deposits from banks	2,278,221	103,835	24,386	600,000	1,090,000	–	460,000	–
Derivative liabilities	49,052	–	5,761	2,452	16,365	23,371	1,103	–
Interest rate swaps	48,091	–	4,800	2,452	16,365	23,371	1,103	–
FX swaps	961	–	961	–	–	–	–	–
Other liabilities	131,014	–	126,814	350	735	–	–	3,115
Lease Liabilities	14,376	–	1,064	2,449	7,078	3,785	–	–
Total financial liabilities	14,539,313	11,916,614	213,297	803,850	1,114,178	27,156	461,103	3,115

[1] Includes other assets (note 13) except prepayments.

Financial assets and liabilities by maturity (audited)

The following table represents a breakdown of the Group's financial assets and liabilities by contractual maturity:

2024	Total £'000	On demand £'000	Up to 3 months £'000	3 – 12 months £'000	1 – 3 years £'000	3 – 5 years £'000	Over 5 years £'000	Undated £'000
Cash and balances at central banks	6,420,115	6,420,115	–	–	–	–	–	–
Loans and advances to banks	36,879	36,879	–	–	–	–	–	–
Debt securities	3,284,867	–	200,588	343,344	1,141,201	1,398,047	201,687	–
Derivative assets	246,541	–	18,202	23,543	114,138	81,773	8,885	–
Interest rate swaps	246,537	–	18,198	23,543	114,138	81,773	8,885	–
FX swaps	4	–	4	–	–	–	–	–
Loans and advances to customers	4,537,663	17,968	32,233	20,498	426,844	203,105	3,837,015	–
Other assets - financial assets[1]	86,402	–	22,772	9,312	11,373	3,142	1,485	38,318
Total financial assets	14,612,467	6,474,962	273,795	396,697	1,693,556	1,686,067	4,049,072	38,318
Customer deposits	10,970,237	10,540,169	45,614	384,454	–	–	–	–
Deposits from banks	2,420,471	191,675	78,796	–	2,150,000	–	–	–
Derivative liabilities	51,417	–	1,324	3,374	8,671	34,206	3,842	–
Interest rate swaps	50,888	–	795	3,374	8,671	34,206	3,842	–
FX swaps	529	–	529	–	–	–	–	–
Other liabilities	352,789	–	345,132	1,160	1,779	299	30	4,389
Lease Liabilities	14,633	–	1,041	2,149	6,165	4,670	608	–
Total financial liabilities	13,809,547	10,731,844	471,907	391,137	2,166,615	39,175	4,480	4,389

[1] Includes other assets (note 13) except prepayments.

Cash flows payable under liabilities by contractual maturity (audited)

The following table is an analysis of undiscounted gross contractual cash flows of financial liabilities and lease liabilities. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of projected interest flows until maturity payable on the amounts outstanding as at 31 March 2025.

2025

Undiscounted contractual cashflows	Total £'000	On demand £'000	Up to 3 months £'000	3 – 12 months £'000	1 – 3 years £'000	3 – 5 years £'000	Over 5 years £'000
Customer deposits	12,071,905	11,812,779	56,520	202,606	–	–	–
Deposits from banks	2,473,878	103,835	48,574	658,219	1,161,850	41,400	460,000
Derivative liabilities	51,844	–	9,407	11,122	22,652	7,722	941
Lease liabilities	15,229	–	1,163	2,714	7,488	3,864	–
Total cashflows	**14,612,856**	**11,916,614**	**115,664**	**874,661**	**1,191,990**	**52,986**	**460,941**

2024

Undiscounted contractual cashflows	Total £'000	On demand £'000	Up to 3 months £'000	3 – 12 months £'000	1 – 3 years £'000	3 – 5 years £'000	Over 5 years £'000
Customer deposits	10,982,462	10,540,169	45,753	396,540	–	–	–
Deposits from banks	2,689,643	191,675	107,671	84,875	2,305,422	–	–
Derivative liabilities	69,920	–	6,422	13,932	30,782	17,832	952
Lease liabilities	15,633	–	1,051	2,198	6,480	5,153	751
Total cashflows	13,757,658	10,731,844	160,897	497,545	2,342,684	22,985	1,703

Market risk

Market risk is the risk of loss due to changes in market prices. This covers risks such as FX and interest rate risk. Starling has a small trading book for the sole purpose of servicing customer related spot FX activities.

Foreign exchange risk

Risk assessment

FX risk is the risk of loss as a consequence of adverse changes in FX rates.

Risk appetite

Starling will not take any proprietary (own account) trading positions, other than as arising from customer related activities. Starling will, wherever possible, operate a matched book basis for individual currency exposures and, where an unhedged net exposure position arises, will seek to hedge the resulting amount. Starling will only accept limited currency exposures in EUR and USD.

Risk measurement

This risk is measured daily by calculating the net open position, per currency and in aggregate, across all currencies.

FX risk is also assessed annually in the ICAAP for capital allocation. We remain below the regulatory de minimis threshold for holding capital for this exposure.

Risk management

FX risk is managed through the execution of spot and forward FX transactions with counterparty banks to reduce open positions. Currency exposures are managed on an aggregate basis.

Risk monitoring

FX risk is monitored daily by the treasury function. Positions are reported daily to senior management and Risk. Monthly reporting is provided to ALCO, ERC and to the Board, with analysis also presented regularly to the BRC.

Change in year

Starling does not seek to take FX risks. The net open position remains within risk appetite.

Net foreign exchange exposure

The following table provides further detail of the Group's net FX position:

2025	**Euro** **£'000**	**US Dollar** **£'000**	**Total** **£'000**
Loans and advances to banks	4,548	1,818	6,366
Debt securities	2,109	31,161	33,270
Loans and advances to customers	76	2	78
Other assets	1,231	3,022	4,253
Total FX assets	7,964	36,003	43,967
Customer deposits	(260,710)	(46,767)	(307,477)
Other liabilities & accruals	(1,272)	(1,076)	(2,348)
Total FX liabilities	(261,982)	(47,843)	(309,825)
Gross FX exposure	(254,018)	(11,840)	(265,858)
Derivatives[1]	254,093	10,483	264,576
Net FX exposure	75	(1,357)	(1,282)

2024	Euro £'000	US Dollar £'000	Total £'000
Loans and advances to banks	8,988	681	9,669
Debt securities	2,152	32,002	34,154
Loans and advances to customers	73	2	75
Other assets	3,354	1,069	4,423
Total FX assets	14,567	33,754	48,321
Customer deposits	(301,718)	(59,304)	(361,022)
Other liabilities & accruals	(1,547)	(791)	(2,338)
Total FX liabilities	(303,265)	(60,095)	(363,360)
Gross FX exposure	(288,698)	(26,341)	(315,039)
Derivatives[1]	291,080	25,751	316,831
Net FX exposure	2,382	(590)	1,792

[1] FX swaps pay and receive legs are shown on a gross basis to reflect economic hedge.

Interest rate risk in the banking book

Risk assessment

IRRBB is the risk of a realised or unrealised loss as a consequence of adverse changes in interest rates. The key sub-elements of interest rate risk most relevant to Starling are:

- Repricing risk – the risk arising from the timing mismatch on the repricing of assets, liabilities and off balance sheet items. Losses may arise from both parallel and non-parallel shifts in the yield curve;
- Basis risk – the risk arising from relative changes in interest rates on items that are priced using different interest rate indices. Starling is exposed to basis risk as some of its assets and liabilities are linked to different indices; and
- Optionality risk – the risk arising from customer behaviour differing from contractual arrangements. Starling is exposed to this risk from the ability of customers to prepay fixed term loans, to choose when to repay overdrafts, to extend or pause payments on UK government loan schemes, and to withdraw deposits at a timing of their choice.

Risk appetite

Starling minimises its interest rate risk, and does not seek to profit from speculation. Risk appetite is set by the Board and is based firstly on an EV measure of risk, and secondly by an earnings risk measure viewed as the risk to NII over a rolling 12-month horizon.

Sub limits, agreed by ALCO, are in place for EUR and USD EV and for basis risk. Starling also monitors its regulatory EVE measure, based upon the 6 prescribed yield curve perturbations.

Risk measurement

Stress testing is carried out on a monthly basis. The Bank’s exposure to 250bps parallel changes in rates, along with non-parallel rate shocks, is carried out for EV. Stress testing is also carried out to monitor the impact on NII of a 100bp parallel change in rates. Additional stress tests, based on different rate moves and on curves steepening and flattening, are also carried out.

The projected change in NII in response to an immediate parallel upwards and downwards 100bps shift in all relevant interest rates is considered as a change to NII over a 1-year horizon. The measure assumes all interest rates, for all currencies and maturities, move at the same time and that the balance sheet composition remains constant.

NII sensitivity (audited)	**2025** **£’000**	2024 £’000
+100 bps parallel shift	**+58,400**	+45,700
-100 bps parallel shift	**-59,600**	-47,500

EV sensitivity	**2025** **£’000**	2024 £’000
+250 bps parallel shift	**-3,000**	-2,458
-250 bps parallel shift	**-500**	-61

A 250bp EV shift risk metric was adopted by the Board in the current year, under the Bank’s risk appetite framework. Previously, the metric was a 200bp EVE shift. The 2024 EV sensitivity in the table is presented on the updated 250bp basis.

Risk management

The treasury function manages the Group’s interest rate risk within the risk appetite set by the Board. Starling executes interest rate derivatives to manage exposures. All swaps executed are economic hedges. The swaps executed are all centrally cleared, with the counterparty risk being to the LCH.

Structural Hedge

Starling maintains a structural hedge programme to mitigate its exposure to earnings volatility arising from interest rate changes on its core non-interest bearing liabilities. The majority of these core liabilities are in the form of non-maturity deposits.
Assumptions covering the expected life of these core liabilities are modelled on a behavioural basis, reviewed and approved by ALCO, and challenged by the Risk function. At year end, the structural hedge notional was £5.0bn (2024: £5.0bn), with a weighted average duration of 2.5 years, and had a locked-in average fixed yield of 4.33% (2024: 4.65%).

Risk monitoring

ALCO and ERC monitor interest rate risk on a monthly basis and it is regularly reported to the BRC and Board. In addition to the risk appetite metrics, ALCO also monitors the impact of other parallel and non-parallel interest rate shocks, in line with the PRA Rulebook, the impact of a basis risk stress on NII and the impact of other rate stresses on NII.

Change in the year

The increase in the Bank's NII sensitivity is driven primarily by a change in pricing assumptions, and the removal of interest paid to current account balances. The movement in the Bank's EV sensitivity relates to small mismatches between risk and hedge executed.

Capital risk

Risk assessment

Capital risk is the risk that Starling does not have sufficient capital to withstand unexpected losses, meet regulatory requirements, and support the growth plans of the business. The risk arises from unexpected losses impacting profitability, an increase in the riskiness of lending and/or higher lending volumes than planned increasing RWAs. Starling holds capital to absorb these losses and to support the strategic growth in its business.

Pillar 1 risks are calculated for credit risk (including counterparty credit risk), operational risk and market risk. The standardised approach is used for credit risk and counterparty credit risk, and the basic indicator approach for operational risk.

Pillar 2 risks are assessed to determine whether any additional capital is required over and above Pillar 1. The key risks assessed relevant to Starling’s business model are credit risk, operational risk and IRRBB.

All of Starling's capital is CET1.

Risk appetite

Starling will, at all times, maintain sufficient capital resources to cover its risk profile and associated risk exposures. As a minimum, the Group's[1] capital resources are maintained above MREL requirements plus buffers at all times.

The Board approves the capital risk appetite annually, defining the minimum level of capital above the regulatory minimum that the Group needs to hold across several metrics. Quantitative risk appetite metrics are set on a point in time and forward-looking basis with reference to the Group’s CET1 ratio and MREL requirements plus buffers and the UK leverage ratio.

Risk measurement

The capital position is measured against Board-approved capital risk appetite triggers and limits. Should the capital position reach the trigger level, the Board would consider a range of management actions as set out in the Recovery Plan.

Capital stress testing is undertaken at least annually as part of the ICAAP and the Recovery Plan. For the ICAAP, Pillar 2a stress and scenario testing is undertaken for credit risk, operational risk, IRRBB and climate related financial risk to consider whether additional capital is required over and above Pillar 1.

The Group also undertakes a range of severe but plausible stress scenarios including macroeconomic stress tests, idiosyncratic stresses and combined stresses to understand the impact of different situations on the capital position pre and post management actions. These are documented in the ICAAP and Recovery Plan.

Stress testing is also used to inform Starling's capital risk appetite.

Risk management

The capital position grows as verified or audited profits are added to the CET1 resources.

The Group undertakes recovery planning to understand how it would recover from a stress event and is in scope of the BoE's Resolvability Assessment Framework.

In line with regulations, Starling assesses its capital adequacy needs in its ICAAP which is reviewed, challenged and approved by the Board at least annually.

Risk monitoring

The capital position is monitored by the Regulatory Reporting team. A monthly report is provided to ALCO, ERC and to the Board, with regular analysis provided to the BRC.

A capital plan is approved by the Board at least annually, and in advance of strategic transactions. Stress testing is carried out at least annually and in advance of strategic decisions being taken by the Board.

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[1] For capital purposes Group is defined as a regulatory solo-consolidated group which includes the Company, and its subsidiary Starling FS Services Limited.

Change in year

The Group's capital position has remained comfortably in excess of its risk appetite limits and regulatory capital requirements over the course of the year. As at 31 March 2025, the Group's CET1 ratio was 31.55% (2024: 32.55%).

Total regulatory capital increased year to date from £0.9bn in 2024 to £1.0bn in 2025. Total RWAs have increased from £2.7bn in 2024 to £3.2bn in 2025, driven mainly by increasing our exposure to RWA-intensive mortgage lending and increased increased operational risk RWAs.

Applicable regulatory capital developments in the year

The regulatory regime for bank capital continues to evolve. Starling actively monitors changes and implements regulatory announcements in a timely manner. Key regulatory developments during the year of relevance to the Group were:

Basel 3.1: In November 2022 the PRA published a CP on the implementation of Basel 3.1 in the UK. In December 2023 it published PS17/23, the first part of its near-final policy statement and the second part of the final rules in September 2024. The implementation of the final rules have been delayed and now will become effective on 1 January 2027. The amendments include material changes to the standardised approaches to credit and operational risks. Starling is in the process of transitioning to Basel 3.1 and considers this impact in its' capital plan.

Strong and simple regime: In April 2022 the PRA published a CP on the definition of a Simpler-regime Firm. In December 2023 it published a PS15/23 on the scope, criteria, liquidity and disclosure requirements for Small Domestic Deposit Takers ("SDDTs") and in September 2024 it published CP7/24 on the simplified capital regime for SDDTs. Starling has chosen not to opt into the Simpler-regime as it is nearing the upper bound of the regime.

MREL: From April 2023 Starling has complied with its interim MREL requirements. End-state requirements are not yet applicable and are dependent on the BoE's revised MREL policy which is currently being consulted on.

Regulatory capital and ratios

	Group 2025 £'000	Group 2024 £'000
Total equity as per the Group statement of financial position (audited)	1,046,052	889,770
Own shares held reserve	56,464	56,464
Equity adjustments for solo-consolidated group[1]	57,868	41,996
CET1 capital before regulatory adjustments	1,160,384	988,230
Regulatory deductions:		
Intangible assets	(90,505)	(50,726)
Deferred tax asset	(4,947)	–
Add backs/(other deductions)	(10,239)	(17,424)
IFRS 9 transitional provision	1,899	7,050
Holdings of own CET1 instruments	(56,361)	(56,361)
CET1 capital	1,000,231	870,769
Total regulatory capital	1,000,231	870,769

[1] The regulatory solo-consolidated Group only includes the Company and the subsidiary Starling FS Services Limited.

	Group[1] 2025 £'000	Group[1] 2024 £'000
Credit risk exposure	2,097,576	1,926,224
Operational risk exposure	1,072,432	749,211
Credit valuation adjustment	24	42
Total risk-weighted assets	3,170,032	2,675,477
CET1 ratio	31.55 %	32.55%
Total Tier 1 ratio	31.55 %	32.55%
UK leverage ratio	11.14%	10.39%

[1] The regulatory solo-consolidated Group only includes the Company and the subsidiary Starling FS Services Limited.

Full detail of the Group's regulatory capital position is provided in the Group's Pillar 3 report published on Starling's website.

Operational risk

Risk assessment

Operational risk is the risk of loss to Starling resulting from ineffective or failed internal processes, people, systems, or external events that disrupt the flow of business operations.

Risk appetite

Starling accepts that there are operational risks associated with fulfilling its business objectives, but will seek to continually manage those risks through the implementation of effective operational controls, and minimise any potential losses that might arise from them.

Starling has a risk appetite statement for each of the identified sub-categories of operational risk, underpinned by metrics that measure performance against risk appetite.

Risk measurement

Starling performs operational risk scenario analysis exercises on at least an annual basis for the ICAAP and for operational resilience analysis. This is based on the outputs of strategic and emerging risk analysis, process vulnerabilities identified, external event data and the latest external developments.

The outcomes of scenarios are determined by subject matter experts from relevant areas across the business. Variables arising from the scenarios are subject to management judgement and experience to determine the influence on the drivers of risk and the ultimate impact on the Group, although relevant industry events and analysis are used to support those judgements.

Risk management

Starling has a suite of operational risk policies and procedures covering the identification, management and reporting of the risks associated with the identified sub-categories of operational risk.

All business areas are required to identify and assess their operational risks and evaluate the effectiveness of controls to mitigate those risks through the RCSA process. This process allows management to demonstrate that all significant risks are identified, assessed, owned and appropriately managed through the application of controls. Management must accept, mitigate or avoid each risk, and determine how each risk exposure should be managed.

Risk monitoring

Adherence to operational risk policies is monitored by 1L with oversight and assurance reviews by 2L. Operational risk management oversight is exercised through the ORC, as a sub-committee of the ERC, with regular reporting to the ERC, BRC and the Board.

Change in the year

Starling continues to experience growth in terms of customer volumes, with resulting increases in operational activities, albeit offset by an increasing maturity of its operational functions.

Enhancements to RCSA process

Starling's risk management approach continues to evolve to ensure that risk management capability builds commensurately with the Group's strategic growth, underpinned by a firm-wide risk maturity programme with oversight and support from the Board. A key focus in this financial year has been to further embed the RCSA process within the first line.

Operational resilience

Operational resilience has been a key consideration since the start of the Group's operations. Starling's operational resilience strategy is to develop and consistently maintain a business that remains able to carry out its mission despite operational stresses and disruption, through its ability to manage and effectively respond to internal and external factors that may hinder it from functioning.

In 2025, Starling continued its preparations for the end of the transition period for the UK Operational Resilience Rules introduced by the FCA and PRA. Starling has been conducting operational resilience self-assessment since 2021 and has updated this for 2025. Starling also continues to embed business continuity requirements.

Cyber security

Cyber risk remains a key industry threat as perpetrators continue to become more sophisticated and as geo-political tensions have risen.

Starling has created a strong security posture across the organisation which is underpinned by security-conscious staff, consistent and agile configuration management and continuous security testing. This security posture continues to be verified through regular independent auditing and testing.

Financial crime risk

Risk assessment

This category of risk covers two underlying threats to Starling and its customers:

- The risk of customer harm or operational losses arising from external dishonest behaviour, with the intent to make a gain or cause a loss to others; and
- Failure to identify and appropriately mitigate money laundering, terrorist financing, sanctions and anti-bribery and corruption risks arising from Starling's operations.

Risk appetite

Starling is committed to detecting and disrupting financial crime and ensuring that its products and services are not misused for any type of financial crime, through the sound operation of the appropriate control standards.

Starling will seek to avoid conducting business with entities or individuals engaged or suspected to be engaged in unlawful activities and has no appetite to transact with, on behalf of or to the benefit of a sanctioned individual or entity.

Starling accepts that external fraud represents a cost of doing business and will seek to find the appropriate balance between fraud losses, fraud mitigation costs and the reputational/ long-term impact that fraud can have on Starling's business model. Starling takes action to reduce fraud losses through the constant review and enhancement of control standards.

The effective prevention, detection and management of financial crime is critical to the integrity of the UK Financial system and ensuring consumer confidence.

Risk management

Starling continuously improves its policies and processes to allow for the identification, assessment and control of fraud and financial crime risks.

Fraud risk management encompasses the establishment, maintenance and operation of systems and controls to detect and prevent fraud.

All applications for an account are assessed for financial crime risk prior to approval. This includes carrying out relevant risk assessments and checks against external databases.

Starling engages with relevant cross-industry efforts to combat all forms of fraud and financial crime such as data sharing initiatives, active engagement with UK Finance, and through membership with Stop Scams UK.

While it is impossible to completely eliminate fraud and financial crime, Starling seeks to mitigate the risk through continuous improvement to its financial crime systems and controls.

Risk monitoring

Starling seeks to ensure that it has controls in place to detect and prevent fraud or financial crime, whether from the activity of new or existing customers, suppliers or staff. Starling continues to invest in prevention and detection systems and controls, throughout the lifecycle of a product or customer relationship (i.e. at application, servicing and exit). Where Starling identifies deficiencies in its controls it seeks to remediate and improve its control environment to deter such fraud or financial crime risk materialisation.

Adherence to financial crime risk policies is monitored by 1L with oversight and assurance by 2L. Risk management oversight is exercised through the ECRC, as a sub-committee of the ERC, with regular reporting to the ERC, BRC and the Board.

Change in the year

Starling was fined £29.0m in the year by the FCA for historical failings related to its financial sanctions screening and for breaches of a requirement not to open accounts for customers deemed to be high or higher risk . Starling cooperated fully with the FCA in its investigation and accepted its finding that the Bank’s financial crime controls failed to keep pace with the growth of the business. Where required, in relation to any areas of potential non-compliance - such in the case of suspected sanctions breaches- and any associated impacts, the Bank has disclosed and engaged in dialogue with the relevant oversight bodies.

Starling has been undertaking a detailed remediation programme in respect of the contraventions detailed in the FCA's Final Notice, this programme has now moved into its final stage which is focussed on the continued embedding and transition to business as usual. This is supported by a significant programme of investment in its controls and financial crime resource, across all three lines of defence, since the period to which the fine relates.

Starling has made numerous enhancements in the year to its risk policies, assessment models and monitoring system in its efforts to detect and prevent financial crime. For example, in October 2024 Starling rolled out a new in-app feature, 'Call Status Indicators', to protect customers against bank impersonation scams. This feature provides customers with real-time updates, instantly letting them know whether they are receiving a genuine call from Starling at that very moment. That way, they will know if a scammer is on the phone, trying to persuade them to make a payment.

Conduct risk

Risk assessment
Conduct risk is the risk of creating harm to a customer, counterparty or market arising from inappropriate behaviour by Starling or its partners in the execution of business activities.

Risk appetite
Starling will seek to avoid any instances where its practices or inappropriate individual behaviour create harm to a customer, counterparty or market, through the sound operation of appropriate controls to prevent and detect any such risks.

Starling is committed to providing the level of service, support and information needed and expected by customers throughout the lifecycle of their relationship with the Bank to ensure good customer outcomes are achieved.

Starling will seek at all times to provide products and services to customers that are designed to meet their needs, that are distributed appropriately, that perform in the way the customer expects and that provide customers with fair value.

Risk management
Starling's conduct risk framework and policies set out the approach for the delivery of good outcomes for consumers, as well as ensuring appropriate conduct by staff in line with the Bank's expectations and the FCA's Conduct Rules. The Bank has sub-policies and procedures covering all parts of the customer journey (new products, marketing, complaints and vulnerable customers), with specified key risks and controls, and key metrics for the Board.

Starling continuously improves its policies and processes to allow for the identification, assessment and control of conduct risks.

All of Starling's business functions and risk management teams are required to complete RCSA analysis in respect of their conduct risks. This acts as a specific control through which management validates that all significant risks are identified, assessed, allocated to owners and appropriately managed through the application of controls.

All communications are reviewed and approved by appropriate 1L subject matter experts to ensure that they are clear, fair and not misleading and that they explain any product limitations.

All new product initiatives and significant changes to existing products are required to follow a prescribed product governance process. Through this process, key risks are identified across all key risk categories - including conduct risk - and subject to appropriate 2L oversight and challenge and risk committee review. The CCC, as a sub-committee of the ERC, reviews initiatives in relation to potential conduct risks, and reports to the ERC and ExCo on any residual conduct risk concerns. Compliance also conducts second line risk assessments on all new products and any significant changes to existing products.

Oversight and assurance of the management of conduct risk is performed by the 2L, with regular reporting also provided to the CCC, ERC, BRC and to the Board.

Risk monitoring
Adherence to the conduct risk policies is monitored by 1L with oversight and assurance by 2L. Risk management oversight is exercised through the Group's internal governance (CCC and the ORC, with regular reporting to the ERC, BRC and the Board).

A monthly conduct risk dashboard captures a range of key conduct metrics and thresholds covering the Bank's management of conduct risk across the customer journey and this is discussed at the CCC and monitored at the ERC with regular reporting to the BRC and to the Board.

Change in the year
As Starling continues to diversify its product lines and deepen its relationship with customers, the conduct risk profile of the Bank also grows. 2025 saw the launch of the instant access savings product, the conduct risks associated with which were subject to robust oversight and challenge at the CCC prior to launch, as well as the removal of interest paid on current account balances.

The Consumer Duty (Part 2) came into effect during the year. A large-scale programme (overseen by ERC, BRC and the Board) was put in place to address the requirements of the Duty, with work continuing to embed the Duty into the next financial year.

Lastly, the Bank has initiated a remediation programme to address identified cases of customer detriment. Further information is provided in note 22 of the financial statements.

Compliance risk

Risk assessment

Compliance risk is the risk of financial loss, reputational damage and/or regulatory censure arising from failure to comply with existing or future regulatory or legislative requirements.

Risk appetite

Starling will not accept any breaches of applicable laws and regulations and will seek to avoid inadvertent regulatory breaches by maintaining robust control processes. In the event that regulatory breaches are identified, Starling will promptly remediate the situation and ensure that the Bank's regulators are notified on a timely basis, operating in a transparent manner.

Starling has no appetite for failing to comply with any relevant regulatory provision, rule or applicable code of conduct.

Risk management

Starling manages regulatory compliance under a framework and series of policies and procedures, alongside a mandatory staff training programme.

The Compliance function undertakes horizon scanning, which enables the Bank to keep track of all upcoming regulatory changes and report them to the relevant business areas. The Compliance function also provides guidance and support to any required revisions being made to ensure compliance.

All Bank employees are provided with relevant compliance training upon joining the Bank and on an ongoing annual basis. This is tracked and reported as a key metric in the monthly reporting to committees.

Risk monitoring

Adherence to compliance policies is monitored by 1L with oversight and assurance by the 2L. Committee oversight is exercised through the ERC with regular reporting also provided to the BRC and Board. The Compliance Monitoring Plan is reviewed and approved by the BRC, and includes risk-based monthly, quarterly, event driven and thematic monitoring.

Change in the year

As the Bank continues to grow, it also continues to invest commensurately in its regulatory compliance capacity and capability. In 2025, the 2L Compliance function has formalised and expanded coverage of its compliance monitoring plan, to provide additional independent risk-based assurance on regulatory compliance matters.

Key regulatory changes in 2025 included the Consumer Duty Part 2, which came into effect in July 2024, and the end of the transition period for the UK Operational Resilience Rules. The PRA has deferred the implementation of Basel 3.1 to 2027.

Significant investments have been made through 2025 to uplift capabilities and ensure that Starling meets its regulatory obligations. This has been further supported by hiring talent with extensive banking experience.

Following identification of historical cases where the Bank did not meet its regulatory obligations, it has implemented a remediation programme. The Bank identified some legacy breaches to the CMA Retail Banking Market Order. These have been reported to the CMA and action taken to address these issues, including those required as set out in the Binding Directions. In addition, as reported under Financial crime risk, Starling was fined £29.0m by the FCA in September 2024 for historical failings related to its financial sanctions screening and for breaches of a requirement not to open accounts for high or higher-risk customers. Starling cooperated fully with the FCA in its investigation and accepted its finding that the Bank's financial crime controls failed to keep pace with the growth of the business.

The Bank will continue to make investment in its risk management and regulatory compliance capabilities by ensuring that it has the right systems and controls in place.

Financial statements

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 Parent Company') for the year ended 31 March 2025 which comprise the Consolidated and Company statements of comprehensive income, Consolidated and Company statements of financial position, the Consolidated and Company cash flow statements and the Consolidated and Company statements of changes in equity for the year then ended and the related notes, including the accounting policies in notes 1 and 2.

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 31 March 2025 and of the Group's and the Parent Company's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- 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 first appointed as auditor by the Directors on 9 February 2016. The period of total uninterrupted engagement is for the 9 financial years ended 31 March 2025. 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	£8m (2024:£9.5m) 3.6% profit before tax (2024: 3.2% of profit before tax)	
Key Audit Matter		**vs 2024**
Recurring risks	ECL provision on loans and advances to customers	◀▶
	Government guarantee – Bounce Back Loan Scheme ('BBLS') to customers	◀▶
	Completeness of conduct and compliance matters identified for IAS 37 assessment	◀▶
Risk change:	◀▶ No change ▼Decrease ▲Increase	

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

Key audit matters are those matters that, in our professional judgement, 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 our key audit matters, in decreasing order of audit significance, 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.

