



Money- making In Digital Banking



FinTech strategy deep-dive and benchmarking collection by



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EMPOWERING STRATEGY

FinTech Strategy deep-dive and benchmarking collection

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- Over the next few months, our teams will be compiling research on a number of successful FinTechs, taking deep dives into their company history, culture, success, competition and outlook.
- By placing FinTechs under the magnifying glass, we offer a better understanding of the factors that enabled them to become challengers in the financial services industry, as a guide for actors seeking to reach similar exponential growth.
- These reports aim at providing actionable insights and benchmarking to those interested in the financial technology industry, and more specifically, to businesses and entrepreneurs seeking to improve their strategies and increase their competitiveness.

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Deep-dive # 5:



by



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Starling first annual profit consolidates the challenger as one of the few profitable Digital Banks globally.

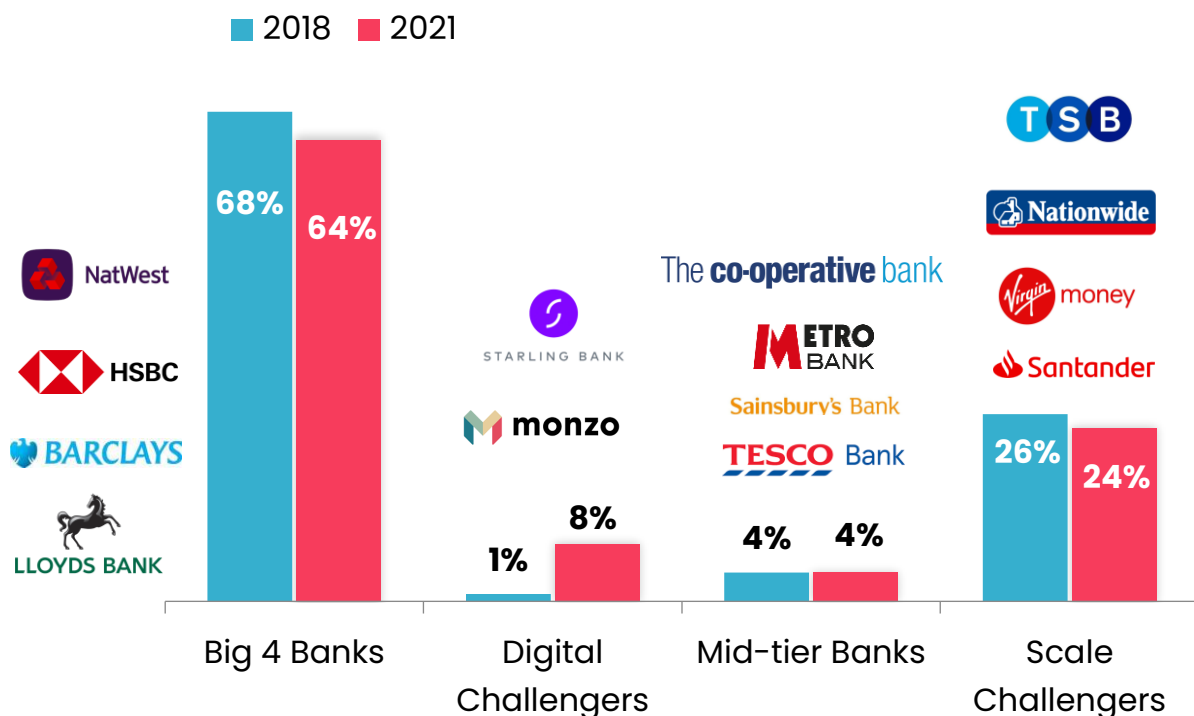
Money-making Digital Banks

- Notably, **many of these players are Corporate-backed** firms and come mainly from China and Japan.
- **There are now three profitable Digital Banks in Europe.** Zopa, last year, joined Oak North and Starling bank.
- **Paytm, Indian unicorn, leaves the list,** as is no longer profitable, but it set a 2023 timeline to become profitable again.

