



# 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

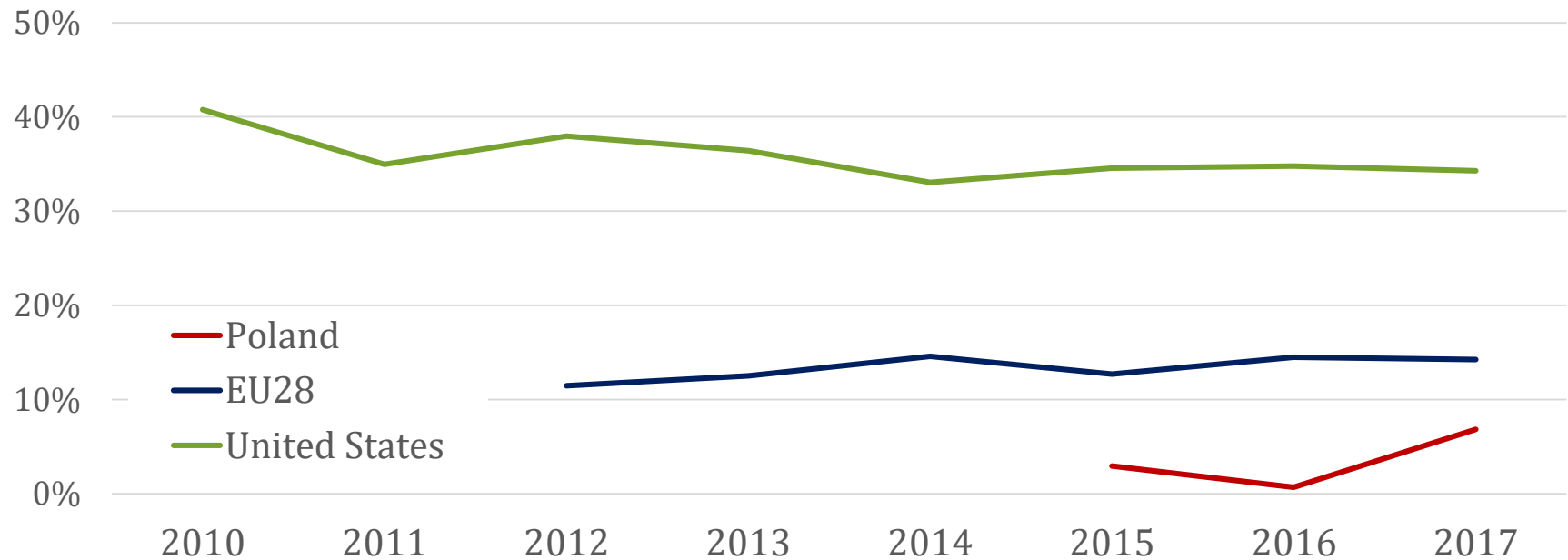
KPI	What it measures
Market Finance	Capacity to raise capital on public markets
Household Market Investment	Availability of pools of capital
Loan Transfer	Capacity to transform bank loans into capital markets instruments (securitisation, covered bonds or loan transactions)
Sustainable Finance	Labelling 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 or public equity, with the remainder funded through bank lending. c35% in the US and 7% in Poland

