KPMG

The Pulse of Fintech Q4 2016

Global analysis of investment in fintech

21 February 2017

Welcome message

Welcome to the Q4'16 edition of KPMG's Pulse of Fintech report. In this report, we highlight key trends and insights related to fintech investment globally and in specific jurisdictions around the world. In addition to examining Q4'16 specific fintech activity, we also look back on 2016 as a whole and discuss the key opportunities and trends for fintech investment in 2017.

Overall, 2016 was a challenging year for fintech investment. The Brexit vote in the UK and ramifications associated with its outcome, the US presidential election, a perceived slowdown in China and significant fluctuations in the exchange rate globally prompted investors to be more cautious.

This caution likely played a part in the significant decline in total investment in fintech globally. The decline reflects major decreases in mergers and acquisitions (M&A) and private equity (PE) funding related to fintech. However, global venture capital investment showed an opposite trend, reaching a new high of US$13.6 billion. The resilience of the VC market for fintech opportunities suggests that fintech will continue to be an attractive sector in the future.

During 2016, investors in a number of regions saw some saturation within the more mature fintech areas, particularly in payments and lending. Enthusiasm for burgeoning fintech areas, however, helped keep interest in fintech high overall. Insurance tech (insurtech), regulatory tech (regtech), artificial intelligence (AI) and data and analytics each drew significant investor attention, with a positive outlook for further growth over the next 12 months.

This report explores these results and a number of other global and regional trends. We also examine a number of questions that are top of mind for fintech investors today, including:

- Will lending and payments continue to attract the most investment?
- Will insurtech and regtech become the next big fintech hot spots?
- What are regulators doing to open the door for fintech innovation?
- How is fintech expected to evolve in 2017?

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 advisor in your area.

KPMG

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Contents

Summary of findings for 2016

Investment & mergers value subside after blockbuster 2015: The overall amount invested in fintech dropped from $46.7 billion in 2015 to $24.7 billion in 2016, still historically robust, but a considerable decline.

Deal volume remained healthy: Global M&A value hit $11.15 billion in 2016, a sharp decrease in overall value from 2015's $34.1 billion, but still on the historically higher end. Deal volume stayed high at 236 transactions, more than any other single year of the decade.

VC investment remains robust: Venture capital investment remained strong in 2016, totalling $13.6 billion across 840 financings. This sum represents nearly 7% more than the prior high in 2015, even as deal flow slumped by approximately 100 rounds.

Corporates maintain deal pace: Corporate venture capital arms continued to actively participate in fintech – reaching 145 total rounds and $8.5 billion in 2016. This represents a significant increase over the 2015 total of 134 rounds.

Late-stage financings decline: Globally, the median late stage financing subsided after growing for 3 straight years, dropping from $21 million in 2015 to $17 million in 2016.

Valuations remained relatively lofty: At $151.3 million, the median global late-stage VC post valuation may seem low in the context of 2014's $201 million and 2015's $250 million, yet, still represents a lofty sum relative to all prior years.

Venture-backed exits remain steady: Important for reasons of liquidity for early fintech backers, venture-backed sales remained healthy at 51 in 2016, down from 57 the prior year.

US deal activity continues to reset: Deal flow slumped considerably in the US in 2016, however massive late-stage fintech financings contributed as outliers to keep total deal value healthy.

M&A falls in the US: After a sudden surge in 2015, US fintech M&A activity returned to 2014 levels, with 108 transactions completed - worth $8.2 billion in aggregate.

Note: This report covers all mergers and acquisitions, private equity investment types and rounds to VC-backed companies, delineated appropriately. Mega-deals to VC-backed companies from hedge funds or mutual funds are included. All data is sourced from PitchBook. Page 94 details the methodology and definitions used.

All currency amounts are in USD, unless otherwise specified, data provided by PitchBook.

Summary of findings by region

Americas see a sharp decline in deal value: In the Americas, the total amount invested in fintech decreased over 50% from 2015 to 2016, although Canada bucked this trend with a record year for venture capital investment.

US fintech drops dramatically: Total fintech investment in the US dropped from $27.0 billion in 2015 to $12.8 billion in 2016.

US fintech venture capital investment still robust in value: Venture capital investment in the US dropped from $6 billion in 2015 to $4.6 billion in 2016. However, 2016 was still the second-highest total of the decade.

US deal activity continues to reset: Deal flow slumped considerably in the US in 2016, however massive late-stage fintech financings contributed as outliers to keep total deal value healthy.

Smaller fintech ecosystems more prone to outliers shifting overall totals: Largely owing to the impact of outlier deals, both Europe and Asia saw disparate changes year over year. Moving from $10.9 billion in 2015 to $2.2 billion last year, European M&A and VC deal value fell by 80%. Asia on the other hand saw total investment rise slightly from $8.4 billion in 2015 to $8.5 billion in 2016.

Venture capital activity rises in Europe: Alone among global regions, Europe saw its fintech venture investment grow in volume, from 230 financings in 2015 to 242 in 2016.

Asia hits new high in venture capital invested: Driven by mega-financings of at least $100 million or more, Asia recorded no less than $7.1 billion invested in fintech in 2016.

Venture activity in Asia still healthy: Venture funding by count remained steady between 2015 and 2016. There were 149 completed venture rounds in 2016 which was the second-highest total of the decade.

KPMG

In 2016, global investment in fintech companies hit

$24.7B

across

1076 deals

Despite a challenging year, optimism permeates the global fintech market

Total investment in fintech declined globally in 2016, reflecting the significant amount of uncertainty that plagued the broader investment market. The ramifications of the Brexit vote in the UK, the US presidential election, a perceived slowdown in China, and significant exchange rate fluctuations along with other local factors, all conspired to make investors more cautious throughout much of the year. Total fintech funding declined almost 50 percent, falling to $25 billion from the $47 billion invested in 2015.

Despite a significant decrease in annual M&A and PE funding, activity is up

The significant decline in fintech investment in 2016 was a result of a decrease in M&A and PE funding in particular. M&A deals fell from $34 billion to $11 billion year-over-year, while PE funding dropped from $18 billion to $11 billion. However, it is important to recognize that 2015 was a significant outlier in terms of M&A dollars attributable to fintech. The level of M&A deal activity this year came second only to 2015.

Global VC investment reaches a new high on the back of the record-setting Ant Financial Deal

Total VC investment for 2016 bucked the general downward investment trend. Dollars invested grew from $12.7 billion to $13.6 billion year over year, while deal activity dropped from 940 to 840 deals over the same period. A massive record-setting funding round of $4.5 billion to China-based Ant Financial significantly buoyed the VC funding total.

When looking at the results on a quarterly basis, Q4'16 saw an increase in both VC funding and deal activity related to fintech, with over $2 billion invested across 199 deals. While the increase was modest, these results suggest optimism may be returning after a significant period of uncertainty around the world.

Payments and lending are losing luster in North America

In the more mature fintech markets, particularly the US, investors are starting to question whether certain fintech areas are becoming saturated. Investors have grown increasingly hesitant to invest in payments and lending platforms given the proliferation of such offerings over the past 24 months. Allegations of wrongful practices at a leading US lending company early in 2016 likely exacerbated investors' concerns. As a result, rather than consider new opportunities in these areas, many fintech investors in the US have focused on improving business models and scaling the businesses of their existing portfolio companies.

Despite a decrease in interest in the US, payments and lending platforms continue to garner a lot of attention in other jurisdictions, particularly those with a significant degree of unbanked individuals. Countries like India and Brazil, for example, continue to see payments and lending models as key avenues for fintech growth.

Governments are recognizing the value of fintech innovation

Jurisdictions have begun to realize the important role that fintech innovation can play in facilitating financial inclusion. They also have recognized that improving the efficiency of the banking system can improve the performance of the economy as a whole. This alignment of fintech with government objectives may be one reason why a number of governments and financial regulators have moved quickly to support the development of fintech hubs and to help fintech companies manage the regulatory challenges associated with new technologies. For example, in 2016, the UK, Australia, Singapore, Malaysia and Thailand all announced the development of regulatory sandbox programs.

Despite a challenging year, optimism permeates the global fintech market, cont'd

A number of jurisdictions are also working together to minimize the regulatory roadblocks associated with the growth of fintech companies. In 2016, the UK has been particularly active in this regard, creating fintech bridges with Australia, Singapore and China and announcing plans for bridges with Belgium and Canada in 2017.

Insurtech interest grows exponentially as industry starts to play catch up

Interest in insurtech grew substantially during 2016. Many traditional insurance companies have been hampered by legacy IT systems and regulatory transformation programs which means there have been limited funds to invest in innovation. This has left the industry somewhat behind others in the financial services sector, making the industry ripe for disruption. Over the past year, a number of early movers in insurtech have also matured and started attracting larger funding rounds. This has helped put the sector firmly on the radar of investors. There has also been a proliferation of accelerator programs aimed at encouraging insurtech innovation over the past year. For example, Plug and Play Tech Centre in Silicon Valley recently introduced an insurtech vertical, while Startupbootcamp InsurTech London is now into its second year.

Heading into 2017, interest in insurtech is expected to remain hot across all regions of the world. Most insurtech investments will likely focus on companies specializing in individual components of the insurance value chain (e.g. distribution, underwriting, claims, customer service), although there may be some that follow the lead of Lemonade and Trov: two early-mover, full-service digital insurance providers. Investment from corporates is also expected to grow as traditional insurers look for technologies that can help them respond to the evolving demands of their customers. Interest in cross-industry technologies that can be applied to the insurance sector – such as healthtech, automotive telematics, Industry 4.0, and the expanding use of commercial drones – is also expected to be high for the foreseeable future.

Blockchain reaching a tipping point

After strong investor interest in blockchain technologies throughout most of 2016, there has been some deceleration in investment as corporate investors, in particular, shift from direct investment in blockchain providers to investing in blockchain-based projects. While many believe blockchain technologies can be a game changer – whether for derivatives trading, capital markets, smart contracts, syndicated loans or cross-border payments and currency exchanges – investors are getting anxious regarding blockchain's ability to live up to its hype. The early buzz generated by blockchain is fading as investors put pressure on companies to show that blockchain technologies are ready to evolve from test case scenarios into solutions that can be commercialized, scaled and made profitable.

In 2017, investors will likely continue to invest in blockchain technologies, but potentially at a lower burn rate than in the past as they look for blockchain to deliver on its perceived value. There may also be a push for the development of consistent standards to govern the use of blockchain technologies across organizations and jurisdictions. This pressure may come from industry groups if it does not come directly from regulators.

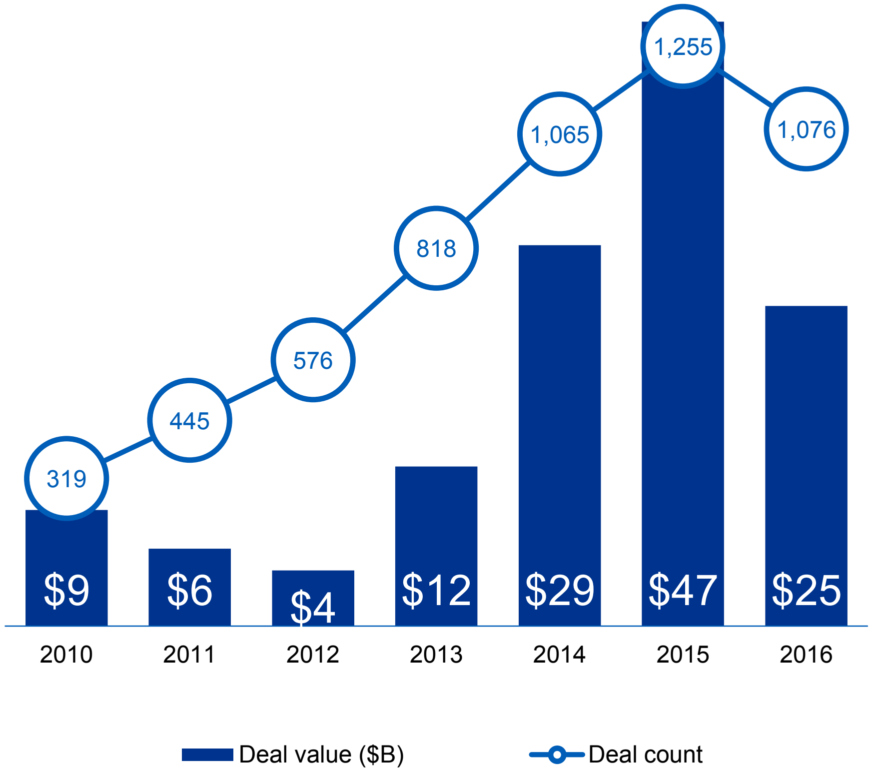
Trends in 2017

Given the Payment Service Directive 2 (PSD2) in Europe and the commitment to open banking by other governments and regulators, 2017 is expected to put a global spotlight on fintech that can leverage open banking and API platforms. This spotlight will likely bring increased investor interest in complementary technologies, such as data and analytics. Among corporate investors, artificial intelligence will likely be a hot area for investment. Most banks are keenly interested in finding ways to reduce costs and see AI as a key mechanism to achieve this objective. Global tech sector giants are also expected to become more engaged in fintech opportunities. Already, companies like China-based Alibaba Group are targeting promising fintech companies as a means to expand globally.

Fintech investment volume declines

Total global investment in fintech companies

2010 — 2016



Tallying up both M&A and venture investment, it is clear that there was a distinct decline between 2015 and 2016 in overall activity, although the rapid surge in deal value in 2015 as well as still-robust aggregate value in 2016 speaks more to outliers such as Ant Financial's massive funding in 2016.

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

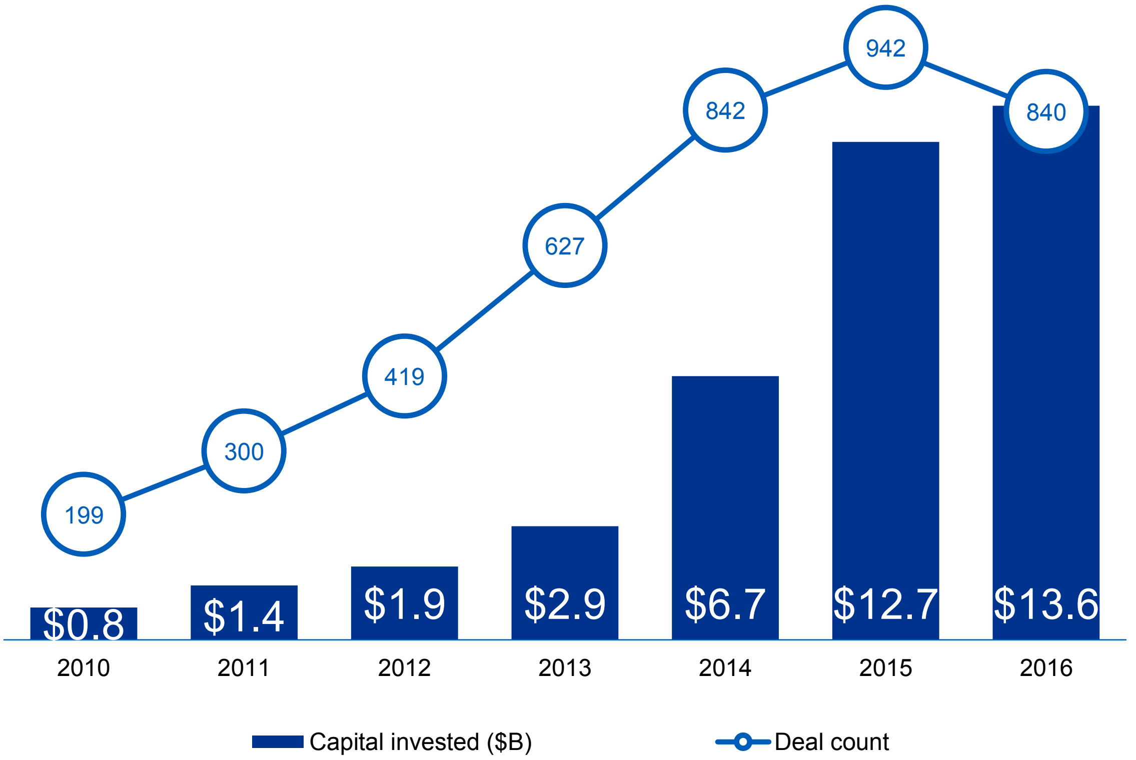
"There was a big rush of investment in fintech during 2014 and 2015 as investors globally bought into the idea of new and disruptive business models. Amid growing geopolitical and macro-economic uncertainty, 2016 saw the investor sentiment tide turn, with investors seeming to want more proof that innovative solutions can be scaled and commercialized."

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

VC invested in fintech booms

Global venture investment in fintech companies

2010 — 2016



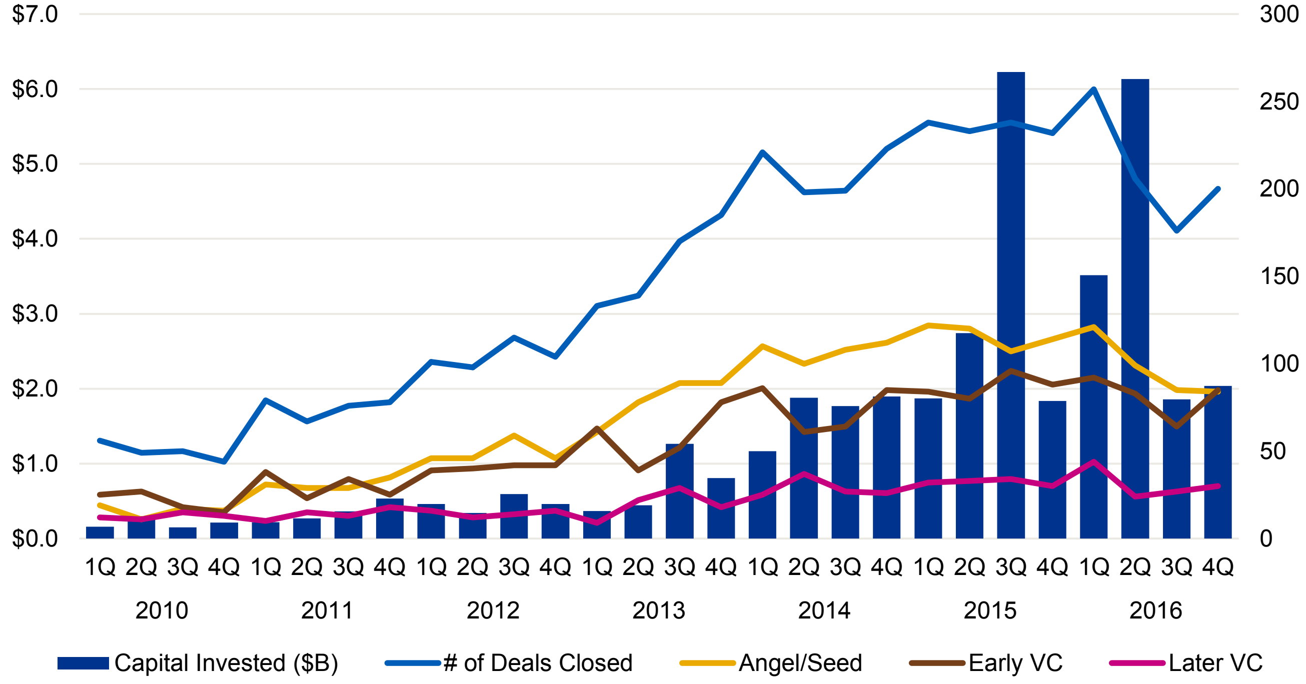
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Testifying to the level of perceived growth opportunities, as well as doubling down on the more mature businesses within the space, venture investors poured no less than $13.6 billion into fintech financings in 2016, even as the number of completed rounds slid by nearly 11%.

Quarterly bump in volume to close the year

Global venture investment in fintech companies

2010 — 2016

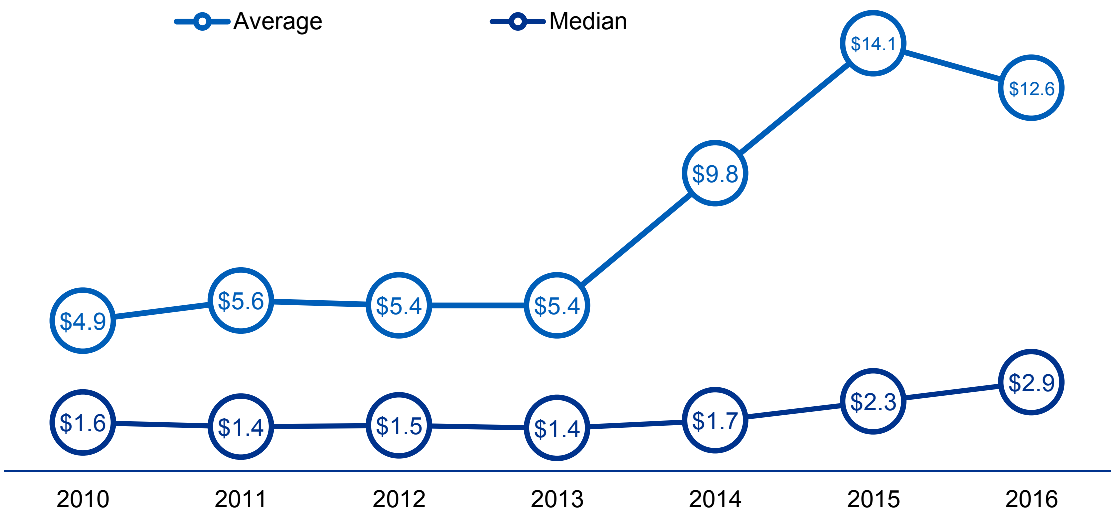


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

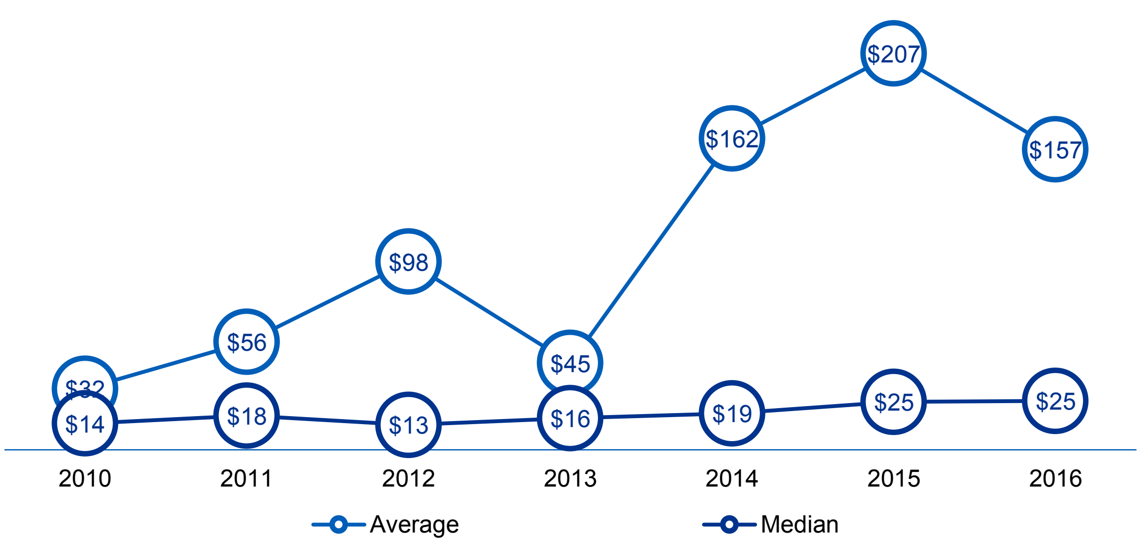
It remains to be seen whether or not the downturn in venture activity worldwide that progressed throughout much of 2016 will carry on into 2017, but at least the fintech sector saw a brief uptick in venture investment volume on a quarterly basis to close the year. However, it should be noted that by and large the total sum invested in 4Q 2016 was quite strong on a historical basis.

Median financing hits new high

Average and median global venture financing size ($M) in fintech
2010 — 2016



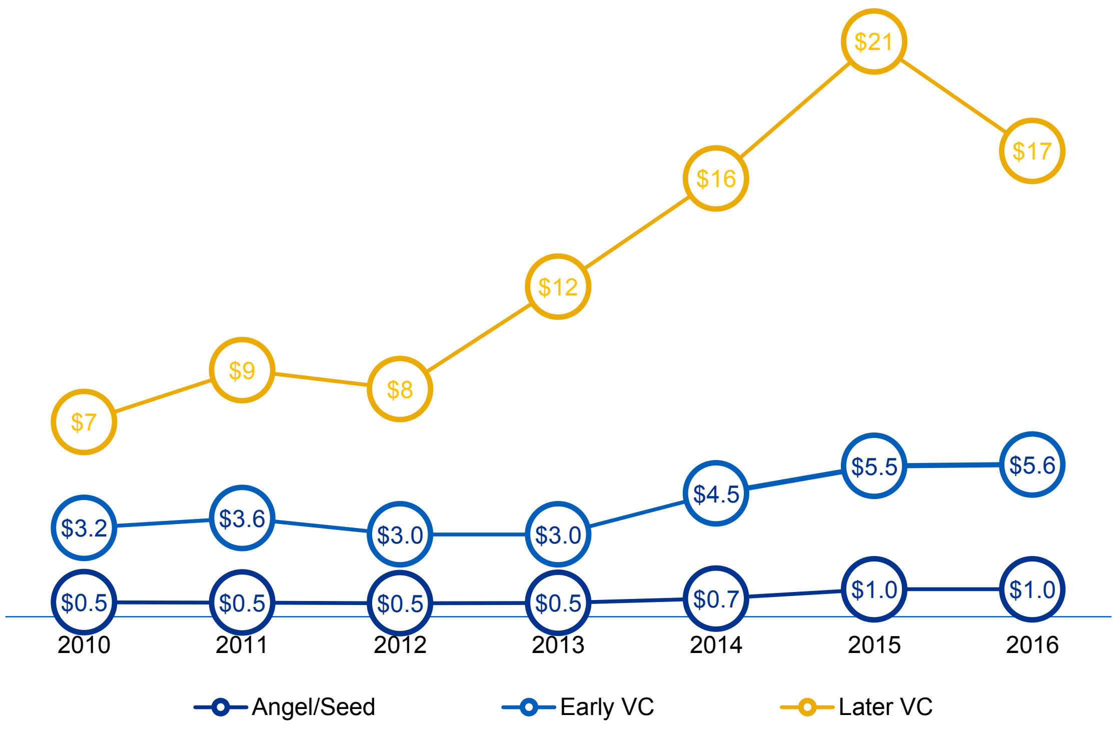
Average and median global venture post valuation ($M) in fintech
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Median late-stage financing subsides

Global venture financing size ($M) by stage in fintech
2010 — 2016

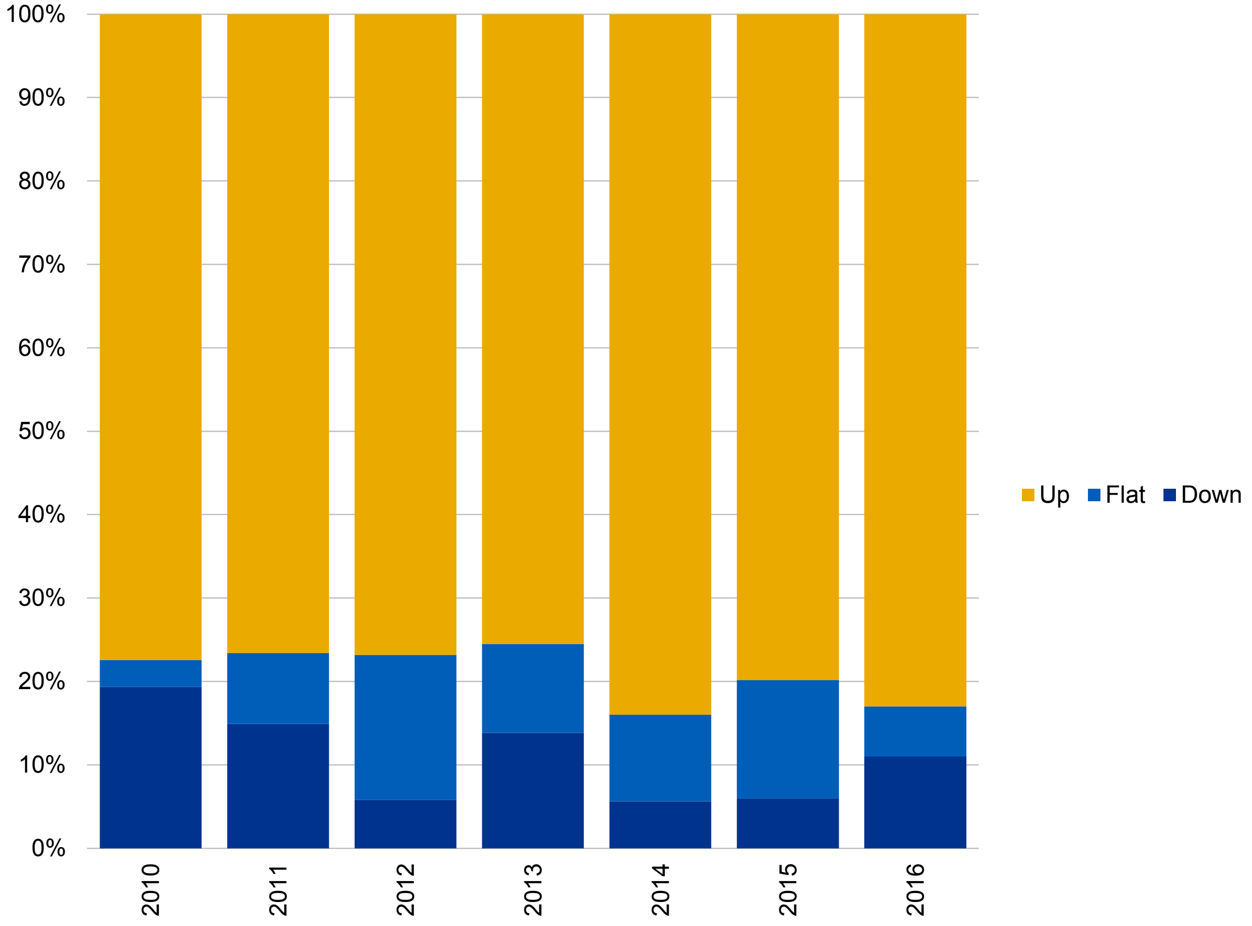


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Perhaps expectedly, the median late-stage financing size finally slid after 3 straight years of considerable growth, declining by about $4 million to $17 million last year. Interestingly, early-stage numbers remained flat, speaking more to the level of investor interest regarding fledgling opportunities in new fintech niches.

Incidence of down rounds upticks

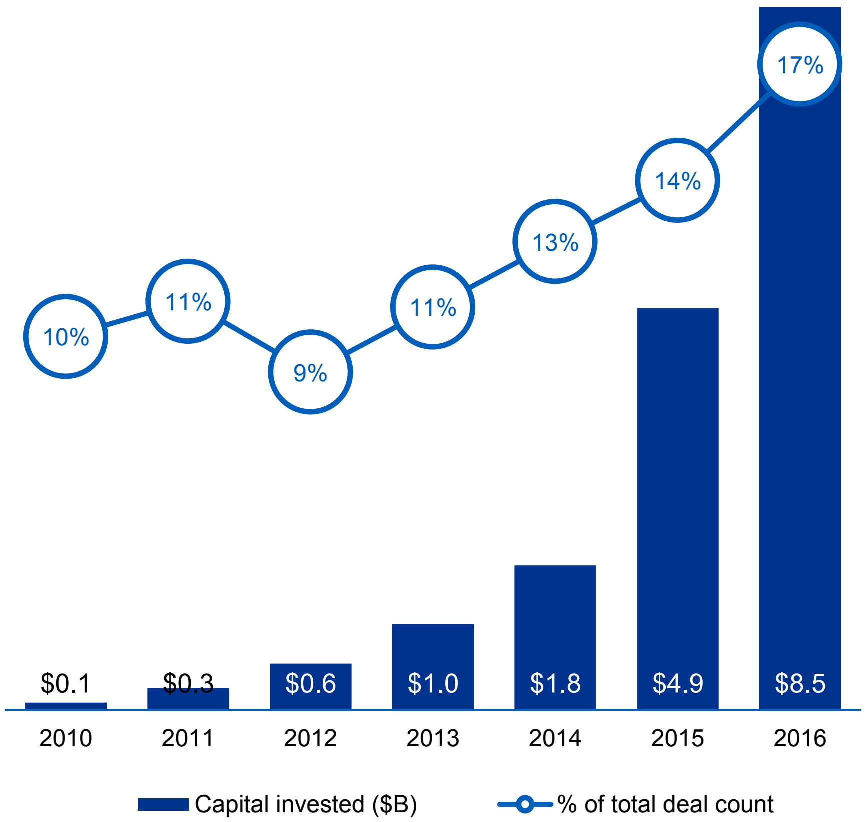
Global venture up, flat or down rounds in fintech
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Corporate venture arms remain active

Global venture activity in fintech with corporate venture participation
2010 — 2016



Depending on the type of downturn within the venture market, as well as the sector being analyzed, corporate venture investors may well have more incentives to stay active than the typical VC. Given CVC-associated activity grew in volume slightly between 2015 and 2016, it's clear that corporates' customary incentives of staying abreast of innovation while also positioning for potential acquisition or partnerships down the road remain intact. The massive outlier in deal value was driven by Ant Financial's $4.5 billion Series B round.

