



The Pulse of Fintech, Q3 2016

Global Analysis of
Fintech Venture Funding

November 16, 2016



Welcome message

While VC interest in fintech companies remains high around the globe, market uncertainty has caused many investors to take a conservative approach in Q3'16.

Both the number of deals and total value of VC investment in fintech dropped in Q3'16 due, in large part, to the lack of \$1 billion+ mega-deals. The total dollars invested this quarter was also less than half of that seen in Q3'15.

Despite quarterly decreases, the view of year-to-date fintech investment shows a positive trend. While VC-specific funding isn't expected to exceed 2015's peak investment levels, total funding to fintech companies is on track to exceed 2015 totals. This shows that while VC investment in fintech has fallen this year, fintech is still a high priority for the investment community as a whole.

Regionally, Asia is on track for a record-breaking year for VC investment in fintech. Q3'16 was Asia's time to shine, with an increase in VC funding from \$800 million last quarter to \$1.2 billion in Q3. China-based fintech companies have done particularly well this quarter.

In contrast, both the US and the UK experienced weaker activity due, in part, to continued market uncertainty resulting from the Brexit vote and the ongoing US presidential election cycle. In the US, smaller deal sizes resulted in a quarterly investment of under \$1 billion, though the total number of deals remained high. In Europe, the UK, a traditional fintech powerhouse, saw decreases in both the number of deals and total investment, while the German fintech sector is now on track to outperform the UK this year.

As in past quarters, payments and lending remain the leading fintech subsectors across the globe and continue to earn considerable VC attention despite signs of market saturation in some subsectors. Other areas, including RegTech, blockchain, data and analytics and InsurTech are on the rise.



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CB Insights is a Pilot Growth and National Science Foundation backed software-as-a-service company that uses data science, machine learning and predictive analytics to help our customers predict what's next — their next investment, the next market they should attack, the next move of their competitor, their next customer, or the next company they should acquire.

Welcome message (cont.)

In this quarter's The Pulse of Fintech Report — a collaboration between KPMG and CB insights — we look at the activity that's driving fintech trends, opportunities and challenges in Asia, North America and Europe, while also delving into key questions that investors have, including:

- How is fintech continuing to evolve and diversify?
- Is China replacing the US as the world's fintech leader?
- Why are corporate investors so keen to take advantage of fintech and what are their key challenges?
- How are next generation payments technologies reshaping the global landscape?

We hope you find this edition of The Pulse of Fintech Report informative. If you would like to discuss any of the results in more detail, contact a KPMG adviser in your area.

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WHAT THE PULSE OF FINTECH REPORT COVERS

The Pulse of Fintech Report gives a detailed look at trends and data covering **equity transactions to venture capital-backed fintech companies globally**. For a full definition of data included in this report, see page 86.

While fintech covers a diverse array of companies, business models and technologies, companies generally fall into several key verticals, including:

Lending tech: Lending companies on the list include primarily peer-to-peer lending platforms as well as underwriter and lending platforms using machine learning technologies and algorithms to assess creditworthiness.

Payments/billing tech: Payments and billing tech companies span from solutions to facilitate payments processing to payment card developers to subscription billing software tools.

Personal finance/wealth management: Tech companies that help individuals manage their personal bills, accounts and/or credit as well as manage their personal assets and investments.

Money transfer/remittance: Money transfer companies include primarily peer-to-peer platforms to transfer money between individuals across countries.

Blockchain/bitcoin: Companies here span key software or technology firms in the distributed ledger space, ranging from bitcoin wallets to security providers to sidechains.

Institutional/capital markets tech: Companies either providing tools to financial institutions such as banks, hedge funds, mutual funds or other institutional investors. These range from alternative trading systems to financial modeling and analysis software.

Equity crowdfunding: Platforms that allow a collection of individuals to provide monetary contributions for projects or companies provisioned in the form of equity.

InsurTech: Companies creating new underwriting, claims, distribution and brokerage platforms, enhanced customer experience offerings and software-as-a-service to help insurers deal with legacy IT issues.

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36	North America	\$0.9B in funding 96 deals
55	Europe	\$0.2B in funding 38 deals
71	Asia	\$1.2B in funding 35 deals

All monetary references contained in this report are in USD

SUMMARY OF FINDINGS

FINTECH FUNDING AND DEALS DROP FOR SECOND CONSECUTIVE QUARTER

Funding to VC-backed fintech companies hit \$2.4B across 178 deals in Q3'16: Total fintech funding, including activity by angels, PE firms, mutual funds and hedge funds, reached 410 deals and hit \$2.9B.

VC-backed deal activity hit its lowest level since Q2'14:

VC-backed global fintech deal activity fell for the second consecutive quarter and is projected to drop from 2015's high at the current run rate.

Europe, North America see funding declines: Asia was the only continent to see a fintech funding increase on a quarterly basis in Q3'16, while North America and Europe fintech funding dropped. All three continents saw fintech deal count drop, with North America seeing fewer than 100 deals and hitting a 5-quarter low.

Global fintech mega-rounds drop: Asia saw \$50M+ fintech rounds stay level for the fourth straight quarter, while Europe has not registered a \$50M+ round to a VC-backed fintech company in 2016 to date.

NORTH AMERICA FINTECH: \$0.9B ACROSS 96 DEALS TO VC-BACKED COMPANIES IN Q3'16

North America sees fintech funding fall below \$1B: In North America, the \$900M registered to VC-backed fintech companies in Q3'16 represents a 68% funding drop compared to Q3'15's total. Deal activity to VC-backed North American fintech companies in Q3'16 dropped 5% on a quarterly basis.

California fintech deals rise, funding drops: Fintech deals in California rose to a 5-quarter high, but funding fell 31% on a quarterly basis to \$528M. Notable deals in Q3'16 went to companies including Ripple, LendUp and Metromile.

New York sees funding and deals drop to 5-quarter low: Both fintech funding and deals in New York fell for the second consecutive quarter to \$119M across 14 deals in Q3'16.

North American fintech companies raise smaller late-stage deals: Median late-stage fintech deal size in North America dropped to \$21.9M, the second lowest quarter in the 5-quarter trend, and a 73% drop compared to the same quarter last year.

Note: Report focuses on all equity rounds to VC-backed fintech companies.

This report does not cover companies funded solely by angels, private equity firms or any debt, secondary or line of credit transactions. All data is sourced from CB Insights. Page 86 details the rules and definitions we use.

SUMMARY OF FINDINGS

EUROPE FINTECH: \$233M ACROSS 38 DEALS TO VC-BACKED COMPANIES IN Q3'16

European fintech funding on pace to drop below 2015 levels: Q3'16 saw European fintech deals fall 17% on a quarterly basis. Fintech funding in Europe dropped 43% on a quarterly basis, with \$233M invested in Q3'16.

No European fintech mega-rounds in Q3'16 and YTD: When it came to VC-backed fintech companies, Europe has yet to see a \$50M+ financing round in 2016 YTD.

Germany again tops UK for fintech funding in Q3'16: Germany saw almost 35% more funding to VC-backed fintech companies than the UK for the second consecutive quarter, led by financings to Smava and FinanceFox.

Corporates becoming more active in European fintech: Corporate participation in the number of European fintech deals rose for the third straight quarter to 26% in Q3'16, compared to 21% in the same quarter last year.

ASIA FINTECH: \$1.2B ACROSS 35 DEALS TO VC-BACKED COMPANIES IN Q3'16

Asian fintech deals drop to 5-quarter low: Asian fintech startups saw funding total \$1.2B in Q3'16, an increase of 50% from Q2'16. Deal activity to VC-backed fintech companies reached a 5-quarter low in Q3'16, with 35 deals recorded.

Asian seed deal share falls back to earth: In Q3'16, seed-stage VC-backed fintech companies in Asia accounted for 17% of deal share, a 3-quarter low, after taking 40%+ in the prior 2 quarters. The Series B stage took 31% of Q3'16 fintech deal share in Asia.

Corporates participate in more than half of all deals to VC-backed fintech startups in Q3'16: Corporate participation in Asian VC-backed fintech deals topped 50% in Q3'16 from 36% in Q2'16, a 5-quarter high and the second straight quarter of rising deal share.

VC-backed fintech deals in India fall to 5-quarter low: Deal activity fell 40% in Q3'16 compared to the same quarter last year. Funding to VC-backed Indian fintech startups fell 19% on a quarterly basis.

*In Q3 2016 VC-backed fintech
companies raised*

\$2.4B

across

178 deals

*Overall fintech investment
reached \$2.9B*

Global VC investment in fintech declines further

Global VC interest in fintech companies remains high, however, investors continue to hold back on making major investments amid ongoing market uncertainty. During Q3'16, both the number of fintech deals and the total value of fintech investment dropped compared to Q2, with the dollars invested falling to less than half of the investment seen in Q3'15.

The drop-off in fintech investment is in part due to a lack of \$1 billion+ mega-deals, which have helped prop up the numbers in previous quarters. Q1'16 for example, included \$1 billion+ funding rounds to JD Finance and Lu.com, which represented almost half of Q1's total fintech investment. Comparatively, the top two funding rounds this quarter involved \$449 million to Qufengi and \$310 million to 51xinyongka.

While VC-backed funding to fintech companies may not exceed the 2015 peak of \$14.5 billion, total funding to fintech companies is still on track to exceed 2015 totals. At the end of Q3'16, total funding to fintech companies was \$17.8 billion, buoyed in part by a \$4.5 billion investment in Ant Financial earlier in the year. This trend suggests that despite the drop in VC funding, fintech remains a strong focus for the broader investment community.

Asia leading fintech investment, lagging in number of deals

Of the three main regions covered by this report, only Asia saw an increase in VC funding to fintech companies quarter-over-quarter, from \$800 million in Q2'16 to \$1.2 billion in Q3'16. Asia-based fintech companies also attracted the most total investment compared to the other regions. Meanwhile, the United States led the number of fintech deals in Q3'16 with 96 compared to 38 deals in Europe and 35 in Asia. This highlights that the average deal size in both North America and Europe was significantly lower compared to Asia.

Diversity and breadth of offerings driving ongoing fintech interest

The fintech industry is diverse, a factor that speaks to its relative stability compared to other areas of VC investment. While large funding rounds have led to significant peaks and valleys over the last couple of years, the industry as a whole continues to be attractive, particularly to corporates looking to improve their customer experience, expand their services and decrease their costs.

While the payments and lending subsectors continue to take the lion's share of VC investment, blockchain, data and analytics and RegTech are also gaining prominence. Part of the value proposition of these rising fintech areas is their ability to offer companies genuine global growth opportunities. InsurTech is also receiving significant investor attention.

US and UK uncertainties affecting fintech investment

The US and the UK bore the brunt of market uncertainties during Q3'16. Between the aftermath of the Brexit vote in the UK, the ongoing US presidential election and the pending increase in US interest rates, it is not surprising that many investors in Europe and North America took a pause with respect to deploying capital. As market uncertainties begin to stabilize in Q4, fintech investment may regain momentum.

Global VC investment in fintech declines further (cont.)

Asia becoming global fintech leader, buoyed by numerous fintech hubs

Over the past year, Asia has dominated the fintech investment scene, with nearly as much investment in the first 3 quarters of 2016 as in all of 2015. China-based fintech companies have done especially well, with unicorn companies such as Ant Financial, JD Finance and Lufax continuing to grow and attract investment both domestically and globally.

While China may be the central focus of fintech in Asia, it is the region's diverse fintech hubs that are helping to make the region a fintech leader. Hong Kong, Singapore, Australia, India: each of these jurisdictions is finding a way to set their fintech offerings apart.

Looking ahead — fintech outlook remains confident

The future of fintech remains positive from an investment perspective, with an uptick expected in 2017, if not in Q4'16. Investors are expected to become more confident as the immediate ramifications associated with Brexit ease and uncertainties in the US stabilize. Consequently, they will begin to deploy capital that has been deferred over the past few quarters.

Over the next few quarters, artificial intelligence is expected to gain more investor attention in addition to RegTech, InsurTech and data and analytics. At the same time, fintech areas that have emerged over the past year (particularly blockchain) may receive more scrutiny as investors assess when and if investments will deliver returns. Related companies looking for additional funding will need to show real results in order to gain investment.

“There is a lot of liquidity in the market as well as a continued demand for fintech innovation by the large financial institutions. As such, these financial institutions will continue to look for ways to embrace the promise of these innovations through a number of different avenues, including partnerships, direct investment and merger and acquisition transactions.”



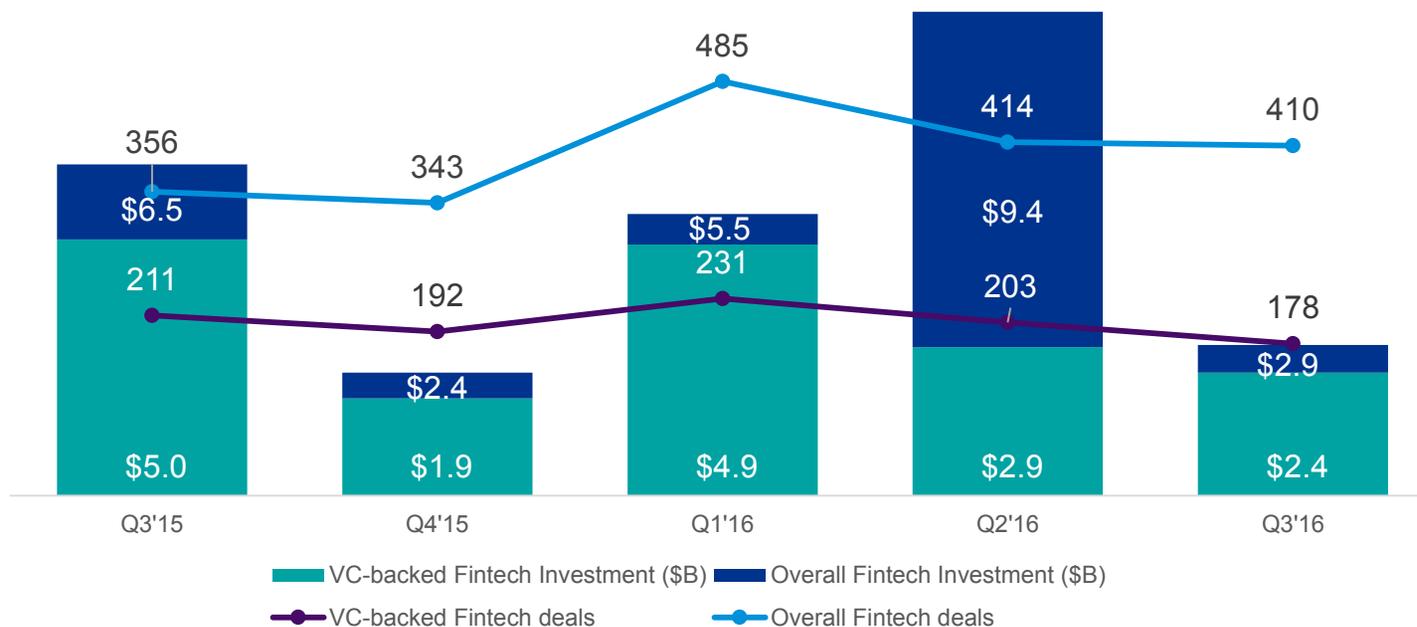
Brian Hughes
*Co-Leader,
KPMG Enterprise Innovative
Startups Network,
and National Co-Lead Partner,
KPMG Venture Capital Practice,
KPMG in the US*

\$2.4B TO VC-BACKED FINTECH COMPANIES; \$2.9B TO FINTECH OVERALL

VC-backed fintech funding took 83% of the \$2.9B in overall fintech funding and 43% of overall deals in Q3'16. Q2'16 overall fintech funding was buoyed by a \$4.5B investment to Alipay owner Ant Financial.

Quarterly Global Fintech Financing Trend

VC-Backed Fintech Companies vs. Overall Fintech Investment*, Q3'15 – Q3'16



*Overall investment includes fintech funding by angel investors, angel groups, private equity firms, mutual funds, hedge funds, VC, corporate and corporate VC investors.

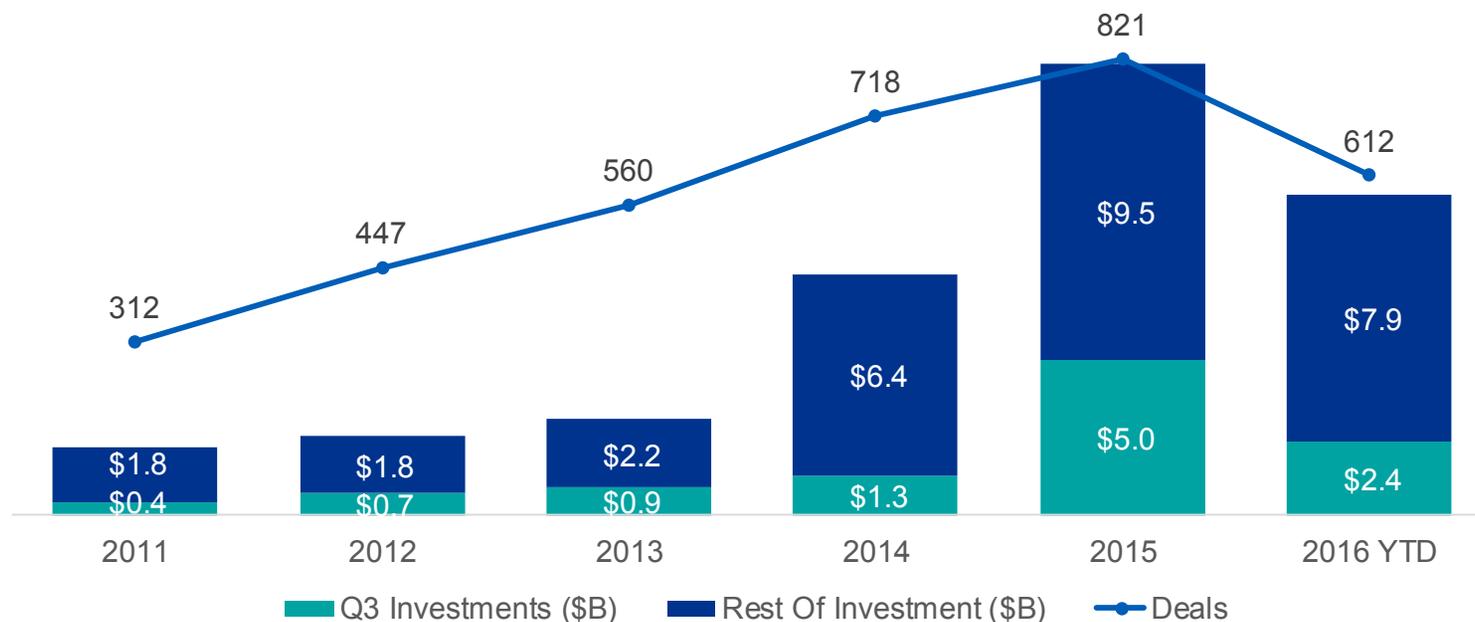
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

\$10.3B DEPLOYED ACROSS 612 DEALS THROUGH FIRST 3 QUARTERS OF 2016

VC-backed fintech companies raised \$2.4B in Q3'16, representing a 52% funding drop when compared to Q3'15. 2016 deal activity is projected to drop slightly year-over-year, at the current run rate.

Annual Global Financing Trends to VC-Backed Fintech Companies

2011 – 2016 YTD (Q3'16)



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

THE TOP 30 DEALS TO VC-BACKED FINTECH COMPANIES IN Q3'16 TOTALED OVER \$1.75B IN FUNDING



1	Qufenqi		\$449M	Series F	16	Gongzi Qianbao		\$30M	Unattributed VC - II
2	51Xinyongka		\$310M	Series C	17	Sift Science		\$30M	Series C
3	Firstp2p		\$70M	Series C	18	Vena Solutions		\$30M	Growth Equity
4	One97 Communications		\$60M	Unattributed VC - III	19	FinanceFox		\$28M	Series A
5	Ripple		\$55M	Series B	20	Behalf		\$27M	Series C
6	Avalara		\$50M	Growth Equity - II	21	Clara		\$27M	Series B
7	GreenSky		\$50M	Unattributed	22	InvestCloud		\$25M	Unattributed - III
8	InstaMed Communications		\$50M	Growth Equity - VI	23	Nav		\$25M	Series B
9	MetroMile		\$50M	Corporate Minority	24	Juzhen Financials		\$23M	Series A
10	LendUp		\$47.5M	Series C	25	Kyriba		\$23M	Series D
11	Yunnex		\$45M	Series B	26	Wangyudashi		\$23M	Series A
12	Cyence		\$40M	Series A	27	Velocity Mobile		\$22.5M	Series B
13	MobiKwik		\$40M	Corporate Minority	28	Samlino.dk		\$22.45M	Series A
14	Smava		\$34M	Series D	29	Fantex		\$20.76M	Series D
15	CommonBond		\$30M	Series C	30	Signifyd		\$19M	Series C

Lending	Payments	Enterprise finance	Insurance	Fraud	Blockchain	Financial services comparison	Stock exchange
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Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16, 2016.

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#FINTECH



“Technology doesn’t respect national boundaries or national differences in regulations. The only boundary that technology respects is consumer adoption.”



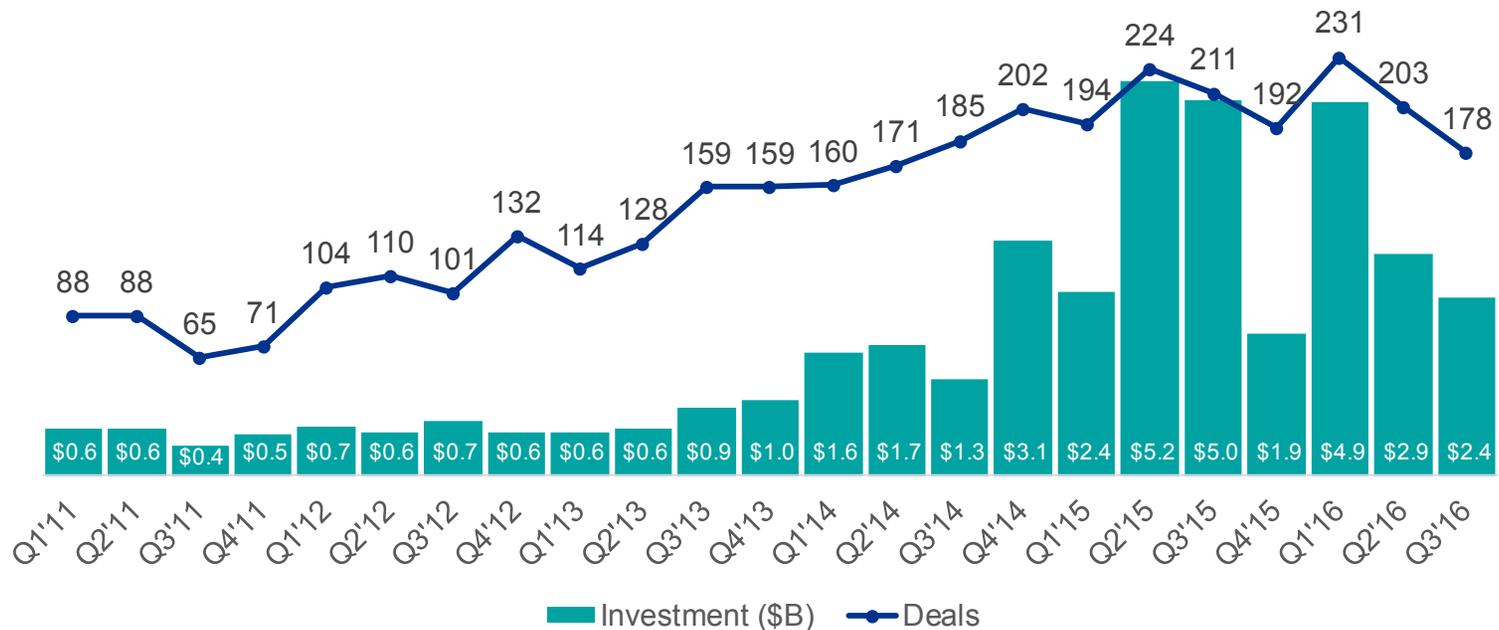
Warren Mead
*Global Co-Leader of Fintech,
KPMG International,
Partner,
KPMG in the UK*

VC-BACKED FINTECH FUNDING AND DEALS CONTINUE TO DROP IN Q3'16

Deals to VC-backed fintech companies dropped 12% on a quarterly basis in Q3'16, while funding fell 17% from Q2'16's total.

