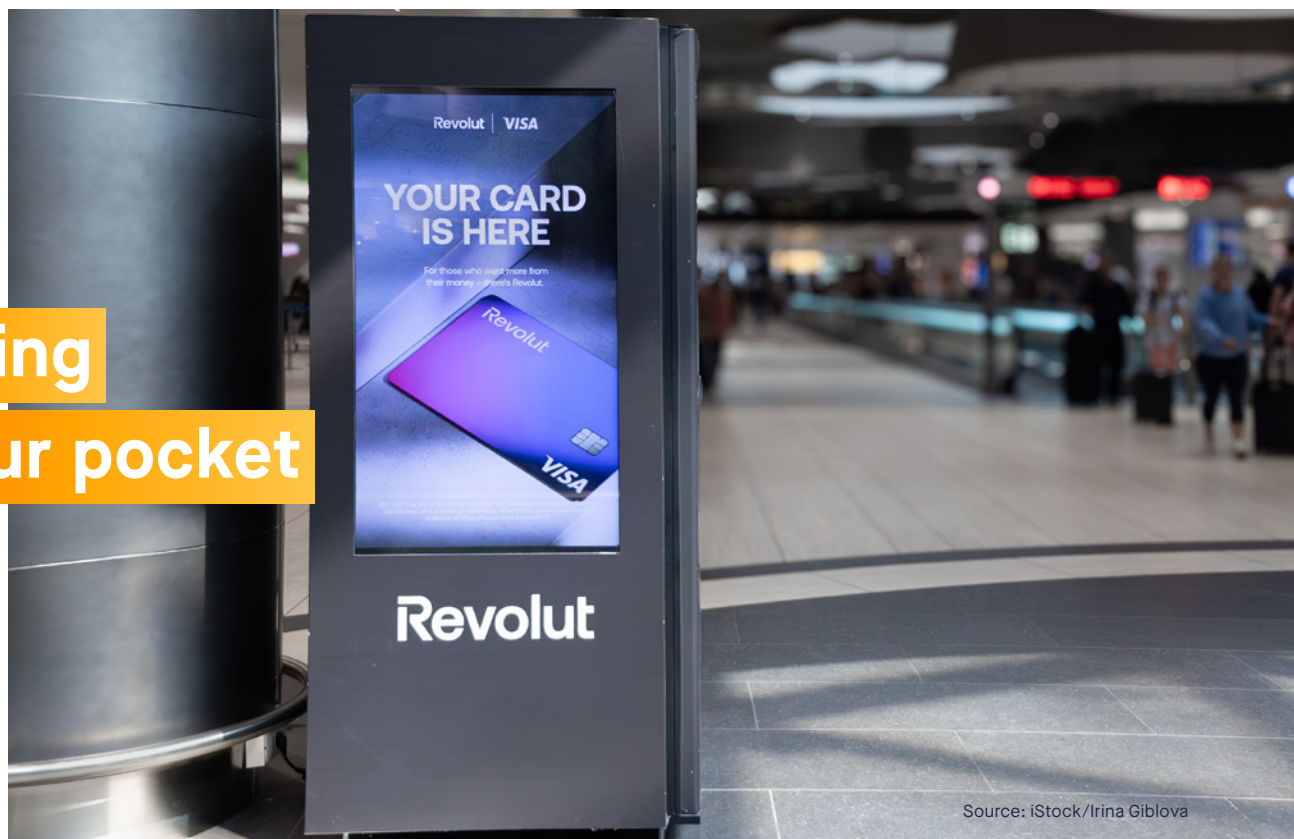


Banking in your pocket



Source: iStock/Irina Giblova

Revolut recently launched a secondary share sale, leading to a staggering new valuation of US\$75 billion. This milestone strengthens its position among the world's leading neobanks and signals a new chapter for digital banking.

