



Pulse of Fintech

H1'21

August 2021

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Reaching new heights

2021 has seen an incredibly strong start to the year for the global fintech market. As you'll see from this edition of Pulse of Fintech, the rebound we saw in H2'20 continued into H1'21, with very robust investment across VC, PE, and venture capital. We saw growing deal sizes in a wide variety of fintech subsectors — from wealthtech and regtech to crypto and cybersecurity. If there was a word that could be used to describe H1'21, it would be: **diversity**. Consider some of the key trends we've seen so far this year:

- growing recognition that the consumers' digital behaviors that accelerated due to the global pandemic are here to stay
- increasing interest and larger deal sizes in a broad range of fintech subsectors, including wealthtech and regtech
- growing interest in SPAC mergers, particularly in the US (e.g., SoFi, Clover Health, Payoneer, Metromile)
- rising interest in cryptocurrencies and blockchain — not only from startups and investors, but also from governments and regulators

- corporates embracing M&A as a means to attain important capabilities, broaden customer offerings, and grow and scale
- fintechs and large tech companies embracing platform and 'super app' models.

As vaccination levels rise around the world and jurisdictions continue to emerge from the pandemic, fintechs and incumbent financial institutions need to recognize how far they've come and look at how they can keep building their momentum as they look to the future.

Whether you're the CEO of a large financial institution or the founder of an emerging fintech, the road ahead is sure to be radically different from what you envisioned just a year or 2 ago — and that's likely a good thing. As you read this edition of Pulse of Fintech, ask yourself: **Recognizing how far we've come over the last 18 months, what can we do now to make sure we keep moving forward successfully?**



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

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Global fintech investments in H1 2021 recorded

\$98B with 2,456 deals

Global fintech investment reaches \$98 billion at mid-year

Fintech investment continues to bounce back

Global fintech investment continued its remarkable rebound in H1'21, rising from \$87 billion in H2'20 to \$98 billion in H1'21. Fintech deal volume hit a new record of 2,456 during H1'21. A wealth of dry powder, COVID-related digital acceleration, an increasingly diverse range of fintech hubs and subsectors, and robust activity in almost all regions of the world contributed to the strong start to 2021.

Global VC investment of over \$52 billion close to surpassing previous annual record

Global VC investment reached over \$52 billion in H1'21 — very close to the annual record of \$54 billion seen in 2018. The largest VC rounds of H1'21 included US-based Wealthtech Robinhood (\$3.4 billion), Brazil-based digital Nubank (\$1.5 billion), Sweden-based 'buy now, pay later' firm Klarna (two rounds totaling \$1.9 billion), and Germany-based wealthtech Trade Republic (\$900 million). South Korea-based mobile financial app Toss raised \$410 million in Asia's largest VC round of H1'21.

Record-setting corporate VC volume helping drive fintech surge

There was \$21 billion in corporate-affiliated VC investment in H1'21. CVC deal volume reached a high of 284 in Q1'21 and then grew further to 312 in Q2'21. Corporates around the world are under pressure to increase the velocity of their digital transformation activities and to enhance their digital capabilities. Over the last year, many have seen that it's quicker to do so by partnering with, investing in or acquiring fintechs, particularly with respect to high demand skills.

With \$42.1 billion of investment, the US accounts for nearly half of global total

The Americas accounted for \$51.4 billion of fintech investment in H1'21, with the US accounting for \$42.1 billion. Investment in the EMEA region was also very robust at \$39.1 billion. In the Asia-Pacific region, fintech investment rose considerably between H2'20 and H1'21 — rising from \$4.5 billion to \$7.5 billion, although investment remained suppressed compared to previous record highs.

“ Global investment in fintech has seen a quick V-shaped recovery from 2020 levels. Growing deal sizes, valuations and successful exits for proven players and proven thematics have driven this result. Corporates are also increasingly looking to seize new market opportunities or urgently address gaps by embracing partnering and M&A to achieve their strategic objectives. ”

Ian Pollari

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

PE firms invest \$5 billion in fintech in H1'21

PE firms embraced the fintech space in H1'21, contributing \$5 billion in investment to fintech — surpassing the previous annual high of \$4.7 billion seen in 2018. The largest PE deals were quite substantial, including the \$800 million buyout of InvestCloud by Motive Partners and Clearlake Capital, Silverlake's \$800 million investment in Abu Dhabi-based Group 42 and the \$600 million buyout of Ireland-based Fenargo by Astorg and Bridgepoint.

Cross-border M&A more than doubles next to all of 2020

Cross-border M&A deal value rose dramatically — from \$10.3 billion in all of 2020 to \$27.7 billion in H1'21 alone. Following a pandemic-driven slowdown in cross-border M&A, many incumbents and mature fintechs embraced cross-border M&A as a means to gain critical mass at a regional or global level or to expand services and capabilities. In H1'21, for example, the London Stock Exchange Group acquired data analytics firm Refinitiv for \$14.8 billion, while Nasdaq acquired Canadian cloud-based fraud detection platform Verafin for \$2.7 billion.

Platform models and 'super apps' gain precedence

Large fintechs and platform companies have focused on building up their platform or 'super app' models, including embracing solutions such as embedded finance in order to provide a stronger ecosystem of services. This is particularly true in Southeast Asia; in H1'21,

Gojek announced a merger with marketplace Tokopedia — in part to better compete with super apps such as Grab¹ and mitigate any competitive threat from SEA Limited.

Big tech partnerships backing big fintech plays

Big techs have continued to move into the banking space to create an extended experience for their customers or to remove friction points in processes — primarily by forging partnerships with existing banks. Most recently, Google announced partnerships with a number of banks and credit unions, including Citi, BBVA, Bank of Montreal, Stanford FCU and others in order to provide Google Plex digital bank accounts integrated with Google Pay.²

Trends to watch for in H2'21

- growing consolidation, particularly in mature areas of fintech as fintechs look to become the dominant market player either regionally or globally.
- more interest in revenue-based financing solutions, banking-as-a-service models, and B2B services.
- increasing regulatory scrutiny, particularly around cryptocurrencies and virtual assets.
- stronger focus on cybersecurity and areas like digital identity to support other fintech offerings.

“ Cryptocurrency and blockchain is exploding globally. There's so much happening in the space right now, between the eCNY project running in China, Facebook's Diem, a number of ecosystem initiatives — not to mention all the different trading platforms raising money. Digital currencies and virtual assets are a big, big topic of conversation. I think for the rest of this year at least, crypto will be a very hot ticket for investors. ”

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>

Top fintech trends for 2021

During the first half of 2021, we saw interest in fintech grow to a fever pitch in most regions of the world. As we head into the second half of the year, this extraordinary momentum is expected to continue. Here are KPMG's top predictions for fintech in H2'21.

- 1. Crypto will be a hot focus for investors**

H1'21 saw an explosion of activity in the blockchain and crypto space. We'll likely see this trend continue, with focus stretching across the crypto ecosystem — from cryptocurrencies and trading platforms to NFTs, alternative asset trading, and support structures. The space will also see a more diverse range of investors considering investments in the space.
- 2. M&A activity will continue to surge**

M&A activity will likely grow considerably as corporates look to expand their capabilities and offerings and fintechs look to scale. Cross-border activity will likely also be robust as fintechs look to become global or regional leaders. This could also drive the return of major mega M&A transactions.
- 3. SPACs could steal the spotlight**

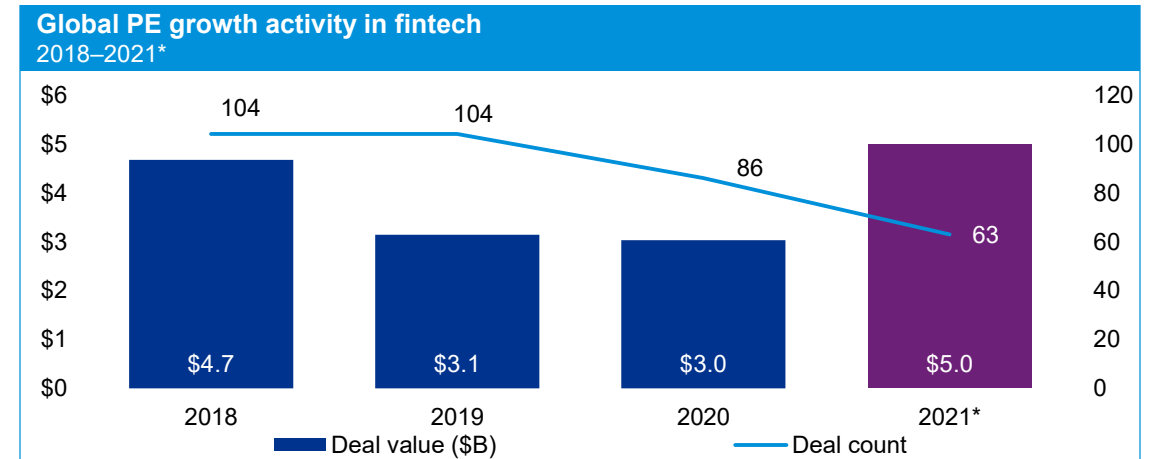
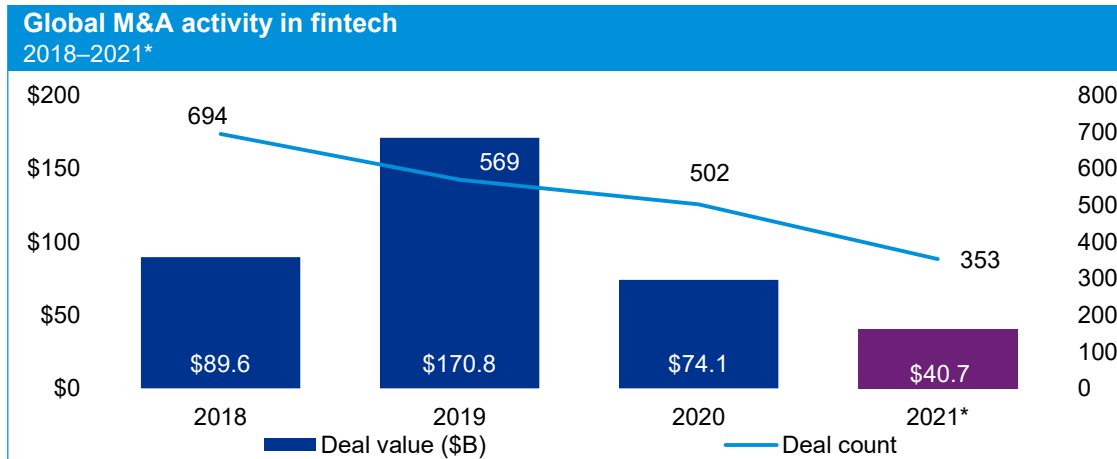
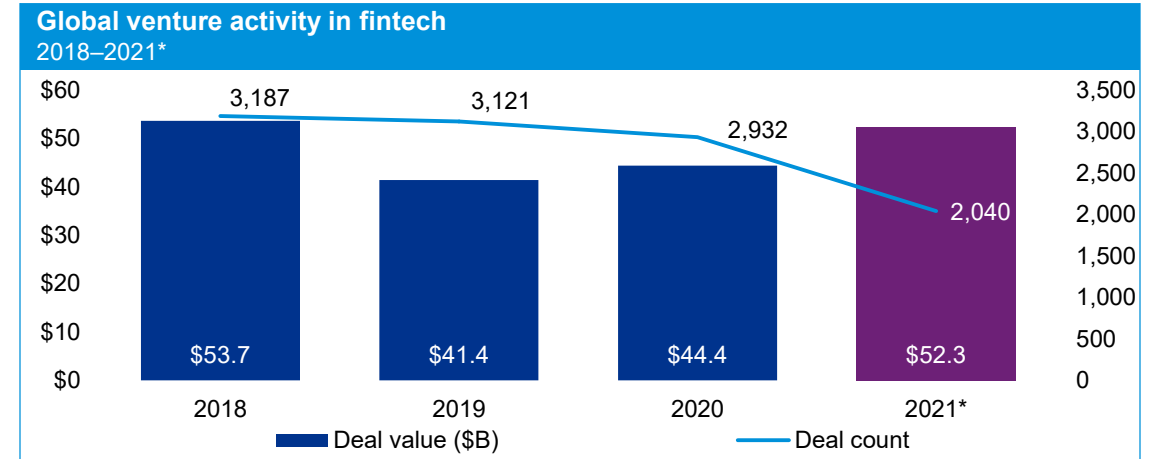
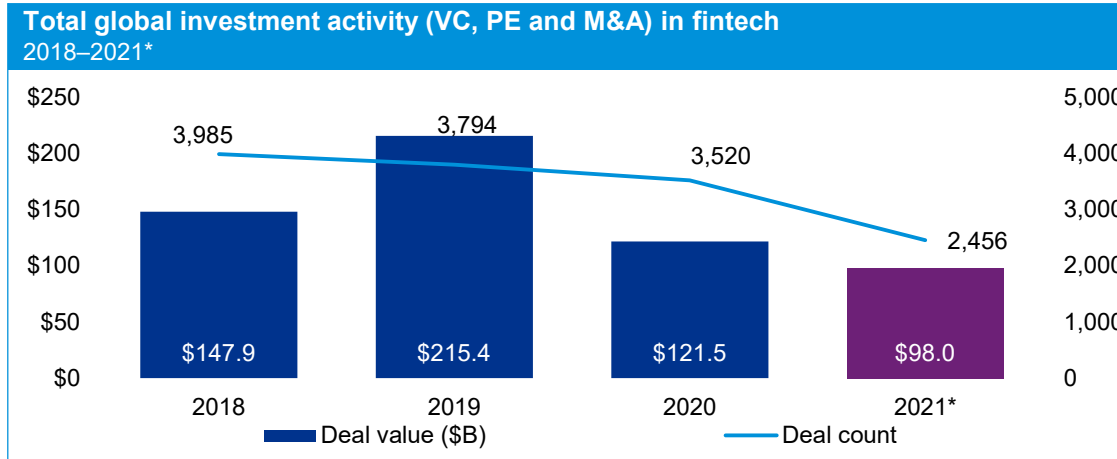
While IPO exit activity is expected to be strong in H2'21, we could see SPAC mergers stealing the limelight in H2'21 — particularly if Grab's \$40 billion SPAC merger goes ahead. We will likely also see a proliferation of US SPACs looking to EMEA and the Asia-Pacific region for targets.
- 4. Cybersecurity will likely gain even greater prominence**

Given the rise in digital transactions and the subsequent rise in cyberattacks and ransomware, cybersecurity is a focus area for investors, particularly corporates. In addition to threat security, fraud management, KYC, and passwordless security will gain increasing attention from investors.
- 5. B2B services will gain attention across fintech subsectors**

We'll likely see B2B services such as banking-as-a-service, gain even more ground on the investor radar — not only in the payments space, but also in areas like insurtech, wealthtech, and regtech. We expect to see embedded finance continue to gain traction as organizations strive to integrate financial services with other environments.
- 6. Partnerships will be embraced by big techs and fintechs**

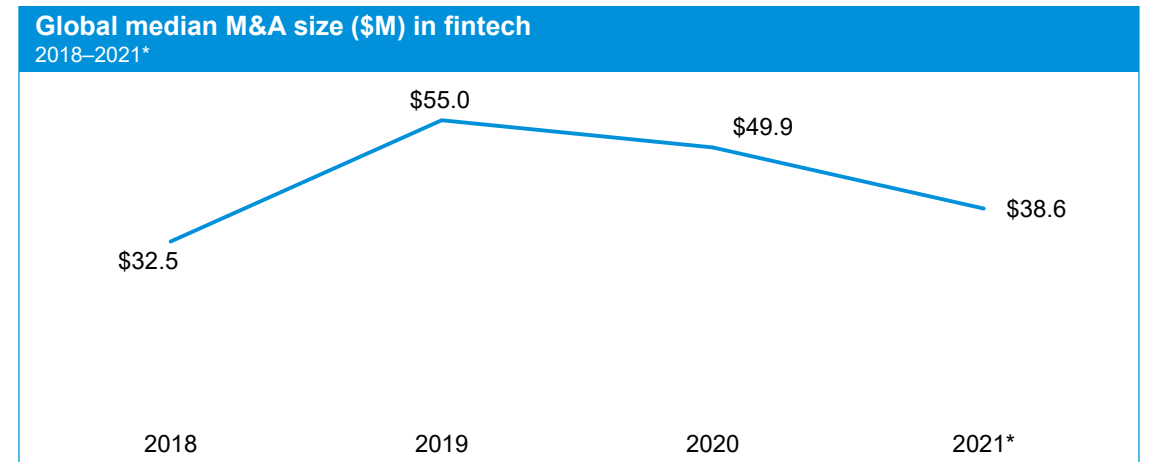
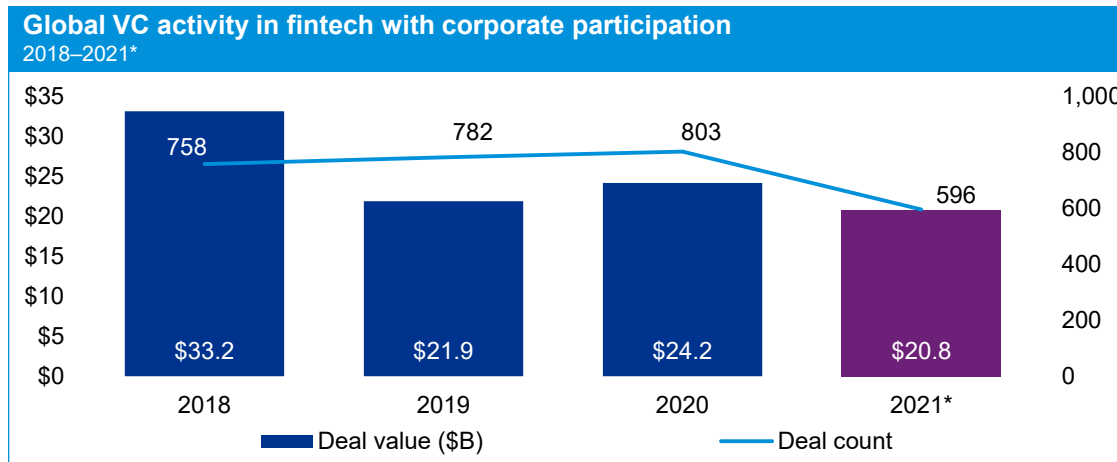
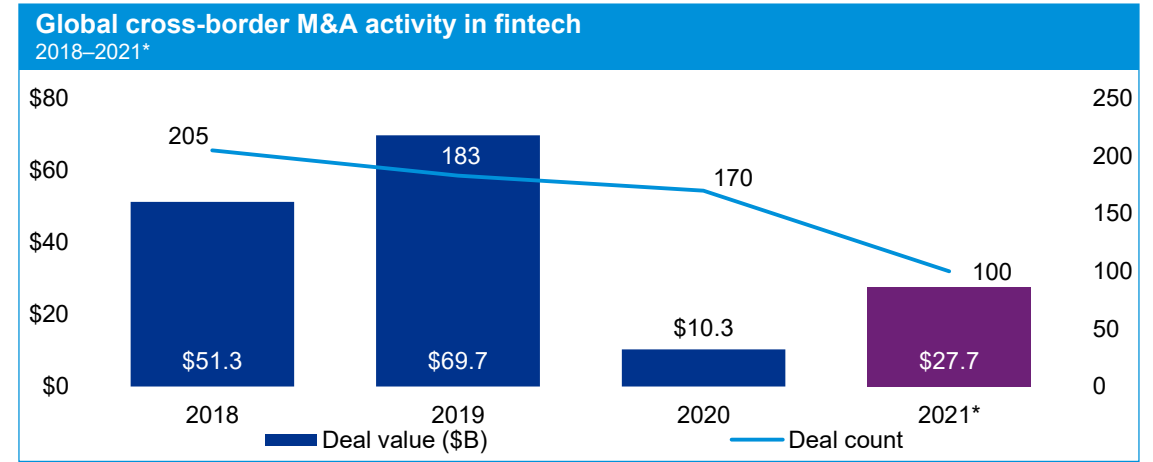
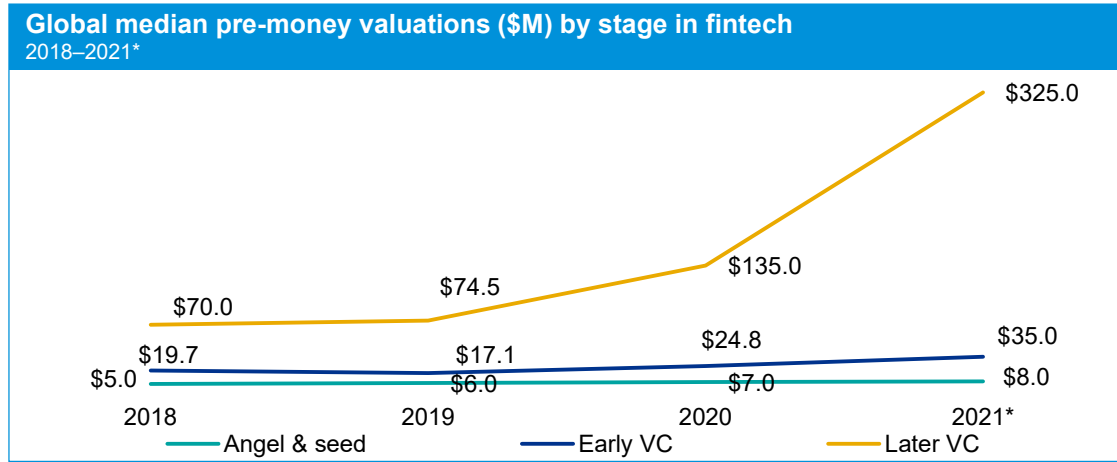
Partnership models will be a critical means for companies looking to expand their service offerings. We'll likely see partnerships emerging across the fintech sector — from wealthtech to insurtech — and involving a range of participants from the big techs and platform players to financial institutions and larger fintechs looking to add to their core services.

After an unexpectedly strong 2020, the first half of 2021 sees massive rebound



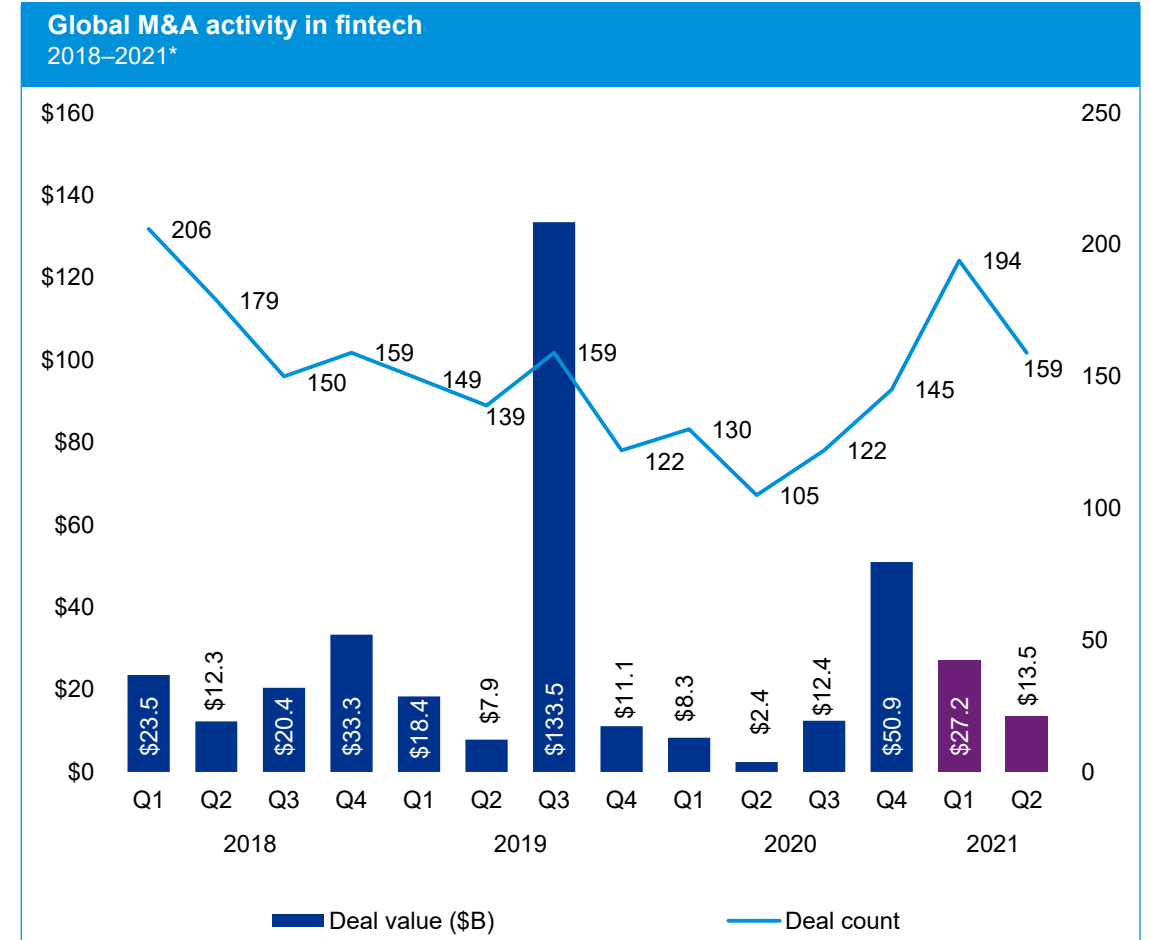
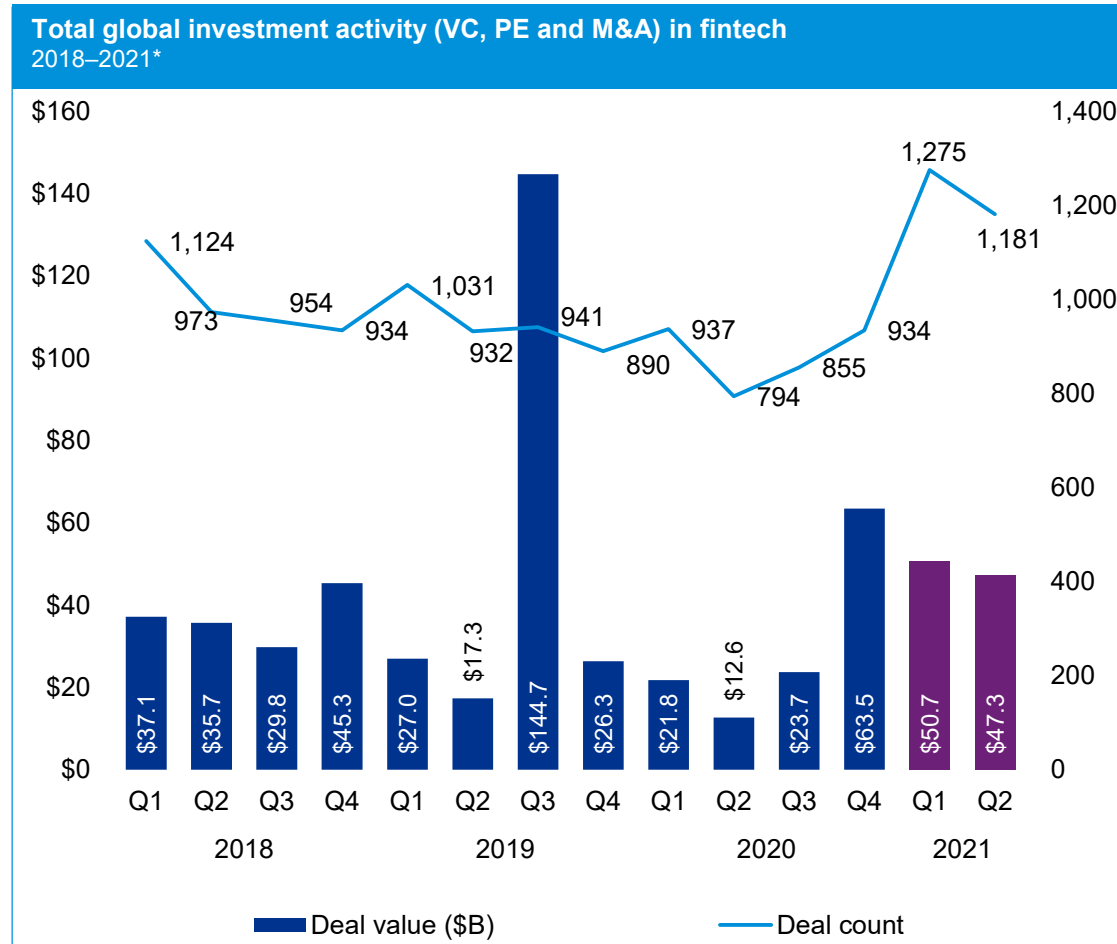
Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Late-stage venture valuations more than double year-over-year



