

Banking

Digital banks become PFRs

Digital native banks are becoming Primary Financial Relationships (PFRs) for members attracted by fee transparency and novel features

Consumer friendly hooks unlock growth

Fastest growing neobanks did not start as banks but instead launched with consumer friendly services

Traditional FI's and fintechs will compete, but also collaborate

Regional banks are being squeezed with many responding by partnering with fintech startups

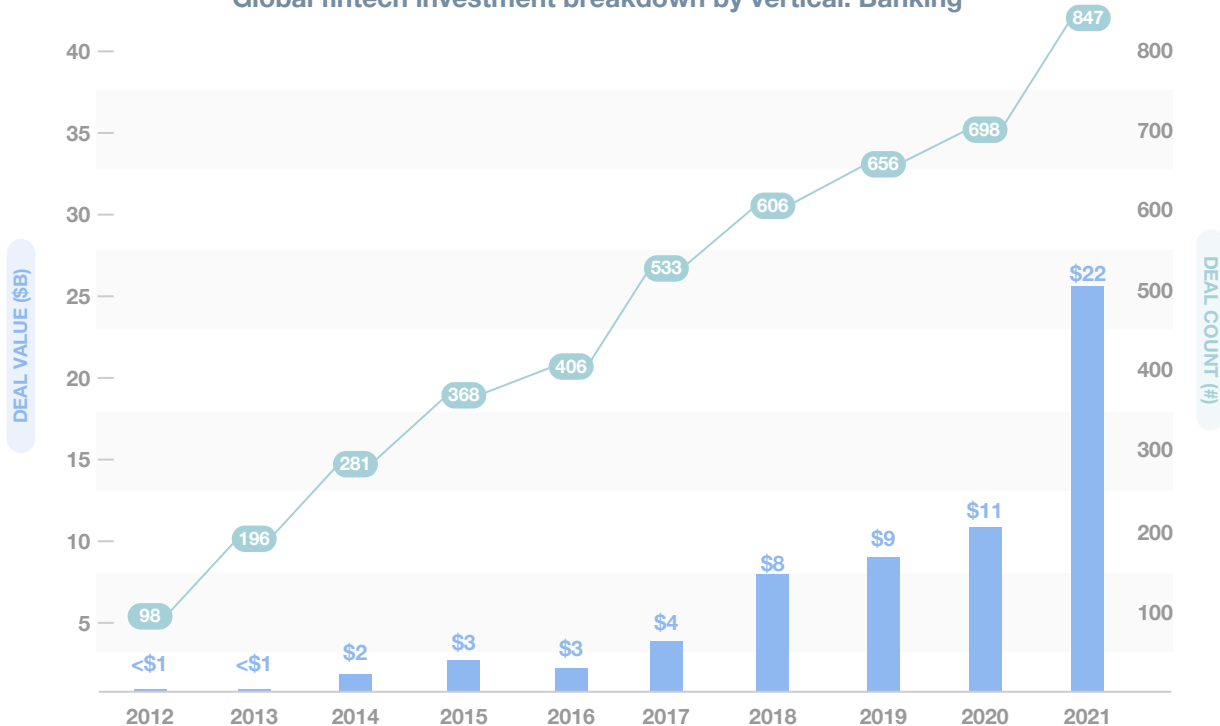


Credit: PopTika (Shutterstock)



Banking overview

Global fintech investment breakdown by vertical: Banking



Source: PitchBook, F-Prime team analysis

Note: Revolut (\$33B) accounts for 29% of top 10 valuation.

