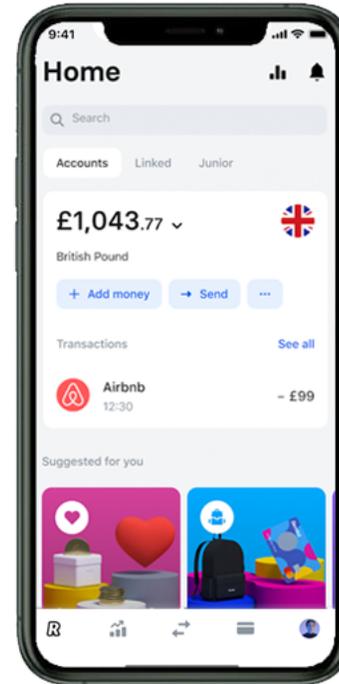
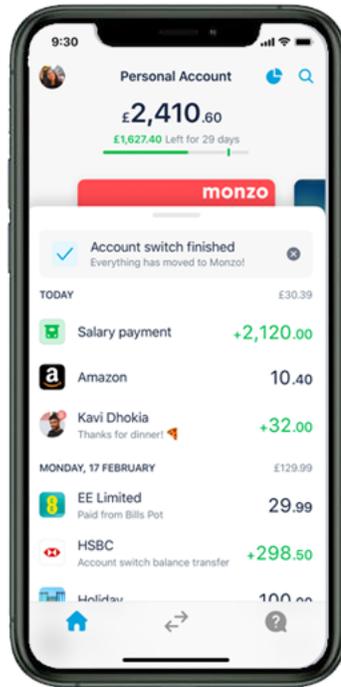


THE UK NEO-BANKS: A COMPARATIVE ANALYSIS



- *Overview*
- *Executive Teams*
- *Go-to-Market Strategy*
- *Product Portfolio*
- *Key App Features*
- *Customer Acquisition*
- *Marketing & Branding*
- *Funding & Valuation*
- *Financials*
- *Operational Efficiency*
- *Unit Economics*
- *The 3 'S' Strategy*

THE (NOT SO) FINE PRINT

- All data pertaining to this report has been **obtained from public sources** such as annual reports, company website, blogs & social media profiles, reputed news outlets & public databases.
- All financial data has been considered from the **latest Annual Reports (FY2019-20)** of the respective neo-banks. **Financial years vary from company to company.**
- Each of these **companies follow different accounting methods**, therefore they maybe some **differences in the financial terminologies & the method of financial calculation.**
 - *For example, Starling Bank uses the term 'Administrative Expenses', while Revolut & Monzo use the term 'Operating Expenses' to account for expenses like Staff Costs, Marketing & Technology, etc.*
 - *Starling, for instance, does not include deferred income in its final revenues while others do. Meanwhile, Monzo's total reported revenues included a sum of £10m in interchange fees that is handed back to third parties*
- **All views & opinions mentioned are personal and do not represent views of any organisations or institutions.**



Accounting Details			
Accounting Standard Followed	IFRS	IFRS	UK GAAP
Financial Year End	Feb 2020	Nov 2019	Dec 2019

COMPANY OVERVIEW

With a progressive regulatory landscape, the UK emerged as the ground zero for the digital-focused challenger banks such as Monzo, Starling and Revolut who aimed to win customers in a market dominated by the Big 4.



Founded	Feb 2015	June 2014	Dec 2013
Launched	Nov 2015	May 2017	July 2015
Founder(s)	Tom Blomfield, Jonas Templestein, Paul Rippon, Gary Dolman, Jason Bates	Anne Boden	Nikolay Storonsky, Vlad Yatsenko
CEO	T S Anil	Anne Boden	Nikolay Storonsky
Geographies Served	UK & USA	UK & Ireland	UK, EU, USA, Asia Pacific (35 countries)
Retail Customers	4,500,000	1,340,000	13,000,000
Business Customers	36,000	200,000	500,000
Employees	1495	958	2261
Total Funding	\$497 M	\$470 M	\$918 M
Latest Funding	\$75 M – June 2020	\$49 M – May 2020	\$80M – Jul 2020
Valuation	\$1.6 B	N/A	\$5.5 B

EXECUTIVE TEAMS

While all 3 neo-banks have industry veterans in executive teams, **Monzo leads with 57% executives with experience in financial services. Starling Bank's team has the highest avg. experience at 22 years.**

