

CMU KPI Report



CMU: Measuring progress and planning for success

- Third anniversary of CMU: timely opportunity to review the progress on achieving the CMU's vital aims
- Produced by AFME with the support of nine trade associations and international organisations representing various Global and European capital markets stakeholders



Seven Key Performance Indicators

- Seven KPIs to assess progress at the EU and Member State level across the seven political priorities of the CMU Action Plan

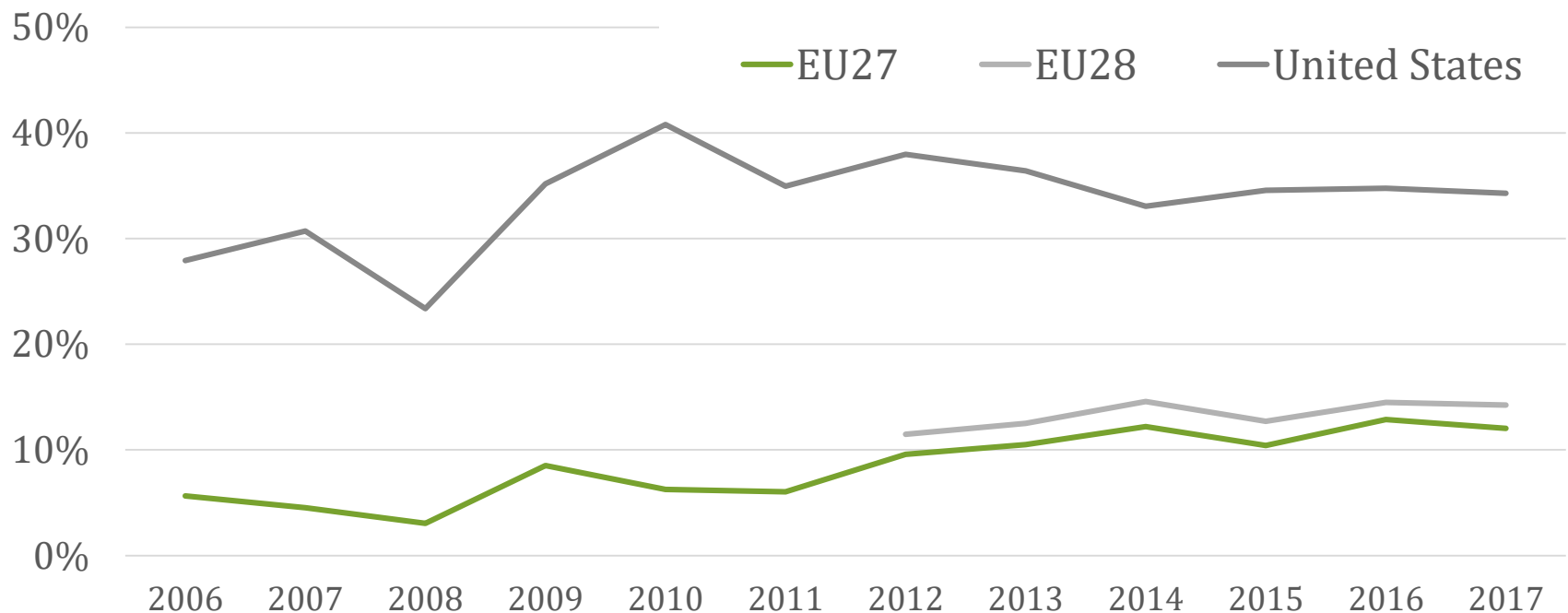
KPI	What it measures
Market Finance	Capacity to raise capital on public markets
Household Market Investment	Availability of pools of capital
Loan Transfer	Capacity to transform bank loans into capital markets instruments (securitisation, covered bonds or loan transactions)
Sustainable Finance	Labelling of sustainable bond markets
Pre-IPO Risk Capital	Availability of risk capital for start-ups and SMEs
Cross-border Finance	Capital markets integration within the EU and the rest of the world
Market Depth	Measuring the capacity of EU capital markets

Market Finance indicator:

EU companies continue to over rely on bank lending

- Measures the capacity for non-financial corporates (NFCs) to raise finance on public markets
- Calculated as NFC equity and bond issuance as % of total NFC annual lending and bond and equity issuance
- Only 14% of new external funding by EU non-financial corporates in 2017 was through bonds (12%) or public equity (2%), with the remainder funded through bank lending. c35% in the US