Our key audit matters are unchanged from 2024, with the exception of Effective Interest Rate (EIR) adjustments on loans and advances to customers which we no longer identify as a key audit matter. Whilst we continue to perform procedures over EIR adjustments on loans and advances to customers, due to the revision to the behavioural life assumption for certain mortgage lending portfolios in the prior year, this is no longer a significant source of estimation uncertainty. As a result, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

	The risk	Our response
Expected credit loss (ECL) provision on loans and advances to customers (£21.9m; 2024: £47.9m) Refer to: • pages 95 to 127 (credit risk disclosures); • pages 167 to 169 (accounting policy); and • pages 175 to 183 (critical estimates)	**Subjective estimate:** The estimation of ECLs on loans and advances to customers involves significant judgement and estimates. The key areas where we identified significant judgement and therefore increased levels of audit focus in the Group and Parent Company's estimation of ECLs are: **Model estimation and subjectivity of assumptions:** • Inherently judgemental and complex modelling is used to estimate ECLs, which involves determining Probabilities of Default ('PD'), Loss Given Default ('LGD') and Exposure at Default ('EAD'). The PD model is the key driver of complexity and estimation uncertainty in the modelled SME portfolio, whilst the LGD model is the key driver for the mortgages portfolio. As such these models are considered the most significant judgemental aspect of the Group and Parent's ECL modelling approach • The criteria selected to identify a significant increase in credit risk ('SICR') for the mortgages portfolio is a key area of judgement within the Group and Parent's ECL calculation, as these criteria determine whether a 12 month or lifetime ECL provision is recorded. **Macroeconomic forecasts and scenarios:** Significant judgement is applied in determining the economic scenarios used and the probability weightings assigned to each scenario particularly in the context of the current uncertain economic environment.	We performed granular and detailed risk assessment procedures over the entirety of the ECLs on loans and advances to customers. As part of these risk assessment procedures, we identified the portfolios associated with a risk of material misstatement, including those arising from significant judgements over the estimation of ECL either due to methods or assumptions. We performed end to end process walkthroughs to identify the key systems and controls used in the ECL calculation. We performed the tests below rather than seeking to rely on the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described: **Our credit risk modelling expertise:** We involved our own credit risk modelling specialists in evaluating the Group's ECL models and assumptions who assisted us in the following: • Evaluating the Group's impairment methodologies for compliance with the applicable accounting standard; • Evaluating the models which were changed or updated during the year as to whether the changes were appropriate by assessing the updated methodology for compliance with the applicable accounting standard; • Independently assessing the reasonableness of the previous model predictions by comparing them against actual results and evaluating the resulting differences; • Reperforming the calculation of certain adjustments to assess consistency with the qualitative adjustment methodologies;

Independent auditor's report to the members of Starling Bank Limited

	The risk	Our response
Expected credit loss (ECL) provision on loans and advances to customers (continued)	**Qualitative judgemental adjustments to modelled ECL:** Adjustments to the model-driven ECL results are made by the Group to address known ECL model limitations or emerging trends not captured by the models. These adjustments and their identification are inherently uncertain, and significant judgement is involved in determining whether all applicable risks have been captured within the population of adjustments. The effect of these matters is that, as part of our risk assessment, we determined that the impairment of loans and advances to customers has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. As a consequence of the inherent estimation uncertainty arising from the economic scenarios and qualitative adjustments elements of the above risk, we have identified both these areas to have a specific fraud risk. **Disclosure quality:** The disclosures regarding the Group's and Parent Company's application of IFRS 9 are key to explaining the key judgements and material inputs into the IFRS 9 ECL results.	• Evaluating the model output for a selection of models by inspecting the corresponding model code functionality and independently implementing the model by rebuilding the model code and comparing our output with the Group's output; • Independently recalculating model assumptions for a selection of models using recent data for certain portfolios and comparing our independent output to that of the Group; and • Independently assessing and applying the Group's staging methodology and inspecting the Group's model code for the calculation of the ECL to assess the consistency of the code with the Group's approved staging criteria and the output of the model. **Our economics expertise:** We involved our own economic specialists who assisted us in assessing the reasonableness of the Group's economic scenarios used in the ECL models and the probability weightings applied to them by comparing the Group's forecasts to those from external sources or our own modelled forecasts. **Test of details:** Key aspects of our testing in addition to those set out above involved: • Selecting a sample of key data inputs used in the ECL calculations, such as customer data, and agreeing them to underlying source documentation; • Selecting a sample of qualitative adjustments to assess the reasonableness of those adjustments by challenging key assumptions, inspecting the calculation methodology and tracing a sample of the data used back to source data; and • Assessing the completeness of qualitative adjustments identified based on our knowledge gained from other risk-assessment and substantive audit procedures. **Assessing transparency:** We assessed whether the disclosures appropriately disclose and address the uncertainty which exists when determining the ECL provision. In addition, we assessed whether the disclosure of the key judgements and assumptions was sufficiently clear. **Our results:** Based on the risk identified and our procedures performed we considered the Group's and Parent Company's ECLs on loans and advances to customers and related disclosures to be acceptable. (2024 result: acceptable).

	The risk	Our response
Government guarantee - Bounce Back Loan Scheme (BBLS) to customers **Related provision** (£28.2m; 2024: £1.7m) **Expected Credit Loss ('ECL') provision on Bounce Back loans** (£0.8m; 2024: £0.4m) • Contingent liability note 32 • Provision note 22 • Refer to credit risk disclosures pages 95 to 127	**Accounting Treatment** The Group and Parent Company have a portfolio of loans outstanding to customers that were provided under the British Business Bank ('BBB') coronavirus support Bounce Back Loan Scheme. This UK government-backed lending scheme includes a 100% guarantee contract from the BBB that covers losses borne by the Group and Parent Company from these loans, which is subject to eligibility requirements. During the year the Group and Parent Company identified a group of Business Customer loans for which the Group and Parent Company agreed with the BBB to remove the government guarantee. As a result, a £28.2m provision has been recognised. The Group and Parent Company may be exposed to further risks resulting in non-compliance with the eligibility requirements of the BBLS guarantee contract. The effect of these risks is that they could affect the Group's and Parent Company's ability to claim under the guarantee contract or the Group's and Parent Company's entitlement to retain payments already claimed under the guarantee contract. The Directors have exercised judgement when interpreting the BBLS guarantee contract in assessing whether any of the eligibility requirements were compromised at the origination of all loans and prior to making a claim on defaulted loans. If the Group and Parent Company is unable to claim under the guarantee contract for any outstanding loan then the Group and Parent Company will need to recognise an Expected Credit Loss relating to that loan. If the Group and Parent Company subsequently identifies that it should not have claimed under the guarantee contract for a defaulted loan which has been claimed for then the Group and Parent Company will need to recognise a provision under IAS 37 to reflect the obligation arising to the BBB. The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that provision related to BBLS had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. In conducting our final audit work and given the agreement with the BBB, we reassessed the range of possible outcomes to be less than our materiality.	We performed the following audit procedures rather than seeking to rely on the Group's controls because the nature of the accounting treatment is such that we would expect to obtain audit evidence primarily through the detailed procedures described: **Accounting Analysis:** We critically assessed the Directors' assessment of the eligibility requirements at the origination of the loans and/or prior to making a claim and the Group's resulting accounting treatment. **Evaluating the Group's legal assessments:** • We made enquires of the external legal counsel, engaged by the Group to advise for a specific group of loans, on the eligibility requirements of the BBLS guarantee contract to understand the nature and scope of their work and to confirm the advice provided. We obtained independent confirmation from the external legal counsel of the advice provided; and • Alongside our enquiry of the external legal counsel we inspected legal advice obtained by the Group in respect of the eligibility requirements of the BBLS guarantee contract to identify the contractual requirements at origination of the loans and/or prior to making a claim. **Our legal expertise:** We used our own internal legal specialists to assist us in inspecting the legal advice obtained by the Group and to: • Consider the experience and expertise of the external legal counsel engaged by the Group to advise on this matter; • Assess the relevance and reliability of the external legal counsel's advice on the entitlement of the BBB to seek reimbursement of payment claims made by the Group under the guarantee contract; and • Consider whether the conclusion of the Directors in respect of the understanding of the eligibility requirements of the BBLS guarantee contract is reasonable given the legal advice obtained. **Inspection of correspondence:** We inspected correspondence between the Parent Company and the BBB in respect of this matter, including in relation to the Group's methodology and assumptions applied following the Group assessment of the eligibility requirements, in our evaluation of the provision recognised

Independent auditor's report to the members of Starling Bank Limited

	The risk	Our response
Government guarantee - Bounce Back Loan Scheme (BBLS) to customers **Related provision** (£28.2m; 2024: £1.7m) **Expected Credit Loss ('ECL') provision on Bounce Back loans** (£0.8m; 2024: £0.4m) • Contingent liability note 32 • Provision note 22 • Refer to credit risk disclosures pages 95 to 127	**Disclosure quality:** The financial statements (note 22) disclose a provision of £28.2m in relation to a group of loans on which the Group and Parent Company agreed with the BBB to remove the government guarantee and contingent liability in note 32 in respect of residual matters. The Directors' assessment of the extent of the disclosure is based on an evaluation of the inherent risks in interpreting the guarantee contract and whether the eligibility criteria under the guarantee contract have been met. The risk for our audit is whether or not those disclosures adequately address the uncertainties associated with the contingent liability.	**Our compliance expertise:** We used our own forensic specialists to assist in our inspection of the Group's methodology and assumptions applied by the Directors in determining the provision recognised and in performing the tests of details set out below: **Tests of details** • We performed a walkthrough and inquiries to understand the extent and findings of testing performed by the Group of the compliance with the eligibility requirements of the guarantee contract to identify if any failures to comply with the requirements were identified; • For a selection of Business Customer Accounts, we evaluated the Group's assessment of compliance with the eligibility requirements based upon our understanding of those eligibility requirements obtained through the procedures above; • For a selection of the loans on which the Group and Parent company has given up the government guarantee we assessed the consistency of the provision recognised gainst the Group's methodology and assumptions; and • We inspected regulatory correspondence and other relevant reports and information to assess if there was contradictory evidence which would indicate a need for further test work. **Assessing transparency:** We considered the adequacy of the Group's disclosures in respect of this BBLS matter. **Our results** We found the Group's and Parent Company's provision in relation to the government guarantee in respect of loans provided under the BBLS, the ECLs recognised on BBLS and related disclosures to be acceptable. (2024 result: acceptable).

	The risk	Our response
Completeness of matters related to potential breaches of laws and regulations **Related provision** (£19.2m; 2024: £8.4m) • Contingent liability note 32 • Provision note 22	**Omitted exposures** In the normal course of business, potential exposures may arise from non-compliance with laws or regulations and broader conduct matters. As a result the Group may become subject to other enquiries and examinations, requests for information, audits, enquiries, investigations, and other proceedings by regulators, governmental and other public bodies. As such there is a risk that the matters assessed by the Group and Parent Company may not be complete. Whether there is a liability that needs to be recognised or a contingent liability that needs to be disclosed is inherently uncertain and judgemental.	We performed the detailed tests below rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls. Our procedures included: **Enquiry of lawyers:** We obtained a list of conduct and compliance related matters that the Group had obtained legal advice for and we independently confirmed such advice with the Group's external legal advisers. **Our compliance expertise:** We inspected the registers prepared by the Group which contain details of the legal and regulatory matters identified. We used our own forensic specialists and risk and regulatory specialists to support us in understanding and assessing the Group's identified actual and potential non-compliance with laws and regulations. **Inspection of regulatory and legal matters:** • We inspected correspondence with the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) to identify any regulatory observations or legal matters which had not been identified by the Group; • We assessed the completeness of the list of legal matters provided by the Group with reference to legal expenses recorded within the general ledger and to legal advice obtained; and • We inspected the FCA's published thematic findings of reviews they have performed across similar financial institutions to assess if the Group could also be affected by these. **Compliance data scrutiny:** We analysed customer complaints, complaints raised by the Group's customers with the Financial Ombudsman Service (FOS) and the Group's digital media sentiment using our data and analytics routine. We also made enquiries of the Group about specific complaints to assist in identification of conduct matters and completed a detailed walkthrough of the complaints process. **Test of details:** • We, with the assistance of our forensic specialists, performed benchmarking against publicly available information to assess the possibility of material provisions from matters, as disclosed in the financial statements of similar banking institutions. **Our results** The results of our testing were satisfactory and we considered the provisions recognised, and the contingent liability disclosures made, related to potential breaches of laws and regulations to be acceptable (2024 result: acceptable).

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

Our application of materiality

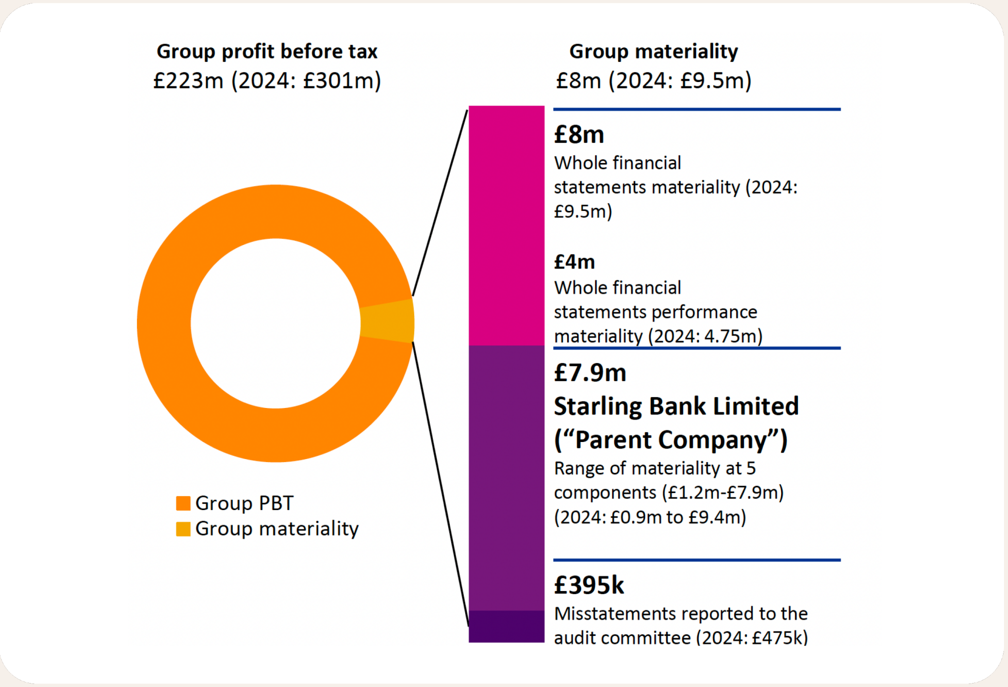
Materiality for the Group financial statements as a whole was set at £8m (2024: £9.5m), determined with reference to a benchmark of Group profit before tax, of which it represents 3.6% (2024: 3.2%).

Materiality for the Parent Company financial statements as a whole was set at £7.9m (2024: £9.4m), determined with reference to a benchmark of Parent Company profit before tax, of which it represents 3.4% (2024: 3.2%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality was set at 50% (2024: 50%) of materiality for the financial statements as a whole, which equates to £4m (2023: £4.75m) for the Group and £3.95m (2024: £4.7m) for the Parent Company. We applied this percentage in our determination of performance materiality based on the level of identified misstatements and control deficiencies in the prior period.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £395k (2024: £475k), in addition to other identified misstatements that warranted reporting on qualitative grounds.



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

Overview of the scope of our audit

This year, we applied the revised group auditing standard in our audit of the consolidated financial statements. The revised standard changes how an auditor approaches the identification of components, and how the audit procedures are planned and executed across components.

In particular, the definition of a component has changed, shifting the focus from how the entity prepares financial information to how we, as the group auditor, plan to perform audit procedures to address group risks of material misstatement (“RMMs”). Similarly, the group auditor has an increased role in designing the audit procedures as well as making decisions on where these procedures are performed (centrally and/or at component level) and how these procedures are executed and supervised. As a result, we assess scoping and coverage in a different way and comparisons to prior period coverage figures are not meaningful. In this report we provide an indication of scope coverage on the new basis.

We performed risk assessment procedures to determine which of the Group’s components are likely to include risks of material misstatement to the Group financial statements and which procedures to perform at these components to address those risks.

In total, we identified five components, having considered our evaluation of the Group's operational structure, legal structure, geographical locations and other audit specific factor and our ability to perform audit procedures centrally.

Of those, we identified one quantitatively significant component which contained the largest percentages of both total revenue and total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected three components with accounts contributing to the specific RMMs of the Group financial statements.

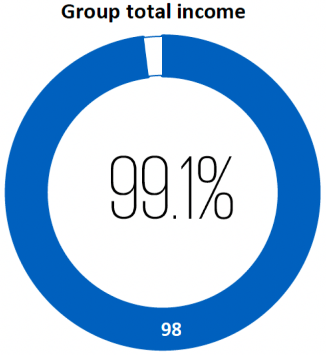
Accordingly, we performed audit procedures on four components. We also performed the audit of the parent Company.

We set the component materialities, ranging from £1.2m to £7.9m, having regard to the mix of size and risk profile of the Group across the components.
Our audit procedures covered 99.1% of Group total income.

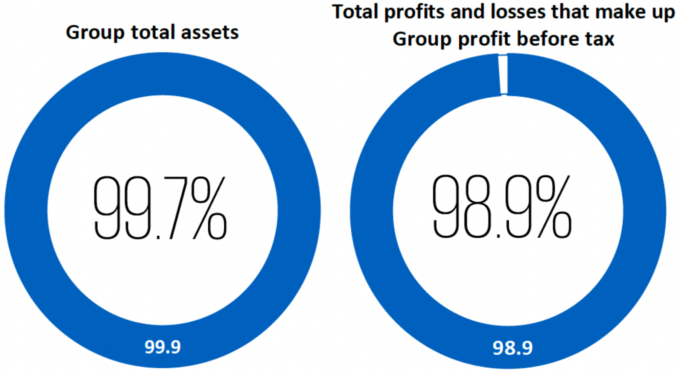
We performed audit procedures in relation to components that accounted for 98.9% of the total profits and losses that make up Group profit before tax and 99.7% of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 1% of Group total income, the total profits and losses that make up Group profit before tax or Group total assets. We performed analysis at an aggregated Group level to re-examine our assessment that there is not a reasonable possibility of a material misstatement in these components.

Our audit procedures covered the following percentage of Group total income:



We performed audit procedures in relation to components that accounted for the following percentages of the total profits and losses that make up Group profit before tax and Group total assets:



Impact of controls on our group audit

We were able to rely upon the Group's internal control over financial reporting in several areas of our audit, where our controls testing supported this approach, which enabled us to reduce the scope of our substantive audit work; in the other areas the scope of the audit work performed was fully substantive.

4. Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Parent Company or to cease their operations, and as they have concluded that the Group's and the Parent Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Parent Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Parent Company's available financial resources over this period were:

- the availability of funding and liquidity in the event of a market wide stress scenario;
- the impact on regulatory capital in the event of an economic slowdown or recession; and
- the potential impact of the contingent liabilities as disclosed in note 32 (assessed via a reverse stress test).

We considered whether these risks could plausibly affect the regulatory capital and liquidity requirements of the Group and the Parent Company in the going concern period by comparing severe, but plausible downside stresses that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's and Parent Company's financial forecasts.

We considered whether the going concern disclosure in note 1 to the financial statements gives an accurate description of the Directors' assessment of going concern, including the identified risks, dependencies, and related sensitivities.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Parent Company's ability to continue as a going concern for the going concern period; and
- We found the going concern disclosure in note 1 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Parent Company will continue in operation.

5. Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquired of Directors, the Board Audit Committee, internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Read Board and Board Audit Committee and Risk Committee minutes.
- Considered remuneration incentive schemes and performance targets for management and Directors.
- Used analytical procedures to identify any unusual or unexpected relationships.
- Our forensic specialists assisted us in identifying key fraud risks; s included attending the Risk Assessment and Planning Discussion, holding a discussion with the engagement partner, engagement manager and engagement quality control reviewer, and assisting with designing and executing relevant audit procedures to respond to the identified fraud risks.
- We inspected correspondence with the Financial Conduct Authority and the Prudential Regulation Authority.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgments such as the impairment provision on loans and advances. We do not believe there is a fraud risk related to revenue recognition because there is limited complexity in the calculation and recognition of revenue.

We also identified a fraud risk related to estimation of expected credit losses, specifically relating to the possibility of management bias due to the inherent uncertainty and subjective judgement involved within the calculation of this estimate. Further detail in respect of the expected credit loss provision on loans and advances to customers is set out in the key audit matter disclosures in section 2 of this report.

We performed procedures including:

- Identifying journal entries to test at the Group level and for selected components based on high-risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted and approved by the same user, journals posted to seldom used accounts and those including specific descriptors.
- Assessing whether the judgements made in making significant accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the Directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence. We also discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment, including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

5. Fraud and breaches of laws and regulations – ability to detect (cont.)

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: specific areas of regulatory capital and liquidity requirements, conduct (including consumer duty) regulations, money laundering, financial crime, sanctions and certain aspects of company legislation, recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry with the Directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

In relation to the financial crime matters disclosed in note 32, we performed audit procedures which included making enquiries of the Group's internal counsel and inspection of minutes of meetings with the regulators and inspection of regulatory correspondence and independent enquiry of the Group's main regulators. We also made enquiries of external counsel and obtained legal confirmations from the Group's external counsel. In relation to the FCA fine of £29m as disclosed in note 7 we inspected the correspondence with the FCA.

In respect of regulatory matters relating to conduct, as disclosed in note 22 our procedures included inspection of regulatory correspondence, independent enquiry of the Group's main regulators and performing audit procedures to respond to risks of material misstatement identified in recognised conduct provisions related to customer redress as disclosed in note 22. We have also identified the completeness of potential breaches of laws and regulation as a key audit matter as disclosed in Section 2 of this report.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6. 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.

7. 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 Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent 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.

8. Respective responsibilities

Directors' responsibilities
As explained more fully in their statement set out on page 88, 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 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 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.

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

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

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Karyn Nicoll (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

26 May 2025

Consolidated and company statement of comprehensive income

For the year ended 31 March	Note	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Income statement:					
Net interest income	4	**590,162**	592,871	**581,574**	582,005
Interest income		**811,695**	754,808	**803,107**	743,942
Interest expense		**(221,533)**	(161,937)	**(221,533)**	(161,937)
Net fees and commissions	5	**94,767**	84,423	**77,118**	74,262
Fees and commissions income		**128,306**	119,467	**115,906**	112,857
Fees and commissions expense		**(33,539)**	(35,044)	**(38,788)**	(38,595)
Intercompany income[1]	28	**–**	–	**64,861**	40,664
Other (expense)/income[1]	6	**(4,546)**	(30,176)	**(8,253)**	(30,386)
Total income		**680,383**	647,118	**715,300**	666,545
Operating expenses	7	**(460,213)**	(332,130)	**(488,257)**	(358,569)
Impairment release/(charge)	12	**3,243**	(13,889)	**3,243**	(13,889)
Impairment of subsidiaries and intercompany balances	28	**–**	–	**–**	(1,854)
Profit before taxation		**223,413**	301,099	**230,286**	292,233
Tax charge	8	**(72,691)**	(81,098)	**(71,943)**	(78,095)
Profit after taxation		**150,722**	220,001	**158,343**	214,138
Other comprehensive income:					
Items that may subsequently be reclassified to profit or loss:					
Translation of subsidiary company	25	**7**	25	**–**	–
Cash flow hedges		**(7,299)**	27,379	**(7,299)**	27,379
Net gains/(losses) from changes in fair value	25	**(9,440)**	37,867	**(9,440)**	37,867
Transfers to the income statement	25	**(697)**	160	**(697)**	160
Taxation	25	**2,838**	(10,648)	**2,838**	(10,648)
Other comprehensive income/(loss), net of tax		**(7,292)**	27,404	**(7,299)**	27,379
Total comprehensive income, net of tax		**143,430**	247,405	**151,044**	241,517

[1] Comparatives have been represented to give greater visibility to £40.7m of intercompany income which was previously disaggregated in the other (expense)/income note. See note 1 for further detail.

All amounts are attributable to the equity holders.

Consolidated and company statement of financial position

As at 31 March	Note	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024[1] £'000
Assets					
Cash and balances at central banks	9	**6,686,688**	6,420,115	**6,686,688**	6,420,115
Loans and advances to banks	9	**30,489**	36,879	**27,008**	35,441
Debt securities	10	**3,934,922**	3,284,867	**3,934,922**	3,284,867
Derivative assets	11	**156,615**	246,541	**156,615**	246,541
Loans and advances to customers	12	**4,670,567**	4,537,663	**4,670,567**	4,537,663
Other assets	13	**54,474**	100,047	**145,961**	156,861
Current tax asset		**748**	15,640	**–**	15,599
Investment in subsidiaries	14	**–**	–	**50,171**	50,171
Property, plant and equipment and right of use assets	15	**18,388**	18,727	**17,383**	17,453
Intangible assets	16	**108,891**	71,523	**–**	–
Goodwill	16	**35,890**	35,890	**–**	–
Deferred tax asset	17	**–**	–	**1,356**	–
Total assets		**15,697,672**	14,767,892	**15,690,671**	14,764,711
Liabilities					
Customer deposits	18	**12,066,650**	10,970,237	**12,068,667**	10,978,527
Deposits from banks	19	**2,278,221**	2,420,471	**2,278,221**	2,420,471
Derivative liabilities	11	**49,052**	51,417	**49,052**	51,417
Other liabilities	20	**145,390**	367,422	**146,224**	365,728
Current tax liability		**–**	–	**191**	–
Deferred income	21	**60,207**	47,873	**228**	495
Provisions	22	**51,396**	11,507	**51,396**	11,507
Deferred tax liability	17	**704**	9,195	**–**	3,770
Total liabilities		**14,651,620**	13,878,122	**14,593,979**	13,831,915
Equity					
Share capital	23	**12**	12	**12**	12
Share premium	24	**608,833**	608,833	**608,833**	608,833
Other reserves	25	**(6,443)**	(12,003)	**(6,609)**	(12,162)
Retained earnings		**443,650**	292,928	**494,456**	336,113
Total equity		**1,046,052**	889,770	**1,096,692**	932,796
Total liabilities and equity		**15,697,672**	14,767,892	**15,690,671**	14,764,711

[1] Other assets and investment in subsidiaries have been represented to allow for comparability with 2025. See note 1 and 13 for further detail.

These financial statements were approved by the Board of Directors on 26 May 2025 and signed on its behalf by:

Raman Bhatia,
Group Chief Executive Officer
Director

Declan Ferguson,
Group Chief Financial Officer
Director

Consolidated and company cash flow statement

For the year ended 31 March	Note	Group 2025 £'000	Group 2024[1] £'000	Company 2025 £'000	Company 2024[1] £'000
Cash flows from operating activities					
Profit for the period after taxation		150,722	220,001	158,343	214,138
Adjustments for:					
Non-cash movements	29	165,605	155,782	142,222	140,277
Movement in operating assets	29	(30,989)	194,795	(79,956)	178,464
Movement in operating liabilities	29	793,034	813,947	796,347	808,168
Taxation paid		(61,999)	(94,266)	(60,183)	(91,513)
Net cash flows from operating activities		1,016,373	1,290,259	956,773	1,249,534
Cash flows from investing activities					
Purchase of property, plant and equipment		(3,167)	(4,728)	(2,902)	(4,690)
Purchases of debt securities		(1,378,404)	(1,577,646)	(1,378,404)	(1,577,646)
Net proceeds from maturity and sale of debt securities		735,088	748,813	735,088	748,813
Purchase and development of intangible assets		(56,997)	(43,278)	–	–
Net cash flows from investing activities		(703,480)	(876,839)	(646,218)	(833,523)
Cash flows from financing activities					
Purchase of own shares		–	(56,362)	–	(56,362)
Repayment of funding from central banks		(50,000)	–	(50,000)	–
Repayment of lease liabilities		(2,710)	(2,154)	(2,415)	(1,914)
Net cash flows from financing activities		(52,710)	(58,516)	(52,415)	(58,276)
Net Increase in cash and cash equivalents		260,183	354,904	258,140	357,735
Cash and cash equivalents at beginning of year		6,456,994	6,102,090	6,455,556	6,097,821
Cash and cash equivalents at end of year	9	6,717,177	6,456,994	6,713,696	6,455,556

[1] Movement in operating liabilities and non-cash movements have been represented to allow comparability with 2025, for further detail see notes 1 and 29.

Total interest received by the Group was £823.7m (2024: £722.8m) and total interest paid by the Group was £234.0m (2024: £141.6m). Total interest received by the Company was £829.2m (2024: £708.0m) and total interest paid by the Company was £234.0m (2024: £141.6m).

Consolidated and company statement of changes in equity

Group

	Note	Share capital £'000	Share premium £'000	Other reserves[1] £'000	Retained earnings £'000	Total equity £'000
As at 31 March 2023		12	608,833	14,021	72,411	695,277
Total comprehensive income						
Profit for the year	25	–	–	–	220,001	220,001
Other comprehensive income						–
Cash flow hedge	25	–	–	27,379	–	27,379
Translation of subsidiary company	25	–	–	25	–	25
Transactions with equity holders						–
Purchase of own shares	25	–	–	(56,362)	–	(56,362)
Cost of share award schemes, net of tax	25	–	–	3,450	–	3,450
Transfer from share award reserve	25	–	–	(516)	516	–
As at 31 March 2024		12	608,833	(12,003)	292,928	889,770
Total comprehensive income						
Profit for the year	25	**–**	**–**	**–**	**150,722**	**150,722**
Other comprehensive income						
Cash flow hedge	25	**–**	**–**	**(7,299)**	**–**	**(7,299)**
Translation of subsidiary company	25	**–**	**–**	**7**	**–**	**7**
Transactions with equity holders						
Cost of share award schemes, net of tax	25	**–**	**–**	**12,852**	**–**	**12,852**
As at 31 March 2025		**12**	**608,833**	**(6,443)**	**443,650**	**1,046,052**

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[1] Other reserves include the merger relief reserve, cash flow hedging reserve, own shares held reserve, share awards reserve and foreign currency translation reserve. For further details see note 25.

