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N26 Group Announces 2020 Financial Results, Increases Revenue and Operating Margins

2020 Financial highlights

- Improved year-on-year net income margin by 96 percentage points from financial year 2019
- Group net losses decreased by 30.5% to EUR €150.7M compared to financial year 2019, with net losses from N26's core European business decreasing by 33.3% to EUR €110M
- Gross income increased 22% to EUR €112M compared to financial year 2019
- Subscription business drove 45% of commission income with improved monetisation strategy
- Balance sheet increased 79% to EUR €4.3Bn, driven by growing customer deposits and share-of-wallet growth
- Transaction volume increased 57% to EUR €50.3Bn compared to financial year 2019, driven by significantly increased customer activity

Jan Kemper, Managing Director and CFO at N26: "2020 was a turning point in which N26 proved the resilience of its business model in a turbulent time. The business delivered growth in revenues, driving a favorable split among subscriptions, payment and core banking products. At the same time, operational efficiency increased significantly, improving margins. This showcased N26's ability to grow its customer share-of-wallet despite ongoing macro uncertainties, and paved the way towards even stronger performance in 2021."

Valentin Stalf, co-Founder and CEO at N26: "During the pandemic, customers increasingly turned to N26 and digital banking to manage their money, which drove higher deposits and transaction volumes. Thanks to our focus on customer satisfaction and meeting customer needs, N26 is fast becoming an industry leader in digital banking in Europe, and we'll continue to work to expand this position in the coming years."

SUMMARY OF FINANCIAL METRICS

Key Metrics	2019 € million	2020 € million	Change
Net interest and commission income	56.8	72.1	+ 26.9%
Net interest income	9.3	14.8	+ 59.1%
Net commission income	47.5	57.3	+ 20.6%
Administrative expenditure	- 244.7	- 206.3	- 15.7%
Personnel expenses	- 76.0	- 92.2	+ 21.3%
Marketing and other admin expenses	- 168.7	- 114.1	- 32.4%
Depreciation of tangible assets	- 3.6	- 5.6	+ 55.6%
Other operating profit / loss	- 9.9	- 2.0	- 79.8%
Operating profit / loss before risk provisioning	- 201.3	- 141.8	- 29.6%
Risk provisioning*	- 15.6	- 8.9	- 42.9%
Operating profit / loss after risk provisioning	- 216.9	- 150.7	- 30.5%
Operating profit / loss from core EU business	- 165.0	- 110.0	- 33.3%
Operating profit / loss from non-EU business	- 51.9	- 40.7	- 21.6%
Net income for the year	- 216.9	- 150.7	- 30.5%

*Risk provisioning is the sum of all write-offs and provisions planned for the credit business including treasury

BERLIN, FEBRUARY 3, 2022 - The Mobile Bank, N26, achieved results in line with expectations in financial year 2020 despite the unprecedented challenges in the banking sector presented by the global coronavirus pandemic.

The context for these results reflects significant factors which characterized the challenging environment that prevailed in the financial year 2020. In addition to the coronavirus pandemic, the industry saw persistently low interest rates with central banks. Furthermore, N26 made the decision to leave the UK market, and put a stronger focus on its European core markets where the bank is a market leader.

In an environment of dampened investor sentiment, N26 raised additional capital in 2020, taking its total funding to over EUR 800 million. N26 utilised the capital injection to execute effective marketing measures and operational efficiencies to improve its operating margins, ultimately setting a stronger path towards profitability.

After shifting priorities to substantially reduce costs and drive operational efficiencies in 2020, the bank improved net income margin by 96 percentage points compared to financial year 2019.

Furthermore, due to the dynamic nature of its business model, N26 bolstered its platform's services to deepen customer activity, which set the bank up for significant growth in revenues in 2020 and beyond. Despite revenues being impacted in the initial months of the coronavirus pandemic due to lockdowns and halting consumer spending, N26 reached a 22% increase in gross income over the year.

CUSTOMER BASE

Over the course of financial year 2020 N26 shifted its focus towards customer engagement, driving increased customer activity and retention alongside customer acquisition. As consumers shifted towards digital banking due to lockdowns, N26 efficiently deployed measured marketing investments, welcoming an additional 2 million customers to reach a total of 7 million customers. Despite a slowdown in spending in the initial months of the pandemic, the bank increased customer activity substantially, with transaction volume reaching EUR €50.3 billion in financial year 2020 (prior year: EUR €32 billion). Additionally, the consolidated balance sheet grew to EUR €4.3 billion (prior year: EUR €2.4 billion) and is ahead of expectations, driven by increasing customer activity and share-of-wallet.

