Pulse of Fintech H2'20

February 2021

home.kpmg/fintechpulse

2020 was a game changer

As you will see in this edition of Pulse of Fintech, words became action as the global pandemic made digitalization a critical priority for businesses of every shape and size. The same can be said for incumbent financial institutions, and most importantly, for consumers. Consider a few of the key trends we have seen this year:

- Accelerating digital adoption, including the demand for e-payments solutions and contactless banking services.
- Radically shifting customer behaviors, including the use of e-commerce platforms, digital customer service channels and e-wallets.
- Growing fintech investments and partnerships from corporates looking to accelerate their transformation efforts.
- Mature fintechs and bigtechs embracing M&A to grow geographically or add new forms of value for their consumers.
- Increasing attention from governments and regulators as to how fintech is evolving and what needs to be done to support the changes.

The changes we have seen this year will not likely stop when COVID-19 wanes. Around the world, people and businesses recognize the importance of agility and responsiveness. Companies across the financial services spectrum now understand what is at stake if they do not embrace digital innovation.

Whether you are the founder of a fintech or the CEO of an incumbent financial institution, consider 2020 as the gamechanger that it was.

As you read this edition of Pulse of Fintech, ask yourself: **How can we use this once-in-a-lifetime moment to create the future we desire?**

KPMG Fintech professionals include partners and staff in over 50 fintech hubs around the world, working closely with financial institutions, digital banks and fintech companies to help them understand the signals of change, identify the growth opportunities and develop and execute their strategic plans.

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

Anton Ruddenklau
Global Co-Leader of Fintech,
Partner and Head of Financial Services Advisory,
KPMG in Singapore

All currency amounts are in US$ unless otherwise specified. Data provided by PitchBook unless otherwise specified.

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Contents

Global fintech investments in 2020 recorded

$105.3B with **2,861** deals

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Global insights

H2’20 global fintech investment more than double H1’20 total

After the global pandemic brought many deals to a halt in H1’20, H2’20 reversed the trend as investors and fintechs learned to do business in a new normal.

Fintech investment down significantly in 2020, yet H2’20 shows strength

Fintech investment dropped from $168 billion in 2019 to $105 million in 2020, in part due to the lack of mega M&A deals like 2019’s $42.5 billion acquisition of WorldPay by FIS. After a soft start to the year, H2’20 saw $71.9 billion in fintech investment across global M&A, PE and VC deals — more than double the $33.4 billion seen in H1’20.

Global VC investment reaches second-highest level ever

Amidst the pandemic, fintechs attracted $42.3 billion in VC investment, in a year that ended second only to 2018 — when Ant Financial raised $14 billion in the world’s largest private financing round ever. US-based wealthtech Robinhood attracted the largest VC investment in H2’20, raising $1.3 billion across two deals in H2’20: a $600 million raise in July and a $668 million raise in October.

Digital banks see big deals in H2’20

Digital banks attracted a number of VC mega rounds in H2’20, with Sweden-based digital bank Klarna raising $650 million, Revolut raising $580 million, and US-based Chime raising $533.8 million.

US drives H2’20 rebound in global M&A

M&A activity grew from $10.9 billion in H1’20 to over $50 billion in H2’20 — led by the $22 billion acquisition of TD Ameritrade by Charles Schwab. Increasing M&A activity in the US drove the rebound, with the US accounting for nine of the top ten M&A deals, including TD Ameritrade, Credit Karma ($7.1 billion), Vertafore ($5.3 billion), Iberia Bank ($2.5 billion) and Avaloq ($2.2 billion).

Unicorn births span the globe

In H2’20, fintech unicorns were born in the US (Next Insurance, Chainalysis, Better.com, Forter, and others), China (Waterdrop), Canada (Wealthsimple), India (Razorpay), the Netherlands (Mollie), and Brazil (Creditas). Two countries also saw their first fintech unicorns: Saudi Arabia (STC Pay) and Uruguay (dLocal). The diversity of these unicorns is a testament to the rapidly evolving global fintech ecosystem.

> “We’re going to see larger and more wide-spread M&A in fintech in 2021 – whether it is fintechs seeking to achieve a position of dominant scale in a segment or geography or incumbents needing to accelerate their digital transformation agenda.”

Ian Pollari
Global Fintech Co-Leader,
Partner, National Banking Leader,
KPMG Australia

Global insights

Governments prioritizing fintech advances

Fintech was a priority for governments and regulators around the world in 2020. During H2’20:

— The People’s Bank of China began a real-world trial in one district of Shenzhen in October for its central bank digital currency — the digital renminbi.

— The Monetary Authority of Singapore issued its first two digital banking licenses to the Grab-Singtel consortium and to tech giant SEA, in addition to two digital wholesale bank licenses to Ant Group and a consortium including Greenland Financial Holdings Group Co. Ltd, Linklogis Hong Kong Ltd, and Beijing Co-operative Equity Investment Fund Management Co. Ltd.

— A group of central banks, including the Federal Reserve, European Central Bank and Bank of England set out a framework and requirements for offering central bank digital currencies.[1]

Corporates embracing fintech imperative

Corporate participation in venture investment in fintech was incredibly strong in 2020, helping drive $21 billion globally, including over $9 billion in H2’20. Over the next couple of years, corporate investment is expected to grow significantly as more legacy firms continue to take action on the wake-up call provided by COVID-19 by undertaking acquisitions, making CVC investments and forging collaborative partnerships.

“This year, the US market has really accelerated away from the rest of the fintech market. Whilst there’s been interesting action from Gojek in Asia and on the digital banking front in Europe, the reality is that 2020 has been a year where the US and digital payments companies have really excelled.”

Anton Ruddenklau
Global Fintech Co-Leader,
Partner and Head of Financial Services Advisory,
KPMG in Singapore

[1] https://www.cnbc.com/2020/10/09/central-banks-lay-out-a-framework-for-digital-currencies.html

Global insights

Top fintech trends for 2021

From 2020, we learned that with great challenge comes great opportunity; and now in 2021, we expect a rebound in fintech activity.

Here are our top predictions for fintech in H1’21.

1. **Payments will stay**
Investments in the payments space will be hot around the world, particularly in less mature markets. We will likely see large payments players consolidating to drive global scale, which will drive new mega M&A deals.

2. **Embedded finance will emerge as the new North Star**
There will likely be strong growth in embedded finance (e.g., buy now and pay later programs, embedded insurance options) and banking-as-a-service offerings and in related partnerships.

3. **New markets for fintech will emerge**
While the US should continue to dominate fintech investment globally, fintech hubs will likely continue to evolve and grow especially in Central and North Asia and South America.

4. **The pipeline of fintech IPOs grow globally**
Given the successful IPOs of a number of tech unicorns in 2020, IPOs will likely be on the agenda for a number of mature fintech unicorns in 2021. Many local exchanges are also making themselves much attractive for technology listings to compete with NASDAQ.

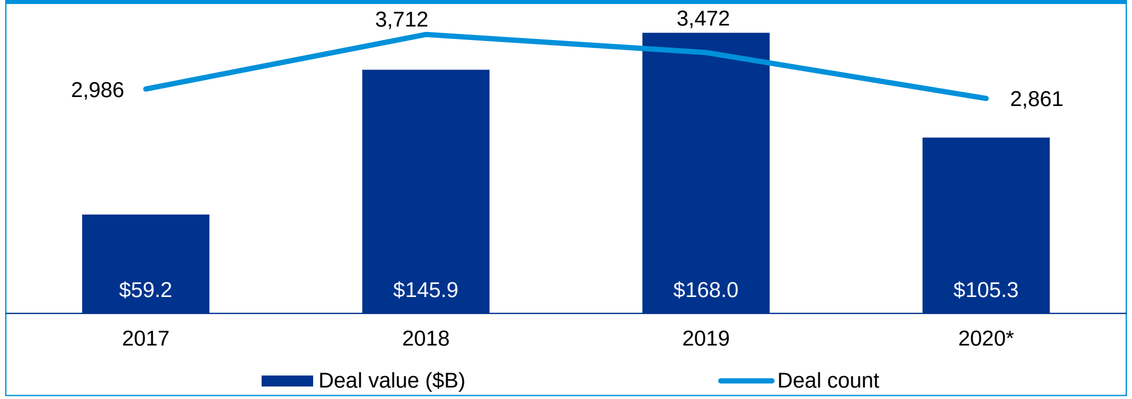
5. **M&A will make a big rebound**
M&A activity may see a resurgence, driven by incumbents looking to accelerate their acquisition of digital capabilities and by fintechs looking to scale as they look to grow globally or extend into nearby adjacencies.

6. **Crypto-assets will become mainstream**
The evolution of digital ledger technologies combined with stablecoins and increasing interest in central bank digital currencies may begin to open up tremendous opportunities in the cross-border payments space.

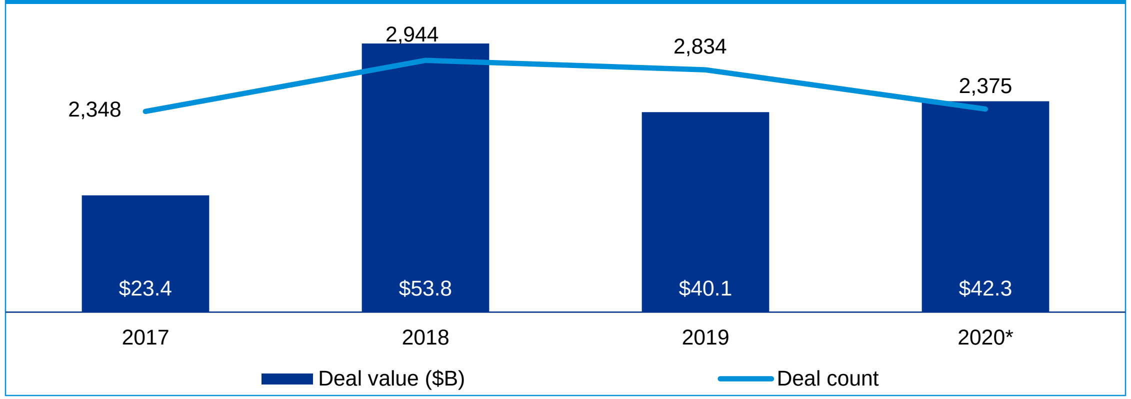
Global insights

After slow start, 2020 rebounds to healthy finish, powered by surge in venture capital

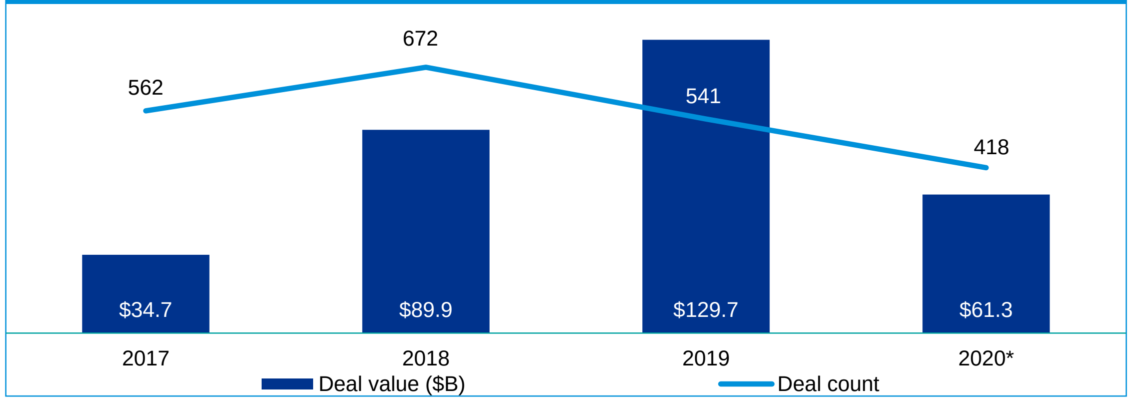
Total global investment activity (VC, PE and M&A) in fintech
2017–2020*



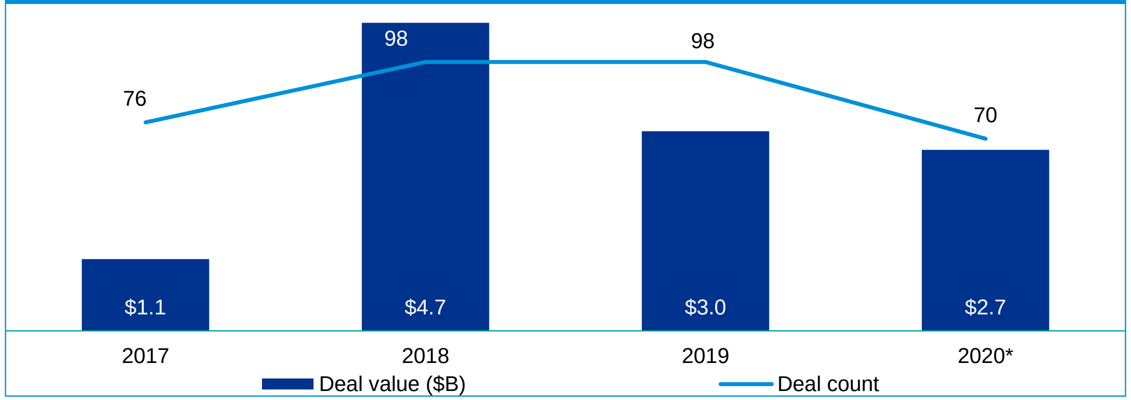
Global venture activity in fintech
2017–2020*



Global M&A activity in fintech
2017–2020*



Global PE growth activity in fintech
2017–2020*

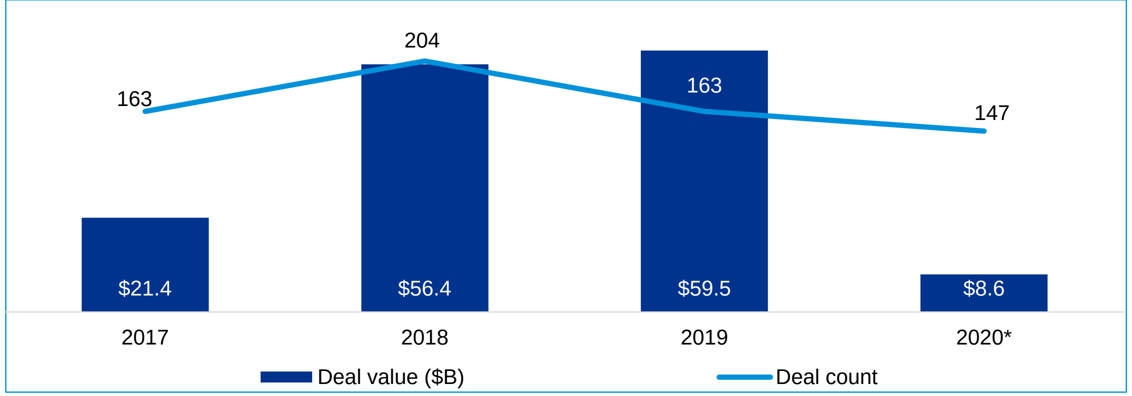


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

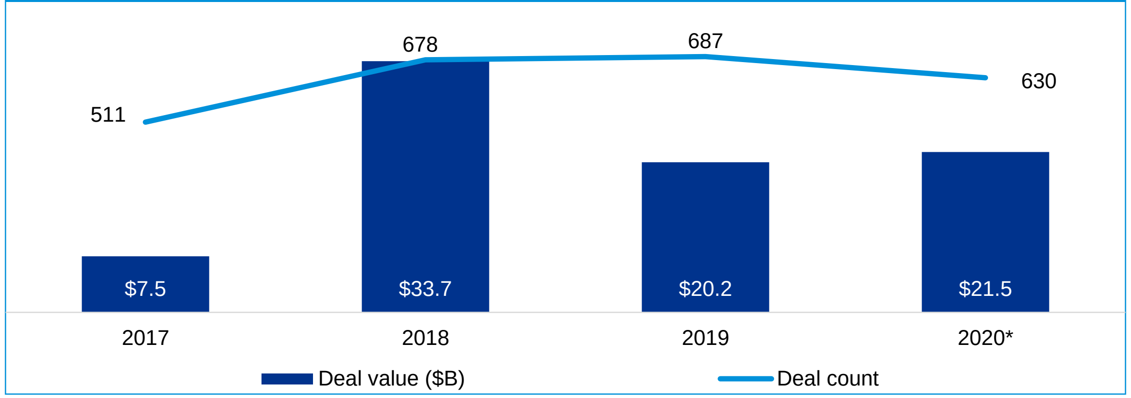
Global insights

Cross-border buyers pulled back on spending, CVCs boosted overall venture investment

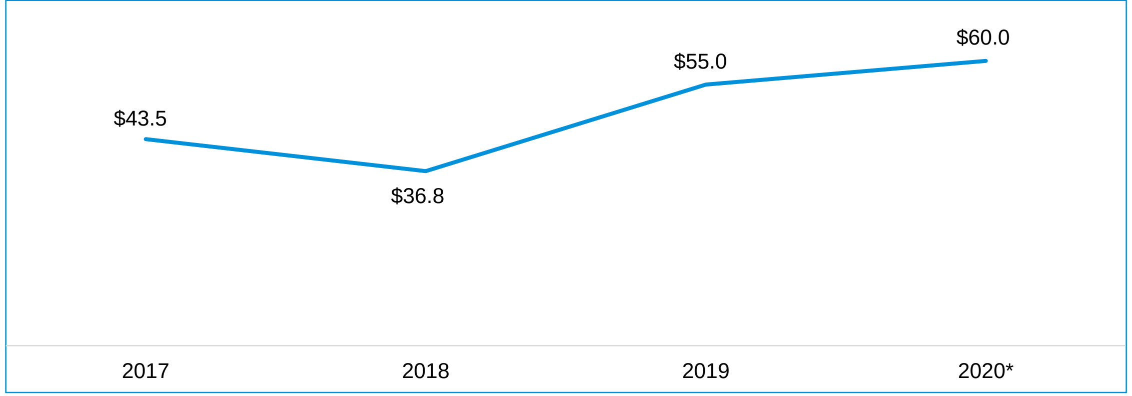
Global cross-border M&A activity in fintech
2017–2020*



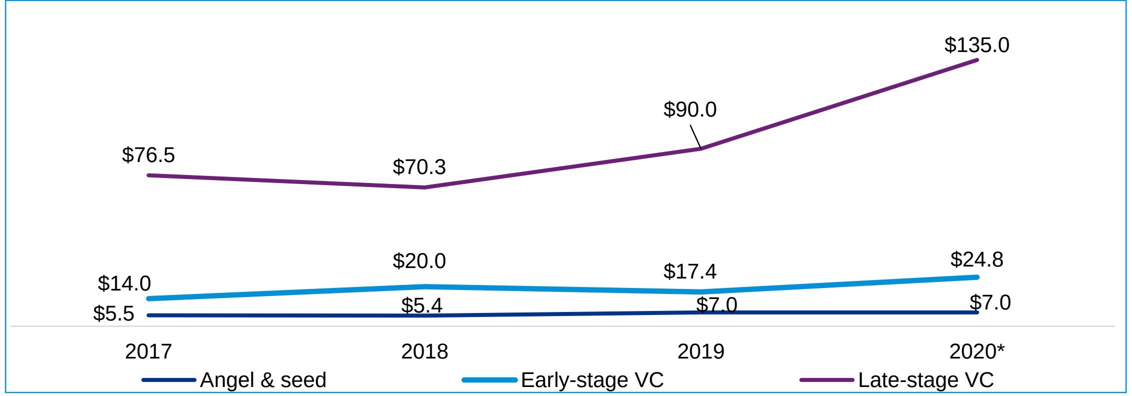
Global VC activity in fintech with corporate participation
2017–2020*



Global median M&A size ($M) in fintech
2017–2020*



Global median pre-money valuations ($M) by stage in fintech
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

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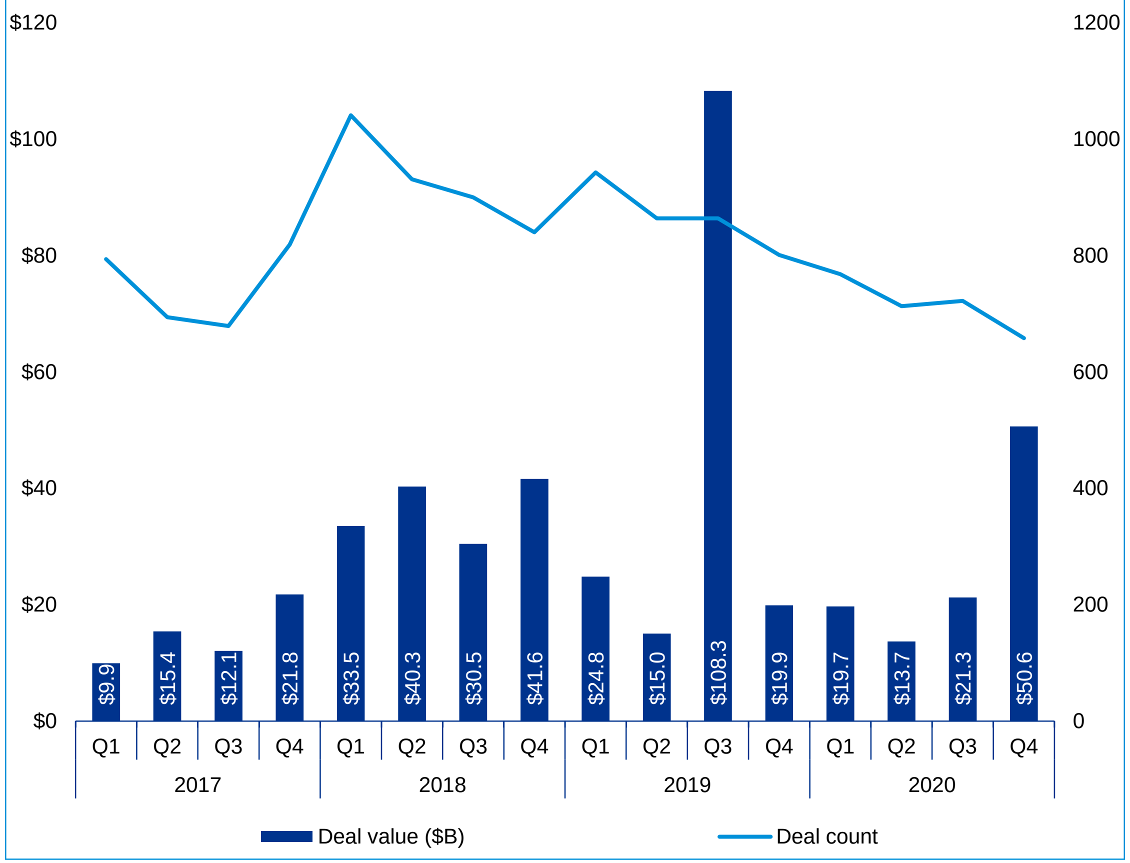
Volume declines overall amid global pressures

Total global investment activity (VC, PE and M&A) in fintech
2017–2020*

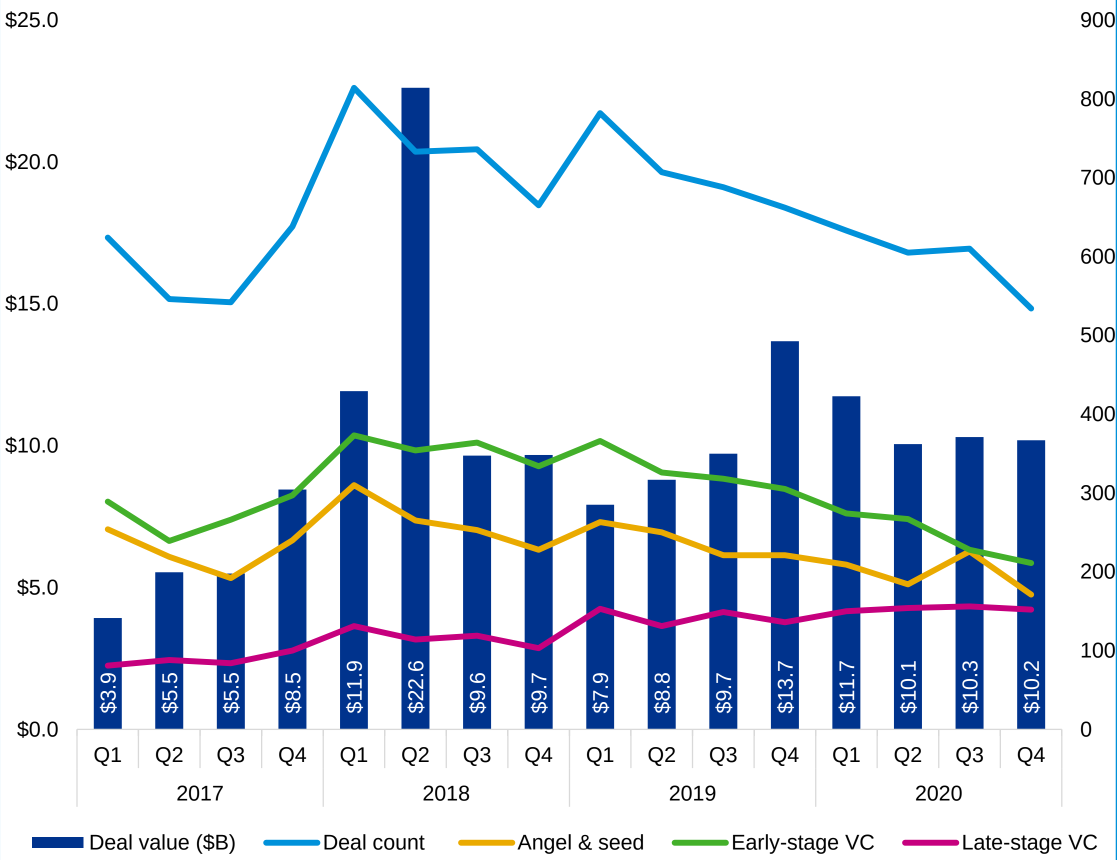


Global M&A activity in fintech
2017–2020*

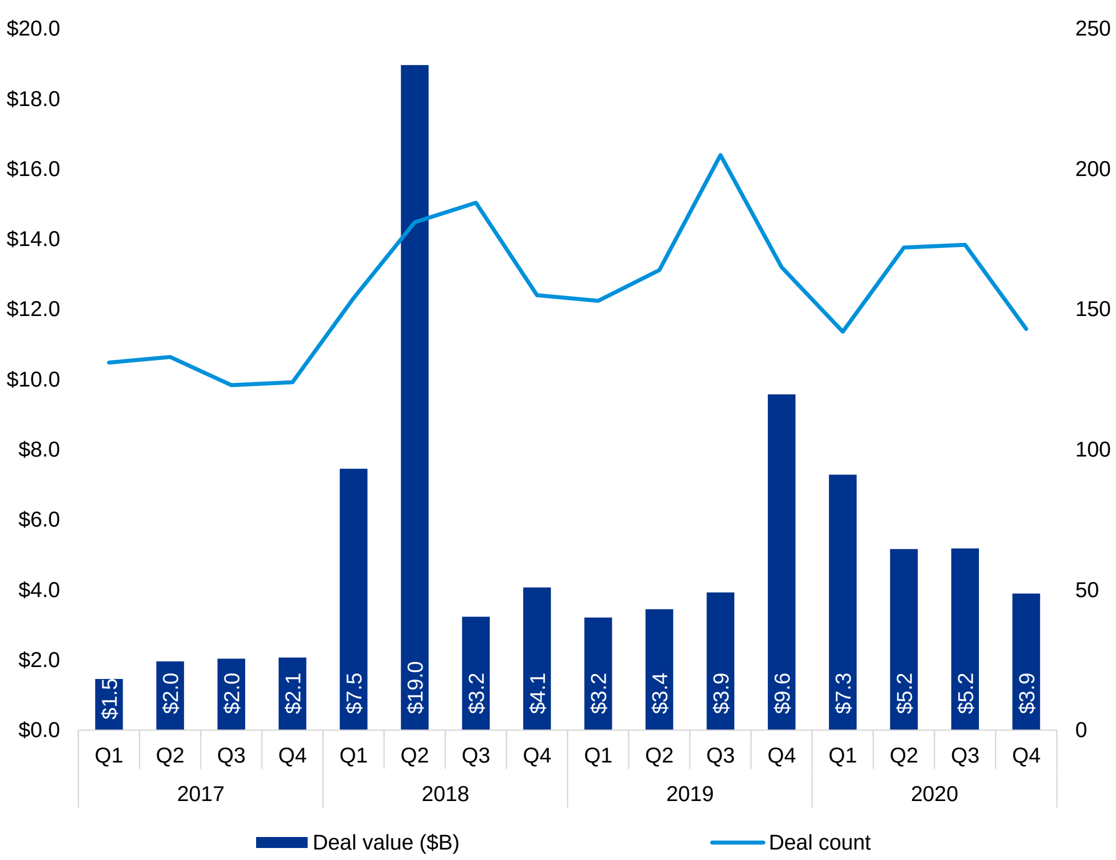
Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

