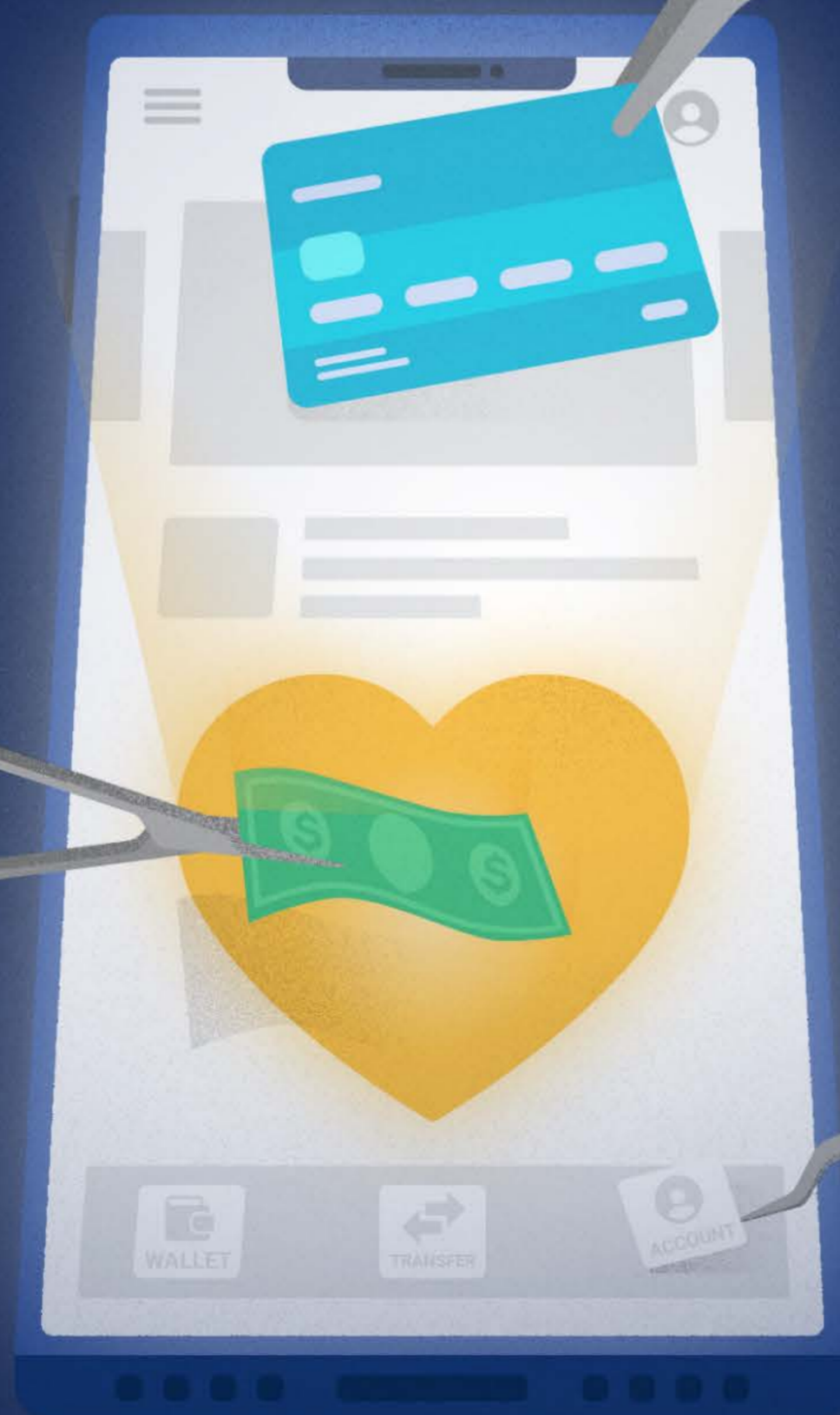


Challenger
Insider...

Global Digital Banking Investment Report

Q1 2021



HELLO WORLD



We have spent a year in the shadow of a global pandemic. A time where the landscape of humanity has been tremendously affected. Globally, banking systems were confronted with serious challenges that they still face today. The trend of digital banking has drastically risen within the past years - and has now surged because of COVID-19. The branchless, contactless and frictionless experience offered by digital banks came to the foreground, and changed consumer habits in this sector. Additionally, regulators are beginning to show the necessary support and tolerance to banks and fintech initiatives during lockdown.