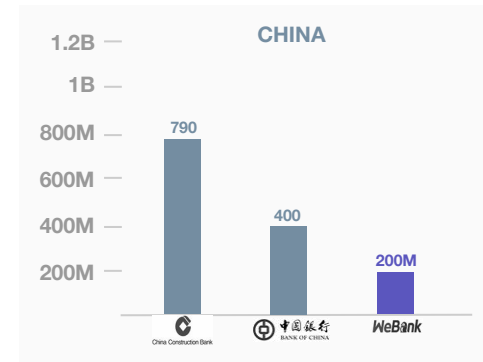
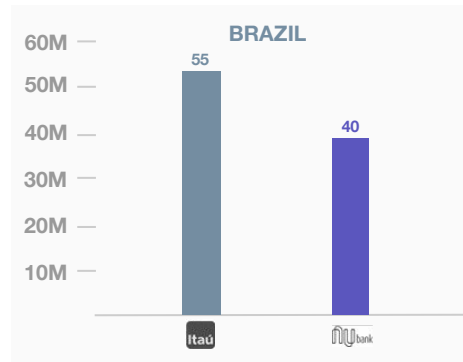
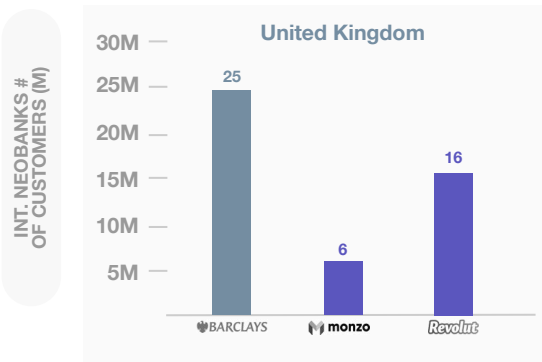
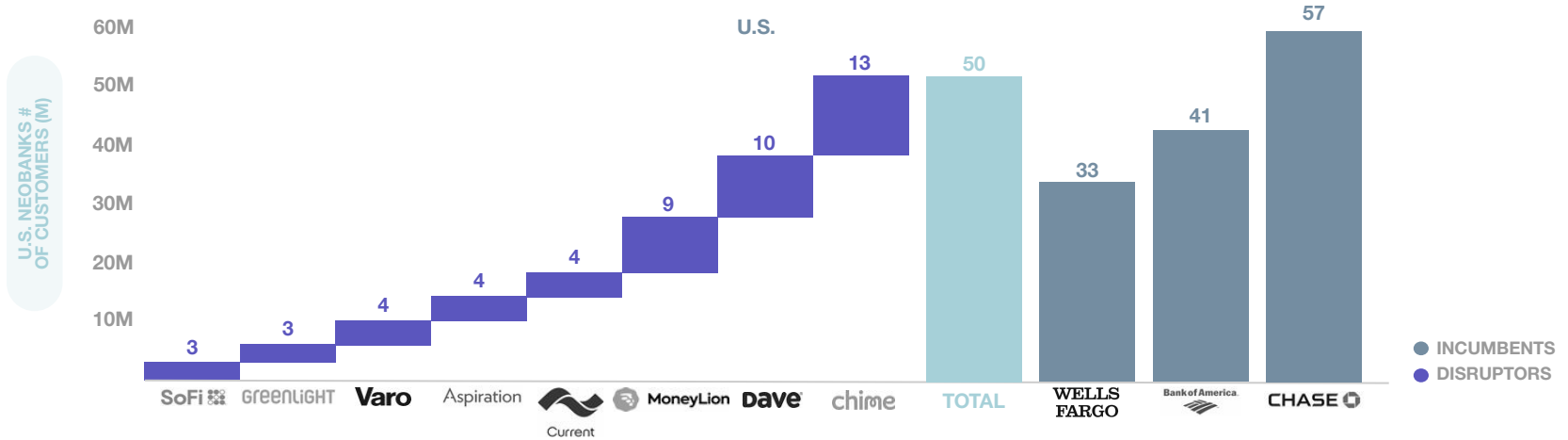
40+
Unicorns

