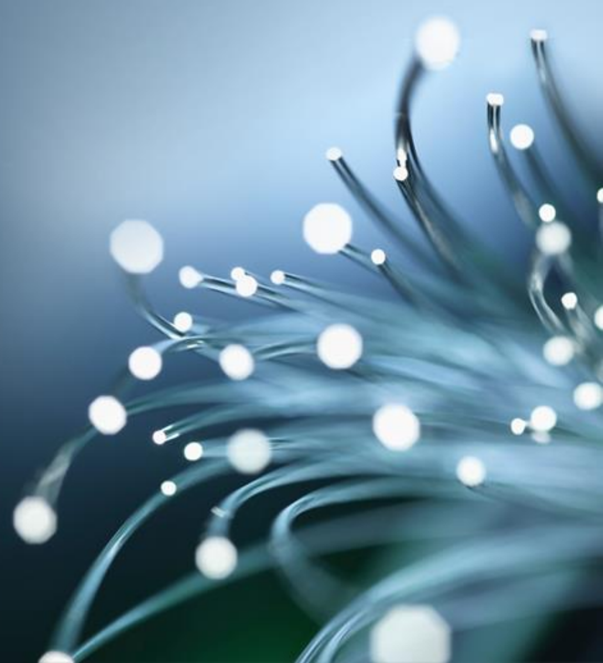
KPMG

The Pulse of Fintech Q4 2017

Global analysis of investment in fintech



13 February 2018

Welcome message

Welcome to the Q4'17 edition of KPMG's *The Pulse of Fintech* — a report highlighting key trends and issues affecting the fintech market globally and in key regions around the world. In this edition, we take a look back at the entire year, as well as making some predictions for 2018.

Despite a third straight quarter of decline in total global fintech deal volume, total investment rose slightly in Q4'17. A number of large deals helped to buoy investment levels, including the buyout of Bankrate and the acquisitions of BluePay and Trayport.

The fintech market as a whole continued to mature during 2017, with global investors no longer just getting their feet wet within the fintech market, but making more targeted investments focused on value and long-term sustainability. Despite the narrowing focus on the part of investors, total global investment in fintech remained steady at over $31 billion, year-over-year.

Both insurtech and blockchain saw record levels of VC investment and deal volume this year, with insurtech accounting for $2.1 billion across 247 deals and blockchain accounting for $512 million of investment across 92 deals.

Fintech investment is expected to remain strong heading into 2018, with growing investor interest in regulatory technology (regtech), artificial intelligence (AI) and Internet of Things (IoT) enablement. Corporate investors are expected to remain active as they seek out partnerships and opportunities to expand into adjacencies. The implementation of PSD2 in Europe is also expected to generate attention from regulators globally as they look to develop their own frameworks for open banking.

In addition to discussing these and other trends, we examine a number of questions in this quarter's report that are driving interest in the fintech market today, including:

— Why is the fintech market so resilient?
— How are corporates leveraging fintech to expand into adjacencies?
— Why are fintechs shifting their focus to B2B?
— How are regulators responding to fintech in different regions?

We hope you find this quarter's *The Pulse of Fintech* informative and insightful. If you would like to discuss any of the information contained in this report in more detail, contact a KPMG advisor in your area.

All amounts in the report are in US dollars, unless otherwise noted.

KPMG is a global network of professional firms providing Audit, Tax and Advisory services. We operate in 154 countries and territories and have 200,000 people working in member firms around the world. The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

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

Murray Raisbeck
Global Co-Leader of Fintech,
KPMG International and
Partner,
KPMG in the UK

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Contents

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

In Q4'17, global investment in fintech companies hit

$8.7B

across

307 deals

A strong close to 2017 results in high aggregate deal value, even as volume slips

With final figures for 2017 compiled, it is clear that even as completed transaction volume cycled lower relative to the heights seen in 2015, aggregate deal value remained more than robust. At roughly $31 billion in total across general mergers, acquisitions, venture financing and private equity buyouts, 2017 recorded a commensurate sum to 2016, signaling that the fintech market is still experiencing significant drivers for consolidation and innovation.

2017 records third-highest annual total for VC invested of the decade
Thanks to a relatively strong fourth quarter, the total number of venture transactions in fintech exceeded 1,000 for the fourth year in a row, while total VC invested closed in on $13 billion, ending up at $12.85 billion. The global venture market overall is experiencing a decline in the volume of financings even as VC invested stays remarkably robust, and we're seeing a somewhat similar trend in fintech, although it should be noted the decline in venture volume is rather less than what has been observed in fintech.

For the year as a whole, CVCs were more involved than ever before
Corporate participation in all VC deals globally continues to contribute to overall transaction volume as well as support aggregate capital invested. Fintech, in particular, stood out. Looking at full-year totals, CVC entities participated in over 19% of all fintech venture financings, with associated VC deal value handily eclipsing $5 billion.

Although not as significant as in the past, mega-deals still abound
No less than $3.5 billion was invested across Series D or later financings in 2017, the highest tally for capital deployed at that later stage. Such largesse speaks to the overall inflation the venture industry has experienced at the late stage, and also the extent to which mega-deals are contributing to the fintech sector's aggregate tallies on a global basis. Especially in China, investors of all stripes are willing to support the rapid growth of fintech enterprises as they look to scale and corner particular segments.

Late-stage valuations rebound to close the year
It is key to note that the fintech sector is still relatively nascent, all said and done, and thus will experience some degree of skew in median pre-money valuations, especially at the late stage. Accordingly, the global median late-stage pre-money valuation rebounded significantly in 2017 in the fourth quarter to end the year at a massive $173 million. That said, prior analysis is still valid; the fintech sector is maturing and thus producing an increasing crop of fast-growing, large venture-backed companies that can raise mega-financings producing such lofty valuations. However, given that rate of maturation, we are unlikely to see additional skew such as the remarkable $191.6 million figure observed in 2014, as the population of fintech startups waxes even greater in the years to come overall.

Fintech M&A ticks up in 2017 over the tallies of prior year
After steadying in the back half of 2017, global fintech M&A produced aggregate figures that compare favorably to those of 2016, at 336 transactions completed for a total of $18 billion in associated deal value. Consolidation is still a considerable driver of overall fintech M&A, as financial services companies look to stay abreast of innovation and also increase potential synergies in the face of stiff competition from nonfinancial services startups. Especially in Europe, as PSD2 kicks into gear in early January, 2018 will be marked by incumbents grappling with a regulatory regime that is ever-friendlier to consumers, which could put further pressure on bottom lines and ensure that mobile-first, digital interfaces and sufficiently robust enterprise tools will remain key areas of focus.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Global fintech funding remains strong to close out 2017

During Q4'17, fintech funding globally remained steady, with $8.7 billion invested across 307 deals. The solid quarter helped propel annual global fintech funding to over $31 billion — equaling the amount raised in 2016, though falling short of 2014 and 2015 when a frenzy of investment spiked results to extraordinary levels.

Early fintechs maturing beyond niche beginnings

The concept of fintech has matured greatly since its inception. Early innovation area such as payments and lending have seen strong maturation, with more established fintechs now looking to move beyond niche markets to offer adjacent services and, in some cases, full stack solutions. For example, Europe has seen a number of fintechs (e.g. Klarna, Zopa and Revolut) apply for banking licenses in order to expand their product offerings. Meanwhile, countries such as Australia and the US are mulling the introduction of fintech-focused banking licenses, which could spur investment over time should they move forward.

Characteristics of fintech investors changing

While venture capital (VC) fintech deals volume has declined significantly over recent years, particularly at the angel and seed stage levels, this decline is partly a result of the evolution of fintech as a whole. Both fintech companies and investors have matured significantly — with maturing companies looking for bigger rounds of funding, and investors shifting their focus from making widespread investments into placing bigger bets aimed at achieving value or sustainability.

Corporate investors becoming more strategic

Globally, corporate investors have also changed their approach to investing in fintechs. Initially, many corporates took a portfolio approach to fintech investing — providing smaller pools of money to a larger group of fintechs in order to develop a better understanding of opportunities and innovations. Now, corporate investors have become confident as to how fintech can help them achieve real value and are focusing on making strategic investments that can help defend their profit pools or help them explore or expand into adjacencies.

B2B focus continues to be a key investor priority

Fintech focused on the B2B market, including payments platforms, SME lending platforms and SaaS solutions aimed at making back office processes more efficient and effective remain a priority for fintech investors. Globally, many financial institutions face significant financial pressures and challenges, particularly related to regulatory reporting and compliance. With regulatory requirements only expected to rise in most jurisdictions, regtech solutions are becoming key focus area for B2B investors and corporates.

All currency amounts are in USD, unless otherwise specified, data provided by PitchBook Feb 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Global fintech funding remains strong to close out 2017 (cont'd)

Blockchain expectations high heading into 2018

Blockchain continued to garner a significant amount of attention from investors in 2017, with VC investment in particular achieving a record high of $512 million.

Blockchain use cases continued to be developed in numerous jurisdictions. In Singapore, for example, three Asian banks and the Monetary Authority of Singapore (MAS) recently worked together to develop a blockchain proof-of-concept (PoC) aimed at streamlining know-your-customer (KYC) processes. Regulators and governments have been keenly supportive of blockchain efforts, particularly in the Middle East and Singapore.

Blockchain consortia continued to be a key means for developing solutions globally, although the introduction of new consortia has slowed compared to previous years, while the makeup of older consortia has shifted dramatically. For example, insurance consortium B3i announced 22 new members in Q4'17, while banking consortium R3 accepted insurance company AIA as a new member. Several consortia have also seen some members splinter off in order to form smaller, more targeted groups.

There are signs that 2018 may finally see production capable blockchain solutions. For example, the Australia Stock Exchange announced that it would be replacing its equity settlements process in 2018 with a blockchain-enabled solution that it has been pilot testing. The progress of this initiative could become a bellwether as to how blockchain interest and investment will unfold heading into the new year.

VC investment in insurtech rises over $2 billion in 2017

Insurtech continued to be a hot area of fintech investment globally, with VC investment in particular reaching a record high of $2.1 billion in 2017. Numerous fintech companies sprouted worldwide over the year aiming to take ownership of myriad niche markets. Corporate participation in insurtech also remained very high.

Insurtech offerings matured significantly during 2017, from advances in automation to the evolution of personalized insurance offerings, demonstrated by the growth of motor telematics insurance. New insurance business models also continued to evolve, with on-demand products growing quickly, and on-demand insurers Cuvva and Trov further developing and expanding their value propositions.

Looking ahead to 2018, insurtech is expected to hit its stride in terms of investment. Traditional insurance companies are expected to take innovation up a notch, while blockchain consortia (e.g. B3i) are expected to expand and further develop and test specific use cases. Segments expected to heat up include autonomous vehicle insurance, cyber insurance, and aviation and drone insurance. Corporates are also expected to increase their focus on the application of AI in insurtech in order to make processes, such as underwriting, more efficient.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Global fintech funding remains strong to close out 2017 (cont'd)

Increasing focus on digital mortgages

Globally, there has been an increasing focus on digital mortgages — a trend expected to continue into 2018. To date, many online lending platforms have focused on unsecured lending. Recently, this has shifted, with some platforms now looking to tap into the mortgages space. Early in 2017, digital mortgage company Blend raised $100 million. It also expanded its extensive list of partnerships to include Wells Fargo and US Bank. This trend extends far beyond the US. In Australia, for example, Tic Toc made waves in 2017 by offering instant home loans, while digital home loans broker Uno recently raised funds from Westpac.

Partnerships have been a critical means for moving into the digital mortgages space. In 2017, JPMorgan Chase signed an agreement with Roostify to leverage their mortgage application platform which allows borrowers to track the progress of their loan applications.

All eyes on PSD2 implementation

Over the next quarter, a number of markets will be looking to the UK and Europe to see the impact that the implementation of PSD2 has on both traditional banks and fintechs. Other markets, including Australia, will likely propose or introduce new frameworks around open banking and open data, although actual implementation of these frameworks will likely be in 2019.

Trends to watch for in 2018

Heading into 2018, the adoption of machine learning, AI and IoT enablement is expected to continue at a rapid pace in the fintech sector, with corporates and fintechs looking to find ways to embed financial services offerings into home automation systems and other enabled products.

Challenger banks are expected to become a global phenomenon, whether led by traditional incumbents, fintechs, or companies outside of the financial services sector. Partnering is also expected to be a big priority, with more collaboration between large corporates in order to offer new products or services.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Top 10 predictions for 2018

The global fintech ecosystem continued to mature at an accelerated pace over the course of 2017. With big developments ranging from the rise of open banking, increasing regulatory clarity and maturation of AI and blockchain, 2018 promises to be another big year for fintech. Here are our top 10 predictions for 2018.

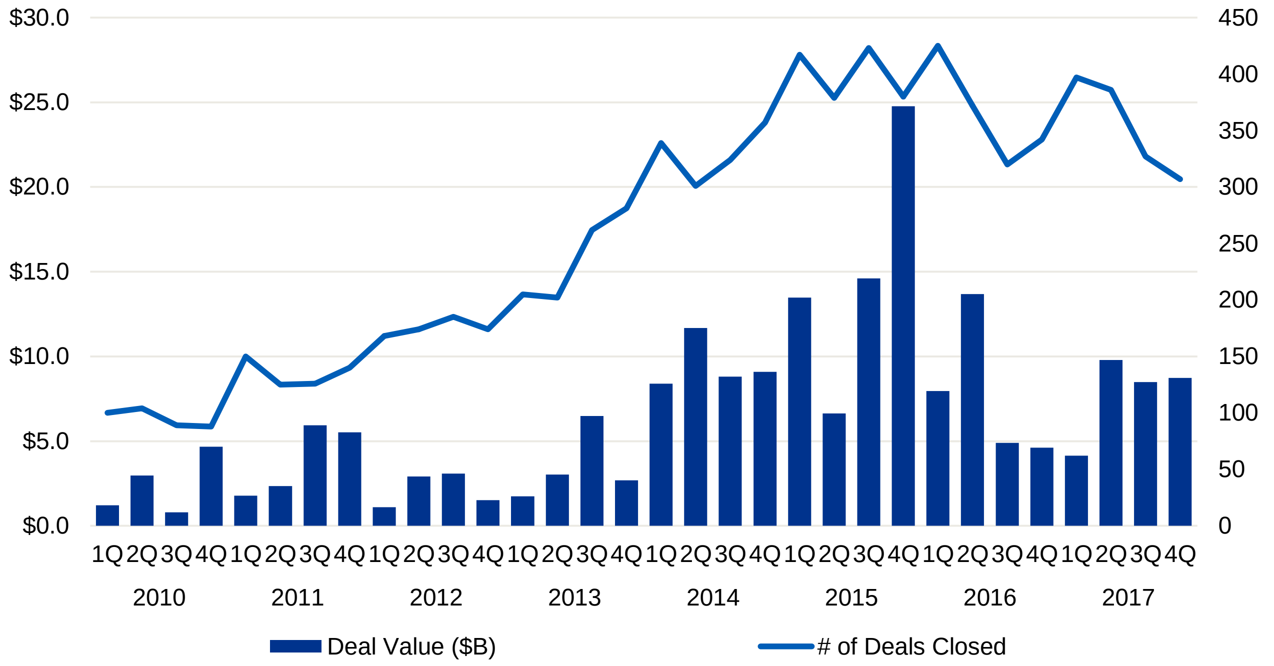
1. **AI accelerates:** Continued innovation and adoption of AI as an underlying tech
2. **Regtech rising:** Increased investment in regtech around the world
3. **Building bridges:** Greater collaboration and partnering between large-scale providers
4. **Next gen digital lending:** The rise of online mortgage technology and platforms
5. **Beyond use cases:** Early success efforts in the initiation of blockchain production systems
6. **Open banking:** Open APIs pave the road for third party developers in Europe and Globally
7. **New challenger banks:** Financial services incumbents building their own digital banks
8. **Insurtech innovation:** Accelerated investment into driving insurtech innovations and building hubs around the world
9. **Going full-stack:** Broadening of solution sets by mature fintech companies
10. **Big tech participation:** More partnering between fintech and technology giants

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Q4 tallies came in historically strong

Global investment activity (VC, PE and M&A) in fintech companies

2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: refer to the Methodology section on page 78 to understand any possible data discrepancies between this edition and previous editions of The Pulse of Fintech. Please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

When regarding quarterly numbers, it is important to remember that as time progresses, additional data may eventually be added given private markets' opacity, particularly among early-stage venture financings. Accordingly, the back half of 2017 may see its overall tallies of deal volume creep upwards, yet it is likely they won't hit the heights seen in 2015. However, 2017 full-year activity in fintech remains historically strong, pointing toward significant drivers still encouraging both private investment and general M&A, including consolidation, innovation and more.

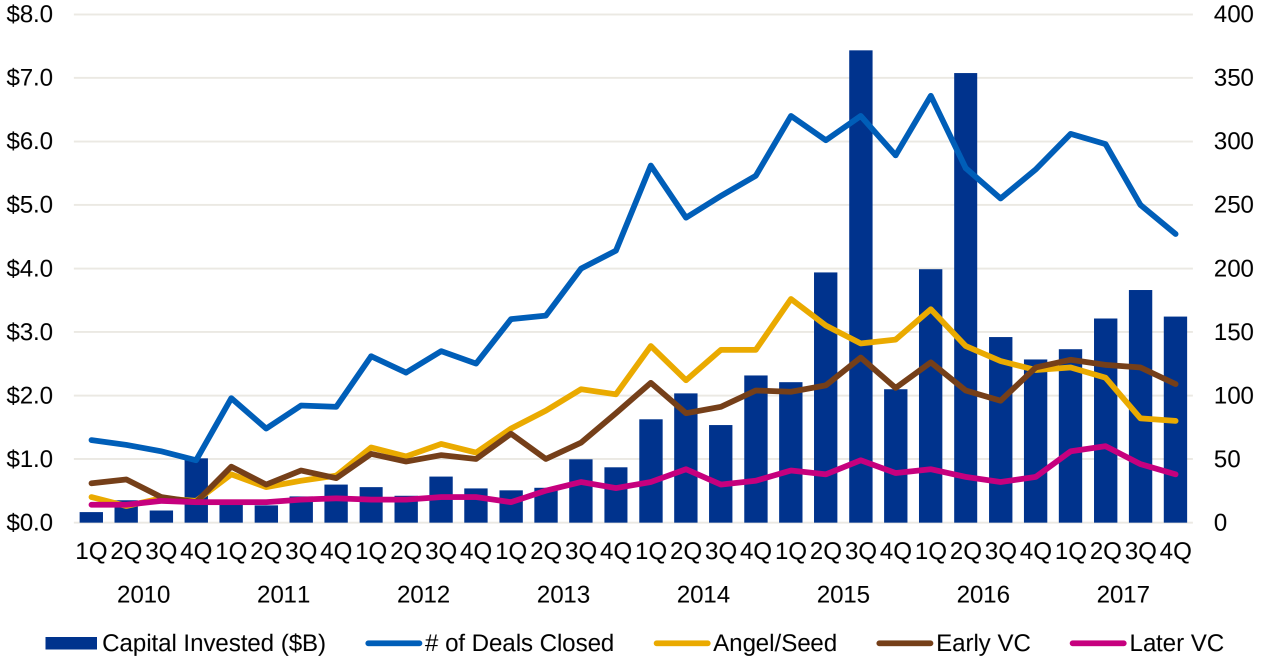
"The fintech sector has matured considerably over the past five years and we are now seeing investors shift their focus from experimentation and smaller investments to proven and sustainable fintech business models. This has created a market characterized by larger average deal sizes, with growth likely to continue for the foreseeable future on a more sustainable trajectory."

Ian Pollari
Global Co-Leader of Fintech, KPMG International

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Historically robust early and late-stage activity to close the year

Global VC activity in fintech
2010 – Q4'17



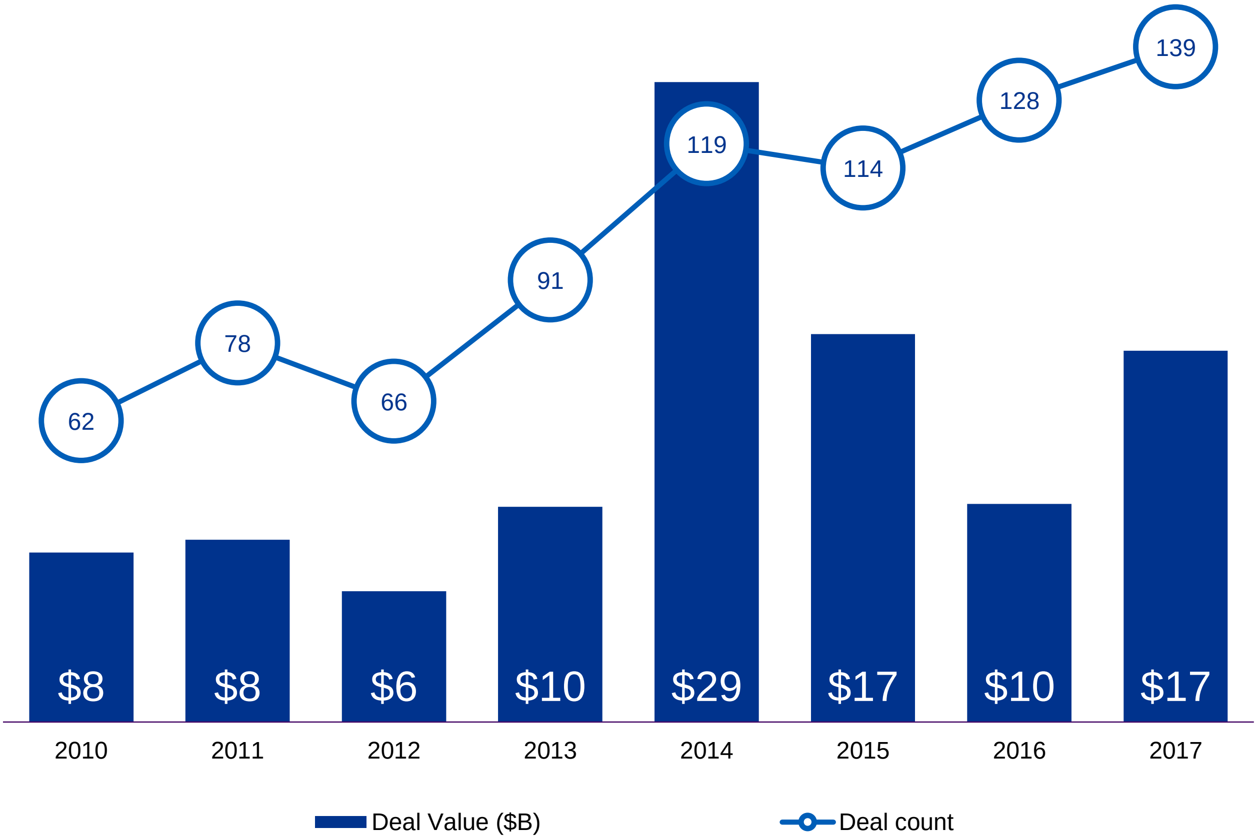
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

As noted previously, the most opaque class of financings—the angel and seed stage—is not only responsible for the decline in overall venture activity over the past several quarters but may well creep upwards by at least a small margin as more data is collected. With that caveat, it is clear that the robustness of late-stage financings speaks to a bevy of mature, established fintech enterprises still being able to secure investor commitments of significant size, justified by their promise and robust metrics.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

PE firms record highest year yet

Global PE activity in fintech
2010 – 2017



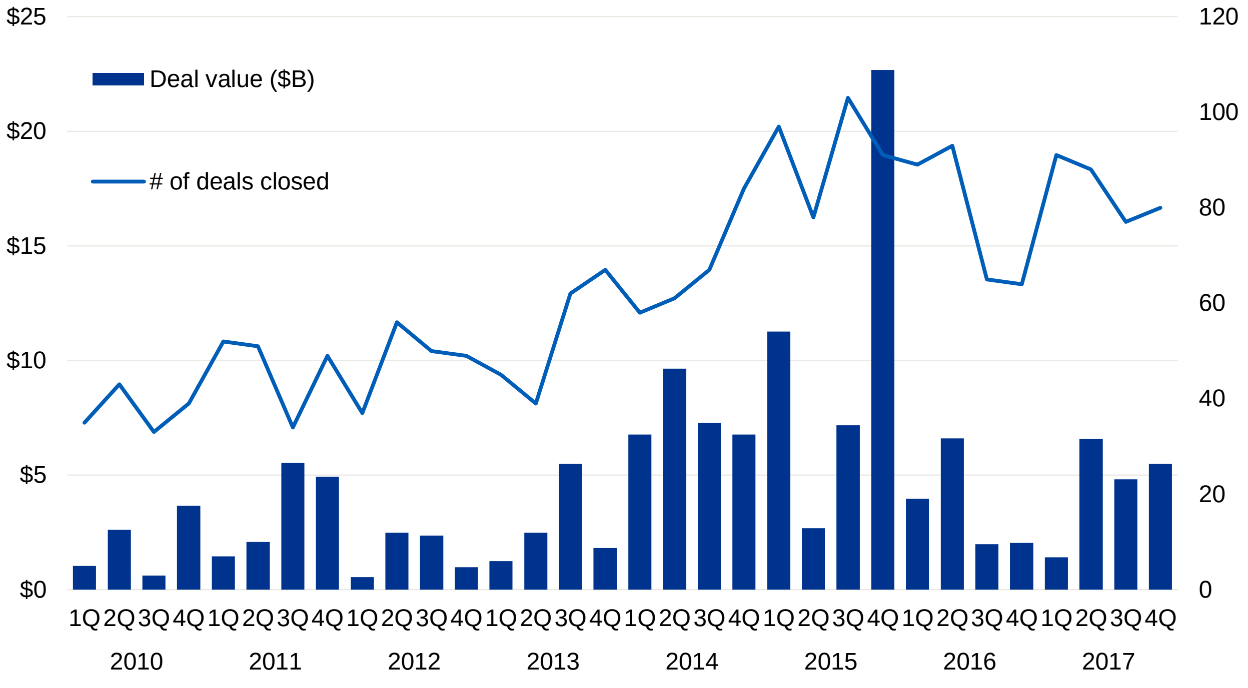
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

PE's growing interest in technology firms in general was a consistent theme throughout all of 2017, and fintech remains no exception. Given many established firms' expertise in financial services in general, it was likely PE investors' rationales for gaining exposure to fintech businesses was inevitable. Consequently 2017 saw a new high for PE activity within the space.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

M&A records another strong year

Global M&A activity in fintech
2010 – Q4'17



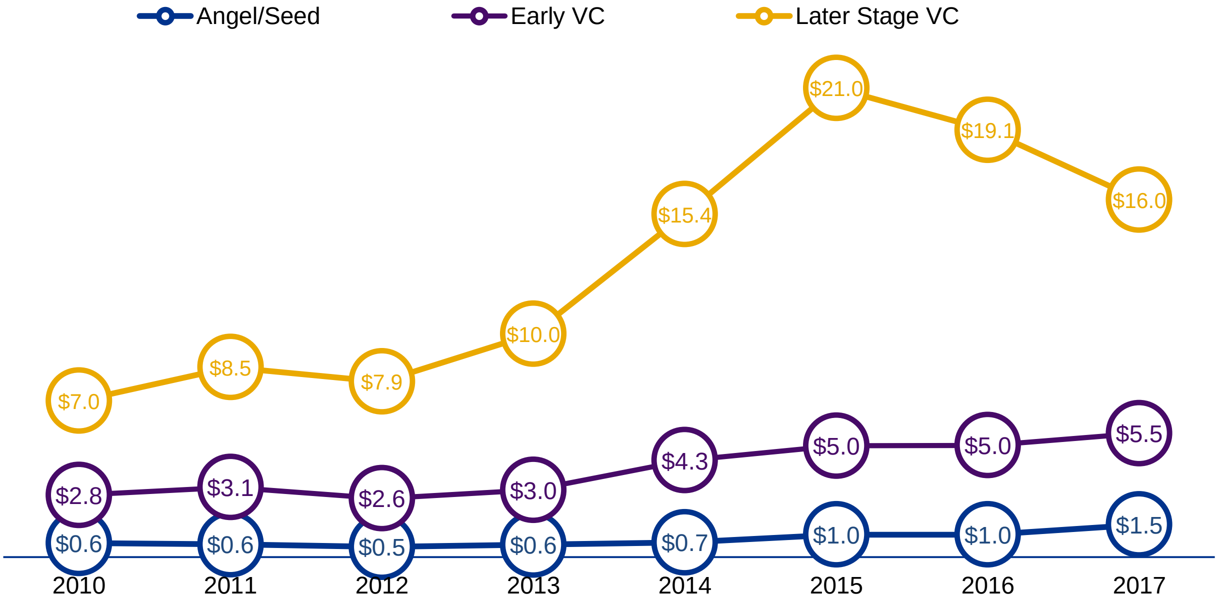
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

All in all, M&A volume still remains at an elevated level, especially looking backward to years prior to 2014. What this means in the context of a slowly declining M&A cycle (across all sectors), is that financial services companies (banks and more) are finding incentives to consolidate in the face of disruption, economic challenges and the allure of potential synergies.

