

## Starling – £100m Grant

"Financial technology can, and should, make SME banking quicker, smoother, fairer and more transparent. It should put entrepreneurs in control, give them an overview of their finances, help them track their transactions and seamlessly connect them with new sources of capital, services and software. It should also have customer support on hand 24/7, at precisely the moments they need it.

The £100m "Capability and Innovation Fund" (CIF) grant is enabling Starling to radically transform business banking for customers in the UK, disrupting the stronghold of the Big Four banks, whilst delivering a solution that helps financial innovators to coexist in a connected and collaborative banking ecosystem.

To demonstrate its commitment, Starling is investing a further £95m of its own funds in support of this initiative, over four years. To date, Starling has raised £50m and invested £1.67M of its own funds to support the mobilisation of the four year CIF-funded project.

Starling has designed its initiative to positively challenge the dominance of the big banks and to make customers want to change who they bank with. By investing in proprietary, cloud-based technology, and extending its established banking and engineering capabilities, Starling is rapidly accelerating the development of its market-disrupting business bank.

Starling is achieving this by delivering the following:

Sophisticated banking solutions that will simplify complex business life: Examples include flexible deposit accounts, multiuser card functionality, instant invoicing, VAT management, advanced invoice financing, smart FX, supply chain finance using blockchain based technology and secured business lending. Starling is building a full suite of 52 digital banking products over four years to meet the needs of its SME customers. 10 of the 13 products scheduled for 2019 are underway in either design or development, while work has begun on a further six products scheduled for delivery in 2020.

Digital touchpoints that are beautifully designed and secure to use: SME customers will be able to move effortlessly between digital channels to originate, authorise and manage transactions on the go and team banking for multi-user accounts. Starling understands that many SMEs want to manage their banking online as well as through mobile applications and to support this, it will launch its web portal in Q3 2019. Construction of this portal is underway and on track for launch in September 2019.

Digitally-enabled customer services and relationship management: SME customers will receive instant advice 24/7 including virtual assistance, relationship manager (RM) matching and micro scheduling to book "to the minute" appointments.

Intelligent tools that utilise data to offer insight and automation: Starling will develop 'My Financials', an AI-based predictive tool showing cash-flow forecasting and, where appropriate and with consent, recommendations for banking solutions.

Marketplace for business: the Starling Marketplace, which allows SME owners to access a wide range of third-party financial services and software providers to personalise their account, will include no fewer than 48 new partners, mostly UK based, including treasury services and human resources. Starling is focused on delivering to this target, with a strong emphasis on conducting rigorous due diligence on all potential new partners. Starling launched its integration with its first new SME Marketplace partner, FreeAgent, in its first reporting period. The Starling Marketplace will also

provide personalised recommendations for third-party applications, based on analysis of business and wider industry and seasonal trends.

Starling is also building a suite of lending products using automated and secure processes that deliver loans in minutes to boost SME growth and productivity. Starling commits to having made £913m of additional lending available to SMEs by the end of 2023. To date, we have made available a lending facility of more than £0.6m as part of this test environment. Starling is directly partnering with leading SME lenders to make more facilities available and is also working with selected lending providers on integration and origination of SME loans through the Starling Marketplace, while it builds up its own product base.

Starling has set a goal of attracting over 450,000 customers by the end of 2023. This will allow Starling to have the market size to make an enduring change to competition. By the end of June 2019 Starling had 50,774 SME customers, almost meeting its full year commitment for 2019 of 51,000 customers. Starling is achieving this while at the same time maintaining existing high levels of customer satisfaction. It continues to monitor and maintain a high current app store rating.

**A bank for all regions:** Starling is committed to serving SMEs throughout the UK. Some 61% of Starling's SME customer base is outside Greater London. Starling is continuing with this UK wide focus, with an ambition to ensure over 60% of all future business customers are based outside of London. Additionally, Starling has opened a new combined operations and engineering centre in Southampton.

Starling continues to provide counter access for SMEs that need to make cash deposits and withdrawals through its partnership with the Post Office, which has 11,500 branches, more than all the UK's banks and building societies combined.

**An inclusive workforce:** Over the course of this initiative Starling has committed to recruiting an additional 398 staff within the UK. Starling is an active member of the Tech She Can Charter, working across the industry to increase the number of women working in technology roles in the UK. It is already a signatory of the Women in Finance Charter and has pledged to have 40% of its senior positions occupied by women by 2021. Currently 35% of Starling's senior positions are held by women. Starling embraces inclusion in all its forms.

**Backing UK technology:** Starling continues to design, deliver and maintain its leading edge technology platform in the UK. Included in the 398 staff recruitment commitment, are 84 engineers, again based in the UK. To date, Starling has recruited 81 FTE, of which 23 are engineers. Where possible, it is purchasing from UK-based SME financial services and software companies when it requires expertise outside its own core competencies. Starling has continued to champion UK based technology companies, and has engaged Softwire, BJSS, and Infinity Works to supplement its in house engineering capability.

**Technology for good:** Starling commits to maintaining best-in-class processes to protect client and personal data, as well as commercially sensitive data of its commercial partners and to reporting incidents as required by GDPR. It commits to a regular independent audit of its algorithms and technological processes to ensure they are fair and free from bias and prejudice.

**Stimulating market innovation:** Starling will provide SME customers with a comprehensive set of open APIs allowing customers to tailor the platform to their individual needs. Starling's advances and innovation will also force other banks to respond, delivering a better service for sole traders, micro

businesses and small SMEs in the UK. This will rapidly improve outcomes for the people that make up 59% of UK employment and businesses that make up 99% of the UK economy.

Starling is confident that it is on track to deliver its ambitious milestones and has not encountered any material delays that would be appropriate to reference in its public commitments."