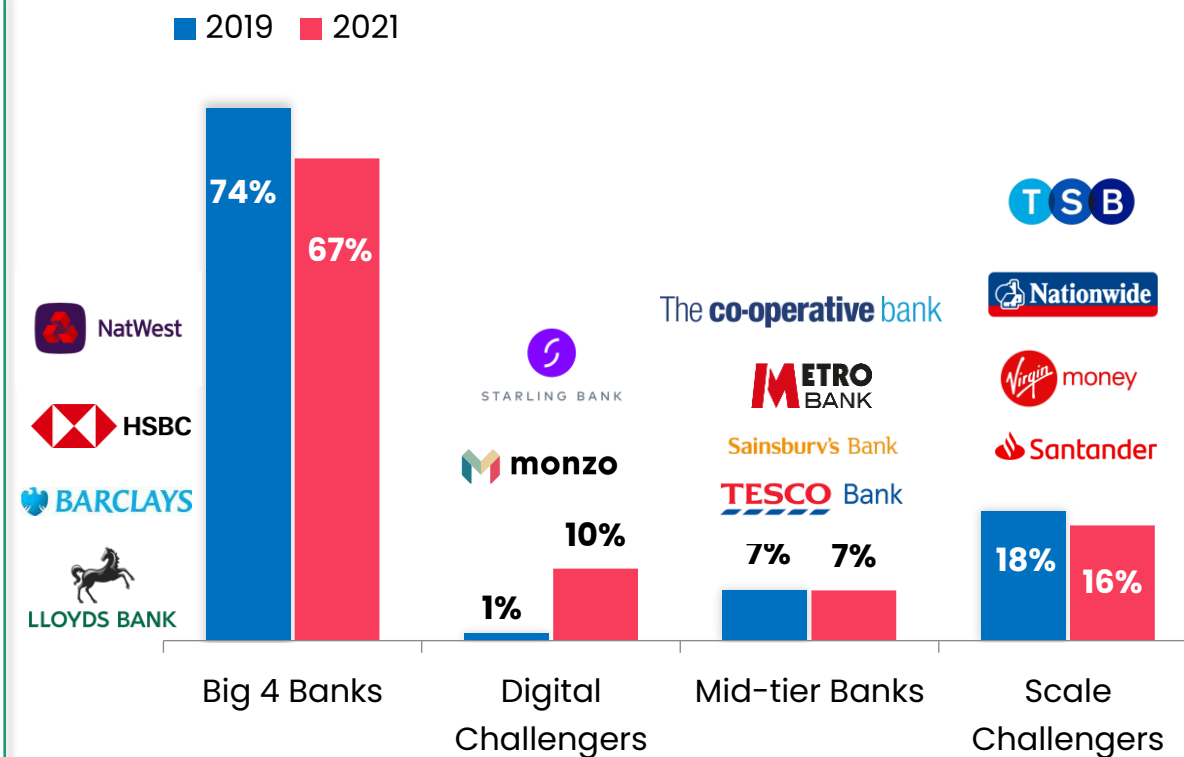


Changing consumer behaviour and the acceleration of digitalisation over the last few years have opened up the possibility of branchless banking and reduced the importance of the large branch networks in attracting and retaining customers. As a result, the established banks, in the UK, have slowly lost market share to Monzo and Starling.

Share of **personal current accounts** in the UK by type of player (2022)



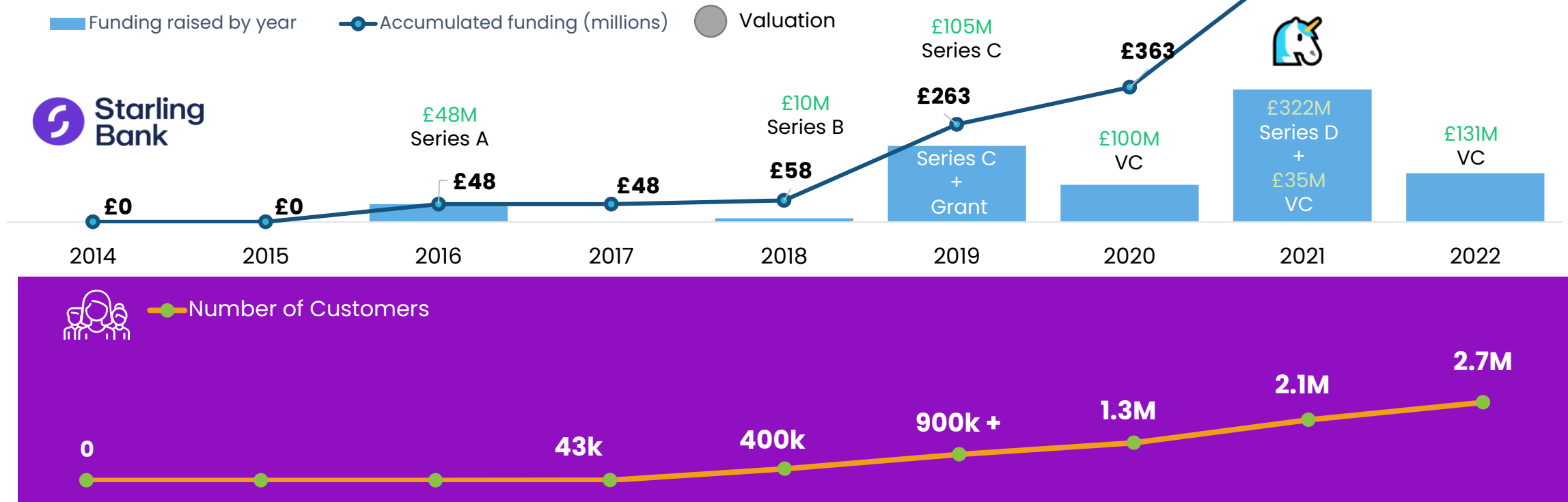
Market share of **business accounts** in the UK by type of player (2022)



Starling biggest growth yet, in 2019–2021, triggered by the pandemic and influx of grants from RBS of £100m and from investors-enabled products, proprietary technology platforms, innovations, lent to businesses, and marketing expenses.