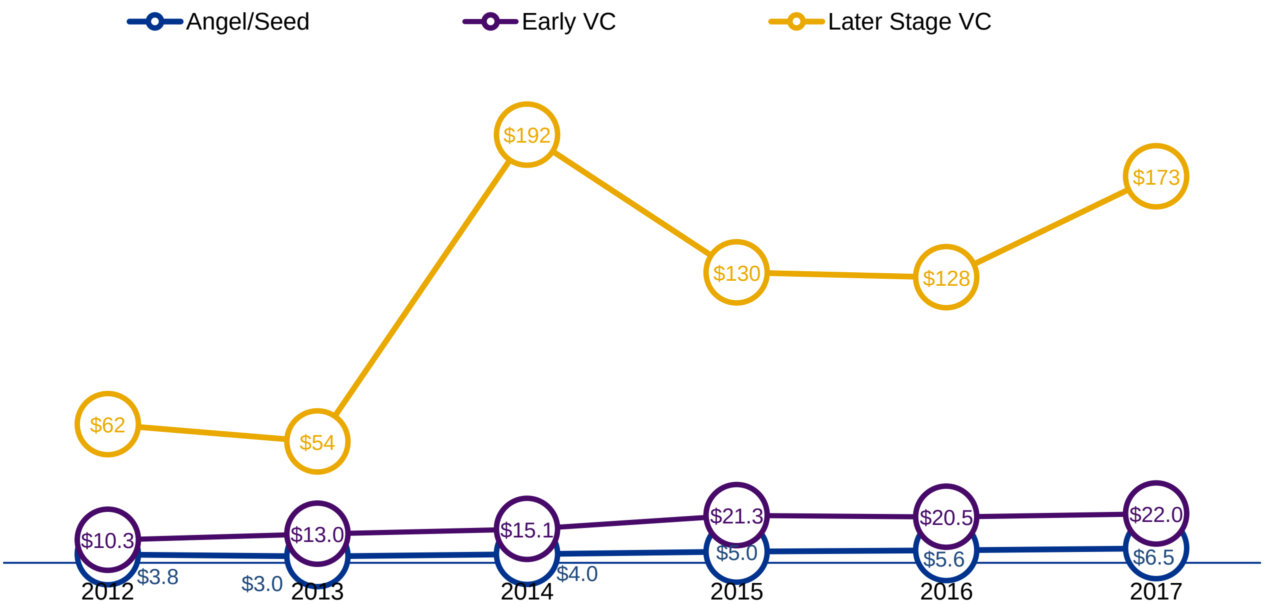
© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Late-stage valuations rebound to finish strong

Global median venture financing size ($M) by stage in fintech
2010 – 2017



Global median pre-money VC valuation ($M) by stage in fintech
2012 – 2017

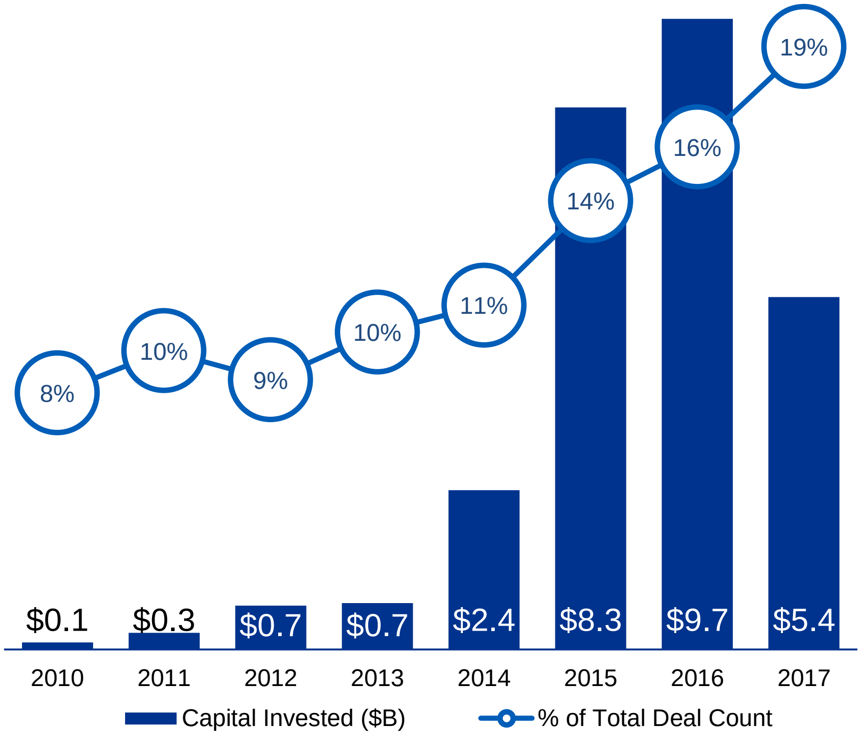


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

A record year for CVC investors

Global venture activity in fintech with corporate venture participation
2010 – 2017



As the overall volume of completed VC financings has declined, and corporate venture capital arms remained very active throughout the year, it was clear that 2017 may well end up with a new high in CVC participation rates. What's important to note is that both 2015 and 2016 saw significant skew in total associate deal value due to Ant Financial outliers, and thus the $5.4 billion in 2017 speaks to corporate VCs' willingness to stay involved, even high-priced rounds.

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

"Heading into 2018 there is a lot of optimism related to fintech activity in the US. We will likely see a lot of M&A activity given the recent reduction of the tax rate and the capital that is going to be available. It is likely to be a very opportunistic year for fintechs with strong business models and clear paths to profitability."

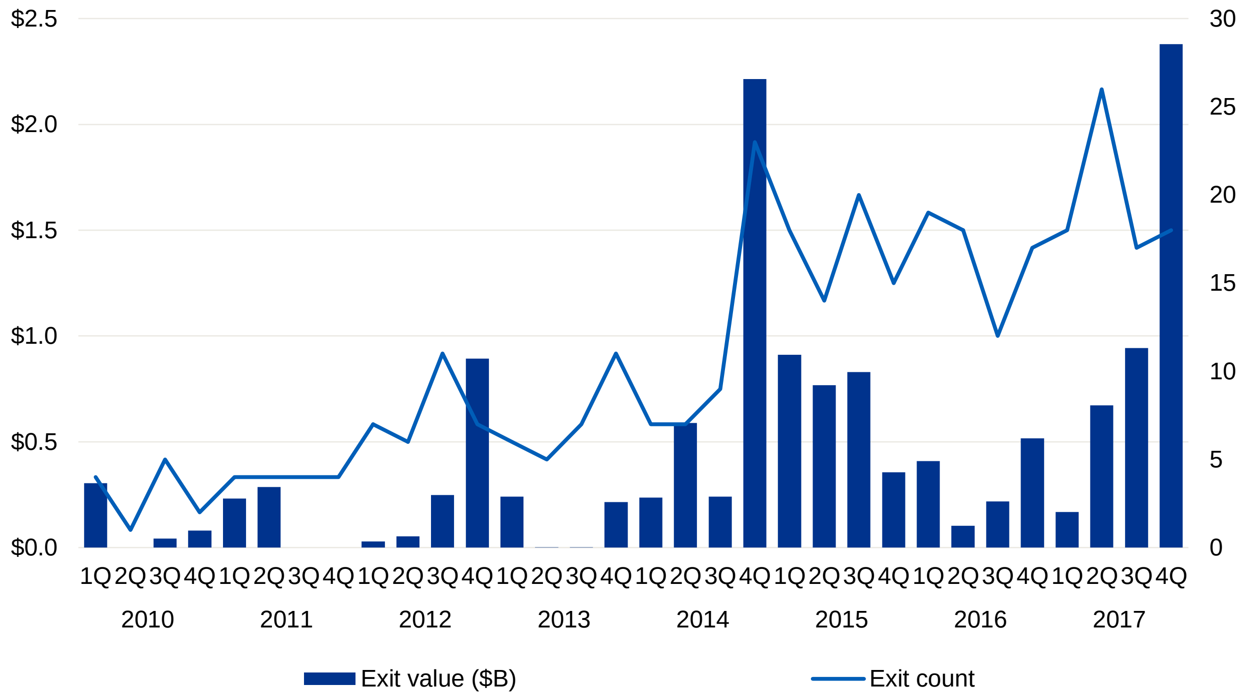
Brian Hughes
Co-Leader, KPMG Enterprise Innovative Startups Network, Partner, KPMG in the US

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

A new high for VC sellers to close 2017

Global venture-backed exit activity in fintech

2010 – Q4'17



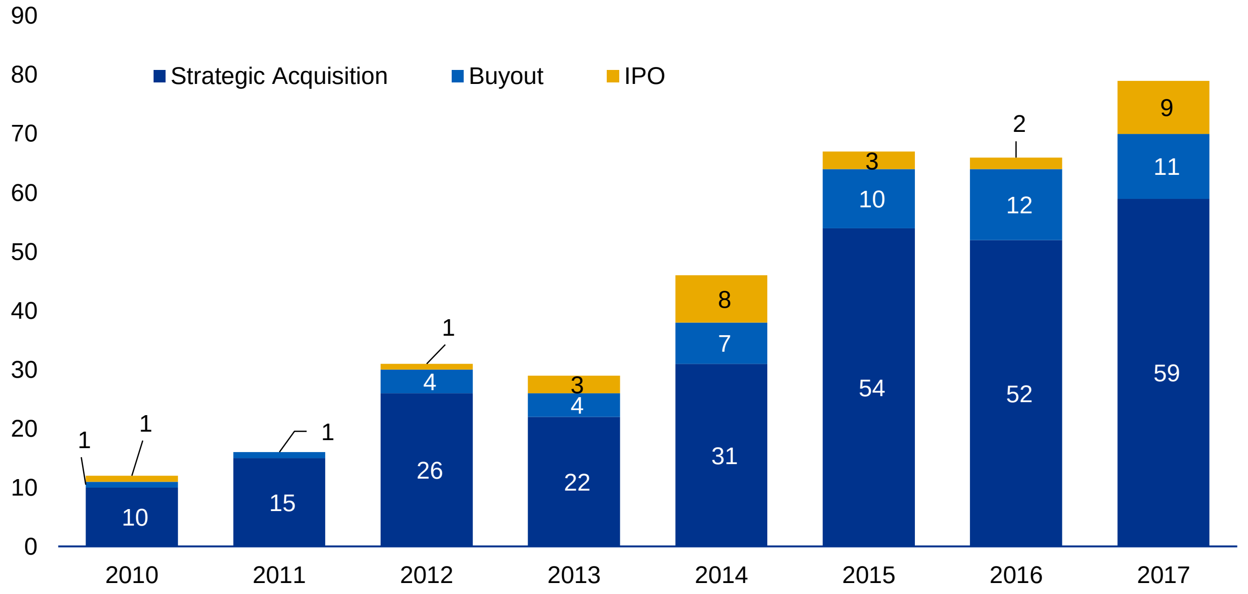
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Exits by VCs of portfolio companies are still quite subject to volatility, mainly because many fintech segments are still nascent and thus have not yet undergone complete cycles to produce a supply of exit-ready businesses. However, exit volume remained quite high throughout all of 2017, and since Q4 saw the highest tally yet for overall exit value—driven in large part by Qudian.com's debut on the NYSE in October—certain fintech segments appear to be maturing enough to begin producing companies ready for liquidity events.

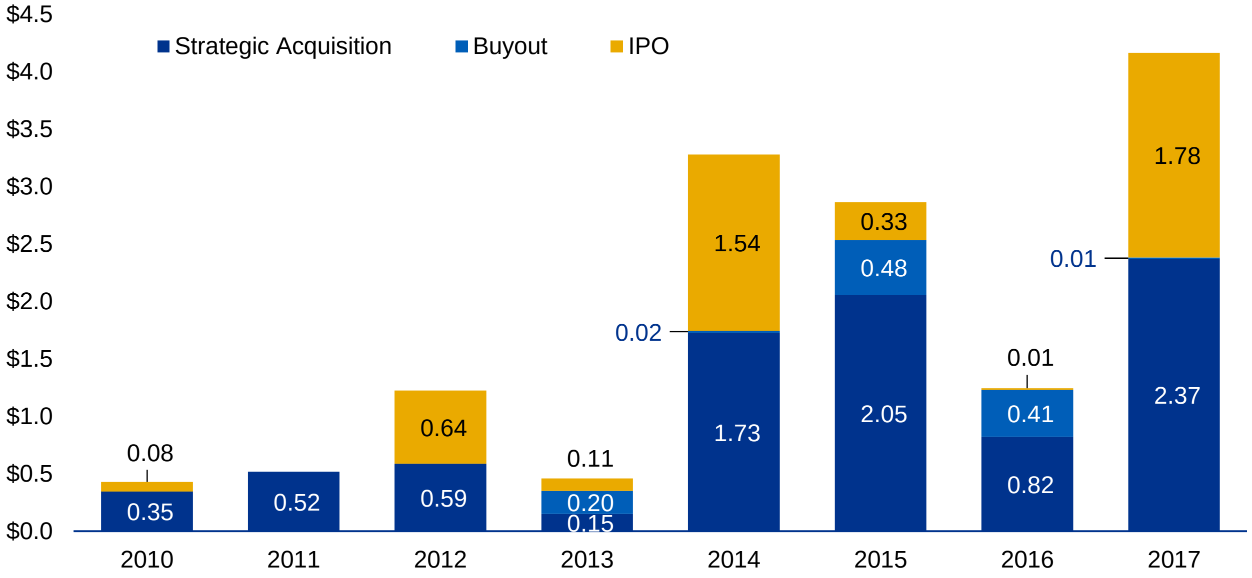
© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

M&A remains the primary liquidity route

Global venture-backed exit activity by type (#) in fintech
2010 – 2017



Global venture-backed exit activity by type ($B) in fintech
2010 – 2017

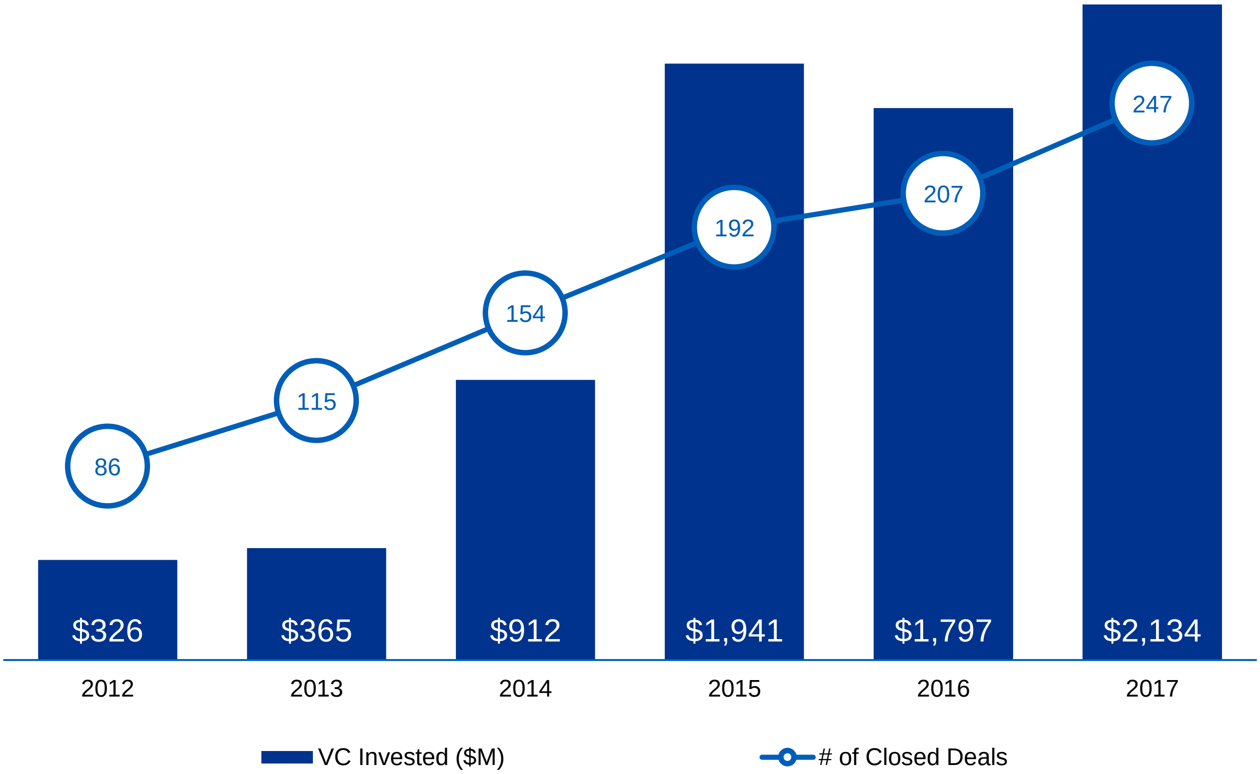


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

VCs dial up the pace in insurtech in 2017

Global venture activity in insurtech
2012 – 2017



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Insurtech is both mature enough to experience a fair degree of M&A, but also fresh enough that massive sums of VC are still flowing into multiple new startups looking to tackle different niches of the vast insurance sector. Mature businesses, such as Lemonade, are looking to raise massive rounds, while deep-pocketed investment firms are more than willing to supply sums to the extent that 2017 saw a new record total in both deal value and volume.

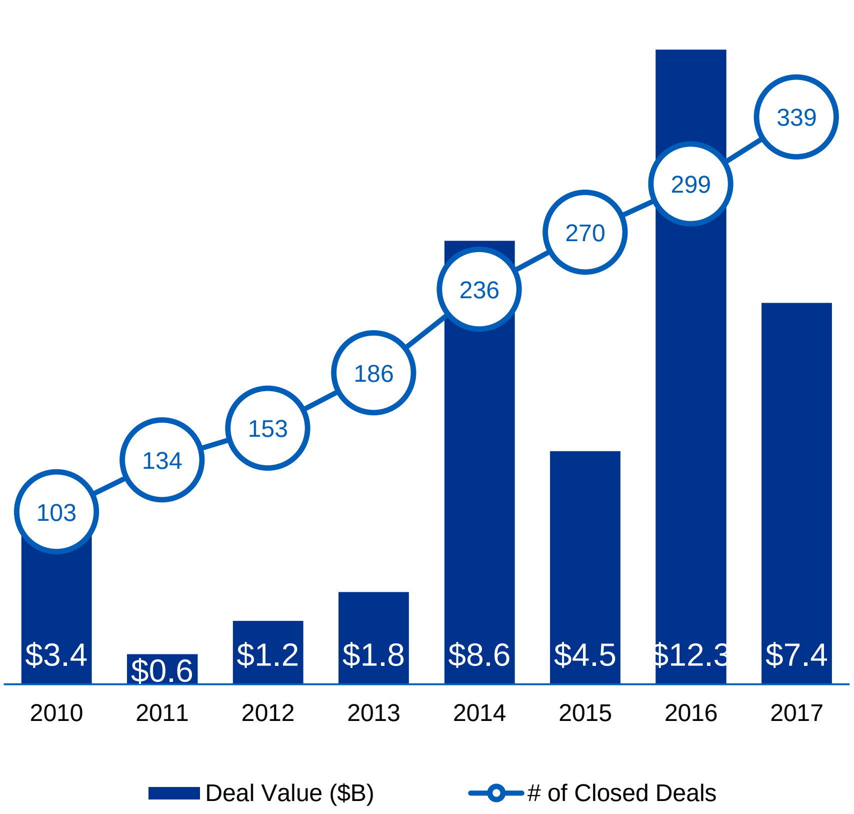
"2017 had the potential to be a very rocky year given huge political dislocations across the globe and a lot of economic uncertainty. The fact we've seen consistent strength and investment into the sector is a reflection of the genuine value fintech is bringing to market."

Murray Raisbeck
Global Co-Leader of Fintech, KPMG International

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

2017 sees a new high for overall volume

Global VC, PE and M&A activity in insurtech
2010 – 2017

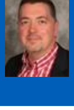


Overall investment in insurtech is driven by many factors given the differing incentives of private investors and general businesses, but looking at the relentless rise of aggregate activity this decade, it's clear that multiple incentives are compelling to stay active. Traditional insurers are grappling with the increasing automation and reinvention of typical product suites, while VC firms are looking to gain exposure to the latest innovations in increasingly niche product offerings priced at ever-more personalized levels.

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: this chart details overall investment (venture capital transactions, plus general M&A activity which includes private equity buyouts) in insurtech, in a departure from a prior edition of the Pulse of Fintech, which included just venture investment in insurtech. For example, the $12.3 billion deal value total in 2016 is increased significantly by the inclusion of M&A. Please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78, with PE activity by itself always depicted using extrapolated deal values.

"London was one of the earliest fintech innovation centres, so it now has a large number of mature fintechs with good traction in the market, clear paths to profitability, and strong value propositions for investors. This maturity is likely a key reason the UK fintech market has been so resilient, despite Brexit uncertainty."

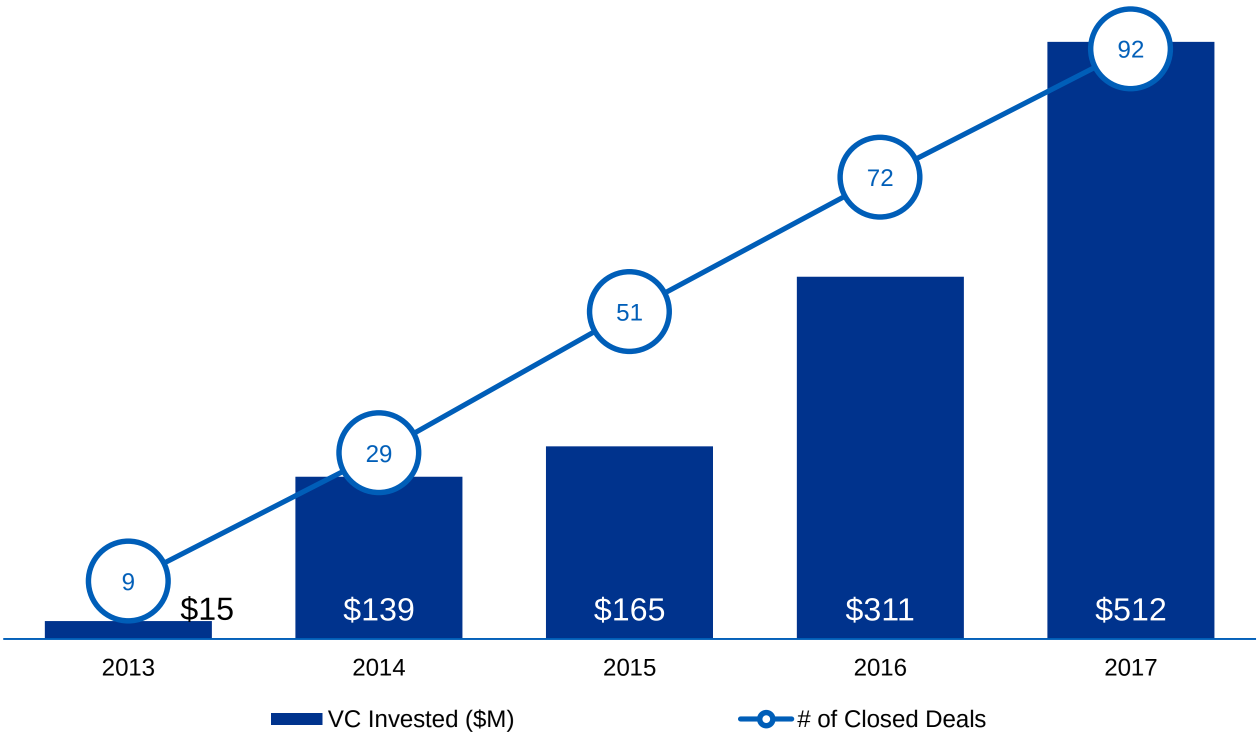


David Milligan
Global lead, KPMG Matchi, and Associate Director
KPMG in South Africa

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

More VC than ever poured into blockchain

Global venture investment in blockchain companies
2013 – 2017



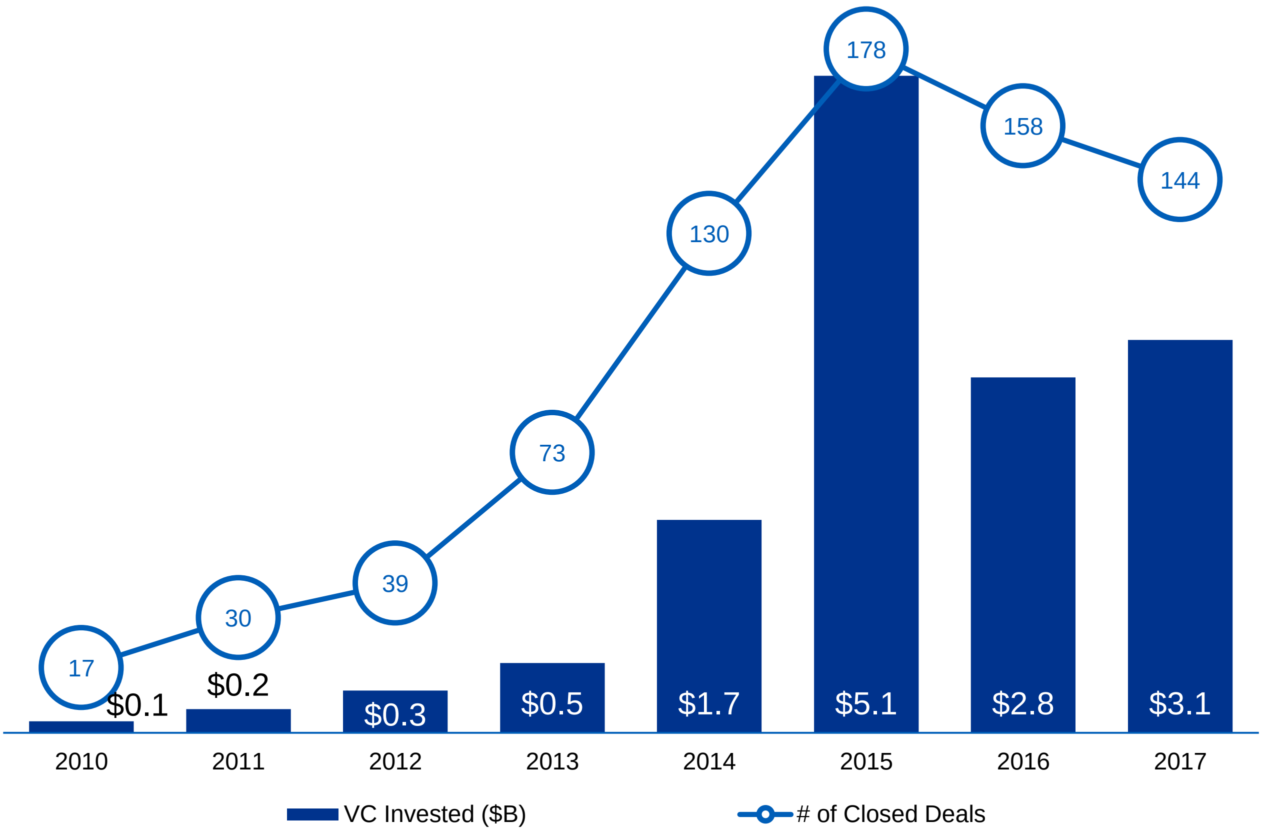
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