### Market Finance Indicator: 2006-17

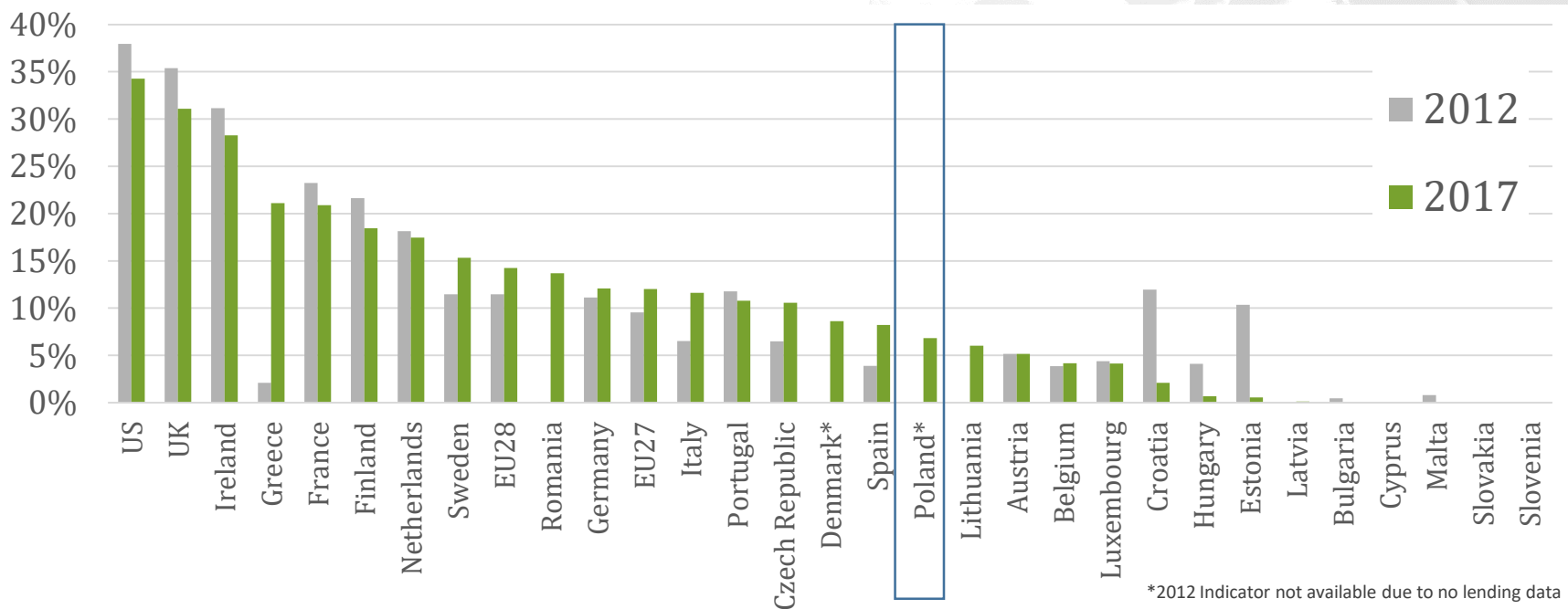


# Market Finance indicator:

## EU companies continue to over rely on bank lending

- UK and Ireland lead the EU countries with over 25% of total NFC new funding raised from markets.
- Slovenia, Slovakia, Malta, Cyprus, and Bulgaria had no NFC bond or equity issuance in 2017.
- Poland among the CEE countries with the largest proportion of market-based finance for NFCs, but with room for further improvement in the next years

Market Finance Indicator by country: 2017 and 2012

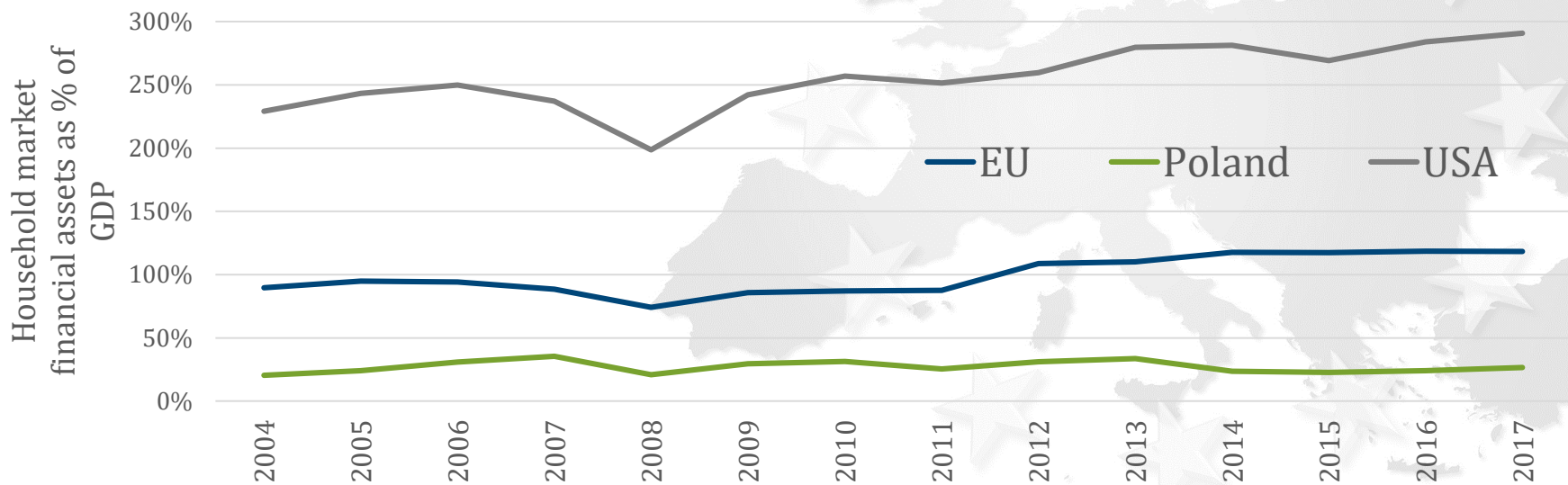


# Household Market Investment indicator: Improvement in the availability of pools of capital

- 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
- Polish households have recently decreased the amount of savings in capital market instruments as proportion of GDP (33% in 2014 to 26% in 2017) following the reversal of the private pension reform in 2014