- Starling has been using the investments to build a war chest for acquisitions.
- It made its first acquisition in July 2021 of specialist buy-to-let mortgage lender Fleet Mortgages.

Starling Funding, customer growth and Valuation



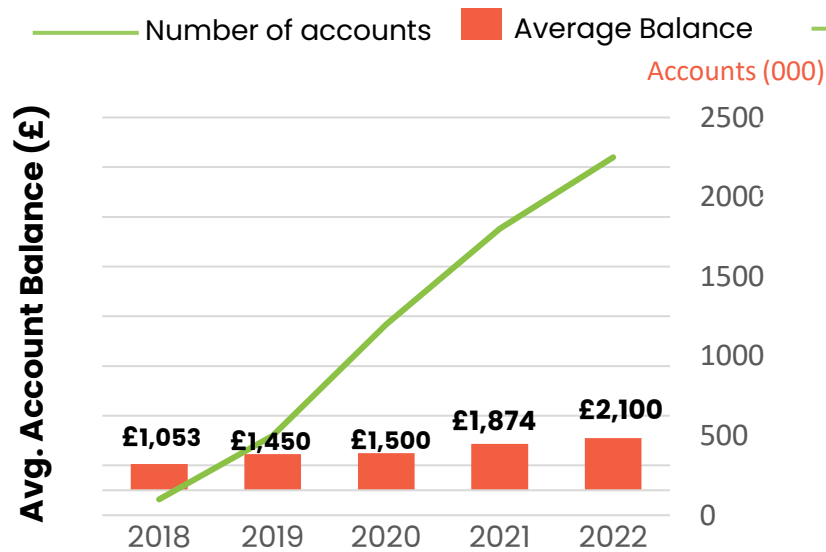
Starling has built strong retail and SME deposit franchise that is widely diversified and has continued to grow the number of customers and value from a wide cross-section of the UK market.

Starling's deposit average account balance trend

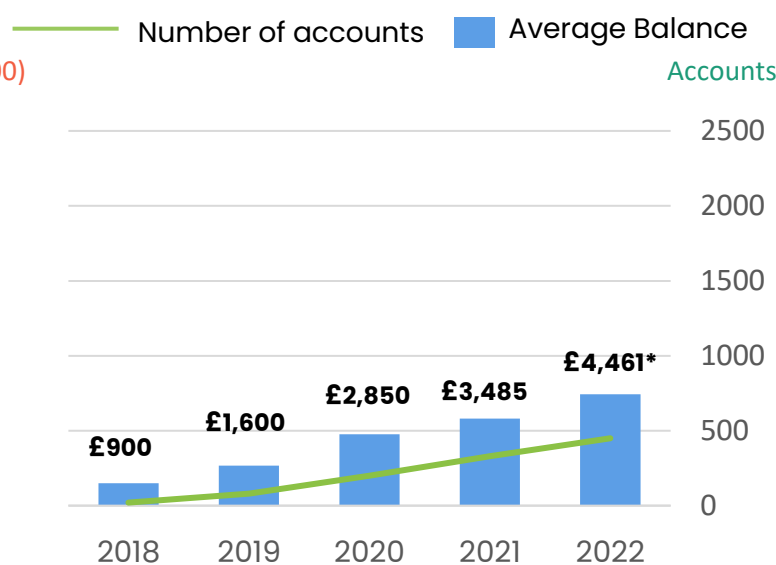


- Starling has had **a profitable year balance sheet in 2022**.
- Average deposits per SME customer improved by 9% and per Retail customer by 11%, as **both segments continued to grow YoY**.
- **Average balances of business customers are 7X higher** than retail business.