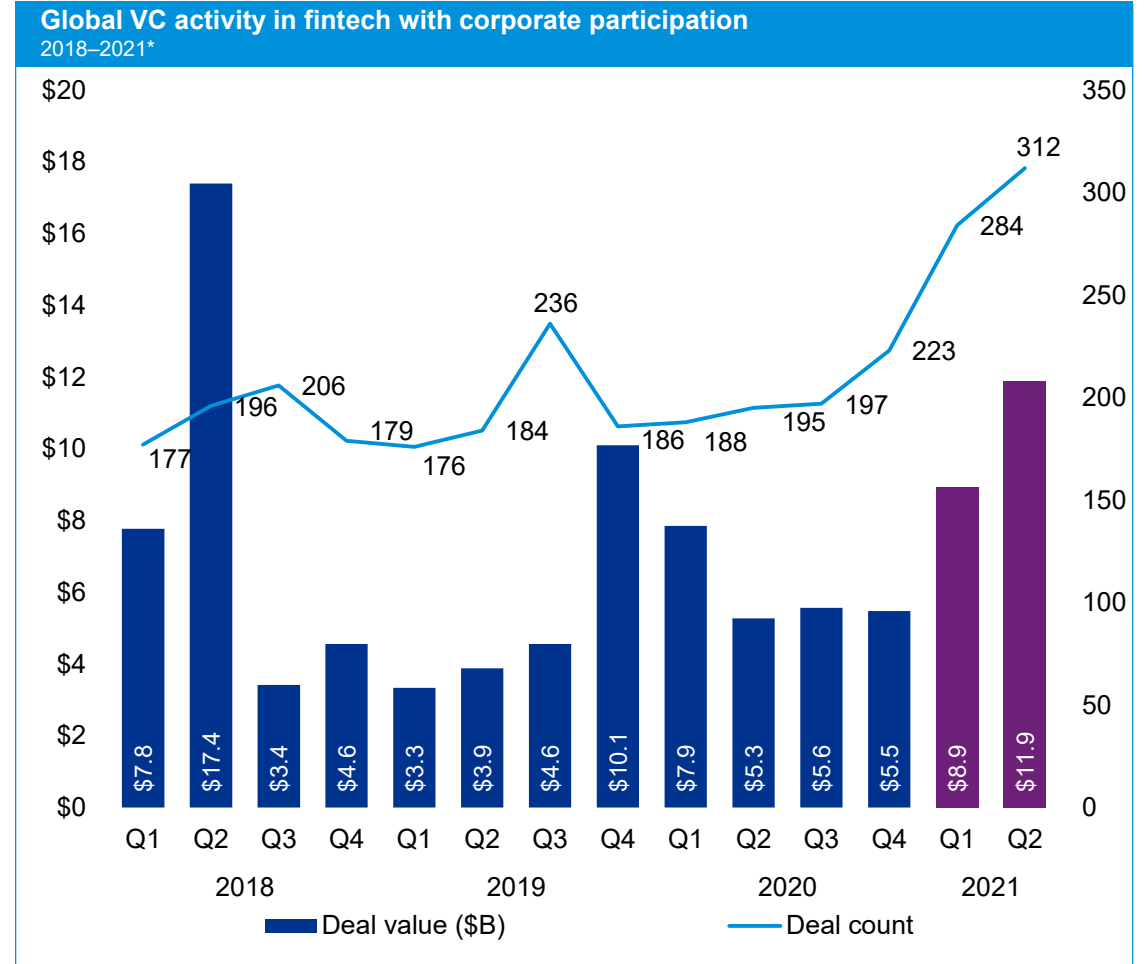
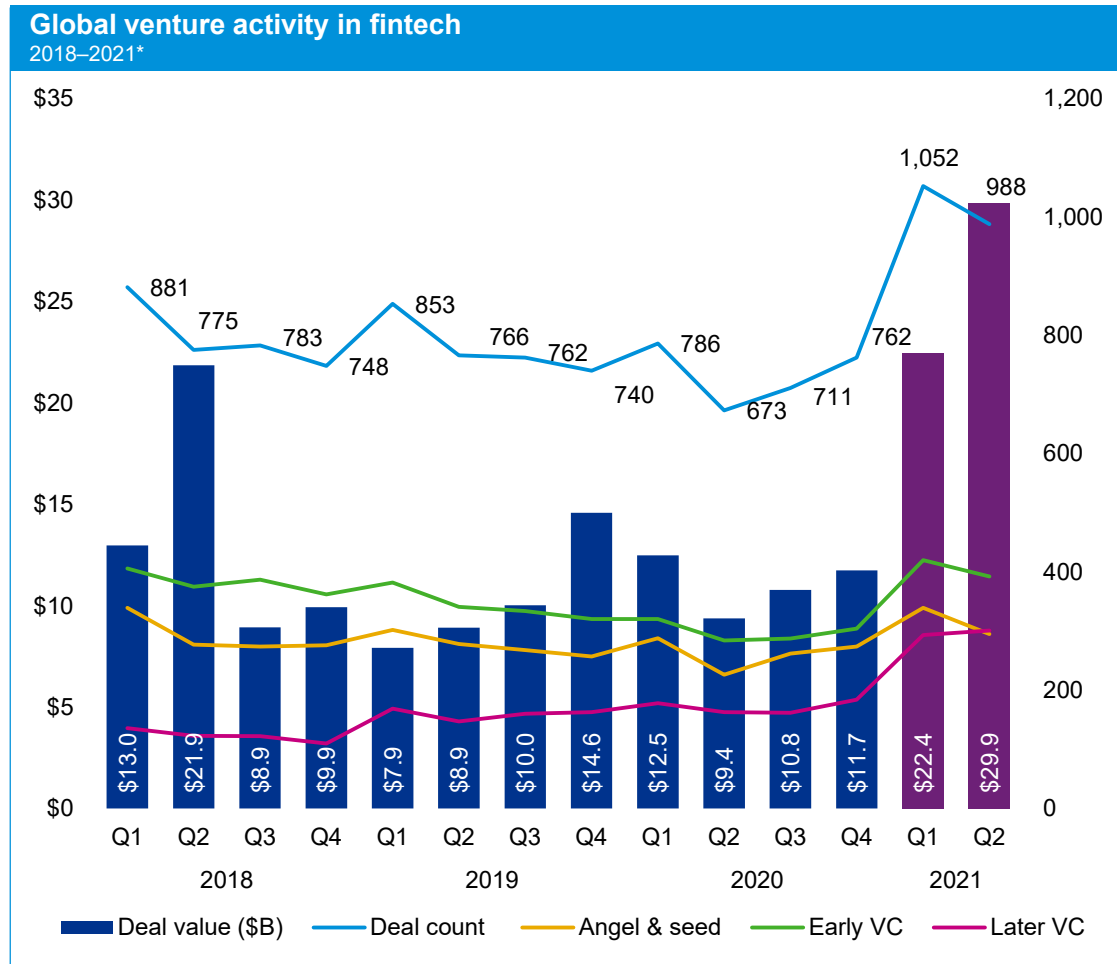
Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Q2 dip belies the massive push into fintech funding



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Momentum carries over between quarters for record first half



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Top 10 global fintech deals in H1 2021



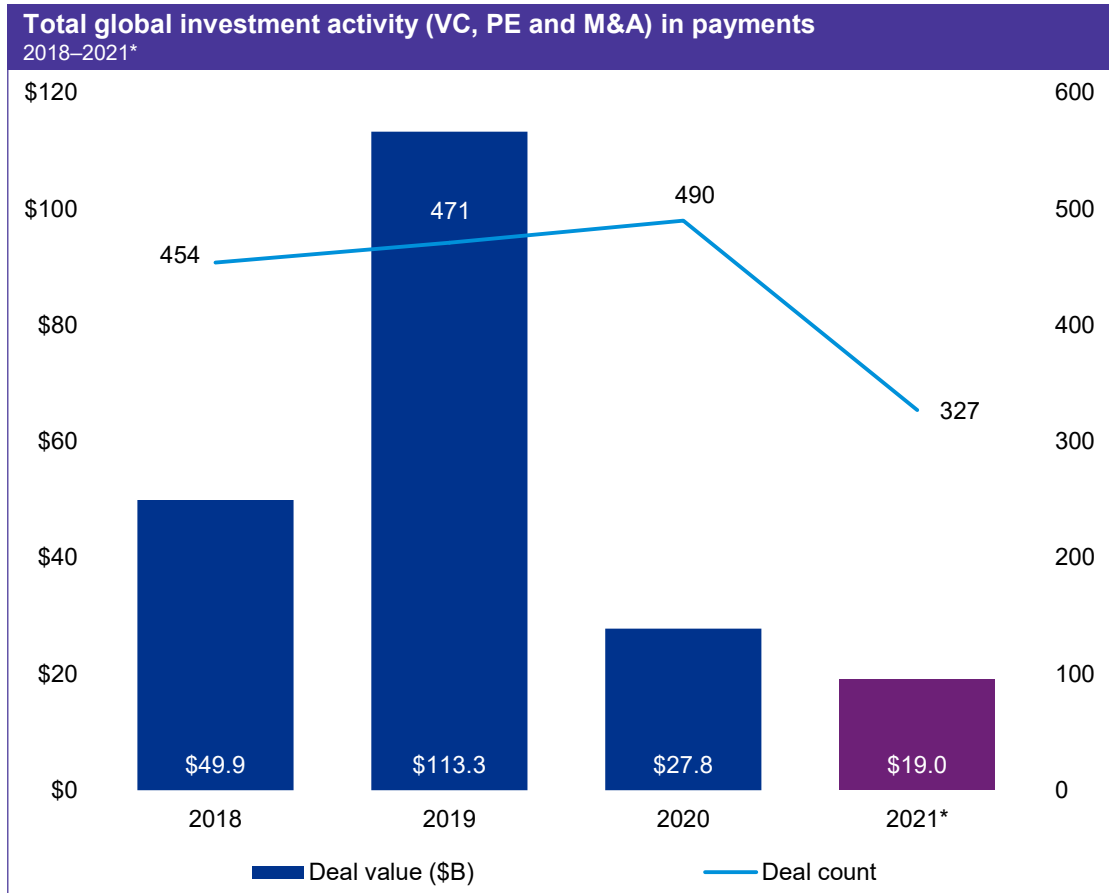
1. **Refinitiv** — \$14.8B, London, UK — Institutional/B2B — *M&A*
2. **Robinhood** — \$3.4B, Menlo Park, US — Wealth/investment management — *Series G*
3. **Verafin** — \$2.75B, St. John's, Canada — Institutional/B2B — *M&A*
4. **Itiviti Group** — \$2.6B, Stockholm, Sweden — Institutional/B2B — *M&A*
5. **Divvy** — \$2.5B, Draper, US — Payments/transactions — *M&A*
6. **SoFi** — \$2.4B, San Francisco, US — Lending — *Reverse merger*
7. **Nubank** — \$1.5B, Sao Paulo, Brazil — Banking — *Series G*
8. **Paysafe Group** — \$1.45B, London, UK — Payments/transactions — *Reverse merger*
9. **Acima Credit** — \$1.4B, Sandy, US — Lending — *M&A*
10. **BTC.com** — \$1.3B, Los Angeles, US — Blockchain/cryptocurrency — *M&A*

Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Fintech segments

- Payments
- Insurtech
- Regtech
- Wealthtech
- Blockchain/cryptocurrency
- Cybersecurity

Payments sector keeps top spot for fintech investment globally



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

After a strong 2020, global investment in payments kept up the momentum in the first half of 2021, led by the \$2.4 billion SPAC merger by US-based SoFi, the \$1.4 billion SPAC merger of UK-base Paysafe Group, two VC funding rounds totalling over \$1.9 billion by Sweden-based Klarna and two funding rounds totalling over \$1.1 billion by Brazil-based Nubank. The growth of e-commerce and contactless payments during the pandemic, partly driven by more connected consumers, has created a perfect storm for fintech investors. Key H1'21 highlights from the payments sector include:

Open banking fueling payments investments in EMEA

Open banking regulations have helped accelerate fintech adoption in the EMEA region, improving third-party access to data and fostering an environment of collaboration — particularly in areas such as embedded finance.

Embedded finance diversifying payments space

The payments space is diversifying beyond person-to-person and bill payments, with solutions increasingly embedded into offerings, retail apps and ecosystem platforms. Disbursements is an emerging area being looked at both by insurers for claims processing and by governments as part of disaster recovery.

Payments-focused M&A strengthens

M&A activity continued to build during H1'21, although there were no mega M&A deals to be seen. There continues to be a lot of opportunities for strategic acquisitions and for companies looking to expand market share, which bodes well for M&A heading into H2'21.

Increasing involvement of non-financial companies

Many non-financial companies are broadening their reach into payments and financial services. During H1'21, IKEA bought a stake in Ikano bank to provide consumer banking services,² Walmart announced a partnership with Ribbit Capital to create a fintech to offer digital financial products³, and Walgreens announced a partnership with MetaBank to offer bank accounts in-store and online — including the use of a Banking-as-a-Service platform by InComm Payments and debit cards issued by Mastercard.⁴

What to watch for in H2'21

- European challenger banks partnering with US banks to piggyback on existing bank charters
- increasing number of challenger banks focusing on customer niches, including minority communities, unbanked populations, LGBTQ2 customers, or high net-worth individuals
- continued proliferation of 'buy now, pay later' offerings and 'pay by bank' services
- strengthening focus on B2B payments solutions and services, like digitized AR/AP
- increasing interest in IPOs — both traditional and through SPAC mergers.

“ We’ve seen some great examples of embedded finance so far in 2021, with traditional retailers partnering with financial institutions to embed deposit products or to provide holistic and complimentary offerings to their core customer base. This trend will continue to grow, fueled by e-commerce, open banking, and APIs. ”

Chris Hadorn

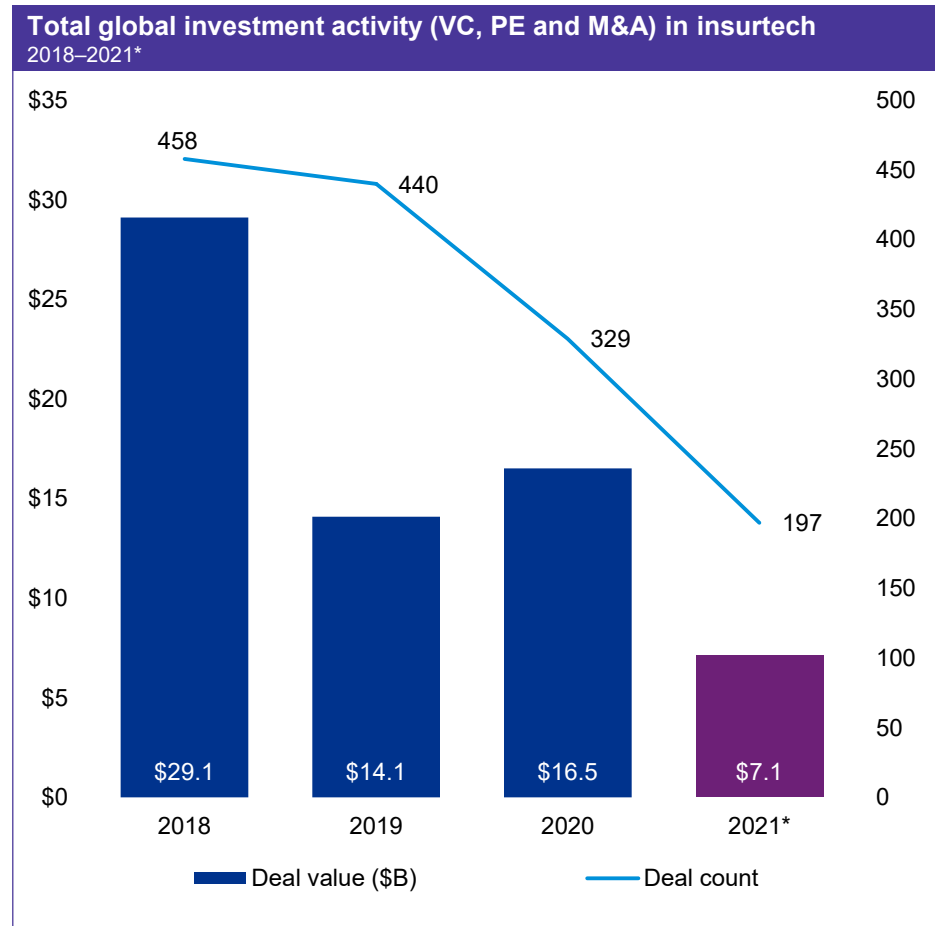
Global Leader of Payments,
Principal, Financial Services,
KPMG in the US

² <https://www.fintechfutures.com/2021/02/ikea-buys-49-stake-in-financial-services-partner-ikano-bank/>

³ <https://corporate.walmart.com/newsroom/2021/01/11/walmart-announces-creation-of-new-fintech-startup>

⁴ <https://www.bankingdive.com/news/walgreens-to-launch-digital-bank-accounts-this-year/597645/>

Deal size and diversity driving global insurtech investment



After a strong H2'20, insurtech investment remained solid in Q1'21, including the \$828 million SPAC merger of Clover Health in the US, the \$818 million acquisition of GoCo Group in the UK by Future PLC,⁵ and a \$650 million raise by Germany-based WeFox. VC funding was particularly strong in the insurtech space, driven by the continued maturation of startups and increasing valuations. Key Q1'21 highlights from the insurtech space include:

Valuations up as insurtechs exit successfully

The positive public market activity from insurtechs, both from IPOs and SPAC mergers, has driven interest in the space up along with valuations. In H1'21, Oscar Health raised \$1.2 billion in a traditional IPO, while Metromile, Clover Health and GoCo group all held SPAC mergers. Several other insurtechs also announced SPAC mergers, including Hippo Insurance and Doma.

Different regions seeing insurtech funding grow

While the US continued to attract the lion's share of insurtech investment, other jurisdictions also attracted large rounds in H1'21, including Germany (WeFox), France (Alan and Active Assurances), and India (PolicyBazaar). As insurtechs mature and attract bigger funding rounds in all regions, investors are seeing the benefits being realized by users — making the sector even more attractive.

Enabling technologies attracting bigger funding rounds

Insurtech carriers have attracted the most attention from investors historically, however, technology enablers are growing on the radar of investors. During H1'21, a number of insurtechs focused on enablement for the insurance industry raised good funding rounds at high valuations, including Shift Technology, Embroker, Tractable and Collective Health.

Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

⁵ <https://www.futureplc.com/2021/02/22/future-plc-acquires-goco-group-plc/>

Corporates making acquisitions

In the US, we're seeing more corporates making outright acquisitions in order to gain capabilities — a trend predicted a few years ago that is only coming to fruition now. During H1'21, American Family bought commercial insurance distributor Bold Penguin and⁶ USAA announced its purchase of usage-based insurance provider Noblr.⁷

Big techs partnering to provide insurance offerings

Big techs continued to focus on forging partnerships to embed insurtech offerings into their offerings and platforms. In H1'21, Google announced a partnership with Munich Re and Alliance to provide cyber insurance to Google Cloud customers.

What to watch for in H2'21

- partnerships focused on providing on-demand insurance products
- increasing investments targeting the supplemental benefits space
- continued focus on embedded insurance
- technologies focused on enabling agents and brokers
- vertical integration from insurtechs.

“ Over the last few years, the really large insurtech deals were almost exclusively insurtech carriers. While we saw plenty of those deals happening in H1'21, including Next Insurance, Clear Cover and Bought by Many, we also started to see larger deals in the enabling tech space, including Shift Technology — which is focused on process enablement, and Collective Health — which is a self insurance technology platform for businesses. ”

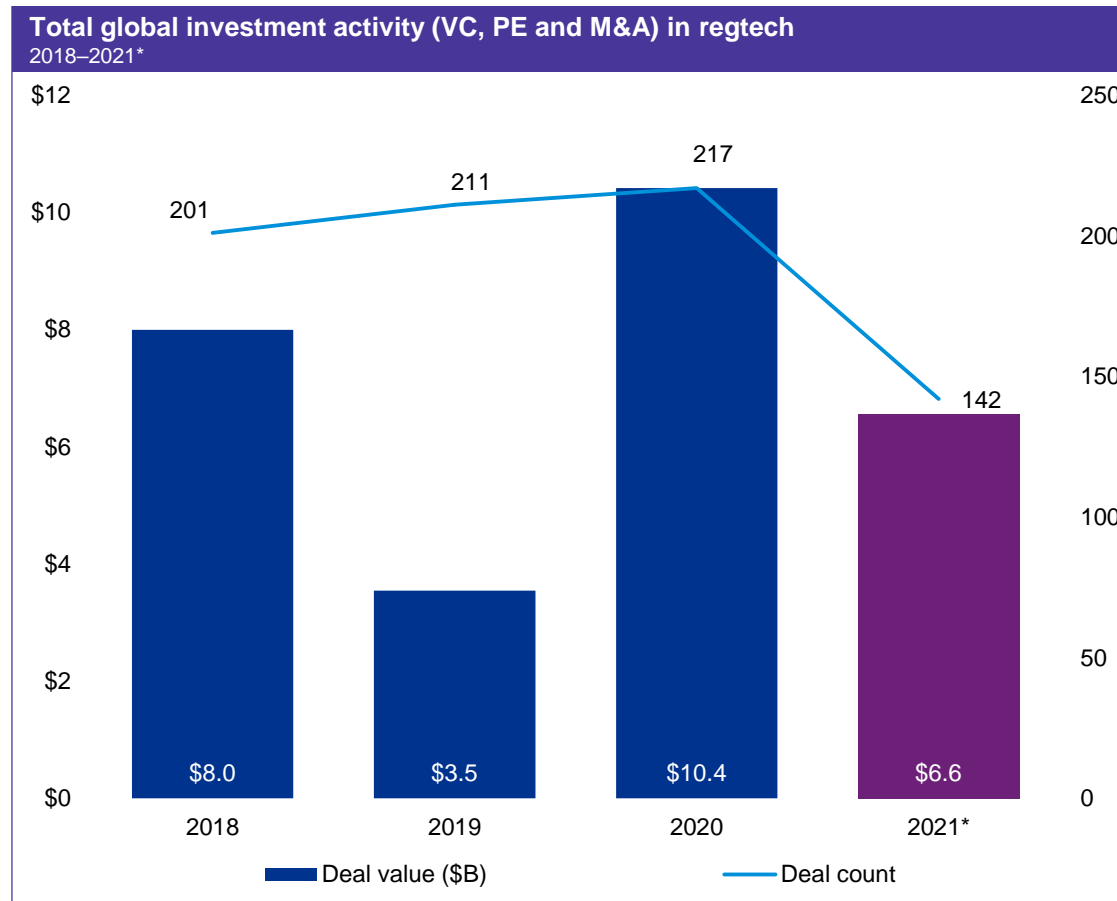
Pat Kneeland

Manager,
KPMG Innovation Lab
KPMG in the US

⁶ <https://www.dig-in.com/news/american-family-acquires-bold-penguin#:~:text=American%20Family%20Insurance%27s%20holding%20company%20has%20acquired%20the,founder%20Ilya%20Bodner%20will%20remain%20with%20the%20company.>

⁷ <https://communities.usaa.com/t5/Press-Releases/USAA-Announces-Plans-to-Acquire-Insurtech-Company-Noblr-Inc/ba-p/249768>

Surging interest sees regtech investment hit record annual high at mid-year



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Investment in regtech surged in H1'21, particularly in the Americas and Europe where the regtech space is maturing at a rapid pace. The constant evolution of regulatory amendments and implementations, combined with the drive to reduce compliance costs, is helping drive interest and investment in regtech. Q1'21 highlights from the regtech space include:

COVID-19 accelerating regtech investment

A growing number of digital customers and transactions, in addition the opening of new channels for criminals to potentially exploit, has made it challenging for companies to stay on top of fraud and compliance requirements. This has driven a major increase in demand for regtech solutions able to identify and address incidents accurately.

Cryptocurrency-focused regtech big winner in H1'21

With the values of some cryptocurrencies taking off, more and more investors are focusing on cryptocurrency trading. With this increased interest comes rising demand for safe and secure access to investments. This has led to a major uptick in regtechs focusing on the crypto space. In H1'21, Bullish Capital has also raised a significant amount to develop a blockchain-based cryptocurrency exchange platform that blends the performance, user privacy and compliance benefits of central order book technology with the user benefits of decentralized finance.⁸

⁸ <https://b1.com/news/launch-of-bullish-global/>

AML, KYC and fraud protection remain hot areas of investment

Anti-money laundering, fraud protection, and know-your-customer solutions attracted major attention from investors in H1'21, evidenced by the \$2.7 billion acquisition of Canadian fraud detection platform Verafin by Nasdaq, Mastercard's acquisition of Ekata for \$850 million, and the \$600 million buyout of Ireland-based Fenargo by France and UK-based PE firms Astorg and Bridgepoint.⁹ This space is expected to remain a critical sector of investment for the foreseeable future.

Regtech markets maturing, led by US and UK

The US and UK continued to be front-runners in the regtech space, with a number of companies in both countries attracting \$100 million+ VC funding rounds, including US-based Bullish, Carta, Deel, and Chainalysis and UK-based Rapyd and ComplyAdvantage.

Regulators in Asia focusing on regtech

While regtech investments in Asia lag behind other regions, regulators in the ASPAC region continue to support regtech advancements. In H1'21, the Monetary Authority of Singapore announced a \$32 million fund to help regtech startups bring POCs to market.¹⁰ Following on its development of a regtech adoption roadmap in H2'20, the Hong Kong Monetary Authority launched a Regtech Adoption Practical Guide Series in H1'21 to provide practical guidance for implementing regtech solutions.¹¹

What to watch for in H2'21

- strengthening focus on cryptocurrency-focused regtech
- increasing investment from corporates looking to better manage their regulatory compliance
- growing maturity of regtech firms in different regions
- increasing M&A activity, particularly in the Americas and Europe.

“ The evolving environment of business and new digital innovations are forcing banks and financial institutions to embrace the transformation to stay competitive. The massive migration during the pandemic to virtually accessing financial services amplifies the risks we were already facing (for example, fraud incidents have exploded due to new users on digital channels) and RegTech is promising the ability to quickly harness the power of technology and to positively transform risk management and regulatory compliance processes. ”

Fabiano Gobbo

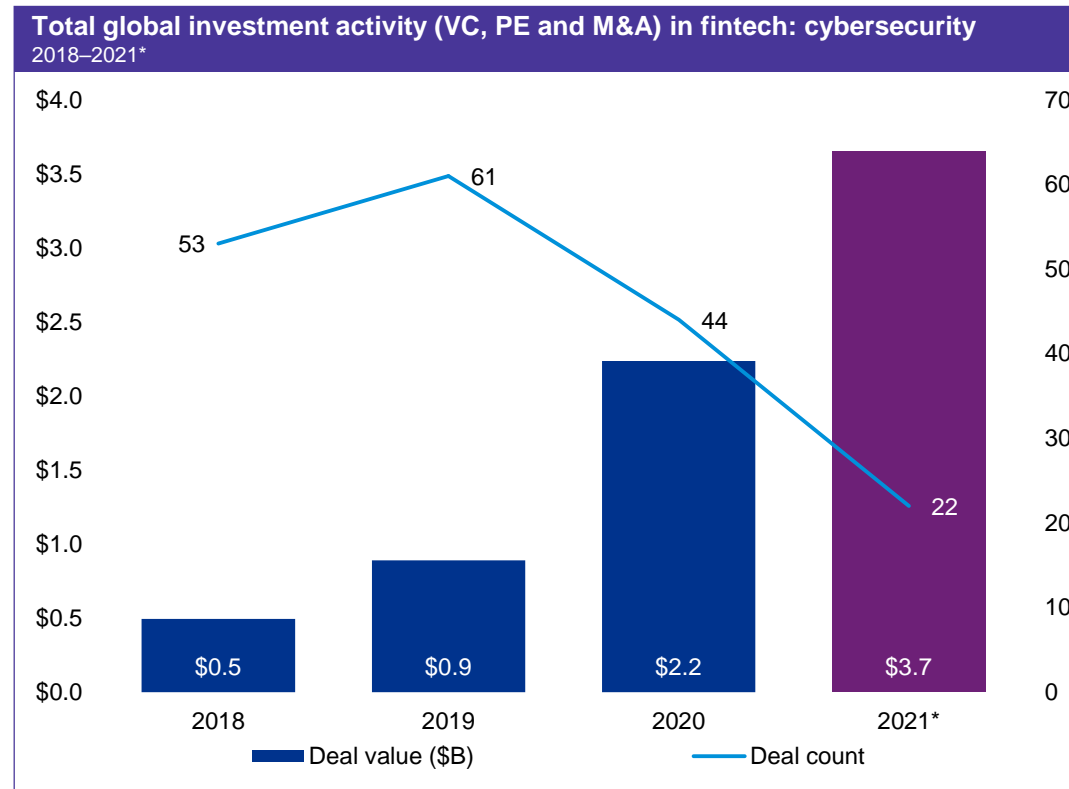
Global Head of Regtech,
Partner, Risk Consulting,
KPMG in Italy

⁹ <https://www.fenargo.com/press-releases/astorg-and-bridgepoint-acquire-financial-software-company-fenargo/>

¹⁰ <https://www.mas.gov.sg/news/media-releases/2021/mas-commits-42m-to-spur-adoption-of-technology-solutions>

¹¹ <https://www.hkma.gov.hk/eng/news-and-media/press-releases/2021/06/20210617-5/>

Cybersecurity investment on a record pace



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Total investment in cybersecurity grew dramatically in H1'21, driven by Nasdaq's \$2.7 billion acquisition of Canadian anti-financial crime management solution provider Verafin. VC funding in the space was also very strong in H1'21, led by a \$543 million Series A raise by Transmit Security, in what was described as the largest cybersecurity Series A deal in history.¹² Key Q1'21 highlights from the cybersecurity space include:

Big start to the year for cybersecurity investment

Cybersecurity is on pace to see a record level of annual investment by the end of 2021, driven by growing M&A in the space, including the \$2.7 billion acquisition of Verafin. H1'21 also saw a number of announced acquisitions, including Paypal's acquisition of digital asset security provider Curv.¹³

Increasing focus on automation and incident response

Given the rise of ransomware and other cyber attacks, there is an increasing focus on the ability of companies to quickly detect malicious attackers. This is driving significant investment in the AI space and also driving cybersecurity companies to refocus their efforts. In H1'21, IT security company FireEye announced the \$1.2 billion sale of its IT security business and name to Symphony Technology Group, keeping only its digital forensics and incident response offerings under the Mandiant brand — which it initially acquired in 2013.¹⁴

¹² <https://www.forbes.com/sites/rashishrivastava/2021/06/22/transmit-security-raises-543-million-the-largest-series-a-funding-round-in-cybersecurity-history/?sh=1ef575ab3d7a>

¹³ <https://newsroom.paypal-corp.com/2021-03-08-PayPal-to-Acquire-Curv#:~:text=SAN%20JOSE%2C%20Calif.%2C%20March%208%2C%202021%20%2F%20PRNewswire,digital%20asset%20security%20based%20in%20Tel%20Aviv%2C%20Israel.>

¹⁴ <https://marketresearchtelecast.com/fireeye-is-selling-portions-of-the-business-for-1-2-billion/62492/>

Growing comfort with cloud-based platforms driving cloud-based security investment

Over the last 18 months, companies have become a lot more comfortable with relying on cloud-based platforms than they have been in the past. This uptick in interest and use of cloud-based technologies is now driving investment in the final piece of the cloud puzzle: cloud-based security platforms. Investments in cloud-based security are two-fold, VC investments in cybersecurity firms that have solved specific problems and acquisitions of niche cybersecurity firms by large cloud-based platforms looking to broaden the scope of their offerings.