FINANCIAL METRICS

Total gross income amounted to EUR €112.4 million in financial year 2020, a 22% increase over 2019 (EUR €92.3 million).

Net commission income driven by higher card business utilisation

Net commission income amounted to EUR €57.3 million (prior year: EUR €47.5 million), driven by the provision of the premium subscription business, payment transaction services and interchange fees. Net commission income accounted for a share of 79.5% of total net income.

N26 saw increased utilisation of its premium subscriptions, money management services and payment capabilities in 2020. N26's real-time customer insights also enabled it to constantly introduce relevant benefits, products and functionalities to its platform at pace with customers' fast-changing needs. It introduced three new premium accounts (N26 Smart, N26 Business Smart and N26 Business Metal), more than a dozen new features - including EasyFlex Savings, Round-Ups, Donations, and digital cards and rolled out alongside over 15 platform iterations and upgrades. As a result, the subscription business was the strongest revenue stream in financial year 2020, accounting for 45% of total commission income (EUR €43.9 million).

Net interest income driven by credit business expansion

With negative interest rates from the European Central Bank and increased customer deposits accumulated during lockdowns, N26 expanded its treasury activities to maintain and steer liquidity, investing deposit surpluses in investments that are interest-yielding with low risk.

N26 generated net interest income amounting to EUR €14.8 million (prior year: EUR €9.3 million), of which EUR €6.7 million is attributable to the credit business (prior year: EUR 4.3 million) and EUR €8 million is attributable to the securities business (prior year: EUR €5.0 million). Negative interest rates have weighed down the interest carryover by EUR €2.5 million (prior year: EUR €2.3 million).

Net losses substantially lowered due to optimised marketing and operating efficiencies

Administrative expenditure, comprising marketing costs, personnel expenses and other administrative expenses, was reduced by 15% totalling EUR €206.3 million (prior year: EUR €244.7 million). This resulted from efficiently targeted marketing measures to achieve customer acquisition targets, the optimisation of customer service operations and reduced card production, shipping and administrative costs. The increased personnel expenses reflect higher investments in talent and scaling specific teams and functions in financial year 2020.

In all, net loss for N26's core European business fell 33.3% to EUR €110 million, while non-core markets including Brazil, US and the UK accounted for EUR €40.7 million in 2020. This brought the total net loss for the N26 Group down by 30.5% to the amount of EUR €150.7 million (prior year: EUR €216.9 million), within the scope of expectations.

OUTLOOK

The move towards digital banking accelerated in 2020 as a result of COVID-19. N26 revenue growth in the year reflected the relevance of the company's product mix, and the strategic measures and investments laid the foundations for N26 for 2021. N26 continued to focus on strengthening product utilisation and customer activity in 2021, which led to improved customer retention and increased transaction volume.

The company's financial year 2021 results will be released in the first half of 2022.

About N26

N26 is building the first mobile bank the world loves to use. Valentin Stalf and Maximilian Tayenthal founded N26 in 2013 and launched the initial product in early 2015. Today N26 has welcomed more than 7 million customers in 24 markets. N26 has a 1,500-strong team of 80 nationalities based across the globe. It has teams based in 10 locations: Amsterdam, Berlin, Barcelona, Belgrade, Madrid, Milan, Paris, Vienna, New York and São Paulo. With a full European banking license, state-of-the-art technology and no branch network, N26 has redesigned banking for the 21st century and is available on Android, iOS, and desktop. Valued at more than US\$9 billion, N26 has raised close to US\$ 1.8 billion from the world's most established investors, including Third Point Ventures, Coatue Management LLC, Dragoneer Investment Group, Insight Venture Partners, GIC, Tencent, Allianz X, Peter Thiel's Valar Ventures, Li Ka-Shing's Horizons Ventures, Earlybird Venture Capital, Greyhound Capital, Battery Ventures, in addition to members of the Zalando management board, and Redalpine Ventures. N26 currently operates in: Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Slovakia, Slovenia, Spain, Sweden and Switzerland.

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