Market Finance Indicator: 2006-17

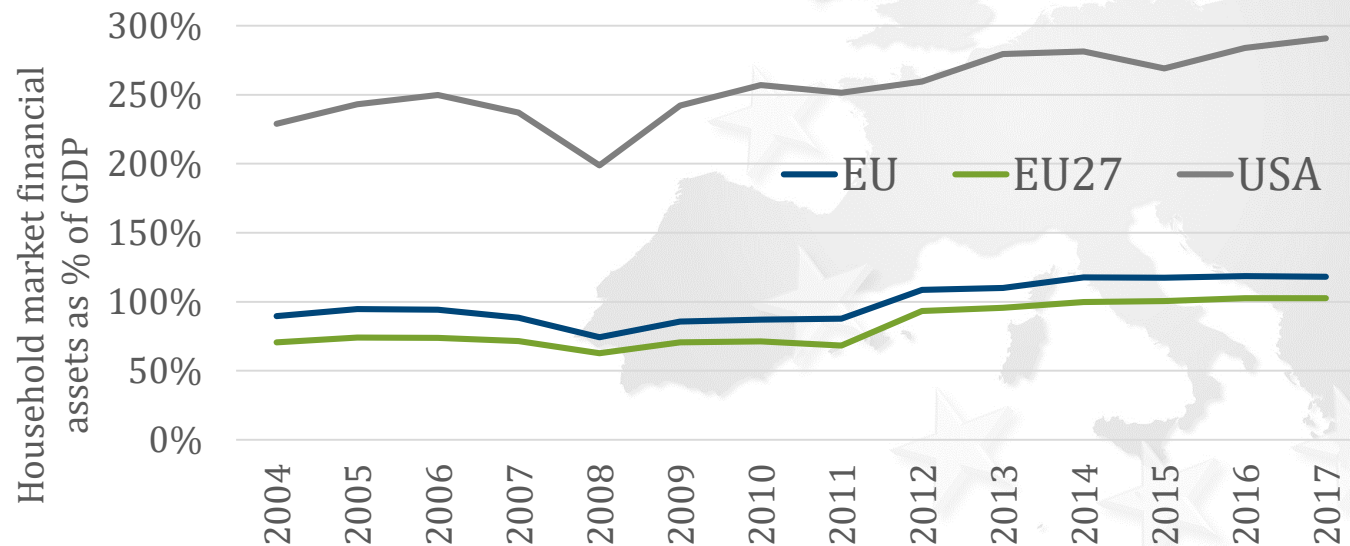


Household Market Investment indicator: Improvement in the availability of pools of capital

- Measures the availability of pools of capital from household investors
- Calculated as household financial assets saved in financial instruments (listed equity shares, investment fund shares, bonds, life insurance reserves and pension fund holdings) as % GDP

Evolution of Household Market Investment Indicator

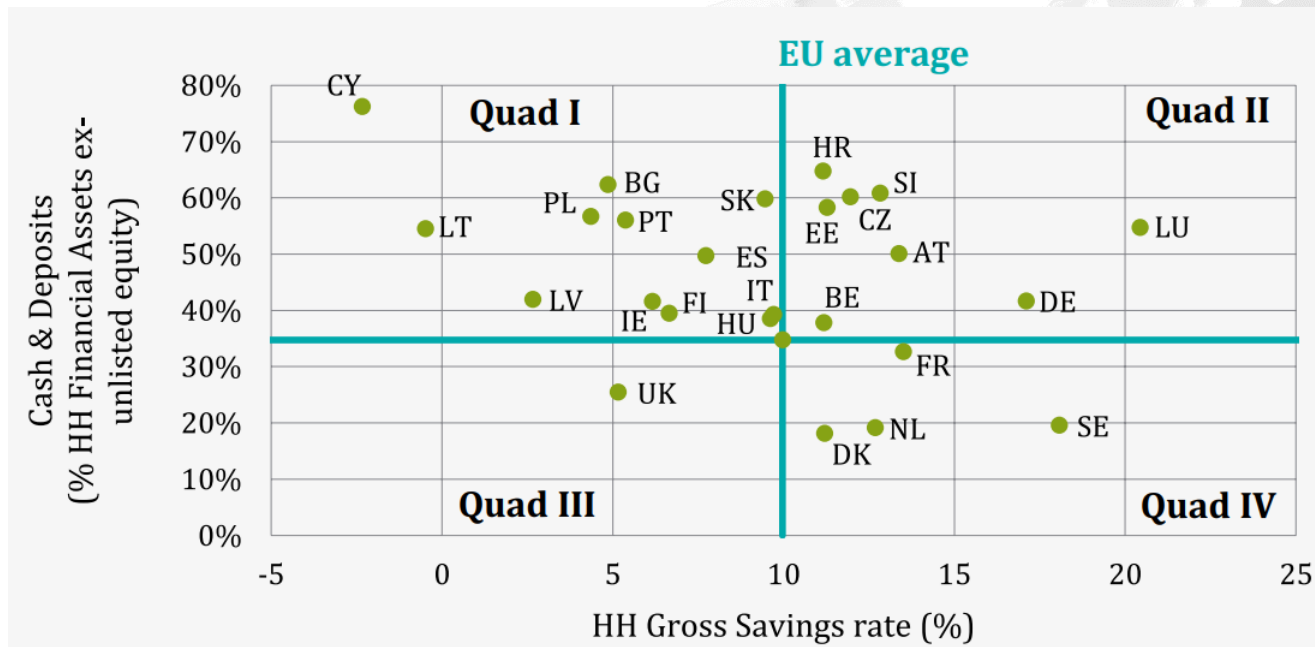
Household financial assets (ex- cash, deposits and unlisted equity) as % of GDP



Household Market Investment indicator: Overinvestment in conservative assets

- Considerable heterogeneity between EU Member States in their savings amount and asset allocation profile.
- Germany, Luxembourg and Austria have high savings rates but invest assets in conservative non-capital markets instruments. Potential to invest into SMEs?

