

Global Top 100 Digital-Only Banks Report 2023

More digital banks are expected to achieve profitability in
2023 and 2024

Singapore, 5 December 2023

About us

About TABInsights

TABInsights is the global research arm of The Asian Banker, interacting with a wide spectrum of financial institutions across the Asia-Pacific, Middle East, and African regions. TABInsights provides a range of custom and bespoke research for financial institutions in emerging and established markets to facilitate the management decision-making process and guide business strategy. TABInsights offers strategic analysis and recommendations to institutions across all verticals, including retail, transaction, risk, and technology functions. Visit [TABInsights.com](https://www.tabinsights.com) for more details.

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FOREWORD

To monitor the proliferation of digital-only banks, TABInsights has created since 2021 an annual comprehensive review of the world's foremost 100 global digital-only banks, ranking them according to a balanced scorecard derived from an objective and transparent set of evaluation criteria.

In the decade since the fintech boom began, the financial services sector has witnessed the emergence of over 400 stand-alone digital banks worldwide. They have revolutionised the manner in which digitally inclined consumers save, borrow, transact and invest, and are increasingly becoming profitable.

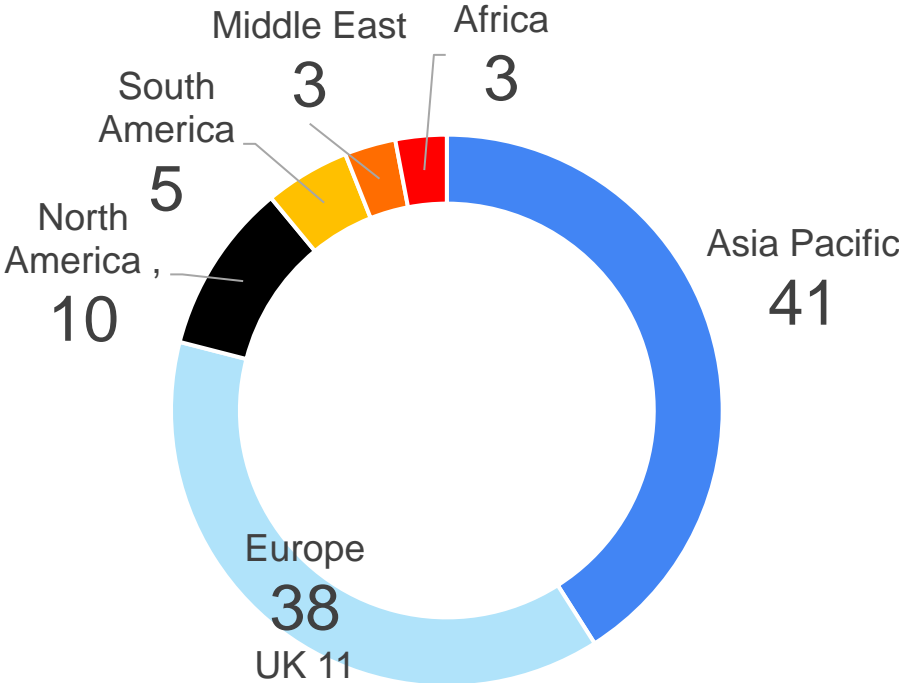
Furthermore, the report delineates aggregated characteristics common to the top 100 digital-only banks and highlights what distinguishes the most from the least successful in these rankings.

The complete ranking and scorecard are accessible online at TABInsights' website at <https://tabinsights.com/best-digital-bank-rankings/global-digital-bank-rankings>

Global Top 100 Digital-only Banks Ranking

The evaluation process involved more than 150 leading first and second generation of digital banks from 39 markets

Regional distribution the global top 100 digital banks

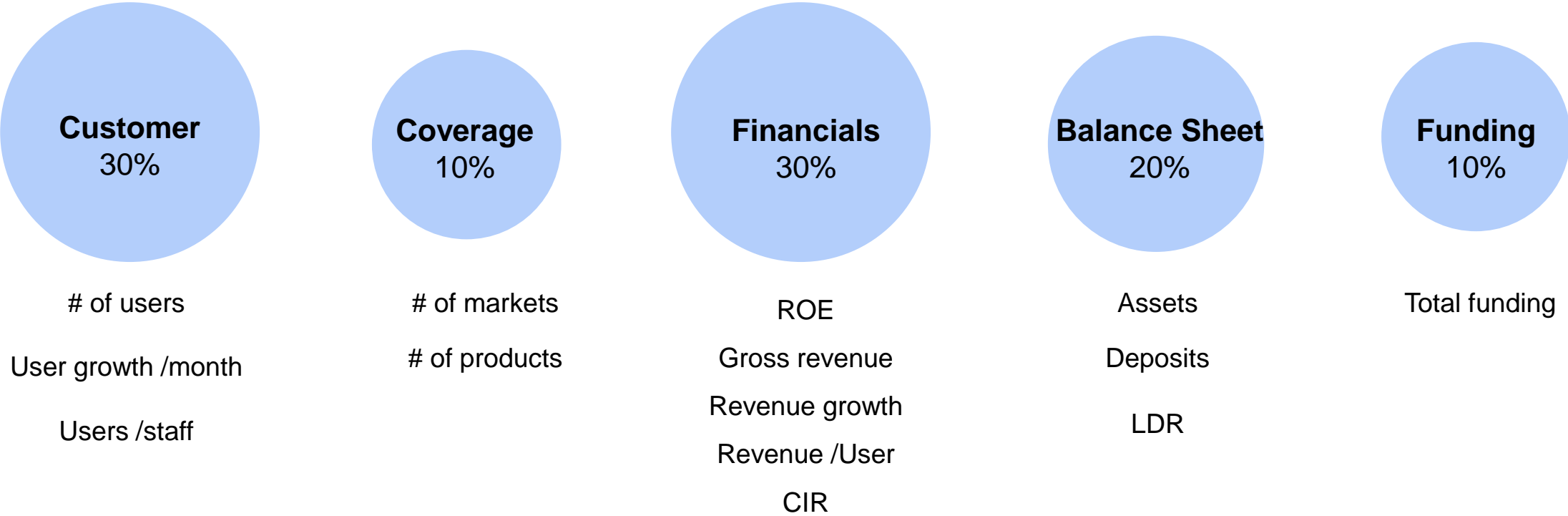


- Rise of more than 400+ digital banks globally since the fintech boom.
- Assessment grounds the performance and ranking in a more transparent and objective way.
- Regulations, market readiness, financial inclusion and competitive landscape made Asia a hotbed for new banks in 2022.
- The number of profitable players has risen from 29 in 2021 to 47 in 2022.
- They have generated \$2.1 trillion in assets as of FY2022.

Global Top 100 Digital-only Banks Scorecard

The Global Top 100 Digital Banks Scorecard employs a rigorous and transparent scorecard to assess banks across five key dimensions

Digital-only Banks Scorecard (max 10 pts)



Source: TABInsights

Key findings from the Global Top 100 Digital-Only Banks Ranking (1/2)

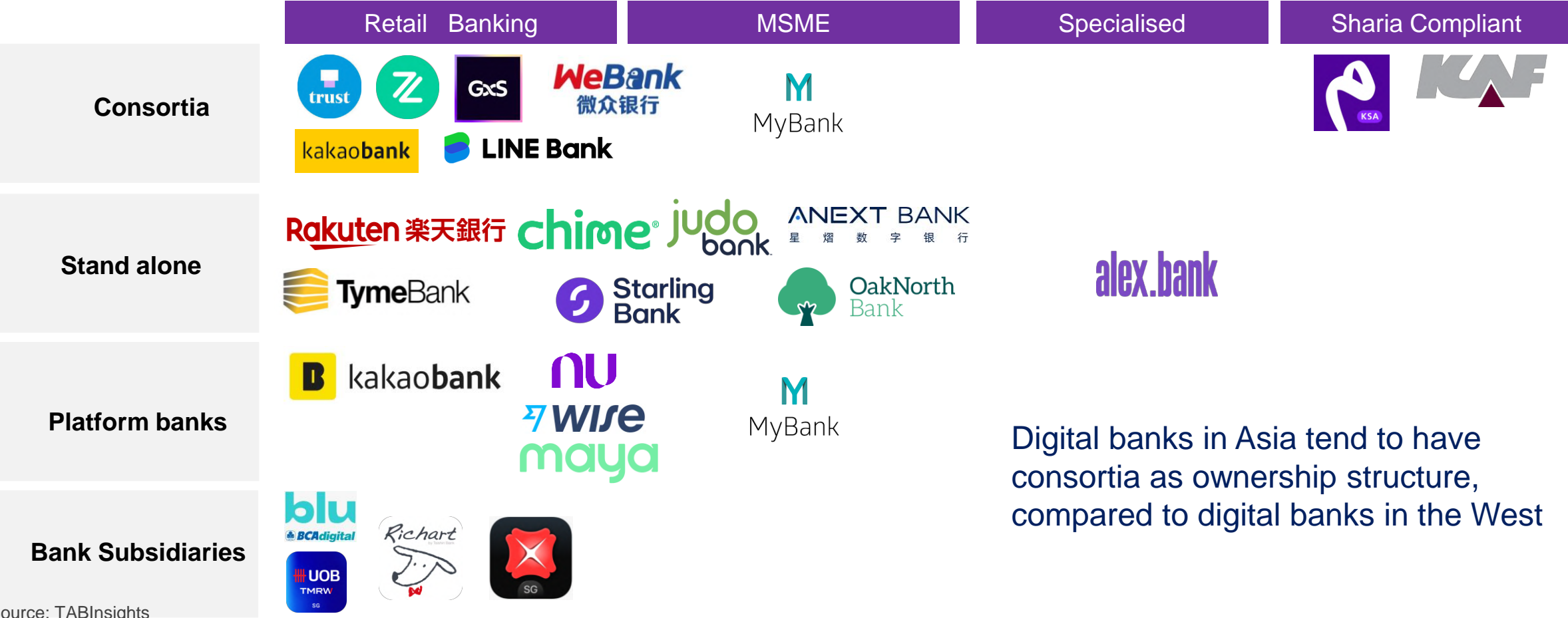
- WeBank of China has maintained its position as the leading global digital-only bank with the largest user base and robust financial performance.
- Ally Bank in the US and the retail arm of the ING Group, both pioneers among digital-only banks, ranked second and third, respectively. Ally Bank demonstrated stronger financial performance than ING Global, while ING Global excelled in market coverage.
- The number of profitable digital banks in the Top 100 increased from 29 in 2021 to 47 in 2022. It is expected that by 2023, nearly 60% of all digital banks in the Top 100 will have achieved profitability, primarily due to improved asset-liability management.
- The leading profitable digital banks originate from single markets, rank high in scale (balance sheet/consumer), and possess excellent loan-to-deposit (LDR) ratios, underpinning a strong net interest income business.
- Digital banks specialising in personal finance, wealth management, and small and medium-sized enterprise (SME) banking have emerged as the most profitable.
- The most improved digital banks in the top 100 are Toss Bank and MOX Bank, both of which achieved positive revenue in 2022.
- The aggregated assets of the world's top 100 digital banks grew by 8% year-on-year in 2022. By comparison, the world's 100 largest traditional commercial banks have combined assets totalling \$112 trillion, which saw a decline of 1% in 2022.

Key findings from the Global Top 100 Digital-Only Banks Ranking (2/2)

- Globally, the top ten most-funded digital banks raised an additional \$18 billion in capital from the outbreak of the pandemic in 2020 until March 2023. Klarna, despite recording the largest loss in FY2022 among all digital banks, has remained the most-funded, raising \$0.8 billion in 2022.
- For the majority of digital banks, the cost-to-income ratio remains too high, exceeding 40%. Only 12 digital banks in the top 100 have cost-to-income ratios below 40%.
- The record for the fastest time to become profitable is held by WeBank in China and KakaoBank in Korea, with X and X months, respectively.
- Despite digital banks capturing some market share in niche areas such as payments and personal loans, their impact on retail deposit market share in most markets continues to be minimal on an average deposit per user base. Customers have yet to develop the confidence to entrust these institutions with more significant funds, indicating that digital banks still have substantial ground to gain before they can secure primary banking relationships.
- While digital banks have not made significant inroads in deposit market share, digital banks and fintechs increasingly outpace traditional banks in terms of wallet and customer share across multiple areas including MSME banking in the UK and checking accounts in the US. In India, dominance in payments, personal loans and brokerage accounts are shifting to fintechs.

