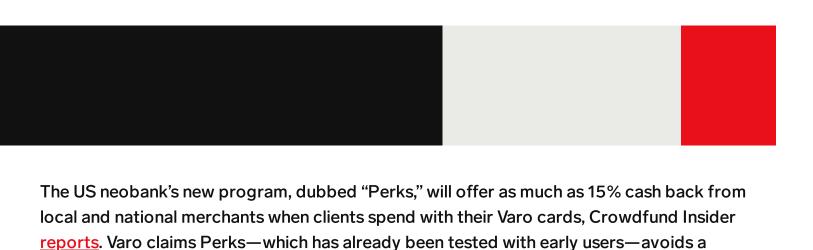
Varo Bank launches cashback rewards in strategy pivot

Article



complicated points system and instead lets customers easily track cash back within the Varo

app. Rewards are deposited into their Varo Bank accounts automatically when customers





earn \$5. In the future, Perks will expand to include exclusive offers—personalized based on daily spending patterns—for the most engaged Varo customers.

Until now, Varo initiatives have been heavily focused on conveying trustworthiness. Last July, Varo became the first US neobank to obtain a national banking charter from the Office of the Comptroller of the Currency. Then in October 2020, it unveiled a small-dollar lending program, allowing customers to get cash advances of up to \$100 with 30-day repayment periods and minimal fees. Varo followed that up in February 2021 with a credit-building product called Varo Believe. All of these measures—combined with Varo joining asset management giant BlackRock's philanthropic initiative to help people boost their emergency savings—cumulatively fostered an image of an accredited, reliable bank focused on helping build and maintain the financial health of its clients.

A cash-back offering represents more of a down-the-middle play for primary bank status. A points-based rewards element incentivizes Varo's customers to spend more with their Varo card, tying them closer to their account and promoting primary account status. As an added benefit, Varo's cash-back offering also slices tidily into a competitive advantage of one of Varo's fellow neobanks: In August 2020, Current claimed to have become the first mobile bank to offer debit card <u>rewards</u>. While it may still be the first, with Varo's move, Current is no longer the only.

Neobank Account Holders, by Company US, 2021, millions **Aspiration** 3.0 Chime 13.1 Current 4.0 Varo 2.7 **Other Neobank Account Holders** 2.5 **Total** 20.2 Source: eMarketer, May 2021 eMarketer | InsiderIntelligence.com