Quarterly Global Financing Trends to VC-Backed Fintech Companies

Q1'11 – Q3'16

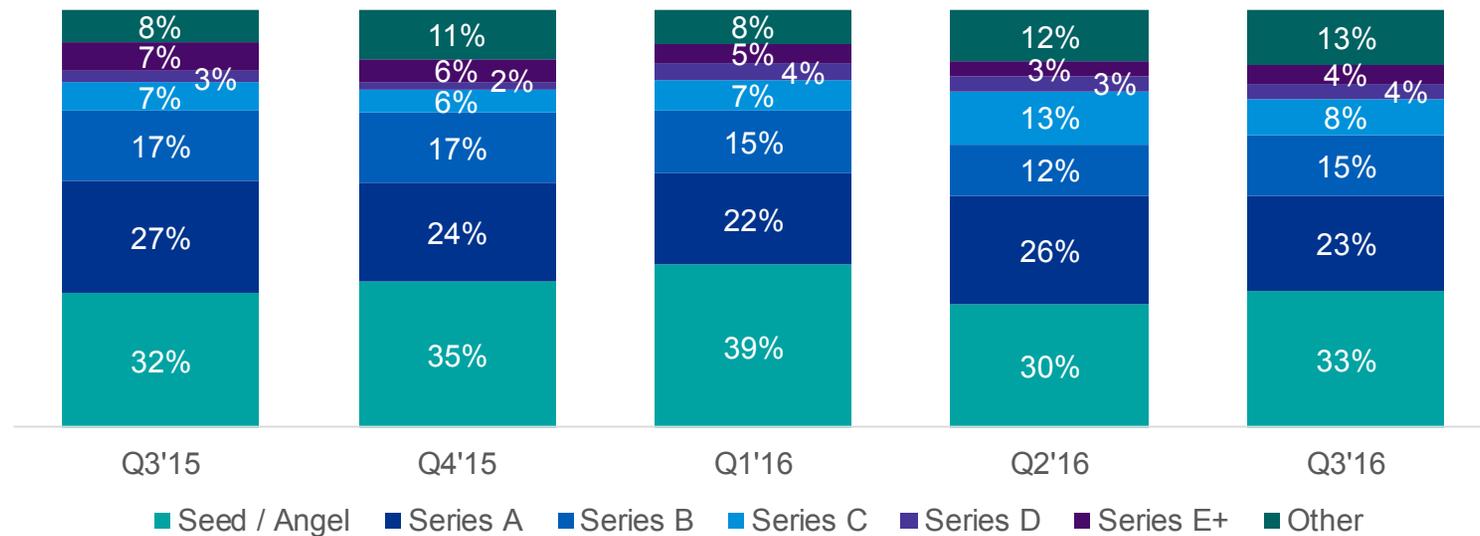


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

EARLY-STAGE SEED AND SERIES A DEAL SHARE REMAINS FLAT IN Q3'16

Fintech seed deal share rose slightly in Q3'16 to hit 33% from 30% in Q2'16 as early-stage activity (Seed/Series A) remained at 56% on a quarterly basis. Series C deal share dropped from 13% in Q2'16 to 8% in Q3'16.

Quarterly Global Fintech Deal Share by Stage Q3'15 – Q3'16

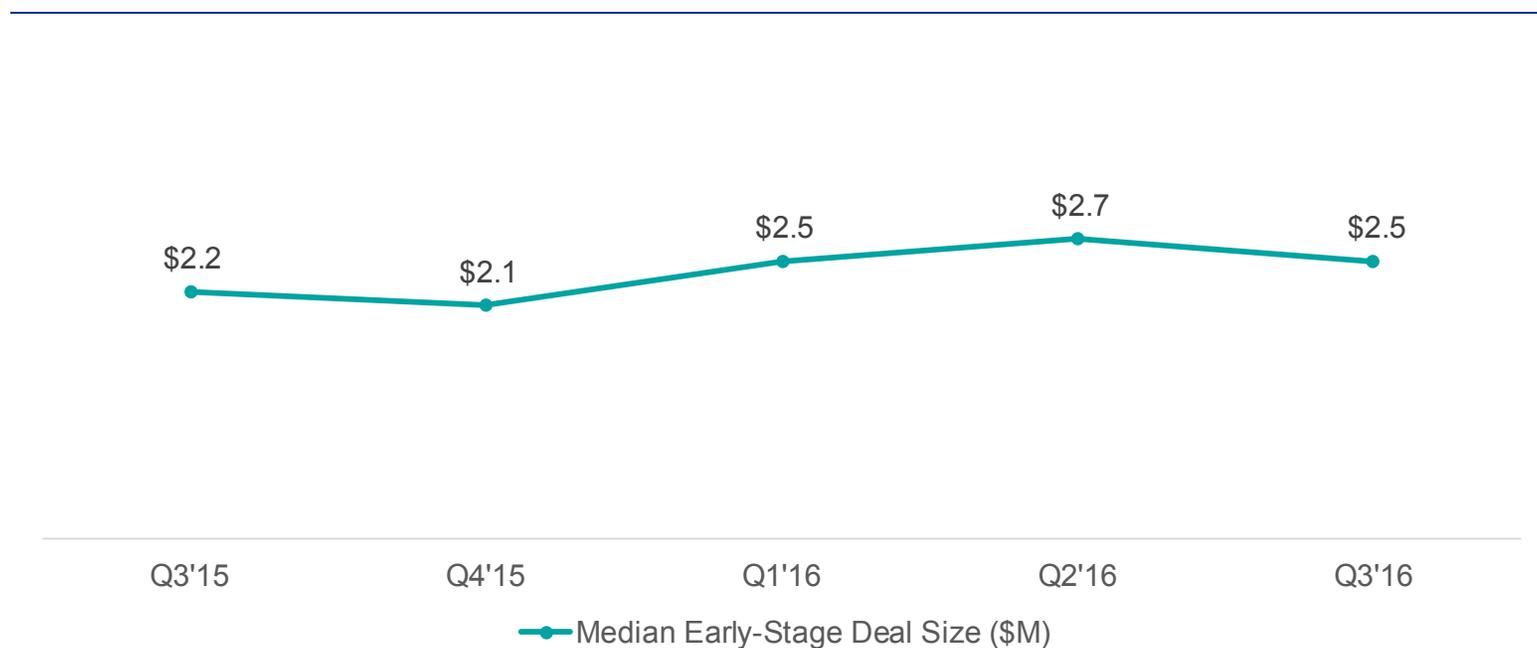


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

MEDIAN EARLY-STAGE FINTECH DEAL SIZE SLIGHTLY DROPS IN Q3'16

Median early-stage (Seed — Series A) deal size among all VC-backed fintech companies was \$2.5M in Q3'16. Despite falling below Q2'16 highs, median early-stage fintech deal size was 14% higher than the same quarter last year.

Global Early-Stage Fintech Deal Size Q3'15 – Q3'16



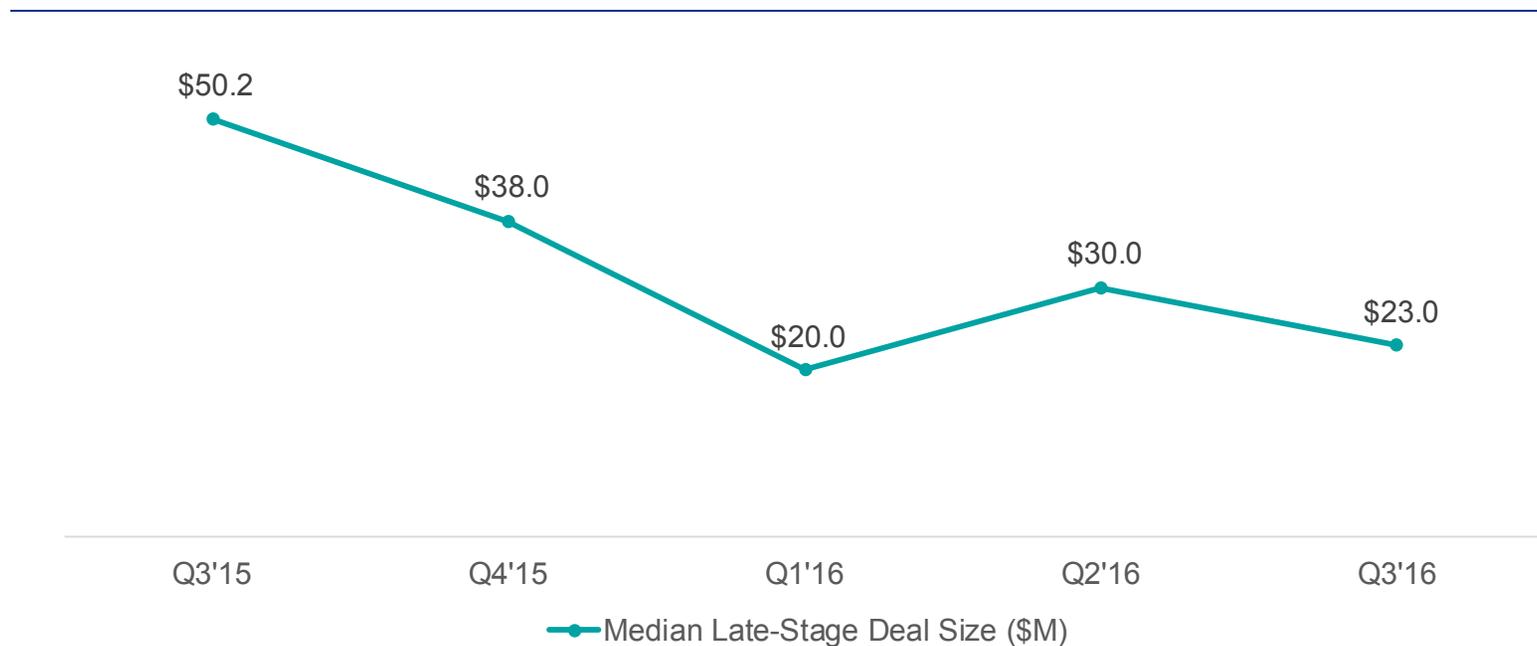
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

GLOBAL MEDIAN LATE-STAGE DEAL SIZE DECLINES IN Q3'16

The median late-stage deal size in fintech dropped in Q3'16 to \$23M after rebounding to \$30M in Q2'16. Q3'16's median late-stage fintech deal size was 54% lower than that of the same quarter last year.

Global Late-Stage Fintech Deal Size

Q3'15 – Q3'16

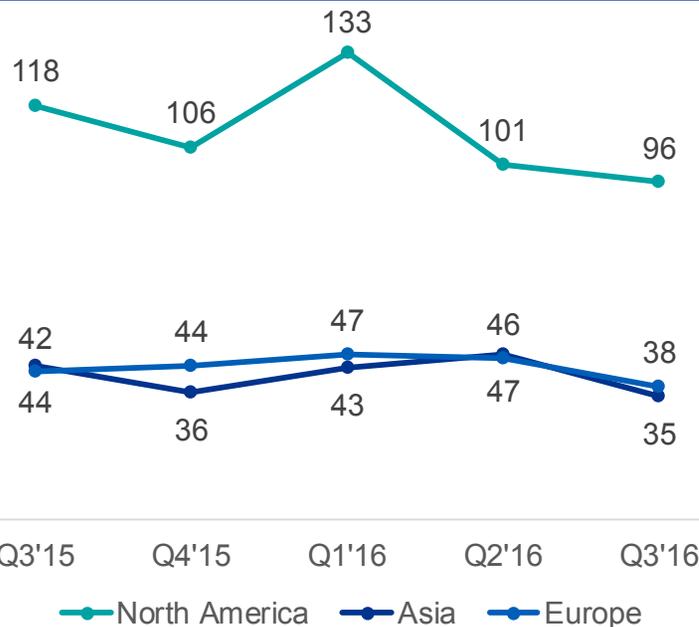


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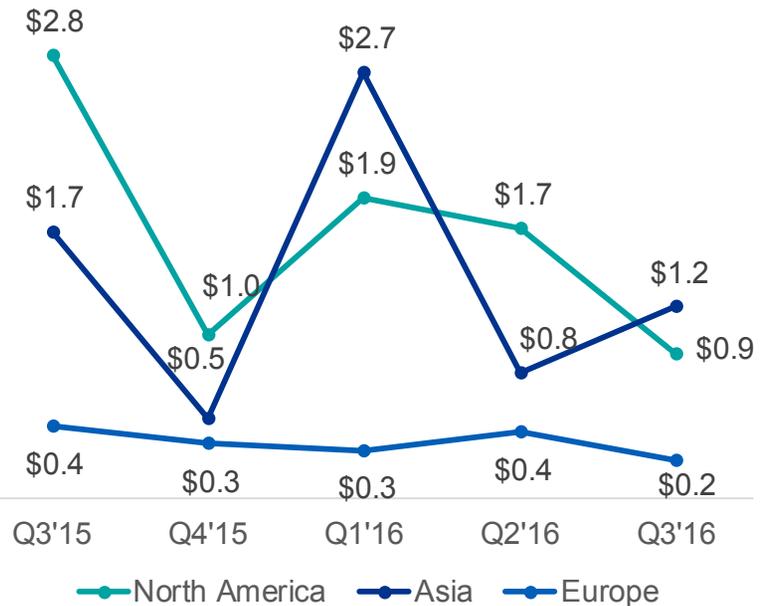
VC-BACKED FINTECH COMPANIES SEE DEAL ACTIVITY DROP IN NORTH AMERICA, ASIA AND EUROPE

Asia was the only country to see a fintech funding increase on a quarterly basis in Q3'16, while North America and Europe fintech funding dropped. All three continents saw fintech deal count drop, with North America seeing fewer than 100 deals and hitting a 5-quarter low.

Deal Count by Continent Q3'15 – Q3'16



Investment (\$B) by Continent Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“We are seeing a lot of fintech diversification in Asia. There’s more activity around InsurTech, blockchain and data and analytics. An emerging area that is starting to grow is RegTech — technologies that reduce the cost of regulatory compliance and improve risk outcomes for financial institutions.”



Ian Pollari
*Global Co-Leader of Fintech,
KPMG International and
Partner,
KPMG Australia*

THE MOST ACTIVE VC INVESTORS IN FINTECH

500 Startups, QED Investors and NEA were the most active VC investors in fintech new or follow-on deals over the last 5 quarters.

Most Active VC Investors in Fintech Companies

Q3'15 – Q3'16

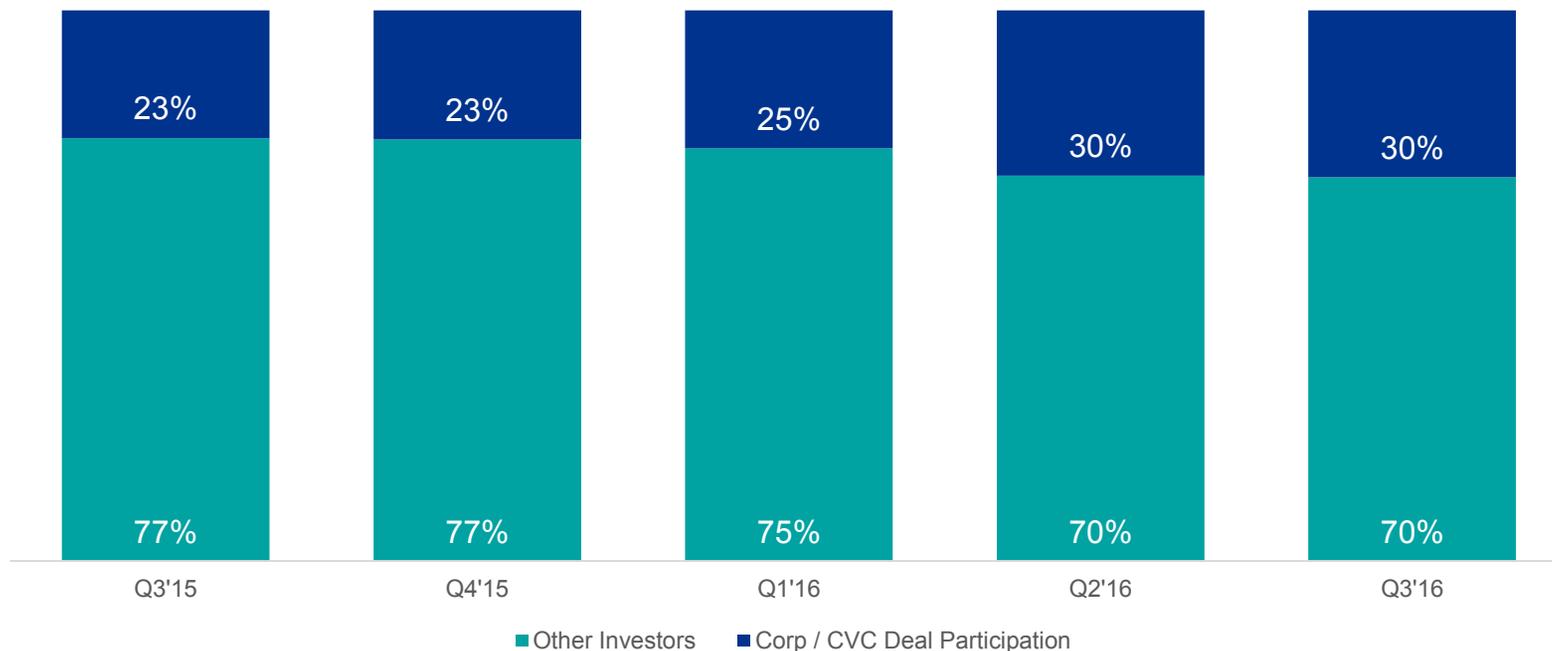
Rank	Investor	Rank	Investor
1	500 Startups	9	Bain Capital Ventures
2	QED Investors	9	American Express Ventures
3	New Enterprise Associates	9	Ribbit Capital
3	General Catalyst Partners	13	Sequoia Capital China
3	Khosla Ventures	13	SpeedInvest
6	Blumberg Capital	13	Union Square Ventures
6	Index Ventures	13	Route 66 Ventures
8	Spark Capital	13	Nyca Partners
9	Omidyar Network	13	Sequoia Capital India

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

CORPORATES PARTICIPATE IN NEARLY ONE-THIRD OF FINTECH DEALS

Corporate participation in global VC-backed fintech deals hit 30% for the second consecutive quarter.