Company

	Note	Share capital £'000	Share premium £'000	Other reserves[1] £'000	Retained earnings £'000	Total equity £'000
As at 31 March 2023		12	608,833	13,887	121,459	744,191
Total comprehensive income						
Profit for the year	25	–	–	–	214,138	214,138
Other comprehensive income						
Cash flow hedge	25	–	–	27,379	–	27,379
Transactions with equity holders						
Purchase of own shares	25	–	–	(56,362)	–	(56,362)
Cost of share award schemes, net of tax	25	–	–	3,450	–	3,450
Transfer from share award reserve	25	–	–	(516)	516	–
As at 31 March 2024		12	608,833	(12,162)	336,113	932,796
Total comprehensive income						
Profit for the year	25	**–**	**–**	**–**	**158,343**	**158,343**
Other comprehensive income						
Cash flow hedge	25	**–**	**–**	**(7,299)**	**–**	**(7,299)**
Transactions with equity holders						
Cost of share award schemes, net of tax	25	**–**	**–**	**12,852**	**–**	**12,852**
As at 31 March 2025		**12**	**608,833**	**(6,609)**	**494,456**	**1,096,692**

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[1] Other reserves includes the merger relief reserve, cash flow hedging reserve, own shares held reserve and share awards reserve. For further detail see note 25.

Notes to the financial statements

1. Basis of preparation

a) General information
The Company, Starling Bank Limited, is a private company limited by shares, incorporated in England and Wales under the Companies Act 2006. The Company's registered office is 5th floor, Fruit and Wool Exchange, Duval Square, London E1 6PW. The principal activity of the Company is banking. The principal activities of its subsidiaries are outlined in note 28.

b) Basis of preparation
The consolidated financial statements and the Company financial statements of Starling Bank Limited have been prepared in accordance with the Companies Act 2006 and with IFRS and interpretations issued by the IASB as adopted by the UK. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and liabilities at FVTPL and other comprehensive income.

The financial statements are presented in British pounds sterling (sterling, GBP or £) and all values rounded to the nearest thousand (£'000) except as otherwise indicated.

The amounts expected to be recovered or settled for assets and liabilities in the financial statements are due no more than 12 months after the reporting year unless specifically stated. The accounting policies that were relevant in the year have been consistently applied.

Other disclosures
Certain disclosures required under IFRS have been included within the risk report that make up the financial statements, as follows:

- Credit risk on pages 95 to 97 and 106 to 127.
- Liquidity risk on pages 132 to 135.
- Market risk on page 137.

These disclosures are covered by the audit opinion, where referenced as audited.

Changes in presentation
In accordance with IAS1.41, the following presentational changes have been made to the Company's statement of financial position as at 31 March 2024, to better reflect the nature of the balances:

- Intercompany assets and liabilities are reported within other assets and other liabilities, respectively. In the prior year, intercompany assets and other liabilities were presented within investment in subsidiaries in the statement of financial position. The change to prior year total assets is immaterial as a result of this representation. See note 13, note 20 and note 28 for further detail.

The following change has been made to the Group and Company cash flow statement for the year ended 31 March 2024 to better reflect certain movements:

- Non-cash movement in provisions is shown separately in adjustments for non-cash items included in profit before tax. There has been no change in net cash flows from operating activities. Comparatives have been presented on a consistent basis. See note 22 and note 29 for further detail.

The following change has been made to the Company's statement of comprehensive income for the year ended 31 March 2024 to better reflect the disaggregation of income:

- Intercompany income is shown separately on the income statement. In the prior year this income was included as part of other (expense)/income. There has been no change to total income or profit after tax as a result of this representation. See note 28 for further detail.

1. Basis of preparation continued

c) Basis of consolidation

The consolidated financial statements consolidate the assets, liabilities and results of Starling Bank Limited (the parent company) and its subsidiaries (see note 14 and 28). Consistent accounting policies are used by the Group, the parent company and the subsidiaries.

Subsidiaries are entities over which Starling Bank Limited has control. The Bank has control over another entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through the exercise of its power. The assessment of control is based on consideration of all facts and circumstances. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, which for most subsidiaries coincides with the date of incorporation. Upon consolidation, intercompany transactions and balances are eliminated.

Murmur Financial Services Limited (registration number 14999160) will take the exemption from audit under s479A of the Companies Act 2006 for the year ended 31 March 2025. In order to allow MFSL to take the exemption, SBL will issue a statutory guarantee of MFSL's outstanding liabilities as at 31 March 2025 pursuant to s479C of the Companies Act 2006.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition. Goodwill is recognised where there is an excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree, over the fair value of the Group's share of the identifiable net assets acquired.

Investments in subsidiaries are stated in the financial statements of Starling Bank Limited at cost less any provisions for impairment in value. All subsidiaries have financial years ending on 31 March, co-terminus with the parent company's year-end.

d) Going concern

In assessing the Group and Bank's going concern position as at 31 March 2025, the Directors considered a wide range of information relating to the present and future conditions, including the Group and Bank's current financial position and future projections of profitability, cash flows and capital resources and requirements, which all form part of the business plan. Base case forecast projections are based on detailed financial planning by management that take account of the current and expected economic environment. The Directors also considered the impact of key existing risks and emerging risks on the Group and Bank business model and plan (see pages 57 to 61). The Directors have assessed the outlook for the Group and Bank for at least 12 months from the signing of these financial statements as required under IFRS.

The Directors have reviewed a range of severe but plausible stresses, and a reverse stress in respect of contingent liabilities (refer to note 32), that have been applied to the base case business plan with the impact assessed against the Group and the Bank's profits, capital and liquidity resources. The Group/Company has modelled a severe low interest rate stress downside scenario (detail on this scenario can be found on page 177), as well as considering the impact of a number of single-variable stress tests in order to test the limits and vulnerabilities of the business plan and strategy. The impact of management actions that might be taken to mitigate the impact of these stresses is also assessed. The projections under these stress scenarios show that the Group/Company will be able to operate at adequate levels of both capital and liquidity resources whilst remaining in excess of PRA minimum capital requirements and using its buffers to execute recovery actions to replenish its capital resources, if needed. On this basis, the Group and Company will meet its future obligations for at least 12 months from the signing of these financial statements.

Stress testing is performed regularly throughout the year to support the business planning cycle and re-forecasting as well as to monitor business performance and also to inform and support management's decision making. It also forms a fundamental part of the annual production of the ICAAP, ILAAP and recovery and resolution planning.

As a result of this assessment, the Directors have a reasonable expectation that the Group and Bank have adequate capital, liquidity and other resources to continue in operational existence for at least 12 months from the signing of these financial statements and that the Group and Bank has adequate capital and liquidity resources to meet its minimum regulatory requirements as prescribed by the PRA. Accordingly, the going concern basis of accounting has been adopted to prepare these financial statements.

2. Material accounting policies

a) 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 on the dates of transactions.

Monetary items denominated in foreign currencies are retranslated at the exchange rate prevailing at the reporting date. FX gains and losses resulting from the retranslation of these items are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date.

On consolidation, the results and financial position of all foreign operations that have a functional currency different from the Group's functional currency are translated into the Group's functional currency as follows:

- Assets and liabilities are translated at the closing rates of exchange prevailing on the date of the statement of financial position;
- Income and expense items are translated at average exchange rate for the year, to the extent that such average rates approximate to actual rates; and
- Any resulting gain or loss on translation is recognised in other comprehensive income (OCI).

b) Interest income and interest expense

Interest receivable and similar income on financial assets that are classified as cash and balances at central banks, loans and advances to banks, debt securities and loans and advances to customers, and interest payable on financial liabilities that are classified as deposits from banks and customer deposits, are recognised as interest income and interest expense respectively in the income statement, using the EIR of the financial assets or financial liabilities to which they relate. Interest on derivatives designated in hedging relationships is recognised in interest income when the derivative hedges an asset and interest expense when the derivative hedges a liability. Interest on derivatives not designated in a hedge relationship is recognised in interest income or interest expense as appropriate.

The EIR 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 EIR 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 and behavioural expectations of the financial instruments but does not consider future credit losses. The Group monitors the actual cash flows of financial instruments and resets estimated cashflows when a significant change is observed. These revised cashflows are discounted at the EIR to derive a new asset carrying value with changes taken to profit or loss as interest income. For variable rate assets or assets with a variable rate period in their contractual period, the EIR is revised where there is a significant movement in a variable interest rate which will impact future expected cashflows. The revised EIR is the rate which exactly discounts the revised cash flows to the net carrying value of the assets.

In accordance with the EIR method, directly attributable upfront costs incurred and fees paid or received, that are considered integral to the EIR, are deferred and recognised through interest income or expense on an effective interest basis over the life of the underlying asset or liability.

On an on-going basis, the Group assesses whether its financial assets are credit-impaired. Where assets have become credit-impaired, interest revenue is subsequently calculated by applying the EIR to the amortised cost less impairment provisions of the asset.

For POCI financial assets the interest income is calculated using the credit-adjusted EIR applied to the amortised cost of the financial asset from initial recognition.

2. Material accounting policies continued

c) Fees and commissions

The Group recognises fees and commissions income in accordance with IFRS 9 Financial Instruments or IFRS 15 Revenue from Contracts with Customers.

As above, in accordance with the EIR method, fees paid or received that are considered integral to the EIR are deferred and recognised through interest income or expense on an effective interest basis over the life of the underlying asset or liability.

Fees and commissions which are not an integral part of the EIR and are not generated from SaaS contracts are generally recognised at a point in time as the transaction occurs and the performance obligations is considered satisfied. For contracts that cover multiple years, fees and commissions are recognised over time as and when the performance obligations have been met.

Fees generated from SaaS contracts include service, licensing and subscription fees. These are disclosed as software as a service revenue under net fees and commissions.

- Service fees cover all charges for implementation and development of the Engine banking platform to meet client specifications and these will be recognised at a point in time or over time depending on when the performance obligation is satisfied.
- Licence fees are initial fees charged for use of the SaaS technology. These are recognised at a point in time or over time depending on whether the service has significant stand-alone functionality or is part of a larger performance obligation performed over time.
- Subscription fees for ongoing access to Engine SaaS technology are recognised over time as the client simultaneously receives and consumes the benefit of these activities as they occur.

For SaaS contracts with clients, the Group:
- Identifies the contract with a customer;
- Identifies the performance obligations in the contract;
- Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- Recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Determination and allocation of transaction price:
The Company determines the transaction price it is entitled to, in return for providing the promised obligations to the client. based on the committed contractual amounts. Where the contract contains multiple performance obligations, the transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations.

SaaS contracts include usage-based pricing calculated using the number and size of customer accounts and are recognised depending on the relevant activity. Additionally, bonus payments may be due at the end of the contract.

The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved.

d) Cash and cash equivalents

Cash and cash equivalents comprise current bank balances, unrestricted deposits held with central banks, and highly liquid financial assets with an original maturity of less than three months. These are classified respectively as loans and advances to banks, cash and balances at central banks and debt securities on the statement of financial position.

e) Financial assets

In accordance with IFRS 9, the financial assets of the Group are classified into one of three categories:

- Assets measured at amortised cost;
- Assets measured at FVOCI; or
- Assets measured at FVTPL.

In classifying each financial asset, the Group assesses:

- The objective of the business model in which the financial asset is held; and
- Whether the contractual cash flows of the financial asset are SPPI.

Financial assets are reclassified when, and only when, the Group changes its business model for managing the assets.

2. Material accounting policies continued

e) Financial assets continued

Business model assessment

The Group's business model assessment is made at a portfolio level as this best reflects the way the business is managed and how information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice; these include whether management's strategy focuses on earning contractual interest income, matching the duration of the financial assets to the duration of any related liabilities or realising cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Group's management; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

SPPI assessment

Where contractual cash flows are consistent with a basic lending arrangement, these are considered to represent solely payments of principal and interest. Where contractual terms introduce additional volatility, such cash flows would not be considered to solely represent principal and interest.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument and whether these could change the timing or amount of contractual cash flows, such as;

- Leverage features which would amplify returns;
- Contingent events that would change the amount or timing of cash flows;
- Non-recourse features - and whether the amount on default derives from the residual value of underlying assets; and
- Prepayment and extension features.

Classification:

- Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flows and where those cash flows represent SPPI are measured at amortised cost;
- Financial assets in portfolios where the business model is to hold the assets to collect the contractual cash flows and to generate cash flows from subsequent sale, and where those assets' cash flows represent SPPI would be measured at FVOCI; and
- Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL.

As a result of the assessments outlined above, the financial assets of the Group have been classified as follows:

Assets measured at amortised cost

The following have been assessed by the Group to be in a 'held to collect' business model and to have cash flows that pass the SPPI test:

- Cash and balances at central banks;
- Loans and advances to banks;
- Debt securities;
- Loans and advances to customers; and
- Other assets.

The Group's financial assets measured at amortised cost are initially recognised at fair value less any directly attributable transaction costs. The assets are subsequently measured at amortised cost using the effective interest method less impairment loss allowances. Where financial guarantees are in place and are considered an integral part of the asset, any amounts due against the guarantee would be accounted for as a component of the underlying asset.

Assets measured at FVOCI

The Group has not classified any financial assets as measures at FVOCI.

Assets at FVTPL

The Group holds derivative financial assets which are measured at FVTPL.

2. Material accounting policies continued

e) Financial assets continued

Derivative financial instruments

Derivatives are recognised initially at fair value, and subsequently remeasured at FVTPL. Derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. The Group uses derivative financial instruments primarily to hedge its exposure to interest rate risk arising from its banking activities. The Group does not hold or issue derivative financial instruments for trading purposes and swaps which are not in a hedge accounting relationship have been executed as economic hedges. Changes in the fair value of derivatives are recognised immediately in the income statement under other income, with the exception of derivatives designated in a cash flow hedge. For derivatives designated in a cash flow hedge, the effective portion of the change in fair value is recognised in OCI until the point at which the hedged item affects profit or loss.

Interest on derivatives is included within interest income/expense in the income statement as appropriate, with classification based on whether the derivative is designated in a hedge accounting relationship.

The Group continues to apply the hedge accounting requirements as permitted by International Accounting Standard IAS 39. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item and the hedging instrument, the prospective and retrospective testing approaches, and any sources of ineffectiveness. The effectiveness of hedging relationships is tested both at inception and throughout the life and if effectiveness falls outside the 80% - 125% threshold, hedge accounting is discontinued from this point. There are two types of hedging strategy undertaken:

Fair value hedges

A key hedge accounting strategy undertaken by the Group is portfolio hedge of interest rate risk. As permitted under IFRS 9, the Group continues to apply the requirements of IAS 39 for derivatives designated in a portfolio fair value hedge of interest rate risk. This strategy is applied to the swaps hedging loans, mortgages and fixed rate debt securities which are primarily pay fixed, receive float swaps. It is also applied to swaps hedging fixed term customer deposits which are receive fixed, pay float swaps. During the year the Group has designated certain individual fixed rate debt securities and interest rate swaps in micro fair value hedge relationships.

Under the fair value hedge relationship, the changes in fair value of derivatives used to hedge interest rate risk are offset in the income statement against the changes in the fair value of the hedged items attributable to the hedged risk. As a result, volatility is reduced in the income statement. Any residual fair value hedge ineffectiveness is recognised in the income statement under other income. If a hedge relationship no longer meets the criteria for hedge accounting, then hedge accounting is discontinued and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement. The adjustment is amortised on a straight-line basis over the period to maturity of the hedged item or, in the case of a portfolio hedge of interest rate risk, to the next repricing period. If the hedged item has been derecognised, the adjustment is recycled to the income statement immediately.

Cash flow hedges

Cash flow hedge accounting is currently applied to receive fixed- pay float interest rate swaps hedging floating rate cash at central banks and debt securities.
Where a derivative is designated in a cash flow hedge, the effective portion of changes in it's fair value is recognised in OCI in the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.
The effective portion recognised in OCI is limited to the cumulative change in fair value of the hedged item. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. When a hedge no longer meets the criteria for hedge accounting, the associated amount in OCI will only be recognised in the income statement when the previously hedged cash flows affect the income statement.

f) Financial liabilities

In accordance with IFRS 9, the financial liabilities of the Group are classified as liabilities measured at either amortised cost or FVTPL. A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the income statement. The Group carries derivative financial liabilities classified as FVTPL. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with any interest expense being recognised in the income statement. Any gain or loss on derecognition is also recognised in the income statement.

2. Material accounting policies continued

g) Impairment of financial assets
The Group recognises impairment loss allowances for ECL, where appropriate, on financial assets that are not measured at FVTPL.

Measurement of ECL
ECLs are an unbiased probability-weighted estimate of the present value of credit losses, taking account of forward-looking information that includes a range of possible economic outcomes. ECLs are measured as the difference between contractual cash flows and expected cash flows, discounted at the asset's EIR.

When measuring ECL, the Group assesses the PD, the expected exposure at the time of default, and the loss that is expected to arise on default. The maximum period considered is the maximum contractual period over which the Group is exposed to credit risk. The probabilities of default are adjusted to take account of expected customer redemptions.

Measurement inputs
Key inputs into the measurement of ECL are:

- PD which estimates the likelihood of default within the next 12 months or over the remainder of its life, depending on the stage.

The Group has calibrated portfolio default rates based on observed default rates where outcome date is available and PD curves are segmented by relevant risk profiles for that portfolio, e.g. credit grade or sector. Some portfolios currently use expert judgemental approaches due to a lack of empirical evidence, given the immaturity of the portfolio.

- LGD is the proportion of the exposure that is expected to be lost in the event of default.

LGD is typically expressed as a % of EAD. Observed losses in the event of default are based on a combination of historical experience of customer behaviour, industry benchmark data and product criteria.

For mortgage lending the Group has used historical experience where available, however this data is largely limited due to low volumes. Therefore, the LGD is largely driven by the underlying value of the collateral, as well as expert judgement assumptions of other components like probability of possession given default, forced sale discount and recovery costs which are based on a combination of industry benchmark data and historical information, in the absence of sufficient observable performance. For SME lending the Group has used an LGD that reflects the UK government guarantee where applicable, as well as observed historical cure and recovery rates. For retail lending, the Group has used an LGD based on observed customer behaviour and resulting losses.

- EAD is an estimate of the gross value of the loan at point of default.

For lending products, other than revolving products, the EAD is calculated as the expected amount outstanding at the current and future reporting date. For revolving products such as overdrafts, utilisation can vary over time. Where unutilised balances exist, in the example of overdrafts, then the EAD is calculated as the sum of the drawn balance and the undrawn balance adjusted by a credit conversion factor.

- ECL is calculated such that ECL = PD x LGD x EAD.

IFRS 9 requires an impairment loss allowance to be recognised at an amount equal to either the 12-month ECL or the lifetime ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial asset. 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date.

Impairment loss allowance is measured at an amount equal to 12-month ECL for the following:

- Debt securities that are determined to have low credit risk at the reporting date. The Group considers debt securities to have low credit risk when its credit rating is equivalent to the globally understood definition of 'investment grade'; and
- Other financial assets on which credit risk has not increased significantly since their initial recognition (except trade receivables without a financing component, for which the Group will always recognise lifetime ECLs in accordance with the simplified approach in IFRS 9).

Impairment losses for loans and advances to customers are assessed for both a 12-month ECL and a lifetime ECL where the credit risk on a financial asset has increased significantly since initial recognition or the account has defaulted.

When assessing for impairment on intercompany balances that are repayable on demand, it is considered whether the Group counterparty has sufficiently available liquid assets to repay the balance at the reporting date. If it does not, the balance is assessed for impairment assuming the Group company defaulted on its intercompany balance as at that date.

For overdraft facilities, where the commitment relates to the undrawn component of the overdraft facility, it is assigned to the same stage as the drawn component.

2. Material accounting policies continued

g) Impairment of financial assets continued

Measurement of ECL depends on the 'stage' of the financial asset, based on changes in credit risk occurring since initial recognition, as described below:

- Stage 1: when a financial asset is first recognised it is assigned to stage 1. If there is no SICR from initial recognition the financial asset remains in stage 1. Stage 1 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from stage 2 or 3. For financial assets in stage 1, a 12-month ECL is recognised;
- Stage 2: when a financial asset shows a SICR from initial recognition it is moved to stage 2. Stage 2 also includes financial assets where the credit risk has improved and the financial asset has been reclassified back from stage 3. For financial assets in stage 2, a lifetime ECL is recognised; or
- Stage 3: when there is objective evidence of impairment and the financial asset is considered to be in default, or otherwise credit-impaired, it is moved to stage 3. For financial assets in stage 3, a lifetime ECL is recognised.

POCI financial assets are those that are assessed as being credit-impaired upon initial recognition. At initial recognition, POCI assets do not carry an impairment allowance; instead, lifetime ECLs are incorporated into the calculation of the EIR. All changes in lifetime ECL subsequent to the assets' initial recognition are recognised as an impairment charge.

Significant increase in credit risk

The Group monitors all financial assets and loan commitments that are subject to IFRS 9's impairment requirements to assess whether there has been a SICR since initial recognition of the asset.

In determining whether there has been a SICR the Group uses quantitative tests, together with qualitative indicators such as watchlists and other behaviours observed on individual customers' accounts.

For mortgage and retail lending products, the Group includes a rebuttable presumption that credit risk has significantly increased from the point of origination or acquisition, when arrears have increased by one month or loans are more than thirty DPD. For SME lending (except BBLS), the Group includes a presumption that credit risk has significantly increased when contractual payments are past due by 10 or more days. For BBLS lending, credit risk is considered to significantly increase when contractual payments are past due by 1 day or more.

Additionally, an increase in other observable data points that might point to a SICR, such as a material deterioration in credit bureau score, is amongst other factors taken into consideration.

Forward-looking information

The Group incorporates forward-looking information into its measurement of ECLs. The time period over which the Group assesses forward-looking information is the maximum period over which the Group is exposed to credit risk. The Group determines a range of representative scenarios for the possible future direction of key economic variables. The scenarios are derived by reference to external information where this is publicly available and appropriate, together with internally generated views. A probability-weighting, based on management judgement, is assigned to each scenario.

The Group has a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on market data and internal management experience and expert judgement. The process involves developing additional economic scenarios and considering the relative probabilities of each outcome. These scenarios include economic data and forecast published by governmental bodies, such as the BoE and selected private sector and academic forecasters.

The Group's base case scenario represents a view of the most likely outcome and is aligned with the information used by the Group for other purposes such as monitoring and maintaining regulatory capital, strategic planning and budgeting. The selection of alternative scenarios is intended to model the non-linear impact of economic factors on ECLs for the Group's financial assets.

The Group uses credit risk metrics that reflect its assessment of the PD of individual exposure level. The credit risk of each exposure is assessed at initial recognition, based on the available information about the borrower.

Definition of arrears

Loans and advances to customers are classified as in arrears if:

- Either a scheduled payment for a mortgage or term loan has failed or has not been paid when due by a customer; or
- The customer has exceeded their authorised overdraft limit due to either a payment or bank interest being applied.

2. Material accounting policies continued

g) Impairment of financial assets continued

Definition of default

Loans and advances to customers are classified as in default if any of the following criteria has been met:

- The outstanding balance is overdue for more than 90 days or the account is three or more MIA;
- Any security or personal guarantee has been taken into the Bank's possession;
- If the customer is bankrupt or has proposed an Individual Voluntary Arrangement;
- The customer is subject to a Debt Relief Order; or
- The customer has undergone a Distressed Restructure.

For mortgages, accounts are also deemed to be defaulted if any of the following criteria has been met:

- They are three or more months in arrears;
- They are term expired for three or more months;
- The property is subject to litigation;
- Evidence of fraud is received;
- The customer is deceased; or
- A LPA receiver has been appointed for a BTL mortgage.

Credit-impaired financial assets

At each reporting date, the Group assesses whether its financial assets are credit-impaired.

A financial asset is credit-impaired when one or more events have occurred that have a detrimental impact on the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes the following:

- Notification of a breach of contract such as a default; or
- Non-payment of amounts past due.

To assess whether sovereign and corporate debt securities are credit-impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

Forbearance

Forbearance is a qualitative indicator of a SICR applied to some portfolios which may provide an early indication of an exposure being credit-impaired before reaching the arrears backstop.

Forbearance is granted on a selective basis to support customers who are in financial difficulty. Collections activity commences immediately after a customer moves into a position of arrears.

Where appropriate, the following types of forbearance are then made available to customers: Payment arrangement (payment plan with a reasonable timeframe); concessionary arrangement (payment plan for demonstrably temporary financial difficulties); extension (increased product term); reduced interest; deferment/capitalisation of arrears; and full and final offers (where the Bank may accept less than full settlement of balance). Where relevant, the Group has applied the FCA requirements on overriding the classification of customers who entered into a payment plan as in default.

Write-offs

A financial asset is written off in full when the Bank judges there to be no reasonable expectation that the asset can be recovered in full. This is typically the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. This assessment is judgemental.

The loan is written off against its related impairment loss allowance once all the necessary procedures have been completed and the loss amount has crystallised. Financial assets that are written off could still be subject to enforcement activities, and subsequent recoveries of amounts previously written off would be recognised in the income statement.

h) Financial assets and liabilities – recognition, modification, derecognition and offsetting

Recognition

Recognition is the point at which the Group begins to recognise a financial asset or financial liability on its statement of financial position. Transactions in which the Group acquires assets and liabilities, portions of them, or financial risks associated with them can be complex and it may not be obvious whether substantially all of the risks and rewards have been transferred. It is often necessary to perform a quantitative analysis. Such an analysis summarises the Group's exposure to variability in asset cash flows as a result of the acquisition. A cash flow analysis of this nature may require judgement. In particular, it is necessary to estimate the asset's expected future cash flows as well as potential variability around these cash flows.

2. Material accounting policies continued

h) Financial assets and liabilities – recognition, modification, derecognition and offsetting continued

Modifications

The Group sometimes renegotiates or otherwise modifies the contractual cash flows of a financial asset. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that substantially affects the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate, such as from floating to fixed; and
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms and cash flows of the modified asset are not deemed to be substantially different, the loan carrying value will be adjusted to reflect the present value of modified cash flows discounted at the original EIR, with any resulting gain or loss recognised immediately within the income statement as a modification gain or loss.

If the terms and cash flows of the modified asset are deemed to be substantially different, the contractual rights to cash flows from the original financial asset are deemed to have expired. This meets the derecognition criteria outlined below.

If the borrower's change in cash flows is the result of forbearance measures, these are typically not considered substantially different except in exceptional circumstances.

Derecognition

Derecognition is the point at which the Group ceases to recognise a financial asset or financial liability on its statement of financial position.

The Group derecognises a financial asset (or a part of a financial asset) when:

- The contractual rights to the cash flows from the financial asset have expired;
- The Group transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred to a third party; or
- The Group transfers the financial asset in a transaction in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the asset. If the Group retains control of the asset it continues to recognise the transferred asset only to the extent of its continuing involvement and derecognises the remainder.

On derecognition of a financial asset the difference between the carrying amount (or the carrying amount allocated to the portion being derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in the income statement.

The Group derecognises a financial liability (or a part of a financial liability) when its contractual obligations are extinguished (i.e. discharged, cancelled, or expired). On derecognition of a financial liability, the difference between the carrying amount (or the carrying amount allocated to the portion being derecognised) and the sum of the consideration paid (including any new asset obtained less any new liability assumed) is recognised in the income statement.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented with the statement of financial position when, and only when, the Group has a legally enforceable right to offset the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously. There are no financial assets or liabilities which are offset within the statement of financial position and all financial assets and liabilities are presented on a gross basis. Income and expense are presented on a net basis only when permitted under IFRS.

i) Property, plant and equipment

Fixtures, fittings and equipment are included as property, plant and equipment 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 property, plant and equipment is included in operating expenses in the income statement according to the type:

Fixtures and fittings:	Straight line over 3 year expected life.
IT equipment:	Straight line over 3 year expected life.
Leasehold improvements:	Straight line over 5 year expected life.

Gains and losses on disposals are included in operating expenses in the income statement.

2. Material accounting policies continued

j) Intangible assets

The Group applies IAS 38 intangible assets to the categorisation of certain expenditure relating to software development costs. Intangible assets are carried at cost less accumulated amortisation and impairment.

The carrying values of intangible assets are reviewed whenever there are indicators of impairment, or at least annually for intangible assets with indefinite life, and thus the carrying amount may not be recoverable. The Group considers both internal and external factors when determining whether there are indicators that the intangible asset is impaired.

If there are no indicators of impairment, then there are no requirements to perform recoverable amount calculations. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount. The recoverable amount is the higher of its fair value less costs to sell and its VIU (the present value of expected future cash flows).

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, testing and implementation of the Group's banking software and mobile application, are recognised in the statement of financial position as intangible assets and amortised using the straight-line method over their estimated useful lives from the date the software becomes operational and available for use. The estimated useful life is currently considered to be seven years. Costs associated with maintaining the software are recognised as an expense as incurred. Impairment losses are recognised immediately as an expense.