2017 was the year cryptocurrencies became all the rage, with enough hubris and hubbub that initial coin offerings (ICOs) were able to rake in unprecedented sums. However "bubble-like" ICOs may be, the key underlying technology of blockchains is what is most promising, given the potentially myriad applications. Numerous challenges remain from a technical standpoint, however applications such as smart contracts are promising enough that VCs are plowing plenty of dollars into the space.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Online lending matures

Global venture activity in online lending
2010 – 2017



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Assessing online lending broadly, the proliferation of financings across niches such as peer-to-peer, mortgages, residential solar panel installations and more suggests the maturation of online lending product offerings and use cases. Accordingly, the extent of the decline in venture activity makes sense, as more established businesses, such as Kabbage, continue to raise massive rounds and lower-hanging consumer fruit in many developed markets disappears.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Multiple lending segments attracting more VC

Select online lending venture financings in 2017 by deal size

2017

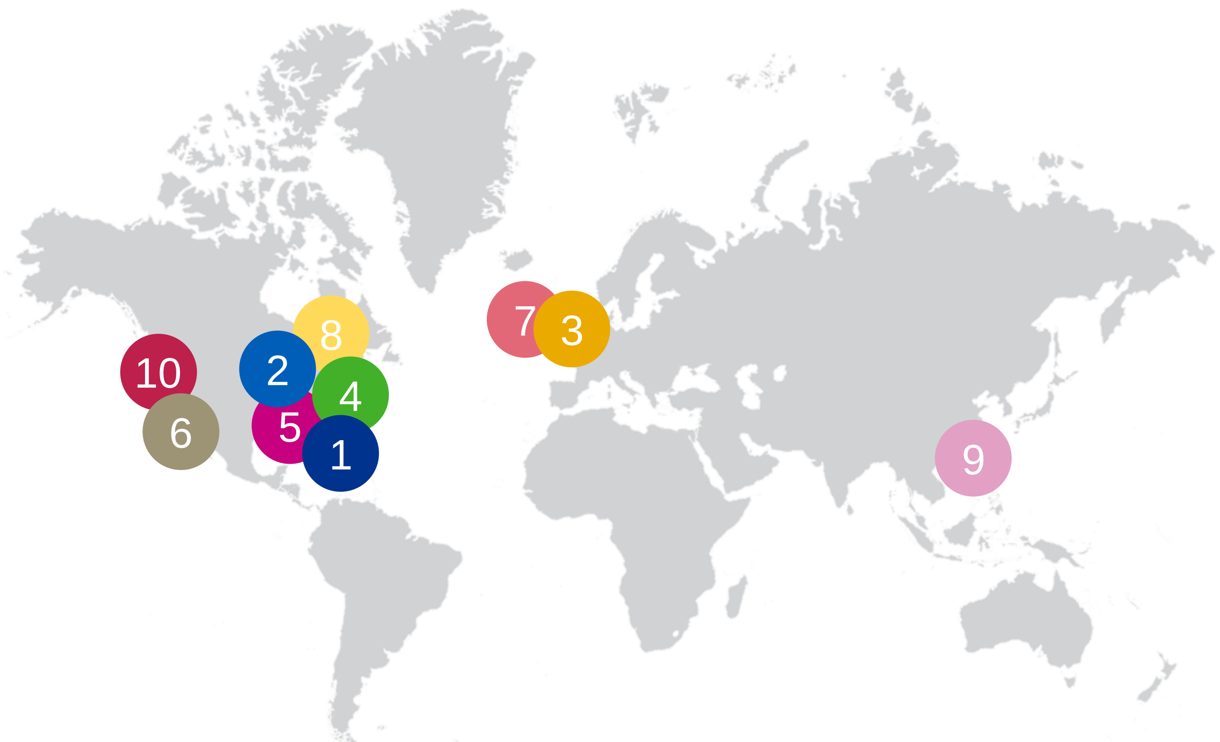
Company name	VC financing size ($M)	VC financing type	Lending focus	HQ city
Kabbage	$250	Series F	SME	Atlanta, GA
Dianrong	$220	Series D	P2P lending	Shanghai, China
Blend Labs	$100	Series D	Mortgage	San Francisco, CA
Wecash	$80	Series C	Credit assessment	Beijing, China
Solar Mosaic	$65	Series C1	Residential solar installations	Oakland, CA
Creditas	$50	Series C	Consumer lending	Sao Paulo, Brazil
Younited Credit	$47.7	Late-stage VC	P2P lending	Paris, France
Capital Float	$45.6	Series C	SME	Bengaluru, India

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Illustrating the degree to which the general online lending space is maturing, a variety of the largest venture financings in the overall space has been selected to showcase a variety of the segments attracting the most capital. As the table suggests, SME and P2P lending are seeing quite a few standout businesses attract plenty of VC.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Top 10 global fintech VC, PE and M&A deals in Q4'17



1 **Bankrate** — $1,440M, Palm Beach Gardens, FL
Consumer finance
Buyout

2 **BluePay** — $760M, Naperville, IL
Payments/transactions
M&A

3 **Trayport** — $726.5M, London, UK
Institutional/B2B
M&A

4 **Institutional Shareholder Services** — $720M, Rockville, MD
Institutional/B2B
Secondary buyout

5 **Access Point Financial** — $350M, Atlanta, GA
Lending
Buyout

6 **WePay** — $350M, Redwood City, CA
Payments/transactions
M&A

7 **TransferWise** — $280M, London, UK
Payments/transactions
Series E

8 **Planet Payment** — $257M, Long Beach, NY
Payments/transactions
Public-to-private buyout

9 **WeLab** — $220M, Hong Kong
Lending
Series B

10 **Affirm** — $200M, San Francisco, CA
Lending
Series E

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

In Q4'17, fintech investment in the Americas hit

$5.9B

across

168 deals

Fintech investment in the Americas remains strong

Overall fintech investment in the Americas rose slightly quarter-over-quarter despite a small decline in the number of fintech deals. Relative to the decline in deal volume across the technology sector, the number of fintech deals has remained relatively robust, if down from the peak levels seen in 2015 and 2014.

VC investment remains strong despite small decrease

VC investment in the Americas dipped slightly in Q4'17, although investment levels were relatively strong compared to previous quarters. Similar to general VC trends globally, the number of VC deals declined for the third-straight quarter. The largest decline in deals volume during 2017 occurred at the late stage deal level — somewhat surprising given the general trend in the VC market has been towards major declines in the number of angel and seed-stage deals. While the number of early stage deals has declined significantly since hitting a peak in Q1'15, it has remained relatively steady over the course of 2017.

The relative steadiness of angel and seed stage deals this year likely reflects the ongoing expansion of fintech into new areas, such as insurtech and regtech, although the longer-term decline has likely contributed to the decline in late-stage deal volume.

US dominates large deals again

The US continued to account for the vast majority of fintech deals this quarter, including the $1.4 billion buyout of Bankrate by Red Ventures, the $760 million acquisition of BluePay by First Data, and the $720 billion secondary buyout of B2B company Institutional Shareholder Services.

The US also accounted for nine out of ten of the top VC deals in Q4'17, including three $100 million+ deals: a $200 million raise by Affirm, a $103 million raise by Finova Financial and a $100 million raise by Bill.com. Only Brazil was able to crack the top 10 list of VC deals in the Americas — with a $50 million raise by lending firm Creditas, which provides loans backed by real estate or vehicles as collateral.

Artificial Intelligence becoming a pivotal technology behind fintech innovation

Over the past year, AI has become a major driver of innovation in the Americas, particularly in the US and Canada where investors have recognized the massive opportunities presented by AI to automate processes, such as regulatory compliance and reporting. Canada continues to make strides to become a global player in AI, driven by Canadian government support and the presence of strong AI innovators at several Canadian universities. In 2017, Canada-based Element AI raised $102 million, while a number of Canadian banks have also acquired AI startups.

Canadian fintech investment declines in Q4, while DH buyout skews annual results

Total fintech investment in Canada declined in Q4'17, although annual investment totals reached a record high even before counting a massive outlier deal in Q2'17: the $3.6 billion buyout of DH Corp.

While Canadians lag in fintech adoption compared to their US counterparts, the adoption rate is accelerating rapidly. Fintech hubs in Canada are also maturing at a rapid pace — a driver of increased attention from US investors, along with Canada's stable economy and low exchange rate.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Fintech investment in the Americas remains strong (cont'd)

Canadian government remains firmly behind fintech innovation

The Canadian government continued to show its commitment to the VC market and innovation in the country with the launch of its $400 million CAD Venture Capital Catalyst Initiative in Q4'17.

At a provincial level, regulators in Canada have also been keenly supportive of fintech. Both Quebec and Ontario have set up regulatory sandboxes to help fintech companies evolve. In Q4'17, blockchain-related companies were major benefactors of these sandboxes, with both Quebec-based Impak Finance and Ontario-based TokenFunder hosting Canada's first ICOs through their respective regulatory sandboxes.

Brazil gains attention from global investors

Brazil has long been seen as a target for international investors, particularly in the fintech space given the country's significant population of unbanked and underbanked individuals. Despite a significant degree of ongoing political and economic uncertainty, fintech investment grew in Q4'17 in Brazil.

Global investment was the primary driver of Brazil's increase in fintech funding. In December, Brazil-based lending firm Creditas held a $50 million funding round led by Sweden-based Vostok Emerging Finance. Vostok Emerging Finance also led Brazil's second-largest investment of Q4'17, a $39 million raise by mobile banking provider GuiaBolso in October.

Trends to watch for in 2018

Across much of the Americas, insurtech, regtech, AI, IoT enablement and blockchain are expected to grow on the radar of fintech investors. Corporate investment is also expected to remain strong, with M&A growing increasingly attractive as fintech offerings mature and increasingly provide opportunities for traditional financial institutions to expand into nearby adjacencies.

In Brazil and Latin America, 2018 is expected to bring continued investment and interest in the fintech space, particularly from global investors. Payments, remittances, and lending are expected to remain critical focus areas in Latin America due to the high number of underbanked and underbanked in the region.

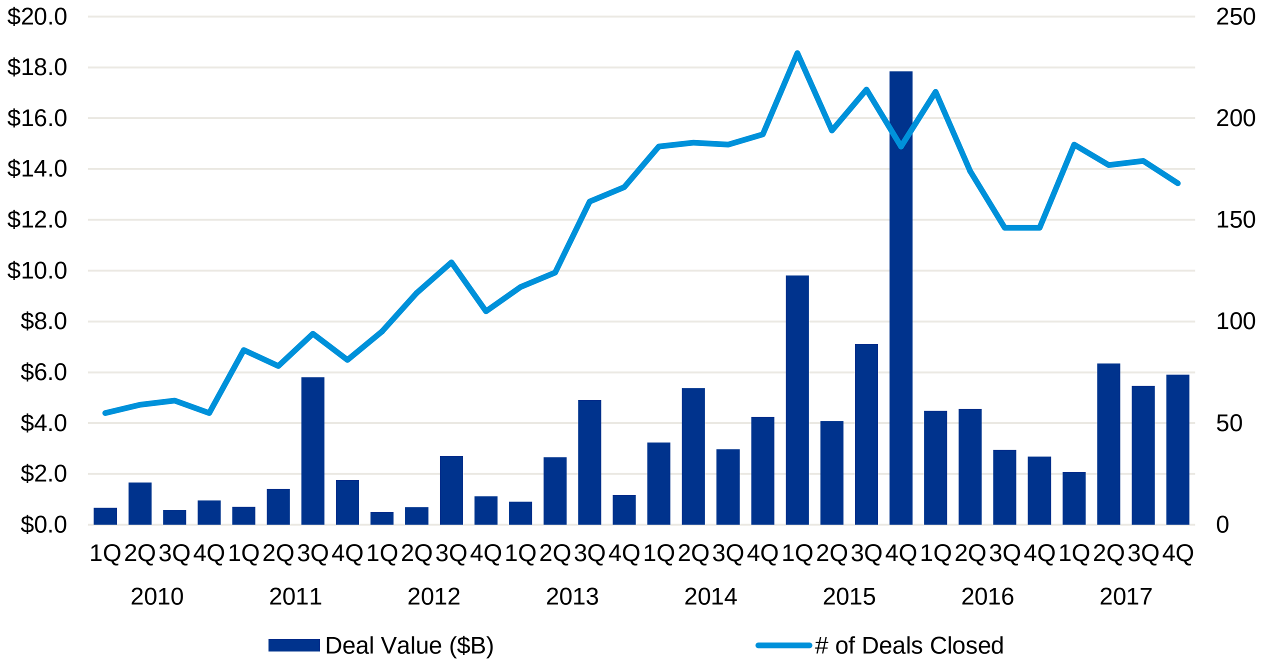
All currency amounts are in USD, unless otherwise specified, data provided by PitchBook.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Activity overall steadies throughout 2017

Fintech VC, PE and M&A activity in the Americas

2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

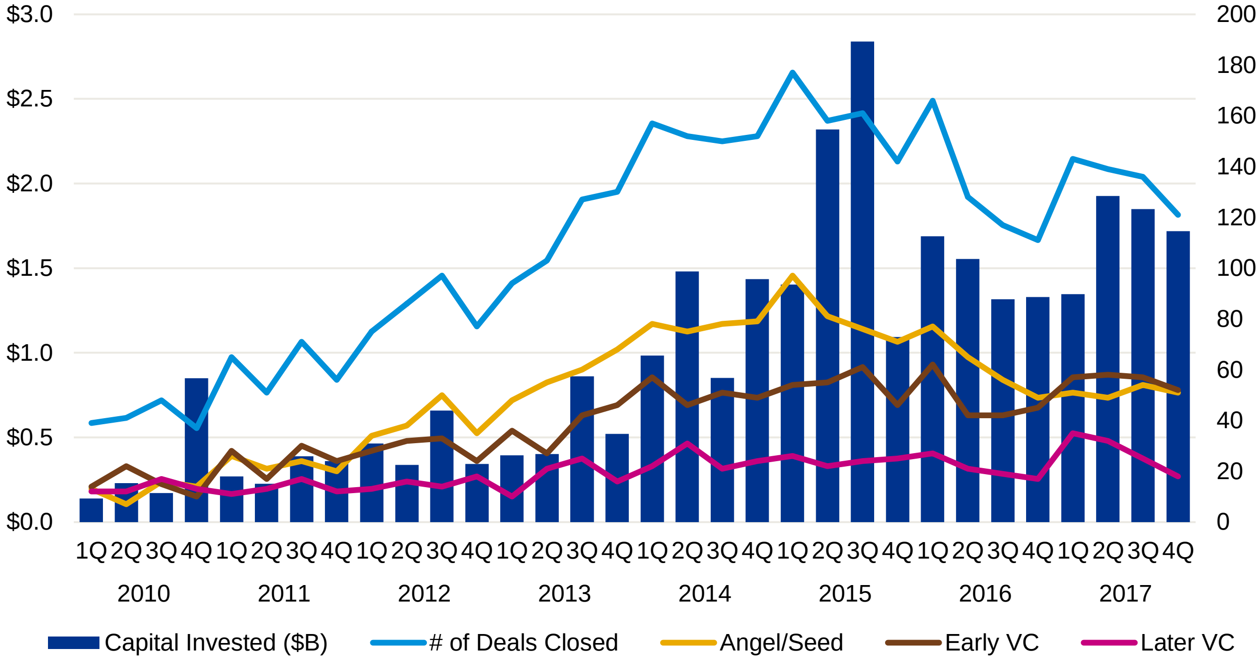
Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

As the final quarter closed, it became clear that although slightly below prior years' heights, 2017 investment activity in fintech had steadied at a historically elevated rate, speaking to the continued drivers within the sector encouraging not only M&A but ongoing VC appetites.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Has VC activity entered a new normal?

Venture investment in fintech companies in the Americas
2010 – Q4'17



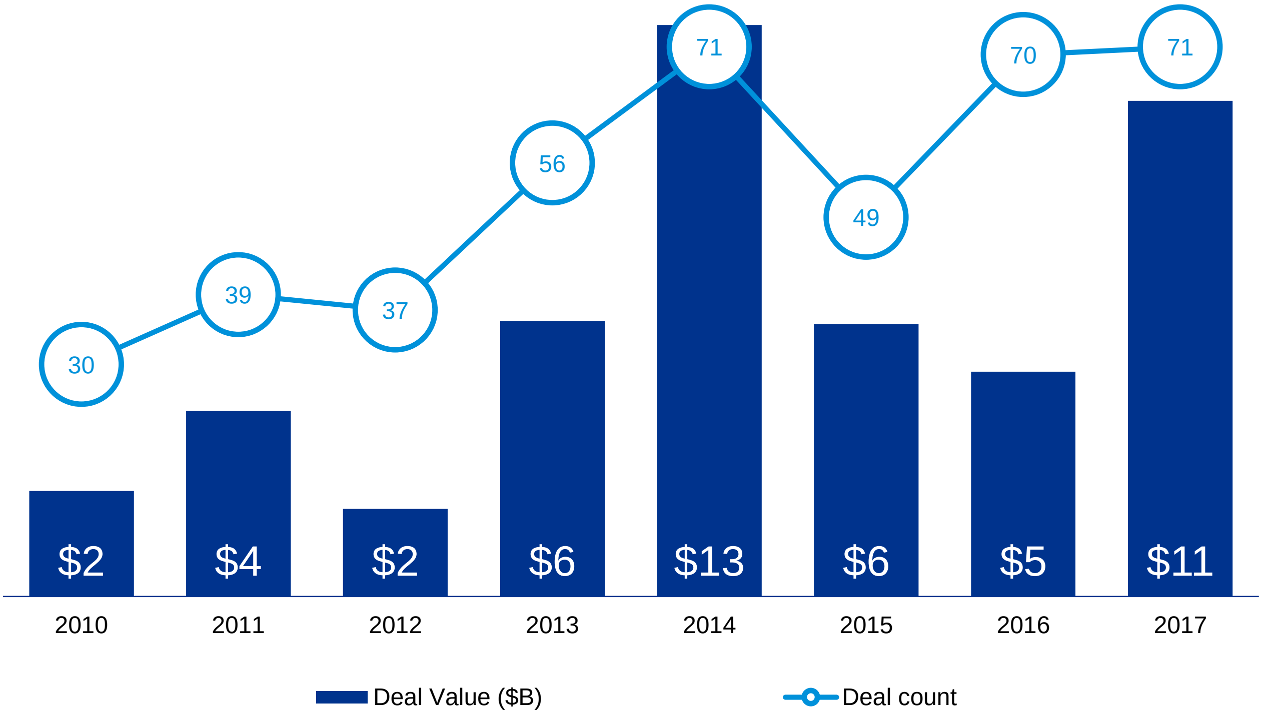
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), February 13, 2018.

Much of the downturn in fintech venture activity in the Americas since 2015 can be attributed to a consistent diminishing of completed transactions at the angel and seed stages. Although that trend is consistent with the overall venture market observed worldwide, it is important to note that fintech is also maturing as a sector, and accordingly competition within segments and round sizes has grown as larger businesses dominate key areas. Consequently, the earliest stage of VC financing may see fewer deals in particular fintech segments such as online lending and experience a volume decline overall.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

2017 stays on par with 2016, holding strong

Fintech PE activity in the Americas
2010 – 2017



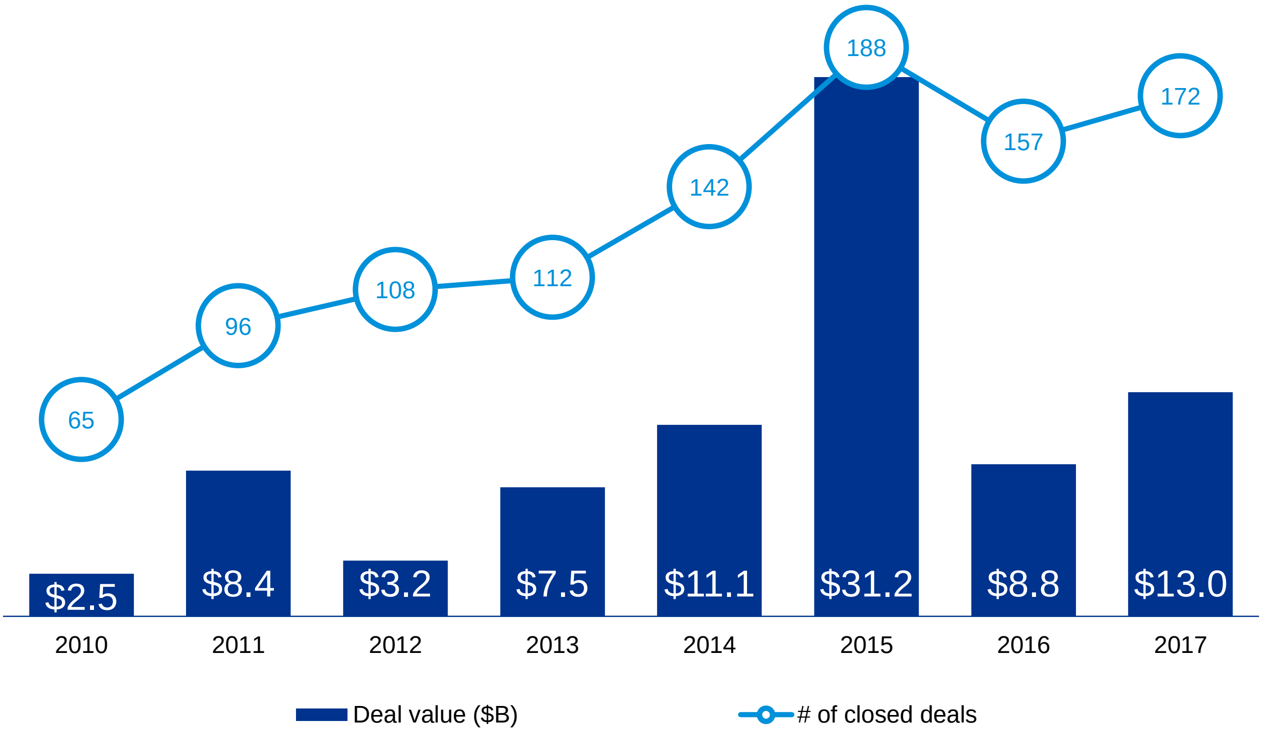
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Thanks to mega-deals such as Access Point Financial's management buyout and DH Corp.'s add-on, 2017 saw a remarkable surge in overall buyout value, even as deal volume stayed steady.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

A resilient year for M&A

Fintech M&A activity in the Americas
2010 – 2017



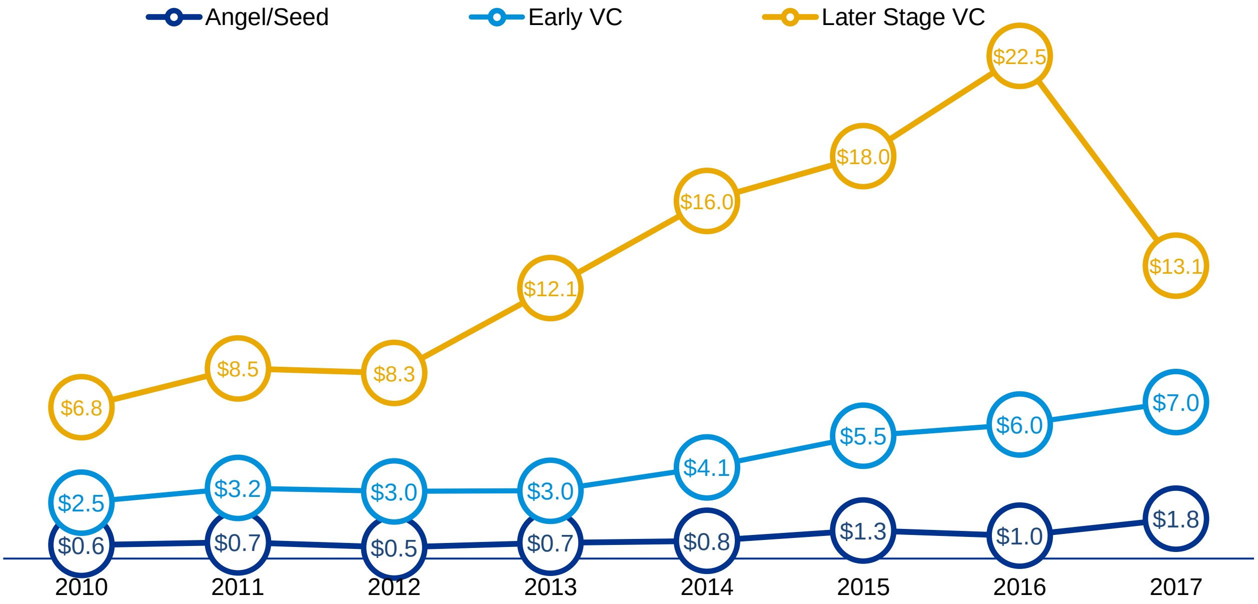
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

As predicted in the penultimate edition of the Pulse of Fintech, the M&A cycle in fintech is hardly on a major decline, but rather was set to experience at least a very healthy 2017 on the whole. As yearly figures reveal, the Americas, due in large part to the robust US market, saw the second-highest tally of completed M&A transactions and aggregate deal value in fintech of the decade.