Cash & deposits savings and household gross savings rate: 2017

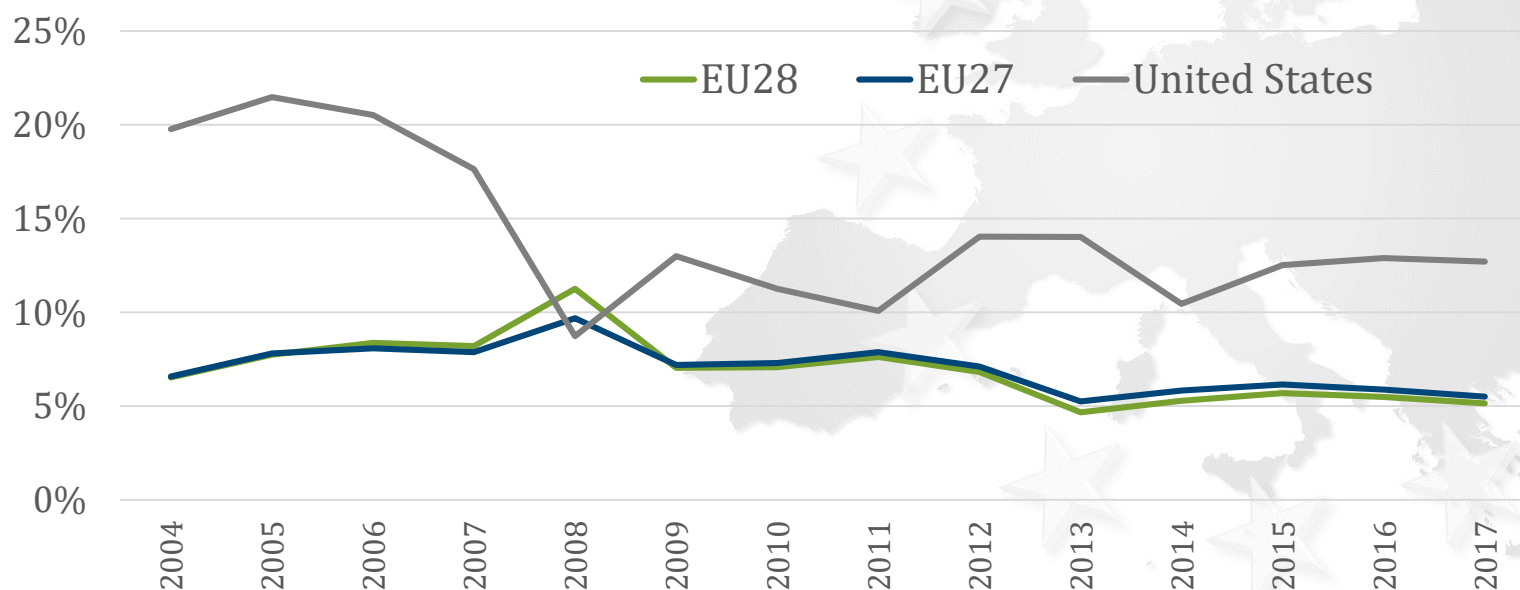


Loan Transfer indicator:

Decline in the transformation of loans into tradeable securities

- Measures the capacity to transform loans into capital markets instruments (securitisation, covered bonds and loan transactions)
- Calculated as securitisation, covered bond issuance and loan portfolio annual transactions as % of outstanding loans
- In 2017, 5.2% of the stock of EU bank loans were securitised, sold to investors through loan portfolio transactions or pooled in covered bonds (5.6% on average in 2012-16)

Loan Transfer Indicator: covered bond, securitisation and portfolio sales as % of outstanding loans

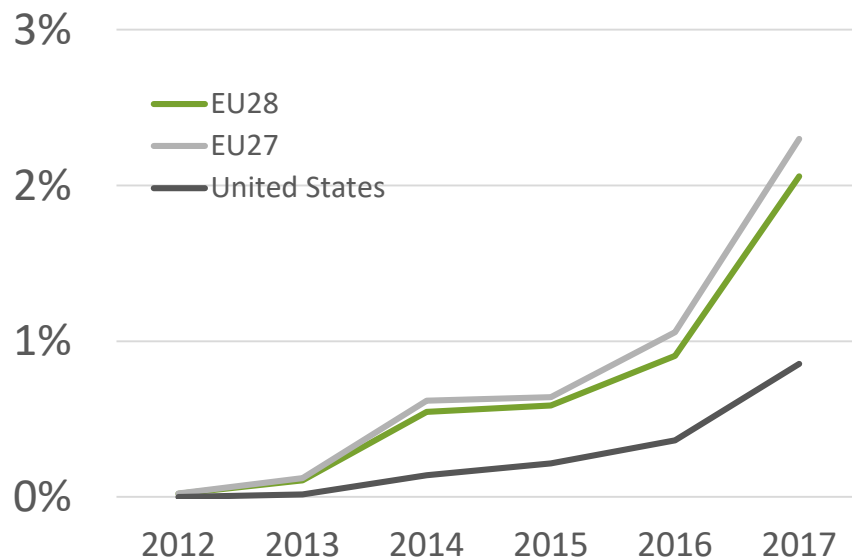


Sustainable Finance indicator:

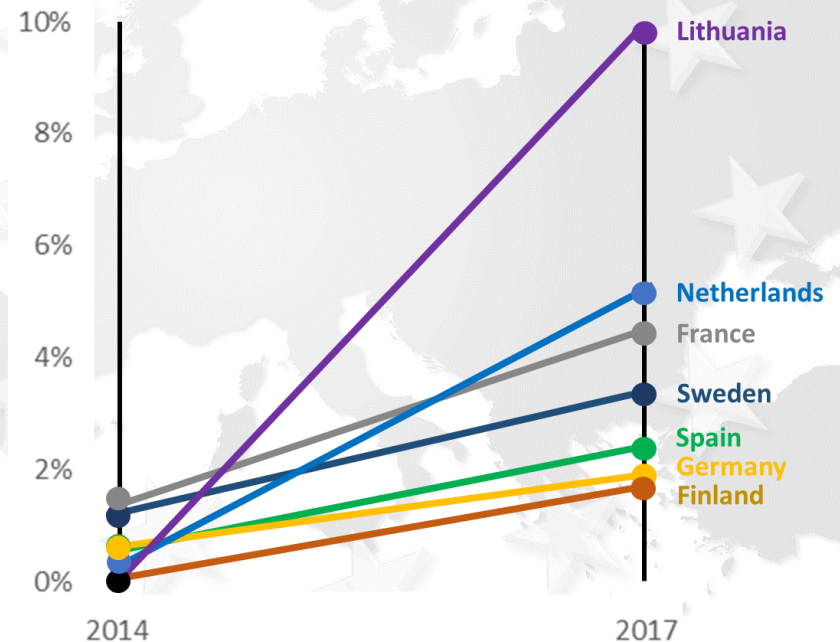
Europe is a global leader in sustainable finance

- Measures the labelling of sustainable bond markets
- Bond issuance labelled as sustainable as % of total bond issuance (as per CBI and Dealogic). Definition of “sustainable” is likely to change following ongoing initiatives

Evolution of Sustainable Finance Indicator



Sustainable Finance Indicator: selected EU countries

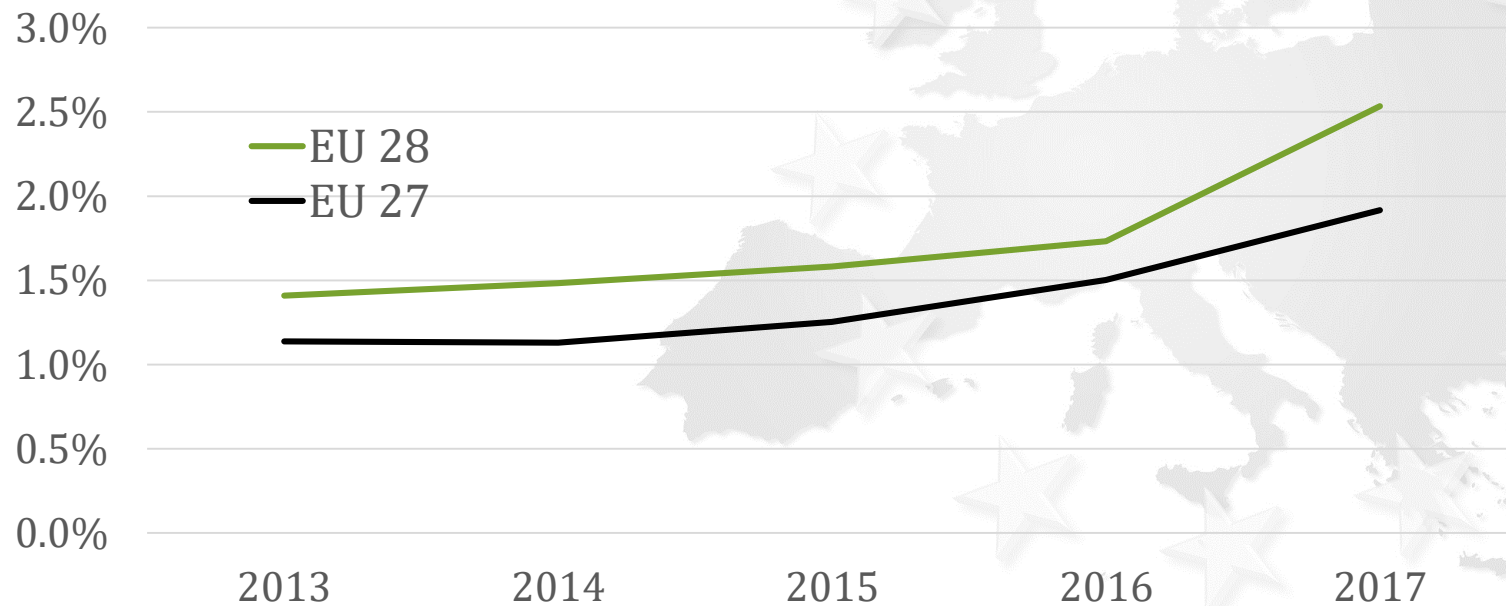


Pre-IPO Risk Capital indicator:

Increase in annual risk capital investment for SMEs

- Measures availability of risk capital finance for non-listed companies
- Annual investment through equity crowdfunding, business angels, and private equity growth funds and venture capital funds as % of loan and risk capital investment to SMEs

Evolution of Pre-IPO risk capital indicator (EU): 2013-17

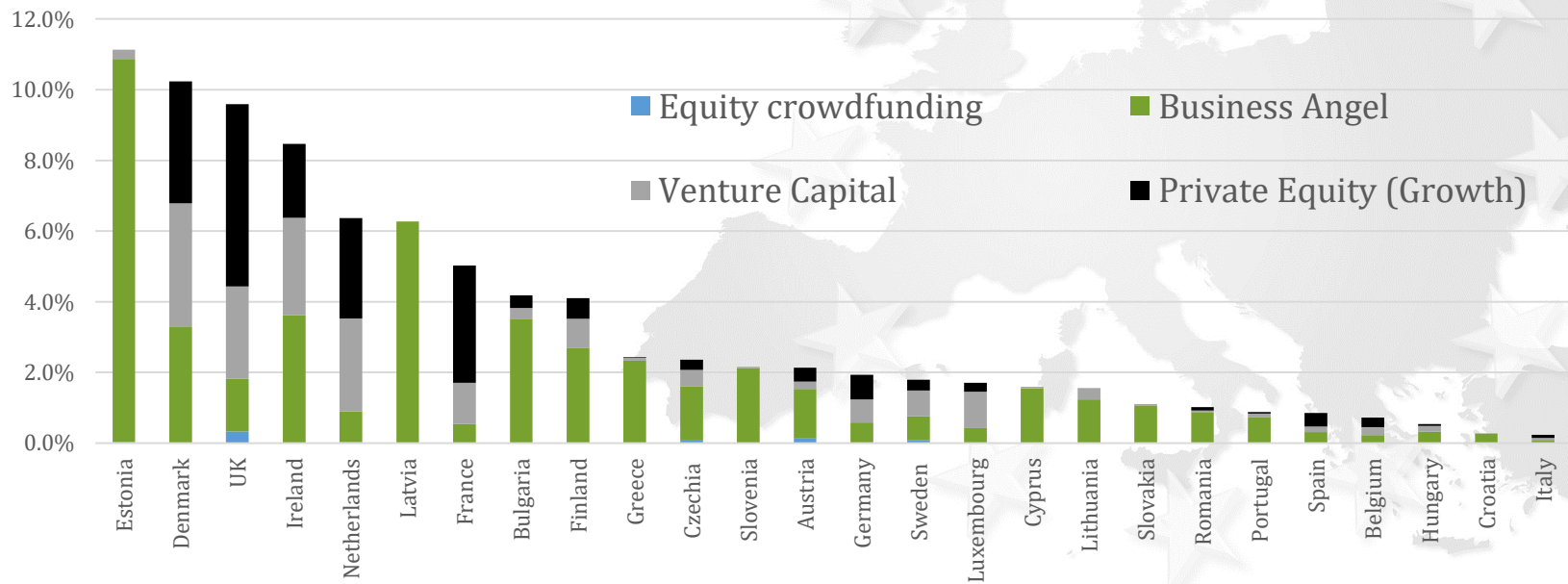


Pre-IPO Risk Capital indicator:

Significant difference between EU countries

- Estonia, Denmark and the UK lead by the amount of available risk capital for SMEs, with a prominent participation of business angel investment in Estonia and a diversified mix in Denmark and the UK.
- The country index values don't exhibit a close relationship with the contribution of SMEs to employment or value added. SMEs in IE and the UK accounted for 36.6% and 51.8% of total value added in the nonfinancial sector (vs. 56.8% in the EU) but are among the countries where pre-IPO finance is more widely available