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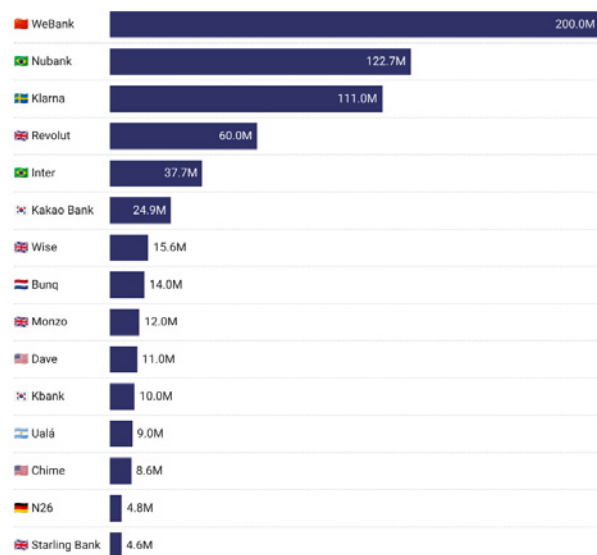
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On 1 September, Revolut announced it had allowed employees to sell up to 20% of their shares, at \$1,381.06 a share, resulting in a new valuation of \$75 billion—up 66% from its previous \$40 billion valuation. This makes Revolut the most valuable neobank in the world, though competitors are not far behind. How did neobanks grow so rapidly?

The rise of neobanks

A little over a decade ago, the idea of opening a bank account in minutes—from your phone, without stepping into a branch—was unimaginable. Today, neobanks count hundreds of millions of customers around the globe, with surveys showing that around 80% use their accounts on a daily basis. The difference with traditional banks is in neobanks' tech-driven approach and business models. Neobanks are digital-native banks that operate primarily through mobile apps and online platforms instead of physical branch networks. Revolut's valuation reaching \$75 billion and surpassing the market cap of established traditional UK banks such as Barclays (\$70 billion) demonstrates the appeal of neobanks to the market. Revolut is far from the only one to have grown at exponential speed. Neobanks like Nubank from Brazil and WeBank from China have scaled to extraordinary levels; active customers count exceed 100 million and 200 million respectively. Even smaller players like Inter, KakaoBank, and Wise now count users in the tens of millions.



Source: Customer base of the largest neobanks, Multiples.vc

These figures further highlight the scale of these fintech companies, but their paths to success are far from uniform. While all share the goal of removing the pain-points of banking, each of them started by focusing on a specific niche or product different from their counterparts.

Revolut, now the most valuable fintech company in Europe, started by offering customers a current account with access to multiple currencies, without additional exchange fees during the week and at competitive exchange rates. It was not a bank at the beginning. The main advantage was giving users the chance to spend money in different currencies without the hefty transaction costs and fixed exchange fees travellers typically faced when paying with cards issued by traditional banks.

On the other side, Nubank addressed other pain-points which was specific to its home market, Brazil. At a time when a few large banks dominated the market with high fees and limited customer service, Nubank introduced a no-fee Mastercard credit card managed entirely through a mobile application. Just like Revolut, Nubank started without a banking license.

WeBank, the largest digital bank in Asia and China's first online-only private bank, addressed another problem faced by customers of traditional banks: credit. The fintech decided to focus on the use of technology to grant small loans to its customers through a smartphone interface. One of their core products is a microloan service that provides consumer credit in seconds based on AI-driven credit assessments. Their customer base is described as "un-/underserved by traditional banks."

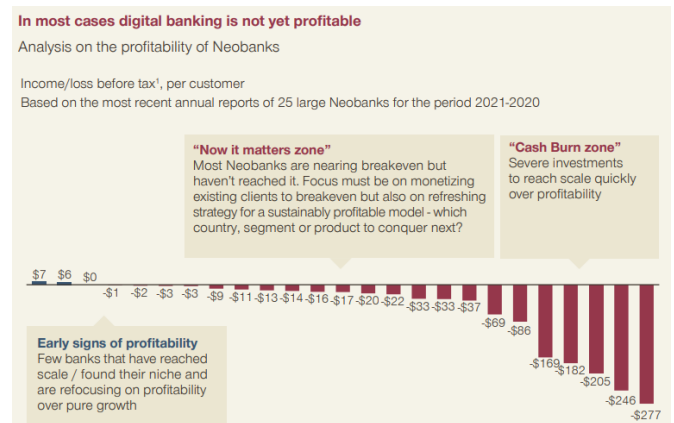
Each bank and their diverse beginnings highlight how they managed to focus on a specific market and address it by providing solutions to the problems faced in traditional banks. But once that initial niche was secured, the question quickly shifted from how to attract users to how to keep them and make money from them.

