Market Report 2023

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BME
BOLSAS Y MERCADOS ESPAÑOLES
a SIX company

BME MARKET REPORT 2023

Highlights of 2023

IBEX 35®

IBEX 35® closed the year at pre-covid levels, with a return of 22%.

SIX

SIX consolidated its position among the world's top 10 market operators.

Joint capitalization of listed companies amounts to 2.83 trillion.

DIVIDENDS

Shareholder remuneration grew by 19% to 30 billion.

The historical average dividend yield exceeded 4%.

FINANCING

BME Growth saw 10 new listings in 2023 and reached 7 billion financed since its launch.

Launch of BME Scaleup.

FIXED INCOME

422 billion euros in public and private debt issuances.

New Securities Market Act.

SUSTAINABILITY

BME launches the IBEX® ESG family.

14 billion euros in Spanish ESG fixed income admitted to trading.

DERIVATIVES

Trading in Equity Futures on the rise.

New features for retail investors.

CLEARING

New digital asset futures clearing segment.

MARF

The MARF celebrated its 10th anniversary with 148 issuers and 70 billion in financing.

SETTLEMENT & REGISTRATION

Government debt balances grew by 6.4%.

BME MARKET REPORT 2023

IBEX 35

Key Moments of 2023

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Figures for the Year

MARKET INDICATORS

INDICES	30/12/21	30/12/22	29/12/23	Change**	High*	Date	Low*	Date
IBEX 35	8,713.80	8,229.10	10,102.10	22.76%	10,258.10	Dec-6	8,369.70	Jan-2
IBEX 35 with dividends	26,878.00	26,332.90	33,718.00	28.05%	34,137.70	Dec-6	26,782.80	Jan-2
IBEX MEDIUM CAP	13,815.40	12,798.50	13,549.30	5.87%	14,050.30	Feb-8	12,370.20	Oct-26
IBEX SMALL CAP	8,241.80	7,185.20	7,945.70	10.58%	8,673.60	Feb-20	7,360.50	Oct-26
IBEX TOP DIVIDEND	2,498.70	2,527.90	2,764.60	9.36%	2,829.60	Dec-5	2,501.50	Mar-17
FTSE4Good IBEX	9,267.40	8,795.90	10,654.10	21.13%	10,832.50	Dec-6	8,956.90	Jan-2
FTSE Latibex Top	4,952.30	5,340.80	6,006.30	12.46%	6,060.20	Dec-28	4,782.20	Mar-23
FTSE Latibex Brasil	10,611.10	11,196.80	12,632.80	12.83%	12,817.10	Dec-28	9,700.00	Mar-23
IBEX GROWTH MARKET 15	2,432.40	2,381.60	1,805.80	-24.18%	2,570.00	Jan-27	1,738.60	2 Nov.
IBEX GROWTH MARKET All Share	1,984.30	1,967.30	1,750.70	-11.01%	2,064.00	Jan-26	1,697.40	Oct-26
10-year interest rates	0.55%	3.53%	2.88%					
USD/EUR exchange rate	1.14	1.07	1.09					

(*) Calculated based on intraday data (**) Based on the previous year's close

VOLATILITY/RISK INDEX

	2021	2022	2023
VIBEX[1]	17.40%	21.30%	14.70%

[1] Averages of daily data for the period.

TRADING VOLUMES (Mill. € and No. of traded contracts)

	2021	2022	2023	Change (*)
Equity	378,144	362,122	301,249	-16.81%
Public debt on BME platforms	233,651	114,449	183,769	60.57%
IBEX 35 options and futures[1]	7,721,823	7,743,841	5,803,043	-25.06%
Options and futures on individual shares[1]	25,434,719	25,333,109	24,111,351	-4.82%

[1] Number of contracts; (*) Compared to the same period of the previous year

CAPITALIZATION AND OUTSTANDING BALANCES (Mill. €)