Pre-IPO risk capital indicator by countries and investment source: 2017

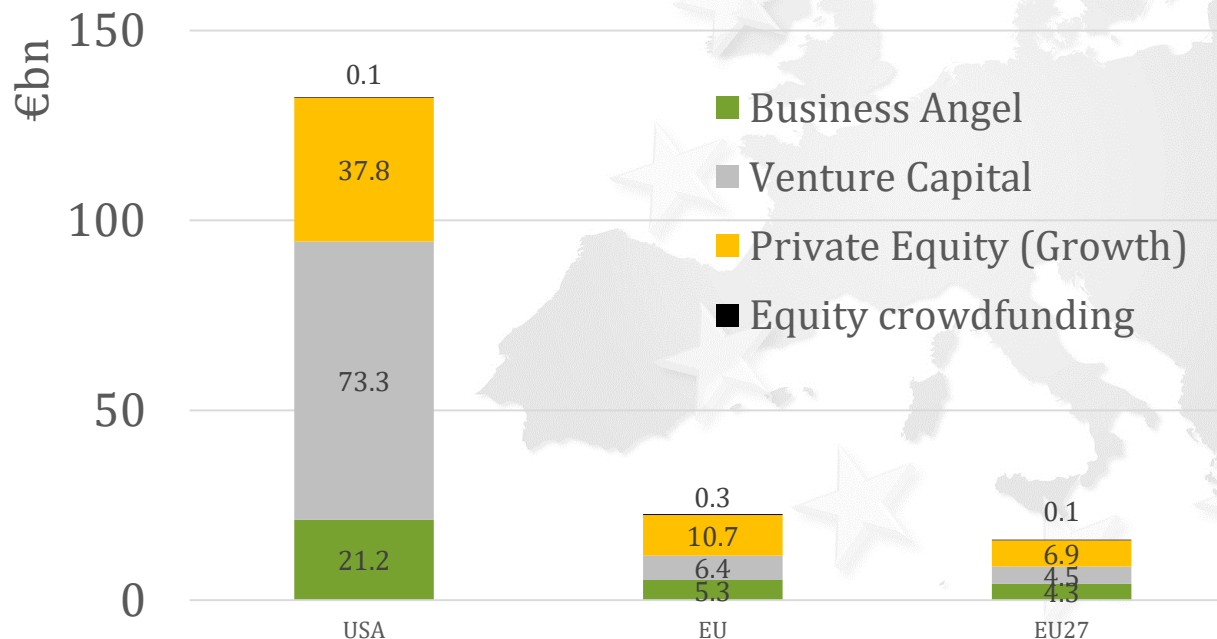


Pre-IPO Risk Capital indicator:

Increase in annual risk capital investment for SMEs

- The absolute amount of risk capital in Europe, however, is still significantly below that of the US
- Estonia, Denmark and the UK lead by availability of risk capital for SMEs

Pre-IPO risk capital investment in the US and Europe by asset classes: 2017

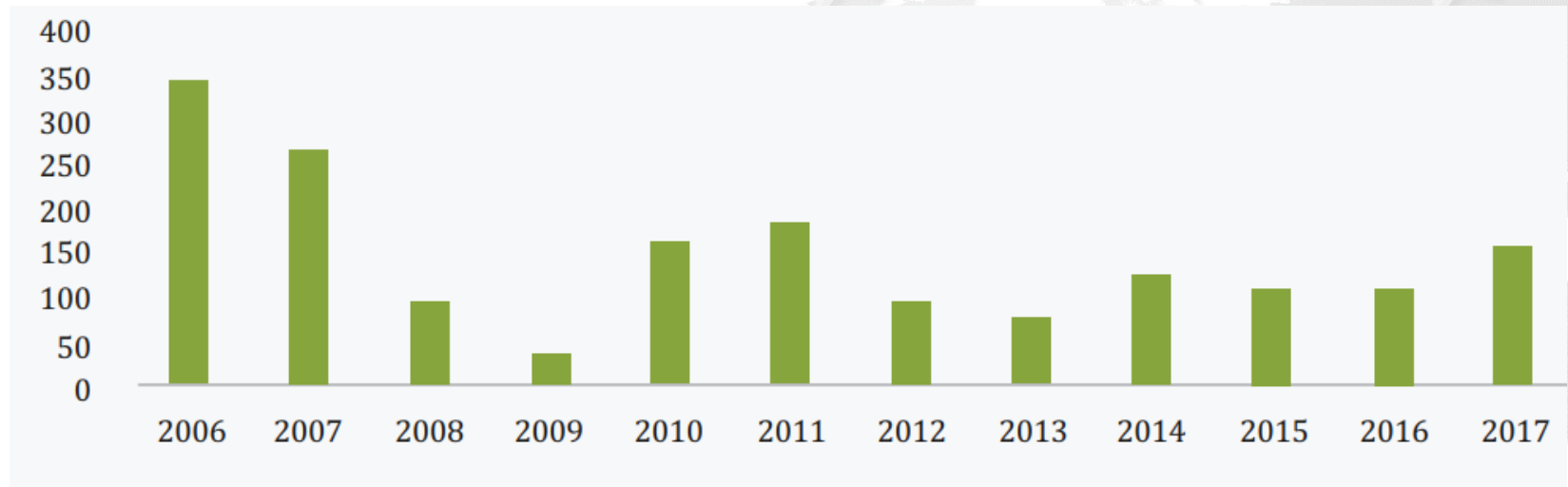


Pre-IPO Risk Capital indicator:

Increase in annual risk capital investment for SMEs

- A deep IPO market is also crucial for risk capital development, in that it provides early stage investors (BA, PE, VC) with an effective exit strategy to realise their investments.
- Disappointing that the SME IPO market continues to be subdued with the number of companies that raised capital from IPOs on junior markets falling from 300 on average in 2005-07 to 153 in 2017

Number of IPOs on Jr markets in the EU

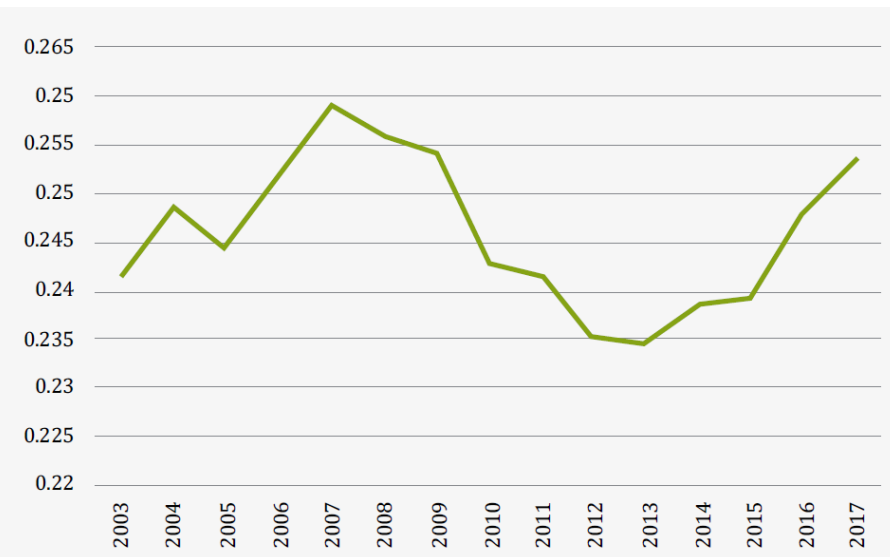


Cross-Border Finance indicator

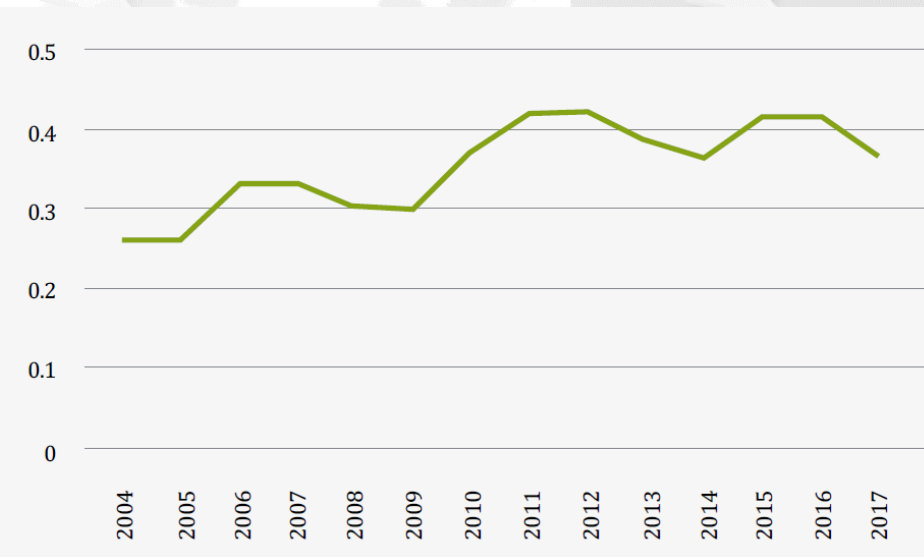
Greater intra-EU integration

- Capital markets integration within the EU and with the rest of the world
- Calculated as a composite indicator of cross-border M&A transactions, equity & bond issuance, private equity, and portfolio holdings. Range 0-1

Intra EU Integration indicator [0: Min, 1: Max]



Global integration indicator [0: Min, 1: Max]