Intangible assets arising from a business combination

Intangible assets are recognised, separately from goodwill, when as part of a business combination an asset is identifiable. An asset is identifiable if it either is separable, i.e. capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged; or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights or obligations. Intangible assets acquired as part of business combinations are recognised at fair value at acquisition date and are amortised on a straight-line basis over the estimated life of the underlying contractual arrangement. The estimated useful life is currently considered to be seven years.

k) Goodwill

Goodwill arises on the acquisition of a subsidiary and represents the excess of the consideration transferred over the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses.

For the purpose of impairment assessment, goodwill acquired in a business combination is allocated to each of the CGU that is expected to benefit from the combination. Each unit to which goodwill is allocated represents the lowest level at which goodwill is monitored for internal management purposes. Goodwill is not amortised, however, it is tested for impairment at the end of each reporting period. The recoverable amount of a CGU is the higher of its fair value less costs to sell and its VIU. VIU is the present value of the CGU's expected future cash flows. If the recoverable amount is less than the carrying value, an impairment loss is charged to the income statement. Any impairment is recognised immediately as an expense and is not subsequently reversed.

l) Investment in subsidiaries

Investment in subsidiaries are carried at historical cost, less any provision for impairment. The carrying values of investment in subsidiaries are reviewed whenever there are indicators of impairment, or at least annually on each reporting date. Impairment arises when the carrying value of the investment exceeds the recoverable amount.
The recoverable amount is calculated as a VIU which is derived from the present value of future cash flows expected to be received from the investment.

If there are no indicators of impairment, then there are no requirements to calculate the recoverable amount. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount, based on VIU calculations.

2. Material accounting policies continued

m) Other assets

Payment scheme collateral, deferred lending fee expense, funds in the course of collection and other assets are financial assets which are initially recognised at fair value and subsequently measured at amortised cost. In the case of deferred fee expense, the amount receivable is measured using the EIR method.

Payment scheme collateral is recognised at the value of the amount placed with nominated banks.

n) Leases

The Group has entered into leases for all its premises. Lease liabilities are recognised in respect of the Group's obligations to make future lease payments and 'right of use' assets are recognised that represent the Group's right to use the underlying assets.

Amounts expensed to the income statement represent the interest costs on lease liabilities (presented within operating expenses) and the depreciation charge on right of use assets (presented within operating expenses). Right of use assets are depreciated over the lease term on a straight-line basis.

o) Taxation including deferred tax

Taxation in the income statement comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in equity.

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 reporting date, and any adjustment to tax payable in respect of previous years.

RDEC is recognised as income in the year in which the R&D qualifying expenditure is recognised.

Corporation tax recoverable from losses accumulated in prior years is determined using the tax rate and legislation in force in the UK at the reporting date and is carried forward for future recovery when not fully utilised in the current period.

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 assets are recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and losses can be utilised. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax is determined using tax rates and legislation in force at the reporting date and those expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets and deferred tax liabilities are presented net in the statement of financial position where there is a legal right to offset and intention to settle on a net basis.

p) Deposits from banks and customer deposits

Deposits from banks and customer deposits are measured at amortised cost using EIR, in accordance with IFRS 9. Deposits are initially recognised at fair value and are subsequently measured at amortised cost.

2. Material accounting policies continued

q) Other liabilities

Other liabilities include funds in the course of collection for customers' accounts, settlement balances arising from the acquisition of debt securities, deferred consideration payable on loan book acquisitions, lease liabilities, employee taxes payable and accrued expenses. Accrued expenses include amounts incurred but unpaid for goods and services provided to the Group prior to the end of financial year. Deferred consideration is measured using the EIR method.

r) Deferred income

Deferred income represents fee income received on the Group's loans and advances to customers, RDEC claims received and other payments received which have not yet been recognised in the income statement. Fee income on loans and advances to customers is recognised across the expected life of the financial assets to which it relates using the EIR method. RDEC claims are recognised in accordance with IAS 20.

s) Provisions

Provisions other than impairment provisions (see 2(g) above) 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 year. 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.

Provision is made for ECL in respect of irrevocable undrawn loan commitments in accordance with IFRS 9 (see 2(g) above).

t) Contingent liabilities

Contingent liabilities occur during the ordinary course of business if the Group is subject to threatened or actual legal proceedings and a present obligation exists but payment is not probable or the amount cannot be measured reliably; or if there exists a possible obligation dependant on the occurrence of an uncertain future event. 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 or present obligations where the likelihood of any payment is remote or where such disclosure could be seriously prejudicial to the conduct of the claims.

u) Related party transactions

Transactions with related parties have been included in the financial statements in accordance with IAS 24. Related parties comprise persons or a person, a company or a group of companies and/or an unincorporated entity or a group of unincorporated entities who either have individual control, joint control of the Group or can exercise significant influence or is a member of the key management personnel.

Key management personnel is defined as the Board, their spouses or partners and children and other dependents over whom the Board member can exert influence

v) Employee benefits

The Group applies IAS 19 employee benefits in its accounting for direct staff costs.

Short-term employee benefits

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 Group 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 staff costs in operating expenses in the income statement. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Material accounting policies continued

v) Employee benefits continued

Discretionary incentive schemes

Starling runs two employee discretionary incentive schemes to attract, retain and incentivise certain senior staff and key talent, and align their interests with the creation of shareholder value and risk management. Awards made on an annual basis under one of these schemes are subject to the satisfaction of performance conditions, delivered in a combination of cash and share awards and are subject to deferral, in line with regulatory requirements

Share-based payments

The Group applies IFRS 2 in accounting for share-based payments.

- *Joint share ownership schemes*
  Under the four JSOPs certain employees were awarded a beneficial interest in shares of the Bank therefore aligning the interests of key employees with the interests of shareholders. To fund the purchase, employees were granted a bonus (grossed up for income tax and national insurance) that was used by the employees to subscribe for the right to the beneficial interest at each award date.

- *Senior employee incentive schemes*
  Under the two SEIS schemes certain senior employees are awarded a beneficial interest in shares of the Bank therefore aligning the interests of key employees with the interests of shareholders. The interest awarded is funded by the Bank at nil cost to the employees.

- *Long-term incentive plan*
  Under the LTIP scheme, eligible employees of the Bank are awarded a beneficial interest in shares of the Bank therefore aligning their interests with the interests of shareholders. The interest awarded is funded by the Bank at nil cost to the employees.

- *Share options*
  Under the discretionary incentive schemes, eligible employees have been granted share options by the Bank that can be exercised at nil cost or at a predetermined price.

The award of beneficial interests in the above schemes are classified as equity-settled. The fair values of equity-settled share-based payments are calculated at each grant date and recognised over a vesting period that matches the most likely date of a realisation event in line with the conditions of the awards. For awards with a grading vesting feature each instalment is recognised separately over the vesting period. The charge is recognised in staff costs in operating expenses in the income statement and adjusted for tax, where relevant, with a corresponding entry through the share awards reserves in the statement of financial position.

w) Employee benefit trust

Two separate EBTs have been created to facilitate the efficient transfer of the beneficial interests in shares of the Bank to its employees, as a reward to those individuals that contribute to the growth of Starling, therefore aligning the interests of key employees with the interests of shareholders.

The assets and liabilities of the EBTs 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.

x) Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for accounting periods beginning on or after 1 January 2025; the Group has not yet applied those new or amended standards in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the Group's financial statements:

- Amendments to IFRS 9 and IFRS 7— Classification and Measurement of Financial Instruments.
- Lack of Exchangeability - Amendments to IAS 21.
- Annual Improvements to IFRS Accounting Standards—Volume 11.

The Group continues to monitor developments in new accounting standards and will assess impact as further guidance is issued.

3. Critical estimates and judgements

The preparation of these financial statements, in conformity with IFRS, requires the Directors to make judgements, 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 estimates and associated assumptions are based on historical experience and other factors that are considered relevant, although the amount, event or action, and ultimate result may differ from the estimates used. Sources of estimation uncertainty relate to assumptions and estimates at the end of the current reporting year that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a) Impairment of loans and advances to customers

Critical judgement:	Determining an appropriate definition of default (see note 2(g) above) against which PD, LGD and EAD can be evaluated. Determining whether credit risk has significantly increased since the loan was initially recognised (see note 2(g) above). The use of judgemental adjustments based on management expert judgment to adjust inputs, parameters and outputs used in ECL models to reflect risks not captured. These include adjustments to address (i) model deficiencies, and (ii) uncertainty over the impact of future economic forecasts.
Critical estimate:	Use of forward-looking adjustments and multiple economic scenarios including probability of impact.

The appropriateness of the models is kept under constant review and certain empirical data is used to refine the key estimates and judgments. The Group is exposed to credit risk across all of its financial asset classes, however its principal exposure to credit risk arises on the Bank's customer lending balances.

The Group has considered the impact of climate change on credit risk and ECL. There has been no material impact identified on the ECL estimates and judgements in the current period. See risk management in climate-related financial disclosures on page 50 for further detail.

Definition of default, PD, LGD and EAD

Management has judged that an account is regarded as being in default by reference to certain qualitative and quantitative criteria. See note 2(g) above for definition of default, and evaluation of PD, LGD and EAD.

The Bank has portfolios of loans outstanding to SME customers under the BBB coronavirus support schemes that were designed to support businesses dealing with the impact of COVID-19. The Bank has provided lending under the three UK government-backed lending schemes organically by the Bank and also non-organically via forward flow transactions. These UK government-backed lending schemes are covered by guarantees from the BBB (a wholly owned subsidiary of HM Treasury) that are to be set against the outstanding balance of a defaulted facility after the proceeds of the business assets have been applied. The guarantee is 100% for BBLS, 80% for both CBILS and RLS (where RLS facility was committed before January 2022) and 70% for RLS facilities committed after January 2022. Lower LGDs are recognised for these UK government-backed lending schemes.

Forward-looking information and multiple economic scenarios including probability of impact

The Group incorporates forward-looking information into its assessment of measurement of ECL. The measurement of ECL is required to reflect an unbiased probability-weighted range of possible future outcomes. The time period over which the Group assesses forward-looking information is the maximum period over which the Group is exposed to credit risk. The Group determines a range of representative scenarios for the possible future direction of key economic variables. The scenarios are derived by reference to external information where this is publicly available and appropriate, together with internally generated views. These scenarios include economic data and forecasts published by governmental bodies, such as the BoE's Monetary Policy Committee and selected private sector and academic forecasters. A probability-weighting, based on management's judgement, is assigned to each scenario. The Group has a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios.

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued
The Group's 'base case' scenario is aligned with the information used by the Group for other purposes such as monitoring and maintaining regulatory capital, strategic planning and budgeting. The selection of alternative scenarios is intended to model the non-linear impact of economic factors on ECL for the Group's financial assets.

Scenarios and weightings were subject to formal approval through the IFRS 9 provisioning governance at IC, with oversight at year end by BAC.

The Bank currently uses four economic scenarios:

- Base case - in the base scenario, heightened trade tensions, an expected rebound in inflation and a slower path for interest rate cuts all provide headwinds to growth over the coming quarters. Real GDP growth continues to recover, but slowly and unevenly, reaching 1.6% annual growth at the end of 2025, before slowing to 1.1% in mid-2026 and then reaching 1.9% at the start of 2027. Despite the uneven growth rate, the labour market is expected to continue loosening, with the unemployment rate trending higher, reaching 4.4% at the end of 2025 and 4.6% at the end of 2026. Autumn Budget 2024 policies alongside higher energy prices drive a near-term rebound in headline inflation to above 3% in 2025, and the headline inflation remains persistently above the BoE's 2.0% target until mid-year 2028. The BoE seeks to balance higher inflation and weaker GDP growth by gradually lowering interest rates. The BOE base rate is expected to fall to between 4 and 4.25% by the end of 2025, while the long-run equilibrium rate of 2.5% is not expected to be reached until 2028. Annual growth in the HPI remains positive across the forecast period, peaking at 4.0% at the start of 2027. HPI growth is then slightly weaker thereafter, falling to 1.4% in the third quarter of 2028, before then gradually settling back to the equilibrium growth rate of 3.6%.
- Upside - in the upside scenario, the Russia-Ukraine war ends faster than anticipated as fears subside. This results in a boost in aggregate demand and expansion of aggregate supply. On the demand side, these positive developments relieve recession concerns, causing an uptick in consumer and business sentiment. On the supply side, improved energy security and a total removal of supply bottlenecks usher in a period of rapid productivity growth. These positive developments relieve recession concerns, with real GDP annual growth reaching a peak of 4.6% at the end of 2025 before falling to 1.8% by the end of 2026. The unemployment rate falls, reaching a nadir of 3.7% in mid-2026 before slowly recovering back to the medium-term trend of around 5%. Headline inflation follows a similar path to the base scenario, with an initial rebound followed by a gradual fall to 2% by 2029. The BOE base rate path is also similar, returning to 2.5% equilibrium in the third quarter of 2028. With stronger economic growth and lower unemployment compared to the base scenario, annual HPI growth is initially much stronger from 2025 to 2027, peaking at 17.5% in the first quarter of 2026. However, growth then turns negative in 2028 and 2029 as unemployment rises and growth slows back to equilibrium levels, before growth returns to being positive in mid-2030.
- Downside - in the downside scenario, global growth is weak and sentiment in Europe continues to worsen. The slump in European manufacturing deepens as new orders continue to soften amid a darkening outlook for international trade. As a result, firms decide to scale back investment plans and cut their workforce, further weighing down the economy. The war in Ukraine continues and hampers the flow of commodities from the region. The BoE does not react fast enough to accommodate the slumping economy. Real GDP reaches a low point of -2.3% annual growth the first quarter of 2026, before returning to growth in the fourth quarter. Unemployment rises to 4.9% by the end of 2025, before peaking at 5% in 2026 and broadly remaining at this higher level over the medium-term. The BoE's slow reaction means that BOE base rate only falls slightly faster than in the base scenario, reaching a low point of 2.3% in the third quarter of 2027, before returning to a 2.5% equilibrium rate from 2029 onwards. The HPI falls persistently from mid-2025 until the end of 2026, with annual growth reaching a nadir of -4.4% in the first quarter of 2026. Growth then gradually recovers thereafter, eventually reaching the equilibrium level of 3.6%.

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued

- Severe downside - in the severe scenario, the global economy fails to pick up and sentiment plummets. The risk that the war in Ukraine will escalate to the point where NATO is forced to enter the conflict becomes acute, and heightened geopolitical tensions between the U.S. and China lead to significant barriers to shipping. Domestic political risks rise rapidly as populist parties seek to take advantage of disenchanted voters. This severe increase in geopolitical risk, along with a complete lack of confidence in the economy, leads to a sharp sell-off in financial markets. This results in a severe recession, with real GDP falling by 5.1% annually at the start of 2026, only returning to annual growth at the start of 2027. The unemployment rate rises sharply and peaks at 8.6% in mid-2026 and does not return to equilibrium rate for nearly a decade. The BoE reduces the base rate significantly in response to the large fall in aggregate demand, with the rate reaching a nadir of 0.75% at the start of 2028 before then gradually recovering back to the equilibrium level of 2.5% by the end of 2032. As with the downside scenario, the HPI falls significantly from mid-2025 until the end of 2026, with annual growth reaching a nadir of -16.0% in the first quarter of 2026. Growth then quickly recovers, with annual growth returning to be positive at the end of 2027 and reaching 4.8% at the start of 2030, before gradually settling back to the equilibrium level by the mid-2030s.

Further detail on the key economic variables for each scenario can be found in the following tables.

The following table shows the base case average for key macroeconomic variables used in the calculation of ECL. GDP and HPI represent the annual change in the year ending on 31 March. Unemployment rate is the average rate in the year ending on 31 March.

2025	2025 %	2026 %	2027 %	2028 %
GDP	0.93	1.33	1.54	1.78
Unemployment rate	4.30	4.45	4.52	4.63
HPI	3.41	3.64	3.98	1.92

2024	2024 %	2025 %	2026 %	2027 %
GDP	(0.17)	0.91	1.08	1.29
Unemployment rate	4.03	4.42	4.63	4.68
HPI	(1.01)	(0.94)	4.00	4.63

The table below shows the weights applied to each scenario, the peak position of each macroeconomic variable and the 4 year average macroeconomic variable. Worst point is the most negative quarter in the 4 years, which is calculated relative to the start point for GDP and HPI. Peak rate is the highest quarterly figures for unemployment over the 4 years.

2025	Upside %	Base case %	Downside %	Severe downside %
Scenario weighting	10.0	30.0	30.0	30.0
GDP – worst point	1.48	0.38	(2.52)	(5.94)
GDP – 4 year average	2.33	1.39	0.83	0.10
Unemployment rate – peak rate	4.42	4.67	4.95	8.57
Unemployment rate – 4 year average	3.99	4.47	4.69	6.57
HPI – worst point	2.59	0.72	(4.08)	(22.25)
HPI – 4 year average	7.03	3.24	1.33	(4.64)

2024	Upside %	Base case %	Downside %	Severe downside %
Scenario weighting	12.5	50.0	23.0	14.5
GDP – worst point	1.34	0.25	(2.79)	(7.67)
GDP – 4 year average	1.71	0.78	0.29	(0.69)
Unemployment rate – peak rate	4.23	4.71	5.05	8.67
Unemployment rate – 4 year average	4.00	4.44	4.66	6.54
HPI – worst point	1.25	(1.15)	(8.46)	(25.64)
HPI – 4 year average	5.29	1.67	(0.15)	(6.01)

The change to scenario weightings in the year reduces the weightings given to the upside and base scenarios in favour of the downside and severe downside scenarios. The updated weights reflect a more negative outlook due to worsening economic and geopolitical factors not yet factored into the base case, including a late-breaking increase in global economic uncertainty due to protectionist trade policies. The incremental ECL resulting from the change in weights was partially booked as a judgemental adjustment for economic uncertainty.

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued

The following table shows the macroeconomic variables used in the calculation of ECL. Annual paths show quarterly averages for the year ending on 31 March (unemployment) or change in the year ending on 31 March (GDP and HPI):

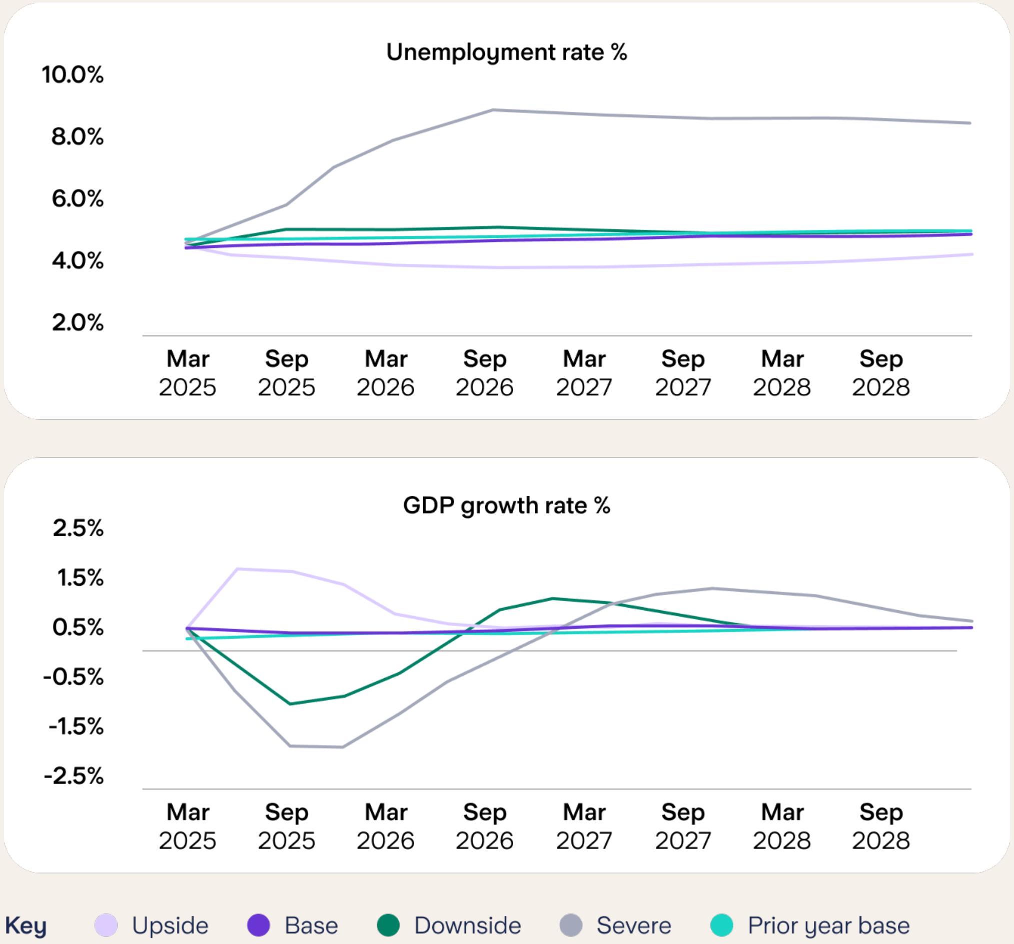
		Upside	Base case	Downside	Severe downside
2025		%	%	%	%
GDP	2025	0.93	0.93	0.93	0.93
	2026	4.87	1.33	(2.52)	(5.31)
	2027	1.79	1.54	2.75	0.51
	2028	1.73	1.78	2.15	4.26
Unemployment rate	2025	4.30	4.30	4.30	4.30
	2026	4.16	4.45	4.74	5.45
	2027	3.76	4.52	4.93	8.20
	2028	3.76	4.63	4.81	8.33
HPI	2025	3.41	3.41	3.41	3.41
	2026	18.22	3.64	(3.82)	(14.04)
	2027	7.13	3.98	3.19	(9.52)
	2028	(0.62)	1.92	2.54	1.59

		Upside	Base case	Downside	Severe downside
2024		%	%	%	%
GDP	2024	(0.17)	(0.17)	(0.17)	(0.17)
	2025	4.44	0.91	(2.79)	(6.66)
	2026	1.33	1.08	2.64	(0.11)
	2027	1.24	1.29	1.46	4.15
Unemployment rate	2024	4.03	4.03	4.03	4.03
	2025	4.15	4.42	4.70	5.42
	2026	4.01	4.63	5.03	8.31
	2027	3.81	4.68	4.86	8.39
HPI	2024	(1.01)	(1.01)	(1.01)	(1.01)
	2025	12.99	(0.94)	(8.07)	(17.84)
	2026	7.15	4.00	3.20	(9.50)
	2027	2.02	4.63	5.27	4.30

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued

The following graphs show the forecast unemployment rate and quarterly percentage change in GDP for the Group's four economic scenarios along with prior year end base scenario for context.



ECL sensitivity to economic assumptions

The calculation of credit impairment provisions is sensitive to changes in chosen weightings. The following tables summarise the impact on the credit impairment provisions from the use of alternative scenario weightings. These tables consider the impact on modelled impairment provisions only; judgemental adjustments of £3.8m (2024: £6.0m) are excluded. See page 182 for further detail of judgemental adjustments.

The probability-weighted modelled credit impairment provision of £18.1m (2024: £41.9m) is 18.7% (2024: 8.4%) higher than if it had been measured using only the base case scenario assumptions which result in an impairment provision of £15.3m (2024: £38.6m).

The effect on the modelled provision of each portfolio as a result of applying 100.0% weighting to each scenario is disclosed in the following tables. Stage 3 modelled ECL is not materially sensitive to each scenario weighting.

Current year disclosures have been enhanced to provide exposure after guarantees and its modelled ECL sensitivity by stage 1 and stage 2 across each of the the weighted and individual scenarios. For better comparison, prior year disclosures have been similarly enhanced and represented however, due to data limitations, staging of exposures used in ECL sensitivities is based on modelled weighted scenario only.

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued

Total lending 2025	Scenario	Exposure £'000	ECL £'000	Coverage %
Total	Weighted	4,363,433	18,117	0.42 %
	Upside	4,363,433	12,990	0.30 %
	Base case	4,363,433	15,261	0.35 %
	Downside	4,363,433	17,420	0.40 %
	Severe downside	4,363,433	28,939	0.66 %
Stage 1	Weighted	3,999,447	4,588	0.11 %
	Upside	4,004,560	2,401	0.06 %
	Base case	4,003,954	3,228	0.08 %
	Downside	4,003,947	4,166	0.10 %
	Severe downside	3,932,355	9,278	0.24 %
Stage 2	Weighted	205,636	3,616	1.76 %
	Upside	200,526	2,396	1.19 %
	Base case	201,132	2,811	1.40 %
	Downside	201,139	3,189	1.59 %
	Severe downside	272,730	7,311	2.68 %

Retail 2025	Scenario	Exposure £'000	ECL £'000	Coverage %
Total	Weighted	20,176	4,476	22.18 %
	Upside	20,176	3,915	19.40 %
	Base case	20,176	4,226	20.95 %
	Downside	20,176	4,448	22.05 %
	Severe downside	20,176	5,578	27.65 %
Stage 1	Weighted	11,109	1,179	10.61 %
	Upside	11,124	858	7.71 %
	Base case	11,121	1,040	9.35 %
	Downside	11,116	1,179	10.61 %
	Severe downside	10,718	1,565	14.60 %
Stage 2	Weighted	6,981	1,023	14.65 %
	Upside	6,969	783	11.24 %
	Base case	6,972	912	13.08 %
	Downside	6,977	995	14.26 %
	Severe downside	7,374	1,738	23.57 %

Mortgage 2025	Scenario	Exposure £'000	ECL £'000	Coverage %
Total	Weighted	4,300,822	6,261	0.15 %
	Upside	4,300,822	1,931	0.04 %
	Base case	4,300,822	3,790	0.09 %
	Downside	4,300,822	5,630	0.13 %
	Severe downside	4,300,822	15,488	0.36 %
Stage 1	Weighted	3,961,707	2,110	0.05 %
	Upside	3,966,805	296	0.01 %
	Base case	3,966,202	911	0.02 %
	Downside	3,966,200	1,674	0.04 %
	Severe downside	3,895,006	6,349	0.16 %
Stage 2	Weighted	187,653	935	0.50 %
	Upside	182,555	139	0.08 %
	Base case	183,158	355	0.19 %
	Downside	183,160	587	0.32 %
	Severe downside	254,354	3,487	1.37 %

SME[1] 2025	Scenario	Exposure £'000	ECL £'000	Coverage %
Total	Weighted	42,435	7,380	17.39 %
	Upside	42,435	7,144	16.84 %
	Base case	42,435	7,245	17.07 %
	Downside	42,435	7,342	17.30 %
	Severe downside	42,435	7,873	18.55 %
Stage 1	Weighted	26,631	1,299	4.88 %
	Upside	26,631	1,247	4.68 %
	Base case	26,631	1,277	4.80 %
	Downside	26,631	1,313	4.93 %
	Severe downside	26,631	1,364	5.12 %
Stage 2	Weighted	11,002	1,658	15.07 %
	Upside	11,002	1,474	13.40 %
	Base case	11,002	1,544	14.03 %
	Downside	11,002	1,607	14.61 %
	Severe downside	11,002	2,086	18.96 %

[1] SME modelled exposure staging is not sensitive to economic scenarios as SICR criteria is largely specific to the underlying customer.

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued

Total lending		Exposure	ECL	Coverage
2024	Scenario	£'000	£'000	%
	Weighted	3,947,337	41,881	1.06 %
	Upside	3,947,337	34,006	0.86 %
Total	Base case	3,947,337	38,625	0.98 %
	Downside	3,947,337	42,063	1.07 %
	Severe downside	3,947,337	58,262	1.48 %
	Weighted	3,641,318	7,791	0.21 %
	Upside	3,641,318	4,433	0.12 %
Stage 1	Base case	3,641,318	6,012	0.17 %
	Downside	3,641,318	7,794	0.21 %
	Severe downside	3,641,318	16,580	0.46 %
	Weighted	146,479	5,726	3.91 %
	Upside	146,479	3,875	2.65 %
Stage 2	Base case	146,479	4,735	3.23 %
	Downside	146,479	5,527	3.77 %
	Severe downside	146,479	10,771	7.35 %

Mortgage		Exposure	ECL	Coverage
2024	Scenario	£'000	£'000	%
	Weighted	3,829,403	9,639	0.25 %
	Upside	3,829,403	4,351	0.11 %
Total	Base case	3,829,403	7,256	0.19 %
	Downside	3,829,403	9,918	0.26 %
	Severe downside	3,829,403	21,984	0.57 %
	Weighted	3,571,277	3,715	0.10 %
	Upside	3,571,277	1,129	0.03 %
Stage 1	Base case	3,571,277	2,316	0.06 %
	Downside	3,571,277	3,637	0.10 %
	Severe downside	3,571,277	10,894	0.31 %
	Weighted	123,629	1,560	1.26 %
	Upside	123,629	551	0.45 %
Stage 2	Base case	123,629	1,062	0.86 %
	Downside	123,629	1,539	1.24 %
	Severe downside	123,629	4,181	3.38 %

Retail		Exposure	ECL	Coverage
2024	Scenario	£'000	£'000	%
	Weighted	28,416	8,107	28.53 %
	Upside	28,416	6,849	24.10 %
Total	Base case	28,416	7,987	28.11 %
	Downside	28,416	8,113	28.55 %
	Severe downside	28,416	8,753	30.80 %
	Weighted	18,406	1,422	7.73 %
	Upside	18,406	1,189	6.46 %
Stage 1	Base case	18,406	1,323	7.19 %
	Downside	18,406	1,440	7.82 %
	Severe downside	18,406	1,938	10.53 %
	Weighted	3,216	663	20.62 %
	Upside	3,216	612	19.03 %
Stage 2	Base case	3,216	643	19.99 %
	Downside	3,216	652	20.27 %
	Severe downside	3,216	793	24.66 %

SME[1]		Exposure	ECL	Coverage
2024	Scenario	£'000	£'000	%
	Weighted	89,518	24,135	26.96 %
	Upside	89,518	22,806	25.48 %
Total	Base case	89,518	23,382	26.12 %
	Downside	89,518	24,032	26.85 %
	Severe downside	89,518	27,525	30.75 %
	Weighted	51,635	2,654	5.14 %
	Upside	51,635	2,115	4.10 %
Stage 1	Base case	51,635	2,373	4.60 %
	Downside	51,635	2,717	5.26 %
	Severe downside	51,635	3,748	7.26 %
	Weighted	19,634	3,503	17.84 %
	Upside	19,634	2,712	13.81 %
Stage 2	Base case	19,634	3,030	15.43 %
	Downside	19,634	3,336	16.99 %
	Severe downside	19,634	5,797	29.53 %

[1] SME modelled exposure staging is not sensitive to scenarios weightings as SICR criteria is largely specific to the underlying customer.