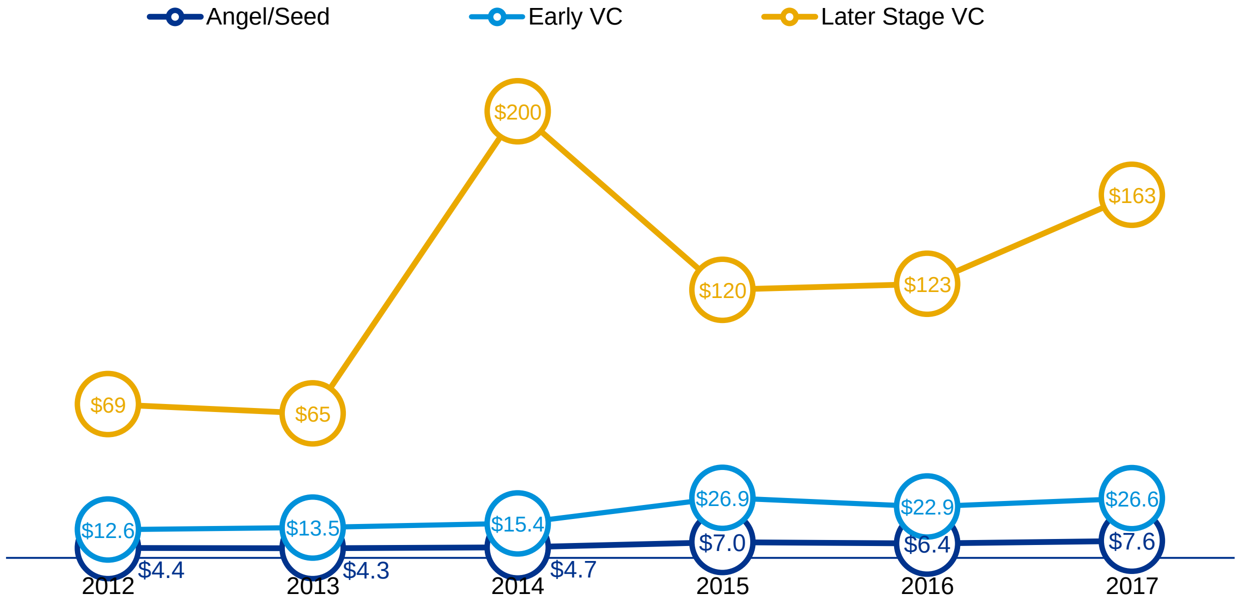
© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Skewed by outliers, valuations rebound

Median fintech venture financing size ($M) by stage in the Americas
2010 – 2017



Median fintech venture pre-valuation ($M) by stage in the Americas
2012 – 2017

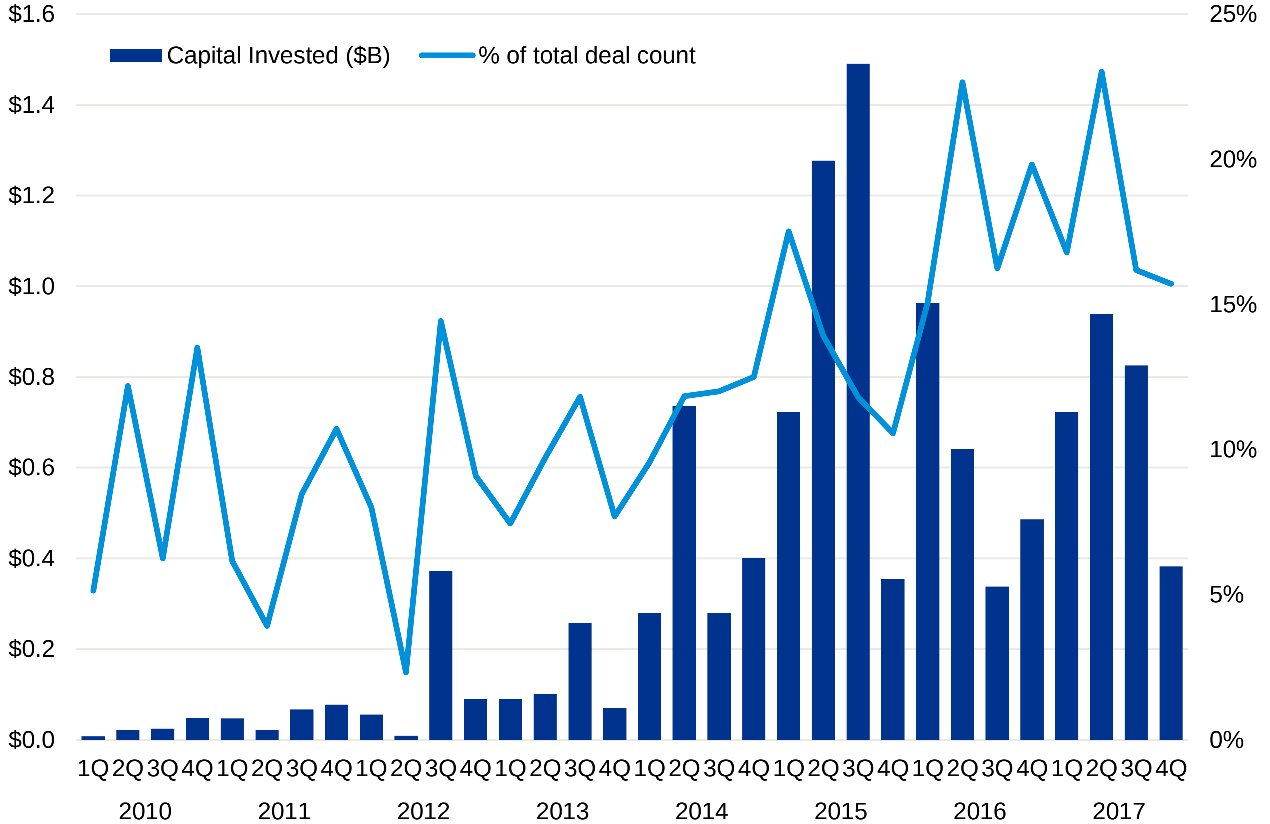


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

CVCs remain integral to overall fintech VC

Fintech VC activity in the Americas with corporate participation
2010 – Q4'17



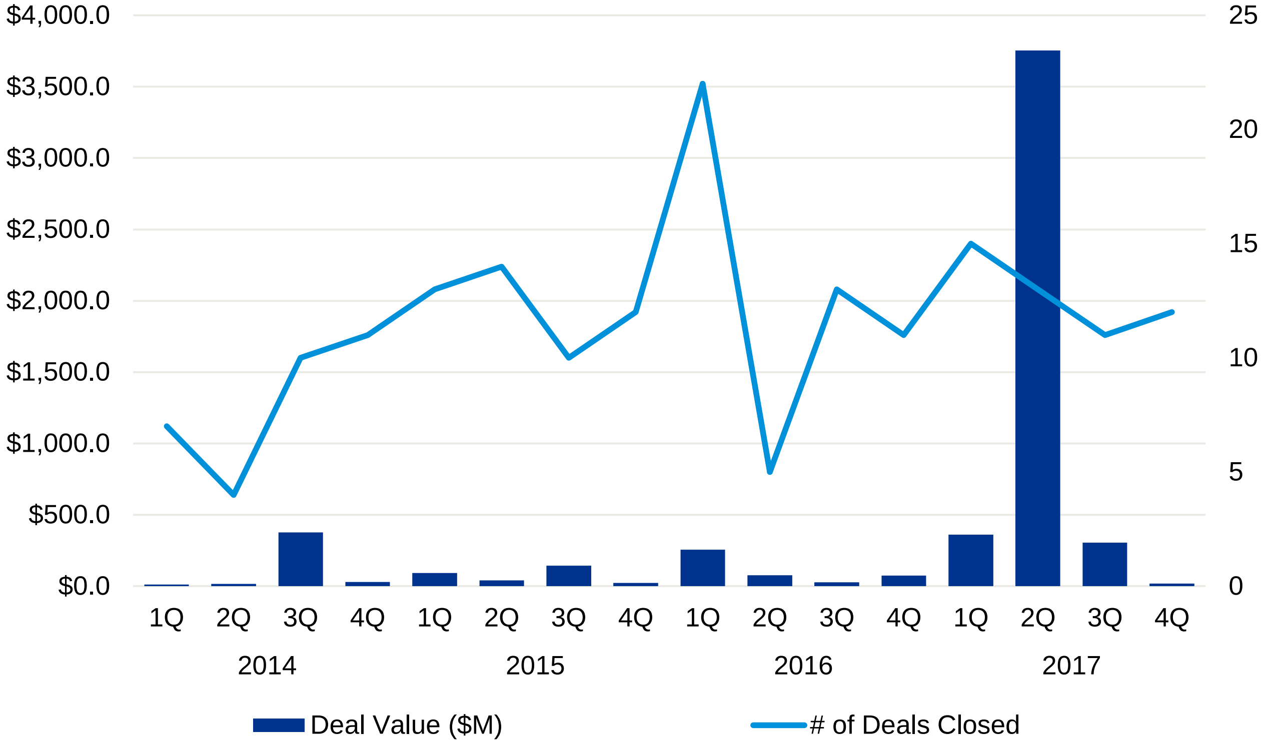
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

The volatility inherent in quarterly figures depicted above is attributable to the variety of corporate venture arm incentives, and that the Americas' venture market is sufficiently developed to the extent CVC arms do not prop up activity similar to other regions. Overall, CVCs have remained more active within fintech, aligning with the overall trend of increased corporate venture participation across multiple sectors as their differing incentives and resources prompt sustained activity.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Canada maintains consistent clip in Q4

Fintech VC, PE and M&A activity in Canada
2014 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

It is worth noting that the massive surge in deal value in Q2'17 was due to DH Corp.'s mega-buyout, but even discounting that, although the Canadian fintech market remains characterized by small deal value tallies, activity has remained remarkably consistent for some time now.

"Canada is a hotbed for fintech innovation, with increasingly solid fintech hubs, a number of world-class fintech innovators and strong governmental support. Canadian banks are also deeply engaged with fintech players and constantly thinking about how they can deploy fintech within their organizations. It's no surprise PE and VC firms south of the border are looking to Canada for deal opportunities."

John Armstrong
National Industry Leader, Financial Services
KPMG in Canada

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

In Q4'17, US fintech companies received investment of

$5.8B

across

149 deals

Fintech investment in the US rises for third-straight quarter

2017 ended on a high note with respect to US-based fintech investment, with a third straight quarter of increased investment. The $5.8 billion invested across 149 deals seen during Q4'17 was the US's highest quarter of fintech investment outside of 2015.

Both total deal volume and VC-specific deal volume decreased somewhat during Q4'17, although the decline was relatively modest compared to the decreasing number of deals seen in the technology sector.

PE activity rising dramatically in the US

A strong US economy helped to boost interest and investment in the fintech space during Q4'17. The growing maturity of key sub-sectors within fintech, such as payments and lending, has also led to larger deals, and increased interest by private equity (PE) firms and corporates interested in making strategic acquisitions. PE investment skyrocketed during Q4'17, accounting for $3.4 billion in deals activity – the second-highest quarter of PE investment in fintech on record.

Corporates focusing on strategic plays, including M&A

With different fintech areas maturing and an increasing number of financial institutions making digital innovation a priority, it was not surprising to see a strong uptick in the number of M&A deals during 2017.

Both traditional corporates and some more mature fintech companies in the US see strategic acquisitions as a ready means to make leaps in innovation, bridge operational or service gaps, or expand. For traditional financial institutions, a buy approach also ensures they have feet on the ground with respect to innovation and better access to knowledge as to how the fintech ecosystem will continue to evolve.

B2B fintech solutions gaining additional traction

B2B solutions attracted a significant amount of attention from US investors during 2017, particularly from corporate investors that have taken a 'buy versus build' approach to building out their B2B service offerings. In Q4'17 alone, First Data acquired payments processor BluePay for $760 million, while JPMorgan Chase acquired payments firm WePay for $350 million and Jack Henry & Associates acquired payments firm Ensenta for $130 million.

Insurtech investment becoming a priority

While payments and lending focused companies continued to dominate fintech investment in the US, other areas also gained some attention this year. Insurtech, in particular, gained more traction among investors given the operational challenges faced by traditional insurance companies and the ready applicability of innovative solutions (e.g. AI, machine learning, IoT, blockchain) to the insurtech space. Early movers in insurtech have also recognized some of the limitations associated with one-solution offerings and have begun to move into adjacencies. For example, Trov recently partnered with Waymo to provide on demand passenger insurance for autonomous cars.

Fintech first-time financings reach new investment high

Despite a decrease in the number of first time financings in the US fintech sector, actual investment in first-time financings for fintech companies reached a new high of $478 million, eclipsing even 2015's previous high of $457 million. This focus suggests that, similar to investment trends more broadly, fintech investors in the US are focusing their early stage investments on companies with strong business models and paths to profitability.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Fintech investment in the US rises for third-straight quarter (cont'd)

Increasing attention on hybrid robo-advisory

In Q4'17, the US continued to see a shift from pure play robo-advisory offerings to hybrid models involving some human interaction. Even market leaders such as Betterment — once a pure play robo-advisory wealth management provider — have moved to offer hybrid wealth management solutions in order to compete.

Over the last few quarters, traditional financial institutions and asset managers have also been working to develop their own platforms. In Q4'17 Morgan Stanley launched its Morgan Stanley Access Investing platform — a robo-enabled solution designed to help investors with less complex needs. The move is expected to help the company extend the reach of its advisors to their existing high net worth clients' children.

Use of blank check companies expanding to fintech

2017 saw an increase in the use of blank check companies in the fintech space. In Q4'17, blank check company FinTech Acquisition Corp raised $153 million with the intent to make a fintech focused acquisition, while another blank check company, Crescent Funding, recently announced plans for a $250 million IPO in early 2018 in order to acquire a fintech business. It will be interesting to watch how these companies proceed over the next 12-24 months (given the two-year timeframe for making investments) in order to understand the potential role of blank check companies in fintech funding in the future.

Digital mortgages picking up steam

During the second half of 2017, the US started to see interest in digital mortgages accelerate. Mortgages are considered to be an area ripe for digital disruption given processes are currently cumbersome and labour intensive. Earlier this year, digital mortgage company Blend raised a $100 million funding round. It also recently announced new partnerships with Wells Fargo and US Bank. This area is expected to remain hot over the next few quarters as other lenders begin to reimagine their mortgage processes.

Trends to watch for in 2018

Recent tax reforms in the US should bode well for fintech investment heading into 2018. There is likely to be a significant amount of M&A activity in the space driven by the impact the reduction in corporate tax rates will have on the balance sheets of banks and other traditional financial institutions.

Regulations in the US will also be an area to watch over the next year, particularly given the new Comptroller of the Currency in the US is supportive of the creation of a fintech specific national banking charter.

US banks are also carefully monitoring developments around PSD2 in Europe. PSD2 requires financial institutions to grant third party providers access to customer account information. While there hasn't been a regulatory mandate along these lines in the US to date, many banks are proactively looking at opening up their platforms to enable APIs with the goal of facilitating experimentation and product development opportunities with fintech partners.

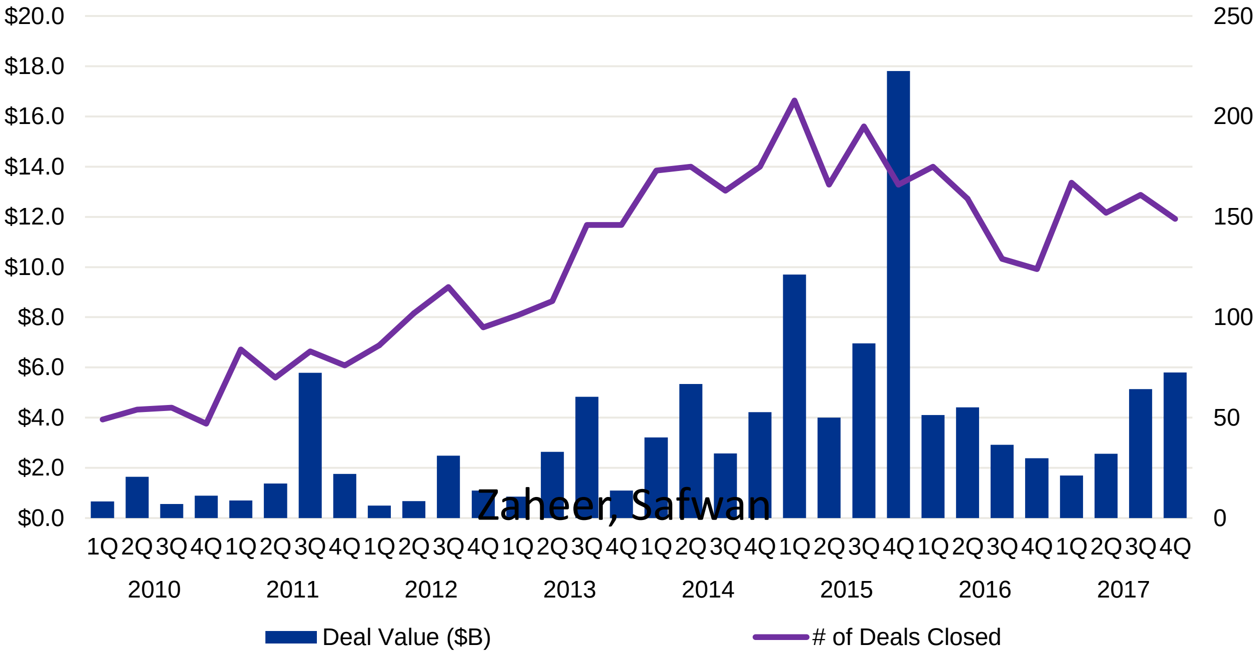
In terms of sub-sectors, payments and lending will likely remain key areas of investment, while areas like insurtech and B2B solutions will continue to grow at a rapid pace. There will also likely be a continued emphasis on leveraging fintech in order to move into adjacencies.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Deal value climbs steadily back upward in 2017

Total US fintech investment activity (VC, PE and M&A) in fintech companies
2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

On a quarterly basis, 2017 reversed the decline in aggregate deal value observed throughout much of 2016, gradually rebounding to one of the higher quarterly totals on record. In tandem with the steady transactional volume in 2017, it is clear that a variety of drivers is encouraging overall investment within the US, as VCs continue to back proliferating niches of fintech and consolidation proceeds apace by incumbents among giant banking systems and PE buyout shops.

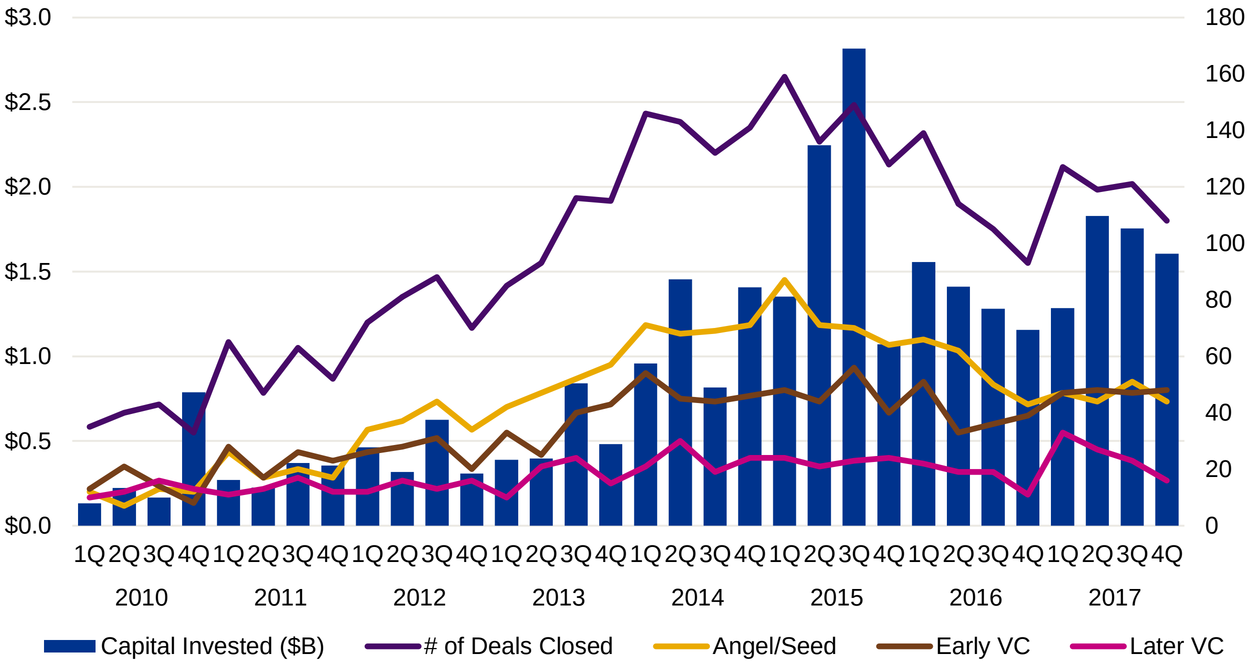
"AI continues to be a hot area for fintech investment, in part because of its widespread applicability. Regulatory reporting and compliance is likely to be the next major target for AI-driven innovation given how manual and friction-full those processes are for many financial institutions."

Safwan Zaheer
Director, Financial Services Digital & US Fintech Lead
KPMG in the US

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Overall VC trends affecting fintech to a degree

Venture investment in fintech companies in the US
2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

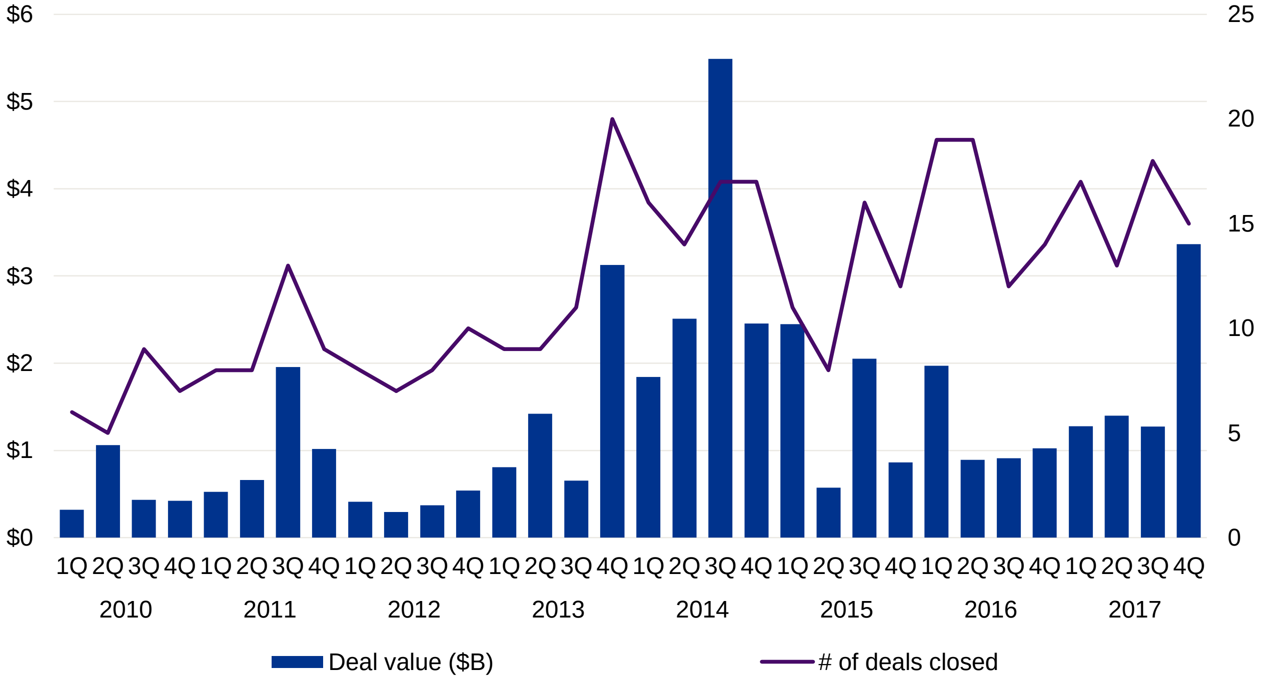
To set the context, the venture market on the whole is still underpinned by significant amounts of dry powder, which are contributing to overall high prices and aggregate VC invested tallies. Fintech is no different, yet unlike the broader venture market in the US, fintech appears to be observing a steady rate of angel, seed and early-stage financings in tandem with a late-stage slide, even as VC invested stays very robust. That suggests that the fintech space in the US is seeing winners emerge in key segments of fintech even as newer niches and use cases emerge for earlier-stage firms to back.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

PE closes 2017 on a high note

Fintech PE activity in the US

2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

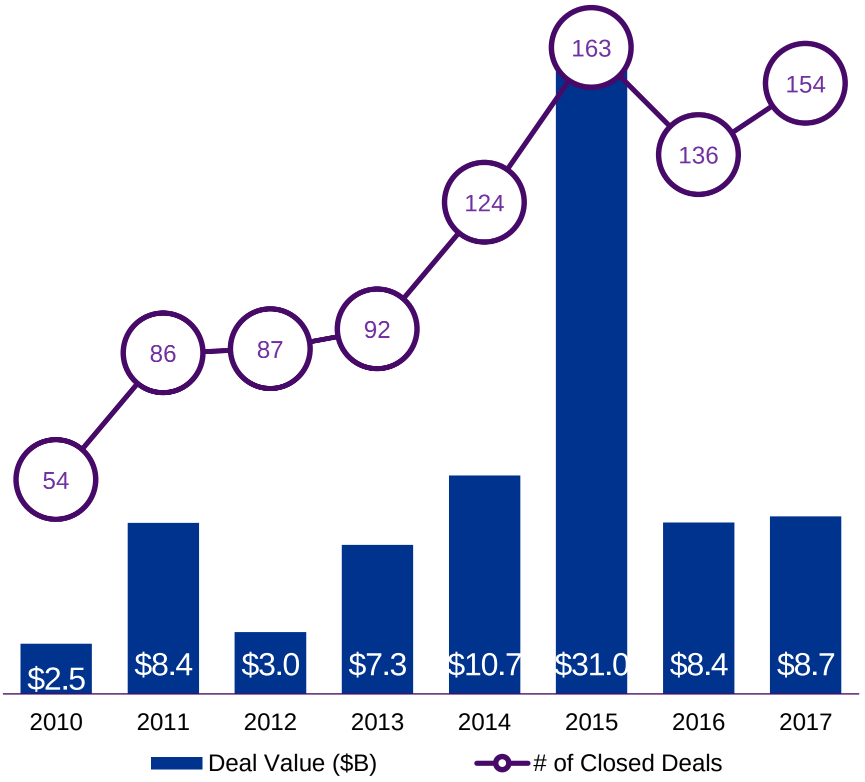
Fintech's contribution to PE's intensifying pursuit of technology firms in general in the US has not been massive, yet still significant. PE buyout funds with clear-cut technology investing theses have gotten involved in fintech businesses of late, while more generalist PE firms are looking to maintain broad exposure and, boasting financial services' expertise, are able to rationalize acquisitions of fintech companies.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

M&A cycle below past heights, still ends strong

Fintech M&A activity in the US

2010 – 2017



As noted in the prior edition of the Pulse of Fintech, the overall M&A cycle is still historically quite strong, yet definitively is on the wane, and fintech is seeing a relatively similar trend overall, barring an uptick on a yearly basis in overall tallies. That is due primarily to fintech's unique drivers of increased consolidation among companies looking to replace legacy technology systems or achieve synergies while neutralizing potential competition.

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

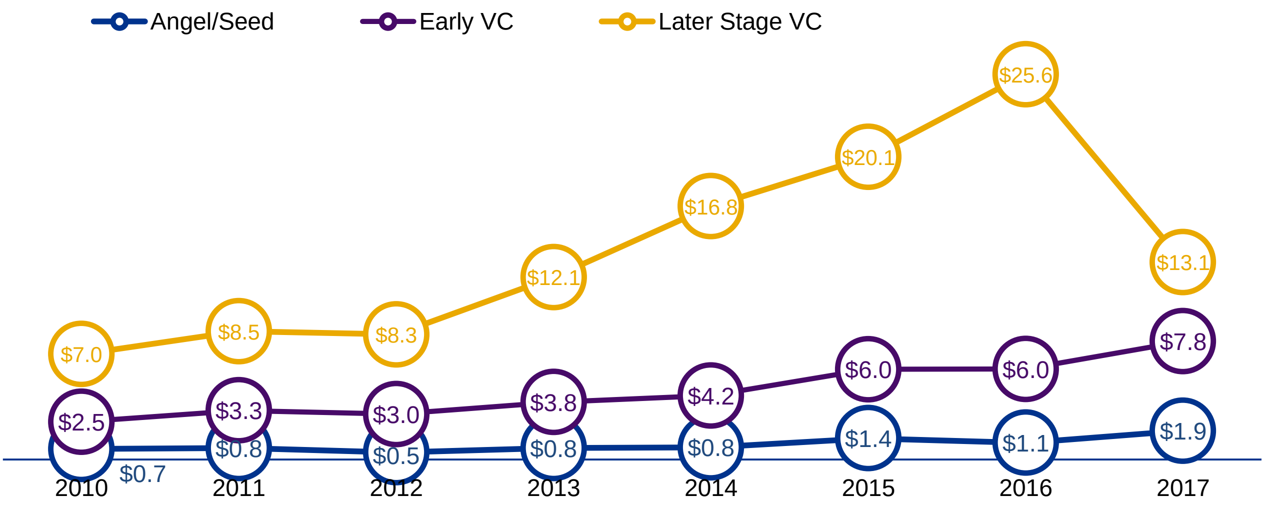
"We are seeing the more mature fintechs, the ones that have achieved a certain scale, now looking to branch out into new service areas and complement their core offerings through inorganic growth. They are starting to invest in and acquire small fintechs themselves. This is a new dynamic in the fintech funding space, but one we will continue to see moving forward."

