

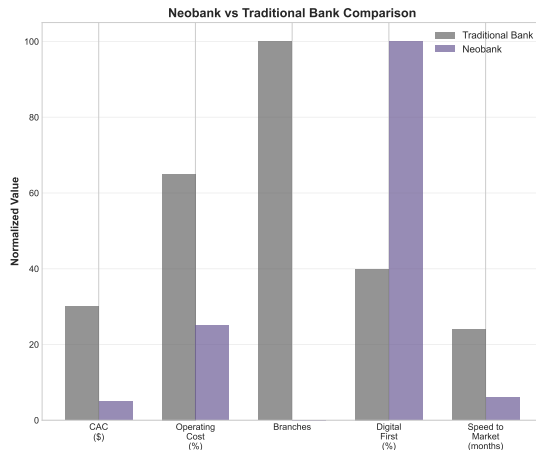
## Lesson 4: Neobanks and Challenger Banks

### Module 1: FinTech Fundamentals

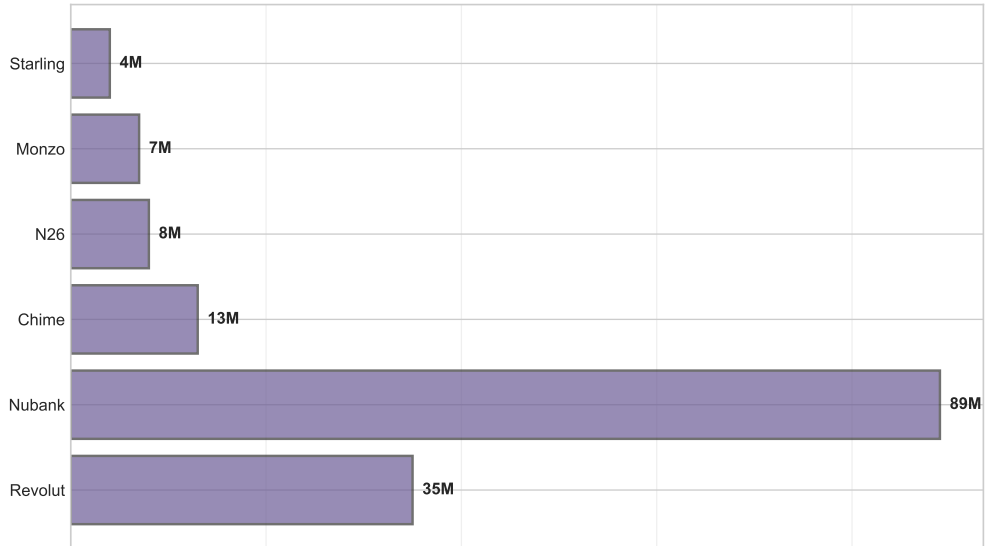
Digital Finance

## Digital-First Banking

- No physical branches
- Mobile app primary interface
- Cloud-native architecture
- Lower operating costs

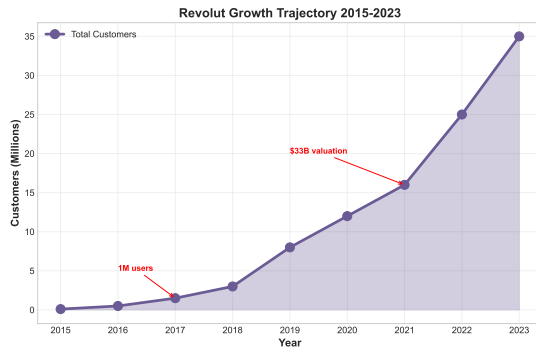


## Leading Neobanks by Customer Base (2023)



## Growth Trajectory

- Founded: 2015 (UK)
- 35M customers (2023)
- \$33B valuation
- 38 countries operational



