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N26
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Growth is placed on the
backburner over
profitability

FinTech strategy deep-dive and benchmarking collection by



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FinTech Strategy deep-dive and benchmarking collection

- C-Innovation offers you access to high quality, actionable, business-oriented reports.
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- 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 # 8:

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N26
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“We’ve bought a lot of freedom with this funding round ..the company wants to get to break even without needing to raise more funds.”

**Jan Kemper
Chief Financial Officer for N26**



Executive Summary

01

Born in 2013, N26 aimed to solve inefficiencies of current bank offerings, with the **vision to be a fully and global mobile bank account with a full range of products.**

02

N26's market entry followed a mixed strategy. **It focused on rapidly onboarding customers with a simple prepaid card product, whilst applying for a full European Banking License**, which it has leveraged to consolidate in the region, servicing to over 20 EEA countries.

03

Expansion is key to N26's growth strategy and the company is often targeting new geographical markets, however now and again without testing the sustainability of its success. With more than 2m clients, **France shows its success story.**

04

As the market is putting pressure on neo-banks to prove the sustainability of their model **N26 moved away from growth toward profitability focused indicators, where increasing users' activity and engagement are key** to ensure it is building a pathway to sustainable future growth.



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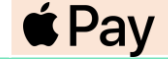
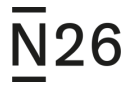
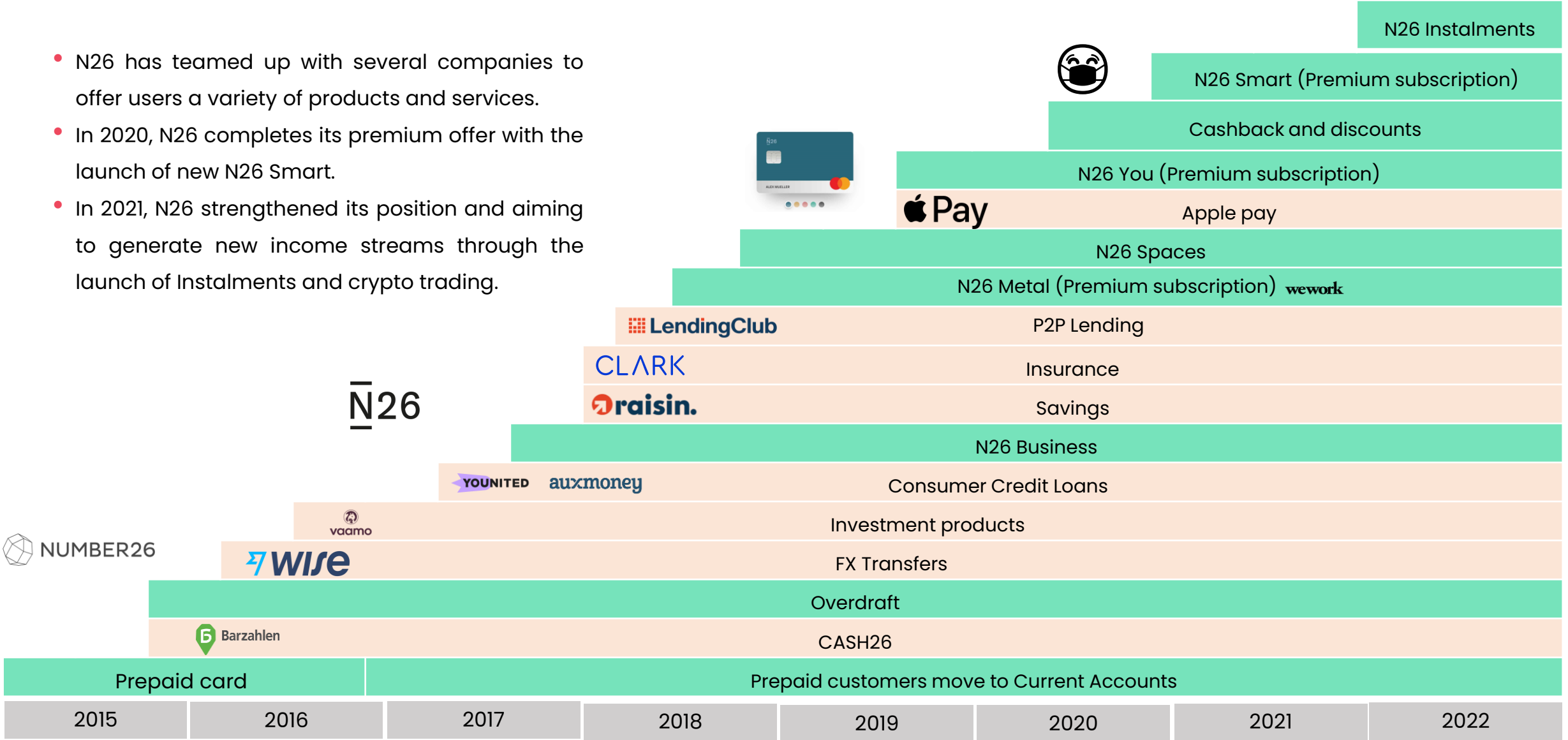
N26 Product Stack

- N26 has teamed up with several companies to offer users a variety of products and services.
- In 2020, N26 completes its premium offer with the launch of new N26 Smart.
- In 2021, N26 strengthened its position and aiming to generate new income streams through the launch of Instalments and crypto trading.