Executive Team Metrics	 monzo	 STARLING BANK	 Revolut
Number of Executives	7	12	15 (Refers to HQ executives & not country level executives)
Average Experience of Team Members	19 years	22 years	18 years
Female Representation on Executive Team	29%	50%	13%
Executives with Financial Services Experience	57%	42%	40%



T S Anil

May 2020

Financial Services

Visa

27 years



Anne Boden

Since Inception (2014)

Financial Services

Allied Irish Banks

32 years



Nikolay Storonsky

Since Inception (2013)

Financial Services

Credit Suisse

7 years

Led By

CEO

Appointed

Professional Background

Previous Company

Years of Experience Before Joining

GO-TO-MARKET STRATEGY

A mix of organic licensing & partnerships had been the erstwhile strategies used by the neo-banks to enter markets. At present, they differentiate through distinct revenue models and expansion strategies.

		At Launch			At Present			
								
P R O D U C T	WHAT	<ul style="list-style-type: none"> Prepaid Account Prepaid Card 	<ul style="list-style-type: none"> Current Account Debit Card Overdraft 	<ul style="list-style-type: none"> Multi-currency Travel Card 	<ul style="list-style-type: none"> Current Accounts Premium Subscriptions Personal Loans Savings Marketplace Business Banking Partner Products 	<ul style="list-style-type: none"> Current Accounts Personal Loans Marketplace Business Banking Business Loans Banking-as-a-Service 	<ul style="list-style-type: none"> Multi-currency Card E-Money Account Premium Subscriptions Travel Insurance Trading & Investing Business Products 	
	C U S T O M E R	WHO	<ul style="list-style-type: none"> Individuals 	<ul style="list-style-type: none"> Individuals 	<ul style="list-style-type: none"> Individuals 	<ul style="list-style-type: none"> Individuals Small Businesses 	<ul style="list-style-type: none"> Individuals Small Businesses Institutions (BaaS) 	<ul style="list-style-type: none"> Individuals Small Businesses
		WHERE	<ul style="list-style-type: none"> United Kingdom 	<ul style="list-style-type: none"> United Kingdom 	<ul style="list-style-type: none"> United Kingdom European Economic Area 	<ul style="list-style-type: none"> United Kingdom United States 	<ul style="list-style-type: none"> United Kingdom Ireland 	<ul style="list-style-type: none"> United Kingdom European Economic Area United States Asia Pacific
	C H A N N E L	HOW	<ul style="list-style-type: none"> Partnership with Licensed Providers 	<ul style="list-style-type: none"> Own Banking License 	<ul style="list-style-type: none"> Partnership with Licensed Providers 	<ul style="list-style-type: none"> Own Banking License (UK) Partnership (USA) 	<ul style="list-style-type: none"> Own Banking License (UK) 	<ul style="list-style-type: none"> Payments Licenses Banking License (Lithuania) Partnerships (Global)

PRODUCT PORTFOLIO

The 3 neo-banks are actively trying to **gain a foothold in business banking products for SMEs**.
Revolut is catching up on offering current accounts in Europe utilising its banking license.

Retail Products	M	S	R
Mobile App	○	○	○
Accounts:			
> Current Account	○	○	#
> Joint Account	○	○	
> Teen / Kids Account	○	○	○
> Multi-currency Account		○	○
Savings Deposits	○	○	○
Payments:			
> P2P Payments	○	○	○
> Cross-border Payments	○	○	○
> Debit Card	○	○	○
> Credit Card		○	#
Lending:			
> Personal Loans	○	○	#
> Overdraft	○	○	
Investments:			
> Stock Trading			○
> Cryptocurrencies			○
> Commodities			○
Insurance	○	○	○
Rewards & Offers	○		○
Third Party Marketplace	○	○	
Account Aggregation	○		○

Business Products	M	S	R
Mobile App	○	○	○
Web App	○	○	○
Accounts:			
> Business Current Account	○	○	○
> Multi-currency Account		○	○
Payments:			
> International Payments		○	○
> Debit Cards	○	○	○
> Credit Cards			
Lending:			
> Business Loans		○	#
> Business Overdraft		○	#
Business Tools	○	○	○
Rewards & Offers	○		○
Third-Party Marketplace		○	○
Open API			○

B2B Products	
Banking-as-a-service	○

Revolut has launched retail current A/c & credit products in Lithuania utilising its banking license. Business loans & overdrafts are cited as 'coming soon' on the website.

