

Note

UK data 2021 – AFME European Capital Markets Report/ Key Performance

Indicators

October 2021

Headline facts:

- The UK leads European countries in **capital markets funding** with **34.3% of total funding for non-financial corporations (NFCs) coming from market-based finance**. (However, capital market issuance actually decreased 5% (annualised) in the UK during H1 2021, compared to 2020, driven by a reduction in investment grade (IG) bond issuance). (See page 16 of full report)
- The UK is among the European countries with the **deepest pools of capital** with over 200% of GDP in household savings invested through capital market instruments. (See page 29 of full report)
- The UK continued to consolidate itself as **the main global financial centre for FinTech activities** on the back of record funding to FinTech companies and record M&A FinTech transactions. UK FinTechs significantly gained in company valuation from a total of \$30bn on 10 companies in 2020 to **\$82bn on 15 companies** in H1 2021. (See page 45 of full report)

KPI	What this index measures	Position of UK within EU + UK		
		2021	2020	2019
Market Finance	Capacity for companies to raise finance on public markets	1	3	1
Household Market Investment	Availability of savings from retail investors to support capital market financing	3	2	2
Loan Transfer	Capacity to transform bank loans into capital markets instruments (securitisation, covered bonds and loan transactions)	3	7	6
FinTech	Ability of EU countries to enable an adequate FinTech ecosystem	1	1	1
ESG Finance	Labelling of sustainable bond markets	13	11	16
Pre-IPO Risk Capital	How well start-ups and non-listed companies are able to access finance for innovation	6	3	5
Withholding Taxes	How the tax system facilitates cross-border investment	11	-	-
Intra-European Integration	Capital markets integration within Europe	3	3	2
Global Integration	Capital markets integration with the rest of the world	1	1	1
Average ranking	Average ranking across all indicators	1	1	1

Market Finance

- Capital market issuance decreased 5% (annualised) in the UK during H1 2021, with 34.3% of total NFC funding derived from market-based finance, up from 30.2% in 2020 and 28.2% in 2019. The increase in market finance index in H1 2021 was the result of a fall in new bank loan origination, which decreased 22% (annualised) compared to 2020, and is a component of the denominator of the index.

Equity issuance

- IPO issuance surged in the UK during H1 2021, with total proceeds on UK exchanges equal to EUR 11.3 bn, an annualised increase of 307% compared to 2020, and up 298% from 2019.
- Secondary offering issuance in the UK decreased an annualised 38%, to EUR 11.5 bn, from January to June, compared to 2020. Compared to 2019, secondary offering issuance was up 68% (annualised).

Debt issuance

- During H1 2021, there was EUR 38.3 bn of IG bonds issued in the UK, representing an annualised decrease of 20% compared to 2020.
- HY bond issuance increased 18% (annualised) in H1 2021, compared to 2020, and was 45% higher than issuance levels in 2019. Convertible bond issuance increased 252% (annualised) in H1 2021, compared to 2020, and was up 1% from 2019.

Bank Loan issuance

- The UK experienced an annual decline in new bank loan origination to NFCs during H1 2021, following the culmination of the state loan guarantee schemes. Compared to pre-pandemic, NFC loan origination volumes continue only 1% below 2019.

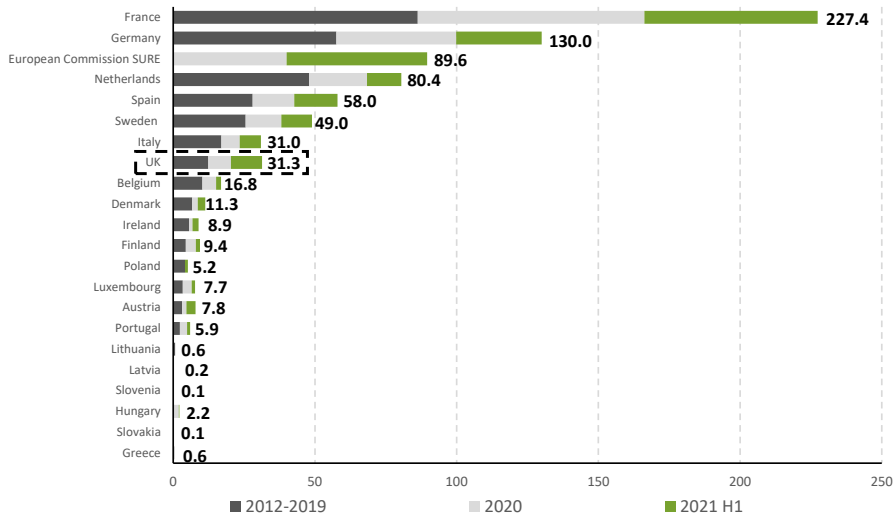
Loan Transfer

- There has been an increase in the proportion of loans transferred into capital markets instruments in the UK during H1 2021 due to an increase in total (placed+retained) securitisation issuance and to a lesser extent an increase in loan portfolio sales.
 - Total (placed+retained) securitisation issuance was EUR 26.7 bn during H1 2021, which represents an annualised increase of 32% compared to 2020, and up 4% from 2019.
 - Loan portfolio sales increased 191% (annualised) in the UK to EUR 5.8 bn during H1 2021.

ESG Finance

- There was a significant increase in ESG issuance in the UK during H1 2021 driven by both green and sustainable labelled bonds. This does not include the recently-issued inaugural green Gilt or any other ESG instrument issued during the second half of the year.
- Green bond issuance was up 95% (annualised) from 2020 with EUR 4.6 bn issued from January to June 2021. Sustainable bond issuance increased to EUR 4.4 bn in H1 2021, up 247% from 2020, while social bond issuance increased 401% (annualised) from 2020 to EUR 2.0 bn.
- As a result of increased levels of ESG issuance, the UK achieved its highest sustainable finance index value to date calculated as the proportion of ESG-labelled bonds relative to total bond issuance.
- Green bond issuance remained the dominant ESG category in UK, accounting for 42% of total ESG issuance during H1 2021, down from 59% in 2020.

European ESG bond issuance by countries, EUR bn (2012-2019, 2020, 2021 H1)



FinTech

- The UK continues to be the regional FinTech leader in Europe during H1 2021:
 - The UK leads European countries in volumes invested into FinTech companies, with USD 10.5bn invested during H1 2021, compared with USD 8.5 bn for the European Union during the same period.
 - UK FinTech unicorns (growth companies with a valuation above \$1bn) significantly gained in company valuation from a total of \$30bn on 10 companies in 2020 to \$82bn on 15 companies in 2021.

Pre-IPO Risk Capital

- Record venture capital flows in H1 2021 has meant SMEs in the UK have been recipients of more fresh funding from private capital in the first six months of 2021 than in any other full-year period. If current trends persist, funding flows stand to more than double in 2021 compared to 2020.
- Bank lending continued to lead by total source of funding for UK SMEs, but at a slower pace than 2020 when government supported loan guarantees facilitated record amounts in the UK.

Cross-border finance

Intra-Europe

- The UK continues among the most interconnected countries in Europe driven by its sizeable role at intermediating FX trading activity of other European currencies. According to the Bank of England, FX trading from London trading desks rose 24% YoY in H1 2021.

Global

- The UK continued as the most globally interconnected European capital market driven by its large role at intermediating global flows of interest rate derivatives and FX transactions.