Offering via partnership (orange box)

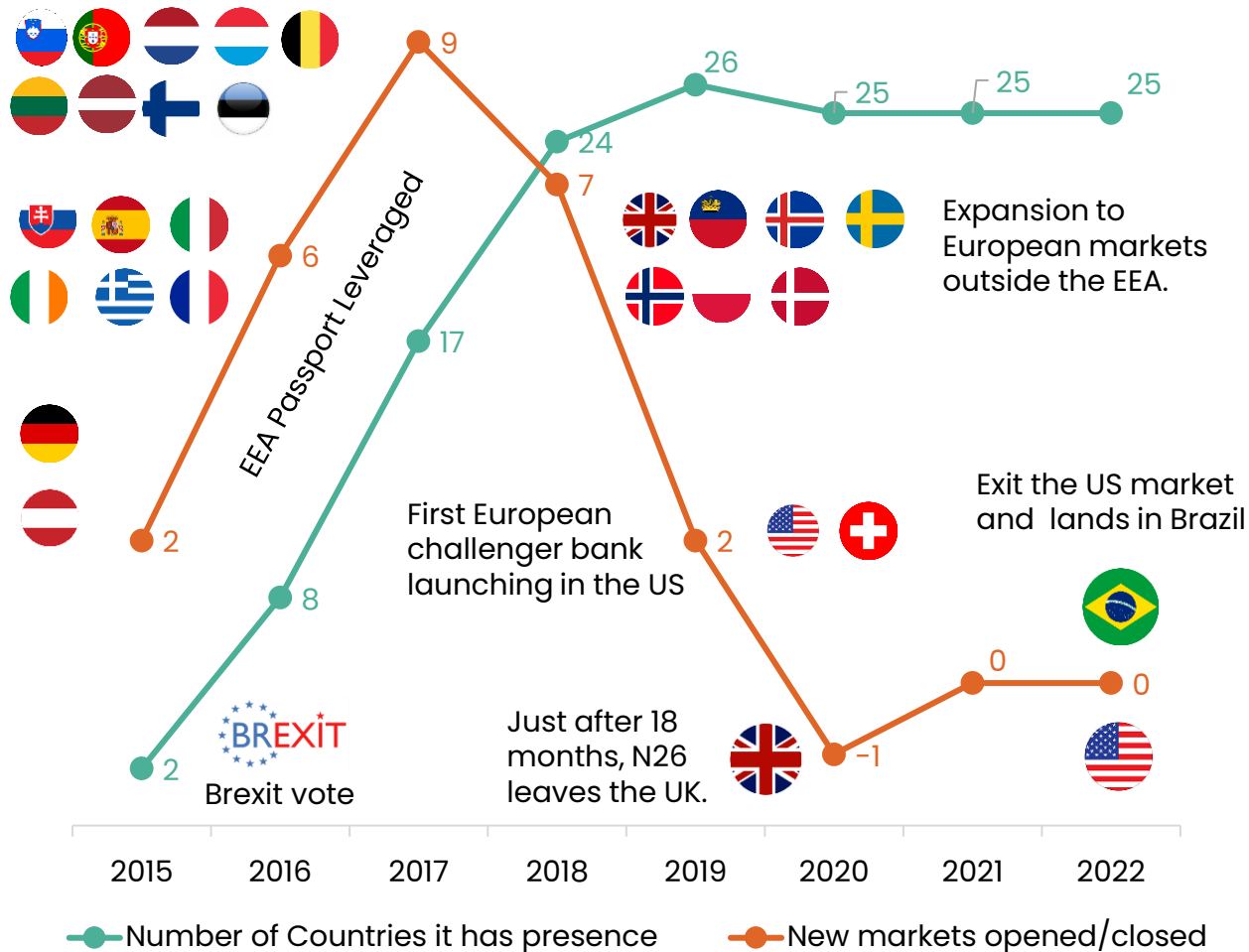
N26's own product (green box)