What to watch for in H2'21

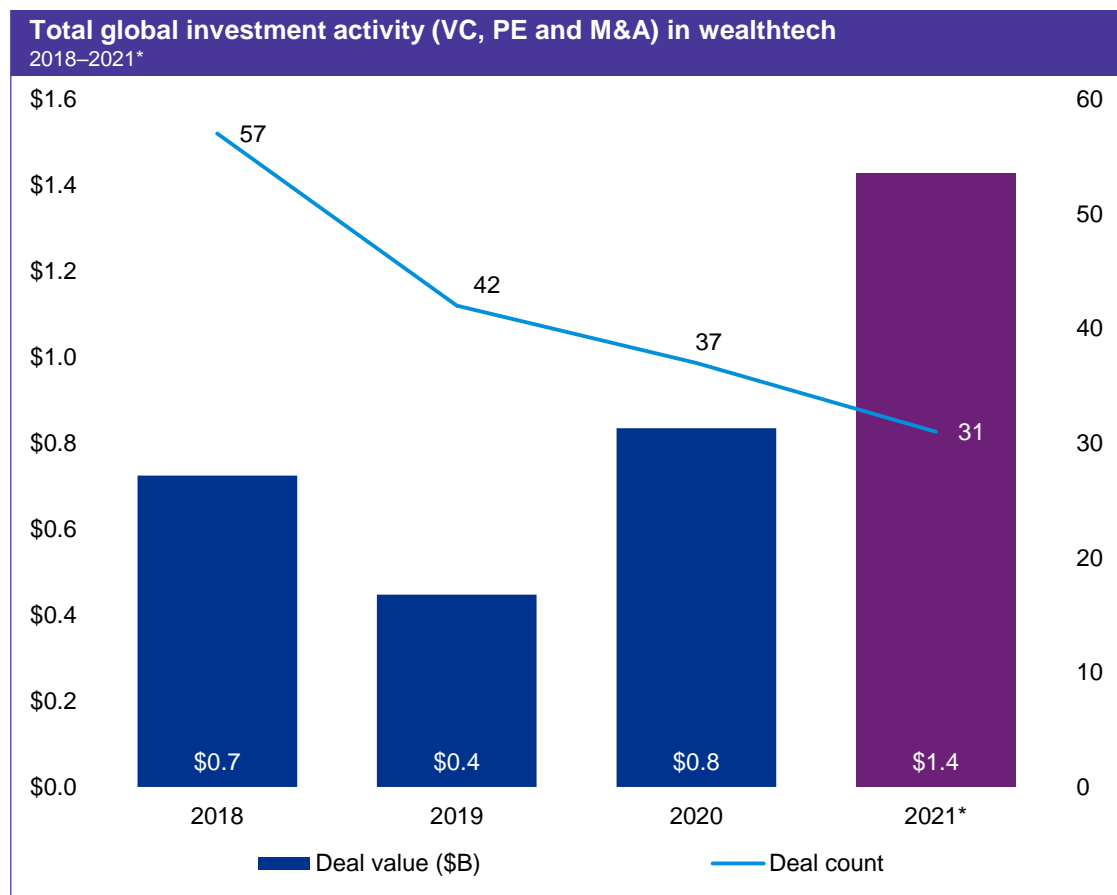
- strengthening M&A and investment focused on machine learning and automation for cybersecurity
- enhanced focus on managing and responding to ransomware attacks
- increasing investment in digital customer behavior analysis and fraud identification.

“ Given the significant increase in digital transformation across enterprises, along with recent high-profile ransomware attacks, it's not surprising that AI and machine learning focused threat detection and fraud solutions are getting a lot of attention — from both corporations and investors. In addition to these critical investment areas, we're also seeing interest in consumer identity and access management solutions that are shifting quickly toward password-less security solutions. ”

Charles Jacco

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

Wealthtech a big hit with VC investors in H1'21



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Global investment in wealthtech boomed in H1'21, surpassing the total investment seen in 2020 and nearing the record annual high set in 2015. VC investment was particularly strong, including a \$600 million raise by Canada-based Wealthsimple, a \$325 million raise by US-based CleanCapital, and a \$300 million raise by US-based NYDIG. Key Q1'21 highlights from the wealthtech space include:

Corporates taking action on wealthtech

Corporates have continued to play a key role in wealthtech investment, with a number of well-established players making investments or acquiring wealthtechs in recent quarters. In H1'21, JP Morgan announced the purchase of UK-based Nutmeg, pending regulatory approval.¹⁵

Investment offerings maturing

The provision of investing services has matured significantly and gained more credibility in the market. Wealthsimple, Nutmeg, Moneyfarm and others have managed to get the cost of investing down by creating efficient ways of bulk purchasing, digitally interacting with clients and completing onboarding processes.

Robo-advisory still in its infancy

The holy grail of robo-advisory — getting personalized advice through digital means — is still in its infancy, with few investors putting faith in robot-driven advice over human experience. The infrastructure supporting robo-advisory is maturing (e.g., platforms, efficient processes), however, setting the stage for further developments over time.

¹⁵ <https://www.cnbc.com/2021/06/17/jpmorgan-to-buy-uk-digital-wealth-manager-nutmeg-.html>

Consolidations among established wealth management players

The wealth management space in Europe, particularly in the UK, remains fragmented, making it difficult for firms to innovate. Some standalone wealth management players are now looking to consolidate so they have enough assets under management to support making innovative and radical changes.

What to watch for in H2'21

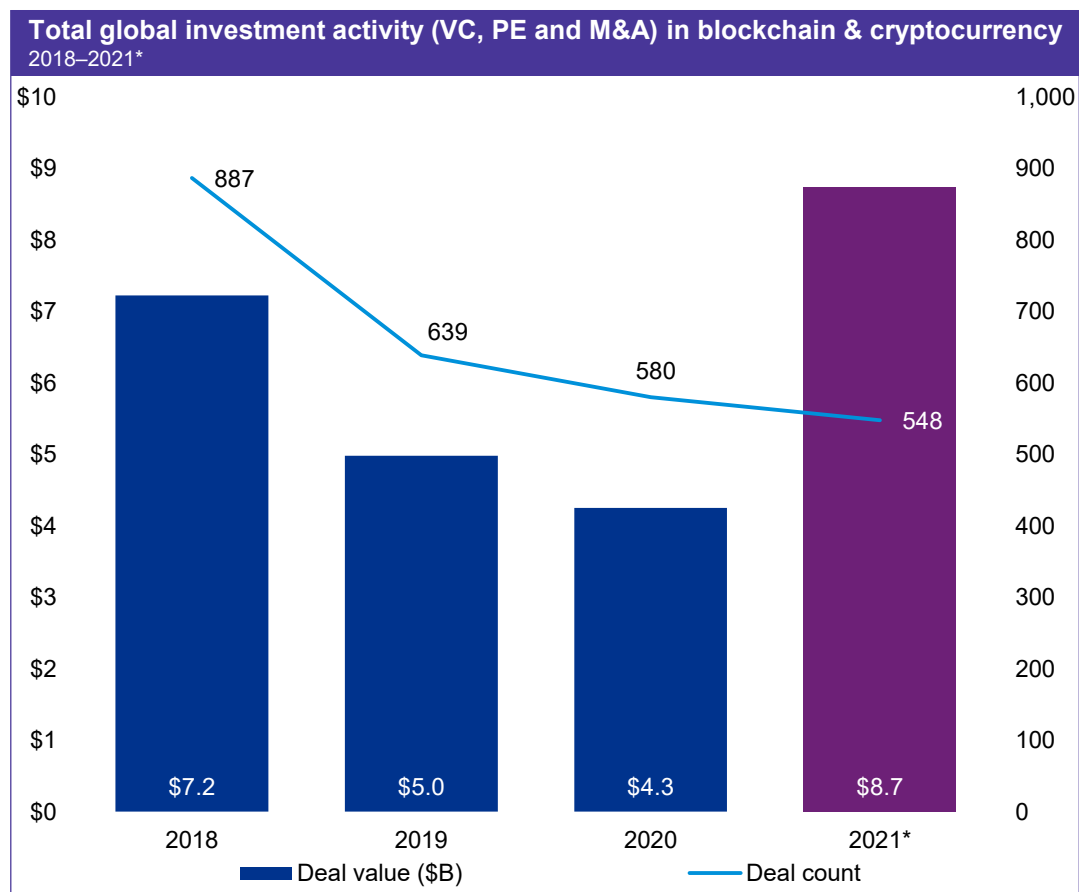
- corporates continuing to target M&A in order to gain access to innovations
- increasing consolidation among suppliers across the value chain
- diversification of asset management platforms to offer a more diverse range of assets
- stronger focus on truly personalizing digitalized advice with respect to model portfolio services.

“ Many of the innovations in wealthtech to date have been focused on improving the effectiveness of existing wealth management business models. One area where we do see new opportunities emerging relates to the use of investment platforms that put different asset classes, like real estate and other illiquid esoteric assets such as classic cars or wine, into the reach of standard investors. ”

Bill Packman

Partner and Wealth Management Consulting Lead, KPMG in the UK

Investment in blockchain and crypto in H1'21 more than double all of 2020



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Investment in blockchain and cryptocurrencies heated up dramatically in H1'21, with investment more than twice the level seen in 2020 and soaring past the previous annual record high set in 2018. Key Q2'21 highlights in the crypto and blockchain space include:

Evolving nature of investors

As the blockchain and crypto sector has matured, so has the nature of its investors. In H1'21, a significant amount of institutional money flowed into the crypto space, highlighting the broadening of the investor base. Investor awareness and knowledge of the sector is growing, with investors now having a much better understanding not only about crypto assets, but also the operational and procedural side of crypto — from custody and storage to storekeeping and the competitiveness and maturity of service providers.

Increasingly Hot VC market

VC investment was very strong in the blockchain and crypto space. Numerous companies raised \$100 million+ funding rounds, including BlockFi (\$350 million), Paxos (\$300 million), Blockchain.com (\$300 million) and Bitso (\$250 million).

China continuing to lead CBDC drive

China has continued to move forward with testing of its central bank digital currency (the 'digital renminbi', digital yuan, or e-CNY). In H1'21, it expanded its pilot project to include salary payments for some workers in China's Xiong'an New Area,¹⁶ the payment of subway fares¹⁷ and the exchange of digital and physical currencies at two banks in Beijing.¹⁸ The evolution of the digital currency combined with China's Belt and Road Initiative could truly open up a whole new level of correspondent banking and money transfers.

¹⁶ <https://www.coindesk.com/china-cbdc-wage-pilot>

¹⁷ <https://bitcoinist.com/after-chasing-off-bitcoin-miners-china-launches-new-test-for-digital-yuan/>

¹⁸ <https://www.pymnts.com/cryptocurrency/2021/china-owned-commercial-bank-allows-digital-yuan-to-cash-conversions-at-atms/>

Emerging focus on NFTs

Interest in non-fungible tokens is beginning to gain more traction, with interest in a whole range of new types of assets, ranging from professional real estate to more fragile assets which can be tokenized or fractionalized.

Increasing regulatory attention

Cryptocurrencies continued to be a critical focus for some regulators, with widespread differences between jurisdictions as to acceptance and use. During H1'21, China banned financial institutions and payments companies from providing cryptocurrency related services,¹⁹ while El Salvador announced that Bitcoin would become legal tender in the country as of September 7, 2021.²⁰

What to watch for in H2'21

- continued maturation of the cryptocurrency space
- stronger separation between cryptocurrencies and the use of blockchain technologies
- further focus on regulatory frameworks, particularly in India, which could regulate cryptocurrencies as an asset class in H2'21
- the evolution of exchanges focused on areas such as NFTs.

“ Between its digital currency and Belt and Road Initiative, China could create a real alternative to the supremacy of the US dollar over time. While the digital currency initiative is relatively small scale now — still in the testing phase — it has a lot of potential. With countries from areas such as Africa and Southeast Asia signing trade agreements with China and potentially accepting the digital yuan as a mode of clearing trade, it could gain traction quickly. It's going to be a critical area to watch over the next few years. ”

Laszlo Peter

Head of Blockchain Services,
Asia Pacific,
KPMG Australia

¹⁹ <https://www.cnn.com/2021/05/18/china-bans-financial-payment-institutions-from-cryptocurrency-business>.

²⁰ <https://www.reuters.com/technology/bitcoin-become-legal-tender-el-salvador-sept-7-2021-06-25/>



Featured interview

Jason Pau

Chief of Staff, International to the
Chairman and CEO, Ant Group

Closing the digital skills gap: *How Ant Group is supporting the next generation of global fintech talent through the 10x1000 Tech for Inclusion program*

Bridging the digital skills gap is a major challenge, not only for established companies in financial services, but also for fintech startups looking to grow and for countries looking to establish or expand their digital economies and fintech ecosystems.

Through the 10x1000 Tech for Inclusion program, Ant Group's digital payment platform Alipay is working in collaboration with the International Finance Corporation (IFC) and other partners to close the skills gap by developing and fostering a global community of fintech talent that can help drive digital economic growth.

Recognizing the importance of digital skills

Ant Group, which is the owner and operator of Alipay, understands the critical role of digital skills and capabilities. "In the last 17 years of our journey, we realized that digital skills — tech skills — are really the heart of what can drive this new era of digital growth and digital innovation," explains Jason Pau, the Chief of Staff — International to the Executive Chairman and CEO of Ant Group.

Recognition of the importance of tech skills has grown considerably over the last 18 months. "COVID-19 has...shown the world how important digital skills [are]," he says. But access to such skills — or the ability to develop them — is limited, particularly in less mature jurisdictions and emerging economies. "I think we all need to work harder, being in the business of fintech...to ensure that this digital divide doesn't persist."

The 10x1000 Tech for Inclusion program

Ant Group was already working on ways to help close the digital divide before COVID-19 drove demand for digital tech talent through the roof globally. In 2018, Alipay, the leading digital platform in China, established the 10x1000 Tech for Inclusion program in partnership with the International Finance Corporation (IFC). The program's mission is to enable learners to become drivers of digital economic growth.

"Our vision for this program is to train 1,000 emerging tech talents and tech leaders — not only in emerging markets, but globally — each year for the next 10 years," Pau shares.

"Our hope is that by training this group of 1,000 each year, hopefully 10,000 over 10 years, that they will inspire hundreds of thousands and millions more."

Building a fintech community for the future

10x1000 Tech for Inclusion program activities align with key pain points for fintechs, such as fostering the mindset needed to adopt technologies like blockchain, AI, and cloud computing to drive outcomes like inclusion and sustainability, as well as, applying technology to solve real business problems. Harnessing the power of the global fintech community, the program aims to establish a truly global curriculum to help learners across the world advance.

The community element can't be overstated. "We really think the power is going to be in the community," Pau says. By fostering a global community of fintech practitioners and business leaders that help each other with business challenges and innovation, the program will likely have an impact and reach far beyond being a platform for learning.

Creating a foundation for success

In H1'21, 10x1000 Tech for Inclusion held its first full program online with 15 teams of 10 professionals each. As part of the program, each group was challenged to develop a capstone project centered around one of three key themes: sustainability, innovation, and inclusion. They had to work together to identify a problem and then come up with a solution or a product that could be taken to market.

I'll be very honest, we were absolutely surprised by the quality of the capstone projects," Pau says. He provides examples of the different problems that groups tackled: How can we drive financial literacy access to youth?

How can fintech be used to develop and support carbon trading? How can fintech be leveraged to reach the unbanked — individuals who haven't been reached by traditional financial services? How can we help incumbent financial institutions leverage fintech to drive greater access?

The quality of the capstone projects and the ability of teams to work together so well highlights the vast potential for the 10x1000 Tech for Inclusion program over the long-term. "That really surprised us — the level of engagement between each of these learners," Pau explains. He highlights the sense of collaboration between program participants and their passion for learning about the latest in technology innovations and how to deploy them to solve problems. "That's something we're really excited about...It really speaks to the potential for greater collaboration."

Looking to the future: What's next for the 10x1000 program?

While the success of the initial training program is exciting, Pau emphasizes that *10x1000 Tech for Inclusion* is just getting started — and that they're open to bringing more partners on board. "What we're really hoping to build here is a global community, an open community," he explains. "We're looking for partners, whether it's on content...in terms of recruitment or in terms of offering this platform for learners around the world. We're also looking for strategic partners that believe in the same mission that we do [at] 10x1000."

For more information on *10x100 Tech for Inclusion* or to get involved, visit the website: www.10x1000.org



Watch the full interview as KPMG's Global Fintech Co-Leader, Anton Ruddenklau, speaks to Jason Pau, Chief of Staff — International to the Chairman and CEO of Ant Group about how Ant Group are helping to close the digital skills gap in Asia: home.kpmg/fintechpulse

About Ant Group

Ant Group aims to create the infrastructure and platform to support the digital transformation of the service industry. It strives to enable all consumers and small and micro businesses to have equal access to financial and other services that are inclusive, green and sustainable.

Ant Group is the owner and operator of Alipay, serving hundreds of millions of users, and connecting them with merchants and partner financial institutions that offer inclusive financial services and digital daily life services such as food delivery, transport, entertainment, and healthcare.

Spotlight

Putting big data at the heart of ESG decision-making

Putting big data at the heart of ESG decision-making

Contributors: *Budha Bhattacharya and Kin Yu, KPMG in the UK*

ESG issues have always been important in the financial and corporate landscape, but over the past 18 months or so, it's been taken to a new level. The COVID-19 pandemic has hugely increased the focus on the health and sustainability of our planet, together with pressing questions of social equality and cohesion. Climate change concerns have escalated, the Black Lives Matter movement has become a powerful force, geopolitical risks and tensions continue to create volatility — the list goes on.

Along with a continuing focus on governance, ethics and compliance, all of these factors have combined and coincided to propel ESG to new levels of significance. And they are being particularly championed by the Millennial generation — that is about to inherit probably the biggest transfer of wealth ever seen over the next two decades as baby boomers pass the baton. Millennials want to know not just how much return an investment will make, but how it will make that return and at what cost to people, planet or communities.

This means that investments have to be repurposed toward something more meaningful than straight returns. Increasingly, institutional as well as individual investors are throwing their weight behind this — becoming the main drivers for change in financial markets.

The ESG data challenge

The investor sentiment shift toward conscientious society, a greener planet and improved governance practices is driving all financial institutions, whether big or small, traditional or fintech, to be fully cognizant and in control of the ESG profile of their investment and underwriting positions, and embed ESG considerations into their reporting and risk management frameworks.

But doing so is not straightforward. Whereas financial reporting is standardized and in familiar formats, corporate reporting around ESG dimensions is anything but. Companies are not obliged to report most ESG-related information; therefore, practice is fragmented and disparate. There are few common templates, meaning that companies will publish different information in different ways. There are a multitude of surveys in the market, but these only offer limited help: companies participate in some surveys but not others, and might answer slightly differently each time.

Much ESG information is also self-reported. Inevitably, this opens the possibility of 'greenwashing'. Understandably enough, corporates are keen to paint themselves in the best light possible.

Two-speed market

Cutting through the noise, obtaining relevant information quickly, and analyzing it effectively is, therefore, much harder than perhaps it needs to be. We have also seen the opening of something of a two-speed market. Big global institutions across banking, fund management and insurance have been highly active in either building their own in-house data analytical capabilities for ESG such as State Street, Goldman Sachs, JPMorgan or acquiring one of the new breed of fintech data aggregators — or a combination of both. M&A in this space has been prolific. For example, Blackrock recently bought Baringa's Climate Change Scenario Model and integrate it into its Aladdin risk management framework,²¹ while HSBC Asset Management bought a stake in Radiant ESG,²² a US-based ESG asset management startup.

²¹ <https://www.reuters.com/business/sustainable-business/blackrock-buy-baringa-partners-climate-tech-aladdin-2021-06-17/>

²² <https://www.about.us.hsbc.com/news-and-media/hsbc-asset-management-finances-the-launch-of-radiantesg-global-investors>

“ What was once a niche activity for green funds has grown far beyond that, with big pension funds and other prominent institutions leading the way. They are pushing companies towards doing the right thing. Words are not enough. There's been a sea change. ”

Budha Bhattacharya
KPMG, KPMG in the UK

Putting data at the heart of ESG decision-making

This means that the big institutions are able to track data signals across multiple sources and decipher them almost instantly. They can react to breaking news and adjust their positions in response.

In recent years, even large credit rating agencies and market data providers went on a buying/acquiring spree to remain competitive and cater to the ESG and sustainability related demand.

KPMG's ESG IQ platform

For others, it remains much more difficult, especially when resources are constrained across multiple competing priorities. However, there are tools available to help — such as KPMG's ESG IQ platform.

ESG IQ is an analytics platform developed by KPMG's Lighthouse data scientists and engineers, in conjunction with some of the largest asset managers and Google. ESG IQ enables clients to select and pool both structured ESG reference data from multiple providers and unstructured data from a wide range of sources, including news reports, social media posts, blogs, NGO reports, research reports, and pages across the web. The platform can even pull out ESG data from 'dark data pools', such as legal documents, trade confirms (depending on the asset class), and other sources using advanced Natural Language Processing (NLP).

We believe it is unique in that other score providers can only score individual entities or companies. But the ESG IQ platform can go

beyond this, scoring whole investment funds, sovereign wealth funds, bonds, equities, structured bonds (tranches of RMBS/CMBS/ABS etc.) or an illiquid product such as loans or mortgage-backed securities.

The tool also enables clients to unravel the score, providing the root-cause-analysis of what factors and issues have led to the rating. The client can then determine for themselves the materiality of the findings — recognizing that different factors may have a greater or lesser weight depending on the client's guiding ESG strategy. For example, we have used the tool with one of the biggest US based Asset Managers to help their treasury team unravel their asset-backed portfolio with structured bonds, sovereigns, agencies, municipals, government bonds and more.

A critical capability

ESG data is rapidly becoming a mini industry of its own, with some 200 data providers and a plethora of Fintech startups already operating in the market, globally. This in itself reflects the importance now attached to ESG. It has well and truly moved into the mainstream of financial services and is on its way to redefine capital markets as we know it, into a more transparent and conscientious one.

For any financial institution, ESG-related decision-making is a critical capability. Ensuring you have the tools to do this is not a nice to have but an increasingly essential requirement.

“ You can't manage what you can't measure — so robust ESG data is key. There's a lot of noise in the market and of course some selective 'greenwashing' too. It's becoming a pre-requisite to have access to AI-powered tools that ingest structured and unstructured data across multiple sources and give fast and reliable analysis on which to base decisions. You need tools you can trust. ”

Kin Yu
KPMG in the UK

In H1 2021, fintech investment in the **Americas** reached
\$51.4B with 1,188 deals

Americas attracts \$51.4 billion in fintech investment, including record \$31 billion in VC

Fintech investment in the Americas reached \$51.4 billion in H1'21, with VC investment accounting for \$31 billion — shattering the previous annual high of \$24 billion set in 2020. The continued innovations in financial technology, combined with the dramatic increase in use of digital offerings has made fintech one of the most active sectors of investment, both from a VC perspective and from an M&A standpoint. Key H1'21 highlights from the Americas include:

Payments hot across the Americas

The payments space was incredibly active in H1'21. Exits got a significant amount of attention in the US — with alternative lender Affirm raising \$1.2 billion in its IPO and Deluxe acquiring First American Payments for \$960 million.²³ VC funding in the payments space was particularly notable in Latin America where Brazil-based Nubank raised \$1.5 billion.

Valuations driving unicorn births

Fintech valuations remained high in H1'21 as investors continued to see the space as attractive and well-performing. This likely drove the explosion of unicorn births in the first half of 2021. While the importance of unicorn status is waning in the US given its proliferation of unicorns, it is still a significant milestone elsewhere in the Americas. In H1'21, Canadian e-commerce company Clearco and ID verification firm Trulioo became unicorns, in addition to Mexico-based cryptocurrency platform Bitso.

Corporates getting into crypto space

During H1'21, a number of corporates in the US made big bets on cryptocurrencies, including Paypal — which acquired crypto-security firm Curv in H1'21 following its announcement of a partnership with Paxos in late 2020. Paypal ventures contributed to Paxos's \$300 million raise in H1'21.²⁴ Facebook, through the Diem Association, also continued to move forward with its plans to launch a US dollar stablecoin before the end of the year.²⁵

Consolidations in the B2B space

H1'21 saw a number of consolidations occurring in the B2B space, including Bill.com's acquisition of Divvy. The B2B payments space is quite hot and is expected to remain very attractive to investors given the amount of room it has to grow as companies across the Americas move from cheque-based payments to electronic payments. As companies look to scale and gain market share, more consolidations will likely occur.

Wealthtech sector growing at a rapid pace in Americas

Interest in wealthtech grew considerably in the Americas during H1'21, with US-based Robinhood raising \$3.4 billion and Canada-based Wealthsimple raising \$600 million. PE firms Motive Partners and Clearlake Capital also bought an 80 percent stake InvestCloud during H1'21.