	30/12/21	30/12/22	29/12/23	Change (*)
Equity Capitalization[1]	1,082,048	1,029,003	1,202,048	16.82%
Spanish public debt outstanding balance	1,243,547	1,334,999	1,425,428	6.77%
AIAF corporate debt outstanding balance	456,744	394,131	405,836	2.97%

[1] Includes equities and ETFs. (*) Compared to the previous year's close

Annual Summary

2023 has ultimately turned out to be much more favorable than expected for investors in the stock market and fixed income market. In a global context of great complexity, characterized by the accelerated tightening of monetary policy, serious ongoing or new conflicts such as the wars in Ukraine and in the Gaza Strip, and contained banking crises in the USA and Switzerland, the main world stock markets have achieved significant gains. Fixed income has not only curbed the previous year's fall in prices, but has rebounded strongly in November and December, bringing the year to a close with gains and interest rates that are high but in decline. Additionally, volatility has remained low throughout the year, especially in stock markets.

Among the reasons for the positive performance of the markets, two facts stand out: a world GDP growth rate of 3% in a context of highly restrictive monetary policy, and the positive results obtained by the world's major listed companies. Over the course of the year, public and private institutions have seen a moderate increase in growth in light of better-than-expected activity and resilient but clearly correcting inflation. The US, Japanese and Latin American economies have shown the strongest signs of strength, while China and Europe as a whole have shown weakness.

Eurozone GDP in 2023 has slowed sharply to an expected growth of 0.7% according to IMF forecasts. The reduction compared to 2022 was 2.6 percentage points, weighed down above all by a German economy whose GDP would fall by around 0.5% in 2023. The positive side of the eurozone's growing economic weakness was the reduction in inflation, which, from levels close to 10% in the previous year, stood at 2.9% at the end of 2023, with the prospect of a further reduction throughout 2024.

Spain, once again, as in 2022, was one of the economies with the most positive contribution to eurozone growth, with an expected GDP growth of 2.5% in 2023, more than triple that of the eurozone as a whole, driven by tourism, the strength of domestic demand and the progressive effects of the arrival of NextGenerationEU funds. Headline inflation has also corrected significantly from 6% to 3.1% year-on-year in December, although in some months of the second half of the year there have been worrying upturns, and core inflation still stood at 3.8%, showing significant advances in both cases, but also the inertia of the upward trend in prices.

The central banks of the main countries and economic areas have once again been the financial protagonists of the year, with monetary policies that have continued to slow and tighten the financing of the economy and aggregate demand. The progress made in the fight against inflation has already been very visible throughout the year, but the monetary authorities have repeatedly warned that it could remain high for a prolonged period of time. However, close to the end of the year, the good data on prices and the weakness expected for 2024 in some large economies have reinforced the expectation that rate hikes and even future cuts will come to an end.

In 2023, the US Federal Reserve (Fed) has implemented 4 rate hikes to 5.50% by November, after being extraordinarily aggressive in 2022 with 7 consecutive rate hikes. The hikes in 2023 began on February 1 (+0.25), continued in March (+0.25) and May (+0.25), a first pause was made in June and resumed in July (+0.25). As early as the September-November meetings, the decision was made to maintain rates, and even at the December meeting, rate cuts were announced for the second half of 2024.

In the eurozone, the ECB, which had opted for greater caution the previous year, has been very aggressive in 2023 with no less than 6 increases in reference rates to 4.5%. On February 2 and March 16, the ECB raised 0.5 points each time, repeated in May, June, July and September with four hikes of 0.25 points each, and in October, November and December, after 10 consecutive hikes in 14 months, opted to pause the hikes in light of the cooling of the European economy and the serious events in the Middle East.

International Indices and Stock Markets

The main global stock market indices closed 2023 with significant gains of between 20% and 22%, leaving behind the generalized losses of the previous year. The better than expected performance of some advanced economies, the strong rebound of the North American technology sector supported by the great expectations generated by the applications of artificial intelligence, the good performance of the large European banks and the recovery of the Japanese stock market have served as a counterweight to the negative factors mentioned above.