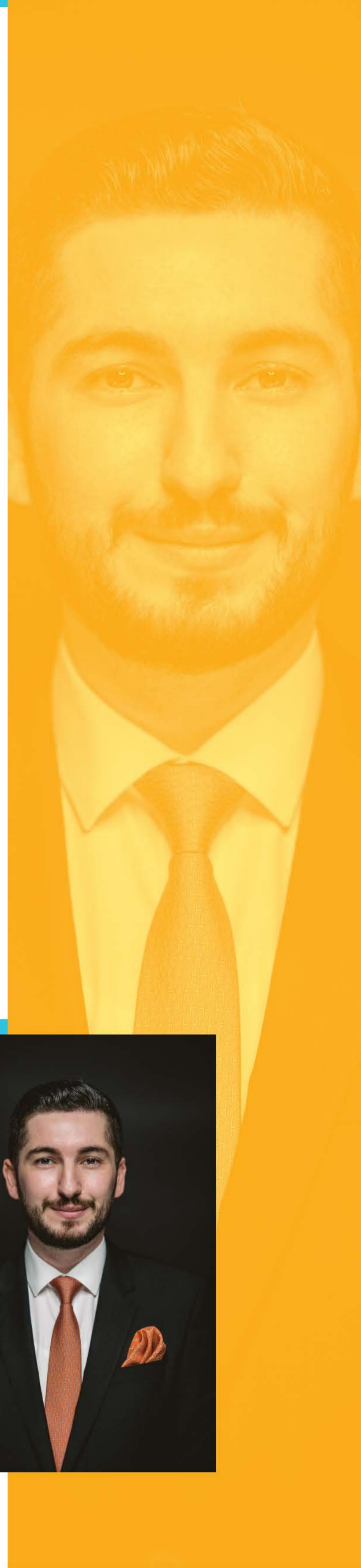
Challenger Insider is something I personally created and established this initiative with enthusiasm and energy over this past summer. What first started as a quarantine project for me has now become something much more. Our aim is to convey to our readers current events occurring around the world, especially within the field of digital banking. We share a global list of the digital banks in our database and follow the innovations that come along within this domain as well. This report will give you an overview of their structured efforts and endeavors. The Global Digital Banking Investment Report will be available every quarter for free, giving a snapshot of the previous quarter, and publishing an expert analysis along with expectations for the future of digital banking.

In the first quarter of 2021, the digital banking industry witnessed vital developments and survived serious operations. So to speak, many digital banks were taken into emergency reform this quarter. A few digital banks have been given money, as a new round of rescue investments have come. Among them, banks went under, and were not able to survive. Our report will examine the latest developments in digital banking in different geographies from a holistic perspective.

Every edition of our quarterly report includes:

- Distribution of investments by months and quarters with a statistical view.
- All digital bank investments, amounts and investors in the relevant quarter.
- Analysis of the trends in digital banking in a regional and global overview.
- In-depth analysis of quarterly investments in digital banking.

Enjoy reading.