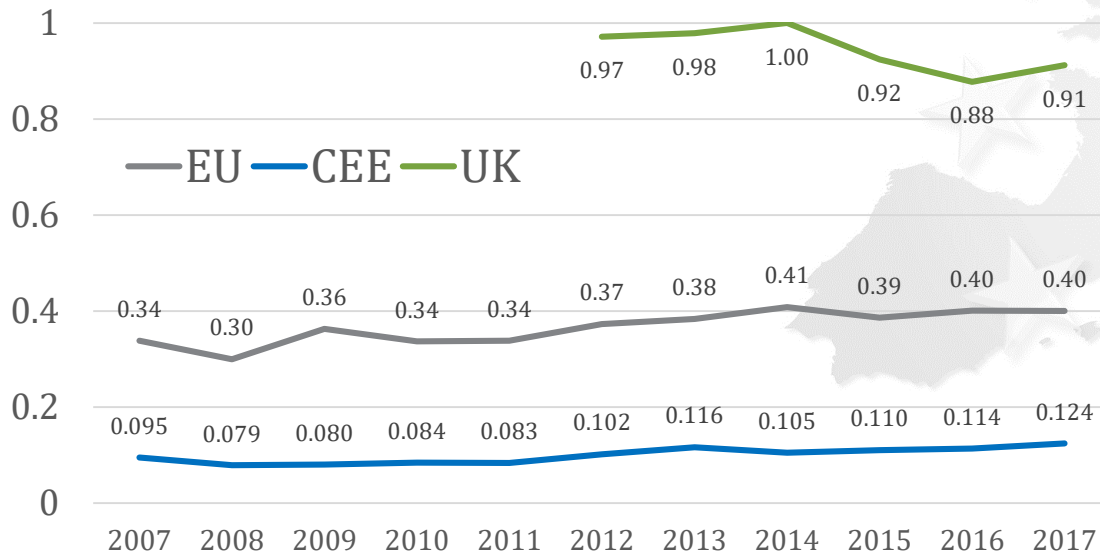


Market Depth indicator

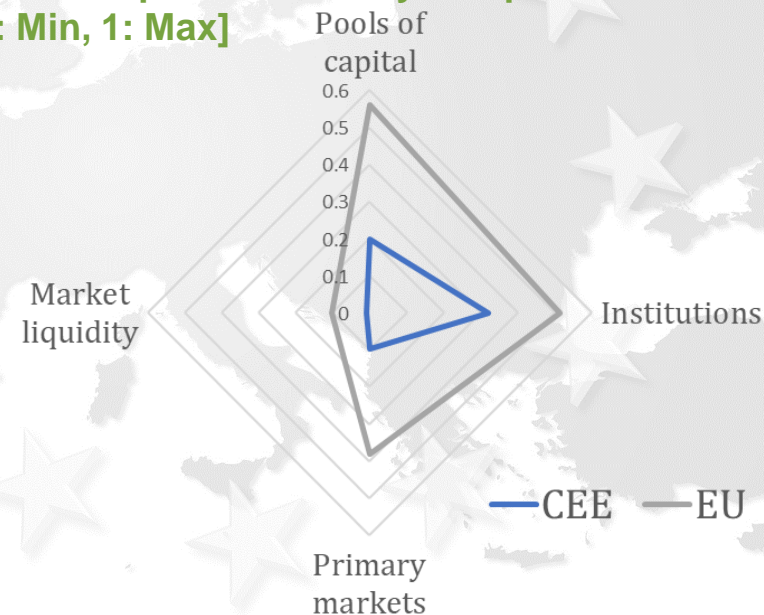
Convergence of CEE with the EU at a slow pace

- Measures capital markets depth from a holistic perspective recognising the multiple factors behind effective capital markets development. Compares CEE with EU markets
- Calculated as a composite indicator of: (i) supply of funds, (ii) primary markets activity, (iii) market liquidity, and (iv) institutional strength

Evolution of Market Depth Indicator [0: Min, 1: Max]



Market Depth Indicator by components: 2017 [0: Min, 1: Max]



Country rankings

- Country rankings to facilitate comparison against peers and recent years (Appendix 1 in the report)

	Market Finance Indicator	Household Market Investment	Loan Transfer Indicator	Sustainable Finance	Risk Capital Indicator	Intra-EU Integration (EU)	Integration with the rest of the world	Market depth indicator
Austria	17	11	17	9	13	7	14	11
Belgium	18	5	8	28	23	5	5	6
Bulgaria	28	24	19	28	8	12	21	24
Croatia	20	16	28	28	25	28	27	27
Cyprus	28	18	28	28	17	22	3	28
Czech Republic	12	19	9	28	11	14	24	15
Denmark	13	3	1	10	2	16	8	3
Estonia	22	28	28	28	1	3	26	18
Finland	5	13	14	7	9	6	12	8
France	4	6	16	3	7	19	11	5
Germany	9	8	16	6	14	23	9	18
Greece	3	26	4	28	18	26	15	16
Hungary	21	17	11	28	24	11	17	22
Ireland	2	12	5	28	4	9	10	7
Italy	10	7	7	11	26	15	16	13
Latvia	23	25	28	8	6	4	25	25
Lithuania	16	27	28	1	18	16	22	23
Luxembourg	19	14	29	28	16	1	2	9
Malta	28	9	28	28	na	18	7	17
Netherlands	6	1	13	2	5	8	4	2
Poland	15	21	18	13	na	27	20	21
Portugal	11	15	6	28	21	28	18	14
Romania	8	28	21	28	28	24	23	28
Slovakia	28	20	15	28	19	17	28	26
Slovenia	28	22	28	14	12	25	19	19
Spain	14	10	2	5	22	21	13	12
Sweden	7	4	3	6	15	13	6	4
EU	1	2	14	12	3	2	1	1

■ Top 5 countries
■ Ranked 6-19
■ Ranked 20-28
■ na data not available to produce the indicator



The Association for Financial Markets in Europe advocates stable, competitive and sustainable European financial markets that support economic growth and benefit society.

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