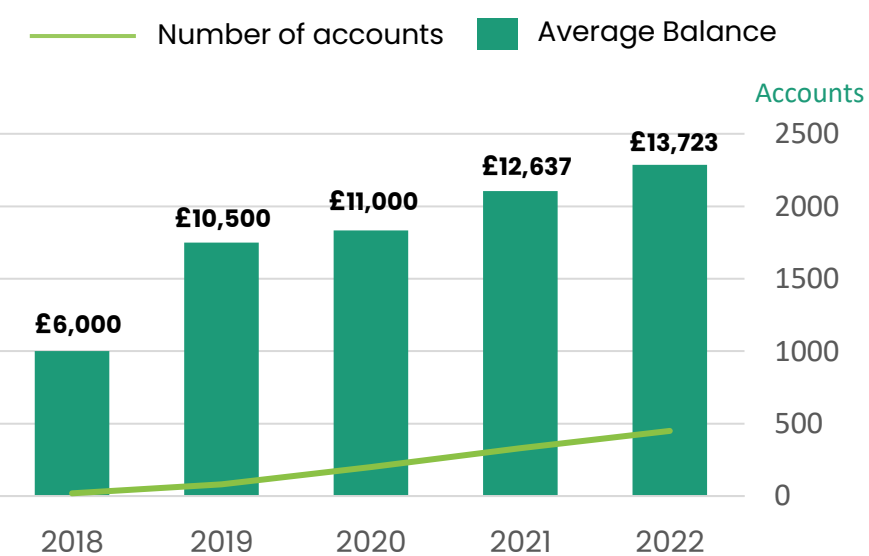
Personal Account



Sole Trader Account



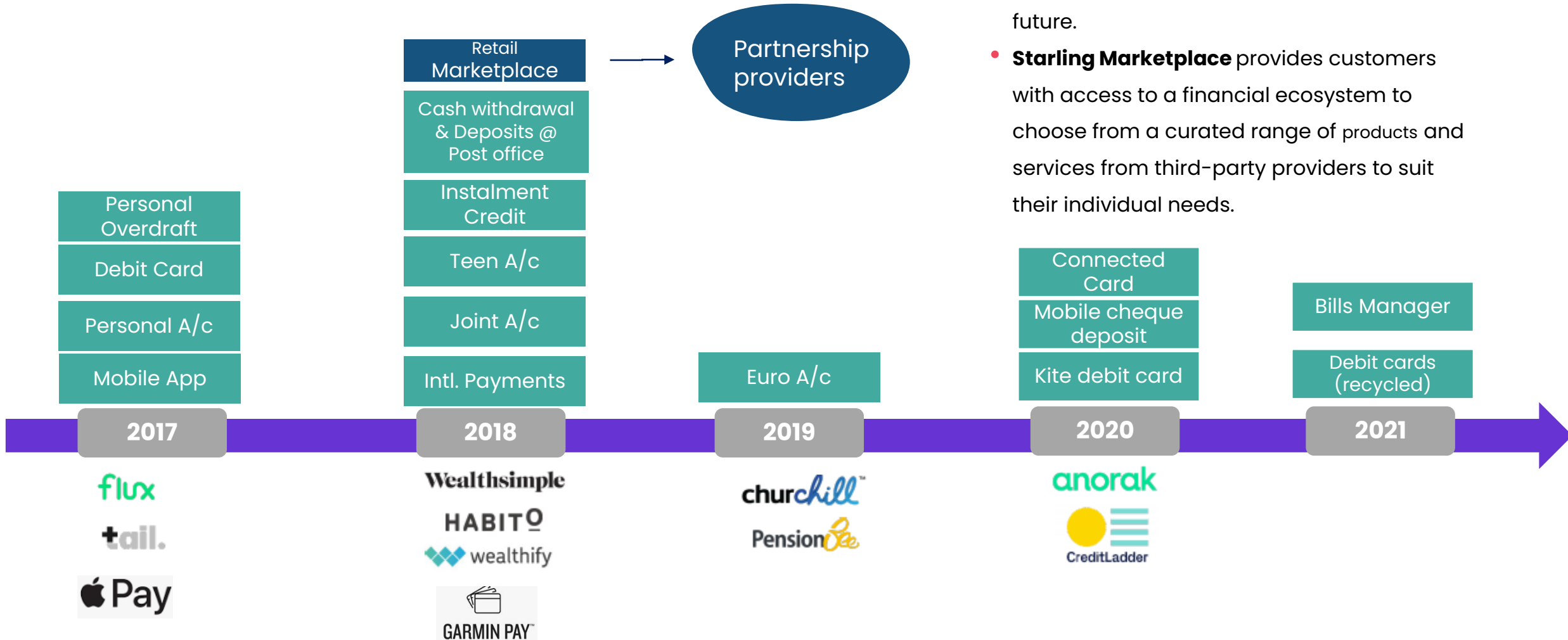
Business –LLP/LLC Account



Product Stack



Retail banking



- Starling Bank has **built its product capabilities from scratch** & is committed to building many digital banking products in the future.
- **Starling Marketplace** provides customers with access to a financial ecosystem to choose from a curated range of products and services from third-party providers to suit their individual needs.