CVC Participation in Global Deals to VC-Backed Fintech Companies Q3'15 – Q3'16

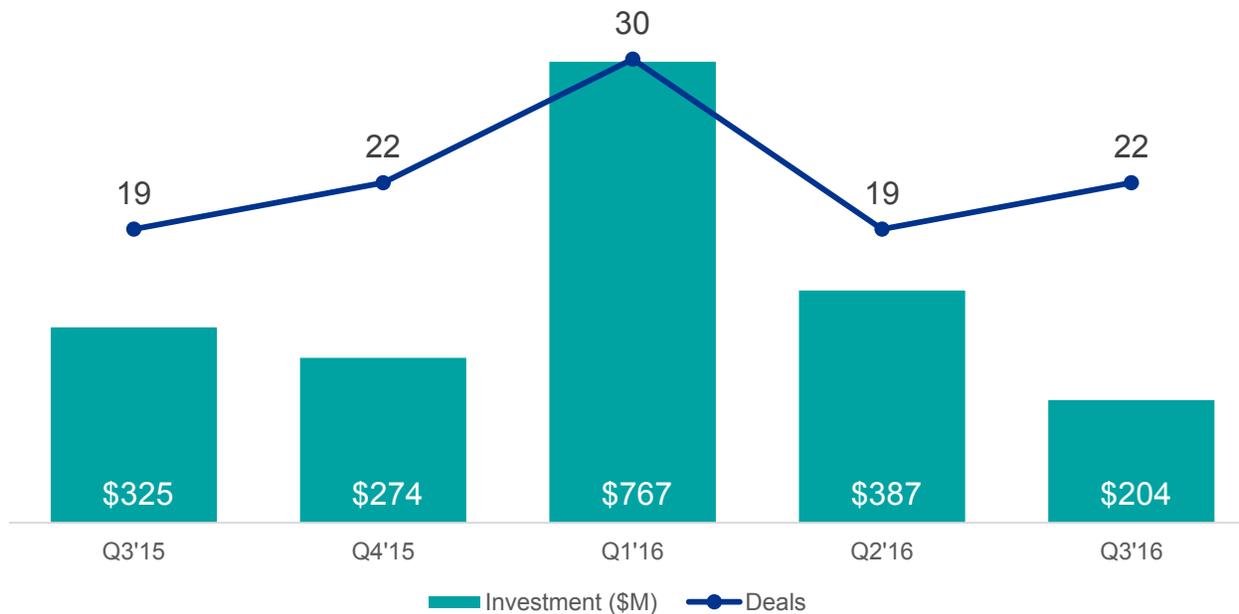


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INSURTECH VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q3'16

InsurTech Investment Activity VC-Backed Companies, Q3'15 – Q3'16



Top Deals

Metromile

\$50M // Corporate Minority

Cyence

\$40M // Series A

FinanceFox

\$28M // Series A

Top Countries

United States

10 Deals // \$104.7M

Germany

4 Deals // \$47.2M

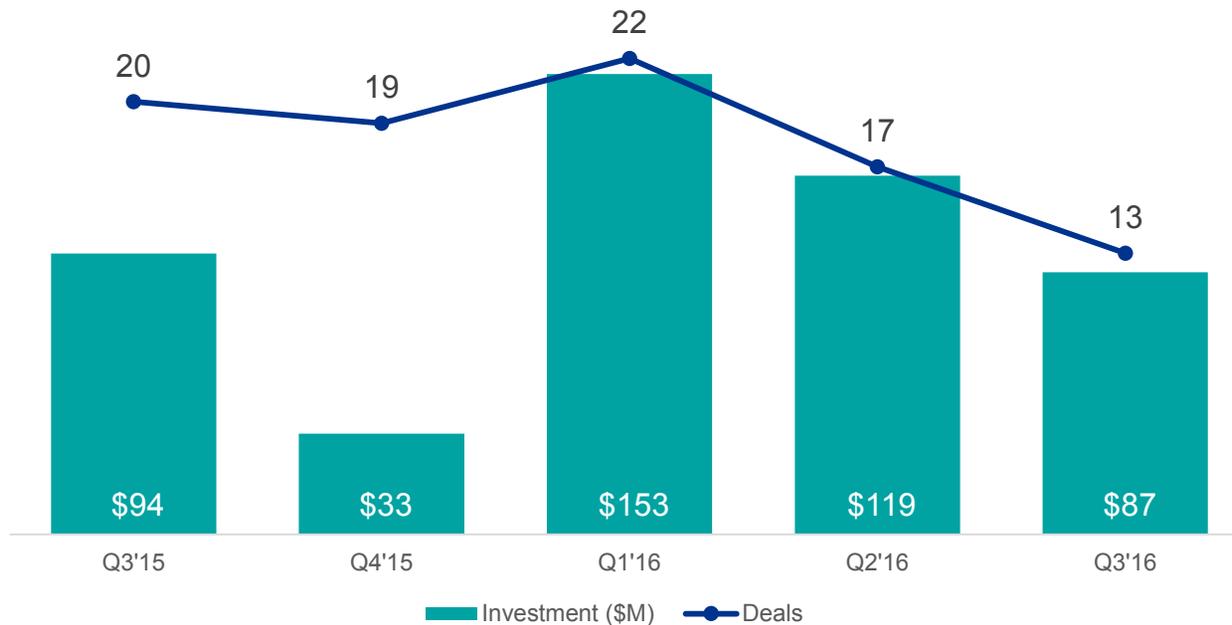
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BLOCKCHAIN & BITCOIN VC-BACKED INVESTMENT ACTIVITY

Top Deals & Countries, Q3'16

Blockchain & Bitcoin Investment Activity

VC-Backed Companies, Q3'15 – Q3'16



Top Deals

Ripple

\$55M // Series B

Coinbase

\$10.5M // Series C-II

Brave Software

\$4.5M // Seed VC

Top Countries

United States

7 Deals // \$77.2M

Denmark

1 Deal // \$4M

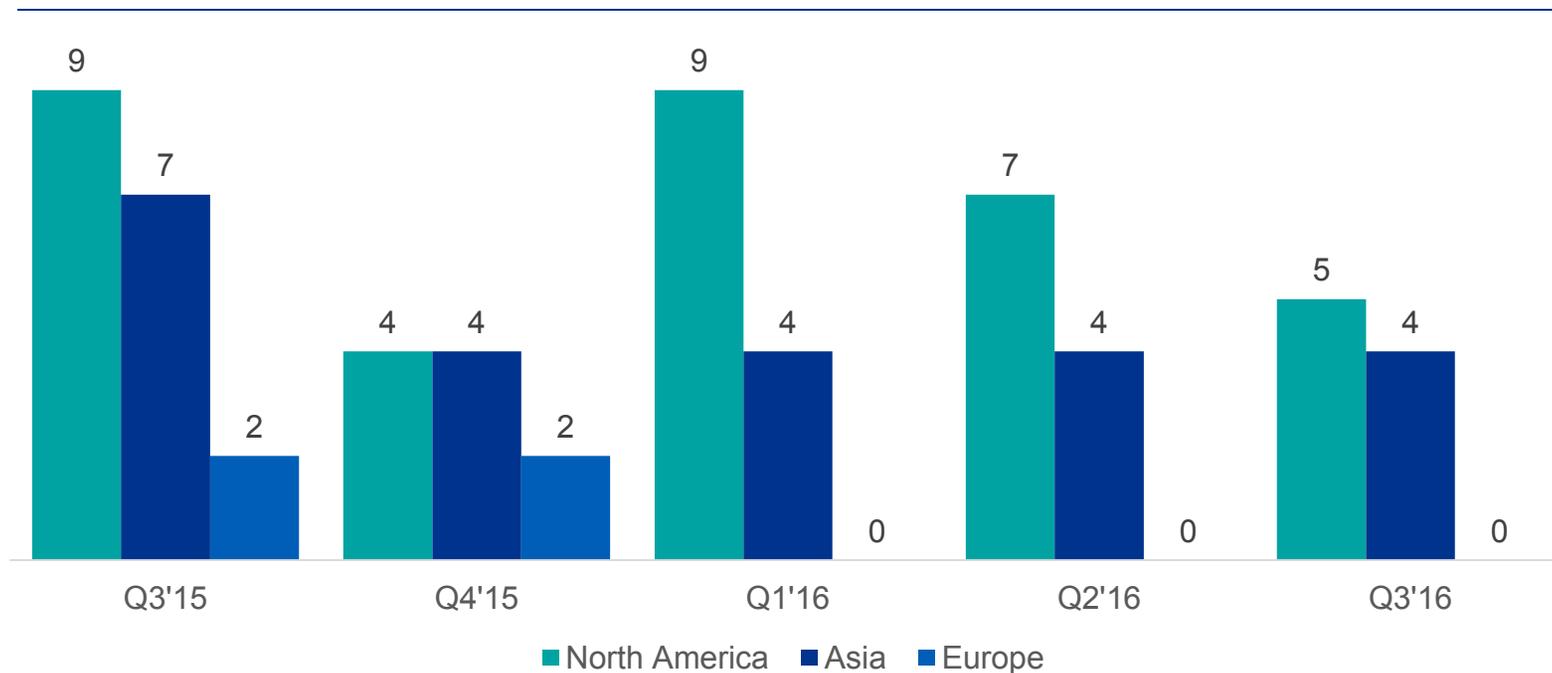
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FINTECH MEGA-ROUNDS HITS 5-QUARTER LOW ACROSS MAJOR MARKETS

Asia saw \$50M+ fintech rounds stay level for the fourth straight quarter, while Europe has not registered a \$50M+ round to a VC-backed fintech company in 2016 to-date.

\$50M+ Financings to VC-Backed Fintech Companies

North America vs. Asia vs. Europe, Q3'15 – Q3'16



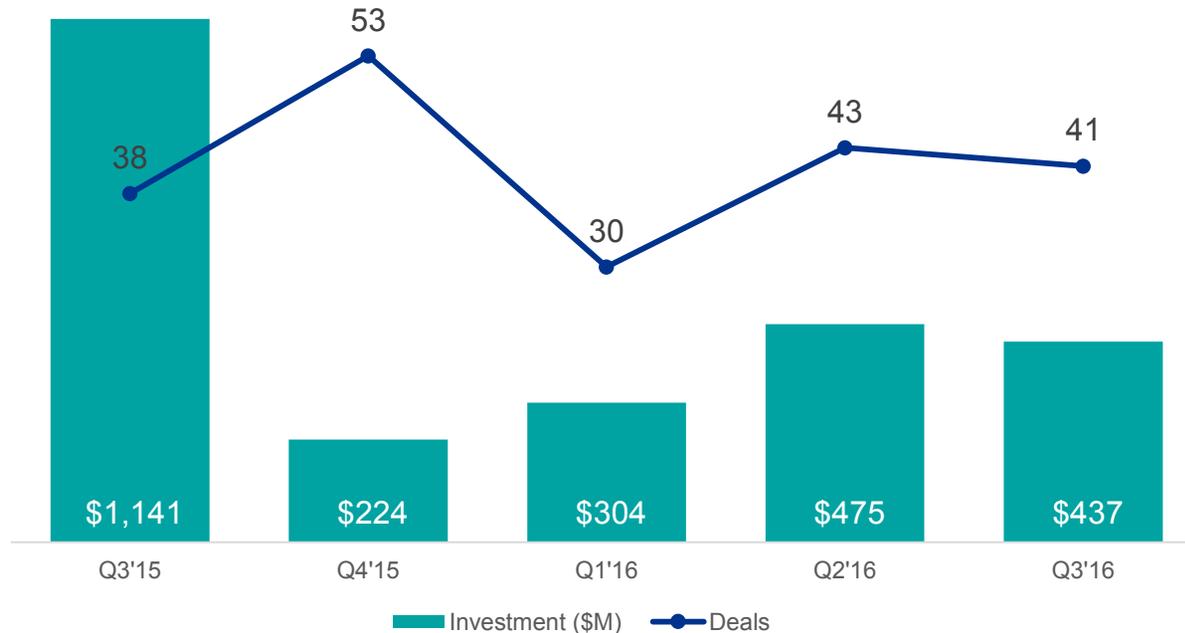
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

PAYMENTS TECH INVESTMENT ACTIVITY

Top Deals & Cities, 2016 YTD

Payments Tech Investment Activity

Q3'15 – Q3'16



Top Deals

Affirm

\$100M // Series C

StoneEagle

\$76M // Growth Equity

One97

\$60M // Venture

Ripple

\$55M // Series C

Top Cities

San Francisco

16 Deals // \$251M

London

10 Deals // \$115M

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“It is interesting to watch global fintech trends and observe the ‘wave’ of investor interest move across the world. Payments were very hot in the US and then Europe in 2015. In 2016, we are seeing significant investment in payments in Asia.”



Anna Scally
*Partner, Head of Technology,
Media and Telecommunications,
and Fintech Leader,
KPMG in Ireland*

Future remains bright for next-generation payments solutions

From money transfers to point-of-sale solutions, payments comprise one of the largest subsectors of the fintech industry. In 2014 and 2015, payments technology earned more than \$2 billion and \$2.7 billion in VC funding respectively, with high-value deals in the headlines. Though funding has dipped in the first 3 quarters of 2016, as in other fintech areas, quarter-by-quarter results show strong and steady interest in this subsector.

Continued activity in crowded personal payments landscape

Personal payments is the poster child of next-generation payments, and solutions that enhance the customer experience and appear to deliver 'real-time' payments are the current big trend. Established players within this space like Venmo and Square Cash are gobbling up market share. While banks once viewed next-generation payments solutions as too small to be credible, banks are increasingly feeling threatened by the disintermediation occurring within the P2P payments space. Ultimately, if banks are no longer viewed as the service provider for consumer payments, there could be an adverse impact on their revenues.

Yet, while fintech companies have gained significant traction at the top layer by providing a better and more frictionless customer experience, their solutions still require the banks' traditional infrastructures to move the money. Knowing this, some of the biggest banks have begun to shift their strategies toward investment, acquisition and even actively partnering with fintech companies to create compelling digital solutions. There are also early signs that this market is beginning to mature, with newer startups facing an uphill battle against more established players.

Tech giants pushing into retail payments

Retail payment types, like digital wallets and point-of-sale solutions, continue to attract significant interest and activity. This is the area where many of the tech giants have come to play, with ApplePay and Google's Android Pay, further disintermediating the banks for consumer attention and market share. Creating and maintaining an excellent customer experience, quick transaction speeds and the assurance of the payment, as well as reducing costs to the merchant, are among the key concerns in this space.

Consumer uptake has been slow, but expect this to change in coming quarters. While wearables may remain 'gimmicky,' use of a mobile phone for payments and other transactions will quickly become the new normal.

Disruption on the horizon for B2B and cross-border payments

Corporate or B2B payments and cross-border payments are areas that have not seen significant fintech investment to date but this trend is beginning to change. In the corporate space, opportunities exist for fintech companies that can insert themselves into existing processes to reduce friction across the value chain. Some of the emerging trends in these areas include cloud-based open API platforms for accepting digital payments and payment systems enhanced with richer customer data to help facilitate or automate processes.

Future remains bright for next-generation payments solutions (cont.)

Cross-border payments is another area ripe for disruption, as current payment methods are costly, inefficient and lack the transparency desired by both consumers and regulators. Fintech companies like Earthport are leveraging and improving the traditional correspondent payment model, while others such as Ripple, are using distributed ledger technologies to revolutionize this space.

Regulatory pressures affecting payment space

The intersection between regulation and the payments sector is fairly diverse around the world. Regulatory bodies in Europe and Australia are pushing a regulatory standard, while regulators in the US have been strongly encouraging change without pushing a specific mandate.

In Europe, the revised Directive on Payment Services (PSD2) promises a significant impact and a number of major benefits for fintech companies, merchants and consumers alike, and opens up the payments area to new competitors who can use aggregated data to create ancillary payment services. In contrast, US regulatory bodies are attempting to balance the needs of fostering competition and promoting standards but the tendency is to let the market forces play out. That said, there has been a recent push to modernize the payment system in the US, which includes the development of a Real-Time Payment system that leverages the ISO 20022 global message standard.

Looking forward

Payments technology is a hot area that shows little sign of cooling. While the industry will continue to mature and consolidation is likely in some areas, payments will remain a driving force in fintech.

In coming quarters, technology and applications that leverage Real-Time Payments will continue to draw significant investor attention. The VC investment will go into solutions and apps that make payments easier, simpler and richer in data, particularly in the rapidly evolving online world. Also expect to see continued growth in mobile payments, as the speed of advancements in technology accelerates the adoption of mobile solutions at an ever-greater pace.

“Online and mobile payment technologies are attracting significant investments globally. As the payments landscape evolves, we are going to see improved methods of bank account to bank account transfers, easier and faster in-app payments and the rise of real-time payments. This is going to continue to put pressure on the infrastructure and business models of established players, including banks, card networks and remittance companies.”



Jeremy Welch
*Subject Matter Expert
Payments,
KPMG in the UK*

TOP 20 PAYMENTS TECH DEALS IN 2016 (YTD) TAKE OVER \$815M IN TOTAL FUNDING

AT A GLANCE (YTD)



~\$1B

VC Funding

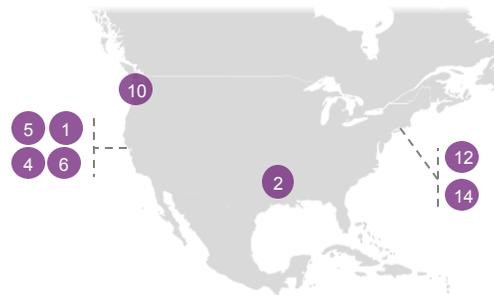


120

VC Deals

TOP 20 DEALS OF 2016 (YTD)

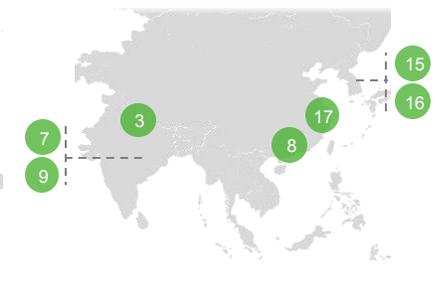
North America (\$428.5M)



Europe (\$125.49M)



Asia (\$264.7M)



1	Affirm	\$100M	Series C	11	AEVI	\$34.14M	Private Equity
2	StoneEagle	\$76M	Growth Equity	12	Transactis	\$30M	Series E
3	One97 Communications	\$60M	Unattributed VC - III	13	TransferWise	\$26M	Series D
4	Blockstream	\$55M	Series A	14	Zooz	\$24M	Series C
5	Ripple	\$55M	Series B	15	Viva Republica	\$23.7M	Series B
6	Aria Systems	\$50M	Series E	16	Viva Republica	\$23M	Series A
7	MobiKwik	\$50M	Series C	17	Wangyudashi	\$23M	Series A
8	Yunnex	\$45M	Series B	18	orderbird	\$22.85M	Series C
9	MobiKwik	\$40M	Corporate Minority	19	Velocity Mobile	\$22.5M	Series B
10	Remitly	\$38.5M	Series C	20	Global-e	\$20M	Growth Equity

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“Fintech companies are looking to deliver value by improving the customer experience along the entire business transaction, in which the payment is just one component. We can already see this happening with new solutions and partnerships that marry mobile technologies with new and emerging payment capabilities.”

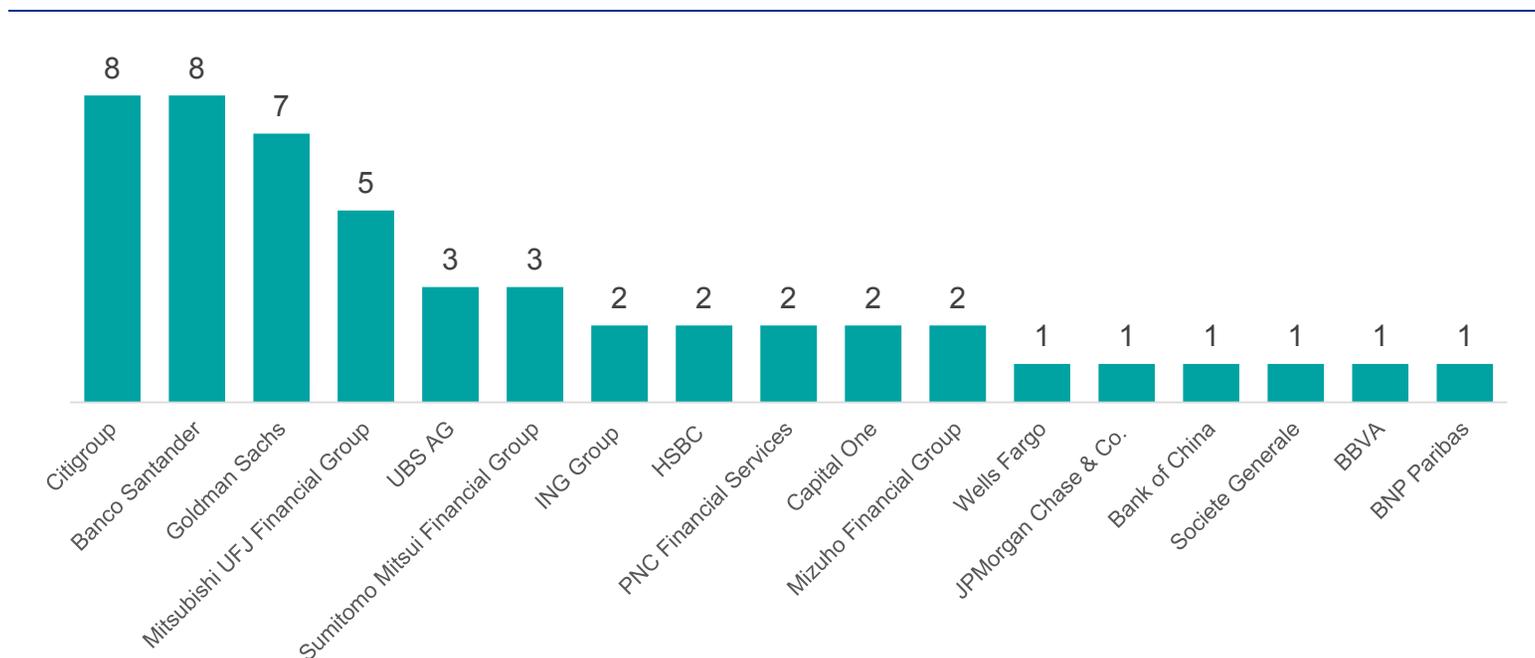


Chris Hadorn
Subject Matter Expert
Payments,
KPMG in the US

GOLDMAN SACHS, CITIGROUP, BANCO SANTANDER LEAD BIGGEST BANKS BY FINTECH INVESTMENTS

Over the past 5 quarters, Citigroup, Banco Santander and Goldman Sachs or their corporate venture units have each completed seven or more deals to VC-backed fintech companies.

Major Bank Investments to VC-backed Fintech Companies Q3'15 – Q3'16



*Chart includes largest banks in US, Europe and Asia by AUM with disclosed fintech investments. Does not include data from independent venture firms associated with the above banks.

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

NOTABLE 'REST OF WORLD' VC-BACKED FINTECH FINANCINGS: Q3'16 (YTD)

Company	Round	Country	Select investors
Nubank	\$52M (Series C // Q1'16)	Brazil	Founders Fund, Kaszek Ventures, Sequoia Capital, Tiger Global
MoneyMe	\$30M (Venture // Q1'16)	Australia	Undisclosed Investors
SocietyOne	\$19M (Series C // Q2'16)	Australia	Australian Capital Equity, Consolidated Press Holdings, News Corp Australia
GuiaBolso	\$17.3M (Series C // Q2'16)	Brazil	Ribbit Capital, QED Investors, Kaszek Ventures, IFC
Zoona	\$15M (Series B // Q3'16)	South Africa	4Di Capital, Accion, IFC, Omidyar Network, Lundin Foundation
PromisePay	\$10M (Series A // Q2'16)	Australia	Carsales, Cultivation Capital, Reinventure, Rampersand
ComparaOnline	\$6M (Series C // Q3'16)	Chile	Kaszek Ventures, Simon Nixon
BankFacil	\$4.4M (Series A // Q2'16)	Brazil	Kaszek Ventures, Quona Capital, Redpoint e.ventures
Spotlight Reporting	\$3.6M (Series A // Q3'16)	New Zealand	New Zealand Venture Investment Fund, Global from Day One, Craig Winkler, David Wilson
Airwallex	\$3M (Seed // Q3'16)	Australia	Gobi Partners, Gravity Venture Capital, Huashan Capital One

“From banks and innovation hubs to a broader spectrum of organizations working on fintech platforms — like The Floor in Israel — collaboration provides traditional institutions with a way to leverage fintech innovations while giving fintech companies access to the expertise and support they need to grow.”



Arik Speier
*Co-Leader, KPMG Enterprise
Innovative Startups Network and
Head of Technology,
KPMG in Israel*

In Q3 2016

NORTH AMERICAN

VC-backed fintech companies raised

\$900 million

Fintech investment in North America declines for second straight quarter

In North America, the total quarterly investment in fintech dropped under \$1 billion during Q3'16, reflecting a trend toward smaller deal sizes rather than a lack of fintech deal activity. Ongoing fintech deal activity in the region, however, is a positive sign despite the fall-off in investment. During Q3'16, North America saw 96 fintech deals, which is over 50% more than in Asia.

Given investors in Q3'16 had to contend with market uncertainties related to the outcome of the US presidential election and the timing of the US interest rate increase (now projected to occur in Q4'16) it's not surprising that investors held back from making large deals. As these issues stabilize, it is likely that fintech investment will pick up.

2016 shaping up to be a good year despite Q3 decline

2015 was truly a banner year for VC investment in fintech, with \$8 billion in funding to fintech companies. While 2016 is not expected to compare to that peak, the region is on track to match, if not exceed, the \$5.3 billion of investment seen in 2014. Looking at the year-to-date level of investment highlights the ongoing resilience and attractiveness of fintech in North America despite the funding decreases in Q2 and Q3.

Investors looking for blockchain and other technologies to deliver

Blockchain — or distributed ledger technology — has received a significant amount of attention from VC investors over the past year in North America. Many of the large financial institutions in the US have invested in blockchain-related companies, announced partnerships to examine blockchain's potential or moved ahead with proof-of-concept activities. Other large corporates are also taking an interest in blockchain, interest that is expected to grow over the next quarter.