Corporates still boost overall venture funding

Global venture activity in fintech
2017–2020*



Global VC activity in fintech with corporate participation
2017–2020*



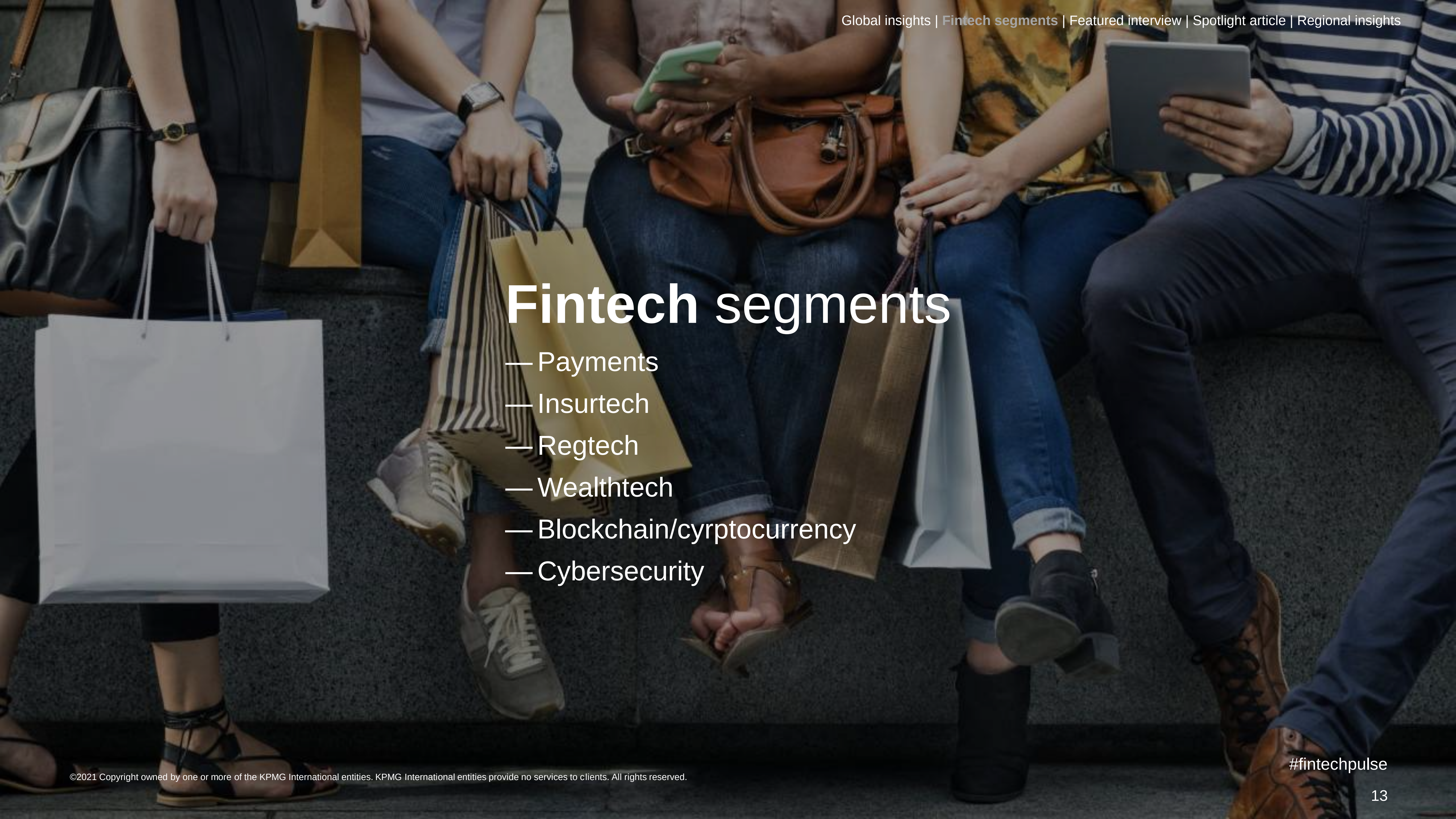
Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

Global insights

Top 10 global fintech deals in the 2020

1. **TD Ameritrade** — $22B, Omaha, US — Wealth/investment management — *M&A*
2. **Credit Karma** — $7.1B, San Francisco, US — Lending — *M&A*
3. **Vertafore** — $5.35B, Denver, US — Institutional/B2B — *M&A*
4. **Honey Science** — $4B, Los Angeles, US — Payments/transactions — *M&A*
5. **Gojek** — $3B, Jakarta, Indonesia — Payments/transactions — *Series F*
6. **IberiaBank** — $2.54B, Lafayette, US — Banking — *M&A*
7. **Avaloq** — $2.3B, Zurich, Switzerland — Institutional/B2B — *M&A*
8. **Paya** — $1.3B, Dunwoody, US — Payments/transactions — *Reverse merger*
8. **Open Lending** — $1.3B, Austin, US — Lending — *Reverse merger*
10. **Galileo** — $1.2B, Salt Lake City, US — Payments/transactions — *M&A*

Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.
**Grab's round is classified as late-stage VC until further documentation confirming it is Series I is available.
***Navi's round is classified as angel given the fact a consortium of individual investors was responsible for the funding.



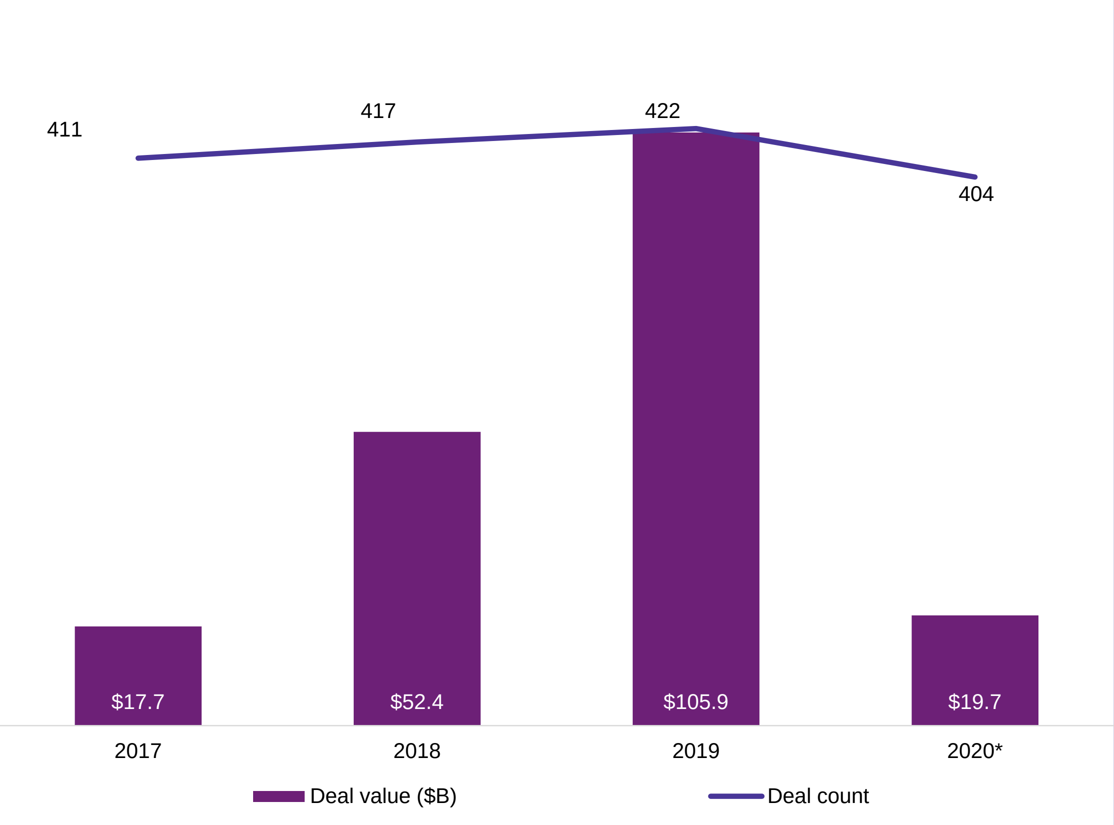
Fintech segments

— Payments
— Insurtech
— Regtech
— Wealthtech
— Blockchain/cyrptocurrency
— Cybersecurity

Fintech — Payments

Payments sector leads fintech investment in 2020

Total global investment activity (VC, PE and M&A) in payments
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

The global pandemic has only enhanced interest in the payments space given the rapid acceleration of digital trends and demand for alternative payments models — driving activity in the challenger banking space and in the B2B sector.

Despite the steep decline in total investment caused by a lack of multibillion dollar M&A deals such as the 2019 acquisition of Worldpay by FIS, the high number of deals seen in 2020 highlights the attractiveness of the sector to investors.

COVID-19 igniting the payments sector

The global pandemic has only enhanced interest in the payments space given the rapid acceleration of digital trends and demand for alternative payments models, driving activity in the challenger banking space and in the B2B sector.

Increasing geographic diversity

Payments was a hot area of investment, with an increasing number of countries attracting large deals, including the US ($1.3 billion — Paya, $530 million — Chime), Sweden ($650 million — Klarna), the UK ($580 million — Revolut) and Poland ($587 million — Polskie ePlatnosc) in H2'20. $200 million raises by STC Pay and dLocal led them to become the first fintech unicorns in Saudi Arabia and Uruguay.

Fintech — Payments

Growing focus on embedded payments solutions

Big tech platform companies and other non-financial services companies are increasingly offering a range of embedded financial services offerings. During H2'20, Stripe announced partnerships with Goldman Sachs, Barclays and Citigroup to provide embedded financial and payments capabilities to users via their platform.[2]

B2B payments gaining traction despite complexity

B2B services is seen as a target rich and underserviced area to investors, given the needs of small businesses related to liquidity, funding, money movement, and other banking services. While many B2B focused payments companies initially offered simplistic products like invoicing or remittance exchange, they are now working to expand their capabilities and value to support end-to-end transactions.

What to watch for in 2021

— Healthy market for IPO exits of payments firms and rebounding M&A

— Growth of banking-as-a-service platforms and embedded payments solutions

— Increasing focus on "buy now, pay later" services

— Enhanced focus on open banking related opportunities

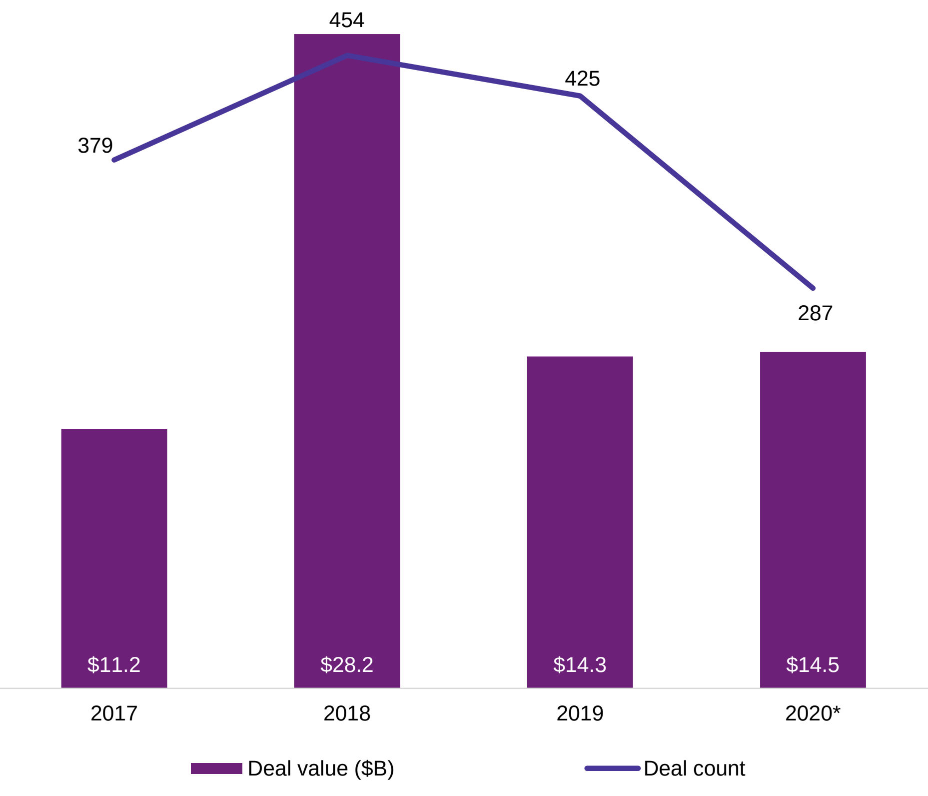
"The payments space will likely continue to be a big focus for investors around the world. Open banking, in particular, will drive increasingly integrated payments solutions. It's currently mandated or regulated in a number of jurisdictions, primarily in EMEA, but we're going to start to see it make its way across the pond and into North America, which will further support and facilitate banking-as-a-service platforms."

Chris Hadorn
Global Leader of Payments,
Principal, Financial Services,
KPMG in the US

[2] https://www.reuters.com/article/stripe-banking-idUSL4N2IJ3PL

Despite drop in deals volume, large deals keep insurtech investment high

Total global investment activity (VC, PE and M&A) in insurtech
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

Insurtech investment grew slightly from $14.3 billion in 2019 to $14.5 billion in 2020, despite a major drop in the number of deals from deals to 287. Maturing fintech companies attracting larger rounds combined with incumbent carriers recognizing the need to accelerate their digital transformation efforts helped buoy insurtech investment.

Big VC funding rounds in H2'20 help mitigate H1'20 dip

Insurtech was a hot sector for VC investors in H2'20, helping to keep investment levels high for 2020. During H2'20, $100 million+ rounds were raised by Bright Health ($500 million), Hippo Insurance ($500 million across two rounds), Next Insurance ($250 million) and Oscar ($140 million) in the US and by Shuidi ($480 million across two rounds) in China.

Increasing number of deals driven by insurance brands

During 2020, many of the largest insurtech funding rounds focused on challenger insurance brands, rather than on software players. Investments in alternative full-stack providers really took off compared to previous years, with many providers now working to achieve scale.

Corporate investment growing stronger

Corporate investment in insurtech continued to grow in 2020 as incumbent insurance companies heeded the wake-up call provided by COVID-19 and looked to quickly progress their digital capabilities. Big techs are also targeting insurance; in H2'20, Alphabet-owned Verily announced Coefficient Insurance — a new subsidiary focused on providing stop-loss insurance.[3]

[3] https://www.theverge.com/2020/8/25/21401124/alphabet-verily-insurance-coefficient-stop-loss

Fintech — Insurtech

Collaborative partnerships on the rise

Partnerships gained traction as insurance carriers looked to get closer to their customers, such as by working collaboratively with automotive Original Equipment Manufacturers (OEMs) to provide insurance at the point of sale of a vehicle. Collaborations also occurred at the platform level; in H2'20, Chubb introduced Chubb Studio to provide integrated insurance offerings through their partners' digital channels.[4]

Mature insurtechs begin exit march, led by Lemonade

Lemonade raised $319 million in its successful July IPO, with shares popping 132 percent on the first day of trading. Its strong performance helped drive interest in exits, with Root Insurance quickly following suit. In November, Metromile also announced its special purpose acquisition company (SPAC) acquisition, with shares expected to start trading in 2021.

What to watch for in 2021

— Increasing number of IPO exits and SPAC exits

— Insurtechs making acquisitions to acquire additional capabilities and insurance licenses

— Growing partnerships related to embedded insurance

— New alternative full-stack providers, particularly in markets with low insurtech penetration

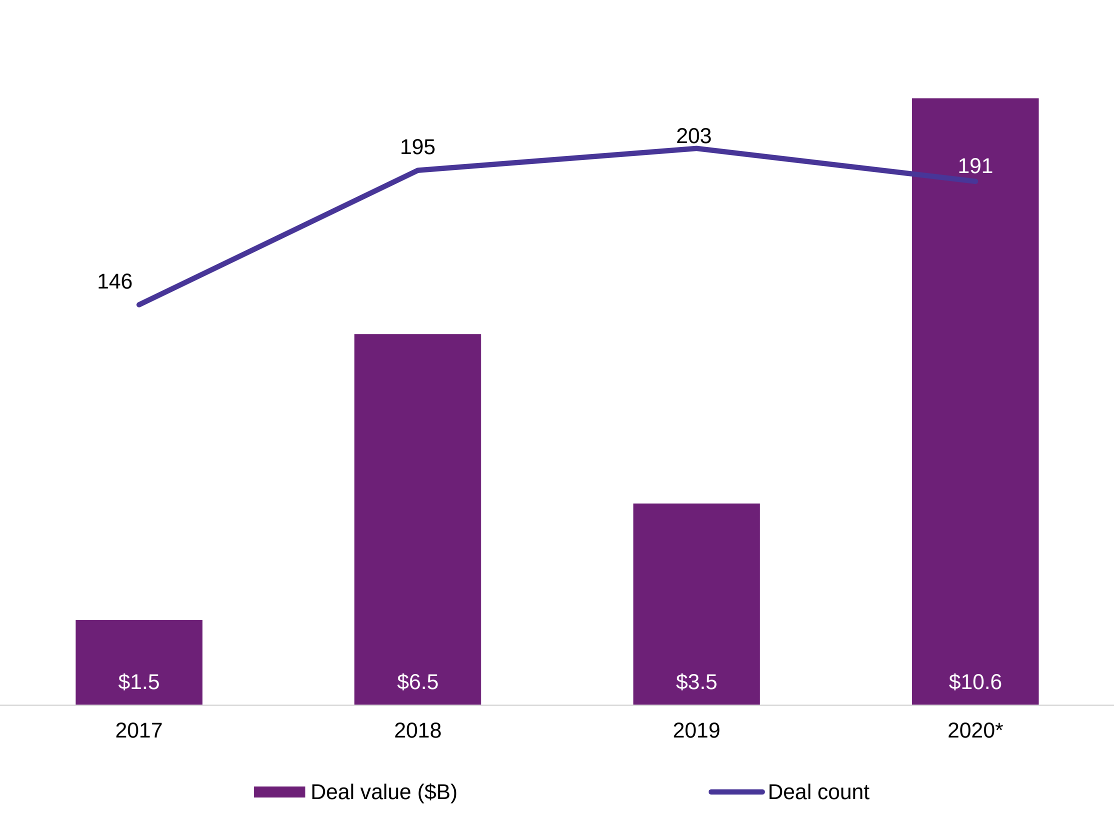
"A year ago, we talked a lot about customer differentiation and segmentation; about the high-net-worths, the baby boomers, and the millennials. COVID-19 has changed all that, and actually consolidated interactions between the insured and the carriers. Everyone has moved to a mobile, digital model and that's really requiring carriers to move much faster in that arena."

Gary Plotkin
Global Insurtech Leader,
Principal, Insurance Management Consulting Leader,
KPMG in the US

[4] https //www.insurance-canada.ca/2020/09/14/chubb-studio-launch-simplifying-digital-partner-integration/

Regtech investment tops $10 billion for the first time

Total global investment activity (VC, PE and M&A) in regtech
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

During 2020, interest in regtech solutions skyrocketed as companies working to digitize processes quickly to support shifting business and consumer demands looked for efficient and cost-effective ways to manage their regulatory requirements in a shifted business environment. This growing interest drove regtech funding to $10.6 billion, well above the previous high of $6.5 billion seen in 2018.

Vertafore acquisition accounts for half of total funding

Roper Technologies' $5.3 billion acquisition of insurance compliance software company Vertafore in September highlights the increasing importance being given to regtech by strategic investors, in addition to the growing maturity of regtech companies.[5]

Regtech becoming an important focus for financial institutions

The pandemic stressed the need for financial institutions to address structural challenges and make risk management processes more efficient and proactive. For example, loan-related risks have been growing during the pandemic both on individuals and on businesses. This, in addition to increasing regulatory demands, is driving interest in regtech solutions.

COVID-19 will likely remain an active driver for investment heading into H2'20. Regtech companies could gain traction, particularly those focused on credit-related solutions.

[5] https://www.insurancejournal.com/news/national/2020/08/13/578970.htm

ESG expected to become more important component of regulation

In November, the European Banking Authority (EBA) issued a discussion paper on the incorporation of ESG factors and risks into the regulatory and supervisory framework for credit institutions and investment firms. The discussion paper identifies for the first time common definitions of ESG risks, building a common taxonomy and showing current evaluation methods. It also outlines recommendations for the incorporation of ESG risks into business strategies, governance and risk management as well as supervision. This highlights an increasing recognition of the materiality of ESG risks to investment decisions.

The EBA sees the need to enhance the incorporation of ESG risks into institutions' business strategies and processes and proportionately incorporating them into their internal governance arrangements. This could be done by evaluating the long-term resilience of institutions' business models, setting ESG risk-related objectives, engaging with customers and considering the development of sustainable products. Companies helping institutions to adjust the business strategy to incorporate ESG risks as drivers of prudential risks will be considered as a progressive risk management solution to mitigate the potential impact of ESG risks and will in our view drive the market.

What to watch for in 2021

— New and updated regulations related to ESG risks and capital requirements, particularly in Europe (e.g., Capital Requirements Regulation (CRR))

— The increasing materiality of data privacy, KYC, and transparency issues will drive regtech solutions

— A focus on regtech able to measure and model new risk types (e.g., climate change risk) in Financial Institution portfolios

"We are experiencing unprecedented levels of uncertainty. Over the last few years, companies in the financial services sector have seen regtech solutions as a means for becoming more efficient and flexible, especially when it comes to being compliant with financial regulations. COVID-19 has only increased interest in regtech by highlighting the need for companies to focus more on risk management, such as banks looking to manage their growing number of loan defaults."

Fabiano Gobbo
Global Head of Regtech,
Partner, Risk Consulting,
KPMG in Italy

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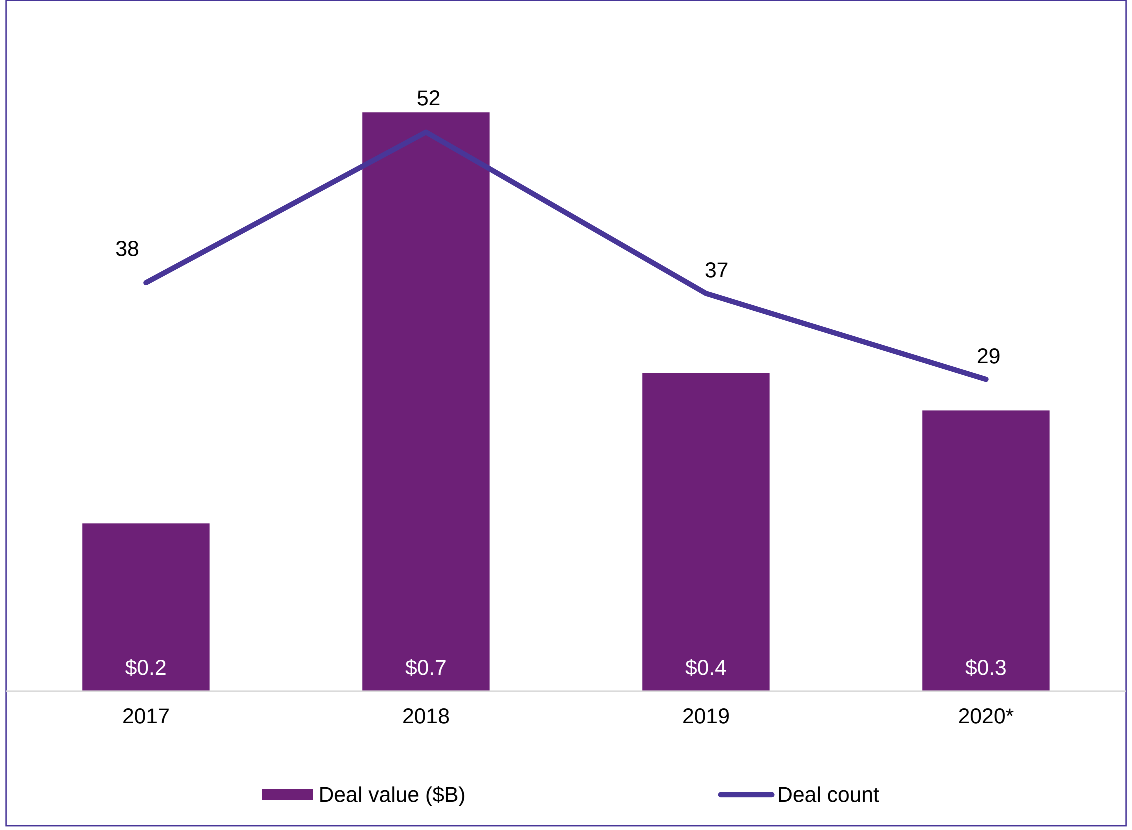
Wealthtech investment takes a breather

Total global investment activity (VC, PE and M&A) in wealthtech
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

The year 2020 was tough for wealthtech, with only $350 million invested. In the VC space, investors primarily focused on their own portfolio companies, putting little funding into early stage rounds, which made it difficult for new wealthtechs.

Wealthtech market geared toward well-established players

With a few notable exceptions, such as Wealthsimple in Canada which raised $86 million in H2'20, established players dominated the wealthtech market. The wealth management market is an expensive value proposition, making it difficult for completely new wealthtechs to grow and achieve scale.

Partnerships seen as key aspect of wealthtech

While not directly seen in the investment numbers, partnerships are quickly becoming a key aspect of the wealthtech sector. In H2'20, robo-advisory company Nutmeg announced a partnership with JPMorgan to launch a range of ETFs specifically for the robo-advisors client base.[6]

Consolidation expected given number of small players

Consolidation is expected to be an ongoing theme in the wealthtech space as investors recognize that the smaller wealthtechs they have invested in might not get to the IPO valuation they had hoped for, and look for ways to pull together businesses or to sell them.

[6] https://www.ftadviser.com/investments/2020/11/18/nutmeg-partners-with-jp-morgan-for-exclusive-fund-range/

Fintech — Wealthtech

Real assets starting to gain some attention

During 2020, there was some focus on making real asset classes like real estate more accessible to investors, such as through the development of platforms where different investors share stakes in a real estate fund, with the liquidity to trade in and out without having to wait for the whole fund to liquidate.

B2B services gaining steam

An increasing number of wealthtechs are focusing less on pure play solutions and more on B2B services, such as providing platforms to simplify and automate activities like dividends and reporting, or at providing wealth managers with tools and data to help inform their advice to clients.

What to watch for in 2021

— Growing focus on operational resilience as wealth management companies look to be better prepared for events like COVID-19

— New opportunities focused on the real asset class

— Continued consolidation among small wealthtechs looking to achieve scale and more established wealth management companies looking for synergies

“We’re seeing wealthtech businesses provide ways for retail investors to access the private asset classes that are normally out of reach. Real estate is a prime example where the threshold investment size, of $250k or much more, together with the liquidity have the funds have historically made them unsuitable for most retail portfolios. We now see investment in a number of platforms that address these points. It’s one of the hottest areas of innovation in the sector just now — and one where we expect to see significant developments over the coming years.”