bitpanda Crypto Trading

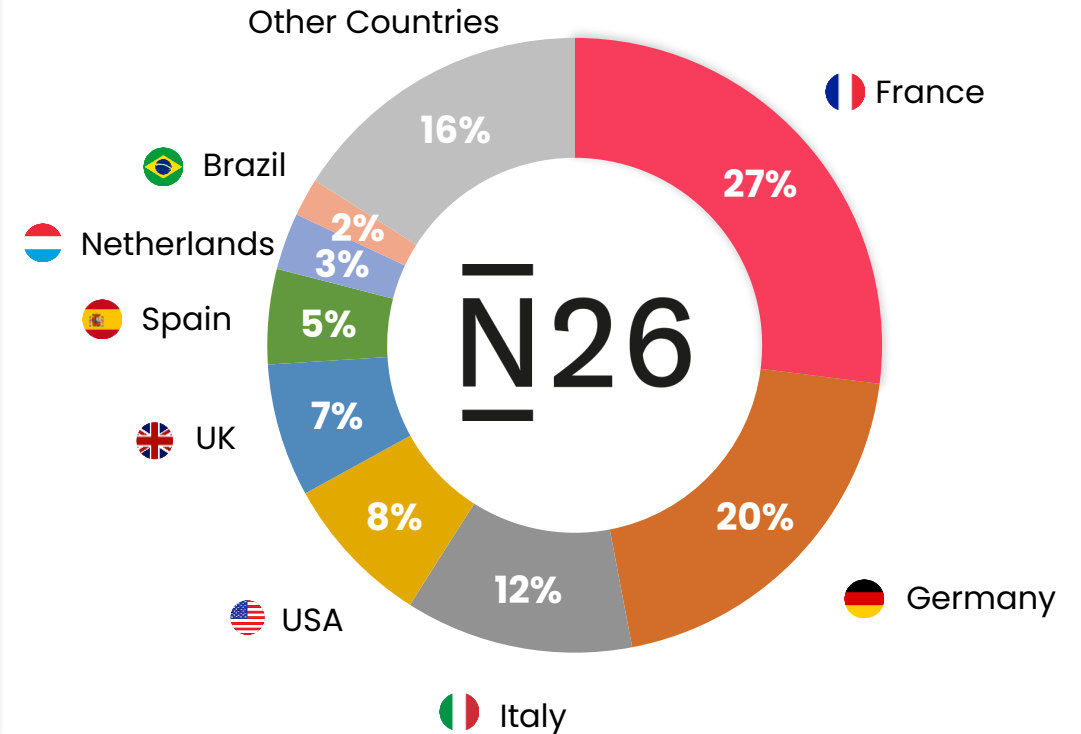


Expansion is key to N26's growth strategy and the company targets new geographical markets, however now and again without testing the sustainability of its success.

N26 International Expansion Timeline



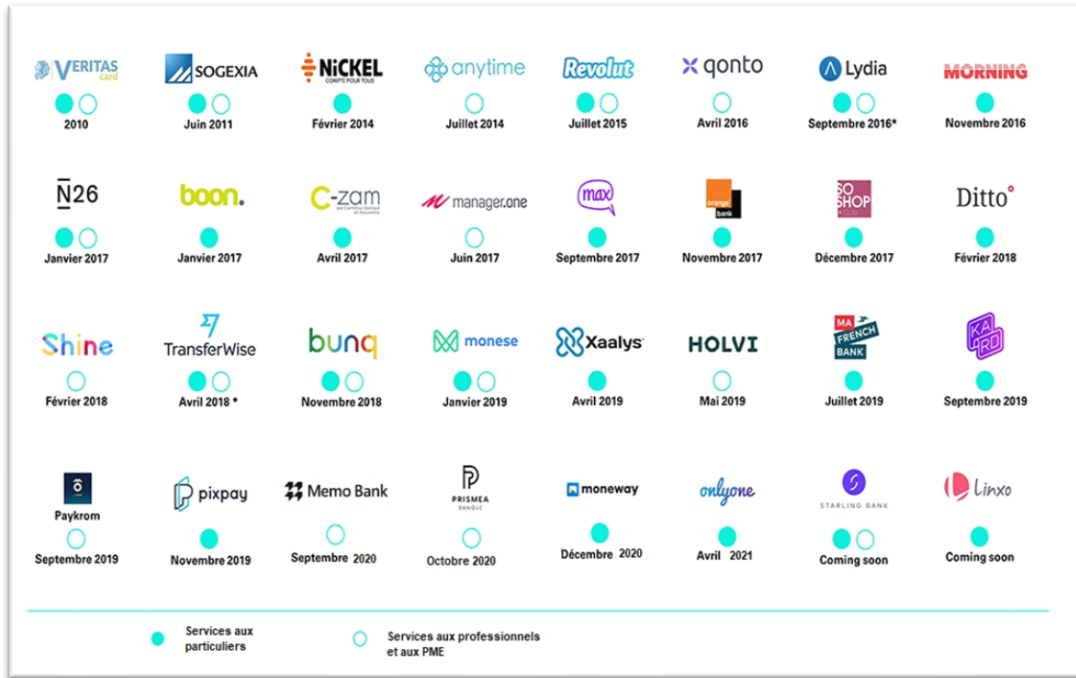
Market Share of N26 by Country



Based on apps downloads. Figures as October 2021.