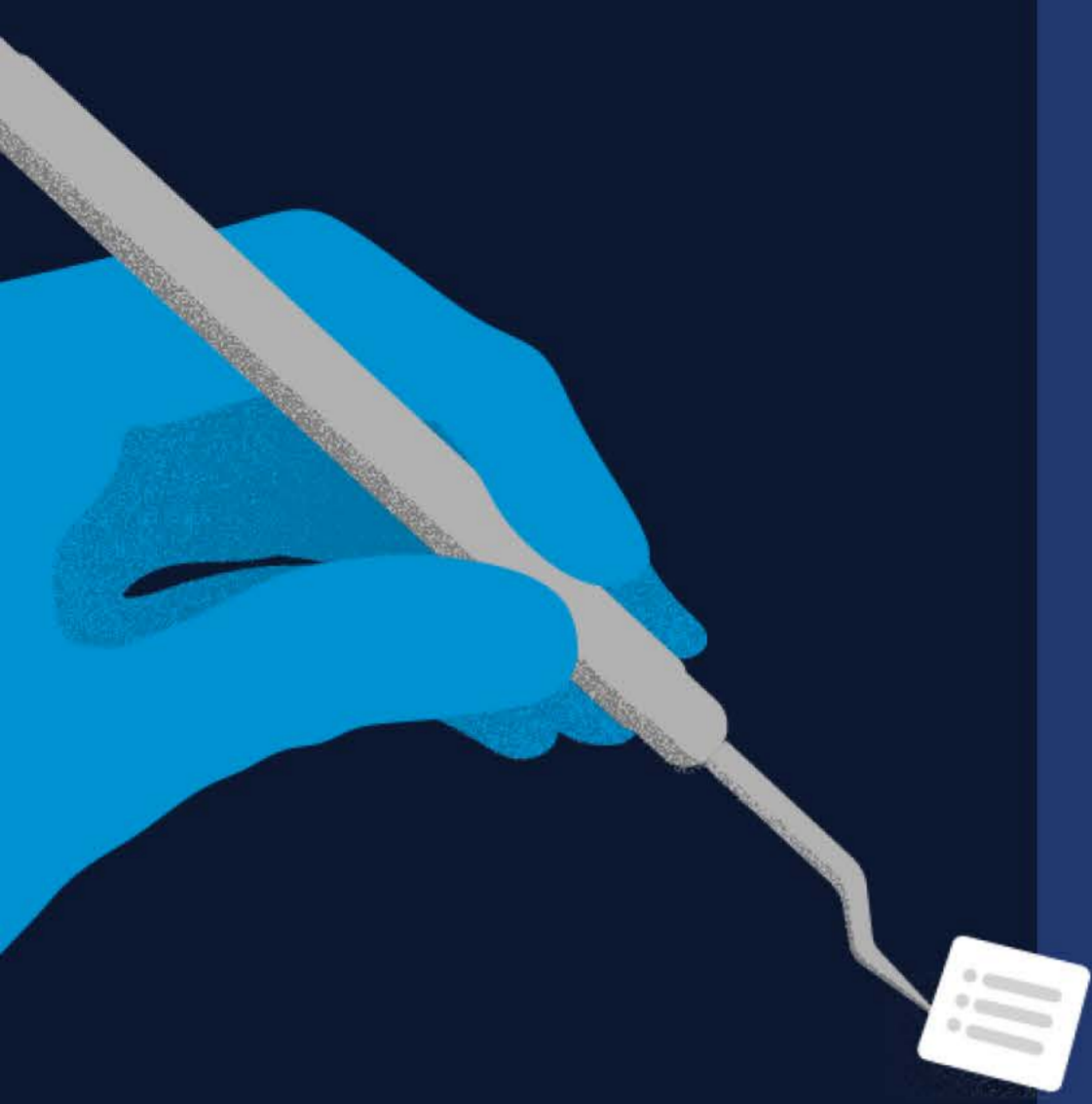


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TOTAL AMOUNT OF INVESTMENTS IN DIGITAL BANKS GLOBALLY WITHIN THE FIRST QUARTER OF 2021

EXCEEDED \$3.7 BILLION

The Global Digital Banking Investment Report focuses on trends in digital banking investments at both a national and regional levels. We hope that the report will serve as a guide for those interested in the banking world, digital banks looking to invest, and VCs who want to add digital banks to their portfolio. A total of **42 deals** were realized in the first quarter of 2021, and after these closed deals, an investment of **\$3.7 billion** was made in digital banks.

Q1 2021 Global Digital Banking Investments:



The most striking point in investments in digital banks in the first quarter of 2021 was that both the number of closed investments and the amount that increased each month compared to the previous month. We just closed March 2021 with a figure of more than \$2 billion and 19 investments in total. This situation may be a reflection of the rise in vaccination rates and the normalization steps taken regarding the pandemic.

The planning of negotiations for an investment of \$3.7 billion in digital banking in the first quarter of 2021 probably dates back to 2020. Digital banks have had

tough times in the pandemic, and the main reason for some investment tours was the pandemic. Some digital banks even risked decreasing their valuations in order to receive investments through this process. Investors did not stop, but hesitated due to the uncertainty. Because VCs are undoubtedly betting on the performances of digital banks after the pandemic. In our report, we have included fintech startups that operate as direct competitors of banks and SME-banking initiatives that do not have a digital banking license, but we consider them as digital banks because they are also in the game and rival traditional banks.