## Evolution of Household Market Investment Indicator

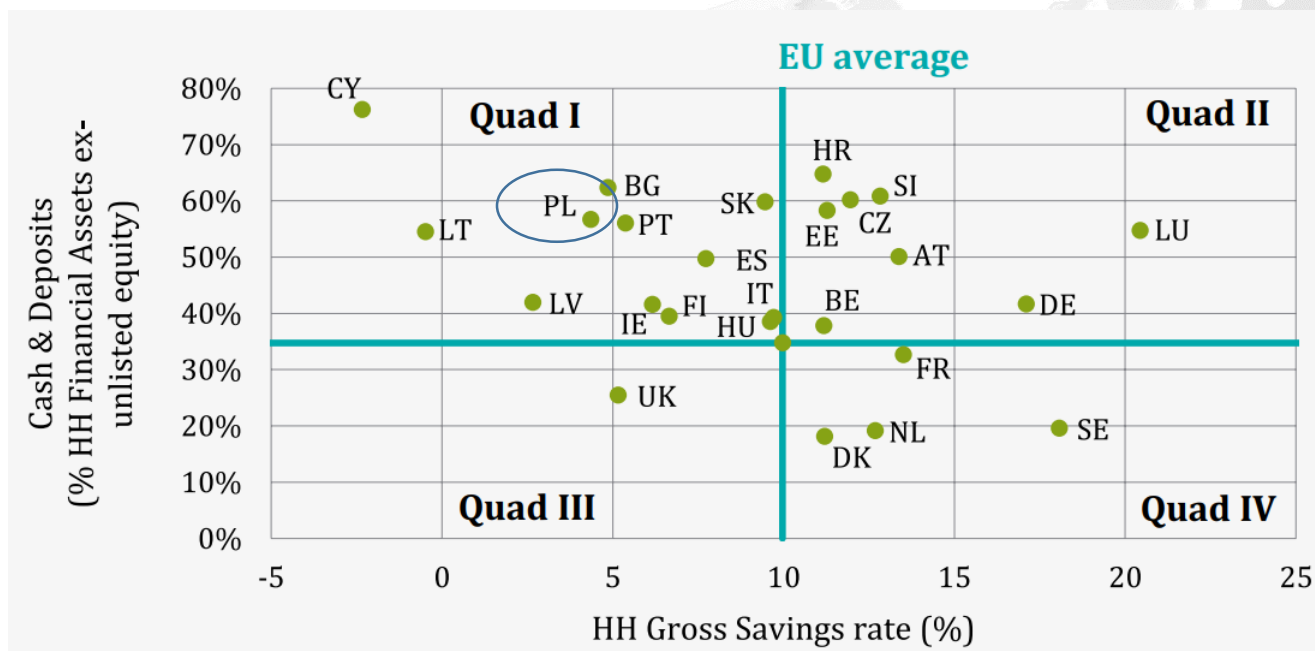
Household financial assets (ex- cash, deposits and unlisted equity) as % of GDP



# 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
- Poland faces a dual problem of low household savings rate and a significant large proportion of those savings in the form of cash & deposits (c60%)