There is no correlation between how digital banks are set up and the creation of a long term sustainable and profitable business

Ownership structure and business focus



Digital banks in Asia tend to have consortia as ownership structure, compared to digital banks in the West

Source: TABInsights

WeBank China continues to be the leading digital bank worldwide, but the gap to Ally US and ING has been shrinking

Top 10 digital-only banks in the world (2023)

● profitable



Rank 2023	Rank 2022	Digital-Only Bank	Country/ Headquarter	Year of launch	Customer	Coverage	Financials	Balance Sheet	Funding	Final Score
<i>Total Scores Achievable</i>					30.0	10.0	30.0	20.0	10.0	100.0
● 1	1	WeBank	China	2014	20.8	5.0	15.7	16.4	2.0	59.8
● 2	3	Ally Bank	US	2009	5.8	5.5	18.9	20.0	8.0	58.2
● 3	2	ING (Global)	Netherlands	1991	5.8	10.0	13.7	19.1	8.0	56.6
● 4	8	KakaoBank	South Korea	2017	19.6	4.5	9.8	15.5	6.0	55.4
● 5	10	Nubank	Brazil	2014	20.8	6.0	8.5	8.2	6.0	49.4
● 6	7	Suning Bank	China	2017	16.2	3.5	13.7	13.6	2.0	49.0
● 7	6	Tinkoff Bank	Russia	2007	18.5	4.5	12.4	11.8	1.0	48.2
● 8	9	ING	Germany	<2000	3.5	5.5	14.3	19.1	5.0	47.4
● 9	4	MYBank	China	2015	11.5	2.5	13.7	17.3	2.0	47.0
● 10	13	K-Bank	South Korea	2017	12.7	5.0	9.8	13.6	4.0	45.1

Note: ING (Global) represents group retail; For a full view on the Global Top 100 Digital Only Banks Ranking go to attached Excel file

Source: TABInsights

Ally Bank US is leading by a large margin, supported by strong financials and a large balance sheet

Top 10 digital-only banks in North and South America (2023) ● profitable Low score → High score

Rank 2023	Digital-Only Bank	Country/ Headquarter	Customer	Coverage	Financials	Balance Sheet	Funding	Final Score
<i>Total Scores Achievable</i>			30.0	10.0	30.0	20.0	10.0	100.0
● 1	Ally Bank	US	5.8	5.5	18.9	20.0	8.0	58.2
2	Nubank	Brazil	20.8	6.0	8.5	8.2	6.0	49.4
3	C6	Brazil	11.5	5.0	5.2	10.9	4.0	36.7
● 4	LendingClub Bank	US	4.6	2.0	14.3	12.7	2.0	35.7
● 5	Tangerine	Canada	3.5	4.0	16.3	10.0	1.0	34.8
● 6	Axos Bank	US	3.5	4.5	11.1	13.6	1.0	33.7
7	Marcus	US	10.4	2.5	5.9	11.8	1.0	31.6
● 8	WEX Bank	US	3.5	2.0	13.0	10.0	1.0	29.5
9	SoFi	US	4.6	6.0	7.8	5.5	5.0	28.9
● 10	NBKC	US	3.5	5.0	10.4	8.2	1.0	28.1

Source: TABInsights

In Europe, ING (Global) is leading supported by its global network and strong balance sheet

Top 10 digital-only banks in Europe (2023)

● profitable



Rank 2023	Digital-Only Bank	Country/ Headquarter	Customer	Coverage	Financials	Balance Sheet	Funding	Final Score
<i>Total Scores Achievable</i>			30.0	10.0	30.0	20.0	10.0	100.0
● 1	ING (Global)	Netherlands	5.8	10.0	13.7	19.1	8.0	56.6
● 2	Tinkoff Bank	Russia	18.5	4.5	12.4	11.8	1.0	48.2
● 3	ING	Germany	3.5	5.5	14.3	19.1	5.0	47.4
4	Klarna	Sweden	13.8	7.0	3.3	12.7	6.0	42.8
● 5	Starling Bank	UK	5.8	3.0	16.3	10.0	3.0	38.1
● 7	OakNorth Bank	UK	3.5	3.0	18.3	11.8	1.0	37.5
● 6	Wise	UK	6.9	6.5	14.3	4.5	4.0	36.3
● 8	Air Bank	Czech Republic	4.6	5.0	15.7	10.0	1.0	36.3
● 9	illimity	Italy	3.5	4.0	13.7	10.9	1.0	33.1
● 10	knab	Netherlands	3.5	5.5	9.1	12.7	2.0	32.8

Source: TABInsights

WeBank, KakaoBank, and Suning Bank are the leading digital-only banks in Asia Pacific

Top 10 digital-only banks in Asia Pacific (2023)

● profitable



Rank 2023	Digital-Only Bank	Country/ Headquarter	Customer	Coverage	Financials	Balance Sheet	Funding	Final Score
<i>Total Scores Achievable</i>			30.0	10.0	30.0	20.0	10.0	100.0
● 1	WeBank	China	20.8	5.0	15.7	16.4	2.0	59.8
● 2	KakaoBank	South Korea	19.6	4.5	9.8	15.5	6.0	55.4
● 3	Suning Bank	China	16.2	3.5	13.7	13.6	2.0	49.0
● 4	MYBank	China	11.5	2.5	13.7	17.3	2.0	47.0
● 5	K-Bank	South Korea	12.7	5.0	9.8	13.6	4.0	45.1
● 6	SBI Sumishin Net Bank	Japan	8.1	5.5	11.1	17.3	1.0	42.9
7	Toss Bank	South Korea	18.5	2.5	7.8	10.0	3.0	41.8
● 8	Rakuten Bank	Japan	10.4	5.5	10.4	13.6	1.0	41.0
● 9	Sony Bank	Japan	4.6	5.5	11.7	15.5	2.0	39.3
● 10	KCB Bank	China	10.4	2.5	14.3	10.9	1.0	39.1

Source: TABInsights

Allo Bank Indonesia has risen in 2023 to become the leading digital bank in Southeast Asia, driven by strong user growth and profitability

Top 10 digital-only banks in Southeast Asia

● profitable



Rank 2023	Digital-Only Bank	Country/ Headquarter	Customer	Coverage	Financials	Balance Sheet	Funding	Final Score
<i>Total Scores Achievable</i>			30.0	10.0	30.0	20.0	10.0	100.0
● 1	Allo Bank	Indonesia	13.8	2.5	11.7	2.7	1.0	31.8
● 2	SEABank	Indonesia	3.5	2.5	14.3	10.0	1.0	31.3
● 3	Bank Jago	Indonesia	10.4	3.5	6.5	7.3	2.0	29.7
4	Trust Bank	Singapore	13.8	3.0	7.8	3.6	1.0	29.3
5	GXS Bank	Singapore	13.8	2.5	7.8	2.7	1.0	27.9
6	UnionDigital Bank	Philippines	12.7	2.0	2.6	9.1	1.0	27.4
7	Anext Bank	Singapore	3.5	2.0	10.4	9.1	1.0	26.0
8	CIMB	Philippines	9.2	3.5	3.9	7.3	1.0	24.9
9	LINE BK	Thailand	11.5	3.0	2.6	4.5	1.0	22.7
10	Green Link Digital Bank	Singapore	3.5	2.5	7.8	7.3	1.0	22.1

Source: TABInsights

TymeBank South Africa, which broke even in Q3 2023 and will turn profitable for FY2024, is the leading digital-only bank in Africa






Top digital-only banks in the Middle East and Africa (2023) ● profitable



Rank 2023	Digital-Only Bank	Country/ Headquarter	Customer	Coverage	Financials	Balance Sheet	Funding	Final Score
<i>Total Scores Achievable</i>			30.0	10.0	30.0	20.0	10.0	100.0
1	TymeBank	South Africa	13.8	3.0	6.5	6.4	1.0	30.7
● 2	Carbon	Nigeria	8.1	3.0	10.4	2.7	1.0	25.2
3	Mashreq Neo	UAE	8.1	5.0	3.9	2.7	1.0	20.7
● 4	Liv.	UAE	5.8	5.0	5.9	2.7	1.0	20.4
5	Kuda	Nigeria	10.4	3.5	2.0	2.7	1.0	19.6
6	ila	Bahrain	8.1	4.5	3.3	2.7	1.0	19.6

Source: TABInsights

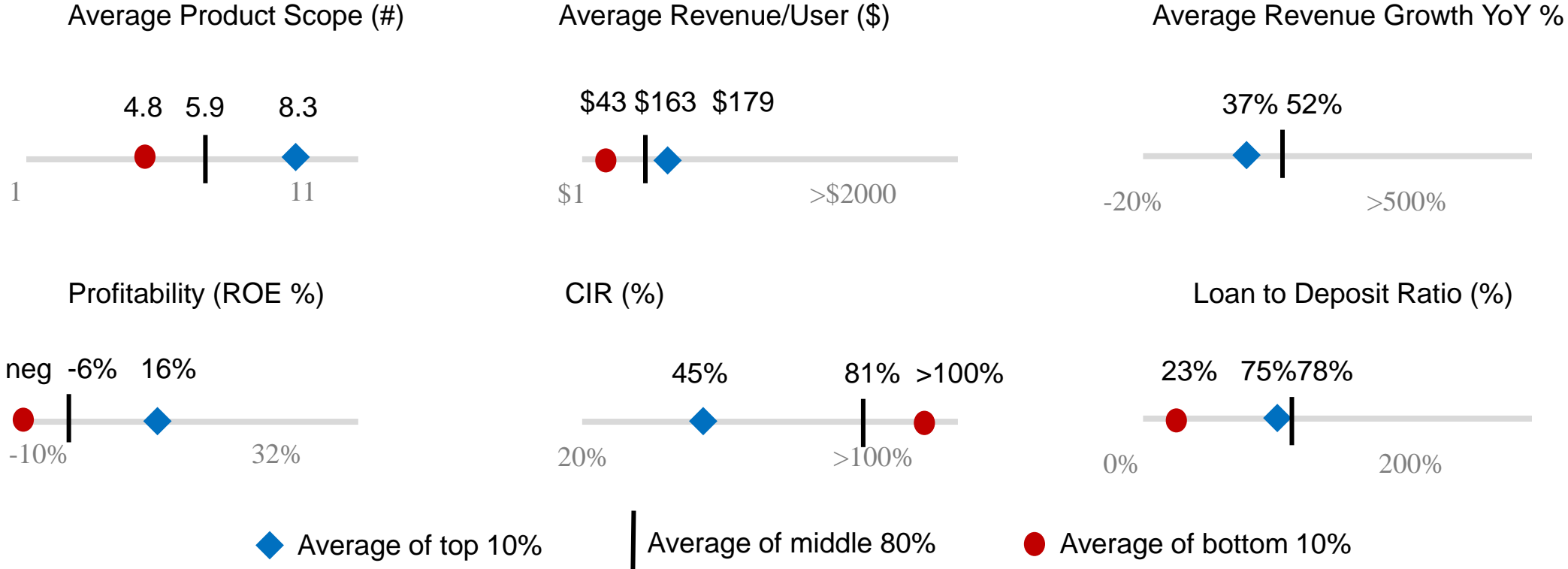
Top 5 digital-only banks in the world

					
Commercial Launch	2015	2009	1991	2017	2014
Registered customers (2022)	Over 362 million individuals and 3.4 million SMEs	11 million	38 million	21 million	71 million
Assets (2022)	\$69 billion	\$182 billion	\$724 billion (e)	\$31 billion	\$30 billion
Revenue (2022)	\$5.3 billion	\$9.8 billion	\$12.8 billion	\$0.7 billion	\$3.2 billion
LDR (2022)	94%	87%	80%	84%	25%
ROE (2022)	32%	26%	20%	6%	Negative
CIR (2022)	31%	46%	62%	43%	66%
Strategy	<ul style="list-style-type: none"> • Wide range of credit products. • Credit profiling to drive inclusive finance. • Access to over a billion active users of Tencent's social network WeChat and their data • Focus on AI, blockchain, cloud computing, and data analytics. • Distributed architecture and cloud system for higher efficiency. • RPA, AI models for efficiency and speed 	<ul style="list-style-type: none"> • Prudent expansion of products, organically and by acquisitions. • Boost cross-selling and deeper customer relationships. • Strong focus on millennials. • High-quality funding. Lower costs as a digital franchise allowed higher deposit rates and growth in retail deposit. 	<ul style="list-style-type: none"> • 'Accelerating Think Forward (ATF)' programme, focusing on customer experience, growth, and cost savings • Partner with fintechs • Tailor its services to local market conditions while maintaining a consistent global brand 	<ul style="list-style-type: none"> • Leverage shareholders (Kakao and others). • Focus on older urban customer • Multi product expansion. • Gamify user UI/UX. Advanced credit scoring on alternate data • Connected to Kakao via open API, heavily leveraging on customer data • Focused on design, built IT system inhouse enabling easier and faster changes. 	<ul style="list-style-type: none"> • Started by disrupting credit card market and expanded products on referrals (not marketing). • Rapidly grow customer base by innovative and user friendly digital services. • Full range of services and deeper relationships • Scale down costs • Growing deposit base has strengthened its funding base