Q1 2021 DIGITAL BANKING DEALS BY GEOGRAPHY



NORTH AMERICA

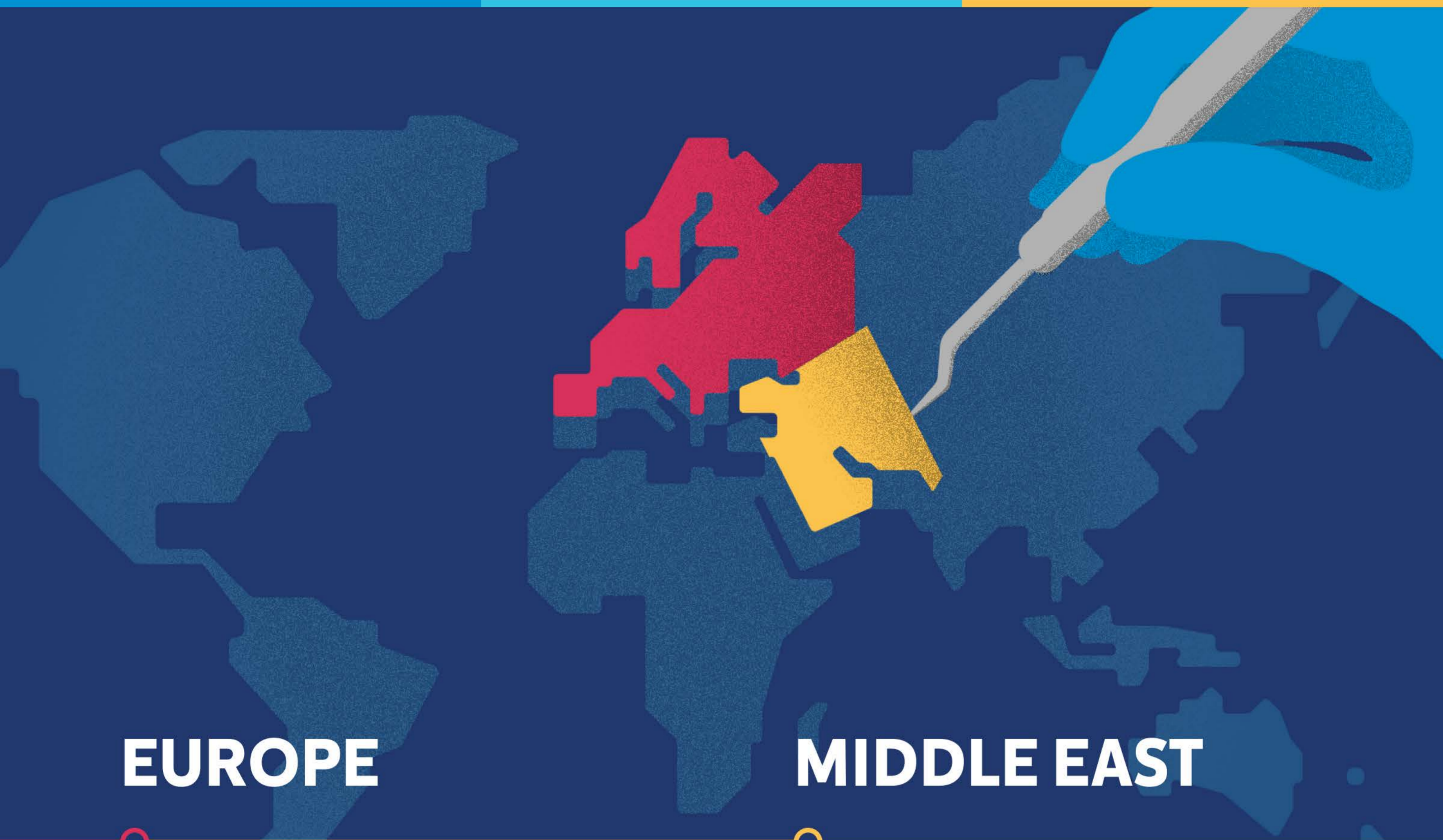
The US market, where competition is very high, has also been the market where digital bank investments took place, not in terms of amount but in units. Due to its structure, the USA has banks not only on a national but also on a regional scale. In addition to that, the most striking issue in digital banks is the initiatives that appear in different verticals. For example, digital banks are emerging only for women, freelancers, African origin or for immigrants. We are sure that the exit strategies of these banks are shorter-term, as we will likely see mergers and consolidations as digital banks reach saturation point in the number of customers in this area.

The most important news in the North American market came from digital banks crossing the ocean from the UK. **Revolut** took the surprising decision to leave Canada, applied for a banking license in the US, and began working to serve businesses in all 50 states. **Monzo** collaborated with FDIC member Ohio-based **Sutton Bank** and announced that it will open to the US market. Meanwhile, **Revolut's** exit from Canada is good news for Toronto-based **KOHO**, which has invested \$ 56 million in Series C this quarter, but it is true that Canada is also a very competitive market.