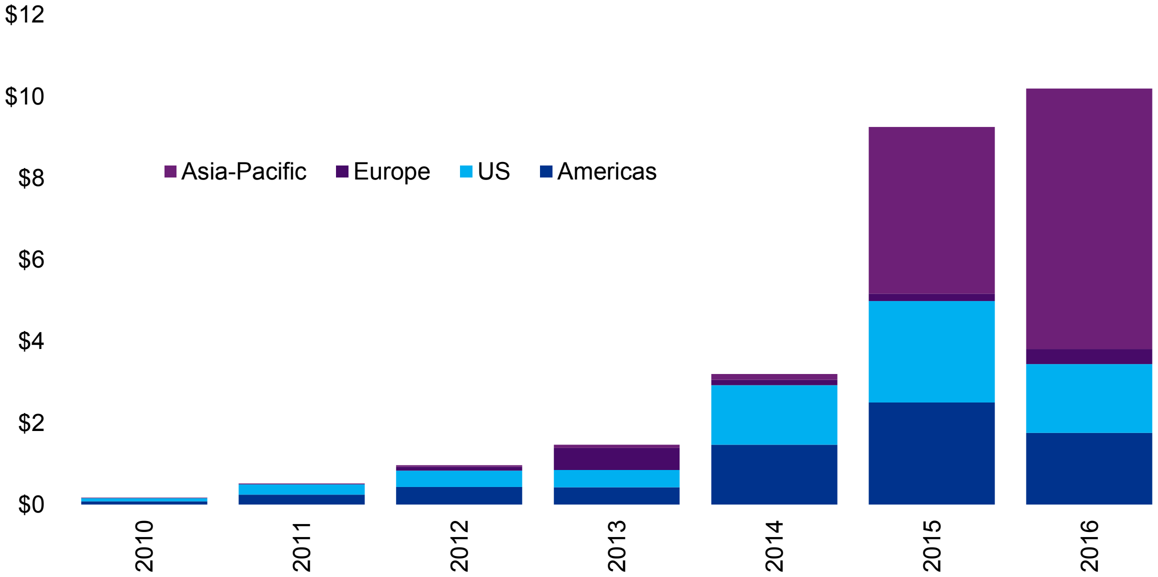
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"The world seems to be moving to faster payments, closely coupled with open data. As this happens, we expect to see a lot of interest in Fintech companies that provide solutions that either enable these activities, or that can leverage the outputs to create new value propositions."

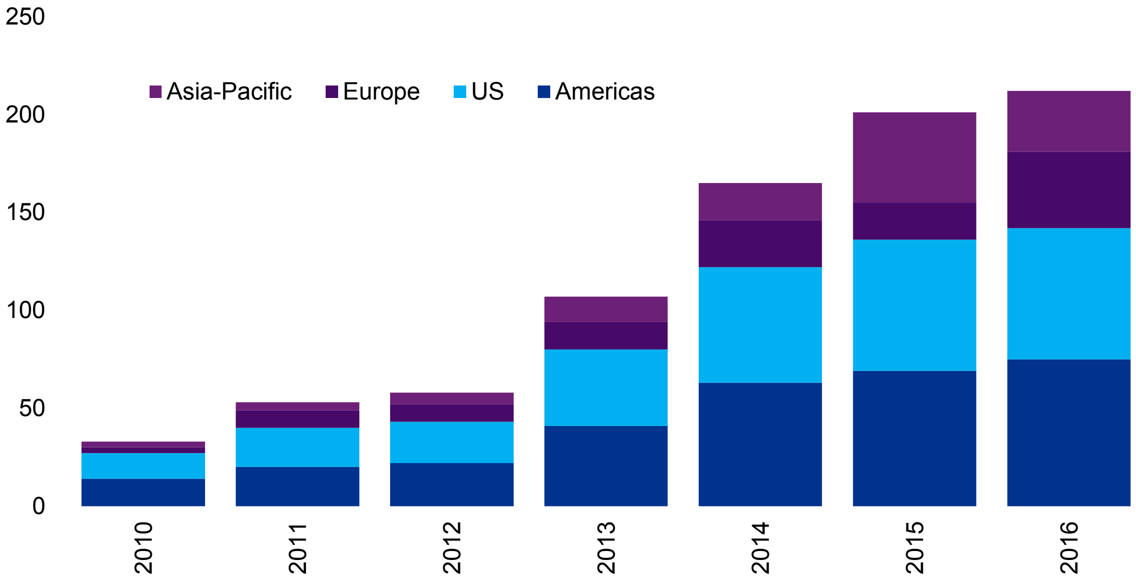
Ian Pollari
Global Co-Leader of Fintech, KPMG International and Partner and National Sector Leader, Banking,
KPMG Australia

Corporate VC participation - Asia stays strong

Venture investment ($B) in fintech companies with corporate VC participation
2010 — 2016



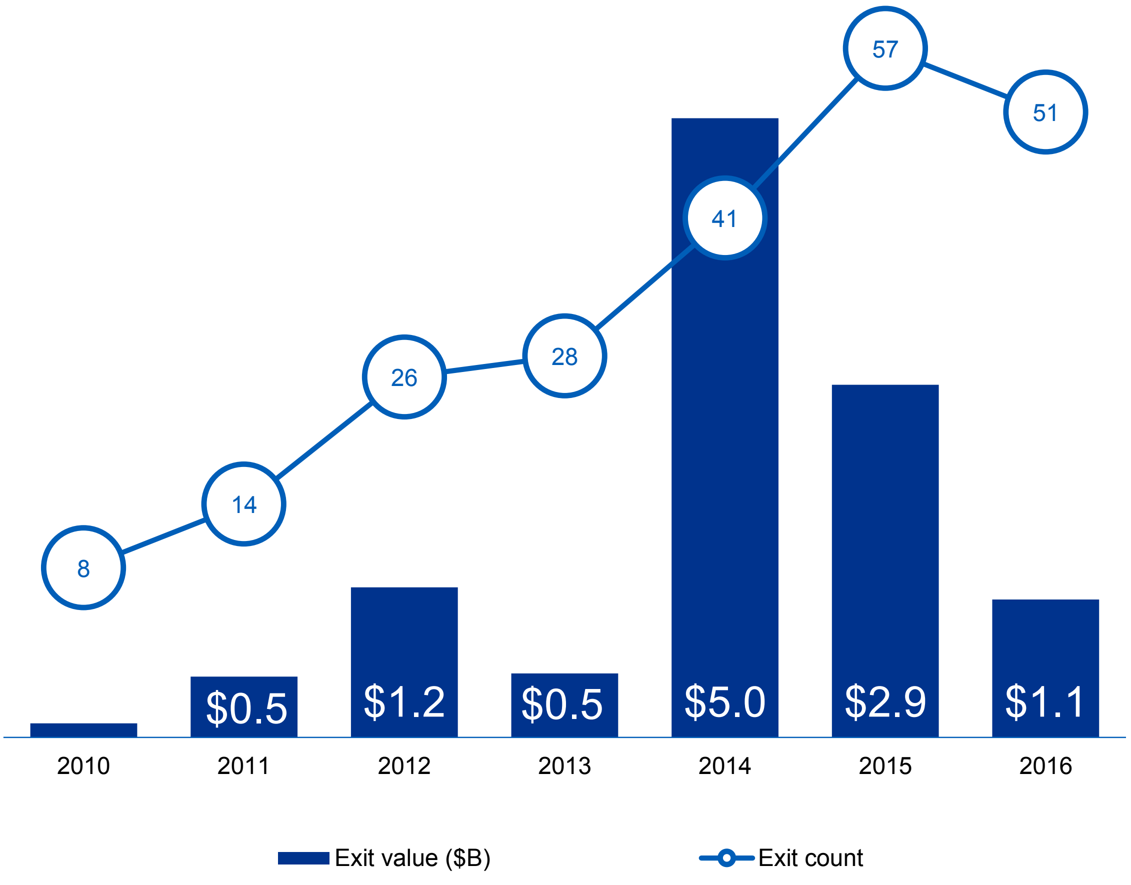
Venture investment (#) in fintech companies with corporate VC participation
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG Enterprise (data provided by PitchBook) February 21, 2017.

Exit volume still strong, value down

Global venture-backed exit activity in fintech
2010 — 2016



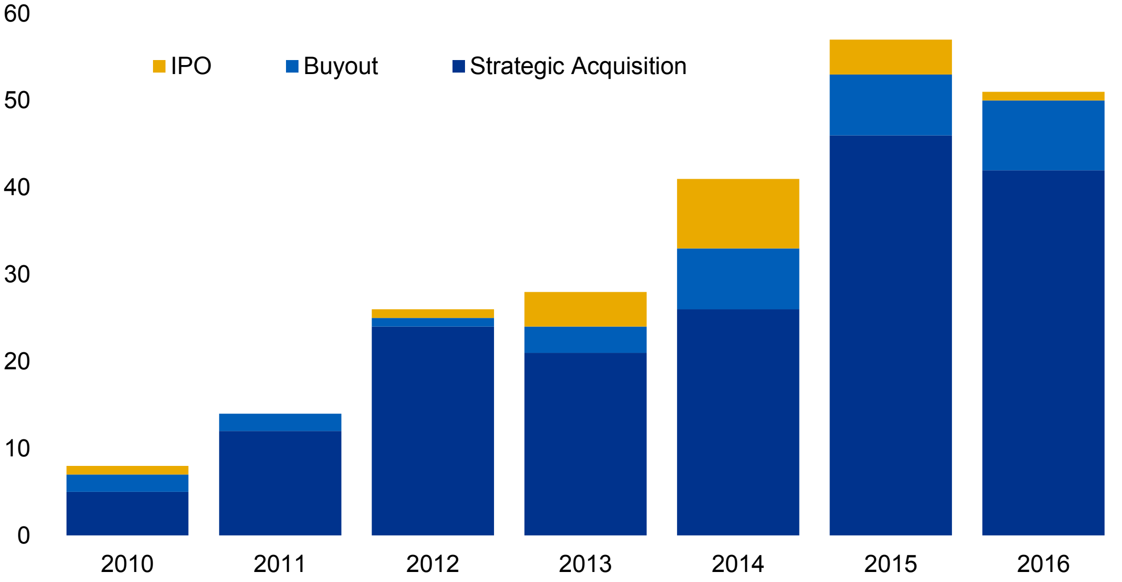
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Liquidity is always a prime concern for VCs and, luckily for those within the fintech space, exit avenues stayed relatively open in 2016, with overall exit value declining again. As previously stated, strategic M&A may well boost both figures in 2017.

M&A accounts for bulk of liquidity

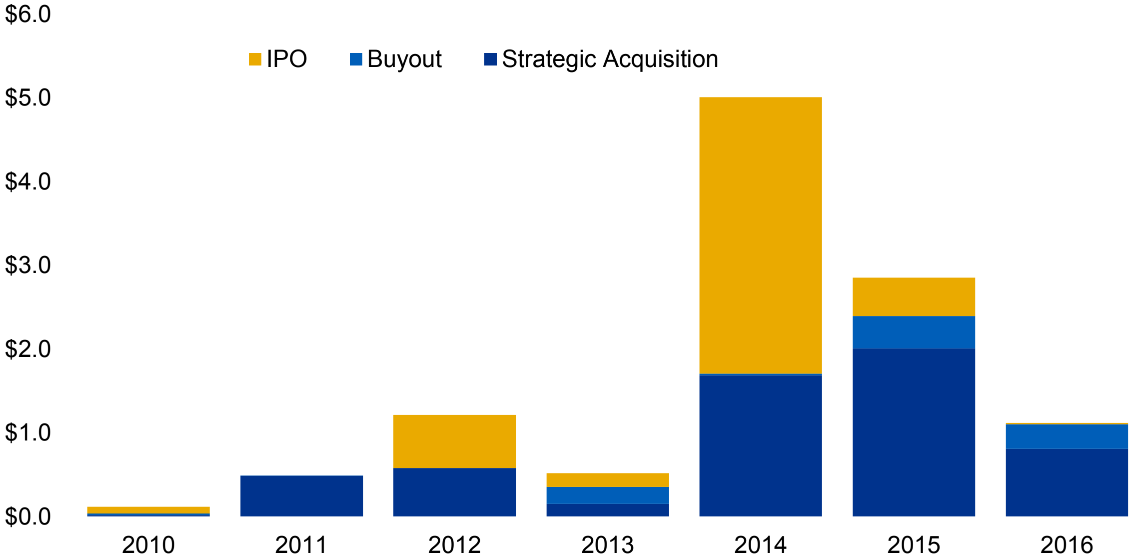
Global venture-backed exit activity by type (#) in fintech

2010 — 2016



Global venture-backed exit activity by type ($B) in fintech

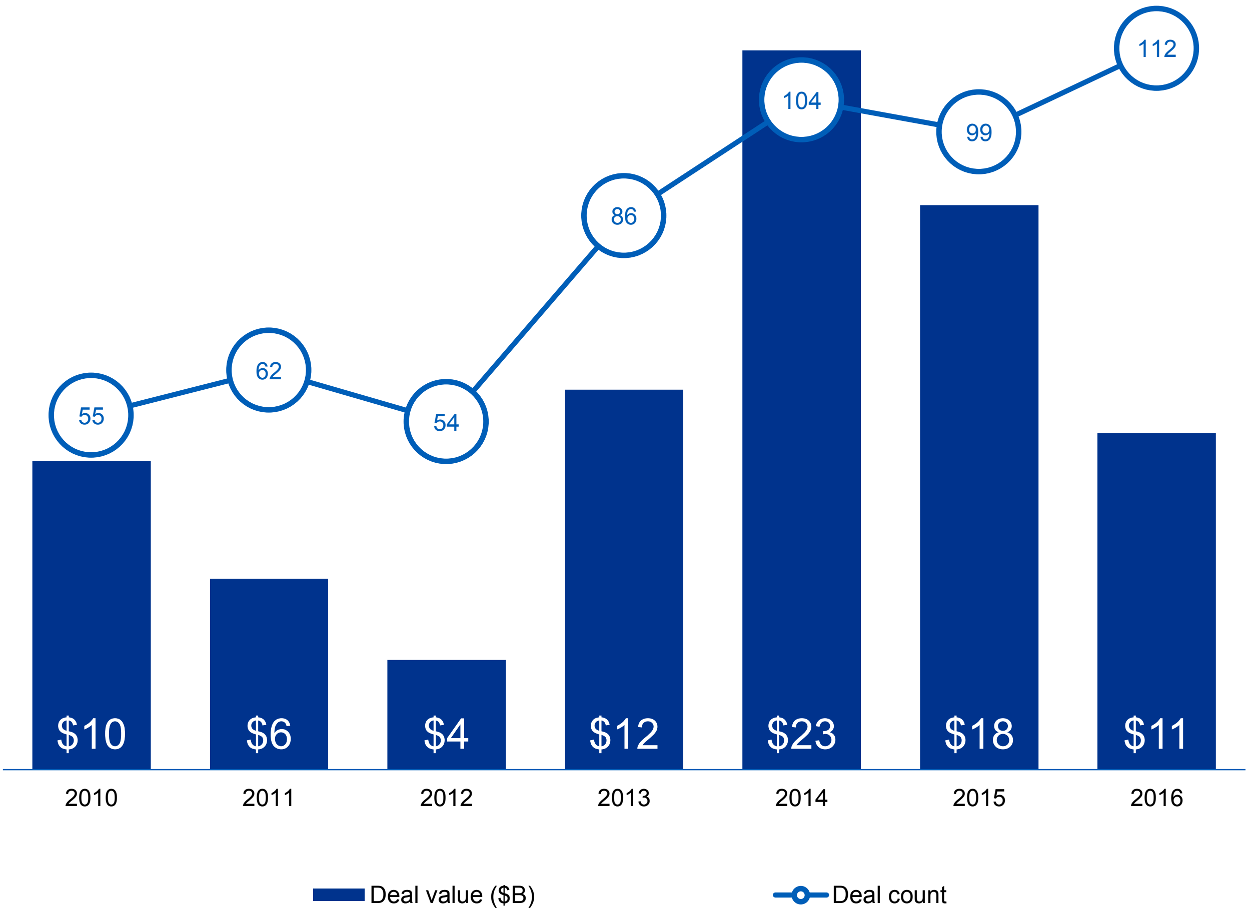
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

PE firms scout for new opportunities

Global private equity activity in fintech
2010 — 2016

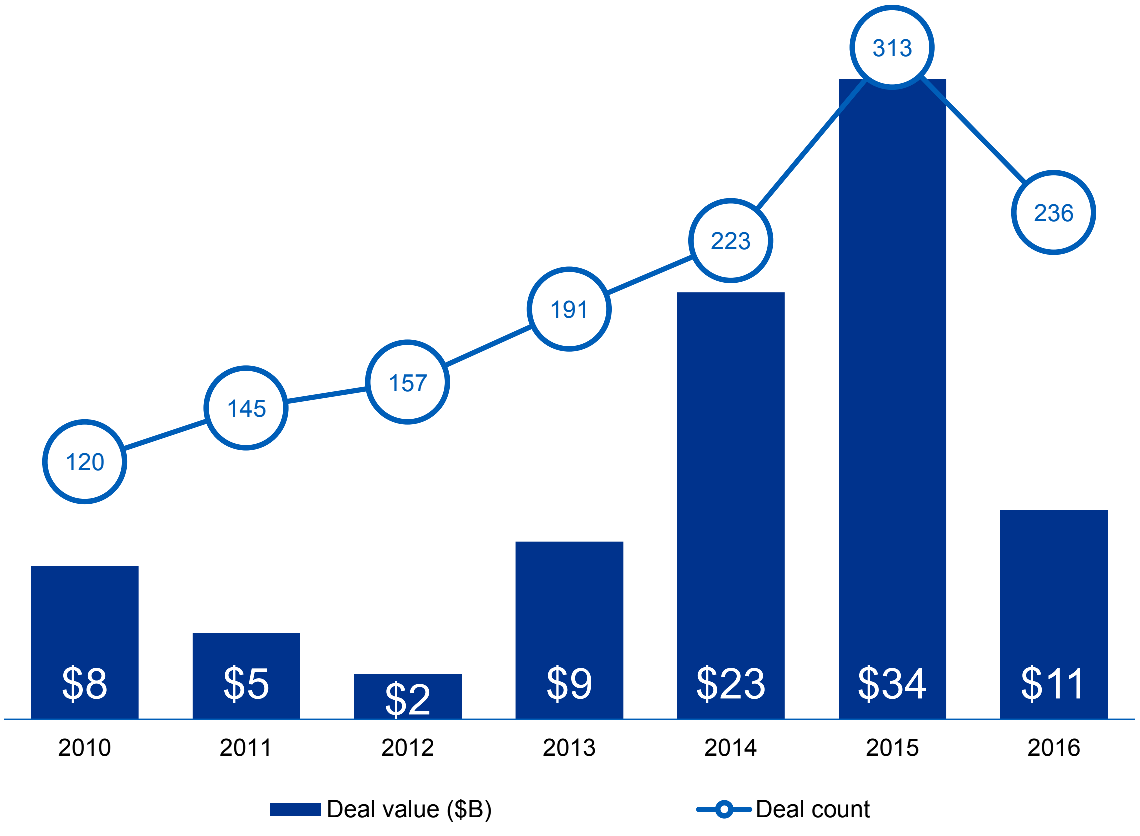


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Finding new, worthwhile targets remains a primary concern for the PE industry and consequent increases in fintech buyouts are to be expected, particularly as many PE firms boast significant financial services holdings.

M&A reverts to the mean

Global M&A activity in fintech
2010 — 2016

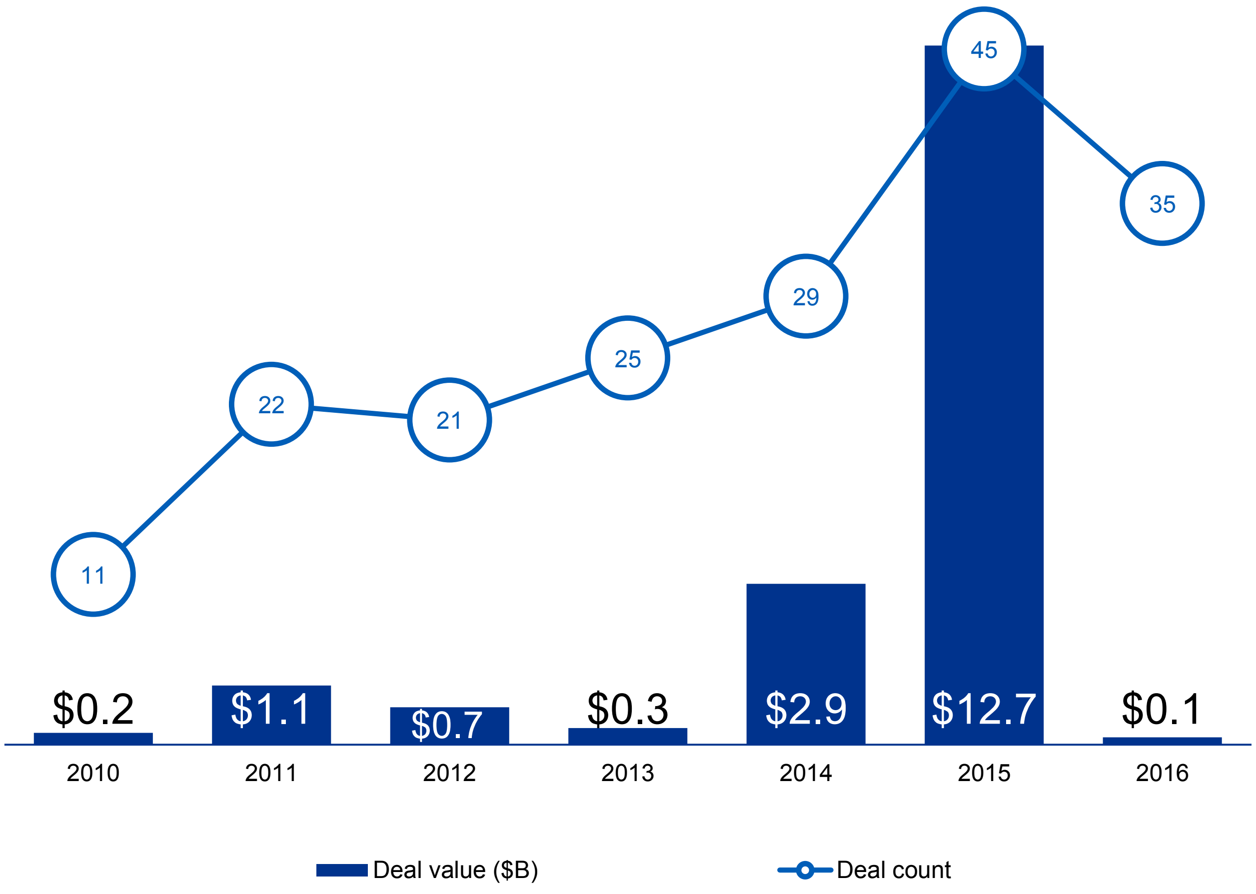


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

2015 was a banner year for fintech M&A, with a massive $34.1 billion in deal value recorded across 313 transactions worldwide. The sudden decrease in value this year is more testament to blockbuster deals in 2014 and 2015 and a lack thereof last year.

Consolidation remains a driver

Global M&A of fintech companies by fintech acquirers
2010 — 2016

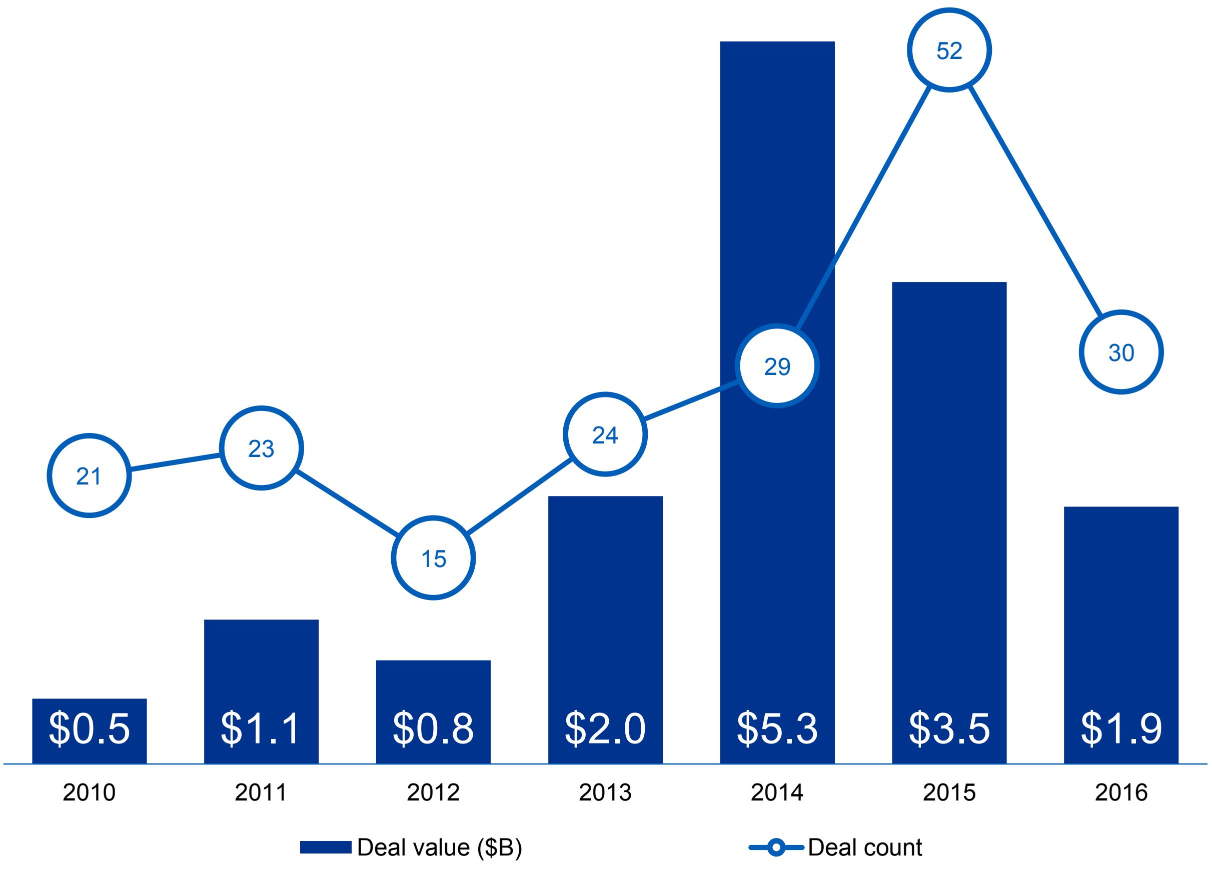


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Fintech companies continue to merge or acquire fellow firms at an elevated clip, with the 35 transactions last year marking the second-highest tally of the decade. Further consolidation is likely as the space matures and some businesses seem to be struggling, while other established companies look to boost their product portfolios or expand.

Return to historically healthy levels

Global M&A of fintech companies by financial institutions
2010 — 2016

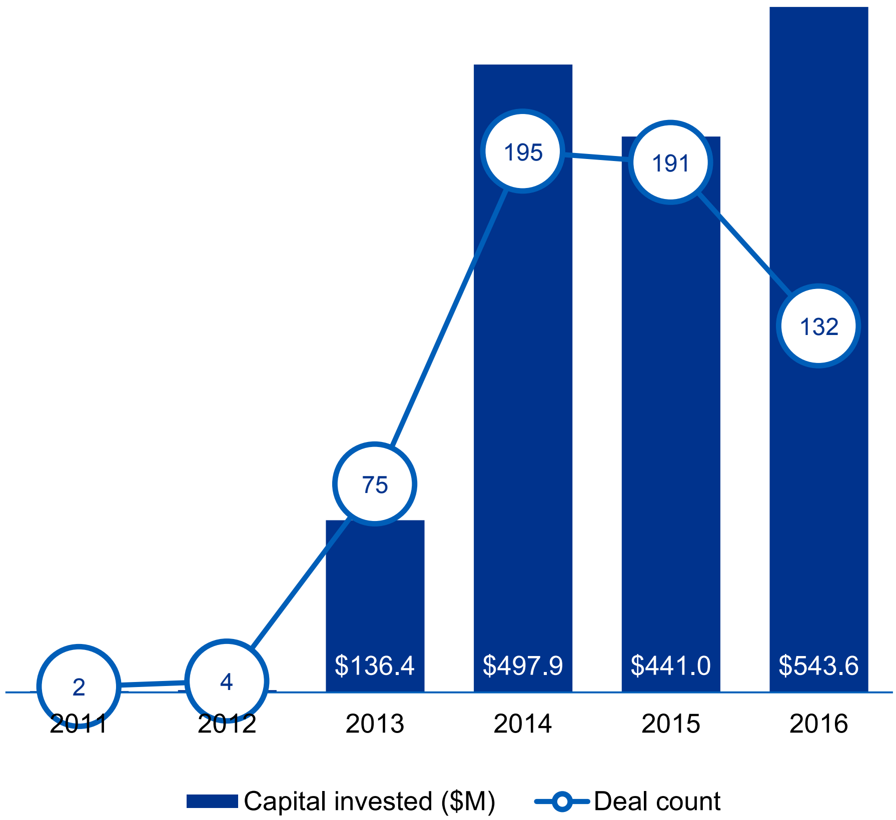


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Cornering innovation via M&A is a strategy that financial institutions certainly appear to be employing in the fintech arena at a fair pace, although not nearly as actively as in 2015. Such a cycle is quite subject to timing, both that of company development within new niches and acquirers' need to digest recently bought businesses.

A new high for BTC/blockchain investment

Venture investment in bitcoin & blockchain-related companies
2011 – 2016



Funding of bitcoin and/or blockchain-related startups has boomed in recent years as products have matured and potentially clearer use cases have emerged. That said, the deceleration in financings by count signifies that initial hype is fading and more proof of robust applications will be required by venture investors.

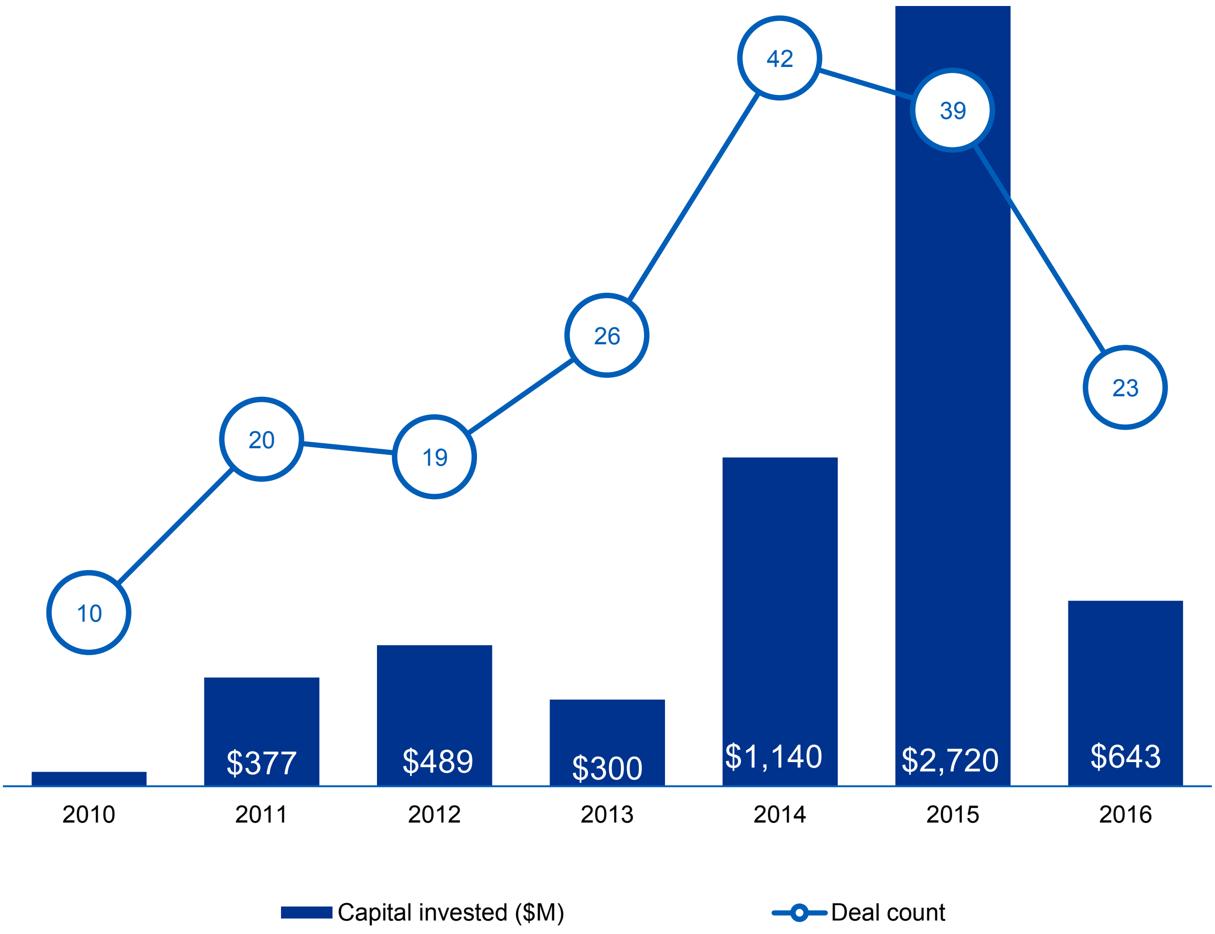
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG Enterprise (data provided by PitchBook) February 21, 2017.

"Corporates in particular seem to be shifting spend from the direct investment blockchain provides to investments in the execution and development of blockchain-based production systems. Looking ahead, the key issue will be determining how to create standardization so that even if there are different blockchains, it is possible to integrate and aggregate the information in a meaningful manner."