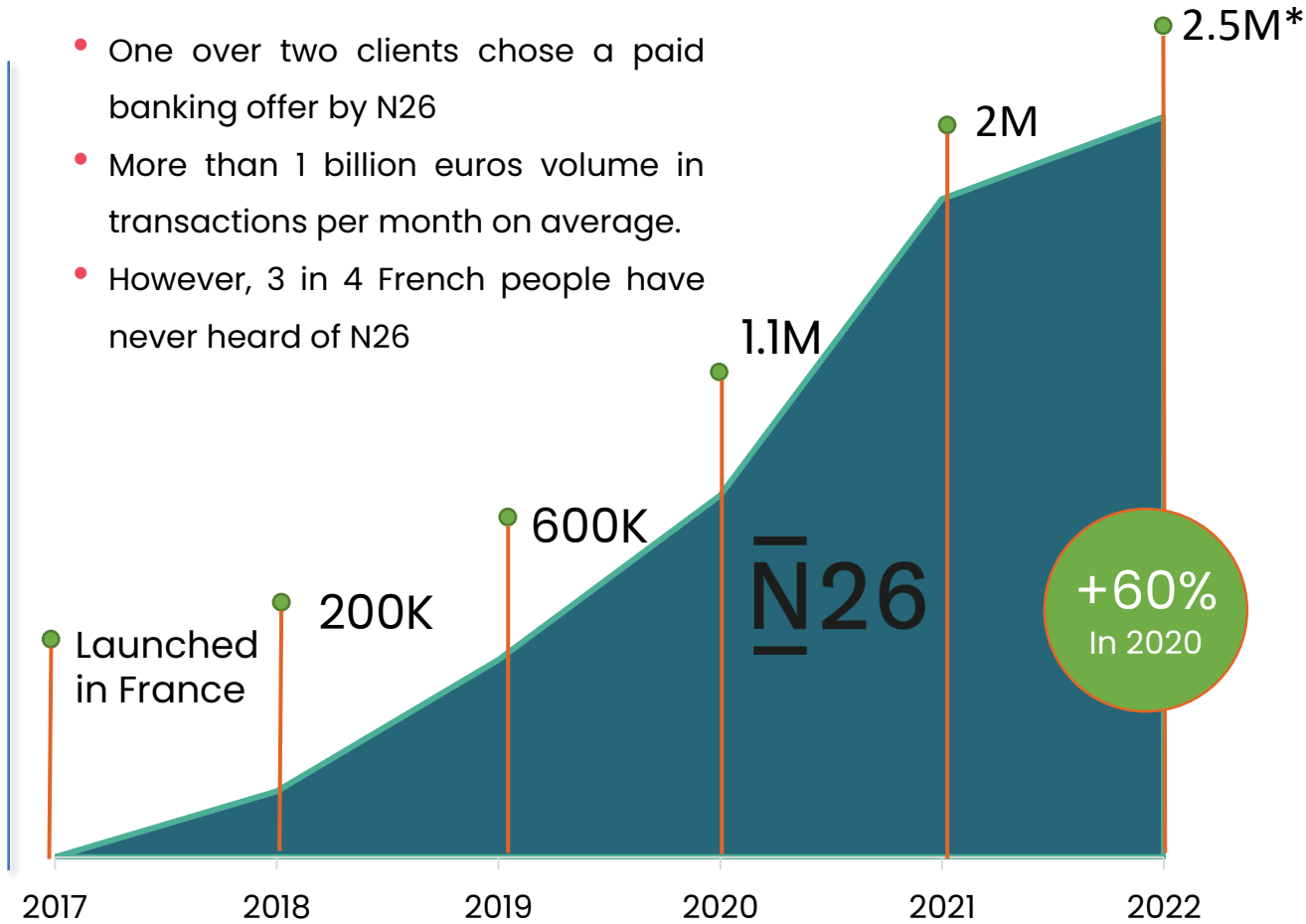
N26 launched on the French market, over 5 years ago, and has gradually established itself as leader of Neo-banks in France.

Despite the strong competition N26 is imposing its model in France



2000 new clients joins N26 each day in France

- One over two clients chose a paid banking offer by N26
- More than 1 billion euros volume in transactions per month on average.
- However, 3 in 4 French people have never heard of N26



+30
online Banks in France

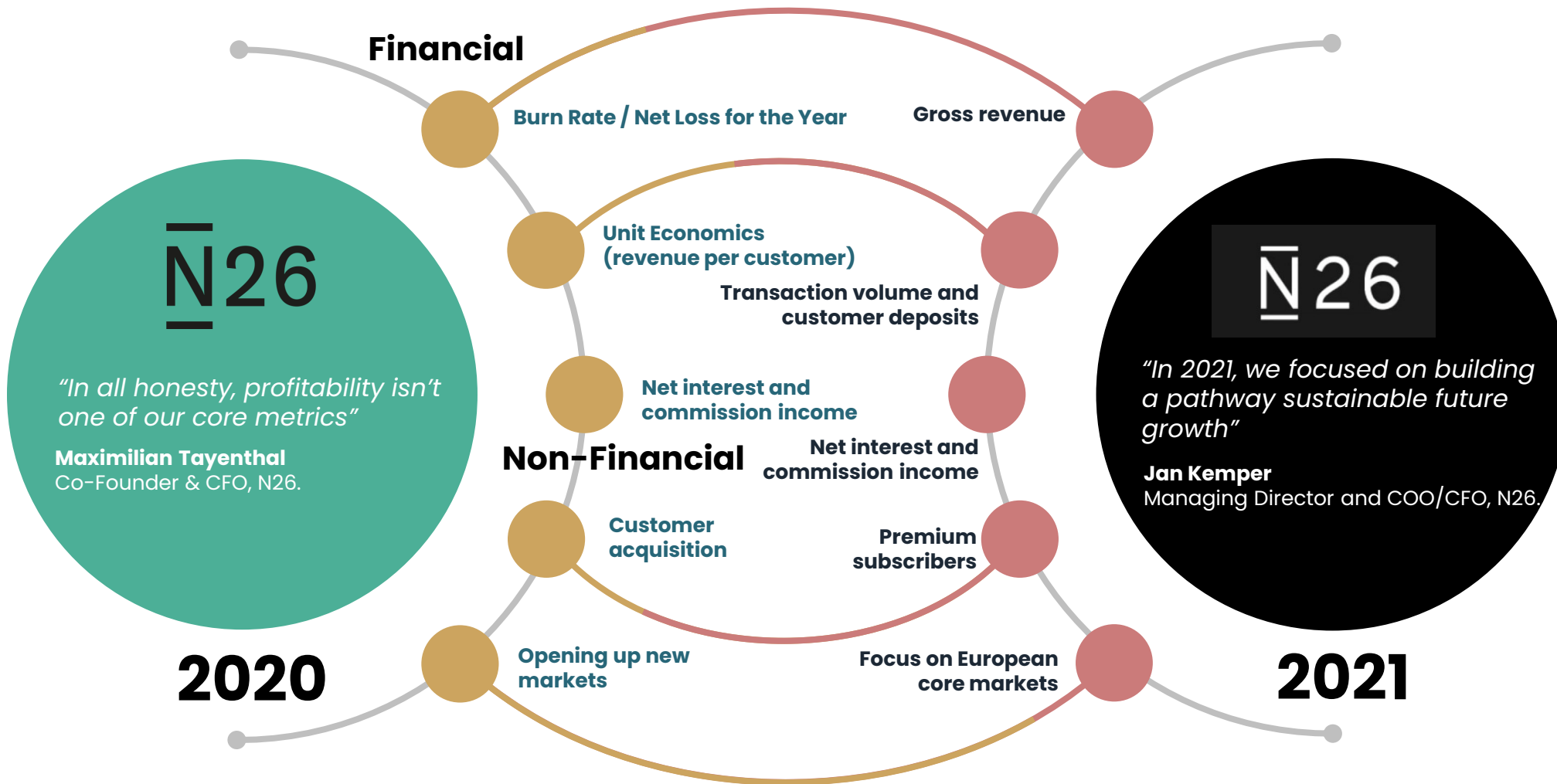
+3,5m
active accounts (End of 2019)