Source: TABInsights

The performance gap is most visible among the top 10% compared to the rest in terms of product scope, profitability, and cost-to-income ratio (CIR)

Average performance gap between top 10% - mid 80% and bottom 10% (2022)

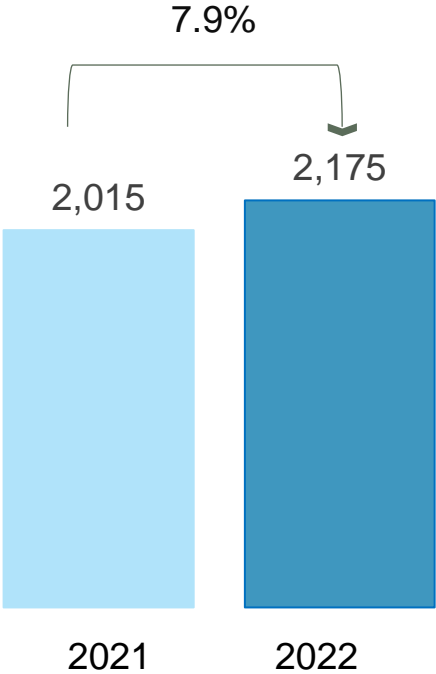


Source: TABInsights

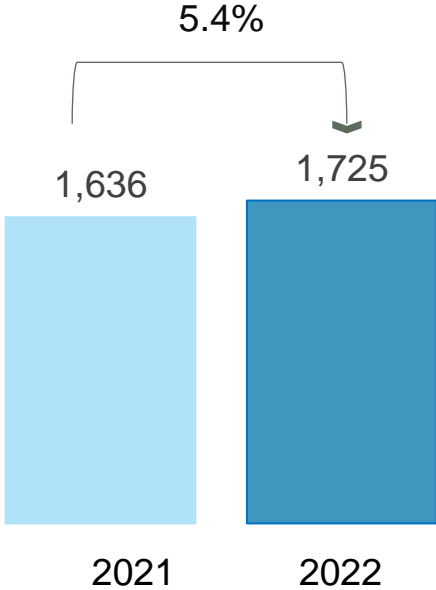
Customer deposits for digital banks grew faster than loans in 2022

Assets, deposits and loans of top 100 digital banks (2021, 2022)

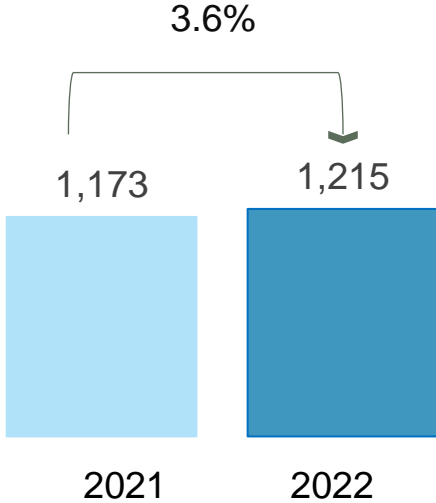
Total Assets (\$, billion)



Customer Deposits (\$, billion)



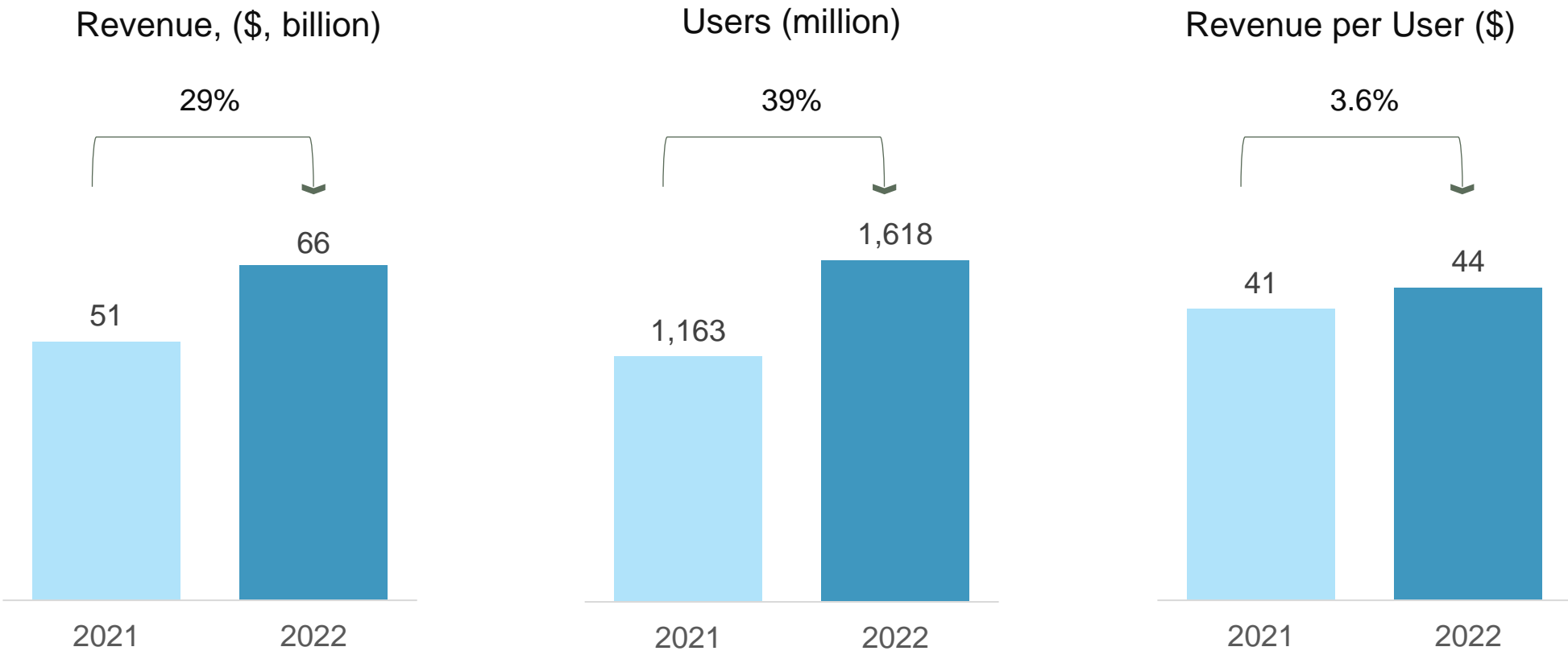
Loans (\$, billion)



Source: TABInsights

Digital banks witnessed substantial revenue growth of 29% YoY, but revenue per user only gradually rising

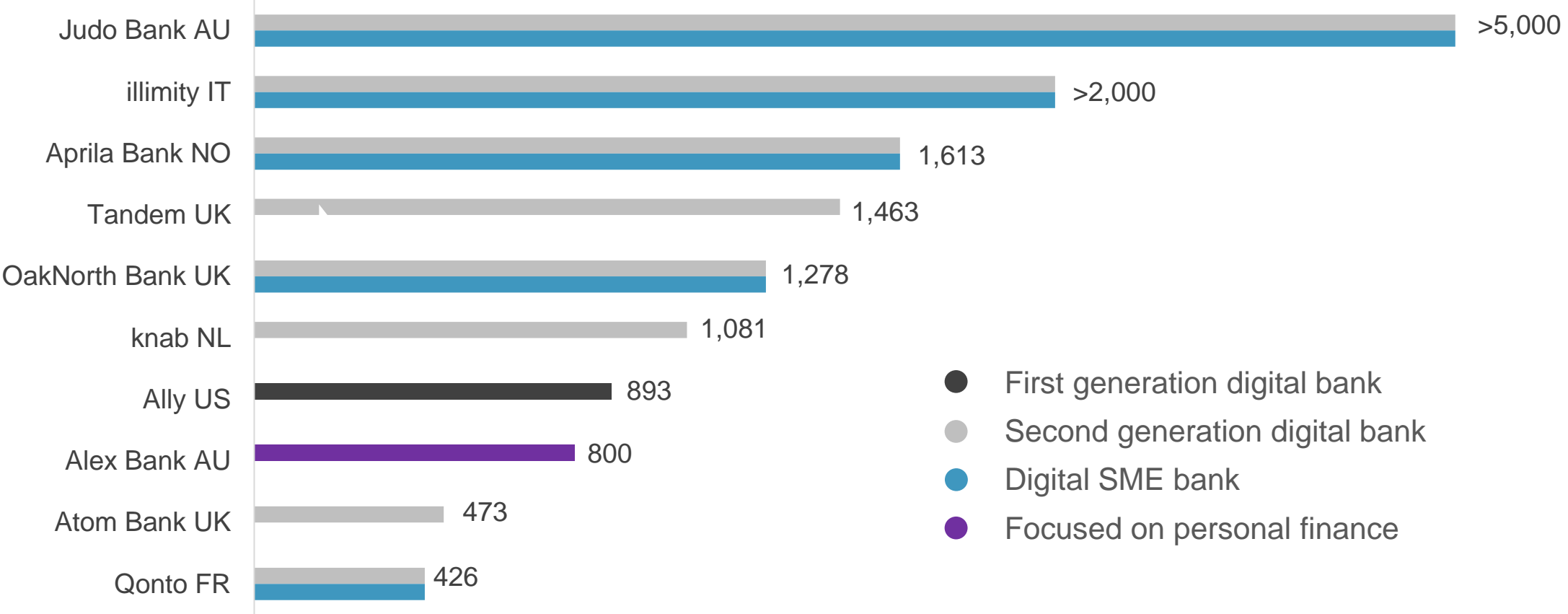
Revenue, users, and revenue per user of top 100 digital banks (2021, 2022)



Source: TABInsights

SME and first-generation digital banks with a strong focus on lending lead in revenue per customer

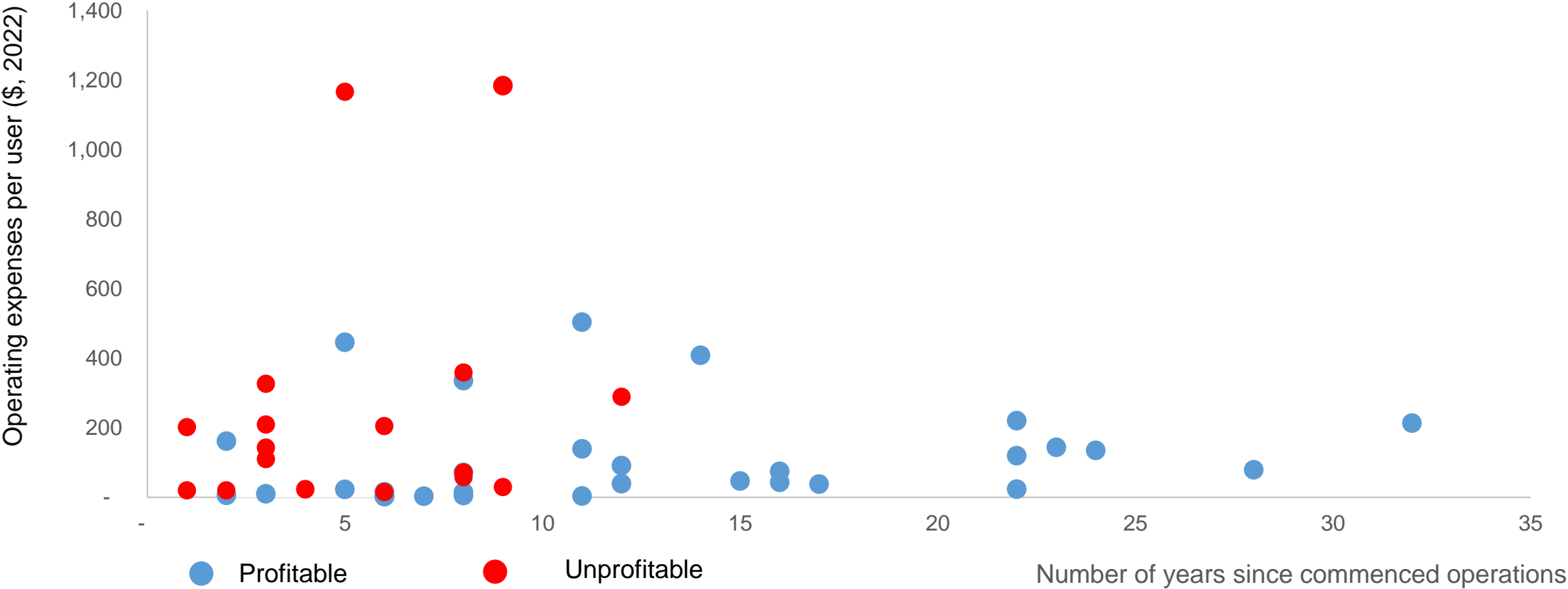
Annual gross revenue per registered user (US\$, 2022) for top revenue generating digital banks