Gains in the main European stocks, reflected in the EuroStoxx 50 and the STOXX Europe 600, stood at 19.1% and 12.7% in 2023, respectively, with national indices well above the average, such as the Greek ATHEX (+39.1%), the Italian MIB (+28%) and the Spanish IBEX 35® (+22.8%), supported mainly by the European banking sector whose STOXX Europe 600 Banks indicator rose 20.6%. Closer to the performance of the EuroStoxx 50 were indices such as the German DAX (+20.3%), the Portuguese PSI (+11.7%), the French CAC 40 (+16.5%) or the Dutch AEX (+14.2%) while with lower performances were the Austrian ATX (+9.9%), the Swiss SMI (+3.8%), the UK FTSE 100 (+3.8%) or the Belgian BEL 20 (+0.2%).

The North American markets, after the heavy losses of the previous year, have once again become in 2023 a support for the world indices, led by the NASDAQ 100 Index, which concentrates the main technology stocks and achieved an impressive gain of 53.8%, recovering the losses of the previous year.

The good performance of Japan's Nikkei index (+28.2%), in full recovery over the last few years, also boosted the global world indices.

The MSCI EM Latin America index rose by 25.1%, and in 2023 a similar gain was achieved by the Brazilian Bovespa index (+22.3%). In contrast, Chinese stock markets have concentrated losses for the year, reflecting a less-than-expected recovery of its economy: The Hang Seng in Hong Kong (-13.8%) recorded heavy losses, which were more moderate in the DJ Shanghai (-6.7%).

Investing in Spanish Stocks: Capitalization, Trading, Liquidity and Dividends

The Spanish stock market has delivered a positive annual balance, placing it among the best in the world in terms of profitability. The IBEX 35® closed 2023 with an increase of 22.8%, reaching 28% in the IBEX 35® with dividends, including the positive impact of the significant dividends paid out by most of the companies in the indicator during the year.

The large listed companies drove the Spanish market upward, mainly thanks to the strength of the banking sector, whose sector indicator IBEX® Banks rose by more than 27.8% in the year to the highest annual increase ever. The IBEX® Construction, the indicator of another of the Spanish stock market's leading sectors, obtained a return of 22.3% over the year.

The capitalization of the Spanish stock market stood at 1.2 trillion euros at the end of December, an increase of 16.8% over the year. The financial sector recovered first place as the sector with the highest market value with almost 181.308 billion at the end of 2023, representing nearly 22% of the total value of listed companies domiciled in Spain. The total number of companies with shares admitted to trading on the different markets and platforms managed by BME reached 801 companies listed on all BME's share trading platforms at the end of 2023, of which 128 were on the main Spanish stock market, 18 on Latibex, 138 on BME Growth (Empresas en Expansión and SOCIMI) and 517 on BME MTF Equity, the Multilateral Trading Facility for Investment Firms (SIL), Venture Capital Firms (ECR) and SICAVs.

Notable additions to the different stock market platforms include 10 BME Growth companies (3 of them SOCIMI), 2 additions to the main market (Ferrovial SE and MFE-MediaForEurope, formerly Ferrovial and Mediaset) and 20 investment firms (SIL) to the BME MTF Equity segment.

Shares traded in 2023 reached 301.249 billion euros and a total of 28.6 million stock market transactions. These amounts decreased by 16.8% and 26.5%, respectively, compared to the previous year, both in terms of the amount of money traded and the number of trades brokered. The trend toward trading fragmentation among different execution venues, derived from the competition promoted by European regulation in recent years, has led to a strong shift in trading volumes toward more opaque market mechanisms such as systematic internalizers, dark pools or over-the-counter (OTC) trading.