## Cash & deposits savings and household gross savings rate: 2017



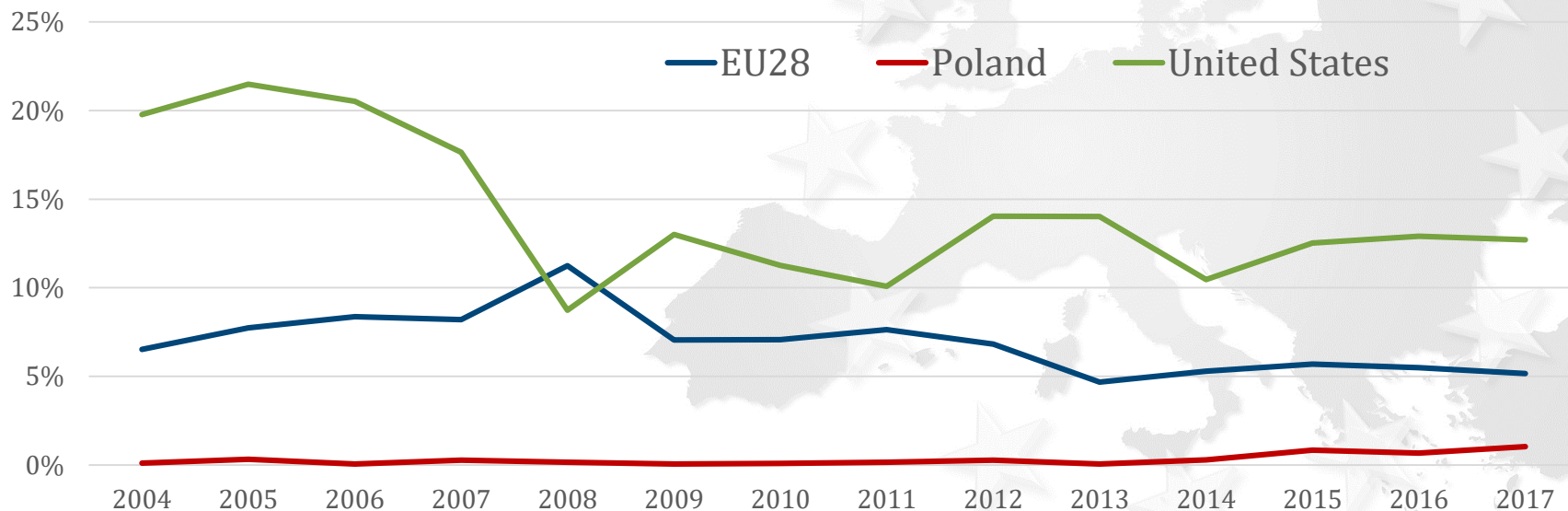


# Loan Transfer indicator:

## 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 bond instruments (5.6% on average in 2012-16). PL significantly lags behind in the transformation of loans into tradeable securities (1.0%)

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



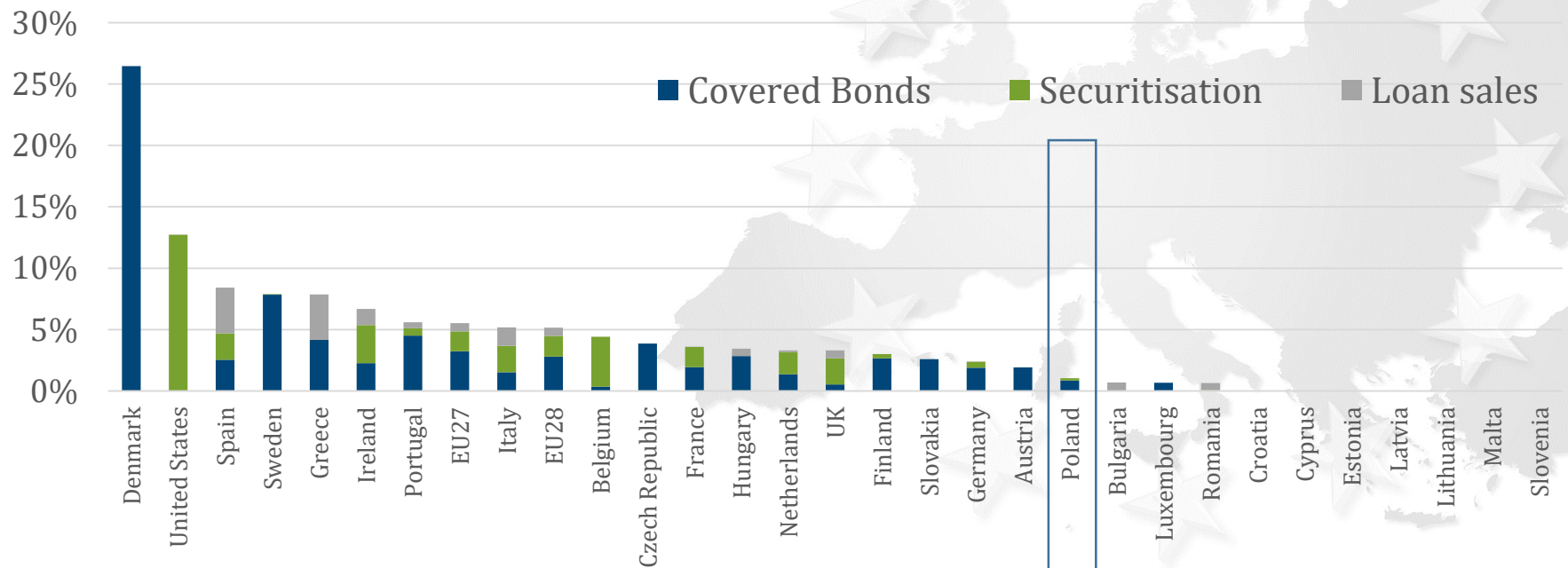


# Loan Transfer indicator:

## Decline in the transformation of loans into tradeable securities

- In the EU in 2017, five of the countries with the highest values for the loan transfer index, are countries that have had significant issues with NPLs in recent years, Spain, Italy, Ireland, Greece, and Portugal