Trends to watch for in H2'21

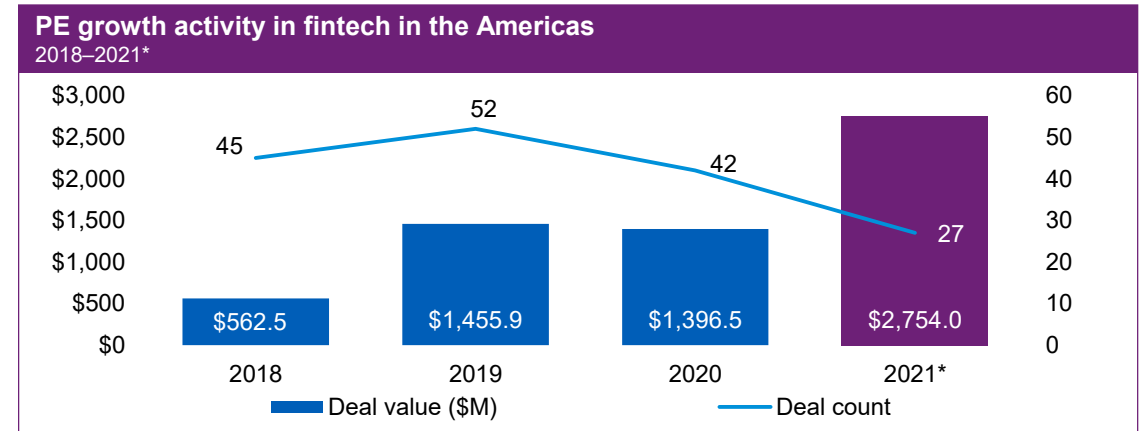
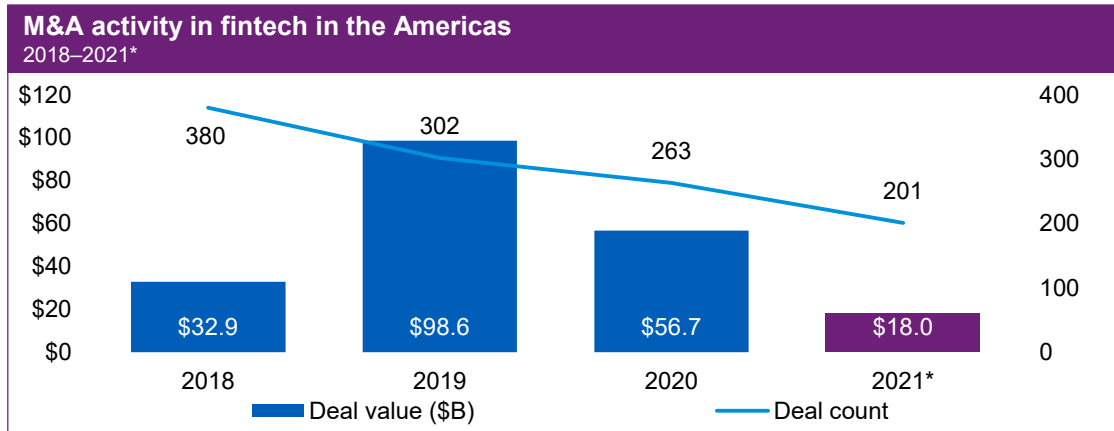
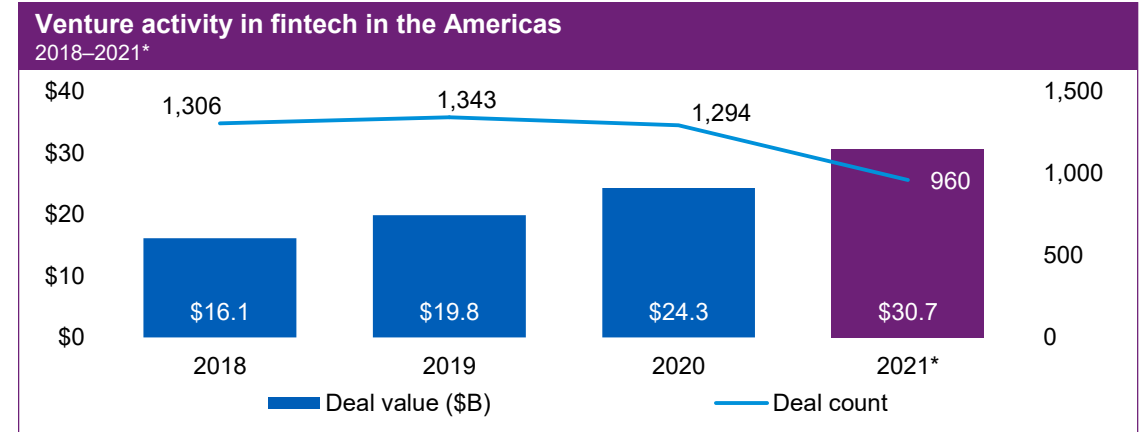
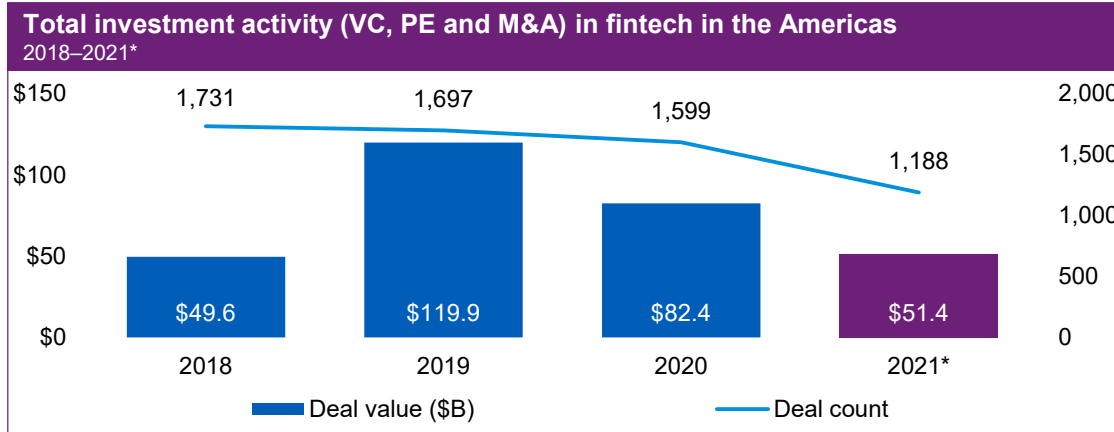
- increasing investments by PE firms focusing on fintech
- continued investment growth in areas including payments, alternative lending, crypto and wealth management
- an increase in SPAC acquisitions focused on unicorn and near unicorn fintechs
- bigger deals across the Americas, particularly in Latin America as fintechs continue to mature
- emergence of super apps and platforms that provide consumers with a broader range of offerings — including financial products.

²³ <https://www.pymnts.com/news/partnerships-acquisitions/2021/deluxe-signs-960-million-acquisition-deal-for-first-american-payments>

²⁴ <https://www.forbes.com/sites/ninabambysheva/2021/04/29/paypal-crypto-partner-paxos-raises-300-million-at-24-billion-valuation/?sh=531a310d180f>

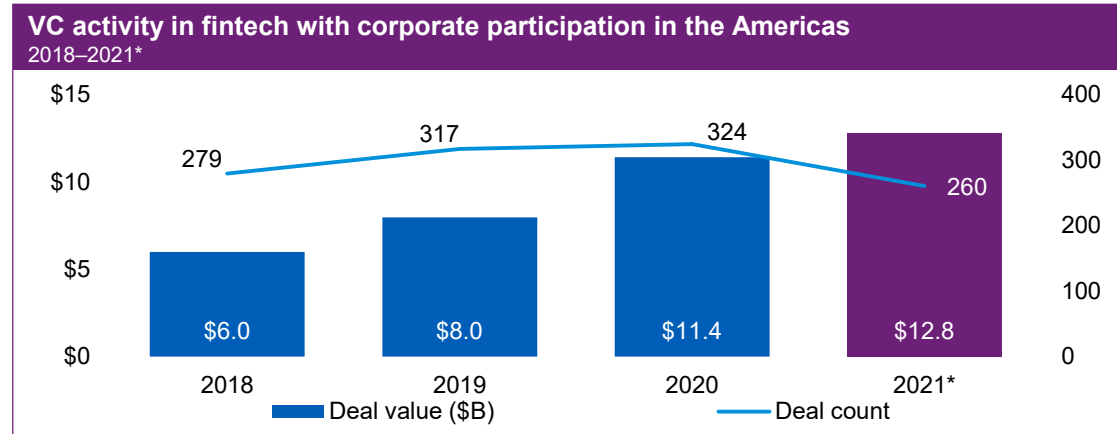
²⁵ <https://www.nasdaq.com/articles/facebook-to-launch-diem-cryptocurrency-amid-rising-digitalization-2021-05-18>

First half of 2021 notches record VC invested, en route to a mammoth year

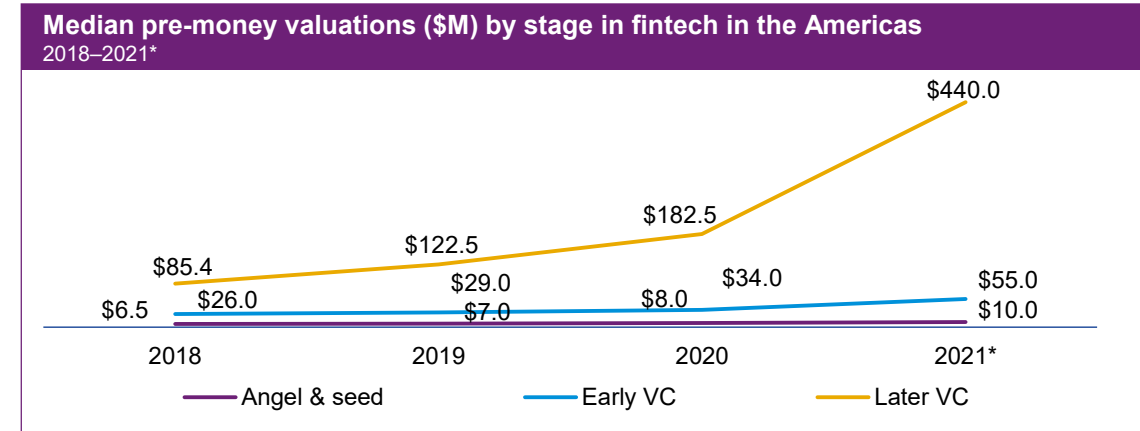
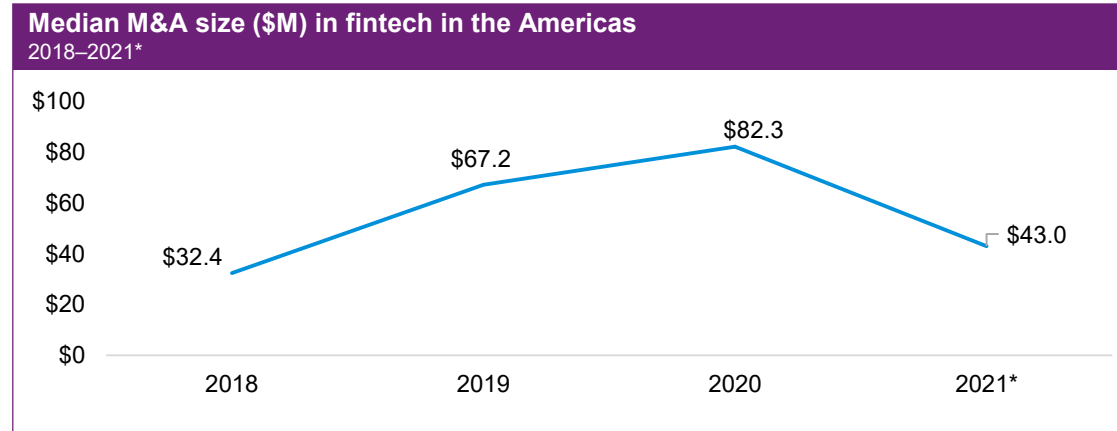


Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Corporates join in record sum of VC invested

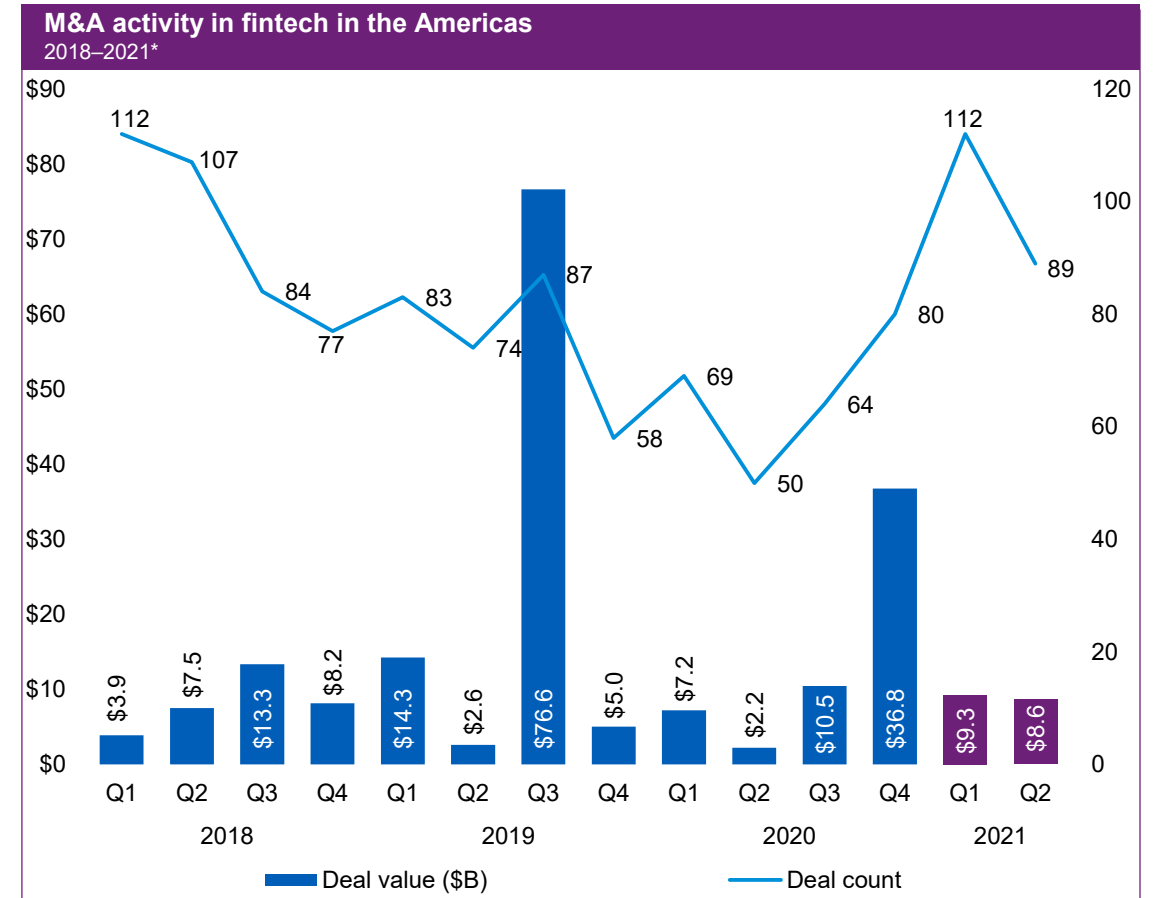
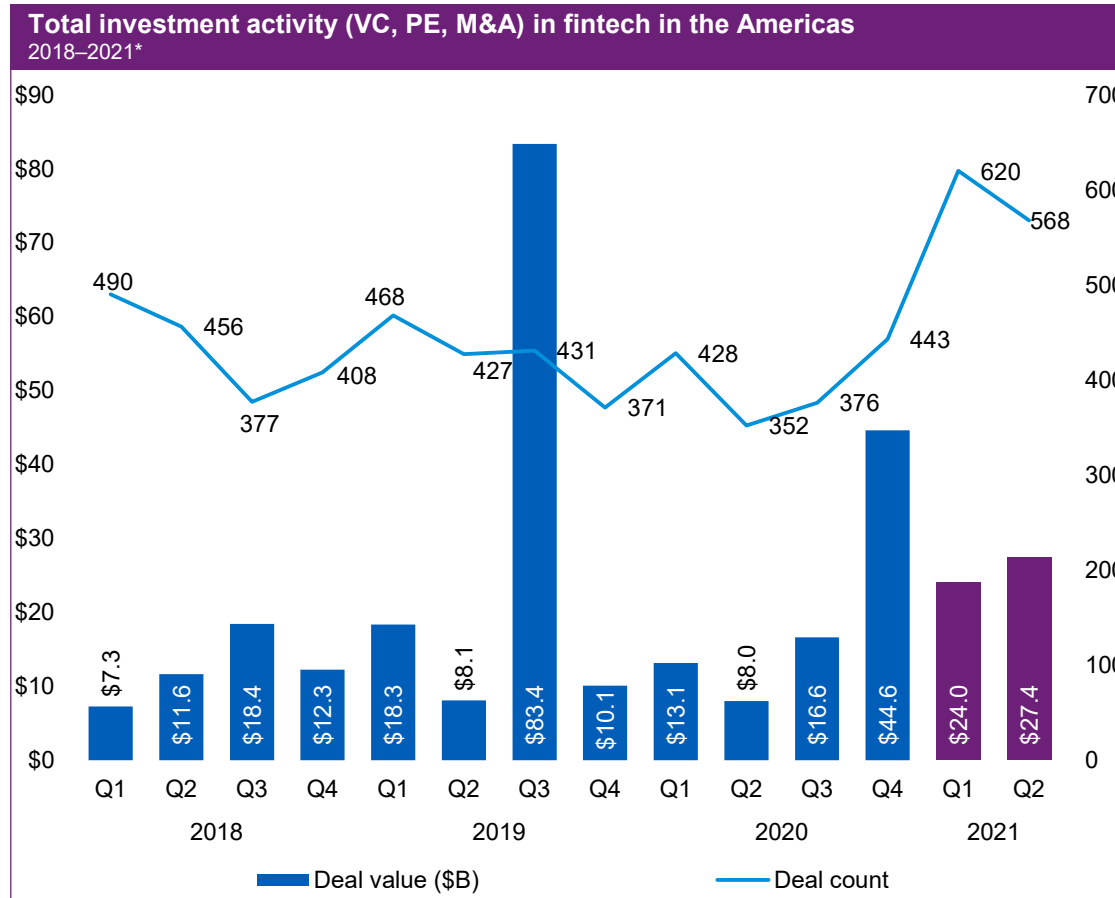


Thanks to a red-hot venture financing market, investment in fintech is on the rise nearly everywhere. The stratospheric level of late-stage VC valuations points to investor enthusiasm for mature fintech companies, as well as ample sums of dry powder that fund managers are looking to disburse even as the environment remains quite competitive. Much of this surge can be attributed to late-stage companies capitalizing on a very accommodating funding environment for large infusions of private capital en route to going public via the emerging variety of routes such as direct listings or SPACs.



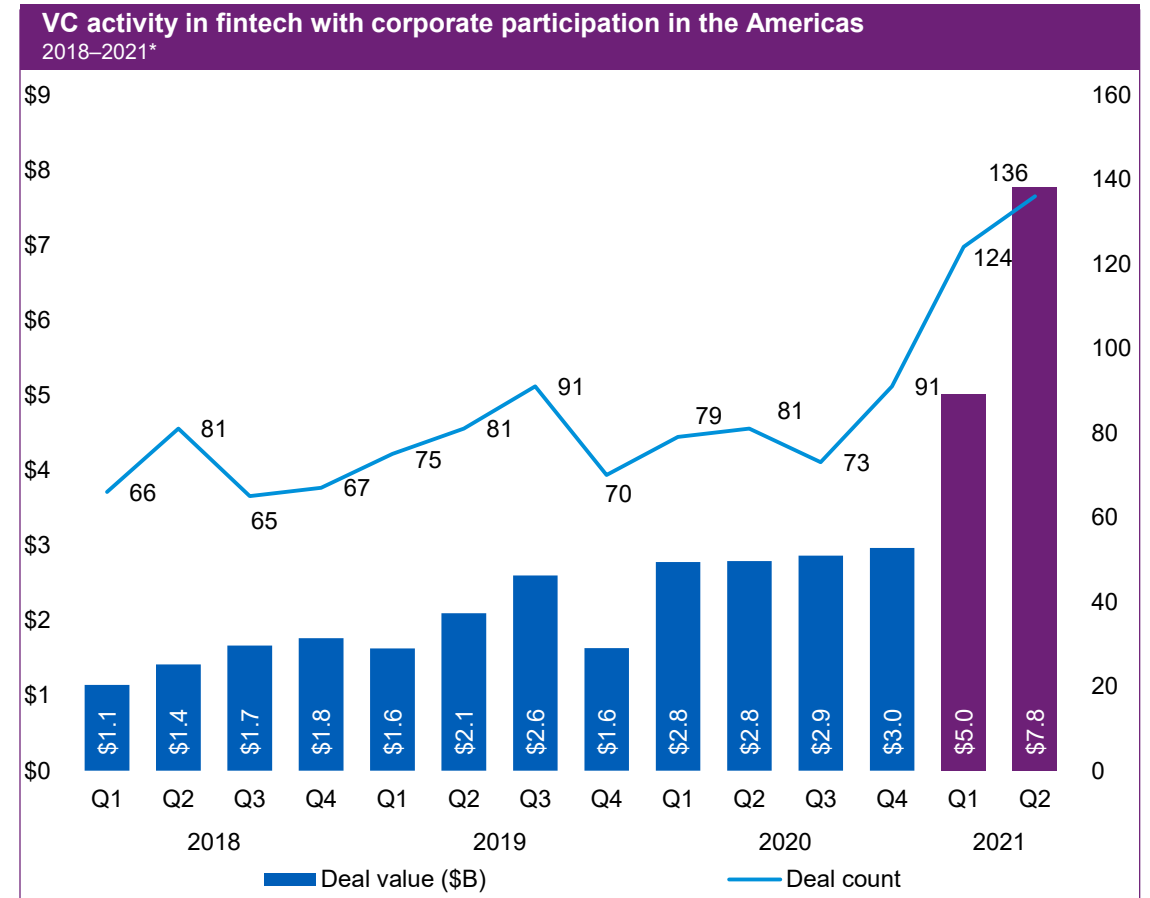
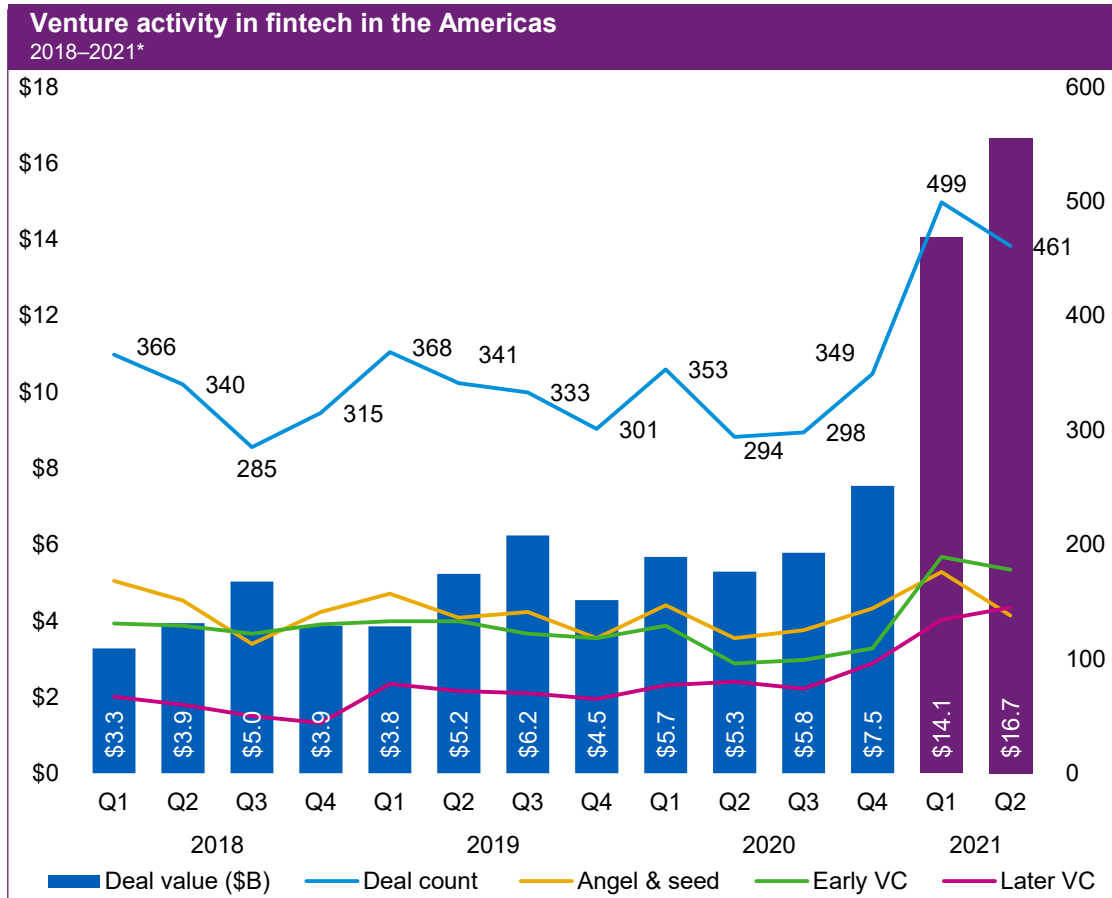
Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Q2 carries over financing volume momentum, leading to record half-year for total activity



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

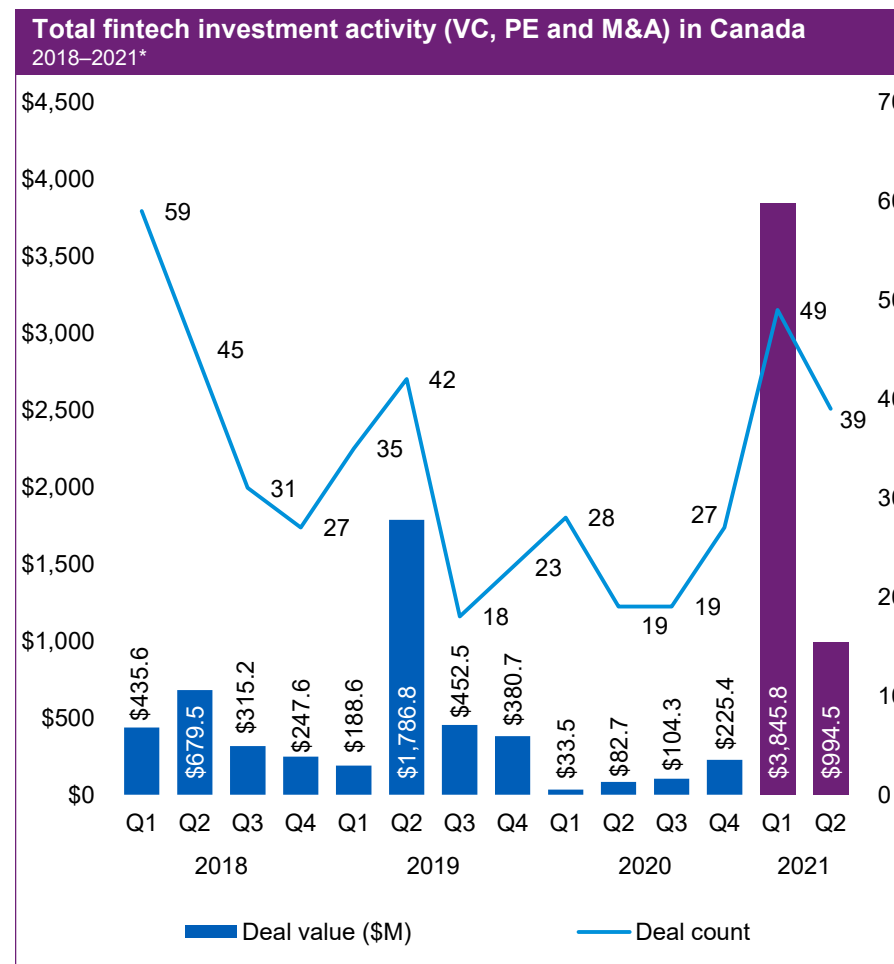
Q2 2021 sets multiple records for aggregate capital invested



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Canada attracts record \$4.8 billion in fintech investment in H1'21: how high can it go by year end?

- Total fintech investment in Canada skyrocketed to \$4.8 billion in the first half of the year, already surpassing the previous annual record, set in 2017.
- Canada saw robust M&A deal value in H1'21, driven primarily by Nasdaq's acquisition of cybersecurity firm Verafin for \$2.7 billion and a number of smaller M&A deals, including the \$265 million acquisition of PayBright by Affirm and the \$113 million acquisition of Flexiti by Curo.²⁶
- Canada is attracting larger VC deals as fintech startups mature, evidenced by Wealthsimple's \$600 million raise and Fraction Technologies' \$220 million raise in H1'21.
- Corporate interest and investment in fintech continued to diversify, both to accelerate internal capabilities and to support others; in H1'21, RBC launched RBCx — a platform aimed at providing holistic financial and entrepreneur support services to technology startups.²⁷
- Fintech investment is expected to remain strong in Canada, particularly in AI-driven solutions, payments, and crypto.



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

“As a result of COVID-19, many, if not most, financial institutions really had to accelerate their digital capabilities. To do this, many recognized that they could get some of those capabilities more quickly and efficiently by partnering with fintechs. This realization, combined with Canada's strong and maturing fintech ecosystem has helped drive the strong uptick in fintech investment here.”