LATIN AMERICA

The biggest investment in South America this quarter was **Nubank** with \$ 400 million in Series G tour. While **Nubank** increased its total investment amount to \$ 1.2 billion, the valuation of the Brazilian digital banking startup reached \$ 25 billion. **Nubank's** 2019 valuation was only \$ 10 billion. **Nubank** currently has more than 34 million users.

We almost watched a Mexican wave in another country of the region, Mexico. Different initiatives have started to accumulate investments in Mexico, though not in huge amounts. In terms of regulation, there are more than 15 challenger banks in Mexico, which has taken steps for fintechs in the recent past, and the competition is at a very high level.



EUROPE

Europe witnessed its biggest investment tour this quarter. The BNPL initiative Sweden-based **Klarna** received an investment of \$ 1 billion. The fintech initiative, which increased its value to \$ 31 billion, started to offer savings and current accounts services in Germany, just like in Sweden. In short, on the way **Klarna** started as a BNPL initiative, it will follow its US rival **Affirm**. **Affirm** recently completed its IPO and started offering its debit card service this quarter. We expect **Klarna** to focus on banking operations and offer it to the public in the next period.

UK-based **Starling** raised its valuation to \$ 1.9 billion by taking the Series D investment. Switching to operational profitability, **Starling** plans to expand its credit volume within the UK and then expand to different countries in Europe. When we look at the European picture, it is useful to remind that the UK is the country that receives the most investment.

MIDDLE EAST

Although there are no investment news from the Middle East this quarter, we are closely following the developments in the region. Independent digital banks started to operate in the region. Apart from the banks that grow under the wings of the traditional banks we are used to, we have started to see new independent ventures. One of the first examples of this was the Dubai-based **YAP** from the United Arab Emirates, while the Tel Aviv-based **First Digital Bank** was launched in Israel.

The signs of softening in the relations in the countries of the region have also had a positive effect on the world of fintech and economy. Some digital banks operating in the GCC have started to target on the focus of profitability. There were banks that launched their paid premium services, like **ila Bank** from Bahrain and **Liv** from UAE.

Turkey's Ministry of Treasury and Finance also announced that they will complete their digital banking license studies this year. In the near future we might see digital independent banks in Turkey.

ASIA

The Asian market is leading the world in distributing digital banking licenses. Southeast Asia in particular was successful in this regard. **WeLab**, one of Hong Kong's virtual banks, also managed to become the venture that collected the highest amount of investment from Asia this quarter. It closed the \$ 75 million Series C investment round from Allianz X, Allianz's investment arm.

The Asian market brings a serious potential with its high population. There are many Asian countries that have not taken a step in this area yet, as there are countries in the world that have been very early and courageous in granting digital banking licenses. We estimate that many new generation banks will be established in the near future in Asia, where we do not see a huge step in this quarter in terms of number and amount. Meanwhile, in the near future, we can see the new round of investments taken by the new generation banks that entered the market early to penetrate the market.