Loan Transfer Indicator: national comparison (2017)

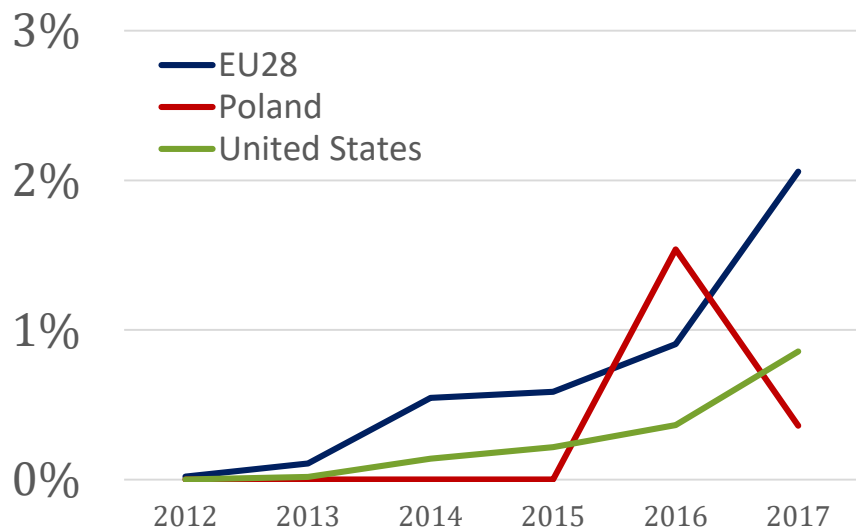


# Sustainable Finance indicator:

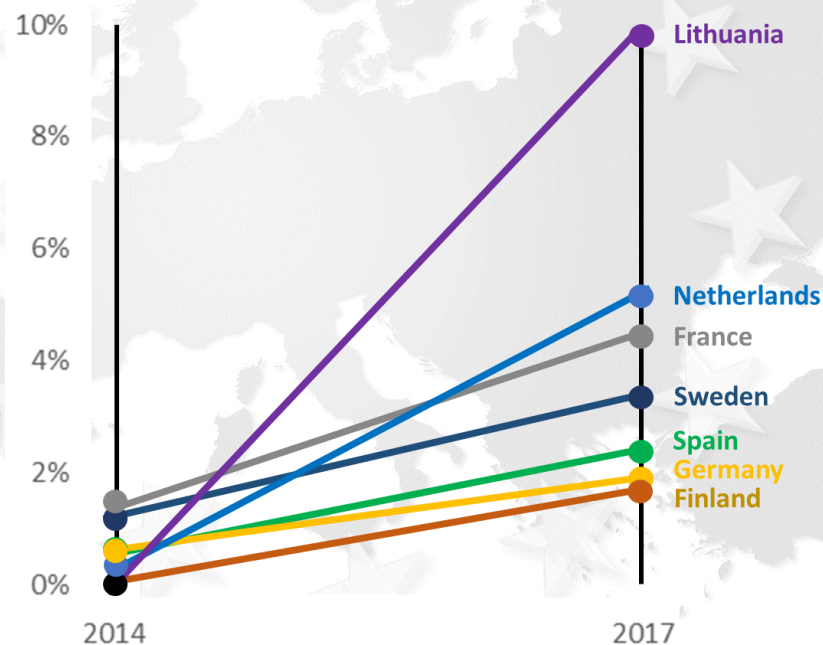
## Europe is a global leader in sustainable finance

- 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
- Poland is a leader in sustainable finance. In 2016, the Republic of PL issued a highly successful Green Bond- the first ever sovereign issuance. In 2017-18 other EU countries have replicated PL experience. Challenge to continue cementing its status as a global leader of Green debt