To-date, however, the ability to move blockchain from proof-of-concept to adoption and production has been minimal. While the market is still giving blockchain companies plenty of room to prove themselves, investors are also becoming more concerned about results. Over the next year, investors will make more rationale assessments of where the main use cases associated with fintech are and how long it will be before they are implementable. Investors may give similar scrutiny to robo advisory investments.

Corporate VCs remain strong player in fintech

In North America, corporate VCs continue to play a key role in fintech, participating in over 25% of fintech deals. While many corporates are investing in fintech as a strategic play, others are investing more broadly with the hope of strong financial returns. In Q3'16, traditional corporates continued to dip their toes into the incubator model, spending time with incubator-based companies and considering sponsorships of such companies in order to gain access to fintech talent.

Fintech investment in North America declines for second straight quarter (cont.)

One challenge among corporate VCs is that while there is a keen desire to make use of fintech, there are numerous innovations vying for their attention. The Internet of Things, artificial intelligence, Big Data: each of these is becoming increasingly more interesting to corporate VCs but they only have so much capital to invest. If corporates don't consider strategic alignment and potential value up front, it could make it challenging for them to assess the value of any fintech solutions down the road.

Lending investment down, InsurTech on the rise

Given challenges in the lending space earlier in 2016, investor interest in lending platforms was more cautious in Q3'16. At the same time, interest in InsurTech grew dramatically, a rise not expected to subside in the near future. Investors see the applicability of fintech, from wearables and the Internet of Things, to data and analytics and insurance, as very high. Although InsurTech has its challenges. Many corporate VCs, for example, see fintech as a way to improve their entire value chain but struggle with how to do so while, at the same time, managing regulatory challenges.

On the cusp of growth: positive outlook for fintech in 2017

Investor sentiment regarding the future of fintech in North America is very positive. There is growing enthusiasm related to M&A, IPOs and liquidity and expectations are that while Q4 may be relatively lackluster, 2017 should see fintech gaining momentum again. The region will likely see a stronger increase in M&A activity in 2017 as large financial institutions acquire startups and larger startups merge with or acquire others. While broader tech IPO activity is expected to increase in 2017, it may take until 2018 before there is a substantial rise in fintech IPOs.

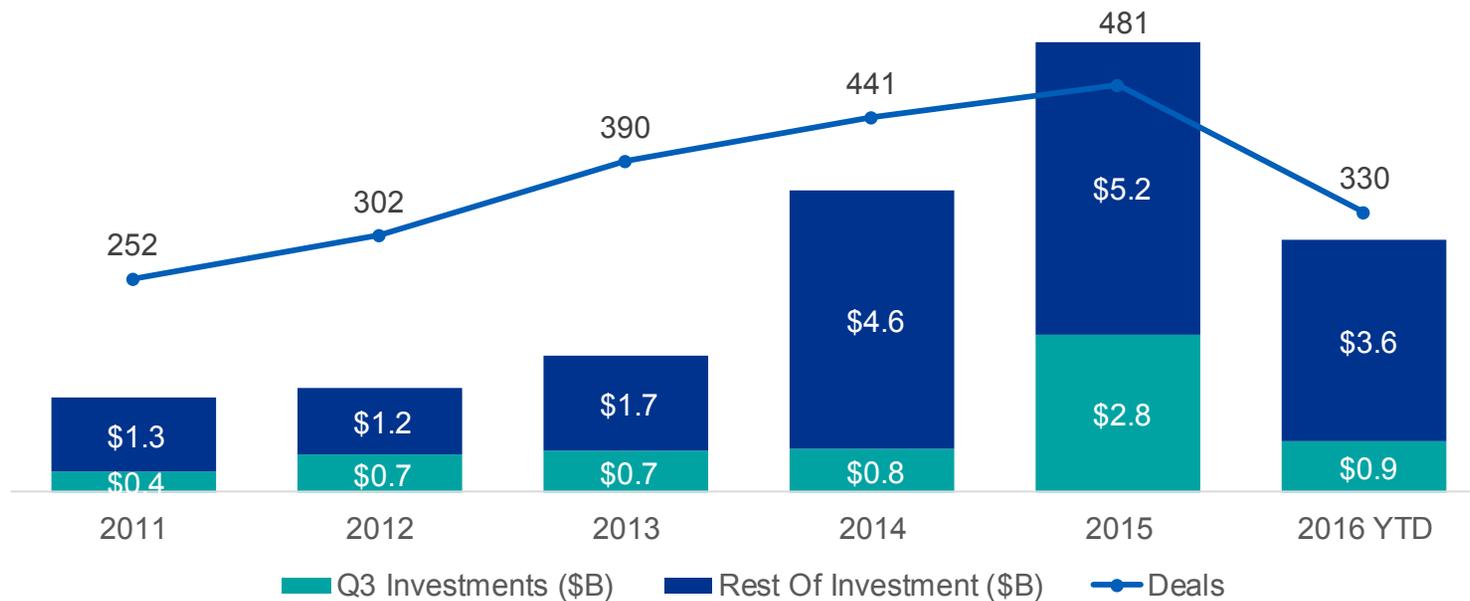
A number of fintech subsectors are expected to attract more attention over the next few quarters. While InsurTech continues to be a big bet, there is also excitement building around areas like blockchain, robo advisory and artificial intelligence. As scrutiny around privacy and data security rises in North America, interest in security and biometrics technologies may also grow.

From a regulatory standpoint, the next few quarters may also see the introduction of a US regulatory sandbox or movement toward the development of one. While the regulatory complexity of such an initiative is high, as a result of numerous regulatory bodies in the US, there is a growing sentiment that a sandbox is needed in order to help advance fintech and keep the US from falling behind other jurisdictions.

NORTH AMERICA FINTECH: \$900M ACROSS 96 DEALS IN Q3'16

In North America, the \$900M registered to VC-backed fintech companies in Q3'16 represents a 68% funding drop compared to Q3'15's total. Total VC-backed fintech deal activity in 2016 is projected to fall below 2015 and come out nearly on par with 2014 levels.

North American Annual Financing Trends to VC-Backed Fintech Companies 2011 – 2016 YTD (Q3'16)



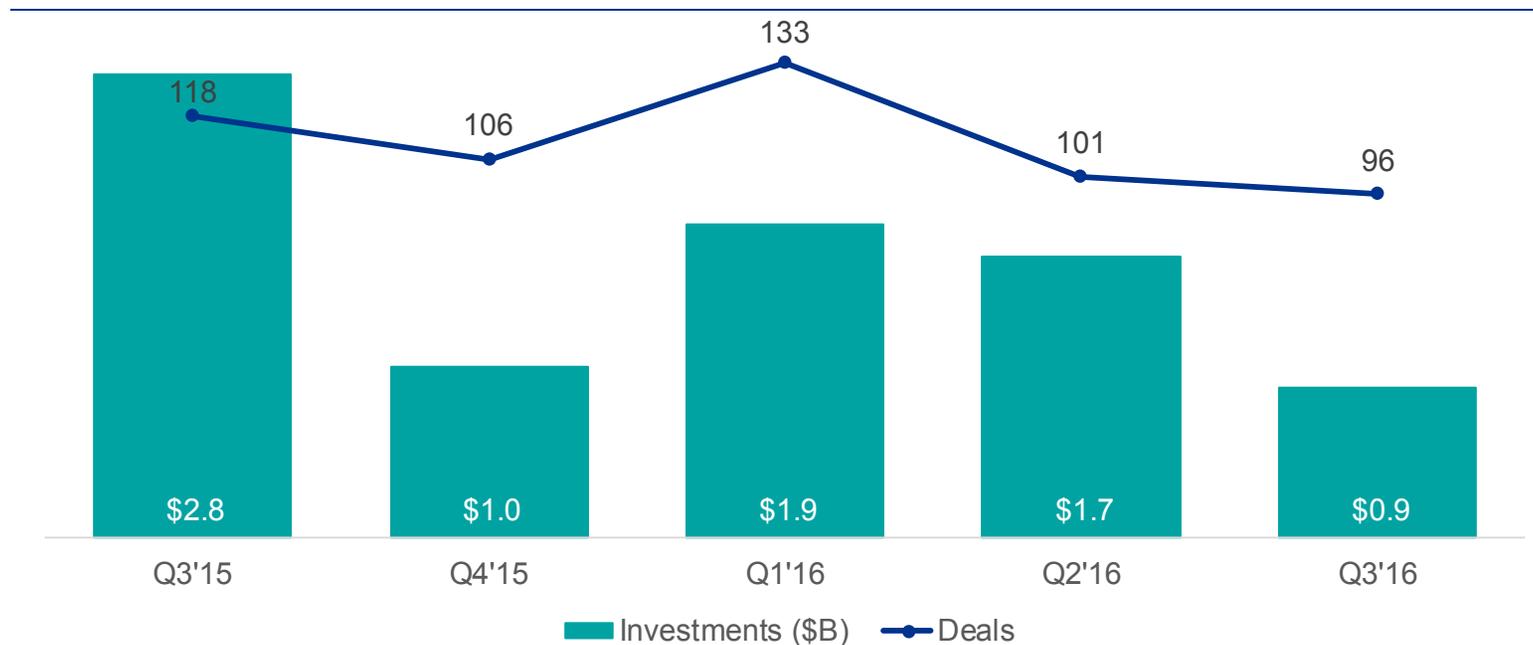
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

FINTECH FUNDING AND DEALS IN NORTH AMERICA DROP TO 5-QUARTER LOW IN Q3'16

Deal activity to VC-backed North American fintech companies in Q3'16 dropped 5% on a quarterly basis. Fintech funding fell 47% from Q2'16 to dip below \$1B in Q3'16.

North American Quarterly Financing Trends to VC-Backed Fintech Companies

Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“There are definite headwinds to be overcome in certain fintech verticals, such as payments and marketplace lending. However, the continued positive momentum in other areas such as blockchain and robo advisory, coupled with the ever-increasing consumer demand for alternatives to traditional financial services, should make fintech the most dynamic sector for venture investing in 2017.”



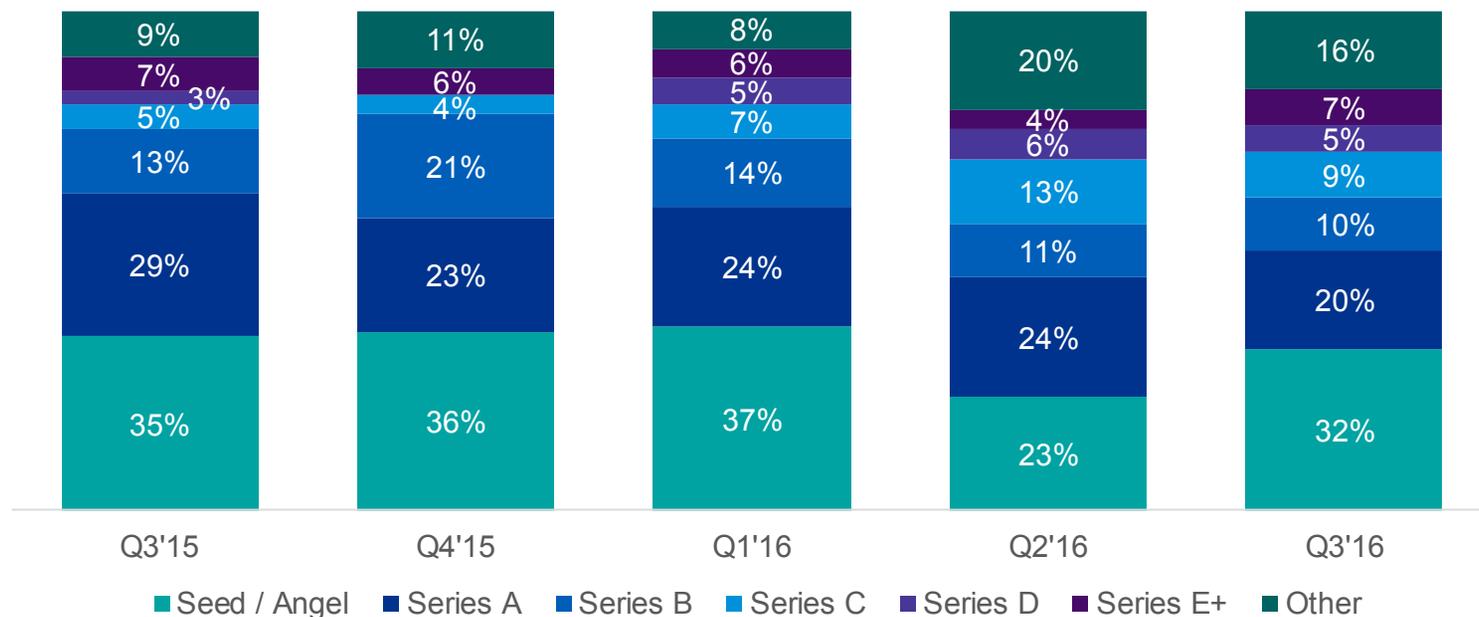
Conor Moore
*National Co-Lead Partner,
KPMG Venture Capital Practice
KPMG in the US*

Q3'16 NORTH AMERICA SEED DEAL SHARE RECOVERS, SERIES A SHARE FALLS TO 5-QUARTER LOW

In Q3'16, seed activity took 32% of all fintech deals in North America, up from 23% in Q2'16. Conversely, VC-backed Series A fintech deal share fell to 20% in Q3'16, a 5-quarter low.

North American Quarterly Deal Share by Stage

Q3'15 – Q3'16

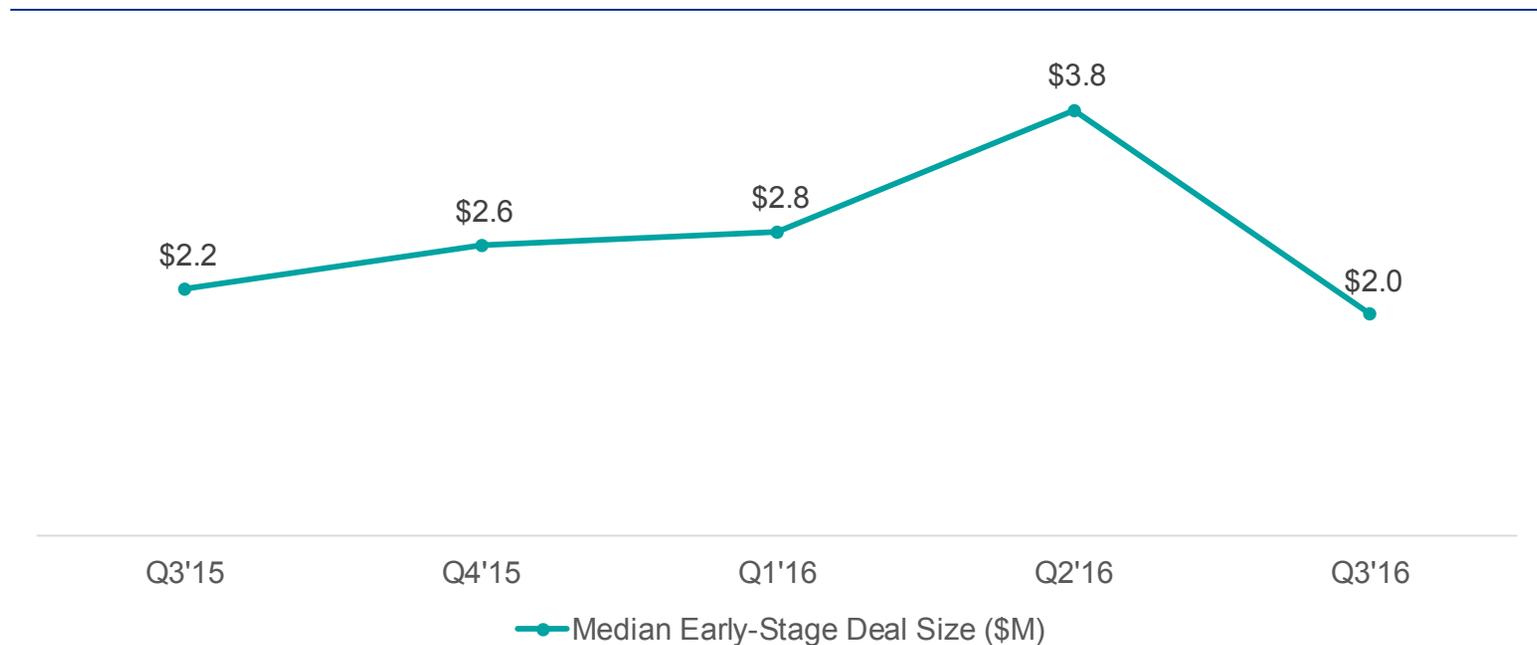


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

EARLY-STAGE NORTH AMERICAN FINTECH DEAL SIZE PLUMMETS

Median early-stage fintech deals were \$2M in Q3'16, dropping to a 5-quarter low and 47% decrease over Q2'16.

North American Early-Stage Fintech Deal Size Q3'15 – Q3'16

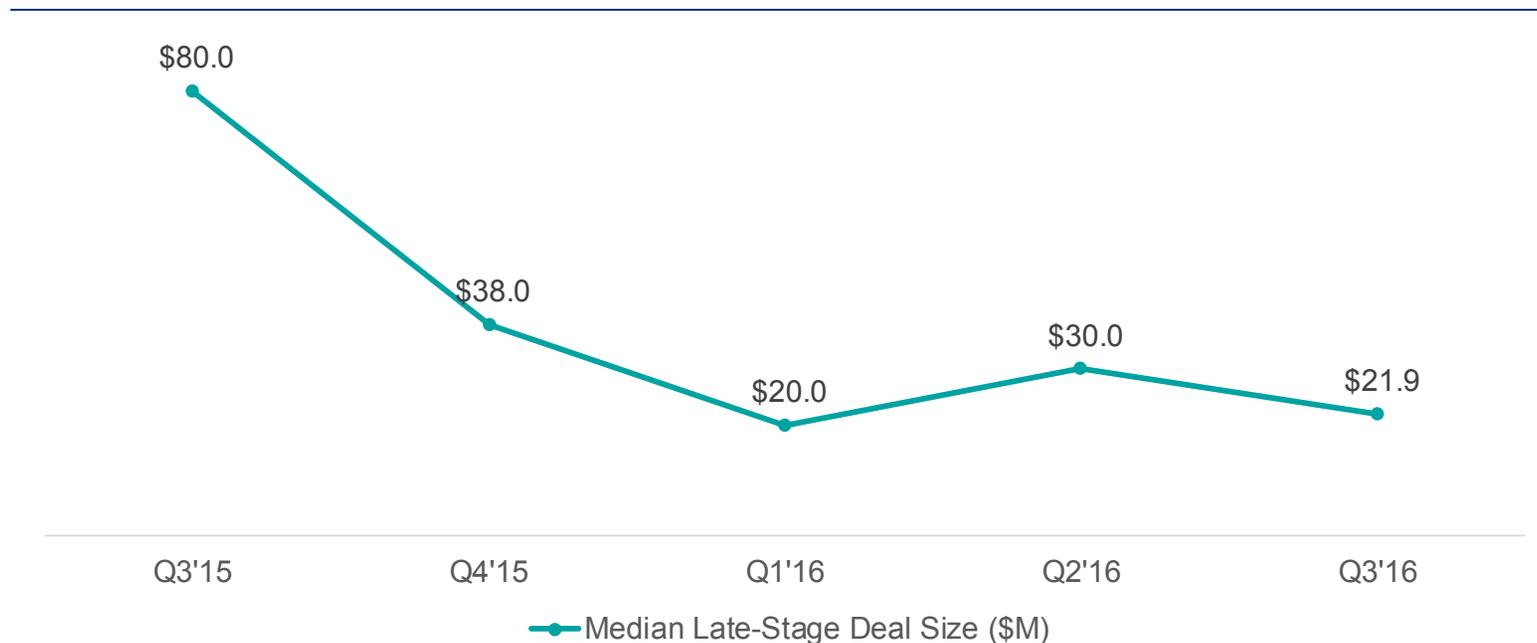


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

LATE-STAGE FINTECH DEAL SIZE DECLINES IN Q3'16

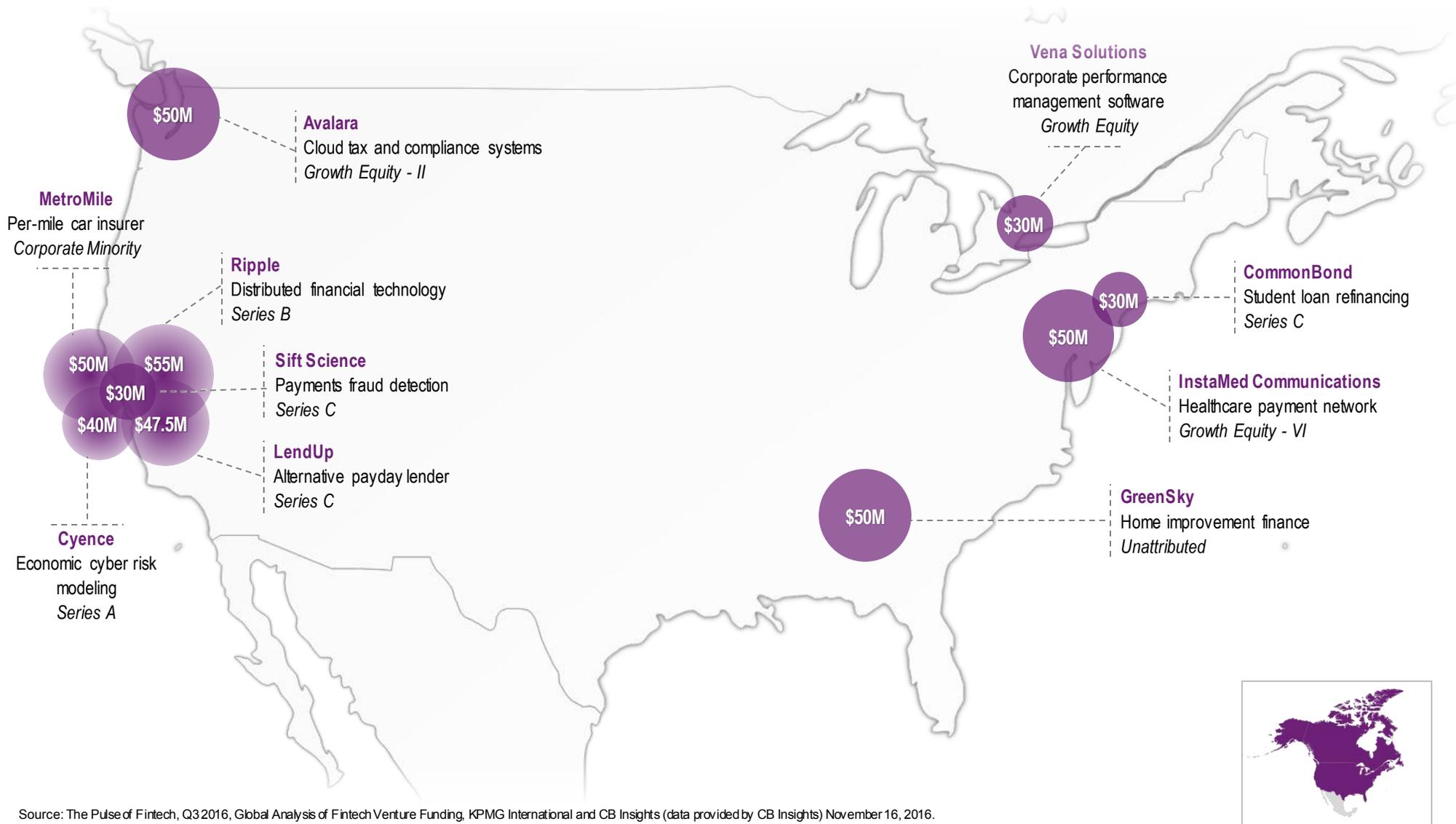
Median late-stage fintech deal size in North America dropped to \$21.9M, the second lowest quarterly total in the 5-quarter trend and a 73% drop when compared to the same quarter last year.