The Spanish stock exchange, however, continues to be the benchmark for the execution and liquidity of trading in Spanish securities and the vehicle through which companies conduct their business and meet their financing needs in the form of capital. The transparency and legal security framework offered by a regulated market is decisive when channeling investment operations. In 2023, the market managed by BME had achieved a market share in Spanish securities trading of 67.5% and a spread over the first price level of IBEX 35® securities of 6.30 basis points, a better result than that of the previous year. BME also showed the best execution metrics compared to alternative in-depth order book trading platforms and the best price available for execution, according to data from independent information provider LiquidMetrix, confirming its position as the leader in trading and liquidity of its listed securities.

Listed companies' dividends have once again demonstrated their great relevance for companies and for the Spanish stock market. In 2023 as a whole, dividend payments to shareholders increased by 19% compared with the previous year to 30.087 billion euros in 237 payments, of which nearly 3.5 billion euros in 10 payments were in shares (scrip). There have also been 30 returns for share premium.

These figures confirm and consolidate the Spanish stock market as one of the equity markets with the highest dividend yield for investors, with a 35-year historical average of 4%. According to data from MSCI's latest monthly report for developed equity markets, despite the sharp rise in share prices, Spain had a dividend yield of 4.1% at the end of 2023. This is one of the market's attractions for international investors, who own 50.3% of the value of listed Spanish shares, 10 percentage points more than just a decade ago.

Available data also shows that, throughout 2023, companies listed on the Spanish stock exchange have continued to execute share buyback programs at a good pace and subsequently redeem acquired shares. In the year as a whole, shares with a market value of 13.415 billion euros were redeemed in 31 transactions.

Overall, dividends and share redemptions on the Spanish stock exchange in 2023 exceed 43.7 billion euros.

Capital Investment: Share Capital Increases, Secondary Offerings and IPOs

It has not been a favorable year for international stock markets in terms of new financing channeled. The new scenario of high interest rates, the uncertainty about their future performance and global geostrategic tensions have had an influence both on companies' own or third-party financing decisions and on their decision to take the definitive leap into the stock market.

Data on total financing and investment flows provided by the World Federation of Exchanges (WFE) are eloquent in this regard, with a drop of more than 50% compared to 2022 in flows channeled through new IPOs and capital increases by companies already listed.

Raising funds through IPOs has focused on BME Growth in 2023, where a total of 10 new companies were registered, seven in the Growth segment and three SOCIMIs. The total amount of funds raised by all of them was 38.9 million euros.

Regarding capital increases, a total of 140 transactions have been carried out between January and December, worth 4.644 billion euros. From this amount, 4.144 billion euros correspond to 40 capital increases carried out by companies listed on the main market of the Spanish stock exchange and 500 million euros come from 105 capital increases carried out by companies admitted to trading on BME Growth.

Sustainable Investment through Spanish Equities

October 5 saw the launch of the new IBEX® ESG index family, which measures the stock market performance of the companies it includes, taking into account ESG (environmental, social and governance) sustainability factors.

The new family of indicators is comprised of two types of indices: the IBEX® ESG, which selects its components according to certain sustainability criteria and is weighted by free float-adjusted capitalization, and the IBEX® ESG Weighted, composed of the same securities, but with a weighting adjusted to their sustainability rating (ESG Impact Rating). These indicators do not have a fixed number of components. They are calculated in real time in three versions: price, with dividends and with net dividends. The first composition of the index is made up of 47 listed companies out of a universe of 55 companies analyzed, which means that a very high percentage of large and medium-sized Spanish listed companies follow the sustainability path.

At the end of 2021, a gender equality index – IBEX® Gender Equality – was created for Spanish listed companies. In 2023, this index was revalued at 12.6%. Also, since 2008, the stock market managed by BME has provided investors with the FTSE4Good IBEX® index in collaboration with renowned global financial index manager FTSE Group. This indicator allows investors to identify and invest in companies that meet global standards for corporate responsibility. Since its creation in 2008 to the present day, the FTSE4Good IBEX® index has expanded the number of constituents from the initial 27 companies to 44 in 2023 and has outperformed that of the IBEX 35® over these years.