Source: TABInsights

On average, it takes digital banks between 4-6 years to turn profitable

Annual operating expenses per registered user (\$, 2022) and years of service of digital-only banks

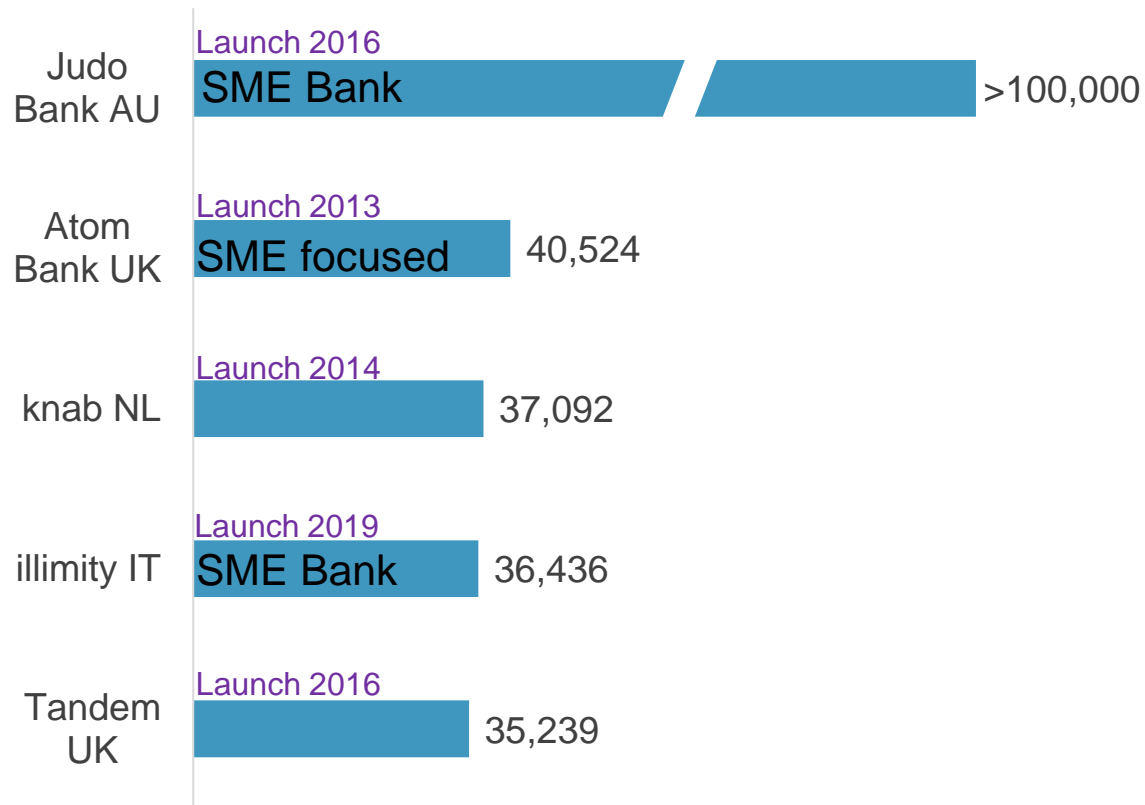


Source: TABInsights

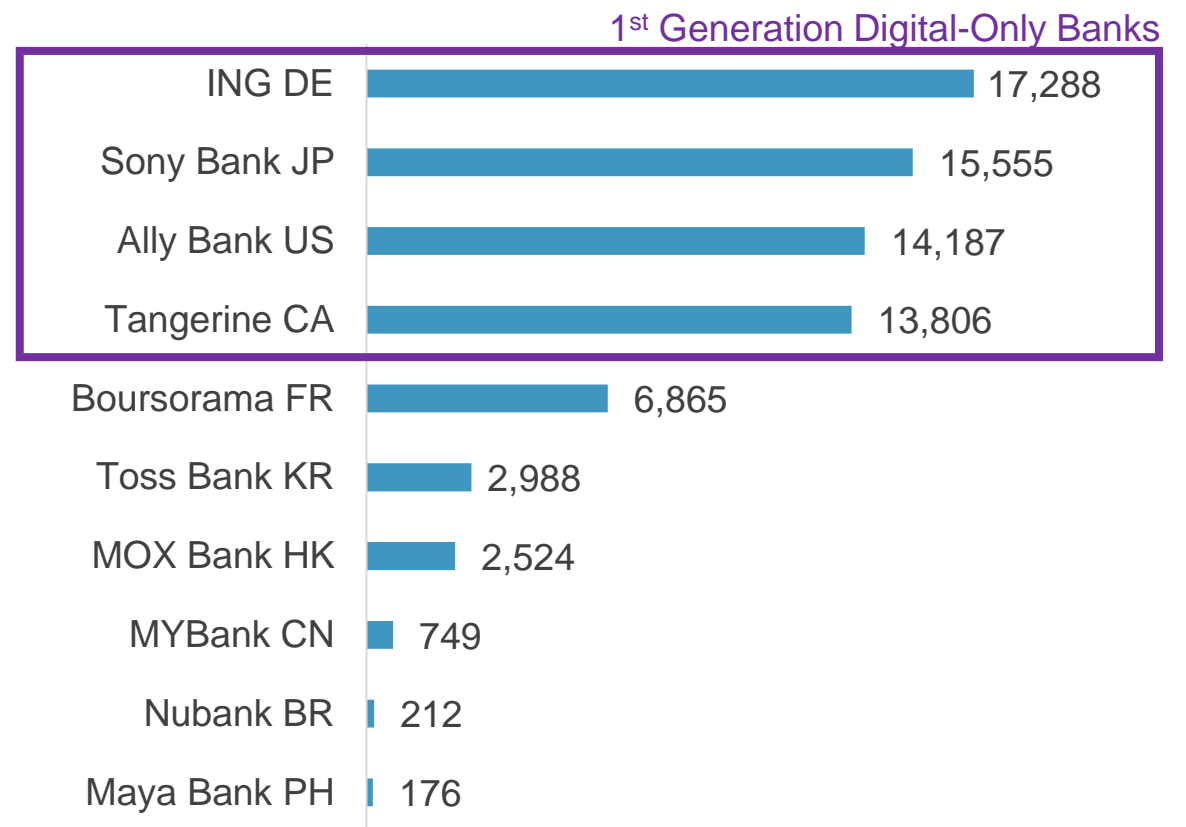
Compared to SME-focused digital banks, deposit size per user remains small for retail-focused ones

Top digital banks with the highest deposits per user worldwide and in select markets (\$, 2022)

Leading digital banks worldwide



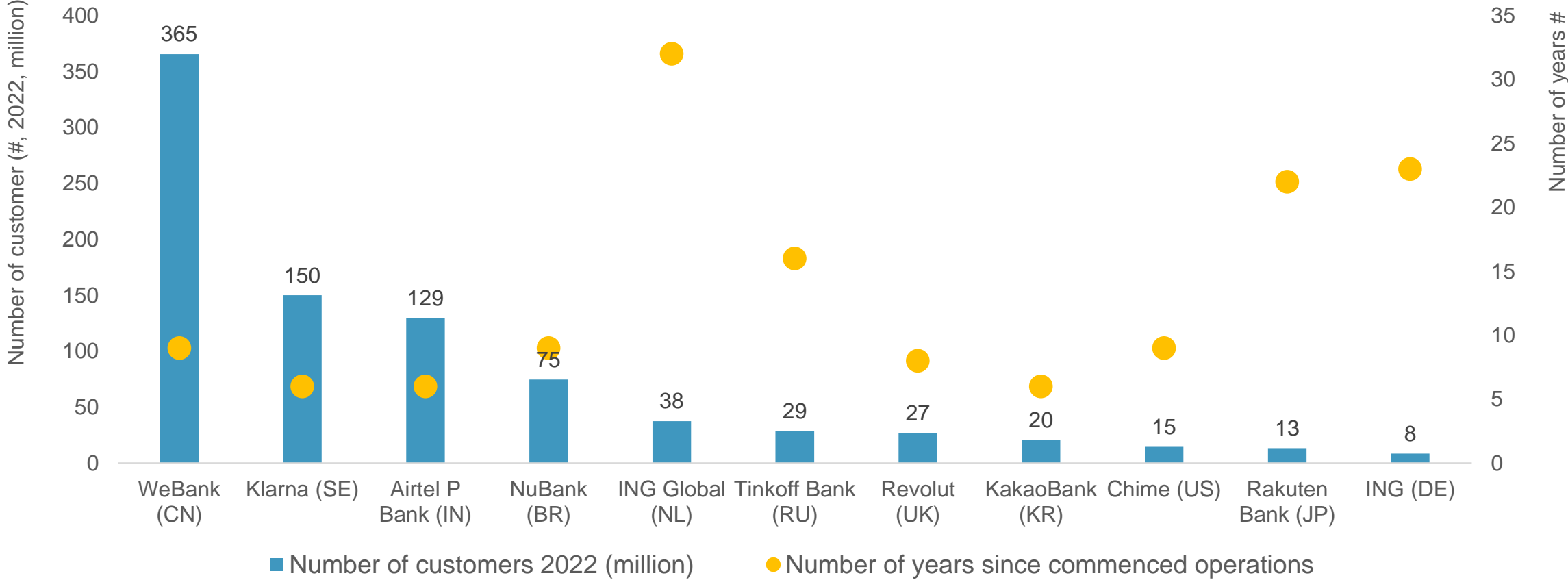
Leading digital banks in select markets



Source: TABInsights

Digital-only banks such as WeBank and Klarna have achieved rapid scale within a short period of time

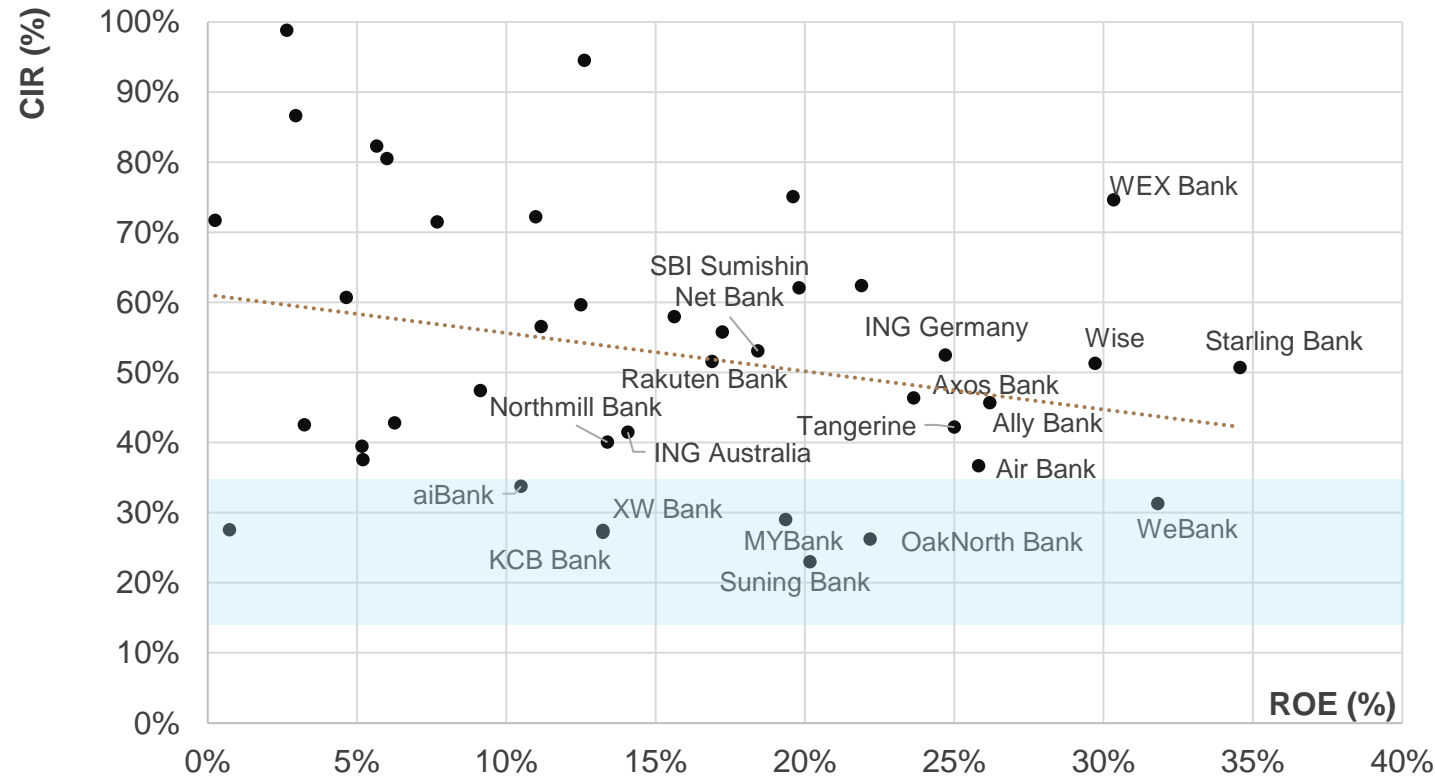
Top digital-only bank by user base and the number of years it took to reach this scale