### Evolution of Sustainable Finance Indicator



### Sustainable Finance Indicator: selected EU countries

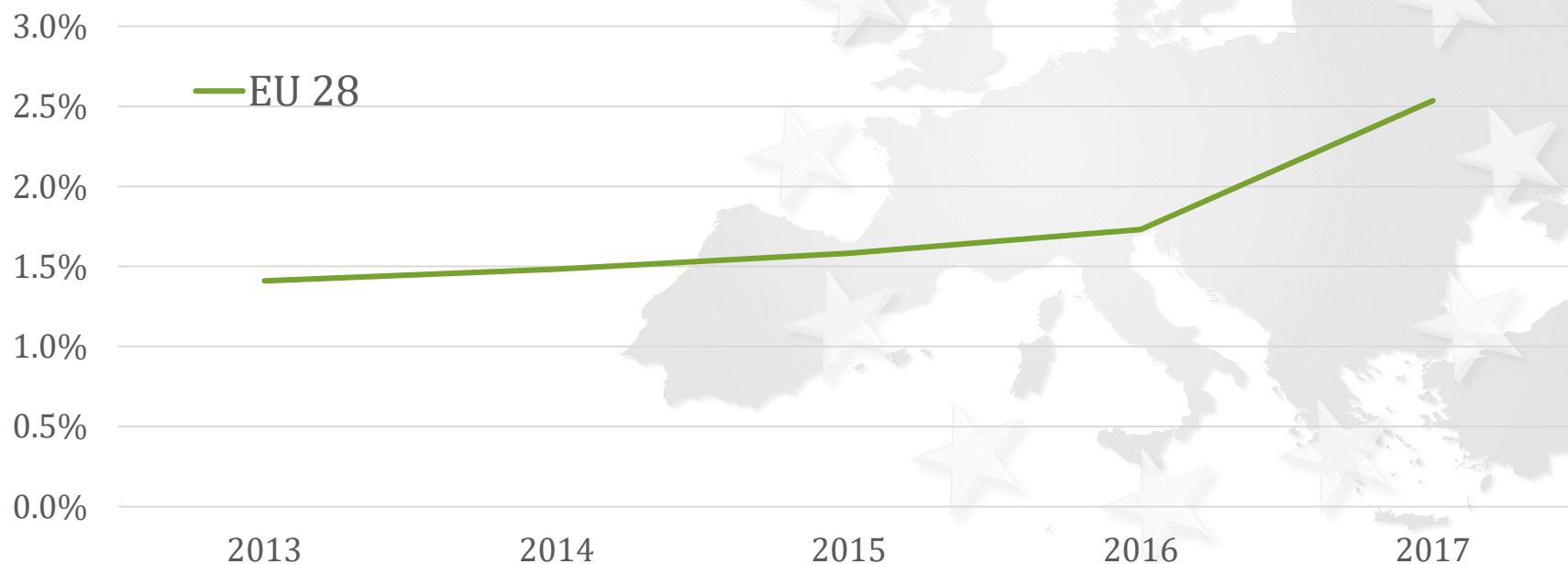


# Pre-IPO Risk Capital indicator:

## 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
- Indicator value not available for PL due to availability of SME loan data

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

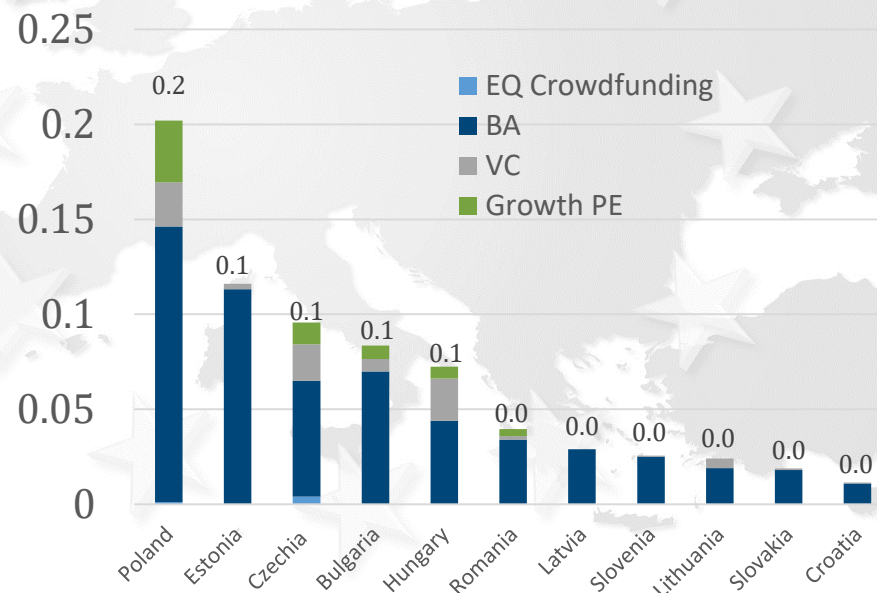
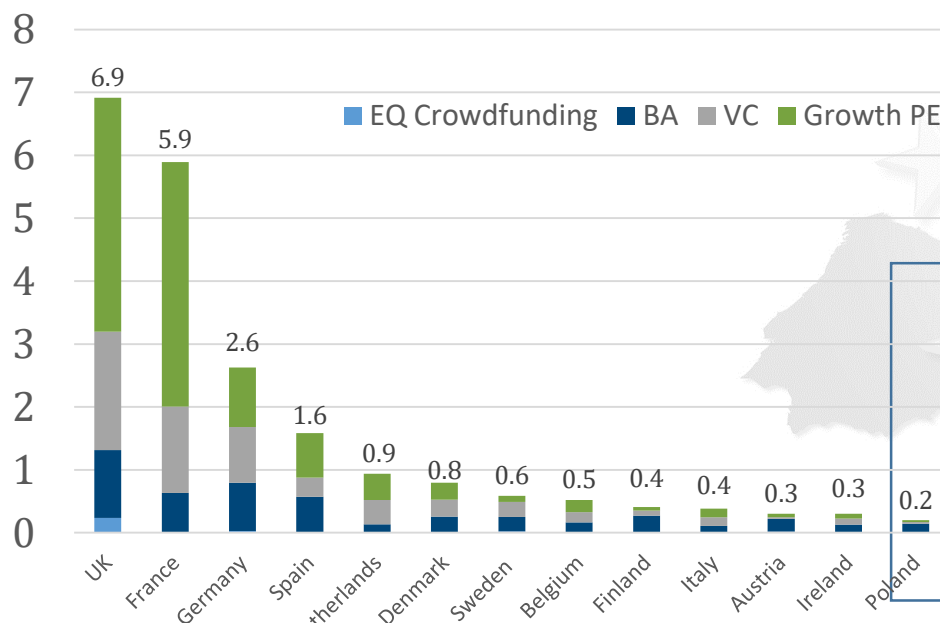