Eamonn Maguire
Global Head of Digital Ledger Services, KPMG International, Managing Director,
KPMG in the US

Online lending sector maturing

Venture investment in online lending companies
2010 — 2016

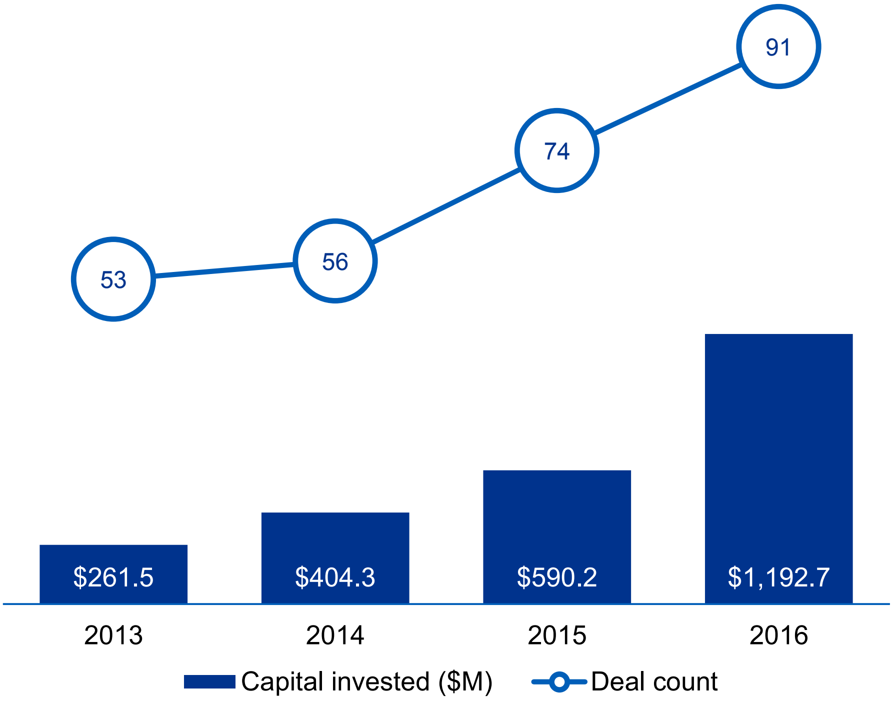


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

The downturn in funding of online lending indicates that the space is seeing consolidation with a small crop of select companies already appearing as winners. In addition, it may portend a period of reassessment as venture investors wait to see new strategies emerge as those winners grapple with growth challenges.

Insurtech driven by specialization

Venture investment in global insurance tech companies
2013 – 2016



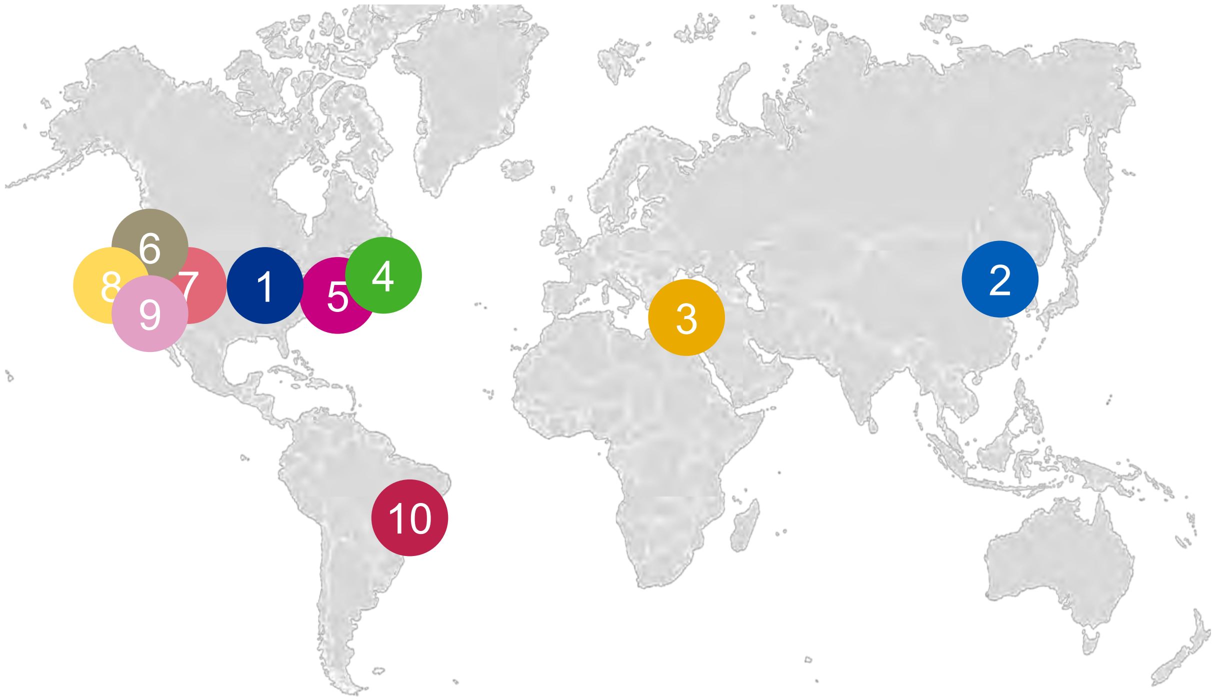
The insurance realm has seen significant increases in VC deal flow in terms of both value and volume, driven by larger financings of proven businesses with demonstrated applications. 2016's surge was driven in large part by luminaries such as Oscar, which exemplifies how startups that are tackling more specialized segments of insurance may be perceived to ultimately bear more fruit by investors.

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"There seems to be significant pent-up demand for solutions to the problems challenging the insurance industry – from the need to improve operational efficiencies and cost effectiveness to creating more customer-centric product offerings. When these challenges are combined with the growing availability of tech from other sectors with applicability to the insurance sector, there's little doubt investment in insurtech is going to keep booming."

Murray Raisbeck
Partner, Insurance,
KPMG in the UK

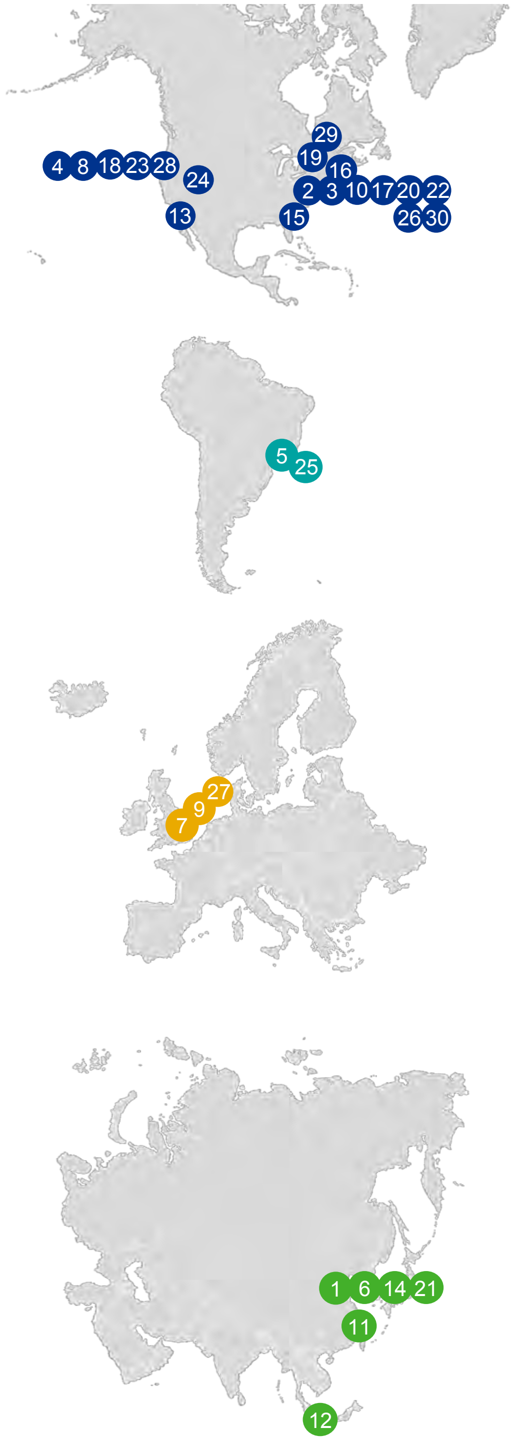
Top 10 global fintech deals in Q4'16



1. **Moneris Solutions** – $425M, Schaumberg
   Payments/transactions
   Corporate divestiture
2. **51credit** – $394M, Beijing
   Payments/transactions
   Series C
3. **Meitav Dash** – $386.2M, Bnei Brak
   Wealth/investment management
   Buyout
4. **Reval** – $280M, New York
   Institutional/B2B
   Add-on
5. **Payoneer** – $180M, New York
   Payments/transactions
   Series E
6. **PitchBook Data** – $180M, Seattle
   Institutional/B2B
   M&A
7. **PaySimple** – $115M, Denver
   Payments/transactions
   PE growth
8. **Zibby** – $103M, New York
   Payments/transactions
   Early stage VC
9. **LendingHome** – $100M, San Francisco
   Lending
   Series C2
10. **Nubank** – $80M, Sao Paulo
    Personal finance
    Series D

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Top 30 global venture financings in Q4'16



1. **51credit** – $394M, Beijing
Payments/transactions
Series C

2. **Payoneer** – $180M, New York
Payments/transactions
Series E

3. **Zibby** – $103M, New York
Payments/transactions
Early stage VC

4. **LendingHome** – $100M, San Francisco
Lending
Series C2

5. **Nubank** – $80M, Sao Paulo
Personal finance
Series D

6. **QuantGroup** – $73M, Beijing
Payments/transactions
Series C

7. **Iwoca** – $57M, London
Lending
Series C

8. **BlueVine** – $49M, Redwood City
Lending
Series D

9. **BillFront** – $35M, London
Institutional/B2B
Series A

10. **Lemonade** – $33.1M, New York
Life/general insurance
Series B

11. **China Rapid Finance** – $30.4M, Shanghai
Lending
Late stage VC

12. **Toast** – $30M, Singapore
Payments/transactions
Series B

13. **Classy** – $30M, San Diego
Institutional/B2B
Series C

14. **Tiger Brokers** – $29M, Beijing
Wealth/investment management
Series B

15. **AvidXchange** – $28M, Charlotte
Institutional/B2B
Series E

16. **Quantopian** – $25.6M, Boston
Wealth/investment management
Series C

17. **StashInvest** – $25M, New York
Wealth/investment management
Series B

18. **Neighbor.ly** – $25M, San Francisco
Wealth/investment management
Series A2

19. **FundThrough** – $24.6M, Toronto
Institutional/B2B
Early stage VC

20. **MoneyLion** – $22.5M, New York
Lending
Series A

21. **Kungeek** – $22M, Beijing
Specialized finance
Early stage VC

22. **AdvisorEngine** – $20M, New York
Wealth/investment management
Series A

23. **Roofstock** – $20M, Oakland
Wealth/investment management
Series B

24. **Lendio** – $20M, South Jordan
Lending
Series D

25. **GuiaBolso** – $19.2M, Sao Paulo
Personal finance
Series C

26. **TradeBlock** – $18M, New York
Payments/transactions
Series A

27. **Sonovate** – $17.3M, London
Institutional/B2B
Series B

28. **Thanx** – $17.1M, San Francisco
Payments/transactions
Series B

29. **Financeit** – $17M, Toronto
Lending
Late stage VC

30. **Droit Fintech** – $16M, New York
Investment banking/capital markets
Series A

North America — South America — Europe — Asia

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 15, 2017.

KPMG

In 2016, fintech investment in the Americas hit

$13.5B

across

555 deals

Outlook strong for fintech in the Americas despite 2016 funding decline

After a very active 2015, the total number of fintech deals in the Americas dropped significantly in 2016, from 685 to 555. Meanwhile, the value of fintech deals in the region fell more than 50% year-over-year, although 2016's $13.5 billion in total fintech investment remains significant compared to pre-2015 totals. While venture capital and private equity funding to fintech companies both dropped in 2016, the real differentiator was the decrease in M&A activity, with just $8.5 billion in M&A deal value compared to $21.3 billion the previous year. Fintech VC activity dropped slightly during the year in the Americas, from $1.3 billion in Q3'16 to $1.1 billion in Q4'16, while deal activity increased marginally over the same period.

While US investment dominated in the Americas, interest is growing across the map

While the US continues to be the dominant player in fintech across the Americas, funding is also finding its way to companies in less mature fintech markets. 2016 fintech funding rounds in the Americas included a diverse range of deals, from an $80 million round to Brazil-based credit provider Nubank to an $8 million funding round to Argentina-based P2P lending platform Afluenta and Mexico's largest fintech funding round to date: $35 million to lending platform provider Kueski. The Nubank funding round was ranked as the fourth largest venture deal in the Americas during Q4'16, the only non-US funding round to make the top 10 for the quarter.

Collaboration key, while definition of disruptors evolves

Collaboration continues to be critical to the success of fintech in the Americas. Many fintech companies have recognized the difficulty associated with competing with established big banks and financial institutions. Rather than working to offer pure play services, many of these fintech companies have focused on becoming enablers, working with established corporates to provide innovative solutions and services to their customers.

Fintech investment and interest in Canada increasing, with significant room for growth

Canada experienced record highs in terms of both fintech deal activity and deal value, with 26 deals in 2016 valued at $138 million. To date Canadian firms have received less investment than the US on a per capita basis, however, over the next few years, investment in Canadian fintechs could grow significantly. There is a strong push to encourage fintech innovation in Canada, particularly in the Toronto region and in Montreal. Incubators such as MaRS Discovery Centre, the Creative Destruction Lab at the Rotman School, the DMZ at Ryerson University and Communitech in Waterloo are bringing together fintech startups, banks and universities in order to develop and commercialize innovative fintech solutions.

Regulators in Canada are also starting to recognize their role in assisting with fintech innovation. In Q3'16, the Ontario Securities Commission announced plans for OSC Launchpad, a program aimed at helping fintech companies navigate regulatory challenges.

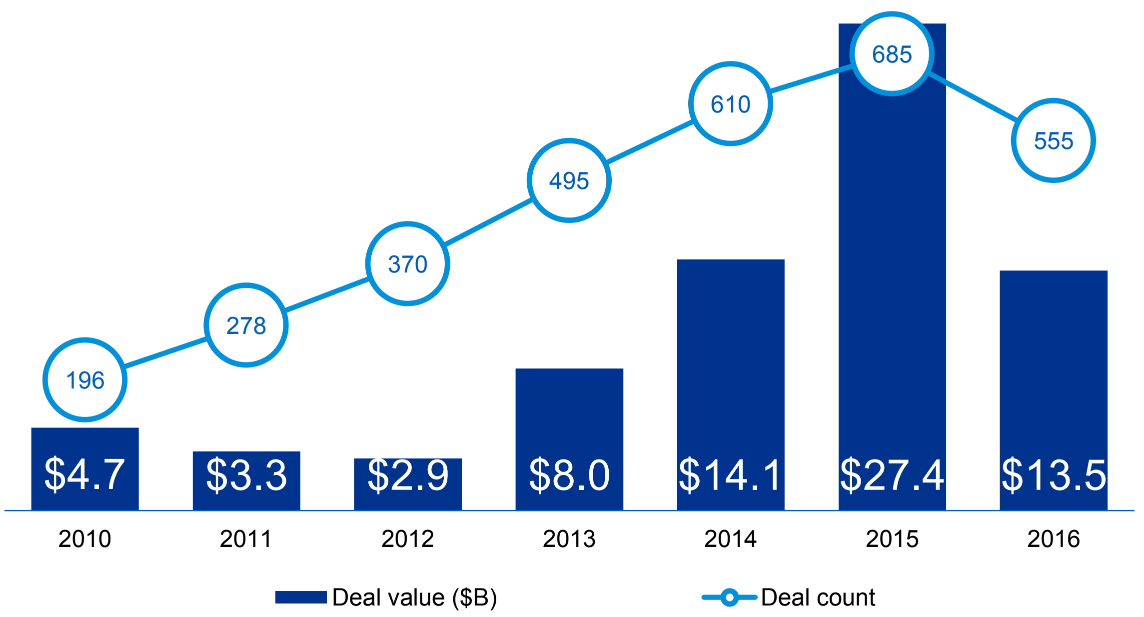
Fintech gaining traction in Brazil

The Q4'16 Nubank deal highlights the growing value investors are placing on fintech opportunities in Brazil. Over the past 12 months, there has been a significant amount of fintech activity in the country, particularly around payments platforms and other forms of e-commerce. While Brazil's government is focused on numerous other priorities, large banks and corporates are working to develop fintech ecosystems in the country. A number have introduced co-working spaces and incubator-type programs to help encourage fintech innovation. Sao Paulo has been the primary focus of fintech investment in Brazil, although activities in other major cities are also on the rise.

Value remains strong as volume slides

Fintech investment in the Americas

2010 — 2016



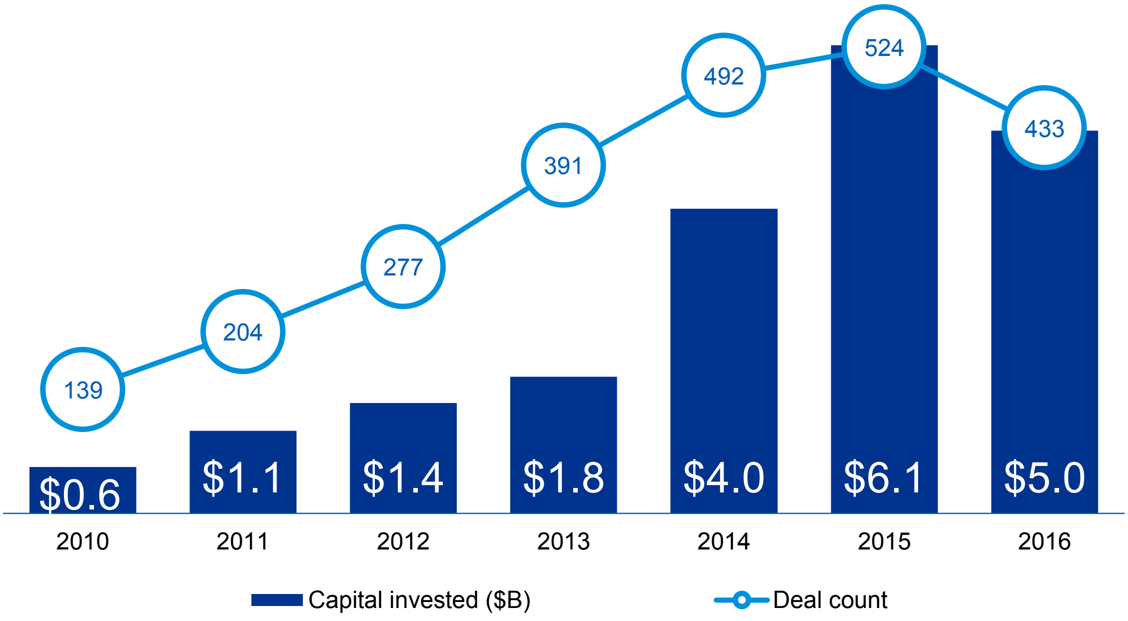
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Combining both M&A and venture investment, the Americas experienced a drop of 50.7% in value and just shy of 19% in volume year-over-year. The decline in aggregate deal value was driven by the absence of mega-deals.

Venture investment remains robust

Venture investment in fintech companies in the Americas

2010 — 2016



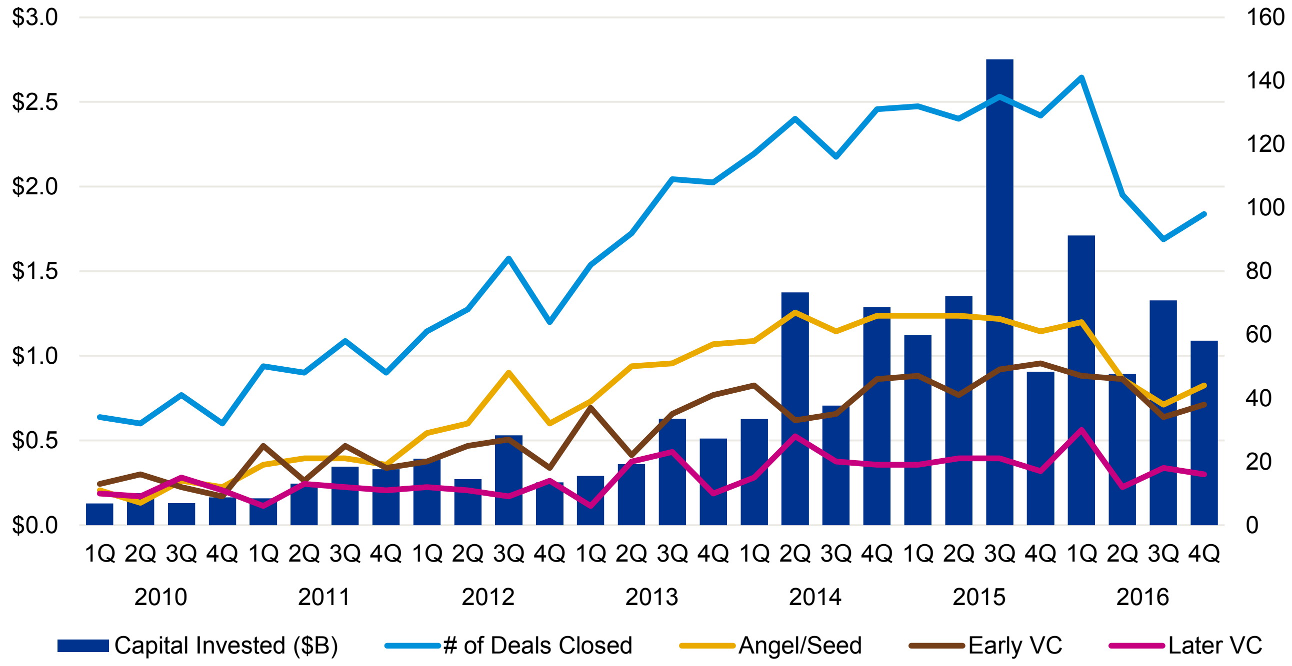
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Historically speaking, 433 completed VC financings in 2016 was a healthy tally, while total VC invested was robust at $5 billion. A sign that the pullback is more driven by caution than consternation, venture firms appear to be still plying many startups with plenty of capital, only looking for more substantive indicators of quality than before.

Historically healthy VC invested in Q4'16

Venture investment in fintech companies in Americas

2010 — 2016

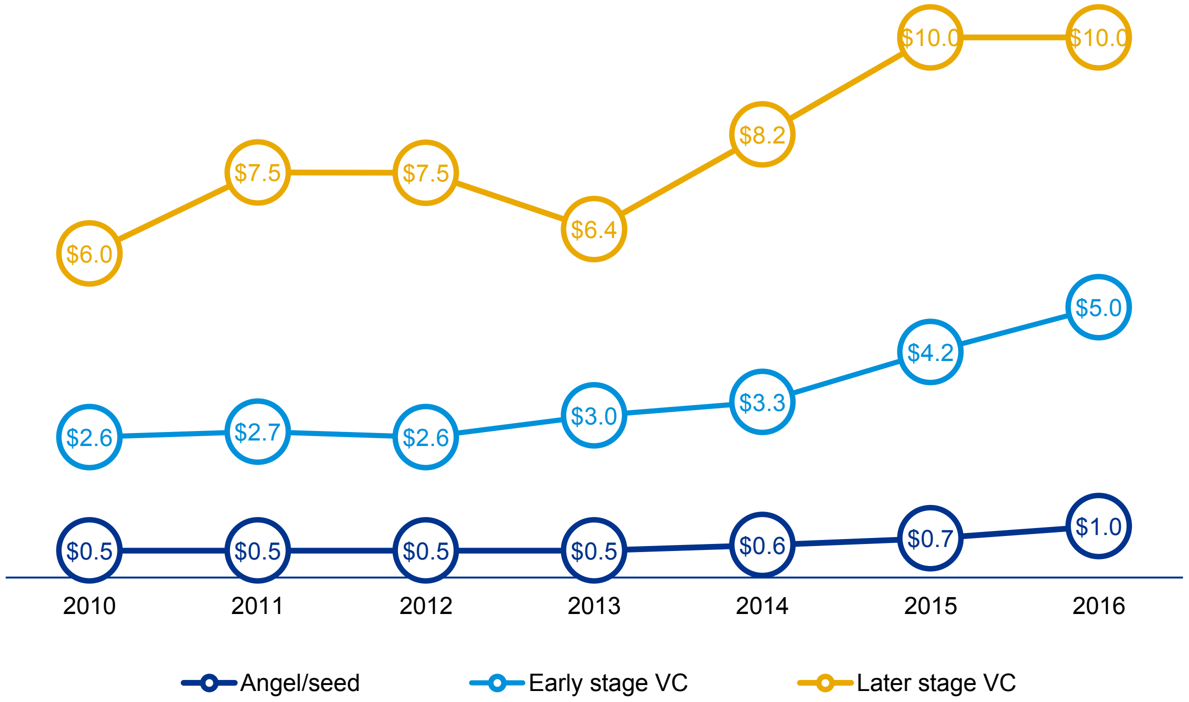


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Part of the global uptick in quarterly VC activity was due to a year-end surge in venture financing volume in the Americas. Although financing activity in fintech remained subdued relative to recent highs, the healthy total of VC invested speaks to a similar trend unfurling in fintech as has been observed in the broader venture market—in the most developed VC markets investors are simply exhibiting more caution, and consequently still investing significant sums when they find it justifiable to do so.

Financing sizes stay elevated

Median fintech venture financing size ($M) in the Americas
2010 — 2016

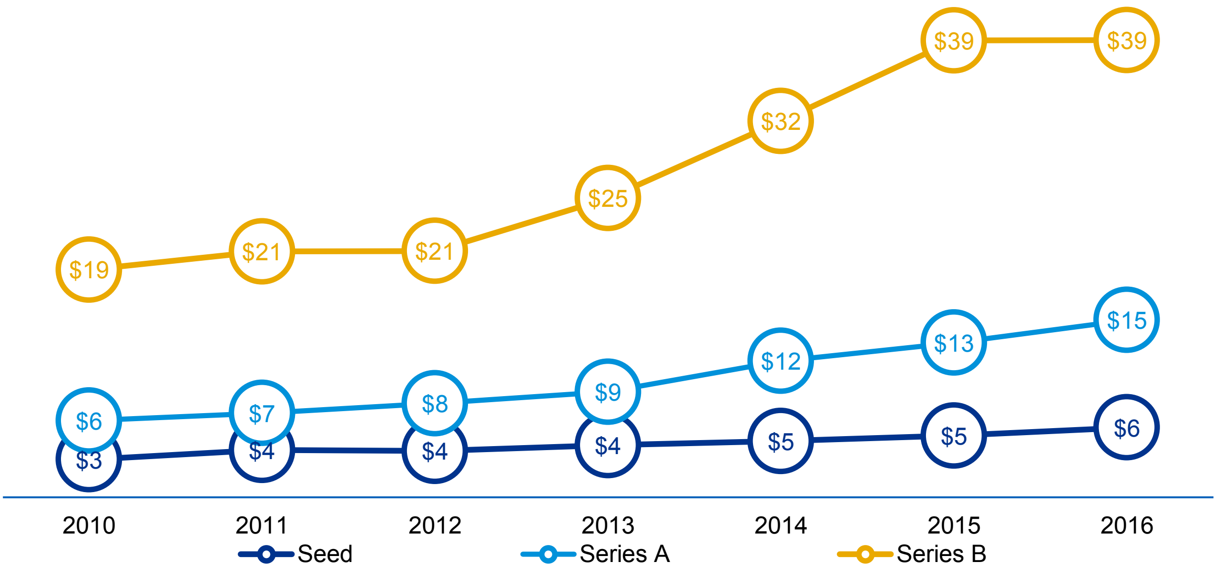


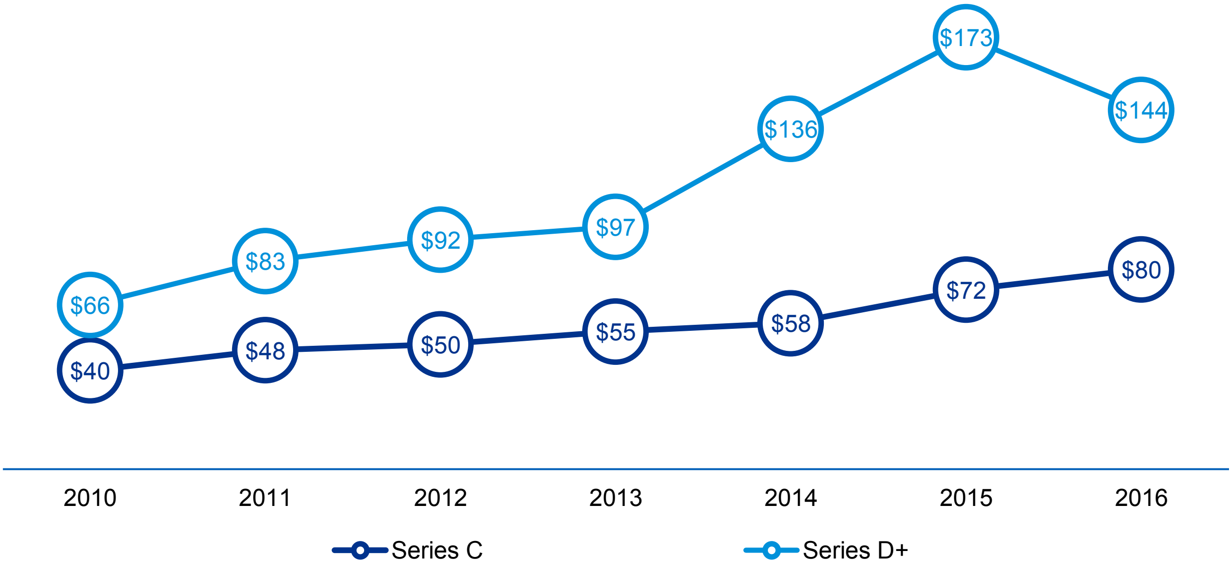
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

One of the surer indicators that 2016 was marked by caution on the part of VCs more than anything else was the fact median financing sizes remained quite high. That was also driven by the considerable store of capital many VCs have on hand to invest, given healthy fundraising over the past few years.

At nearly all stages, valuations stay high

Median fintech venture post valuation ($M) in the Americas
2010 — 2016

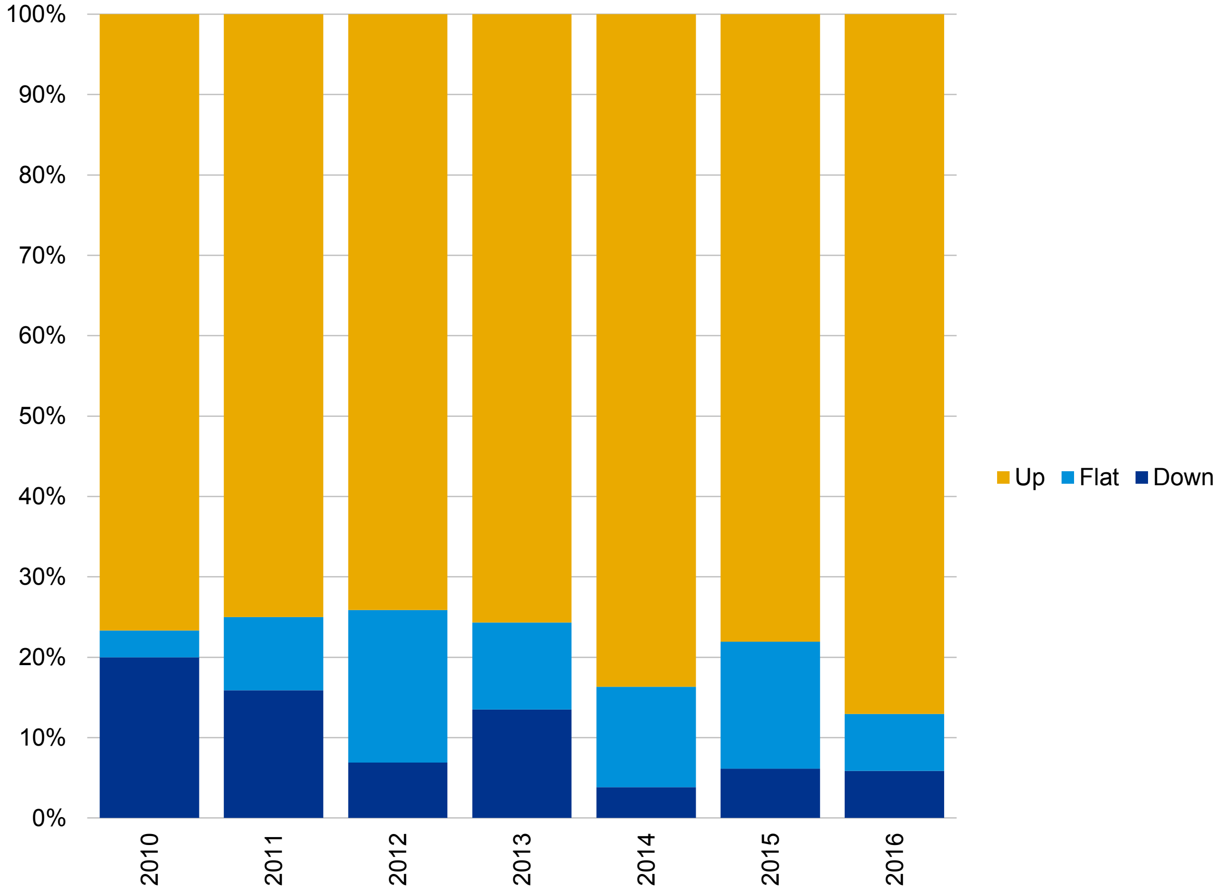




Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

A proportionate high in up rounds

Median fintech venture up, flat or down rounds in the Americas
2010 — 2016

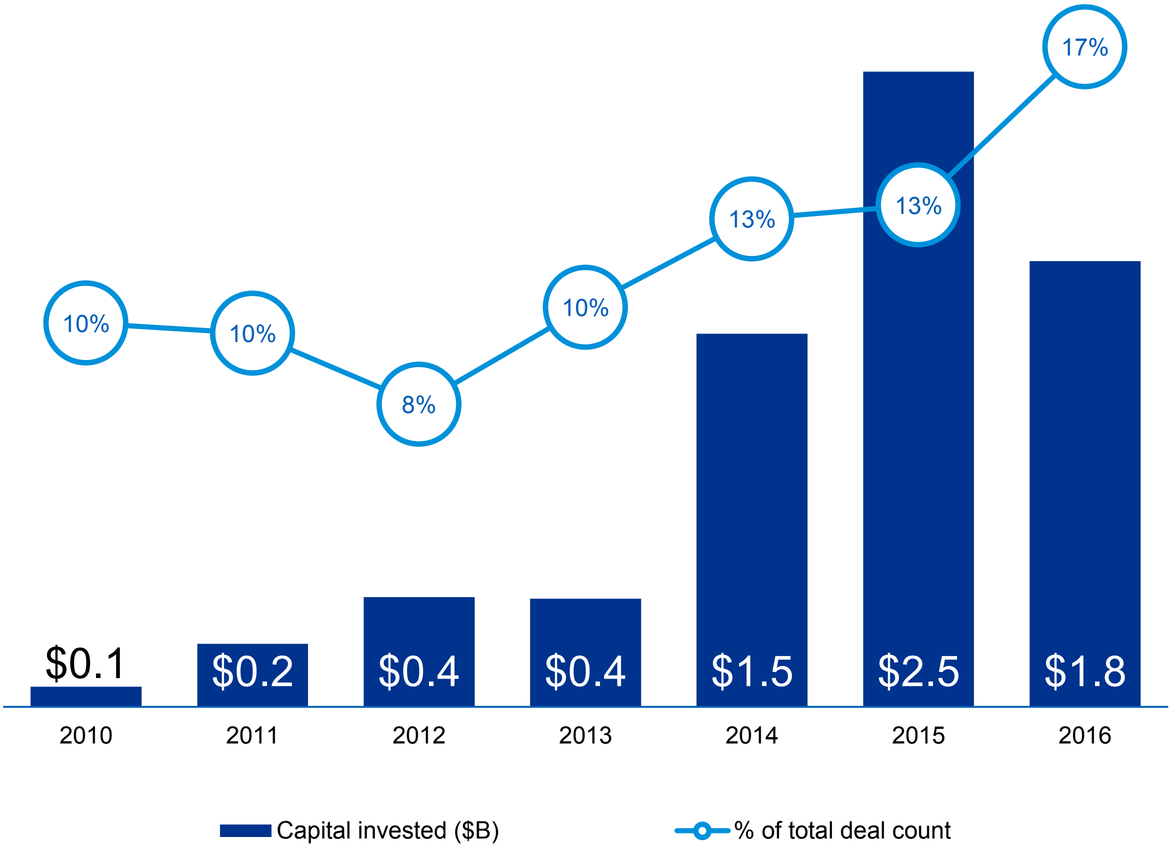


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Businesses that are able to close a round of financing in the current environment are likely those that are best-positioned and can boast demonstrated success. Given plenty of VCs seeking worthwhile opportunities, the 7 year high in the proportion of up rounds is to be expected.