`figures/revolut_products.pdf`

### German Banking License

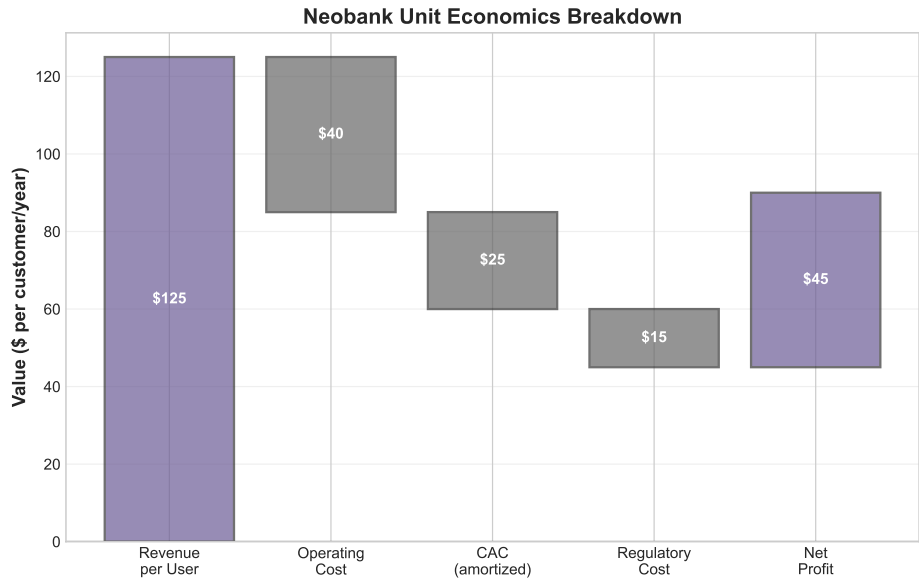
- Founded: 2013 (Berlin)
- 8M customers
- EU passporting rights
- Premium tier focus

`figures/n26_expansion.pdf`

## Three Archetypes

- Freemium (Revolut)
- Subscription (N26 Metal)
- Transaction-based (Chime)
- Hybrid approaches

`figures/neobank_business_models.pdf`

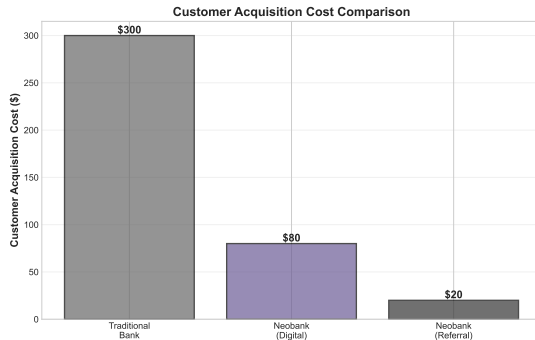




# Customer Acquisition Cost (CAC)

## Acquisition Metrics

- Traditional bank: \$200-400
- Neobank: \$20-80
- Viral coefficient: 0.3-0.7
- Payback period: 6-18 months



`figures/neobank_revenue_breakdown.pdf`

## Debit Card Monetization

- Interchange fee: 0.2%-2%
- Merchant pays to issuer
- Volume-dependent profit
- EU cap: 0.2% (Durbin)

`figures/interchange_flow.pdf`

## Path to Breakeven

- High growth vs profit trade-off
- Regulatory capital requirements
- Scale threshold: 5M+ users
- Cross-sell dependency

figures/neobank\_profitability.pdf

`figures/license_strategies.pdf`

## BaaS Relationships

- Chime + Bancorp Bank
- Faster time to market
- Lower regulatory burden
- Revenue sharing (30-50%)

figures/baas\_partnership.pdf

figures/neobank\_positioning.pdf

## Digital Transformation

- Marcus by Goldman Sachs
- JPMorgan Chase Mobile
- Core banking modernization
- Acquisitions (BBVA → Simple)

`figures/incumbent_digital_investment.pdf`



## Market Consolidation

- M&A acceleration expected
- Super-app convergence
- Embedded finance integration
- Regulatory clarity needed

`figures/neobank_future_scenarios.pdf`

- **Cost Advantage:** 10x lower CAC than traditional banks
- **Business Models:** Interchange + subscriptions + lending
- **Unit Economics:** Profitability requires 5M+ scale
- **Licensing:** Partner vs own license trade-offs
- **Competition:** Incumbents investing heavily in digital