Bill Packman
Partner and Wealth Management Consulting Lead,
KPMG in the UK

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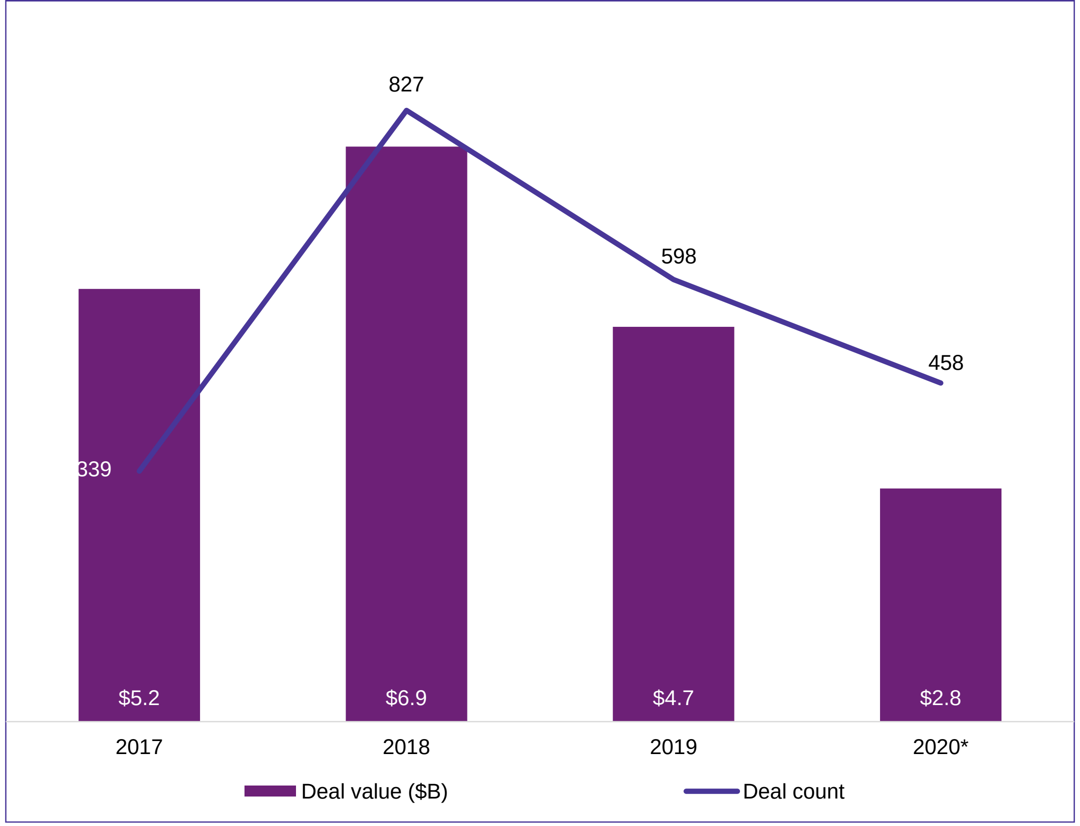
Fintech — Blockchain/cryptocurrency

Virtual assets moving into the mainstream

Total global investment activity (VC, PE and M&A) in blockchain & cryptocurrency
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

2020 was a solid year for blockchain, despite total funding dropping to $2.8 billion. Blockchain-based companies continued to grow, as evidenced by new unicorn Chainalysis, which raised $100 million in November. The virtual asset space was particularly active, with service providers continuing to emerge and banks and other well-known asset providers increasingly offering investment portfolios, ETFs and other products.

Players in the crypto asset ecosystem increasing

The virtual asset industry grew significantly in 2020, not only through the creation of new products and asset classes, but also through the participation of a broader range of market players not weighed down by legacy processes and infrastructure. These players introduced new channels and technologies able to address the needs of more sophisticated investors.

Regulatory environment changing rapidly

In 2020, Hong Kong (SAR) and Singapore developed regulatory frameworks and licensing regimes for virtual asset providers, while the Financial Services Regulatory Authority (FSRA) of Abu Dhabi Global Market (ADGM) updated its regulatory framework for virtual assets.[7] Super-regulatory bodies like International Organization of Securities Commissions (IOSCO) and Financial Action Task Force (FATF) also continued to provide recommendations on regulatory structures. These kinds of initiatives are essential for bringing in good practices to further operationalize the crypto and virtual asset industry.

[7] https://www.lexis.ae/2020/03/02/abu-dhabi-global-market-updates-virtual-asset-regulatory-framework/

Fintech — Blockchain/cryptocurrency

Stablecoins shifting options for cross border payments

In 2020, stablecoins continued to gain attention, including the JPMorgan Coin, which went live in H2'20. The growing acceptance of stablecoins and their increasing regulation in some jurisdictions will likely drive future opportunities in the cross-border payments space, for users, global companies and multinational banks with the ability to facilitate transfers more economically.

Governments investigating digital currencies

As China forged ahead with real-world testing of its central bank digital currency, other countries began to evaluate their options, including a group of central banks (e.g., Federal Reserve, European Central Bank, Bank of England) that together set out a framework and requirements for offering central bank digital currencies.[8]

What to watch for in 2021

— The development and evolution of central bank digital currencies

— The rise of institutional investors in the virtual asset space

— Increasing investment in operations-focused (e.g., compliance, investigations) solutions

— The strengthening of compliance practices, risk management and operational controls

— Issuance of stablecoins by mainstream brands

> "We have started to see clear principles and expectations emerging for the virtual asset industry. These frameworks are coming into being not only to safeguard investors, but also to create the resemblance of regulatory structures of financial services providers. Obviously, virtual asset service providers will have to bring this increased level of scrutiny and remove any uncertainty around challenges of compliance or enforcement in order to meet the needs of more sophisticated and in particular institutional investors."

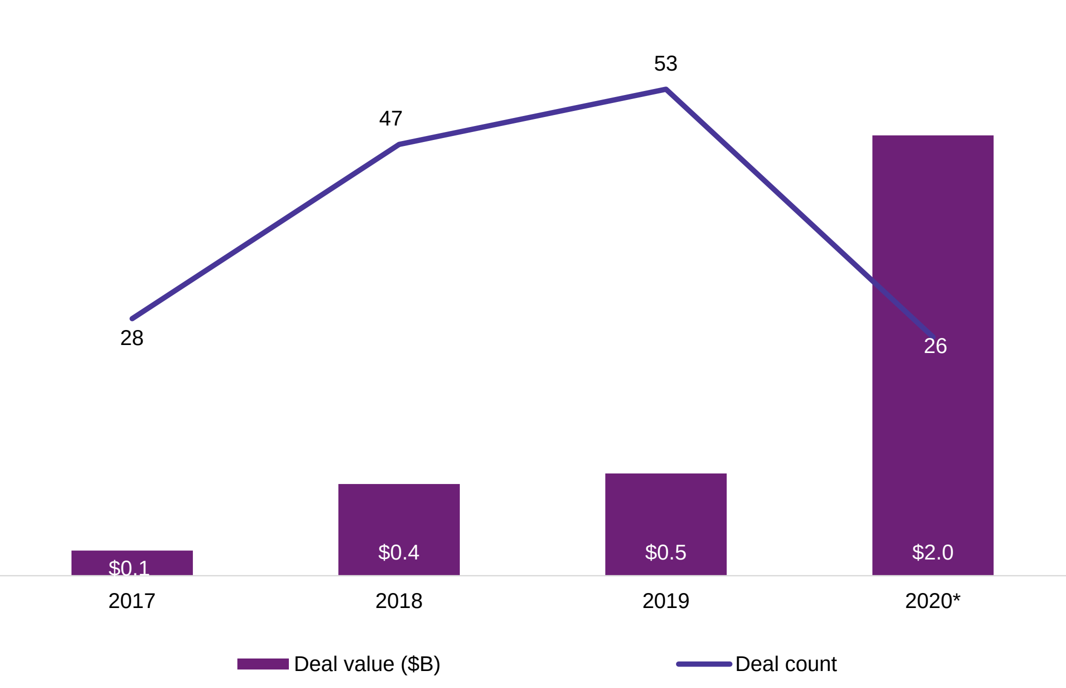
Laszlo Peter
Head of Blockchain Services,
Asia Pacific,
KPMG Australia

[8] https://www.cnbc.com/2020/10/09/central-banks-lay-out-a-framework-for-digital-currencies.html

Fintech — Cybersecurity

Cybersecurity investment goes through the roof

Total global investment activity (VC, PE and M&A) in fintech: cybersecurity
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

2020 saw cybersecurity investment quadruple from $500 million in 2019 to over $2 billion in 2020 as companies around the world responded to the increasing cybersecurity challenges associated with remote workforces and the growing use of online channels.

Corporates embracing the cloud

Businesses globally were challenged to provide their employees with controlled access to systems very quickly in 2020. This led to many that had clung to on-premise solutions to embrace cloud-based technologies in order to remain sustainable. It also led to increasing interest in cloud security solutions, as evidenced by WIX raising $100 million in December to help it scale in the face of growing demand.

Strengthening M&A activity

2020 saw increasing M&A activity across a number of dimensions, including corporates looking to expand their cybersecurity and data analytics capabilities, platform providers targeting innovative cybersecurity and fraud prevention focused firms to add to their security stacks, and security advisory firms looking to acquire hosted platforms. In H2'20, Mastercard acquired secure data sharing company Finicity for $985 million.

Cybersecurity and fraud themes converging

Over 2020, there was increasing interest in solutions connecting user behavior, identity management, and fraud. Looking forward, these areas will continue to converge. This is expected to drive interest in technologies like AI, machine learning, and data analytics — and on solutions like correlation engines and orchestration.

Payments and network management hot areas of focus

The acceleration of digital trends increased focus on the security of payments processing activities, including the use of behavioral analysis tools. Given the increase in remote work, network management was also a critical area of focus.

What to watch for in 2021

— Strong focus on machine learning and data analytics-based cybersecurity technologies

— Increasing interest in behavioral analytics in order to manage and prevent fraud

— Further growth in investments related to cloud security

— Companies looking to find the balance between privacy and security

> "In 2020, the global pandemic drove interest in getting people to work from home without sacrificing controls. For many, it meant moving aggressively to cloud-based technologies. So, companies able to help with the rapid migration to the cloud, or with ensuring data could be monitored, encrypted and protected, were suddenly in demand. Many were gobbled up or funded, while other startups popped up all to help solve those needs."

Charles Jacco
Americas Cyber Security Services, Financial services Leader, Principal, KPMG in the US

Featured interview

Bill Borden

Corporate Vice President, Worldwide Financial Services, Microsoft

Building together

How Microsoft is collaborating with clients and partners to drive transformation in financial services

Over the last twelve months, many financial services companies had to rapidly accelerate their digital transformation efforts in order to respond to the ongoing pandemic and its radical impact on consumer behaviors and expectations.

Bill Borden, Corporate Vice President, Worldwide Financial Services at Microsoft, thinks the industry as a whole did quite well given the situation. “We saw two years of transformation happening in two months,” he explains. “It was pretty incredible when you think abut the processes, the technologies, and the decisions that were made for organizations to make these changes.”

Now, many financial institutions are looking at how major shifts in consumer and SMEs trends will affect their business moving forward – and what that means for their business strategies and their transformation journeys. Borden sees an expedited and broad trend across the industry to invest more in new products, experiences, and business models in ways that drive speed, agility, and scale, while maintaining or even lowering costs. “That very much takes you down the path of thinking about how much do you build on your own, how much do you rent, and how much do you buy,” he says. “[This] certainly puts more emphasis and focus on the use of fintechs in terms of partnering.”

Blurring definitions in financial services

When thinking about fintech transformation, Borden notes there has been a number of waves of transformation activity in the space. “[First, we] had the individual fintechs get incubated and grow up. Then [the] existing financial services institutions and the mature players, acting on their own, built new transformative digital processes, products, and services to actually compete with the fintechs,” he explains. “Now you have this third wave of institutions…actually starting to embed fintech in their business models.”

It is a value proposition that aligns well with Microsoft, given the company can offer fintech solutions built on its platforms and help cultivate partners that bring unique value to the marketplace. But while the definition of financial services companies might be blurring, Borden emphasizes that his focus is always on enabling his clients to be the best they can be given the investments they want to make and their desired time horizons.

Fostering fintech innovation

Microsoft has long had a strong focus on fintech innovation and partnering, and on working with fintechs to address key challenges (e.g., security, compliance, governance) related to their cloud-enabled solutions. The company has also put a lot of time, attention, and capital into developing the fintech community, keeping a pulse on the innovation in fintech, and working to find the next set of fintech leaders. It does this in a number of ways, including through its venture capital arm M12 and through its community of fintech and other alliance partners, like KPMG, leveraging Microsoft technologies.

> “We curate that set of relationships from start to maturity as part of our strategy. Many of the company’s mature fintech partners have gone on to serve the immediate needs of Microsoft’s clients in the marketplace. It’s a win-win for all involved.”

Bill Borden
Corporate Vice President,
Worldwide Financial Services,
Microsoft

Featured interview with Bill Borden, Microsoft (con't)

"We curate that set of relationships from start to maturity as part of our strategy," Bordon explains. "Many of the company's mature fintech partners have gone on to serve the immediate needs of Microsoft's clients in the marketplace. It's a win-win for all involved."

Building the foundation for transformation

When tackling innovation with financial services clients, Microsoft's approach begins not by discussing technology, but by building an understanding of the company's approach, purpose, and culture, in addition to key aspects of their operations – like how they manage risk and combat financial crimes, and what core systems and capabilities should be modernized in order to drive speed and agility while shifting budgets towards more innovation. Borden says he and his team also works to understand the client's customer expectations and experience, along with the client's competitive nature and the insights they need to make competitive decisions.

With that knowledge in hand, they can then focus discussions on how data and AI can be used to support those decisions. "[And the] foundation for data and AI that has to be invested in over time if you're going to be a transformative organization that's driven by data that gives you the insights and personalization that customers are looking for," he adds.

Getting excited about the possibilities

Looking forward, Borden is incredibly excited about the work that Microsoft is doing with a broad range of financial institutions that are looking to change the game in financial services. "We're working with a European insurer where they have best of breed processing technology for their core underwriting systems," he offers as one example. "We're helping them build that in a way that they can leverage it and offer that into other ecosystems in the market."

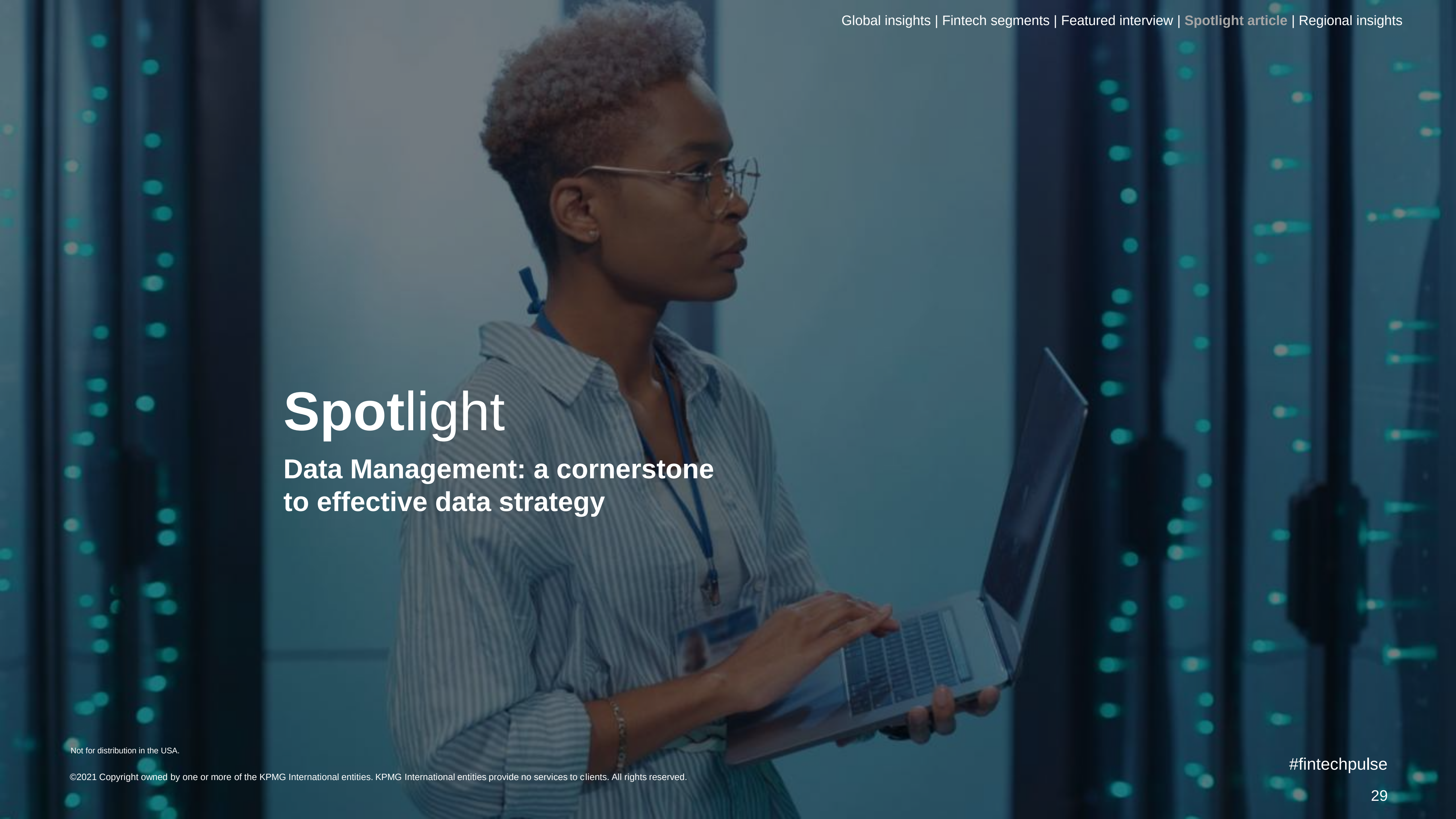
Borden's also thrilled about the ecosystem partnerships Microsoft is involved in, including X15 Ventures: a collaboration between Microsoft, KPMG, and the Commonwealth Bank of Australia focused on investing in new fintech organizations that can drive new solutions in the market.

Watch the full interview as KPMG's Global Fintech Co-Leader, Ian Pollari, speaks to Bill Borden about his views and Microsoft's role in the future of fintech: home.kpmg/fintechpulse

KPMG and Microsoft alliance

KPMG and Microsoft combine advanced technologies, industry insight, creative thinking and established excellence in managing complex global business issues to help transform your company in the areas most critical to your prosperity and success.

To learn more, visit kpmg.com/Microsoft



Spotlight

Data Management: a cornerstone to effective data strategy

Data Management: a cornerstone of effective data strategies

Contributor: *Jon Stone, Partner, Digital Delta, KPMG Australia*

Data is the lifeblood of any financial institution, and it is what the new generation of fintechs, insurtechs and regtechs are built upon.

But to get value from data and use it in ways that drive better performance and enhance the customer experience, effective data management is a pre-requisite. Without it, organizations can't leverage all the data that they amass from day to day across channels, products and services.

Regulatory imperatives – security, privacy and trust

Strong data management is a foundational requirement if financial institutions are to meet regulatory requirements around security, privacy and trust. This is in many ways the first base for data management. Regulators are increasingly focusing on these issues, enshrined in legislation such as GDPR and in Australia, Consumer Data Rights (CDR).

It is also necessitated through moves to create Open Banking ecosystems, requiring financial institutions to share customer data with other organizations on request to improve competition and choice for customers. In many jurisdictions, Open Banking systems are already advanced. In Australia, while it has been somewhat delayed by the COVID-19 pandemic, it is in active development. In order to comply with the demands, organizations need to ensure that their data is accurate, of high quality and that they can retrieve the relevant information quickly to meet the required timescales. But it is not just a defensive compliance issue – Open Banking is also an offensive opportunity, to gain new customers by making quick decisions based on the data provided.

Data Management at the heart of lending transformation

Another area where data management is critical is in lending. More precisely, it is fundamental to the lending transformation work that has been made necessary through COVID-19. Regulators and governments have been looking to financial organizations to make financial support rapidly available to customers and businesses who have been hit by the effects of the pandemic. Across unsecured and secured lending, this means being able to quickly access high fidelity, high integrity data to make the necessary credit decisions and authorizations.

However, many lending processes remain heavily manual. Some mortgage lending, for example, can consist of over 100 separate steps. It has therefore become necessary to review and update core lending processes, including quite dramatic changes to how data is used. It is a combination of overhauling processes and introducing greater levels of automation and AI-driven decision flows into models – and this requires fast access to reliable data. It is an area where KPMG has been working closely with many financial organizations in the wake of the pandemic.

CX and personalization

More broadly, data management is a vital element to delivering the enhanced customer experience that organizations are striving to create in the digital age. Nearly every financial institution is (or should be) investing in developing improved digital channels that make managing financial affairs easy, simple and relevant for customers.

> "Without [effective data management], organizations can't leverage all the data that they amass from day to day across channels, products and services."

Jon Stone
Partner, Digital Delta,
KPMG Australia

Spotlight — Data Management (con't)

Increasingly, this includes broadening services out in highly personalized ways – to bring customers opportunities and offers in relevant adjacent services such as shopping and retail, energy and utilities, or payments services. It is about understanding a customer's needs and wants, and providing relevant services to them as a result. But you can't have a personalization capability at scale without strong data management. As an example, Commonwealth Bank of Australia (Commbank) Customer Engagement Engine runs 400 machine learning models and ingests a staggering 157 billion data points in real time to deliver highly relevant, contextual messages to customers.

More than just an asset

Indeed, data has become more than just an asset. It has become the driver and facilitator of new business models and innovation. In the digital, connected world – and the Open Banking era – there is an opportunity to bring in data from third party providers and offer more targeted services. We see this with real estate data providers – enabling banks and lenders to apply it to mortgage offerings, and in Buy Now Pay Later businesses (such as Afterpay or Klarna) where data sets can be analyzed for insights into credit profiles and purchasing trends within sectors and categories.

Major banks and other institutions may have several hundred highly skilled staff working on these data and personalization models. There is an impressive amount of horsepower and intellect being applied. But now it is moving beyond internally focused work to look outwards and create data partnerships with an ever more diversified set of external players.

Data management challenges

For the more traditional and established institutions, one of the key hurdles to achieving strong data management is that age-old issue – legacy systems. Achieving a single view of the customer from multiple and disparate sources is an ongoing challenge, especially as more data is generated in different formats all the time.

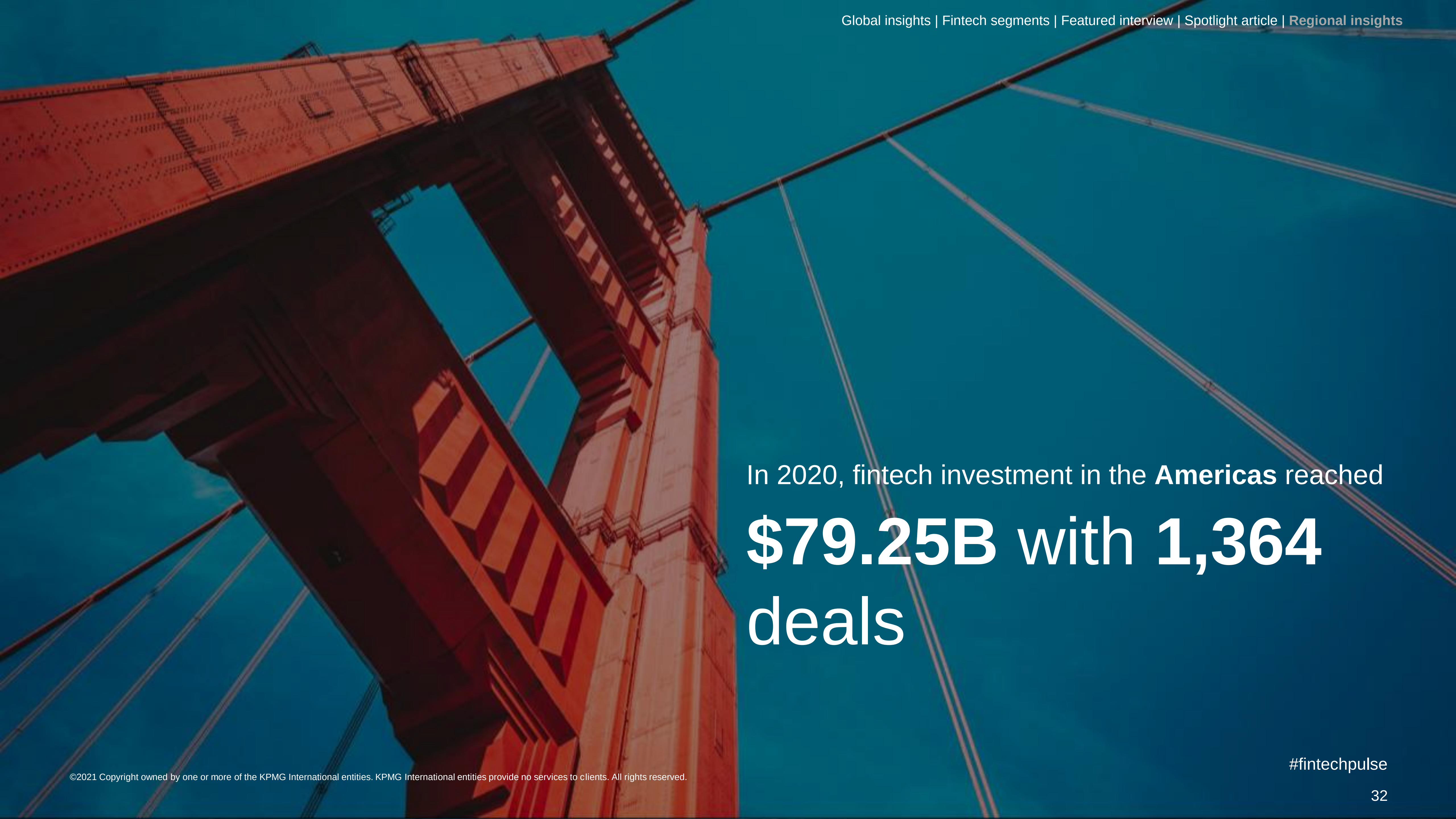
For fintechs and other digital native organizations, whilst they are naturally in a good position to embed AI, machine learning and automation to drive personalization and a good customer experience, they have perhaps not focused as much as they could have on data management aspects. In a sense, they haven't needed to – all their data is typically already well integrated from the outset. But as their data volumes grow and they become more complex as organizations, and as regulators continue to raise requirements around how data is stored and secured, it is an area that they are likely to need to put more resource behind.

Towards responsible AI

Another growing and potentially significant issue is achieving 'responsible AI'. Clearly, as data is leveraged more and more through AI models, it is key that customers, regulators and shareholders have confidence in the technology. The explainability and transparency of AI models, including how data is managed through the process, is paramount. And yet a recent survey by KPMG in Australia in conjunction with the University of Queensland[9] found that only a third of Australians are willing to trust AI systems. This is indicative of a wider issue internationally. It is imperative that financial institutions bring customers and stakeholders with them on the journey as they embed AI and emerging technologies ever more deeply.

No financial institution can win in the market without leveraging data – and to do that they have to manage it appropriately. Data management is integral to an effective data strategy and is becoming an increasingly critical determinant of success.

[9] https://home.kpmg/au/en/home/insights/2020/10/ar ificial-intelligence-trust-ai.html



In 2020, fintech investment in the **Americas** reached

$79.25B with **1,364** deals

#fintechpulse

Regional insights — Americas

Americas soars to record $23 billion in annual VC fintech investment

Fintech investment in the Americas showed incredible resilience in 2020, with over $79 billion in investment, including $58 billion in H2’20. Despite its major impact on some sectors, the pandemic showcased the value of many fintech sub-sectors as consumers and businesses shifted to digital solutions to meet their financial needs.

Rebounding M&A activity in H2’20

After a quiet H1’20, M&A rebounded significantly in the second half of the year, driven by activity in the US, including the $22 billion acquisition of TD Ameritrade by Charles Schwab, the $7.1 billion acquisition of Credit Karma by Intuit and the $5.3 billion acquisition of Vertafore by Roper.

IPO and SPAC activity surging in payments space

H2’20 saw a number of IPO exits in the Americas, including US-based Paya and Canada-based Nuvei, while Paysafe announced plans for a special purpose acquisition company (SPAC) transaction.[10] Following on its TSX IPO in 2019, Canada-based Lightspeed POS also held a secondary listing in the US in H2’20.

Challenged lending market sees numerous acquisitions in H2’20

Alternative lending companies saw their funding models challenged in 2020 as their risk profiles were significantly affected by COVID-19. This presented good buying opportunities for well-capitalized companies looking to acquire capabilities. In H2’20, American Express acquired Kabbage, Bread was acquired by Alliance Data and OnDeck was acquired by Enova.