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

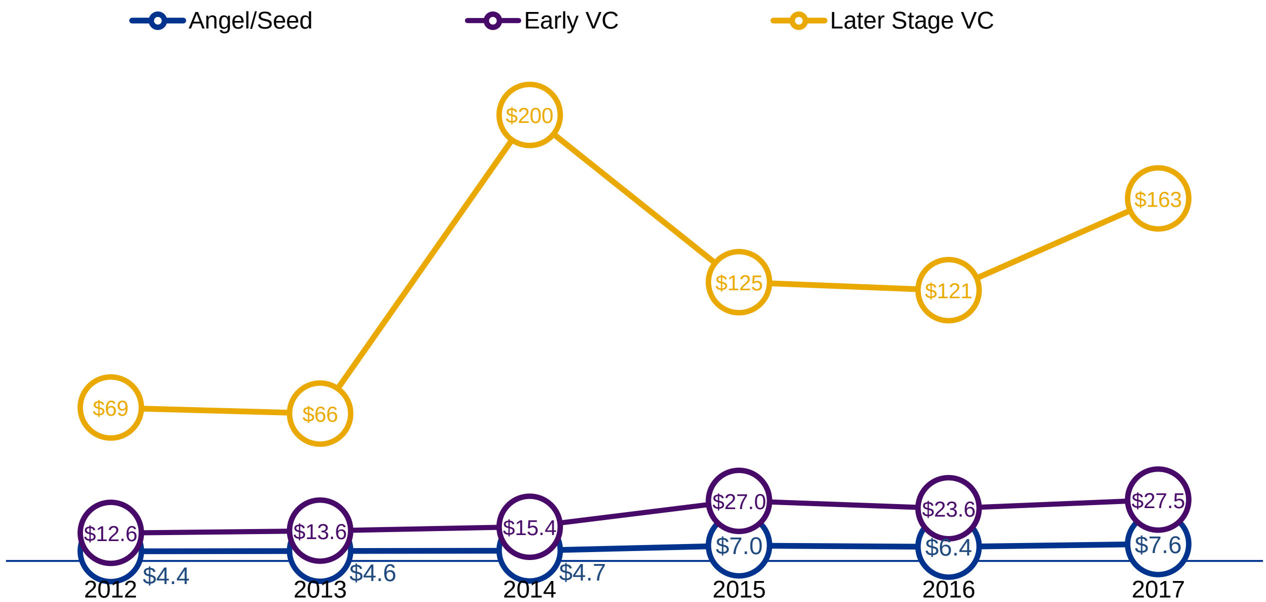
© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Earlier-stage valuations remain healthy, as late-stage jumps back upward once more

Median fintech venture financing size ($M) in the US
2010 – 2017



Median fintech venture pre-valuation ($M) in the US
2012 – 2017

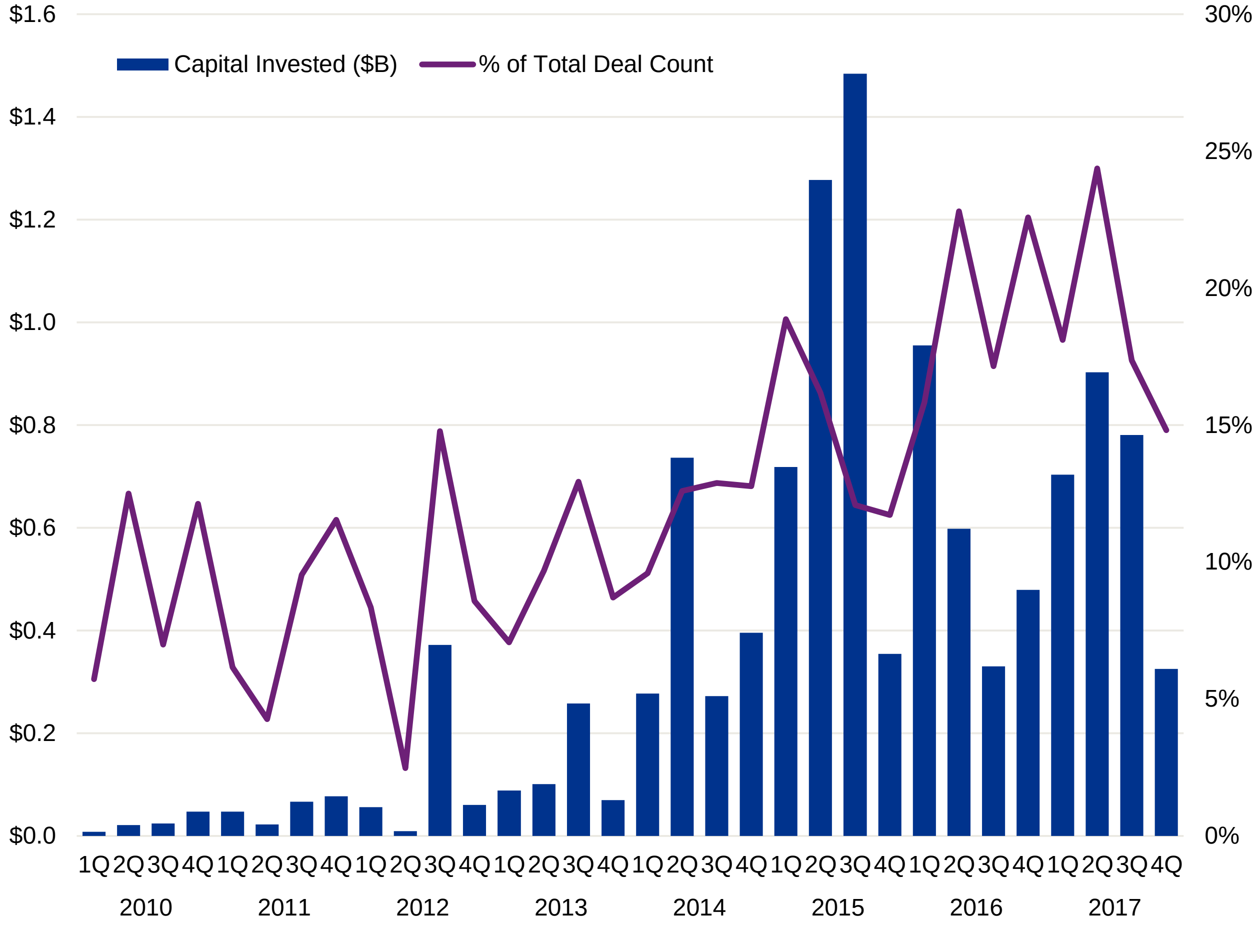


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

CVC fades as the year winds to a close

Fintech venture capital activity in the US with corporate venture participation
2010 – Q4'17



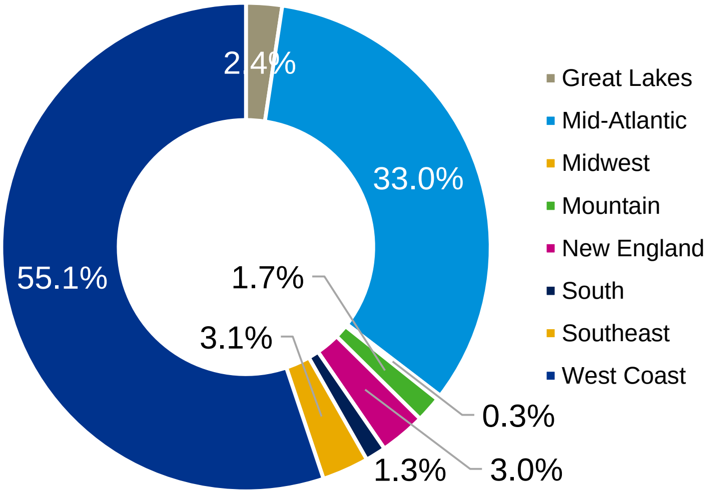
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Activity slowly shifts back toward the West Coast

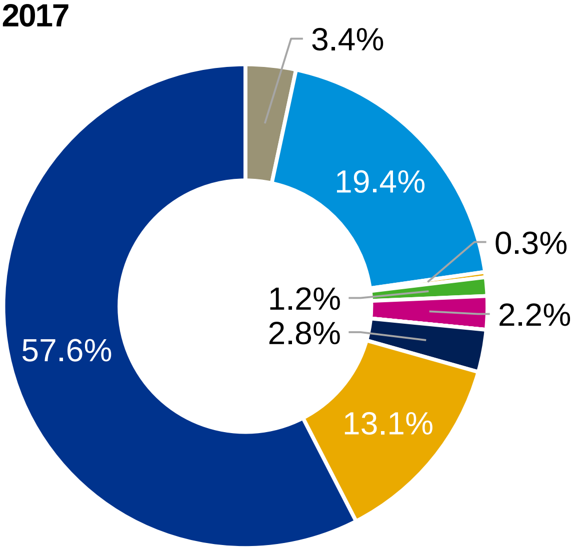
Fintech venture investment (#) in the US by region

2016



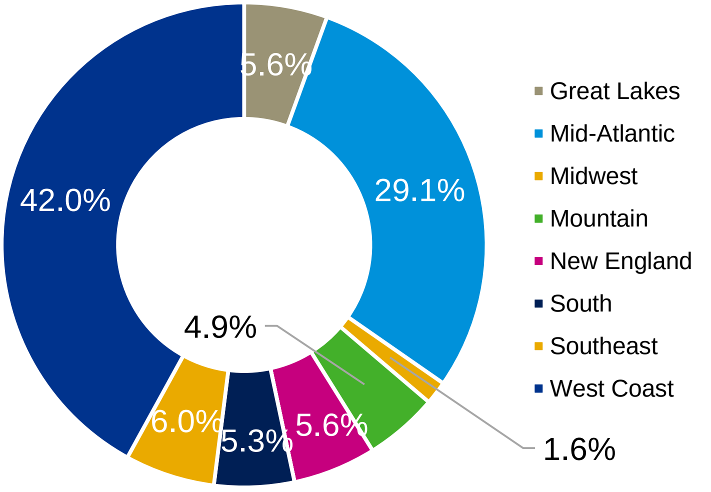
Fintech venture investment (#) in the US by region

2017



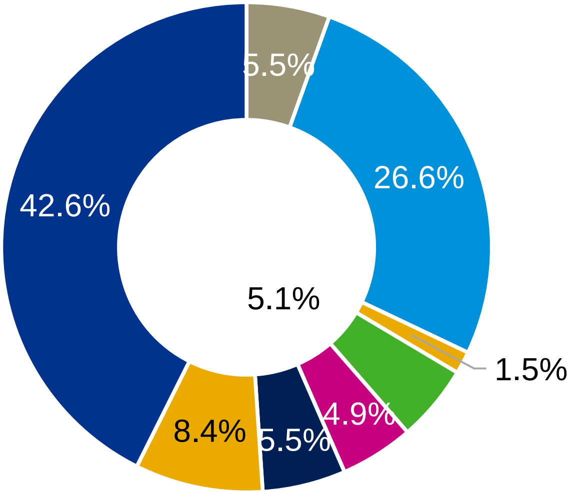
Fintech venture investment ($) in the US by region

2016



Fintech venture investment ($) in the US by region

2017



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Signifying emerging niches, first-time VC invested resurges

First-time financings of fintech companies in the US

2010 – Q4'17

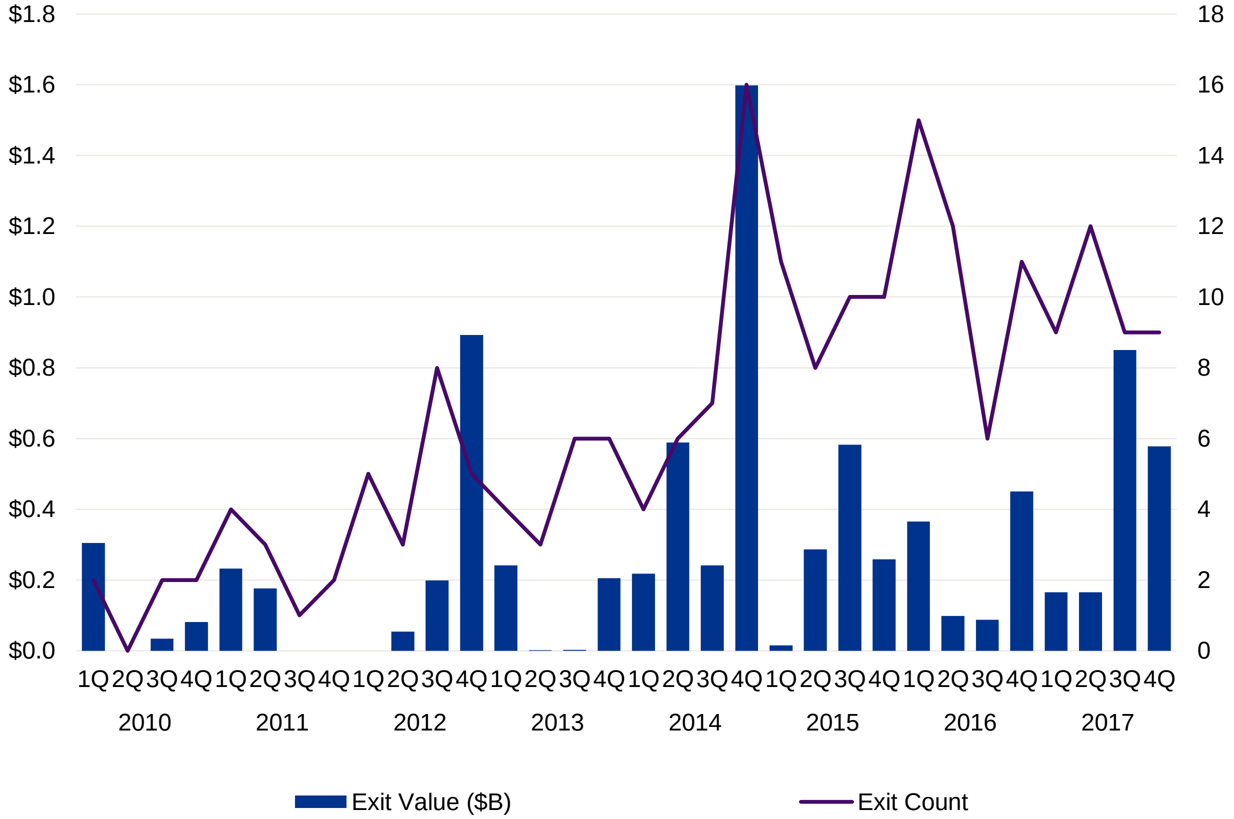
Even though the tally of completed first-time financings of fintech enterprises remains muted, VC invested closed 2017 on a record note. Although part of that is due to outliers, it is key to note that there are also what could be dubbed second-generation fintech opportunities emerging as concrete applications of machine learning are utilized in price discovery, comparison shopping and more across various financial services segments. Consequently, more VCs are willing to pour plenty of dollars into fledgling startups, though it should be noted overall price inflation is also contributing.

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

2017 sees steady clip of exits emerge

Venture-backed exits of US fintech companies
2010 – Q4'17

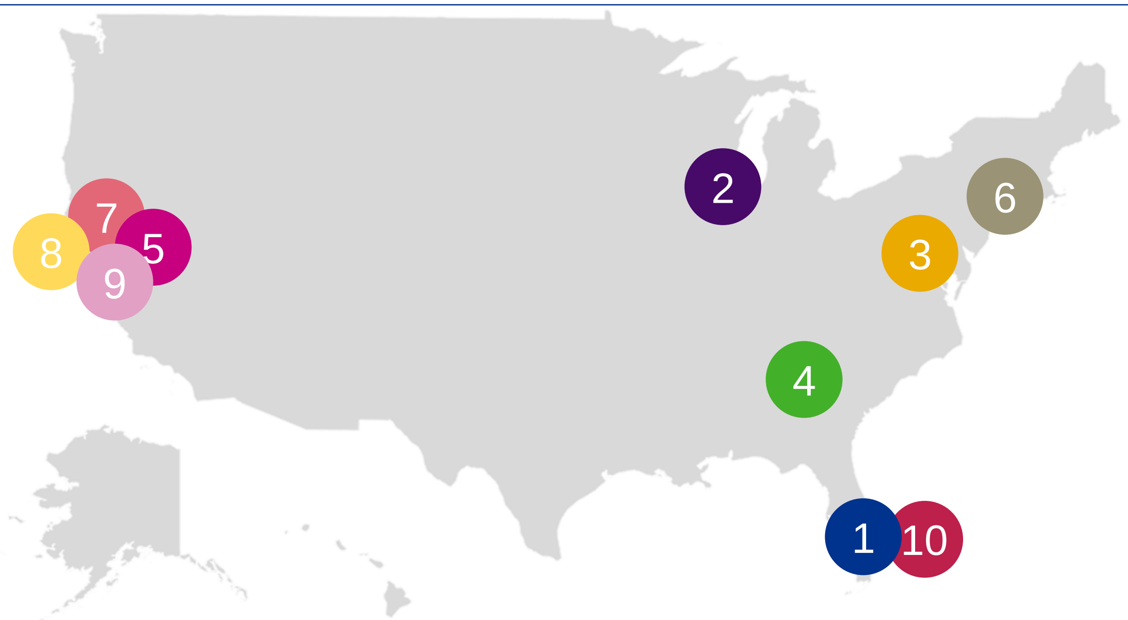


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018

As the US is the most developed venture market, it can also experience the earliest emergence of venture-backed portfolio companies readying to undergo liquidity events. Accordingly, fintech has seen a steady clip with considerable variation since the end of 2014, as the space is still maturing overall. 2017 still experienced considerable variation, yet there are hints stability is emerging in the pace of quarterly exit tallies.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Top 10 US fintech VC, PE and M&A deals in Q4'17



1. **Bankrate** — $1,440M, Palm Beach Gardens, FL
   Consumer finance
   Buyout
2. **BluePay** — $760M, Naperville, IL
   Payments/transactions
   M&A
3. **Institutional Shareholder Services** — $720M, Rockville, MD
   Institutional/B2B
   Secondary buyout
4. **Access Point Financial** — $350M, Atlanta, GA
   Lending
   Buyout
5. **WePay** — $350M, Redwood City, CA
   Payments/transactions
   M&A
6. **Planet Payment** — $257M, Long Beach, NY
   Payments/transactions
   Public-to-private buyout
7. **Affirm** — $200M, San Francisco, CA
   Lending
   Series E
8. **Earnest** — $155M, San Francisco, CA
   Lending
   M&A
9. **Ensenta** — $130M, Redwood City, CA
   Payments/transactions
   M&A
10. **Finova Financial** — $102.5M, Palm Beach Gardens, FL
    Lending
    Series D

Source: Pulse of Fintech Q3'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.
*Note: In the prior edition of the Pulse of Fintech, the closing date of Access Point Financial was assumed to be in Q3 given all available data; since then, some confidential information has been disclosed which revealed that the transaction's official closing date was officially pushed forward into Q3.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

In Q4'17, investment in fintech companies in Europe hit

$2.05B

across

94 deals

VC fintech funding in Europe reaches record high

Fintech investment in Europe rose above $2 billion in Q4'17, highlighting the region's growing maturity with respect to fintech innovation and the ongoing evolution of numerous fintech hubs. VC investment in particular achieved a record during the quarter, nearing $1 billion.

Diversity key to the strength of Europe's fintech sector

The European fintech market is one of the most mature in the world. While the UK remained the standout fintech hub in the region during 2017, many other fintech hubs continued to evolve. In Q4'17, Sweden made some of the biggest waves with insurtech company BIMA and payments firm iZettle both raising significant funds. France also saw one of the region's biggest deals during the quarter — a buyout of credit risk company Tinubu Square.

PSD2 becoming an imperative, expected to drive major transformation

The implementation of PSD2 loomed large on the agenda of financial institutions and fintech companies during the final quarter of 2017. The quarter saw banks across Europe working to address the open data requirements, while fintech companies have increasingly looked for ways to take advantage of the coming regulatory changes.

The next year will be critical as fintech investors in Europe evaluate the potential for transformative change following PSD2 implementation.

Challenger banks targeting expansion

Challenger banks in Europe matured this year, with companies acting aggressively to raise funds to increase their market share and fuel growth. After acquiring a banking license earlier in 2017, UK-based Monzo raised its largest funding round to date in Q4'17: $94 million aimed at improving its products and expanding its customer base. Other challenger banks have made similar moves — focusing on expansion across Europe and, in the case of Germany-based N26 — to the US. The next 12 months are expected to bring some consolidation in the challenger banking space as leaders become more clear and others fall by the wayside.

Insurtech evolving at a rapid rate in Germany

Focus on insurtech grew across Europe during 2017 with Germany in particular seeing numerous advances in the space. Traditional insurers in Germany have increasingly recognized the importance of digital transformation and have begun making significant investments in fintech companies and in the development of the insurtech ecosystem through support of accelerator and incubator programs. Insurtech hubs have also started to evolve in different parts of Germany, including Cologne and Munich.

Germany has seen a number of unique initiatives in the insurtech space in recent months, including a growth in partnerships between banks and insurtech companies — such as Deutsche Bank's recent partnership with Friendsurance. A number of fintechs have also been examining ICOs as a potential means of raising funds.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

VC fintech funding in Europe reaches record high (cont'd)

UK fintech market continuing to show resilience

Fintech funding in the UK continued to show incredible resilience during Q4'17 given the ongoing uncertainties related to Brexit. The UK saw an eight-quarter high level of fintech funding — accounting for $1.6 billion of the region's fintech investment. The relative maturity of the UK fintech market likely helped keep the UK front and centre for fintech investors during 2017, while a positive regulatory climate and strong fintech ecosystem contributed to the attraction of new startups,

Several late stage companies raised large VC rounds during Q4'17, including TransferWise ($280 million) and Monzo ($94 million). M&A also was a big ticket in the UK during the quarter, with Trayport's $727 million acquisition by TMX group, Playtech's $150 million acquisition of TradeTech Alpha, and JustGiving's $127 million acquisition by Blackbaud. Fintech investment in the UK, however, was not limited to mature companies. London-based Salary Finance raised a $53 million in an early stage funding round — one of the top ten largest deals in Europe during Q4'17

Regtech focus growing in Israel

Israel continued to be a strong hub of fintech innovation, particularly around cybersecurity and compliance. While 2017 was not seen as a major year for investment, it was characterized as a building year — with larger companies preparing to make deeper investments heading into 2018. Regtech and compliance solutions joined AI as hot areas for fintech investment in Israel, while insurtech interest also grew, particularly around claims management and underwriting.

Blockchain collaboration growing across Europe

Blockchain continued to be a key focus of investment in Europe during Q4'17, with a number of big banks — including Deutsche Bank, Unicredit, KBC, Rabobank, Societe Generale and others — deciding to work together on a blockchain enabled smart contracts solution. The intent of this collaboration is to improve cross border trade payments particularly for small businesses.

Trends to watch for in 2018

2018 is expected to be a banner year for fintech investment in Europe, given the ongoing implementation of PSD2 and its expected ramifications on the future of financial services in the region. In tandem with the increasing regulations, regtech and compliance offerings will likely begin to gain traction among European fintech investors.

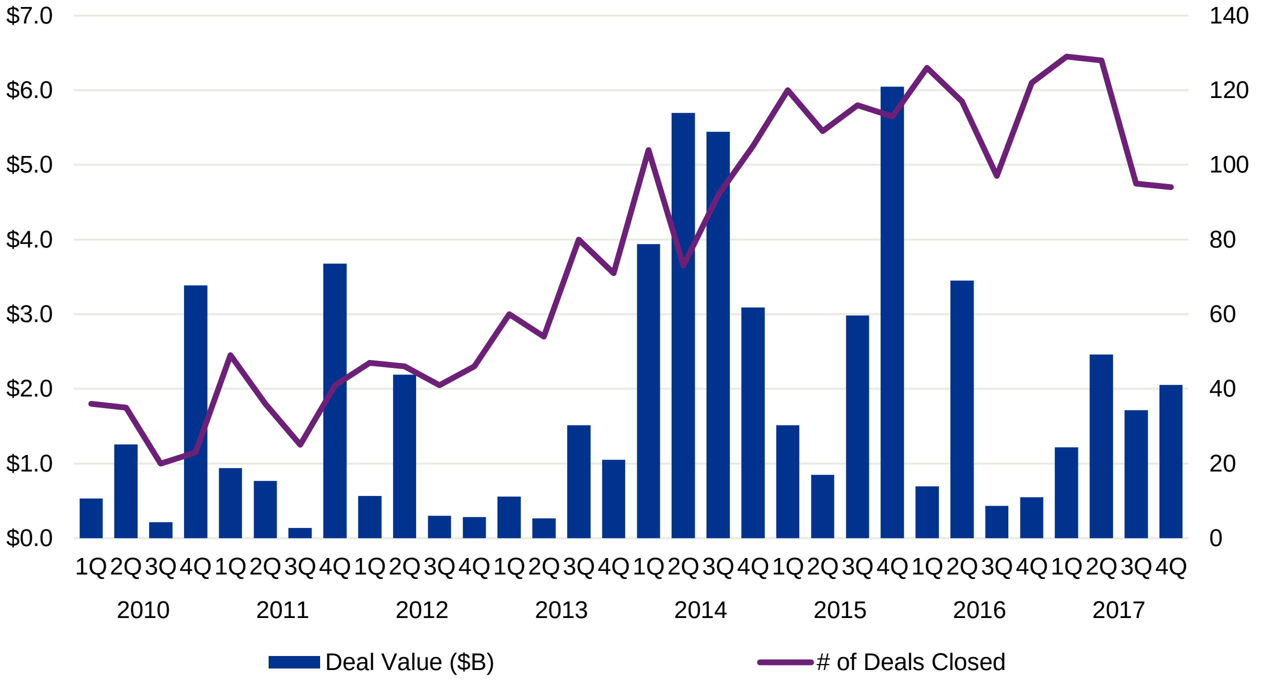
Interest in insurtech is also expected to grow significantly in 2018, with many insurance companies across Europe recognizing the need to innovate.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Back half of 2017 steadies at lower level

Total European fintech investment activity (VC, PE and M&A) in fintech companies
2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

Once again, the fintech sector in Europe is prone to quarterly volatility in overall investing volume, especially as it does not benefit from the significant propping-up of hefty VC investing as observed in the US. So although the back half of 2017 recorded a sudden sustained downturn in fintech investment activity, it is still too soon to state whether that entails a new normal.

"PSD2 is both a big threat and a big opportunity for banks and fintech companies. Those who can develop good business strategies for open banking and real customer value propositions will be the ones best able to take advantage of the changes in the months and years ahead."