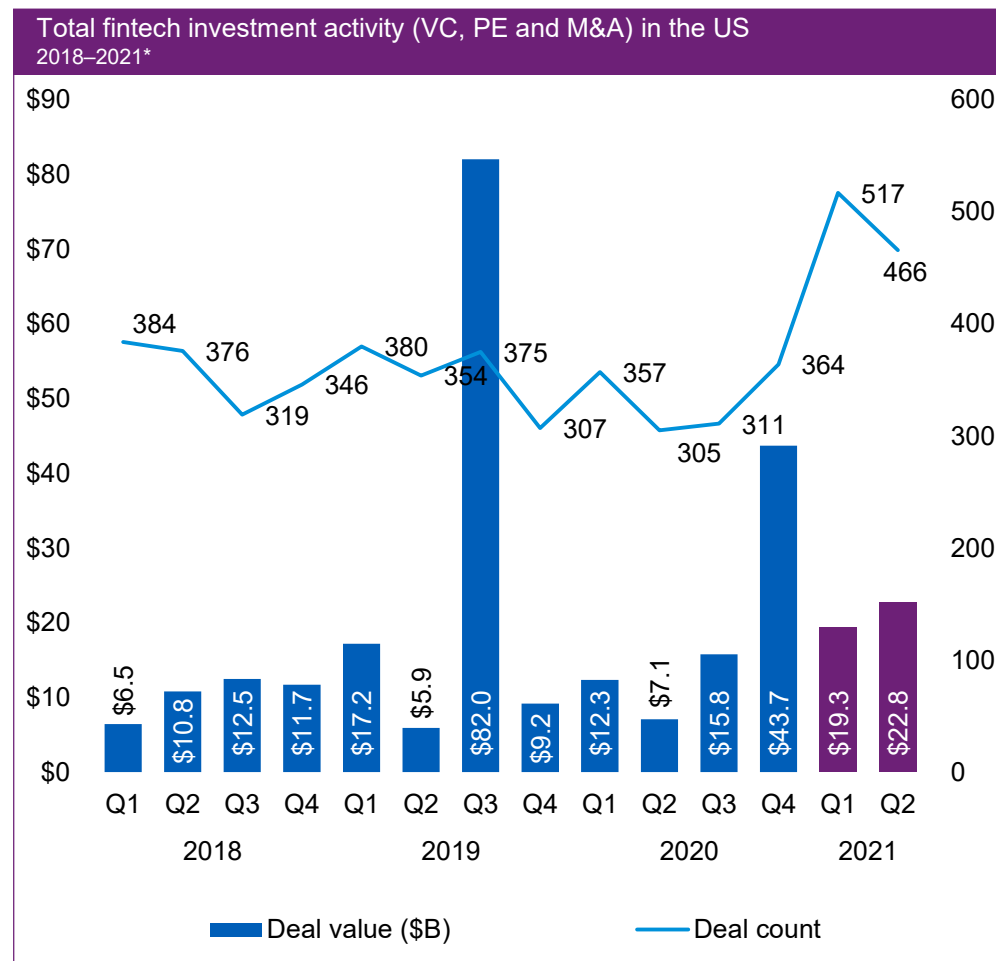
John Armstrong
Partner,
National Financial Services Leader,
KPMG in Canada

²⁶ <https://ca.finance.yahoo.com/news/deluxe-completes-acquisition-first-american-140000269>

²⁷ <http://www.rbc.com/newsroom/news/2021/20210615-rbcx-platform.html>

VC investment in the US surges to over \$25 billion

- US VC investment in fintech surged past 2020's peak high of \$22 billion with 6 months left in the year, led by the \$3.4 billion raise by Robinhood, a \$600 million raise by Stripe and \$500 million raises by Better, ServiceTitan, and DailyPay.
- The maturation of the US fintech sector was evident in the robust exit activity in H1'21, including Affirm's successful IPO, the direct listing of Coinbase, the SPAC merger of SoFi with Social Capital Hedosophia Holdings Corp. V, and the SPAC merger of insurtech Clover Health with Social Capital Hedosophia Holdings Corp. III.
- Payments M&A was a hot ticket in the US as companies looked to gain breadth and market share. In H1'21, Deluxe acquired First American Payments by Deluxe, Repay acquired BillingTree, and Bill.com acquired Divvy.
- Fintech investment in the US will likely remain robust in H2'21, particularly in payments, wealthtech, and crypto; interest in lending could also open up as consumers look to travel and spend more post-pandemic.



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

“ The market is definitely picking the winners now, with the bigger and more established companies growing and having an easier time raising money than others. That said, innovative companies will continue to get funding. There's still a lot of opportunity for companies looking at aspects of financial services differently — like Pipe, which raised \$250 million in H1'21 to support its unique approach to working capital financing for merchants. ”

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

Top 10 fintech deals in the Americas in H1 2021

- 
1. **Robinhood** — \$3.4B, Menlo Park, US — Wealth/investment management — *Series G*
 2. **Verafin** — \$2.75B, St. John's, Canada — Institutional/B2B — *M&A*
 3. **Divvy** — \$2.5B, Draper, US — Payments/transactions — *M&A*
 4. **SoFi** — \$2.4B, San Francisco, US — Lending — *Reverse merger*
 5. **Nubank** — \$1.5B, Sao Paulo, Brazil — Banking — *Series G*
 6. **Acima Credit** — \$1.4B, Sandy, US — Lending — *M&A*
 7. **BTC.com** — \$1.3B, Los Angeles, US — Blockchain/cryptocurrency — *M&A*
 8. **First American Payments** — \$960M, Fort Worth, US — Payments — *M&A*
 9. **Clover Health** — \$828M, Franklin, US — Insurtech — *Reverse merger*
 10. **InvestCloud** — \$800M, West Hollywood, US — Wealth/investment management — *Buyout*

Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

An aerial photograph of London, England, featuring the River Thames, the Gherkin skyscraper, and the Tower Bridge. The city is densely packed with buildings, and the river flows through the center. The sky is overcast, and the overall tone is somewhat muted.

In 2021, investment in fintech companies in **Europe, Middle East and Africa (EMEA)** recorded **\$39.1B with 792 deals**

EMEA region sets numerous records as fintech investment hits \$39 billion

Total fintech investment in the EMEA region continued to surge, with over \$39 billion invested in H1'21, compared to 2020's total of \$26 billion. The region also shattered its previous annual high for fintech VC investment, attracting \$15 billion in H1'21, compared to \$9 billion during all of 2020.

Top deals included the \$14.8 billion deal by Refinitiv, the \$2.6 billion acquisition of Itiviti by Broadridge Financial Solutions,²⁸ the \$1.5 billion SPAC merger of Paysafe Group with Foley Trasimene Acquisition Corp.,²⁹ and two VC raises totaling over \$1.9 billion by Klarna. Key H1'21 highlights from the EMEA region include:

A diversity of jurisdictions attracting big investments

The EMEA region attracted numerous large deals in H1'21; these deals extended well beyond the UK, Germany and Sweden — from the \$800 million PE investment in Abu Dhabi-based Group 42 and the \$600 million PE buyout of Ireland-based Fenargo to \$100 million+ VC funding rounds in the Netherlands (i.e., Mollie, Bunq), France (e.g., Ledger, Market Pay, Shift Technology, Alan, and others), Austria (i.e., BitPanda), the Czech Republic (Twisto), and Saudi Arabia (Tamara).

Wealthtechs attracting significant interest in H1'21

Wealthtech was an incredibly hot area for investment in the EMEA region, with US-based JP Morgan acquiring UK-based Nutmeg for \$989 million and Germany-based Trade Republic raising a \$900 million VC funding round during H1'21.

Digital banks continue to draw attention

Investment continued to pour into digital banks in the EMEA region in H1'21, including a \$443 million raise by Starling Bank and a \$110 million raise by Solarisbank. Investors in Europe are beginning to make bets on which banks will evolve into truly pan-European banks able to fulfill the diverse needs of their customers.

Fintech business models gaining traction

As a result of the pandemic, consumers across the EMEA region have gotten more comfortable with digital products and services which has helped drive uptake for digital banking, insurance, wealth management, and other products. This has helped a broad range of fintechs in the region to grow and, therefore, attract larger investments.

Corporate investment at an all-time high

Corporate-affiliated VC investment in the EMEA region soared to a record high in H1'21, with \$5.2 billion invested compared to \$5.1 billion in all of 2020. Given the digital trends that have accelerated as a result of COVID-19, many corporates across the financial services sector have turned their attention to rapid digitization, whether by making direct investments, acquisitions, or forming partnerships with fintechs.

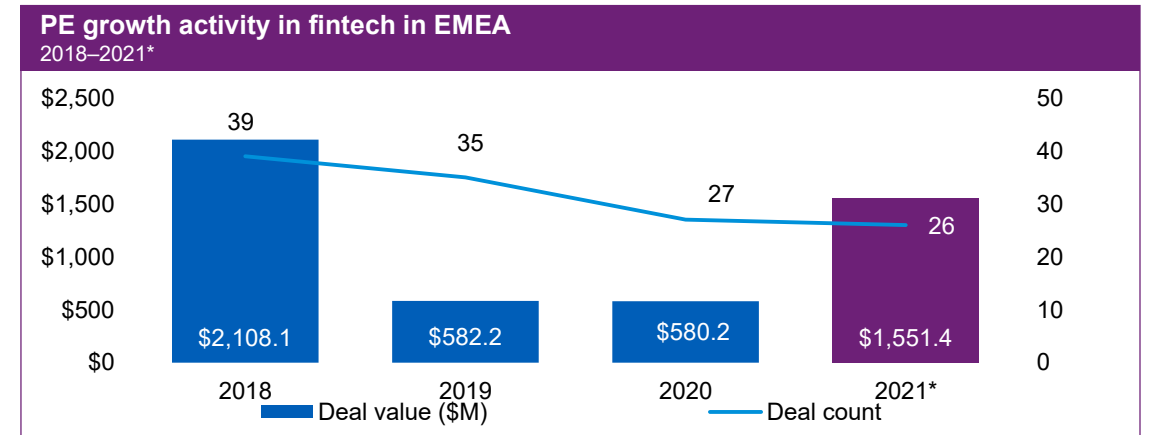
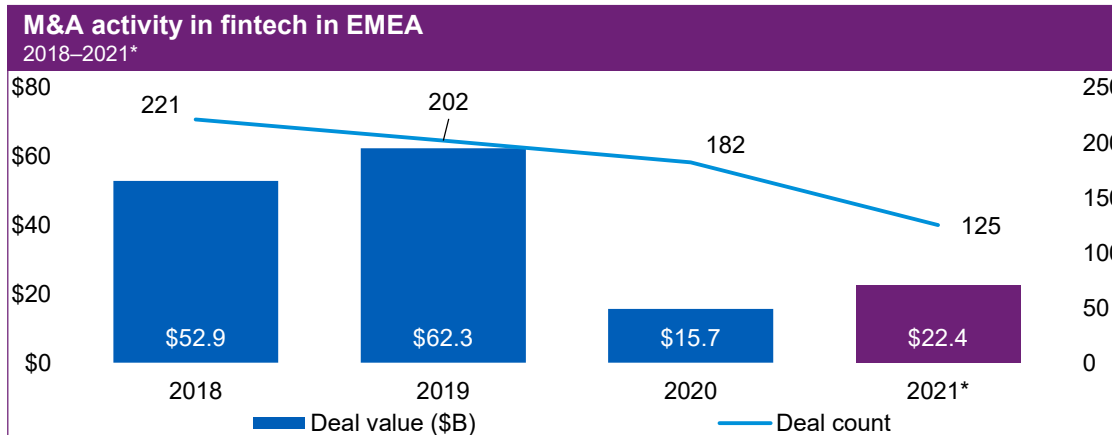
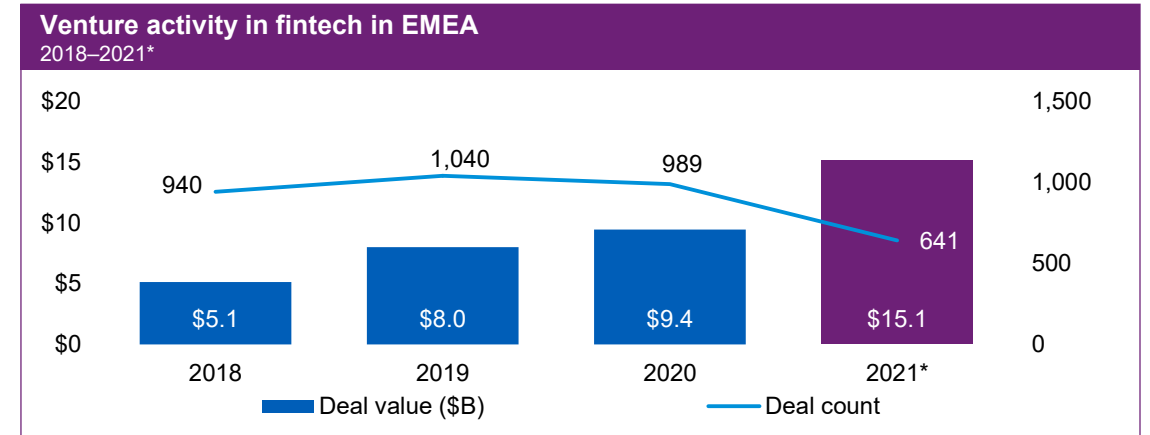
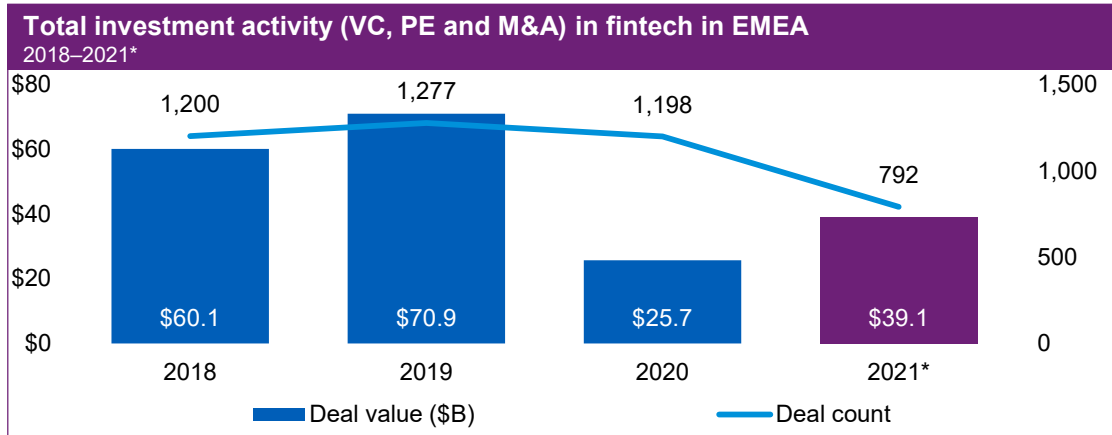
Trends to watch for in H2'21

- stronger focus on the B2B space, including areas like SME lending
- increasing interest in M&A, IPOs, and potentially mergers with US-based SPACs
- more fintechs embracing ecosystem models in order to act as a one-stop shop for customers
- growing focus on ESG and sustainability-focused fintech offerings.

²⁸ <https://www.itiviti.com/news/broadridge-completes-acquisition-of-itiviti-extending-capital-markets-franchise>

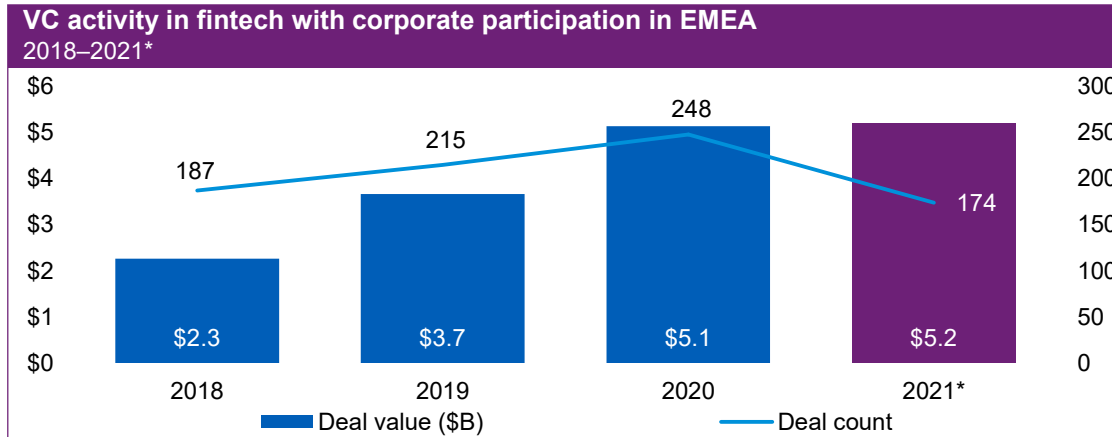
²⁹ <https://www.paysafe.com/en/paysafegroup/news/detail/paysafe-completes-business-combination-with-foley-trasimene-acquisition-corp-ii>

2021 sees deal value almost match the entirety of 2020 already

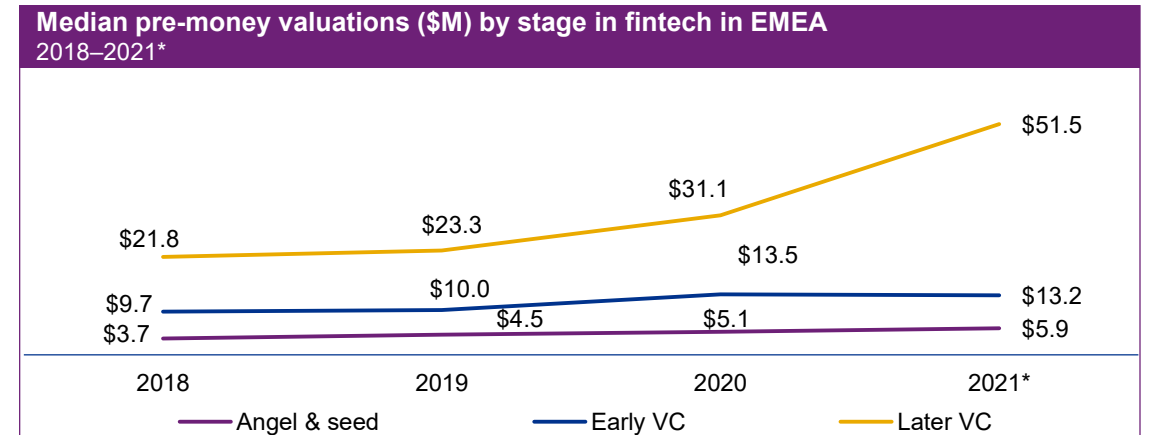
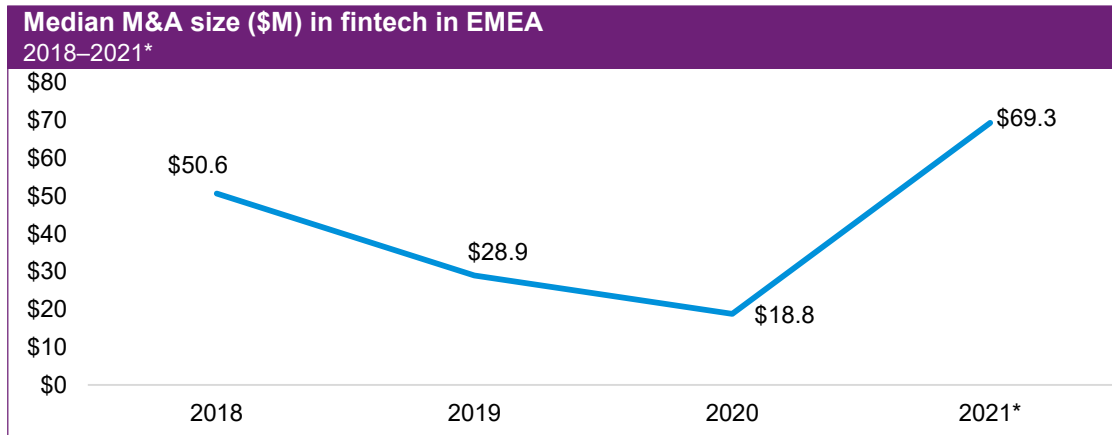


Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Amid strong investment levels, median M&A size surges

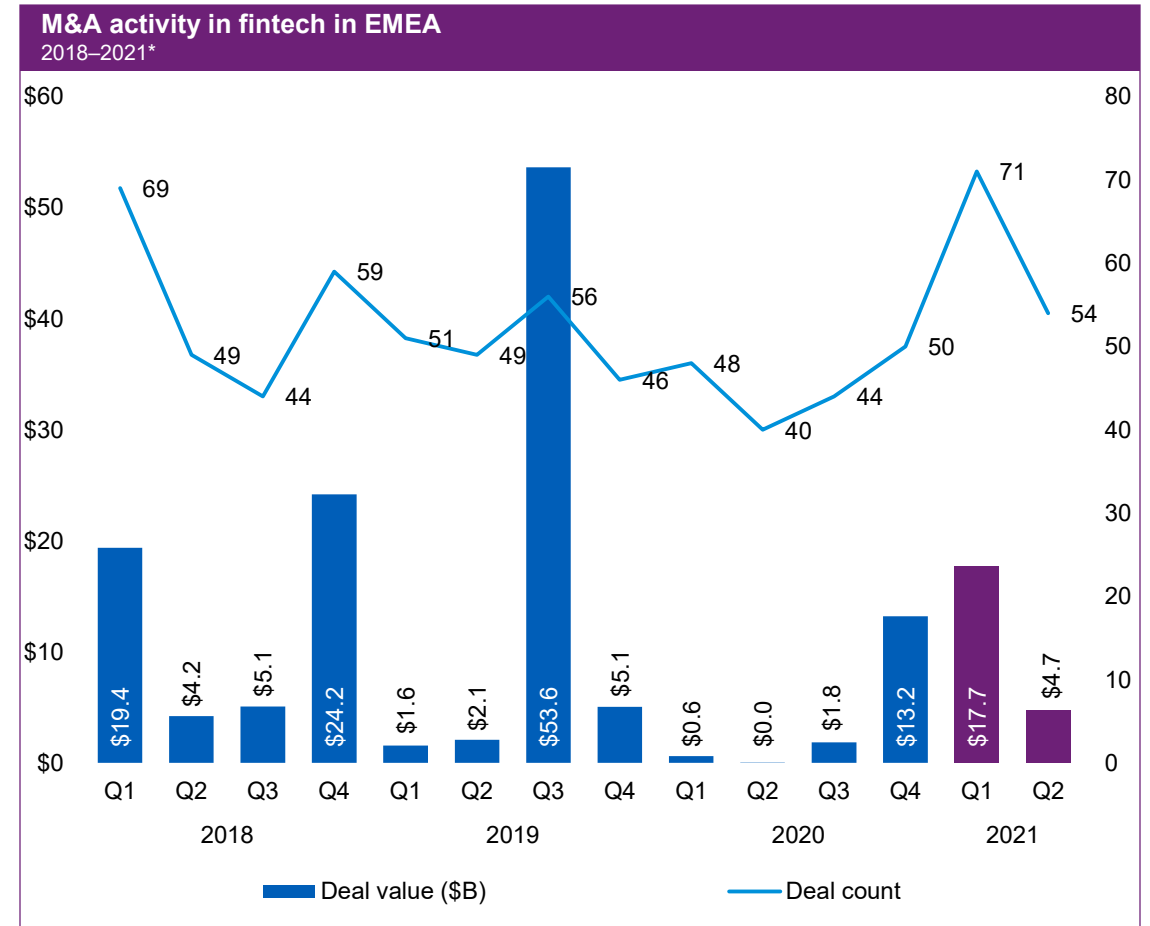
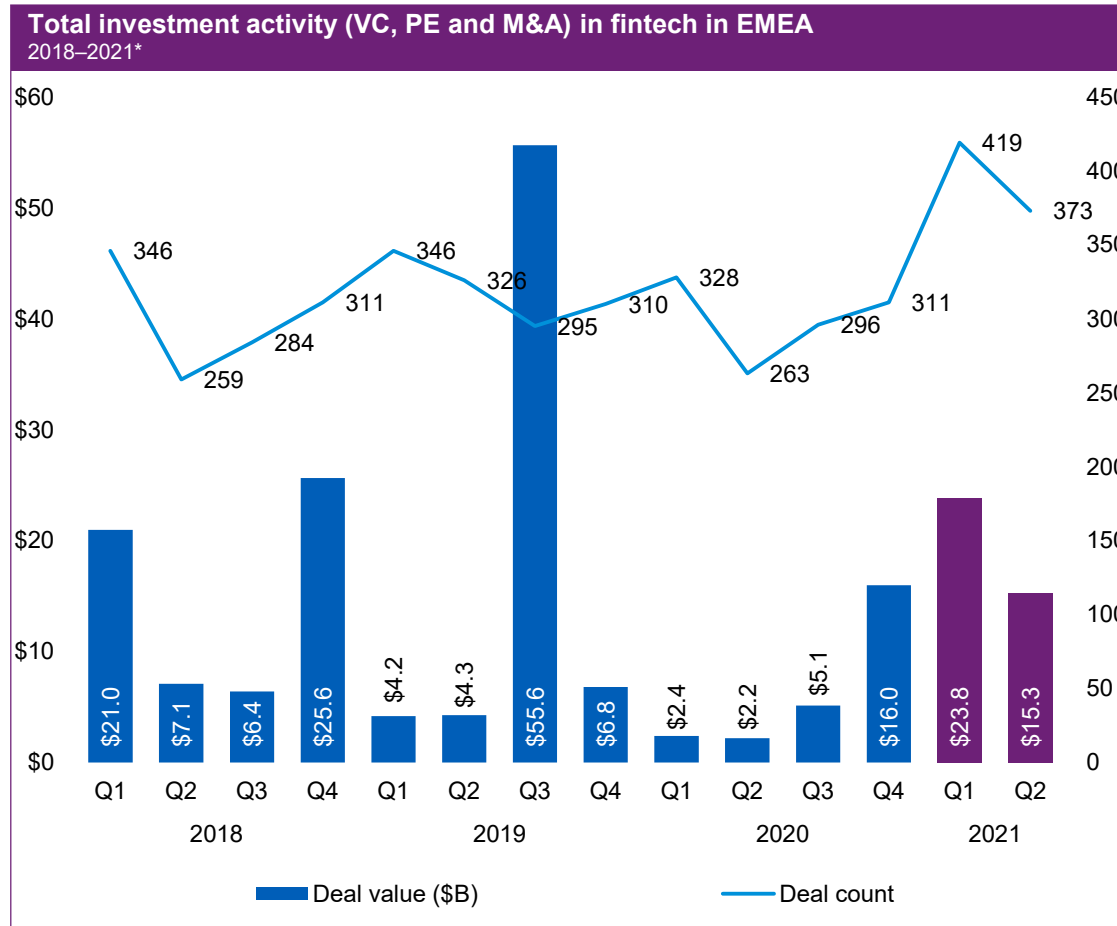


Across the entire fintech ecosystem, investment levels are on the rise. EMEA has seen massive fundings of venture-backed unicorns as well as significantly sized mergers as incumbents seek to consolidate. M&A size has consequently surged in the first half of the year, even as a rising tide of capital has pushed up late-stage venture valuations in particular. Corporates have contributed to the rise in VC invested, joining in rounds worth an aggregate of \$5.2 billion in 2021 already, outstripping the massive tally from 2020. Fintech is seeing such levels of activity in EMEA especially as incumbents compete for market share and newer entrants vie for category leadership across the disparate payments, wealthtech and insurtech spaces in particular.