KEY APP FEATURES

While the personal app features have become table-stakes, **business app features are emerging as points of differentiation for the neo-banks.** Starling Bank enjoys superior app ratings among peers.

Personal App Features			
Realtime Notifications			
Card Controls			
Contactless Payments			
Spending Analytics			
Budgeting			
Round Up & Save			
Goals			
Bill Splitting			
Direct Debits			
In-app Customer Support			
Mobile Cheque Deposits			

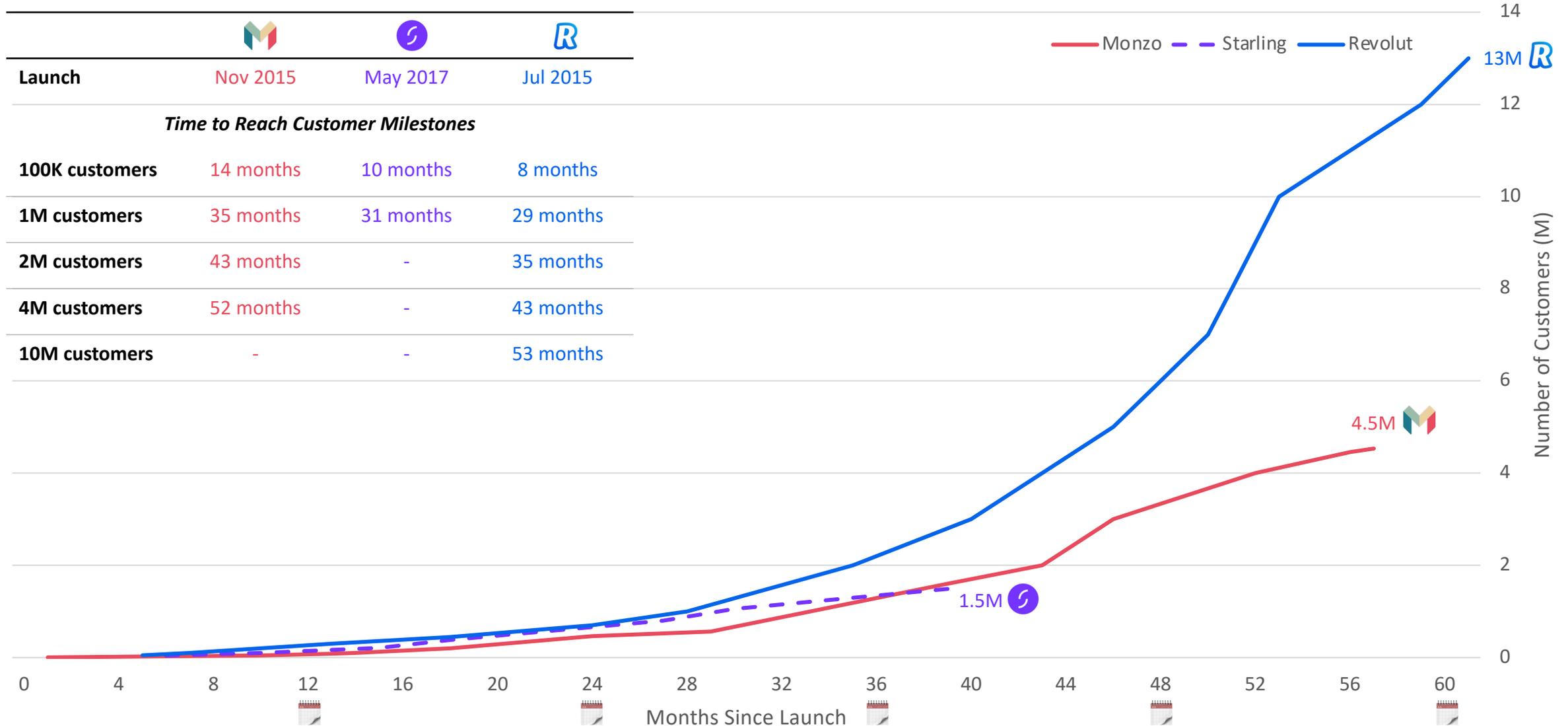
Business App Features			
Invoicing			
Digital Receipts			
Spending Analytics			
Expense Management			
In-app Customer Support			
Compartmentalising Funds			
Tax Estimation			
Book-keeping	#		#
Virtual Cards			
Payroll Management			
Mobile Cheque Deposits			

Feature available through integrated third-party apps

App Ratings				
	Rating	Number of Ratings	Rating	Number of Ratings
	 4.6	23K	 4.5	14K
	 4.8	36K	 4.9	136K
	 4.6	796K	 4.8	17K

CUSTOMER ACQUISITION

Revolut leads in achieving the fastest customer milestones, enjoying exponential customer growth aided by rapid expansion. Starling Bank is the second fastest to acquire 1M users.