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued

ECL sensitivity to individual economic assumptions

The impact of changes in HPI and the UK unemployment rate on credit impairment provisions has also been assessed. The assessment has been made against the modelled base case provisions and therefore excludes judgemental adjustments to modelled ECL with the reported staging unchanged.

The following table shows the potential impact on the Group's credit impairment provision resulting from a 10% decrease in HPI:

Mortgage lending	**2025**	2024	**2025**	2024
Single factor sensitivity - 10% decrease in HPI	**£'000**	£'000	**%**	%
% increase in modelled ECL under the base scenario	**2,397**	2,949	**70.7**	46.8

The following table shows the impact on the Group's credit impairment provision resulting from a 1% increase in the UK unemployment rate:

SME lending	**2025**	2024	**2025**	2024
Single factor sensitivity - 1% increase in unemployment	**£'000**	£'000	**%**	%
% increase in modelled ECL under the base scenario	**302**	3,838	**5.1**	17.1

Retail lending	**2025**	2024	**2025**	2024
Single factor sensitivity - 1% increase in unemployment	**£'000**	£'000	**%**	%
% increase in modelled ECL under the base scenario	**204**	260	**5.5**	4.0

Changes to modelled ECL for judgemental adjustments

The IFRS 9 ECL models are subject to the Group's model governance framework with model monitoring and periodic validation.

Judgemental adjustments to modelled ECL consist of post model adjustments and overlays to impairment model outputs which are applied in order to account for certain late breaking events, known model limitations or where management judges they are necessary, to ensure an adequate level of overall ECL provision to cover material, or known and perceived risks.

As at 31 March 2025, impairment of loans and advances to customers includes £3.8m (2024: £6.0m) of judgemental adjustments presented by sector in the following table:

Total impairment provisions	**2025**			
	Mortgage[1]	**Retail[2]**	**SME[1]**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
ECL modelled impairment provisions	**6,261**	**4,476**	**7,380**	**18,117**
Total judgemental adjustments	**3,594**	**134**	**68**	**3,796**
Other performance adjustments	**1,334**	**(4)**	**–**	**1,330**
Economic uncertainty adjustments	**2,260**	**138**	**68**	**2,466**
Total impairment provisions[3]	**9,855**	**4,610**	**7,448**	**21,913**

1 Mortgage and SME other performance adjustments and economic uncertainty adjustments only relate to ECL on drawn balances.
2 Retail includes £(381)k of other performance adjustments, being a decrease to modelled ECL, and £83k of economic uncertainty adjustments, being an increase to modelled ECL, on undrawn ECL balances. All other adjustments relate to ECL on drawn balances.
3 Includes provisions for loans and advances to customers (note 12) and for undrawn facilities and loan commitments (note 22).

Total impairment provisions	2024			
	Mortgage[1]	Retail[2]	SME[1]	Total
	£'000	£'000	£'000	£'000
ECL modelled impairment provisions	9,639	8,107	24,135	41,881
Total judgemental adjustments	3,436	167	2,386	5,989
Other performance adjustments	2,227	(104)	1,971	4,094
Economic uncertainty adjustments	1,209	271	415	1,895
Total impairment provisions[3]	13,075	8,274	26,521	47,870

1 Mortgage and SME other performance adjustments and economic uncertainty adjustments only relate to ECL on drawn balances.
2 Retail includes £(418)k of other performance adjustments, being a decrease to modelled ECL, and £6k of economic uncertainty adjustments, on undrawn balances. All other adjustments relate to ECL on drawn balances.
3 Includes provisions for loans and advances to customers (note 12) and for undrawn facilities and loan commitments (note 22).

3. Critical estimates and judgements continued

a) Impairment of loans and advances to customers continued

Changes to modelled ECL for judgemental adjustments continued

Judgemental adjustments to modelled ECL outcomes have decreased in the current year, as management continues to develop and refine their ECL models and retire post model adjustments or overlays which have been incorporated into the ECL model or have become insignificant.

Judgemental adjustment methodologies are subject to regular oversight and their outputs are reviewed, challenged and, where applicable, incorporated into future model development. All judgmental adjustments were subject to formal approval through the IFRS 9 provisioning governance at IC, with oversight at year-end by BAC.

Judgemental adjustments to ECL include:

Economic uncertainty adjustments

There has been an overall increase in economic uncertainty adjustments to acknowledge a late-breaking increase in global economic uncertainty due to protectionist trade policies introduced after the economic inputs in the ECL model were calibrated. A new adjustment alters the weightings attributed to each economic scenarios, resulting in the final scenario weightings disclosed on page 177. The impact is primarily to mortgage portfolios.

Mortgage models are based largely on owner occupied historic performance, which is less sensitive than BTL mortgage performance to downside economic inputs. An adjustment is maintained to ensure that the BTL portfolio appropriately reacts to adverse economic scenarios.

Adjustments to SME and Retail recognised in respect of the cost of living challenges are now captured in rebuilt models, and inflationary risks captured in a judgemental adjustment have reduced since the prior year.

Other performance adjustments

Other performance adjustments relate to two types of adjustment:

- Deferred calibrations: These are judgemental adjustments where modelled estimates, such as PD, differ to the observed underlying portfolio performance over time. This includes a reduction to ECL on overdrafts where observed default rates are lower than the model estimate. Periodically, historical data is reviewed against the model and a true up is calculated to better reflect the ECL until the model is next calibrated; and
- Other post model performance adjustments: This includes an adjustment to calibrate the economic scenario anchor point used in the mortgage portfolio ECL model, to ensure economic input trends are reflected correctly in overall ECL. Other adjustments increase the ECL of loans which have certain flags at an individual level that are not fully reflected in the model. These other adjustments include uplifts to ECL for overdrafts for high utilisation, balances which have been overdrawn for a significant time and forbearance. Prior year judgmental adjustments to certain BTL portfolios by benchmarking against available BTL bureau and other data has decreased where the impact has been captured within the ECL model for the current year.

4. Net interest income

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Interest income calculated using the EIR method:				
Cash and balances at central banks	**302,660**	302,538	**302,642**	302,490
Loans and advances to banks	**1,720**	1,933	**1,720**	1,933
Debt securities	**170,872**	140,908	**170,872**	140,908
Loans and advances to customers	**265,393**	261,465	**252,891**	249,064
Intercompany loans[1]	**–**	–	**3,932**	1,583
Other interest income:				
Economic hedging derivatives[1, 2]	**71,050**	47,964	**71,050**	47,964
Interest income	**811,695**	754,808	**803,107**	743,942
Interest expense calculated using the EIR method:				
Customer deposits	**(85,861)**	(40,464)	**(85,861)**	(40,464)
Deposits from banks	**(116,257)**	(121,473)	**(116,257)**	(121,473)
Other interest expense:				
Economic hedging derivatives[1, 2]	**(19,415)**	–	**(19,415)**	–
Interest expense	**(221,533)**	(161,937)	**(221,533)**	(161,937)
Net interest income	**590,162**	592,871	**581,574**	582,005

[1] All lines in the above table, excluding intercompany loans and economic hedging derivatives, includes interest on swaps entered to hedge the interest rate risk of the underlying item in designated hedge relationships.

[2] Economic hedging derivatives relates to interest on derivatives which are economically hedging interest-bearing assets or liabilities but which are not in designated hedge relationships.

The EIR is determined at initial recognition based on the Group's best estimate of the future cash flows of the financial instrument over its expected life. For mortgage lending, estimates are required of expected future payments of interest and capital, based on the early redemption behaviour of customers. This involves assumptions on customer behaviour when a fixed rate period comes to an end and a loan reverts to the applicable SVR. On a regular basis, the Group reviews and, where necessary, updates its view of future behaviours across its various lending portfolios. This is not considered a critical estimate in the current year as, following a significant update to expected behavioural curves in the prior year, the amortised cost of loan balances is not materially sensitive to reasonable changes in expected behaviour.

5. Net fees and commissions

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Customer card transaction revenue	**101,528**	99,697	**101,528**	99,697
Payment and platform services	**2,268**	2,385	**2,218**	2,385
Other fees and commission income	**12,160**	10,775	**12,160**	10,775
Loan origination and servicing fee income	**3,630**	4,338	**–**	–
Software as a Service revenue[1]	**8,720**	2,272	**–**	–
Fees and commissions income	**128,306**	119,467	**115,906**	112,857
Loan service and other loan related fees	**(9,321)**	(13,966)	**(14,571)**	(17,517)
Customer card transaction costs	**(14,401)**	(15,316)	**(14,401)**	(15,316)
Clearing house fees	**(345)**	(376)	**(345)**	(376)
Payment systems and other related costs	**(9,472)**	(5,386)	**(9,471)**	(5,386)
Fees and commissions expense	**(33,539)**	(35,044)	**(38,788)**	(38,595)
Net fees and commissions	**94,767**	84,423	**77,118**	74,262

[1] Software as a Service revenue relates to income earned from external customers by Engine.

6. Other (expense)/income

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
Net fair value loss from hedging	**(6,772)**	(27,746)	**(6,772)**	(27,746)
Ineffectiveness arising from fair value hedges	**(6,467)**	3,843	**(6,467)**	3,843
Ineffectiveness arising from cash flow hedges	**23**	252	**23**	252
Other hedging movements	**(328)**	(31,841)	**(328)**	(31,841)
Net loss from foreign exchange	**(3,992)**	(4,045)	**(3,929)**	(4,044)
Net gain from sale of financial assets	**533**	–	**533**	–
Other operating income	**5,685**	1,615	**1,915**	1,404
Other (expense)/income	**(4,546)**	(30,176)	**(8,253)**	(30,386)

The net fair value loss from hedging arises from hedge ineffectiveness on designated hedges, amortisation of hedge adjustments on de-designated hedge relationships well as gains/(losses) on derivatives in economic hedge relationships that do not qualify for hedge accounting.

Ineffectiveness arising from fair value hedges relates to differences in the fair values of designated interest rate risk exposures and the derivatives executed to hedge these.

Ineffectiveness arising from cash flow hedges relates to the excess of derivative movement over the movement of the hedged item. The effective portion of the hedging swap is recognised in other comprehensive income, and the ineffective portion is recognised in other (expense)/income.

Hedge ineffectiveness is driven by differences between hedged items and hedging derivatives, primarily timing differences of cash flows, differences in payment frequencies and interest basis differences.

Other hedging movements include gains/(losses) from derivatives which are economically hedging fixed interest rate risk, but have not been designated in a hedge relationship. These derivatives have been excluded from a hedge relationship because an offsetting derivative has been identified, such that the net volatility from these derivatives is minimal. It is possible to net offsetting derivatives in a matched book as the Group hold both pay fixed swaps and receive fixed swaps. Receive fixed swaps hedge fixed rate liabilities and more significantly, receive fixed swaps were entered into as part of the structural hedge. Pay fixed swaps hedge fixed rate assets (refer to note 11 for further detail). The unwind of fair value on swaps which have been de-designated from hedge relationships, and the offsetting unwind of the de-designated hedge adjustment, are also reported in other hedging movements. These are largely offsetting over the life of the hedged item but there will be year on year timing differences. The current year loss will be offset by future gains as the position unwinds back to zero.

Other hedging movements additionally include the unwind of fair value adjustments for redesignated hedge relationships over the remaining term of the underlying hedged item.

Net gain from sale of financial assets includes a minimal gain this year of £0.2m recognised on the sale of a legacy lending portfolio during the year. Other gains related to the sale of other financial assets owned by the Group, previously held at amortised cost.

Other operating income includes RDEC income recognised. See note 21.

7. Operating expenses

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Staff costs	**303,741**	230,381	**288,039**	214,517
Marketing [1]	**12,980**	24,407	**12,188**	23,521
Professional services	**21,273**	21,666	**20,112**	21,360
Card and onboarding costs[1]	**17,944**	20,696	**17,855**	20,449
Technology	**33,148**	27,762	**27,992**	24,983
Premises [2]	**5,351**	3,760	**4,648**	3,107
Depreciation and amortisation	**23,988**	16,807	**5,433**	4,405
Impairment of intangible assets	**1,608**	445	**–**	–
Regulatory fines and penalties	**28,959**	–	**28,959**	–
Other operational provisions	**28,240**	–	**28,240**	–
Customer remediation[1]	**9,401**	8,400	**9,401**	8,400
Other expenses[1]	**30,505**	20,973	**45,390**	37,827
Expenses qualifying for capitalisation	**(56,925)**	(43,167)	**–**	–
Operating expenses	**460,213**	332,130	**488,257**	358,569

[1] Comparatives have been represented to reclassify the following; £11.6m of costs relating to onboarding of customers from marketing to a new category of card and onboarding costs; and £8.4m of costs included in other expenses to a new category of customer remediation.

[2] Includes interest expense on lease liabilities of £0.5m (2024: £0.3m).

Included within regulatory fines and penalties is £29.0m paid to the FCA as full and final settlement of a fine in relation to certain failings in financial crime systems and controls.

For further detail on customer remediation and other operational provisions see note 22.

Expenses qualifying for capitalisation of £56.9m (2024: £43.2m) relate primarily to costs incurred during the year in the development of Starling's banking app and core banking system either for direct use or to licence to Engine customers. Expenses were capitalised in accordance with IAS 38 as intangible assets (see note 16).

Depreciation and amortisation

Included within operating expenses are depreciation and amortisation expenses, which contain the following amounts:

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Amortisation of intangible assets	**18,021**	11,895	**–**	1
Depreciation of tangible fixed assets	**2,979**	2,360	**2,692**	2,100
Depreciation of right to use assets	**2,988**	2,552	**2,741**	2,304
Depreciation and amortisation	**23,988**	16,807	**5,433**	4,405

Audit fees

Included within operating expenses are the following amounts for audit and non-audit fees:

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Audit of consolidated financial statements	**2,863**	2,230	**2,863**	2,230
Audit of the financial statements of the subsidiaries	**135**	110	**–**	–
Total audit fees	**2,998**	2,340	**2,863**	2,230
Interim profit verification fees	**–**	171	**–**	171
Non-audit - other assurance services	**72**	44	**72**	44
Total non-audit fees	**72**	215	**72**	215

Staff costs

Included within operating expenses are the following amounts for staff costs:

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Salaries, wages and other costs	**250,002**	201,913	**238,260**	190,239
Social security costs	**22,236**	17,731	**20,704**	16,292
Performance-based compensation	**24,624**	5,336	**23,565**	3,854
Pension contributions	**6,879**	5,401	**5,510**	4,132
Staff costs	**303,741**	230,381	**288,039**	214,517

7. Operating expenses continued

The total average number of persons employed by function is shown below.

	Group 2025	Group 2024	**Company 2025**	Company 2024
Operations and front office	**2,918**	2,375	**2,625**	2,245
Back office functions	**990**	828	**919**	761
Management	**31**	28	**23**	19
Total average number of employees	**3,939**	3,231	**3,567**	3,025

Discretionary incentive schemes

Starling runs two employee discretionary incentive schemes to attract, retain and incentivise certain senior staff and key talent, and align their interests with the creation of shareholder value and risk management. Awards made on an annual basis subject to the satisfaction of performance conditions, delivered in a combination of cash and share awards and are subject to deferral, in line with regulatory requirements. The following table shows the reconciliation of total cash awarded to the income statement charge recognised under performance-based compensation staff costs.

Cash incentives	**Group 2025 £'000**	Company 2025 £'000	**Group 2024 £'000**	Company 2024 £'000
Deferred cash incentives brought forward	**588**	588	**–**	–
Less; deferred cash incentives recognised in prior years since lapsed	**(12)**	(12)	**–**	–
Less: deferred cash incentive awarded in the prior year, expected to be recognised in future periods	**(391)**	(391)	**–**	–
Deferred cash incentives brought forward recognised in the current year	**185**	185	**–**	–
Cash incentives approved in the year	**8,566**	8,566	**2,706**	2,312
Less: deferred cash incentive awarded in the current year, expected to be recognised in future periods	**(1,846)**	(1,846)	**(588)**	(588)
Cash incentives approved and recognised in the year	**6,720**	6,720	**2,118**	1,724
Total bonus charge recognised in the income statement relating to the deferred cash incentives	**6,905**	6,905	**2,118**	1,724

Director emoluments

The tables below are prepared in accordance with the requirements of The Large and Medium-sized Companies (Accounts and Reports) Regulations 2008.

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
Wages and salaries[1]	**3,200**	5,080	**3,200**	5,080
Performance-based compensation[2]	**936**	1,620	**936**	1,620
Pension contributions	**95**	4	**95**	4
Director emoluments	**4,231**	6,704	**4,231**	6,704
Wages and salaries[1]	**1,097**	2,326	**1,097**	2,326
Performance-based compensation	**600**	–	**600**	–
Highest paid director emoluments	**1,697**	2,326	**1,697**	2,326

[1] Included in wages and salaries in 2024 was £1.5m in relation to other compensation for past directors.

[2] In accordance with The Large and Medium-sized Companies (Accounts and Reports) Regulations 2008 share options are not included in the directors emoluments disclosures. Included in 2024 was £0.6m relating to share awards granted in 2024 in relation to the 2023 performance year.

No employees (2024: no employees) who served as executive directors during the year have a right to amounts under any final salary pension scheme for their services. Two directors (2024: two directors) participate in the Bank's defined contribution pension arrangements.

The Directors did not exercise share options during the current or prior year. During the year there were no awards to directors (2024: one director) under a long-term incentive plan.

8. Taxation

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Current tax				
Corporation tax	72,712	68,523	74,321	78,170
Adjustments in respect of prior period	5,464	8,046	(812)	425
Tax expense	78,176	76,569	73,509	78,595
Deferred tax				
Deferred taxes recognised in income statement	47	13,579	(2,287)	(503)
Adjustments in respect of prior period	(5,532)	(9,046)	721	3
Effect of tax rate changes	–	(4)	–	–
Tax charge recognised in income statement	72,691	81,098	71,943	78,095

Reconciliation of tax charge	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Profit before taxation	223,413	301,099	230,286	292,233
Tax expense at the standard rate of 25% (2024: 25%)	55,853	75,275	57,572	73,058
Effects of:				
Surcharge	4,998	5,697	4,998	5,697
Non-taxable income	(581)	(232)	(2,480)	(2,163)
Expenses not deductible for tax purposes	12,482	1,155	11,943	1,129
Deferred tax not recognised	2	247	–	–
Tax rate changes	2	(44)	–	(54)
Prior period adjustment	(65)	(1,000)	(90)	428
Tax charge recognised in income statement	72,691	81,098	71,943	78,095
Effective tax rate	32.5 %	26.9 %	31.2 %	26.7 %

The standard rate of corporation tax for the year was 25% (2024: 25%). The Bank is subject to the bank surcharge with an additional 3% corporation tax applied to surcharge profits in excess of £100m. The Company's current tax expense of £73.5m (2024: £78.6m) includes the tax value of Group relief claims made of £2.8m (2024: £9.9m) from its subsidiaries, see note 28 for further details.

Included within adjustments in respect of prior period, are adjustments relating to prior year R&D claims and Group relief claims. Expenses not deductible for tax purposes largely relates to the £29.0m paid to the FCA as full and final settlement of a fine in relation to certain failings in financial crime systems and controls. Customer remediation costs recognised in the current year and share-based payments are also included within expenses not deductible for tax purposes.

The OECD has published Pillar 2 Model Rules, which include a minimum 15% tax rate by jurisdiction. Various countries have enacted or intend to enact tax legislation to comply with these rules. The Group is not within the scope of the OECD's Pillar Two rules for the accounting period ended 31 March 2025, since the turnover threshold requirements were not met for two of the previous four financial years. However, the Pillar Two rules are expected to impact the Group's financial results from 1 April 2025 onwards.

The OECD's Pillar Two rules provide for a transitional safe harbour that applies for the first three fiscal years following the entry into force of the relevant regulations. Where at least one of the transitional safe harbour tests is met for a jurisdiction in which the Group operates, the top-up tax due for such jurisdiction will be deemed to be zero.

A preliminary assessment of the potential exposure to Pillar Two income taxes has been carried out based on the most recent tax filings and financial statements for the Group. Based on this assessment, all of the jurisdictions outside of the UK which the Group currently has a presence in should benefit from the transitional safe harbour. Consequently, the Group does not expect a material tax impact from this new regulation.

9. Analysis of cash and cash equivalents

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Cash and balances at central banks	**6,686,688**	6,420,115	**6,686,688**	6,420,115
Loans and advances to banks	**30,489**	36,879	**27,008**	35,441
Cash and cash equivalents	**6,717,177**	6,456,994	**6,713,696**	6,455,556

10. Debt securities

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Issued by governments and supranational bodies	**1,711,624**	1,535,013	**1,711,624**	1,535,013
Covered bonds issued by banks and building societies	**1,258,616**	1,109,808	**1,258,616**	1,109,808
RMBS issued by banks and building societies	**993,778**	675,881	**993,778**	675,881
Gross debt securities	**3,964,018**	3,320,702	**3,964,018**	3,320,702
Fair value adjustment for hedged risk	**(29,096)**	(35,835)	**(29,096)**	(35,835)
Debt securities	**3,934,922**	3,284,867	**3,934,922**	3,284,867

The impact of ECL impairment requirements on the Group's debt securities is immaterial. The Group has reviewed each asset within its debt securities portfolio to ensure that the underlying assets remains of at least investment grade quality (see credit quality disclosures on page 96 of the risk report) and that there have been no breaches of covenants within the individual instruments.

The Group has interests in unconsolidated structured entities not controlled by the Group and established by a third party. The Group is exposed to variable returns arising from the performance of the entities. Such interests relate to holdings of RMBS debt securities. The Group's maximum exposure to loss related to interests in unconsolidated structured entities is £993.8m (2024: £675.9m) of which £40.8m (2024: £115.2m) relates to RMBS where the underlying mortgages are serviced by Fleet. No impairment charge has been recognised in relation to these RMBS securities. The Group does not sponsor any of the unconsolidated structured entities.

11. Derivatives

Group/Company **2025**	Fair value of assets £'000	Fair value of liabilities £'000	Notional amount £'000
Hedge accounting derivatives			
Fair value hedges - interest rate swaps	**49,823**	**(8,888)**	**2,060,100**
Cash flow hedges - interest rate swaps	**16,761**	**(3,854)**	**1,848,000**
Derivatives not in hedge accounting relationships			
Interest rate swaps	**89,605**	**(35,349)**	**7,038,000**
FX forwards	**426**	**(961)**	**287,549**
Derivative assets/(liabilities) and notional	**156,615**	**(49,052)**	**11,233,649**

Group/Company **2024**	Fair value of assets £'000	Fair value of liabilities £'000	Notional amount £'000
Hedge accounting derivatives			
Fair value hedges - interest rate swaps	91,607	(29,641)	2,984,000
Cash flow hedges - interest rate swaps	22,355	(956)	2,046,000
Derivatives not in hedge accounting relationships			
Interest rate swaps	132,575	(20,291)	6,092,000
FX forwards	4	(529)	316,986
Derivative assets/(liabilities) and notional	246,541	(51,417)	11,438,986

Derivatives are used primarily to mitigate the Group's interest rate risk. These derivatives are either designated in a hedge accounting relationship, or allocated to a matched book.

The matched book contains non-hedge accounted economic hedging derivatives which have been excluded from a hedge relationship because an offsetting derivative has been identified, such that the net volatility from these derivatives is minimal. Starling does not take trading positions.

In addition to interest rate swaps, other non-hedge accounted derivatives are forward FX transactions that are executed as part of an FX swap to manage the Group's short-term liquidity in Euro, US dollar and other non-functional currencies.

Within the Group, derivatives are currently only held by the Bank.

11. Derivatives continued

Derivatives and hedge accounting

The Group hedges its fixed rate lending, fixed rate debt securities and fixed rate term deposits, and additionally maintains a structural hedge of core deposits.

Economic hedges

Where economic hedging swaps offset each other, these swaps are not designated in a hedge relationship and instead are allocated to a matched book, where minimal net risk ensures minimal income statement volatility. It is possible to net offsetting derivatives due to the execution of receive fixed swaps executed as part of the structural hedge, which provide an offset to the pay fixed swaps hedging fixed rate assets.

Macro fair value hedge accounting – fixed rate lending/deposits and debt securities

The interest rate risk arising from fixed rate loan books, fixed rate term deposits and certain debt securities is managed by entering into interest rate swaps. The level of exposure from the loan books changes frequently due to new product originations, and repayments/defaults by customers. The Group enters into new derivatives each month to hedge this dynamic interest rate risk.

The Group applies a portfolio hedge of interest rate risk, using fair value changes in the interest rate risk of the hedged portfolio to offset the volatility from the hedging derivatives.

The Group assesses the hedges prospectively at the start of each month using the dollar-offset method, and assesses the retrospective effectiveness at the end of each month using regression analysis. The Group de-designates and re-designates the portfolio fair value hedges on a monthly basis.

The Group assesses hedge ineffectiveness on an ongoing basis. Hedge ineffectiveness is recognised as other (expense)/income in the income statement. The main sources of ineffectiveness in portfolio fair value hedge are maturity mismatch and cash flow timing mismatch between the hedged item and the hedging instrument.

Micro fair value hedge accounting - fixed rate debt securities

This year the Group has executed transactions where a fixed rate debt security is hedged individually with an interest rate swap, and these have been designated in a fair value hedge for the life of the security. The Group assesses the prospective and retrospective effectiveness on a monthly basis, using the dollar-offset method. The main sources of ineffectiveness are cash flow timing mismatches between the interest rate swap and the debt security.

Cash flow hedge accounting – cash and balances at central bank and debt securities

The Group uses interest rate swaps as a structural hedge of non-maturing customer deposits that are not sensitive to interest rate changes. These swaps, if not allocated to the matched book, are designated as a hedge of variable rate cash at central banks and floating rate debt securities. The underlying interest rate on the designated cash at central banks is base rate, and on the debt securities it is the Sterling overnight rate. As at 31 March 2025, the hedged forecast cash flows are considered highly probable over the five year length of the hedge relationships.

The Group assesses effectiveness prospectively at the start of each month on a dollar offset basis, and retrospectively at the end of each month using a statistical regression analysis. The main sources of ineffectiveness in these hedges of interest rate risk arise from basis mismatch and cash flow timing mismatch between the hedged item and the hedging instrument.

Hedging instruments

The following table sets out the maturity profile and average fixed interest rate of the hedging instruments used in the Group's hedge accounting strategies. As there is no difference in derivatives for Group or Company the tables below do not distinguish between them.

2025	**Up to 3 months**	**3-12 months**	**1-3 years**	**3-5 years**	**Over 5 years**
Fair value hedges: Interest rate swaps					
Notional (£'000)	**33,000**	**198,000**	**1,160,000**	**603,100**	**66,000**
Average fixed interest rate %	**5.0**	**4.0**	**3.3**	**3.5**	**4.0**
Cash flow hedges: Interest rate swaps					
Notional (£'000)	**149,000**	**414,000**	**765,000**	**520,000**	**–**
Average fixed interest rate %	**5.2**	**5.0**	**5.0**	**4.0**	**–**

2024	Up to 3 months	3-12 months	1-3 years	3-5 years	Over 5 years
Fair value hedges: Interest rate swaps					
Notional (£'000)	145,000	675,000	762,000	1,278,000	124,000
Average fixed interest rate %	1.3	3.9	2.4	3.6	1.9
Cash flow hedges: Interest rate swaps					
Notional (£'000)	116,000	397,000	1,028,000	505,000	–
Average fixed interest rate %	5.50	5.30	5.0	4.7	–

11. Derivatives continued

The following tables provide further detail on the Group's hedging instruments used in fair value hedge relationships:

2025	Notional amount £'000	Fair value of assets[1] £'000	Fair value of liabilities[1] £'000	Change in fair value charge/(credit)[2] £'000	Hedge ineffectiveness charge/(credit)[3] £'000
Interest rate swaps	2,060,100	49,823	(8,888)	5,559	6,467

[1] Included in the derivative assets/derivative liabilities lines in the statement of financial position.
[2] The change in fair value during the year that was used as the basis for calculating hedge ineffectiveness and which was recognised in the income statement during the year in other (expense)/income.
[3] The amount of hedge ineffectiveness recognised under other (expense)/income in the income statement in the year.

2024	Notional amount £'000	Fair value of assets[1] £'000	Fair value of liabilities[1] £'000	Change in fair value charge/(credit)[2] £'000	Hedge ineffectiveness charge/(credit)[3] £'000
Interest rate swaps	2,984,000	91,607	(29,641)	(5,017)	(3,843)

[1] Included in the derivative assets/derivative liabilities lines in the statement of financial position.
[2] The change in fair value during the year that was used as the basis for calculating hedge ineffectiveness and which was recognised in the income statement during the year.
[3] The amount of hedge ineffectiveness recognised under other (expense)/income in the income statement in the year.