Source: TABInsights

For the majority of digital banks cost to income ratios continue to be too high

CIR and ROE (% , 2022)



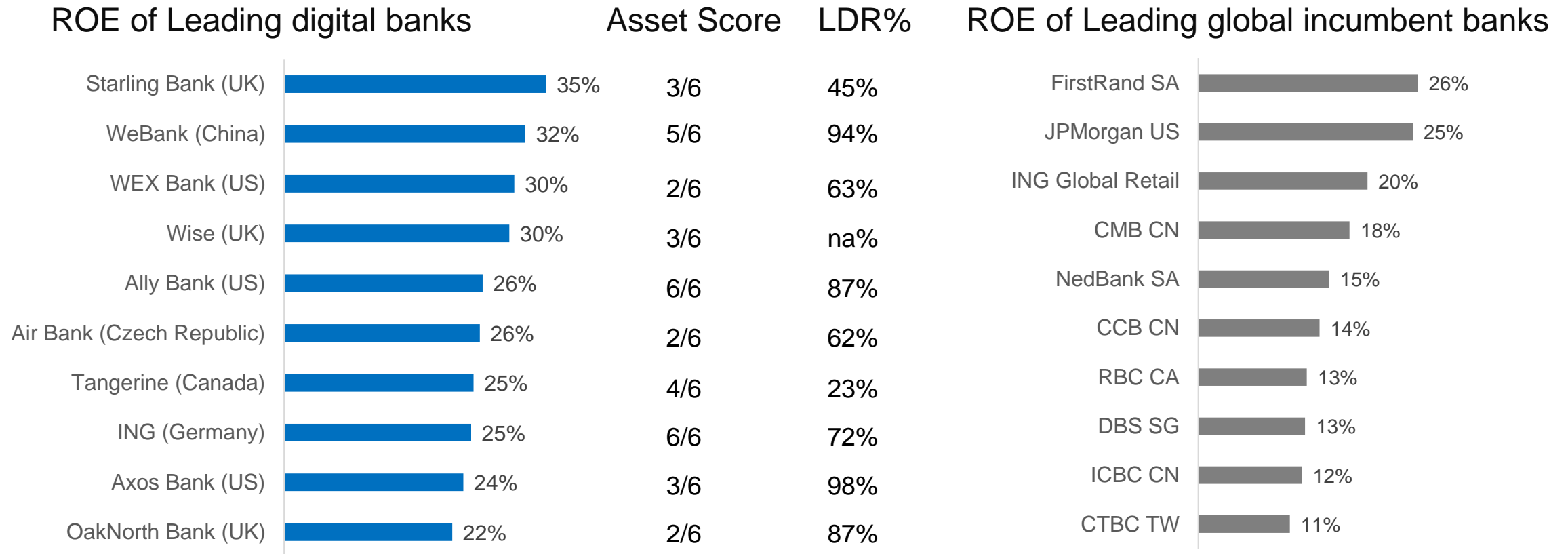
- Digital banks with a focus on personal finance and SME banking are among the most profitable ones.
- **Some digital banks achieved full year profitability in 2022** (e.g. Judo Bank Australia, Airtel Payments Bank India, Starling Bank and Revolut UK).
- A growing number of digital-only banks expect to brake even in 2024.
- **The average time to profitability**, took between two and three years for the best second-generation banks launched after 2014.
- **The average CIR** for first generation profitable digital banks in 2022 was relatively high at 58%. While second-generation digital banks are more efficient with an average CIR of 48%.

Notes: (1) ROE figures are based on operating profit before tax and after impairments, divided by average equity (2) Starling Bank, Wise, Rakuten Bank and SBI Sumishin Net Bank: FY2023 ending 31 March 2023.

Source: TABInsights

Leading profitable digital banks often hail from a single market, rank high on scale (balance sheet and users) and have a strong net interest income business

ROE, asset score and loan-to-deposits ratio of leading digital banks (FY2022)

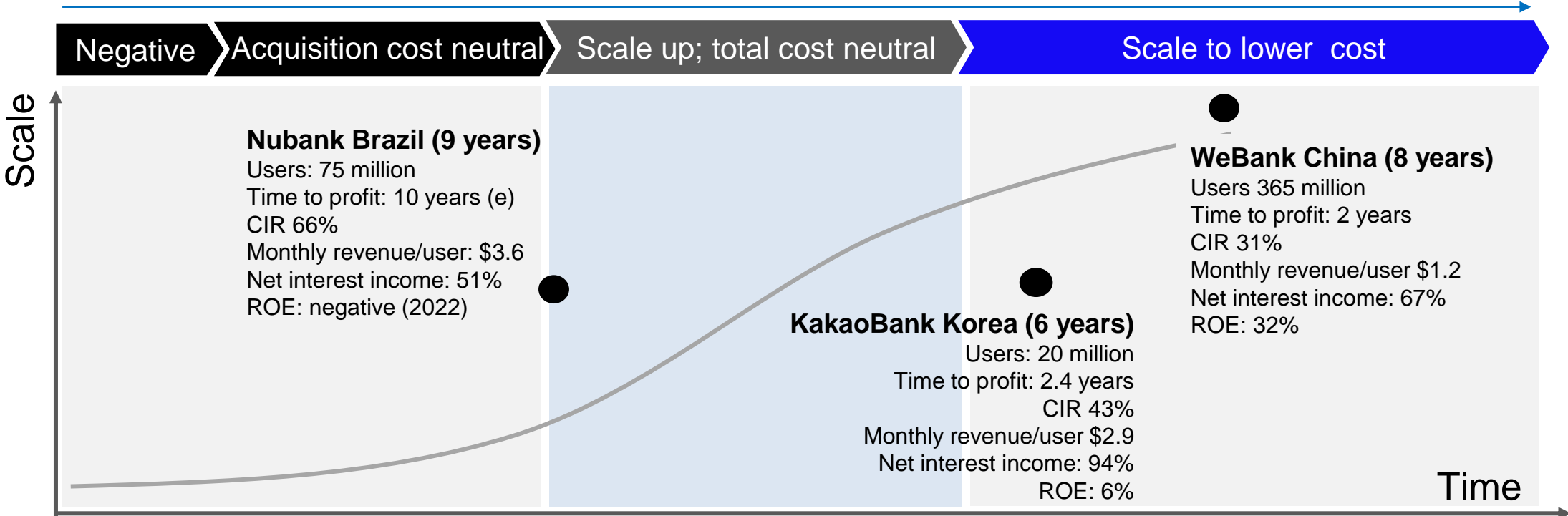


Notes: (1) ROE figures are based on operating profit before tax and after impairments, divided by average equity

(2) Starling Bank and Wise: FY2023 ending 31 March 2023.

The challenge for digital banks is to rapidly scale and monetise the user base, supported by low operating costs

Path to profitability



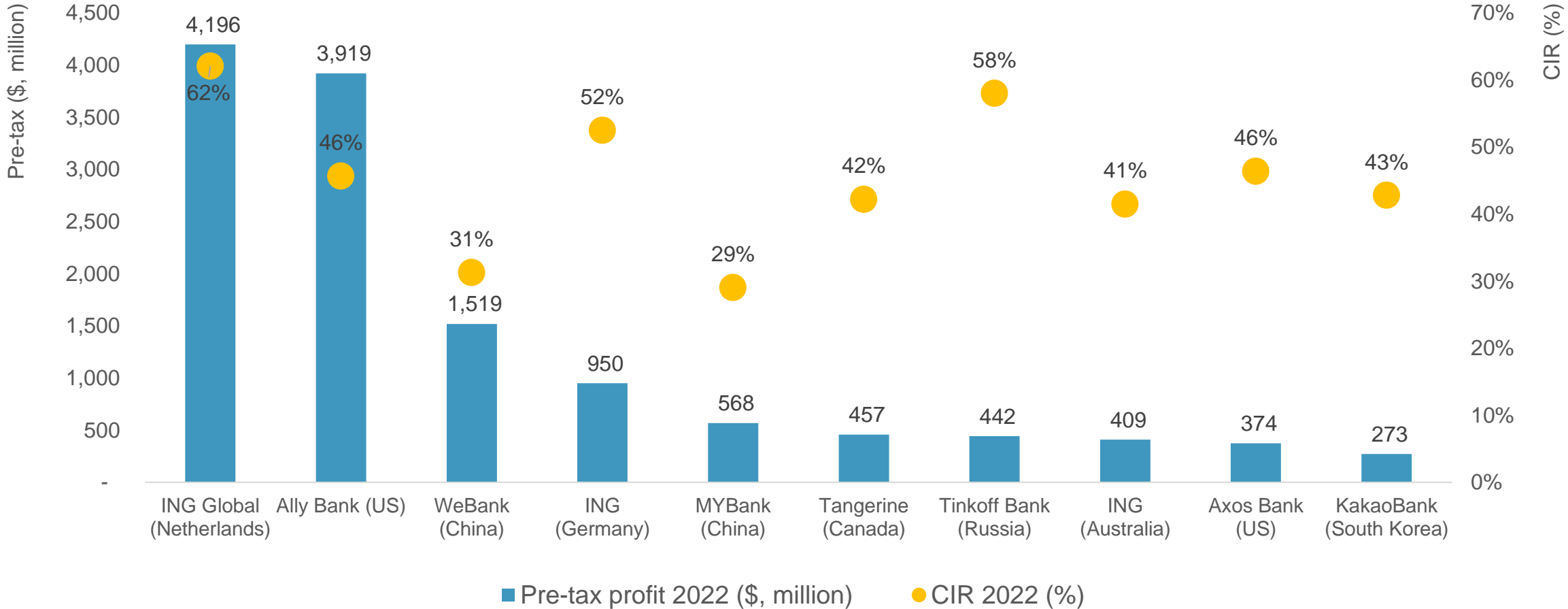
- Starting with underbanked segment/ and niche products with exceptional digital experience
- Active in less capital-intensive areas
- Build strong low-cost deposit funding base

- Expand and build scale with multi product platform and deeper cross sell capability
- Strong NII and credit growth
- Use partnerships, acquisition and open banking capabilities for deeper market penetration