*Number of accounts have been considered for Starling Bank

MARKETING & BRANDING

LinkedIn & Twitter are the most active social media channels for the neo-banks. Monzo & Starling Bank boast popular marketing campaigns across mediums.

Social Media Followers					
	123K	57K	77K	173K	7.2K 28M views
	53K	25K	26K	74K	3.3K 4.5M views
	206K	122K	276K	248K	13.7K 3.9M views

Popular Marketing Initiatives



#YearInMonzo

Michelle Butler @ChellekButler

I simultaneously love & hate the moment your #YearInMonzo drops - as if January wasn't depressing enough 😂 Obsv still got to work on that @McDonaldsUK habit 🤔

MY #YEARINMONZO

My top spot for Eating Out was **McDonald's**, and I went 14 times. My go-to for Groceries was **Sainsbury's**. I treated myself with some **Klarna** Shopping 41 times. I got my Entertainment from **The Coach House Inn**. And I mostly spent money in **UK**

£12.99 Spare change I rounded up 15 Friends I have on Monzo



TV Ad Campaign



You Make Monzo, Monzo

20M views • 1 year ago

- No Barriers to Banking Campaign
- Crowdfunding Rounds



Helping Business Fly – TV Ad Campaign



#StarlingHelpedMe



#StarlingHelpedMe with Jess Warner

#MakeMoneyEqual

Starling Bank @StarlingBank

Do you believe it's time we were spoken to equally about money? 🗣️

Have your own stories on the unfair financial stereotypes and expectations found in the media? 🗣️

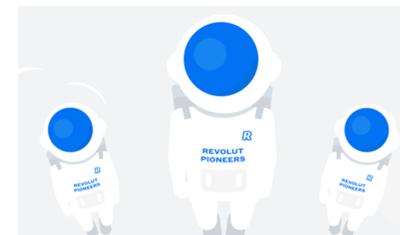
We want to hear it! 🗣️

Just use the hashtag #MakeMoneyEqual and feel free to use these images! 🗣️



Revolut Pioneer – For Influencers

Become a Revolut Pioneer



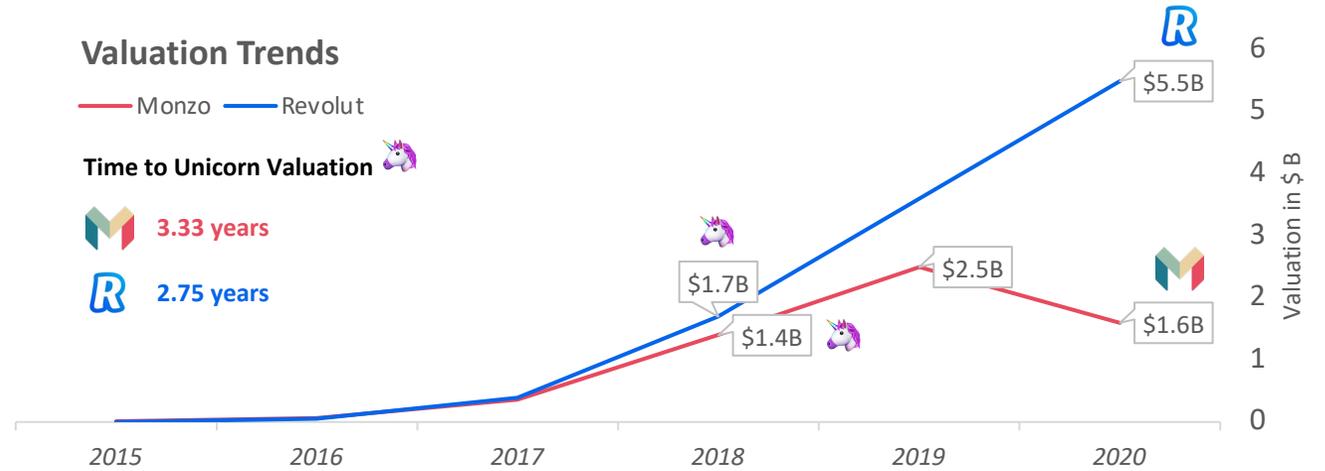
- Revolut Affiliates – Retail & Business
- Crowdfunding Rounds