North American Late-Stage Fintech Deal Size Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

TOP 10 NORTH AMERICAN FINTECH DEALS IN Q3'16 MAKE UP OVER \$430M IN TOTAL FUNDING



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16, 2016.

“Many corporates want to take advantage of fintech but they have not yet identified what problem they need to address. In order to assess the value of adoption, companies need to first have a defined problem statement and alignment on what they are trying to achieve.”

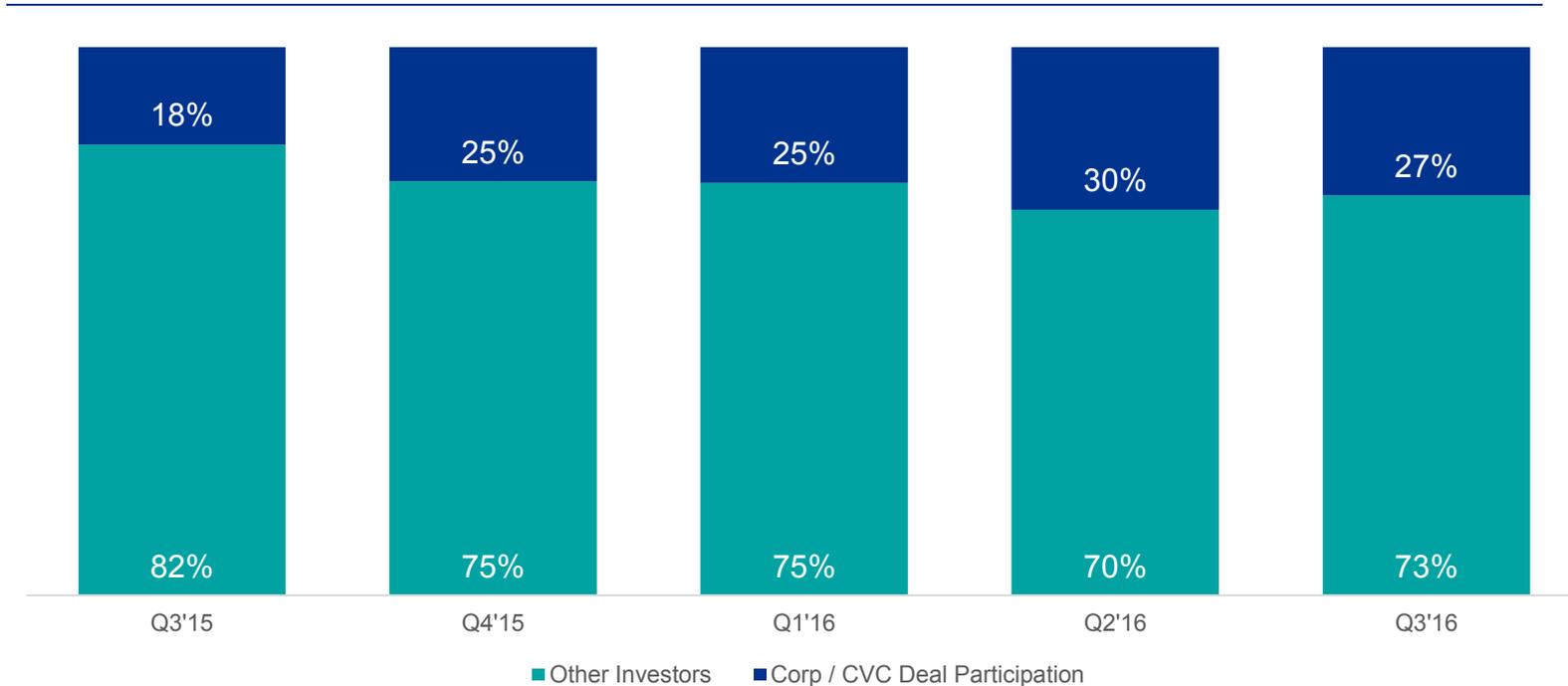


Ann Armstrong
*US National Fintech Co-Leader,
KPMG in the US*

CORPORATE DEAL SHARE OF VC-BACKED NORTH AMERICAN FINTECH DROPS SLIGHTLY

Corporates participated in 27% of deals to North American VC-backed fintech companies in Q3'16, up from 18% in the same quarter last year.

CVC Participation in North American Deals to VC-Backed Fintech Companies Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

THE MOST ACTIVE VC INVESTORS IN NORTH AMERICAN FINTECH

New Enterprise Associates, General Catalyst Partners and Khosla Ventures were the top three most active fintech investors in North America over the last 5 quarters by unique company investments.

Most Active VC Investors in North American Fintech Companies Q3'15 – Q3'16

Rank	Investor	Rank	Investor
1	New Enterprise Associates	8	Slow Ventures
1	General Catalyst Partners	8	QED Investors
1	Khosla Ventures	8	American Express Ventures
4	Bain Capital Ventures	8	First Round Capital
5	Spark Capital	14	Citi Ventures
5	Nyca Partners	14	Fenway Summer Ventures
5	Blumberg Capital	14	500 Startups
8	Union Square Ventures	14	Thrive Capital
8	SV Angel	14	Social Capital

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“There is a growing level of activity in mergers & acquisitions between incumbents and fintechs. The market is highly fragmented and provides opportunities for traditional financial institutions to acquire fintechs in specific areas of the value chain. The key to success is the ability to integrate these new capabilities and to balance the agility and stability of the business model.”

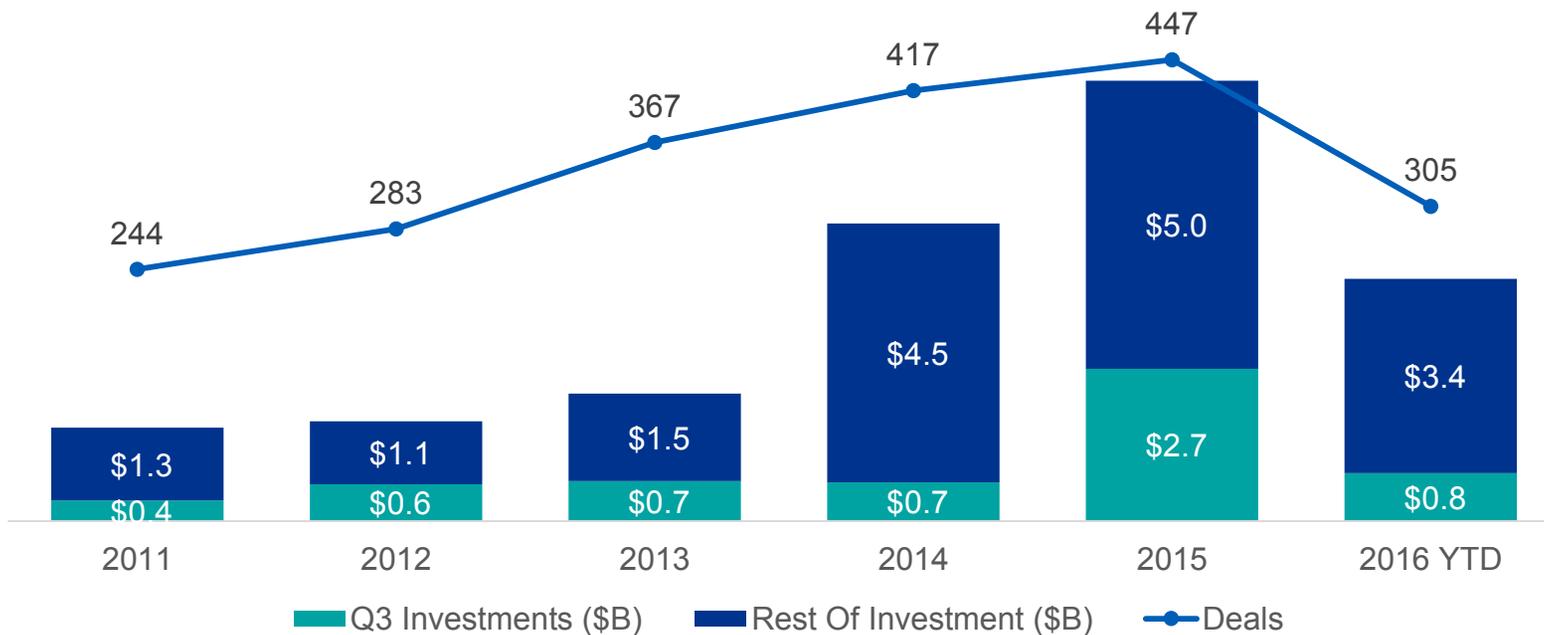


Anthony Rjeily
*Principal,
Financial Services Digital and
Fintech Practice Lead,
KPMG in the US*

\$4.2B DEPLOYED ACROSS 305 DEALS TO US FINTECH COMPANIES IN FIRST 3 QUARTERS OF 2016

In the US, VC-backed fintech companies raised \$800M in Q3'16, which represents a 70% funding drop when compared to Q3'15. At the current run rate, US fintech deals are expected to fall from 2015's high.

US Annual Financing Trends to VC-Backed Fintech Companies 2011 – 2016 YTD (Q3'16)



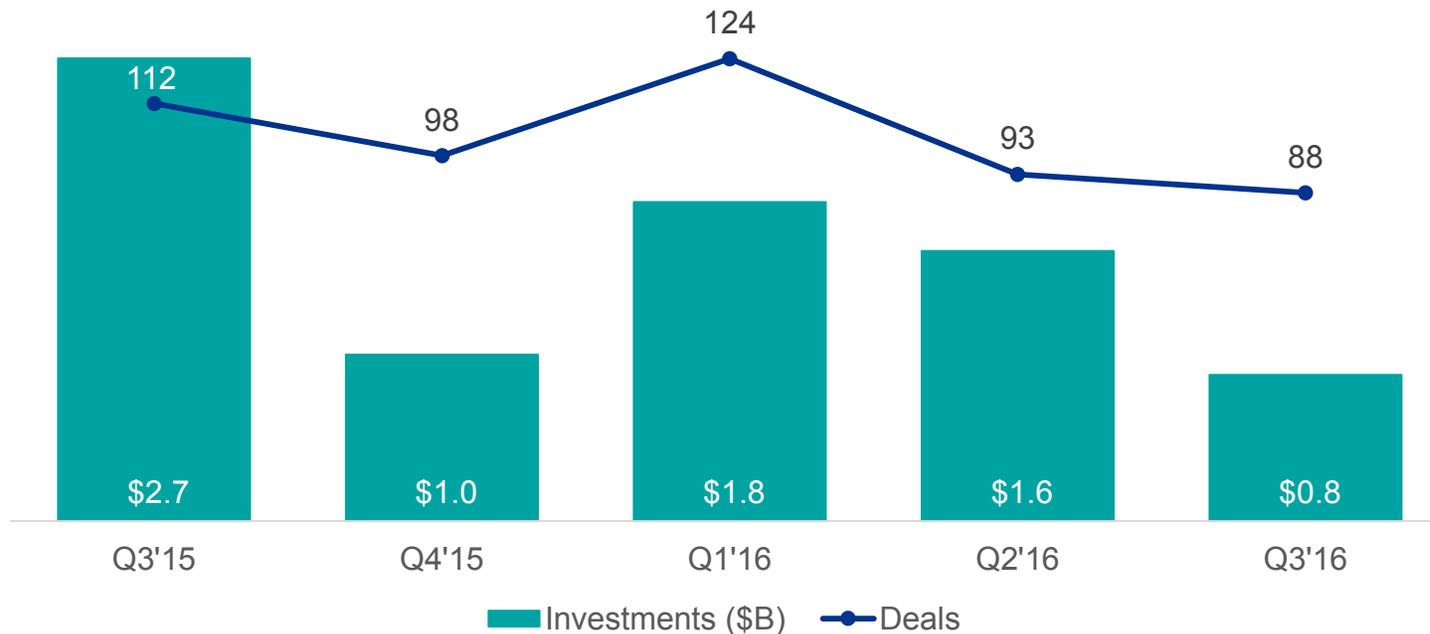
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

Q3'16 US FINTECH DEAL AND FUNDING ACTIVITY DECLINES FOR SECOND STRAIGHT QUARTER

US fintech startups saw funding total \$800M in Q3'16, a decrease of 50% from Q2'16. Deal activity to VC-backed fintech companies experienced a 5-quarter low in Q3'16, with 88 deals recorded.

US Quarterly Financing Trends to VC-Backed Fintech Companies

Q3'15 – Q3'16



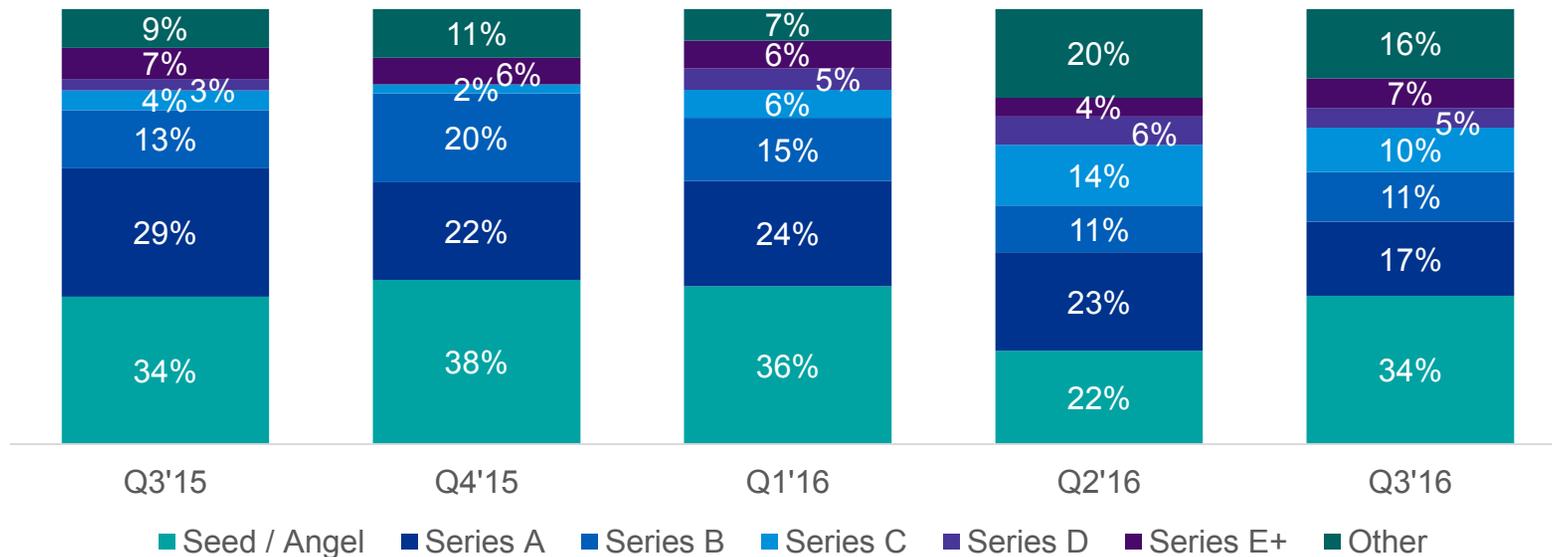
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

FINTECH SEED DEAL SHARE IN US RECOVERS IN Q3'16

Seed deal share recovered to 34% in Q3'16 after falling to 22% of all US VC-backed fintech deals in Q2'16. Series A deal share fell to 17%, a 5-quarter low for US VC-backed fintech deals.

Quarterly US Fintech Deal Share by Stage

Q3'15 – Q3'16



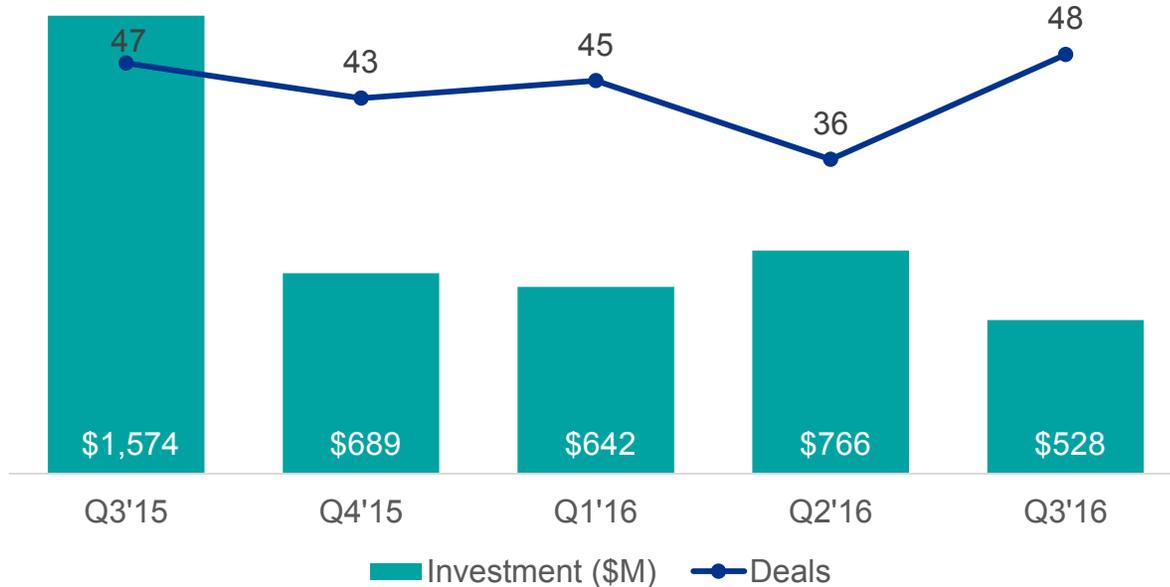
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

CALIFORNIA VC-BACKED FINTECH INVESTMENT ACTIVITY

Top Deals & Cities, Q3'16

California Fintech Investment Activity

VC-Backed Companies, Q3'15 – Q3'16



Top Deals

Ripple

\$55M // Series B

MetroMile

\$50M // Corp. Minority

LendUp

\$47.5M // Series C

Top Cities

San Francisco

22 Deals // \$317.9M

Palo Alto

7 Deals // \$41.1M

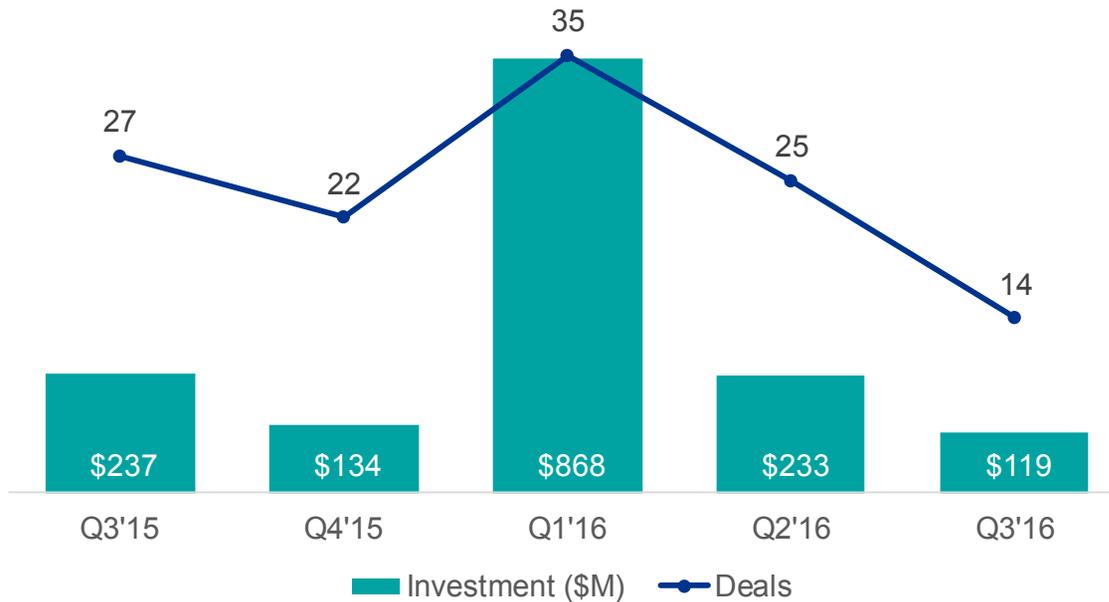
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

NEW YORK VC-BACKED FINTECH INVESTMENT ACTIVITY

Top Deals & City, Q3'16

New York Fintech Investment Activity

VC-Backed Companies, Q3'15 – Q3'16



Top Deals

CommonBond

\$30M // Series C

Behalf

\$27M // Series C

Top City

New York

13 Deals // \$118M

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

In Q3'16

EUROPEAN

VC-backed fintech companies raised

\$233 million

Slow quarter in Europe amid post-Brexit uncertainty

VC investment in Europe declined in Q3'16 following the Brexit vote and resulting market uncertainty. The number of fintech deals declined to 38 while investment dropped by half, from \$400 million in Q2'16 to \$200 million in Q3.

Payments and lending subsectors continue to attract VC attention

Much of the VC investment in Europe this quarter has been in the payments subsector. Lending companies are also attracting investment in Europe, though not to the degree seen in the US. While there are signs of market saturation in more traditional lending areas, the broad spectrum of lending company types and offerings, from P2P lending platforms through to new tech solutions, enables continued growth in this area.

Berlin-based FinanceFox garnered attention as one of the frontrunners in an expected rise of InsurTech, raising \$28 million in Series A funding. Given that innovation in this subsector is increasing and smaller funding rounds are already underway, insurance is likely to become a larger part of the ecosystem. RegTech is also gaining increased investor attention and continued growth is expected, especially in the UK, Germany and Ireland.

Investors cautious in uncertain UK market

The Brexit vote and the resulting effects on growth expectations and interest rates may have had an impact on VC investment in the UK during Q3'16, continuing the falloff seen in Q2. Investors displayed caution, putting deals on hold and passing on funding opportunities for new startups, especially in crowded spaces like lending. The most notable deal during this period was to Velocity Mobile, a payments firm, that attracted \$22.5 million in Series B funding.

Fintech companies are responding to these changes in investor confidence by shifting priorities. The race for scale is evening off as companies focus more on the bottom line, reducing costs and pushing toward profitability.