Source: TABInsights

Leading digital banks have cost-to-income ratios approaching 30%

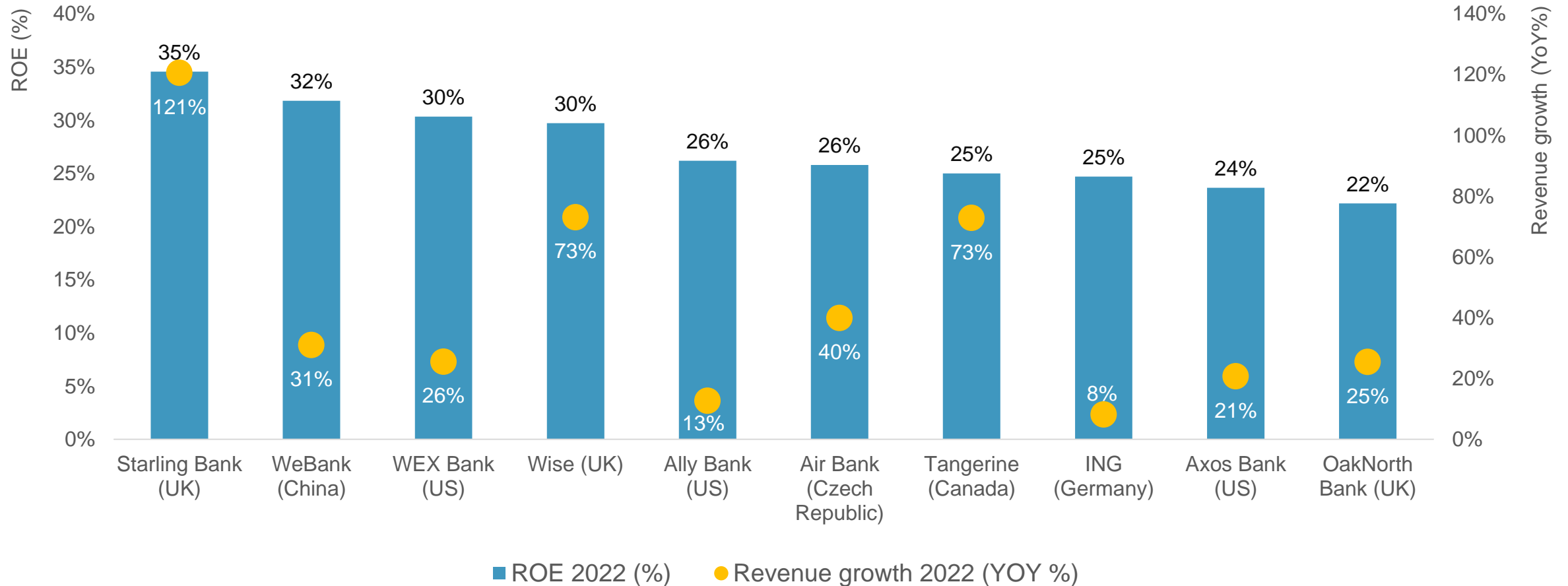
Top digital-only banks with the highest pre-tax profits (2022)



Source: TABInsights

Starling Bank and WeBank led in ROE in 2022

Top digital-only banks with the highest ROE (2022)



Notes: (1) ROE figures are based on operating profit before tax and after impairments, divided by average equity (2) Starling Bank and Wise: FY2023 ending 31 March 2023.

Source: TABInsights



“When I built Starling in 2014, it was because I thought banks were spending lots of technology dollars, but on the wrong things.”

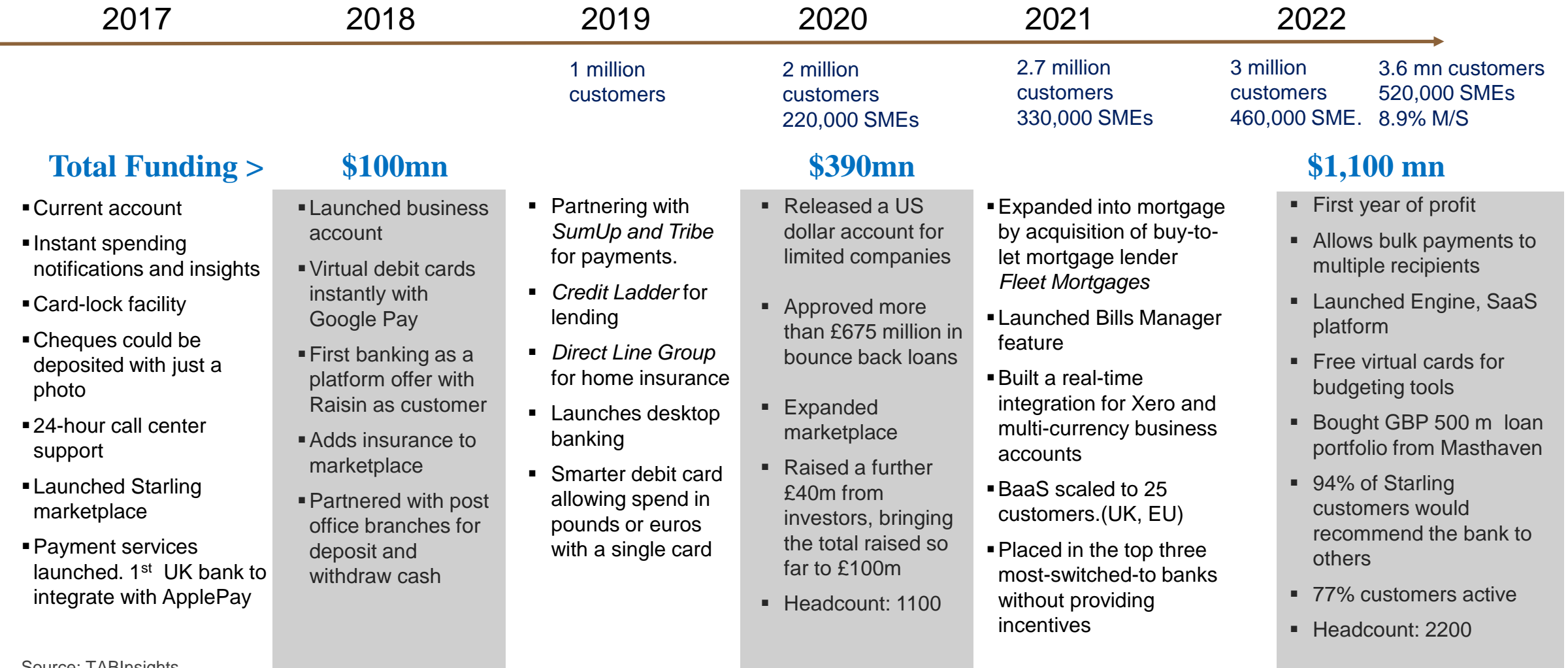
“There were hardly any women in tech and in the UK, just 1% of venture capital goes to all-female-founded teams.”

“Fintech start-ups are all young white guys with goatees – usually with rich parents, too.”

- Took her 3 years from 2014 to 2016 to set up the bank, secure funding and obtain a license
- Fall out with CTO Tom Blomfield who went on to create Monzo
- 1st VC funding by billionaire Harald McPike (Bahamas) after 2 years - GBP 48 mn by end 2015
- Built the bank with less bureaucracy and on its own core technology, API enabled tech stack

Product innovation, partnerships and acquisitions allowed scale

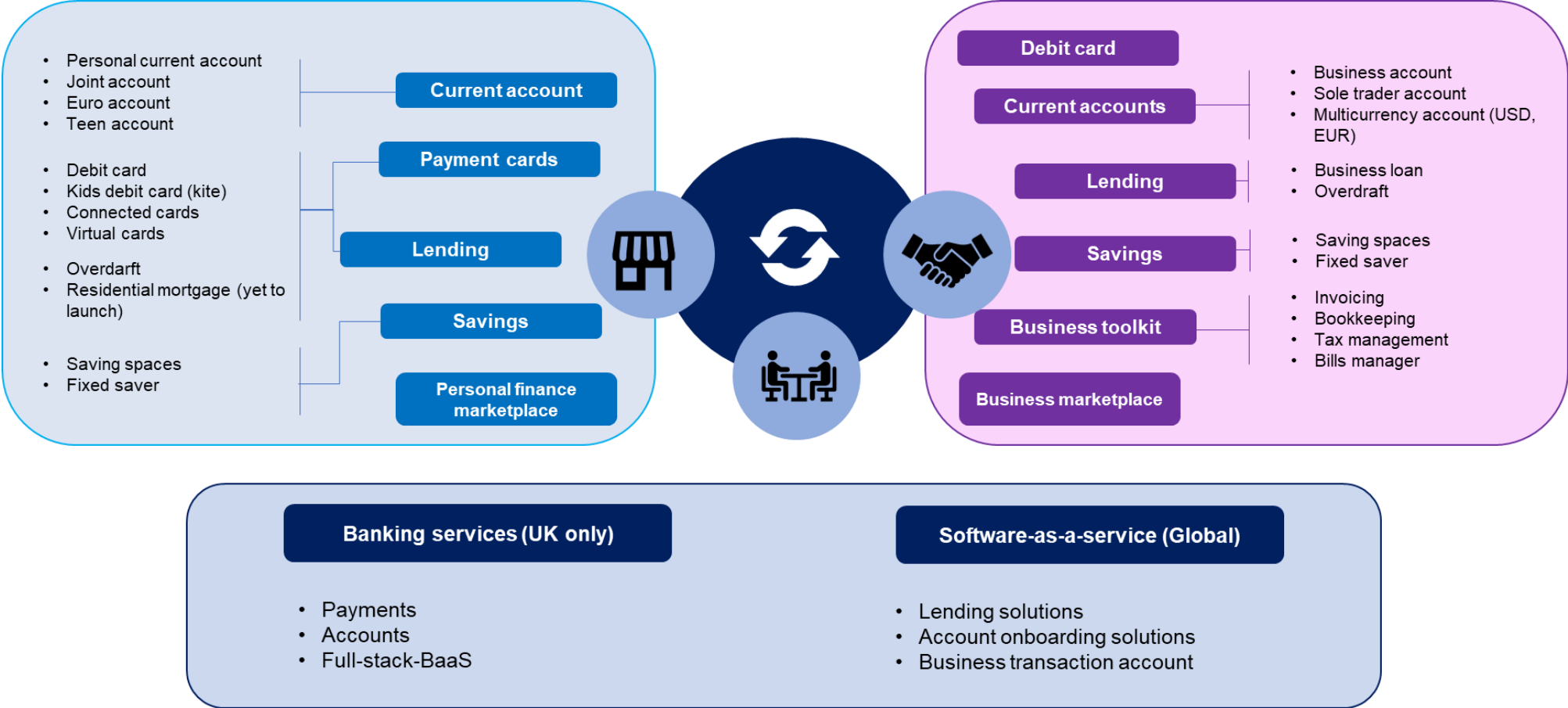
Timeline of initiatives and progress



Source: TABInsights

Starling built technology from scratch, enabled innovative features for current account and developed unique banking as a service proposition