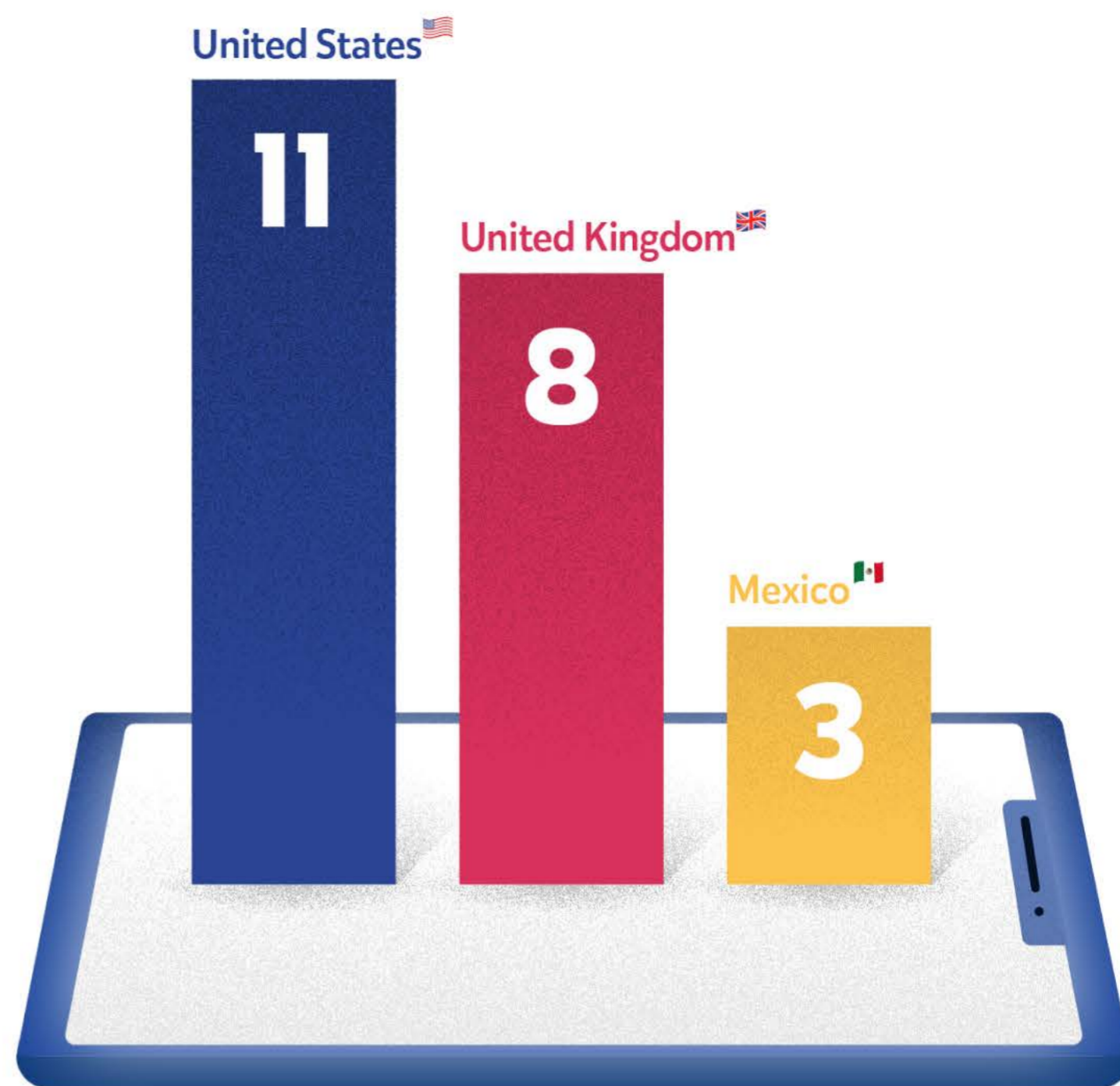
OCEANIA

The first quarter of 2021 has been very difficult for digital banks in Australia. There has been bad news from some digital banks lately. Just at the beginning of the year, the digital banking startup **Xinja** closed, while **86 400** were acquired by the **NAB (National Australia Bank)**. Still, there is hope for digital banks. **Pelikin**, which emerged as a travel card initiative, decided to pivot. **Volt Bank**, on the other hand, will position itself as BaaS (Banking-as-a-Service) by turning its direction to a completely different place.