2,400+
Companies

\$64B
Raised Since 2012

\$113B
Top 10 Valuation

Digitally native banks have emerged as viable alternatives to incumbent banks

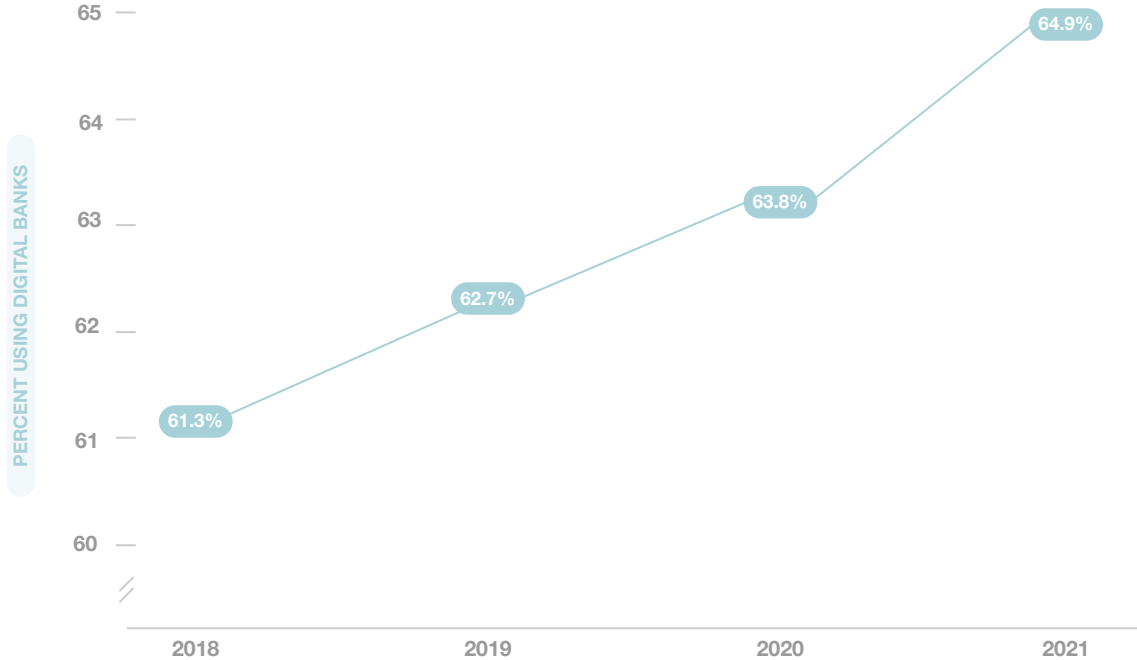


Source: Company 10K/10Qs; F-Prime team analysis

Data: As of latest company announcement or news article



Digital banking has been on the rise in the U.S.



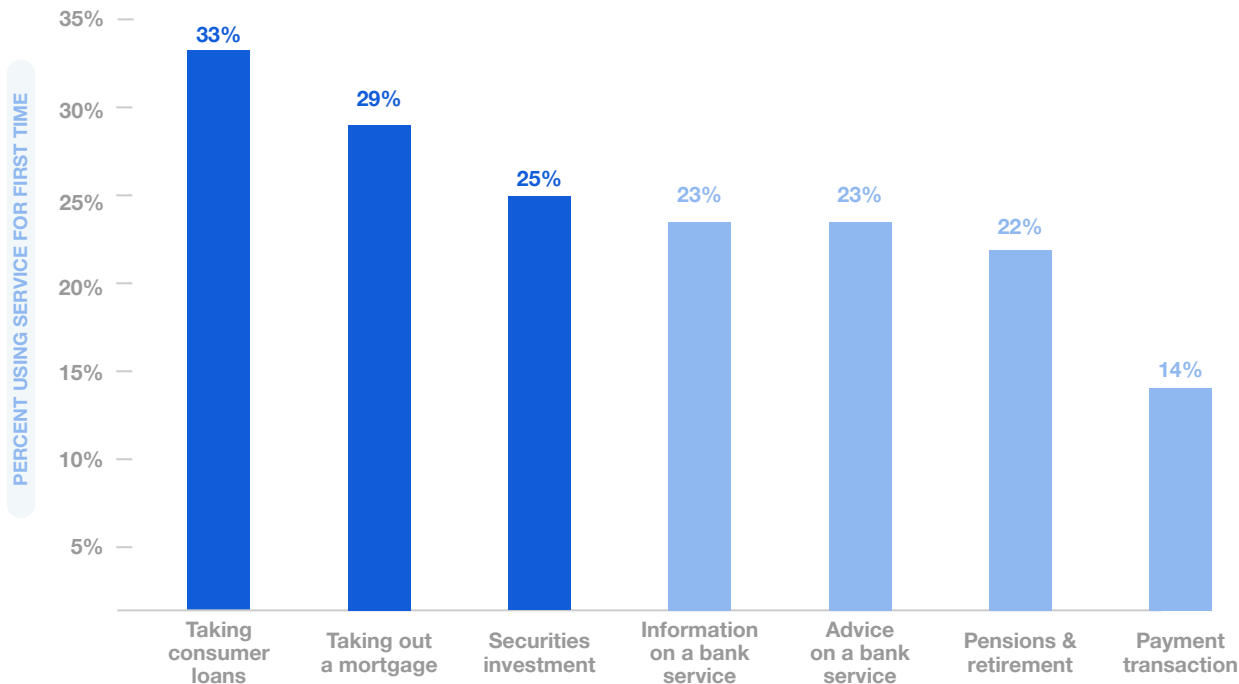
There are
169.3 million
mobile banking
users in the U.S.