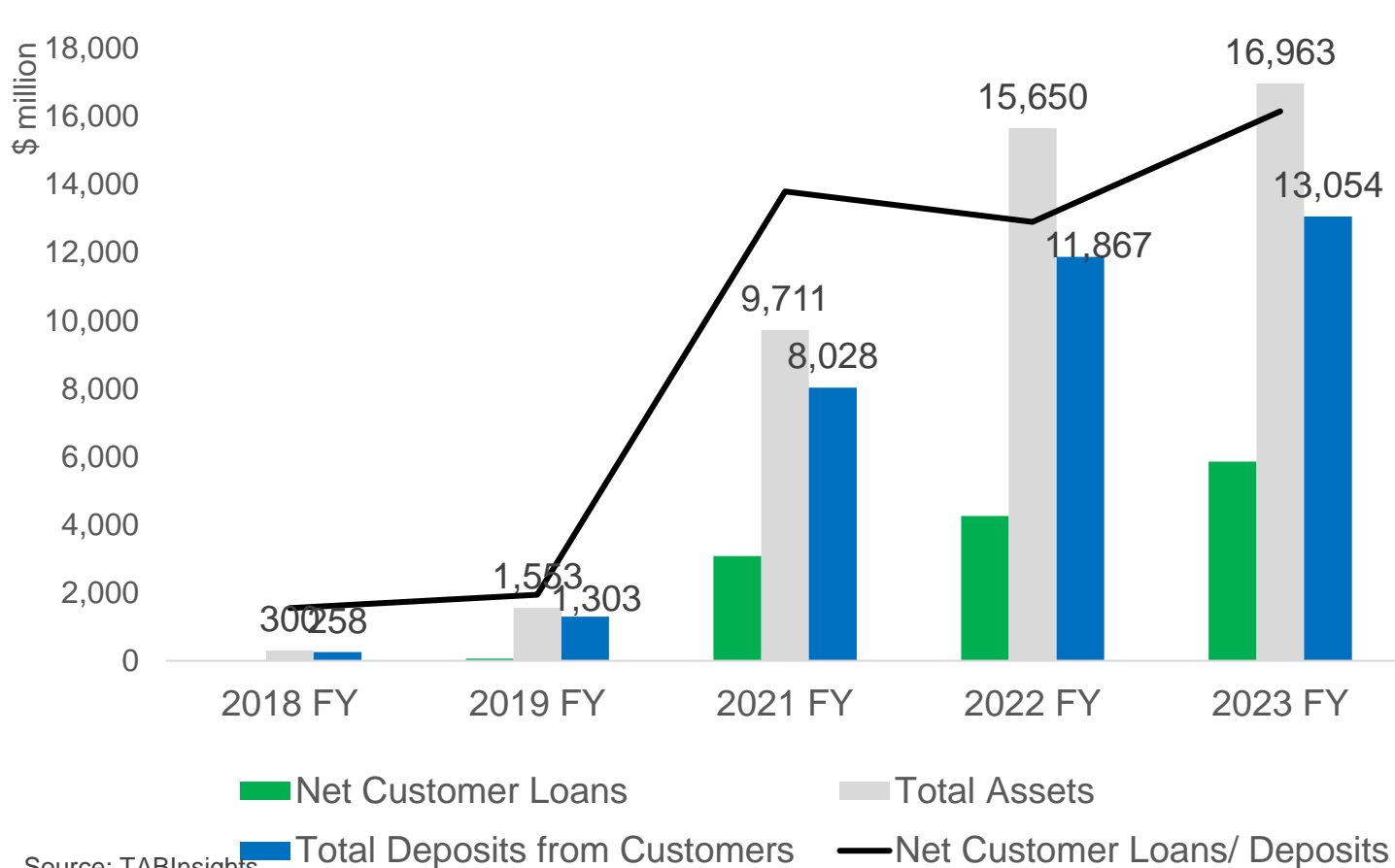
Product Suite



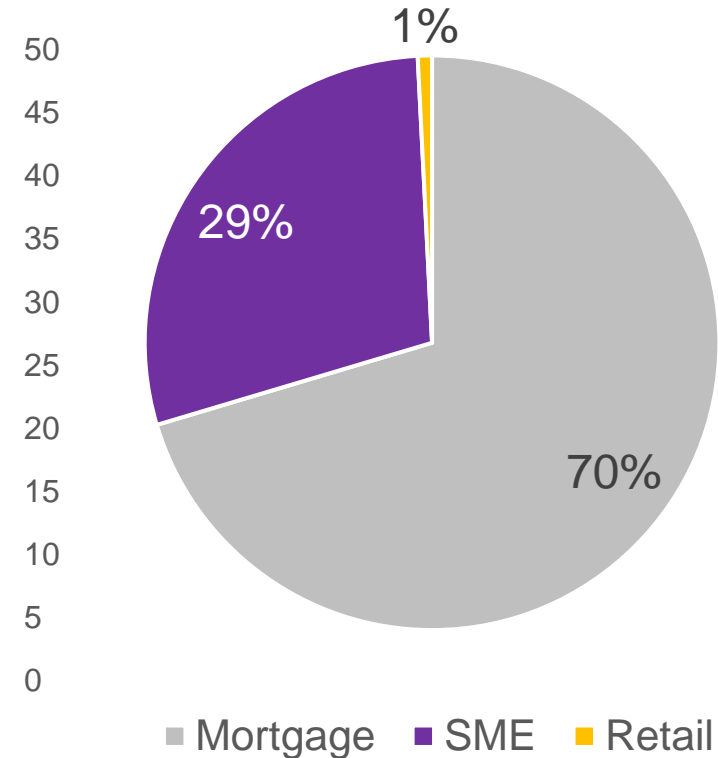
Source: TABInsights

There were questions around Starling's ability to convert deposit products into loan products; pandemic was a huge step forward

Asset and deposit growth FY 2018-2023



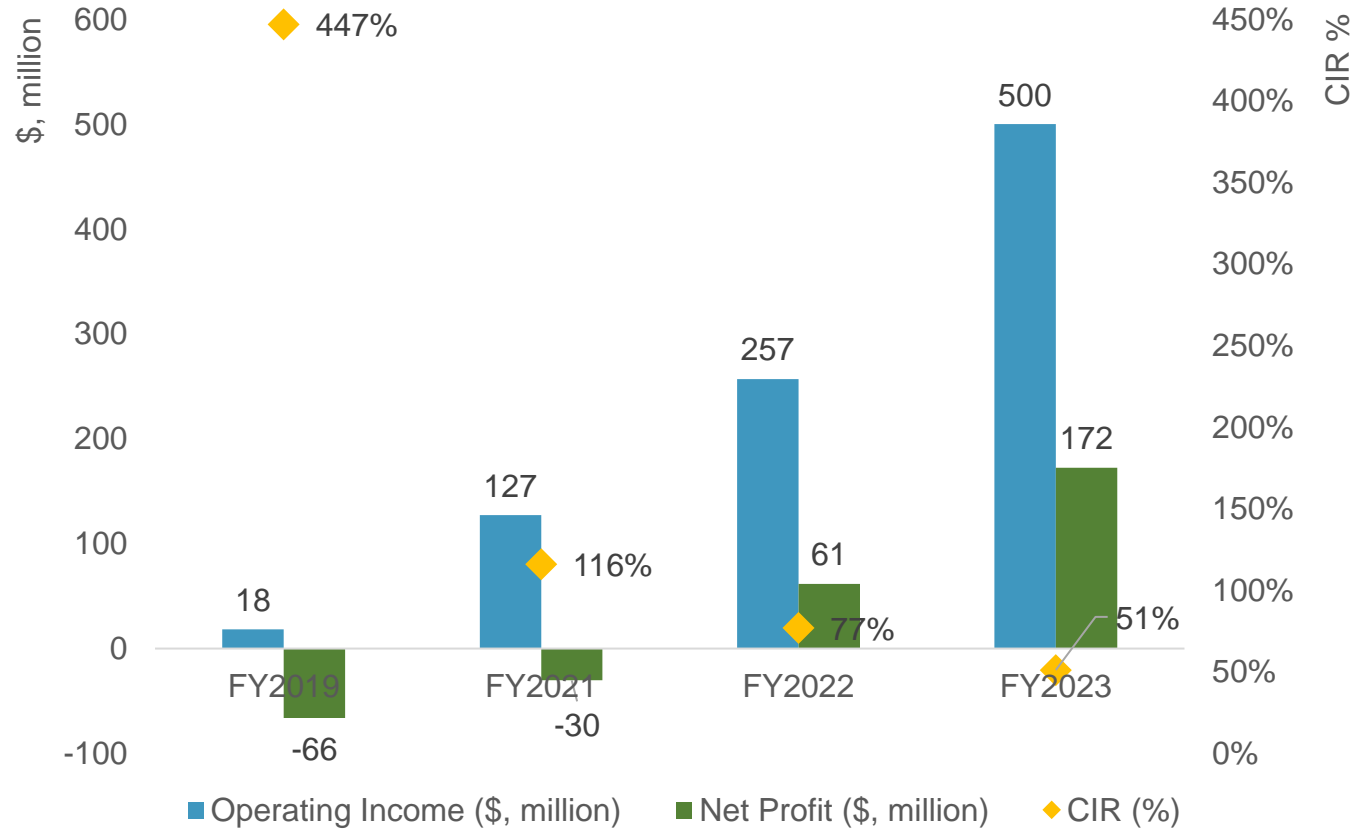
Loan Composition FY2023



Source: TABInsights

Starling Bank took five years from the commencement of operations to turn profitable and is witnessing strong margin growth since the pandemic

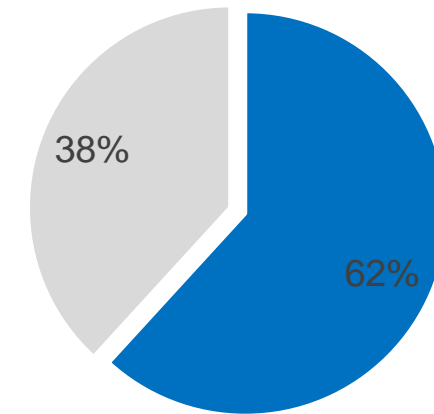
Income and profit growth FY 2018-2023



Note: Starling Bank's financial year ends on 31 March

Source: TABInsights

Operating Expense FY2023



■ Staff cost ■ Other Administrative expense

- NII stood at 84% of total income
- ROE 11%
- Average revenue per active customer up by 62% to \$245
- Reduced operational cost by 16%

Deposit disintermediation: retail deposit market share for incumbent banks safe for now but ...

Digital banks have not made any substantial inroads into retail deposit market share in most markets in Asia

Market share by digital banks in selected markets (2022)

Malaysia

Deposits at risk

0.1-3%^e

of retail deposits in next 5 years

China

Retail deposit share

~10%

of retail deposits (2022)

Hong Kong

Retail deposit share

0.3% (\$2.7bn)

of total retail deposits (2022)

US

Retail deposit share

10%

Online only banks accounted for 10% of domestic US dollar deposits (2019)

Singapore

Retail deposit share

<0.1%

of total retail deposits (2022)

Australia

Retail deposit share

<0.1%

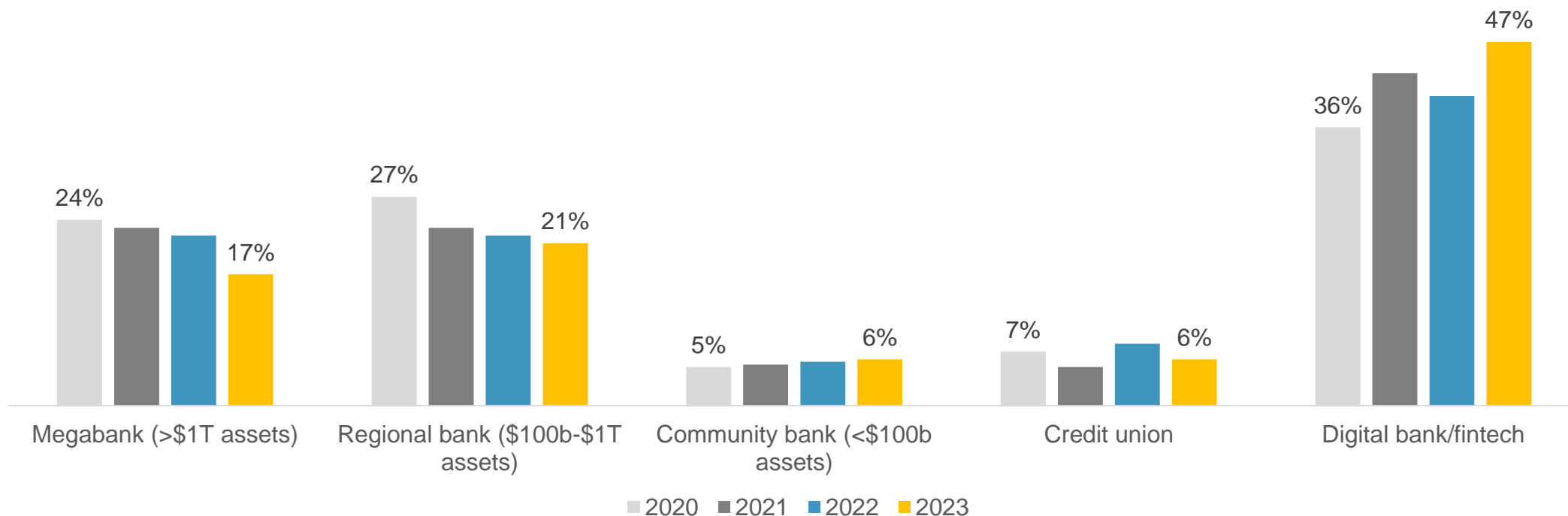
of household deposits (2022)

Source: TABInsights

... while not yet attaining significant deposit market share, digital banks outperform in wallet and customer share and niche areas

In the US, digital banks and fintechs made up nearly half (47%) of all new checking accounts opened so far in 2023, up from 36% in 2020

Percentage of new checking accounts opened (transactional accounts) by type of institution

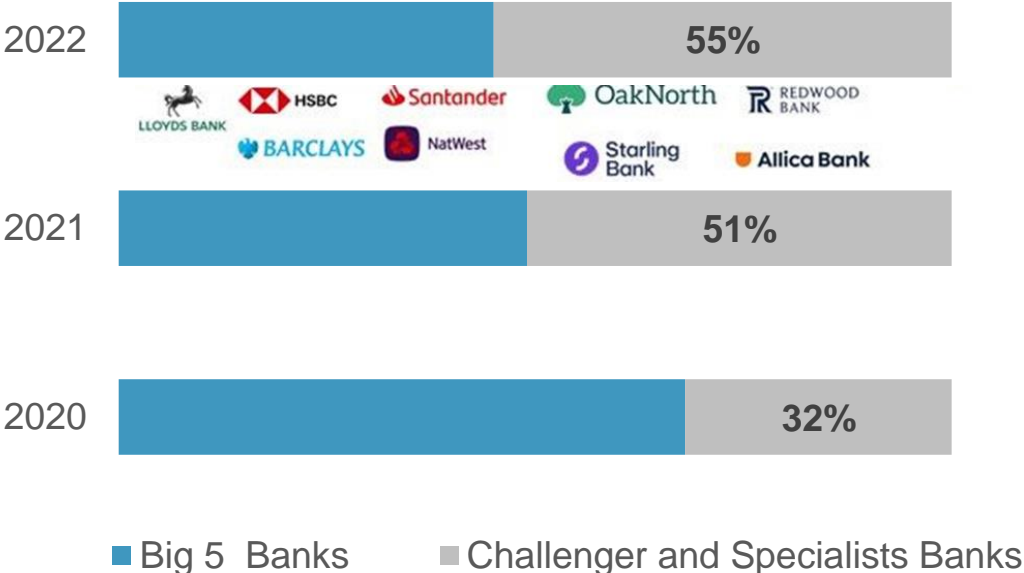


Source: TABInsights

In the UK in 2022, challenger and specialist banks captured 55% of the SME lending market (disbursements), their highest ever share and a significant increase from their 32% stake in 2020.