FUNDING & VALUATION

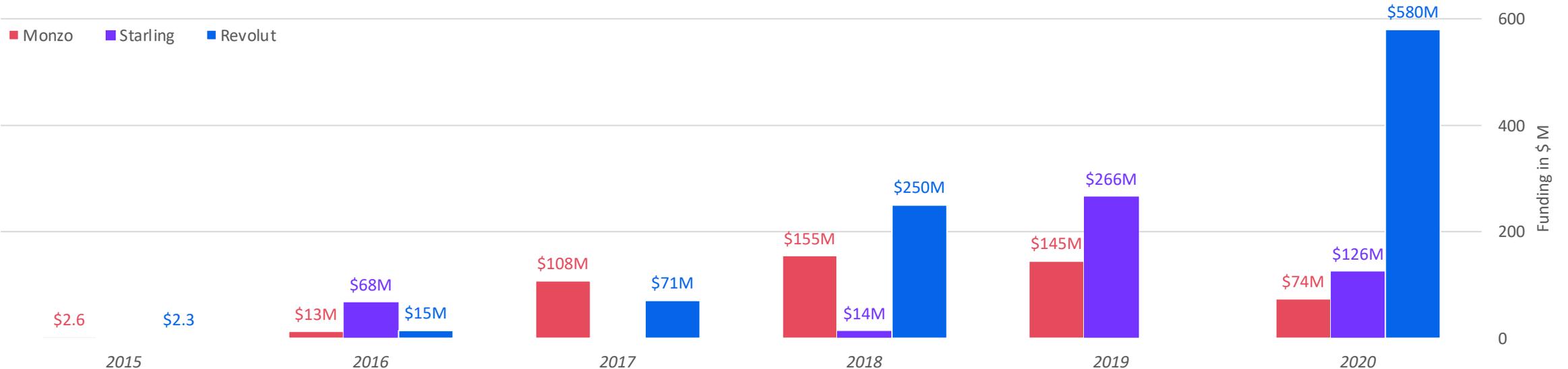
Revolut is the most funded & most valued neo-bank of the lot. It witnessed a 3X jump in valuation to \$5.5B in its recent fundraise, while Monzo witnessed a 40% drawdown to \$1.6B.

			
Total Funding	\$497 M	\$474 M	\$918 M
Valuation	\$1.6 B	N/A	\$5.5 B
Valuation Per \$	\$3.2	N/A	\$6

(Starling Bank has not disclosed its valuations.)



Funding Trends



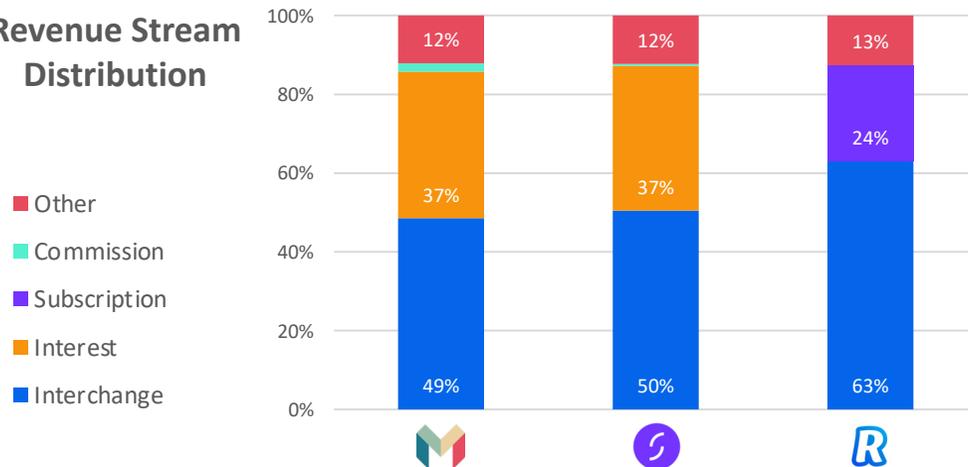
FINANCIALS

Compared to the UK Big 4 banks, the **neo-banks lag in terms of pure-play financial metrics like net interest margin & loan to deposits. While their revenue growth is high, they operate at net loss due to high operating expenses.**