Unprecedented proportion of CVC involvement

Fintech venture capital activity in the Americas with corporate participation
2010 — 2016

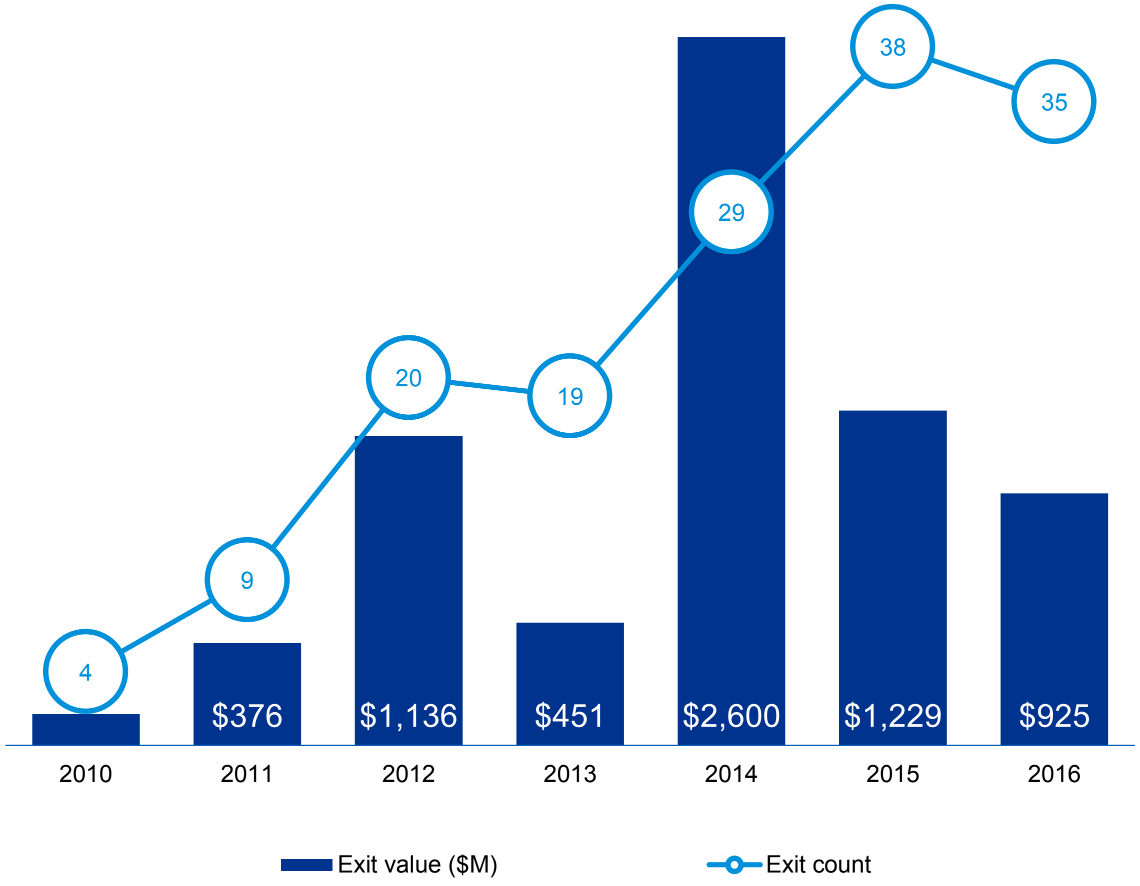


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 15, 2017.

Corporate VC arms have rationales for investing beyond those of traditional venture firms, especially when it comes to certain sectors, such as fintech. Corporations are, accordingly, staying quite active, especially amid the general decline in VC deal volume.

Exit volume stays steady

Fintech venture-backed exit activity in the Americas
2010 — 2016



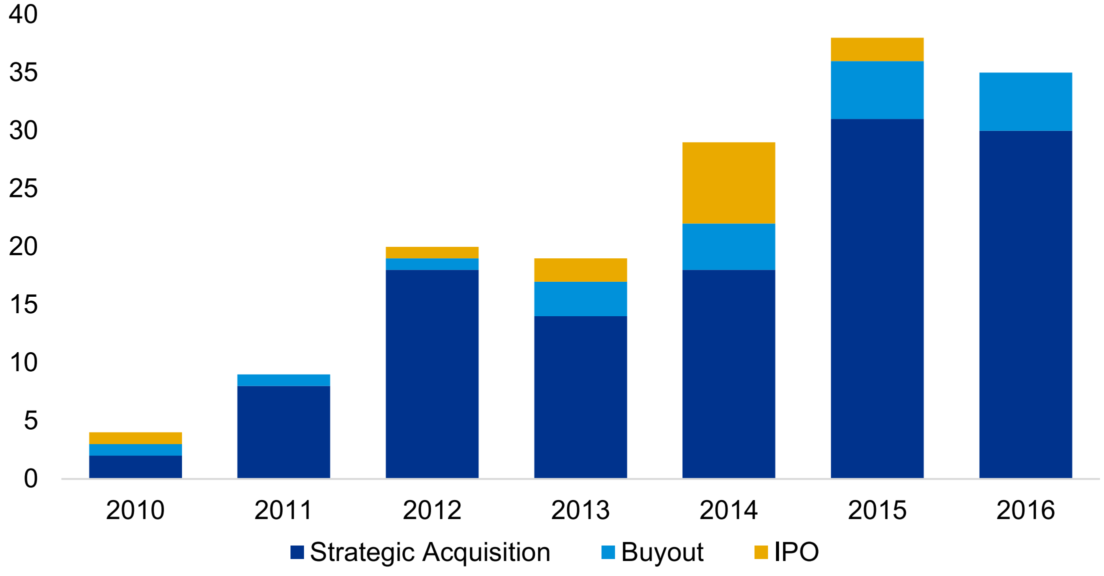
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Especially if the M&A cycle continues to wind down and the IPO market remains frigid, venture firms' ability to achieve liquidity may come under even greater scrutiny. Accordingly, the fact that fintech exits remained steady — albeit for lesser total value — even as the broader exit market slowed, is promising.

Strategic acquirers remain key

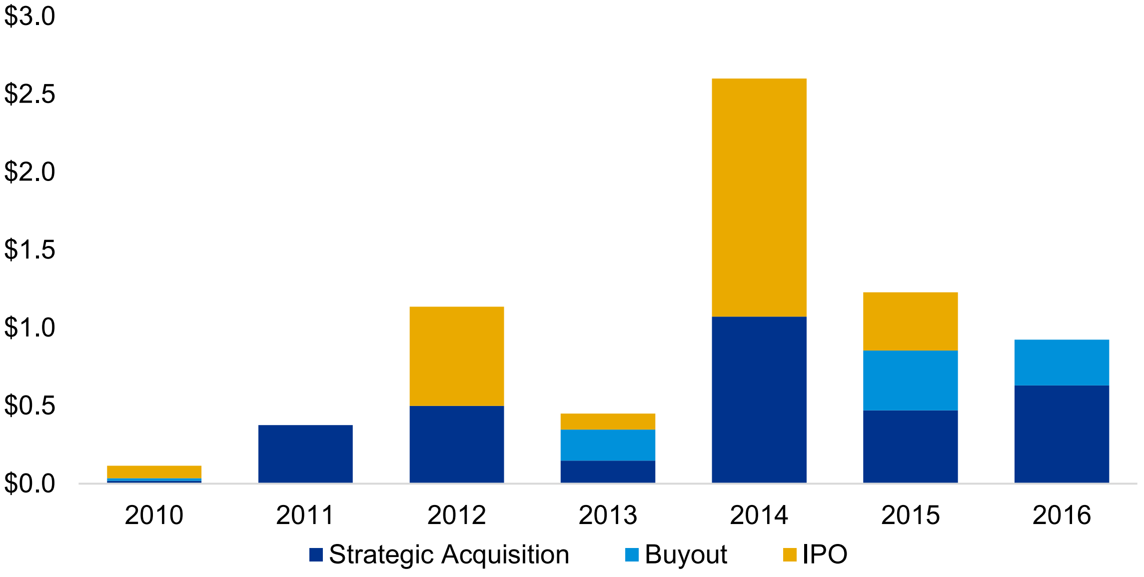
Fintech venture-backed exit activity by type (#) in the Americas

2010 — 2016



Fintech venture-backed exit activity by type ($B) in the Americas

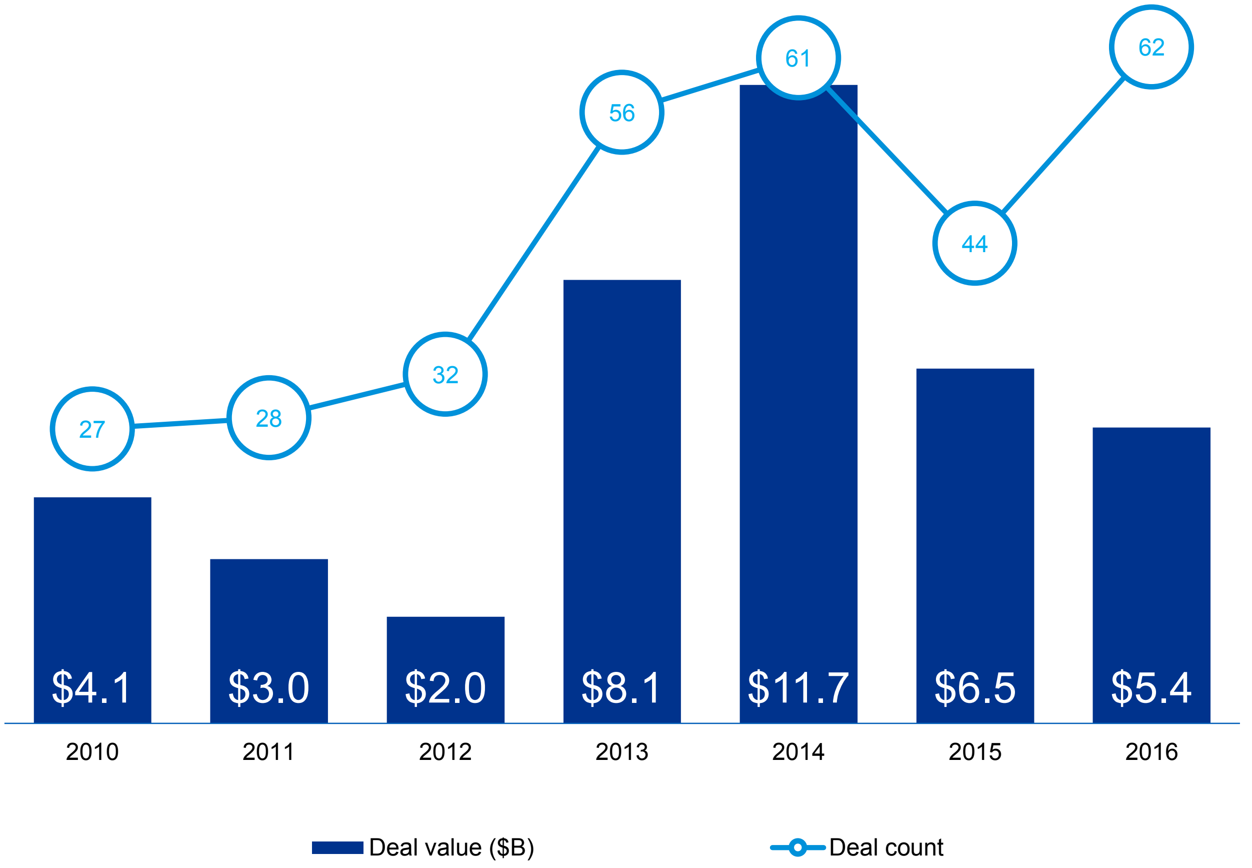
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

PE firms dial-up their pace

Fintech private equity activity in the Americas
2010 — 2016

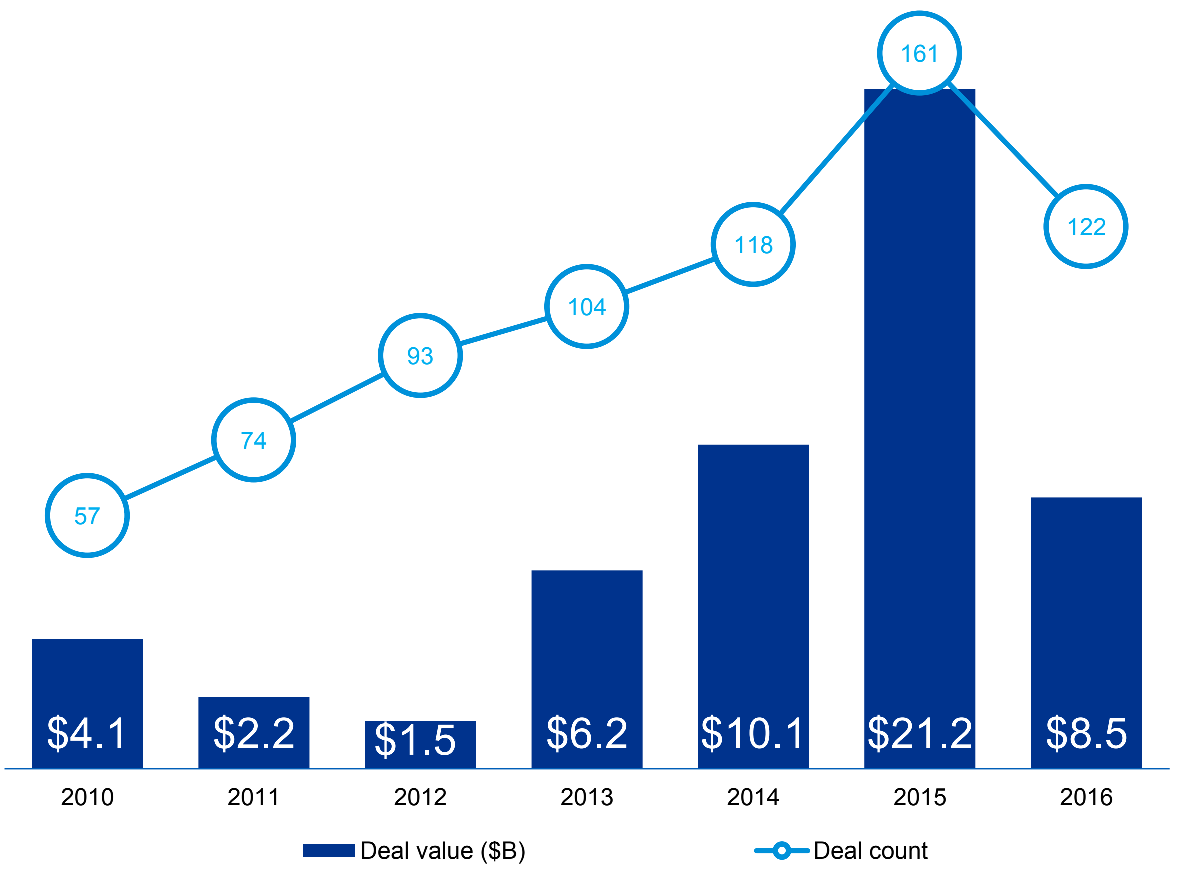


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

PE firms appear to be hard-pressed to find worthwhile investment opportunities in the current environment. Accordingly, as they broaden their deal-sourcing strategies, those with financial services and technology portfolios may be dialing up activity.

M&A subsides to healthy levels

Fintech M&A activity in the Americas
2010 — 2016

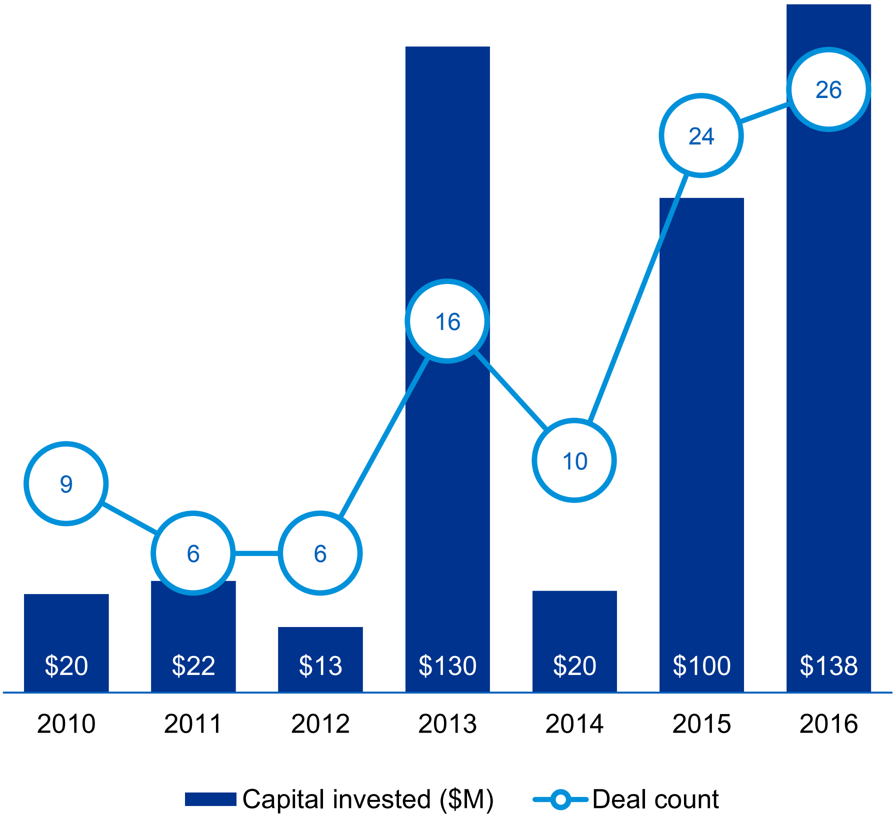


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

After such a rapid scaling-up between 2014 and 2015, plus a handful of mega-deals, a resumption to more historical means was to be expected. The decline in M&A to 122 completed transactions for a total of $8.5 billion last year shouldn't be over-construed.

VC invested in Canadian fintech hits a high

Fintech venture activity in Canada
2010 – 2016



Canada's burgeoning venture scene has enjoyed a considerable uptick in sums invested over the past few years, and fintech remained no exception in 2016. Concentrated primarily in metro areas, fintech companies in Canada enjoy some advantages over Bay Area counterparts, namely more reasonable costs and less uncertainty around access to talent.

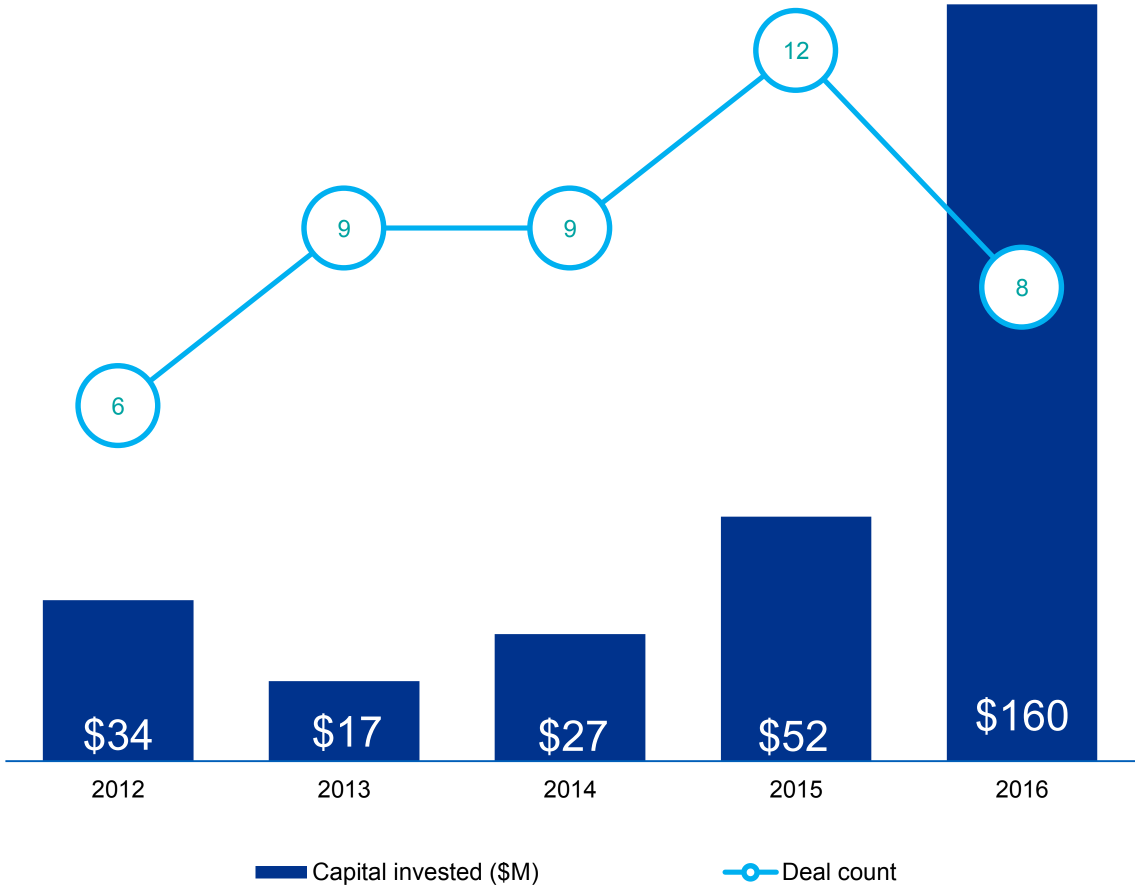
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"A lot of banks, financial institutions and insurance companies appear to be ramping up their participation in fintech. Innovation is becoming a real watch word. Boards especially seem to be putting a lot of pressure on financial institutions to up their game in terms of digital innovation and agility – fintech is viewed as a big part of that."

John Armstrong
National Industry Leader, Financial Services,
KPMG in Canada

Surge in investment thanks to Nubank

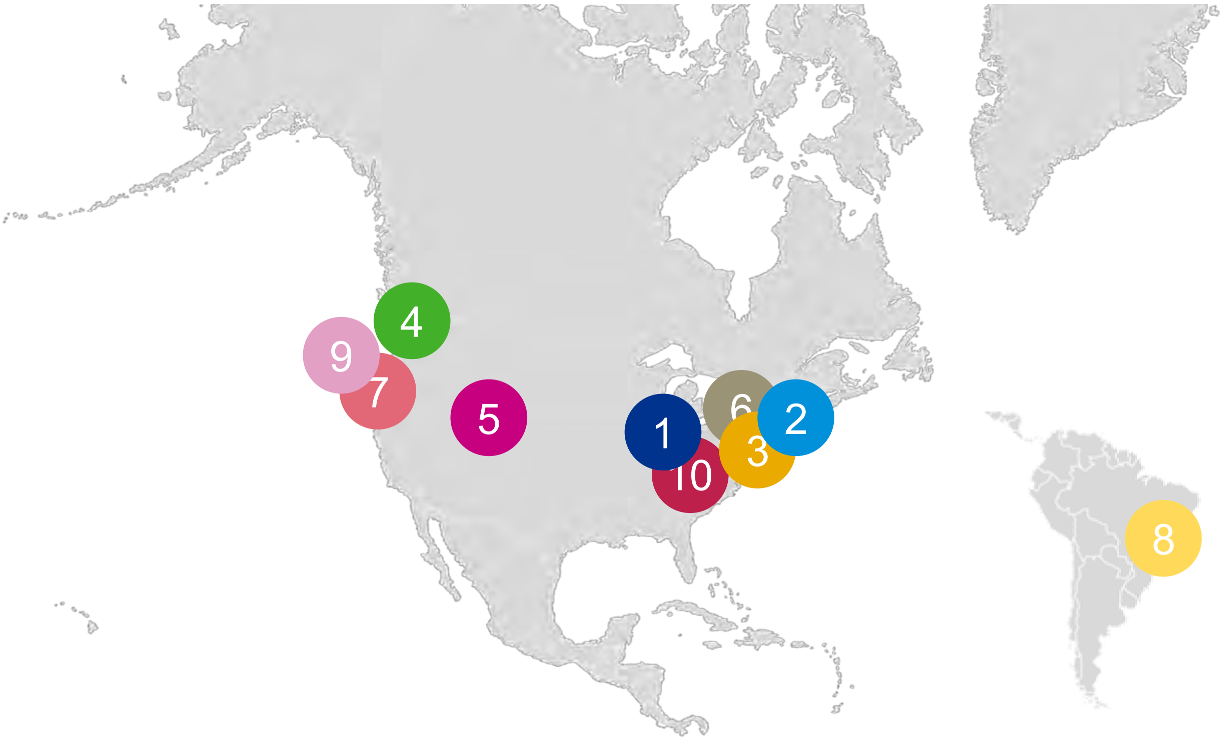
Venture investment in fintech companies in Brazil
2012 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Brazil saw an unprecedented sum of total VC invested last year thanks primarily to one financing—the $80 million Series D venture funding of Nubank, which provides digital financial services.

Top 10 Americas fintech deals in Q4'16



1 **Moneris Solutions** – $425M, Schaumberg
Payments/transactions
Corporate divestiture

2 **Reval** – $280M, New York
Institutional/B2B
Add-on

3 **Payoneer** – $180M, New York
Payments/transactions
Series E

4 **PitchBook Data** – $180M, Seattle
Institutional/B2B
M&A

5 **PaySimple** – $115M, Denver
Payments/transactions
PE growth

6 **Zibby** – $103M, New York
Payments/transactions
Early stage VC

7 **LendingHome** – $100M, San Francisco
Lending
Series C2

8 **Nubank** – $80M, Sao Paulo
Personal finance
Series D

9 **BlueVine** – $49M, Redwood City
Lending
Series D

10 **EPS Financial** – $42.5M, Easton
Institutional/B2B
Corporate divestiture

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

KPMG

In 2016, US fintech companies received investment of

$12.8B

across

489 deals

Geopolitical uncertainty drives decline in fintech activity in the US

2016 saw a significant slowdown in fintech investment and deals activity, despite being the second-strongest year of VC fintech investment on record, and the third-strongest year for fintech when M&A and other investment activity is included. Despite this decline in activity, the median deal size increased year-over-year for both seed rounds and for early-stage VC deals.

A number of macro and micro-economic factors affected the attractiveness of the fintech market over the year, from an investor pullback following allegations against Lending Club early in the year to the significant political and regulatory uncertainty leading up to the autumn presidential election. In addition to the uncertainties related to the election, it is not surprising that fintech VC investment was down in Q4'16 as compared to the previous quarter, although the $920 million VC invested still eclipsed the $810 million invested in Q2'16.

M&A and PE activity falls

M&A deal value fell to just $8 billion in the US during 2016 after a banner 2015 that saw $21 billion in M&A activity. Despite the year-over-year decline, deal value remained stable when compared to pre-2015 annual results. Annual private equity deal value also declined sharply in the US, despite an increase in the total number of deals.

Insurtech rises to the top of investor radar

Investor interest in insurtech rose dramatically in the US this year. 2016 saw the introduction of a range of disruptive insurtech solutions, including those aimed at unbundling insurance offerings and those aimed at providing niche insurance offerings outside the purview of traditional insurers. Many traditional insurance companies also made significant investments in fintech, both by setting up fintech innovation labs and by investing in fintech companies more directly.

Investors watching blockchain carefully

VC investors, corporates and consortiums in the US have invested significant funds to develop blockchain technologies for use in financial services, smart contracts, currency exchange and other functions. Investors are likely to now be looking for the technology to live up to its hype. During 2016, a number of blockchain pilot projects and proof-of-concept initiatives were conducted. To keep investor interest, there will need to be some movement in the near future to show that the technology can be used to create effective, scalable and profitable solutions.

Next generation of robo-advisory taking shape

Robo-advisory has been a strong area of fintech investment in the US for a number of quarters. While robo-advisory has primarily been envisioned as a way to reach millennials, the technology is now evolving to become more accessible to other clients. An example of this evolution is Charles Schwab's Q4'16 announcement of a new hybrid advisory service that it plans to introduce in 2016, which will provide customers with lower-cost solutions that leverage robo-advisory while maintaining some access to a human advisor.

Geopolitical uncertainty drives decline in fintech activity in the US, cont'd

Collaboration essential for fintech success

An industry survey released during Q4'16 found that 88% of bank executives believe that the banking industry in 10 years will likely be characterized by, 'traditional banks partnering with fintech companies in a largely collaborative environment'[1]. These results highlight how quickly traditional banks and financial institutions have shifted from an era of treating fintech companies like competitors to one in which they are partners.

There is growing recognition, especially among regional and mid-tier financial institutions, that companies need to be part of a bigger fintech ecosystem in order to grow effectively in the digital age. The challenge for corporate fintech investors, however, goes beyond simply being able to invest in fintech partnerships. They also need to find ways to embrace the implementation of any identified technologies. Without this ability, the usefulness of fintech will likely be far less than envisioned.

Trends to watch in 2017

Both insurtech and regtech are expected to be hot areas for investment in 2017. Interest in AI, cognitive learning, and data and analytics technologies is also expected to grow. If the new US administration keeps its commitment to reduce regulations, 2017 could also see the regulatory environment become more accessible to fintech providers. Traditional banks that have been weighed down by the need to manage a significant level of regulatory compliance may also be able to free up capital for other activities, including fintech innovation.