Despite these challenges, the UK is still well-positioned to maintain its spot as a fintech powerhouse, especially once investor confidence begins to recover in coming quarters. Post-Brexit, the UK may even be able to offer advantages over other European nations that will enable fintech to thrive.

Germany continues strong performance

Germany continues to show a strong performance and increasing VC confidence. For the second quarter, Germany's fintech market received more VC investment than the UK, attracting \$105 million versus the UK's \$78 million. Efforts are underway to promote the fintech ecosystems in Berlin and Frankfurt, in an attempt to lure fintech startups from London¹.

¹Reference: Fintech: Frankfurt Joins the Race to Lure Away British Banks After Brexit, Finance Magnates, September 12, 2016.

Slow quarter in Europe amid post-Brexit uncertainty (cont.)

Regulatory deal between Switzerland and Singapore makes headlines

The Monetary Authority of Singapore (MAS) and the Swiss Financial Market Supervisory Authority signed a fintech co-operation agreement this quarter, a bilateral treaty designed to support fintech startups in each jurisdiction¹. Formal direct collaborations between financial regulators within Europe have not yet been seen, though co-operative efforts between fintech associations and other groups is on the rise. For example, the Irish Fintech and Payments Association and Innovate Finance in London are now working closely to learn from each other and share best practices.

Collaboration between banks and fintech companies on the rise

Across Europe, but in the UK and Ireland especially, collaboration between banks and fintech companies continues to increase. In addition to initiatives such as the Bank of England's fintech accelerator, banks are beginning to take space in incubation hubs to allow direct and ongoing interface with fintech startups. Increasingly, large financial institutions are viewing fintech companies as more than an investment. Through these fintech partnerships, banks are looking to create and adopt solutions that can to reduce risk and improve customer engagement.

Collaborative approaches are being seen, especially within blockchain, as banks, fintech companies and even historical competitors come together to understand how to best use this technology. One such ongoing collaboration is between Barclays and Israeli blockchain startup Wave, a graduate of the TechStars accelerator.

Intelligent evolution of robo advisory

Robo advisory has been gaining traction in the personal and retail banking sectors, increasingly for front-line customer response or as a tool in an advisor's toolbox. Now, fintech companies are looking to combine artificial intelligence with robo advisory solutions to offer personalized customer recommendations in real time for investments, banking and more. This type of dynamic solution may help soothe the concerns of VCs looking for robo advisory investments to begin to prove their worth.

¹ Reference: Fintech: Swiss and Singaporean Regulators Deepen Ties, finews.com, October 25, 2016.

“In retail banking, customer experience is paramount. Companies are using technologies like artificial intelligence, Business Intelligence and deep learning to provide customized and actionable customer insights in real time. This is about more than the upsell. It’s providing the tools and data analytics to know what your customers need, at the right time, for the right price.”

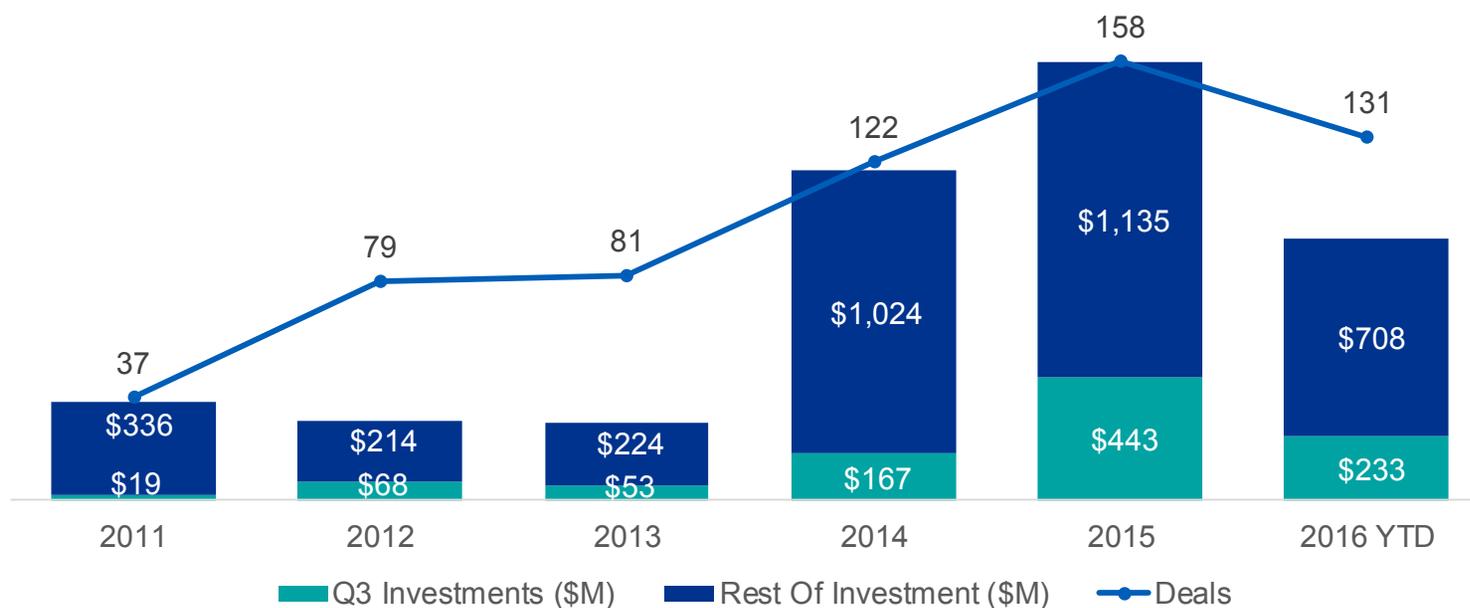


Dorel Blitz
*Head of Fintech,
KPMG in Israel*

EUROPEAN DEALS TO VC-BACKED FINTECH COMPANIES ON PACE FOR NEW HIGH IN 2016

VC-backed fintech companies in Europe raised \$233M in funding across 38 deals in Q3'16. At the current run rate, European fintech deals are on pace surpass the highs previously set in 2015, even if funding drops.

European Annual Financing Trends to VC-Backed Fintech Companies 2011 – 2016 YTD (Q3'16)

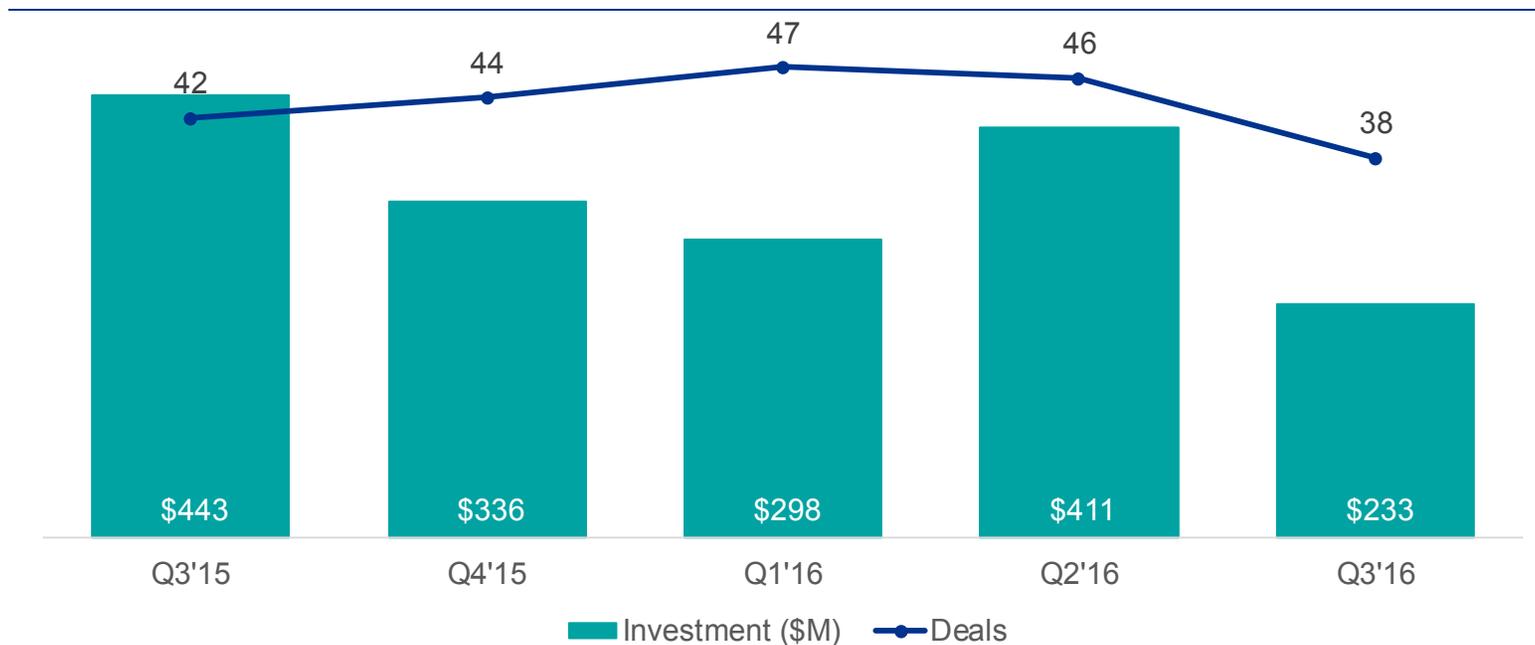


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

EUROPEAN FINTECH DEAL COUNT DROPS BELOW 40 FOR FIRST TIME IN 5 QUARTERS

Q3'16 saw European fintech deals fall 17% on a quarterly basis. Fintech funding in Europe dropped 43% on a quarterly basis, with \$233M invested in Q3'16.

European Quarterly Financing Trends to VC-Backed Fintech Companies Q3'15 – Q3'16

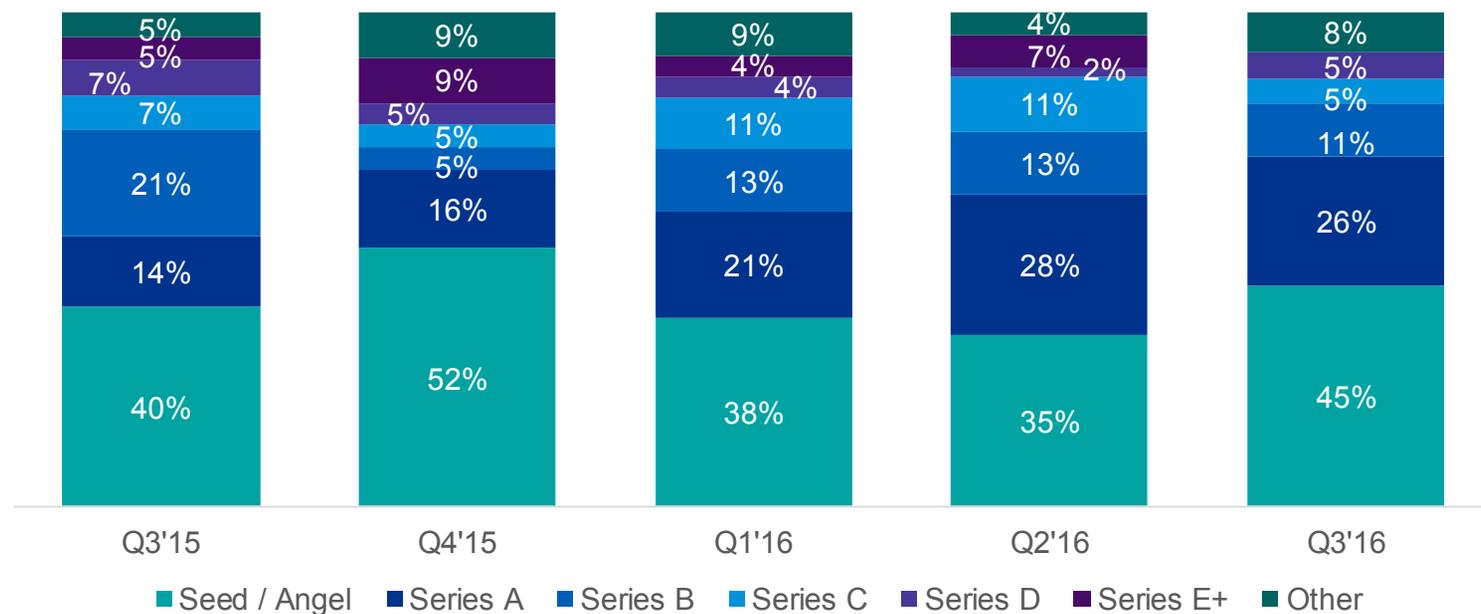


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

EARLY-STAGE DEALS ACCOUNT FOR 71% OF EUROPEAN FINTECH DEAL SHARE IN Q3'16

Seed deal share in European fintech companies accounted for almost half of all deal share in Q3'16 at 45%. Series A deal share fell for the first time in 5 quarters but still represents more than one-fourth of all deal share.

European Quarterly Deal Share by Stage Q3'15 – Q3'16



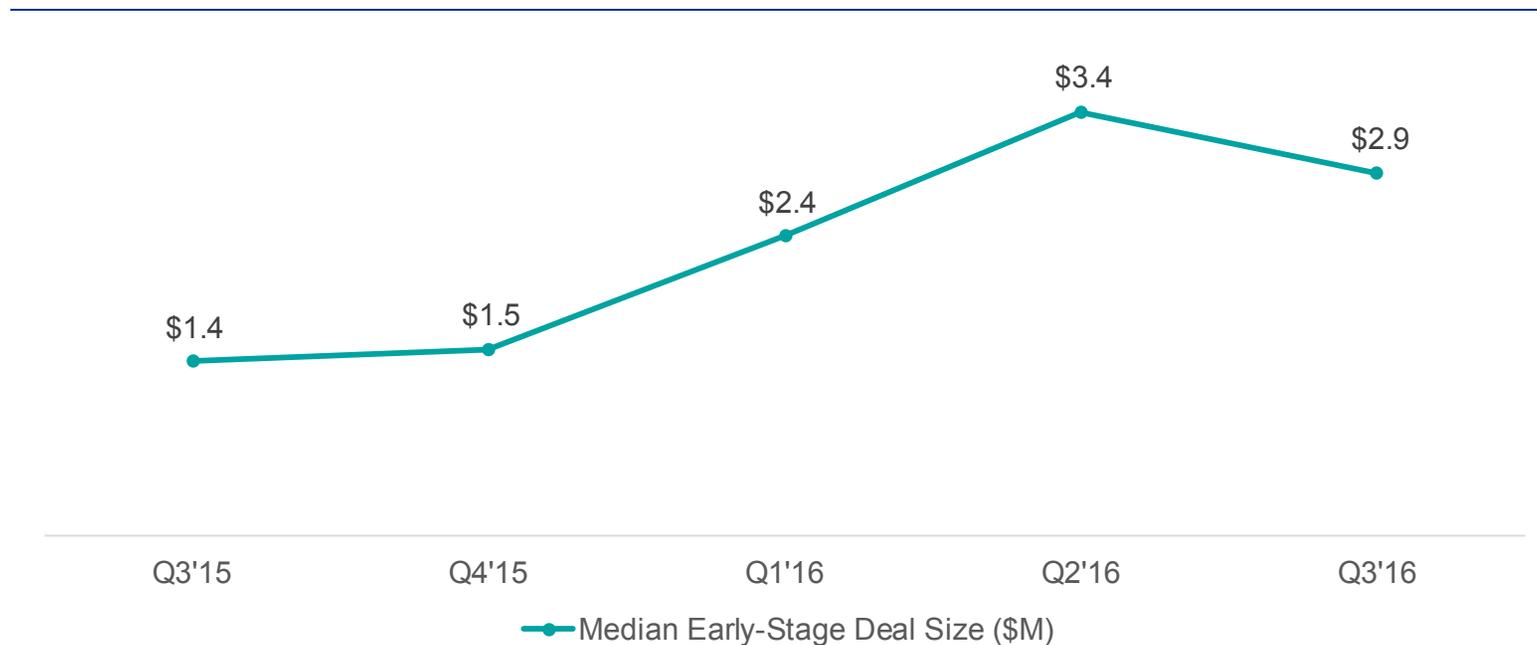
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

MEDIAN EUROPEAN EARLY-STAGE FINTECH DEAL SIZE DROPS FOR FIRST TIME IN 5 QUARTERS

Early-stage median deal size in Europe fell to \$2.9M after increasing in deal size for 4 consecutive quarters.

European Early-Stage Fintech Deal Size

Q3'15 – Q3'16

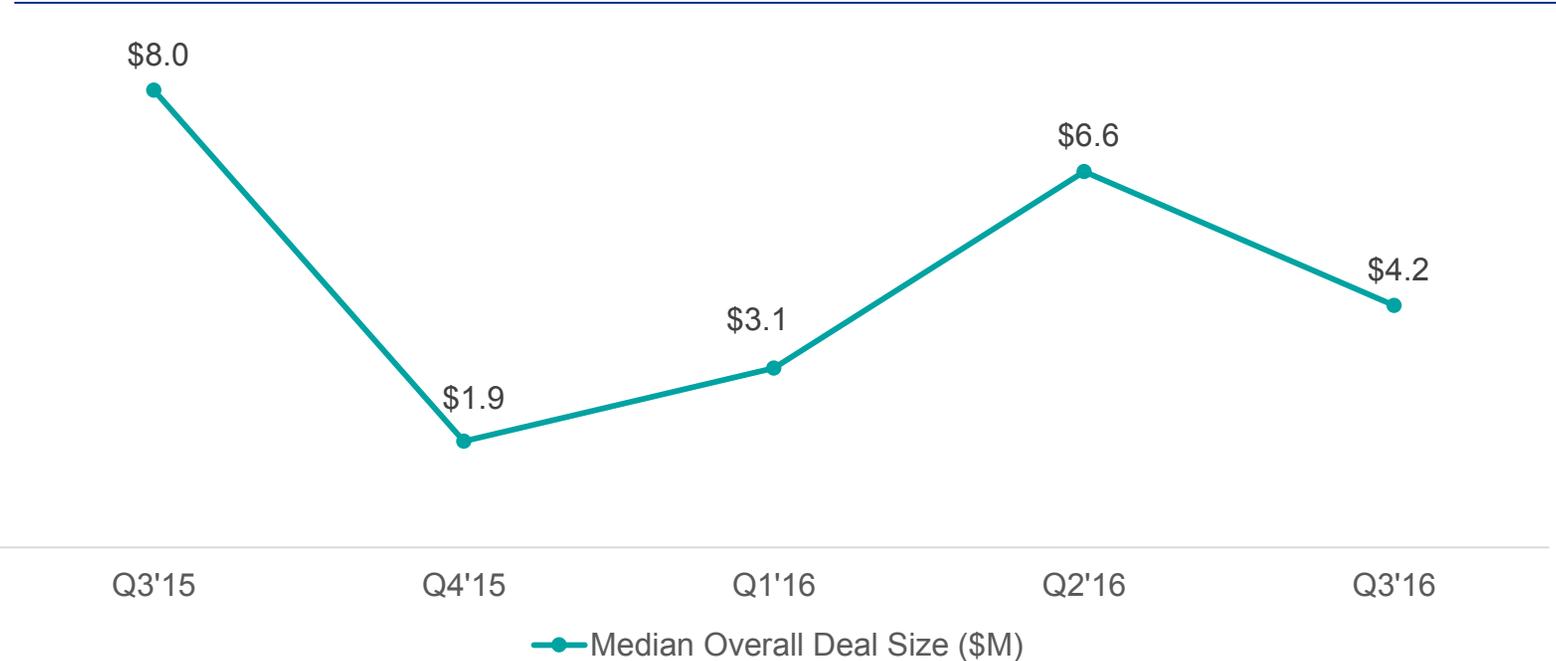


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

EUROPE OVERALL DEAL SIZES DROPS AFTER INCREASING FOR 2 STRAIGHT QUARTERS

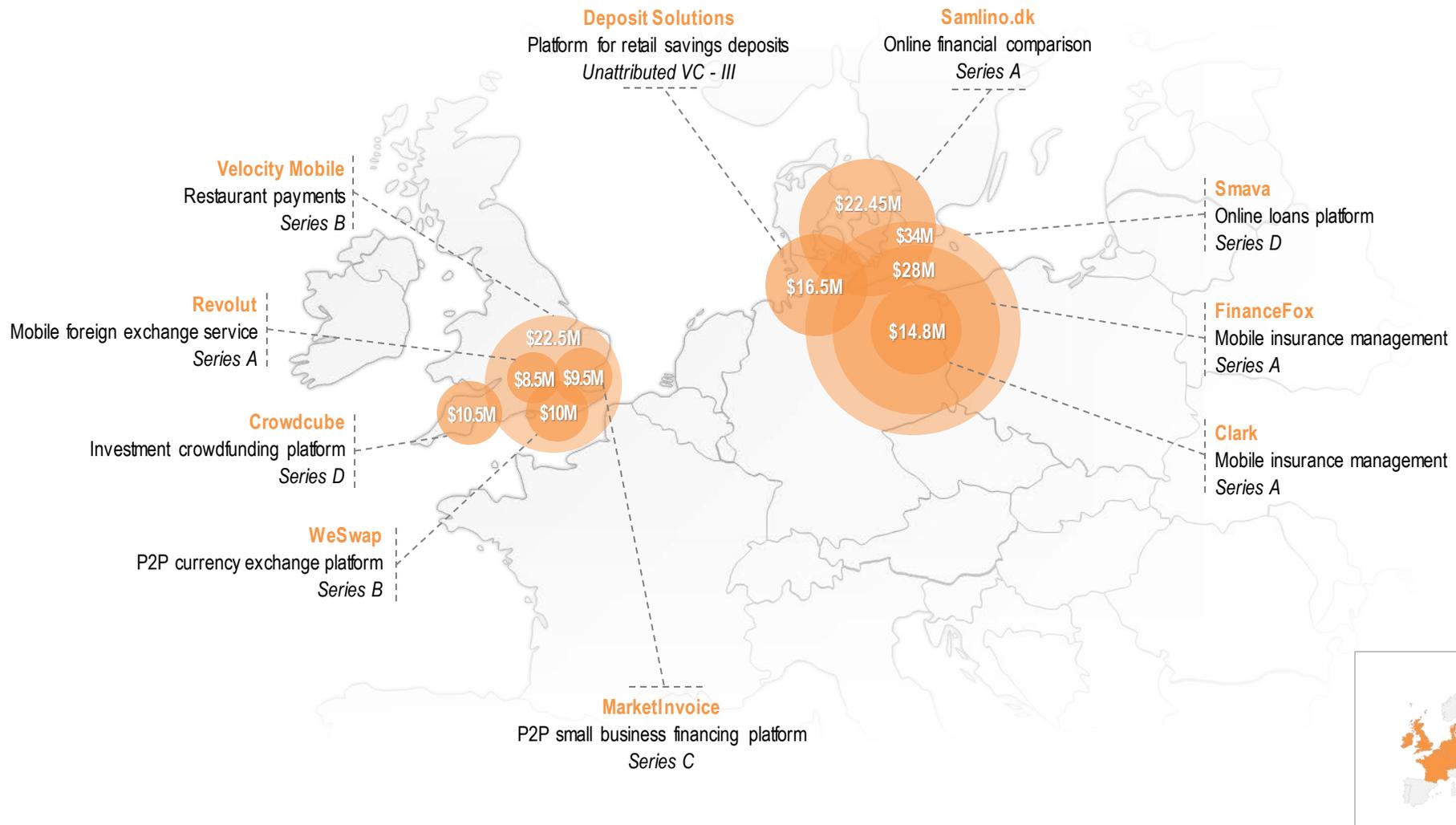
Median overall fintech deal sizes in Europe fell to \$4.2M in Q3'16, a 36% drop quarter-over-quarter.