BME Growth, Pre-Market Environment and BME Scaleup

During the year, 10 companies joined BME Growth, which once again was a catalyst for the listing of new companies in the Spanish stock market. Of these, 7 companies belong to the Growth segment and 3 of them are SOCIMIs. Overall, the market closed 2023 with 138 companies and a market capitalization of almost 18.771 billion euros, up 9%, driven in particular by the performance of the Growth segment, whose market value grew in 2023 by 45% to 8.818 billion euros and reached 63 companies.

Also in 2023, BME Growth has continued to act as a financing and growth engine for small and medium-sized Spanish companies. The amount raised by companies in this market through capital increases amounted to 500 million euros in 105 transactions.

Another welcome piece of news impacting SME financing is the launch in 2023 of the BME Scaleup market, another BME step to cover the financing and liquidity needs of all companies once they reach a minimum level of maturity. It is aimed primarily at scaleups, companies with a proven business model, in an accelerated growth phase for at least three years and with a minimum turnover of one million euros and/or an investment of no less than that amount. This new market provides access to the capital market for companies that until now in many cases did not even consider it as an option, and represents a new significant milestone in corporate financing, complementing the Pre-Market Environment, which is linked to BME Growth and concludes at the Stock Exchange.

The Pre-Market Environment (EpM) continues to bring companies and investors closer to the financing and investment ecosystem represented by the securities markets. The participating companies in any kind of sector have the support of partners specializing in different strategic areas to provide them with the training needed to achieve a level of competence that allows them to make the jump to the financial markets.

In 2023, 3 new companies and 2 new partners have joined the EpM and have been included in the portfolio of services offered to the companies. The three companies incorporated in 2023 bring to 38 the number of companies that have taken or are taking part in the assistance offered by the EpM for its development. Seven of them have made the jump to the market – specifically, to BME Growth. The number of partners members of the entrepreneurial ecosystem has now grown to 26.

Corporate Operations: Takeover Bids and Other M&As

Global M&A activity has also been impacted by the new scenario of high interest rates, uncertainty over monetary policy and geopolitical tensions. Thus, the total value of M&A deals announced globally in the first three quarters of 2023 was 2 trillion dollars, a 27% drop compared to the same period of the previous year. M&A activity in Spain has also been low, with a total of 1,751 deals (-18%) in the first 9 months of the year for an aggregate amount of 48.016 billion euros (-29%).

Two technical deals stood out in the stock market during the year. The first was the incorporation to the market in May of the Dutch company MFE-MediaForEurope, which a year earlier had acquired and delisted its subsidiary Mediaset from the Spanish stock exchange. The second was the reverse merger of Ferrovial SA by its Dutch subsidiary Ferrovial Internacional SE, which led to the delisting of Ferrovial SA and the immediate admission in June of Ferrovial Internacional SE, maintaining on the Spanish stock exchange almost all the trading volume accumulated by the former listed company.

ETFs and Warrants

In 2023, exchange traded funds (ETFs) worth 1.297 billion euros were traded on the Spanish stock exchange. This figure represents a decrease of 19% compared to 2022. The 5 market leaders had assets totaling 516 million euros at the end of the year, 2.9% more than at the end of the previous year.

The decline in volatility in cash markets in 2023 has not helped the trading of warrants on the Spanish stock exchange. A value of 600 million euros in warrants were traded over the year, 36% less than in 2022. At the close of December, there were 2,634 warrant references present in the market, after 6,334 new admissions were registered during the year.

Public and Private Fixed Income: Financing and Investment

Against a backdrop of tight monetary policy, the world's main public and private debt markets maintained, until October, their third consecutive year of rising reference interest rates, decidedly bringing an end to the period of near-zero interest rates supported by massive central bank debt purchases. However, after reaching peak rates, the yield correction in the following weeks and months until the end of the year was also spectacular, driven first by the growing expectation that the Fed's intervention rates might have peaked and then by the confirmation that the Fed would start cutting interest rates in 2024. Total bondholder returns at year-end were positive across the board for both public and private bonds.