# Pre-IPO Risk Capital indicator:

## 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. €22.7bn in the EU and €132.4bn in the US.
- Estonia, Denmark and the UK lead by availability of risk capital for SMEs.
- Poland is a CEE leader in risk capital (on an absolute amount basis), but significantly below other western EU countries of similar economy size

**Pre-IPO risk capital amount: 2017 (venture capital, growth private equity, business angel and equity crowdfunding, €bn)**



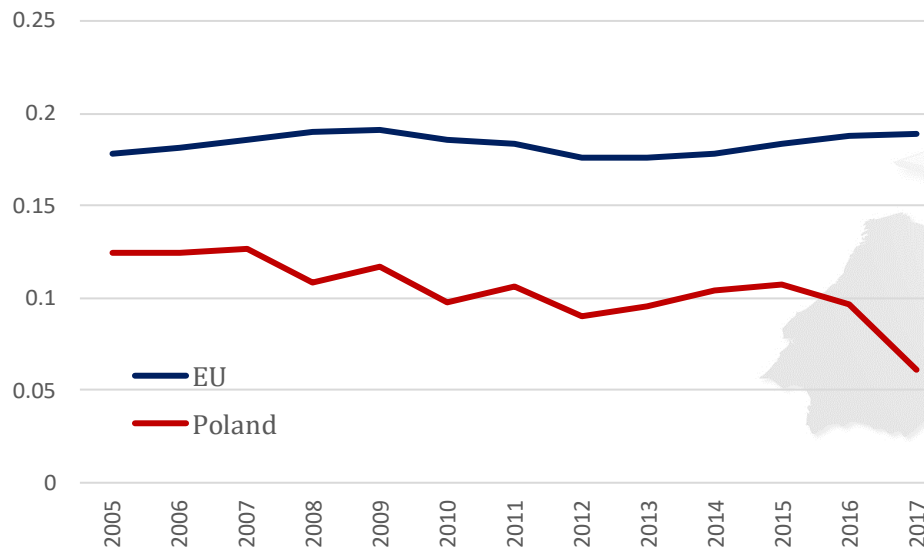


# Cross-Border Finance indicator

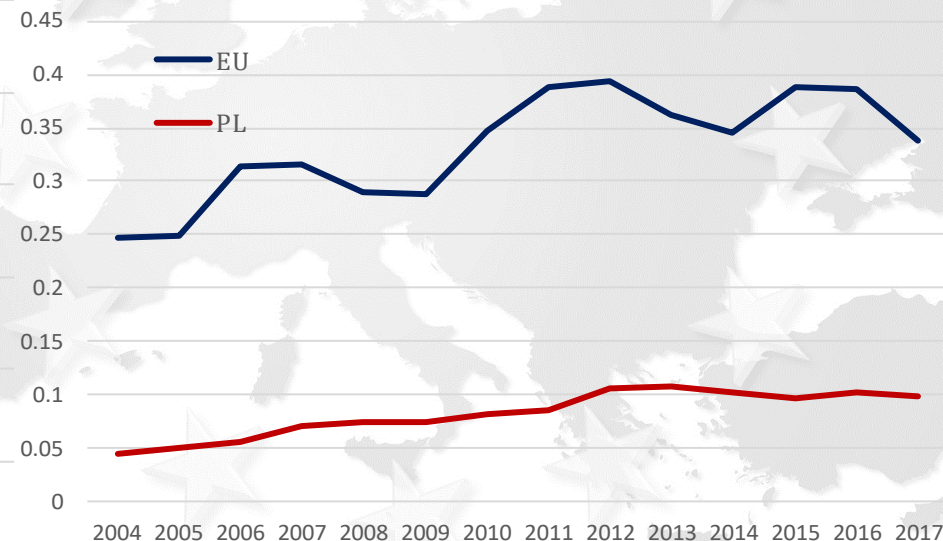
## Greater intra-EU integration

- 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
- Recent decline in integration between PL and the rest of the EU. Driven by decrease in the cross-border private equity transactions (50% in 2008 to 26% in 2017), and M&A transactions (45% of total in 2007 vs. 18% in 2017) and lower issuance of public equity on the PL exchange by other EU countries
