

After bagging \$900M, N26 will redouble in Europe as other neobanks also make regional market plays

Article

The news: N26 will double down on competing across Europe after raising \$900 million in a Series E round that came with a \$9 billion-plus valuation, per TechCrunch.

The publication's report on the geographic focus is based on an interview with N26 co-founder and CEO Valentin Stalf, who outlined an approach to components that entails:

- Continuing its growth in parts of Europe where it already operates, citing **just 5% to 7% penetration** in two of its established cities, **Berlin and Paris**.
- Expanding into Eastern Europe, which includes opening an office in Belgrade.

More on this: The German neobank's renewed European push comes as its expansion in the US and Brazil quieted down—TechCrunch notes that the US operation still has a waiting list, while there's no launch date yet for Brazil.

N26 reports over 7 million customers and a presence in 25 countries.

Growing pains: Against the backdrop of funding and expansion plans, N26 will have to curb its home-market growth: German regulator BaFin will require it to cap new monthly customer signups to a range of **50,000 to 70,000**, according to TechCrunch.

The cap could be removed in the coming months if N26 improves in anti-money laundering (AML) and know your customer (KYC) compliance, the publication added.

BaFin's action marks the latest step that it's taken against N26 this year:

- It fined the neobank **€4.25 billion** (\$4.85 billion) because it failed to file timely suspicious activity reports for AML compliance. The neobank disclosed in September that it had paid the fine in July.
- Earlier, in May, BaFin had told N26 to improve its AML controls.

The big takeaway: N26's renewed concentration on Europe suggests it's trying to set up a sphere where it can be a dominant banking player across the region.

The company also has a timely opportunity to do so: UK-based **Revolut**—which, as Stalf noted in his interview, also competes in Eastern Europe—is making a significant push in the US. N26's new war chest, plus related plans to hire **1,000** staffers globally, also give it the means to mount its Eastern European push.

The neobank's choices also suggests that it has identified where to allocate more resources to realize its greatest growth potential. Two major neobanks are taking similar approaches:

- **Nubank** holds the crown as world's largest neobank with **40 million users**, according to TechCrunch. However it only has active footprints in Brazil, its home market, plus Mexico and Colombia.

Chime is a major US-based neobank and, per Insider Intelligence forecasting, will be the biggest by customers: it's slated to jump from **13.1 million** in 2021 to **22.7 million** in 2025. However, Chime's bulk doesn't cross international boundaries; its expected growth is fully domestic.

Trust in Established Banks vs. Neobanks According to Adults in Europe and Australia, May 2021

% of respondents in each group

	Established banks	Neobanks
Finland	72%	11%
Norway	62%	28%
UK	61%	17%
Austria	60%	17%
Netherlands	53%	14%
Australia	53%	13%
Germany	52%	14%
Sweden	40%	24%

Note: ages 18+

Source: Klarna, "Money management pulse: UK" in collaboration with Nepa, June 2021

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