Among the main assets, in 2023, the US 10-year bond rose moderately but almost continuously from 3.8% at the beginning of the year to levels of 5% in October, accumulating losses of more than 8% at some points during the year. This was followed by a very accelerated yield correction to levels of 3.9% at the end of the year, almost the same as at the beginning of the year. In Europe, the rise in German 10-year bund yields has been much more subdued in 2023, reflecting the weaker performance of the European economy and fears of further cooling in the last quarter. It started the year with rates at 2.4%, rose to close to 3% in October and thereafter cut yields rapidly to close the year at almost 2%, significantly lower than at the beginning of the year.

The Spanish 10-year bond has followed a contained upward trajectory, in line with the 10-year German bund, evidencing the ECB's control over eurozone reference bond risk premiums. It started the year at 3.5% and rose to over 4% in October before falling sharply to 3% at the end of the year, well below its figure from the start of the year. Spanish bonds' risk premium, on the benchmark 10-year German 10-year bund, has remained stable at around 1% under the ECB's transmission protection instrument (TPI).

The volume of Spanish government debt issued and admitted to trading on the BME regulated market for fixed income securities in 2023 amounted to 292 billion euros, 15.8% more than the previous year. The volume of issues and admissions has increased by 20% in the case of medium and long-term Treasury debt to 181.226 billion and contracted by 3.4% in the case of Treasury bill issues, to 86.84 billion.

The high returns achieved by public debt at all maturities have attracted a large number of new investors and this has also had an impact on an increase in the volumes traded in the market. Thus, between January and December 2023, total trading in public debt instruments on the SENAF platform, reserved for specialized wholesale financial institutions, increased by 68% to 161.987 billion euros, and on the SEND platform, which is open to all types of investors, trading amounted to 22 billion euros, an increase of 19%. The number of cross-trades in 2023 also increased by 58% on the SENAF platform to 20,508 trades and by 290% on the SEND platform to 5,006 trades.

The total balance of outstanding Spanish government debt in the regulated fixed-income market stood at nearly 1.43 trillion euros at the end of 2023, 7% higher than the same time last year. The total outstanding balance of foreign public debt as of the same date has almost doubled compared to the previous year, reaching 8.2 trillion euros at the end of 2023.

The volume of Spanish private debt issued and admitted to trading on the regulated market in 2023 reached 114.882 billion euros, a slight increase of 0.7% over the previous year. In contrast to what happened in 2022, when companies concentrated their issuance in the short term, 2023 saw a strong increase in medium and long-term bond issues, with 46.091 billion euros over the year and a growth of 140%. In contrast, short-term commercial paper issues decreased by 34% to 25.896 billion euros. The total outstanding balance of Spanish issues registered in the regulated private fixed-income market was 405.836 billion euros, 3% more than at the close of the previous year.

Among the novelties of the year, the entry into force on September 18 of the section of the new Spanish Securities Markets and Investment Services Law (LMVSI). This law introduced changes to the procedure for verification and admission to trading of fixed-income securities in regulated markets, with the aim of providing the Spanish fixed-income markets with a more agile, efficient and competitive framework for action. In accordance with the new regulations, the CNMV continues to approve the prospectuses but it is the market managed by BME that verifies compliance with the admission requirements and proceeds to admit the securities.

Regarding global corporate debt markets, the year has been one of stability and recovery of bond prices after losses of more than 15% in the previous year. European triple-B rated fixed income saw gains of 9.1% over the year, according to the Iboxx index of euro-area BBB rated bonds.