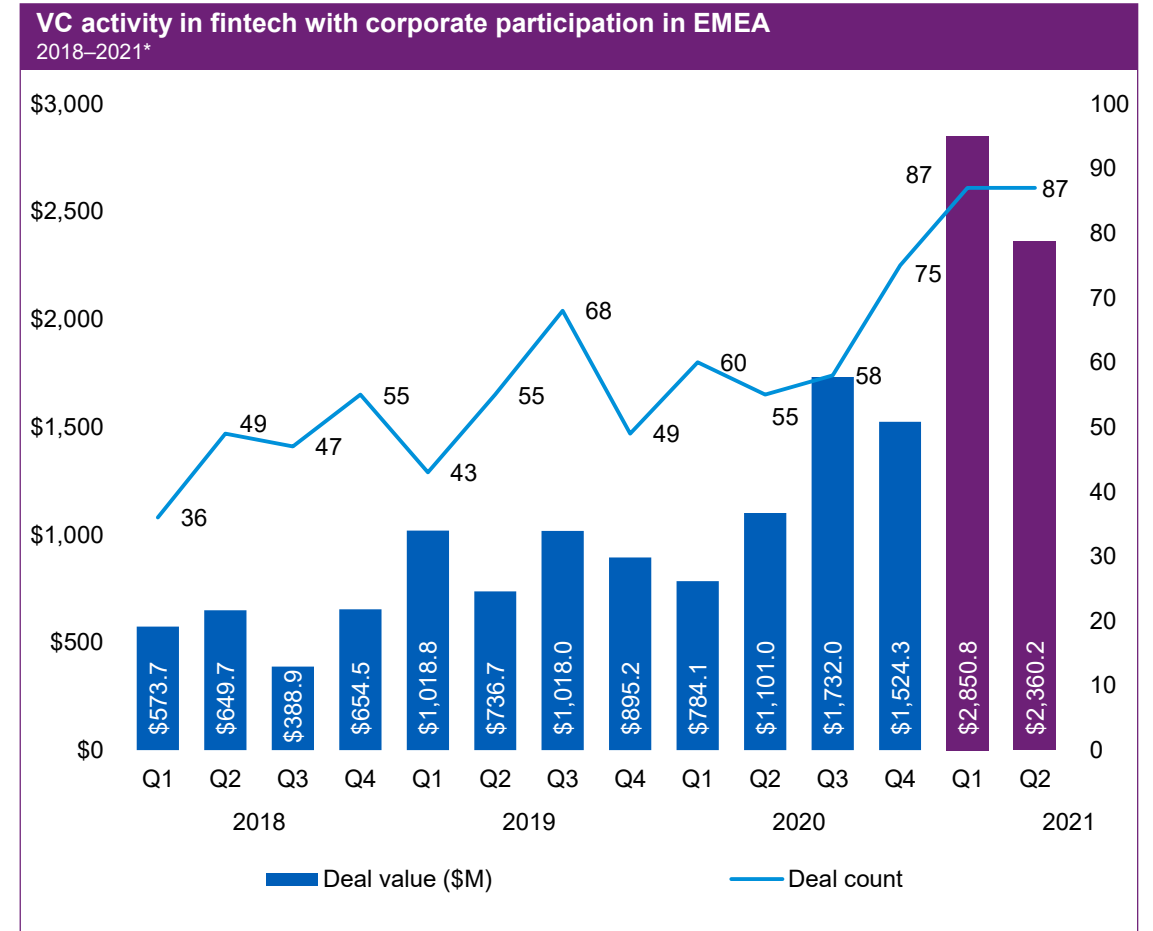
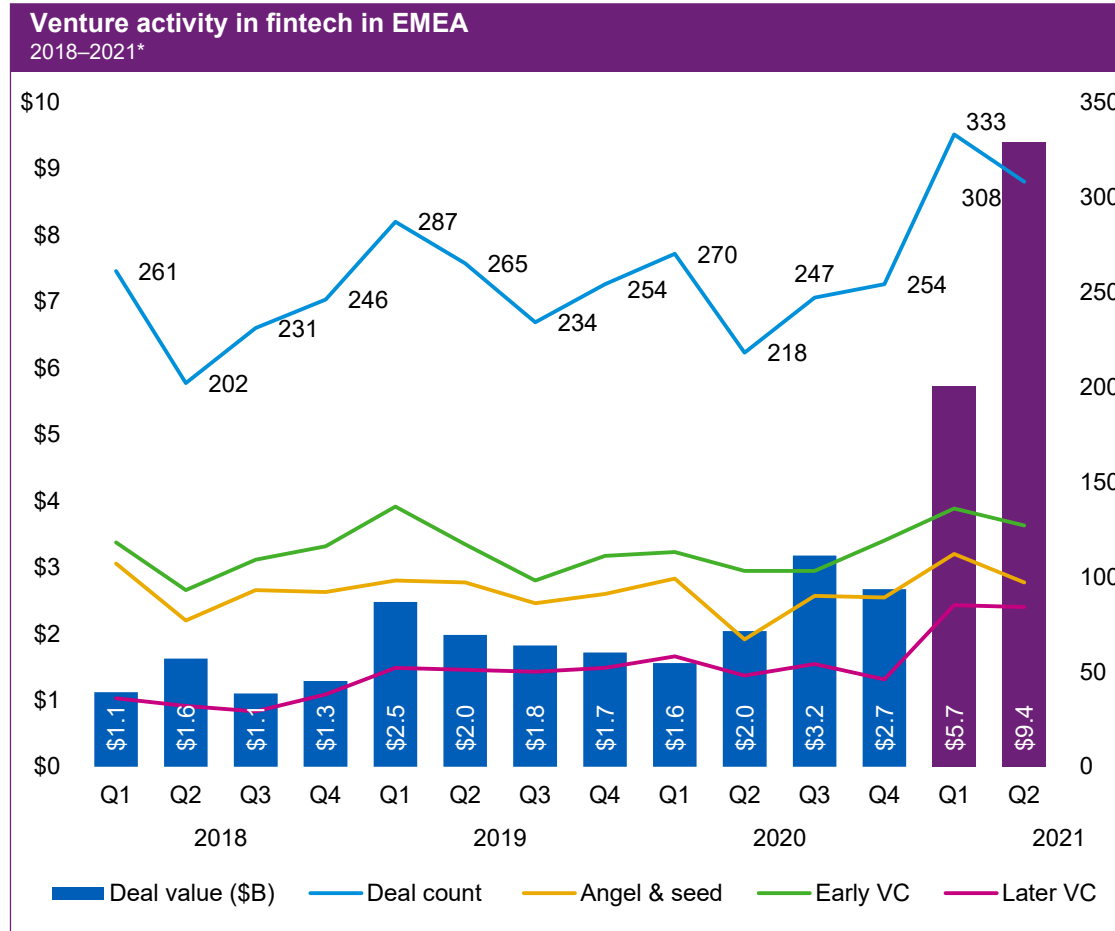
Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021. Note: The median M&A size in 2021* is based on a population where n = 22.

M&A volume surges in first quarter of 2021



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

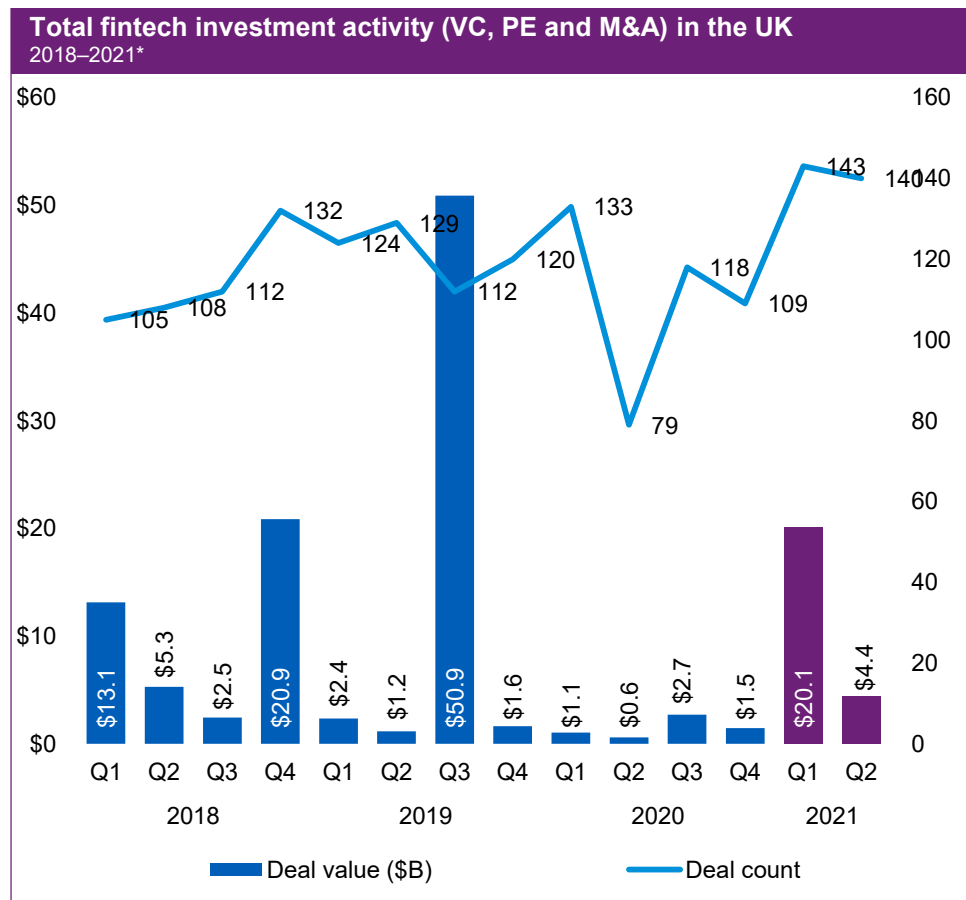
Massive momentum carries over into record-breaking 2021



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

UK sees \$24.5 fintech investment in H1'21 as VC funding hits new high

- Both VC investment in fintech and deal volume in the UK reached new quarterly highs in Q1'21 and then climbed even further in Q2'21. Across the 2 quarters, Fintech-focused VC investment in the UK reached \$6.2 billion – bolstered considerably by the massive \$14.8 billion Refinitiv deal.
- Most subsectors of fintech are attracting attention from investors in the UK, including payments, wealthtech, insurtech, regtech, cybersecurity, and others — due, in part, to changing customer behaviors, but also due to the amount of dry powder in the market and the broader range of investors.
- Momentum is building in the UK around the SME lending space and the lending ecosystem in terms of KYC and customer due diligence.
- The ‘Buy Now, Pay Later’ space has seen exponential growth in the UK, with numerous companies sprouting up; in H1'21, Zilch raised \$81 million, while Butter raised \$22 million. During H1'21, a government review recommended BNPL products be regulated — which could affect the space in the future.³⁰
- Fintech areas to watch in the UK include revenue-based financing for SMEs and ESG solutions related to financial inclusion, carbon tracking and offsets.



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

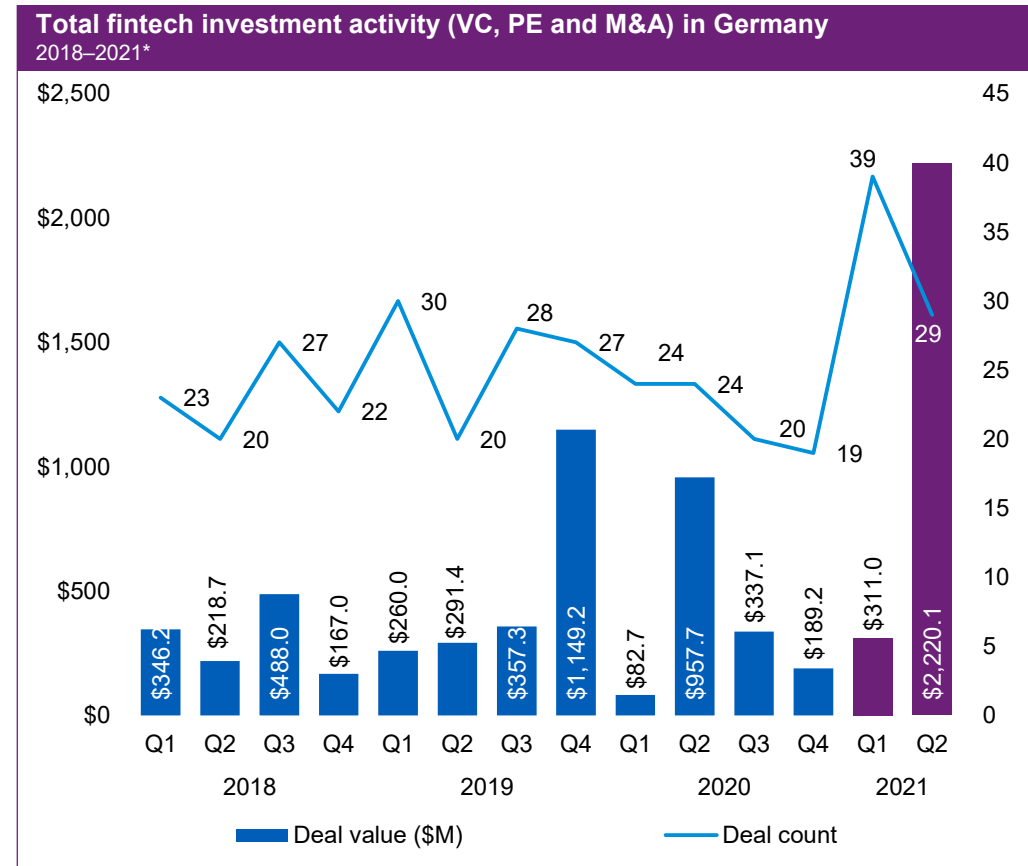
“ COVID-19 sparked a real race to digital in the financial services space here in the UK, which has spurred on the major banks. Many of them have diverted large swaths of their investment pots into digitization — which is a major reason we are seeing so much corporate investment right now. The same is true for other incumbents in other financial services subsectors as well. ”

John Hallsworth
Partner
KPMG in the UK

³⁰ <https://www.cnbc.com/2021/02/02/uk-to-regulate-buy-now-pay-later-bnpl-firms-like-klarna-and-clearpay.html>

Fintech investment in Germany surpasses \$2.5 billion in H1'21

- VC investment in Germany skyrocketed in H1'21, led by a \$900 million raise by wealthtech Trade Republic, a \$650 million raise by digital insurer Wefox and \$100 million+ raises by Scalable Capital, Mambu and Solarisbank.
- Both digital banking and digital insurance continue to be hot areas of investment in Germany, due, in part, to the growing acceptance of digital business models by consumers.
- Wealthtech companies, particularly trading platforms such as Trade Republic, are gaining a lot of attention from investors in Germany, who see the space as one that will likely grow significantly in the future.
- Looking forward, the crypto and digital asset space will be one area to watch in Germany — not only in terms of trading platforms, but also solutions focused on other areas of the value chain.



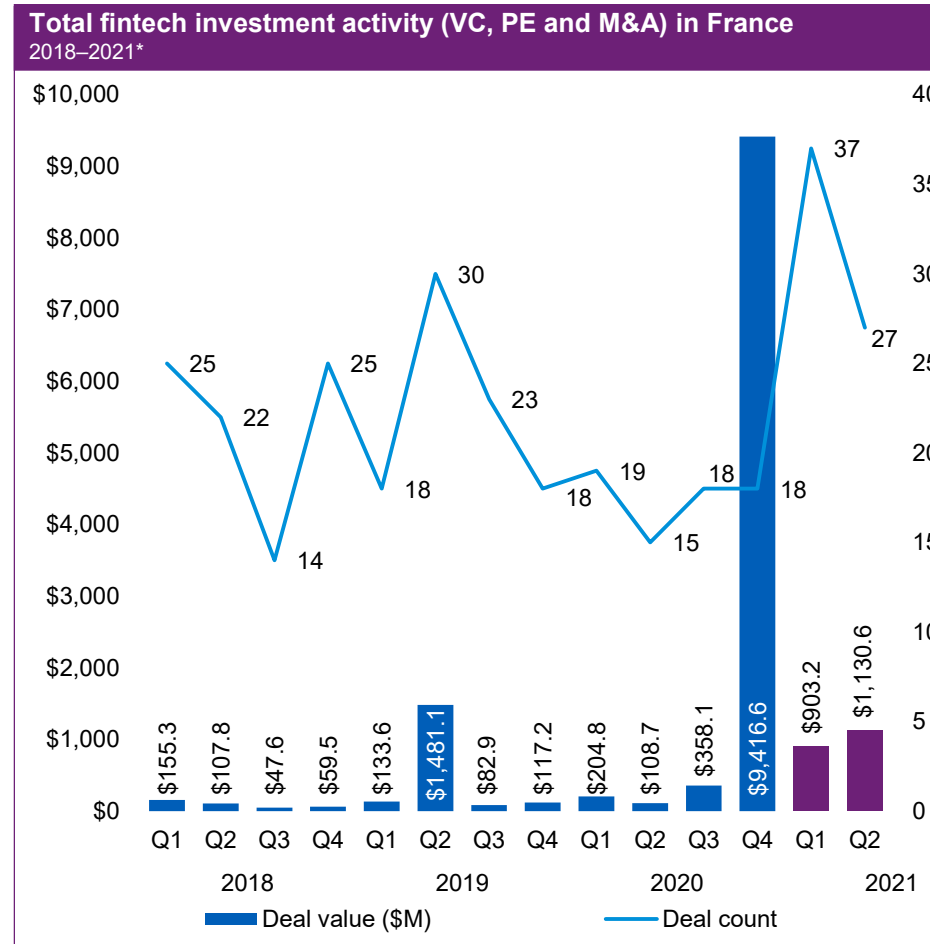
Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

“ Fintechs in Germany are now taking their products and services to the next level. Many started by developing front-end technologies — which had them focusing mostly on marketing and product front-end (using banking and payment as a service) acquisitions. Now, we’re seeing them move into regulated areas in order to better compete with banks — which means they are focusing more on building their regulatory infrastructure and building out their products. ”

Bernd Oppold
Partner, Advisory,
KPMG in Germany

France sees \$2 billion in fintech investment during H1'21 as fintech market keeps evolving

- The fintech market in France has evolved very rapidly over the past couple of years, with numerous fintechs attracting larger deals; in H1'21, Ledger raised \$380 million, PE firm AnaCap bought 60% of Market Pay for \$363 million, Shift Technology raised \$220 million, and Alan raised \$219 million.
- Fintech investors in France are focused on a wide range of opportunities, including insurtech, B2B services, cybersecurity, and 'buy now, pay later' offerings.
- Digital banks in France have focused significantly on building partnerships with other fintechs, such as credit-as-a-service or payment-as-a-service partners to improve their capabilities and better serve their clients. In H1'21, Orange Bank announced a partnership with Younited to boost its consumer credit offerings.³¹
- The French government is very focused on fintech as a growth opportunity and is committed to a range of ecosystem support activities, including education to develop talent with essential fintech capabilities.



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

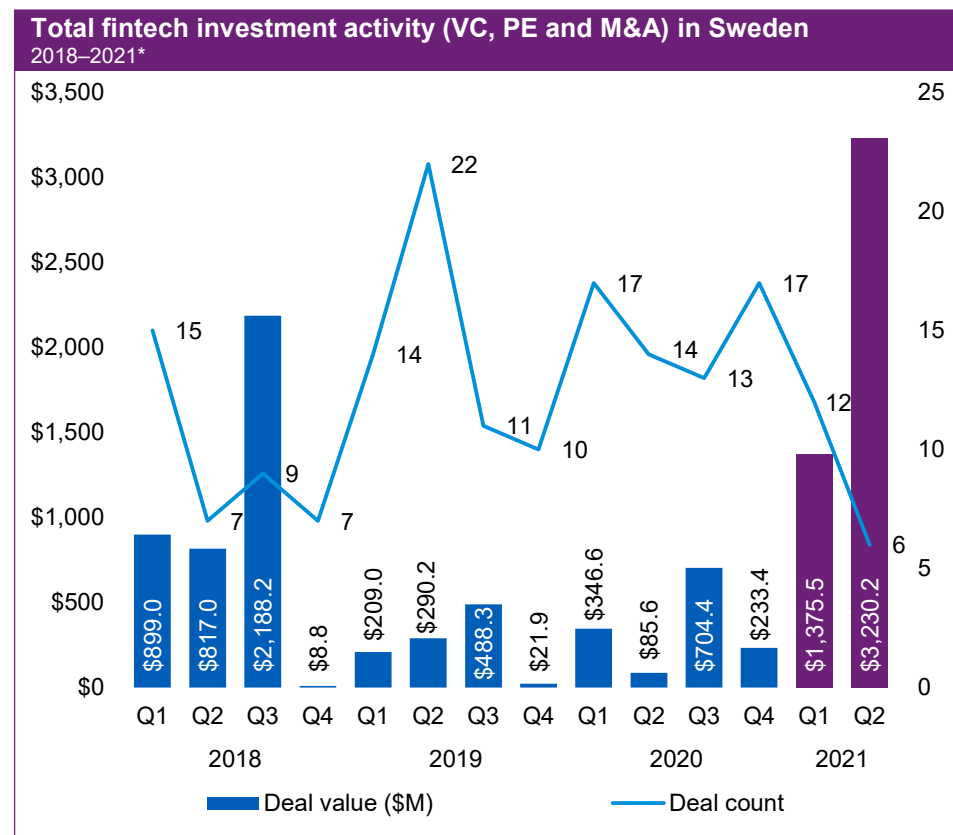
“Historically, it has been difficult for insurance companies to really innovate and develop new products and services. To better accelerate innovation, these incumbents are investing a lot in insurtechs that can help them improve their customer experience or expand their service offerings into other areas of financial services.”

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

³¹ <https://www.fintechfutures.com/2021/06/orange-bank-partners-younited-to-underpin-consumer-credit-boost/>

Klarna powers Nordic region to new VC investment high of \$2 billion

- The \$4.8 billion in total fintech investment in the Nordics was primarily driven by three deals in Sweden: the \$2.6 billion acquisition of trading platform company Itiviti by Broadridge Financial Solutions³² and two funding rounds totaling \$1.9 billion by Sweden-based ‘buy now, pay later’ company Klarna.
- The M&A market in the Nordic region was incredibly robust in H1’21. In addition to the completed Itiviti acquisition, open banking platform Tink acquired Germany-based open banking platform FinTecSystems.³³ Shortly thereafter, Visa announced its acquisition of Tink for \$2.1 billion — in a deal subject to regulatory approval.³⁴
- Sweden, which has the most mature fintech ecosystem in the Nordic region, attracted the majority of fintech investment during H1’21. The largest deals in the other Nordic countries included Norway-based Arcane Crypto’s \$33 million SPAC merger with Vertical Ventures AB,³⁵ a \$25 million raise by Finland based Tesseract and a \$23 million raise by Kompasbank in Denmark.
- Looking ahead, the SME sector in the Nordic region could see some consolidation given the number of small companies with good technologies behind them. There could also be more cross-border M&A activity.



Source: Pulse of Fintech H1’21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

³² <https://www.itiviti.com/news/broadridge-completes-acquisition-of-itiviti-extending-capital-markets-franchise>

³³ <https://tink.com/press/tink-acquires-fintecsystems/>

³⁴ <https://www.forbes.com/sites/fainmartin/2021/06/24/visa-buys-swedish-fintech-tink-for-21-billion-after-plaid-takeover-blocked/?sh=48028f0b115f>

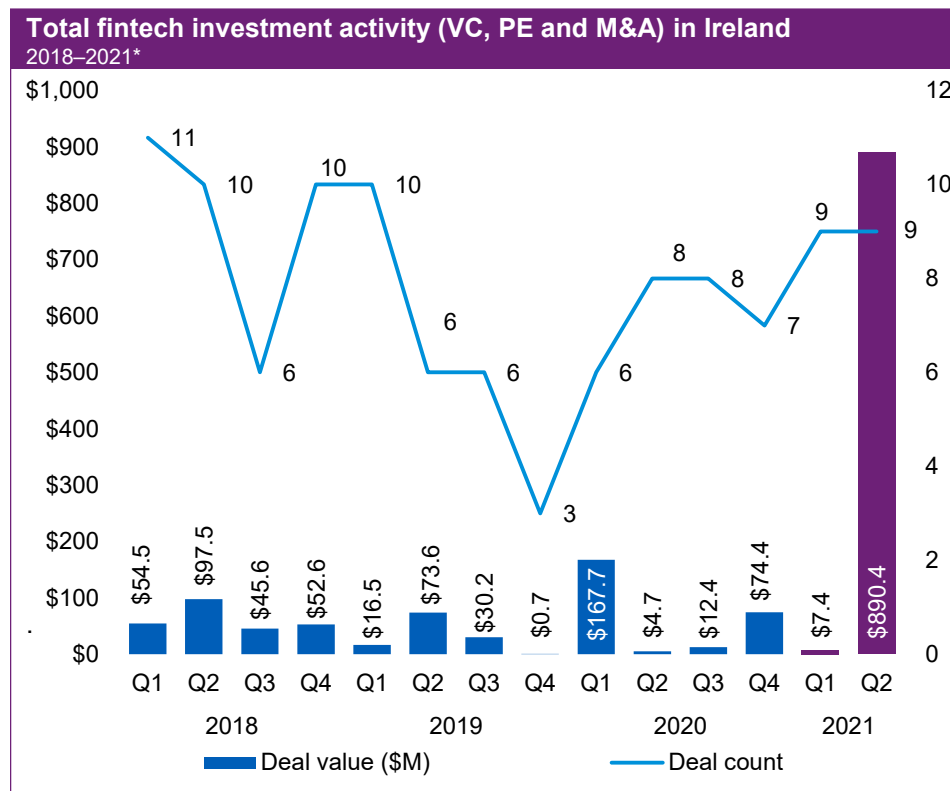
³⁵ <https://www.finextra.com/pressarticle/86049/arcane-crypto-finalises-nasdaq-listing>

“ The Nordic region — and Sweden in particular — is a good incubator for new types of fintech innovations, apps and solutions. Sweden is heavily influenced culturally by the US for example, so if you test something in Sweden and it works, then it’s fairly easy to roll out in other markets with confidence. ”

Martin Ekstedt
Partner, Corporate Finance
KPMG in Sweden

Ireland sees incredible start to the year with almost \$900 million in total fintech investment

- Ireland attracted \$900 million of fintech investment in H1'21 — far surpassing the \$700 million previous record set in 2011. Three large deals drove investment levels: the \$600 million buyout of Fenergo by PE firms Astorg and Bridgepoint,³⁶ the \$200 million acquisition of Taxamo by Vertex, and the \$74 million VC raise by Wayflyer.
- Investor interest in regtech is particularly strong right now, as evidenced by the Fenergo deal and it's only expected to grow over the next few years given the changing regulations in financial services.
- Many of the fintechs in Ireland are globally focused, making them very attractive to global investors. Wayflyer, for example, provides finance for merchants and other partners to accelerate their growth over the internet, while Taxamo is focused on helping clients meet their global tax compliance obligations.
- Digital banks have started to gain some traction in Ireland, particularly Revolut and N26. Increased competition from challenger banks is certainly putting pressure on the pillar banks in Ireland who have responded and are invest very heavily in their own digital infrastructure. This healthy competition is good for consumers and business customers alike.



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

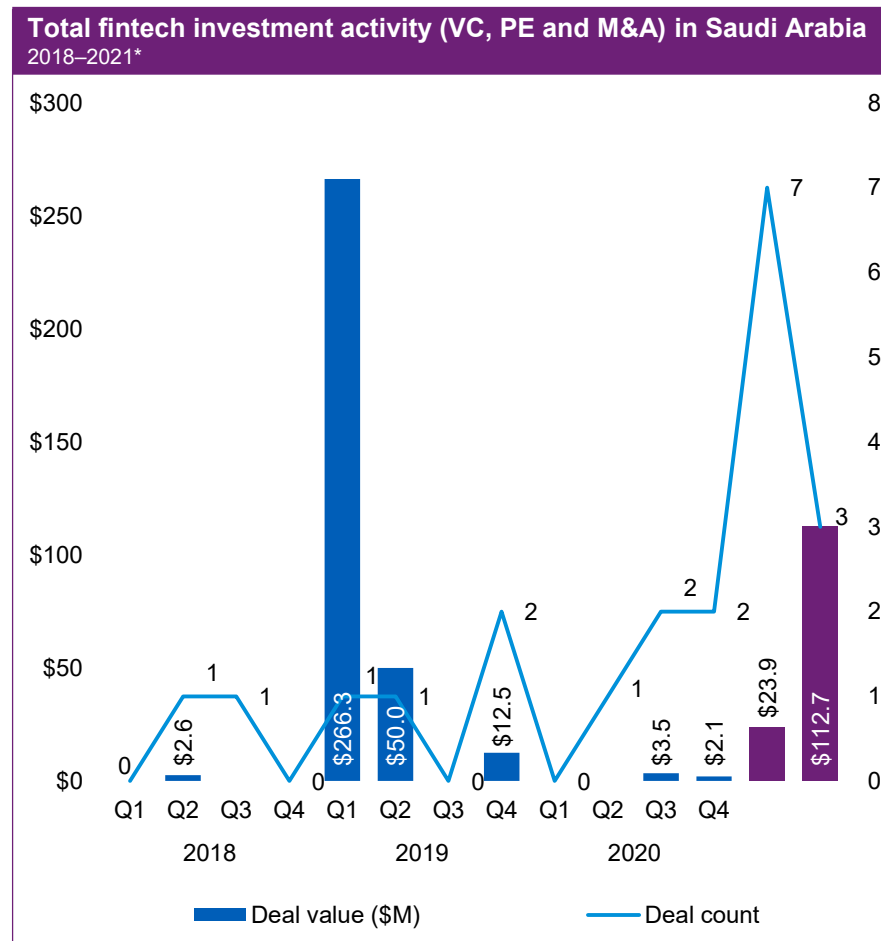
“ COVID-19 has accelerated phenomenally the digitization of businesses and business models. That offers huge opportunities for fintech businesses and to the constituent elements of fintech. Payments is a good example. Throughout 2020, we saw consumers give up cash almost entirely, embracing alternative payment methods. This acceleration to digital first and the opportunities it creates for fintech businesses has undoubtedly driven a lot of the interest and investment in the fintech space in 2021. ”

Anna Scally
Partner and Fintech Leader,
KPMG in Ireland

³⁶ <https://www.fenergo.com/press-releases/astorg-and-bridgepoint-acquire-financial-software-company-fenergo/>

Saudi Arabia sees first \$100 million+ fintech VC round

- The fintech market in Saudi Arabia is in startup mode, with a growing number of fintechs attracting attention — primarily at the earliest of deal stages. In H1'21, Saudi Arabia saw its largest Seed round ever in January 2021: a \$6 million raise by 'buy now, pay later' company Tamara. Tamara followed this with Saudi Arabia's first \$100 million VC round in April: a \$110 million Series A raise led by Checkout.com.³⁷
- The Saudi Central Bank (SAMA)'s fintech sandbox has been a major driver for innovation, allowing fintechs the opportunity to test their new digital solutions; a number of early sandbox participants are now starting to mature.
- Banks in Saudi Arabia are now working to step up their game, partnering with fintechs in order to digitize their services — such as Banque Saudi Fransi's partnership with Hala to offer its customers a digital wallet on their mobile phones.
- Saudi Payments operates a national payments system. They've been very active in connecting all the dots between incumbent banks, fintechs and consumers.
- Over the next 6 months, fintechs will continue to evolve and grow, particularly in payments, remittances and microfinancing.