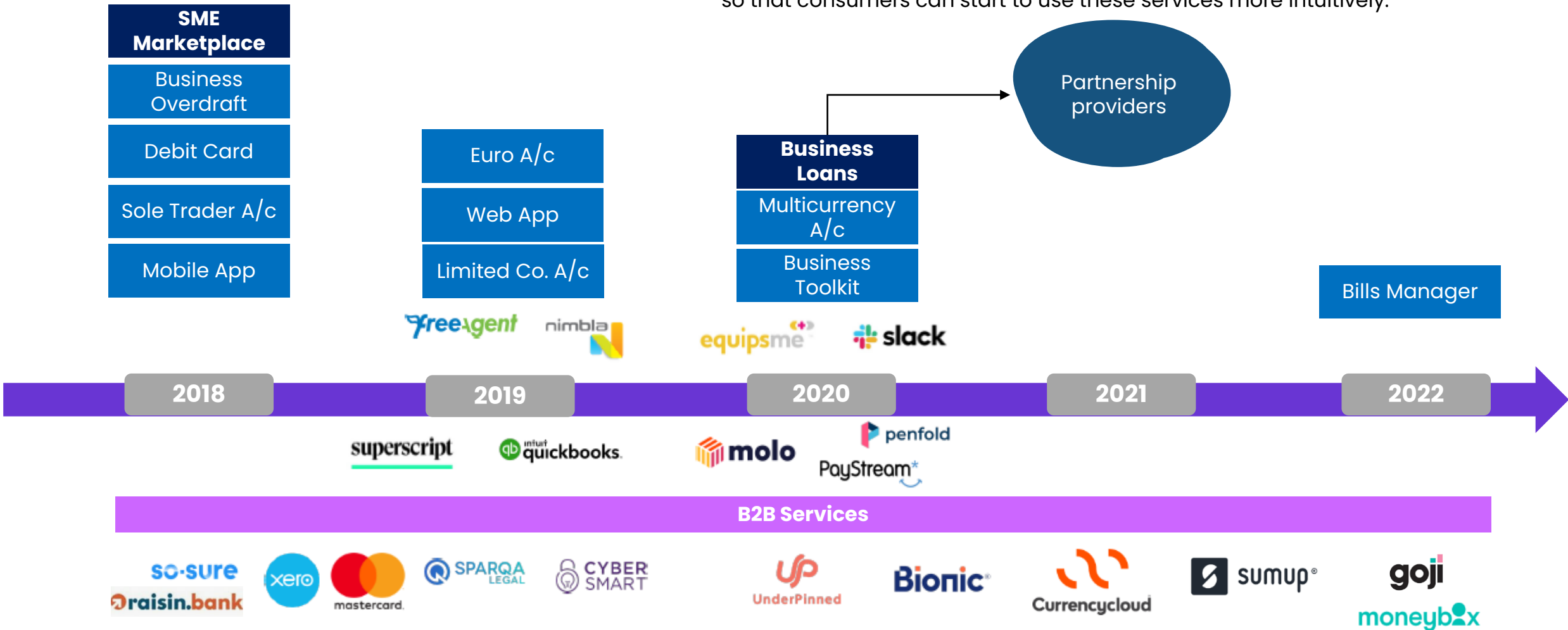


Product Stack

Starling Bank

Business banking

- Between December 2019 and March 2021, Starling **launched 14 new Marketplace integrations.**
- Starling is **working to embed integrations** more conveniently in the app so that consumers can start to use these services more intuitively.



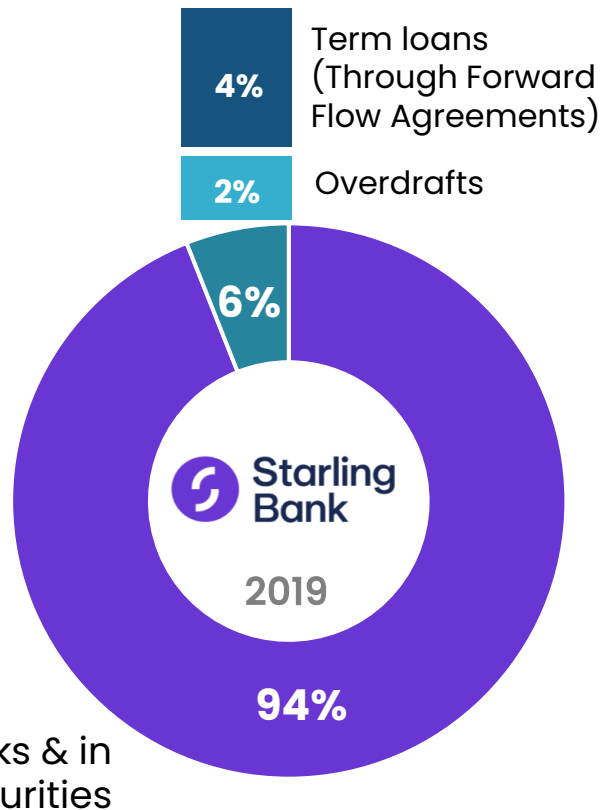
Starling Bank loan book has grown from less than £100m to more than £1B since 2019 through government-backed schemes during COVID-19. Starling has lent more than £2.3bn to individuals and SMEs in the UK.

Deposits and Loans Book Value

Pre-COVID

£1 billion Deposit Base.