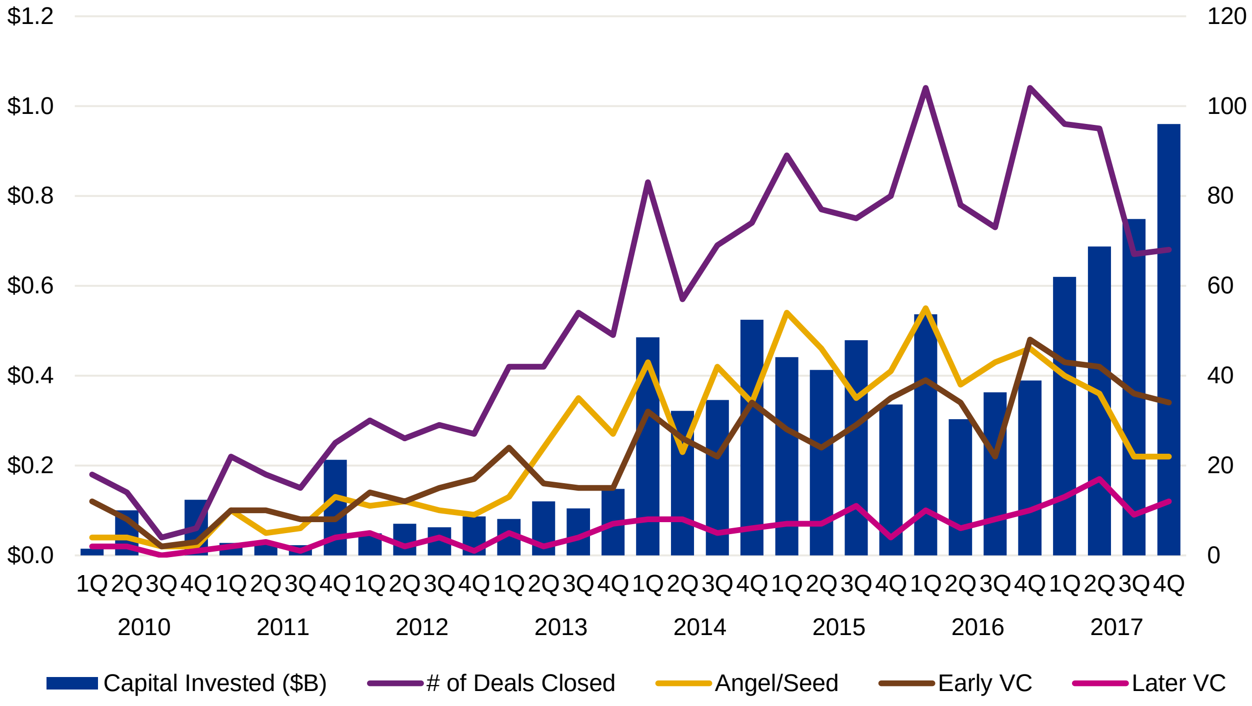
Dorel Blitz
Director, Head of Fintech
KPMG in Israel

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Volume steadies as VC invested hits a new high

Venture investment in fintech companies in Europe

2010 – Q4'17



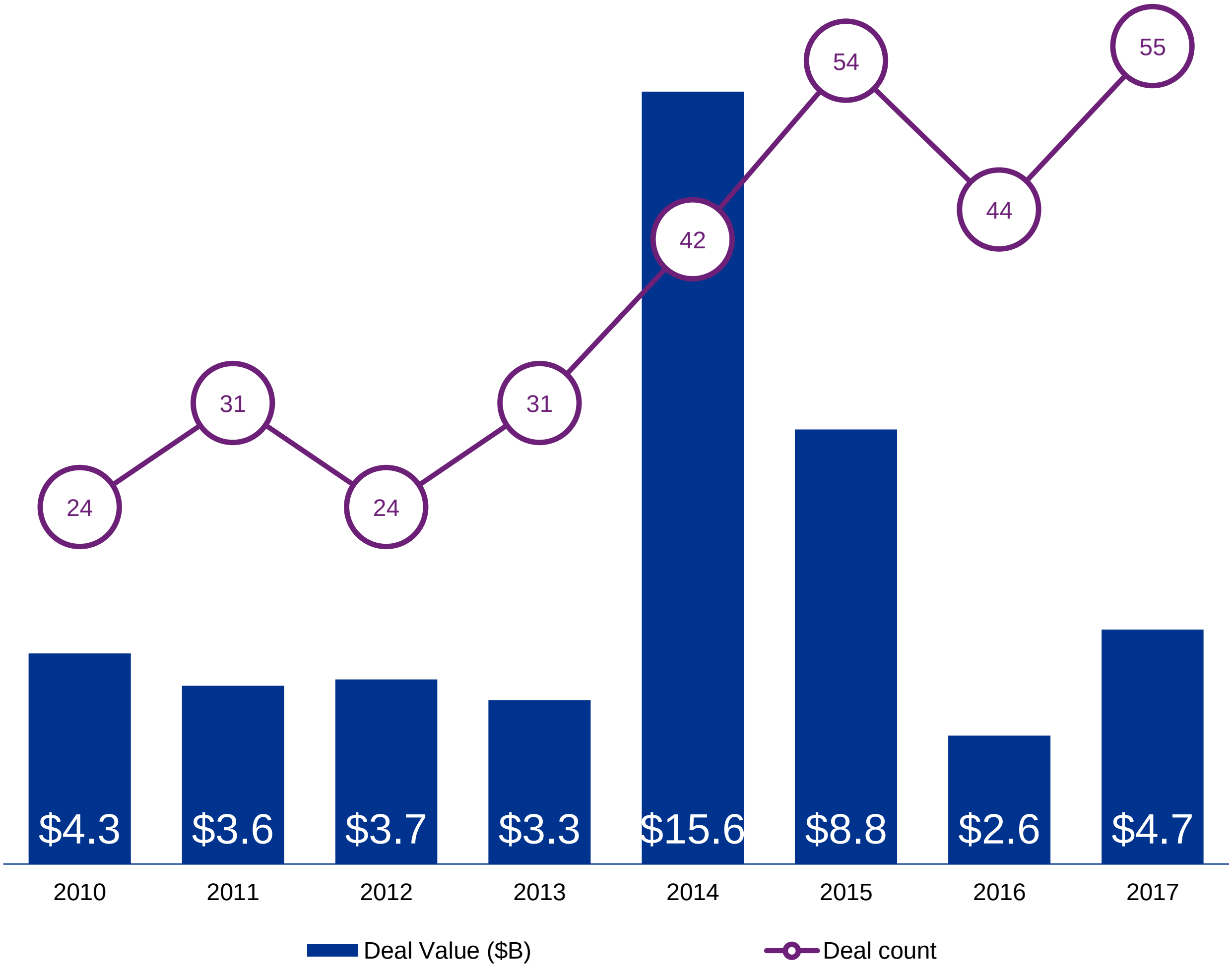
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

The European venture scene is largely a patchwork of highly active metropolises, as stated in the prior edition of the Pulse of Fintech. Looking at prior yearly tallies as well, it's clear that overall the European fintech venture scene is still more than healthy—it is hitting new highs. The final quarter of 2017 observed a higher total of VC invested than ever before, and although that is due primarily to mega-rounds such as those of TransferWise, it's clear that international venture firms are still finding plenty of promising companies to back at even fairly generous terms across the continent.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

PE activity just barely records a new high in volume

Fintech PE activity in Europe
2010 – 2017

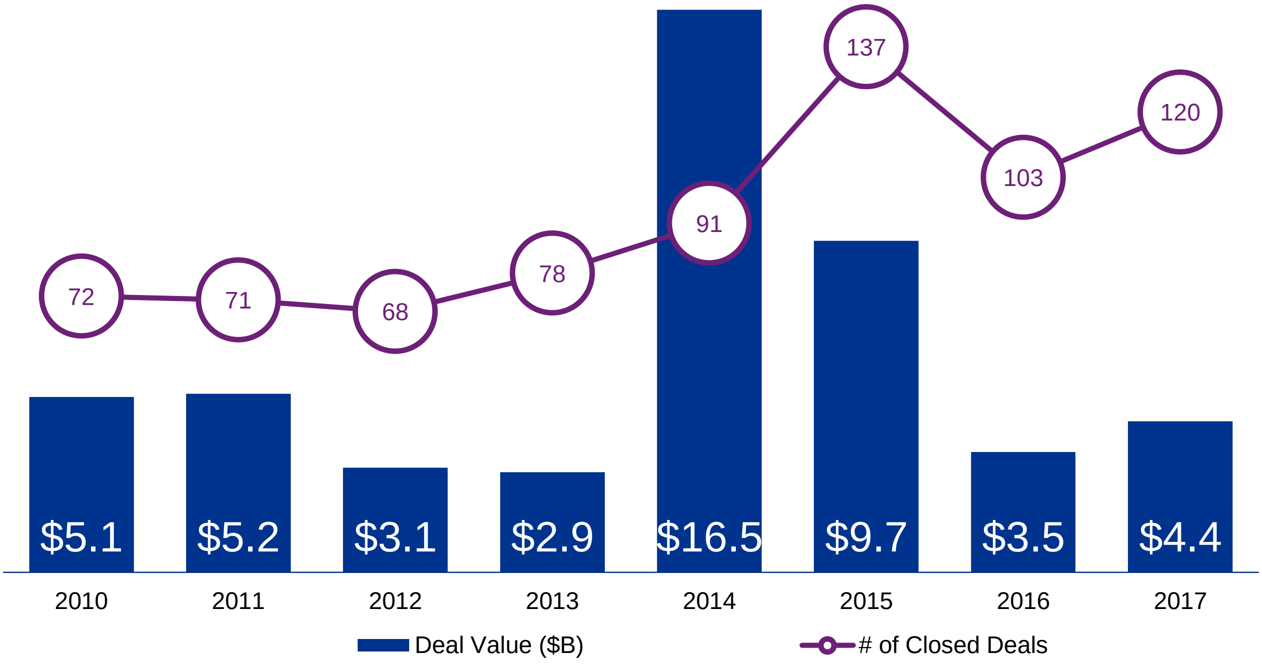


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

M&A manages to eclipse nearly all prior tallies

Fintech M&A activity in Europe
2010 – 2017



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Having to contend with the variety of macroeconomic and political factors unique to Europe, particularly when it comes to regulation and the advent of PSD2 in early January 2018, it is clear that the European financial sector is still prone to consolidation and cost-saving efficiencies via synergies promoting overall fintech M&A.

"Large financial institutions still have big wallets and deep investment pockets. We are seeing a lot of enthusiasm from the big banks to get further involved in fintech and acquire startups to help them meet their strategic goals. We're likely to see more purchasing than investment over the next year given the strategic focus of financial institutions and the elevating of the competitive environment."

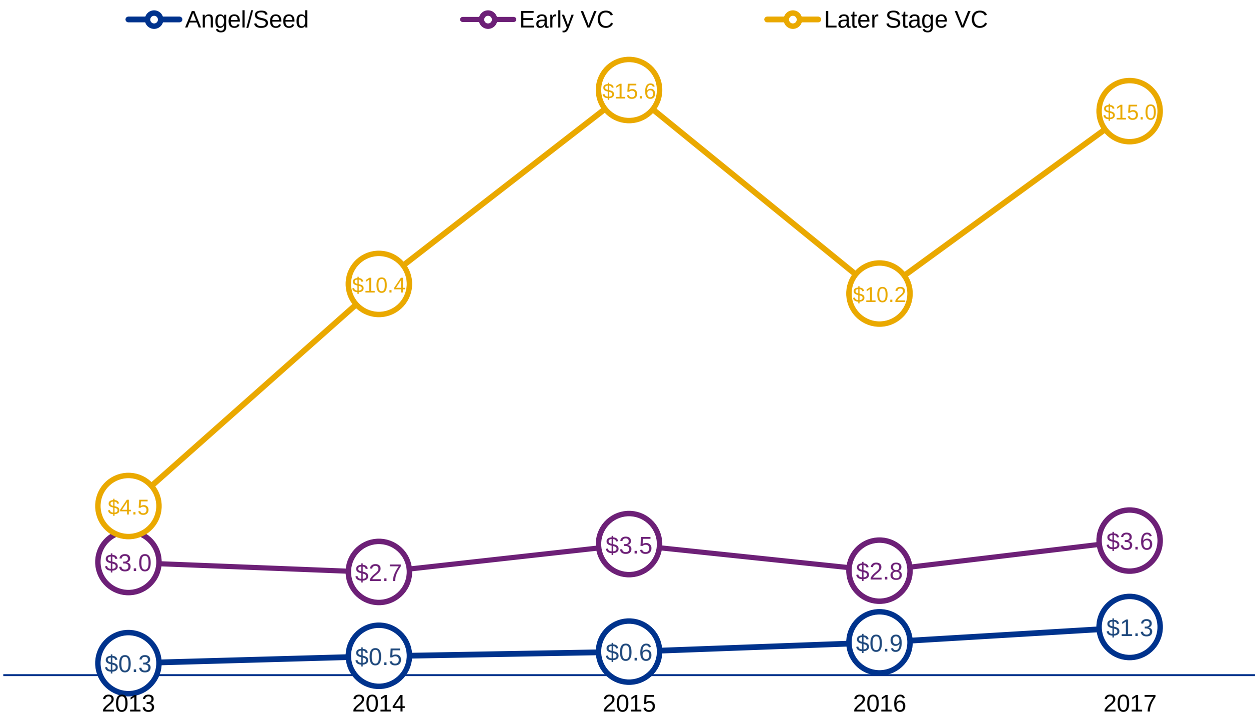
Anton Ruddenklau
Partner & Head of Digital & Innovation, Financial Services
KPMG in the UK

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

VC dry powder underpins hefty deal sizes

Median fintech venture financing size ($M) by stage in Europe

2013 – 2017



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

It is worth noting that especially as there remain significant amounts of dry powder globally underpinning venture activity, median round sizes remain quite inflated, even for fintech. When it comes to Europe, the late stage is still seeing nearly record metrics, while the early stage is holding relatively steady overall.

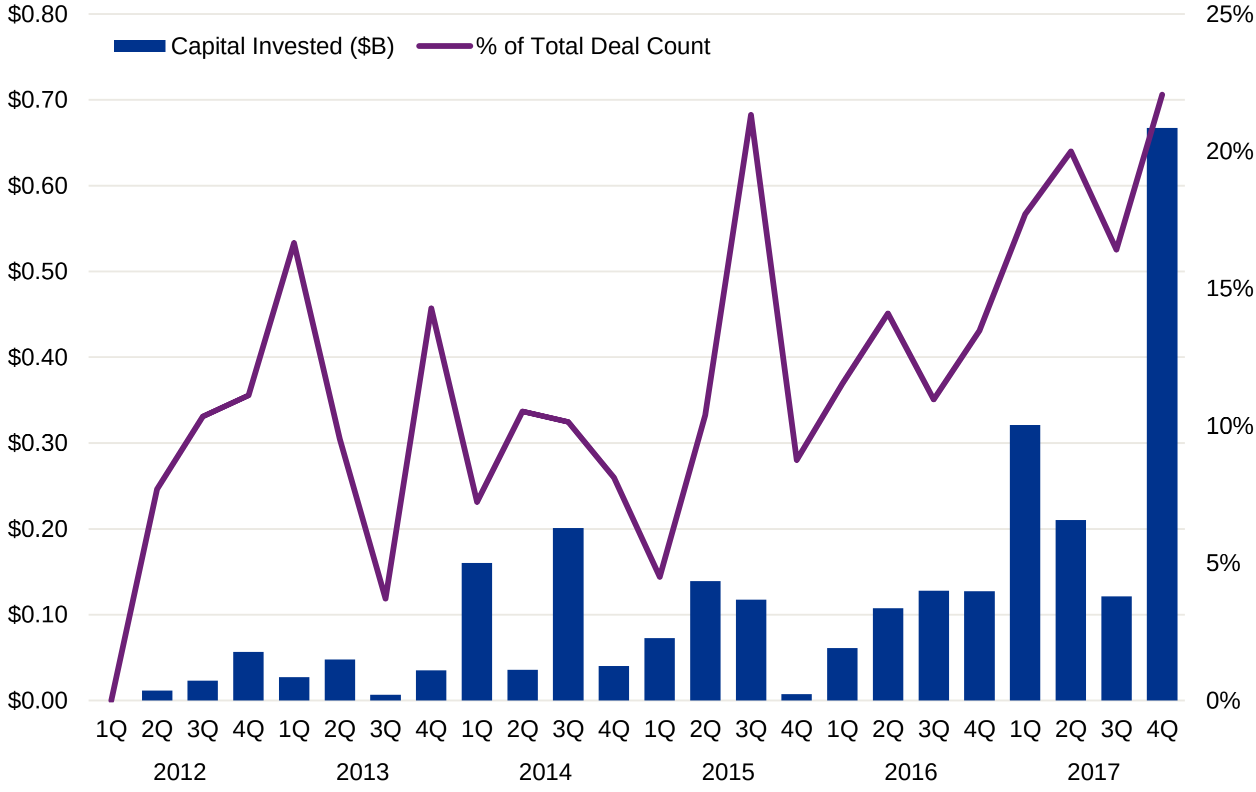
© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

KPMG

CVCs prop up European venture market in Q4

Fintech venture activity in Europe with corporate VC participation

2012 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

With 2017 in the rear-view mirror, it is now easy to say with conviction that corporate venture arms' participation stayed integral to the overall fintech venture market in Europe throughout the year. Associated deal value is largely driven by certain CVC economics—they simply have more resources to play with than many traditional VCs.

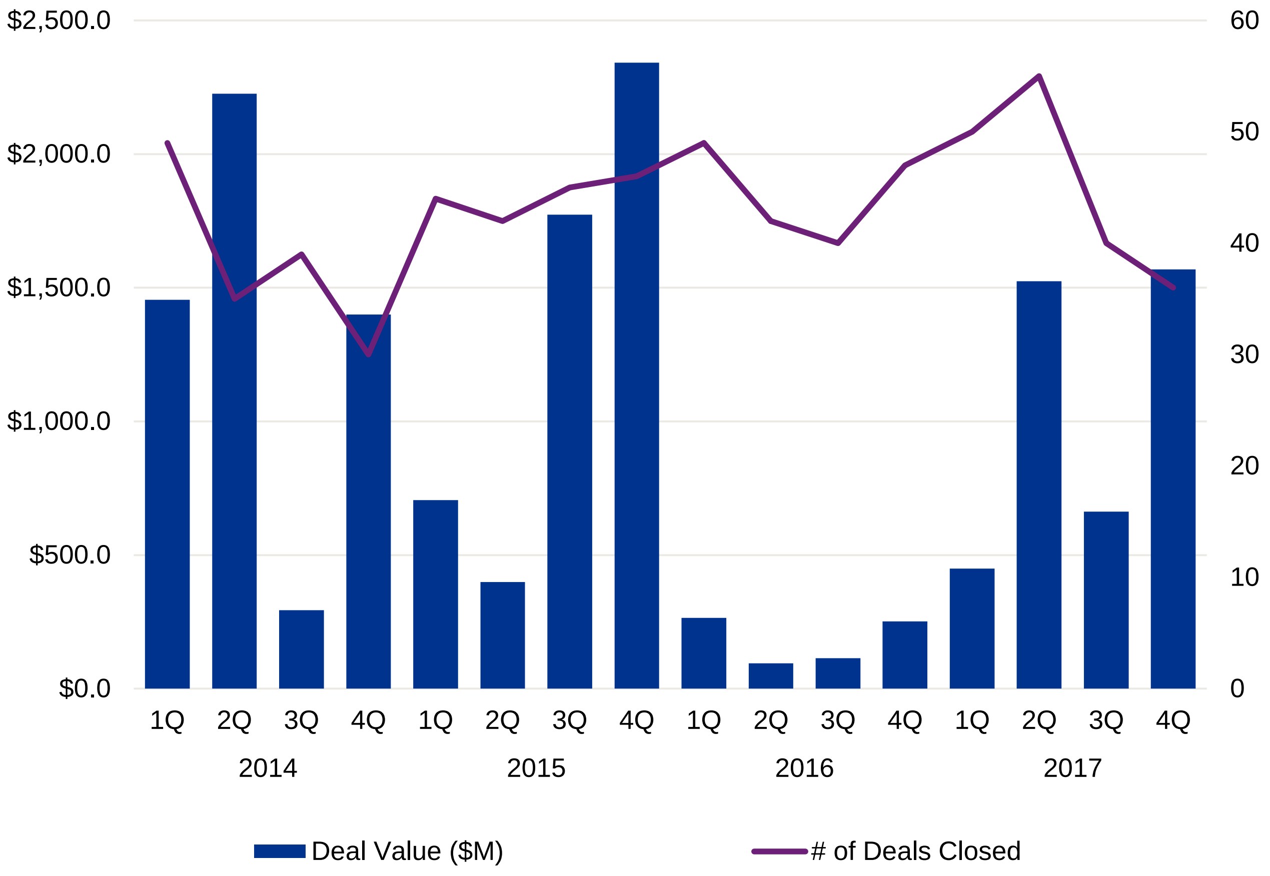
"A number of challenger banks have upped the ante this year — applying for full banking licenses or signalling their intent to do so. This is clear evidence if their intent to broaden their product offerings and compete squarely with traditional banks."

Anna Scally
Partner, Head of Technology and Media and FinTech Leader
KPMG in Ireland

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

UK deal value bounces back to close 2017

Fintech VC, PE and M&A activity in the United Kingdom
2014 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

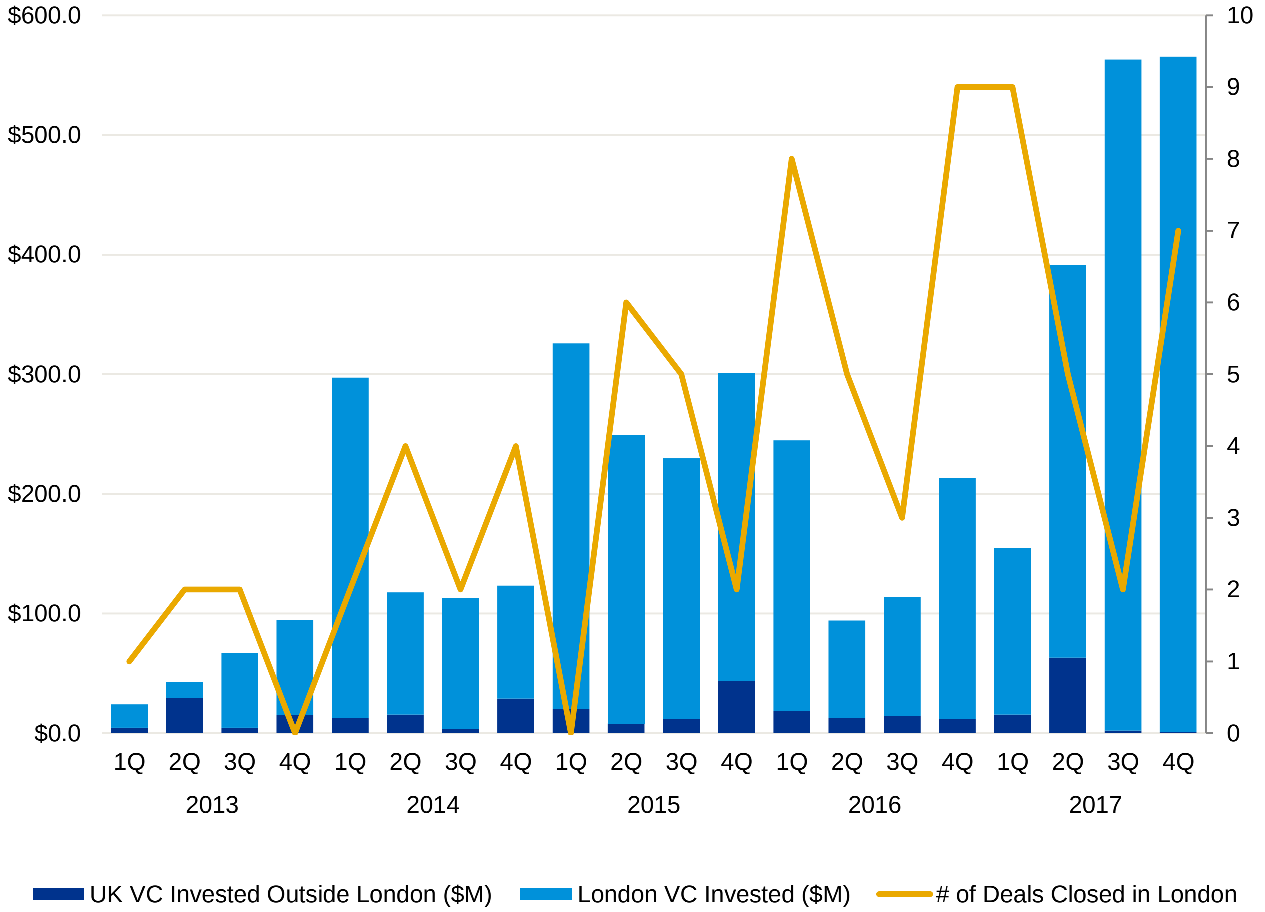
Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

As is evident by overall tallies, private investors by and large have shrugged off any Brexit-related concerns, and fintech is hardly any different. VC is still going strong when it comes to the incidence of mega-rounds, while M&A only adds to aggregate tallies. The UK is subject to some skew when it comes to certain outsized London-based companies raising massive financings, but activity has largely remained healthy.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

London stays prominent

Fintech venture activity in the UK versus London
2013 – Q4'17



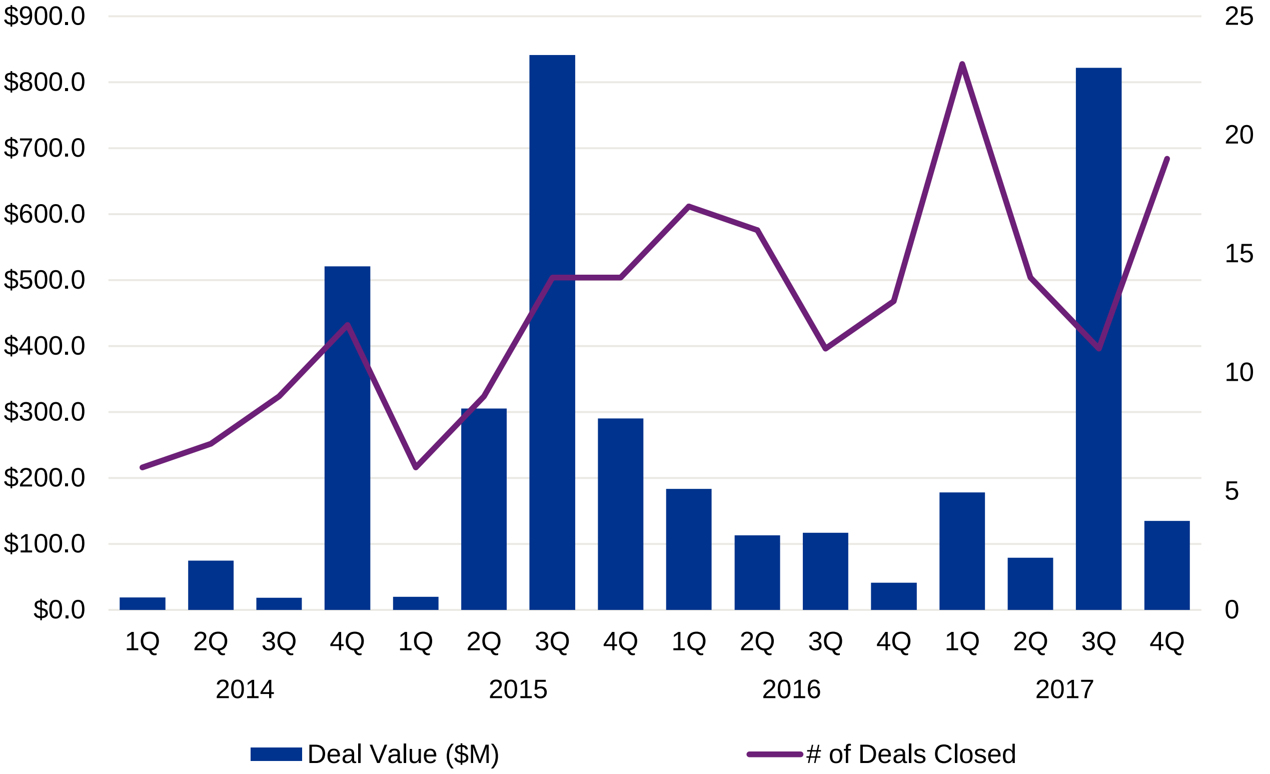
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

After a skewed Q3, figures normalize

Fintech VC, PE and M&A activity in Germany

2014 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

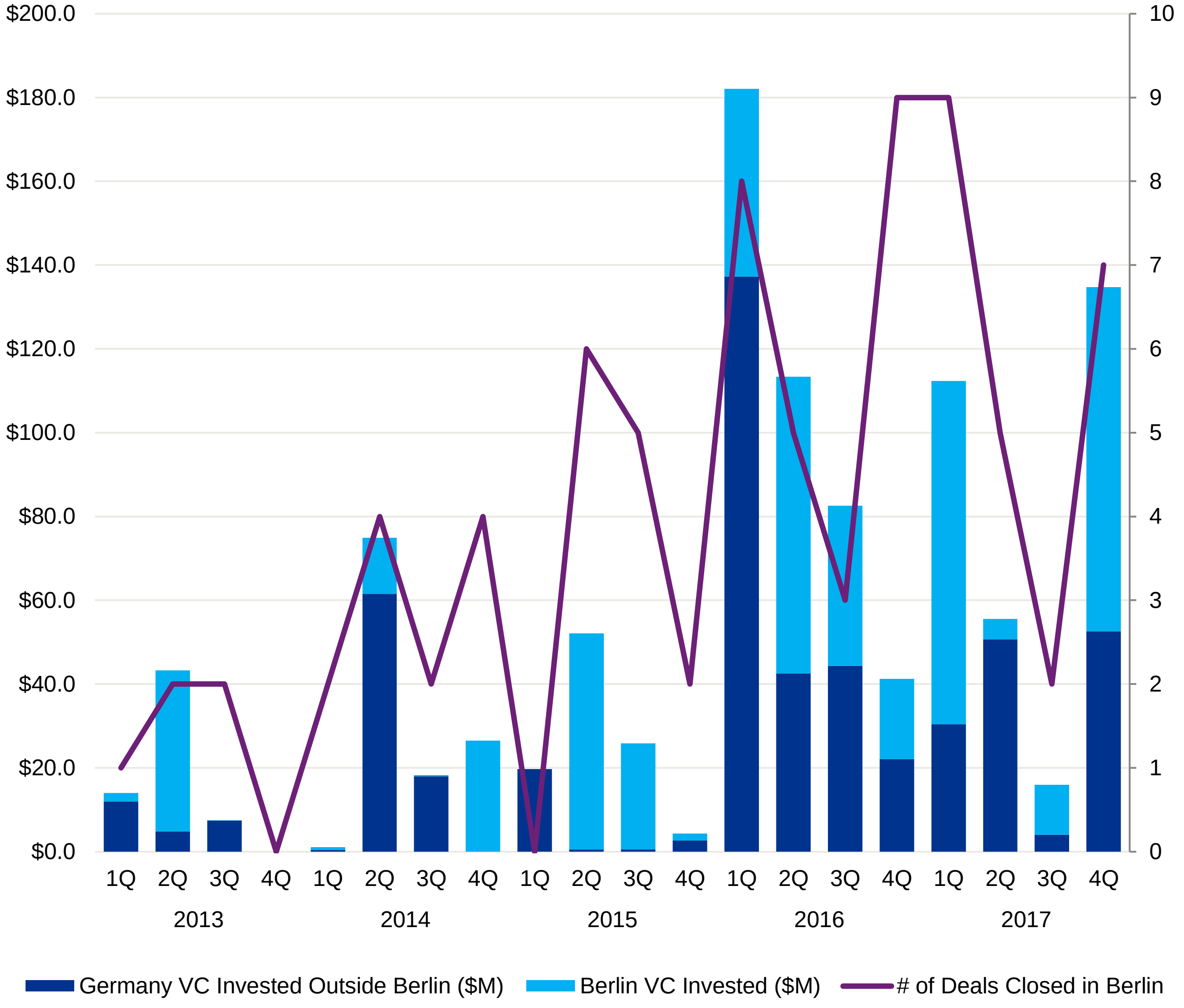
"Interest in insurtech is growing very rapidly in Germany. Insurance companies are doing more than ever before with respect to digitalization. We're seeing them investing more in the insurtech ecosystem and partnering more with insurtech companies in order to drive innovation capabilities. Insurtech is poised to be a very hot area moving into 2018."