The following tables provides further detail on the Group's hedging instruments used in cash flow hedge relationships:

2025	Notional amount £'000	Fair value of assets[1] £'000	Fair value of liabilities[1] £'000	Change in fair value recognised in OCI[2] £'000	Loss reclassified from OCI to income statement £'000	Hedge ineffectiveness credit[3] £'000
Interest rate swaps	1,848,000	16,761	(3,854)	9,440	697	(23)

[1] Included in the derivative assets/derivative liabilities lines in the statement of financial position.
[2] The change in fair value during the year that was used as the basis for calculating hedge ineffectiveness and is recognised in net gains/(losses) from changes in fair value line of other comprehensive income.
[3] The amount of hedge ineffectiveness recognised under other (expense)/income in the income statement in the year.

2024	Notional amount £'000	Fair value of assets[1] £'000	Fair value of liabilities[1] £'000	Change in fair value recognised in OCI[2] £'000	Loss reclassified from OCI to income statement £'000	Hedge ineffectiveness credit[3] £'000
Interest rate swaps	2,046,000	22,355	(956)	(37,867)	(160)	(252)

[1] Included in the derivative assets/derivative liabilities lines in the statement of financial position.
[2] The change in fair value during the year that was used as the basis for calculating hedge ineffectiveness and is recognised in net gains/(losses) from changes in fair value line of other comprehensive income.
[3] The amount of hedge ineffectiveness recognised under other (expense)/income in the income statement in the year.

11. Derivatives continued

The tables below provide further detail on the Group's hedged items.

2025	Carrying amount of hedged item asset/(liability) £'000	Fair value adjustment on hedged item asset/(liability) £'000	Amount remaining on items de-designated from hedge relationships[5] £'000	Change in value of hedged item used to determine hedge ineffectiveness[6] £'000
Fair value hedges				
Portfolio hedged risk:				
Fixed rate loans and advances to customers[1]	1,203,000	75,697	74,210	(4,217)
Debt securities[2]	569,100	25,453	24,038	1,286
Fixed term deposits[3]	(203,000)	241	257	196
Individual hedged risk:				
Debt securities[2]	85,000	3,643	–	3,643
Total fair value hedges	1,654,100	105,034	98,505	908
Cash flow hedges				
Cash and balances at central banks[4]	1,485,000	–	–	8,869
Floating rate debt securities[2]	363,000	–	–	436
Total cash flow hedges	1,848,000	–	–	9,305

[1] Included within loans and advances to customers line in statement of financial position.
[2] Included within debt securities line in statement of financial position.
[3] Included within customer deposits line in statement of financial position.
[4] Included within cash and balances with central banks line in statement of financial position.
[5] The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for fair value hedges or in the cash flow hedging reserve for cash flow hedges, for any hedged items to have ceased to be adjusted for hedging gains and losses.
[6] The change in fair value during the year that was used as the basis for calculating hedge ineffectiveness which was recognised in the income statement during the year.

2024	Carrying amount of hedged item asset/(liability) £'000	Fair value adjustment on hedged item asset/(liability) £'000	Amount remaining on Items de-designated from hedge relationships[5] £'000	Change in value of hedged Item used to determine hedge Ineffectiveness[6] £'000
Fair value hedges				
Portfolio hedged risk:				
Fixed rate loans and advances to customers[1]	1,188,493	115,598	123,514	3,348
Debt securities[2]	510,000	35,835	40,030	(1,787)
Fixed term deposits[3]	(331,998)	(516)	(516)	(387)
Total fair value hedges	1,366,495	150,917	163,028	1,174
Cash flow hedges				
Cash and balances at central banks[4]	1,320,000	–	(662)	(35,820)
Floating rate debt securities[2]	726,000	–	–	(1,257)
Total cash flow hedges	2,046,000	–	(662)	(37,077)

[1] Included within loans and advances to customers line in statement of financial position.
[2] Included within debt securities line in statement of financial position.
[3] Included within customer deposits line in statement of financial position.
[4] Included within cash and balances with central banks line in statement of financial position.
[5] The accumulated amount of fair value hedge adjustments remaining in the statement of financial position for fair value hedges or in the cash flow hedging reserve for cash flow hedges, for any hedged items to have ceased to be adjusted for hedging gains and losses.
[6] The change in fair value during the year that was used as the basis for calculating hedge ineffectiveness which was recognised in the income statement during the year.

See note 25 for further detail on the cash flow reserve movement.

12. Loans and advances to customers

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Mortgage lending	**4,300,822**	3,829,403	**4,300,822**	3,829,403
Owner occupied	**779,734**	1,020,426	**779,734**	1,020,426
Buy-to-let	**3,521,088**	2,808,977	**3,521,088**	2,808,977
SME lending	**441,387**	831,894	**441,387**	831,894
BBLS	**314,660**	544,388	**314,660**	544,388
CBILS	**64,723**	187,997	**64,723**	187,997
RLS	**59,269**	96,882	**59,269**	96,882
SME term loans	**1,899**	2,007	**1,899**	2,007
Overdrafts	**836**	620	**836**	620
Retail lending	**20,176**	28,416	**20,176**	28,416
Term loans	**582**	7,535	**582**	7,535
Overdrafts	**19,594**	20,881	**19,594**	20,881
Gross loans and advances to customers	**4,762,385**	4,689,713	**4,762,385**	4,689,713
Less total impairment provisions	**(20,856)**	(46,963)	**(20,856)**	(46,963)
Impairment provisions for mortgage lending	**(9,771)**	(12,884)	**(9,771)**	(12,884)
Impairment provisions for SME lending	**(7,382)**	(26,468)	**(7,382)**	(26,468)
Impairment provisions for retail lending	**(3,703)**	(7,611)	**(3,703)**	(7,611)
Net loans and advances to customers	**4,741,529**	4,642,750	**4,741,529**	4,642,750
Accrued interest	**4,735**	10,511	**4,735**	10,511
Fair value adjustment for hedged risk	**(75,697)**	(115,598)	**(75,697)**	(115,598)
Loans and advances to customers[1]	**4,670,567**	4,537,663	**4,670,567**	4,537,663

[1] Included within loans and advances to customers, are loans acquired from third parties under forward flow arrangements of £368.7m (2024: £615.9m), loan portfolios acquired not under forward flow arrangements of £1,013.9m (2024: £1,176.3m) and organic loans of £3,288.0m (2024: £2,745.4m).

[2] The decrease in the year of retail term loans includes the sale of a legacy lending portfolio of £6.0m. A minimal gain was recognised on the disposal and is included in note 6.

SME lending includes gross balances of £399.0m (2024: £742.4m) guaranteed by the BBB (backed by HM government). In 2020, the Bank began participating in two UK government-backed lending schemes: BBLS and CBILS, followed by RLS In April 2021. All of these schemes closed in previous years.

The BBLS provided SME customers with loans of up to £50k for a maximum term of six years. Interest is charged at 2.5% and the UK government pays the fees and interest for the first 12 months. No capital repayment was required by the customer for the first 12 months of the scheme. A UK government guarantee of 100% is provided under the scheme to the Bank by the BBB. The Bank began making claims to the BBB under the guarantee received from HM government in 2021. The Bank has considered the risk that there is a possibility that there may be some exposures where the Bank might not be able to call on the UK government guarantee.

The CBILS provided SME customers with loans of up to £500k for a maximum term of six years, provided certain criteria were met. Interest is charged between 3.5% and 9.9% above the BoE base rate and no capital repayment is required by the customer for the first 12 months of the scheme. A UK government guarantee of 80% is provided under the scheme to the Bank by the BBB.

The RLS provides SME customers with loans from £25k up to £350k for a maximum term of 6 years, provided certain criteria were met. Interest is charged between 5.3% and 12.1%. A UK government guarantee of either 70% or 80% is provided under the scheme, depending on the date the facility was granted, to the Bank by the BBB.

12. Loans and advances to customers continued

Provisions for impairment on loans and advances to customers

The following table shows the movement on provisions for impairments on loans and advances to customers:

Group/Company	**Impairment provisions £'000**
As at 31 March 2023	34,530
Charge for the year[1]	13,340
Amounts written off[2]	(907)
As at 31 March 2024	46,963
Release for the year[1]	**(3,391)**
Disposals	**(4,028)**
Amounts written off[2]	**(18,688)**
As at 31 March 2025	**20,856**

[1] The £3.2m credit (2024: £13.9m charge) for impairment release/charge shown in the income statement also includes a £0.2m charge (2024: £0.2m release) in respect of impairment provision on undrawn facilities and loan commitments, which are presented as part of the provisions balance (note 22). Also included in the prior year charge in the income statement, were amounts charged off of £0.7m.

[2] In order to comply with the Group's procedures for recovery of amounts due, lending written-off during the year is still subject to enforcement activities.

See note 3(a) and pages 95 to 127 of the risk report for further information on the Group's provision for impairment on loans and advances to customers.

The Bank participated in certain government-backed/sponsored COVID-19 pandemic lending schemes, including the BBLS. This required the Company to operationalise the BBLS and release funds to customers quickly and efficiently in accordance with the overarching aims of the BBLS and the specific terms of the BBLS guarantee agreement and supporting documentation. In this context, the Company may be exposed to certain risks arising from the requirements of the BBLS guarantee agreement, which in turn could affect the Company's ability to claim under the guarantee agreement in respect of certain loans made to customers. At 31 March 2025, an ECL provision of £0.8m (2024: £0.4m) was held in relation to certain loans provided by the Company under the BBLS, where the Bank may not be able to call on the government guarantee.

Off balance sheet loan commitments

At the reporting date, the Group has the following off balance sheet loan commitments.

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
Mortgage commitments	**111,303**	125,316	**111,303**	125,316
Undrawn credit facilities	**79,073**	79,649	**79,073**	79,649
Loan commitments	**190,376**	204,965	**190,376**	204,965

Under IFRS 9, an impairment provision is calculated on undrawn credit facilities and irrevocable loan commitments, see note 22.

13. Other assets

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024[1] £'000
Payment scheme collateral[2]	**–**	38,142	**–**	38,142
Prepayments	**14,420**	13,645	**12,137**	11,479
Deferred lending fee expense	**15,994**	13,704	**14,180**	13,563
Settlement balances in the course of collection	**10,208**	12,445	**10,208**	12,445
Intercompany assets	**–**	–	**101,813**	68,823
Other assets	**13,852**	22,111	**7,623**	12,409
Other assets	**54,474**	100,047	**145,961**	156,861

[1] Comparatives have been represented to include intercompany assets. These were previously disclosed with investments in subsidiaries. See note 1 for further details.

[2] Payment scheme collateral comprises cash deposits placed at a nominated bank at the request of the Bank's card scheme provider to support customers' transaction volumes. This cash collateral was repaid during the year. Collateral is now provided in the form of debt securities. See page 132 of the risk report.

Other assets have been assessed for impairment with no provision considered necessary (2024: £–m).

Included within intercompany assets are balances owed from subsidiaries of the Bank, see note 28 for further information. Intercompany assets are all held at amortised cost. The impact of ECL impairment requirements on the intercompany assets is immaterial.

14. Investment in subsidiaries

Investment in subsidiaries	2025 £'000	2024 £'000
Fleet Mortgages Limited	50,171	50,171
Starling FS Services Limited	–	–
MFSI Holdings Limited	–	–
Investment in subsidiaries	**50,171**	50,171

The subsidiary undertakings below are wholly owned and their share capital comprises ordinary shares (or the local equivalent thereof), held directly or indirectly by Starling Bank Limited. As at 31 March 2025, Starling Bank Limited had three direct (2024: three) and four indirect (2024: three) wholly owned subsidiary companies. Their results are fully consolidated into the Group's Financial Statements.

Direct subsidiaries of the Company

Fleet Mortgages Limited

Fleet is registered in England and Wales (2nd Floor Flagship House, Reading Road North, Fleet, Hampshire, GU51 4WP, company number 08663979). At acquisition, the fair value of consideration transferred of £50.2m was recognised as an investment. Fleet originates, sells and services BTL mortgage loans granted primarily to professional and semi-professional landlords.

Starling FS Services Limited

SFSSL is registered in England and Wales (5th Floor, London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW, company number 10091094). SFSSL was incorporated to design, specify, build, test and implement software to support a mobile-banking platform. It owns and licenses the use of the software that powers the Group's technology platform to the Company and Engine SaaS proposition.

MFSI Holdings Limited

MFSI Holdings Limited is registered in Ireland (Riverside One Sir John Rogerson's Quay, Dublin 2, Dublin, D02 X576, company number 709388) and is an Irish domiciled Holding Company for Murmur Financial Services International DAC. This company is currently dormant.

Impairment of investment in subsidiaries

At the end of each reporting period, an impairment review is undertaken in respect of investment in subsidiaries. Impairment is recognised when the investment exceeds the recoverable amount. The recoverable amount is calculated as a VIU which is derived from the present value of future cash flows expected to be received from the investment.

The VIU calculation uses future years forecast profits from financial budgets approved by management as an approximation of future cash flows. In 2025 and 2024, the recoverable amount was higher than the carrying value of all investments in ordinary shares held by Starling Bank Limited. Consequently, no impairment was noted at the reporting date.

Indirect subsidiaries of the Company

Engine by Starling Limited

Engine is registered in England and Wales (5th Floor, London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW, company number 13925405). Engine is a direct subsidiary of SFSSL. The principal activity of Engine is to act as the vehicle through which the Group sells its SaaS product, based on the proprietary technology platform used to power the Bank.

Engine by Starling Services Limited

EBSSL is registered in England and Wales (5th Floor, London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW, company number 16200786). EBSSL is a direct subsidiary of Engine. The principal activity of EBSSL is to act as a service company for Engine. EBSSL was incorporated in January 2025.

Murmur Financial Services Limited

MFSL is registered in England and Wales (5th Floor, London Fruit and Wool Exchange, 1 Duval Square, London E1 6PW, company number 14999160). MFSL is a direct subsidiary of SFSSL, incorporated to act as a service organisation for the Group.

Murmur Financial Services International Designated Activity Company

MFSI DAC is registered in Ireland (Riverside One Sir John Rogerson's Quay, Dublin 2, Dublin, D02 X576, company number 648846).

15. Property, plant, equipment and right of use assets

Group Cost	Property, plant and equipment £'000	Right of use assets £'000	Total tangible assets £'000
As at 1 April 2024	11,104	18,588	29,692
Additions	3,167	2,453	5,620
As at 31 March 2025	14,271	21,041	35,312
Depreciation			
As at 1 April 2024	5,195	5,770	10,965
Charge for the year	2,979	2,988	5,967
Disposals	–	(8)	(8)
As at 31 March 2025	8,174	8,750	16,924
Net book value	6,097	12,291	18,388

Company Cost	Property, plant and equipment £'000	Right of use assets £'000	Total tangible assets £'000
As at 1 April 2024	9,426	17,098	26,524
Additions	2,902	2,453	5,355
As at 31 March 2025	12,328	19,551	31,879
Depreciation			
As at 1 April 2024	4,019	5,052	9,071
Charge for the year	2,692	2,741	5,433
Disposals	–	(8)	(8)
As at 31 March 2025	6,711	7,785	14,496
Net book value	5,617	11,766	17,383

Group Cost	Property, plant and equipment £'000	Right of use assets £'000	Total tangible assets £'000
As at 1 April 2023	8,850	15,106	23,956
Additions	4,728	3,516	8,244
Disposals	(2,474)	(34)	(2,508)
As at 31 March 2024	11,104	18,588	29,692
Depreciation			
As at 1 April 2023	5,258	3,218	8,476
Charge for the year	2,360	2,552	4,912
Disposals	(2,423)	–	(2,423)
As at 31 March 2024	5,195	5,770	10,965
Net book value	5,909	12,818	18,727

Company Cost	Property, plant and equipment £'000	Right of use assets £'000	Total tangible assets £'000
As at 1 April 2023	7,210	13,616	20,826
Additions	4,690	3,516	8,206
Disposals	(2,474)	(34)	(2,508)
As at 31 March 2024	9,426	17,098	26,524
Depreciation			
As at 1 April 2023	4,342	2,748	7,090
Charge for the year	2,100	2,304	4,404
Disposals	(2,423)	–	(2,423)
As at 31 March 2024	4,019	5,052	9,071
Net book value	5,407	12,046	17,453

Right of use assets

During the year, the Group entered into one new lease for an additional floor in the Cardiff office. This new lease, along with existing leases of both its subsidiary offices and regional offices, brought the total number of leases to thirteen (2024: twelve). Of these, ten (2024: nine) relate to the Company, while the remaining three (2024: three) relate to Fleet. Leases held by the Group cover locations in London, Cardiff, Southampton and Manchester. The leases exist independently of each other and have different lease terms. Lease break provisions and rent-free years are included in all the lease arrangements. There are no options to purchase any of the premises at the completion of the lease terms or to extend the lease years.

Notes to the financial statements

16. Intangible assets and goodwill

Group Cost	Intangible assets £'000	Goodwill £'000	Intangible assets and goodwill £'000
As at 1 April 2024	104,401	35,890	140,291
Additions	56,997	–	56,997
Impairment of intangible asset	(6,048)	–	(6,048)
As at 31 March 2025	155,350	35,890	191,240
Amortisation			
As at 1 April 2024	32,878	–	32,878
Impairment of intangible asset	(4,440)		(4,440)
Charge for the year	18,021	–	18,021
As at 31 March 2025	46,459	–	46,459
Net book value	108,891	35,890	144,781

Group Cost	Intangible assets £'000	Goodwill £'000	Intangible assets and goodwill £'000
As at 1 April 2023	61,598	35,890	97,488
Additions	43,278	–	43,278
Disposals	(30)	–	(30)
Impairment of intangible asset	(445)	–	(445)
As at 31 March 2024	104,401	35,890	140,291
Amortisation			
As at 1 April 2023	21,013	–	21,013
Charge for the year	11,895	–	11,895
Disposals	(30)	–	(30)
As at 31 March 2024	32,878	–	32,878
Net book value	71,523	35,890	107,413

Group

Included in intangible assets are capitalised expenditure on banking software and an intangible asset recognised on acquisition of Fleet.

The Group continued to capitalise expenditure incurred on the design, specification, build, test and implementation of its banking software developed for internal use and for Engine SaaS proposition. As at 31 March 2025 the net book value of the capitalised expenditure was £106.4m (2024: £67.7m). The average remaining amortisation period of capitalised software as at 31 March 2025 was 5 years (2024: 5 years). The Directors have reviewed both internal and external indicators of impairment, including evidence of obsolescence. An impairment of £1.1m (2024: £–m) has been recognised during the year as a result of this assessment, with the related intangible assets being fully impaired.

Included under intangible assets is an intangible asset recognised on the acquisition of Fleet in July 2021. In accordance with IFRS 3, the Group recognised, separately from goodwill, an identifiable intangible asset acquired as part of Fleet acquisition. The intangible asset arose from existing lending servicing contractual arrangements at the date of acquisition. As at 31 March 2025 the carrying value of the intangible asset was £2.3m (2024: £3.7m). An impairment of £0.5m (2024: £0.4m) has been recognised during the year.

Company

Intangible assets held by the Company at 31 March 2025 have a cost of £1k (2024: £1k) and a net book value of £–k (2024: £–k).

16. Intangible assets and goodwill continued

Goodwill
As at 31 March 2025 the carrying value of the Group's Goodwill, which arose on the acquisition of Fleet, was £35.9m (2024: £35.9m).

Goodwill, arose on the acquisition of Fleet in July 2021. It represents the excess in the fair value of the total consideration paid over the fair value of net identifiable assets at the date of acquisition. Goodwill is an asset representing the future economic benefits arising from other assets acquired as part of Fleet acquisition which are not individually identified or separately recognised. Goodwill is assessed annually for impairment by measuring the recoverable amount of the CGU. The CGU is the smallest identifiable group of assets that generates cash inflows independent of the cash inflows of other assets. A group of CGUs were identified as benefiting from the acquisition and allocated to goodwill.

As the recoverable amount is higher than the carrying value of the goodwill, no impairment charge was recognised for the year (2024: no impairment).

The calculation of a VIU contains a high degree of uncertainty in estimating the future cash flows, the rates used to discount them and the long-term growth rate, as set out as follows.

Key judgements
The CGUs are sensitive to changes in the key assumptions that support the recoverable amount. These key assumptions include, the forecasted cash flows, discount rate and long-term growth rate.

Forecasted cash flows:
The forecasted cash flows used by management involve judgement and are based upon a view of the BTL market and the market conditions at the point in time when the assessment is prepared.

The estimation of cash flows is sensitive to the periods for which detailed forecasts are available and assumptions regarding the long-term pattern of steady cash flows thereafter. Management has used 5 years of forecasted cash flows in the VIU calculation.

Discount rate:
The discount rate applied to the future cash flows also involve judgement as they can have a significant impact on valuation. A discount rate of 12.5% was used (2024: 12.5%) based on the cost of equity assigned to a single CGU.

The discount rates used are compared to peers to ensure that they are appropriate.

Long-term growth rate:
The long-term growth rate applied was 1.5% (2024: 1.5%). The long-term growth rate was compared to the long-term inflation rate of the UK for reasonableness.

Sensitivity of key judgements
Given the extent by which the VIU exceeds the carrying value, the VIU was not sensitive to a decrease of the long-term growth rate to zero. It would require a reduction in cash flows of more than 90% or more than 10x higher discount rate to reduce the headroom to zero.

17. Deferred tax

The movement in the deferred tax asset as shown in the following table:

	Group 2025 £'000	Group 2024 £'000	Company 2025 £'000	Company 2024 £'000
Deferred tax (liability)/asset at 1 April	**(9,195)**	4,664	**(3,770)**	5,059
Income statement				
Prior period adjustment	**4,884**	9,044	**(721)**	(4)
Rate change	**–**	4	**–**	–
Deferred tax (credit)/charge	**47**	(13,579)	**2,287**	503
Other comprehensive income and reserves				
Cash flow hedging reserve	**2,838**	(10,648)	**2,838**	(10,648)
Share awards reserve	**722**	1,320	**722**	1,320
Deferred tax (liability)/asset at 31 March	**(704)**	(9,195)	**1,356**	(3,770)
Analysis of the deferred tax position				
Taxable temporary differences				
Fixed/intangible asset timing differences	**(14,428)**	(14,948)	**(740)**	(68)
Deductible temporary differences				
Provisions	**1,075**	–	**965**	–
Short term timing differences	**11,518**	9,687	**–**	403
Carried forward losses	**–**	171	**–**	–
Cash flow hedging reserve	**(3,825)**	(6,663)	**(3,825)**	(6,663)
Share awards reserve	**4,956**	2,558	**4,956**	2,558
Total deferred tax (liability)/asset	**(704)**	(9,195)	**1,356**	(3,770)

Group

During the year, the Group's deferred tax liability decreased by £8.5m to £0.7m (2024: £9.2m deferred tax liability) primarily as a result of changes in short term timing differences recognised between the tax base and carrying value of intangible assets. This decrease was also due to the movement in deferred tax relating to the cash flow hedging reserve and share awards reserve.

The Group recognises deferred tax assets on the Bank's LTIP and share options to reflect the Company's entitlement to a tax deduction based on the value of the shares delivered to employees upon a future realisation event. The total tax credit related to share based payment schemes recognised in the income statement was £1.7m (2024: £0.4m) and the total tax credit recognised in other reserves was £0.7m (2024: £1.3m).

The Group recognises a deferred tax liability on its cash flow hedging reserve to reflect the timing difference on recognition of fair value movements on cash flow derivatives into the income statement. The tax charge recognised in the cash flow hedging reserve was £2.8m (2024: £10.6m).

Starling recognises the full value of RDEC claims in the year they occur, with the current year RDEC tax credit of £5.1m (2024: £4.3m) included in fixed/intangible asset timing differences of £14.4m (2024: £14.9m). The RDEC claim is recognised in other (expense)/income in the income statement, see note 21 for further detail.

As part of its Pillar 2 Model Rules, the OECD has published Global Anti-Base Erosion rules, which include a minimum 15% tax rate by jurisdiction. The Group is not within the scope of the OECD's Pillar Two rules for the accounting period ended 31 March 2025, However, the Pillar Two rules are expected to impact the Group's financial results from 1 April 2025 onwards.

Starting from 1 April 2025, each legal entity of the Group will apply the mandatory temporary exception (as referred to in Paragraph 4A of IAS 12) which means each entity will not be required to recognise nor disclose information about deferred tax assets and liabilities relating to Pillar Two income taxes.

Company

The Company deferred tax position increased by £5.1m from a £3.8m deferred tax liability to a £1.4m deferred tax asset primarily as a result of the deferred tax on the cash flow hedging reserve and share awards reserve. Deferred tax assets are recognised to the extent that they are expected to be utilised, based on future forecasted profitability of the Company.

18. Customer deposits

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
SME current accounts	**5,558,783**	5,755,480	**5,560,800**	5,763,770
Personal current accounts	**4,584,278**	4,603,003	**4,584,278**	4,603,003
Savings accounts	**1,800,656**	430,583	**1,800,656**	430,583
Payment services accounts	**122,692**	181,687	**122,692**	181,687
Gross customer deposits	**12,066,409**	10,970,753	**12,068,426**	10,979,043
Fair value adjustment for hedged risk	**241**	(516)	**241**	(516)
Customer deposits	**12,066,650**	10,970,237	**12,068,667**	10,978,527

The Bank is a member of the Financial Services Compensation Scheme, the UK deposit guarantee scheme. Its eligible customer deposits are guaranteed up to £85k per individual customer.

Included within savings accounts are fixed term deposits and the Bank's Easy Saver accounts.

19. Deposits from banks

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
Bank of England – central bank facilities	**2,174,386**	2,228,796	**2,174,386**	2,228,796
Deposits from other banks	**103,835**	191,675	**103,835**	191,675
Deposits from banks	**2,278,221**	2,420,471	**2,278,221**	2,420,471

In 2021, the Bank was granted access to the BoE's TFSME. This has been used to mitigate the liquidity risk of funding term lending through overnight deposits.

The TFSME allowed funding to be drawn from the BoE up to a specific allowance. These drawings currently have a remaining contractual term between five months and six years in line with the tenor of the customers' loan drawings under the government-backed BBLS and CBILS programmes. TFSME funding can be repaid early with two days' notice. This financing is coincident with the BBLS and CBILS programmes and will be repaid from the proceeds of maturing loans or available cash reserves when repayments fall due.

For the TFSME, the Bank has pledged its BBLS loans balance as collateral and additionally utilises debt securities as eligible collateral under the BoE's Sterling Monetary Framework as disclosed on page 132 of the risk report.

Deposits from other banks represent cash collateral received from counterparty banks, for margining purposes in relation to derivative transactions. Collateral margining is conducted under both SwapClear member bank client clearing agreements in accordance with the LCH rulebook, and ISDA counterparty credit support annexes.

20. Other liabilities

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
Customer transactions in course of settlement[1]	**45,121**	262,748	**45,121**	262,748
Unsettled debt securities	**36,898**	41,977	**36,898**	41,977
Lease liabilities[2]	**14,376**	14,633	**13,777**	13,739
Accruals	**26,615**	18,006	**23,865**	16,635
PAYE and NIC payable	**5,996**	7,392	**5,682**	6,773
Deferred consideration	**2,345**	3,263	**2,345**	3,263
Intercompany liabilities[3]	**–**	–	**5,496**	295
Other liabilities	**14,039**	19,403	**13,040**	20,298
Other liabilities	**145,390**	367,422	**146,224**	365,728

[1] Customer transactions settle each business day. The volume of customer transactions in the course of settlement may fluctuate depending on the number of days between the year end date and the next business day.

[2] See note 15 for corresponding right of use asset detail. The Group does not hold short-term leases or leases of low value assets.

[3] Comparatives have been represented to include intercompany liabilities. These were previously disclosed with investments in subsidiaries. See note 1 for further details.

Included within intercompany liabilities are balances owed to subsidiaries of the Bank, see note 28 for further information.

21. Deferred income

	Group 2025 £'000	Group 2024 £'000	**Company 2025 £'000**	Company 2024 £'000
Deferred lending fee income	**48,113**	37,593	**228**	453
Deferred RDEC income	**11,413**	10,113	**–**	–
Other deferred income	**681**	167	**–**	42
Deferred income	**60,207**	47,873	**228**	495

Deferred lending fee income is received on the Group's loans and advances to customers and will be recognised in the income statement using the EIR over the expected life of the financial assets to which they relate.

Deferred RDEC income are residual amounts received from the RDEC scheme, that have not been recognised in the income statement at the reporting date. The Group has adopted IAS 20, and consequently, the RDEC claim cannot be recognised until the related qualifying expenditure has been expensed. The qualifying expenditure relates to staff, data licence and cloud computing costs incurred in connection with software development activities and is directly expensed when incurred or capitalised where it relates to an intangible asset. The RDEC claim is recognised in other (expense)/income in the income statement over the periods in which the relevant expenses are recognised or on a systemic basis in line with the amortisation cost of the related intangible asset. In accordance with IAS 20, the Group presents its financial information in relation to the RDEC claim on a gross basis.

