

**Europe Neobanking Market, By Account Type (Business Account, Savings Account),  
By Services (Mobile-Banking, Payments and Money Transfers, Savings, Loans,  
Others), By Country, Competition, Forecast & Opportunities, 2020-2030F**

Market Report | 2025-01-24 | 133 pages | TechSci Research

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**Report description:**

□Europe Neobanking Market was valued at USD 28.14 Billion in 2024 and is expected to reach USD 88.25 Billion by 2030 with a CAGR of 21.05% during the forecast period. Neobanking is an innovative banking technology that offers comprehensive online banking services, from account opening to various other financial services, all without the need for customers to visit a physical bank. Unlike traditional banks, neobanks operate without physical branches or offices. Europe dominates the neobanking market, holding over 30% of the global revenue share, driven by the rise of numerous technology start-ups and increasing technology adoption. The growing use of internet services and smartphones is expected to further fuel the market's expansion. User penetration of neobanking is projected to reach 13.3% by 2027. The European Payment Services Directive Law has enabled fintech companies to directly access customer data, a privilege that was previously exclusive to traditional banks. Neobanks have gained significant traction among younger customers, particularly those aged 18 to 24, who represent their core audience. The growth potential of neobanks is fueled by their cost-effective business model, offering low or no monthly fees for essential banking services, such as minimum balance maintenance, deposits, and withdrawals, making them an attractive option for consumers.

**Market Drivers**

**Increasing Consumer Demand for Digital Financial Services**

One of the key drivers of the Europe neobanking market is the growing consumer demand for digital-first financial services. As consumers increasingly embrace the convenience, speed, and accessibility offered by online platforms, traditional banking models are being challenged. The rise of tech-savvy millennials and Gen Z, who prioritize mobile-first banking, has accelerated this trend. Neobanks cater to these needs by offering user-friendly interfaces, real-time notifications, and easy access to a range of banking services such as payments, loans, and savings. Moreover, the COVID-19 pandemic further accelerated the adoption of digital banking services as lockdowns and social distancing measures pushed consumers to rely more on online banking and mobile payments. With a growing preference for seamless, non-branch banking experiences, neobanks in Europe have capitalized on this

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shift, offering services with minimal fees and simplified account management. These customer-centric approaches are attracting both young and tech-savvy consumers, creating a strong demand for neobanking services across the region. There are currently 77 neobanks in Europe. However, with advancements in technology and service innovation, both domestic and international companies are expanding their market presence by securing new contracts and entering new markets. Major players in this space include N26, Vivid, Ma French Bank, Orange Bank, Lunar, and others.

#### Regulatory Support and Open Banking Initiatives

Another major driver for the growth of the European neobanking market is the strong regulatory support and the introduction of open banking initiatives. The European Union (EU) has been at the forefront of regulatory changes that have encouraged the development and growth of neobanks. The EU's implementation of the Revised Payment Services Directive (PSD2) has paved the way for open banking, which mandates banks to share customer data securely with third-party providers (with customer consent). This regulation enables fintech companies and neobanks to access customer data, providing an opportunity to create innovative financial products and services. PSD2 fosters a more competitive banking environment, giving customers access to a wide range of financial services from various providers, allowing neobanks to offer tailored solutions and enhanced customer experiences. The initiative encourages the development of new business models and improves transparency, fostering trust in digital banking solutions. Moreover, regulatory bodies in Europe have been proactive in establishing frameworks to ensure security, consumer protection, and data privacy, which boosts customer confidence in digital-only banking platforms.