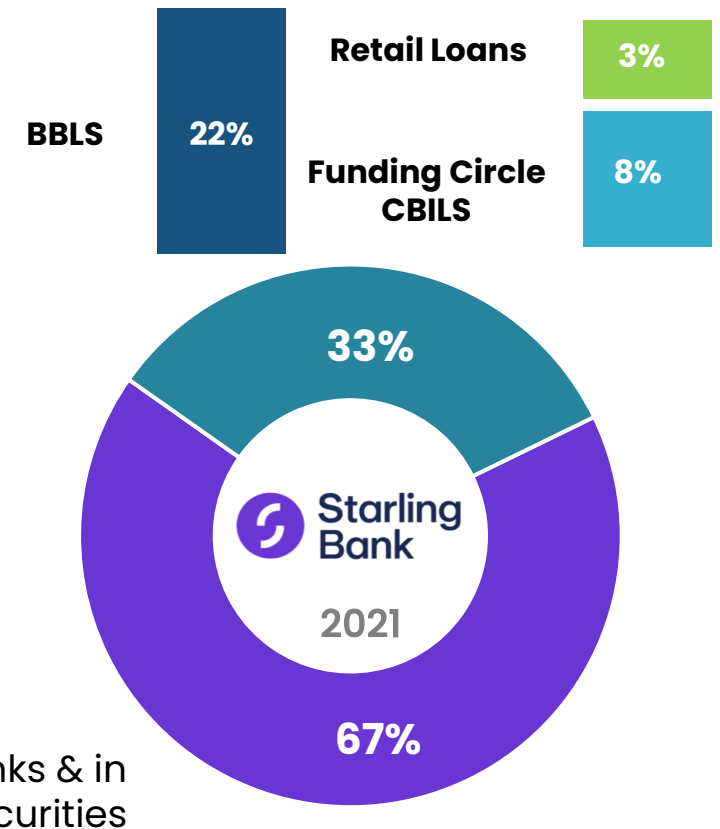
£54 million Loans & Advances:



During COVID

£3 billion Deposit Base.