+70%
Clients are over 30 years old

Source: KPMG. adapted C-Innovation. 2022. [Nous fêtons nos 2 millions de clients en France](#). N26. * Value 2022 estimated by C-Innovation. Note: A customer is defined as a customer who has completed all phases of the account opening process.

As the market is putting pressure on neo-banks to prove the sustainability of their model, N26 moved to profitability focused indicators to ensure it is building a pathway to sustainable future growth.

Key Performance Indicators



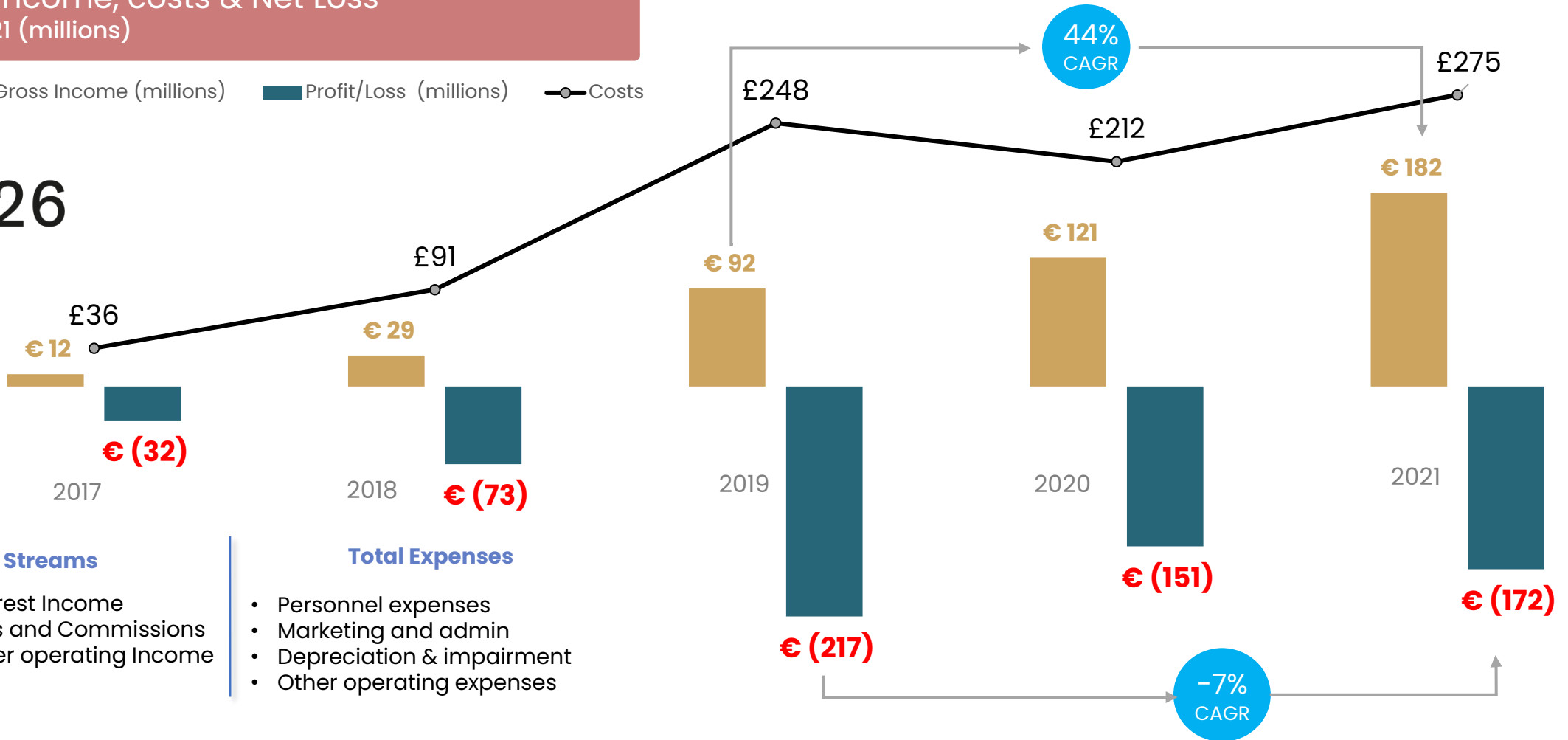
Source: [Annual financial statements for the financial year from 01.01.2020 to 31.12.2020](#). N26 Ltda.

Under the context of the pandemic, N26 shifted priorities to substantially reduce costs and drive operational efficiencies, that impacted revenue growth and decreased losses. Nevertheless, last year substantial investments were necessary to strengthening regulatory frameworks, including systems and personnel, driving an increase in administrative expenditure compared to 2020.

