

Financials - LatAm

An X-ray of Brazilian neobanks' client bases

Industry Overview

Neobanks gaining traction on young and low income

Our 5th annual survey ([Why are neobanks thriving? We asked 1k Brazilians](#)) provided several insights on neobanks' clients banking habits. A closer look at the data provides insights on the profiles of their client bases: i) Nubank and PicPay are the most exposed to the low-income segment; ii) Agibank and iti have most exposure to the higher income segment; iii) Next and Neon attract the younger population; iv) Agibank, Nu and Digio clients do not use traditional banks; and v) CEF has the highest overlap with neobanks.

Nubank and PicPay most exposed to low-income clients

Our survey shows that c.60% of neobanks' clients earn less than three minimum wages, and 14% less than one. Nubank and PicPay have a larger exposure to this low-income group, with c.20% of their client bases earning less than one minimum wage. This suggests that they have successfully grown in a segment not fully explored by the traditional banks. Agibank and iti (owned by Itau) are the neobanks most exposed to wealthier clients (who earn more than five minimum wages per month). Exhibit 1.

Next concentrates younger clients

Clients that are 18-29 years old concentrate c.40% of the respondents that mentioned using neobanks. Next (owned by Bradesco) has a larger exposure to this younger group (c.50%), suggesting that Bradesco has successfully leveraged on its multiple distribution channels. Agibank, a first mover focused on payroll loans, has the lowest exposure to this group (c.30%). Neobanks with track record on payroll loans were able to attract older client bases (>45 years), including PagBank, Pan, Agibank, Neon and C6. Exhibit 2.

Agi, Digio and Nu's clients use less traditional banks

12% of the respondents of our survey used only neobanks, without any overlap with traditional banks. Agibank, Digio and Nu are the most "independent" apps, as 20%, 16% and 13% of their clients used solely the app. Caixa, the most used traditional bank in the country, has naturally the highest overlap with all neobanks, potentially explained by its use to receive any kind of government benefit. Exhibit 3.

Our survey suggests similar overlap with ITUB and BBDC

The overlap between neobanks and Bradesco and between neobanks and Itau were very similar (28% for both banks), likely explained by similar distribution in term of monthly income, according to our sample. Nonetheless, we note some differences. Itau had greater overlap with iti (controlled by the bank) and AME Digital (controlled by the retailer Americanas). Bradesco had greater overlap with Digio (controlled by the bank) and Pan. Exhibit 4, 5 and 6.

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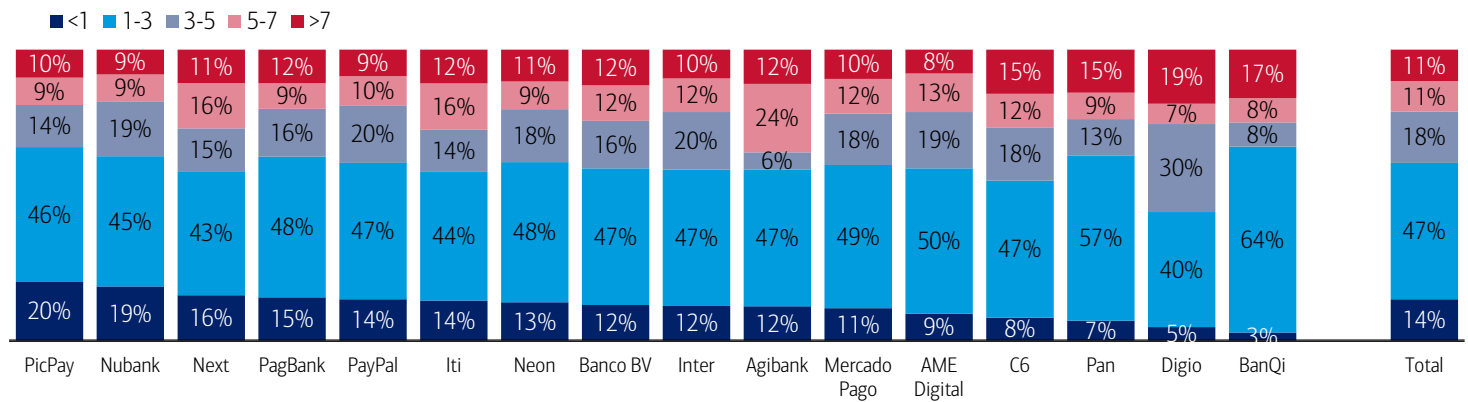
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Exhibit 1: Neobanks - breakdown of client bases by income (minimum wages)