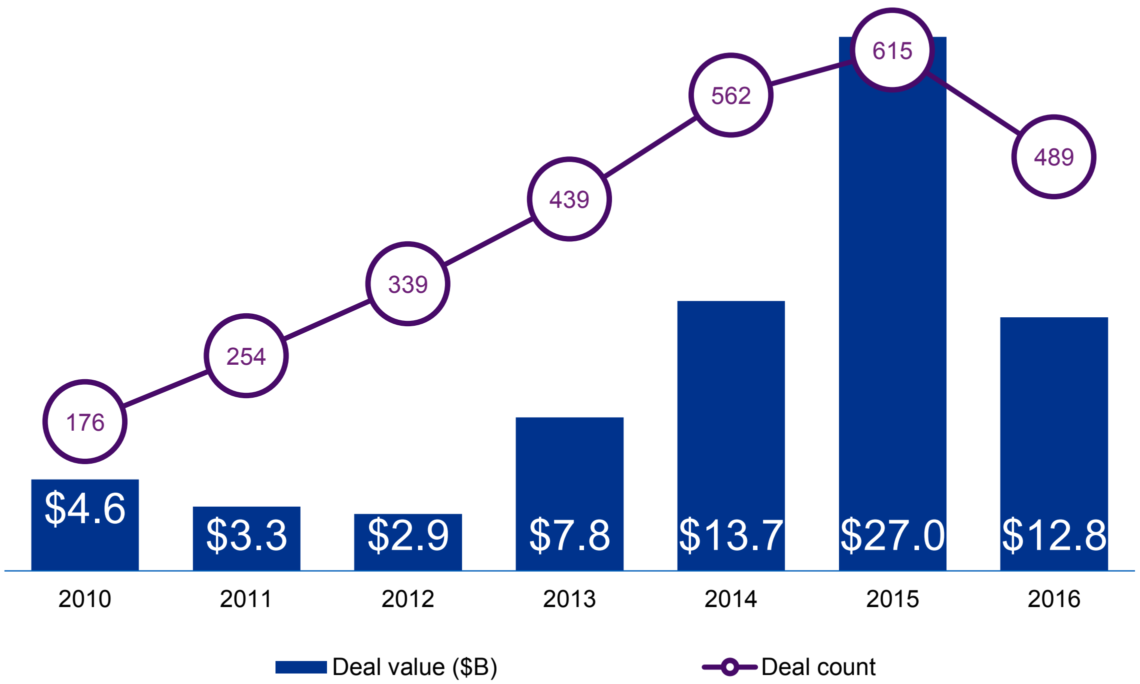
There are indicators that exit opportunities will turn-around over the next 12 months. While there may be a small number of fintech IPOs, M&A is expected to remain the primary exit strategy for fintech companies over the short-term.

1. Collaboration between regional and community banks. Mannat, Phelps & Philips, LLP. 2016.
http://www.manatt.com/Manatt/media/Media/PDF/Brochures/Banks-and-Fintech-Report-2016.pdf

Returning to the mean after a boom year

Total fintech investment in the US

2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

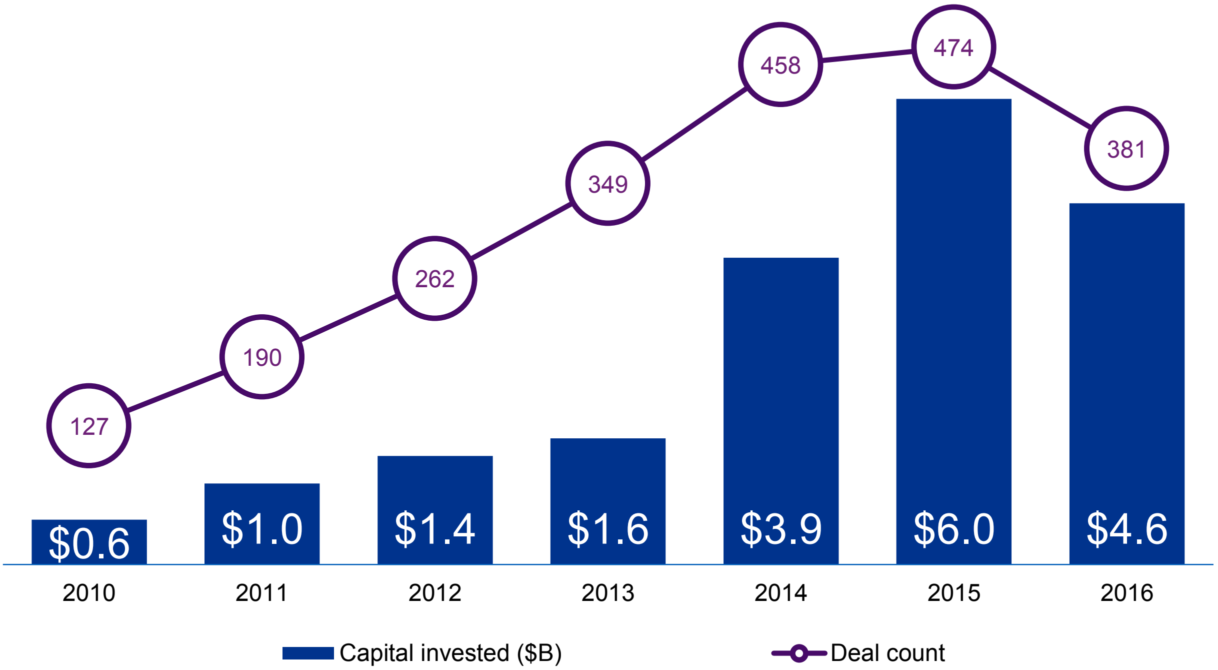
Driven by outlier transactions, 2015’s massive $27 billion in total value of M&A and venture investment combined in the US should not overshadow the fact that $12.8 billion in 2016 is a more-than-healthy sum. The decline in transactional volume is more telling of growing investor caution and consolidating M&A slowing.

KPMG

Second-highest tally for the decade

Venture investment in fintech companies in the US

2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech. KPMG International (data provided by PitchBook) February 21, 2017.

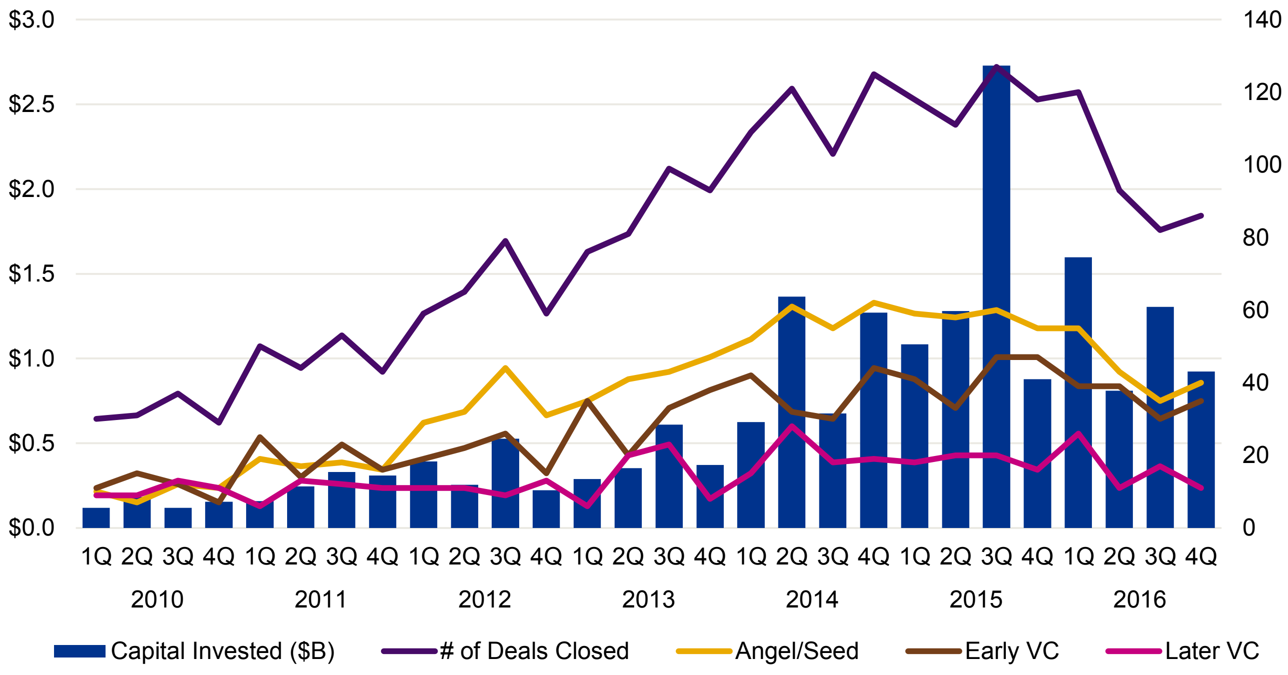
The overarching trend in fintech when it came to US venture deal flow was much the same as in the broader market, where some investors began to pull back after a highly exuberant period. At the same time, as VC invested remained robust, the decline is likely more a sign of caution rather than concern.

KPMG

Deal value resilient as volume stays down

Venture investment in fintech companies in the US

2010 — 2016

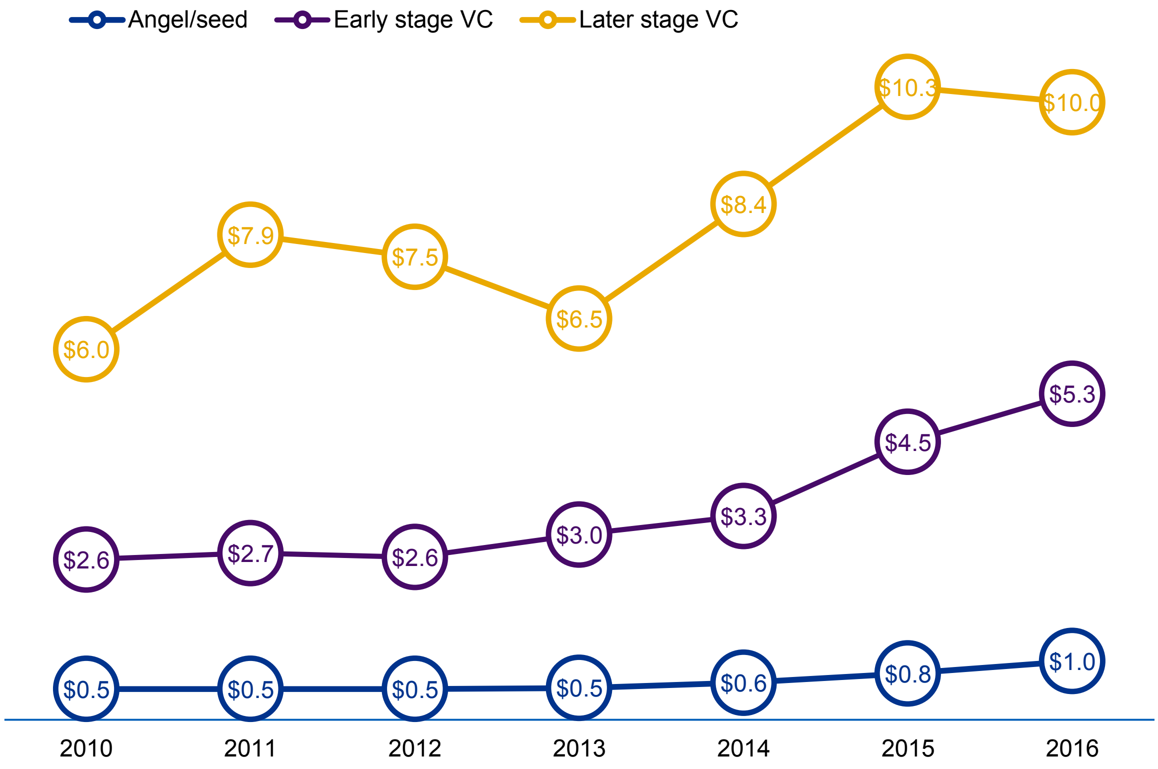


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Within the US, one of the drivers behind the downturn in deal volume is not simply a dialing down of investor exuberance but also the necessary impact of timing given the maturation of certain fintech sub-verticals Accordingly, as clearer applications emerge within nascent arenas, investment volume could well rebound.

Across all stages, median deals stay high

Median fintech venture financing size ($M) in the US
2010 — 2016

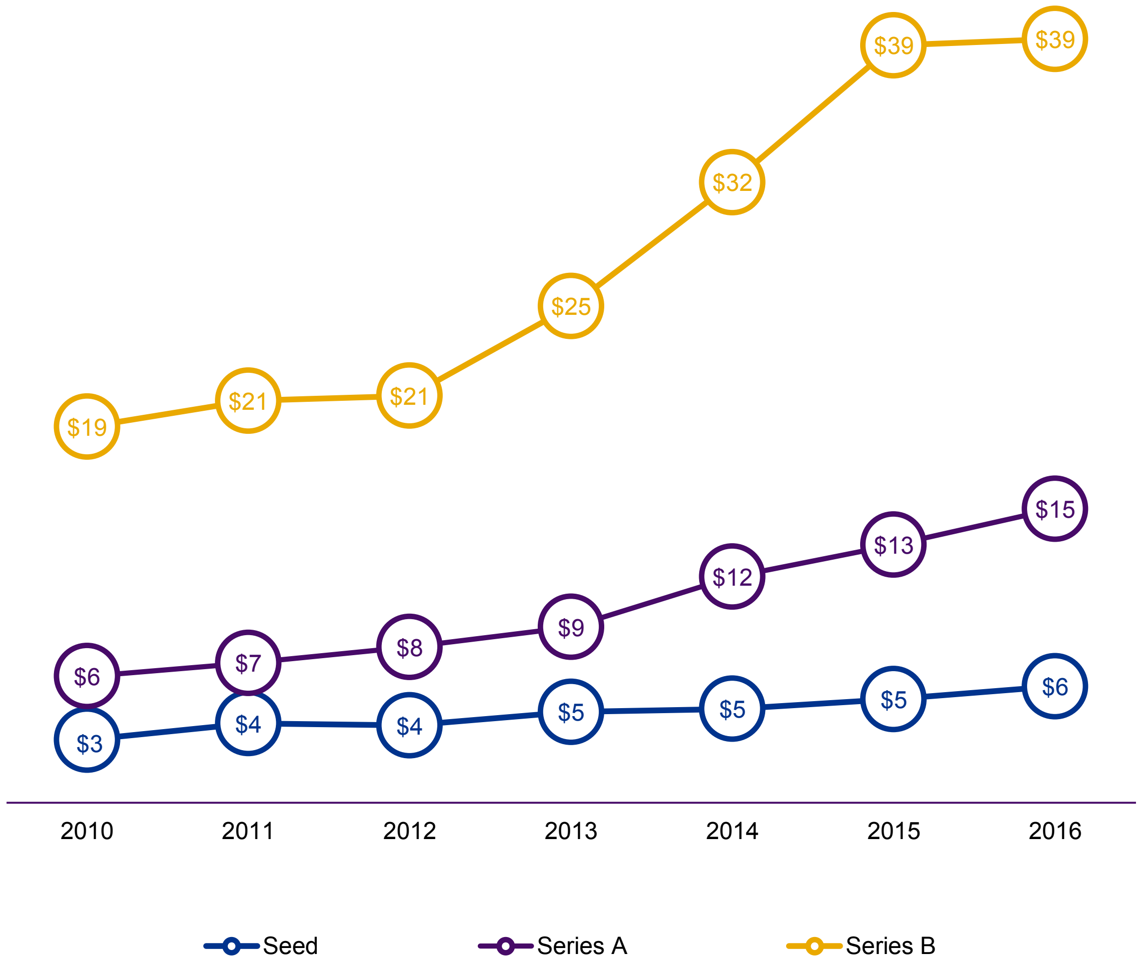


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Amid the pullback in the rate of venture investment, the companies that can still snag venture investors' dollars are able to do so in a fairly lucrative fashion, as is exemplified by the new high in the median early-stage round size.

Early-stage US valuations remain high

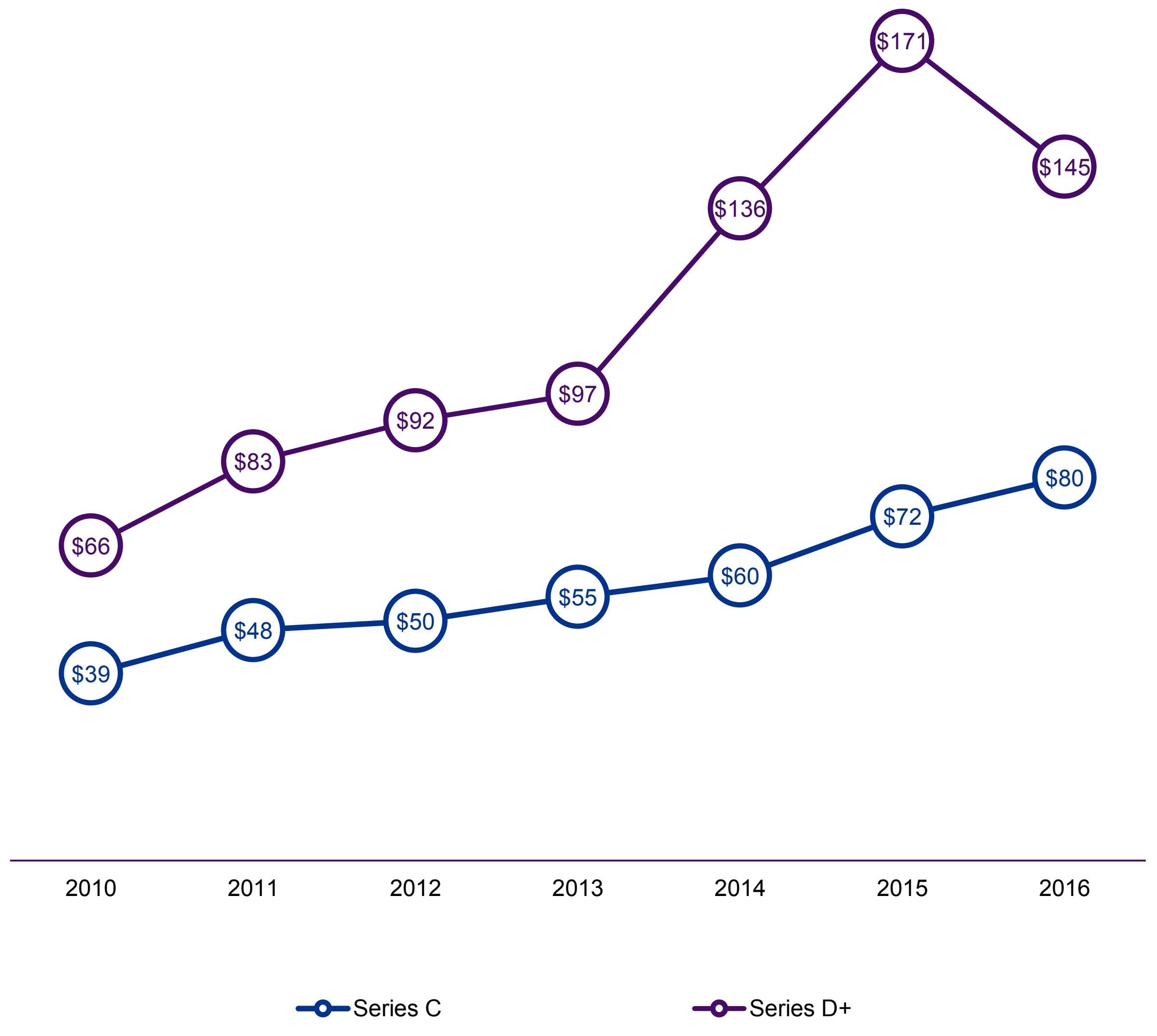
Median fintech venture post valuation ($M) in the US at early-stages
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Only late-stage valuations cool

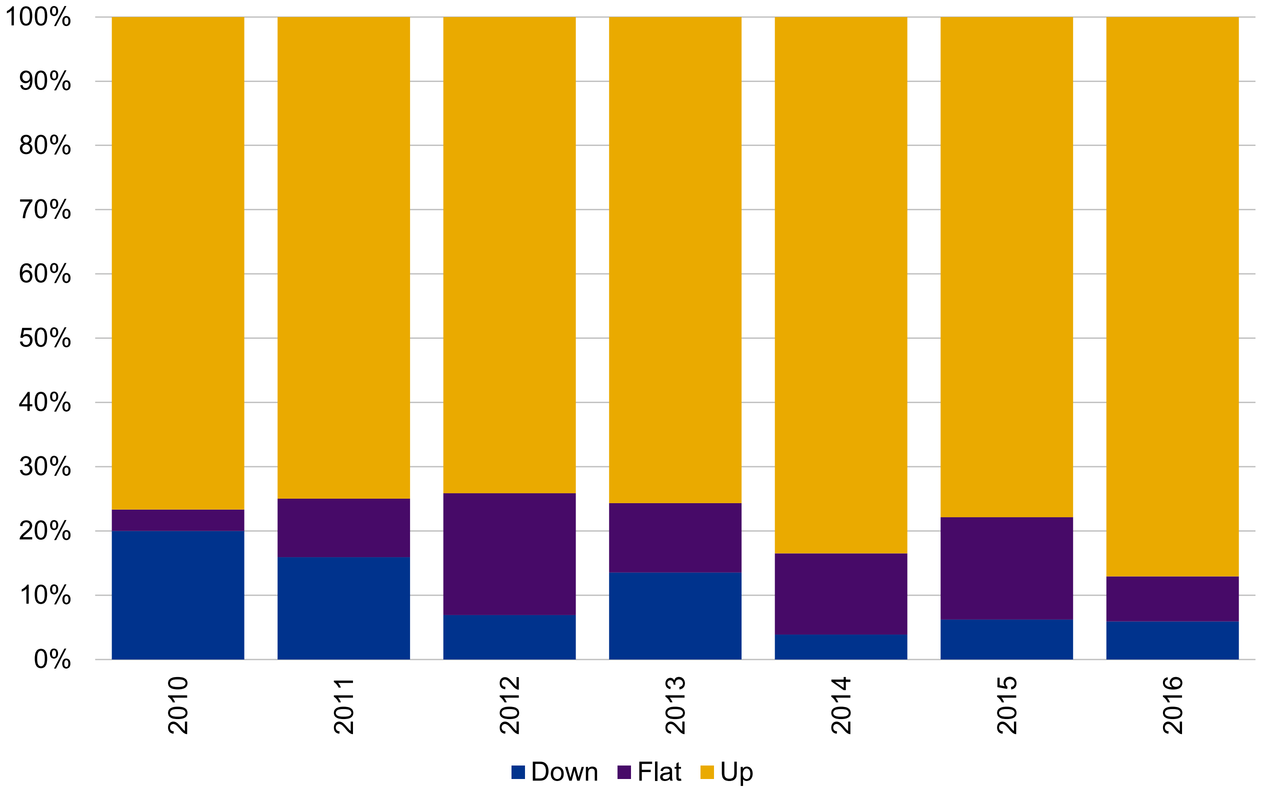
Median fintech venture post valuation ($M) in the US at late stages
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

A new high for up rounds by proportion

Fintech venture up, flat or down rounds in the US
2010 – 2016



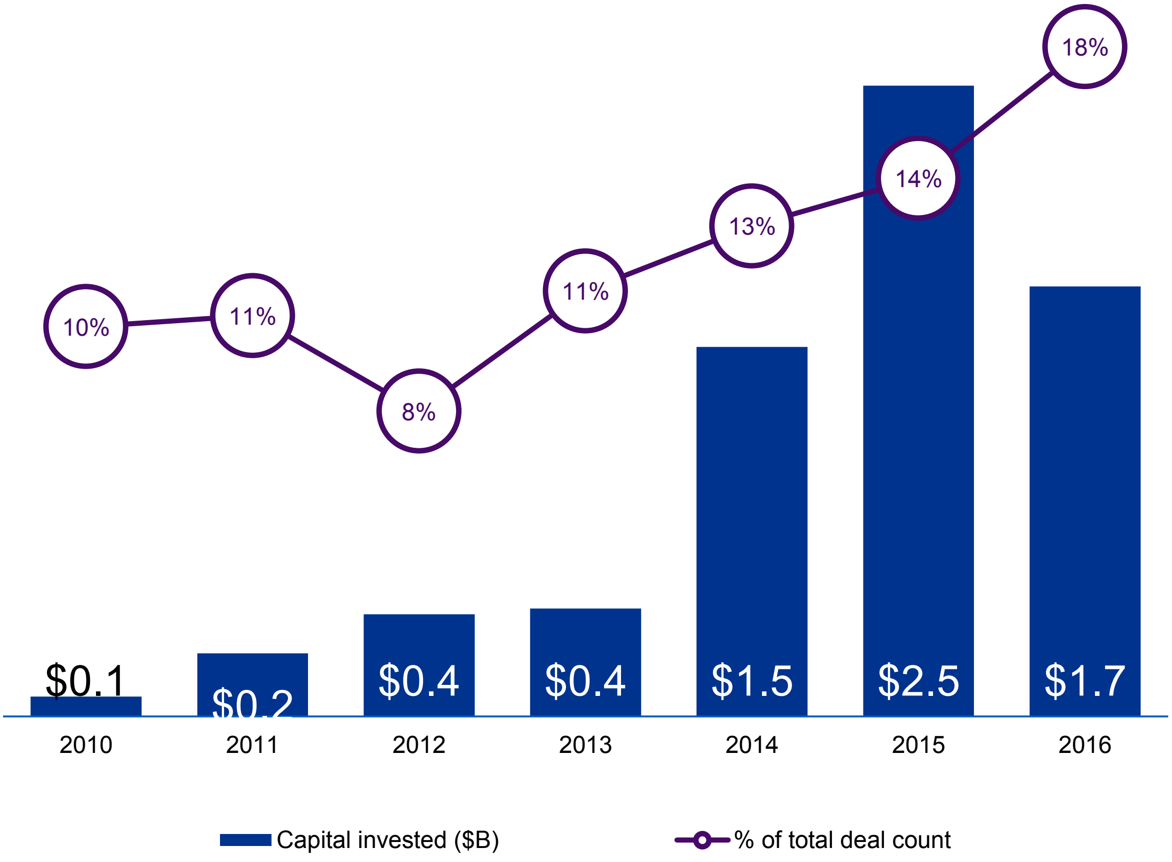
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"Many investors took what happened in the lending space earlier in the year as a warning sign that trying to disrupt the old world of financial services might not be as easy as once thought. They've since been more cautious - looking for indications that unique technologies and solutions can be scaled and commercialized."

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

Amid downturn, corporate VCs stay active

Fintech venture capital activity in the US with corporate venture participation
2010 — 2016

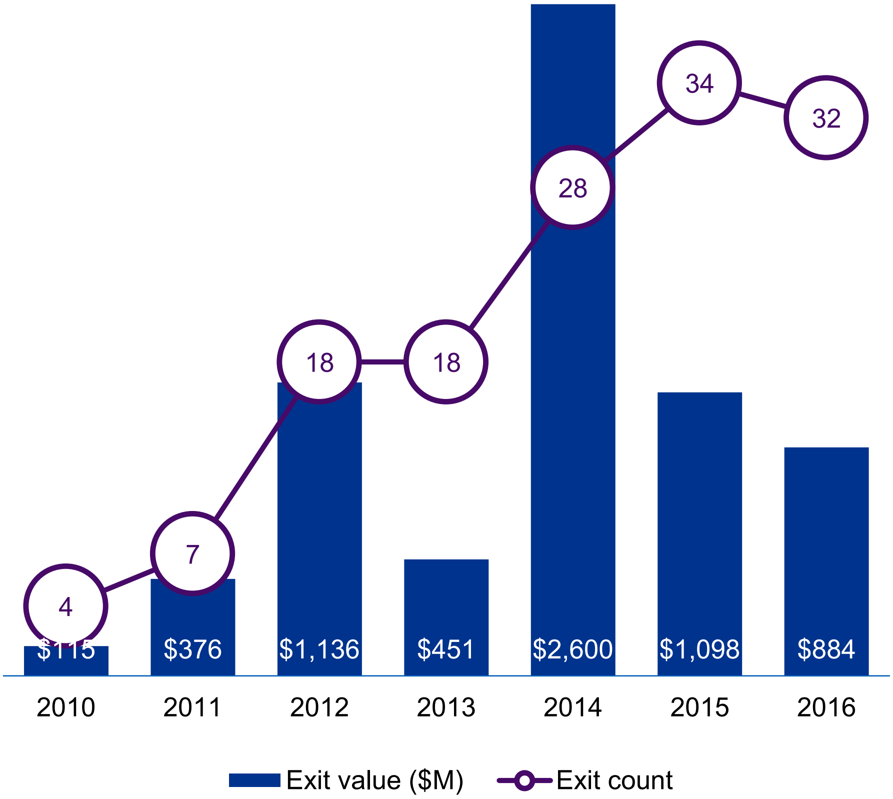


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

At 18% of all fintech venture financings in the US in 2016, corporate venture arms haven't participated as actively in the sector's VC scene in the past 7 years, in a testimony to their drive to bolster product portfolios and corner innovations within key financial markets.

Plateau in VC-backed exiting

Fintech venture-backed exit activity in the US
2010 – 2016



Exit value slid again to $884 million last year, even as the number of completed exits remained relatively high. It's likely strategic M&A on the part of both financial institutions and tech giants may well boost both figures in 2017.

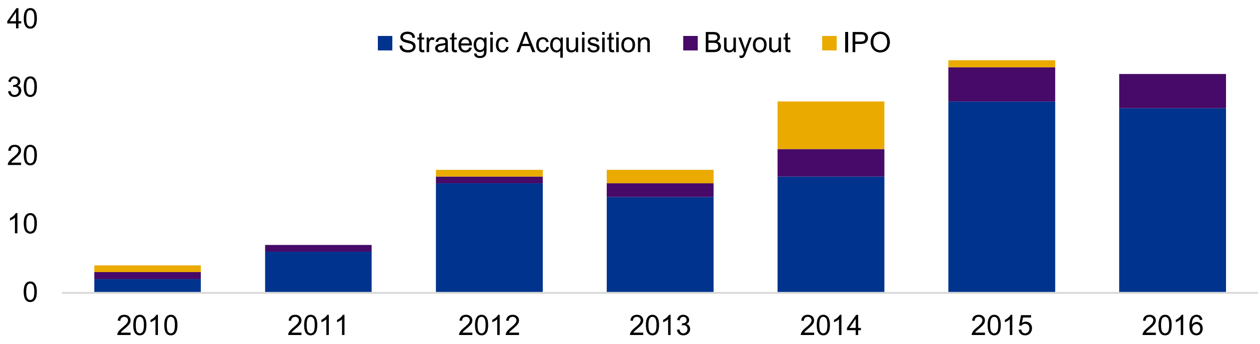
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"Because valuations have corrected in 2016, this will create a good IPOs and M&A market in 2017. This increase in exits will also stimulate demand for new investments thanks to the dry powder that is already present in the market."

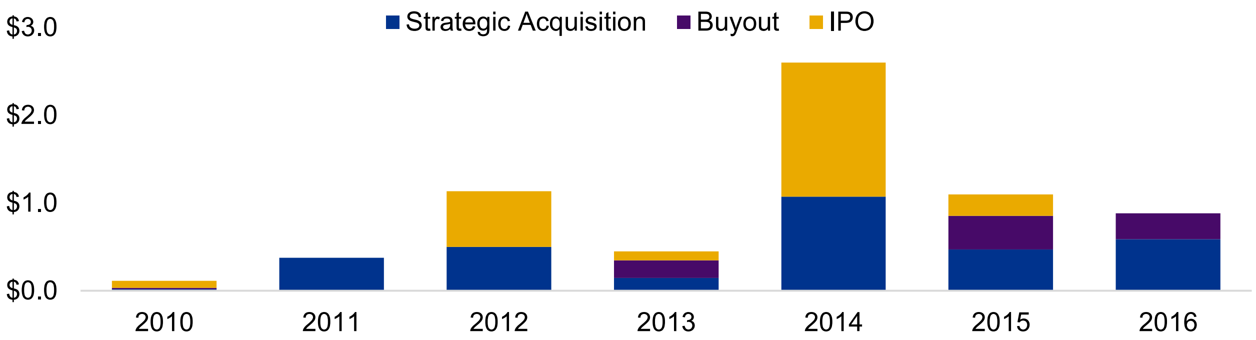
Brian Hughes
Co-Leader, KPMG Enterprise Innovative Startups Network, and National Co-Lead Partner, KPMG Venture Capital Practice,
KPMG in the US

Corporate acquirers' role is crucial

Fintech venture-backed exit activity by type (#) in the US
2010 – 2016



Fintech venture-backed exit activity by type ($B) in the US
2010 — 2016



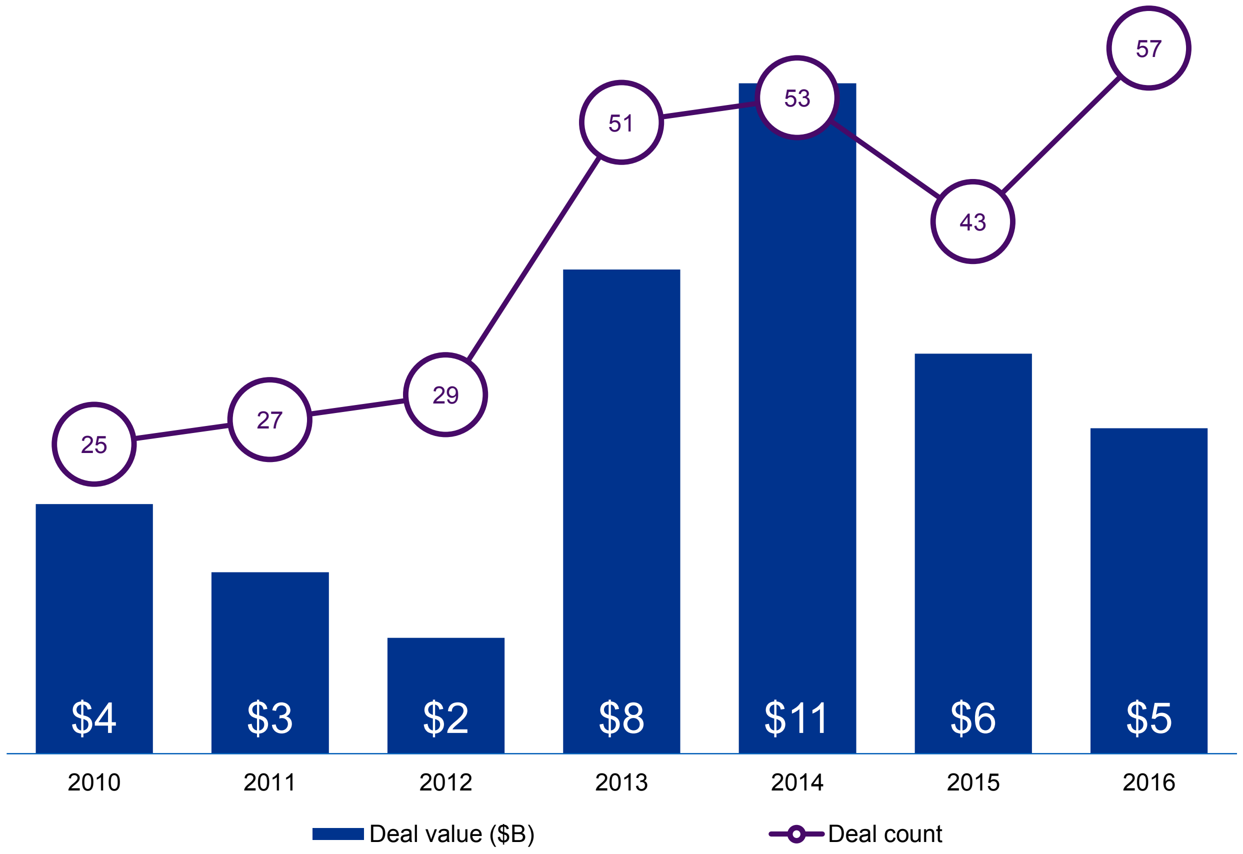
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"Many disruptors have cut into profit margins of traditional financial institutions. In return, innovation dollars will not only flow into revenue generation but also cost cutting. For example, we see a lot of potential in regtech that can automate and simplify compliance for organizations."