22. Provisions

Group/Company	Customer remediation £'000	Legal and other provisions £'000	Impairment provision on undrawn facilities and loan commitments £'000	Total provisions £'000
As at 1 April 2023	–	250	1,092	1,342
Provisions released or transferred	–	–	(185)	(185)
Provisions recognised	8,400	1,950	–	10,350
As at 31 March 2024	8,400	2,200	907	11,507
Provisions utilised	–	(1,399)	–	(1,399)
Provisions released or transferred	–	(301)	–	(301)
Provisions recognised	10,801	30,638	150	41,589
As at 31 March 2025	19,201	31,138	1,057	51,396

Customer remediation

Customer remediation refers to activities to compensate customers for losses or damages associated with a failure to comply with applicable laws and regulations or to deliver good outcomes. Customer remediation activities are often initiated by the Bank as a result of its own internal reviews, customer feedback or complaints, or industry-wide initiatives and developments, and is not necessarily only as a result of regulatory action.

Provisions for customer remediation require judgements to be made based on specific facts and circumstances and, as a result, the recognised amount remains sensitive to the assumptions used in the estimate. Therefore, it is often not practicable to make meaningful estimates or to quantify a range of possible outcomes but the Group/ Bank does not expect any of these outcomes to have a material impact. Consequently, the Group/Bank believes that the current provision is appropriate based on the information available at the time of reporting.

In the year, a further provision of £10.8m (2024: £8.4m) for customer remediation related to unsecured lending was recognised under operating expenses in the income statement.

Legal and other provisions

The Group/Company receives complaints brought by or on behalf of current and former employees, customers and other third parties and is subject to a number of other enquiries and examinations, requests for information, investigations and reviews by various tax authorities, regulators, competition and law enforcement authorities, as well as legal proceedings, in connection with various matters arising out of its businesses and operations.

Provisions include £28.2m (2024: £1.7m) in relation to certain loans provided by the Company under the BBLS programme. During the year the Bank identified a group of loans which potentially did not comply with a guarantee requirement. We communicated this to the BBB, and we volunteered to remove the government guarantee on those loans.

The recognition of provisions is determined in accordance with the accounting policies set out in note 2(s). Provisions for legal and other matter are highly judgmental and sensitive to inputs used in their estimation. The Group/ Company believes that any range of possible outcomes would not have a material impact. As such, the provisions made are considered appropriate.

Impairment provision on undrawn facilities and loan commitments

Under IFRS 9 an impairment provision is recognised on undrawn overdraft facilities and irrevocable loan commitments. The charge/(release) for the year is recognised under impairments and write-offs in the income statement.

23. Share capital

	Nominal Value		Number of Shares	
	2025	2024	**2025**	2024
	£'000	£'000	**#**	#
Ordinary Shares	**0.607**	0.607	**60,698,288**	60,698,288
A Shares	**1.705**	1.705	**170,507,528**	170,507,528
B Shares	**3.542**	3.542	**354,180,458**	354,180,458
C Shares	**2.901**	2.901	**290,134,255**	290,134,255
D Shares	**2.929**	2.929	**292,878,631**	292,878,631
Total	**11.684**	11.684	**1,168,399,160**	1,168,399,160

During the year there were no movements in the nominal value of share capital or number of shares (2024: no movements).

All shares of £0.00001 each are fully paid. The ordinary shares, B shares, C shares and D shares have voting rights. The ordinary A shares have no voting rights.

24. Share premium

	2025	2024
	£'000	£'000
B shares	**72,505**	72,505
C shares	**180,830**	180,830
D shares	**355,498**	355,498
Total	**608,833**	608,833

During the year there were no movements in share premium (2024: no movements).

25. Other reserves

Group	Merger relief reserve	Cash flow hedging reserve	Own shares held reserve	Share awards reserve	Foreign currency translation reserve	Total other reserves
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2023	15,000	(10,246)	(103)	9,236	134	14,021
Cash flow hedge	–	27,379	–	–	–	27,379
Translation of subsidiary company	–	–	–	–	25	25
Purchase of own shares	–	–	(56,362)	–	–	(56,362)
Cost of share award schemes, net of tax	–	–	–	3,450	–	3,450
Transfer from share award reserve	–	–	–	(516)	–	(516)
As at 31 March 2024	15,000	17,133	(56,465)	12,170	159	(12,003)
Cash flow hedge	**–**	**(7,299)**	**–**	**–**	**–**	**(7,299)**
Translation of subsidiary company	**–**		**–**	**–**	**7**	**7**
Cost of share award schemes, net of tax	**–**	**–**	**–**	**12,852**	**–**	**12,852**
As at 31 March 2025	**15,000**	**9,834**	**(56,465)**	**25,022**	**166**	**(6,443)**

Company	Merger relief reserve	Cash flow hedging reserve	Own shares held reserve	Share awards reserve	Total other reserves
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2023	15,000	(10,246)	(103)	9,236	13,887
Cash flow hedge	–	27,379	–	–	27,379
Purchase of own shares	–	–	(56,362)	–	(56,362)
Cost of share award schemes, net of tax	–	–	–	3,450	3,450
As at Transfer from share award reserve	–	–	–	(516)	(516)
As at 31 March 2024	15,000	17,133	(56,465)	12,170	(12,162)
Cash flow hedge	**–**	**(7,299)**	**–**	**–**	**(7,299)**
Cost of share award schemes, net of tax	**–**	**–**	**–**	**12,852**	**12,852**
As at 31 March 2025	**15,000**	**9,834**	**(56,465)**	**25,022**	**(6,609)**

25. Other reserves continued

Merger relief reserve

In 2021 the Company acquired 100% of the issued share capital of Fleet for a consideration which included the issue of 11.6m shares. As the Company acquired more than 90% of the shares in Fleet, Section 612 of the Companies Act 2006 applies, and accordingly the Company set up a merger relief reserve for £15.0m on the issue of these shares.

Cash flow hedging reserve

The cash flow hedging reserve represents the effective portion of cumulative post-tax gains or losses on cash flow hedging derivatives that will be recycled to the income statement when the hedged transactions affect profit or loss. See note 11 for further detail.

The following table provides an analysis of the movements in the cash flow hedging reserve during the period:

Cash flow hedging reserve	2025 £'000	2024 £'000
Opening balance as at 1 April	**(17,133)**	10,246
Effective portion of changes in fair value of interest rate swaps	**9,440**	(37,867)
Amounts reclassified from reserves to income statement	**697**	(160)
Taxation	**(2,838)**	10,648
Closing balance as at 31 March	**(9,834)**	(17,133)

Own shares held reserve

Starling operates two EBTs for the benefit of Group employees, EBT 1 and EBT 2. On 13 June 2023, the EBT 2 acquired 14.0m shares from existing and past employees for a total consideration of £32.8m. On 7 February 2024, the same EBT acquired an additional 10.3m shares from existing and past employees for a total consideration of £24.3m. £56.4m of consideration paid and associated transaction costs were recognised in the own shares held reserve. The shares acquired are intended to be used by the EBT 2 in future share awards under the Bank's employee incentive schemes.

As at 31 March 2025 the balance in the own shares held reserve was £56.5m (2024: £56.5m), which represents the costs of the Company's shares (nominal value and any premium paid) purchased by EBT 2.

Share awards reserve

The share award reserve represents the cumulative cost of employee share awards schemes, net of tax. Further information of the Company's share awards incentive schemes can be found in note 26.

Share awards reserve	2025 £'000	2024 £'000
Opening balance as at 1 April	**12,170**	9,236
Charge for the year	**12,852**	3,450
Transfer to retained earnings	**–**	(516)
Closing balance as at 31 March	**25,022**	12,170

Foreign currency translation reserve

This reserve arises on the translation of foreign operations that have a functional currency different from the Group's functional currency into the Group's functional currency on consolidation.

26. Share award schemes

At 31 March 2025 the Group had three distinct share based payment arrangements; JSOP/SEIS schemes, an LTIP scheme and discretionary incentive schemes. Starling operates two EBTs for the benefit of Group employees, referred to as EBT 1 and EBT 2.

Shares held under EBT 1 have been used to satisfy JSOP/SEIS awards. Shares held under EBT 1 and EBT2 will be used to satisfy LTIP and share option awards.

The movement in shares held by EBT 1 and EBT 2 in aggregate during the year are shown in the following table:

	Shares number # 	Nominal value £
As at 1 April 2023	116,490,698	1,165
Shares purchased back from employees	18,278,952	183
As at 31 March 2024	134,769,650	1,348
As at 31 March 2025	**134,769,650**	**1,348**

Award schemes

JSOP and SEIS schemes

Starling has created six schemes under EBT 1 for the benefit of employees:

- In May 2016, a JSOP – scheme 1;
- In December 2016, a JSOP – scheme 2;
- In December 2017, a JSOP – scheme 3;
- In October 2018, a JSOP – scheme 4;
- In May 2020, a SEIS – scheme 5; and
- In September 2021, a SEIS – scheme 6.

Under scheme 1, certain employees purchased a beneficial interest in shares from EBT 1, including capital interest on vested shares, and the right to receive dividends.

Under schemes 2, 3, and 4, certain employees purchased from EBT 1 a beneficial interest in shares, including capital interest on vested shares above a hurdle, as well as the right to receive dividends on vested shares.

Under schemes 5 and 6, certain employees were awarded a beneficial interest in shares, including capital interest on vested shares above a hurdle, as well as the right to receive dividends on vested shares.

Under each scheme the legal title of the shares (and the capital interest in sums below the hurdle in the case of shares awarded under schemes 2, 3 and 4), remains with EBT 1 throughout the lifetime of the schemes.

Long term incentive plan

Under the LTIP scheme, eligible employees are granted conditional share awards, which represent a right to receive a beneficial interest in shares in the future, subject to vesting conditions being met. LTIP conditional share awards are subject to continued employment and a four-year time vesting condition. The delivery of the beneficial interest under an LTIP conditional share award would happen on the occurrence of a transaction event.

Discretionary incentive schemes: Share options

Starling operates two discretionary incentive schemes:

- Under the first scheme, eligible employees receive cash and/or share options, subject to performance conditions, which (in some cases) are partly deferred. The options are granted at nil cost.
- Under the second scheme, eligible employees received share options (either nil-cost options or market value options) which may be subject to performance conditions.

Valuation assumptions

For JSOP and SEIS schemes the Bank uses a Black-Scholes option pricing model and a contingency claims analysis to allocate and calculate the Company's equity value between the different share classes, reflecting each class's preferential return and subscription prices at which each converts and participates in the equity proceeds.

For the LTIP scheme and share options, the Group/Company uses a Black-Scholes option pricing valuation models.

The fair values are based on a valuation carried out for the Group/Company by an independent valuer at each grant date. In accordance with IFRS 2 the shares and share options are classified as equity-settled and the fair value of shares and share options at the grant date is charged to the statement of comprehensive income over the vesting period with a corresponding credit to reserves (see note 25). The cost of share awards is recognised in the income statement using a graded method for awards that vest in instalments over the relevant vesting period, or straight-line for awards that vest in full at the end of the relevant vesting period.

26. Share award schemes continued

Highly subjective assumptions are used in an option pricing model to determine the fair value. Changes in the assumptions can significantly affect the fair value estimates. The assumptions in determining the fair value of shares and share options on the grant date are shown in the table below:

Scheme	**Share options**[1]	**JSOP/SEIS & LTIP**[1]	
Year of grant:	**2025**	**2025**	2024
Expected volatility:	**30.00 %**	**30.00 %**	30.00 %
Risk free interest rate:	**4.50 %**	**4.10 %**	4.94 %
Dividend yield:	**— %**	**— %**	— %

[1] These assumptions are inputs to the valuation models but do not impact the valuation of the LTIP scheme share awards or the nil-cost options. The assumptions do impact on the valuation of the other share based payment arrangements - JSOP/SEIS and market value options.

JSOP and SEIS schemes

The income statement charge for awards made under the JSOP and SEIS schemes are recognised in staff costs under performance-based compensation with a corresponding credit to the share awards reserves (see note 25). The total costs are recognised using a graded method over the relevant vesting period.

Cost of share awards, net of tax	**2025**	2024
	£'000	£'000
Opening reserve balance	**7,385**	7,250
Charge for the year	**2,168**	651
Transfer to retained earnings	**–**	(516)
Closing reserve balance	**9,553**	7,385

The following tables provide details of the beneficial interest in shares under EBT 1 awarded to employees, their weighted average fair value and cumulative IFRS 2 charges per award scheme:

2025	**Number of shares**	**Weighted Average Number of elapsed months**	**Percentage applied**	**Weighted Average Fair Value per Scheme**	**Amount recognised Gross of Tax**
	#	**#**	**%**	**£**	**£'000**
JSOP Scheme 1	**1,360,555**	**48**	**100**	**0.001**	**1**
JSOP Scheme 2	**4,841,088**	**48**	**100**	**0.040**	**194**
JSOP Scheme 3	**4,154,083**	**48**	**100**	**0.134**	**558**
JSOP Scheme 4	**1,598,220**	**48**	**100**	**0.226**	**361**
SEIS Scheme 5	**57,841,626**	**47**	**98**	**0.045**	**2,573**
SEIS Scheme 6	**33,016,063**	**37**	**76**	**0.233**	**5,866**
Total	**102,811,635**	**44**	**91**	**0.102**	**9,553**

2024	Number of shares	Weighted Average Number of elapsed months	Percentage applied	Weighted Average Fair Value per Scheme	Amount recognised Gross of Tax
	#	#	%	£	£'000
JSOP Scheme 1	1,391,330	48	100	0.001	1
JSOP Scheme 2	4,841,088	48	100	0.040	194
JSOP Scheme 3	4,154,083	48	100	0.134	558
JSOP Scheme 4	1,598,220	48	100	0.226	361
SEIS Scheme 5	58,898,351	41	86	0.049	2,500
SEIS Scheme 6	34,316,063	25	52	0.212	3,771
Total	105,199,135	37	77	0.092	7,385

26. Share award schemes continued

Long term incentive plan

The income statement charge for awards made under the LTIP schemes are recognised in staff costs under performance-based compensation. The total cost of awards made under the LTIP scheme are shown in the share awards reserves in accordance with IFRS 2 (see note 25).

Cost of share awards, net of tax	**2025** **£'000**	2024 £'000
Opening reserve balance	**4,785**	1,986
Charge for the year	**3,168**	1,479
Deferred tax charge	**706**	1,320
Closing reserve balance	**8,659**	4,785

The following table provides details of shares awarded to employees under the LTIP scheme, the number of shares, their weighted average number of elapsed months, their fair value and cumulative IFRS 2 charges per year awarded:

2025	**Number of shares**	**Weighted Average Number of elapsed months**	**Percentage applied**	**Weighted Average Fair Value per Scheme**	**Amount recognised Gross of Tax**
	#	**#**	**%**	**£**	**£'000**
2020 - total shares allocated	**1,900,000**	**48**	**100**	**0.821**	**1,560**
2021 - total shares allocated	**1,020,000**	**45**	**93**	**0.588**	**559**
2022 - total shares allocated	**828,000**	**33**	**68**	**1.282**	**725**
2023 - total shares allocated	**2,358,000**	**20**	**41**	**2.643**	**2,555**
2024 - total shares allocated	**1,568,000**	**9**	**19**	**2.905**	**862**
Total	**7,674,000**	**29**	**61**	**1.338**	**6,261**

2024	Number of shares	Weighted Average Number of elapsed months	Percentage applied	Weighted Average Fair Value per Scheme	Amount recognised Gross of Tax
	#	#	%	£	£'000
2020 - total shares allocated	1,900,000	47	98	0.819	1,521
2021 - total shares allocated	1,066,000	33	68	0.564	410
2022 - total shares allocated	902,000	21	43	1.229	480
2023 - total shares allocated	1,428,000	9	19	2.500	682
Total	5,296,000	29	61	0.953	3,093

Starling recognises a deferred tax asset on the Bank's LTIP scheme to reflect the Company's entitlement to a tax deduction based on the value of the shares delivered to employees upon a future vesting event. The tax credit recognised in the statement of comprehensive income was £0.9m (2024: £0.4m) and the tax credit recognised in share award reserves was £0.7m (2024: £1.3m)

Share options

Starling granted share options during the year to certain employees. The share options are classified as equity-settled and the fair value of the share options at the grant date is charged to the statement of comprehensive income with a corresponding credit to the share awards reserves (see note 25). The cost of share options is recognised in the income statement using a graded method for awards that vest in instalments over the relevant vesting period, or straight-line for awards that vest in full at the end of the relevant vesting period.

Cost of the share options, net of tax	**2025** **£000**
Opening reserve balance	**–**
Charge for the period	**6,794**
Deferred tax charge	**16**
Closing reserve balance	**6,810**

Starling recognises a deferred tax asset on the share options to reflect the Company's entitlement to a tax deduction based on the value of the shares delivered to employees upon a future vesting event. The tax credit recognised in the statement of comprehensive income was £0.8m (2024: £-m) and the tax credit recognised in the share awards reserve was £16k (2024: £-k).

Further information on the share options outstanding at year end can be found in the following table:

	Number of share options **#**	**Weighted average exercise price** **£**
Outstanding at 1 April 2024	**–**	**–**
Granted during the year	**5,818,039**	**0.77**
Outstanding at 31 March 2025	**5,818,039**	**0.77**
- of which exercisable	**–**	**–**

Weighted average remaining contractual life (years)	**2.51**
Weighted average fair value of options granted during the period	**£2.61**
Range of exercise prices for options outstanding at the year end	**£0 - £2.96**

27. Financial instruments

The accounting policies in notes 2(e) and 2(f) describe how different classes of financial instruments are measured. The following table summarises the classification of the Group's financial assets and liabilities by category:

Group 2025	At fair value through profit or loss £'000	Held at amortised cost £'000	Total £'000
Cash and balances at central banks	–	6,686,688	6,686,688
Loans and advances to banks	–	30,489	30,489
Debt securities	–	3,934,922	3,934,922
Derivative assets	156,615	–	156,615
Loans and advances to customers	–	4,670,567	4,670,567
Financial assets[1]	**156,615**	**15,322,666**	**15,479,281**
Customer deposits	–	12,066,650	12,066,650
Deposits from banks	–	2,278,221	2,278,221
Derivative liabilities	49,052	–	49,052
Financial liabilities[2]	**49,052**	**14,344,871**	**14,393,923**

[1] Financial assets exclude other assets.
[2] Financial liabilities exclude other liabilities.

Group 2024	At fair value through profit or loss £'000	Held at amortised cost £'000	Total £'000
Cash and balances at central banks	–	6,420,115	6,420,115
Loans and advances to banks	–	36,879	36,879
Debt securities	–	3,284,867	3,284,867
Derivative assets	246,541	–	246,541
Loans and advances to customers	–	4,537,663	4,537,663
Financial assets[1]	246,541	14,279,524	14,526,065
Customer deposits	–	10,970,237	10,970,237
Deposits from banks	–	2,420,471	2,420,471
Derivative liabilities	51,417	–	51,417
Financial liabilities[2]	51,417	13,390,708	13,442,125

[1] Financial assets exclude other assets.
[2] Financial liabilities exclude other liabilities.

Valuation of financial instruments

IFRS 13 fair value measurement requires the Group to classify its financial assets and liabilities according to a hierarchy that reflects the observability of significant market inputs. 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 market prices are not available, or valuation techniques are used to determine fair value and the inputs are based significantly on observable market data. Level 2 assets also include those where unadjusted quoted prices are used for valuation but the underlying market is not considered active; and
- 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.

Valuation of financial instruments carried at fair value through profit or loss

Derivative assets and liabilities in the current year are classified as level 2. Interest rate swaps are valued using discounted cash flow models; the most significant inputs into those models are interest rate yield curves which are developed from quoted readily available rates. FX forwards are priced using rates available from publicly quoted sources. Derivative financial instruments are the only instruments carried at FVTPL.

Group/Company 2025	Carrying value £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps	156,189	156,189	–	156,189	–
FX forwards	426	426	–	426	–
Financial assets carried at fair value	**156,615**	**156,615**	–	**156,615**	–
Interest rate swaps	48,091	48,091	–	48,091	–
FX forwards	961	961	–	961	–
Financial liabilities carried at fair value	**49,052**	**49,052**	–	**49,052**	–

Group/Company 2024	Carrying value £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Interest rate swaps	246,537	246,537	–	246,537	–
FX forwards	4	4	–	4	–
Financial assets carried at fair value	246,541	246,541	–	246,541	–
Interest rate swaps	50,888	50,888	–	50,888	–
FX forwards	529	529	–	529	–
Financial liabilities carried at fair value	51,417	51,417	–	51,417	–

All financial assets and liabilities in the table above that are held as FVTPL, are mandatorily held as such.

27. Financial instruments continued

Valuation of financial instruments carried at amortised cost

Cash and balances at central banks and loans and advances to banks

These represent amounts placed with the BoE or other banks where adjustments to fair value in respect of the credit risk of counterparty are not considered necessary. The interest received on all amounts is floating market rate. The fair value of cash and balances at central banks and loans and advances to banks is considered to be the carrying value and the Group has not recognised an impairment provision. These are classified as level 2 assets.

Debt securities

The majority of debt securities are held for liquidity management purposes and are valued using quoted market prices. The Group considers it is able to liquidate such investments at short notice with little or no loss of value. These securities are classified as level 1 where the underlying market is considered active and level 2 where sufficient market activity has not been observed to deem the market active.

Securities that are not held for liquidity purposes and where quoted market prices are not available are valued using a discounted cash flow model. This is designed to appropriately reflect the credit and liquidity risk of the instrument. These securities are classified as level 2 where unobservable inputs are not considered significant and level 3 where the valuation approach includes at least one significant unobservable input.

The Group's debt securities are measured at amortised cost. The fair value is impacted by changes in the market-implied rate of interest and future credit risk of the individual issuers. For both floating and fixed rate bonds the fair value is impacted by changes in interest rates. Most fixed rate bonds are hedged with interest rate swaps to mitigate the risk of adverse movements in interest rates; the hedge adjustment is reflected in the carrying value where appropriate.

Loans and advances to customers

The Group holds loans to customers at both fixed and variable interest rates. For fixed rate lending, the fair value is calculated based on the present value of the anticipated future principal and interest cash flows, discounted at the market rate of interest at the reporting date. Expected cash flows are adjusted for expected repayment profiles in line with those used internally for liquidity management and hedge accounting purposes. For variable rate lending, including drawn overdrafts and undrawn overdrafts, the fair value is considered to be gross carrying value less any impairment provision. The carrying and fair value of loans and advances to customers are also stated net of any credit impairment provision. These are classified as level 3 assets.

Customer deposits

The majority of deposits from customers are repayable on demand. Accordingly, the fair value of these customer deposits is considered to be the carrying value. For fixed rate fixed term deposits, fair values are estimated using discounted cash flows, applying SONIA swap rates for similar maturity. Fixed rate deposits are hedged with interest rate swaps to mitigate the risk of adverse movements in interest rates eroding the Group’s NIM. Through the application of hedge accounting, the carrying value of the hedged fixed rate deposits is adjusted to reflect the current value of hedged items adjusted for interest rate risk. These are classified as level 2 liabilities.

Deposits from banks

The central bank facilities are floating rate, with an initial maturity of four years, a portion of which has been extended for a further six years. The fair value of central bank facilities has been determined as the gross carrying value. These are classified as level 2 liabilities.

27. Financial instruments continued

Summary of financial instruments carried at amortised cost:

Group **2025**	Carrying value £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Cash and balances at central banks	6,686,688	6,686,688	–	6,686,688	–
Loans and advances to banks	30,489	30,489	–	30,489	–
Debt securities	3,934,922	4,121,477	2,914,222	1,207,255	–
Loans and advances to customers	4,670,567	4,700,385	–	–	4,700,385
Financial assets carried at amortised cost	15,322,666	15,539,039	2,914,222	7,924,432	4,700,385
Customer deposits	12,066,650	12,066,650	–	12,066,650	–
Deposits from banks	2,278,221	2,278,221	–	2,278,221	–
Financial liabilities carried at amortised cost	14,344,871	14,344,871	–	14,344,871	–

Company **2025**	Carrying value £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Cash and balances at central banks	6,686,688	6,686,688	–	6,686,688	–
Loans and advances to banks	27,008	27,008	–	27,008	–
Debt securities	3,934,922	4,121,477	2,914,222	1,207,255	–
Loans and advances to customers	4,670,567	4,700,385	–	–	4,700,385
Financial assets carried at amortised cost	15,319,185	15,535,558	2,914,222	7,920,951	4,700,385
Customer deposits	12,068,667	12,068,667	–	12,068,667	–
Deposits from banks	2,278,221	2,278,221	–	2,278,221	–
Financial liabilities carried at amortised cost	14,346,888	14,346,888	–	14,346,888	–

Group **2024**	Carrying value £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Cash and balances at central banks	6,420,115	6,420,115	–	6,420,115	–
Loans and advances to banks	36,879	36,879	–	36,879	–
Debt securities	3,284,867	3,297,009	2,233,300	1,063,709	–
Loans and advances to customers	4,537,663	4,551,796	–	–	4,551,796
Financial assets carried at amortised cost	14,279,524	14,305,799	2,233,300	7,520,703	4,551,796
Customer deposits	10,970,237	10,970,237	–	10,970,237	–
Deposits from banks	2,420,471	2,420,471	–	2,420,471	–
Financial liabilities carried at amortised cost	13,390,708	13,390,708	–	13,390,708	–

Company **2024**	Carrying value £'000	Fair value £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000
Cash and balances at central banks	6,420,115	6,420,115	–	6,420,115	–
Loans and advances to banks	35,441	35,441	–	35,441	–
Debt securities	3,284,867	3,297,009	2,233,300	1,063,709	–
Loans and advances to customers	4,537,663	4,551,796	–	–	4,551,796
Financial assets carried at amortised cost	14,278,086	14,304,361	2,233,300	7,519,265	4,551,796
Customer deposits	10,978,527	10,978,527	–	10,978,527	–
Deposits from banks	2,420,471	2,420,471	–	2,420,471	–
Financial liabilities carried at amortised cost	13,398,998	13,398,998	–	13,398,998	–

28. Related parties and intercompany

Parent and controlling entities

No person or entity is considered to have control or joint control over the Company.

Entities with significant influence

As at 31 March 2025, JTC Starling Holdings Limited held 36.3% (2024: 36.3%) of the total Company shares in issue and 36.3% (2024: 36.3%) of the Company's voting rights. Accordingly, JTC Starling Holdings Limited has significant influence over the Group. Balances on deposit accounts held by individuals associated with JTC Starling Holdings Limited as at 31 March 2025 were £11k (2024: £4k).

No other person or entity is considered to have significant influence over the Company.

Key management personnel transactions

Key management personnel is defined as the Board, their spouses or partners and children and other dependents over whom the Board member can exert influence.

Deposits balances held by key management personnel comprised:

	2025 **£'000**	2024 £'000
Balances on deposit accounts	**885**	2,368

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

Key management personnel compensation	**2025** **£'000**	2024 £'000
Wages and salaries	**3,200**	5,080
Performance-based compensation	**5,425**	711
Pension contributions	**95**	4
Total key management personnel compensation	**8,720**	5,795

The compensation table above shows performance-based compensation as recognised in the year in accordance with IFRS 2 and IAS 19. Performance-based compensation include share options awards.

Two directors (2024: two directors) participate in the Bank's defined contribution pension arrangement.

The Company pays each Investor Non-Executive Director £12,500 per annum for the purpose of covering reasonable out of pocket expenses incurred in carrying out their roles as Investor Non-Executive Director.

28. Related parties and intercompany continued

Intercompany balances

Intercompany assets	2025 £'000	2024 £'000
Starling FS Services Limited	**95,804**	60,982
Engine by Starling Limited	**5,724**	6,984
Murmur Financial Services Limited	**285**	857
Intercompany assets	**101,813**	68,823

Intercompany liabilities	2025 £'000	2024 £'000
Starling FS Services Limited	**4,918**	–
Fleet Mortgages Limited	**578**	295
Intercompany liabilities	**5,496**	295

Starling FS Services Limited
The Company is charged a monthly licence fee for the use of the software owned by SFSSL. Any direct costs attributed to the design, specification, build, test and implementation of the app and associated banking software are recharged from the Company to SFSSL. During the year, the Company renewed its interest-bearing loan to SFSSL which is utilised to settle the intercompany account. Costs recharged from SFSSL to SBL are settled against the intercompany loan on the date of receipt of the invoice. The balance on the loan as at 31 March 2025 was £95.8m (2024: £58.8m). The loan is repayable on demand and the interest rate charged is set at arm's length. No guarantees have been given or received.

The intercompany liability relates to an intercompany account of £4.9m (2024; intercompany account asset of £2.2m) and includes £1.6m (2024; £9.9m) owed by the Company to SFSSL in respect of losses relieved against the Company's profits for taxation purposes.

Fleet Mortgages Limited
Amounts owed to Fleet represent outstanding monthly fees charged for servicing of the Company loans. These are payable on demand and interest free.

Engine by Starling Limited
The intercompany asset due from Engine relates to an intercompany account which includes costs incurred by SBL but attributed to implementing and delivering Engine's client SaaS solutions amounting to £6.9m (2024: £7.0m). These costs are offset by £1.2m (2024: £–m) owed by the Company to Engine in respect of losses relieved against the Company's profits for taxation purposes. The balance on the intercompany account is repayable on demand and is interest free.

Murmur Financial Services Limited
During the year, the Company renewed its interest bearing loan to MFSL to fund its general working capital requirements and for general corporate purposes. As at 31 March 2025, the balance on this loan was £0.2m (2024: £0.9m). Any amounts due are repayable within a year and the interest rate charged is set at arm's length.

The intercompany asset also relates to an intercompany account which includes amounts due from MFSL for operational payments made by SBL on their behalf offset by amounts owed by the Company to MFSL in respect of losses relieved against the parent company profits for taxation purposes.