Fixed Income: MARF

In October, the Spanish Alternative Fixed Income Market (MARF) celebrated its 10th anniversary. Over this first decade, a total of 148 companies have obtained financing directly from MARF, and several hundred more have done so through securitization issues, which include financing instruments such as loans or invoices from small companies. The total resources raised in this period well exceed 70 billion euros.
A paper published for the 10th anniversary of the MARF by professors and researchers María José Palacín and Carmen Pérez, from the University of Seville, entitled "The MARF transforms corporate financing in Spain: 10 years in 10 achievements", analyzes the performance of the market since its creation through its main milestones.

The launch of the MARF and the main legislative developments, the first issue and the market's main figures, the first infrastructure financing instrument, the extraordinary breadth of the sector, geographical origin, age or stock market situation of the issuers, the internationalization of the market, the development of promissory notes, the channeling of sustainability commitments, public-private collaboration instruments or the resilience shown in the different interest rate environments, are dissected throughout the work of the researchers from the University of Seville.

Among the milestones reached, the MARF's leading role in public-private collaboration is particularly significant. For example, in response to the coronavirus crisis, ICO guarantee lines for 4 billion euros were deployed through this market. This organization also actively participates as an investor in the primary market, facilitating the financing of companies. The support of institutions such as CESCE or COFIDES has also been relevant in issues that have been launched in the market.

International recognitions are also worthy of note: since 2020 the MARF is included in the list of eligible markets by the ECB, which meant that the ECB could purchase debt registered in this market from BME in its stimulus programs; in 2022, it obtained Recognised Overseas Investment Exchange (ROIE) status from the British FCA for the provision of its services in the United Kingdom.

In 2023 as a whole, the volume of issues and admissions incorporated into the MARF reached 15.348 billion euros, an increase of 11.6% compared to the previous year. The increase in short-term commercial paper issuance (+14%) in the first 12 months of the year offset the decline in securitization issuance. MARF closed December with an outstanding issuance balance of 7.837 billion euros, 4% less than at the close of the previous year, with a balance between outstanding bond issuances of 4.005 billion euros, divided between 67 issues, and 3.832 billion euros in 399 tranches issued under the short-term commercial paper programs in force.

Green, Social and Sustainable Bonds

Financing in the form of bond issues aimed at promoting sustainable development of the planet in environmental and social terms has shown recovery in 2023 after the slowdown experienced in 2022, when it fell by 23%. Thus, in the first half of 2023, total issues amounted to almost 480 billion euros, 19% more than in the same period last year, according to figures from the Spanish Observatory of Sustainable Finance (OFISO) based on Enviromental Finance.

The issuance of green, social and sustainable bonds in Spain experienced a sharp rise of 43% in the first half of the year to 12.467 billion euros, following a 24% drop in the previous year as a whole, according to OFISO data. Green bonds in particular improved, with 7.067 billion in the first half of the year (+70%) and social bonds to 1.5 billion (+50%).

In the fixed income markets and platforms managed by BME, 62 domestic and international green, social and sustainable fixed income issues were admitted for trading in 2023 for a total amount of nearly 170 billion euros, of which 14 billion euros correspond to Spanish issuers and the rest to foreign issuers. At the end of 2023, there were 89 outstanding Spanish bond issues and promissory note programs open at BME.

Financial and Non-Financial Derivatives: Futures and Options

Spanish derivatives market, MEFF, traded 30 million contracts in 2023, 9.6% less than the previous year. The year was characterized by a sharp drop in volatility in the main European stock markets. According to BME's VIBEX® indicator, the average implied volatility in 2023 was 14.7%, nearly 7 percentage points below the levels reached the previous year. This reduction in volatility has been reflected in generalized falls in the trading of futures contracts on the main indices. Thus, trading of futures contracts on the IBEX 35®, the most important product of the Spanish derivatives market MEFF, fell by 15% in 2023 compared to the previous year.

The most outstanding contracts of the year in terms of cumulative trading growth were equity futures, up 9% compared to the previous year, with 11.3 million contracts, reflecting the gain in market share in this product compared to other markets.