European Overall Fintech Deal Size Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

TOP 10 EUROPEAN FINTECH DEALS OF Q3'16 MAKE UP OVER \$175M

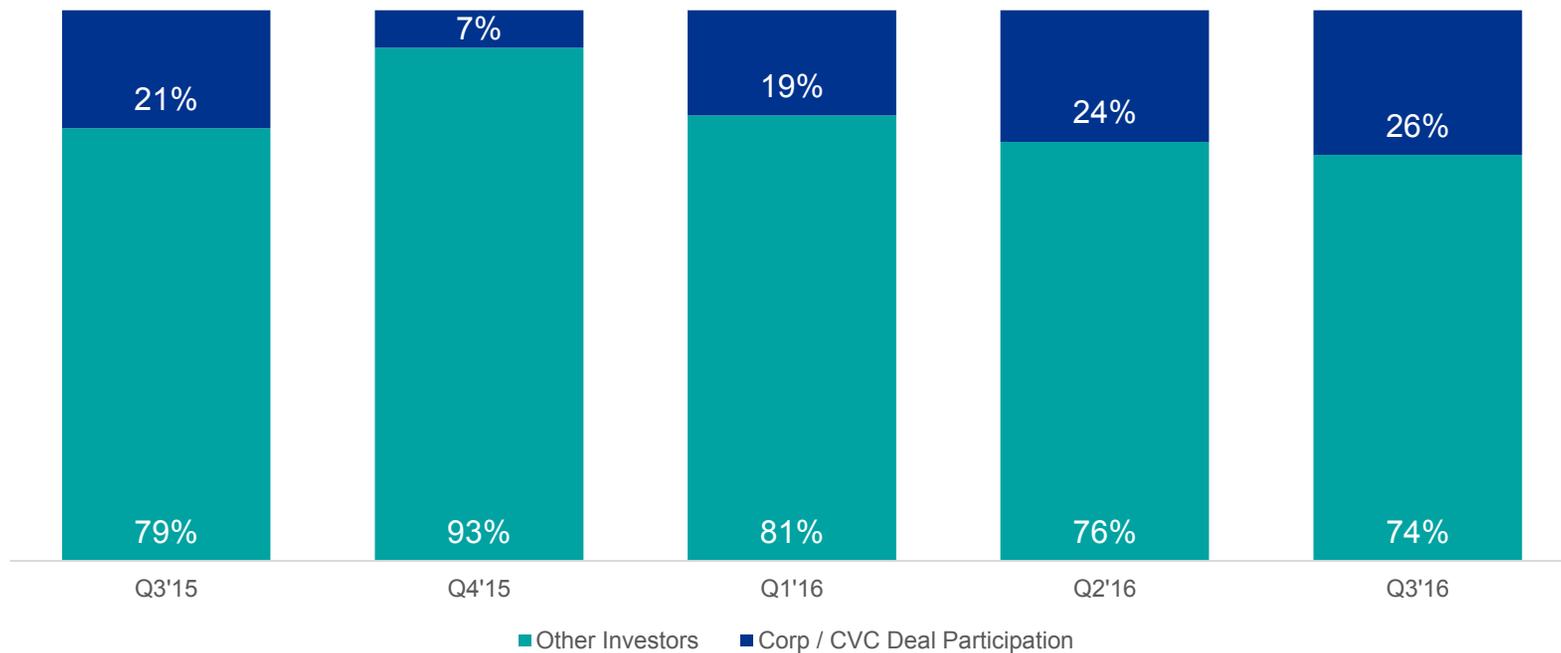


Source: The Pulse of Fintech, Q32016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16, 2016.

CORPORATE PARTICIPATION IN EUROPEAN FINTECH DEALS RISES TO 5-QUARTER HIGH

Corporate participation in the number of European fintech deals rose for the third straight quarter to 26% in Q3'16, compared to 21% in the same quarter last year.

CVC Participation in European Deals to VC-Backed Fintech Companies Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

THE MOST ACTIVE EUROPEAN FINTECH INVESTORS

SpeedInvest, Index Ventures and Balderton Capital were the most active VCs in European fintech over the last 5 quarters.

Most Active VC Investors in European Fintech Companies Q3'15 – Q3'16

Rank	Investor	Rank	Investor
1	SpeedInvest	10	Route 66 Ventures
2	Index Ventures	10	Point Nine Capital
3	Balderton Capital	10	Passion Capital
3	High-Tech Grunderfonds	10	Earlybird Venture Capital
3	German Startups Group	10	QED Investors
6	Global Founders Capital	10	Northzone Ventures
6	NFT Ventures	10	Octopus Ventures
6	Seedcamp	10	London Co-Investment Fund
6	Holtzbrinck Ventures		

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“ International collaboration is becoming increasingly important in the fintech space in Europe and across the globe. As many technological evolutions are driven on a global level, it makes sense to connect diverse fintech hubs to enable collaboration, education and the exchange of ideas. We’re seeing this in a variety of new initiatives, especially in blockchain.”



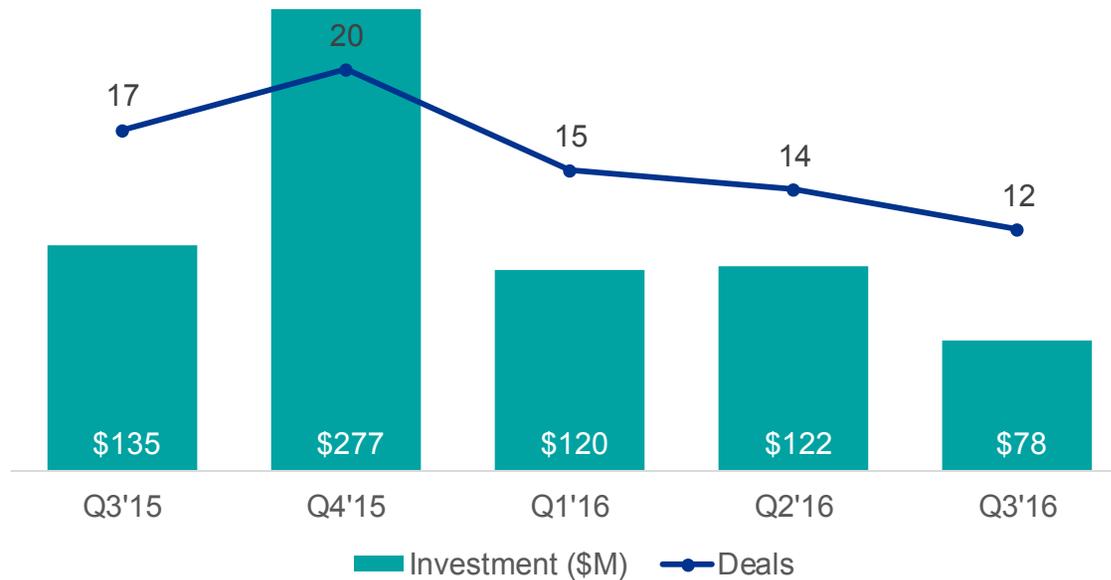
Sven Korschinowski
*Partner, Financial Services,
KPMG in Germany*

UK VC-BACKED FINTECH INVESTMENT ACTIVITY

Top Deals & City, Q3'16

UK Fintech Investment Activity

VC-Backed Companies, Q3'15 – Q3'16



Top Deals

Velocity Mobile

\$22.5M // Series B

Crowdcube

\$10.5M // Series D

WeSwap

\$10M // Series B

Top City

London

9 Deals // \$57M

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“ The UK is still well-positioned to maintain its spot as a fintech powerhouse. Post-Brexit, the UK may even be able to offer advantages over other European nations that can enable fintech to thrive.”



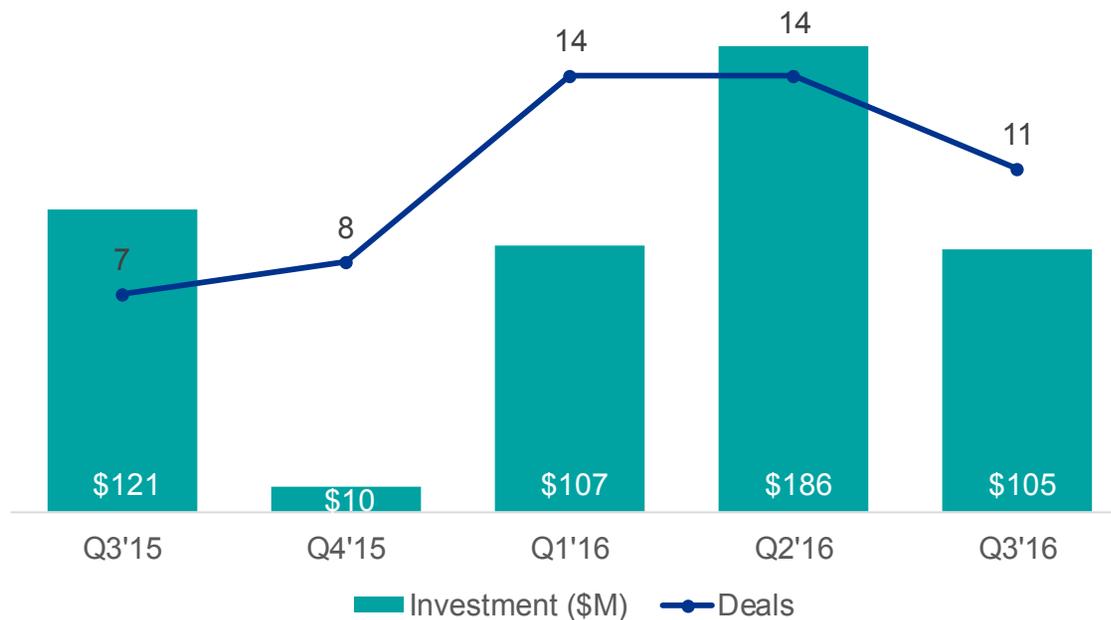
Patrick Imbach
*Head of KPMG Tech Growth,
KPMG in the UK*

GERMANY VC-BACKED FINTECH INVESTMENT ACTIVITY

Top Deals & Cities, Q3'16

Germany Fintech Investment Activity

VC-Backed Companies, Q3'15 – Q3'16



Top Deals

Smava

\$34M // Series D

FinanceFox

\$28M // Series A

Deposit Solutions

\$16.5M // Venture

Top Cities

Berlin

4 Deals // \$76.8M

Munich

4 Deals // \$11.8M

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.



In Q3'16

ASIAN

VC-backed fintech companies raised

\$1.2 billion

Asia only region to experience Q3 uptick in VC investment in fintech

After a decrease in Q2'16, Asia-based VC investment in fintech grew in Q3, despite a decline in deal activity. Asia was the only major region to see an increase in fintech funding during this quarter, with total funding outpacing North America. Investors globally are looking to Asia to see if its fintech funding will outpace North America over the long term. It is likely too early to tell. As market uncertainties stabilize in other jurisdictions, North America could forge ahead again.

Annual fintech investment in Asia draws almost even with 2015 total

The peaks and valleys in fintech VC investment in Asia revolve primarily around the presence of \$1 billion+ mega-deals. In Q1'16, for example, mega-deals to Lu.com and JD Finance accounted for almost half of all fintech funding in Asia during the quarter. The lack of similar deals resulted in a major drop-off in investment in Q2. While investment in Q3'16 increased, the top two deals were both under \$500 million: \$449 million to Qufengi and \$310 million to 51xinyongka.

Looking at annual funding gives a better view on the health of Asia-based VC investment in fintech. Already, funding in the first 3 quarters of 2016 is almost even with all funding in 2015. By the end of Q4'16, Asia will have had a record-breaking year of fintech investment.

Interest growing in fintech areas with global potential

In Asia, a number of fintech areas are gaining more attention from VC investors, in part, because of their potential to traverse different markets. These sectors include blockchain, data and analytics and RegTech, the latter focused on helping financial institutions manage their regulatory obligations more efficiently and cost-effectively. RegTech is gaining attention, particularly in jurisdictions with more mature fintech ecosystems, such as Singapore, Australia and Hong Kong.

Jurisdictions in Asia playing 'follow the leader' on sandbox initiatives

Over the past few quarters, the regulatory sandbox approach has taken hold in Asia. In Q3'16, Hong Kong launched a regulatory sandbox for financial technology innovation in the banking sector, following on the heels of Australia and Singapore. Indonesia, Malaysia and Thailand are also moving in this direction. There seems to be a collegial feeling toward such efforts in Asia. In Q4, for example, Singapore is hosting a regulatory boot camp focused on helping less mature jurisdictions understand what regulatory structures they need, in order to foster greater innovation in fintech.

Payments continues to drive fintech investment in China

Fintech investment in China continues to thrive, with over \$1 billion in funding during Q3'16. Investors continue to focus more on payments and lending, although areas like InsurTech are starting to gain traction. Unlike many other jurisdictions, China has embraced a shift toward using mobile to make small transactions, with many retailers not accepting cash at all. Given the pace of acceptance for online payment models, it is not surprising to see such a high focus on payments and marketplace lending in the country.

Asia only region to experience Q3 uptick in VC investment in fintech (cont.)

The Government of China also released new regulations related to peer-to-peer (P2P) lending in Q3'16 ¹. These regulations include changes to what is expected of P2P companies in terms of behavior and operations. Over the next quarter or 2, we will start to see the impact of these regulations.

India-based investment declines as investors focus on higher-quality deals

Despite a decrease in funding during Q3'16, the outlook for fintech investment in India remains strong. Payments technologies continue to be a key focus for investment. The government has been a key driver in the development of a common payments platform in India. This platform has already gone live at some banks although the impact of the platform has yet to be seen. Lending, mobile wallets and robo advisory technologies are also keen investment areas in India. More and more fintech companies are partnering with banks to provide either lead generation or 'white label' service platforms.

Singapore shaping into forward-thinking fintech hub

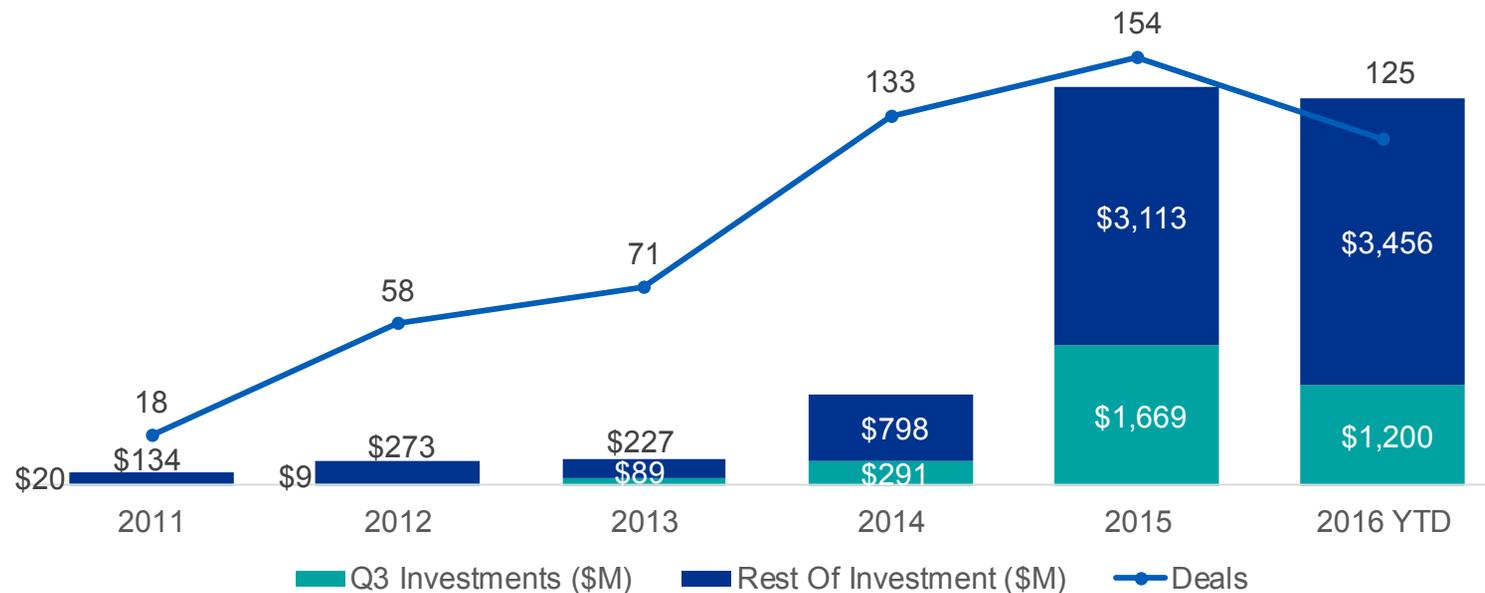
As one of the first jurisdictions to implement a regulatory fintech sandbox, Singapore is quickly shaping up to be a major fintech hot spot. Strong VC hubs like Hong Kong, in addition to less mature markets like Thailand, are keeping a close eye on Singapore's regulatory leadership and using it to shape their own fintech supports. The fintech focus in the region is expansive, with blockchain and telematics being key areas of investment. Singapore's fintech accelerator model is also evolving rapidly to a corporate accelerator model, focused on mature startups and technology production and implementation.

¹ Reference: China issues details of rules to tackle online financial risk, Reuters, October 13, 2016.

FINTECH FUNDING HITS \$4.6B ACROSS 125 DEALS IN ASIA THROUGH Q3'16

VC-backed fintech companies in Asia raised \$1.2B in funding across 35 deals in Q3'16. On a year-over-year basis, Asia fintech funding is on pace to top 2015's total by 30% at the current run rate.

Asian Annual Financing Trends to VC-Backed Companies 2011 – 2016 YTD (Q3'16)



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“ There’s been a lot of conversation about setting up consortiums in Asia. We are seeing cross-industry and cross-jurisdiction organizations working together, utilizing technology and data from an infrastructure perspective in order to address some of the big gaps that exist. For example, property developers, banks and lawyers are working together to simplify the process of buying and financing property.”

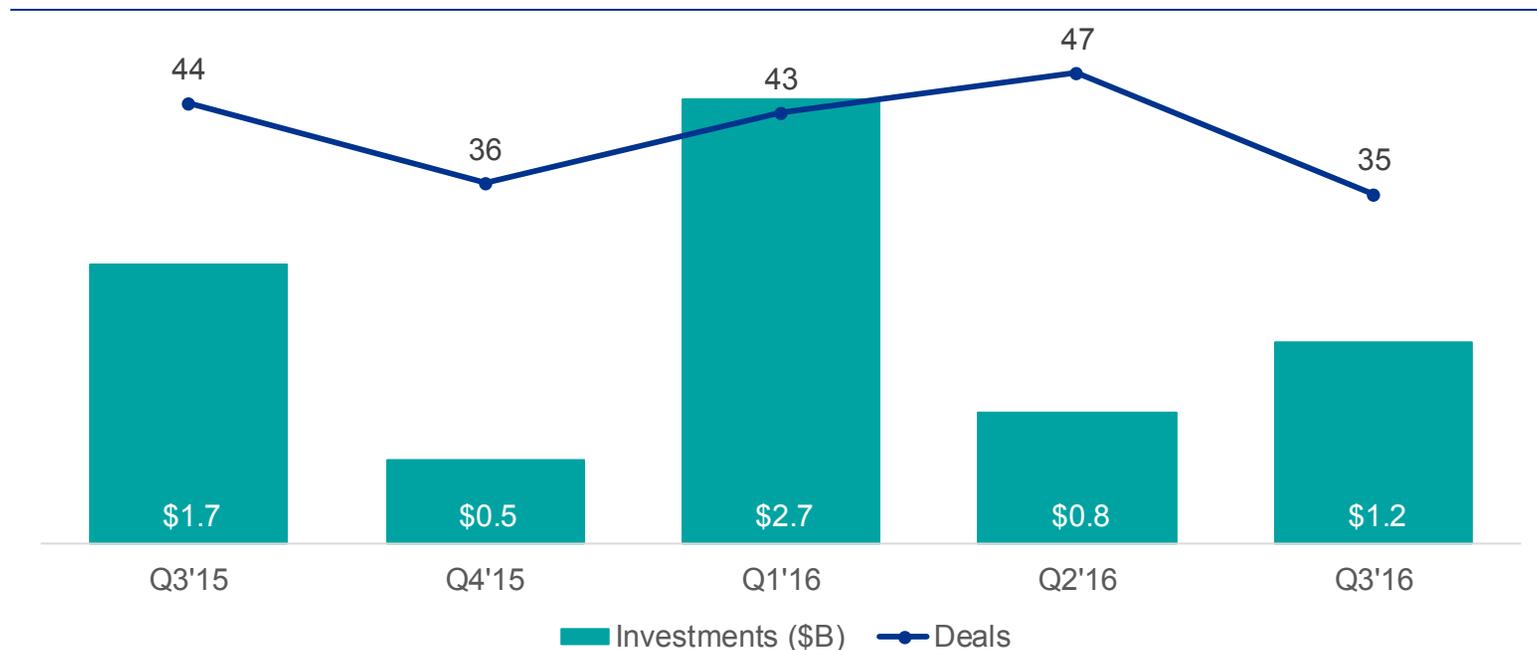


James McKeogh
*Partner, Management Consulting,
KPMG in Hong Kong*

ASIAN DEAL ACTIVITY TO VC-BACKED FINTECH COMPANIES FALLS TO 5-QUARTER LOW

Asian fintech startups saw funding total \$1.2B in Q3'16, an increase of 50% from Q2'16. Deal activity to VC-backed fintech companies reached a 5-quarter low in Q3'16, with 35 deals recorded.