Sven Korschinowski
Partner, Financial Services
KPMG in Germany

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

A more diversified fintech scene overall

Fintech venture activity in Germany versus Berlin
2013 – Q4'17

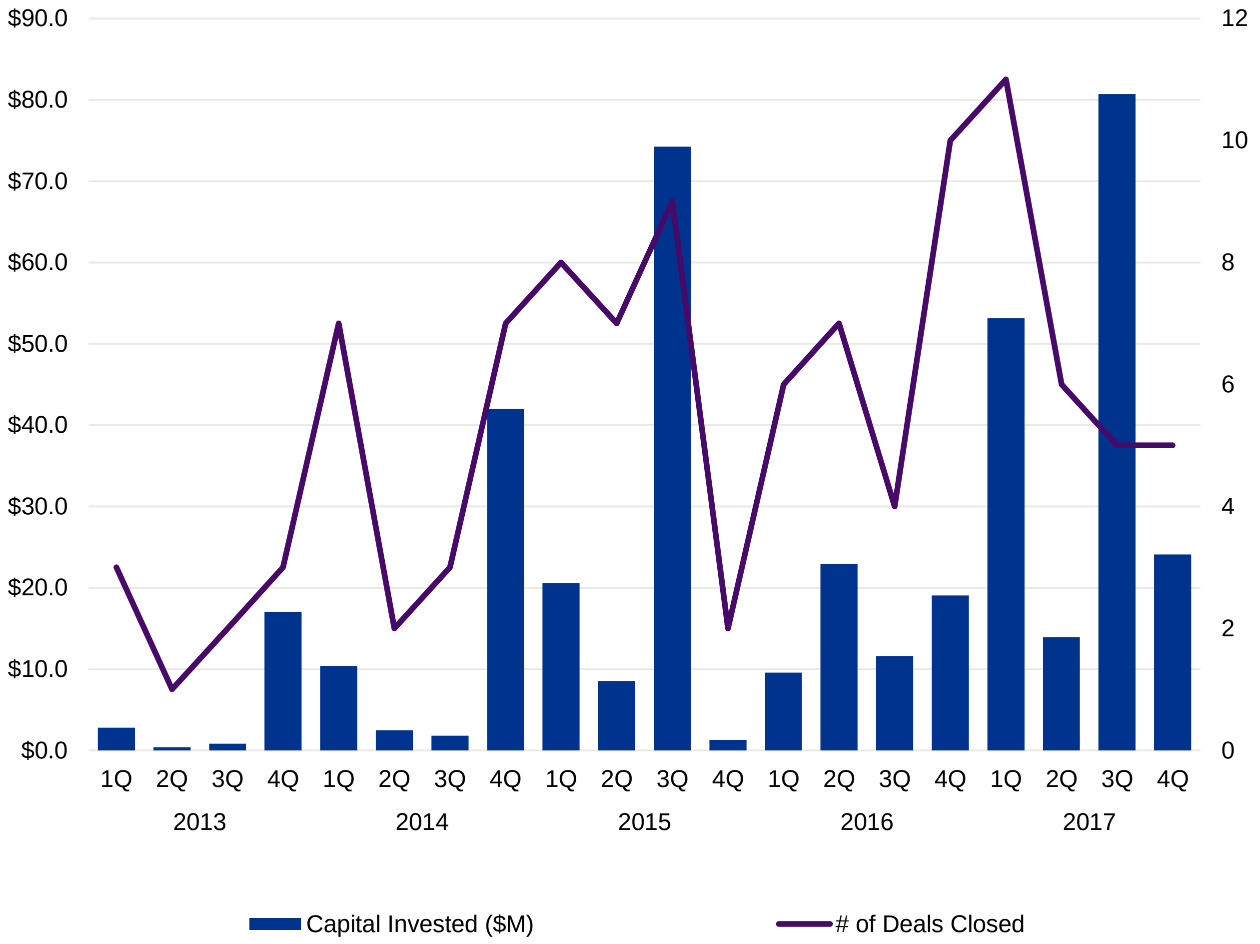


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Volatility still inherent after a blockbuster Q3

Fintech venture activity in France
2013 – Q4'17

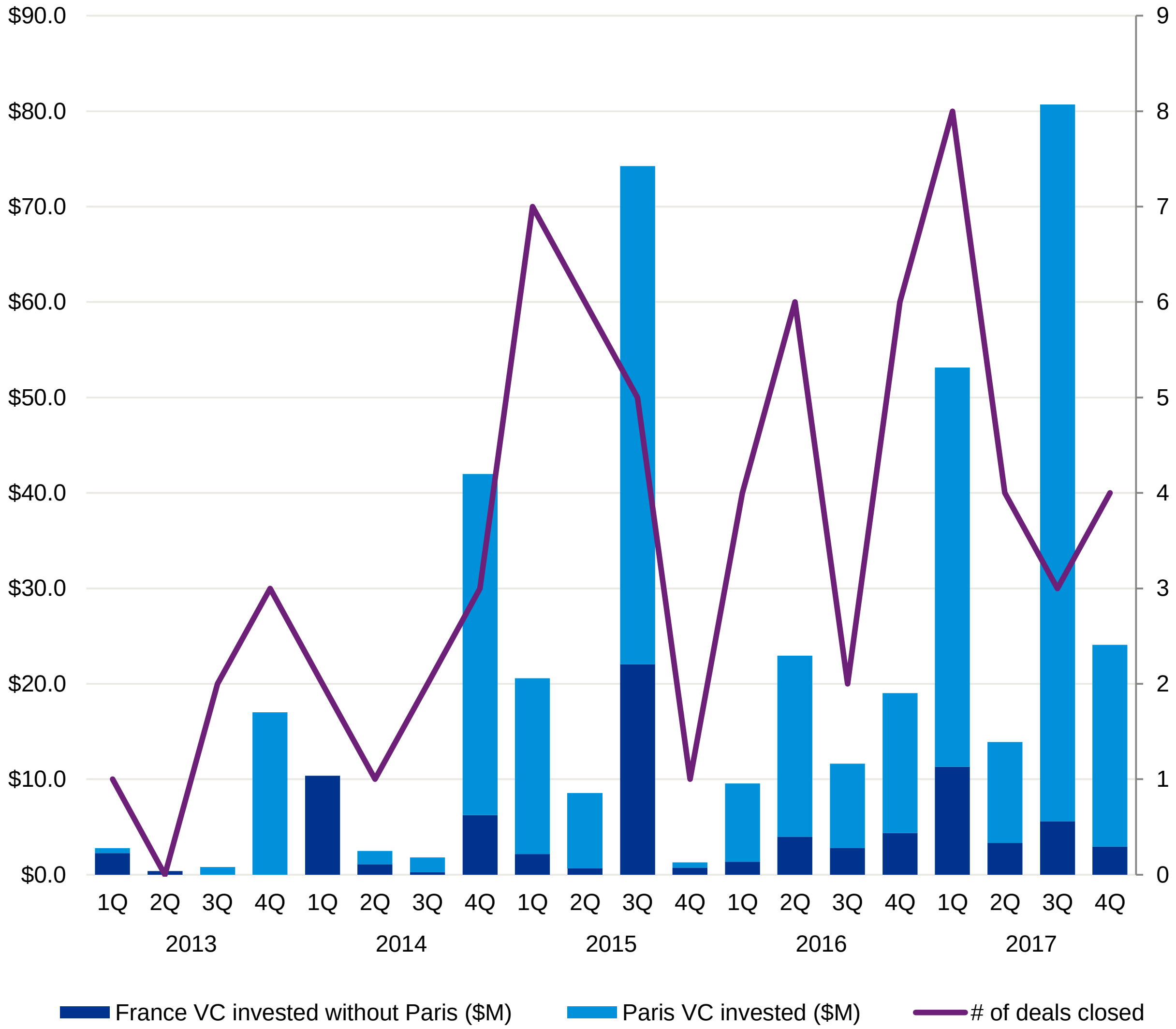


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Paris remains a central hub

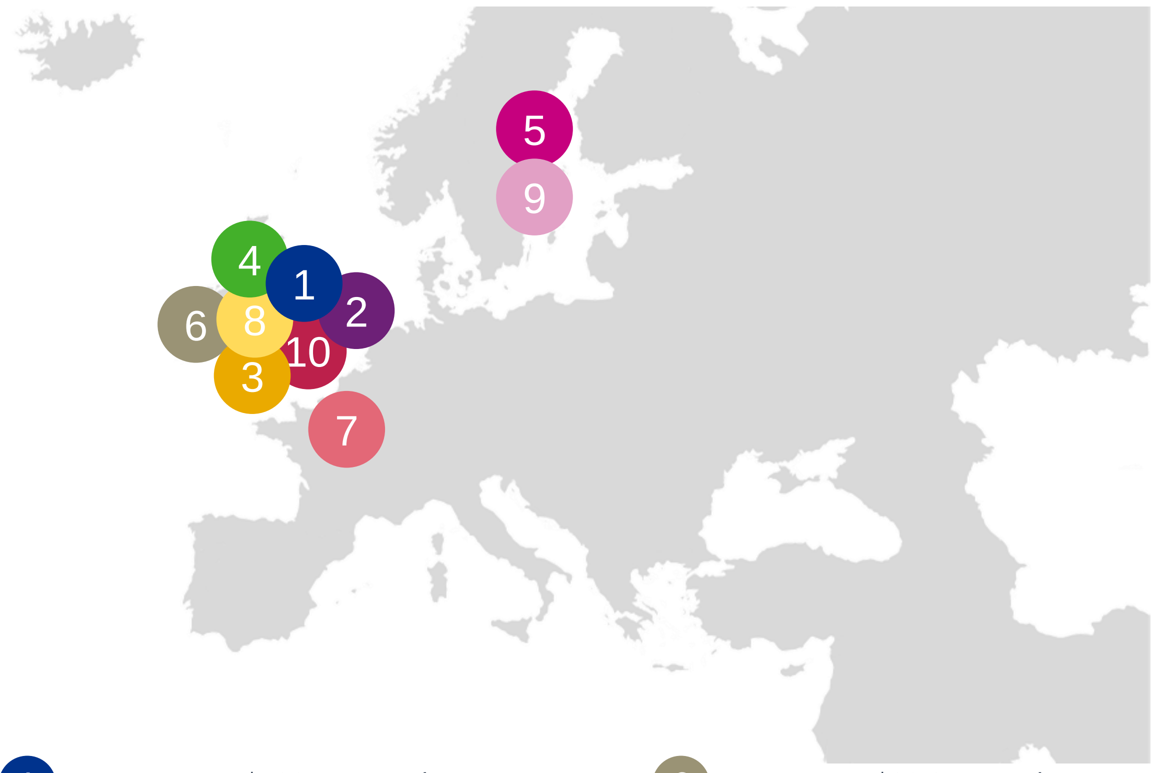
Fintech venture activity in France versus Paris
2013 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Top 10 European fintech deals in Q4'17



1. **Trayport** — $726.5M, London, UK
Institutional/B2B
M&A

2. **TransferWise** — $280M, London, UK
Payments/transactions
Series E

3. **TradeTech Alpha** — $150M, London, UK
Institutional/B2B
M&A

4. **JustGiving** — $127M, London, UK
Institutional/B2B
M&A

5. **BIMA** — $107M, Stockholm, Sweden
Insurtech
Late-stage VC

6. **Monzo** — $93.8M, London, UK
Consumer finance
Late-stage VC

7. **Tinubu Square** — $62.3M, Issy-les-Moulineax, France
Institutional/B2B
Buyout

8. **Salary Finance** — $52.8M, London, UK
Institutional/B2B
Early-stage VC

9. **iZettle** — $47M, Stockholm, Sweden
Payments/transactions
Late-stage VC

10. **WorldRemit** — $40M, London, UK
Payments/transactions
Series C

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

In Q4'17, investment in fintech companies in Asia hit

$748M

across

36 deals

Fintech hubs expand in Asia despite faltering fintech investment

Fintech funding in Asia declined in Q4'17, although the decline in investment was only significant when compared to the heights of fintech investment experienced in 2015 and 2016 when megadeals were far more prevalent.

Declining deal volume in China pulls Q4'17 results down

The number of fintech deals declined in Asia during Q4'17, driven by a decline in the number of deals in China. Increasing government controls and regulations over fintech in China have kept many investors on the bench during 2017 following two years of strong activity. Only one $100 million+ deal occurred in Q4'17 in China — the acquisition of BiWang Group by CollinStar Holdings.

Reduced activity in China highlights myriad fintech hubs in Asia

With fintech investment in China taking a breather, the evolution of fintech hubs in other jurisdictions within Asia became more prominent. In addition to mainland China and India, companies from four other countries and one jurisdiction in the region were among the quarter's top 10 biggest deals, including Hong Kong (WeLab), Singapore (GoSwiff and Smartkarma), Japan (One Tap Buy), and Australia (Spaceship Financial Services).

Regulators forging collaborative relationships

In recent quarters, a number of the leading fintech regulators, including the MAS, the Hong Kong Monetary Authority and the Australian Securities and Investment Commission (ASIC), have taken a mentorship role with respect to working with less mature countries in the region to develop, regulate, and support fintech. This spirit of collaboration could have a very positive effect, as less mature countries will be able to leverage the experience of their neighbours in order to better design legal, regulatory and policy frameworks.

Fintech-focused partnerships across regulators and sector participants have also become common. In Q4'17, ASIC signed an agreement with the China Securities Regulatory Commission to cooperate on fintech related initiatives, while the central banks of Singapore and Hong Kong signed a data-sharing arrangement and agreed to collaborate on a blockchain initiative.

Enhanced regulatory controls drive changes in China fintech market

Over the past year, China has enacted more stringent controls in order to protect consumers and provide more clarity around fintech. The P2P lending space has been a key target for enhanced controls given its high level of risk. In December, the central government issued a notice outlining future requirements related to P2P lending, including requirements for registration. This process is expected to vastly reduce the number of P2P lenders while enhancing the quality of the remaining companies.

Despite regulatory uncertainty around fintech, China continued to see support for fintech-related innovation during 2017, particularly related to big data and analytics. While still a relatively modest area of investment, insurtech also started to gain some attention.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Fintech hubs expand in Asia despite faltering fintech investment (cont'd)

MAS continues to drive fintech activity in Singapore

Singapore achieved a record high level of fintech funding in 2017. The country continued to showcase its value as an Asia-based fintech hub, particularly in areas like blockchain, AI, and machine learning. Singapore has also been able to attract a significant amount of foreign attention; well-established VC funds, large corporates and even more established fintech companies have made investments or set up shop in the country as a base for expansion into Southeast Asia.

Heading into 2018, the MAS has targeted financial inclusion as a critical priority, with the desire to make micropayments and remittances more accessible and cost effective for individuals working in the country who remit payments to family elsewhere in the region.

Fintech investment in India grows in Q4'17

2017 was a good year for fintech investment in India, spurred in part by fintech growth as a result of demonetization and the subsequent focus on digital payments platforms, in addition to the implementation of Goods and Services Tax. Some fintech solutions have seen strong uptake in India due to the high technical literacy within the country combined with its large underserved population.

During Q4'17, India experienced both an increase in fintech investment and the number of fintech deals. Three Indian deals made this quarter's list of the top 10 largest deals in Asia, including a $77 million Series E raise by online insurance marketplace PolicyBazaar, a $41 million Series D raise by POS platform provider Mswipe Technologies, and a $30 million Series D raise by online banking marketplace BankBazaar.

Australia payments platform ready to come online

During Q4'17, the Australian Securities Exchange announced plans to move into production with a blockchain-enabled equity settlements process in 2018.

After several years of development, Australia's new payments platform is also expected to come online early in 2018 — a process expected to spur a new wave of fintech innovation in the country. The Australian government is also expected to introduce a policy framework for open banking this year.

Trends to watch for in 2018

2018 could see a renewal in fintech activity in China, particularly if China-based unicorns are able to hold successful IPOs. China-based Lufax will be one to watch as it has already publicly announced plans to hold an IPO in Hong Kong in April. The growing clarity around fintech regulations in China should also help bring investments back and help drive additional funding into the regtech sector over the next year.

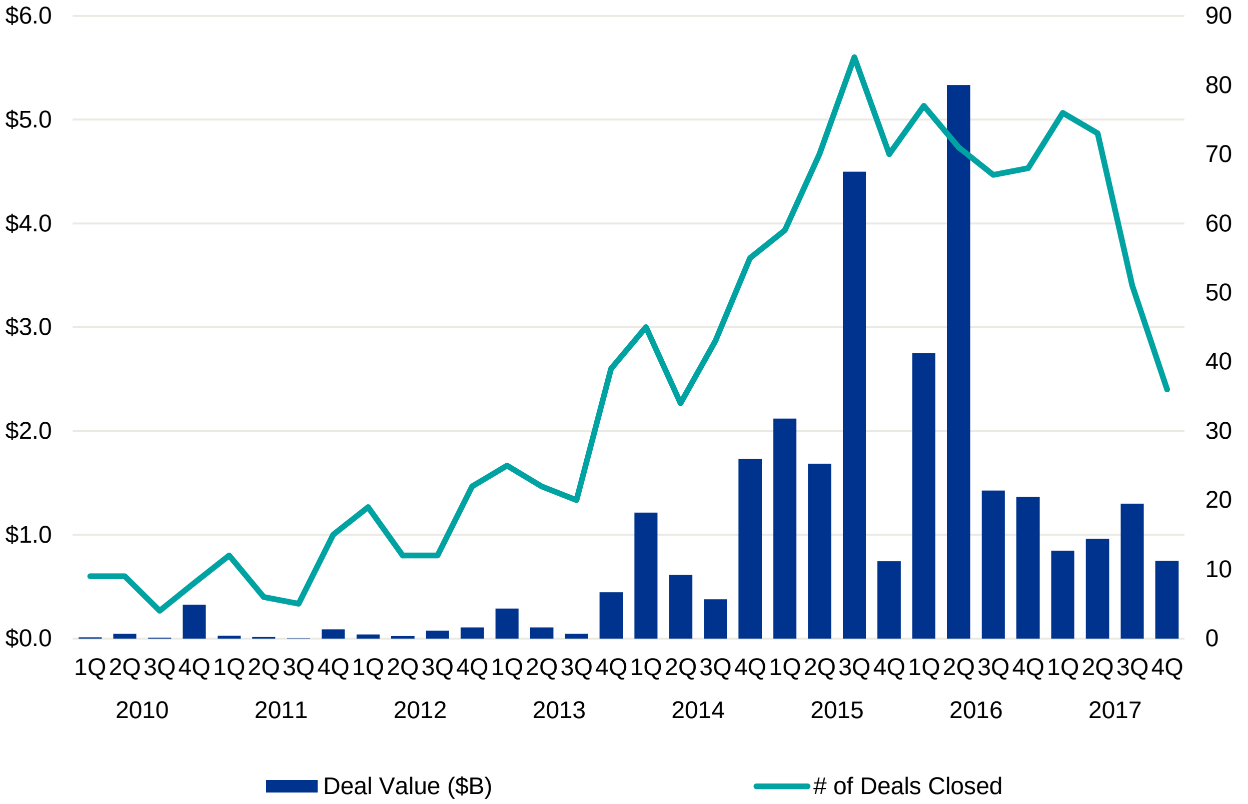
In Southeast Asia, financial inclusion is expected to be a hot area of focus heading into 2018, in addition to blockchain.

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

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

A slower back half of 2017

Fintech VC, PE and M&A activity in Asia
2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

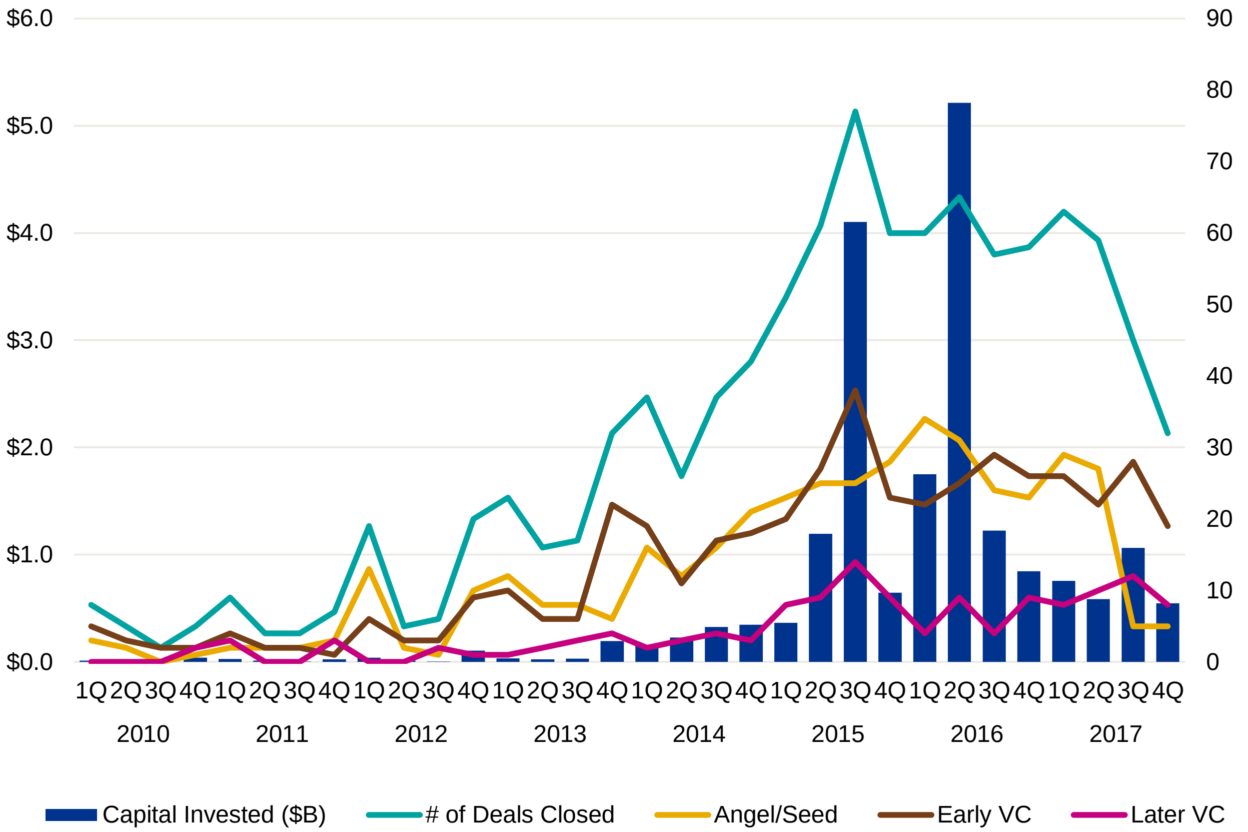
After such an elevated period spanning late 2015 to the first half of 2017, it is tempting to assess the sudden downturn in the back half of 2017 as more telling than it truly is. For one, the volume of early-stage VC financings in the Asia-Pacific region is difficult to finalize until more data is available for processing, given the opacity of local investment markets, which impacts overall tallies considerably. Accordingly, the fact aggregate deal value has remained a bit more robust for the year as a whole is more important, signifying a maturing market impacted by significant outliers still.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Plunge in angel and seed volume signifies overall market is still faring well

Fintech venture investment in Asia

2010 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

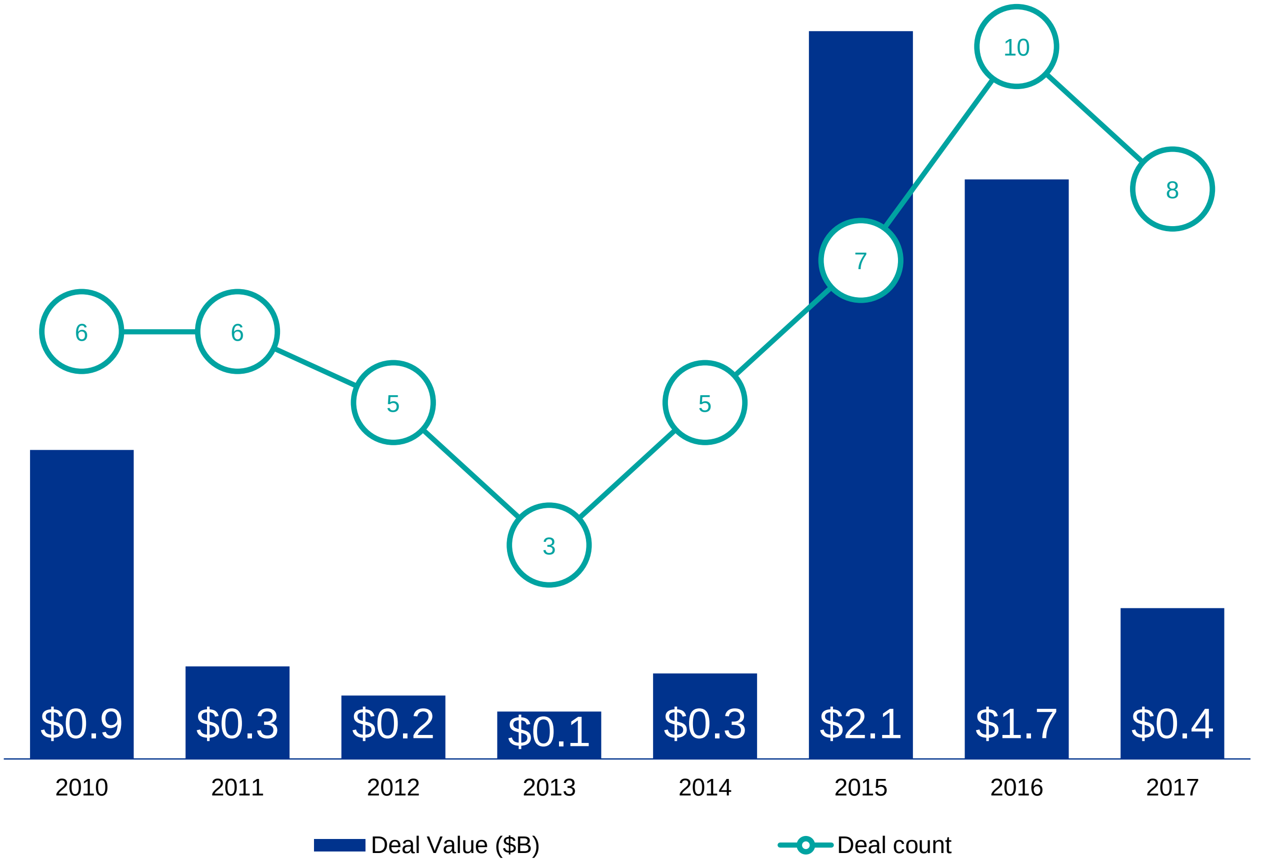
As is expected given lags in availability of data to record, the earliest stage of VC financing primarily drove the rapid downturn in overall financing volume, and thus should not be over-interpreted as a precipitous decline just yet.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

KPMG

PE activity still relatively sporadic

Fintech PE activity in Asia
2010 – 2017



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

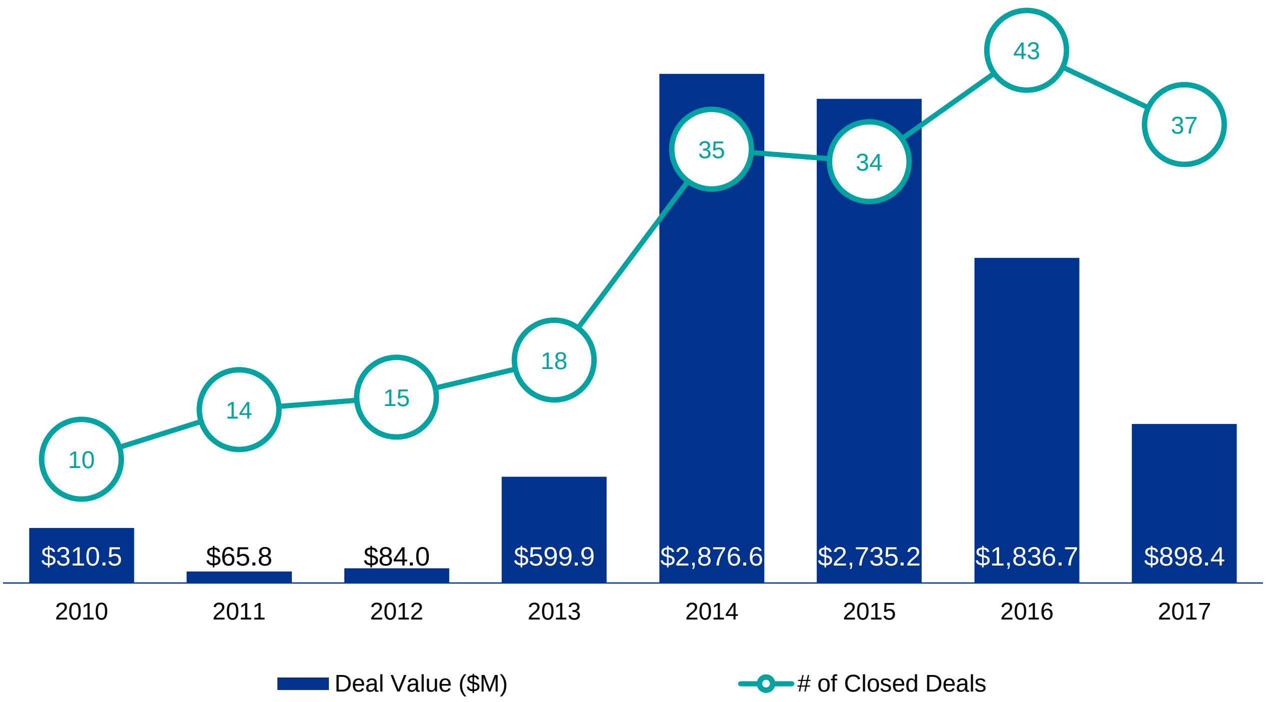
"As China's central government continues to tighten controls around customer-facing internet finance activities, we have seen a major shift in fintech business strategy. Fintech companies that might have started with a customer focus are now embracing a B2B model, providing their solutions to traditional financial institutions in order to avoid the growing compliance requirements."