Unicorn valuations remain high

Valuations continued to be strong throughout 2020, especially for big unicorns. This likely stems from the fact they are proven entities, their business models have shown resilience in the face of COVID-19, and many are expected to see growth coming out of the pandemic.

Record Q4’20 and year for fintech investment in Brazil

Brazil’s record $506 million in fintech investment in Q4’20 helped drive it to a record annual high of over $1.4 billion in 2020. Brazil, which saw lending company Creditas gain unicorn status in H2’20 with its $255 million raise, will likely continue to be the leading fintech market in Latin America in 2021.

What to watch for in 2021

— Active investment due to liquidity in the market

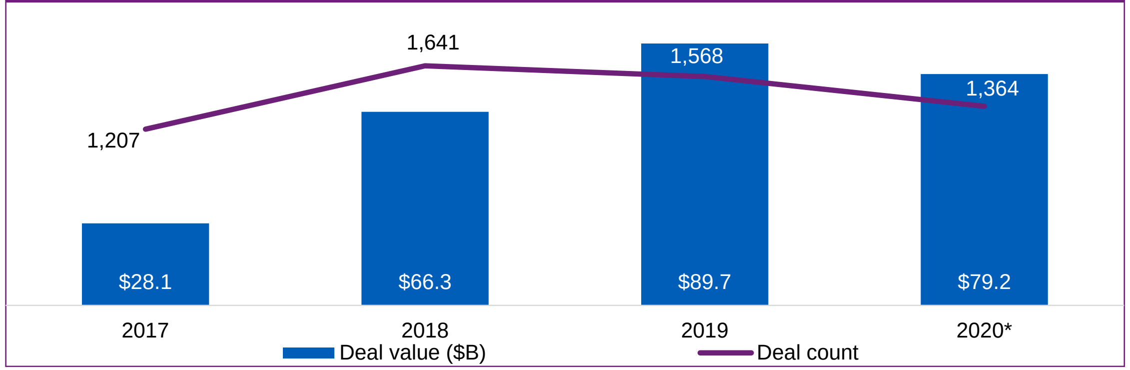
— Increasing investments in the blockchain and cryptocurrency space

— Strong M&A activity and both direct IPOs and SPAC transactions

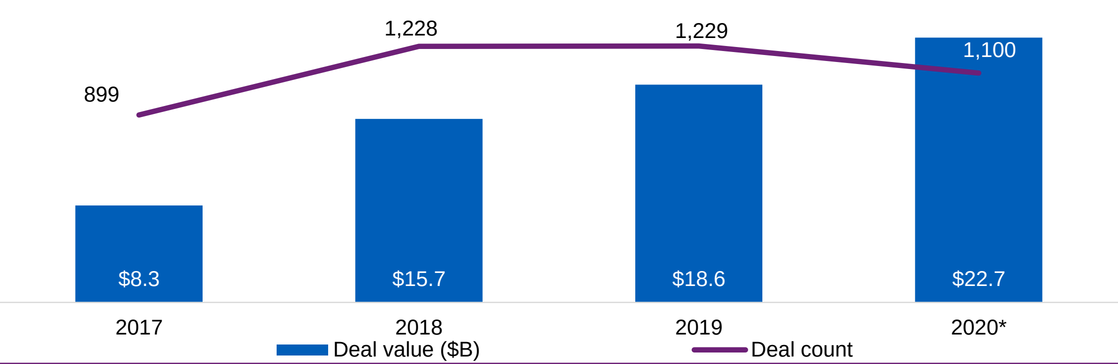
[10] https://www.pymnts.com/news/ipo/2020/paysafe-readies-9-billion-dollar-ipo-via-spac/

Record VC fuels robust funding levels

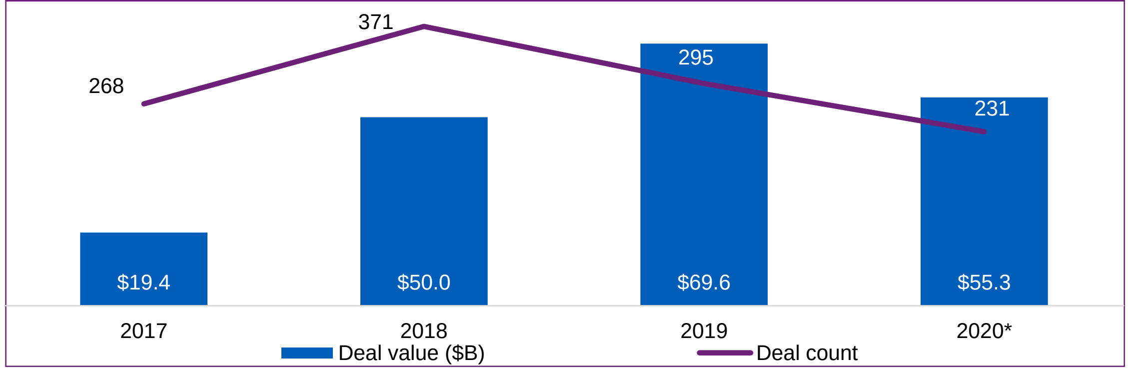
Total investment activity (VC, PE and M&A) in fintech in the Americas
2017–2020*



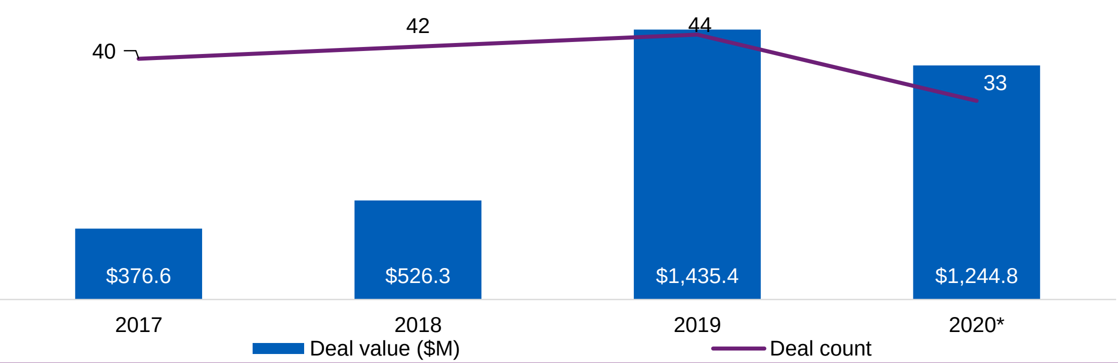
Venture activity in fintech in the Americas
2017–2020*



M&A activity in fintech in the Americas
2017–2020*



PE growth activity in fintech in the Americas
2017–2020*

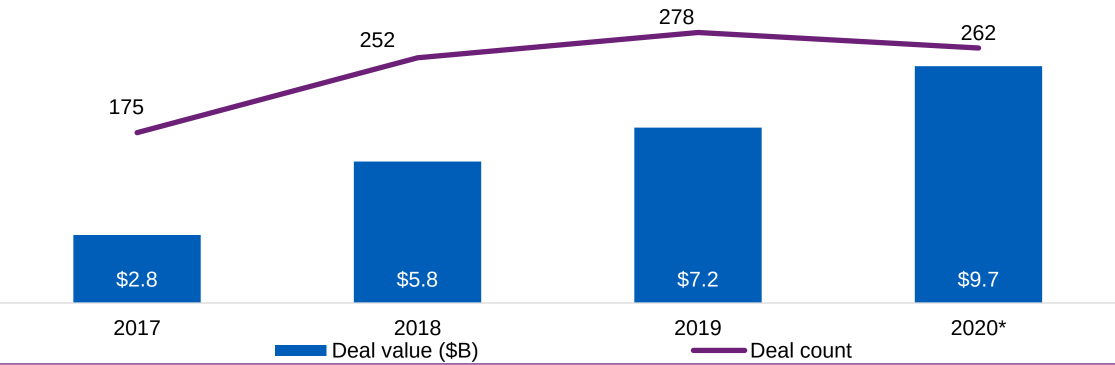


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

Regional insights — Americas

Financing metrics peak at the late stage and in M&A

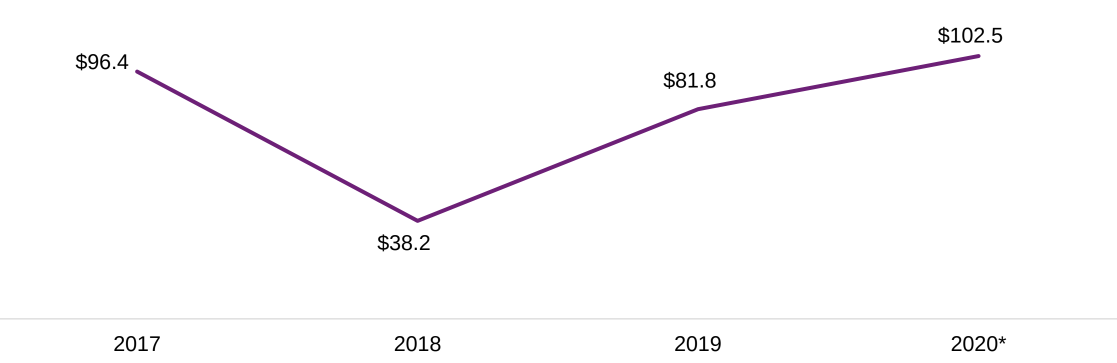
VC activity in fintech with corporate participation in the Americas
2017–2020*



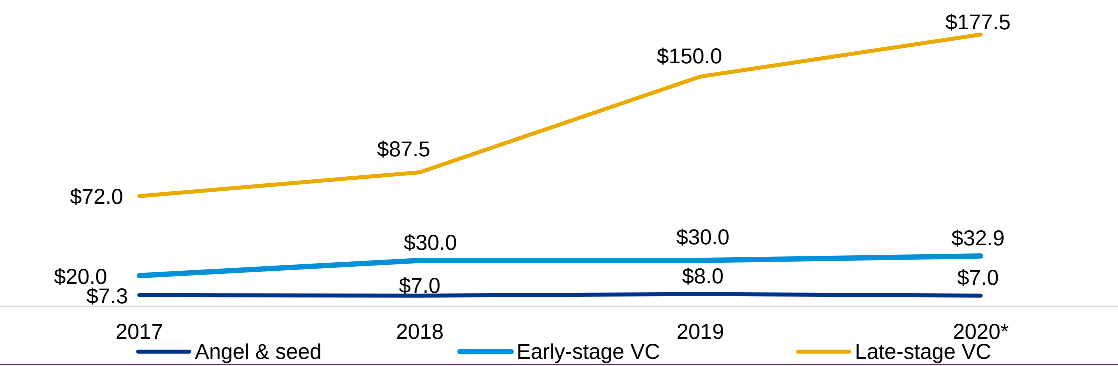
Corporates help boost financing metrics and aggregate VC invested

As fintech matures, corporate players have maintained their elevated participation in many late-stage rounds, boosting the aggregate tally of VC invested to a record high in 2020. In addition, such participation among avid demand on the part of mature venture firms has helped propel financing metrics to new highs, particularly at the late stage. The fact that the median M&A size in fintech also notched a new high in 2020, coupled with the late-stage median surging to nearly $180 million, speaks to the overall demand on not only the part of investors but also acquirers for fintech products and services, whether to grow their own market share or to gain new capabilities.

Median M&A size ($M) in fintech in the Americas
2017–2020*



Median pre-money valuations ($M) by stage in fintech in the Americas
2017–2020*

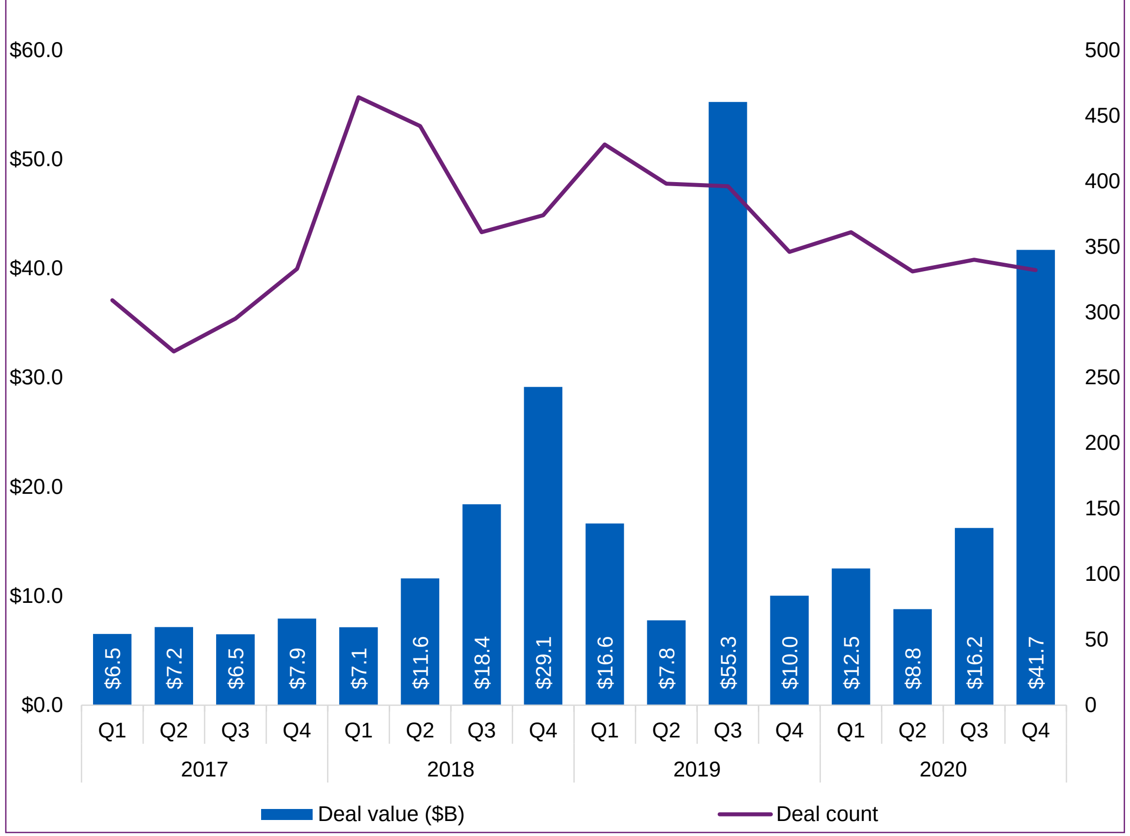


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

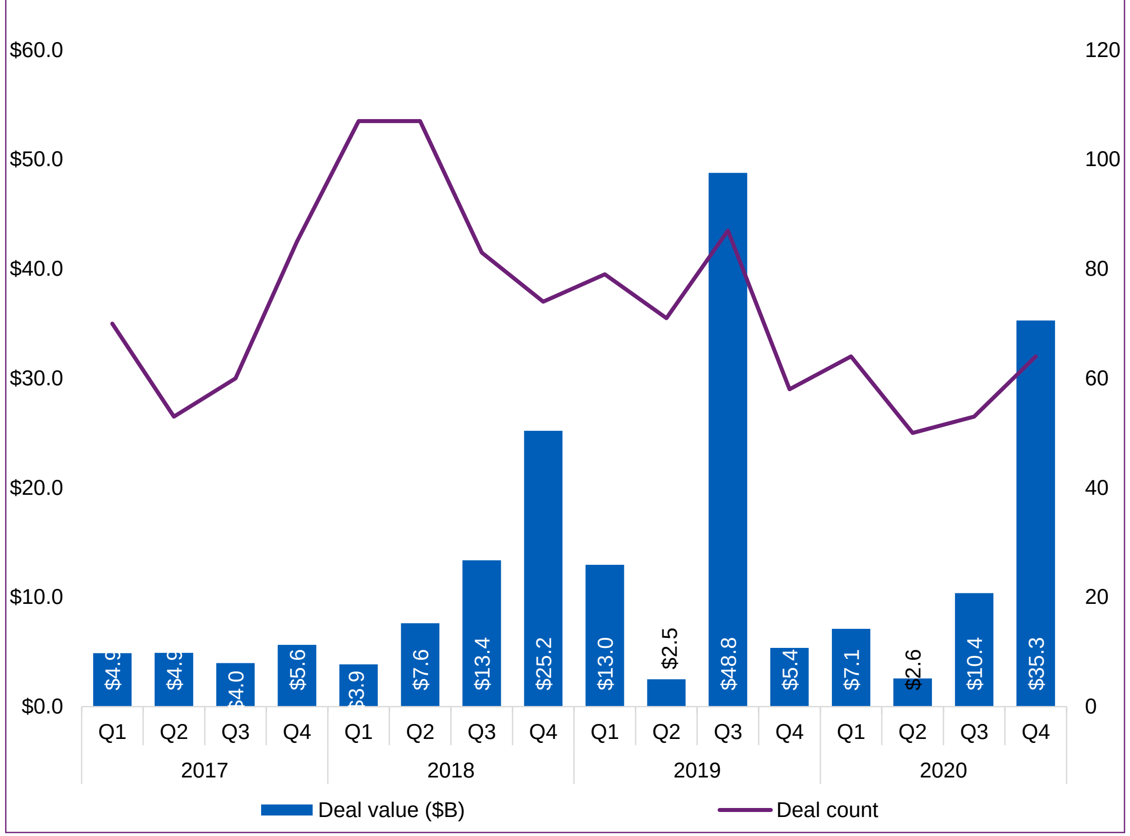
Regional insights — Americas

Q4 sees highest single-quarter deal value for M&A yet

Total investment activity (VC, PE, M&A) in fintech in the Americas
2017–2020*



M&A activity in fintech in the Americas
2017–2020*

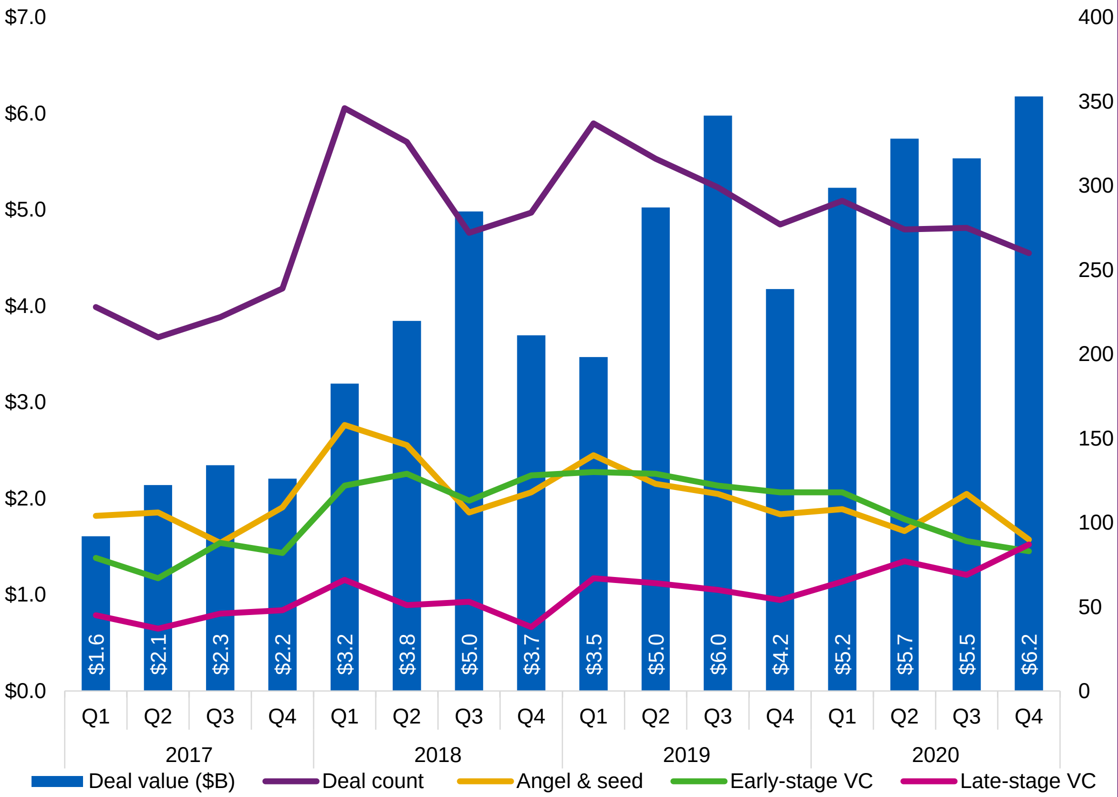


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

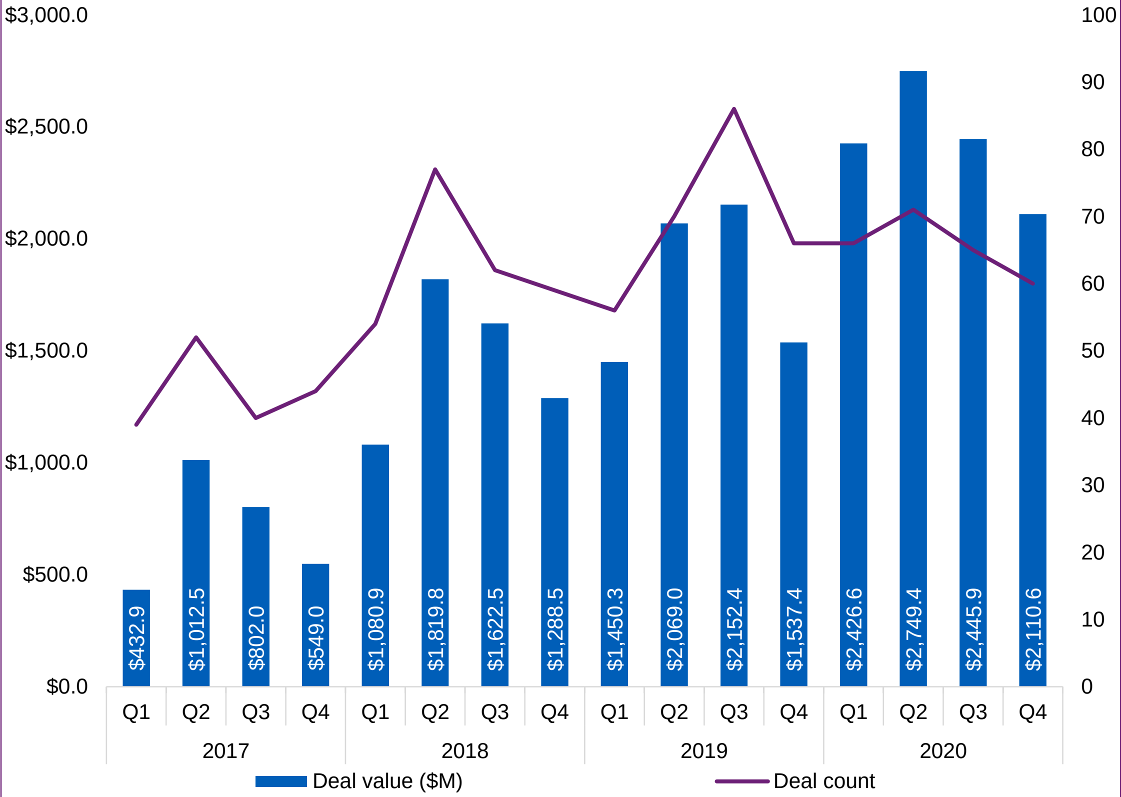
Regional insights — Americas

2020 ends in a record quarter for VC invested

Venture activity in fintech in the Americas
2017–2020*



VC activity in fintech with corporate participation in the Americas
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

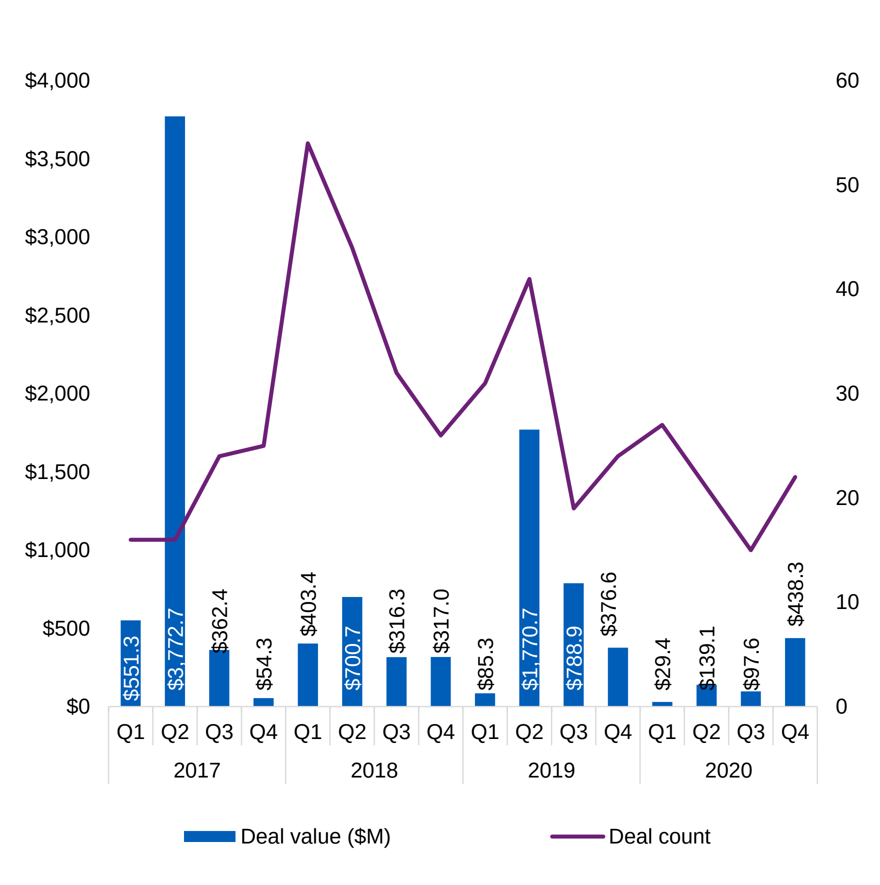
Regional insights — Americas: Canada

Fintech market in Canada well-positioned for rebound in 2021

— While fintech investment in Canada was soft throughout most of 2020, Q4'20 saw a rebound in investment to $438 million, including the $261 million acquisition of 'buy now, pay later' company PayBright by Affirm, a $86 million raise by Wealthsimple — which earned the wealthtech unicorn status, and the $74 million acquisition of mobile payments company Mobeewave by Apple.

— Canada's fintech ecosystem continued to show incredible diversity, with strong companies focusing on numerous fintech subsectors — from payments, installment financing, and wealthtech to blockchain and open banking.

Total fintech investment activity (VC, PE and M&A) in Canada
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

"Canadian fintechs are very well positioned because they are working in really exciting areas of fintech, like Cymend — which is working to provide a kinder mechanism for debt recovery using sophisticated AI or Flinks — which is focused on data integration and open banking. Our fintech market is really evolving and we're seeing interest not only from Canadian banks and investors, but from global players as well."

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

Resilient US sees fintech investment more than double in H2’20

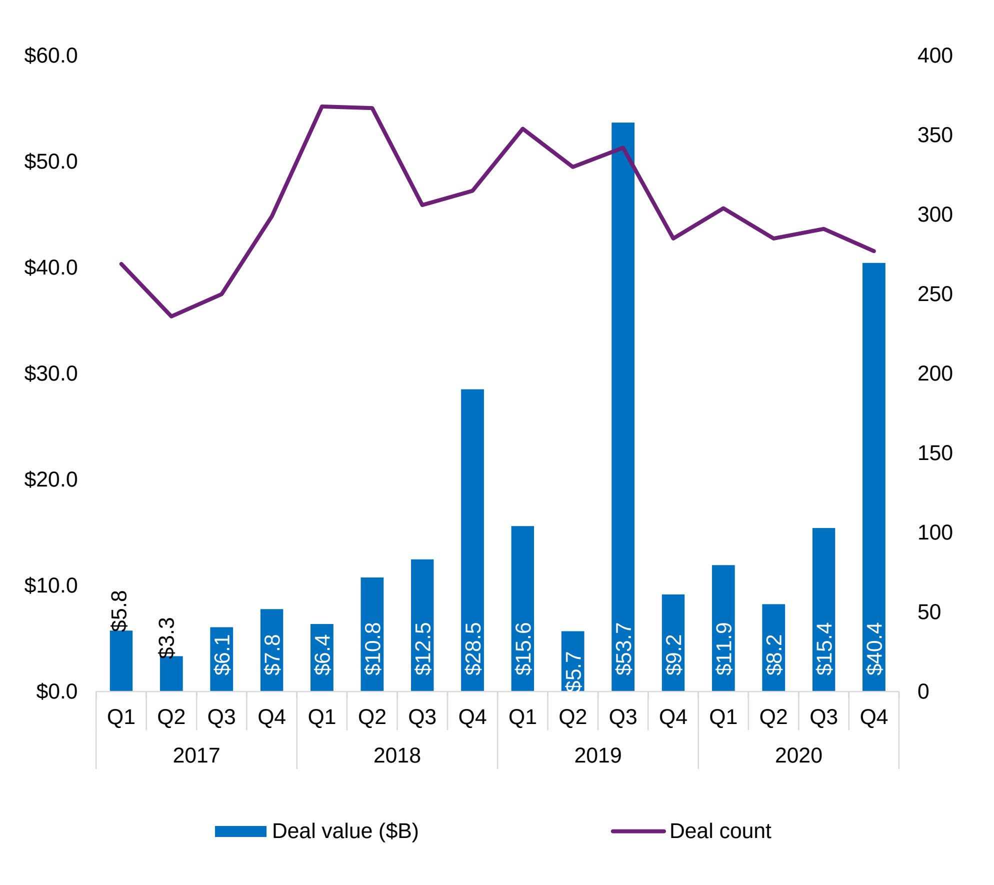
— Total fintech investment in the US grew from $20 billion in H1’20 to over $55 billion in H2’20.