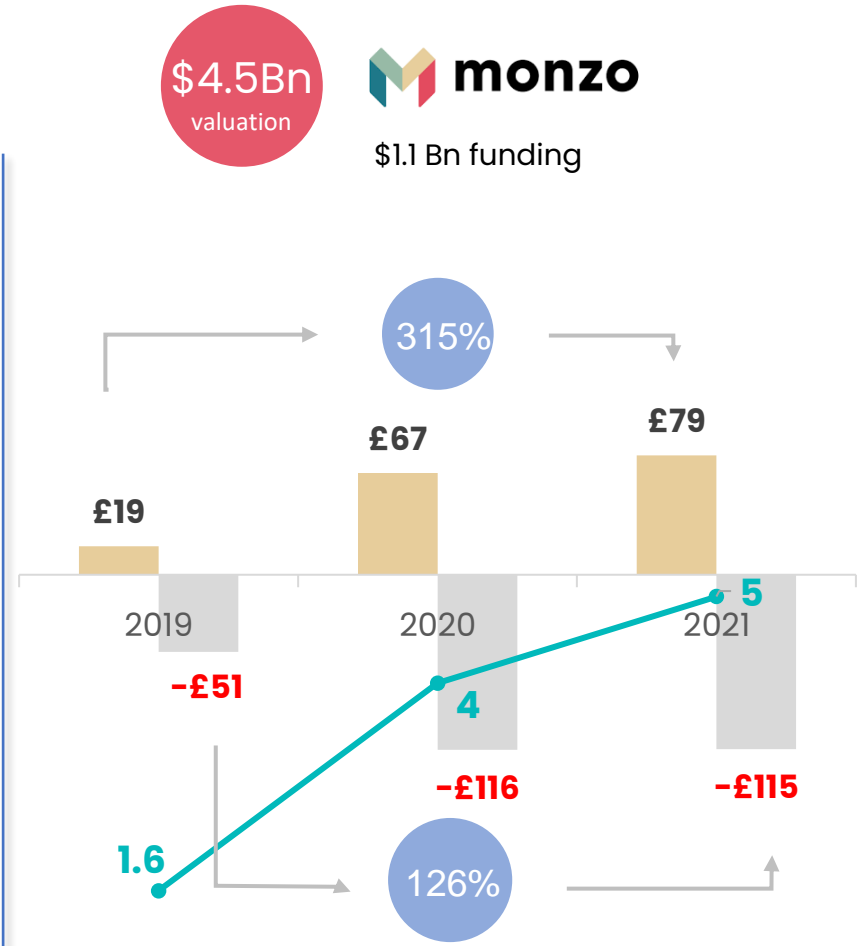
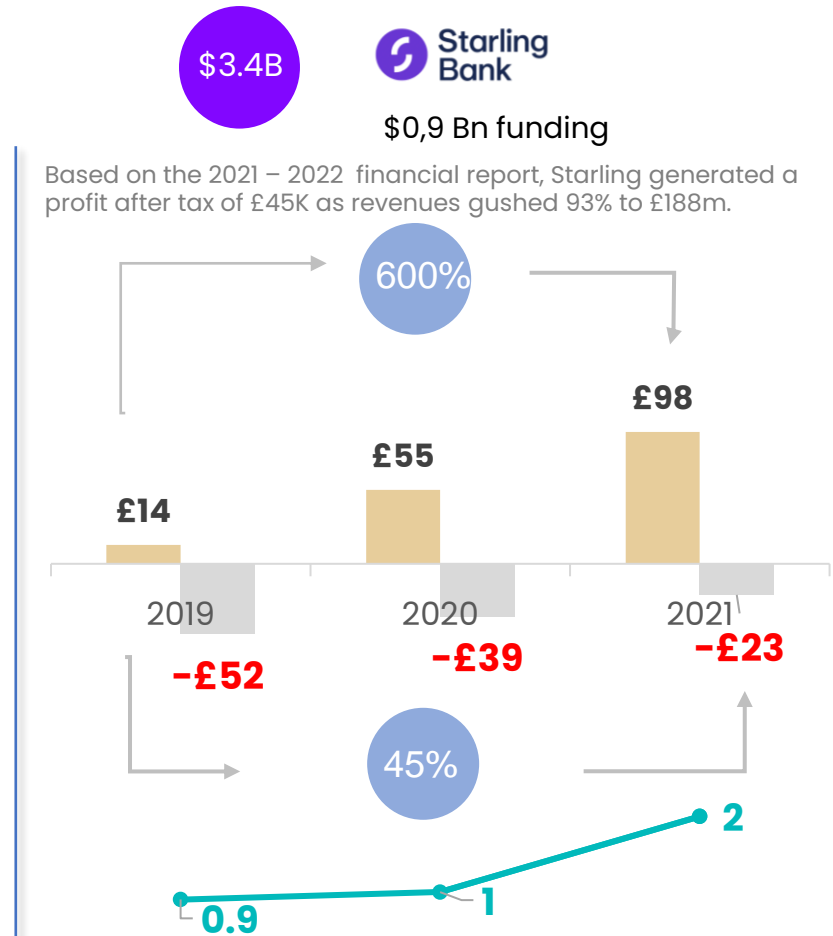
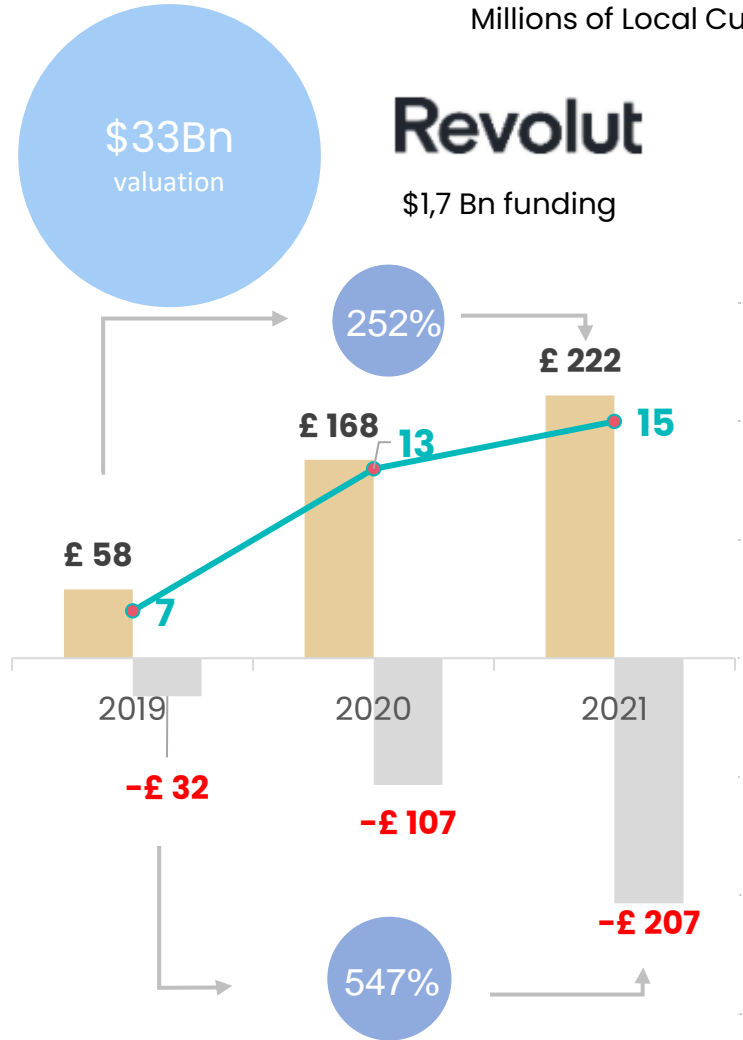
£1 billion Loans & Advances:



Note: 2019-21 annual report Covers a period of 16 months, from 30 November 2019 to 31 March 2021.

Compared to its British competitors, Starling lags in revenue and number of customers. However, it has kept losses under control, it decreased by 50% in 2021 when compared to 2019 and is reaching profitability, while Revolut and Monzo losses are increasing YoY.