Profitability and expansion

After reaching a large-enough customer base within their initial target niche, most neobanks rapidly expanded geographically. Revolut expanded into the European Union and then worldwide markets like Japan, Australia, and the United States, now serving over 35 countries. Nubank expanded to the Mexican and Colombian markets but remained focused on the Latin American market.

However, the focus of neobanks on scale rather than profits left its marks. A report of 2022 by Simon-Kucher predicted the share of the world's 400 neobanks that had turned profitable by then to less than 5%, but it should be noted that over half of the players weren't even three years old at that time. In 2023, 80% of the neobanks were still unprofitable. The number of neobank closings or acquisitions is threatening to outnumber the quantity of neobank introductions. The reason for these profitability issues is structural: launching a digital bank demands heavy upfront investment and ongoing costs, from building secure digital infrastructure to integrating third-party services, complying with complex regulation, and employing full-stack technology teams such as developers, product owners, and data scientists, alongside legal, risk management, and marketing staff. Customer acquisition campaigns, often through generous perks and fee-free services, only added to the bill.

Chart 2: Oracle share price (12 months) – 36% surge on 10 September following the Q1 FY26 report



Source: simon-kucher.com, Simon-Kucher Global Neobanking Radar database

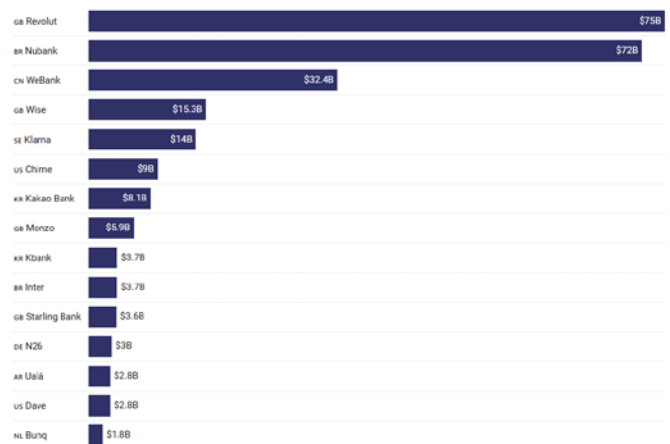
Despite their advantage in terms of operating costs thanks to their avoidance of branches and heavy use of automation, neobanks had to find a way to increase their revenues. This shift in priorities seems to have been integrated by the largest neobanks. However, generating more revenues while promising lower fees than traditional banks is not an easy task. In 2022, 70% of the industry's revenues were generated by accounts and card-based payment services. However, these weren't a sustainable source of revenue as the "disruptors" promise was to offer lower fees. Diversifying their range of services became necessary. In 2022, Simon & Kücher recommended four "must-have products": embedded financing, digital and hybrid investments, crypto currencies, and digital lending. The success of digital lending as a core offering has been shown by WeBank, which built its business model on it from the start. Thanks to the high interest margins in its lending business, the Chinese fintech has made profit since 2015, less than a year after launch. In contrast, Revolut only turned profitable in 2021, 6 years after launching.

