Discussion: Neobanks seeking profitability

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Summary

• Report studies the emergence of Neobanks
  • A neobank (also known as an online bank, internet-only bank, virtual bank or digital bank) is a type of direct bank that operates exclusively online without traditional physical branch networks.

• Survey of Neobanks
• Main point of the report: most Neobanks have not been able to generate profits
  • Losses have decreased over time

• Extremely insightful report
• I have learned a lot about functioning of Neobanks
Data

- Data: Surveys covering 15 Neobanks
- It would be good to understand what kind of data the survey covers
- Covers mainly the profitability issue from the data perspective
- Which other characteristics are available?
• Neobanks have not yet been able to generate profits
• but, losses have weakened over time
  • Is this driven by age or the year?
• Can you link profitability to other characteristics?
  • e.g. to products they offer
Other Suggestions

- Where are the revenues coming from?
  - Premium accounts, transaction fees, interest income?
    - How are negative interest rates affecting Neobanks?
- Merge with sample of regular banks and compare characteristics:
  - Leverage, Asset compositions, Monetary Policy transmission, Deposit stickiness
  - 6.5% of French people are customers of French banks. Are they threat to banks or complementary?
Even without data

- Discuss the consequences of COVID for Neobanks
  - Did Neobanks increase their market share as people reduced mobility and contacts?
- Three explanations why Neobanks not yet profitable
  - Subsidizing owners
  - Hope of being bought
  - Build captive client base (network effects)
  ⇒ Distinguish between these explanations
    ...and how successful do you think they would be?
- Discuss financial stability risks
  - How should Neobanks be regulated
• Great report!
• Highly recommend reading it!
• Hopefully in the future the data in the survey can be expanded