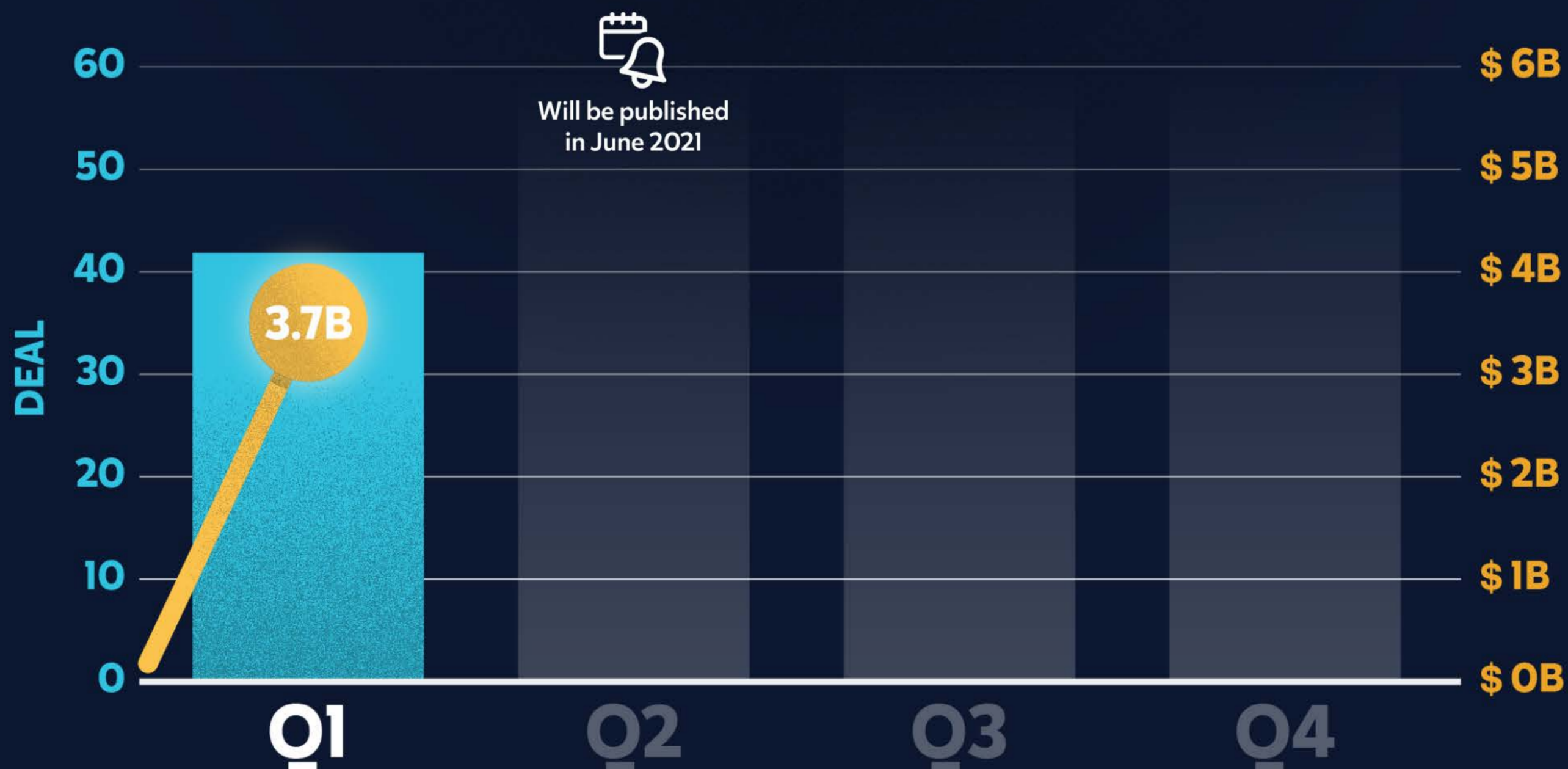
Regulation in Australia has begun issuing licenses to digital banks in recent years in order to improve competition with banks that dominate the market in good faith. However, lesson learned and regulation announced that it will be tighter after the developments. In short, it is expected that digital banks that will exit Australia as of this quarter will focus on longer-term sustainable approaches.

Q1 2021 TOP COUNTRIES FOR DIGITAL BANKING INVESTMENTS

- The highest number of investments in digital banks in the first quarter of 2021 were made in the USA, UK and Mexico, respectively. In the first quarter, 12 digital banks from the US, 8 digital banks from the UK and 3 banks from Mexico managed to receive a new round of investments. In terms of amount, and the most investment was realized in the UK with 655 million dollars.












2021 SNAPSHOT FOR DIGITAL BANKING INVESTMENTS

















MONTHLY ANALYSIS











JANUARY 2021

COMPANY	INVESTOR (MAIN INVESTOR / LED BY)	AMOUNT IN \$ USD	REGION	COUNTRY
 Oxygen	Runa Capital, S7V, 1984.vc, EFG Hermes, Rucker Park, and Inventures	17 M	North America	USA
 GCash	Bow Wave Capital Management	175 M	Asia	Philippines
 goalsetter	Astia, PNC Bank, Mastercard, US Bank, Northwestern Mutual Future Ventures, Elevate Capital, Portfolia Rising America, Pipeline Angels	3.9 M	North America	USA
	non-disclosed	1.2 M	Middle East	KSA
 milo [®] Unlock what's possible.	QED Investors, MetaProp, IOX Capital	6 M	North America	USA
 Divvy	Hanaco, Schonfeld, PayPal Ventures, Whale Rock	165 M	North America	USA
	Spark Capital, Jared Leto, Aaron Levie, Jeremy Stoppelman, Max Levchin, Y Combinator	12 M	North America	USA
 Grab	Hanwha Asset Management Co. Ltd, GGV Capital, K3 Ventures, Flourish Ventures	300 M	Asia	Singapore
 Albert	General Atlantic, CapitalG, Portag3, QED	100 M	North America	USA










