

Some neobanks are proving they're formidable, profitable competitors

Article

The trend: Not that long ago, the general consensus held that neobanks weren't profitable.

However, major players on the market are proving that's no longer the case.

Here's the latest on neobanks making headlines with their earnings, user acquisition, and growth:

Robinhood: The trading-platform-turned-neobank **exceeded Q1 profit estimates due to high crypto trading volumes and increased net interest revenue**, benefiting from recent rate hikes, [per](#) Reuters.

- **Robinhood** reported a profit of \$157 million or 18 cents per share, significantly surpassing expectations of 6 cents per share.
- This marks a notable turnaround from a loss of \$511 million or 57 cents per share in the same quarter last year.
- The neobank is expected to achieve profitability this year.

However, Robinhood faces regulatory scrutiny from the SEC regarding the tokens traded on its platform, which could impact revenue from its crypto business. But the company has opportunities to address these concerns.

Chime: The popular neobank recently [made headlines for amassing 7 million users](#). And it's considering an IPO.

- Its [holistic approach to content creation](#) and successful **keyword strategy** have helped its brand recognition take off.
- **Chime's** customer base isn't affluent and tends to have a more difficult time getting approved for credit through traditional means. To boost profitability, Chime is likely to attempt to go upmarket or cross-sell.

Chime was recently hit with a Consumer Financial Protection Bureau (CFPB) enforcement action for failing to refund customers in a timely manner, per the regulator.

- This oversight suggests that Chime may have prioritized growth at the expense of operational efficiency and customer service. Chime attributes the refund delay to an issue with a third-party vendor configuration which has since been resolved.

Nubank: This neobank just became **the first outside of Asia to surpass 100 million users**, per FintechBrainfood writer Simon Taylor.

- And 80% of these users are considered active.

- 92 million are located in Brazil, and currently there aren't any users outside of Latin America—which raises questions about **Nubank's** ability to expand beyond the region. And given the challenges of buying or becoming a bank in the US, it likely won't enter that market soon.
- Taylor notes that Nubank can achieve more growth simply by cross-selling to its existing customer base.

Key takeaways: These neobanks' financial performance shows that they can attract a growing number of customers with highly relevant products and services. However, they lack the decades of experience adhering to strict financial regulations that traditional banks have acquired, and many appear to have prioritized growth over compliance, which could prove problematic—regulators are watching closely.

Neobanking Metrics Worldwide, Jan 2022 & July 2023

	Jan 2022	July 2023	% change
Number of live neobanks	397	399	1%
Total neobanking customers (billions)	0.85	1.11	31%
Total revenues (billions)	\$58	\$83	43%

Note: based on data analyzed from the Simon-Kucher Neobanking Database; broader industry metrics may vary
Source: Simon Kucher, "Profits at the End of the Tunnel: Neobanking," Oct 25, 2023

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Editor's note: An earlier version of this story previously misstated how many Chime users there are. Chime has 7 million users. EMARKETER regrets the error.