Nubank and PicPay are the more exposed to low-income

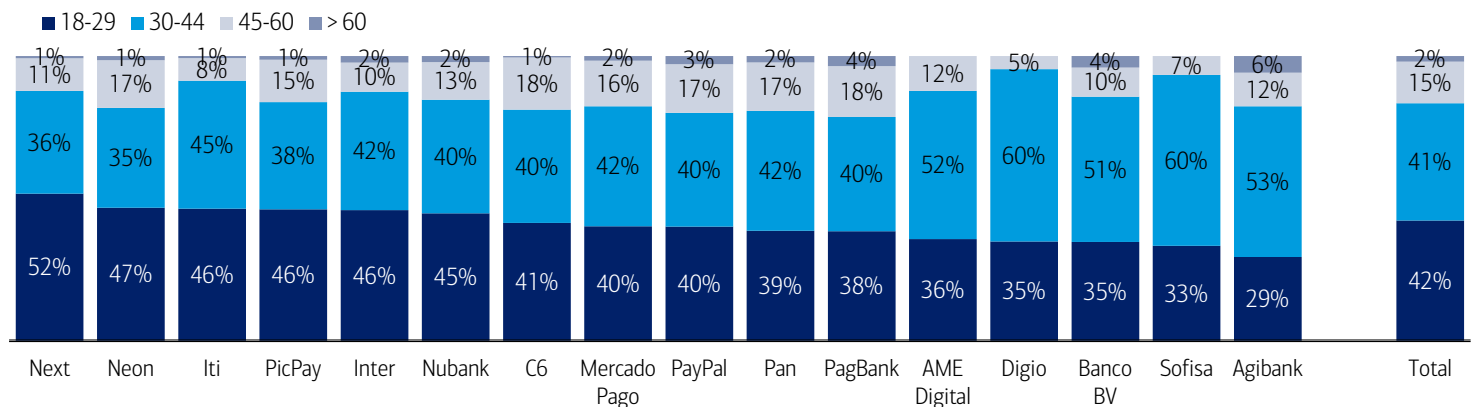


Source: SurveyMonkey, BofA Global Research

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Exhibit 2: Neobanks - breakdown of client bases by age (years)

Next concentrates younger clients, Agibank, older

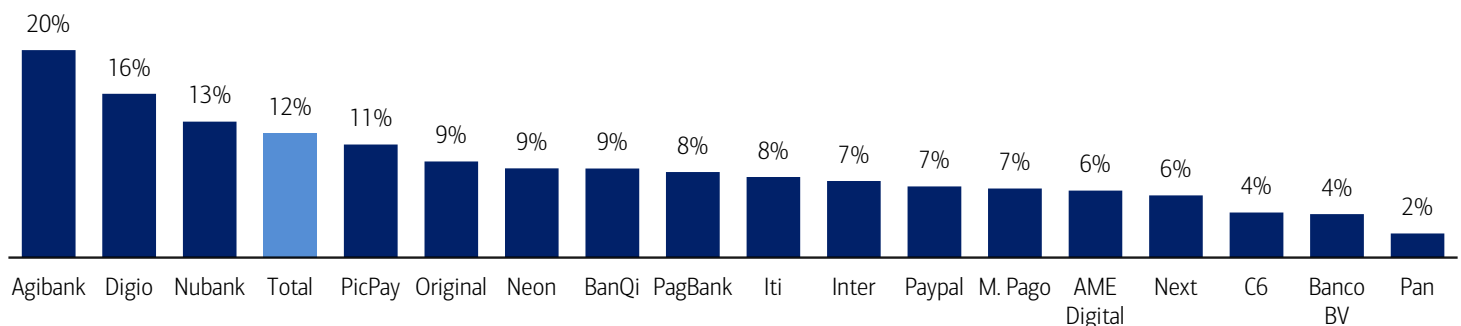


Source: SurveyMonkey, BofA Global Research

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Exhibit 3: Percentage of clients that do not use traditional banks