— Significant liquidity and a continued investor focus on late stage deals drove annual VC investment in fintech to a record $21 billion. In H2’20, wealthtech Robinhood raised two VC funding rounds totalling $1.2 billion while Chime, Affirm, and Bright Health each raised $500 million+.

— After dropping to just $9 billion in H1’20, M&A deal value in the US saw a sharp rebound to more than $43 billion in H2’20, led by the $22 billion acquisition of TD Ameritrade.

— Fintech investment in the US is expected to remain strong in 2021, with increasing IPO and M&A activity as mature fintechs look to exit.

Total fintech investment activity (VC, PE and M&A) in the US
2017–2020*



Source: Pulse of Fintech H2’20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> “In H2’20, we saw both sides of the equation in the M&A space in the US. We saw a number of established companies and mature fintechs with strong liquidity taking advantage of opportunities to buy alternative lending platforms with strong technologies — like Amex’s purchase of Kabbage — in a market where those alternative lenders were really struggling.”

Robert Ruark
Principal, Financial Services Strategy and Fintech Leader,
KPMG in the US

#fintechpulse

Americas

Top 10 fintech deals in the Americas in 2020

1. **TD Ameritrade** — $22B, Omaha, US — Wealth/investment management — *M&A*
2. **Credit Karma** — $7.1B, San Francisco, US — Lending — *M&A*
3. **Vertafore** — $5.35B, Denver, US — Institutional/B2B — *M&A*
4. **Honey Science** — $4B, Los Angeles, US — Payments/transactions — *M&A*
5. **IberiaBank** — $2.54B, Lafayette, US — Banking — *M&A*

6\. **Paya** — $1.3B, Dunwoody, US — Payments/transactions — *Reverse merger*

6\. **Open Lending** — $1.3B, Austin, US — Lending — *Reverse merger*

8\. **Galileo** — $1.2B, Salt Lake City, US — Payments/transactions — *M&A*

9\. **Opendoor** — $1B, San Francisco, US — Real estate/B2C — *Reverse merger*

9\. **Personal Capital** — $1B, Redwood City, US — Wealth/investment management — *M&A*

9\. **Generate** — $1B, San Francisco, US — Lending — *Late-stage VC*

Source: Pulse of Fintech 2020, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

In 2020, investment in fintech companies in **Europe, Middle East and Africa** (EMEA) recorded

$14.4B with **932** deals

EMEA sees record $4.8 billion in VC funding to fintechs in 2020

Total fintech investment in the EMEA region dropped from $61.5 billion in 2019 to $14.4 billion in 2020, in part due to a major decline in large scale M&A activity. VC investment in Europe remained very robust; a record Q3'20 of over $3 billion helped propel EMEA to an annual record high of $9.3 billion. Europe drove the vast majority of fintech investment in EMEA, even as the fintech ecosystems in the Middle East and Africa continued to evolve.

Banks and challenger banks take lion's share of VC investment in 2020

Payments companies and challenger banks were very hot with VC investors in EMEA, a trend that accelerated given the digital acceleration seen as a result of the pandemic. In H1'20, three companies raised $500 million+ rounds, including Sweden-based Klarna ($650 million), Poland-based Polskie ePlatnosci ($587 million), and Revolut ($580 million).

M&A activity dries up amid COVID-19 and Brexit challenges

Fintech investment in Europe fell off a cliff in 2020, likely driven by the combination of the pandemic and the uncertainties associated with Brexit. 2020's largest M&A fintech deal in Europe was the $2.2 billion acquisition of Switzerland-based banking-as-a-service provider Avaloq by Japan-based NEC Corporation in H2'20 — compared to 2019 when FIS acquired Worldpay for $42.5 billion.

Fintech ecosystems strengthening across Europe

Numerous governments and regulators across Europe, including the UK, Germany, France and Sweden have worked to develop their fintech ecosystems — and others are following in their footsteps. In H2'20, Spain announced a regulatory sandbox in order to spur its own fintech development.

Abraham Accords expected to help drive fintech innovation in Middle East

Countries in the Middle East are making strong inroads in the development of their fintech ecosystems. In H2'20, Saudi Arabia saw STC Pay become its first fintech unicorn. The signing of the Abraham Accords during H2'20 is expected to help propel fintech investment and collaboration between the UAE, Bahrain, and Israel.

What to watch for in 2021

— Fintech companies extending their footprint across the EMEA region in order to gain scale.

— Consolidation among fintechs in order to bring the strongest players, technology platforms, and customer experience technologies together.

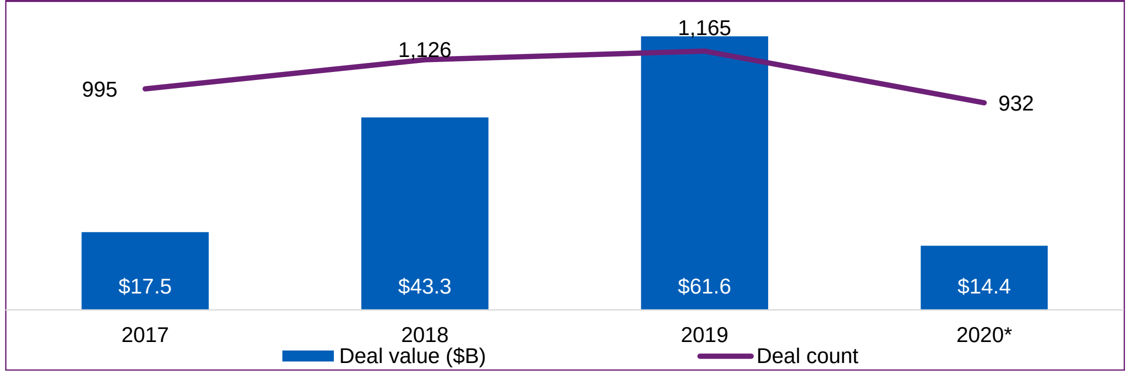
— Incumbent financial institutions continuing to make investments in fintechs and forging partnerships to accelerate their digital transformation efforts.

— Increasing interest and investments in banking-as-a-service solutions and embedded finance, including embedded payments and embedded consumer lending.

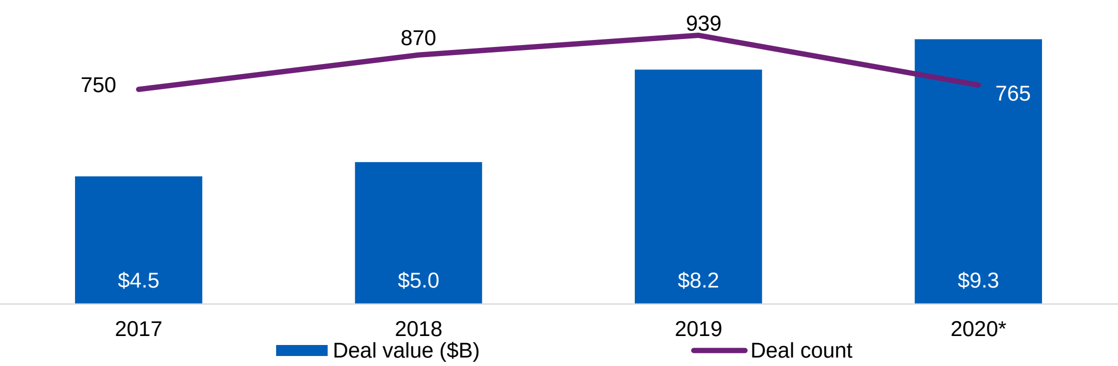
Regional insights — EMEA

Despite record VC invested, deal value and volume slump

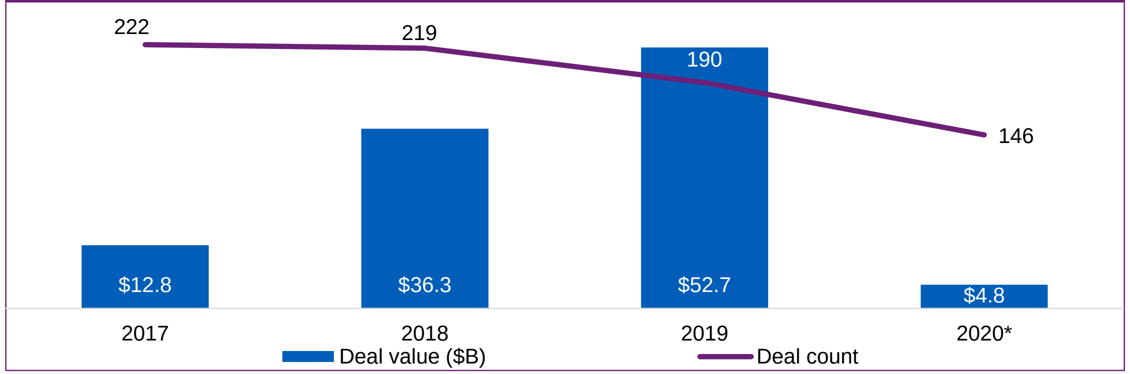
Total investment activity (VC, PE and M&A) in fintech in EMEA
2017–2020*



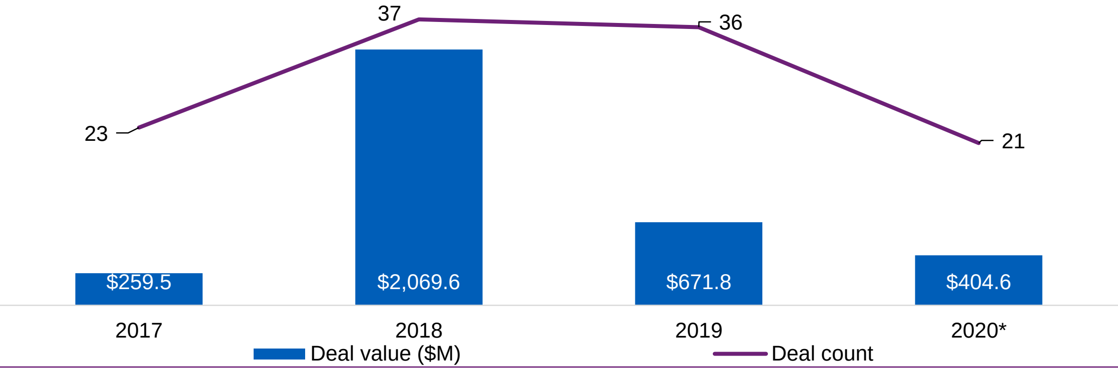
Venture activity in fintech in EMEA
2017–2020*



M&A activity in fintech in EMEA
2017–2020*



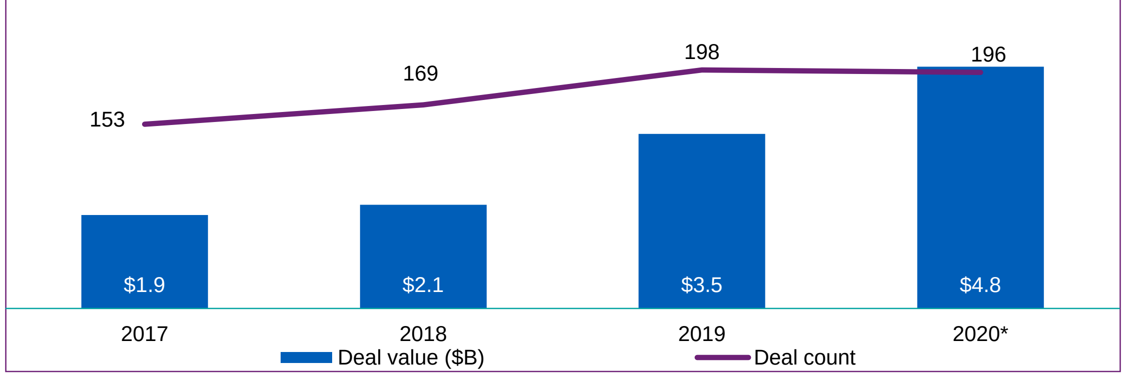
PE growth activity in fintech in EMEA
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

VC valuations dip amid slowdown

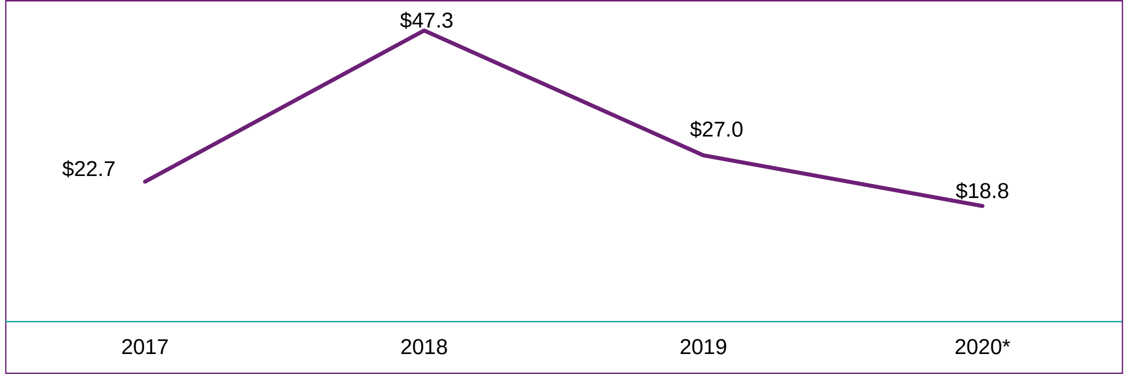
VC activity in fintech with corporate participation in EMEA
2017–2020*



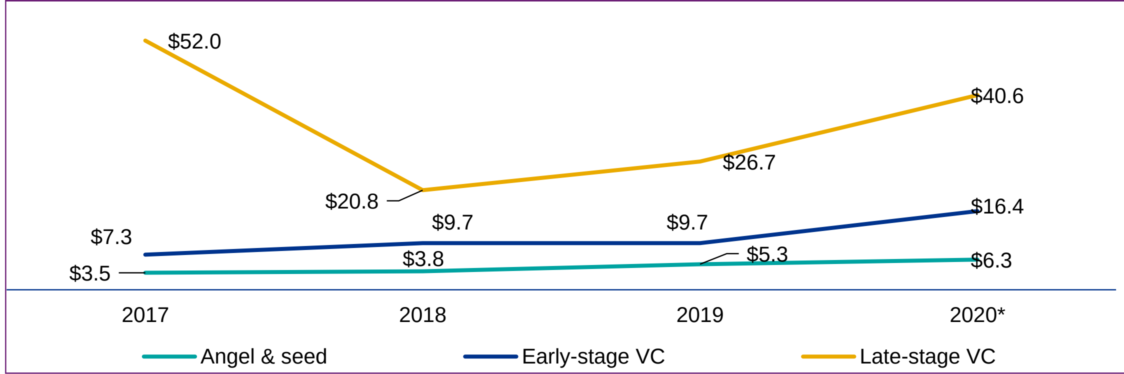
As financing metrics dip, corporates still stay resolutely active

Even as valuations dipped year over year amid the tumultuous 2020 environment, corporates and their venture arms stayed quite active in the EMEA region, completing nearly the same tally of venture financing rounds as they did in 2019. Moreover, they participated in $4.8 billion worth of deals, dwarfing the previous annual total. Some of that was due to CVC participation in mega-sized late-stage financings, but the overall volume of completed fundings holding steady speaks to corporates' appetites for exposure to fintech overall. They priced in the longer-term growth prospects of the entire fintech ecosystem across the EMEA region, which, despite the broader macroeconomic and geopolitical hurdles that currently exist, holds much promise for a wide variety of fintech products and services.

Median M&A size ($M) in fintech in EMEA
2017–2020*



Median pre-money valuations ($M) by stage in fintech in EMEA
2017–2020*

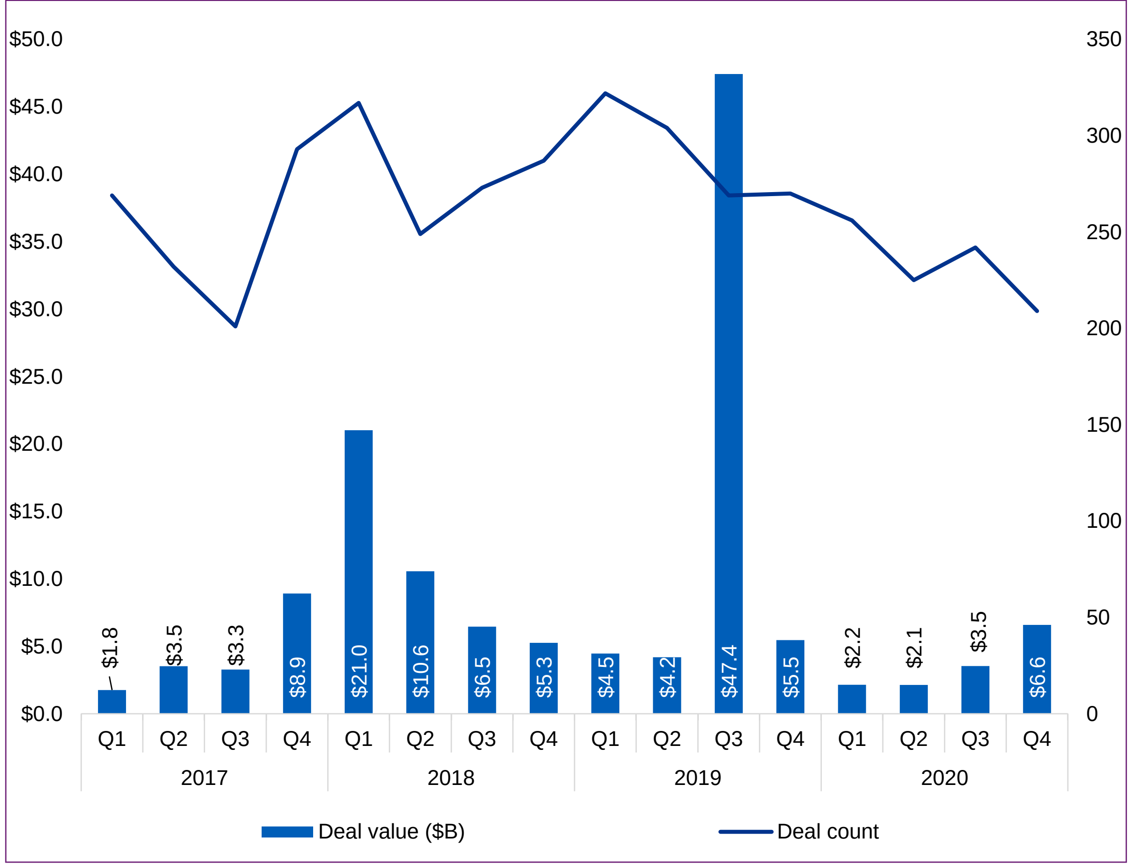


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

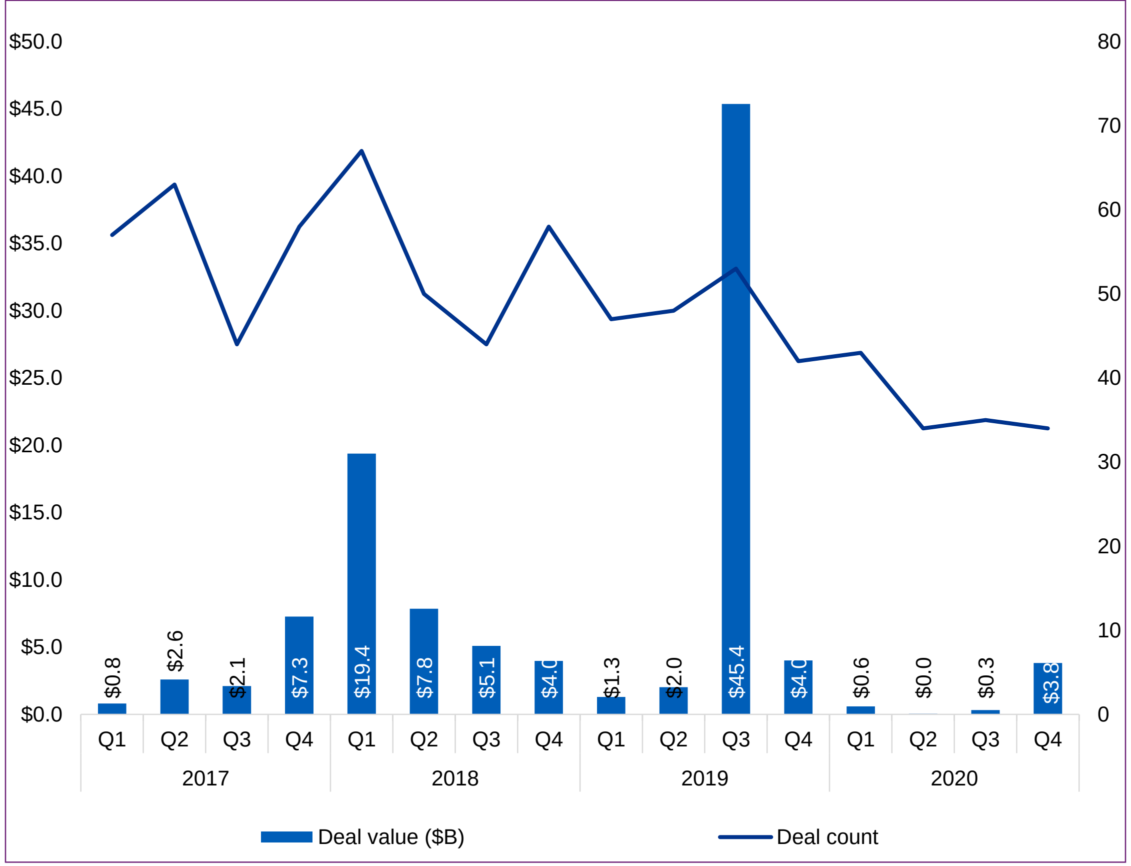
Regional insights — EMEA

After initial dip, M&A volume evens out for remainder of 2020

Total investment activity (VC, PE and M&A) in fintech in EMEA
2017–2020*



M&A activity in fintech in EMEA
2017–2020*

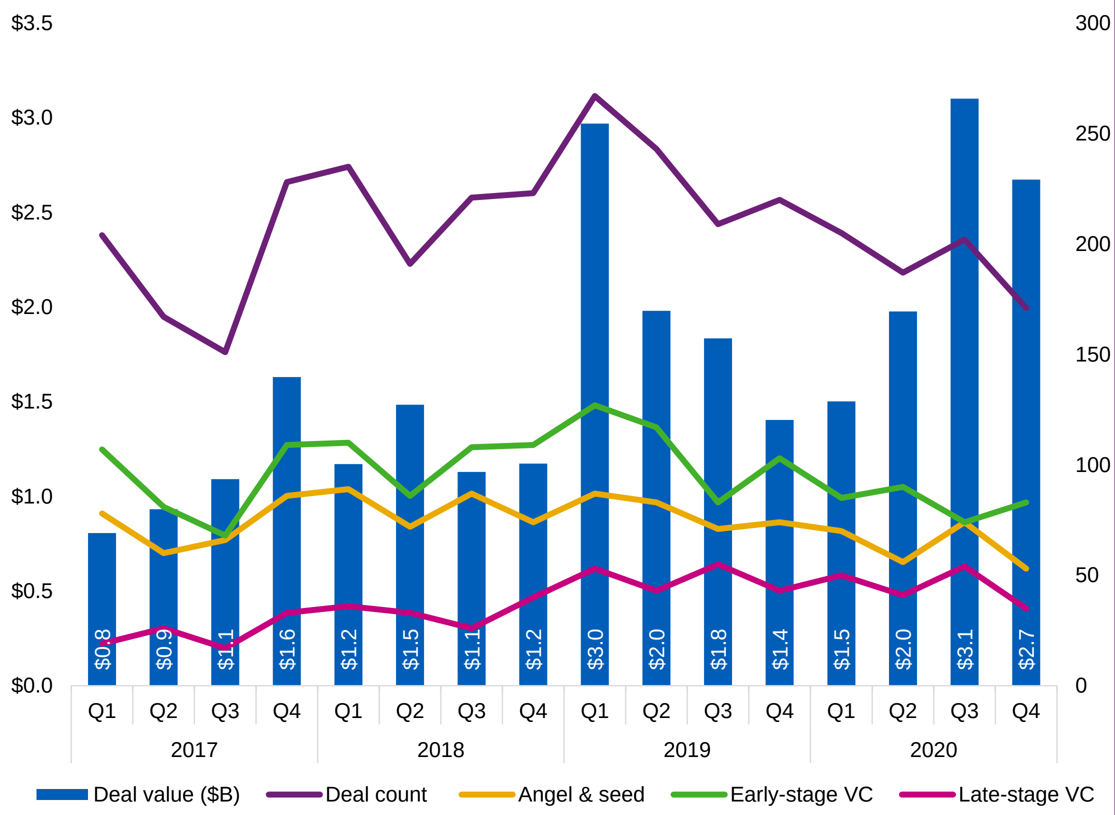


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

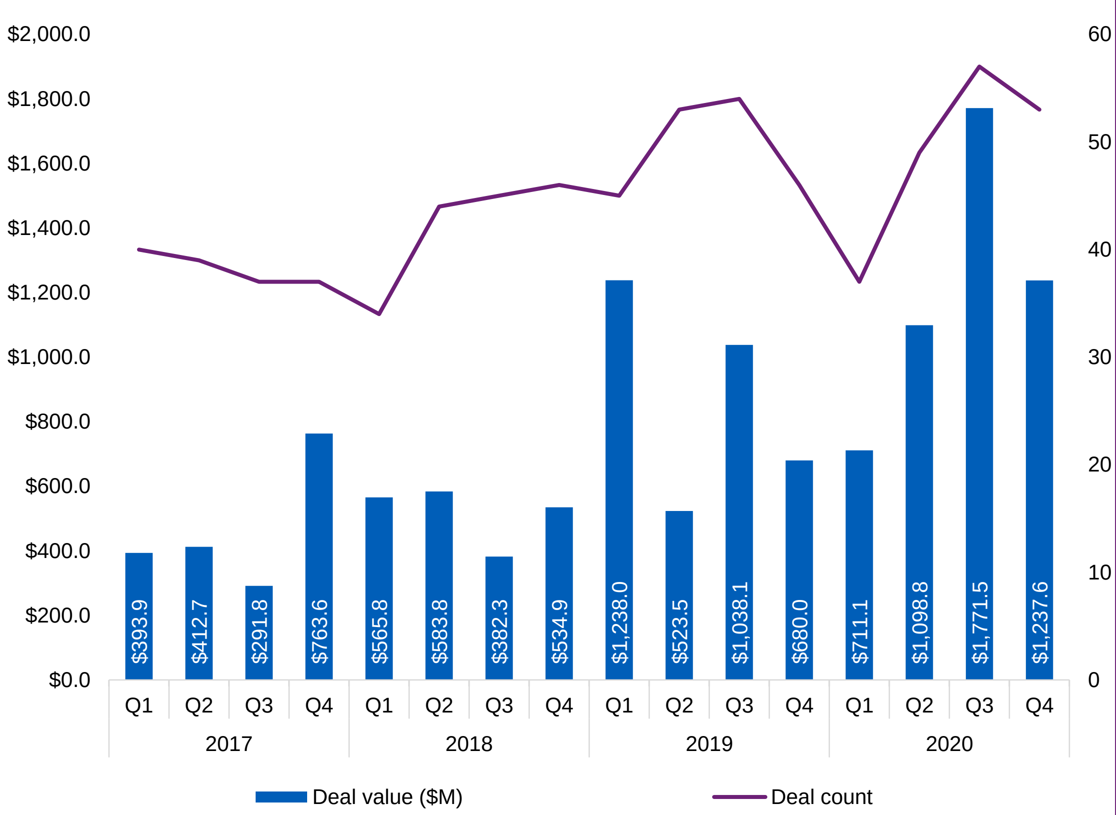
Regional insights — EMEA

VC invested sees record back half of 2020

Venture activity in fintech in EMEA
2017–2020*



VC activity in fintech with corporate participation in EMEA
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

Regional insights — EMEA: France

Second highest year ever for fintech investment in France

- Fintech investment in France reached $839 million in 2020, its second strongest year ever after 2019. Online lending company October attracted the largest deal of the year — $304 million in corporate investment from Intesa Sanpaolo and Caisse des Dépôts (Debt Financing).[11]

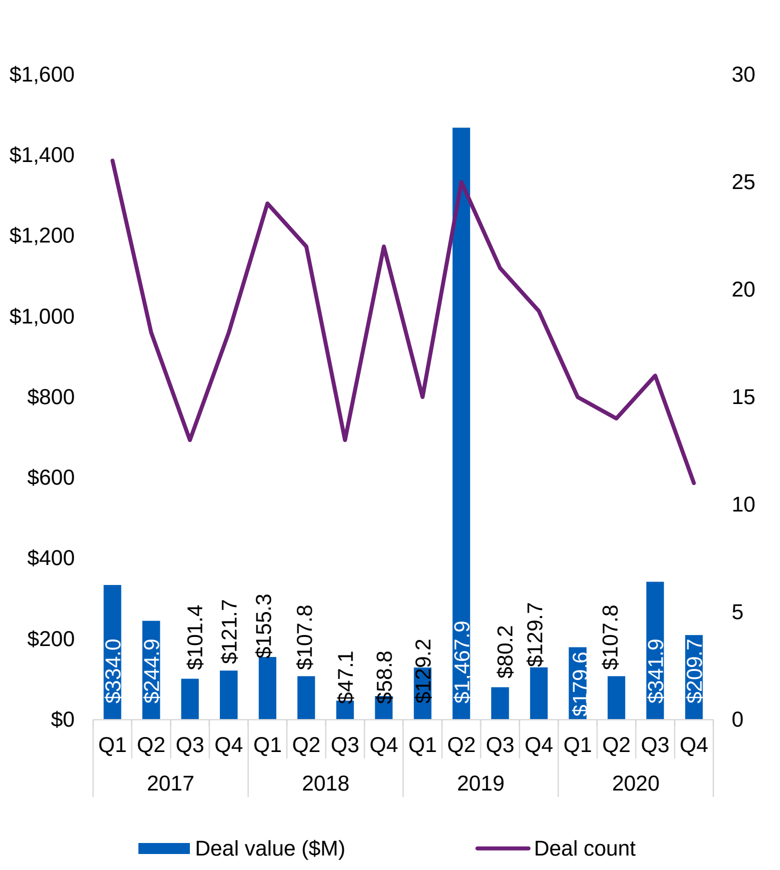
- The fintech ecosystem in France continued to mature, with bigger rounds, growing investment from the US, China and Europe, and increasing adoption of fintech solutions by consumers and incumbent institutions. Paris has been one of the fastest-growing fintech ecosystems and preferred destinations for VC investors, particularly in the later stages of growth.