Share of total gross bank lending to SMEs (2020-2022)

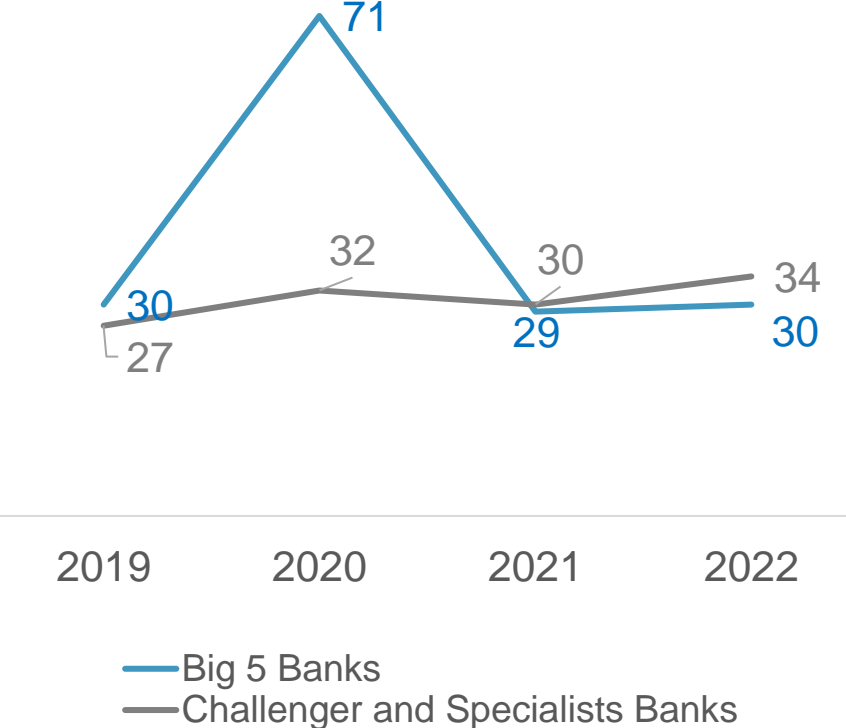
Disbursement 2020-2022



Note: Challenger Banks and Specialists mentioned here not exhaustive
Source: British Business Bank

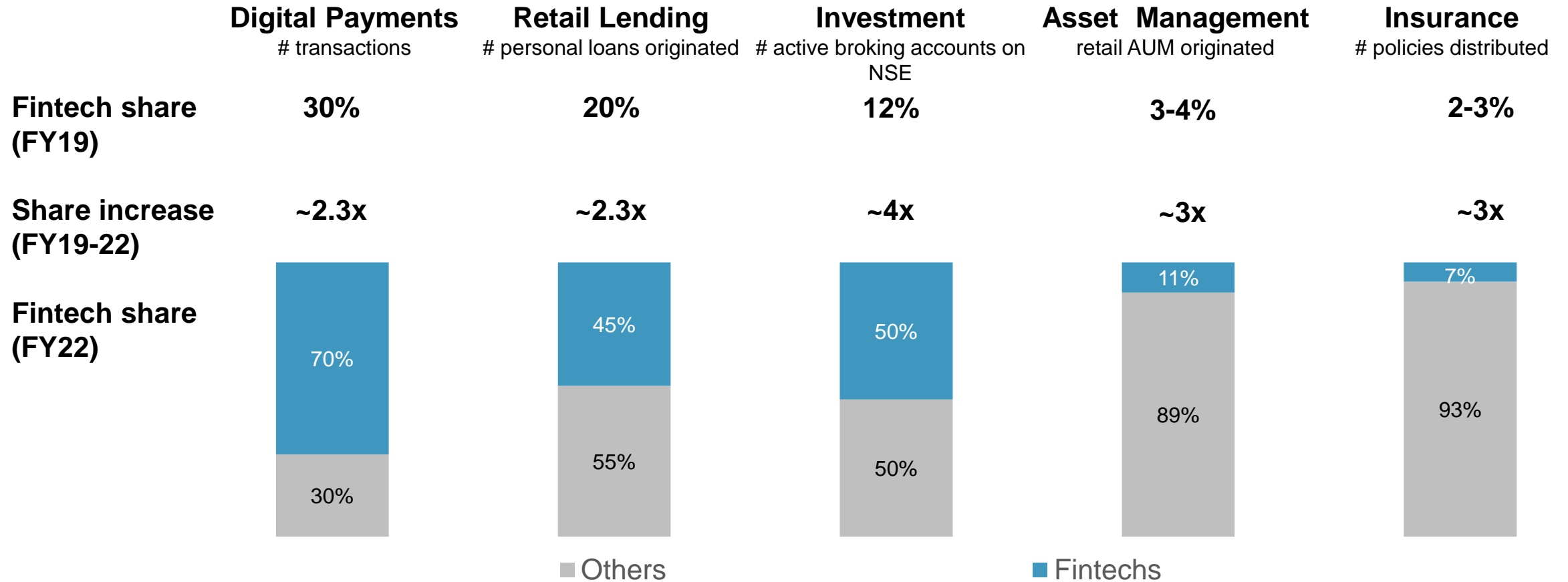
Gross Lending to SMEs

Disbursement 2019-2022 \$, billion



In India, dominance in payments, personal loans and brokerage accounts are shifting to fintechs

Fintech share in financial services compared to other FIs and bank (FY2022, March 2022)

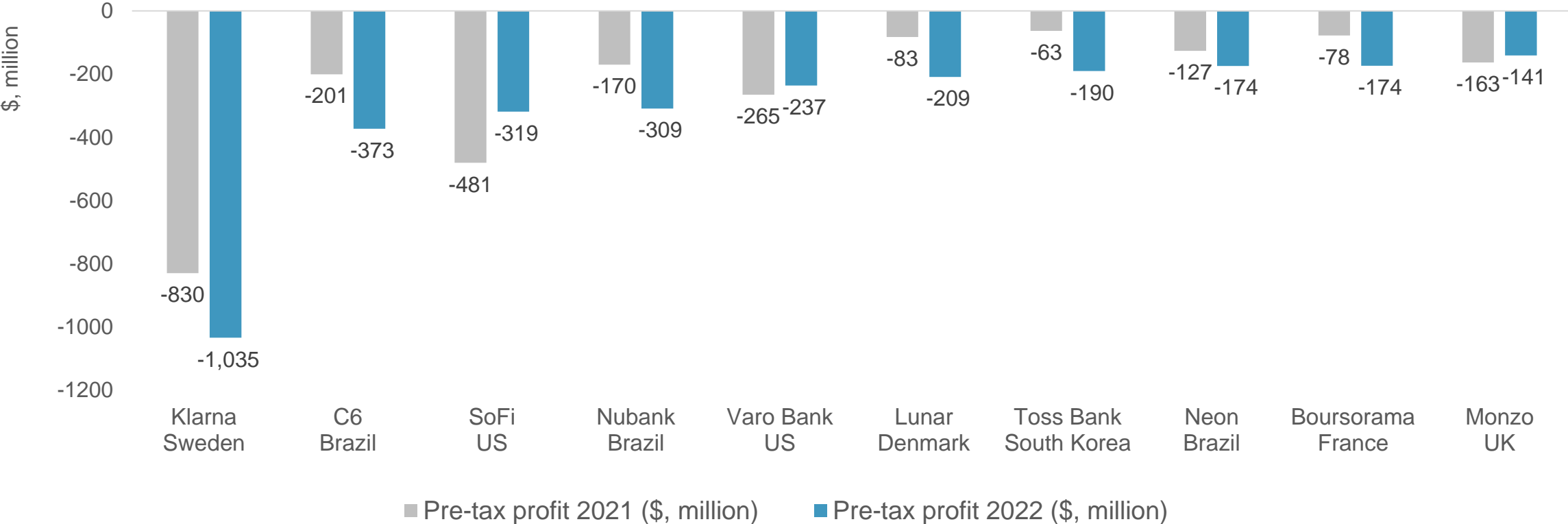


Source: TABInsights

What are the least profitable digital-only banks in FY2022?

Klarna incurred the highest losses among digital banks worldwide in 2022, amounting to \$1 billion, driven by rising operating expenses and credit losses resulting from its rapid global expansion.

Digital-only banks with the highest pre-tax losses (2022)

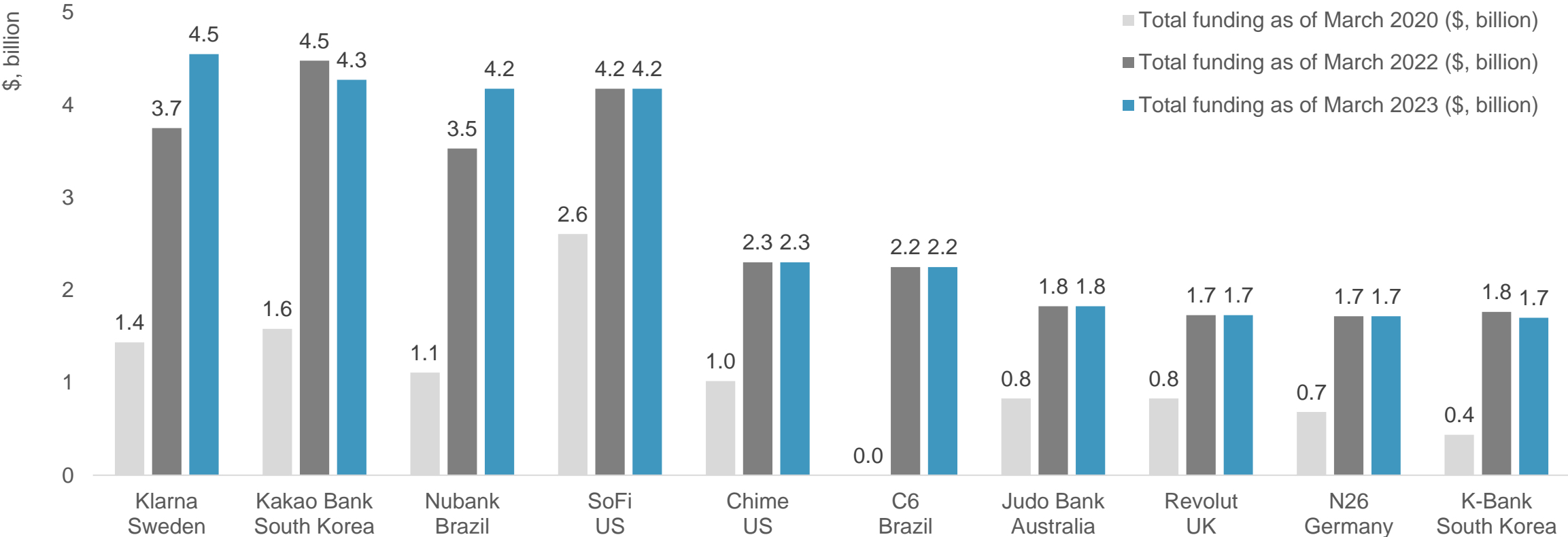


Source: TABInsights

Funding of digital-only banks

The top 10 most funded digital-only banks were able to raise over \$18 billion since the outbreak of the pandemic

Top 10 digital-only banks in aggregated funding (\$ billion, as of March 2023)



Source: TABInsights

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Thank you Global Top 100 Digital-Only Banks Report 2023

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