12% of neobanks clients do not use traditional banks, according to our survey



Source: SurveyMonkey, BofA Global Research

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Exhibit 4: Incumbent bank client base / neobank client base

Caixa has the most overlap with neobanks at 48%

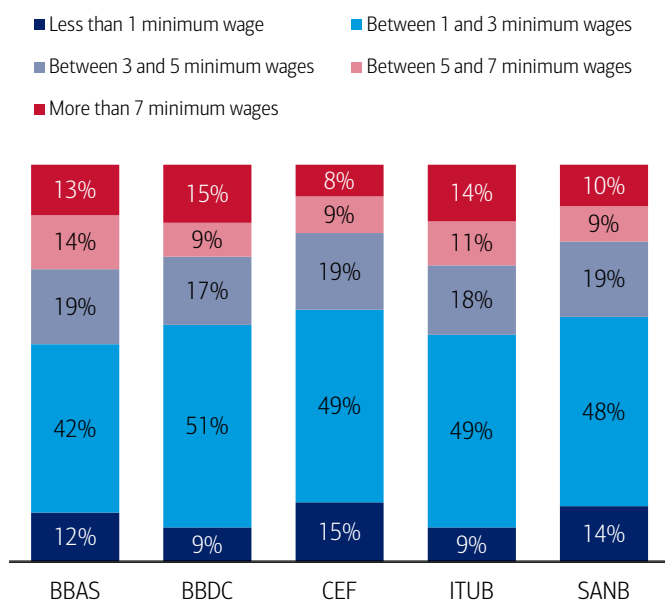
	AME			Banco			M.												
	Agibank	Digital	BV	Original	BanQi	C6	Digio	Inter	Iti	Pago	Nubank	PagBank	Pan	Paypal	PicPay	Neon	Next	Total	
Caixa	67%	74%	58%	74%	69%	55%	71%	60%	60%	65%	59%	64%	71%	59%	63%	61%	59%	48%	
Bradesco	40%	41%	42%	52%	40%	42%	53%	34%	36%	35%	33%	41%	51%	36%	36%	49%	44%	28%	
Itau	40%	57%	42%	54%	51%	46%	32%	37%	57%	41%	32%	36%	40%	34%	37%	42%	37%	28%	
Santander	53%	46%	48%	44%	60%	41%	42%	39%	47%	36%	31%	33%	53%	33%	35%	41%	38%	26%	
Banco do Brasil	53%	41%	48%	43%	43%	36%	37%	33%	40%	36%	29%	35%	33%	31%	33%	35%	45%	24%	

Source: SurveyMonkey, BofA Global Research

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Exhibit 5: Traditional banks - breakdown of client bases by income (minimum wages)

CEF is more exposed to the low-income segment. BBDC and ITUB, more exposed to the high-income segment

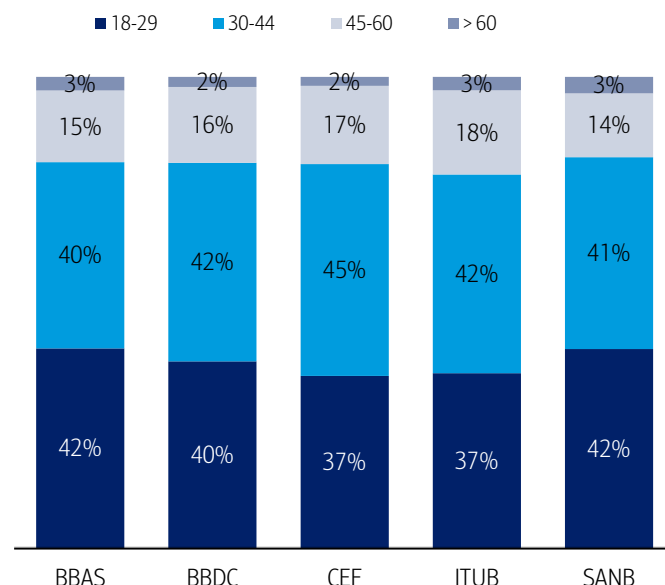


Source: SurveyMonkey, BofA Global Research

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Exhibit 6: Traditional banks - breakdown of client bases by age (years)

Client bases are similar in terms of age



Source: SurveyMonkey, BofA Global Research

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Underperform	N/A	≥ 20%

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