Asian Quarterly Financing Trends to VC-Backed Companies Q3'15 – Q3'16

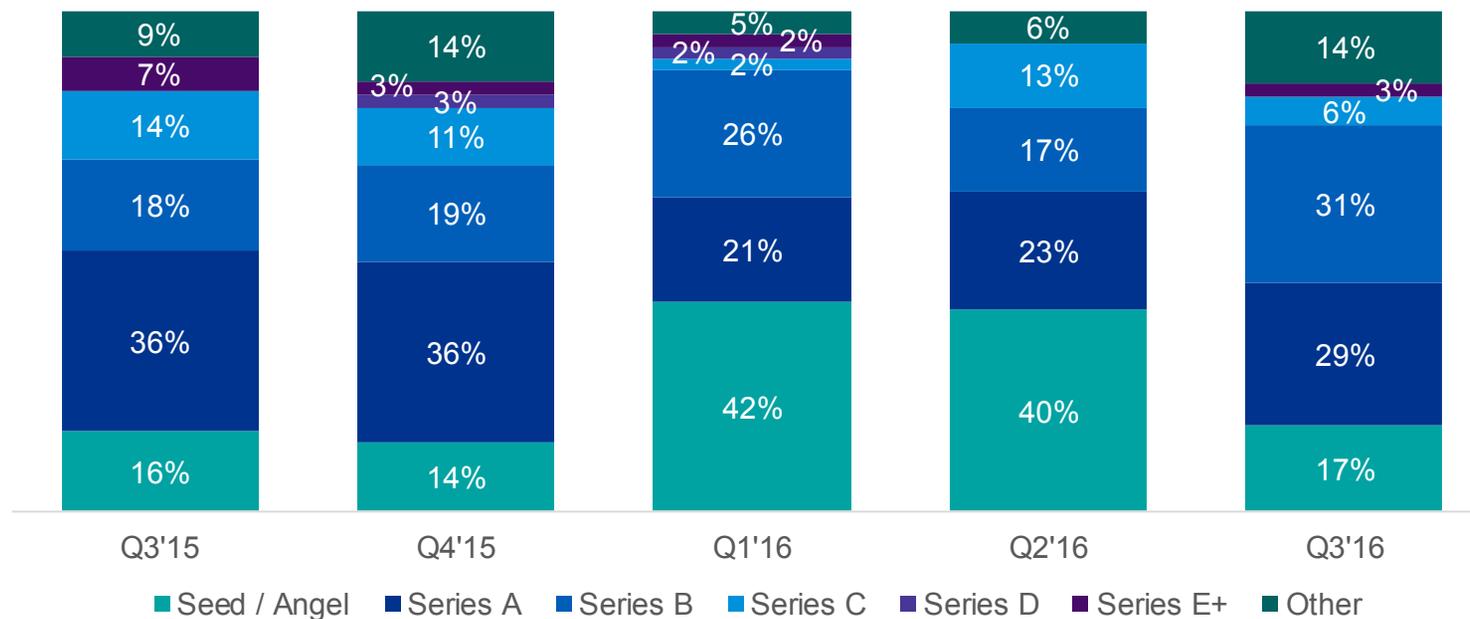


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

ASIAN FINTECH EARLY-STAGE DEAL SHARE FALLS TO 5-QUARTER LOW

In Q3'16, seed-stage VC-backed fintech companies in Asia accounted for 17% of deal share, a 3-quarter low. The Series B stage took 31% of Q3'16 fintech deal share in Asia.

Asian Quarterly Fintech Deal Share by Stage Q3'15 – Q3'16

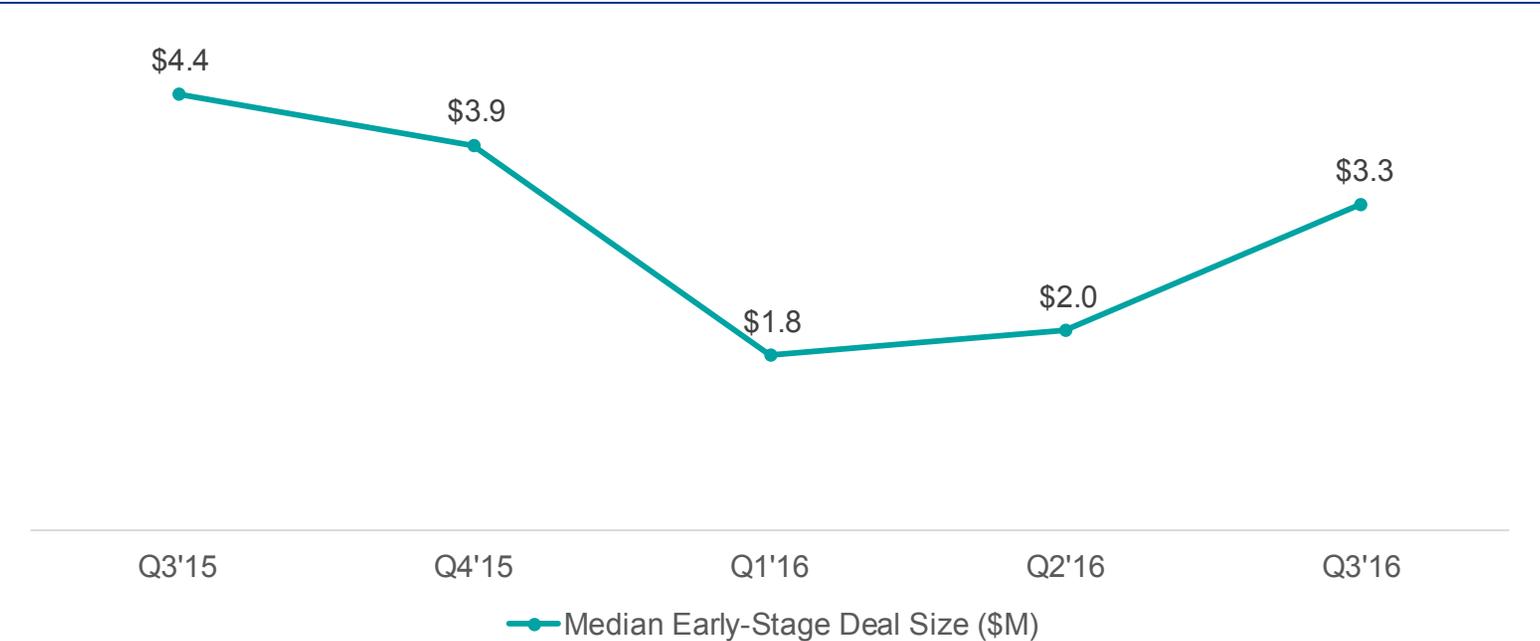


Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

EARLY-STAGE FINTECH DEAL SIZE INCREASES FOR SECOND STRAIGHT QUARTER

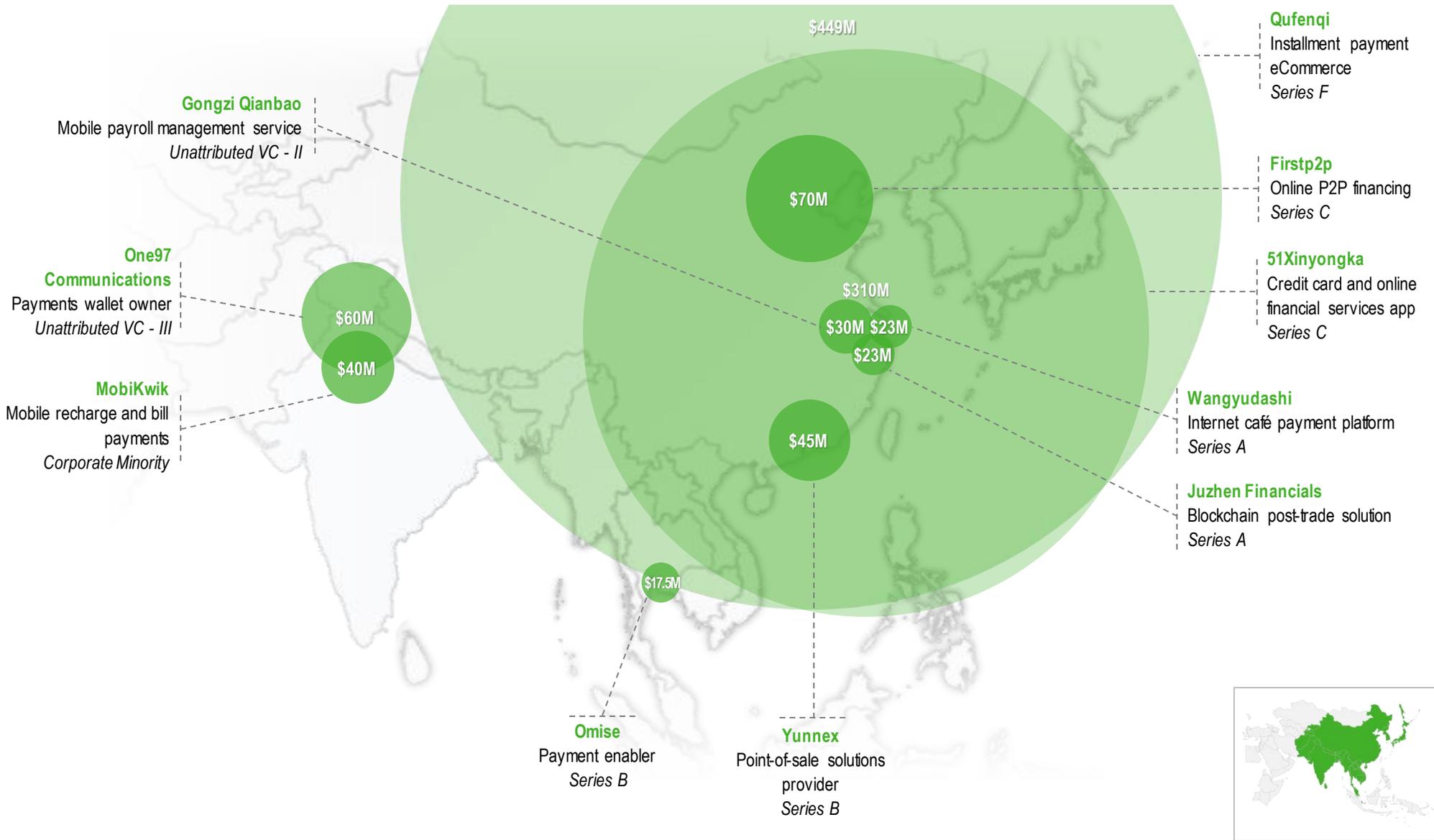
The median early-stage fintech deal size in Asia rose to \$3.3M in Q3'16, up 63% quarter-over-quarter but still below the highs set in Q3'15.

Asian Early-Stage Deal Size Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

\$1.07B DEPLOYED TO TOP 10 ASIAN FINTECH DEALS OF Q3'16



Source: The Pulse of Fintech, Q32016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16, 2016.

“Blockchain is becoming very hot as banks and financial institutions examine best practices and look closely at what international companies are doing in the space. VC investors are putting a lot of money into small blockchain technology companies in Asia. Some very new companies are already into their second or third round of funding.”

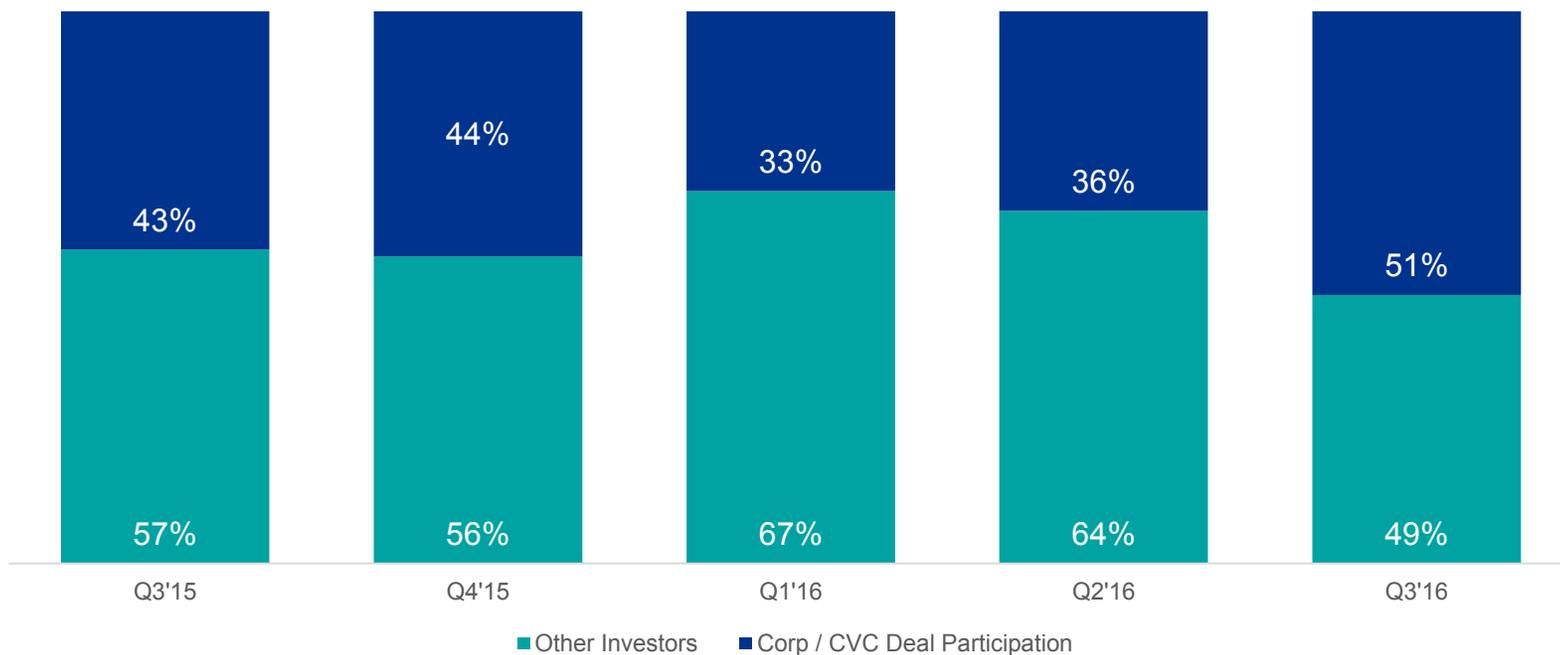


Raymond Cheong
*Partner, Fintech and Innovation,
KPMG China*

CORPORATES PARTICIPATE IN MORE THAN HALF OF ALL FINTECH DEALS IN ASIA IN Q3'16

Corporate participation in Asian VC-backed fintech deals topped 50% in Q3'16 from 36% in Q2'16, a 5-quarter high and the second straight quarter of rising deal share.

CVC Participation in Asian Deals to VC-Backed Fintech Companies Q3'15 – Q3'16



Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

THE MOST ACTIVE ASIAN FINTECH VCS

500 Startups, Sequoia Capital China and Sequoia Capital India were the top three most active Asian fintech VCs over the last 5 quarters by new and follow-on investments.

Most Active VC Investors in Asian Fintech Deals

Q3'15 – Q3'16

Rank	Investor	Rank	Investor
1	500 Startups	8	Matrix Partners China
2	Sequoia Capital India	8	Life.SREDA
2	Sequoia Capital China	8	Mitsubishi UFJ Capital
4	Accel Partners India	8	Omidyar Network
4	Golden Gate Ventures	8	IDG Capital Partners
4	Kalaari Capital	8	IMG Investment Partners
7	East Ventures		

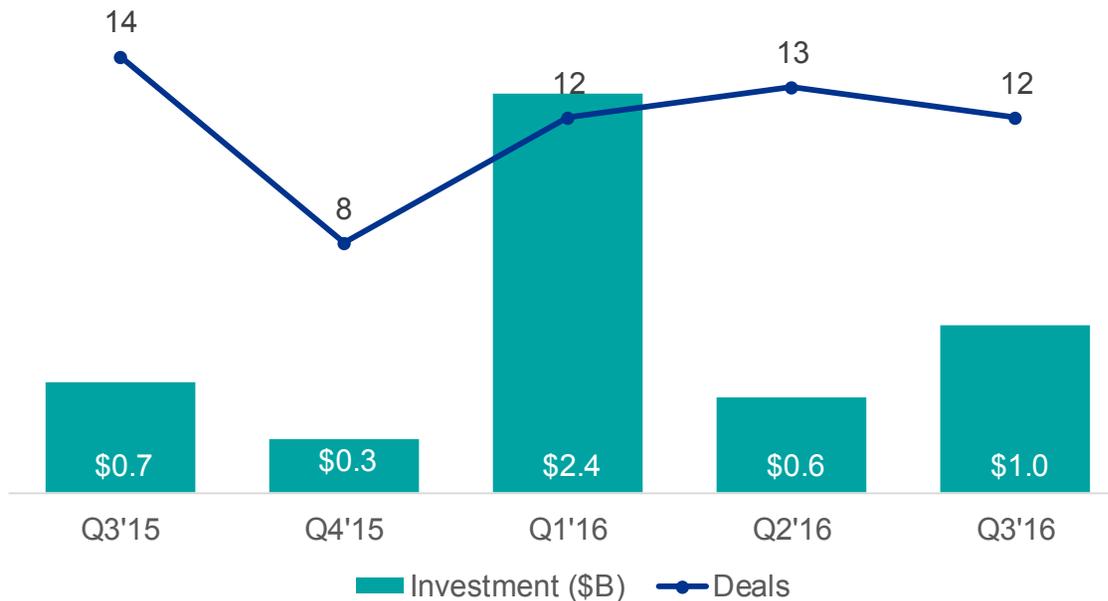
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

CHINA VC-BACKED FINTECH INVESTMENT ACTIVITY

Top Deals & Cities, Q3'16

China Fintech Investment Activity

VC-Backed Companies, Q3'15 – Q3'16



Top Deals

Qufenqi

\$449M // Series F

51Xinyongka

\$310M // Series C

Firstp2p

\$70M // Series C

Top Cities

Shanghai

4 Deals // \$82M

Beijing

2 Deals // \$464M

Hangzhou

2 Deals // \$333M

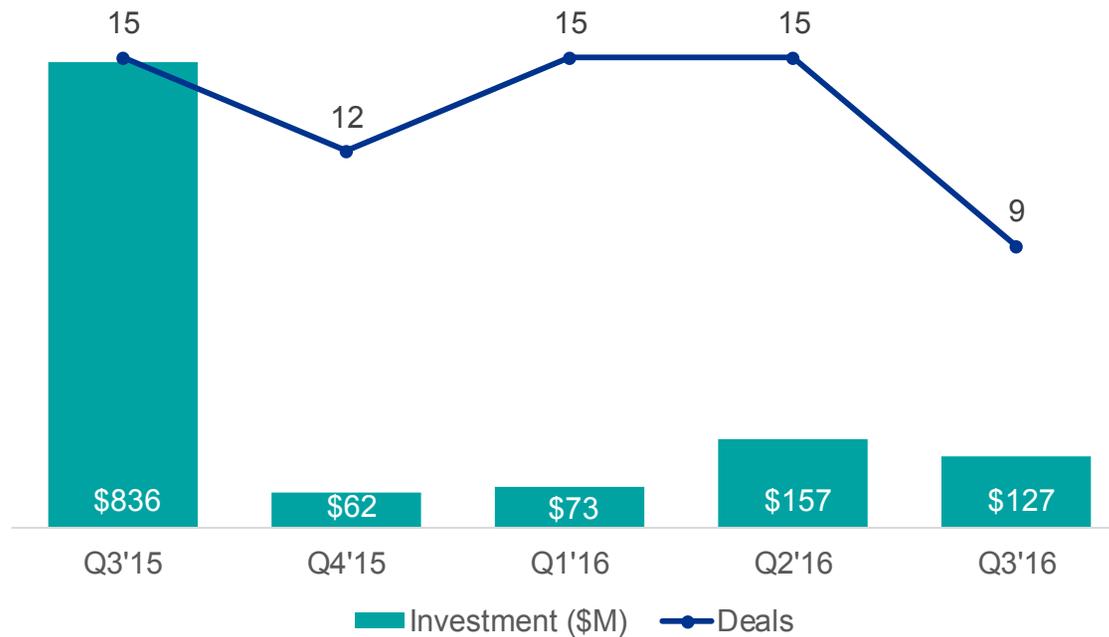
Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

INDIA VC-BACKED FINTECH INVESTMENT ACTIVITY

Top Deals & Cities, Q3'16

India Fintech Investment Activity

VC-Backed Companies, Q3'15 – Q3'16



Top Deals

One97 Communications

\$60M // Unattributed VC

MobiKwik

\$40M // Corp. Minority

SirionLabs

\$12.3M // Series B

Top Cities

Gurgaon

3 Deals // \$53.8M

Bengaluru

3 Deals // \$12M

Pradesh

1 Deal // \$60M

Source: The Pulse of Fintech, Q3 2016, Global Analysis of Fintech Venture Funding, KPMG International and CB Insights (data provided by CB Insights) November 16th, 2016.

“ Unlike in other areas of the world, investment in lending solutions is still going strong in India. A number of fintechs are now partnering with banks, either acting as lead generation for them or offering ‘white label’ platforms so that banks can provide their own services.”



Neha Punater
*Head of Fintech,
KPMG in India*

METHODOLOGY — WHAT'S INCLUDED? WHAT'S NOT?

CB Insights and KPMG International encourage you to review the methodology and definitions employed to better understand the numbers presented in this report. If you have any questions about the definitions or methodological principles used, we encourage you to reach out to CB Insights directly. Additionally, if you feel your firm has been under-represented, please send an email to info@cbinsights.com and we can work together to ensure your firm's investment data is up-to-date.

What is included:

- Equity financings into emerging fintech companies. Fundings must be put into VC-backed companies, which are defined as companies who have received funding at any point from either: venture capital firms, corporate venture groups or super angel investors.
- Fundings of only private companies. Funding rounds raised by public companies of any kind on any exchange (including Pink Sheets) are excluded from our numbers even if they received investment by a venture firm(s). *Note:* For the purposes of this analysis, JD.com's finance arm JD Finance and its \$1B financing were included in the data per its investment from Sequoia Capital China, in Q1 2016.
- Only includes the investment made in the quarter for tranching investments. If a company does a second closing of its Series B round for \$5M and previously had closed \$2M in a prior quarter, only the \$5M is reflected in our results.
- Round numbers reflect what has closed — not what is intended. If a company indicates the closing of \$5M out of a desired raise of \$15M, our numbers reflect only the amount which has closed.
- Only verifiable fundings are included. Fundings are verified via (1) various federal and state regulatory filings; (2) direct confirmation with firm or investor; or (3) press release.
- Previous quarterly VC reports issued by CBI have exclusively included VC-backed rounds. In this report, any rounds raised by VC-backed companies are included, with the exceptions listed.

What is excluded:

- No contingent funding. If a company receives a commitment for \$20M subject to hitting certain milestones but first gets \$8M, only the \$8M is included in our data.
- No business development / R&D arrangements, whether transferable into equity now, later or never. If a company signs a \$300M R&D partnership with a larger corporation, this is not equity financing nor is it from venture capital firms. As a result, it is not included.
- No buyouts, consolidations and recapitalizations. All three of these transaction types are commonly employed by private equity firms and are tracked by CB Insights. However, they are excluded for the purposes of this report.
- No private placements. These investments, also known as PIPEs (Private Investment in Public Equities), are excluded even if made by a venture capital firm(s).
- No debt / loans of any kind (except convertible notes). Venture debt or any kind of debt / loan issued to emerging, startup companies, even if included as an additional part of an equity financing is not included. If a company receives \$3M with \$2M from venture investors and \$1M in debt, only the \$2M is included in these statistics.
- No government funding. Grants, loan or equity financings by the federal government, state agencies or public-private partnerships to emerging, startup companies are not included.

KPMG ENTERPRISE INNOVATIVE STARTUP NETWORK. FROM SEED TO SPEED, WE'RE HERE THROUGHOUT YOUR JOURNEY



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