#### Cost-Effectiveness and Innovative Features

Cost-effectiveness is a key driver in the growth of neobanks in Europe, especially as traditional banks are often burdened with high operational costs due to their extensive branch networks and legacy systems. Neobanks, on the other hand, operate digitally, which allows them to offer services with lower fees and more competitive rates. The absence of physical branches and paper-based processes enables neobanks to pass on cost savings to their customers in the form of lower account maintenance fees, reduced transaction costs, and better interest rates. Moreover, neobanks in Europe differentiate themselves by offering innovative features, such as AI-driven financial planning tools, instant payments, and seamless integrations with third-party services. These features enhance the customer experience, making neobanking services more appealing than traditional banking. For instance, some neobanks offer features like real-time transaction tracking, personalized budgeting tools, and automatic savings plans, which attract tech-savvy consumers seeking more control over their finances. The ability to scale rapidly and innovate with cutting-edge technology also gives neobanks a competitive edge.

#### Key Market Challenges

##### Regulatory and Compliance Challenges

One of the most significant challenges facing the Europe neobanking market is navigating the complex regulatory and compliance environment. While regulatory frameworks like PSD2 (Revised Payment Services Directive) have helped create a level playing field, neobanks still face challenges in adhering to local regulations in each country, as financial laws and requirements differ across the European Union (EU) member states. For example, data protection regulations under GDPR (General Data Protection Regulation) impose strict requirements on how neobanks handle customer data, which can be burdensome for smaller, newer fintech firms that may lack the resources to ensure full compliance. Furthermore, although open banking regulations provide an opportunity for innovation, they also come with significant compliance responsibilities. Neobanks must ensure that they adhere to anti-money laundering (AML) and know your customer (KYC) regulations to prevent fraudulent activities and meet regulatory standards. This requires investing heavily in secure infrastructure and legal teams to navigate these complex rules. Additionally, the regulatory landscape is continually evolving, and neobanks must be agile in adapting to changes to avoid penalties or loss of licenses. The cost of compliance can be substantial, particularly for smaller players trying to scale quickly, potentially limiting their ability to expand into multiple European markets simultaneously.

##### Customer Trust and Security Concerns

Another major challenge for the European neobanking market is gaining and maintaining customer trust, particularly regarding data security and privacy. Digital banking, by nature, involves handling vast amounts of sensitive customer data, including financial transactions, personal details, and account information. In Europe, where consumers are highly concerned with data privacy (largely due to stringent laws such as GDPR), ensuring the safety and confidentiality of this data is crucial for neobanks. Neobanks must invest in robust cybersecurity measures to prevent data breaches and protect customers from fraud.

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Cyberattacks, such as hacking or phishing schemes, can significantly damage a neobank's reputation, eroding trust and potentially leading to a loss of customers. Furthermore, despite the rise of digital financial services, many consumers in Europe remain skeptical about fully embracing digital-only banks, especially older generations who are more accustomed to traditional banking systems. For these consumers, the lack of physical branches or face-to-face interactions may raise concerns about the legitimacy and security of neobanks.

#### Key Market Trends

##### Integration of Advanced Technologies (AI, Machine Learning, and Blockchain)

A prominent trend in the European neobanking market is the increasing integration of advanced technologies such as Artificial Intelligence (AI), Machine Learning (ML), and Blockchain. These technologies are helping neobanks optimize their operations, enhance customer experience, and offer innovative financial products. AI and ML, for instance, are being used for personalized financial services, where neobanks use data analysis to understand customer behavior, spending habits, and financial goals. This allows neobanks to offer highly personalized financial advice, tailored loan offers, or customized savings plans. Furthermore, AI is playing a key role in fraud detection and risk management. Machine learning algorithms analyze large volumes of transaction data to detect suspicious activity and prevent fraudulent transactions in real time, improving security and customer trust. Additionally, blockchain technology is gaining traction in the neobanking space due to its ability to provide secure, transparent, and decentralized solutions for transactions, reducing operational costs and enhancing trust. Blockchain is also being integrated into neobanks for cross-border payments, enabling faster, cheaper, and more secure international transactions.