- Collaboration between established players and fintechs was a big focus in 2020, to help them respond to shifting consumer needs. Automation and digitization will be key for reducing processing costs and improving customer experience for incumbent players.

- Neobanks will likely continue to be attractive for investors and incumbent institutions, as seen by the acquisitions of Shine by Societe Generale and Anytime by Orange Bank. Given success in development around mobile banking, we anticipate an increased focus on financial inclusion, international development and SME market opportunities.

- In 2021, payments including the 'buy now pay later' market will continue to be hot in France and a top attraction for private equity. Overall outlook looks promising for mature fintech in France mainly in neobanks/payment, insurtech/healthtech, lending or banking-as-as-service offerings. But the capital will remain a development point in 2021 both at seed and growth stages to compete with global unicorns and bigtechs.

Total fintech investment activity (VC, PE and M&A) in France
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> "In France, we are also seeing a lot of interest in mobile payment (including the 'buy now pay later' market), lending platforms, regtech and cybersecurity because of the increased demand for and use of digital channels in this new reality. Traditional players are embracing technology with a new cooperation with fintech because they need to be very efficient right now (reducing processing costs) and to offer a better customer experience but they also need to reinforce their cybersecurity as it is a critical aspect of providing digital services."

Stephane Dehaies
Associate Partner, Management Consulting, FSI,
KPMG in the UK

[11] https://www.crunchbase.com/organization/lendix

Regional insights — EMEA: Germany

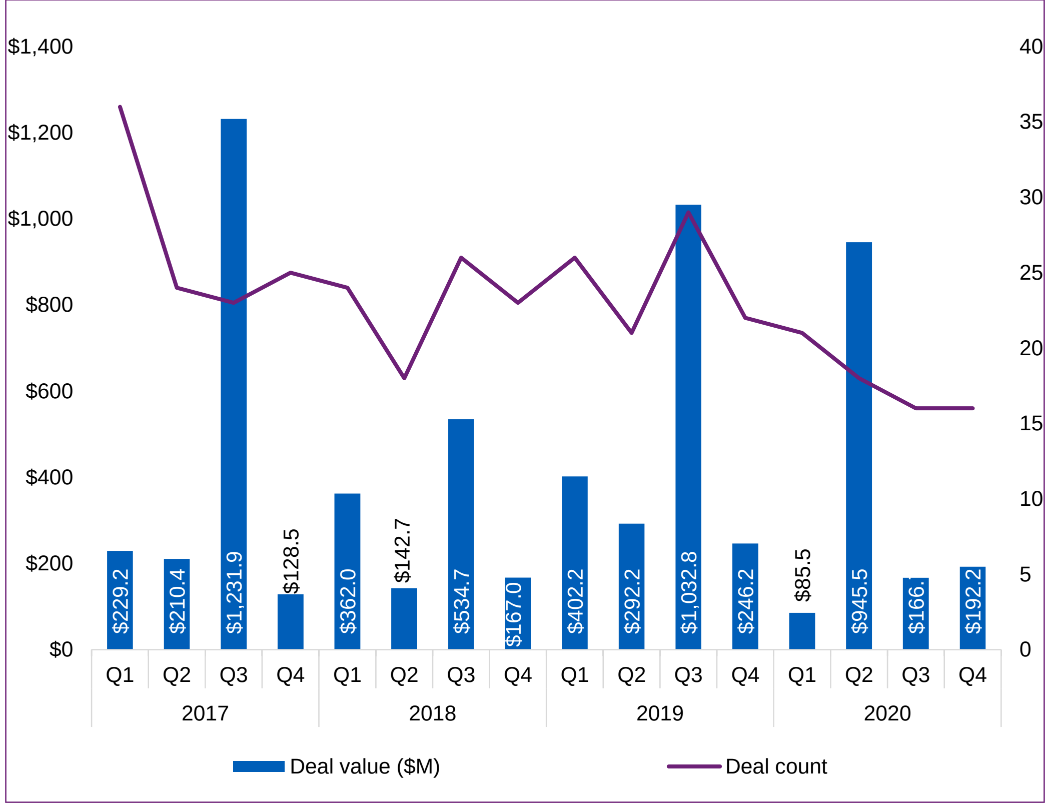
Germany soars past $1 billion in VC investment during 2020

— VC investment was very strong in Germany, reaching a record high of $1.2 billion in 2020. Challenger bank N26's $570 million raise in H1'20 was Germany's largest round of the year, with an $83 million raise by digital insurance manager CLARK in H2'20 coming a distant second.

— M&A in Germany stalled in 2020 as established financial companies recognized the increasing levels of risk coming from the B2B world given potential loans outstanding. M&A activity will likely pick up again once COVID-19 begins to wane.

— At the beginning of H2'20, Germany-based Deutsche Bank signed a ten-year strategic partnership with Google focused on bringing its data to the cloud and on co-innovating on technology-driven banking products; the bank announced further enhancements in December,[12] including plans to use Google Cloud's AI and data to enhance its capabilities.[13]

Total fintech investment activity (VC, PE and M&A) in Germany
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> "In Germany, we expect to see more e-commerce platforms, and all of them will need payments services. The question is 'will they really want to set up infrastructure themselves?' It will be an exciting area to watch as these platforms could drive a significant amount of demand for investment in areas like white-label banking-as-a-service and payments-as-a-service offerings."

Bernd Oppold
Partner, Advisory,
KPMG in Germany

[12] https://www.bloomberg.com/news/articles/2020-07-07/google-deutsche-bank-agree-to-10-year-alliance-including-cloud
[13] https //www.fintechfutures.com/2020/12/deutsche-bank-expands-google-cloud-partnership/

Regional insights — EMEA: Ireland

Ireland well positioned to see increased fintech investment post-Brexit

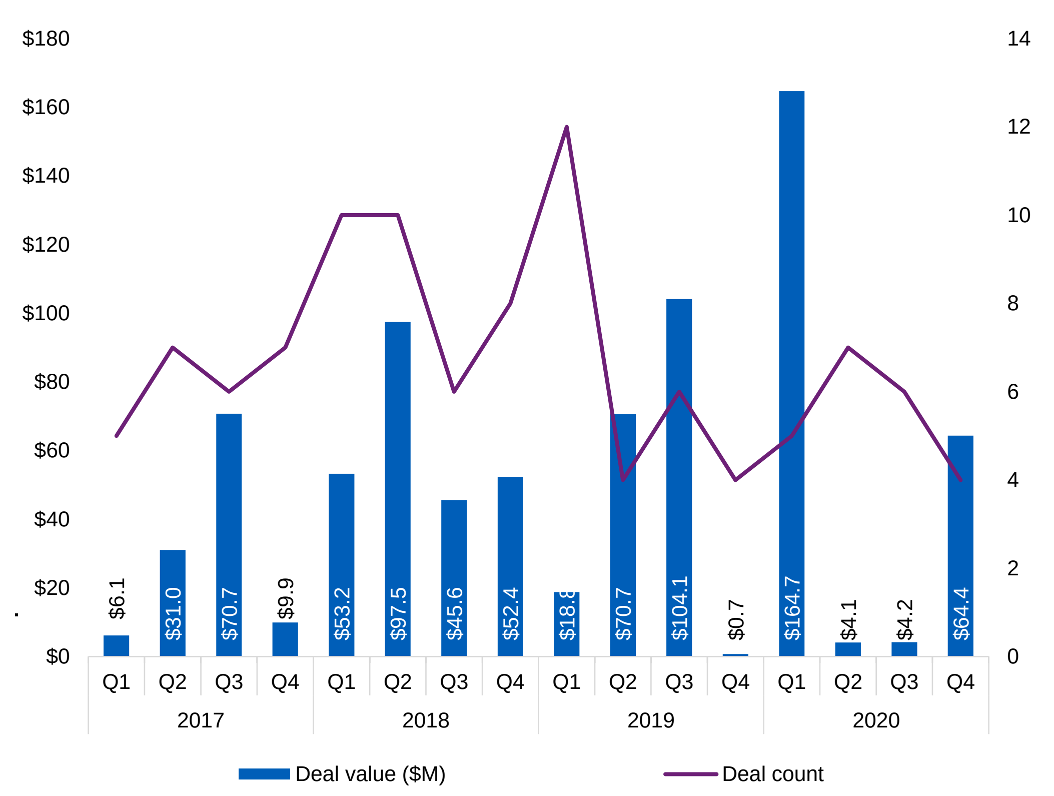
— Regtech continued to be a priority area for investors in Ireland, particularly corporates. Over the next few quarters, banks in Ireland are expected to increasingly partner with or buy fintechs in order to deliver on their digitization agendas.

— B2B-focused fintech solutions continued to grow in Ireland, particularly related to funding and financing platforms; during H2'20, Wayflyer – a company that provides financing and marketing analytics raised a $10.2 million seed round in H2'20.

— Increasingly, big tech companies are partnering with corporates and the big four professional services firms to go to market together; they are very keen to provide technology platforms and expertise, and are working to invest in relationships and projects in the financial services sector.

— As all UK licensed banks will need to be licensed in an EU jurisdiction in order to service their EU based clients, we expect to see continued investment in Ireland by those banks and financial institutions that have chosen Ireland as the base for their European operations.

Total fintech investment activity (VC, PE and M&A) in Ireland
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> "In Ireland, in the face of competition from fintechs, we have seen real interest by the incumbent banks in making their lending processes much more efficient. Critically, they need to adapt quickly and adopt much more streamlined lending processes in order to remain relevant for their clients, particularly SME's, many of whom are now in trouble as a result of COVID-19."

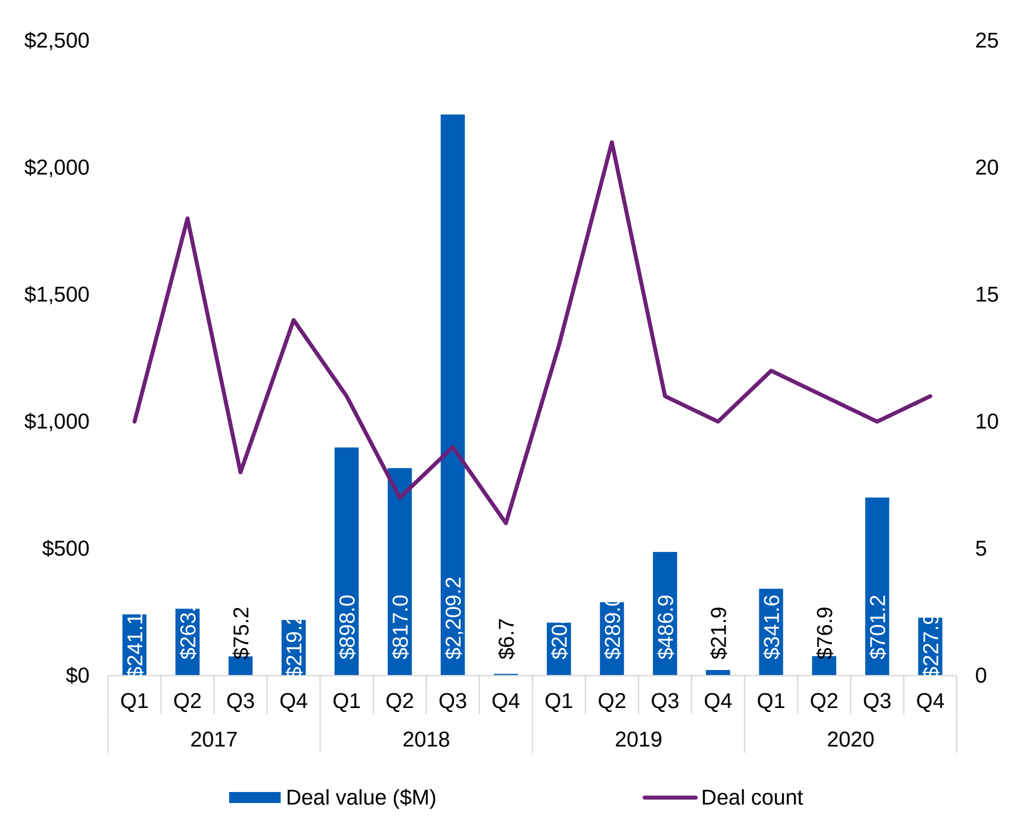
Anna Scally
Partner and Fintech Leader,
KPMG in Ireland

Regional insights — EMEA: Sweden

Sweden driving fintech investment in Nordic region

- In H2’20, Sweden-based digital bank Klarna raised Europe’s largest fintech-focused VC funding round of 2020: a $650 million raise expected to help fuel its aggressive growth strategy.
- During 2020, Sweden was the most active country in the Nordic region in terms of fintech investment, in part due to the maturity and diversity of its fintech companies — which span fintech sectors from payments and regtech to insurtech and robo-advisory.
- Open banking continued to gain traction in the Nordics, with Sweden-based banking aggregator Tink raising $101 million in H2’20.
- Insurtech continued to grow on the radar of investors in the Nordic region, with different insurtechs aiming at improving specific niches within the insurance value chain; while investment is still modest in the insurtech space, it is expected to grow.
- Lending companies could face challenges in the Nordic region in H1’20 given the potential credit losses for banks and alternative lenders. This will be a key area to watch in H1’20.

Total fintech investment activity (VC, PE and M&A) in Sweden
2017–2020*



Source: Pulse of Fintech H2’20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> “Regtech is one area where we’ll likely see increasing investment in the Nordic region. There is already an increasing number of regtechs applying advanced analytics and AI to help financial services players manage their different regulations in the current and future environment.”

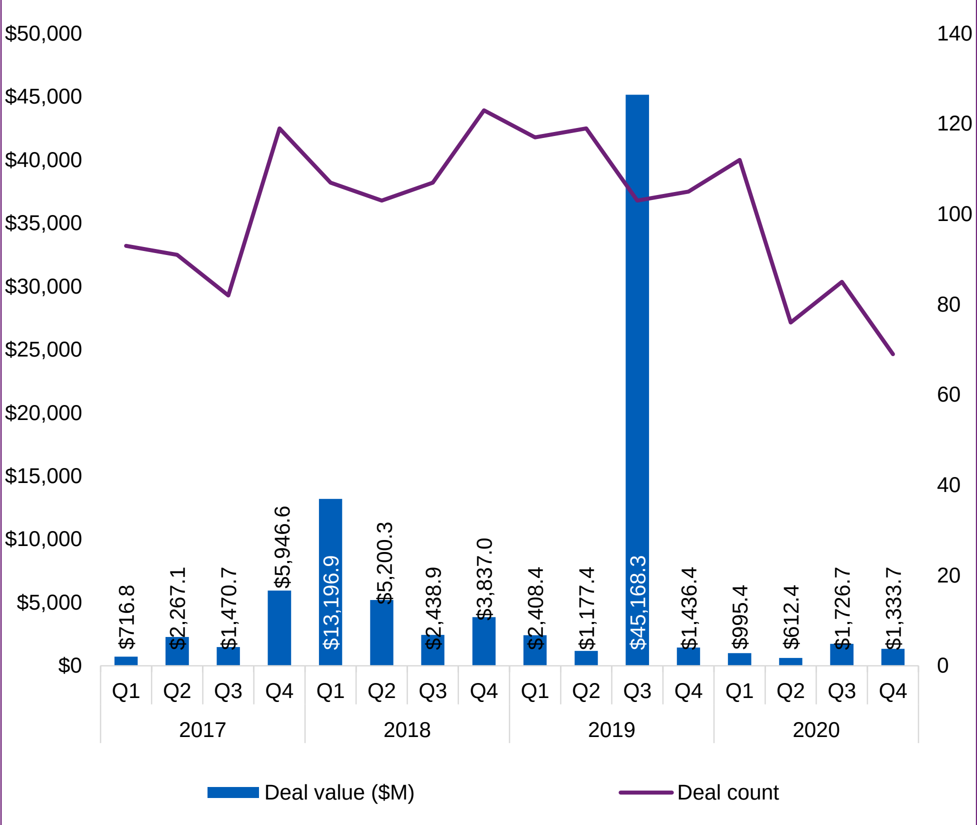
Karin Sancho
Head of Financial Services,
KPMG in Sweden

Regional insights — EMEA: United Kingdom

Uncertainties with COVID-19 and Brexit cause slowdown in fintech investment in UK

- Uncertainty permeated the UK market in 2020, driven in part by various geopolitical factors like Brexit, in addition to the widespread impact of COVID-19. Many investors took the time to focus on their current portfolios in order to make sure they could perform well.
- VC funding in the UK was quite robust, particularly in H2'20 with a $580 million raise by challenger bank Revolut, a $343 million raise by digital mortgage lender Molo and a $166 million raise by challenger bank Monzo.
- In addition to digital banking, other hot areas of investment in the UK included embedded finance and 'buy now, pay later' solutions, in addition to B2B-focused solutions related to KYC and AML.
- A number of global VC firms increasingly targeted opportunities in the UK and Europe; in H2'20, Sequoia announced it would open a new European investment office in London.[14]
- With Brexit completed as of December 31, 2020, there is strong optimism for the fintech market in 2021 – with expectations that M&A activity will rebound to a large degree.

Total fintech investment activity (VC, PE and M&A) in the UK
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

"The pandemic has acted as a catalyst for a number of fintech business models. We've seen the VC investment community in the UK really go off on that as a result. Hence why we've seen a big difference this year, with much more of these VC-type investments — which tend to be more opportunistic — and less M&A where you've got more incumbents involved."

Peter Westlake
Director,
Global Strategy Group,
KPMG in the UK

[14] https://www.cnbc.com/2020/11/26/sequoia-capital-vc-firm-looks-to-europe-for-start-up-success-stories.html

Regional insights — EMEA: Israel

Fintechs in Israel eye IPO and SPAC exits

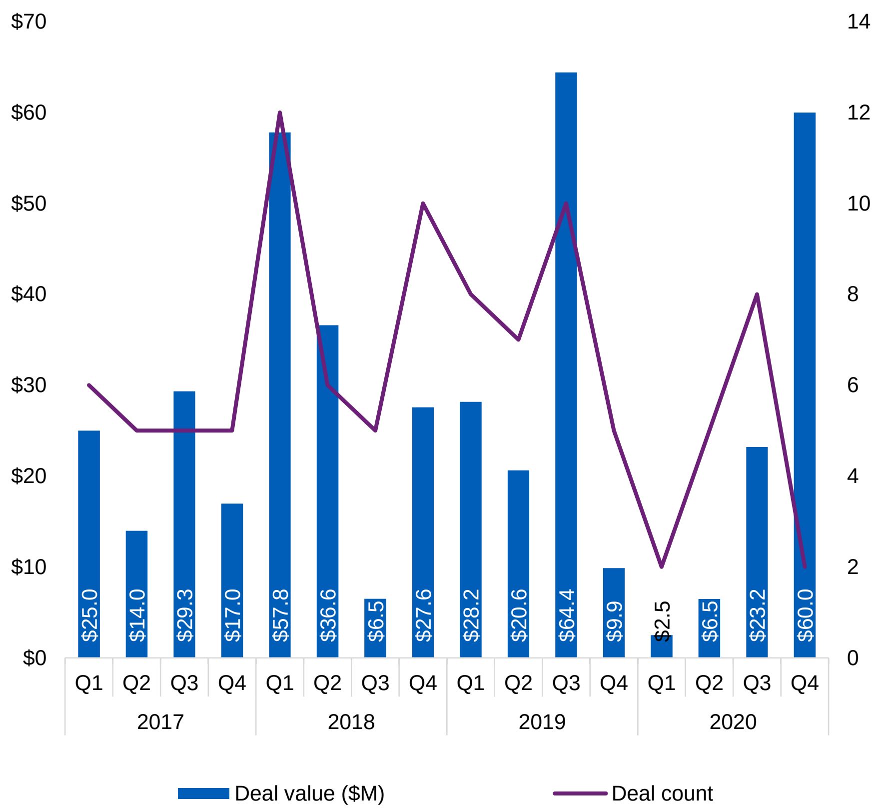
— Both the banking and insurance industries saw massive investments in digitizing front and back office activities — a trend that began prior to COVID-19 but was accelerated by it.

— In H2'20, Israel, the UAE and Bahrain signed the Abraham Accords — a peace agreement that lays the foundation for increased interconnectivity. The agreement is expected to significantly enhance fintech activity in the region and spur investment and strategic partnerships.

— Given the success of the Lemonade US IPO and Hippo's and Next Insurance values in their recent fund raising in the US — three insurtechs based in the US but led by Israeli entrepreneurs, interest in insurtech gained steam in Israel in H2'20. Israel-based WeSure gained significant attention as it worked to raise a new funding round in advance of a possible IPO to fuel its expansion into the US market.

— IPO activity is expected to increase in 2021, with a number of Israeli-based fintechs eying the US market for either a direct IPO or a SPAC, including social trading firm Etoro[15] and payments company Payoneer.[16]

Total fintech investment activity (VC, PE and M&A) in Israel
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

[15] https://finance.yahoo.com/news/etoro-reportedly-exploring-ipo-spac-162228830.html
[16] https://www.calcalistech.com/ctech/articles/0,7340,L-3883493,00.html

> "Open banking is gaining more attention in Israel beyond regulation requirements, with an increasing number of fintechs focusing on the space and banks searching for the newest solutions to expand their offering to customers. In 2021, we will likely start to see more investments in the infrastructure to support these activities. We also expect to see regtech become more important as banks continue to digitize their back and front office and look for ways to efficiently meet different regulations."

Ilanit Adesman
Partner, Financial Risk Management, KPMG in Israel

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Regional insights — EMEA: Saudi Arabia

Fintech ecosystem evolving in Saudi Arabia as banks look to partner with fintechs

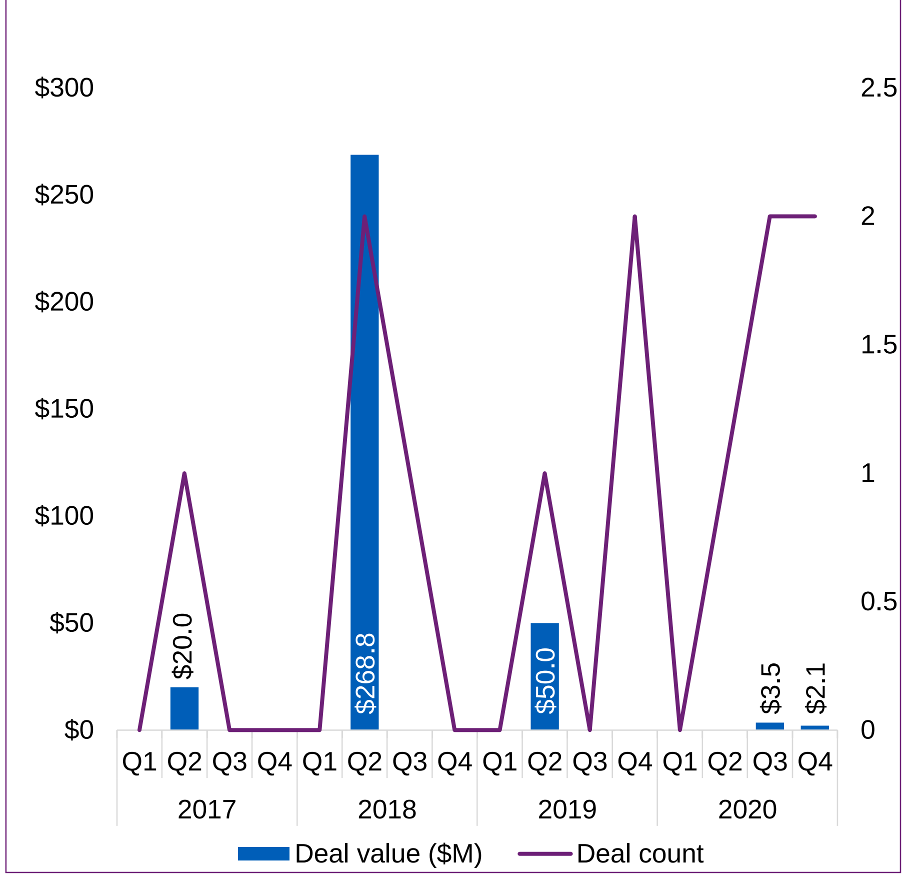
— Saudi Arabia continued to work towards its Vision 2030 strategy, implementing initiatives focused on encouraging development and foreign investment in different fintech sectors.

— Payments and money transfer focused fintechs have seen the most investor interest to date. In H2'20, mobile payments company STC Pay became Saudi Arabia's first fintech unicorn.[17]

— Saudi Arabia continued to offer a number of programs to help drive fintech innovation, including improved visa programs for key knowledge workers (e.g., Golden Visas) and the Saudi Central Bank fintech regulatory sandbox.