Impairment of intercompany assets
Intercompany assets are all held at amortised cost. The impact of ECL impairment requirements on the intercompany assets is immaterial. In the prior year, SBL wrote off a £1.9m intercompany balance to MFSI DAC.

Subsidiaries

Investments in subsidiaries are set out in note 14.

28. Related parties and intercompany continued

Intercompany balances continued

Intercompany transactions

In accordance with IFRS 10 consolidated financial statements, transactions and balances with subsidiaries have been eliminated on consolidation.

	2025 £'000	2024 £'000
Intercompany income in parent company income statement		
Starling FS Services Limited	**50,086**	28,645
Engine by Starling Limited	**10,083**	4,465
Fleet Mortgages Limited	**381**	458
Murmur Financial Services Limited	**143**	14
Murmur Financial Services International DAC	**–**	15
Dividends received by parent company		
Fleet Mortgages Limited	**8,100**	8,650
Intercompany income transactions with other Group entities	**68,793**	42,247
of which net interest income	*3,932*	*1,583*
of which intercompany income	*64,861*	*40,664*

	2025 £'000	2024 £'000
Intercompany expense in parent company income statement		
Starling FS Services Limited	**17,610**	17,322
Fleet Mortgages Limited	**10,119**	10,482
Murmur Financial Services Limited	**682**	223
Intercompany expense transactions with other Group entities	**28,411**	28,027
of which operating expenses	*28,411*	*28,027*

The above transactions arose in the ordinary course of business and the pricing of any intercompany transactions was determined as if the group companies were independent parties dealing at arm's length.

Starling FS Services Limited

The Company employs and incurs the cost of product and software development teams; a proportion of this and other costs are recharged to SFSSL as part of the cost of the design, specification, build, test and implementation of the Group's banking software and mobile application and associated infrastructure.

A licensing agreement exists between SFSSL and the Company for use of the intellectual property rights, the banking software and mobile application. A revenue share agreement is also in place with SBL to reward SFSSL for the continuing value generated by SBL from using SFSSL's intellectual property rights that is not compensated for through the licence fee. The revenue share is based on an arm's length agreement that calculates an amount due to SFSSL on a per user basis.

During the year, the Bank charged SFSSL £69.6m (2024: £52.2m) for the attributable proportion of staff salaries, employers NIC and other identified costs incurred by the Company. SFFSL also incurred interest expense of £3.8m (2024: £1.5m) in relation to interest on an intercompany loan from the Bank.

Under the revenue share agreement, SFSSL earned £23.4m (2024: £25.1m) from the Bank during the year. Furthermore, SFSSL charged a licence fee of £17.6m (2024: £17.3m) to the Bank.

Fleet Mortgages Limited

As at 31 March 2025, the Bank had £3.0bn (2024: £2.3bn) of BTL mortgages outstanding which were originated through Fleet. Fleet charges the Bank a fee for these originations. Fleet continues to service these loans on an on-going basis for the Bank. The arrangements under which these services are carried out are at arm's length. During the year the Bank expensed loan servicing fees and other loan origination fees due to Fleet of £10.1m (2024: £10.5m) in relation to mortgages acquired under an asset purchase agreement. Origination fees are recognised by the Bank as part of the EIR on these loans.

Fleet paid SBL dividends of £8.1m (2024: £8.7m) and a central support fee of £0.4m (2024: £0.5m) during the year.

Engine by Starling Limited

Costs incurred by SBL attributable to implementing and delivering Engine's client SaaS products are recharged from SBL to Engine. The Bank recharged costs of £10.1m (£4.5m) to Engine in the year.

Murmur Financial Services Limited

MFSL recharged staff costs of £0.7m (2024: £0.2m) to SBL during the year, for the cost of MFSL employees engaged in Bank activities.

29. Notes to the cash flow statement

Changes in non-cash movements, operating assets and operating liabilities

	Group 2025 £'000	Group 2024[1] £'000	**Company 2025 £'000**	Company 2024[1] £'000
Non-cash movements				
Depreciation and amortisation	23,988	16,807	5,433	4,405
Performance-based compensation	24,624	5,336	23,565	3,854
Change in fair value on derivatives	6,772	27,746	6,772	27,746
Impairment (release)/charge	(3,243)	13,889	(3,243)	13,889
Impairment of intercompany and subsidiary accounts	–	–	–	1,854
Provisions recognised	41,288	10,350	41,288	10,350
Taxation charged to the income statement	73,244	81,098	71,943	78,095
Other non-cash items	(1,068)	556	(3,536)	84
Total non-cash movements	**165,605**	**155,782**	**142,222**	**140,277**
Net (increase)/decrease in operating assets				
Cash and balances at central banks[2]	–	33,985	–	33,985
Loans and advances to customers	(79,028)	190,910	(89,549)	190,910
Other assets	48,039	(30,100)	9,593	(46,431)
Total net (increase)/decrease in operating assets	**(30,989)**	**194,795**	**(79,956)**	**178,464**
Net increase/(decrease) in operating liabilities				
Customer deposits	1,095,656	418,933	1,089,383	427,156
Deposits from banks	(92,250)	146,165	(92,250)	146,165
Provisions	(1,399)	(185)	(1,399)	(185)
Other liabilities	(234,255)	265,896	(223,888)	267,683
Deferred income	514	15,493	(267)	(296)
Derivative financial instruments	24,768	(32,355)	24,768	(32,355)
Total net increase/(decrease) in operating liabilities	**793,034**	**813,947**	**796,347**	**808,168**

[1] Prior year comparatives have been represented to show non-cash movements in provisions in total non-cash movements. Previously these were included in net increase/(decrease) in operating liabilities. This reduces the movement in operating liabilities by £10.4m and increases total non-cash movements by the same amount. The net impact on net cash flows from operating activities is nil.

[2] The decrease in cash and balances at central banks in the prior year related to the repayment of the restricted cash ratio deposit held with the BoE.

Movements in liabilities arising from financing activities

	Group		Company	
	Central Bank facilities £'000	Lease liabilities £'000	Central Bank facilities £'000	Lease liabilities £'000
As at 31 March 2023	2,220,870	13,355	2,220,870	12,222
Cash flows				
Additional borrowings from central banks	5,000	–	5,000	–
Repayments of principal and interest	(108,067)	(2,410)	(108,067)	(2,141)
Non-cash flows				
Timing differences on invoices payable	–	(29)	–	(30)
Additions to lease liabilities	–	3,461	–	3,461
Interest recognised in the year	110,993	256	110,993	227
As at 31 March 2024	**2,228,796**	**14,633**	**2,228,796**	**13,739**
Cash flows				
Repayments of principal and interest	(161,610)	(3,167)	(161,610)	(2,849)
Non-cash flows				
Additions to lease liabilities	–	2,453	–	2,453
Interest recognised in the year	107,200	457	107,200	434
As at 31 March 2025	**2,174,386**	**14,376**	**2,174,386**	**13,777**

30. Capital commitments

As at 31 March 2025, the Company has no committed capital expenditure that has not been provided for in these accounts (2024: £–m).

31. Financial commitments

As at 31 March 2025, the Company has committed to future mortgage lending of £111.3m (2024: £125.3m). These commitments represent agreements to lend in the future, subject to certain conditions.

32. Contingent liabilities

From time to time, the Group may become subject to enquiries and examinations, requests for information, audits, enquiries, investigations, and other proceedings by regulators, governmental and other public bodies in connection with (but not limited to) compliance with applicable contracts, laws and regulations, such as those relating to consumer protection, business conduct, systems and controls, anti-money laundering and sanctions, historic misconduct and other areas of banking and business activities.

Certain matters including, but not limited to, suspected sanctions breaches and Starling's on-going review of historic financial crime practices, may give rise to a potential future outflow of economic benefit. The potential impact of any of these matters are currently unquantifiable but could give rise to a material outflow of future economic benefit, remediation of systems and controls, restriction of the Group's business activities and/or fines. The Group/Company will continue to evaluate such matters on an ongoing basis.

33. Events after reporting year

The following events have taken place between 31 March 2025 and the date of approval of these accounts by the Board:

Establishment of a new subsidiary
On 2 April 2025, Engine by Starling Services US LLC was formed in the State of Delaware, United States (251 Little Falls Drive, Wilmington, County of New Castle, Delaware 19808, file number 10151411) as an indirect wholly owned subsidiary of the Company.

Other information

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 Article 89 of the Capital Requirements 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 is a UK registered entity. Further details of all Starling subsidiaries are detailed on page 195.

Jurisdictions in which operated	Function	Turnover (£'000)[1]	Profit/(loss) before tax (£'000)	Corporation tax paid (£'000)	Number of employees on full time equivalent basis	Subsidy amounts received (£'000)
UK	Regulated bank with subsidiaries holding the banking platform IP and providing SaaS proposition to external customers	680,383	223,509	61,999	3,918	–
Ireland	A branch established as a service entity to the Group employing European based staff	2,906	(96)	–	20	–
Australia	Branch established to aid Engine in its business in Australia	–	–	–	1	–
Consolidation adjustments		(2,906)	–	–	–	–
Total		680,383	223,413	61,999	3,939	–

1 Turnover is defined as total income/(expense)

Alternative performance measures

Throughout this report a range of metrics are used to measure the performance of the Group. Some of these metrics are the Group's KPIs, which are a set of quantifiable metrics used to evaluate the Group's performance and track progress over time. Others are not referred as KPIs but are still useful metrics to aid comparability with peers. The metrics below are non-IFRS based, also known as APMs.

Metric	KPI	Definition	Calculation			
ARPAC	Yes	The sum of adjusted net interest income, net card income and other fees and commissions income, as a total value over the average number of active core accounts in the year.		Page	2025	2024
			Adjusted net interest income (a)	222	**£538,527k**	£541,505k
			Net card income (b)	221	**£87,127k**	£82,129k
			Other fee income (c)	222	**£18,058k**	£16,868k
			Gross ARPAC: [(a) + (b) + (c)]		**£643,712k**	£640,502k
			Average number of active core accounts (d)		**2,943,531**	2,651,227
			ARPAC: [(a) + (b) + (c)] / (d)		**£219**	£242
CET1 ratio	Yes	CET1 capital (which comprises common shares issued and related share premium, retained earnings and other reserves less specified regulatory adjustments) as a percentage of total risk-weighted assets.		Page	2025	2024
			CET1 capital (a)	139	**£1,000,231k**	£870,769k
			Total risk-weighted assets (b)	139	**£3,170,032k**	£2,675,477k
			CET1 ratio: (a) / (b)		**31.55 %**	32.55 %
Cost of deposits	No	Interest expense on customer deposits as a percentage of the average customer deposits for the year (calculated using the average monthly closing balance).			2025	2024
			Interest expense on customer deposits (a)		**£85,861k**	£40,464k
			Average customer deposits (b)		**£11,051,168k**	£10,716,241k
			Cost of deposits: (a) / (b)		**0.78 %**	0.38 %
Cost of funds	Yes	Interest expense as a percentage of the average customer deposits and deposits from banks for the year (calculated as the average monthly closing balance).		Page	2025	2024
			Interest expense (a)	184	**£221,533k**	£161,937k
			Average customer deposits (b)		**£11,051,168k**	£10,716,241k
			Average deposits from banks (c)		**£2,350,241k**	£2,407,145k
			Cost of funds: (a) / [(b) + (c)]		**1.65 %**	1.23 %
Cost of risk	Yes	Impairment charges and write-offs net of debt recoveries as a percentage of the average gross loans and advances to customers for the year (calculated as the average monthly closing balance).		Page	2025	2024
			Impairment (release) / charge (a)	157	**£(3,243)k**	£13,889k
			Average gross loans and advances to customers (b)		**£4,643,563k**	£4,769,691k
			Cost of risk: (a) / (b)		**(0.07)%**	0.29 %

Alternative performance measures

Metric	KPI	Definition	Calculation	Page	2025	2024
Cost per acquisition (CPA)	Yes	Total marketing spend as a total value over the number of customers acquired during the year.	Marketing costs (a)	186	**£12,980k**	£24,407k
			Customers acquired during the year (b)		**349,402**	678,782
			Cost per acquisition: (a) / (b)		**£37**	£36
Cost-income-ratio (CIR)	Yes	Operating expenses as a percentage of total income. This is used by the Group to monitor and manage its overall cost position and understand how efficient the Group is at generating income.	Operating expenses (a)	186	**£460,213k**	£332,130k
			Total income (b)	157	**£680,383k**	£647,118k
			Cost-income-ratio: (a) / (b)		**67.6 %**	51.3 %
Cost to serve	Yes	The annual direct costs associated with running customer accounts and servicing loans, including impairment and fraud, as a total value over the number of active core accounts in that year.	Non-staff running costs (a)	220	**£19,138k**	£19,728k
			Staff running costs (b)	221	**£92,074k**	£82,160k
			Impairment and fraud costs (c)	222	**£13,585k**	£25,594k
			Gross cost to serve: (a) + (b) + (c)		**£124,797k**	£127,482k
			Average number of active core accounts (d)		**2,943,531**	2,651,227
			Cost to serve: [(a) + (b) + (c)] / (d)		**£42**	£48
Credit risk weight density	No	The credit risk exposure that forms part of the total risk-weighted assets calculation as a percentage of the Group's total assets. This is used by the Group as a measure of the amount of risk taken by the Group compared to its assets.	Risk weighted assets - credit risk exposure (a)	139	**£2,097,576k**	£1,926,224k
			Total assets (b)	158	**£15,697,672k**	£14,767,892k
			Credit risk weight density: (a) / (b)		**13.4 %**	13.0 %
Gross yield	No	Gross interest income as a percentage of average interest-earning assets, which are calculated as the average monthly closing balance of assets that generate interest income.	Interest income (a)	184	**£811,695k**	£754,808k
			Average interest-earning assets (b)		**£14,339,465k**	£13,647,067k
			Gross yield:		**5.7 %**	5.5 %
Liquidity coverage ratio (LCR)	Yes	A liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet its needs for a 30 calendar day time horizon under a stress scenario. It is calculated as eligible liquidity buffer as a percentage of net stress outflows.	Eligible liquidity buffer (a)	132	**£7,207,863k**	£6,750,293k
			Net stress outflows (b)	132	**£(1,255,263)k**	£(1,655,287)k
			Liquidity coverage ratio: (a) / (b)		**574.2 %**	407.8 %

Alternative performance measures

Metric	KPI	Definition	Calculation	Page	2025	2024
Loan to deposit ratio (LDR)	Yes	Gross loans and advances to customers expressed as a percentage of total customer deposits.	Gross loans and advances to customers (a)	193	**£4,762,385k**	£4,689,713k
			Customer deposits (b)	200	**£12,066,409k**	£10,970,237k
			Loan to deposit ratio: (a) / (b)		**39.5 %**	42.7 %
Net interest margin (NIM)	Yes	Net interest income as a percentage of average interest-earning assets, which are calculated as the average monthly closing balance of assets that generate interest income.	Net interest income (a)	184	**£590,162k**	£592,871k
			Average interest-earning assets (b)		**£14,339,465k**	£13,647,067k
			Net interest margin: (a) / (b)		**4.12 %**	4.34 %
Non-staff unit running costs	No	The cost, excluding staff, of running each customer account. The metric is calculated as the annual non-staff direct costs associated with running customer account and servicing loans, as a total value over the average number of active core accounts in that year.	Fees and commissions expense (a)	184	**£33,539k**	£35,044k
			Customer card transaction costs (b)	184	**£14,401k**	£15,316k
			Non-staff running costs: (a) - (b)		**£19,138k**	£19,728k
			Average number of active core accounts (c)		**2,943,531**	2,651,227
			Non-staff unit running costs: [(a) - (b)] / (c)		**£7**	£7
Return on capital employed (ROCE)	Yes	Profit after taxation as a percentage of the total average minimum regulatory capital requirements for the year (calculated as the average yearly closing balance).	Profit after taxation (a)	157	**£150,722k**	£220,001k
			Average regulatory capital requirements (b)		**£565,171k**	£427,427k
			Return on capital employed (ROCE): (a) / (b)		**26.7 %**	51.5 %
Return on tangible equity (ROTE)	Yes	Profit after taxation as a percentage of average tangible equity, (calculated as the average yearly closing balance). Tangible equity is defined as total shareholders equity less goodwill, intangible assets and deferred tax assets.	Profit after taxation (a)	157	**£150,722k**	£220,001k
			Average tangible equity (b)		**£841,814k**	£698,248k
			Return on tangible equity (ROTE): (a) / (b)		**17.9 %**	31.5 %
Revenue	Yes	The sum of net interest income, fees and commissions income and other income.	Net interest income (a)	184	**£590,162k**	£592,871k
			Fees and commissions income (b)	184	**£128,306k**	£119,467k
			Other (expense)/income (c)	185	**£(4,546)k**	£(30,176)k
			Revenue: (a) + (b) + (c)		**£713,922k**	£682,162k

Alternative performance measures

Metric	KPI	Definition	Calculation	Page	2025	2024
Staff unit running costs	No	The sum of staff loan servicing costs and variable staff costs, as a total value over the average number of core accounts in the year.		Page	**2025**	2024
			Staff costs (a)	186	**£303,741k**	£230,381k
			Back office & Engine staff costs (b)		**£211,667k**	£148,221k
			Staff running costs: [(a) - (b)]		**£92,074k**	£82,160k
			Average number of active core accounts (c)		**2,943,531**	2,651,227
			Staff unit running costs: [(a) - (b)] / (c)		**£31**	£31
Tangible equity	No	Total equity less goodwill, intangible assets and deferred tax assets.		Page	**2025**	2024
			Total equity (a)	157	**£1,046,052k**	£889,770k
			Goodwill (b)	197	**£35,890k**	£35,890k
			Intangible assets (c)		**£108,891k**	£71,523k
			Deferred tax asset (d)		**£–k**	£–k
			Tangible equity: [(a) - (b) - (c) - (d)]		**£901,271k**	£782,357k
Unit card income	No	Sum of interchange income and Mastercard costs, as a total value over the average number of active core accounts in the year. Prior year metric adjustments relate to immaterial mapping changes that were adjusted to ensure APM's can be easily recalculated and reconciled to the financial statements.		Page	**2025**	2024
			Customer card transaction revenue (a)	184	**£101,528k**	£99,697k
			Customer card transaction costs (b)	184	**£14,401k**	£15,316k
			Prior year metric adjustments (c)		**£–k**	£2,252k
			Net card income: [(a) - (b) - (c)]		**£87,127k**	£82,129k
			Average number of active core accounts (d)		**2,943,531**	2,651,227
			Unit card income: [(a) - (b) - (c)] / (d)		**£30**	£31
Unit contribution	Yes	Gross ARPAC and gross cost to serve (see above definitions in table), as a total value over the average number of active core accounts in the year.		Page	**2025**	2024
			Gross ARPAC (a)	218	**£643,712k**	£640,502k
			Gross cost to serve (b)		**£124,797k**	£127,482k
			Contribution: [(a) - (b)]		**£518,915k**	£513,019k
			Average number of active core accounts (c)		**2,943,531**	2,651,227
			Unit contribution: [(a) - (b)] / (c)		**£176**	£194

Alternative performance measures

Metric	KPI	Definition	Calculation	Page	2025	2024
Unit impairment and fraud costs	No	Impairment and fraud costs, as a total value over the average number of active core accounts in the year.	Impairment (release) / charge (a)	157	**£(3,243)k**	£13,889k
			Fraud costs included in other operating expenses (b)	186	**£16,828k**	£11,705k
			Impairment and fraud costs: (a) + (b)		**£13,585k**	£25,594k
			Average number of active core accounts (c)		**2,943,531**	2,651,227
			Unit impairment and fraud costs: [(a) + (b)] / (c)		**£5**	£10
Unit net interest income (Unit NII)	No	Net interest income less interest income from economic hedging derivatives, as a total value over the average number of active core accounts in the year. Prior year metric adjustments relate to immaterial mapping changes that were adjusted to ensure APM's can be easily recalculated and reconciled to the financial statements.	Net interest income (a)	184	**£590,162k**	£592,871k
			Economic hedging derivatives (b)	184	**£51,635k**	£47,964k
			Prior year metric adjustments (c)		**£–k**	£3,402k
			Adjusted net interest income: (a) - (b) - (c)		**£538,527k**	£541,505k
			Average number of active core accounts (d)		**2,943,531**	2,651,227
			Unit net interest income: [(a) - (b) - (c)] / (d)		**£183**	£204
Unit other fee income	No	The sum of marketplace fees, FX fees, Fleet fees, and subscription fees (calculated as fees and commissions income, less customer card and SaaS income), as a total value over the average number of core accounts in the year. Prior year metric adjustments relate to immaterial mapping changes that were adjusted to ensure APM's can be easily recalculated and reconciled to the financial statements.	Fees and commissions income (a)	184	**£128,306k**	£119,467k
			Customer card transaction revenue (b)	184	**£101,528k**	£99,697k
			Software as a Service revenue (c)	184	**£8,720k**	£2,272k
			Prior year metric adjustments (d)		**£–k**	£630k
			Other fee income: [(a) - (b) - (c) - (d)]		**£18,058k**	£16,868k
			Average number of active core accounts (e)		**2,943,531**	2,651,227
			Unit other fee income: [(a) - (b) - (c) - (d)] / (e)		**£6**	£6
Underlying return on capital employed (ROCE)	Yes	Underlying profit after taxation (adjusted for notable items) as a percentage of the total average minimum regulatory capital requirements for the year (calculated as the average yearly closing balance).	Underlying profit after tax (a)	11	**£207,921k**	£220,001k
			Average regulatory capital requirements (b)		**£565,171k**	£427,427k
			Underlying return on capital employed (ROCE): (a) / (b)		**36.8 %**	51.5 %
Underlying return on tangible equity (ROTE)	Yes	Underlying profit after taxation (adjusted for notable items) as a percentage of average tangible equity, (calculated as the average yearly closing balance). Tangible equity is defined as total shareholders equity less goodwill, intangible assets and deferred tax assets.	Underlying profit after tax (a)	11	**£207,921k**	£220,001k
			Average tangible equity (b)		**£841,814k**	£698,248k
			Underlying return on average tangible equity (ROTE): (a) / (b)		**24.7 %**	31.5 %

Defined terms

Companies Act	refers to the Companies Act 2006.
Active core accounts	refers to the number of core accounts that have generated revenue during the last calendar month.
Board	refers to the Board of Directors of Starling Bank Limited.
C-SREP	refers to the Capital Supervisory Review and Evaluation Process.
Chair	is the Chair of the Board.
Core accounts	refers to GBP-denominated business current accounts, sole trader current accounts and personal current accounts.
Directors	refers to the Directors of Starling Bank Limited.
Engine	is Engine by Starling Limited.
Executive	refers to the Starling senior leadership team.
Fleet	is Fleet Mortgages Limited.
Gross lending	refers to loans and advances to customers before impairment provisions and other accounting adjustments.
Group	refers to Starling Bank Limited and its subsidiaries.
HQLA	refers to assets which can be easily and immediately converted into cash at little or no loss of value. HQLAs should be unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible.
Investment grade	refers to a credit rating in the range of CQS1 to CQS3 following the standardised approach to credit risk under Capital Requirements Regulation.
Investor Non-Executive Director	refers to Lázaro Campos and Marcus Traill.
L-SREP	refers to the Liquidity Supervisory Review and Evaluation Process.
MREL	is the minimum requirements a financial institution must hold to meet the loss absorption and recapitalisation components if an institution were to fail.
Net zero	refers to a target to reduce emissions by at least 90% and counterbalance the remaining residual emissions with durable or permanent carbon removals. The term ”residual” refers to emissions that cannot technically be eliminated. Such residual emissions shall not exceed 10% of baseline emissions - as measured in 2021.
NSFR	measures the stability of funding sources relative to assets requiring funding. The ratio is defined as the available stable funding (capital and certain liabilities which are treated as stable sources of funding) relative to the required stable funding (assets on balance sheet and certain off balance sheet exposures).
Open accounts	refers to total open core accounts (current and savings) and secondary accounts (e.g. non-GBP and joint).
Required capital	is calculated as the minimum amount of eligible regulatory capital the Bank must hold, excluding firm specific components of Pillar 2B capital. This figure includes Pillar 1 and Pillar 2A requirements as well as capital conservation and countercyclical buffers.
RWA	is a regulatory measure that adjusts the value of assets to reflect their level of risk when calculating capital requirements.
SBL	refers to Starling Bank Limited.
Tier 1 capital	is the sum total of CET1 and Additional Tier 1 capital.
Tier 1 ratio	is the ratio of Tier 1 capital to RWAs.
Tier 2 capital	includes subordinated liabilities and provisions for collective impairment, less regulatory adjustments.
UK leverage ratio	is calculated by dividing Tier 1 capital resources by the leverage exposure which is a defined measure of on balance sheet assets and off balance sheet items. On balance sheet assets are adjusted to exclude Central Bank reserves.
Unit	is one active core account.

Abbreviations and acronyms

1L	First line (of the three lines model)
2L	Second line (of the three lines model)
3L	Third line (of the three lines model)
AER	Annual Equivalent Rate
AI	Artificial intelligence
ALCO	Asset and Liability Committee
AML	Anti–money laundering
ARPAC	Average revenue per active customer
ATP	Arrangement to pay
AVM	Automated Valuation Model
BaaS	Banking-as-a-Service
BAC	Board Audit Committee
BBB	British Business Bank
BBLS	Bounce Back Loan Scheme
BoE	Bank of England
BRC	Board Risk Committee
BTL	Buy-to-let
CBILS	Coronavirus Business Interruption Loan Scheme
CCAO	Chief Corporate Affairs Officer
CCC	Customer and Conduct Committee
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CFO	Chief Financial Officer
CGU	Cash generating unit
CMA	Competition and Markets Authority
COR	Cost of risk
CP	Consultation Paper
CQS	Credit Quality Step
CRC	Credit Risk Committee
CRO	Chief Risk Officer
CSA	Credit support annex
DESNZ	Department for energy security and net zero
DPD	Days past due
EAD	Exposure at default

EBT	Employee benefit trust
EBSSL	Engine by Starling Services Limited
ECEP	Economic Crime Enhancement Programme
ECL	Expected credit loss
ECRC	Economic Crime Risk Committee
ED&I	Equity, Diversity and Inclusion
EIR	Effective interest rate
EPC	Energy performance certificate
EQA	External Quality Assessment
ERC	Executive Risk Committee
ERMF	Enterprise Risk Management Framework
ESC	Board Ethics and Sustainability Committee
ESG	Environmental, social and governance
ESOS	Energy savings opportunity scheme
EV	Economic value
EVE	Economic value of equity
ExCo	Executive Committee
FC	Finance Committee
FCA	Financial Conduct Authority
FOS	Financial Ombudsman Service
FRC	Financial reporting council
FVOCI	Fair value through other comprehensive income
FVTPL	Fair value through profit or loss
FX	Foreign exchange
GDP	Gross domestic product
GenAI	Generative artificial intelligence
GHG	Greenhouse gas
GloBE	Global Anti-Base Erosion Model Rules
HM	His Majesty's
HPI	House price index
HQLA	High-quality liquid assets
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IC	Impairment Committee

Abbreviations and acronyms

ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
ISA	International Standards on Auditing
IPO	Initial public offering
IRRBB	Interest rate risk in the banking book
ISDA	International Swaps and Derivatives Association
JSOP	Joint Share Ownership Plan
LCH	London Clearing House
LCR	Liquidity coverage ratio
LDR	Loan-to-deposit ratio
LGD	Loss given default
LPA	Law of Property Act
LTIP	Long term incentive plan
LTV	Loan-to-Value
M&A	Mergers & acquisitions
MFSI DAC	Murmur Financial Services International Designated Activity Company
MFSL	Murmur Financial Services Limited
MI	Management information
MIA	Months in arrears
MP	Management Portal
MRC	Model Risk Committee
MREL	Minimum Requirement for own funds and Eligible Liabilities
NATO	North Atlantic Treaty Organization
NIC	National Insurance Contributions
NII	Net interest income
NIM	Net interest margin
NomCo	Board Nomination Committee
NPS	Net Promoter Score
NSFR	Net stable funding ratio
OCI	Other comprehensive income
OECD	Organisation for Economic Cooperation and Development
OLAR	Overall liquidity adequacy requirement
ORC	Operational Risk Committee
PAYG	Pay as you grow
PBT	Profit before tax
PC	Pricing Committee
PD	Probability of default
POCI	Purchased or originated credit-impaired
PRA	Prudential Regulation Authority
PS	Policy statement
PTP	Promise to pay
R&D	Research and development
RAF	Resolvability Assessment Framework
RCSA	Risk and Control Self Assessment
RDEC	Research and Development Expenditure Credit
RemCo	Board Remuneration Committee
RLS	Recovery Loan Scheme
RMBS	Residential Mortgage Backed Securities
RMM	Risk of material misstatement
RMMP	Risk Management Maturity Programme
ROCE	Return on capital employed
ROTE	Return on tangible equity
RWA	Risk-weighted assets
SaaS	Software-as-a-Service
SECR	Streamlined Energy and Carbon Reporting
SEIS	Senior Employee Incentive Scheme
SFSSL	Starling FS Services Limited
SICR	Significant increase in credit risk
SLA	Service Level Agreement
SME	Small and medium-sized enterprise
SPPI	Solely Payments of Principal and Interest
SVR	Standard variable rate
TCR	Total capital requirement
TFSME	Term Funding Scheme with additional incentives for SMEs
UK	United Kingdom
U.S	United States
VIU	Value-in-use

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Registered number: 09092149 (England and Wales)

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