In order to expand their range of services, Revolut started offering additional services from everyday banking as well as commodity and cryptocurrency trading solutions. Nubank started offering digital checking and savings accounts with high interest rates, personal loans, and even insurance and investment products. Yet expansion has not been without setbacks. Every new product line raises compliance demands, particularly when lending or investment services are involved. Regulators have tightened their grip, as shown by Germany's BaFin imposing a temporary cap on N26's customer onboarding, or Revolut's drawn-out wait for a full UK banking license, as the company has only been granted a banking license with restrictions in July 2024 with a £50,000 customer deposit cap. On the commercial side, broadening the product suite also requires higher marketing expenditure and more complex customer acquisition campaigns. That made costs rise again just as funding conditions tightened. For example, Chime, a US neobank, incurred marketing costs of around \$163 per customer between 2022 and 2024. In comparison, JPMorgan Chase spent roughly \$61 per customer in 2024.

The result is a double-edged sword: expansion—both geographically and in terms of services—was essential to move beyond card fees and free accounts, but it has also exposed neobanks to the same challenges as their established counterparts: capital requirements, regulatory scrutiny, and rising acquisition costs. The difference is that while incumbents can rely on lending and more diversified financial services, neobanks must prove their ability to sustain these costs with far thinner buffers and very little to no net interest income.

Outlook

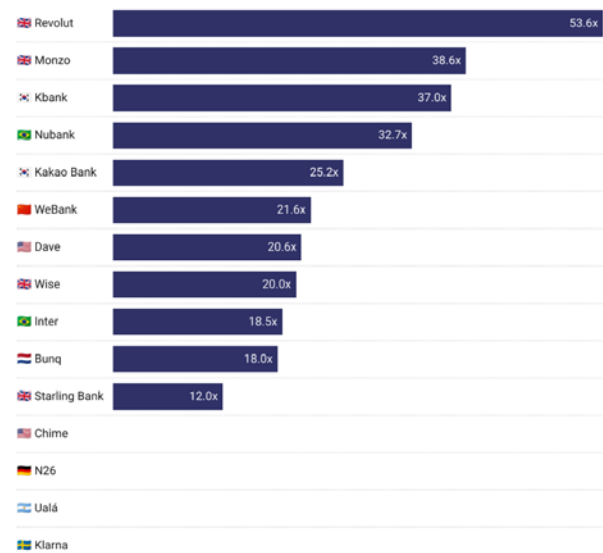
Neobanks are no longer just cash-burning startups; the leaders are now profitable, and some are valued above established players. But could these replace traditional banks? What's clear is that Revolut's business model today looks less like a bank and more like a financial services platform: offering cross-border payments, premium features, subscriptions, and investment.



Source: Valuation of the largest neobanks, Multiples.vc

Other profitable neobanks are joining the ranks. According to recent data, the global neobank industry pulled in about US\$40 billion in revenue in 2023. Revolut's reported revenues (~US\$1 billion in 2023) are growing, and neobank users are increasingly using their accounts for daily transactions, transfers, payments, budgeting tools, not just as "digital wallets."

In many cases traditional banks still hold advantages in net interest margin, deposit funding, regulatory certainty, and diversity of assets under management. Neobanks may be closing the gap in user experience and tech agility but entirely replacing banks seems unlikely, especially given regulatory requirements, capital costs, and trust issues. The valuation multiples (Implied EV / Profit) that investors assign to neobanks are very high, reflecting expectations of continued growth more than past financial performance.



Source: Multiples.vc • Created with Datawrapper

Source: Implied EV/Profits multiple of the largest neobanks, Multiples.vc

Looking ahead, the winners will be those hybrid models: firms that blend the lean, tech-driven agility of neobanks with the capital stability, licensing, and product depth of traditional banks. Neobanks might not fully replace traditional banks, but they are forcing them to modernise, reduce fees, and adopt better digital user experience. Whether neobanks become the next generation banks or remain specialised financial platforms depends on their ability to sustain profitability and to manage regulatory burdens.

Conclusion

The story of neobanks has moved from bold promises to a more sober reality. Their rapid rise proved that consumers are willing to embrace digital-first banking, and many of the leading players now show that profitability is possible. Yet, replacing legacy banks seems highly unlikely, at least in the short to medium term. But who knows? The rise of AI and its integration by neobanks might lead to some surprise.

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