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: 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

- 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 costumers of French banks. Are they threat to banks or complementary?

Even without data

- Discuss the consequences of COVID for Neobanks
  - Did Neobanks increase their marketshare 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)
  - $\Rightarrow$ Distinguish between these explanations
    - ...and how successful do you think they would be?

- Discuss financial stability risks
  - How should Neobanks be regulated

Summary

- Great report!
- Highly recommend reading it!
- Hopefully in the future the data in the survey can be expanded