— Increasingly, banks in Saudi Arabia are partnering with or working to acquiring fintech players in order to gain capabilities related to mortgage financing and microfinancing — two areas considered to be underserviced in the country.

Total fintech investment activity (VC, PE and M&A) in Saudi Arabia
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

"The challenges of 2020 did present opportunities for the fintech ecosystem to grow manifold — especially in the field of payments as hygiene consideration, e-commerce and other delivery services catalyzed cashless transactions. Even though it was a sudden shock for business, a timely repositioning of digitalization from an opportunity to a necessity was widely observed. Banking in a lockdown has helped strategists not to rely on ordinary evolution; and the presence of licensed fintechs worked as a savior to business."

Ovais Shahab
Head of Financial Services
KPMG in Saudi Arabia

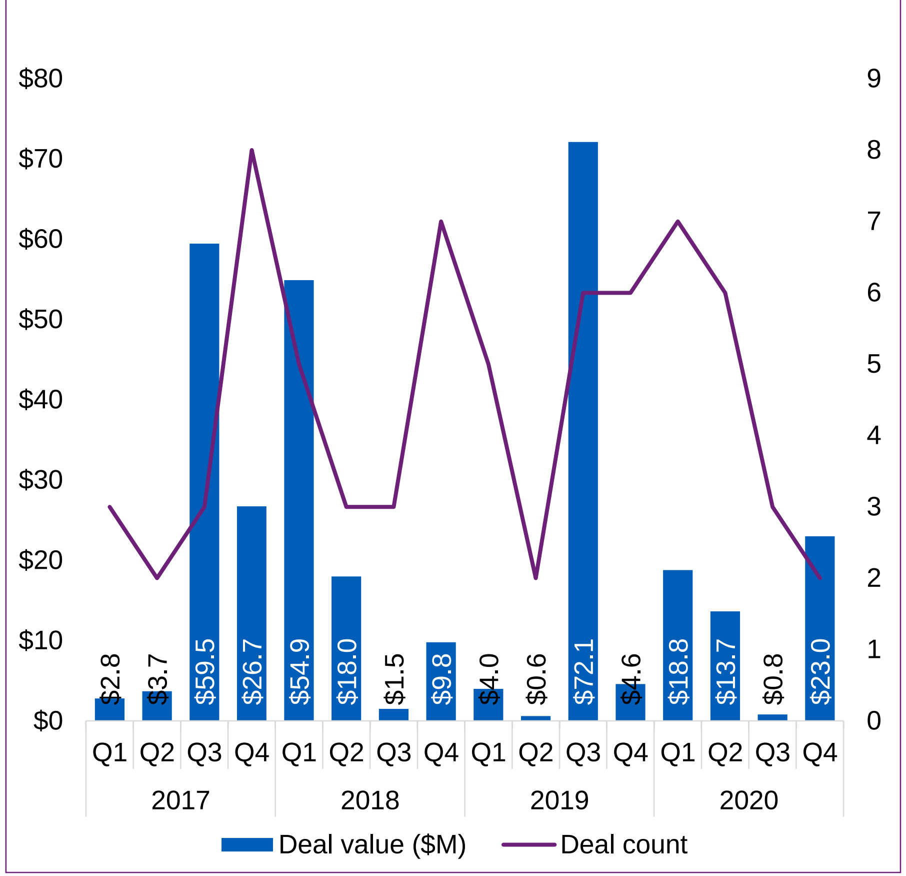
[17] https //www.menabytes.com/stc-pay-western-union-investment/

Regional insights — EMEA: United Arab Emirates

Abraham Accords geared to fuel fintech activity in the UAE

- The UAE has worked diligently to reform its banking and financial services sector to support the evolution of its innovation and fintech ecosystems, including allowing 100 percent foreign ownership of companies in specific sectors, improving visa processes, and introducing integrated e-services to support establishing businesses in the UAE.
- Key areas of fintech investment in the UAE include payments, remittances, insurance, online lending, digital banking, crowd-funding and, increasingly, cryptocurrencies and crypto exchanges — particularly in the Abu Dhabi Global Market (ADGM).
- The Abraham Accords Peace Agreement, which was signed in H2'20, is expected to fuel collaboration between the UAE and Israel at multiple levels, including between regulators and between banks and fintechs, helping to spur fintech development and investment. Established Israel-based fintechs will likely also look to the UAE as a target for expansion.
- In 2021, biometric security systems, blockchain and AI are expected to benefit from increased investment in the UAE, in addition to open banking initiatives.

Total fintech investment activity (VC, PE and M&A) in UAE
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> "A major change that happened in H2'20 is that the UAE's ADGM signed an MOU with the Israeli Security Authority and Bank Hapoalim to collaborate on fintech innovation initiatives, developing fintech solutions and support fintech companies looking to establish a presence in the region. This move will be very beneficial for the further development of both fintech ecosystems and for the growth of a wide range of fintechs."

Abbas Basrai
Partner and Head of Financial Services,
KPMG in the Lower Gulf

EMEA

Top 10 fintech deals in EMEA in 2020

1. **Avaloq** — $2.3B, Zurich, Switzerland — Institutional/B2B — *M&A*
2. **Klarna** — $650M, Stockholm, Sweden — Payments/transactions — *Late-stage VC*
3. **Polskie ePlatnosci** — $587.8M, Jasionka, Poland — Payments/transactions — *Buyout*
4. **Revolut** — $580M, London, UK — Payments/transactions — *Series D*
5. **N26** — $570M, Berlin, Germany — Banking — *Series D*
6. **Fondcenter** — $425.1M, Zurich, Switzerland — Institutional/B2B — *M&A*
7. **Molo (Financial Software)** — $343M, London, UK — Lending — *Early-stage VC*
8. **October (Financial Software)** — $304.2M, Paris, France — Lending — *Corporate*
9. **Smart2Pay** — $260.65M, Laren, Netherlands — Payments/transactions — *M&A*
10. **Prepaid Financial Services** — $211.6M, London, UK** — Payments/transactions — *M&A*

Source: Pulse of Fintech 2020, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020. **Prepaid Financial Services' head office is in London, so per PitchBook methodology, its headquarters is listed as residing in the UK. However, it has a front office in Ireland and was founded by Irish entrepreneurs, so it also operates within the Irish venture ecosystem.

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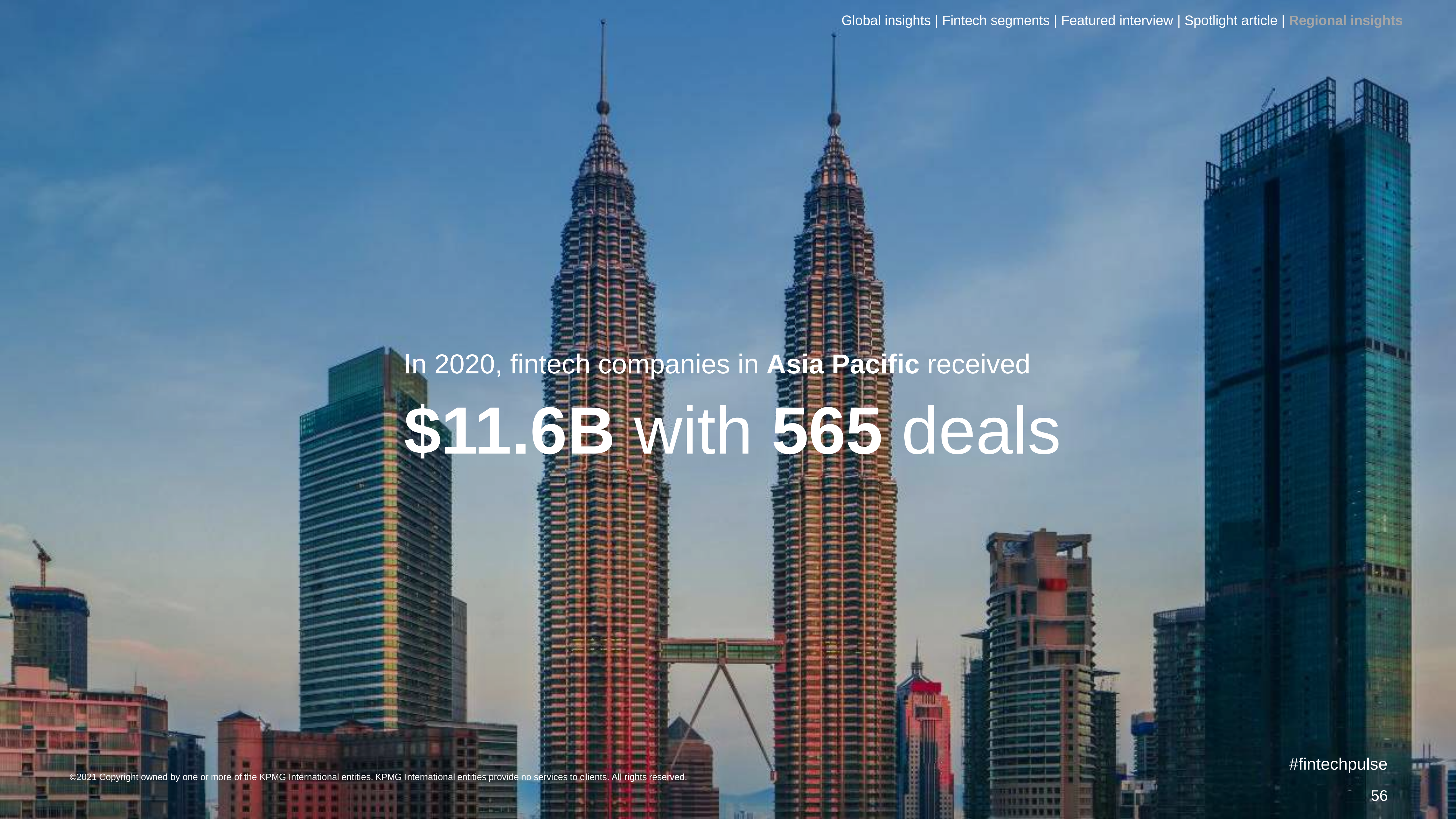

In 2020, fintech companies in **Asia Pacific** received

$11.6B with **565** deals

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Regional insights — ASPAC

Fintech investment falls to six-year low in Asia-Pacific region

Fintech investment in the Asia-Pacific region plummeted to the lowest level since 2014: $11.6 billion. COVID-19 drove a lot of investment away from emerging markets like Southeast Asia, particularly in the second half of the year.

Corporate investment grows year-over-year

One light in 2020 was corporate-affiliated investment, which fell only somewhat to $7 billion year-over-year, in part due to corporates looking to accelerate their digital transformation efforts in the face of COVID-19.

Payments space proves most resilient

The payments space was the most resilient fintech sector in the Asia-Pacific region; during H2'20, Australia-based B2B payments company eNett was acquired by US-based WEX for $577 million, Australia-based digital bank Judo Bank raised $209 million, South Korea-based money transfer company Toss raised $147 million, and India-based payments company Razorpay raised $100 million.

Early stage companies continue to struggle, focus on conserving cash

Across much of the Asia-Pacific region, early stage companies continued to struggle to attract funding, causing many to enhance their focus on achieving profitability and on conserving cash.

Shift in investment from Southeast Asia into more established markets

Southeast Asia, which attracted significant fintech investment in recent quarters such as the $3 billion raise by platform company Gojek in H1'20, stalled in H2'20 as investors turned quickly to more developed markets and to proven companies with business models expected to outlast the pandemic.

Interest in IPO opportunities increases despite the cancellation of Ant Financial dual listing

While the Ant Financial dual-IPO was cancelled prior to listing, there is still strong interest among Asia-Pacific based fintech unicorns in IPOs given the successes and valuations achieved by unicorn companies recently.

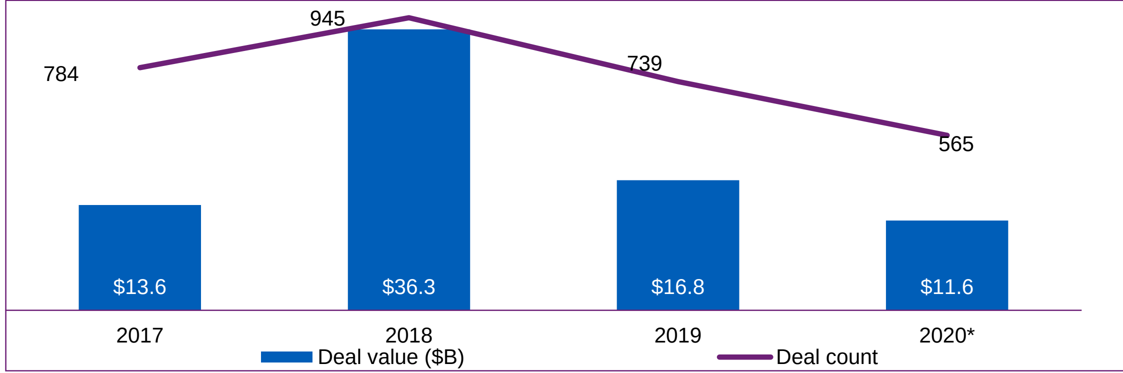
What to watch for in 2021

- Growing participation by corporates looking to enhance their digital offerings
- Ecosystem platforms looking to provide financial services products as part of their offerings
- Increasing investments in banking-as-a-service models, insurtech and wealthtech
- Strengthening interest in ESG management platforms and solutions from a regtech perspective

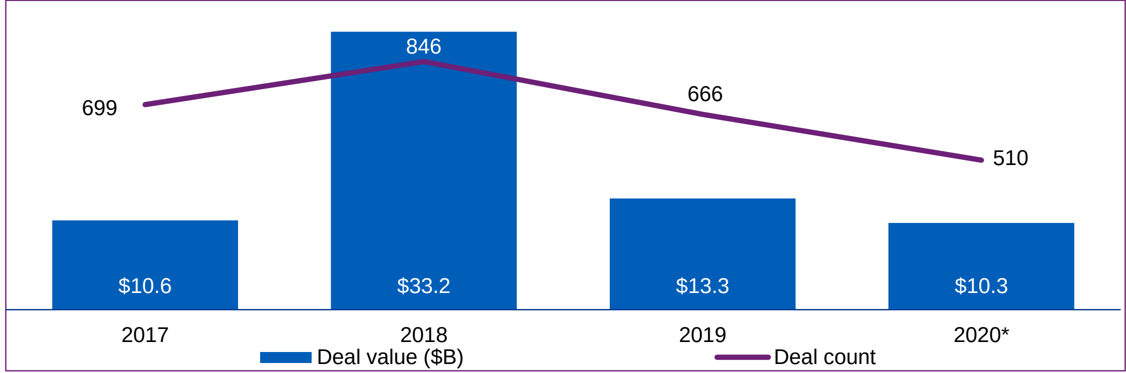
Regional insights — ASPAC

VC invested holds steady despite overall drop in investment volume

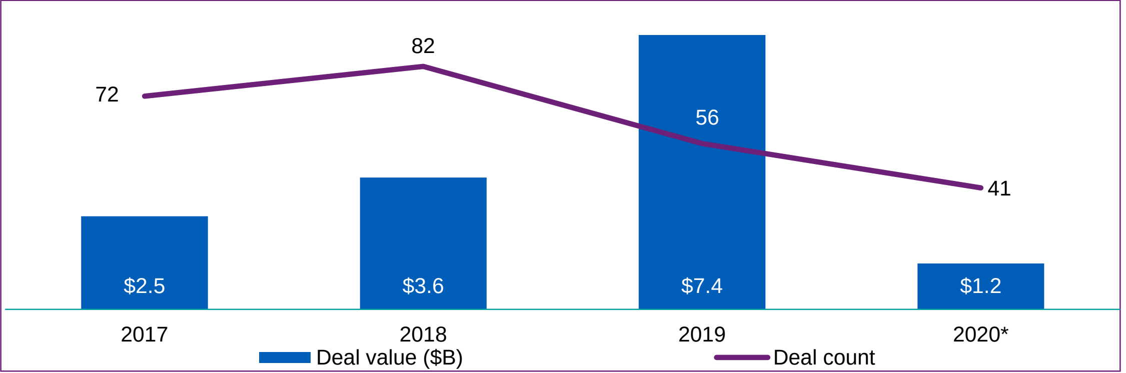
Total investment activity (VC, PE and M&A) in fintech in Asia Pacific
2017–2020*



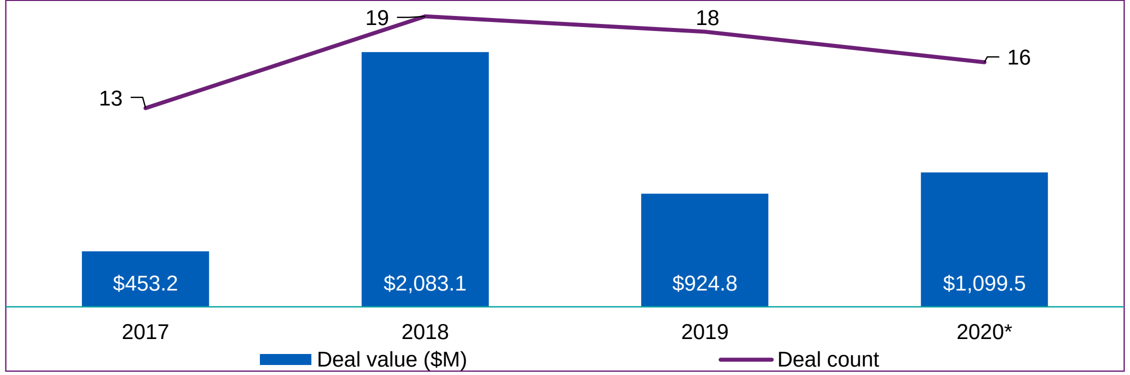
Venture activity in fintech in Asia Pacific
2017–2020*



M&A activity in fintech in Asia Pacific
2017–2020*



PE growth activity in fintech in Asia Pacific
2017–2020*

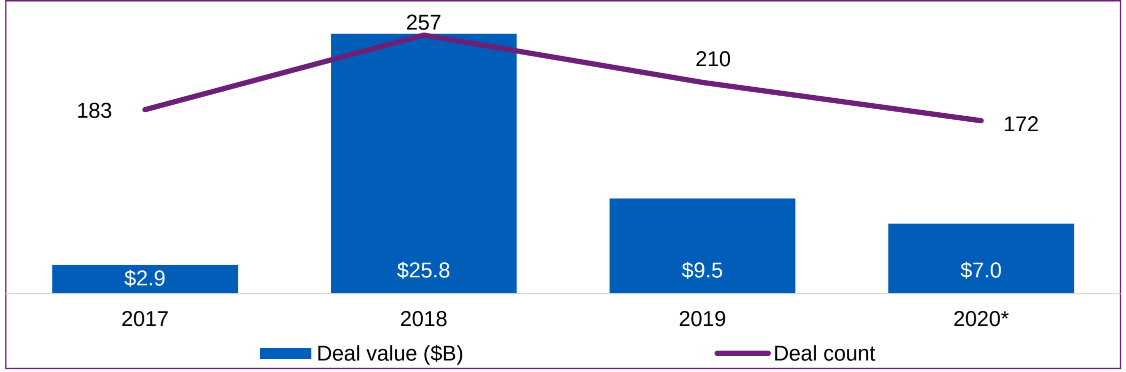


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

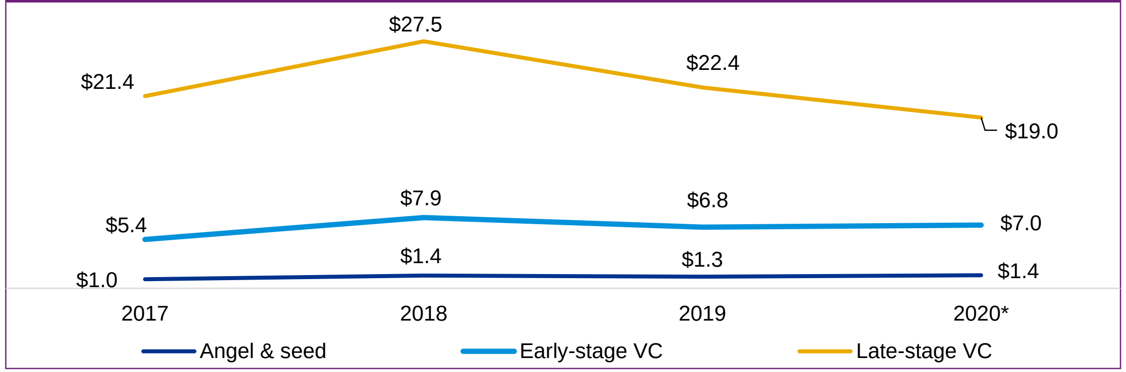
Regional insights — ASPAC

Valuations even out at the earlier stages

VC activity in fintech with corporate participation in Asia Pacific
2017–2020*



Median venture deal sizes ($M) by stage in fintech in Asia Pacific
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

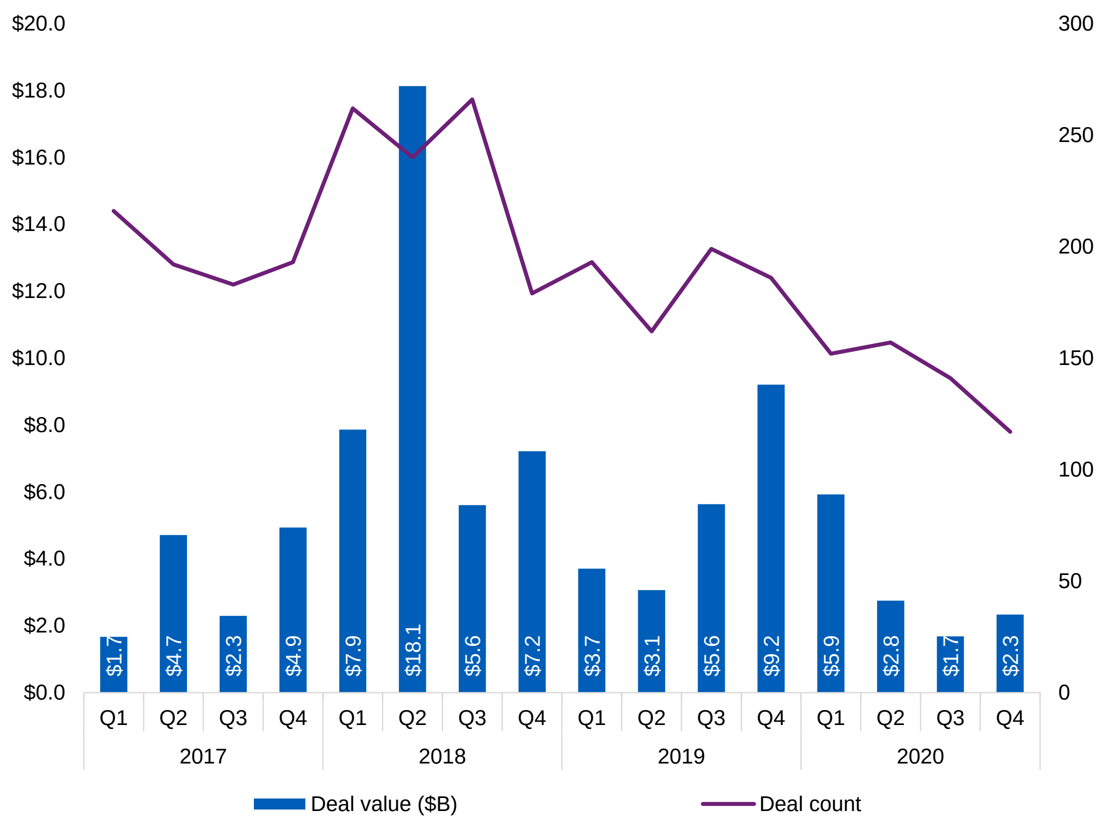
Moderating valuations speak to consolidation in key segments

As can be seen in the chart to the left, corporates and their CVC arms participated in the most financings in the Asia-Pacific region in 2018, exceeding 250 completed financings. That same year saw consortia of investors join in the mega-financings of Ant Financial, among others. Since then, their participation has waned somewhat, in both deal value and volume. What this suggests is not that corporates no longer desire exposure to the fintech ecosystem, but that the key segments of fintech that attracted the most capital and interest have matured to the extent that they have seen select companies arrive at a commanding market share. As these fintech incumbents dominate their primary avenues and make inroads into others to compete with new entrants, e.g. Gojek and Grab adding on fintech capabilities to their overall tech platform offerings, there has not yet been a similar surge in funding across other, more nascent fintech segments as of yet. However, that does not entail that such development won't happen. As evidenced by one of the top financings in the region being a corporate funding of investment management platform JD Digits, there is likely to be further growth in select fintech segments, likely cybersecurity, agtech and personal finance, to target the major sources of potential growth spanning the region (for example, the still-emerging middle classes in key metropolitan areas). Thus, there could be a resurgence in corporate participation in VC activity once such fintech businesses become more mature and within the scope of CVC investing theses.