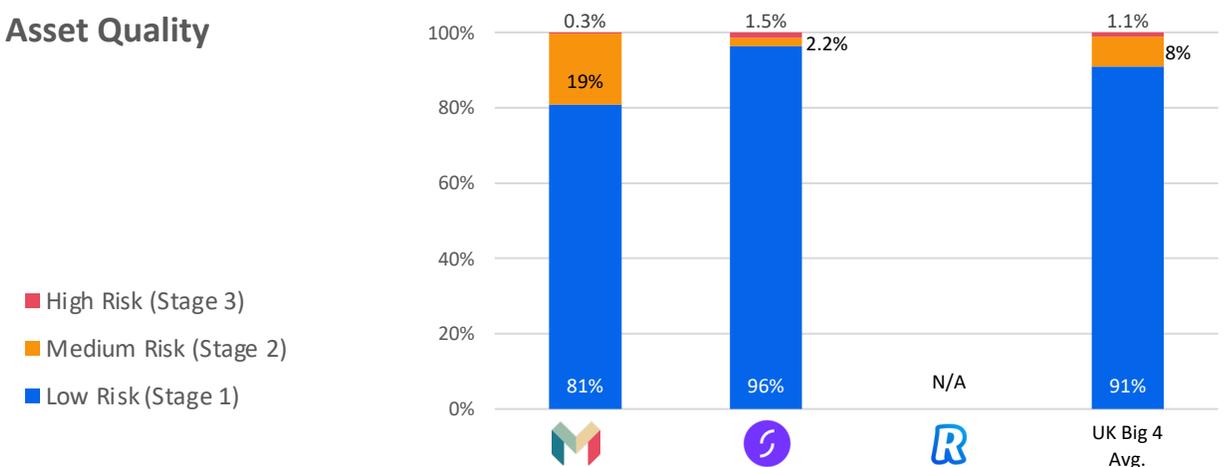
Financial Metrics (£ '000)			
Total Revenue <i>(Gross Income from Operations)</i>	67,182	18,741	162,722
Total Income / (Loss) <i>(Revenue less Cost of Sales)</i>	35,658	9,901	(15,189)
Operating Expenses <i>(Staff, Administrative & Other Expenses)</i>	(151,068)	(83,241)	(92,249)
Post-Tax Loss	(113,816)	(52,064)	(105,900)
Total Customer Deposits	1,721,408	1,007,282	2,269,194
Total Loans & Advances	123,913	54,290	N/A

Financial Ratios				UK Big 4 Avg.
Net Interest Margin <i>(Net Interest Income/ Interest Generating Assets)</i>	1.42%	1.01%	N/A	2.39%
Efficiency Ratio <i>(Non-interest Expenses / Revenue)</i>	271%	486%	166%	66%
Operating Leverage <i>(Growth % of Revenue / Growth % of Non-Interest Expense)</i>	83%	303%	-14%	-9%
Revenue Growth <i>(Increase in Gross Income from FY2018)</i>	241%	509%	180%	30%
Loan to Deposits	8.9%	5.4%	N/A	89%
Provision for Credit Losses	16.1%	2.9%	N/A	0.7%

Revenue Stream Distribution



Asset Quality



(HSBC, Barclays, RBS & Lloyds have been considered for the UK Big 4 Banks Average)