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

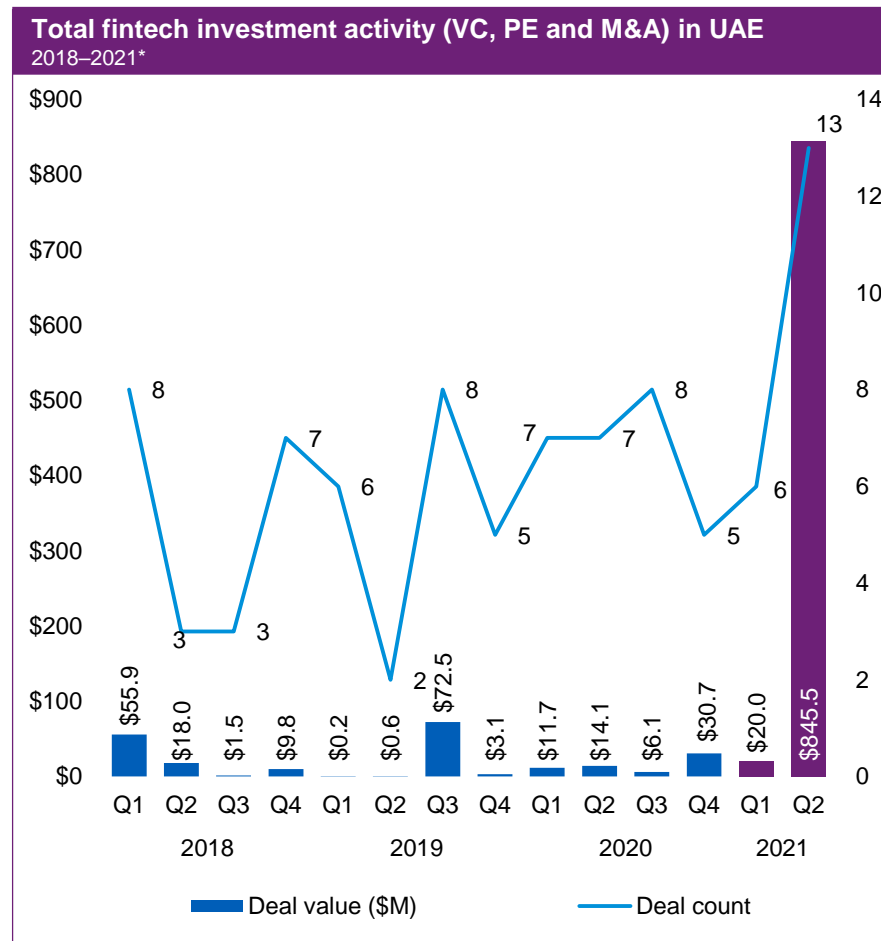
“ There is a lot of diversity in the sandbox program. While the majority are payments-focused fintechs, we are also seeing fintechs focused on remittances, point-of-sale devices, small mom and pop stores offering digital payments. Tamara is a sandbox success story. The buy-now-pay-later company has evolved rapidly and recently raised \$110 million. ”

Ovais Shahab
Head of Financial Services
KPMG in Saudi Arabia

³⁷ <https://english.alarabiya.net/business/economy/2021/04/22/Checkout-com-leads-110million-round-for-Saudi-buy-now-pay-later-startup-Tamara>

Investor interest in the UAE spurred by \$800 million PE deal in Abu Dhabi

- The UAE reached the EMEA top 10 fintech deals list with an \$800 million PE investment by Silverlake into Abu Dhabi-based Group 42 — an AI driven cloud computing companies that focuses on digitization of businesses.³⁸
- The digital bank space got some attention in H1'21 with the announcement of the upcoming launch of Zand — the UAE's first independent digital bank.
- International interest in the UAE continued to grow, with both Ireland-based regtech company DX Compliance³⁹ and US-based payments firm Stripe⁴⁰ launching operations in the UAE during H1'21.
- During H1'21, the Financial Services Regulatory Authority of the ADGM introduced a framework to regulate open banking platforms in order to enhance consumer data protections.⁴¹
- Looking forward, investment in payments and contactless technologies is expected to remain strong in the UAE. Investor interest in Islamic finance focused startups, such as Shariah compliant fintechs, is expected to grow over the next few quarters.



“ Accelerators and events are an important part of building up the fintech ecosystem in the UAE. H1'21 saw some interesting developments in this area. The Ministry of Economy and the Securities and Commodities Authority launched a Fintech Megathon to help reimagine financial services in the UAE. UAE technology ecosystem Hub 71 and US based Modus Capital also launched Ventures Lab — a program aimed at helping early stage founders build viable products. ”

Gonçalo Traquina
Partner, Advisory
KPMG in the Lower Gulf

³⁸ <https://www.wsj.com/articles/silver-lake-invests-about-800-million-for-minority-stake-in-abu-dhabis-g42-11618394401>

³⁹ <https://dxcompliance.com/dx-compliance-launches-new-regtech-location-in-the-uae/>

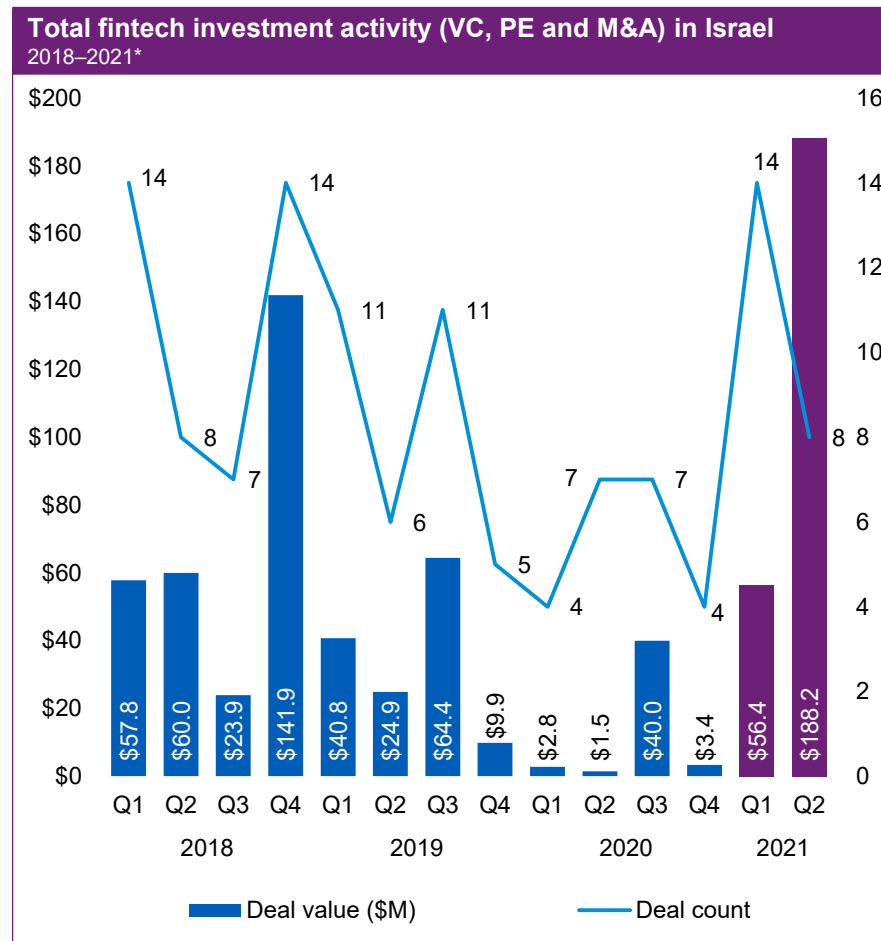
⁴⁰ <https://stripe.com/newsroom/news/stripe-launches-uae>

⁴¹ <https://www.thenationalnews.com/business/banking/adgm-unveils-framework-to-regulate-open-banking-platforms-1.1195405>

Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Q2'21 sees record level of fintech investment in Israel

- Total fintech investment in Israel reached \$240 million in H1'21, including a record \$188 million in Q2'21. During the quarter, both Earnix and Melio attained unicorn status.
- Insurtech attracted a significant amount of attention during H1'21, with the successful IPOs of Libra Insurance Company on the Israeli Stock Exchange and WeSure on the Tel Aviv Stock Exchange.
- During H1'21, insurtech WeSure announced the acquisition of a local traditional insurer. Acquisitions by maturing fintechs are expected to grow in Israel over time.
- The first stage of Israel's open banking regime began in H1'21, with banks required to share information on customer chequing accounts when requested by the customer; This, combined with future open banking initiatives, is expected to drive increased investment in fintechs able to support open banking offerings.
- In H1'21, Israel's saw the launch of The First Digital Bank – the country's first new bank in over 40 years.



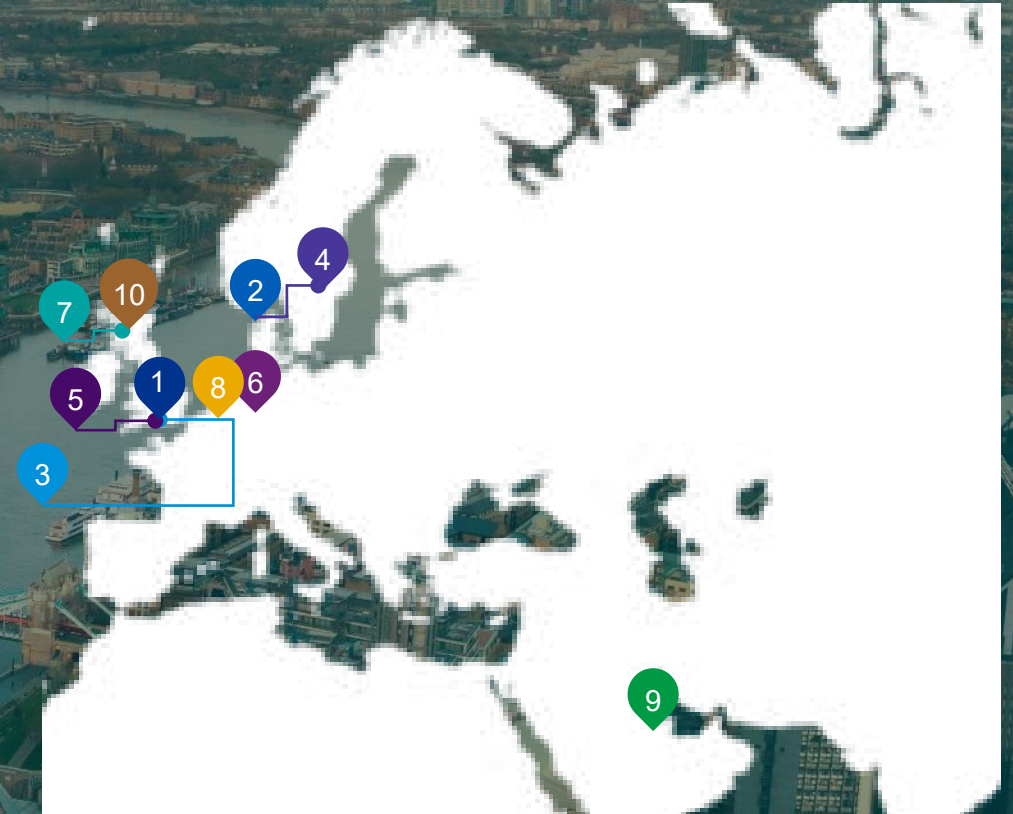
Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

“ Israel’s fintech sector continues to grow and attract attention, with a number of exciting developments in H1’21, including TipRanks’ \$77 million Series B VC raise and two successful IPOs in the insurtech space. Looking ahead, interest in digital banking and open banking will likely grow given Israel’s evolving open banking regime and the government’s efforts to increase competition in the banking space. ”

Ilanit Adesman
Partner, Financial Risk Management,
KPMG in Israel

Top 10 fintech deals in EMEA in H1 2021

1. **Refinitiv** — \$14.8B, London, UK — Institutional/B2B — *M&A*
2. **Itiviti Group** — \$2.6B, Stockholm, Sweden — Institutional/B2B — *M&A*
3. **Paysafe Group** — \$1.45B, London, UK — Payments/transactions — *Reverse merger*
4. **Klarna** — \$1.29B, Stockholm, Sweden — Payments/transactions — *Later VC*
5. **Nutmeg** — \$989.4M, London, UK — Wealth/investment management — *M&A*
6. **Trade Republic** — \$900M, Berlin, Germany — Payments/transactions — *Series C*
7. **GoCo Group** — \$818.35M, Newport, UK — Consumer — *M&A*
8. **Mollie** — \$805.8M, Amsterdam, Netherlands — Payments/transactions — *Series C*
9. **Group 42** — \$800M, Abu Dhabi, UAE — Institutional/B2B — *PE Growth*
10. **LendInvest** — \$681.4M, London, UK — Lending — *Later VC*



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

In H1 2021, fintech companies in Asia Pacific received
\$7.5B with 467 deals

Fintech investment in Asia-Pacific rises to \$7.5 billion in H1'21

Total fintech investment and deals activity in the Asia-Pacific region saw a solid rebound in the first half of 2021. After falling to \$4.7 billion across 357 deals in H2'20, H1'21 saw \$7.5 billion in investment across 467 deals. While both deal volume and value remained well shy of the record \$25 billion across 504 deals seen in H1'18, the increased activity — particularly without any very large megadeals — is a positive sign for continued fintech investment in the region. Key H1'21 highlights from the Asia-Pacific region include:

Platform focus remains incredibly strong in Asia-Pacific

Platform players with strong fintech offerings continue to be very hot in the Asia-Pacific region, with many working to build their breadth, reach and market share. Indonesia-based Gojek raised \$300 million in H1'21, while also announcing a merger with eCommerce platform Tokopedia for \$18 billion to create GoTo Group.

Jurisdictions taking very different approaches to crypto

Across the Asia-Pacific region, jurisdictions continued to take very different approaches to cryptocurrencies and crypto exchanges. In H1'21, China banned banks from providing cryptocurrency-related services,⁴² whereas Hong Kong's Financial Services and the Treasury Bureau recommended all virtual asset exchanges in Hong Kong (SAR, China) be licensed and limited with professional investors.

Interest in SPACs increasing

Given the explosion of US-based SPACs in recent quarters, startups — including mature fintechs — in the Asia-Pacific region are expected to gain more interest from US-based SPACs looking to make deals. During H1'21, Singapore-based super app company Grab announced the largest SPAC merger ever: a \$40 billion deal with US-based Altimeter Growth Corp, which is expected to be finalized in H2'21.⁴³

'Buy now, pay later' offerings growing quickly

The payments space was incredibly robust across the Asia-Pacific region in H1'21, with the 'buy now, pay later' space considered to be one of the fastest-growing subsectors.

Unbanked and underbanked seen as tremendous opportunity

Investors continue to see significant opportunities across the Asia-Pacific region to better reach unbanked and underbanked. In India, for example, a number of fintech unicorns are working to become the core player between an individual and banking, insurance, or wealth management offerings.

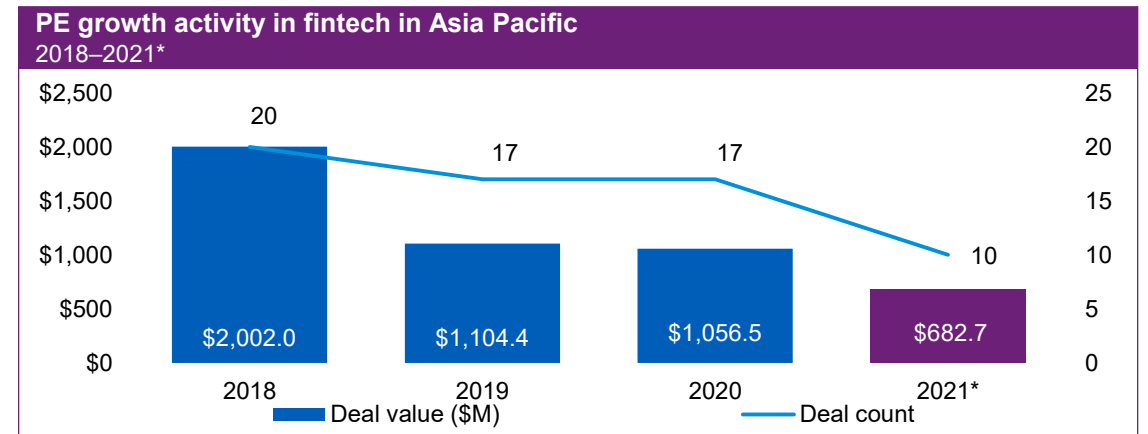
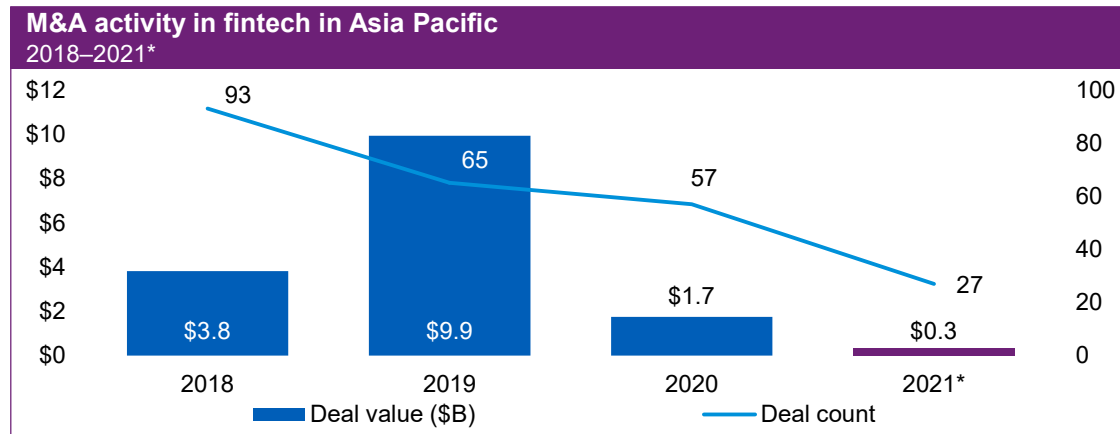
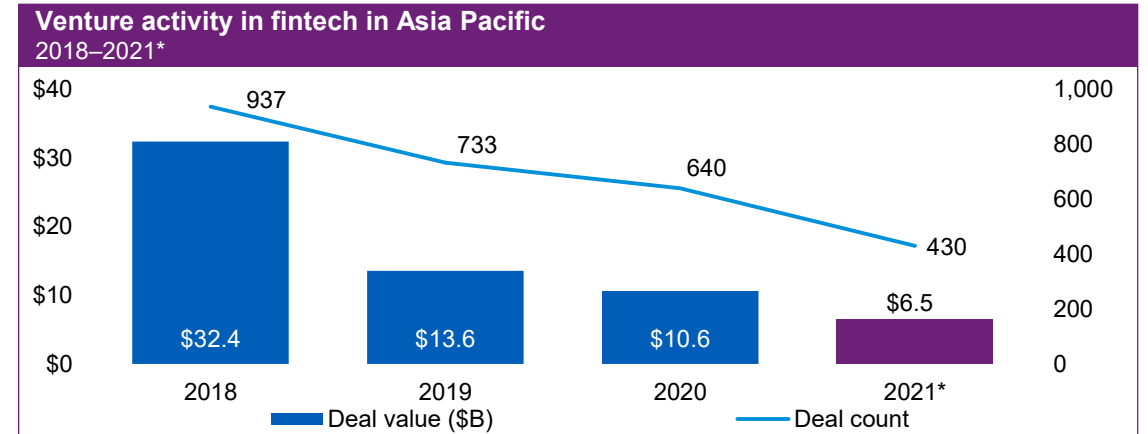
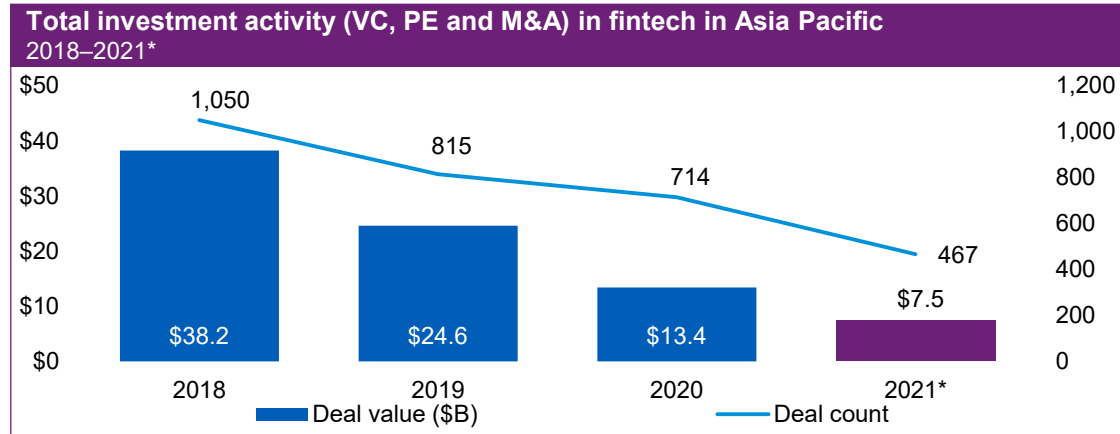
Trends to watch for in H2'21

- A major increase in investment in H2'21, driven by the anticipated closure of Grab's SPAC merger and Gojek's merger with Tokopedia
- US SPACs looking for targets in the Asia-Pacific region
- increasing investment in insurtech, wealthtech, and B2B services
- big techs and platform providers continuing to expand into or across financial services.

⁴² <https://www.cnbc.com/2021/05/18/china-bans-financial-payment-institutions-from-cryptocurrency-business>.

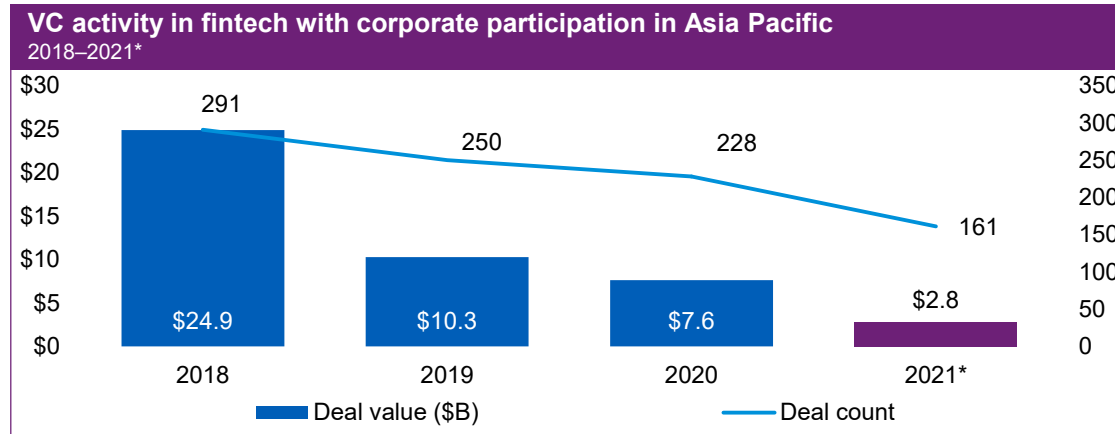
⁴³ <https://www.cnn.com/2021/04/13/investing/grab-altimeter-us-spac-ipo-intl-hnk/index.html>

Investment levels on pace to normalize along approximate tallies from 2020

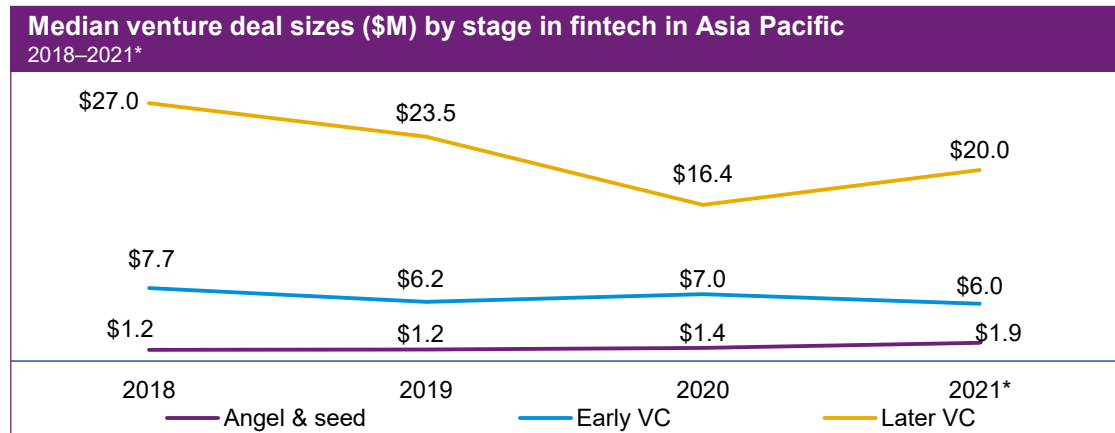


Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Relative to historical trends, venture deal sizes remain subdued

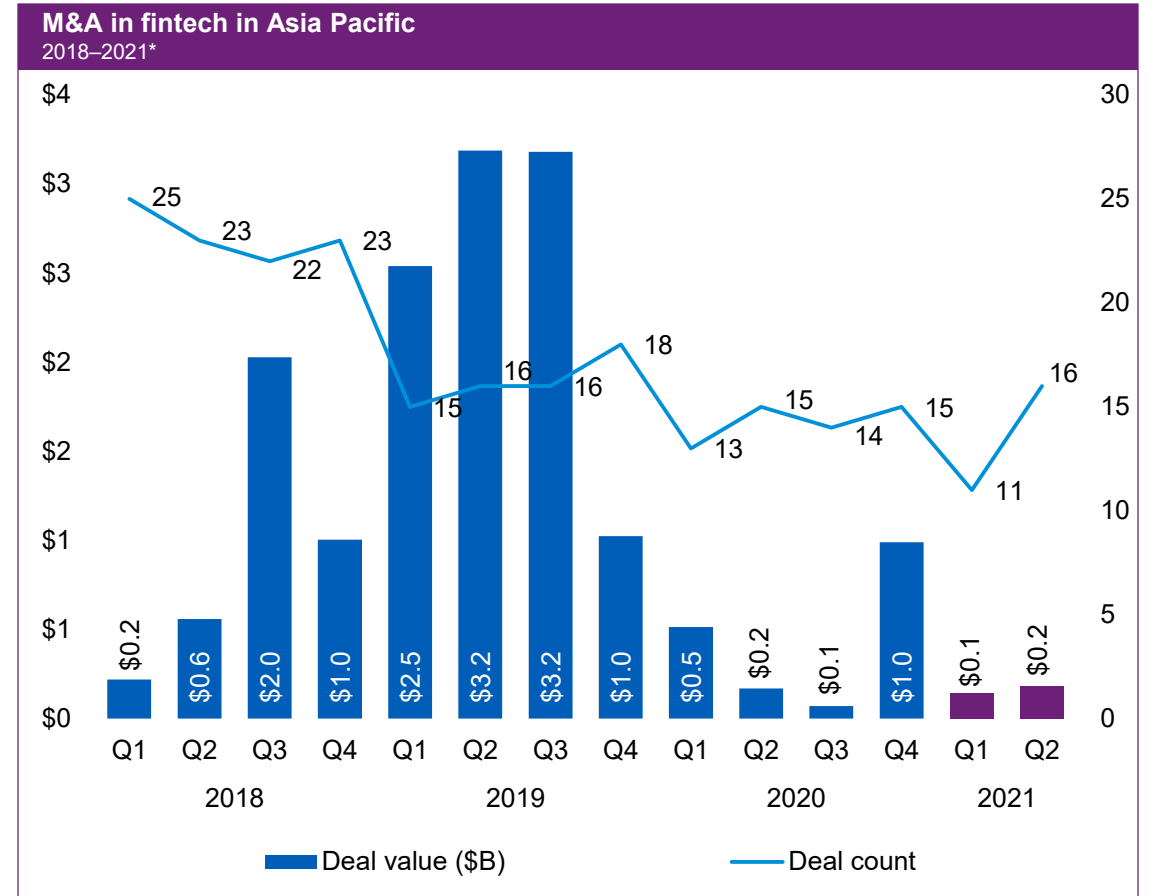
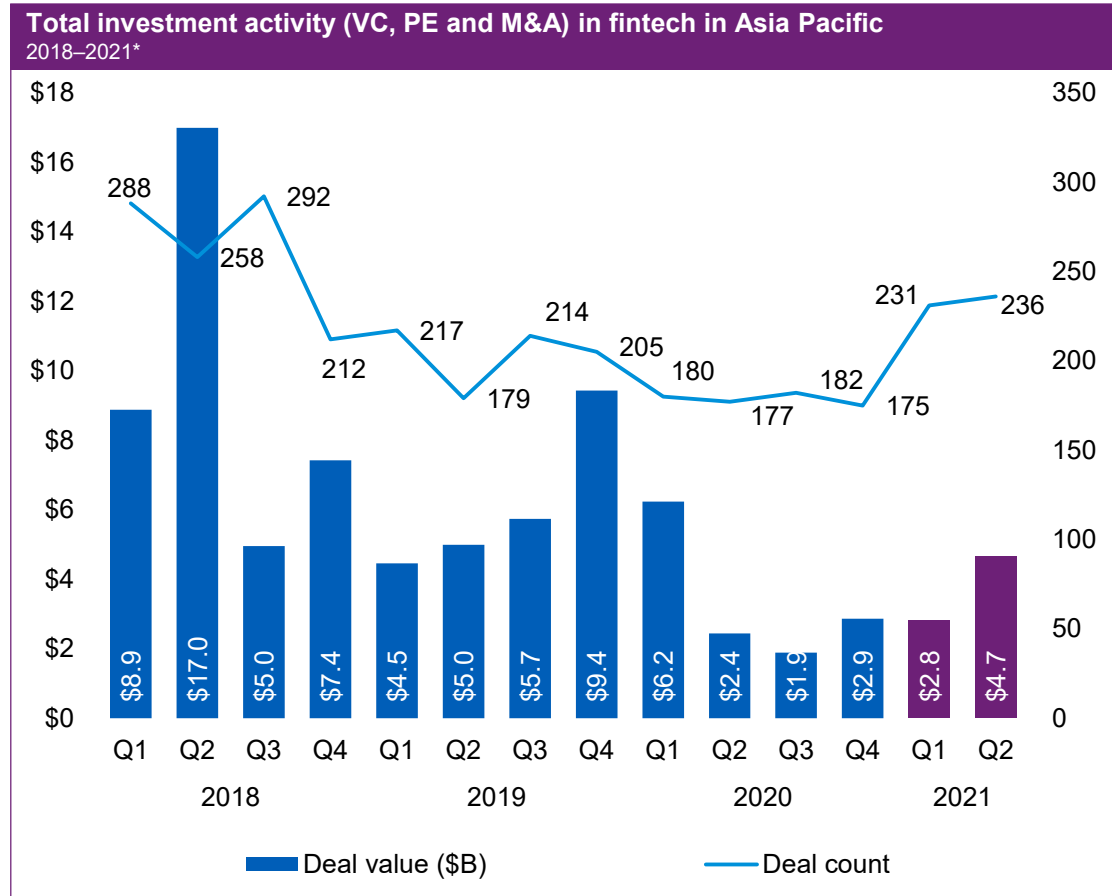


Interestingly, the late-stage financing size has declined over the past few years, with a slight tick upward in 2021’s first half to reach \$20.0 million. What this likely suggests, when analyzed in concert with the trends in financing sizes at earlier stages, is that the degree of competition has grown more mild over the past several years, given that global dry powder figures remain quite elevated. Investors are still willing to broker deals at strong valuations for companies, but not to quite the same extent they did in the past. Part of that is due also to declining corporate participation in the ecosystem, at least at the yearly level thus far, in terms of aggregate deal value in which corporate players participate. Long key to the ASPAC fintech ecosystem, corporates and their venture arms have pulled back somewhat in terms of financing participation when it comes to fintech, given the degree of consolidation and emergence of clear category leaders across countries and even regions.