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

PE firms become even more active

Fintech private equity activity in the US
2010 — 2016

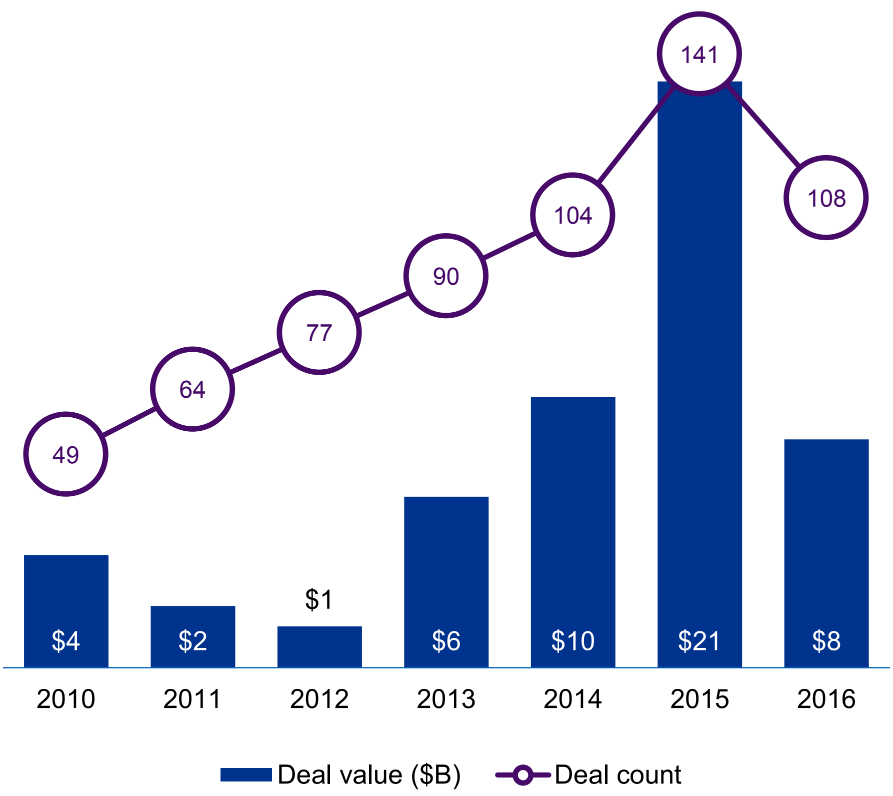


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Private equity firms appear to be investing more and more within technology in general, so it comes as little surprise that many are targeting businesses within the fintech space. At 57 completed transactions in 2016, interest of PE firms in fintech seems clear.

M&A slides after blockbuster 2015

Fintech M&A activity in the US
2010 – 2016



Consolidation took a bit of a breather after a banner 2015, although it is important to note that the decline in completed M&A transactions was only back to historically strong levels.

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

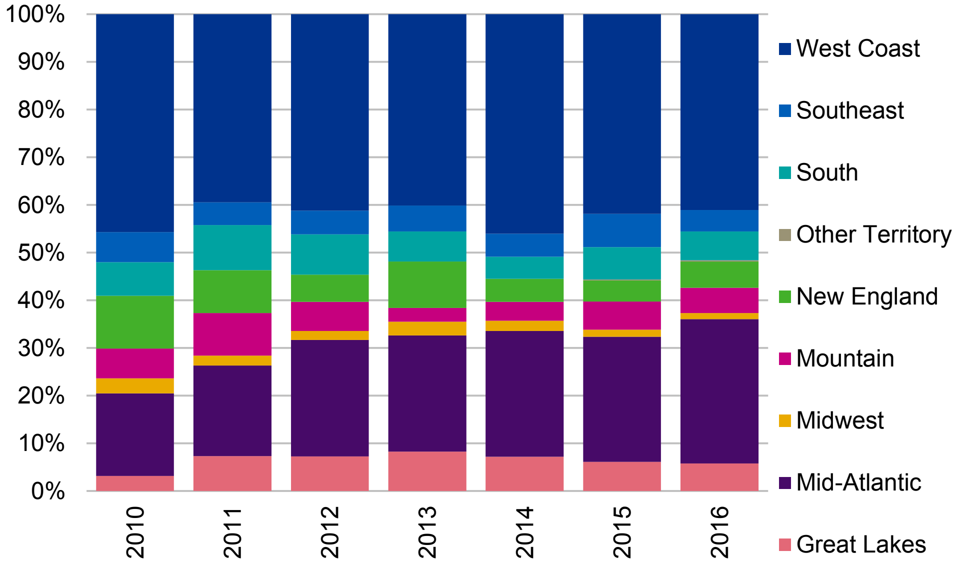
"Consolidation in the fintech market is coming. We've already seen leading players rise out of the copious investments in alternative financing, payments and other maturing areas of fintech. We will likely start to see consolidation among the other players as investors focus later stage funding rounds on the best bets."

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

VC remains concentrated in traditional hubs

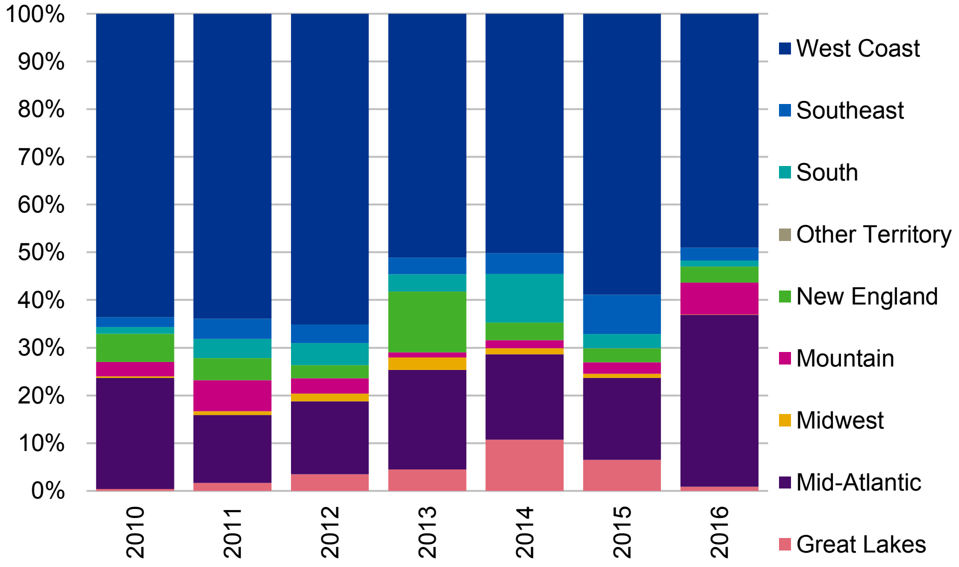
Venture investment (#) in the US by region

2010 — 2016



Venture investment ($B) in the US by region

2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

2016 Top US Investors

Investor Name	# of deals
Khosla Ventures	12
Nyca Partners	7
500 Startups	7
Andreessen Horowitz	6
Fenway Summer Ventures	6
The Goldman Sachs Group	5
Spark Capital	5
Thrive Capital	5
Menlo Ventures	5
Silicon Valley Bank	5
General Catalyst Partners	5
Initialized Capital	5
Index Ventures	5
Kapor Capital	5
Citi Ventures	5
Founders Fund	5
Digital Currency Group	5

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

In 2016, investment in fintech companies in Europe hit

$2.2B

across

318 deals

Interest in European fintech grows, despite short-term challenges

Europe experienced a small upswing in fintech-specific VC investment during 2016, despite a significant drop in the value of total deals involving fintech companies. While total fintech investment in Europe declined from $10.9 billion to $2.2 billion year-over-year, VC funding rose from $1.2 billion to $1.4 billion over the same period.

Collaboration between corporates and fintechs driving investment

Traditional banks, financial institutions and insurance companies in Europe seem to recognize the importance of becoming smarter, more efficient and customer focused. Many of these companies appear to have realized they cannot make this transition alone and have started partnering with fintechs in order to advance their own capabilities. Collaboration in Europe has taken many forms, from the development of innovation accelerators to the acquisition of promising companies and direct investment in fintechs through the creation of corporate venture funds.

Consortiums gained prominence in Europe over the last year in order to promote and advance the development of specific blockchain technologies. Blockchain and insurtech are two areas where consortiums are underway, although the end value of such initiatives has yet to be proven.

Regional fintech hubs growing in Europe, but is diversification a good thing?

This year, there was a proliferation of fintech hubs in Europe. The UK, Germany, Ireland, Israel the Nordic countries, France and Spain have each developed their own ecosystems to support and drive fintech innovation. Even within countries, numerous fintech hubs are appearing. Berlin, Frankfurt and Hamburg and a number of other moderate-sized cities are looking to play a role in fintech.

While these evolving fintech ecosystems are a positive sign for fintech in the region, there is some concern that geographic diversity could make it difficult for fintech hubs to truly compete with larger centers in the US, China and Singapore. The ability to build bridges between disparate ecosystems, both within and across countries, will likely be critical to the long-term success of fintech moving forward.

Niche banking services attracting buzz in the UK

In the UK, there was excitement around a number of challenger banks that launched in 2016. For example, Atom Bank launched savings solutions during Q2'16 and mortgage services in Q4'16 and are expected to expand services in 2017. Other challenger banks that received attention in the UK included Monzo and Starling, who both received their banking licenses in 2016. Along with the other new digital challengers, they will be looking to make significant headway in 2017 as they build and develop their offerings. The UK also saw new entrants to the banking sector focussed on either specific single product offerings or a specific subset of consumers, such as current accounts for small businesses, or banking services for freelancers.

Nordic countries becoming a 'hot spot' for fintech

Over the past year, Nordic-based fintech companies have become a key target for investors, with 2016 seeing a peak in fintech-specific deal activity. A number of fintech companies have already become household names, including Sweden-based mobile payments firm iZettle and Denmark-based MobilePay. A number of fintech hubs, incubators and accelerators are also cropping up in the region, such as Copenhagen Fintech, the Fintech Factory and the DNB NXT Accelerator. Other regional incubators are expected to open over the next year.

Interest in European fintech grows, despite short-term challenges, cont'd

Trends to watch in 2017

The 2018 timeframe for the implementation of European Commission's PSD2 is fast approaching. This directive will be a significant game changer for the banking and finance industry. PSD2 will require that financial institutions provide third-party providers with access to their customer account information using APIs in order to improve banking services and for consumers. This shift will allow third parties to use banking architecture and data to provide tailored services.

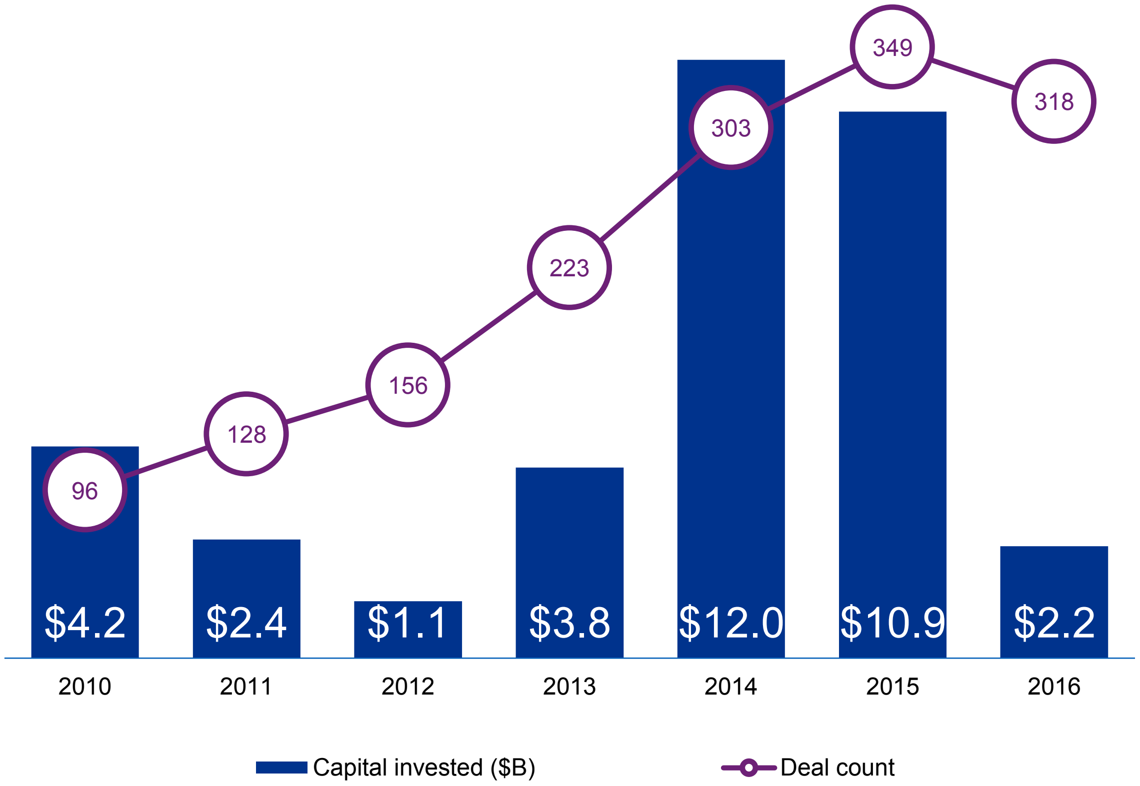
Leading into 2018, investments in cross-industry platforms that can help achieve the end goals of PSD2 for consumers will likely be a hot area, particularly for banks looking to deliver a more integrated experience to consumers. There will also likely be an increase in niche fintech companies that can leverage the outcomes of PSD2 to create specialized offerings that could not be profitable without the open data mandate.

Insurtech is also expected to be an attractive area of investment in 2017, with many insurance companies looking to play catch-up with the advances already made in the banking and financial services sectors. Europe may also see some consolidation in the fintech market in 2017, particularly in the more mature fintech areas of payments and peer-to-peer (P2P) lending.

Volume resilient, value falls

Total fintech investment in Europe

2010 — 2016

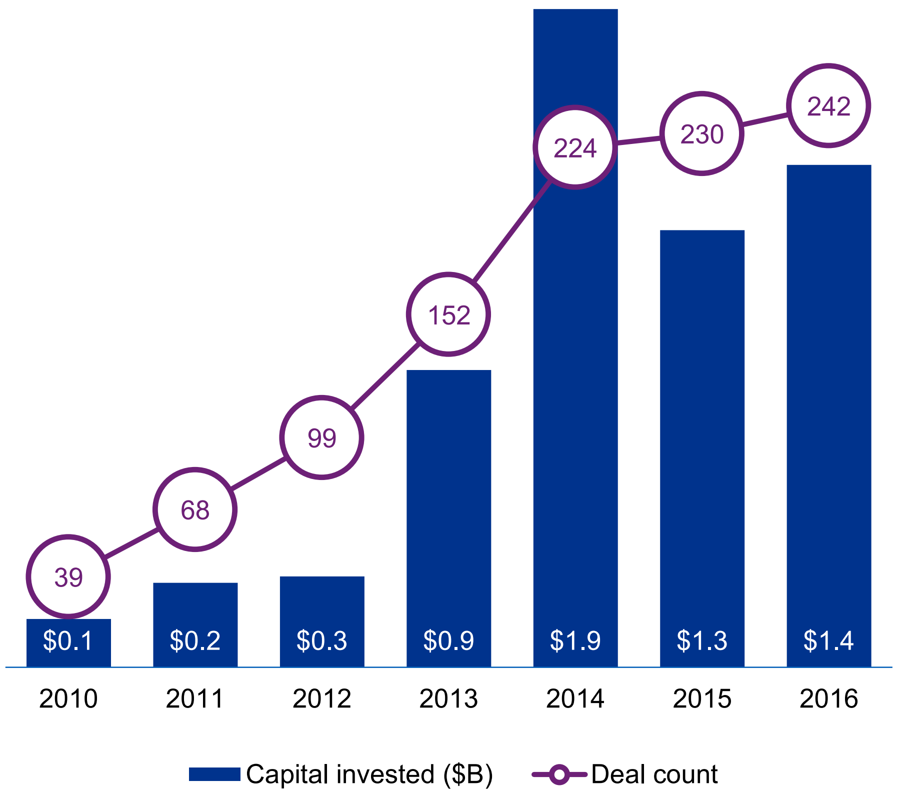


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Marked more by outliers in 2014 and 2015, investment in European fintech dropped sharply last year, even though transaction volume remained quite resilient, especially relative to the declines in other developed investment markets.

VC firms pick up the pace

Venture investment in fintech companies in Europe
2010 – 2016



Venture investors picked up their pace when it came to backing fintech startups in Europe last year, with the 242 closed rounds representing a 7 year high. Total value remained strong as well, clocking in at $1.4 billion.

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

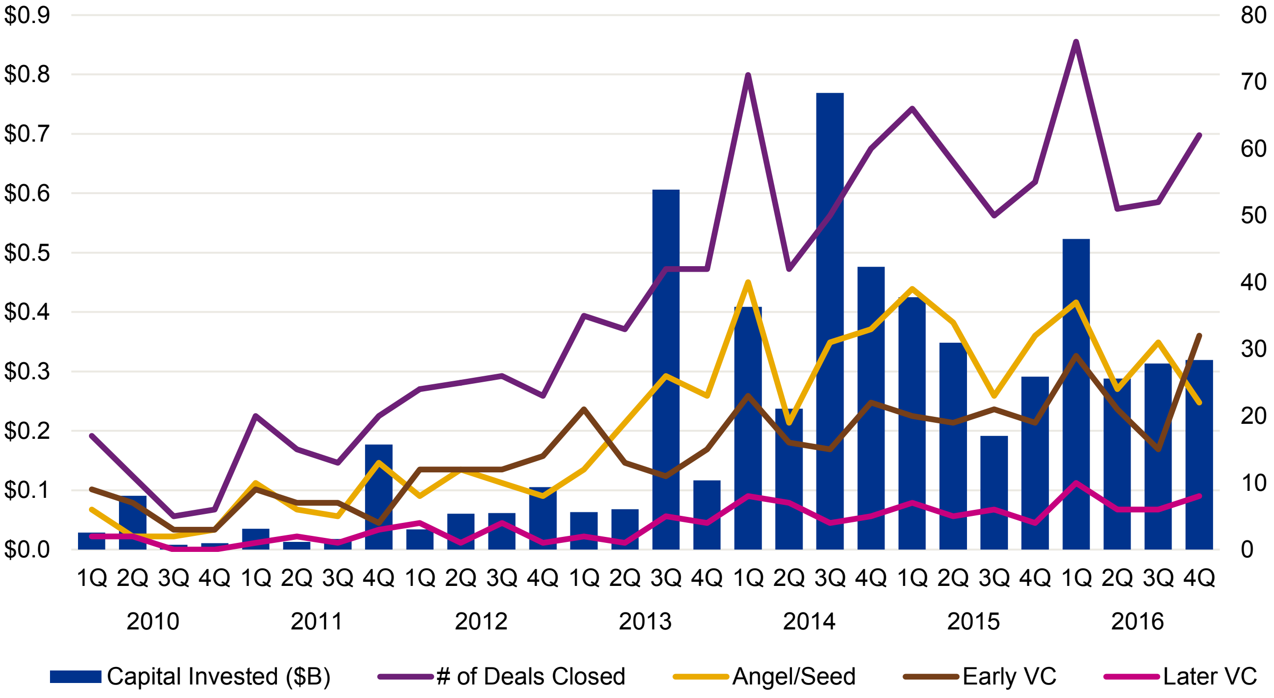
"The last two quarters have been relatively soft for fintech investment, much like the rest of the investment market, this hasn't affected the optimism for the future investment potential of fintech. While we are seeing a lot of collaboration with fintech incubators and accelerators, the jury is still out on the ability of corporates to be able to integrate fintech solutions within their organizations successfully."

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

A significant surge in financing flow

Venture investment in fintech companies in Europe

2010 — 2016

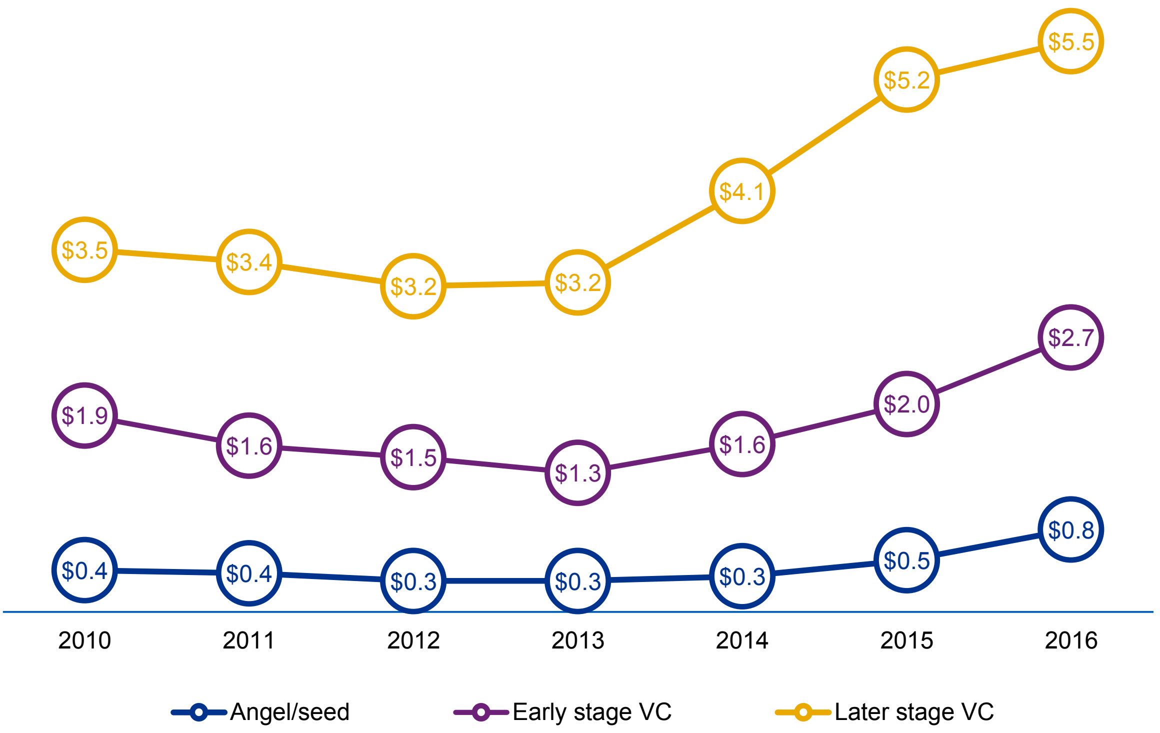


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Europe experienced a more significant surge in the count of closed venture transactions between the third and fourth quarters of last year than other global regions. This was due in part to the perceived opportunities within Europe's disparate financing ecosystem as well as London's role within the global fintech scene, which, remains considerable, despite uncertainties stemming from Brexit remain unresolved.

Further increases in financing sizes

Median fintech venture financing size ($M) in Europe
2010 — 2016



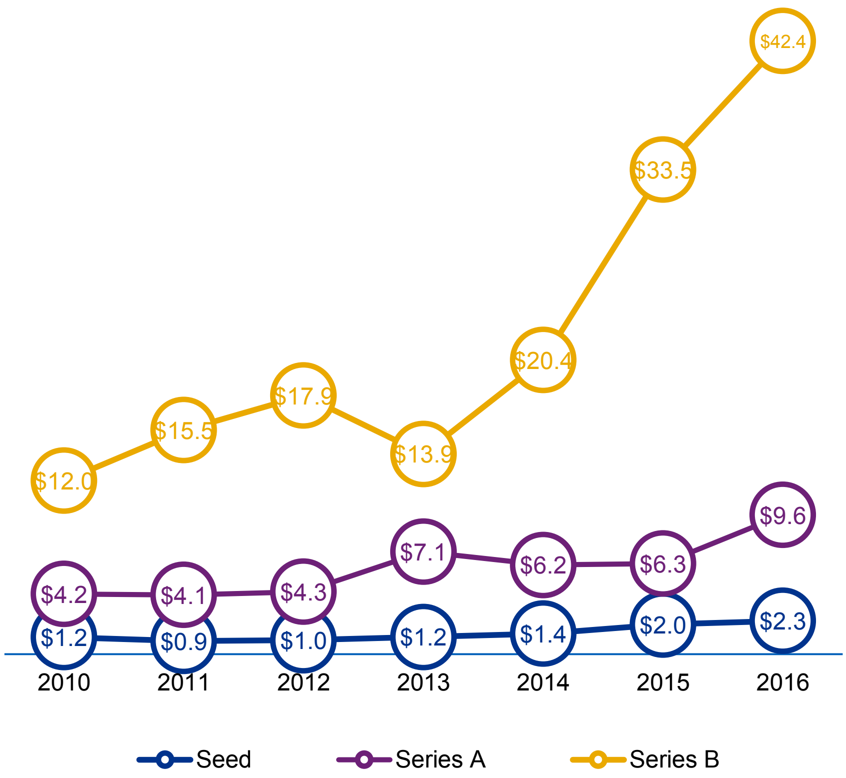
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Median financing sizes across all stages increased in 2016. This signifies the perceived growth opportunities for fintech startups in Europe.

Mid-stage VC valuations boom

Median fintech venture post valuation ($M) in Europe at early stage

2010 — 2016



The threshold between early stage and late stage can be harder to surmount especially in the European venture market. For those startups that can garner sufficient interest from VC firms to attract mid-stage financings such as Series B infusions of VC, their proven success can be significant enough to merit lofty valuations.

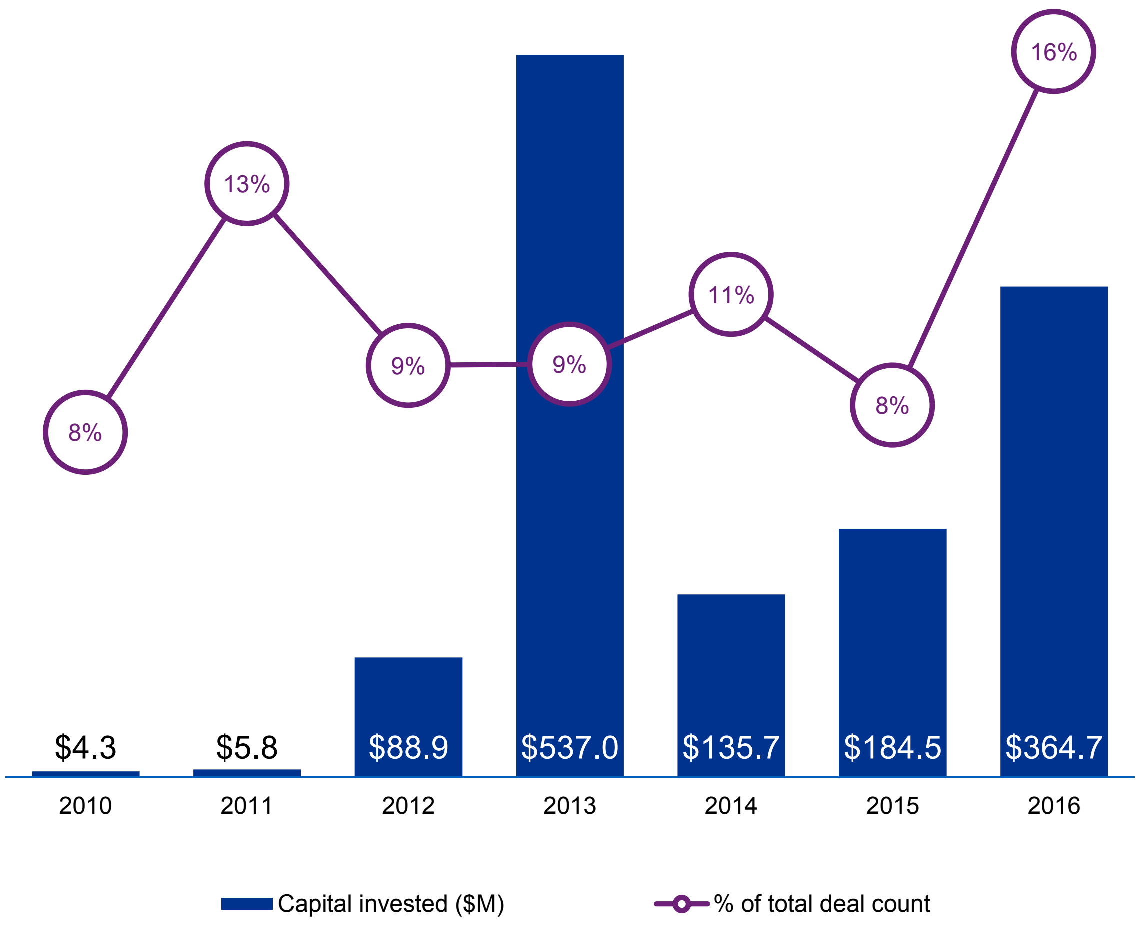
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"There is liquidity in the market, but VC investors are very hesitant to put the money to work. Given market conditions, we should continue to see fewer mega-rounds over the next quarter. Investors will likely continue to be cautious, with any late-stage deals linked to external milestones, such as development, market penetration, profitability or gross revenues."

Dorel Blitz
Head of Fintech,
KPMG in Israel

Corporate VCs maintain their pace

Fintech venture activity in Europe with corporate VC participation
2010 — 2016

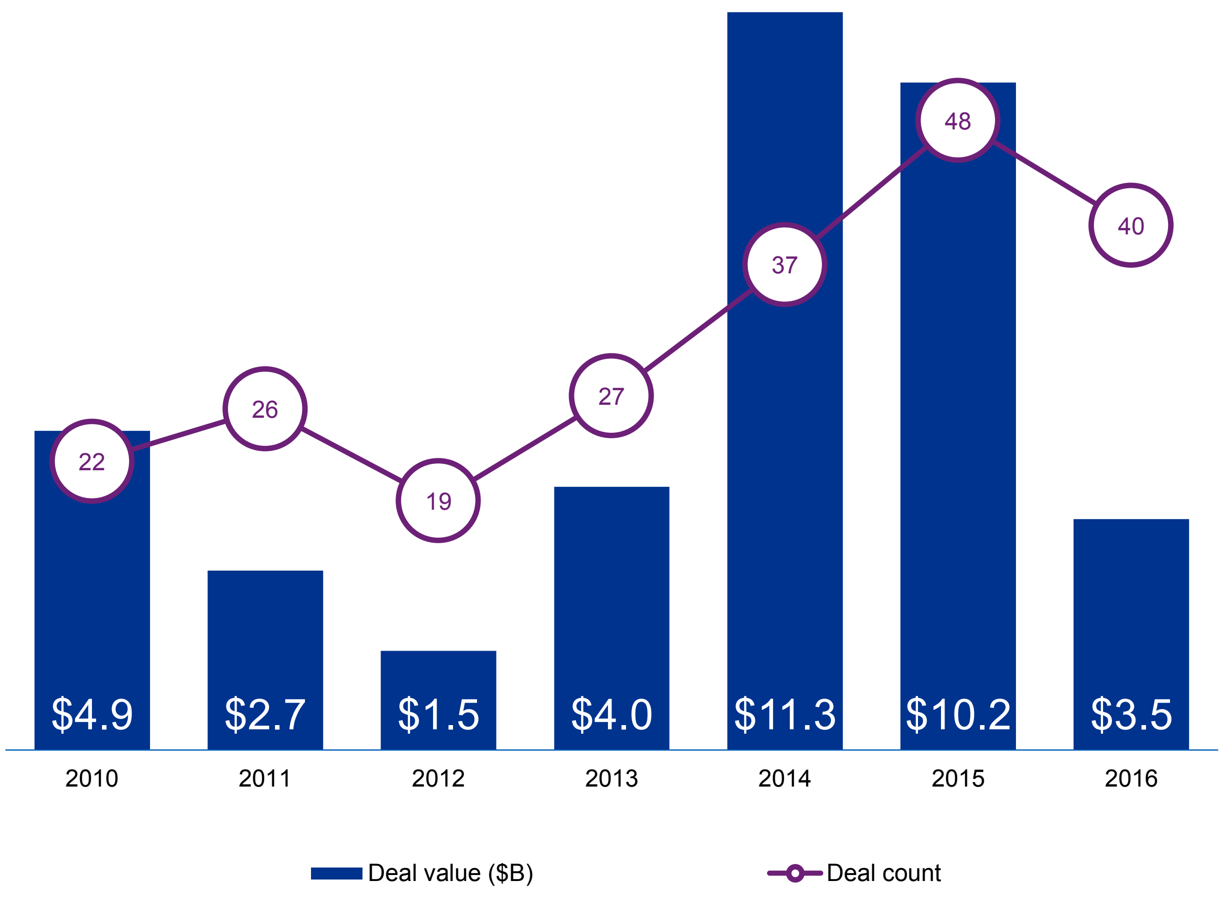


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

The upwards spike in the proportion of corporate VC involvement, especially in the European scene, is relatively unsurprising. As the VC arms of tech giants and financial institutions continue to invest, with either greater sources of capital or more expansive portfolio construction options.