Source: [Plaid](#), [Statista](#)

Note: Digital banks include incumbent banks offering primarily digital financial services



Many began using new online banking services for the first time as a result of the pandemic

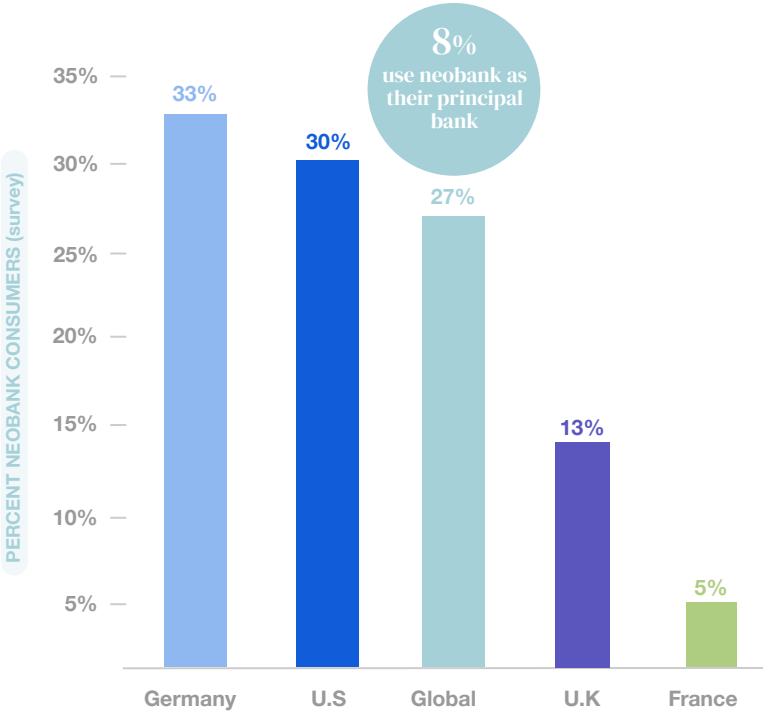


Source: [Deloitte](#) (survey of 2,000 individuals), [CNBC](#)

200%
increase in new
mobile banking
registrations
at onset of pandemic
in April 2020



27% of global consumers have relationships with neobanks, with 8% using neobanks as their principal bank. They are attracted by the mobile experience, convenience, fee transparency and features like early-deposit access, overdraft protection etc.