Gross Income, costs & Net Loss
2017-2021 (millions)

■ Gross Income (millions) ■ Profit/Loss (millions) ● Costs

N26



Revenue Streams

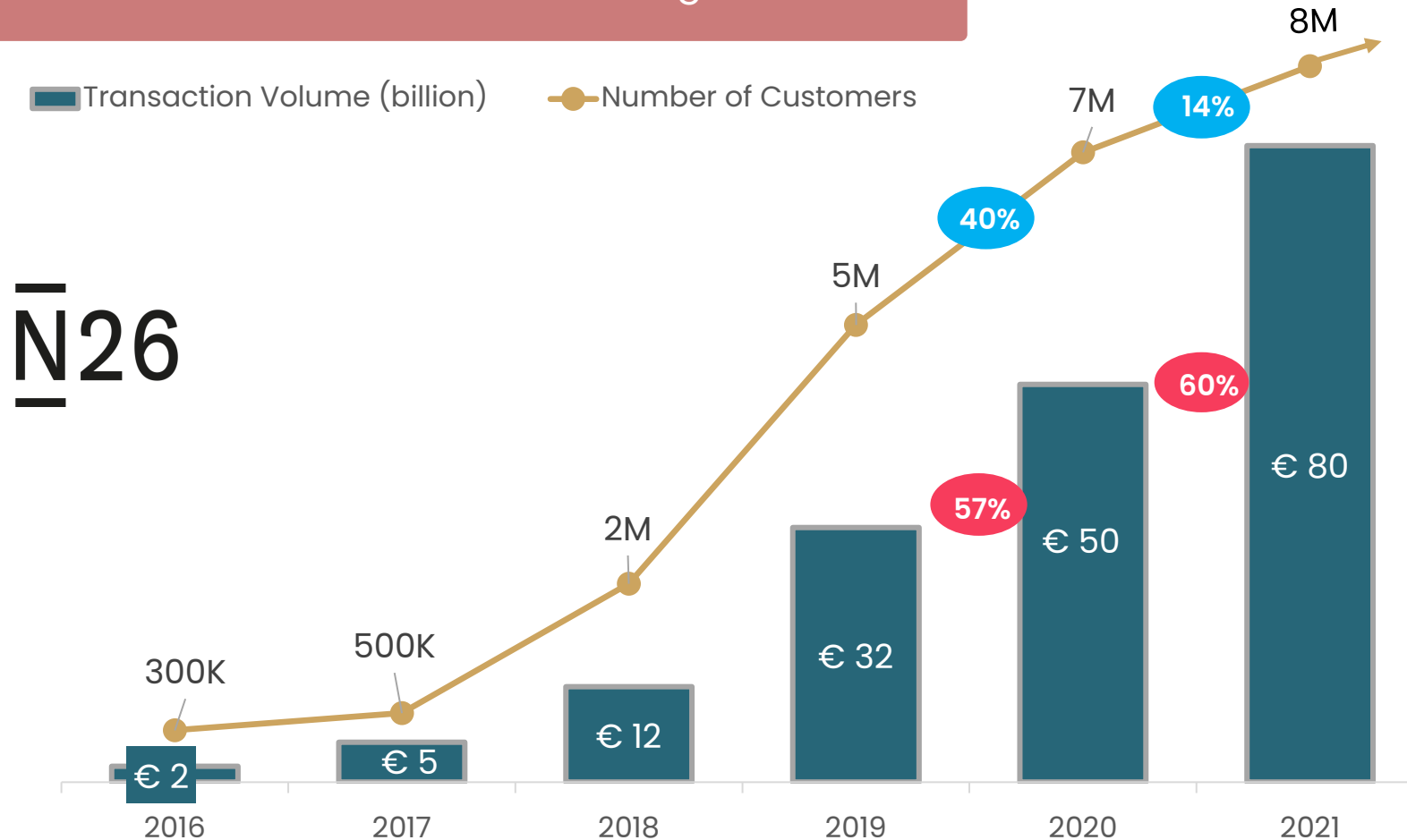
- Interest Income
- Fees and Commissions
- Other operating Income

Total Expenses

- Personnel expenses
- Marketing and admin
- Depreciation & impairment
- Other operating expenses

N26 delivered on its strategy to grow customer activity and account usage in 2021, driven by product developments and retention strategies, resulting in increased daily account usage but reducing the pace of customer growth.