Arthur Wang
Partner, Head of Banking
KPMG China

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

In fragmented fintech arena, consolidation less frequent

Fintech M&A activity in Asia
2010 – 2017



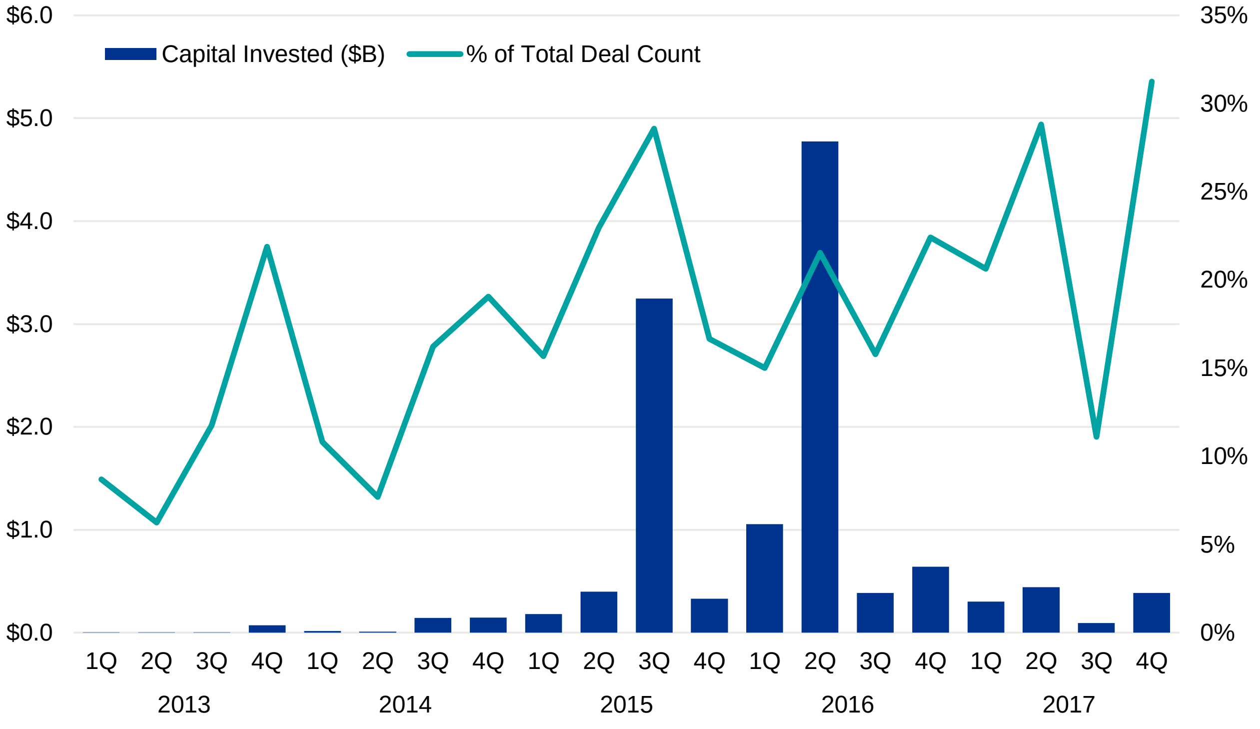
Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

With full-year figures, it is clear that the Asian fintech scene is still maturing overall, and still isn't quite as developed as other regions, as consolidation hasn't kicked in yet to a significant degree. The fact giant corporations dominate many aspects of fintech already also contributes to lower M&A volume. However, the steadiness of overall M&A over the past few years does testify to a slowly developing fintech ecosystem.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

CVCs' role has rarely been more critical

Fintech venture capital activity in Asia with corporate VC participation
2013 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

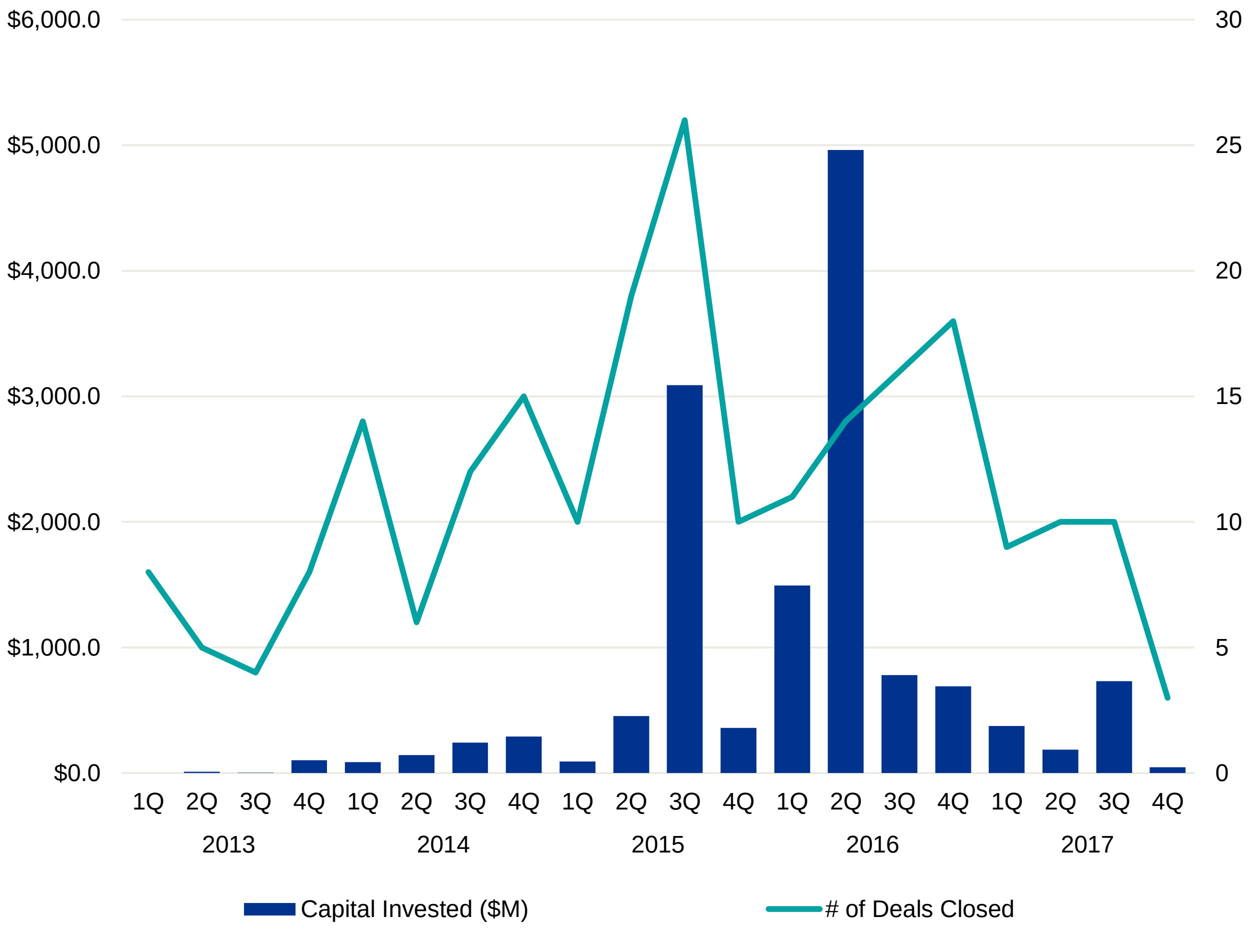
Corporate venture arms are more dominant in Asia than in any other venture ecosystem, which makes sense given the relative development of capital markets within the region. Consequently, their impressive participatory rate, which surged to a new high in the final quarter of 2017, is to be expected than in other regions yet still speaks to investors' appetite for remaining abreast of all key innovations in fintech, especially when it comes to small business and consumer lending marketplaces.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

China closes 2017 on a slower note

Fintech venture investment in China

2013 – Q4'17

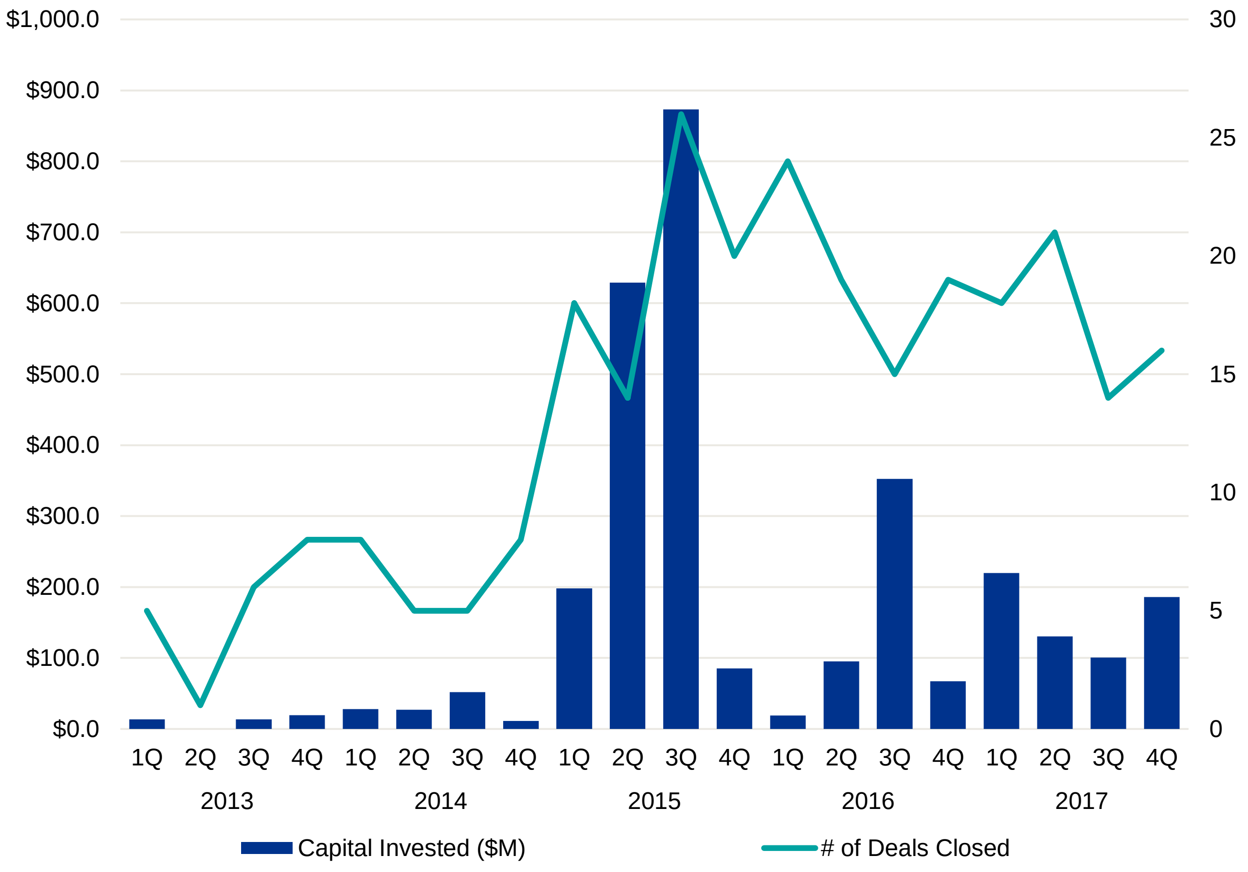


Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Indian fintech VC volume by and large steadies

Fintech venture investment in India
2013 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

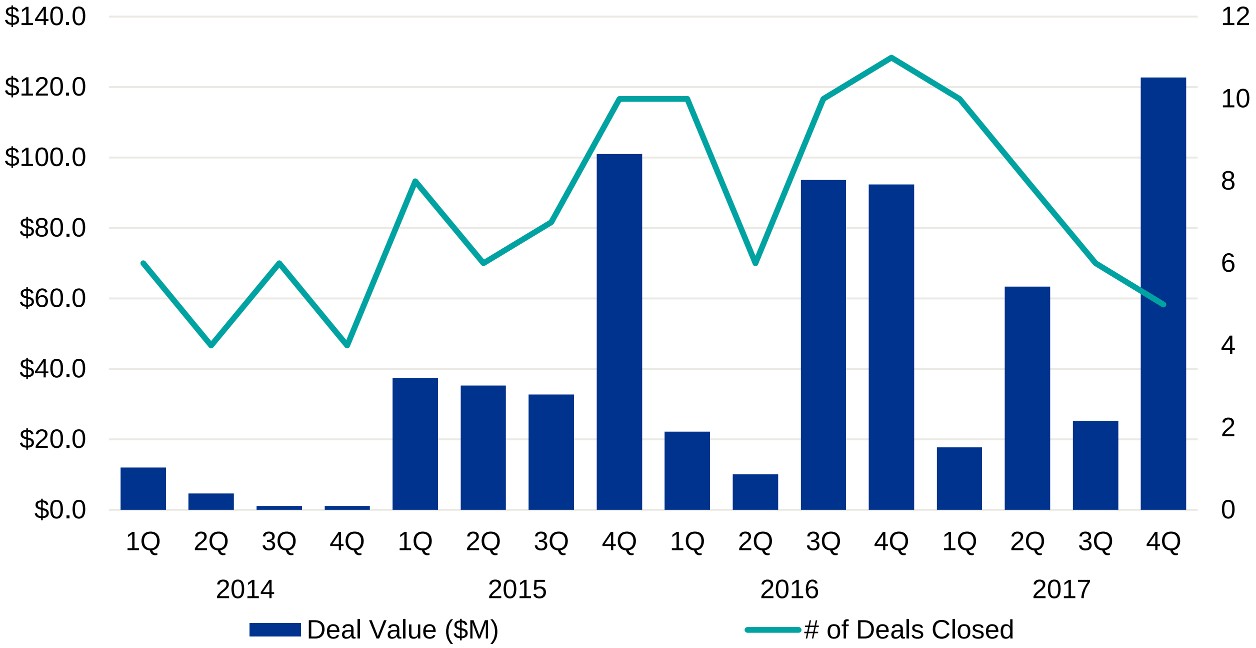
With avid government sponsorship of related initiatives, there are varying degrees of opportunities for fintech segments within India, and VC numbers reflect that reality accordingly. The pace remains steady, yet as much of the more prominent deal value is attributable to large financings raised by firms targeting the lending market in particular, more nascent niches of fintech are yet to emerge to the extent observed in other growing fintech markets such as China.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

A lower quarter for Singapore

Fintech VC, PE and M&A activity in Singapore

2014 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78. An adjustment has been made to some of the prior quarters due to a reassessment of the underlying companies to ensure accuracy of the underlying dataset.

The role of timing when it comes to the level of fintech transactional volume in a given country, especially one that, when all is said and done, is as large as Singapore, can't be underrated. Accordingly, another down quarter isn't that historically uncommon, especially as the nascent fintech hub is still developing. That said, activity has remained consistent since the start of 2015.

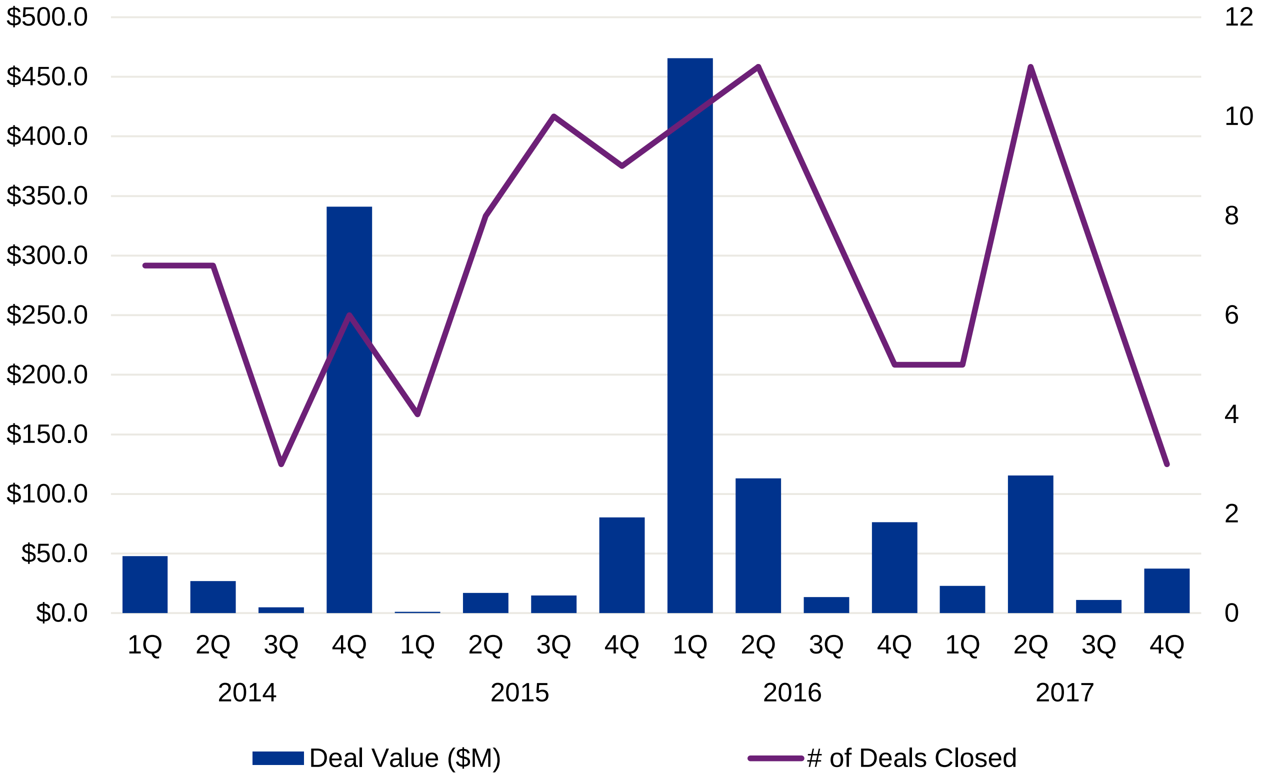
"In Singapore and across Southeast Asia, financial inclusion is a big focus area, with fintechs focused on everything from micropayments and microlending to remittances and even microinsurance. Given the fragmented markets, fintechs are not taking a disruptive approach to these services, focusing instead on building partnerships with telcos and other local players in order to better engage with potential customers."

Tek Yew Chia
Head of Financial Services Advisory
KPMG in Singapore

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

After an upsurge, the back half of 2017 declines

Fintech VC, PE and M&A activity in Australia
2014 – Q4'17



Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

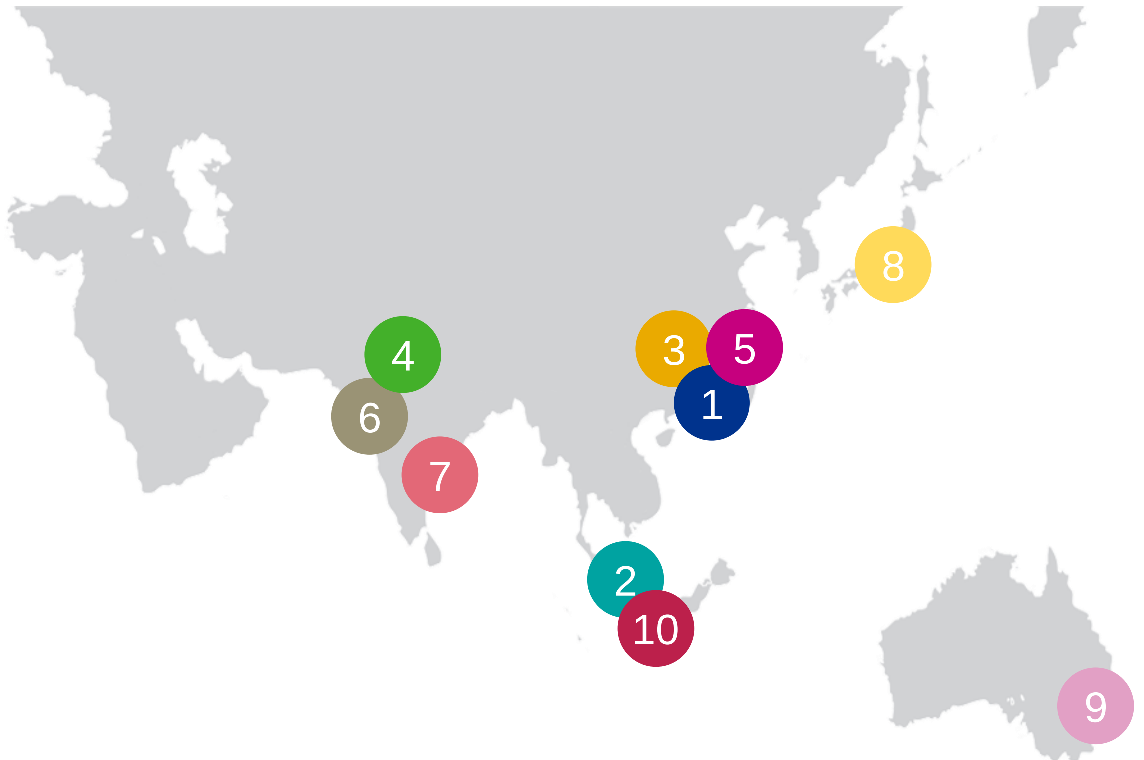
Note: please note that the separate PE and M&A data sets both include PE buyouts as a transaction type per the Methodology section on page 78.

The above chart does not include the AUD 40 million investment in zipMoney by Westpac as this was a private investment in public equity and such deal types are specifically excluded from the scope of this report.

2017 recorded a fairly sizable decline in aggregate volume in its back half for Australian fintech on the whole, but as is evident from prior quarterly volatility, that trend cannot be read into too much thus far. Distinct outlier deals can still occur, much like Rubik Financial's transaction in Q2, which speaks to the degree of maturity in the Australian fintech scene on the whole.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Top 10 fintech deals in Asia in Q4'17



1. **WeLab** — $220M, Hong Kong
   Lending
   Series B
2. **GoSwiff** — $100M, Singapore
   Payments/transactions
   M&A
3. **BiWang Group** — $100M, Shenzhen, China
   Institutional/B2B
   M&A
4. **PolicyBazaar** — $77M, Gurugram, India
   Insurtech
   Series E
5. **Onlyou** — $45M, Shenzhen, China
   Institutional/B2B
   Late-stage VC
6. **Mswipe Technologies** — $41M, Mumbai, India
   Payments/transactions
   Series D
7. **BankBazaar.com** — $30M, Chennai, India
   Lending
   Series D
8. **One Tap Buy** — $22.2M, Tokyo, Japan
   Investment banking/capital markets
   Early-stage VC
9. **Spaceship Financial Services** — $19.5M, Sydney, Australia
   Wealth/investment management
   Early-stage VC
10. **Smartkarma Innovations** — $13.5M, Singapore
    Wealth/investment management
    Series B

Source: Pulse of Fintech Q4'17, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook) February 13, 2018.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

KPMG Fintech global network

Contact us:

Ian Pollari
Global Co-Leader of Fintech,
KPMG International
E: ipollari@kpmg.com.au

Murray Raisbeck
Global Co-Leader of Fintech,
KPMG International
E: murray.raisbeck@kpmg.co.uk

About KPMG Fintech

The Financial Services industry is transforming with the emergence of innovative new products, channels and business models. This wave of change is primarily driven by evolving customer expectations, digitalisation, as well as continued regulatory and cost pressures. KPMG is passionate about supporting our clients to successfully navigate this transformation, mitigating the threats and capitalising on the opportunities. KPMG Global Fintech comprises of partners and staff in over 35 fintech hubs around the world, working closely with financial institutions and fintech companies to help them understand the signals of change, identify the growth opportunities and to develop and execute on their strategic plans.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Acknowledgements

We acknowledge the contribution of the following individuals who assisted in the development of this publication:

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

Murray Raisbeck, Global Co-Leader of Fintech, KPMG International and Partner, Insurance, KPMG in the UK

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

Anne Joyce, Senior Marketing Manager, Banking Capital Markets and Fintech, KPMG International

Anton Ruddenklau, Partner & Head of Digital & Innovation, Financial Services, KPMG in the UK

Anthony Rjeily, Principle, Advisory, Financial Services in the US

Arthur Wang, Partner, Head of Banking, KPMG China

Brian Hughes, Co-Leader, KPMG Enterprise Innovative Startups Network, Partner, KPMG in the US

Chris Higgins, Senior Manager, Fintech, KPMG in the UK

David Milligan, Global lead, KPMG Matchi and Associate Director, KPMG in South Africa

Dorel Blitz, Head of Fintech, KPMG in Israel

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

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

Safwan Zaheer, Director, Financial Services Digital & US Fintech Lead, KPMG in the US

Sven Korschinowski, Partner, Financial Services, KPMG in Germany

Tek Yew Chia, Head of Financial Services Advisory, KPMG in Singapore

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

Methodology

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. Standalone datasets on private equity activity, however, have extrapolated deal values.

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.

Venture 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.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

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.

© 2018 KPMG International Cooperative ("KPMG International"). KPMG International provides no client services and is a Swiss entity with which the independent member firms of the KPMG network are affiliated.

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

kpmg.com/fintechpulse
@kpmg

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

©2018 KPMG International Cooperative (“KPMG International”), a Swiss entity. Member firms of the KPMG network of independent firms are affiliated with KPMG International. KPMG International provides no client services. No member firm has any authority to obligate or bind KPMG International or any other member firm vis-à-vis third parties, nor does KPMG International have any such authority to obligate or bind any member firm. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.