FEBRUARY 2021

COMPANY	INVESTOR (MAIN INVESTOR / LED BY)	AMOUNT IN \$USD	REGION	COUNTRY
 cashplus	Trident Capital	70 M	Europe	UK
 Varo	Russell Westbrook (NBA player)	63 M	North America	USA
 northmill bank	M2 Asset Management	30 M	Europe	Sweden
 monzo	Octahedron Capital	68 M	Europe	UK
 TymeBank	Apis Partners, JG Summit Holdings	109 M	Africa	South Africa
 zolve	Accel, Lightspeed Venture Partners	15 M	Asia	India
 fair	non-disclosed	20 M	North America	USA
 ny bank	GIC, Whale Rock, Invesco, Tencent, Dragoneer, Ribbit Capital and Sequoia	400 M	LATAM	Brazil
 PENTA	finleap, HV Capital, RTP Global, Presight Capital, S7V, VR Ventures, ABN Amro Ventures	9 M	Europe	Germany
 MONUMENT	Eric Zinterhofer (Searchlight Capital), Rakesh Loonkar, Harry Handelsman	39.5 M	Europe	UK
 ZELF	3VC, Seed X, Hard Yaka, Yair Goldfinger, Chris Adelsbach	2 M	Europe	Latvia
 stori	Lightspeed Ventures Partners, Vision Plus Capital, BAI Capital, Source Code Capital	32.5 M	LATAM	Mexico
 Thrive	crowdfunding	3 M	Oceania	Australia
 Atom bank	from existing shareholders	55.7 M	Europe	UK

MARCH 2021

COMPANY	INVESTOR (MAIN INVESTOR / LED BY)	AMOUNT IN \$ USD	REGION	COUNTRY
 First Boulevard	Angels: Gabrielle Union, John Buttrick and Jamere Jackson.	5 M	North America	USA
 rewire	OurCrowd, Renegade Partners, Glilot Capital Partners, Jerry Yang	20 M	Middle East	Israel
 Klarna.	30+ new and existing investors	1 B	Europe	Sweden
 Jago	GIC	220 M	Asia	Indonesia
 Counting up	Framework Venture Partners, Gresham House Ventures, Sage	12.6 M	Europe	UK
 STARLING BANK	Fidelity Investments, Qatar Investment Authority, RPMI Railpen, Millennium Management	376 M	Europe	UK
 WeLab Bank	Allianz X	75 M	Asia	Hong Kong
 CLARA	General Catalyst	3.5 M	LATAM	Mexico
 BANCO FONDEADORA	Portag3, Gradient Ventures, Gokul Rajaram, Anatol von Hahn	14 M	LATAM	Mexico
 KOHO	TTV Capital, Drive Capital, Portag3 Ventures	56 M	North America	USA

MARCH 2021

COMPANY	INVESTOR (MAIN INVESTOR / LED BY)	AMOUNT IN \$ USD	REGION	COUNTRY
 B-NORTH	LHV	6.1 M	Europe	UK
 kuda bank.	Valar Ventures	25 M	Africa	Nigeria
 ZOPA	IAG Silverstripe, Augmentum, Waterfall, Venture Founders	27.6 M	Europe	UK
 GREENWOOD	JP Morgan Chase, Citi, Bank of America, Truist Ventures, Wells Fargo, PNC Financial Services Group, Banco Popular	40 M	North America	USA
 AVANTI	1843 Capital, AP Capital, Banca del Ceresio, Binance.US, Coinbase Ventures, ECMC Group, Equity Management Associates, Greybull Stewardship, Hard Yaka, HashKey, Holon Global Investments, Lemniscap, Madison Paige Ventures, Morgan Creek Digital, PJT Partners, Slow Ventures, Susquehanna Private Equity Investments, The University of Wyoming Foundation	37 M	North America	USA
 Airwallex	Greenoaks, Grok Ventures, Skip Capital, ANZi Ventures	100 M	Oceania	Australia
 NOW	Anthemis Exponential Ventures, Knuru Capital, Wamda, Commercial Bank of Dubai, DIFC FinTech Fund, Accion Venture Lab, Greenhouse Capital, Hambro Perks Oryx Fund	7 M	Middle East	UAE
 SADAPAY	Recharge Capital, Kingsway Capital, Raptor Group, Pierpaolo Barbieri, Brian McGrath, Ilan Stern, Andrew Wang	7.2 M	Asia	Pakistan
 Spiral	Communitas Capital, Phoenix, Nidoco AB, MTVO	14 M	North America	USA