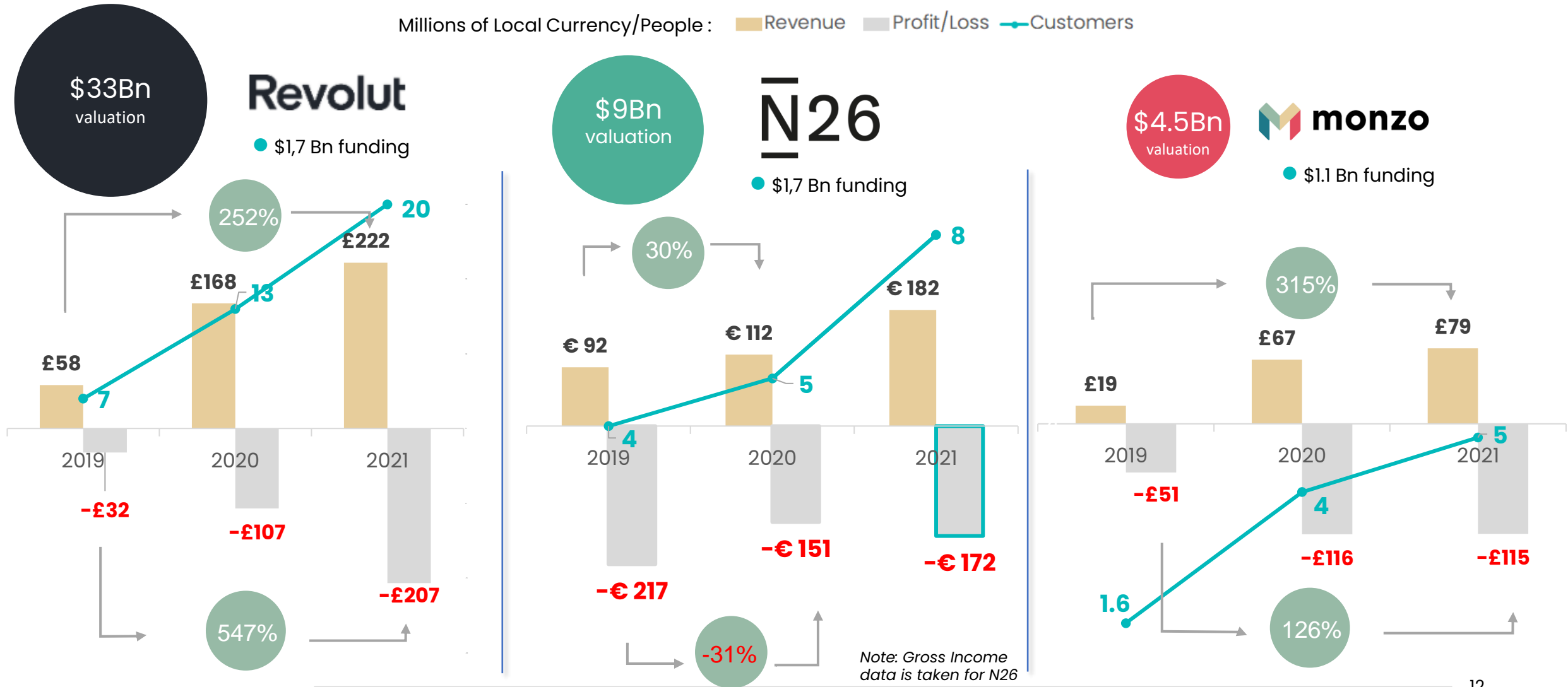
Transactions Volume and customer growth



- **N26 customer growth was slower with just over 1m new customers** in 2021, 50% less compared to 2m in previous financial year.
- However, **transaction volume increased** by 59% compared with 2020 reaching € 80bn.
- That is **€10bn less than expected**, as the company claimed to be in track to process over €90 billion in transaction volume in October 2021.
- **€10,000 is the transaction volume on average per customer annually**, a 40% increase from €7,142 in 2020.

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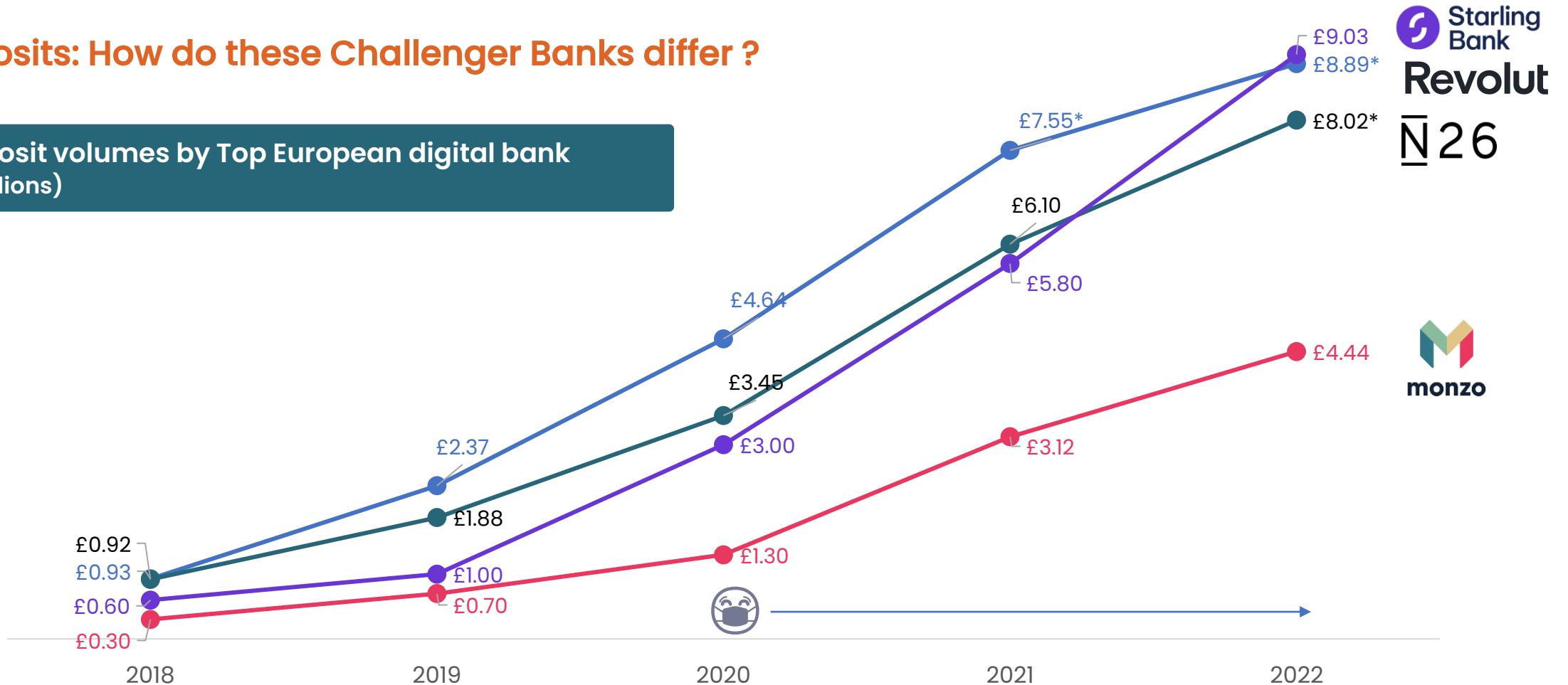
Compared to its British counterparts, N26 lags behind Revolut, in revenue and number of customers globally. However, N26 have done a better job keeping losses under control.