3 out of 7 NerdWallet's
“best overall” banks are fintechs

chime

Best Overall,
Best for Tools

Varo

Best overall,
Best for Rates

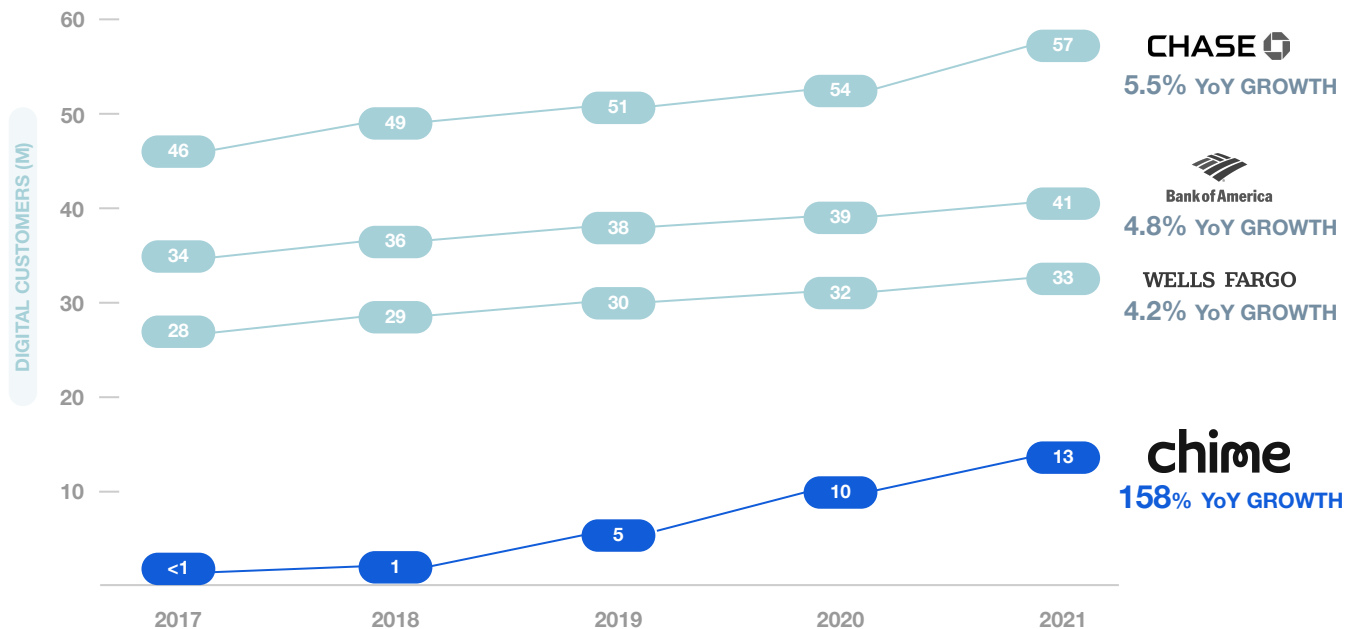
ONE

Best Overall,
Best for
Overdraft Options