##### Rise of Digital-Only Financial Products and Services

Another significant trend in the European neobanking market is the rise of digital-only financial products and services. Traditional banking models have been based on physical branches, with in-person consultations and paper-based documentation. However, neobanks, by operating exclusively online, offer a range of services that are entirely digital, from account opening to loan disbursements. This shift towards digital-only offerings has been driven by the increasing demand for seamless, on-demand financial services that can be accessed anytime, anywhere. Digital-only neobanks provide customers with the flexibility to manage their finances without ever needing to visit a physical branch, an appealing feature in the fast-paced, tech-driven world. Consumers are now able to perform all of their banking activities—such as transferring funds, applying for loans, and tracking spending—via mobile apps or web platforms. Additionally, many neobanks offer real-time updates, instant payment processing, and paperless solutions, streamlining the banking experience. Nordic neobank Lunar has raised USD 77 million at a USD 2 billion valuation and introduced a crypto trading platform along with B2B payment services for its small and medium-sized business customers. To date, Lunar has secured a total of USD 375 million in funding, with previous investors including Seed Capital, Greyhound Capital, Socii Capital, and Chr. Augustinus Fabrikker.

#### Segmental Insights

##### Account Type Insights

The business account segment dominated the Europe neobanking market, driven by the increasing number of small and medium-sized enterprises (SMEs) adopting digital banking solutions. Neobanks offer business accounts with enhanced features, such as low fees, fast payments, and easy integration with accounting software, which appeal to entrepreneurs and business owners looking for efficient financial management. These digital-only banks provide SMEs with the ability to manage expenses, payroll, and taxes seamlessly, reducing the complexity often associated with traditional banking. Additionally, neobanks offer features like multi-currency accounts, international payments, and real-time financial insights, making them highly attractive for businesses operating globally or across multiple regions. The growing trend of digitization among SMEs, coupled with the increasing demand for flexible, cost-effective banking solutions, has driven the dominance of business accounts in the European neobanking market. This segment is expected to continue growing as more businesses shift to digital-first banking platforms.

##### Country Insights

Germany was the dominant region in the Europe neobanking market, largely due to its strong financial sector, high adoption of digital banking services, and a robust fintech ecosystem. The country's advanced infrastructure, along with its tech-savvy population, has contributed to the rapid growth of neobanks. German consumers and businesses increasingly prefer digital banking solutions that offer convenience, lower costs, and innovative financial products. Germany also benefits from a favorable regulatory environment, which supports fintech innovation, making it an attractive hub for neobanks. The country has a high

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penetration of mobile and internet usage, and with more consumers seeking seamless, mobile-first banking experiences, neobanks are positioned well to meet these demands. Additionally, Germany's strong economy and large number of small and medium-sized enterprises (SMEs) further drive the adoption of business accounts and digital banking services. As the fintech market in Germany continues to thrive, its dominance in the European neobanking sector is expected to persist.

#### Key Market Players

- N26 Bank AG
- Vivid Money S.A.
- Ma French Bank S.A.
- Orange Bank & Trust Company
- Lunar Bank A/S
- Revolut Ltd
- Bnext Group
- Holvi Payment Services Ltd
- Monzo Bank Limited
- Atom Bank Plc

#### Report Scope:

In this report, the Europe Neobanking Market has been segmented into the following categories, in addition to the industry trends which have also been detailed below:

#### □□ Europe Neobanking Market, By Account Type:

- o Business Account
- o Savings Account

#### □□ Europe Neobanking Market, By Services:

- o Mobile-Banking
- o Payments and Money Transfers
- o Savings
- o Loans
- o Others

#### □□ Europe Neobanking Market, By Country:

- o Germany
- o United Kingdom
- o France
- o Italy
- o Spain
- o Rest of Europe

#### Competitive Landscape

Company Profiles: Detailed analysis of the major companies presents in the Europe Neobanking Market.

#### Available Customizations:

Europe Neobanking Market report with the given market data, TechSci Research offers customizations according to a company's specific needs. The following customization options are available for the report:

#### Company Information

- Detailed analysis and profiling of additional market players (up to five).

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