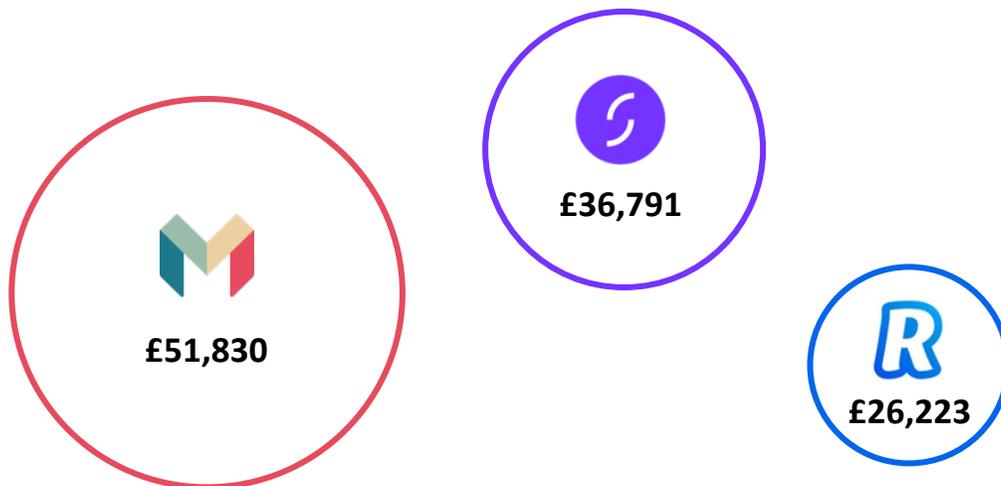
OPERATIONAL EFFICIENCY

Revolut has maximised operational efficiencies by maintaining lower costs. Monzo has the highest costs per employee, while Starling Bank has the lowest customers per employee.

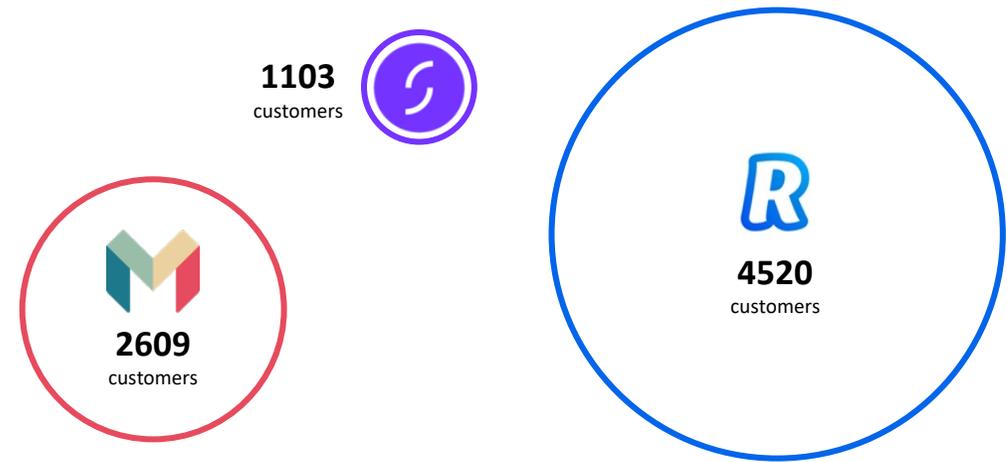
Efficiency Metrics (£)			
Revenue Per Employee	44,938	19,563	71,696
Net Income Per Employee	23,852	10,335	(6718)
Post-Tax Loss Per Employee	(76,131)	(54,347)	(46,838)
Deposits Per Employee	931,449	1,051,443	1,003,624
Loans & Advances Per Employee	82,885	56,670	N/A

Efficiency Metrics			
Operating Expenses Per Employee (£)	101,049	86,890	40,800
Staff Costs Per Employee (£)	51,830	36,791	26,223
Costs Per Board Member (£)	100,100	124,778	442,167
Customers Per Employee	2609	1103	4520

Staff Costs Per Employee



Customers Per Employee



UNIT ECONOMICS

Starling Bank has stronger monetization metrics with highest deposits & loans per customer. Revolut has the lowest operating expenses at unit level, followed by Monzo.