Millions of Local Currency/People (As end 2021) ■ Revenue ■ Profit/Loss —●— Customers

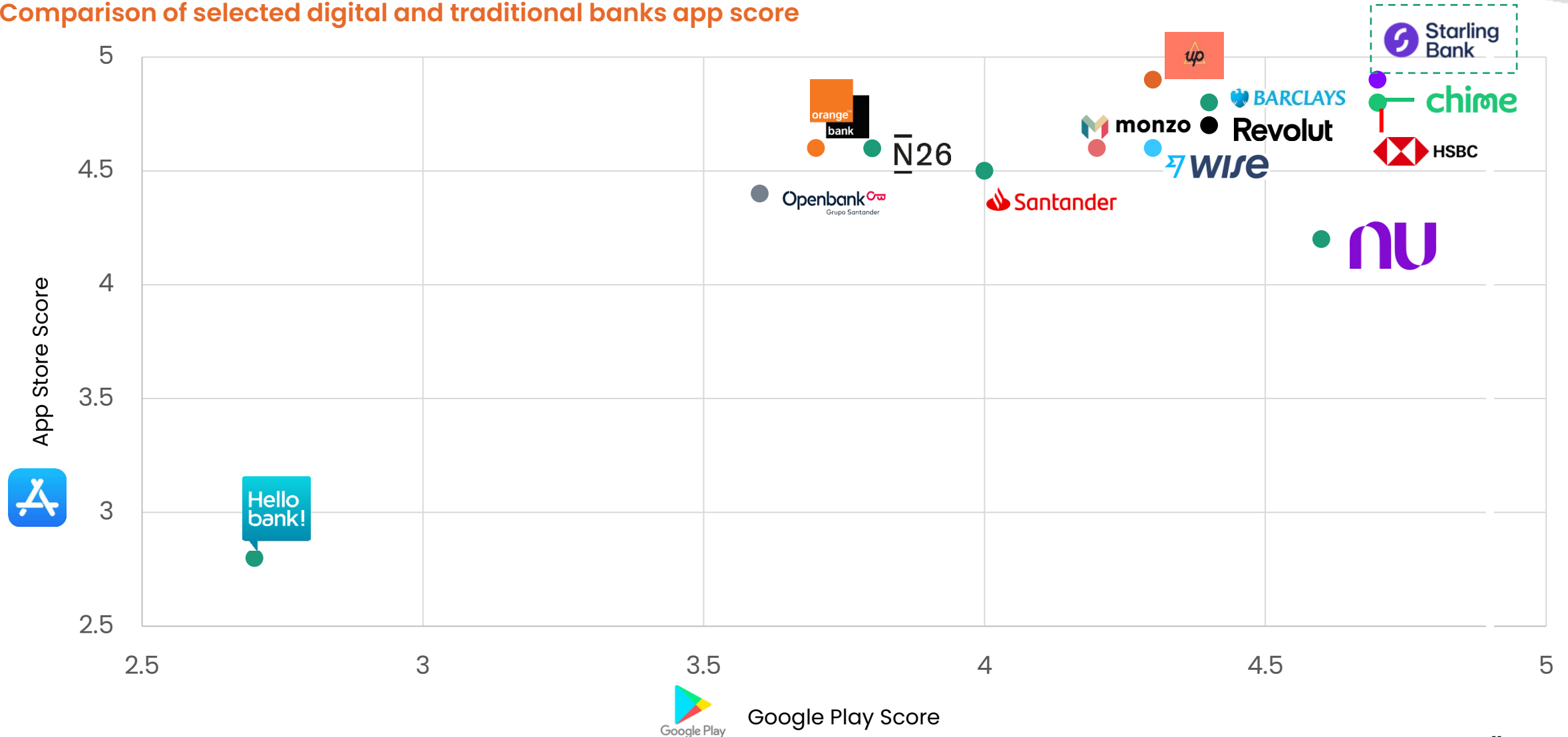


Note: Figures correspond to end of Financial Year 2021..

Source Starling Bank Annual Reports - [2017-18](#), [2018-19](#) & [2019-21](#). 2019-21 annual report Covers a period of 16 months, from 30 November 2019 to 31 March 2021.

The Bank is also backed by strong and consistent customer feedback. Starling place itself as one of the top financial apps out there.

Comparison of selected digital and traditional banks app score



Source: App and Google Play store. July 31, 2022.

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The research team



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in Ramya Mohan

Ramya has graduated with a Master's degree in Aeronautical Engineering from Politecnico Di Milano, Italy. Worked as a Stress engineer for Airbus and Bombardier. Her passion for FinTech pushed her to become a junior market researcher and analyst with a Fintech startup in Milan. She has an ardent zeal for traveling, politics, and sports.



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Tessa is in her third year of an undergraduate degree, which she studies in France. Her degree links Business Administration, Economics, International Relations and Brand Management. She is currently in Vienna where she is completing an exchange program, further highlighting her international background.



Leading Consultant

in Javier Guevara Torres

Javier is co-founder and CEO of C-Innovation. Having worked with both technology companies and corporates such as HSBC and Santander, he has a unique view of the challenges from both sides of the table.

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