- Progress in global integration driven by holdings of PL equity and debt instruments outside the EU

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



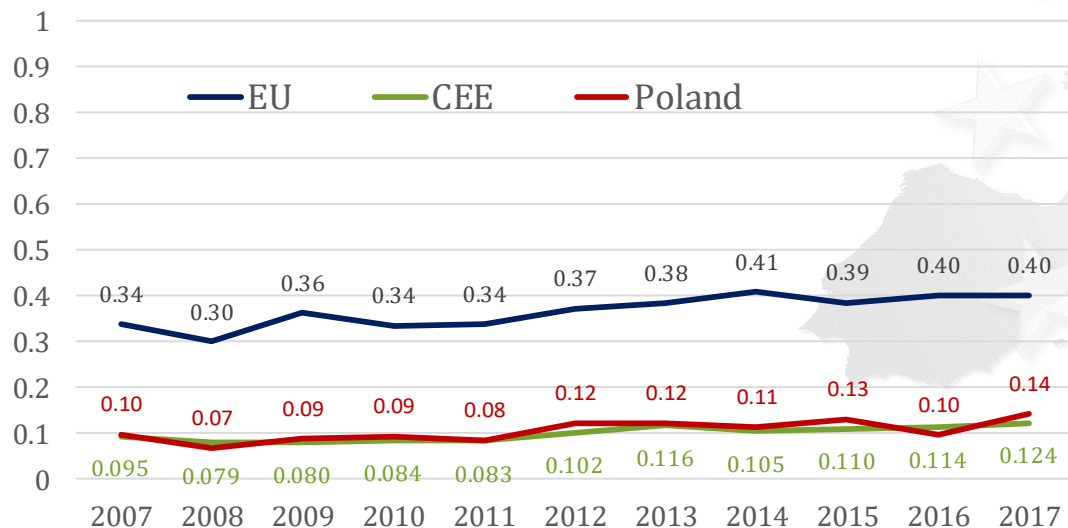
Global integration indicator [0: Min, 1: Max]



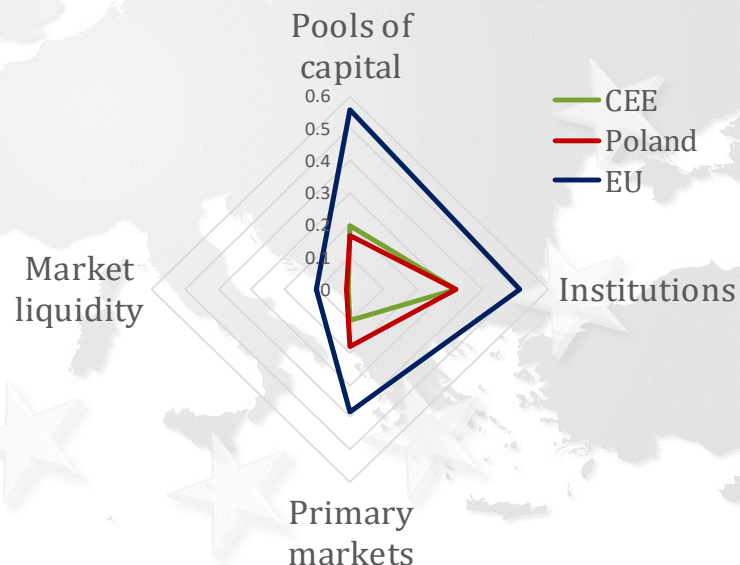
# Market Depth indicator

- 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
- Progress in PL capital markets depth in tandem with CEE region (left chart). PL capital markets institutions score at the CEE average but significantly below the EU's. Pools of capital below the CEE's average; PL primary markets more active in 2017 than the average of CEE.

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	10	3	7	19	11	5
Germany	9	8	16	6	14	23	9	10
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	12	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	20	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
UE	1	2	13	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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