Source: [EY NextWave Consumer Financial Services](#) research & survey, [Plaid 2021 Fintech Report](#)



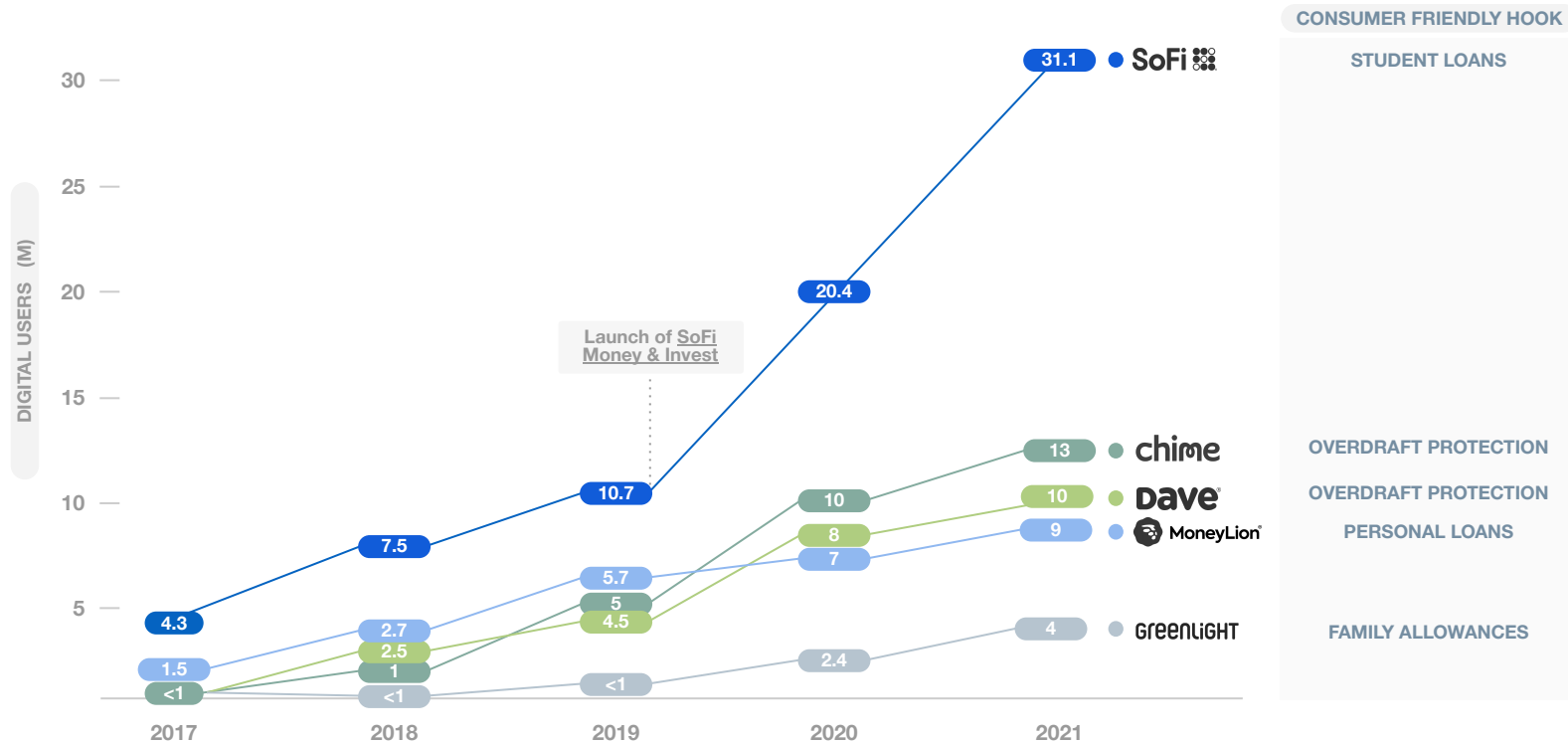
Chime, the largest neobank in the U.S., is growing at a much faster rate than incumbents