PE pulls back a little

Fintech private equity activity in Europe
2010 — 2016

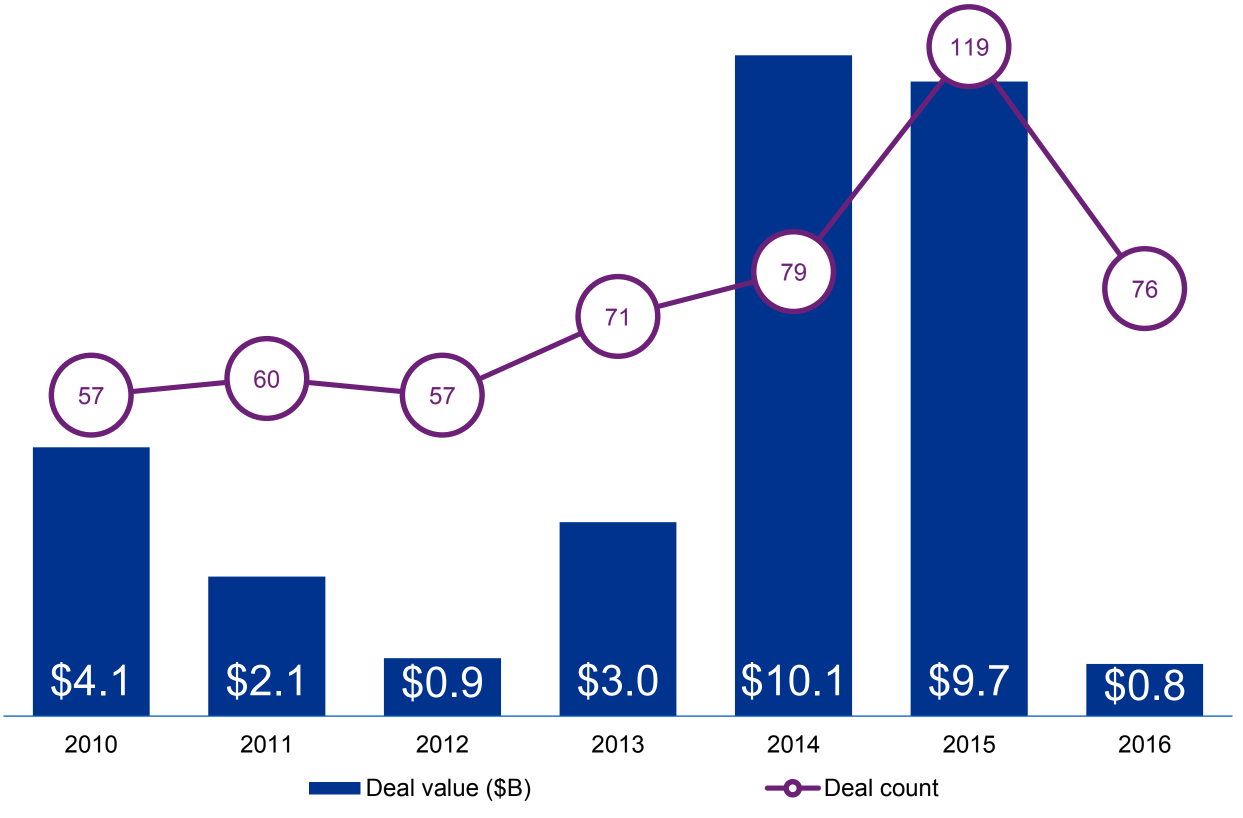


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

PE firms slowed their investment into European fintech in 2016. However, there has been developing interest on the part of technology and financial services-focused firms when it comes to acquiring portfolio companies within the fintech space.

M&A drops by a fair margin

Fintech M&A activity in Europe
2010 — 2016

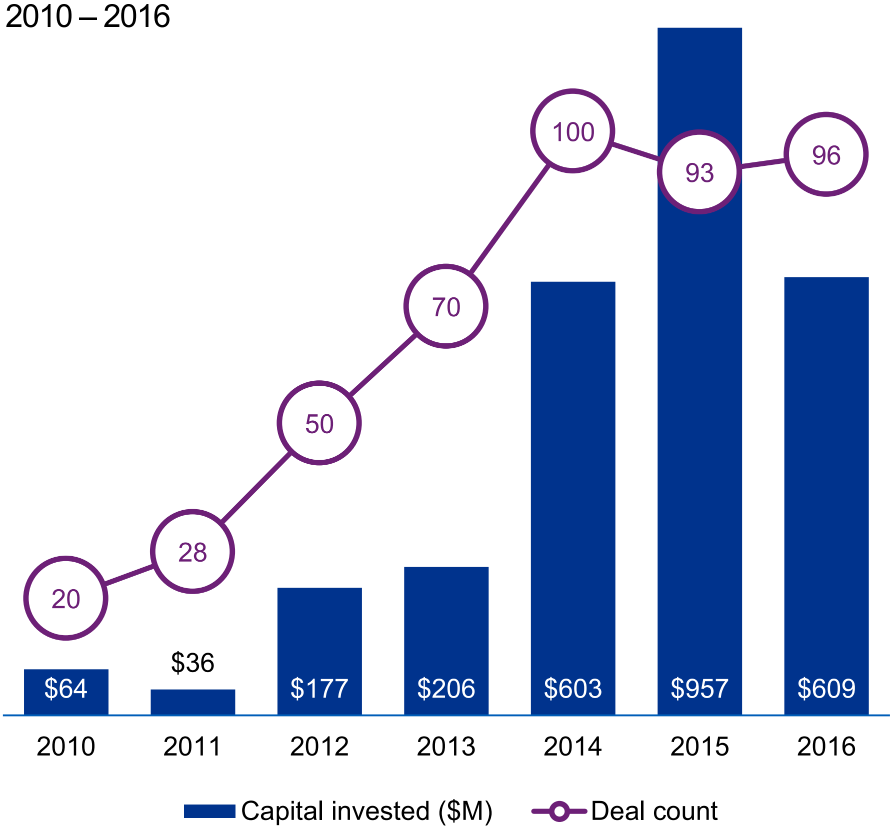


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

After a sudden surge in activity in 2015, M&A returned to a level that was well within historical bounds. Value declined considerably, in a shift more attributable to a dearth of mega-deals than anything else.

While UK fintech deal activity remains steady, investment declines

Fintech venture activity in United Kingdom
2010 – 2016



London is seen as one of the truly global financial centers which, along with a vibrant tech startup sector, has helped created a strong environment for fintech firms to start up and scale. Venture capitalists continue to show a strong interest in the sector and plenty of fintech businesses have been able to raise significant sums. Questions do still remain, however, following the 2016 Brexit vote, particularly regarding access to talent and EU passporting.

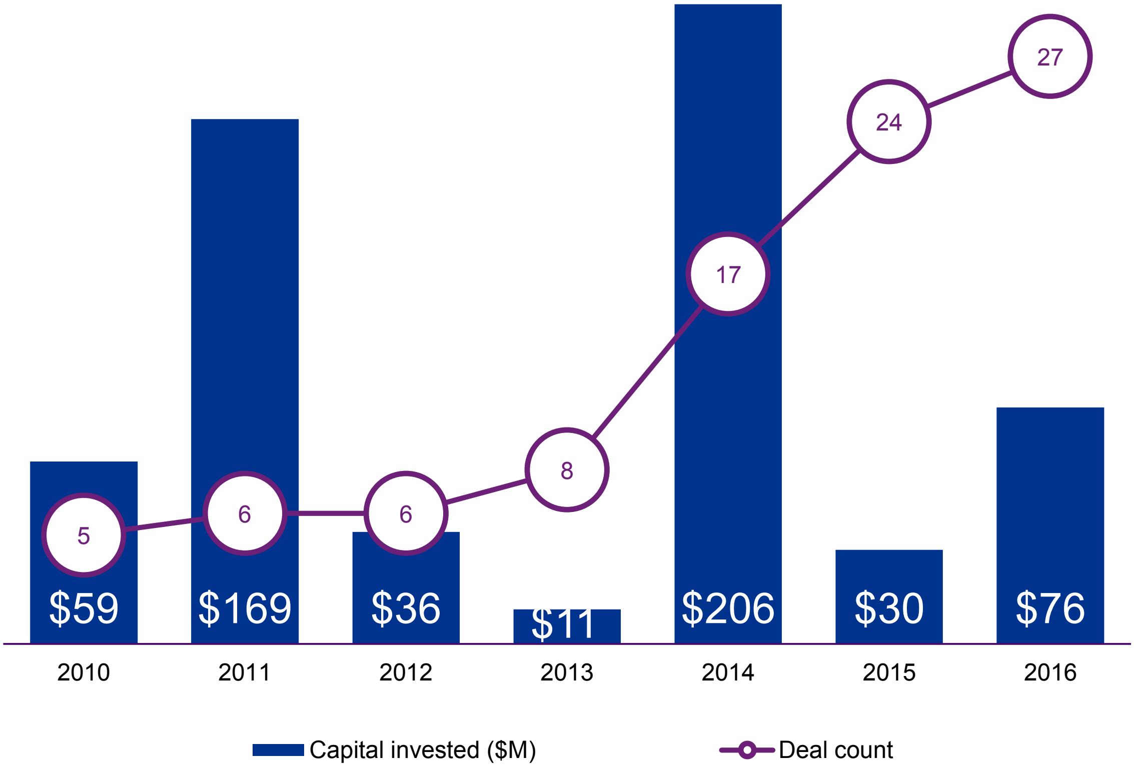
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"The UK Government and regulator are committed to supporting and promoting the fintech sector. As well as launching the world's first Regulatory Sandbox, the FCA has created fintech bridges with Australia, Singapore, Korea and China to strengthen regulatory collaboration and help fintechs scale internationally."

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

A new high for VC activity in 2016

Venture investment in fintech companies in the Nordics
2010 — 2016



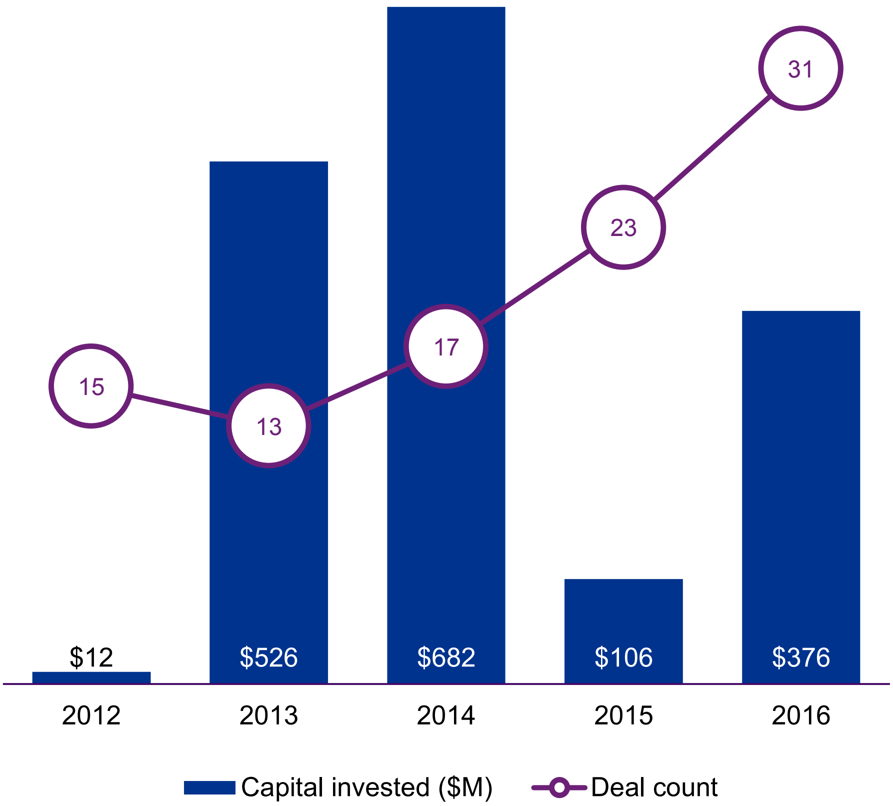
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

The $76 million in total VC invested in the Nordic fintech segment is centered within historical averages for yearly sums, with the scene still at a stage in which a single transaction can move the needle considerably. The total volume of VC funding, however, suggests only growing investor enthusiasm for Nordic fintech startups.

A peak in financing activity for Germany

Venture investment in fintech companies in Germany

2012 – 2016



The German fintech scene shows no sign of slowing when it comes to attracting venture investor's interest. At 31 completed VC financings for all of last year, German fintech startups saw a new high when it comes to overall activity, while the $376 million invested is more than historically strong.

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"Payments Service Directive 2 (PSD2) is expected to be a game changer in Europe. Over the next year, we are likely going to start seeing a lot of fintechs focus on solutions that will align with the 2018 implementation of the directive – from the development of cross industry platforms in which banks can play a role to the offering of specialized products and services that make use of the open banking model."

Sven Korschinowski
Partner, Financial Services,
KPMG in Germany

Top 10 European fintech deals in Q4'16

1. **Meitav Dash** – $386.2M, Bnei Brak
   Wealth/investment management
   Buyout
2. **Iwoca** – $57M, London
   Lending
   Series C
3. **CFH Group** – $43.4M, Copenhagen
   Holding companies
   M&A
4. **BillFront** – $34M, London
   Institutional/B2B
   Series A
5. **PayPoint (mobile business)** – $33.1M, Welwyn Garden City
   Payments/transactions
   Corporate divestiture
6. **Sonovate** – $17.3M, London
   Institutional/B2B
   Series B
7. **iyzico** – $15M, Istanbul
   Payments/transactions
   Series C
8. **OpenGamm** – $13.3M, London
   Regtech
   Series D
9. **Flypay** – $13.3, London
   Payments/transactions
   Series A
10. **Ibanfirst** – $11M, Brussels
    Payments/transactions
    Angel

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

KPMG

In 2016, investment in fintech companies in Asia hit

$8.6B

across

181 deals

VC-based fintech investment in Asia grows despite slowdown in deal activity

Total investment in fintech in Asia reached a new high in 2016 of $8.6 billion, despite a drop-off in deal activity. This activity was heavily weighted on the first half of the year, with investment decreasing in Q3'16 after the largest funding round in history to Ant Financial in Q2'16. While there was a strong rebound in the fourth quarter, the level of investment paled in comparison to previous quarterly highs.

Chinese mega-rounds buoy fintech investment

2016 fintech funding in Asia was dominated by a number of high-profile mega-rounds in the Chinese market. Much of this activity occurred during the first half of the year, including the massive $4.5 billion funding round by Ant Financial, an affiliate of China-based Alibaba Group. This single deal accounted for more than half of the total fintech funding raised in Asia during all of 2016.

The size of VC deals in Asia dropped significantly in the second half of 2016. In Q4'16, only one funding round exceeded $100 million: a $394 million Series C raise by 51credit. The next two largest funding rounds included $73 million to Quant Group and $30.4 million to China Rapid Finance.

Alliances fueling global growth of Chinese fintech giants

After experiencing significant success domestically, many fintech players in China are beginning to look globally to fuel their continued growth and expect collaboration to be a critical part of their success. This trend took root in Q4'16 when China-based Alipay announced an alliance with Australia's Commonwealth Bank to provide an innovative payment solution within the Australia market. It is expected that further collaboration between fintech giants in China and companies in other regions will likley continue throughout 2017. Already in Q1'17, Ant Financial announced the acquisition of US-based MoneyGram, a company which facilitates cross-border currency transfers.

Regulatory partnerships critical to growth of Asia fintech

Regulatory partnerships and collaboration are becoming instrumental to the success of fintech ecosystems. In 2016, governments and regulators in Asia stepped forward as key proponents of such collaboration[1]. For example, the Monetary Authority of Singapore (MAS) and the Australian Securities and Investments Commission (ASIC) signed a fintech innovation cooperation agreement in Q2'16, while Korea and Britain announced a fintech bridge in Q3'16.[3]

In addition to partnerships, a number of Asia-based jurisdictions moved forward with regulatory sandbox initiatives in 2016, including Australia, Singapore, Malaysia and Thailand.

Real-time payments remain a big focus

Real-time payment options are expected to drive significant fintech activity in Asia over the next few years as customers increasingly demand better options. Recently, Singapore went live with its G3 payments system, while Australia is expected to go live with its own platform in 2017. The Hong Kong Financial Authority is also exploring quicker payments processing mechanisms.

1. http://www.forbes.com/sites/gnirckmarkus/2016/09/27/asian-fintech-sandboxes-can-they-work-and-do-we-need-them/#10f3fbf12e32
2. http://www.mas.gov.sg/News-and-Publications/Media-Releases/2016/Singaporean-and-Australian-regulators-sign-agreement-to-support-innovative-businesses.aspx
3. https://www.fca.org.uk/news/press-releases/uk-establishes-fintech-bridge-republic-korea

VC-based fintech investment in Asia grows despite slowdown in deal activity, cont'd

Potential high in India despite significant decreases in fintech investment

VC investment in India saw a significant decline in 2016, with just $216 million in investment, compared to $1.6 billion the previous year. This decrease highlights the impact a lack of mega-deals can have on a country, as actual deal volumes in India remained steady over the same period. Despite the decline, India appears to be a key focus of VC investors in Asia. Q4'16 demonetization efforts resulted in an increase in transactions for both payments companies and mobile wallet providers. This trend will be one to watch in Q1'17 and Q2'17, as it may spark additional interest from investors.

Corporate interest in fintech is also expected to increase in India over the next year. Already, many of India's banks and insurance companies have created innovation funds to invest in fintechs or set aside funds for collaboration.

Singapore continues to evolve into prominent fintech hub

Singapore continues to make its fintech presence known in Asia, with both the government and the Monetary Authority of Singapore (MAS) working to foster a fintech ecosystem in the country. During 2016, Singapore moved forward with numerous initiatives, including the development of a regulatory sandbox for fintech companies, the introduction of a fund to encourage corporates to collaborate with fintechs, and the hosting of a major fintech conference.[1]

Trends to watch in 2017

In 2017, data and analytics is set to be a key focus of fintech investment in Asia. The ability to access and analyze customer data is an important enabler to the success of many fintech product offerings. Interest in internet of things (IoT) technologies that provide adjacent value, such as home automation technologies that can be used by the insurance industry, is also expected to grow.

On the payments and lending front, Asia may see some consolidation in the space during 2017 as strong platforms achieve profitability and gain brand recognition, while weaker competitors fall by the wayside.

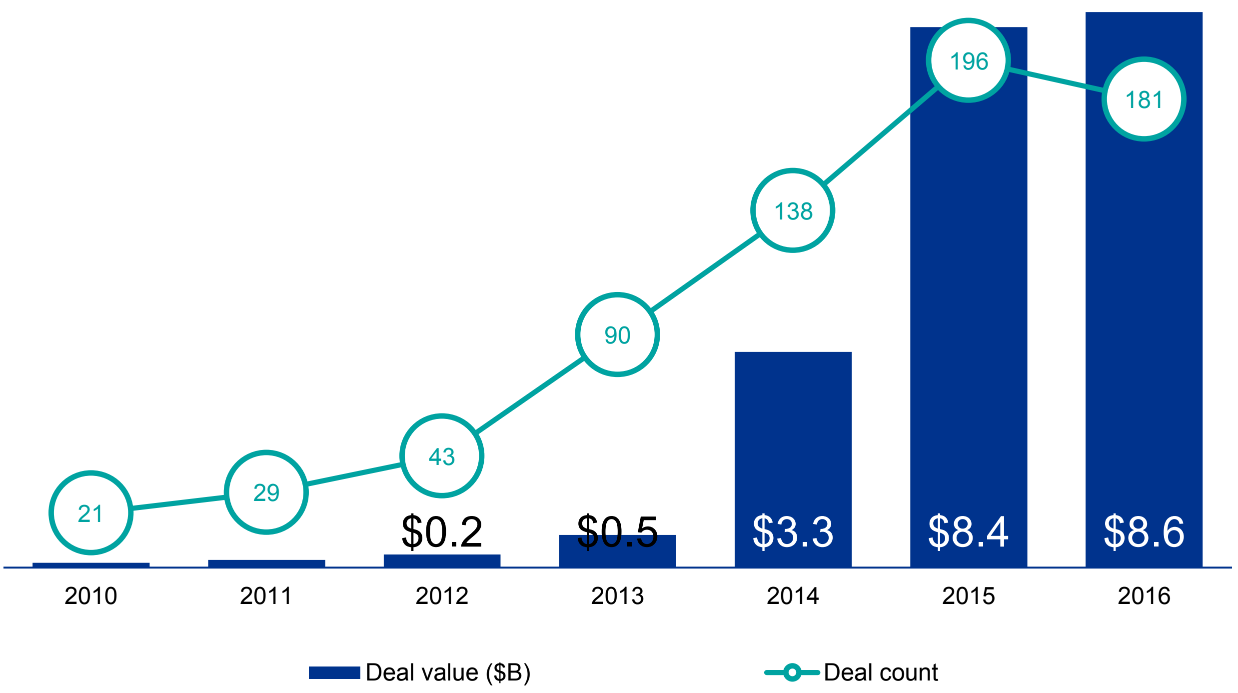
Blockchain continues to be a big bet in Singapore. In Q4'16, MAS announced the development of a blockchain innovation lab in partnership with global fintech startup R3CEV. Cybersecurity is also expected to be a key focus for VC investors heading into 2017.

1. http://www.mas.gov.sg/News-and-Publications/Media-Releases/2016/MAS-Issues-Regulatory-Sandbox-Guidelines-for-FinTech-Experiments.aspx

Deal value hits a new high

Total fintech investment in Asia

2010 — 2016



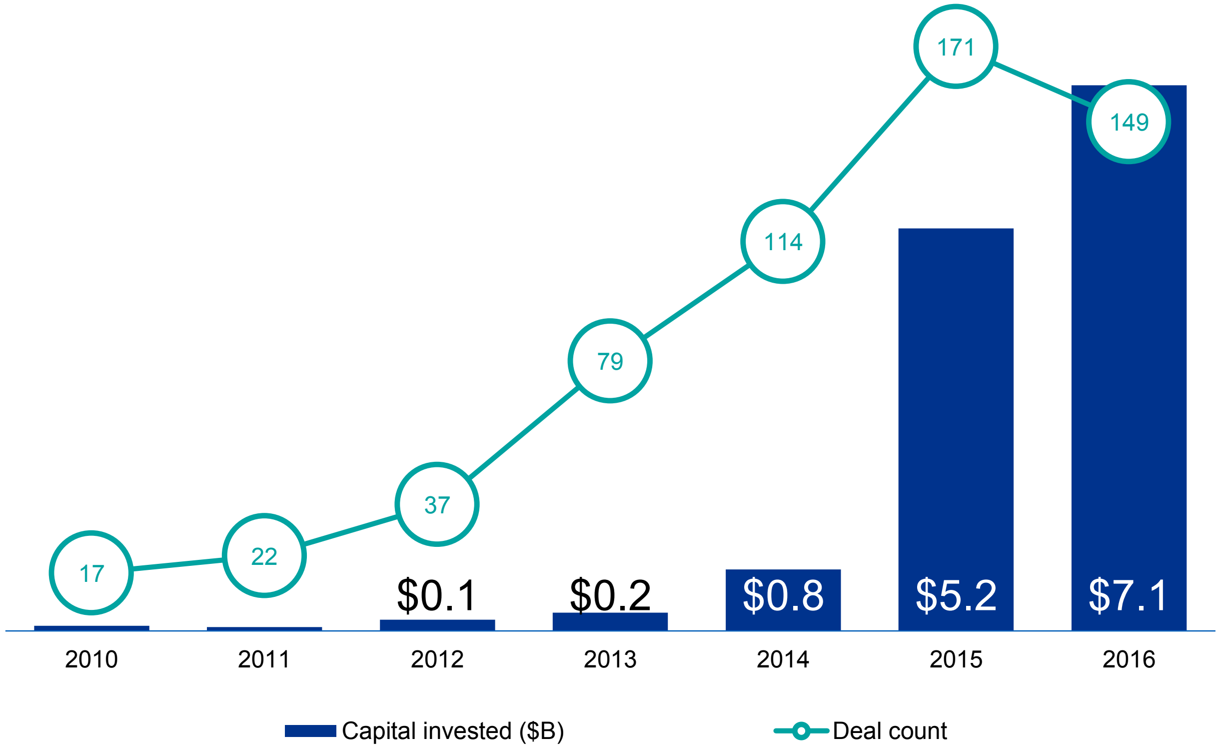
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Largely thanks to Ant Financial's gargantuan $4.5 billion funding in early 2016, the Asia region experienced a new high in total investment within the fintech space.

VC interest remains strong

Venture investment in fintech companies in Asia

2010 — 2016



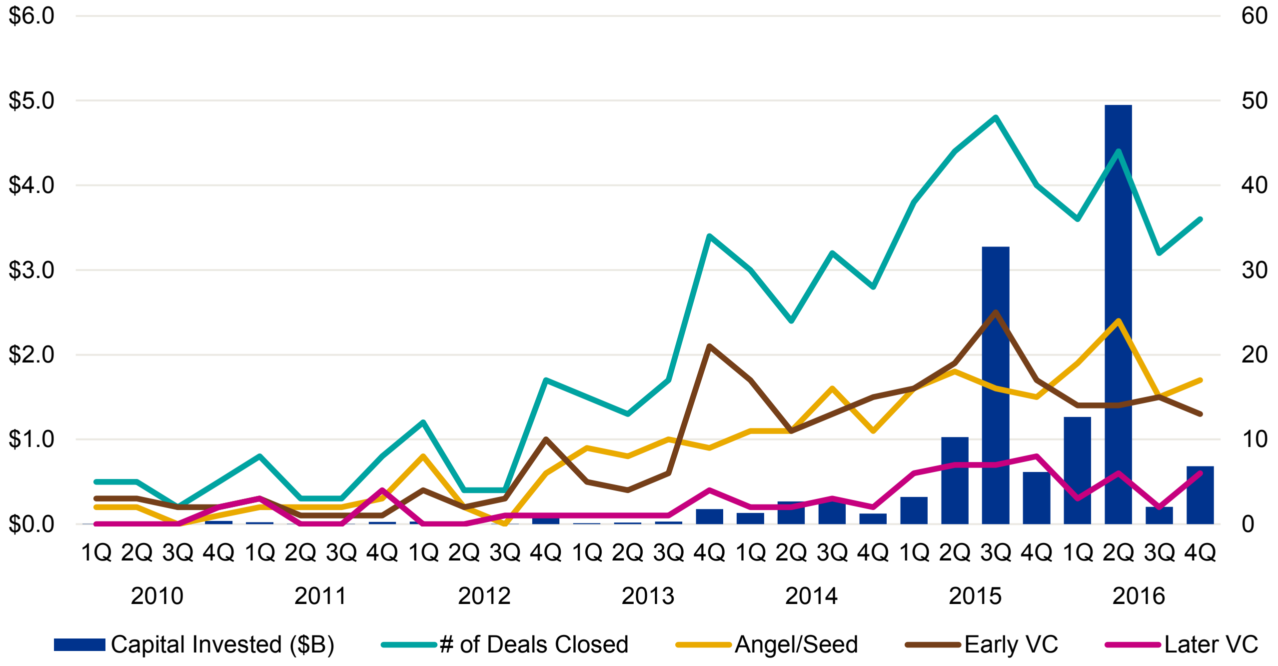
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Given the special use cases within the region, especially as India transitions to such a digital-focused financial environment, VCs are likely still seeing opportunity within Asia and, accordingly, remained quite active throughout 2016. Total transaction value was driven largely by mega-rounds.

A spurt in financing flow

Venture investment in fintech companies in Asia

2010 — 2016

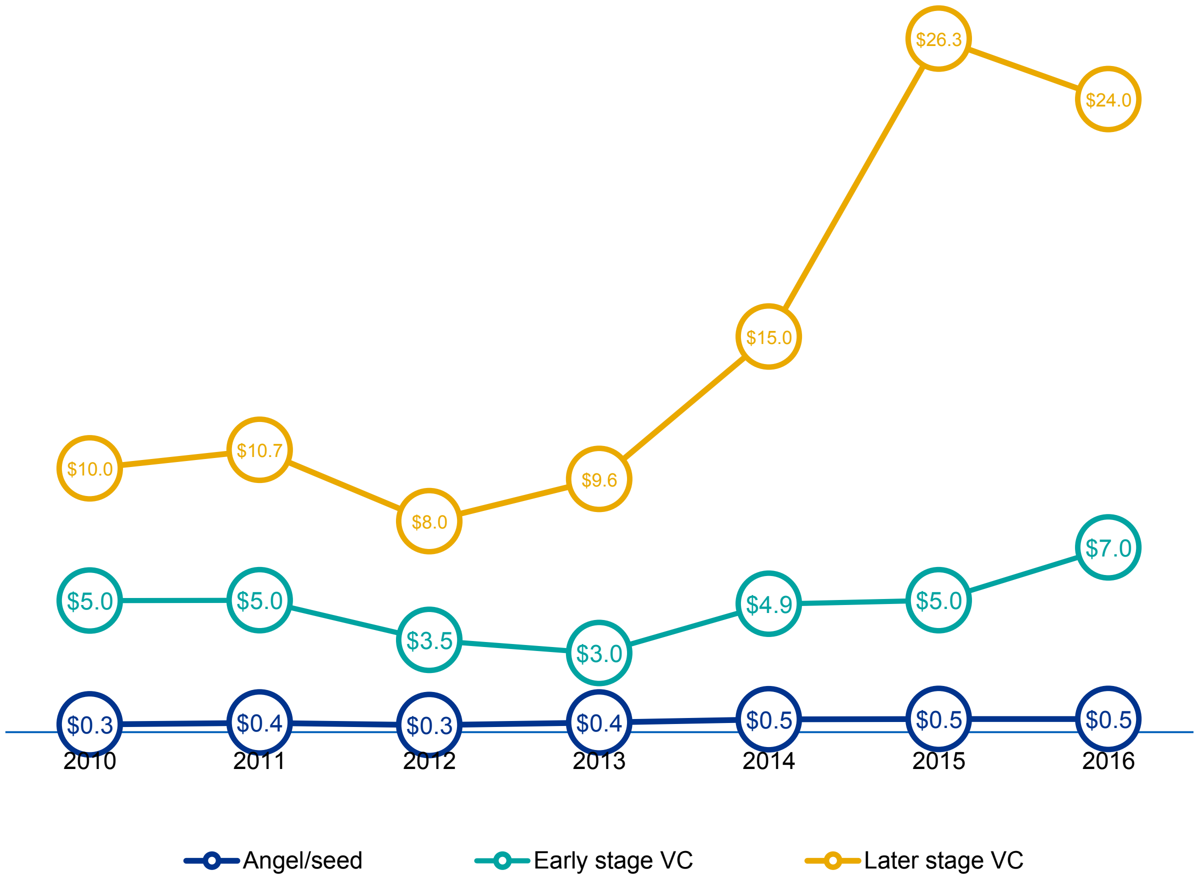


Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

The venture scene within Asia continues to be greatly impacted by outlier financings with the highest spikes driven by a handful of companies. Early winners that are able to capitalize on established ties to corporate giants continued to drive an outsized proportion of dollars invested.