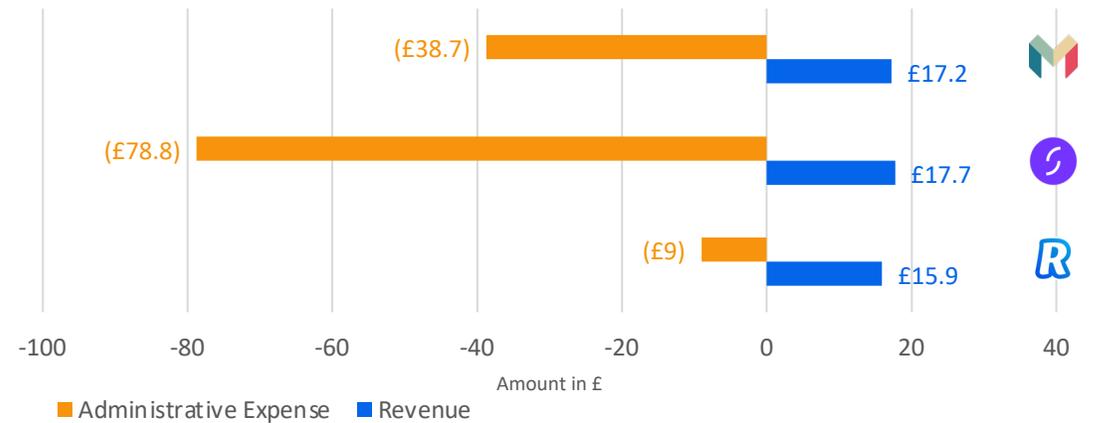
Monetization Metrics (£)			
Revenue Per Customer	17.23	17.73	15.92
Net Income Per Customer	9.14	9.37	(1.49)
Post-Tax Loss Per Customer	(29.18)	(49.26)	(10.36)
Deposits Per Customer	357	953	222
Loans & Advances Per Customer	32	51	N/A

Servicing Cost Metrics (£)			
Direct Cost Per Customer	8.08	8.36	17.41
Administrative Expenses Per Customer	38.74	78.75	9.03
Staff Costs Per Customer	19.87	33.35	5.80
Other Administrative Expenses Per Customer	18.87	45.41	3.22

Deposits v/s Loans Per Customer



Revenue v/s Administrative Expenses Per Customer



FUTURE OUTLOOK: THE 3 'S' STRATEGY



Subscription Strategy

“Our **real focus is on monetisation**. We’re looking to drive revenue and do it in a way that’s transparent and fair.”

- Tom Blomfield, President

Apr '19 Monzo Plus | 3 'bundles' | Monthly Subscription

Extra benefits for customers; steady revenue stream for Monzo

Sept '19 Scrapped after negative response from initial users

July '20 Relunched with enhanced offerings using customer feedback

Sep '20 3% fee on withdrawals of over £250
£5 fee for debit card replacements



SME Strategy

“A lot of the new banks that have pursued other strategies are now realising that in order to have a sustainable business, you have to be a bank, and a very **profitable part of the service is SME banking**.”

- Anne Boden, CEO

Mar '18 Introduced Business Banking within a year of launch

Tailored offerings for Sole Trader, Limited Companies & Freelancers

Business Marketplace with 15 business focused integrations

Business Loans through govt. schemes CBILS & BBLS; Loan book grew 18x

July '20 Paid business products – Euro & US Dollar Accounts, Business Toolkit



Super App Strategy

“Revolut is creating a **financial Super App** that will be highly personalised to your needs – driven by individual actions and circumstances. All beautifully interconnected.”

- Nik Storonsky, CEO

Multi-currency Payments (2015)

Revolut for Business (2017)
Cryptocurrencies (2017)

Travel Insurance (2018)
Stock Trading, Donations, Rewards (2019)

Commodities, Savings Vaults (2020)

FY '20 Upcoming: Subscriptions, Social Trading, Social Payments, Groups

FINTECH FRATERNITY

THE TEAM



Afshan

@heycloudwatcher

/afshan-d



Priyamoni

@PriyamoniD

/Priyamoni-debnath



Sanjeev

@sanjeevk_k

/sanjeevk2012

PREVIOUS WORK

Revolut Deep Dive

Revolut

DEEP DIVE

- Overview
- Executive Team
- Product Stack
- Country Stack
- Customer Acquisition
- Payments Business
- Community
- Funding & Valuation
- Financials
- Unit Economics

Starling Bank Deep Dive

STARLING BANK

DEEP DIVE

- Overview
- Executive Team
- Product Stack
- Customer Acquisition
- Marketplace
- Banking-as-a-Service
- Funding Trends
- Financials
- Customer Lifetime Value
- Unit Economics

Monzo Deep Dive

monzo

DEEP DIVE

- Overview
- Executive Team
- Product Stack
- Customer Acquisition
- Community Banking
- Funding & Valuation
- Financials
- Unit Economics

SME Neo-banks Overview

SME NEO-BANKS
Global Overview

- Global Players
- Ecosystem Factors
- Ownership & License
- Product Innovation
- Business Models
- Indian Opportunity
- Founder Analysis