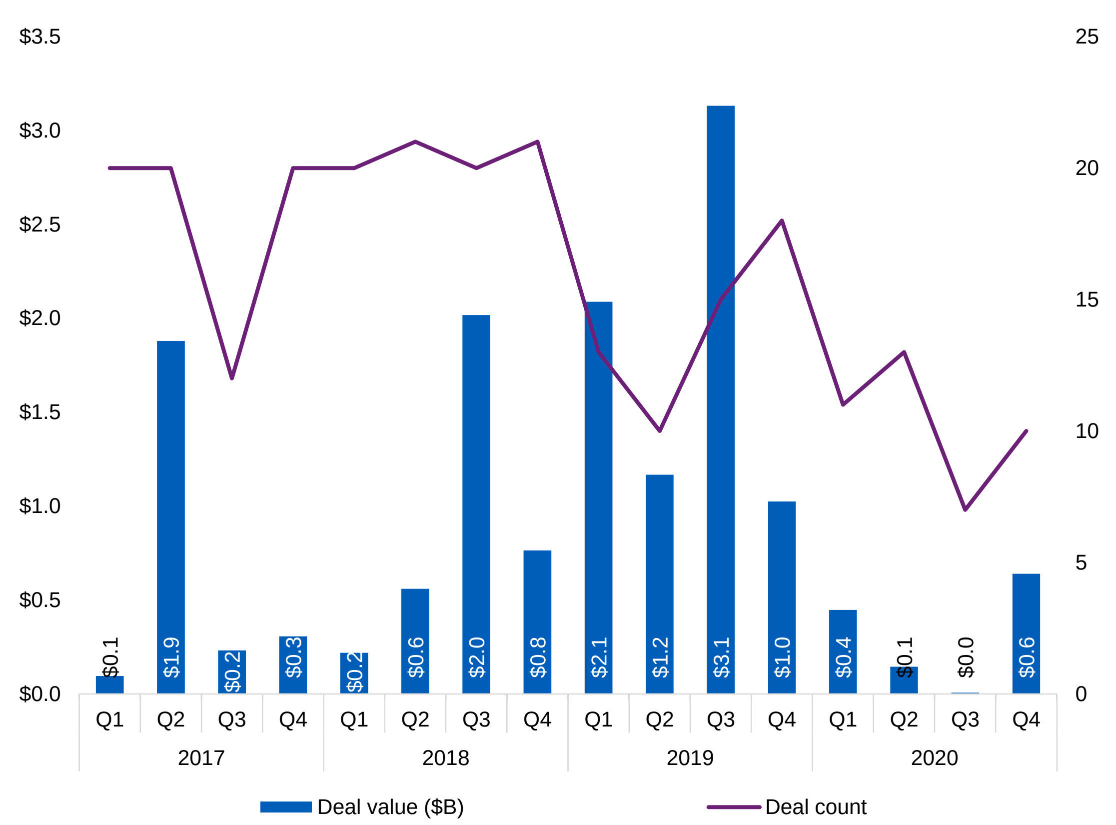
Regional insights — ASPAC

2020 an overall down year in investment volume after relatively normal start

Total investment activity (VC, PE and M&A) in fintech in Asia Pacific
2017–2020*



M&A in fintech in Asia Pacific
2017–2020*

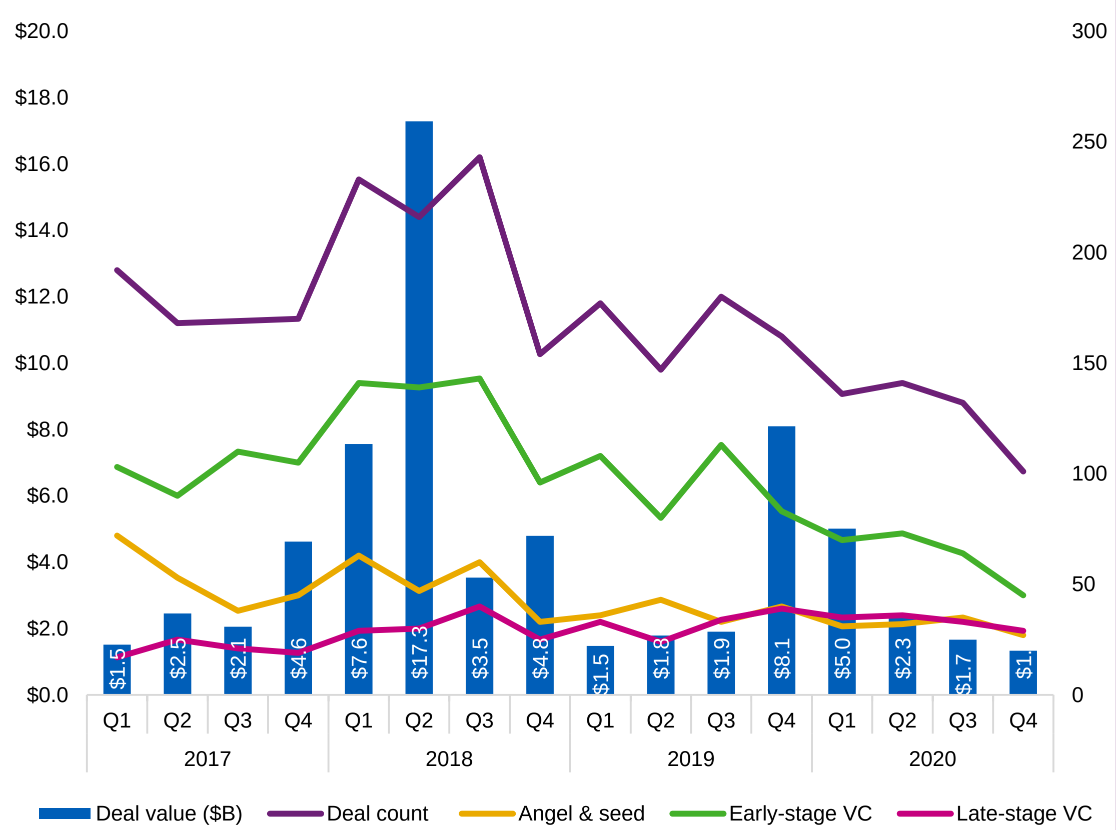


Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

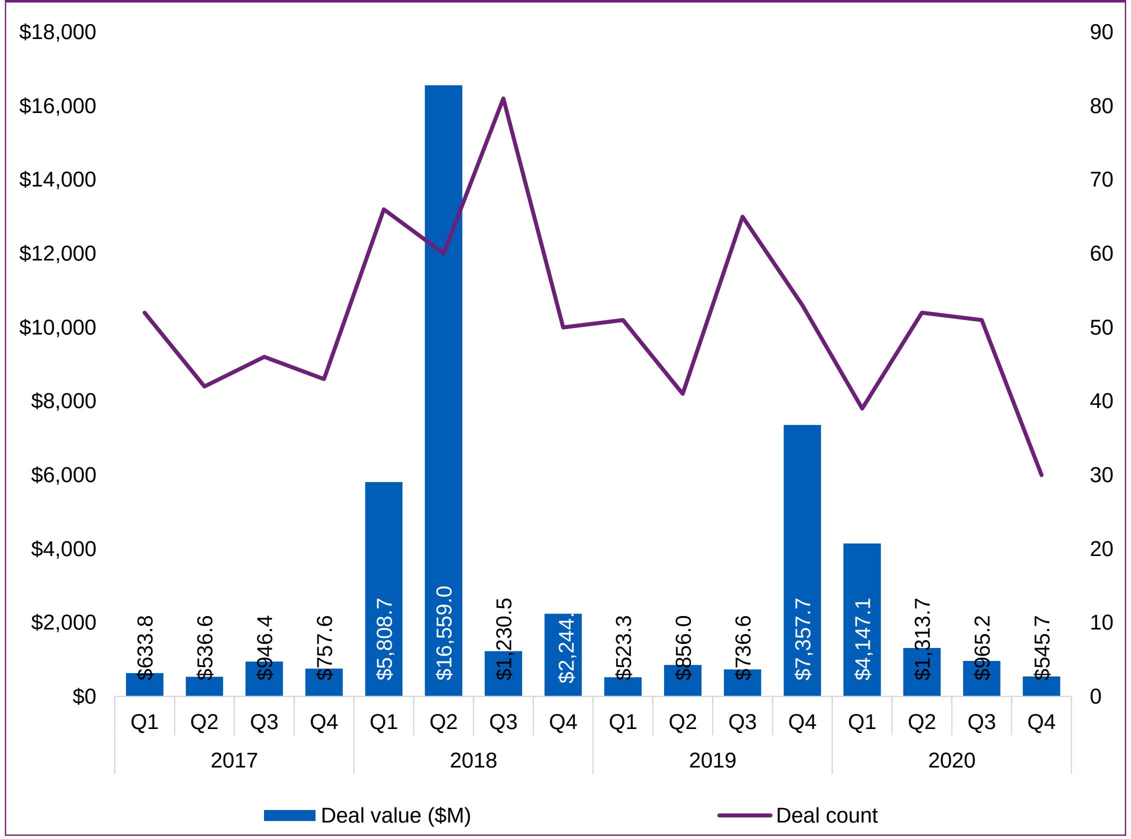
Regional insights — ASPAC

Corporate participation boosts VC volume in middle of 2020

Venture activity in fintech in Asia Pacific
2017–2020*



VC activity in fintech with corporate participation in Asia Pacific
2017–2020*



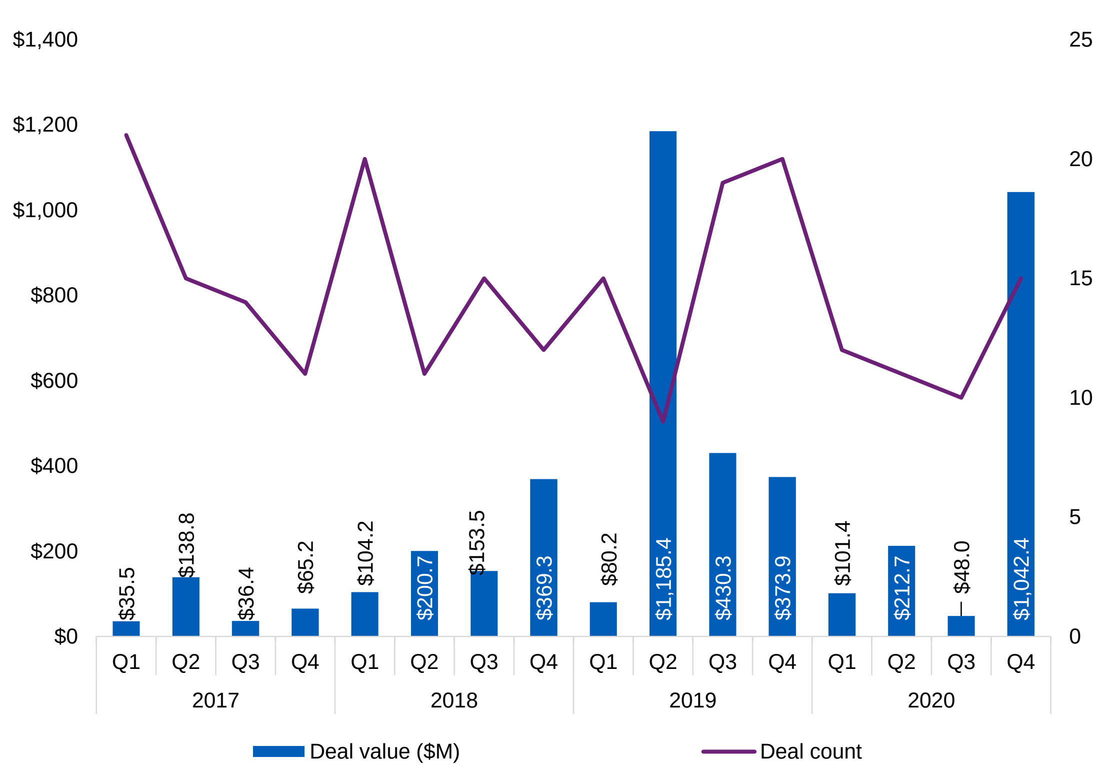
Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

Regional insights — ASPAC: Australia

Acquisition of Australia-based eNett top fintech deal in Asia-Pacific in H2'20

- Australia had a robust year for fintech investment, with a very strong Q4'20 that included the $577 million acquisition of B2B payments company eNett by US-based WEX, a $209 million funding round by new Judo Bank and an $84 million raise by solar power financing company Brighte.
- Fintech companies in Australia continued to see strong interest from investors, particularly in areas like payments, business lending and installment finance ((Buy Now Pay Later), which has seen substantial growth in the local market with leading Australian players AfterPay and Zip continuing their expansion offshore (US, UK, Canada, etc)).
- H2'20 saw Australia-based investment platform STAX complete the first crypto-backed IPO for West Coast Aquaculture.[18]

Total investment activity (VC, PE and M&A) in fintech in Australia
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> "The Australian fintech market is incredibly vibrant and it's gaining a lot of traction from investors both locally and on the global stage. Funding rounds are getting larger, fintech valuations are growing, and we're beginning to see some strong exits."

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

[18] https://australianfintech.com.au/a-digital-revolution-australian-fintech-secures-first-crypto-ipo/

Regional insights — ASPAC: Mainland China and Hong Kong (SAR)

Dominant players and evolving regs drive fintech investment in China to seven-year low

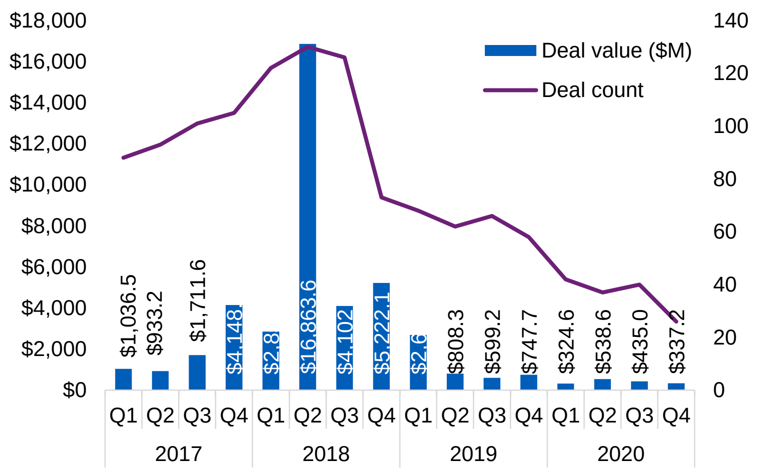
— Total fintech investment in China plummeted to a seven-year low of $1.6 billion in 2020. The decline reflects the significant maturity of China's fintech sector, particularly in the payments space which is dominated by a small number of tech mega giants.

— Incumbent banks in China made significant investments internally in 2020 in order to transform their digital capabilities. Several also continued to set up subsidiaries in order to build their capabilities and provide B2B digital banking services to smaller institutions.

— Insurtech continued to gain traction among investors; in H2'20, Shuidi — a crowdfunding platform focused on medical expenses – raised two rounds totaling $380 million. 'Digitalization' is currently the buzzword in China's insurtech industry; digital transformation of the insurance industry is being driven by the government, insurance companies and technology companies. Insurance service providers are therefore likely to see structural reform continue, with more emphasis placed on risk prevention through innovative methods that would lower risks.

— In H2'20 there were multiple draft and final announcements from government and regulatory bodies which have implications for fintech investments in China. These include interest rate caps, antitrust provisions, data privacy restrictions, amended capital requirements for online lenders, loan size caps and so on. Ultimately these measures contributed to the deferment of the Ant Financial IPO (had it proceeded this was on track to be the largest fintech listing in history), and a 'wait and see' approach to fintech investment activity.

Total fintech investment activity (VC, PE and M&A) in mainland China 2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

Fintech IPOs on the horizon in Hong Kong (SAR)

— A majority of the eight digital banks licensed in Hong Kong (SAR) launched services over the course of 2020; while their impact will take time to understand, they have already driven incumbent banks in Hong Kong (SAR) to up their game in terms of apps, user interfaces, products and services.

— The technology IPO market in Hong Kong (SAR) was robust in 2020; while Ant Financial cancelled its Hong Kong-Shanghai dual listing, unicorn fintechs are increasingly considering IPOs.

"In China, we are seeing growth in a number of emerging fintech sectors, including blockchain, regtech and wealth management. One big change we have seen in 2020 has been the focus of these fintechs — with many now focusing their efforts on empowering traditional financial institutions rather than providing direct to consumer products."

Andrew Huang
Partner and Fintech Leader,
KPMG China

"Pandemic-era accelerated growth and lose monetary policy has driven up stock-market valuations for tech companies. Shareholders of privately owned fintech groups recognize there is a window to list at excellent valuations, and we expect significant IPO activity in 2021/2022."

Barnaby Robson
Partner, Deal Advisory,
KPMG China

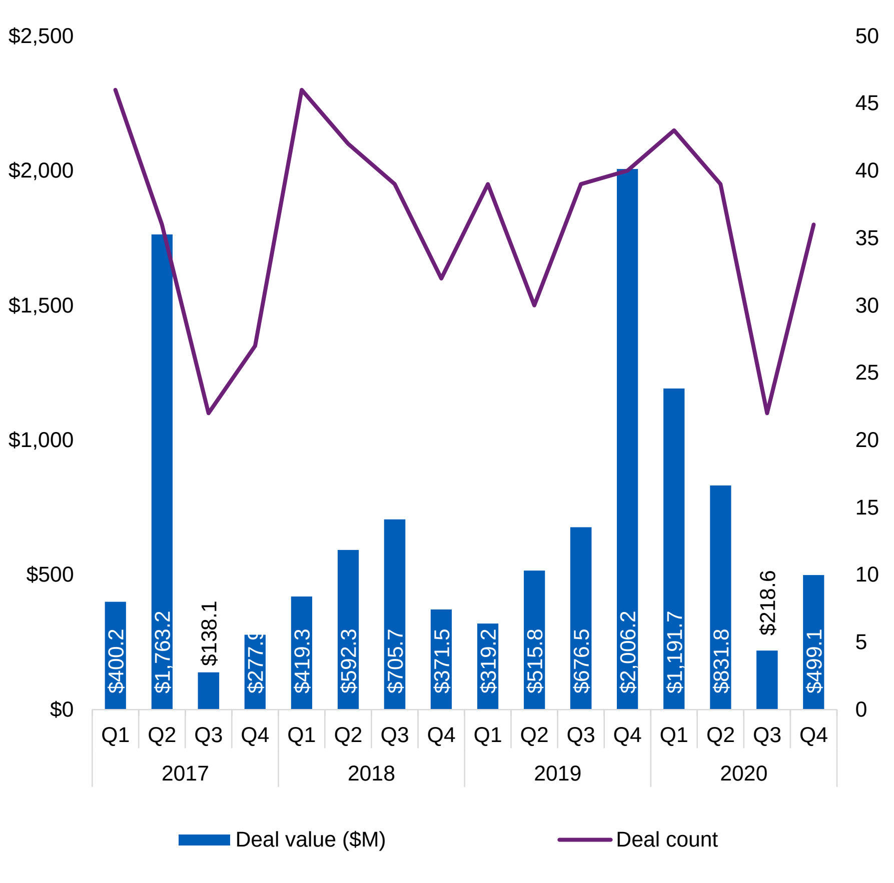
#fintechpulse

Regional insights — ASPAC: India

Despite pandemic challenges, India sees second-best year for fintech funding

- India attracted $2.7 billion in fintech investment in 2020, the second highest amount ever next to 2019's peak of $3.5 billion. While a majority of India's fintech investment came early in the year, H2'20 saw merchant platform Pine Labs and Razorpay each raised $100 million.
- Payments remained the hottest area of investment, followed by insurtech and wealthtech.
- Fintech investors adjusted their strategies in H2'20, moving away from both early stage companies and lending-based businesses and towards later stage companies; investors also focused more on profitability.
- Competition in the insurance space started to heat up as incumbent insurers enhanced their digital focus due to COVID-19 and niche payments players like Paytm worked to expand into insurance.
- To boost digital transactions and the fintech industry, the government has proposed significant support in their recent budget announcements, which include a scheme to develop, promote and accelerate digital payments, following a sharp growth in online and contactless payments during the COVID-19 led lockdown months. Also, a fintech hub at Gujarat International Finance Tec-City, will be set up to encourage and develop innovative financial technology services and products.

Total fintech investment activity (VC, PE and M&A) in India
2017–2020*



Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

> "Many of the banks in India are now going down the path of digital. They are really looking at tech and fintech companies that can help them move their digital activities forward, either investing in them directly or using them as service providers. That is going to be a big growth area for investment here in India — banking-as-a-service platforms."

Sanjay Doshi
Partner and Head of Financial Services Advisory,
KPMG in India

Regional insights — ASPAC: Singapore

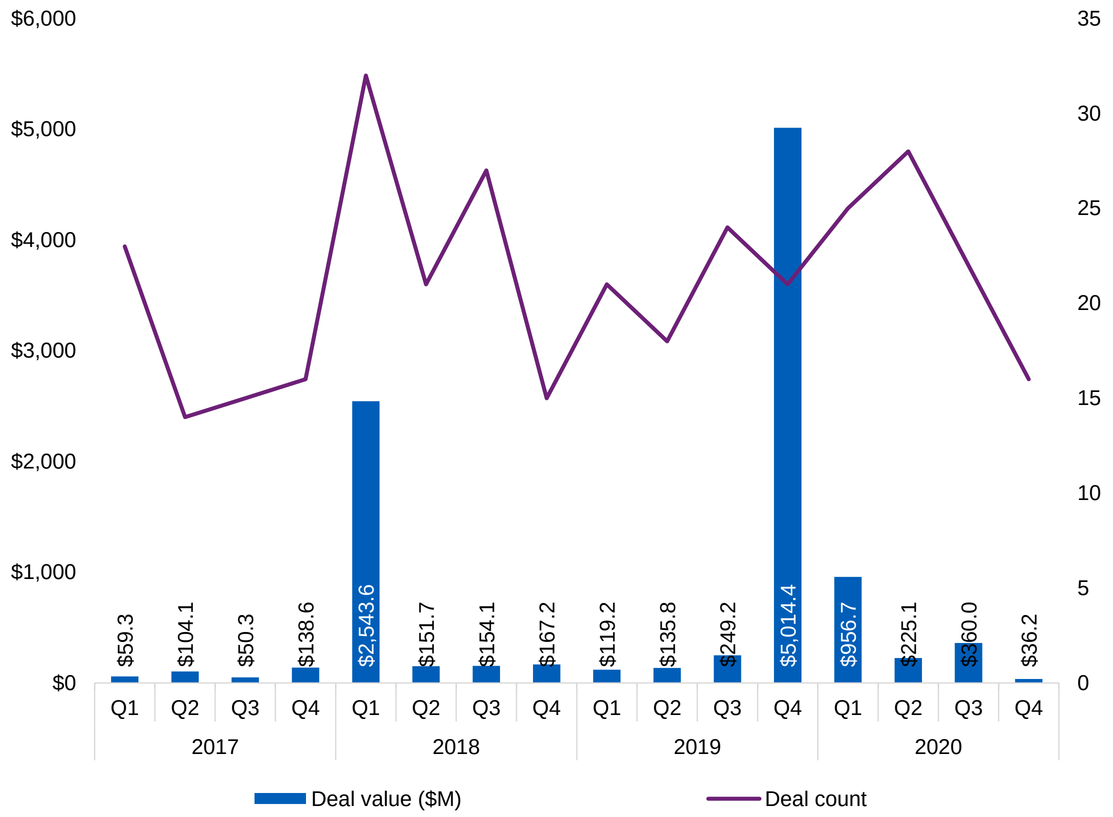
Singapore distributes first digital banking licenses

— As banks pivoted to online due to COVID-19, digital client onboarding became critically important, with banks and other financial institutions looking for ways to enhance their digital ID processes in order to comply with the country’s strong regulations.

— Platform companies like Grab are gaining a lot of attention in Singapore as they look to build ecosystems of services for their clients, including financial services.

— The Monetary Authority of Singapore (MAS) issued its first two digital banking licenses in H2’20 — to the Grab-Singtel consortium and to tech giant SEA. It also issued two digital wholesale bank licenses.

Total fintech investment activity (VC, PE and M&A) in Singapore
2017–2020*

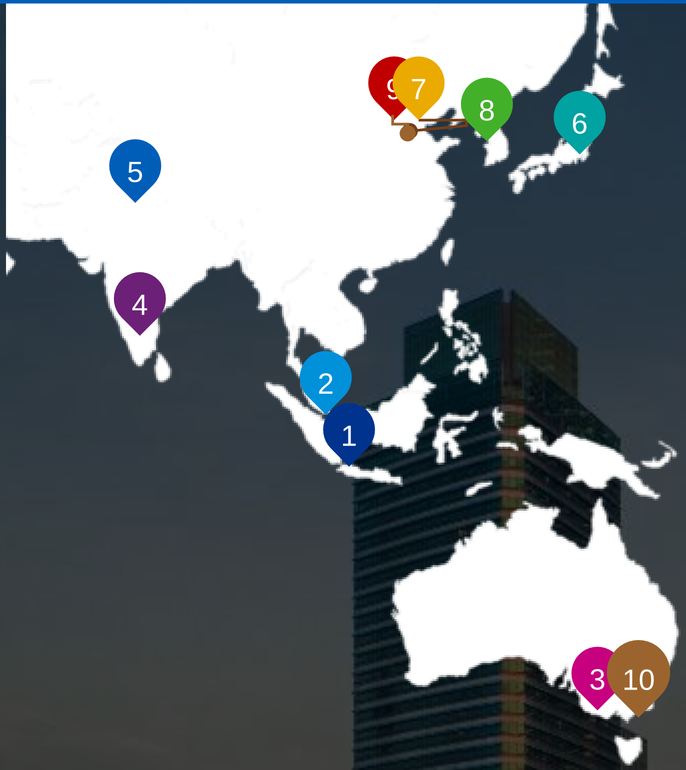


Source: Pulse of Fintech H2’20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.

“When COVID-19 hit and people started to work from home, cybersecurity really came to the forefront for a lot of businesses, including financial institutions. This has led to a lot of cybersecurity companies thinking about how companies can manage risk and vulnerabilities and maintain their operational resilience given their dispersed workforce.”

Gary Chia
Partner and ASEAN Financial Services Regulatory and Compliance Practice Leader, KPMG in Singapore

Top 10 fintech deals in Asia Pacific in 2020



1. **Gojek** — $3B, Jakarta, Indonesia — Payments/transactions — *Series F*
2. **Grab** — $886M, Singapore — Payments/transactions — *Late-stage VC***
3. **eNett International** — $577.5M, Melbourne, Australia — Payments/transactions — *M&A*
4. **Navi Technologies** — $397.9M, Bengaluru, India — Payments/transactions — *Angel****
5. **Pine Labs** — $300M, Noida, India — Payments/transactions — *PE growth*
6. **Paidy** — $251M, Tokyo, Japan — Payments/transactions — *Series C*
7. **JD Digits** — $250.7M, Beijing, China — Wealth/investment management — *Corporate*
8. **KSNET** — $237M, Seoul, South Korea — Banking — *Buyout*
9. **Shuidi** — $230M, Beijing, China — Insurtech — *Series D*
10. **Judo Bank** — $209M, Melbourne, Australia — Payments/transactions — *PE growth*

Source: Pulse of Fintech H2'20, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 31 December 2020.
**Grab's round is classified as late-stage VC until further documentation confirming it is Series I is available.
***Navi's round is classified as angel given the fact a consortium of individual investors was responsible for the funding.

KPMG's Global Fintech practice

The financial services industry is transforming with the emergence of innovative new products, channels and business models. This wave of change is driven primarily by evolving customer expectations, digitalization as well as continued regulatory and cost pressures.

KPMG firms are passionate about supporting clients to successfully navigate this transformation, mitigating the threats and capitalizing on the opportunities.

KPMG Fintech professionals include partners and staff in over 50 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 their strategic plans.

Visit home.kpmg/fintech

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- **Andrew Huang**, Partner and Fintech Leader, KPMG China
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- **Jon Stone**, Partner, Digital Delta, KPMG in Australia
- **Peter Westlake**, Director, Global Strategy Group, KPMG in the UK

Methodology

The underlying data and analysis for this report (the “Dataset”) was provided by PitchBook Data, Inc (“PitchBook”) on 11 January 2020 and utilizes their research and classification methodology for transactions as outlined on their website at https://help.pitchbook.com/s/. The Dataset used for this report considers the following investment transactions types: Venture Capital (including corporate venture capital) (“VC”), Private Equity (“PE”) Investment and Mergers and Acquisitions (“M&A”) for the FinTech vertical within the underlying PitchBook data. Family and Friends, Incubator and Accelerator type funding rounds are excluded from the Dataset.

Due to the private nature of many of the transactions, the Dataset cannot be definitive, but is an estimate based on industry leading practice research methodology and information available to PitchBook at 10 July 2020. Similarly, due to ongoing updates to PitchBook’s data as additional information comes to light, data extracted before or after that date may differ from the data within the Dataset.

Only completed transactions regardless of type are included in the Dataset, with deal values for general M&A transactions as well as venture rounds remaining un-estimated if this information is not available or reliably estimated. PE activity, however, includes extrapolated deal values where this information is available.

Venture Capital 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.

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 VC: 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 VC: 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.

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.

Corporate: Corporate rounds of funding for currently venture-backed startups that meet the criteria for other PitchBook venture financings are included in the Pulse of Fintech as of March 2018.

Private Equity Investments

PitchBook includes both Buyout investors, being those that specialize in purchasing mainly a controlling interest of an established company (in a leveraged buyout) and Growth/Expansion investors, being those that focus on investing in minority stakes in already established businesses to fund growth. Transaction types include: Leveraged buyout (“LBO”; Management Buyout; Management Buy-In; Add-on acquisitions aligned to existing investments; Secondary Buyout; Public to Private; Privatization; Corporate Divestitures; and Growth/Expansion.

Methodology (cont'd)

M&A transactions

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 percent of the company must be acquired in the transaction. Minority stake transactions (less than a 50-percent stake) are not included. Small business transactions are not included in this report.

The Fintech Vertical

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. PitchBook defines the FinTech vertical as "Companies using new technologies including the internet, blockchain, software and algorithms to offer or facilitate financial services usually offered by traditional banks including loans, payments, wealth or investment management, as well as software providers automating financial processes or addressing core business needs of financial firms. Includes makers of ATM machines, electronic trading portals and point-of-sale software." Within this report, we have defined a number of Fintech sub-verticals:

1. Payments/Transactions — companies whose business model revolves around using technology to provide the transfer of value as a service including both B2B and B2C transfers.
2. Blockchain/Cryptocurrency — companies whose core business is predicated on distributed ledger (blockchain) technology with the financial services industry AND/OR relating to any use case of cryptocurrency (e.g. Bitcoin). This vertical includes companies providing services or developing technology related to the exchange of cryptocurrency, the storage of cryptocurrency, the facilitation of payments using cryptocurrency and securing cryptocurrency ledgers via mining activities.
3. 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.
4. Proptech — companies who are classified as both fintech AND also who are developing and leveraging technology intended to help facilitate the purchase, management, maintenance and investment into both residential and commercial real estate. This includes sub-sectors such as property management software, IoT home devices, property listing and rental services, mortgage and lending applications, data analysis tools, virtual reality modeling software, augmented reality design applications, marketplaces, mortgage technology and crowdfunding websites.
5. Insurtech — companies utilizing technology to increase the speed, efficiency, accuracy and convenience of processes across the insurance value chain. This includes quote comparison websites, insurance telematics, insurance domotics (home automation), peer-to-peer insurance, corporate platforms, online brokers, cyber insurance, underwriting software, claims software and digital sales enabling.
6. Wealthtech — companies or platforms whose primary business involves the offering of wealth 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.
7. 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.

Please note that the Middle East and South Asia 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.

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