8M
use Chime as
their primary
bank

Source: News ([Link 1](#), [Link 2](#), [Link 3](#)), Company 10Q/10Ks, F-Prime team analysis

Many neobanks did not even start as banks, but led with consumer-friendly services that leveraged a customer's existing bank account



Source: Company 10Ks, news outlets, F-Prime team analysis

Note: ~10% of SoFi's users are active members

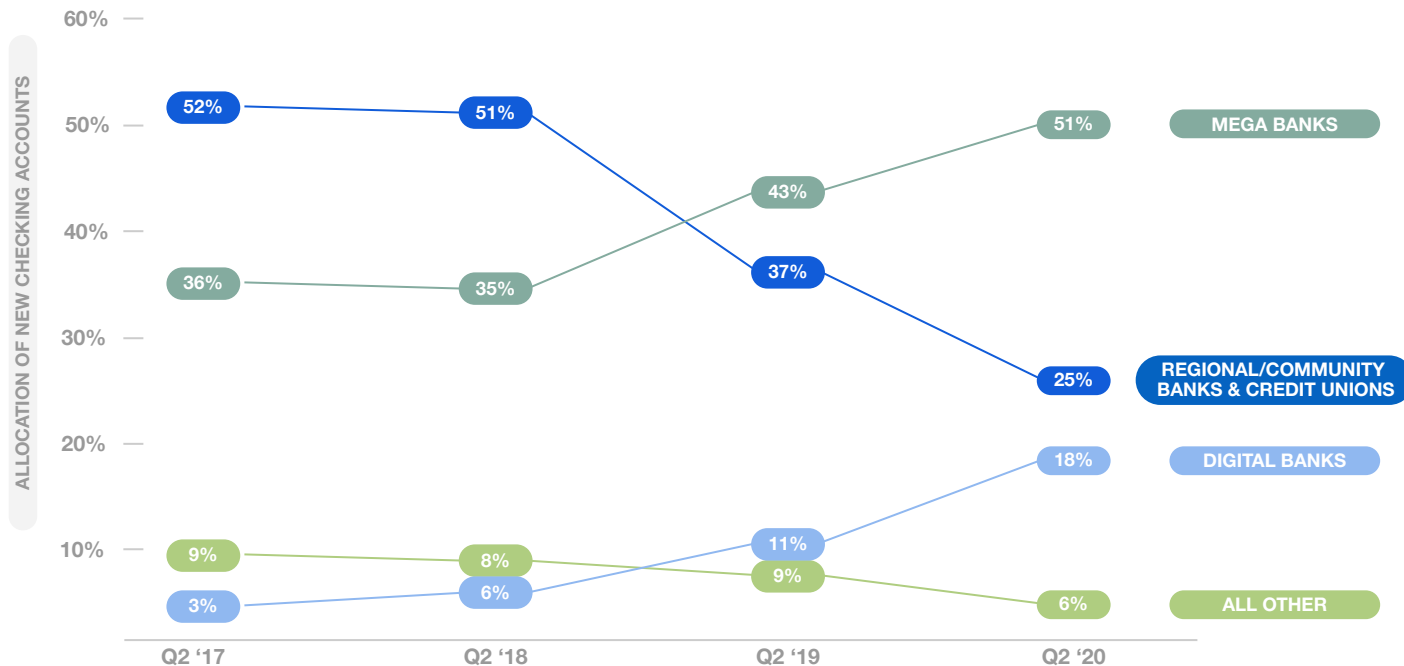


Neobanks have a long way to go to catch-up with incumbents on most metrics, but investors are ascribing value to their potential based on low CACs and high growth

	REVENUE GROWTH	CAC	ARPU	VALUATION	TOT. ASSETS	VAL./TOT. ASSETS
CHASE 	2.6%	\$1,076	\$1,963	\$496B	\$3,800B	0.13x
 Bank of America	(1.4%)	\$2,953	\$1,321	\$360B	\$3,100B	0.12x
WELLS FARGO	1.1%	\$857	\$1,072	\$201B	\$1,900B	0.11x
chime	n/a	\$100	\$208	\$25B	\$10.0B	2.5x
SoFi 	47%	\$278	\$311	\$16.6B	\$8.1B	2.1x
 MoneyLion®	79%	\$15	\$87	\$1.4B	\$0.5B	2.8x

Source: Company 10Ks; [Forbes](#), [Yahoo \(via Axios\)](#), F-Prime team analysis
CAC: Marketing spend in previous quarters/new members in current quarter
ARPU: Revenue/total numbers


Megabanks & neobanks in the U.S. are benefiting from the consumer shift to digital banking while regional and community banks are being squeezed


















REGIONAL/COMMUNITY
BANKS & CREDIT UNIONS

**27 percentage
point decrease
in new account
openings since 2017**

Source: Forbes, FDIC, NCUA, F-Prime team analysis

 In response, banks in the middle are increasingly collaborating with fintechs to accelerate the digitalization and personalization capabilities, and in turn, fintechs are leveraging the bank partner's charter and earned reputation to accelerate their growth

USE CASE	INCUMBENTS		FINTECHS
BANK CHARTERS	 EMPRISE BANK®	 PACIFIC WESTERN BANK	 TREASURY PRIME
DATA SHARING	 Simmons Bank®	 Community Bank N.A.	 PLAID
BANK CORES	 BancoEstado®	 BANK ISLAM	 MAMBU
LOAN ORIGINATION	 Customers Bank	 Associated Bank	 Upstart
LOAN UNDERWRITING	 VyStar® Credit Union	 Suncoast Credit Union	ZEST 

Source: Fintech website press releases, F-Prime team analysis



Dynamic banking trends we are tracking

Embedded banking

Enabled by new infrastructure, nonbank vertical software companies will offer embedded financial services



Banking barbell

Megabanks and new digital bank disruptors will continue to gain share at expense of regional and community banks but opportunity exists for fintechs to partner



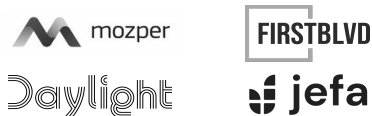
Same-day ACH

Same-day ACH will gradually emerge as viable alternative to cards, first in B2B and over time in B2C



Personalized banking

Personalized experiences tailored towards specific segments of the population will benefit as customer demand for customized solutions increase



Bare-metal banking partnerships

The latest fintech evolution brings powerful distributors closer to the "bare metal" infrastructure via partnerships with wholesale banks



Decentralized banking

Decentralized finance (DeFi) will push the boundary of where and how money is stored, transferred, loaned and secured