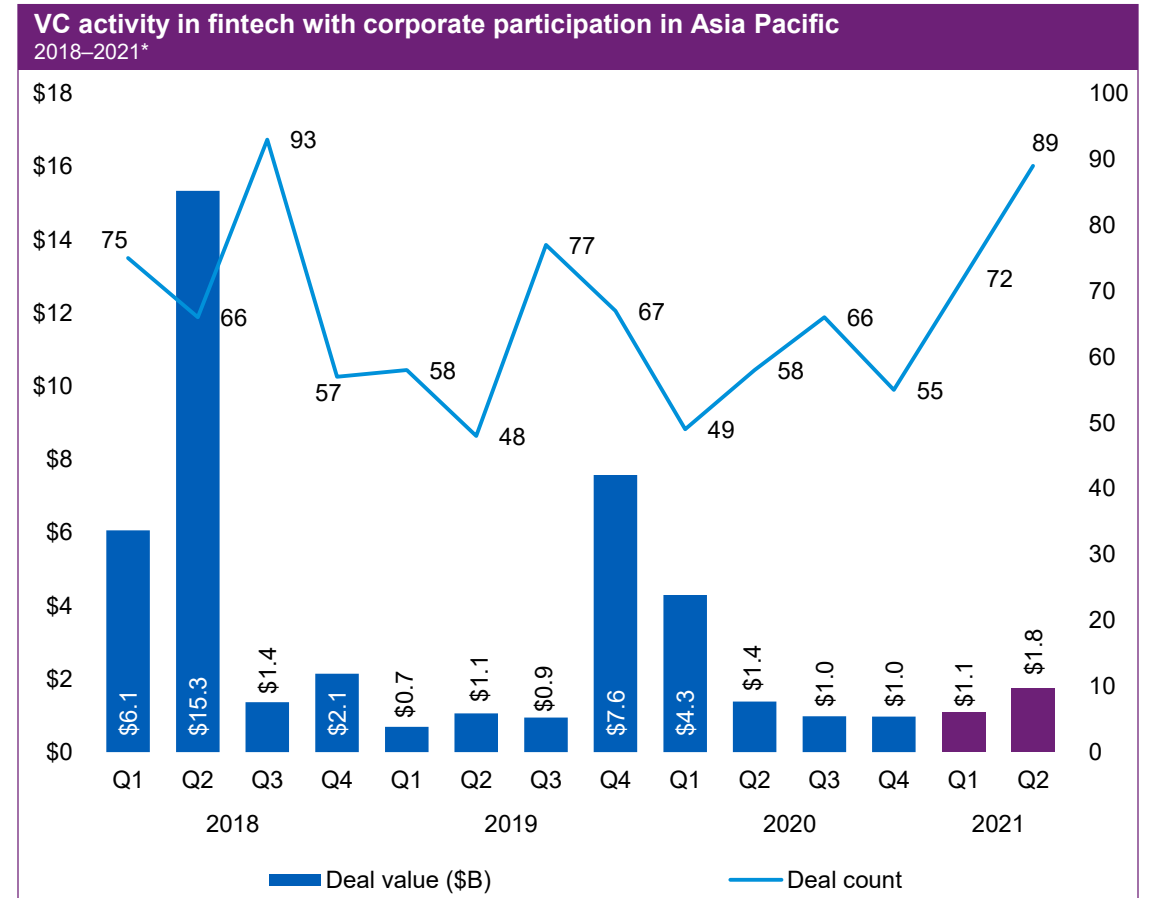
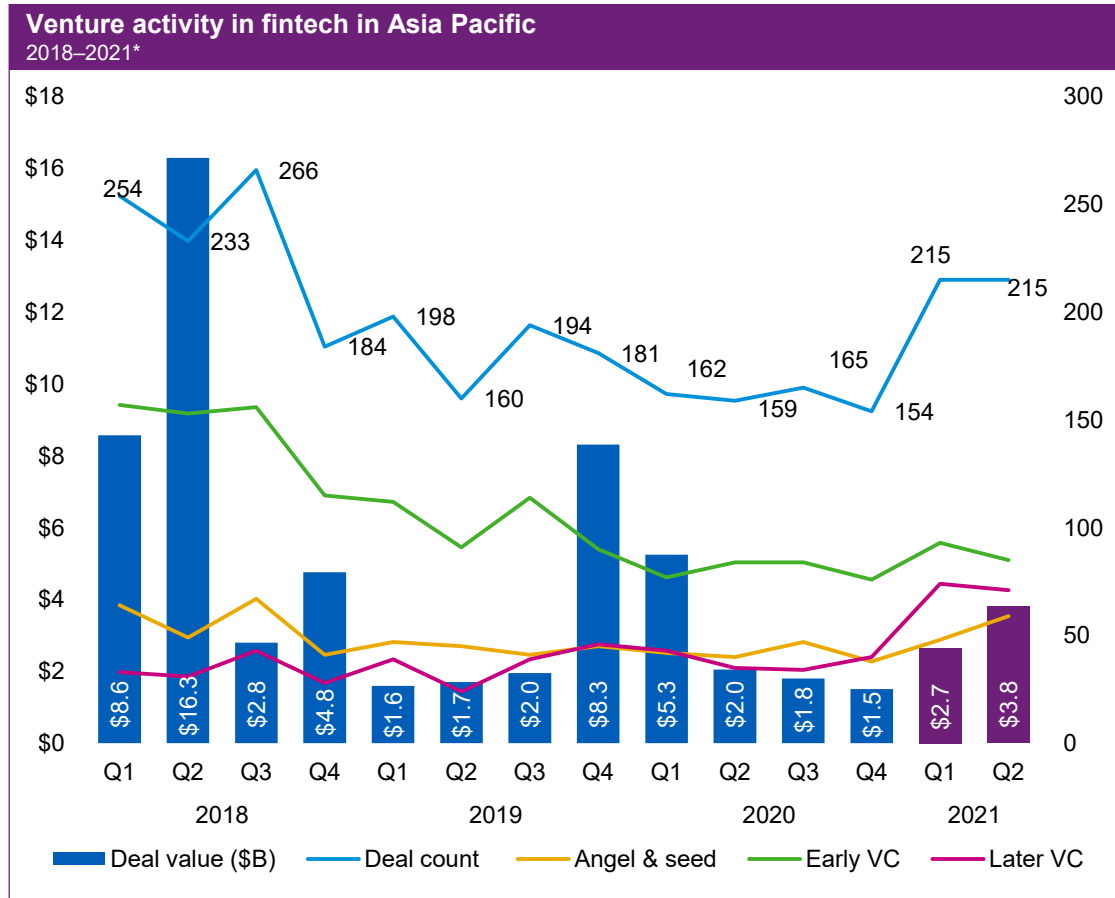
Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Deal-making ticks back upward after subdued period



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Venture financing volume resurges, borne by increased corporate participation

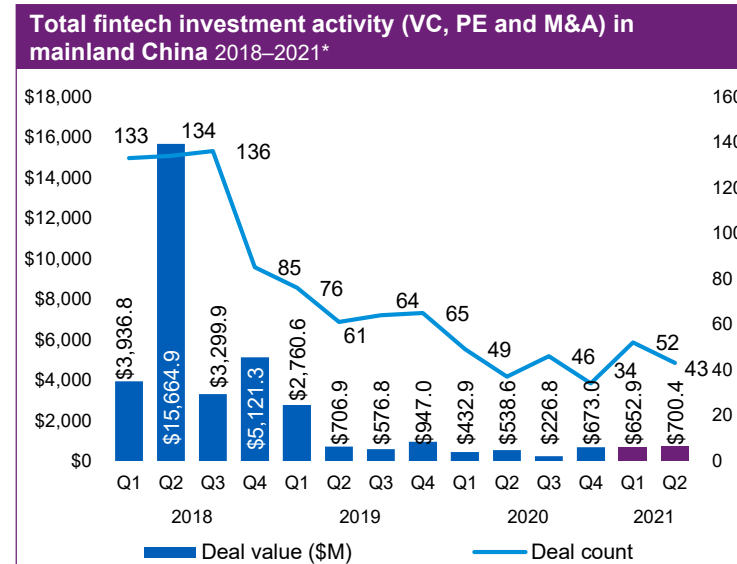


Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

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

China attracts \$1.3 billion in fintech investment in best result since H2'19

- Fintech investment in China increased from \$900 million in H2'20 to over \$1.3 billion in H1'21.
- China did not see any mega VC deals in H1'21, however, the \$100 million+ VC deals that occurred highlight the growing diversity of fintech startups attracting funding. In H1'21, medical payments company MediTrust Health raised \$155 million, wealthtech WeBull raised \$150 million, asset data management firm Xuncetech raised \$108 million, and B2B solutions provider XforcePlus raised \$100 million.
- While tightening controls over crypto, China also expanded its central bank digital currency pilot project in H1'21 to include some salary payments in the Xiong'an New Area,⁴⁴ subway fare payments in Beijing,⁴⁵ and exchanges between digital and physical currencies at two Beijing-based banks.⁴⁶
- In H1'21, financial regulators in China ordered a number of platform companies with financial services offerings to enhance their regulatory compliance.⁴⁷



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

Hong Kong (SAR, China) set to adjust virtual asset exchange licensing rules

- The introduction of digital bank licenses has caused some of the more established banks in Hong Kong (SAR, China) to up their game in terms of the user interface that they offer and the value propositions and how they go to market.
- Cryptocurrencies and crypto exchanges continued to attract attention in Hong Kong (SAR, China), with raises by Amber Group (\$100 million) and Babel Finance (\$40 million) in H1'21. Hong Kong (SAR, China) has also seen increasing interest in the entire blockchain ecosystem from VC funds and family offices.
- While licensing of crypto exchanges is currently 'opt-in' based, during H1'21, the Hong Kong Financial Services and the Treasury Bureau found that all virtual asset exchanges should be licensed with services restricted to professional investors. Regulations to enact these rules are expected over the next year. This could affect crypto investments over the medium term and also Hong Kong's (SAR, China) status as a center for blockchain in Asia.⁴⁸

⁴⁴ <https://www.coindesk.com/china-cbdc-wage-pilot>

⁴⁵ <https://bitcoinist.com/after-chasing-off-bitcoin-miners-china-launches-new-test-for-digital-yuan/>

⁴⁶ <https://www.pymnts.com/cryptocurrency/2021/china-owned-commercial-bank-allows-digital-yuan-to-cash-conversions-at-atms/>

⁴⁷ <https://www.cnbc.com/2021/04/14/chinese-tech-stocks-rally-after-regulatory-compliance-pledge.html>

⁴⁸ <https://www.reuters.com/technology/hong-kong-restrict-crypto-exchanges-professional-investors-2021-05-21/>

“China's fintech market is incredibly mature next to many other jurisdictions, with investments in areas like payments really taking off a few years ago and a number of clear leaders emerging. Now what we're seeing isn't megadeals in those very mature areas, but rather an increasing number of smaller deals focused on less mature sectors of fintech — like B2B services, wealthtech, and insuretech.”

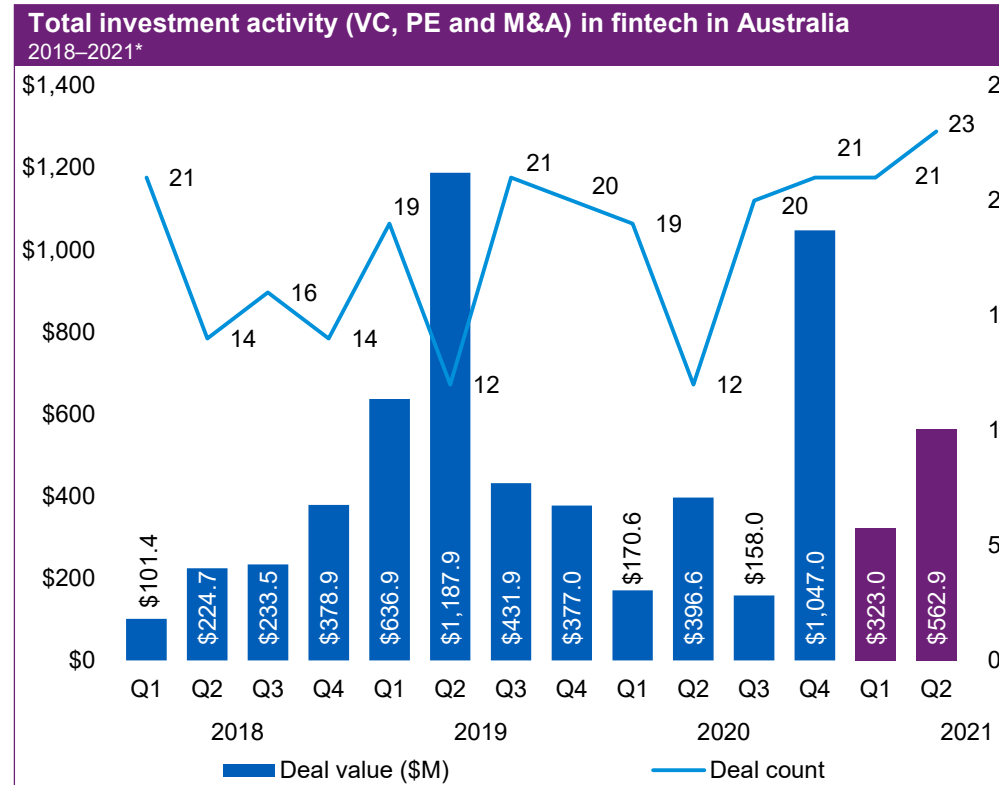
Andrew Huang
Partner and Fintech Leader,
KPMG China

“Hong Kong (SAR, China) has become a center and talent pool for blockchain and crypto in Asia. It's an incredibly hot space for investment — and I expect to see significant M&A activity as CeFi players look to acquisitions to expand capabilities, and investors seek to tap into one of the most exciting and fastest growing asset classes.”

Barnaby Robson
Partner, Deal Advisory,
KPMG China

Australia off to a solid start with almost \$900 million in fintech investment

- Australia saw a solid start to the year, with \$890 million in fintech investment in H1'21, including National Australia Bank's \$170 million acquisition of digital bank 86 400 and \$100 million raises by payments firm Airwallex and green energy focused POS credit and sales provider Brighte.
- In addition to open banking, digital banking, payments, and B2B services, Australia saw rising interest in the digital mortgage space; in H1'21, Athena Home Loans raised \$90 million.
- Interest in banking-as-a-service solutions continued to grow in Australia. In H1'21, incumbent bank Westpac kept moving forward with its development of a BaaS model in partnership with UK-based fintech 10x, announcing a partnership with ID-focused regtech FrankieOne to facilitate seamless onboarding.⁴⁹
- Several of Australia's big banks have focused on investing in ecosystem and vertical players in order to simplify and enhance the experience of SMEs and merchants; during H1'21, Commonwealth Bank invested \$20 million in Amber Energy as part of a partnership to provide access to wholesale energy process to its customers.⁵⁰



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

“ There’s a lot happening in the fintech sector in Australia — between payments, digital banking, and banking-as-a-service solutions. Corporates were very active in H1'21, focusing on building out their capabilities and their offerings in order to provide a broader range of solutions to their clients, particularly SMEs and merchants. ”

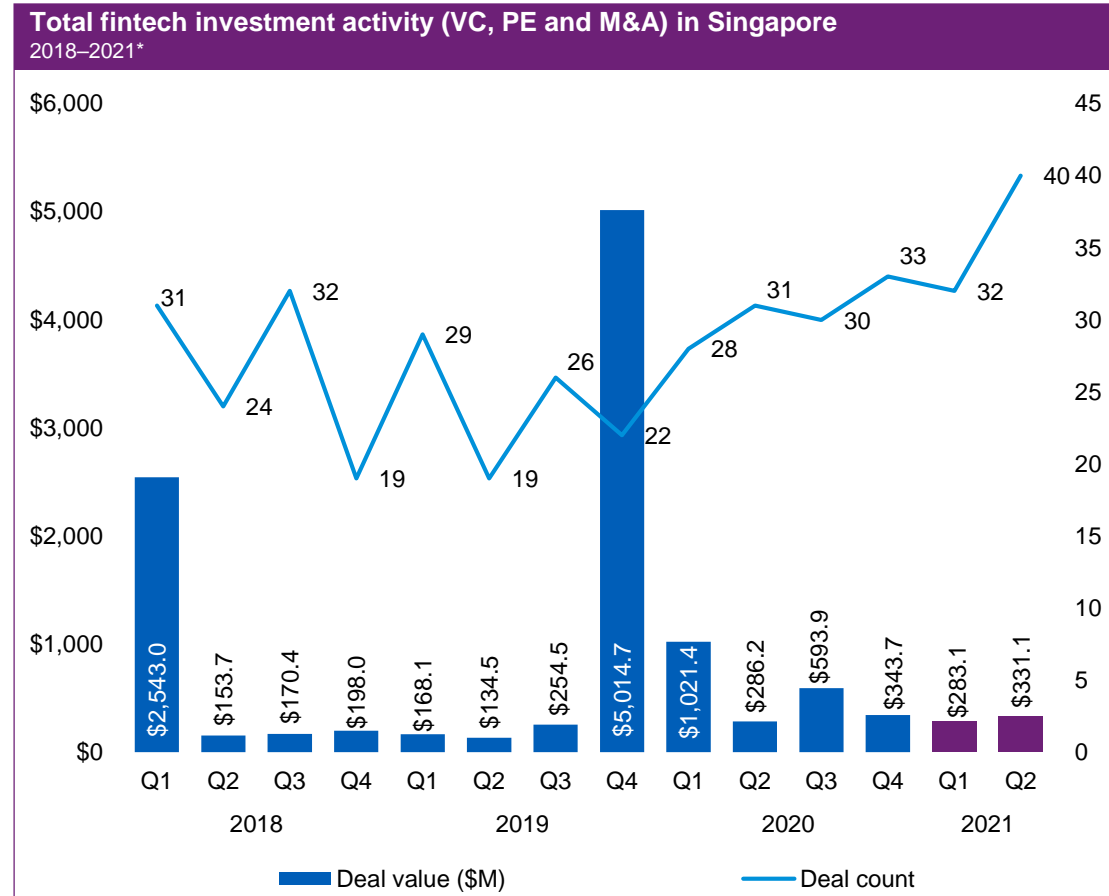
Ian Pollari
Global Co-Leader of Fintech,
Partner and National Banking Leader,
KPMG Australia

⁴⁹ <https://www.afr.com/companies/financial-services/westpac-expands-banking-as-a-service-diverging-from-cba-strategy-20210326-p57eau>

⁵⁰ <https://reneweconomy.com.au/energy-retail-upstart-amber-gains-new-funds-and-customer-base-in-cba-deal/>

Grab announces \$40 billion SPAC merger in Singapore

- Fintech investment dropped somewhat in Singapore, from \$930 million in H2'20 to \$614 million in H1'21; eWallet company Matchmove raised \$100 million in Singapore's largest deal of the quarter.
- During H1'21, platform giant Grab announcing a \$40 billion SPAC merger — setting the stage for a big end to the year.
- The four digital banks that received licenses in Singapore were quiet in H1'21, focusing on building out their operations and products; Singapore's incumbent banks also focused significantly on their digital products and value propositions.
- During H1'21, the Green Finance Industry Taskforce of the Monetary Authority of Singapore announced a number of initiatives focused on accelerating green finance, including issuing a guide for climate-related disclosures, a framework for green trade finance, and recommendations and a roadmap to scale green finance in a number of key sectors.⁵¹



Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

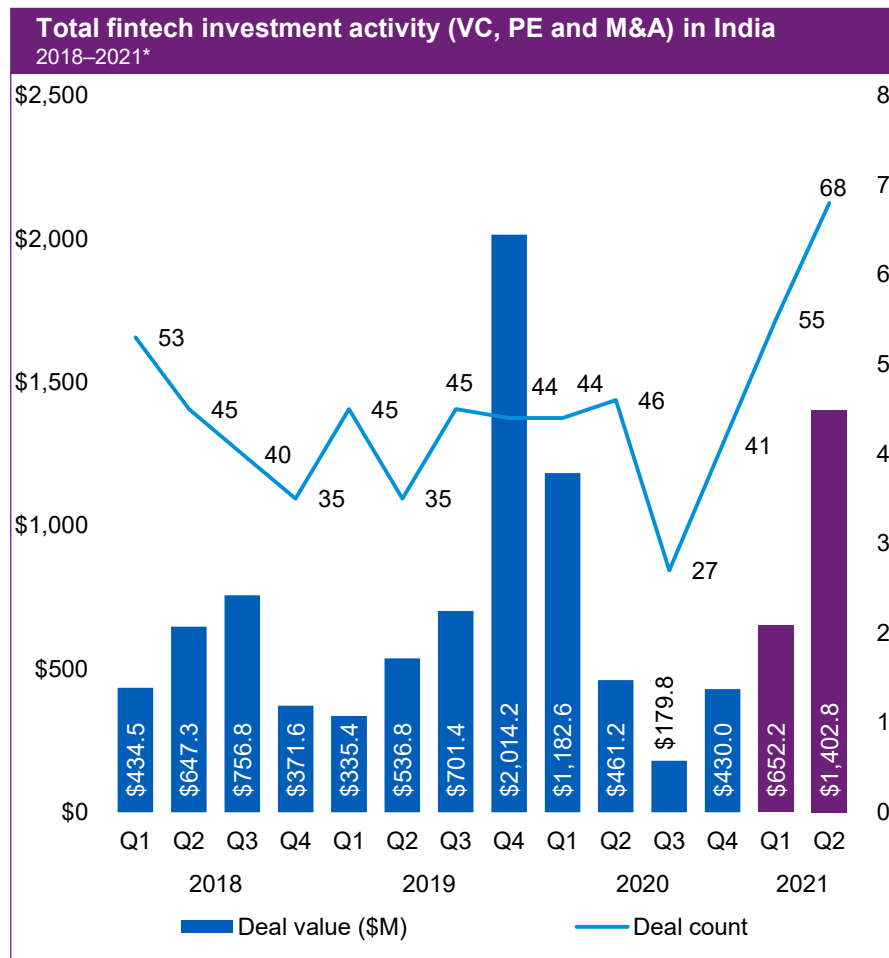
“ It is all about platforms here in South East Asia targeting inclusion, sustainability, e-commerce and efficient access to finance. Through this we are seeing the beginning of a redrawing of Financial Services, supported by the opening up of data by regulators, central banks and the cloud providers. ”

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

⁵¹ <https://www.mas.gov.sg/news/media-releases/2021/accelerating-green-finance>

Big start to 2021 as India attracts over \$2 billion in fintech investment

- India almost matched its total fintech investment in 2020, with \$2 billion in investment in H1'21, including merchant platform Pine Labs' \$285 million PE funding round and \$100 million+ VC funding rounds by Cred (\$215 million), RazorPay (\$160 million), KreditBee (\$153 million), OfBusiness (\$110 million), and BharatPe (\$108 million).
- Digital banking was a big play in India, but with a unique model compared to other jurisdictions in the regions — with digital banks acting primarily as SaaS providers and regulatory responsibility remaining with bank partners.
- Early fintech leaders in India have continued to expand their business models into adjacencies in order to bring their customers more value, such as payments players acquiring insurtechs.
- Insurtech is a growing area of interest for investors in India; in H1'21, several insurtechs raised mid-sized VC or PE funding rounds, including Turtlemint (\$46 million), RenewBuy (\$45 million), and Digit Insurance (\$18 million).

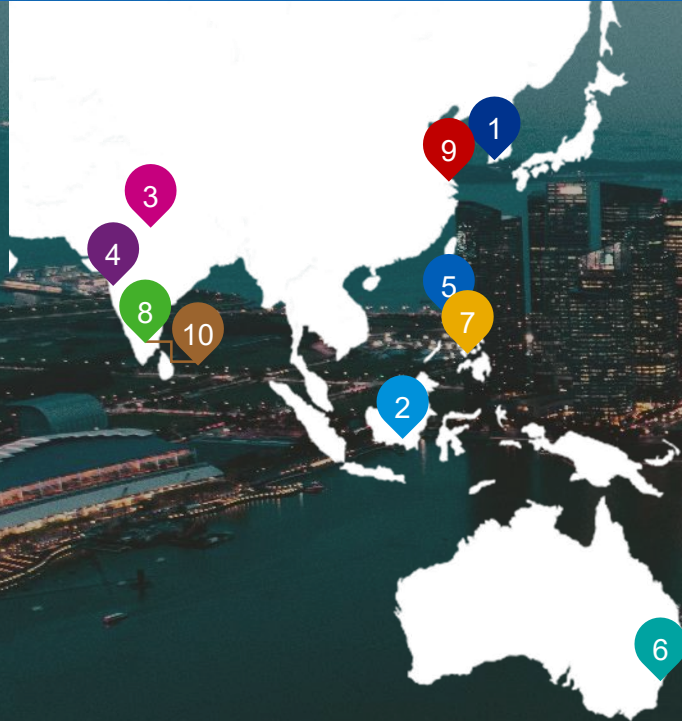


Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

“ Exits in India are going to increase, both in terms of IPOs and in terms of acquisitions. On the M&A front, fintechs could be targeted by banks, larger fintechs or even a fintech services conglomerate. Over the next 12 months, we expect leading fintech unicorns trying to tap into the strong capital market by looking at an IPO. Banks are also keen to partner with Fintechs especially Neo Banks and Wealthtech platforms.”

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

Top 10 fintech deals in Asia Pacific in H1 2021



1. **Toss (Financial Software)** — \$410M, Seoul, South Korea — Payments/transactions — *Later VC*
2. **Gojek** — \$300M, Jakarta, Indonesia — Payments/transactions — *Later VC*
3. **Pine Labs** — \$285M, Noida, India — Payments/transactions — *PE growth*
4. **CRED (Financial Software)** — \$215M, Mumbai, India — Payments/transactions — *Series D*
5. **Mynt** — \$175M, Taguig, Philippines — Payments/transactions — *Later VC*
6. **86 400** — \$170.3M, Sydney, Australia — Banking — *M&A*
7. **Voyager Innovations** — \$167M, Mandaluyong City, Philippines — Payments/transactions — *PE growth*
8. **Razorpay** — \$160M, Bengaluru, India — Payments/transactions — *Series E*
9. **MediTrust Health** — \$154.6M, Shanghai, China — Payments, insurtech — *Series B*
10. **KreditBee** — \$153M, Bengaluru, India — Lending — *Series C*

Source: Pulse of Fintech H1'21, Global Analysis of Investment in Fintech, KPMG International (data provided by PitchBook), *as of 30 June 2021.

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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Methodology

The underlying data and analysis for this report (the “Dataset”) was provided by PitchBook Data, Inc (“PitchBook”) on 7 July 2021 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 7 July 2021. 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.

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 that 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.



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