Early-stage sees steady growth

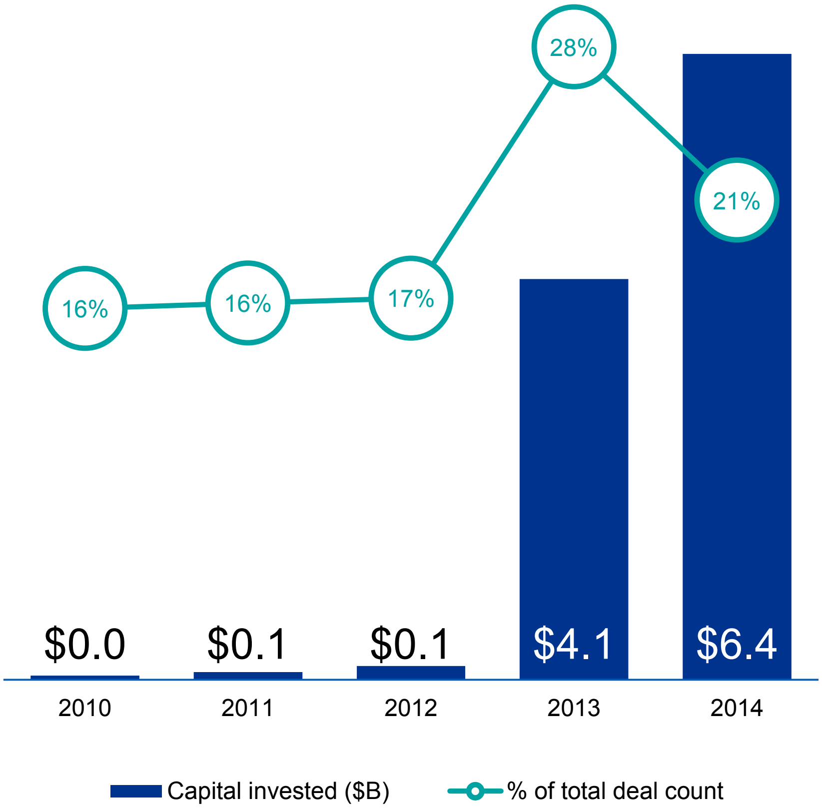
Median fintech venture financing size ($M) in Asia
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Corporate VCs join in mega-rounds

Fintech venture capital activity in Asia with corporate VC participation
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

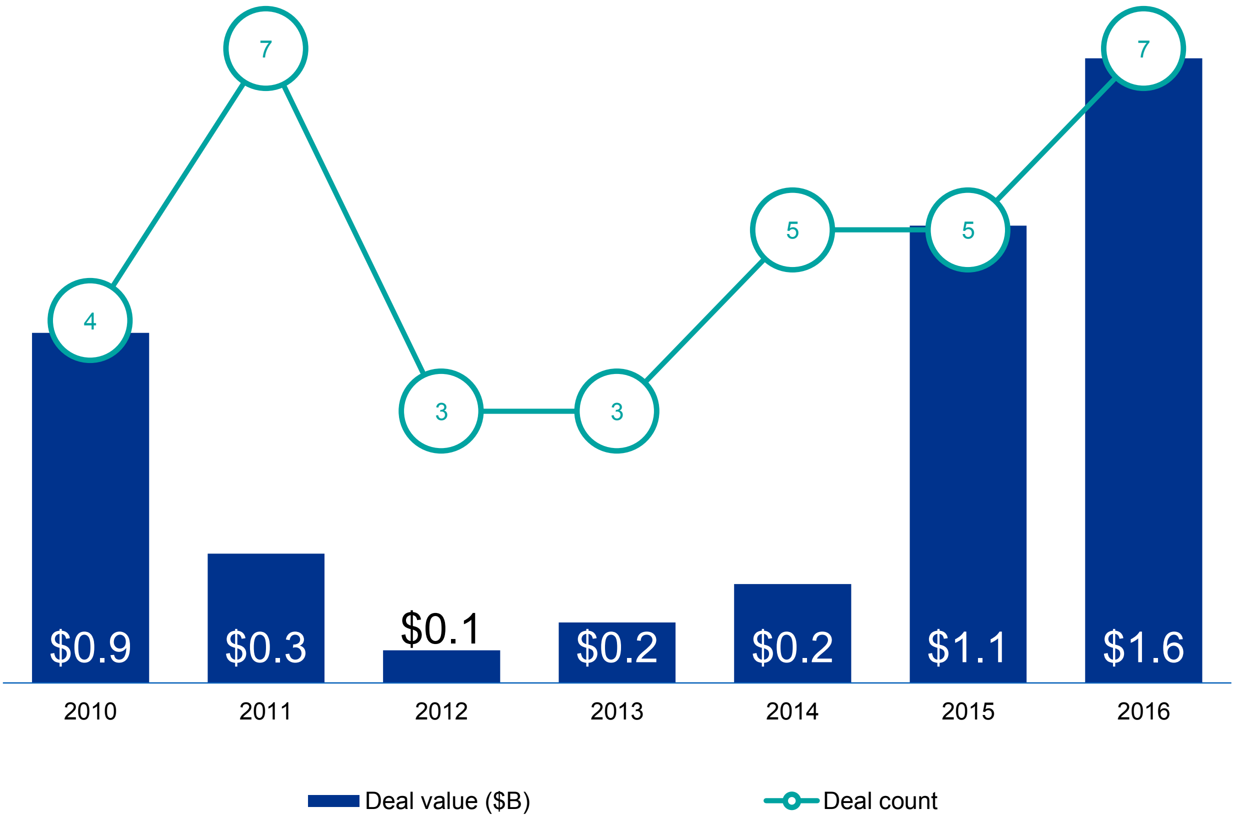
Large corporations are playing an active role when it comes to participating in venture financing, likely looking to remain abreast of innovations pertinent to their specific product lines or simply looking to gain a foothold with an eye toward future acquisitions or partnerships. Their participation in Ant Financial's most recent financings led to the surge in total associate deal value in 2015 and 2016.

"Corporate VCs in Asia have been investing heavily in fintech over the past couple of years, now they need to show that they can successfully integrate new innovations into their core businesses. It is going to be a big challenge for many."

Ian Pollari
Global Co-Leader of Fintech, KPMG International and Partner and National Sector Leader, Banking,
KPMG Australia

PE activity steady, driven by an active few

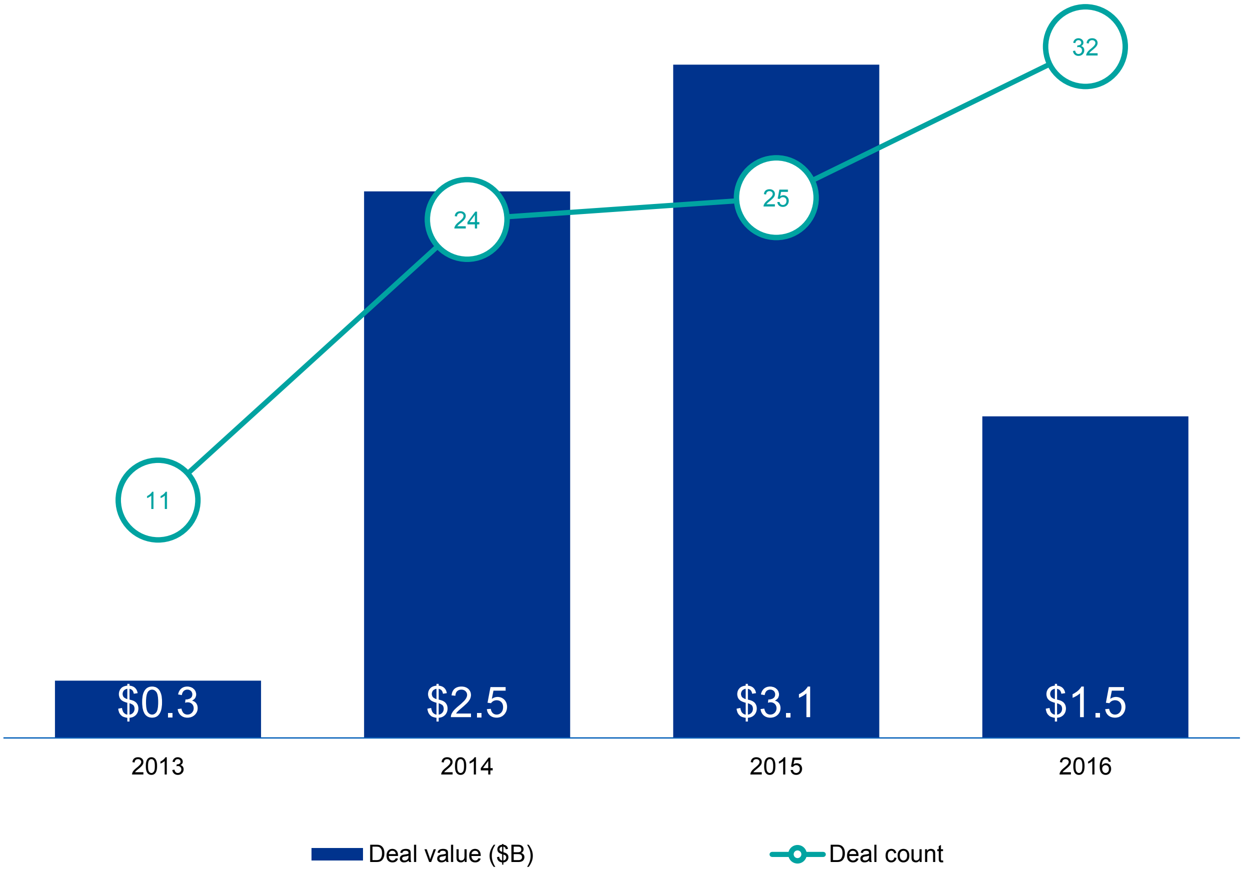
Fintech private equity activity in Asia
2010 — 2016



Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

M&A sees a new peak in volume

Fintech M&A activity in Asia
2013 — 2016



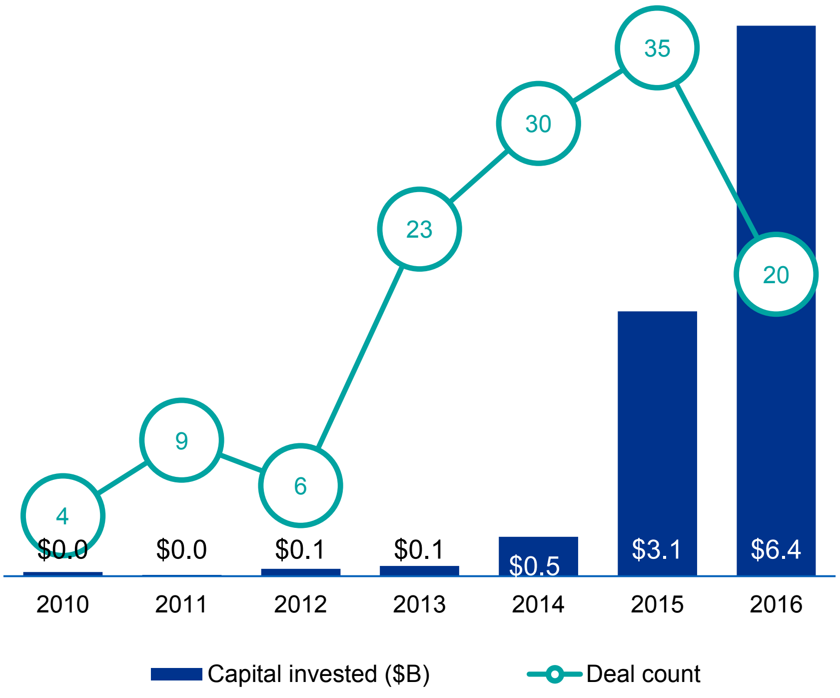
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

Consolidation within the fintech space will likely continue to drive worldwide M&A, especially within Asia, as new consumer use cases continue to proliferate and established businesses look to corner innovation.

Disparate trends in VC invested and volume

Venture investment in fintech companies in China

2010 — 2016



The sudden decline in fintech venture activity within China between 2015 and 2016 is likely due in part to timing and the economy more than any significant fintech-specific cyclical factors, although it's worth pointing out that even disregarding Ant Financial's $4.5 billion financing, total deal value was strong.

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

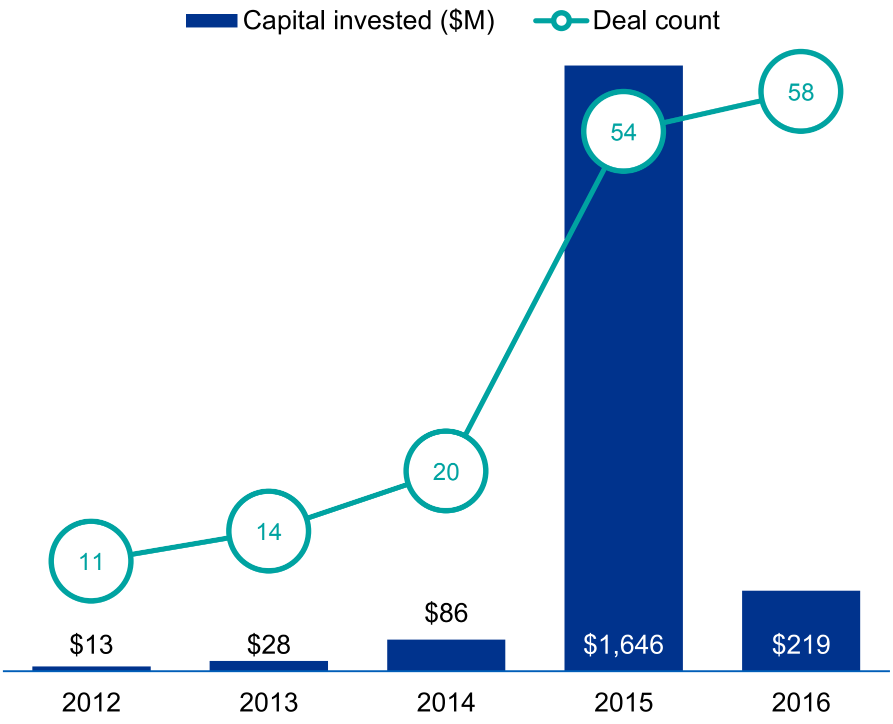
"Tech giants in China have become very active in fintech, leading to significantly large deals. While these deals drive the Chinese fintech market, they also create volatility. Looking forward, mega-deals, or the lack of them, will likely continue to create major fluctuations in investment quarter to quarter."

Arthur Wang
Partner, Head of Banking,
KPMG China

Despite slight deal increase India's fintech scene sees significant investment declines

Fintech venture activity in India

2010 – 2016



Especially as India continues to push its digital currency initiatives, there are plenty of opportunities for novel product development within the space, as a number of entrepreneurs look to utilize blockchain protocols or present better use cases for consumers looking to gain exposure to bitcoin.

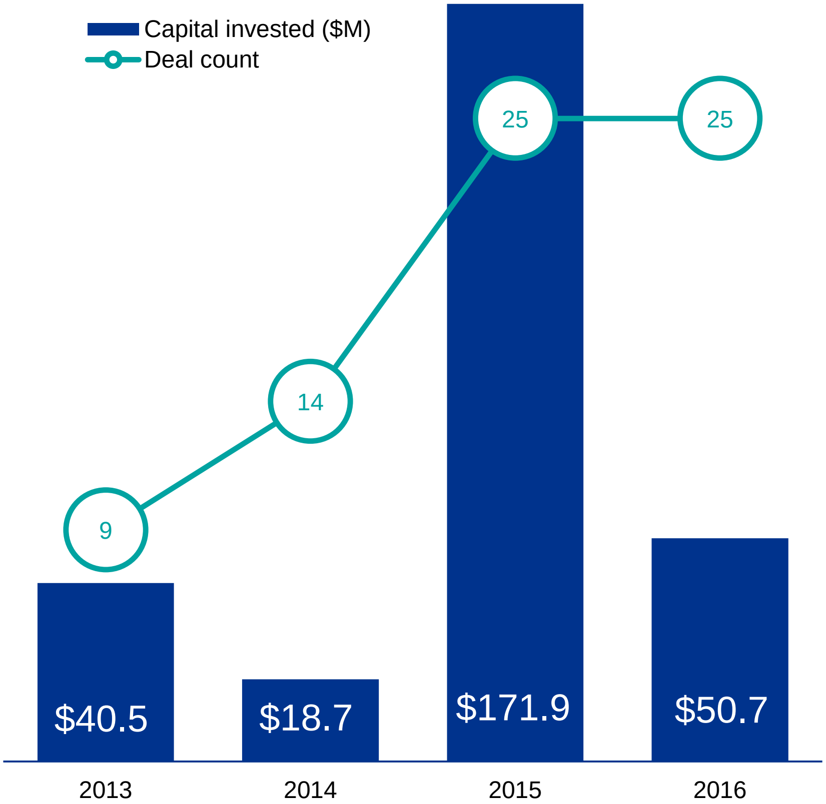
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

"With the demonetization effort that started in Q4'16 in India, there has been a big increase in the number of transactions managed by both payments companies and wallet providers. As this effort continues, we should see momentum grow for digital platforms and fintech solutions."

Neha Punater
Head of Fintech,
KPMG in India

Investment in Singapore slides

Venture investment in fintech companies in Singapore
2012 – 2016



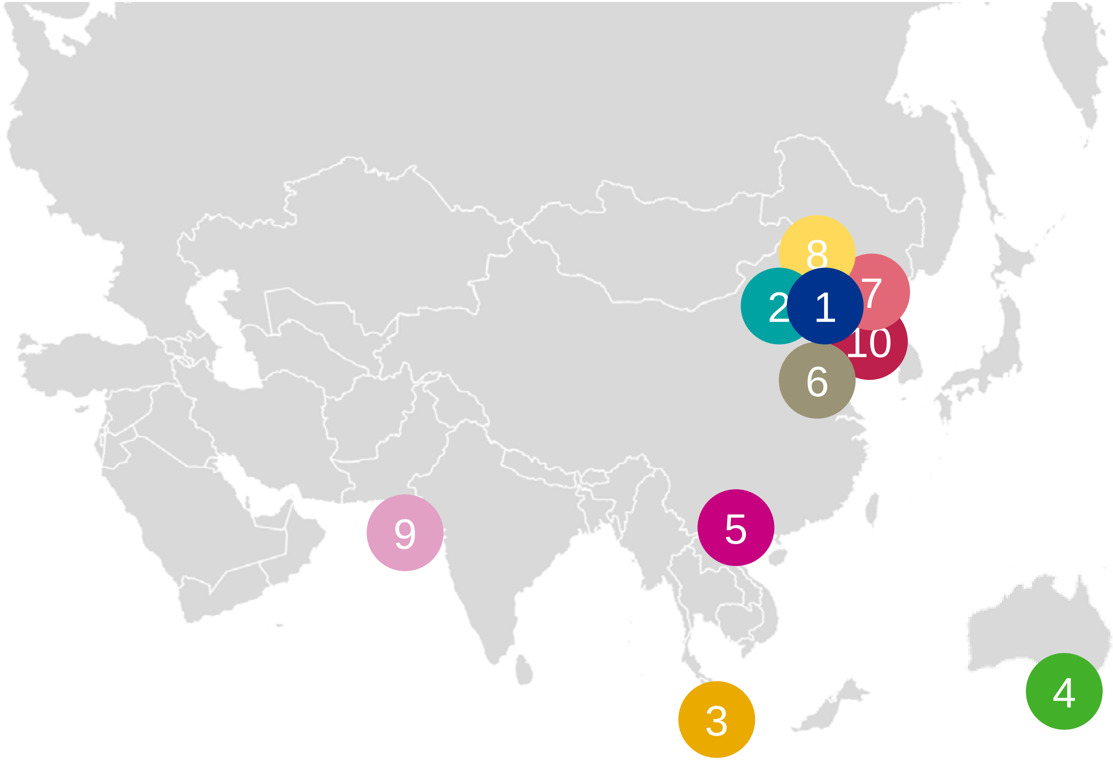
Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

In Singapore, many of the larger VC fundings were concentrated among online payments, remittances or foreign exchange trading platforms.

"In Singapore, the financial regulator – MAS – is working very closely with companies to enable innovation in the financial services sector. From developing the regulatory sandbox to building fintech bridges with other jurisdictions, there's no doubt in my mind, the MAS is one of the main reasons Singapore is becoming a global hub for fintech companies."

Jan Reinmueller
Head of Digital Village,
KPMG in Singapore

Top 10 fintech deals in Asia in Q4'16



1 **51credit** – $394M, Beijing
Payments/transactions
Series C

2 **QuantGroup** – $73M, Beijing
Payments/transactions
Series C

3 **Asian Gateway Investments** – $70M, Singapore
Wealth/investment management
M&A

4 **Financial Synergy** – $66.1M, Melbourne
Wealth/investment management
M&A

5 **VNPT ePAY** – $33.8M, Ha Noi
Payments/transactions
Corporate divestiture

6 **China Rapid Finance** – $30.4M, Shanghai
Lending
Late stage VC

7 **Tiger Brokers** – $29M, Beijing
Wealth/investment management
Series B

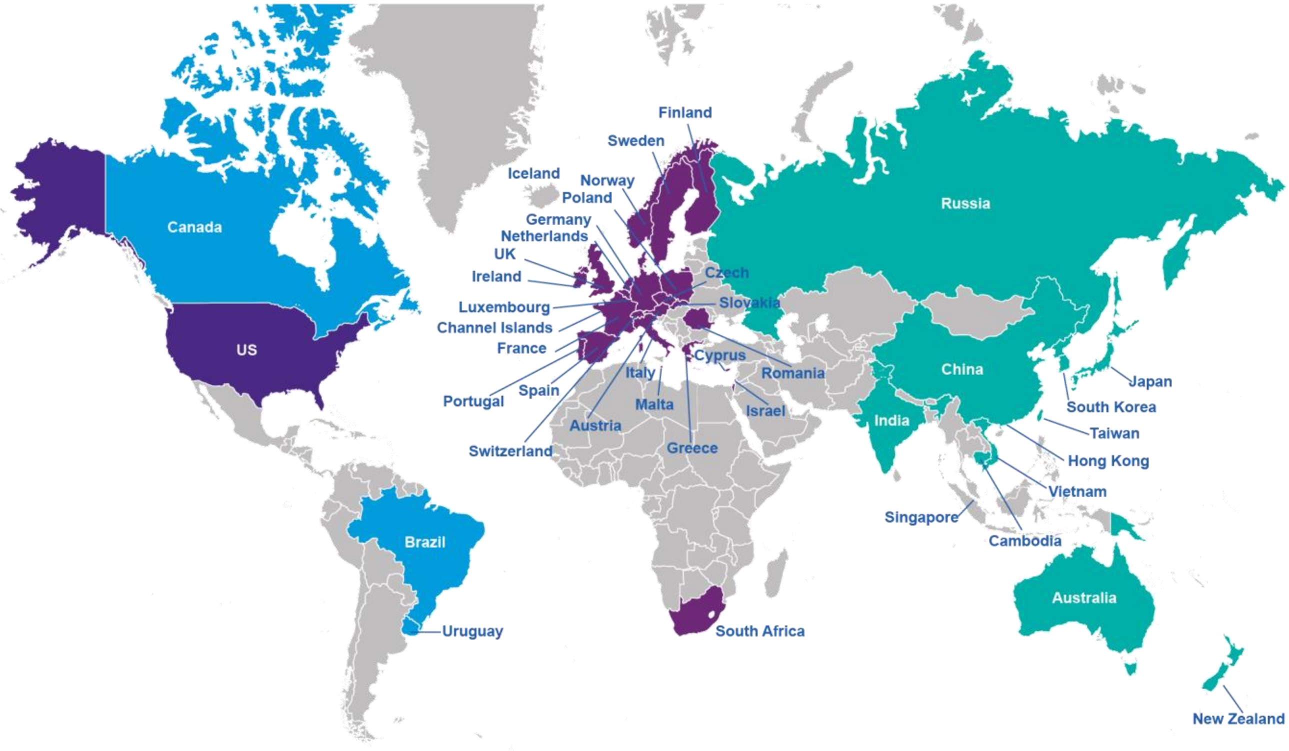
8 **Kungeek** – $22M, Beijing
Institutional/B2B
Early stage VC

9 **Flexiloans** – $15M, Mumbai
Lending
Angel

10 **36Kr** – $14.4M, Beijing
Wealth/investment management
Late stage VC

Source: Pulse of Fintech Q4'16, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 21, 2017.

KPMG Enterprise Innovative Startup Network. From seed to speed, we're here throughout your journey



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About KPMG Enterprise

You know KPMG, you might not know KPMG Enterprise.

KPMG Enterprise advisers in member firms around the world are dedicated to working with businesses like yours. Whether you're an entrepreneur looking to get started, an innovative, fast growing company, or an established company looking to an exit, KPMG Enterprise advisers understand what is important to you and can help you navigate your challenges — no matter the size or stage of your business. You gain access to KPMG's global resources through a single point of contact — a trusted adviser to your company. It's a local touch with a global reach.

The KPMG Enterprise global network for innovative startups has extensive knowledge and experience working with the startup ecosystem. Whether you are looking to establish your operations, raise capital, expand abroad, or simply comply with regulatory requirements — we can help. From seed to speed, we're here throughout your journey.

About KPMG Fintech

The Financial Services sector is transforming with the emergence of innovative products and solutions. This wave of innovation is primarily driven by changing customer expectations and continued regulatory and infrastructure cost pressures. KPMG is passionate about this transformation, working directly with emerging fintechs through 26 global fintech hubs. KPMG also brings its global fintech insight to traditional financial institutions, helping them fully realise the potential fintech has to grow their business, meet customer demands, and help them stay relevant and competitive.

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Rachel Bentley, Manager, KPMG Enterprise, KPMG in the UK

Sven Korschinowski, Partner, Financial Services, KPMG in Germany

Methodology

KPMG has switched to PitchBook as the investment data source provider for the Pulse of Fintech. Due to differing methodologies between data providers, there may be discrepancies between this and prior editions of The Pulse of Fintech Report.

Within this publication, only completed transactions regardless of type are tracked by PitchBook, with all deal values for general M&A transactions as well as venture rounds remaining un-estimated. Private equity deal values are extrapolated based upon known figures.

Please note that the MESA and Africa regions are NOT broken out in this report. Accordingly, if you add up the Americas, Asia-Pacific and Europe regional totals, they will not match the global total, as the global total takes into account those other regions. Those specific regions were not highlighted in this report due to a paucity of datasets and verifiable trends.

Deals

PitchBook includes equity investments into startup companies from an outside source. Investment does not necessarily have to be taken from an institutional investor. This can include investment from individual angel investors, angel groups, seed funds, venture capital firms, corporate venture firms, and corporate investors. Investments received as part of an accelerator program are not included, however, if the accelerator continues to invest in follow-on rounds, those further financings are included. All financings are of companies headquartered in the US.
Angel/seed: PitchBook defines financings as angel rounds if there are no PE or VC firms involved in the company to date and it cannot determine if any PE or VC firms are participating. In addition, if there is a press release that states the round is an angel round, it is classified as such. Finally, if a news story or press release only mentions individuals making investments in a financing, it is also classified as angel. As for seed, when the investors and/or press release state that a round is a seed financing, or it is for less than $500,000 and is the first round as reported by a government filing, it is classified as such. If angels are the only investors, then a round is only marked as seed if it is explicitly stated.

Early-stage: Rounds are generally classified as Series A or B (which PitchBook typically aggregates together as early stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.
Late-stage: Rounds are generally classified as Series C or D or later (which PitchBook typically aggregates together as late stage) either by the series of stock issued in the financing or, if that information is unavailable, by a series of factors including: the age of the company, prior financing history, company status, participating investors, and more.

Growth equity: Rounds must include at least one investor tagged as growth/expansion, while deal size must either be $15 million or more (although rounds of undisclosed size that meet all other criteria are included). In addition, the deal must be classified as growth/expansion or later-stage VC in the PitchBook Platform. If the financing is tagged as late-stage VC it is included regardless of industry. Also, if a company is tagged with any PitchBook vertical, excepting manufacturing and infrastructure, it is kept. Otherwise, the following industries are excluded from growth equity financing calculations: buildings and property, thrifts and mortgage finance, real estate investment trusts, and oil & gas equipment, utilities, exploration, production and refining. Lastly, the company in question must not have had an M&A event, buyout, or IPO completed prior to the round in question.

Corporate venture capital: Financings classified as corporate venture capital include rounds that saw both firms investing via established CVC arms or corporations making equity investments off balance sheets or whatever other non-CVC method actually employed.

Methodology, cont'd

Exits

PitchBook includes the first majority liquidity event for holders of equity securities of venture-backed companies. This includes events where there is a public market for the shares (IPO) or the acquisition of majority of the equity by another entity (corporate or financial acquisition). This does not include secondary sales, further sales after the initial liquidity event, or bankruptcies. M&A value is based on reported or disclosed figures, with no estimation used to assess the value of transactions for which the actual deal size is unknown.

Fundraising

PitchBook defines venture capital funds as pools of capital raised for the purpose of investing in the equity of startup companies. In addition to funds raised by traditional venture capital firms, PitchBook also includes funds raised by any institution with the primary intent stated above. Funds identifying as growth-stage vehicles are classified as PE funds and are not included in this report. A fund's location is determined by the country in which the fund is domiciled, if that information is not explicitly known, the headquarters country of the fund's general partner is used. Only funds based in the United States that have held their final close are included in the fundraising numbers. The entirety of a fund's committed capital is attributed to the year of the final close of the fund. Interim close amounts are not recorded in the year of the interim close.

M&A

PitchBook defines M&A as a transaction in which one company purchases a controlling stake in another company. Eligible transaction types include control acquisitions, leveraged buyouts (LBOs), corporate divestitures, reverse mergers, mergers of equals, spin-offs, asset divestitures and asset acquisitions. Debt restructurings or any other liquidity, self-tender or internal reorganizations are not included. More than 50% of the company must be acquired in the transaction. Minority stake transactions (less than a 50% stake) are not included. Small business transactions are not included in this report.

Fintech

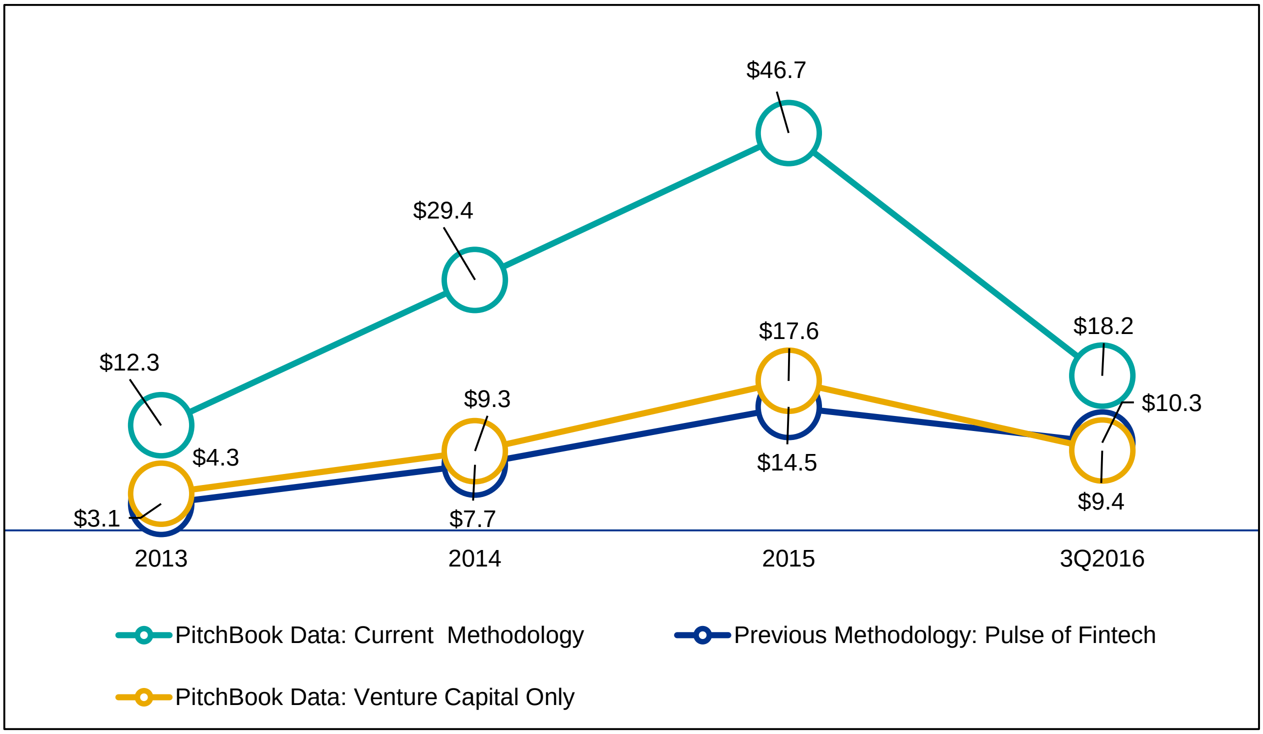
A portmanteau of finance and technology, the term refers to businesses who are using technology to operate outside of traditional financial services business models to change how financial services are offered. Fintech also includes firms that use technology to improve the competitive advantage of traditional financial services firms and the financial functions and behaviors of consumers and enterprises alike.

1. Payments/Transactions – companies whose business model revolves around using technology to provide the transfer of value as a service and/or ANY company whose core business is predicated on distributed ledger (blockchain) technology AND/OR relating to any use case of cryptocurrency (e.g. Bitcoin).
2. Lending – Any non-bank who uses a technology platform to lend money often implementing alternative data and analytics OR any company whose primary business involves providing data and analytics to online lenders or investors in online loans.
3. Investment Banking/Capital Markets – Companies whose primary business involves the types of financial intermediation historically performed by investment banks.
4. Insurtech – Companies whose primary business involves the novel use of technology in order to price, distribute, or offer insurance directly.
5. Wealth/Investment Management – Platforms whose primary business involves the offering of wealth management or investment management services using technology to increase efficiency, lower fees or provide differentiated offerings compared to the traditional business model. Also includes technology platforms for retail investors to share ideas and insights both via quantitative and qualitative research.
6. Personal Finance – Companies that provide a technology-driven service to improve retail customers' finances by allowing them to monitor spending, savings, credit score or tax liability OR leveraging technology to offer basic retail banking services such as checking or savings accounts outside of a traditional brick and mortar bank.
7. Institutional/B2B Fintech – Companies that offer technology-driven solutions and services to enterprises or financial institutions. These include software to automate financial processes, well financial security (excluding blockchain), authentication as well as traditional and alternative data utilized by financial or other institutions and enterprises to make strategic decisions.
8. RegTech – Companies who provide a technology-driven service to facilitate and streamline compliance with regulations and reporting as well as protect from employee and customer fraud.

Methodology, cont'd

Comparison between the PitchBook methodology & scope of data from previous reports

In order to provide an example of how the data within The Pulse of Fintech has changed given the switch in data providers and the expanded scope of the report, we have provided an example of how the datasets have changed between editions, over time below.



	2013 ($B)	2014 ($B)	2015 ($B)	3Q2016 ($B)
VC	2.89	6.71	12.66	7.03
M&A	9.45	22.73	34.08	11.15
Sum	12.34	29.44	46.74	18.18
Growth Equity	1.41	2.60	4.92	2.33
PitchBook Data: Venture Capital Only	4.30	9.31	17.58	9.36
Previous Methodology: Pulse of Fintech	3.10	7.70	14.50	10.30
PitchBook Data: Current Methodology	12.34	29.44	46.74	18.18

To connect with a KPMG adviser in your region email enterprise@kpmg.com

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