Revolut and Starling Bank are ahead of N26 when it comes to the total value of customer deposits. Monzo lags behind with half of competitors deposit volumes.

Deposits: How do these Challenger Banks differ ?

Deposit volumes by Top European digital bank (£Billions)



* Estimated values for N26 and Revolut for years 2021 and 2022.

Source: Players financial reports from 2018 to 2022.

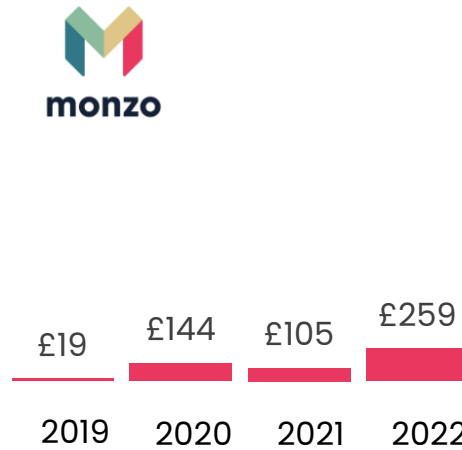
Note. Values for N26 for 2022 and Revolut for years 2021 and 2022 has been estimated, using average customer deposits +15% increase from previous available year (2021 and 2020) and multiplied by the effective number of customers reported by each company for years 2021 and 2022. For comparison consistency N26 values has been converted into sterling using an Exchange rate of 0.86 pounds per Euro.

Starling Bank is the biggest lender of the 4 featured Neo-banks despite having the least customers.

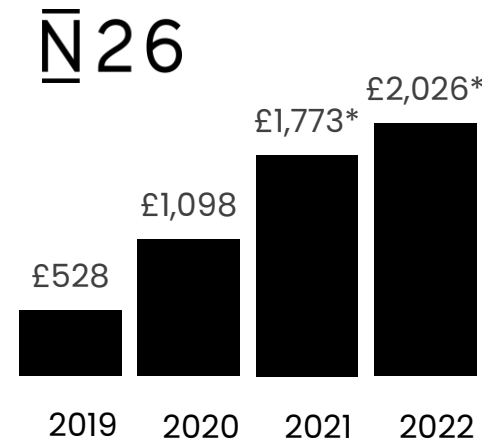
Loans and advances to customers by Challenger Bank (£Millions)



Loans and Advances to Customers for Starling grew by 45% to £3,266m, as a **direct result of new mortgage lending under the Government-backed BBLs and CBILS schemes and Inclusion of mortgages** in 2022.

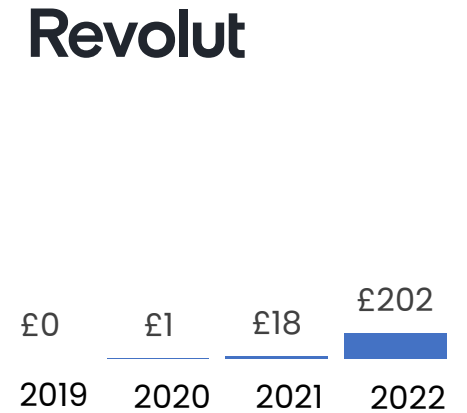


Monzo **customers have borrowed £259m in 2022**, up from £105m in FY2021 following a loan decrease of £39 million during the pandemic.



Loans and advances to customers amounted to EUR 1,274 million in 2020 (£1,098m). These were **broken down into EUR 776.6m in municipal loans, EUR 319.2m in mortgages and EUR 177.6m on overdraft facilities and installment loans** used by customers.

* Estimated values.



Revolut launched consumer lending services, in July 2020, comprising unsecured loans and credit cards, to customers in Lithuania through its Lithuanian incorporated banking subsidiary, Revolut Bank UAB. These services were extended to Polish customers towards the end of the year.

Source: Players financial reports from 2018 to 2022.

Note. Values for N26 for years 2021 and 2022 has been estimated, as it was not released as part of their financial statements 2021. We used average customer loan value from previous available year (2020) and multiplied by the effective number of customers reported by N26 for years 2021 and 2022.

The research team



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Isabel has graduated with a degree in Economics and French from the University of Queensland, Australia. She has split her studies between Australia and France, where she also attended Sciences Po in Paris. She has a personal interest in sustainable investment as well as regulations in the finance industry.



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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.

[Get the complete report at www.C-Innovation.eu !](http://www.C-Innovation.eu)



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