In the area of operational improvements, MEFF started offering Market Members, as of December 4, the possibility of "marking" an order received as coming from a Retail Client, if the investor so wishes. The purpose of this measure is to allow Market Members that are Liquidity Providers in MEFF and that have confirmed their adherence to this measure, to identify Retail Clients' orders and to improve prices for these investors. These improvements are intended, to some extent, to counteract the new restrictions imposed on the offer of regulated derivatives to retail investors, which are negative for these products and for investors.

Electricity futures traded on MEFF were once again affected in 2023 by the uncertainty and large swings in electricity prices that had been a constant in the previous two years. These sharp price swings in the maturity curve translate into a significant increase in the collateral required to register forward contracts at clearing houses, which slows down the activity of many of the different market participants. In 2023 as a whole, the accumulated volume of electricity derivatives traded was 4.8 million MWh, and the open position at year end was 5.7 million MWh.

The xRolling FX® futures contract market continues to develop as part of the Spanish derivatives market MEFF's strategy to leverage its experience as a regulated market supervised by the CNMV with a proven trading system and decades of experience, as well as the security of a central counterparty. Trading of xRollingFX® futures contracts in 2023 reached 5,800 contracts with an effective trading volume of around 55 million euros.

Clearing

BME Clearing has more than 34 years of experience as a Central Counterparty, managing clearing in its five segments, comprising the Financial Derivatives and Foreign Exchange segment, the Equities segment (trading of securities traded on the Exchange), the Fixed Income segment (simultaneous and repos), the Energy segment (with Electricity and Gas Derivatives) and the Interest Rate Derivatives segment. In September 2023, BME Clearing received regulatory approval to clear Digital Asset Futures, which will mean a new BME Clearing segment.

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In the Equities and Equity Derivatives area, low volatility has been the predominant trend and has influenced the volumes traded and cleared in the clearing house. Thus, in derivatives, the volume in 2023 was 30 million contracts, 9.6% less than in the previous year, while in equities the average daily turnover was 1.18 billion euros, 15% less, and the average daily number of trades was 224,227, 29% less than in the comparable period the previous year.

The fixed income segment offers the central counterparty service for repo and simultaneous transactions on Spanish sovereign debt and six other European sovereign debts: Italy, Portugal, Germany, France, Netherlands and Austria. In 2023 trading averaged a monthly forward-adjusted cash value of 201.542 billion euros, representing an average term of 26 days throughout the year. The total open interest stood at 6 billion euros at the end of December.

The power derivatives segment increased to 235 participating entities at the end of 2023, but activity was once again impacted by the unusual conditions in the electricity market. The cumulative volume of electricity in 2023 was 4,770,866 MWh and the open interest was 5,741,294 MWh. The number of participants in the Natural Gas Derivatives segment was 53. The volume of gas registered in 2023 was 1,777,825 MWh and the open interest at year-end was 849,219 MWh.

Finally, the interest rate swaps (IRS) segment recorded a total volume of 37.6 million euros in 2023, higher than the volume settled in the previous year. The open interest stood at 508 million euros at year end, and the average residual term of 74% of the total volume of these outstanding transactions is between 2 and 10 years.

Settlement

The activity of IBERCLEAR, the Spanish Central Securities Depository (CSD), has been marked in 2023 both by legislative and regulatory initiatives, as well as by the implementation of new services and functionalities.

The growing interrelation between the different markets at a global level means that the main objective is to facilitate access to as many international markets as required by both issuers and participants. In June, a new link was added to the Belgian Central Securities Depository, NBB-SSS, which facilitates, for example, access to the primary market auctions of NextGenerationEU bonds, as well as the associated secondary market operational processes. The link is in addition to those already in place with the CSDs of Argentina, Austria, Brazil, France, Germany, Italy, Portugal and the Netherlands.

In terms of volume of activity, the number of instructions from equity transactions settled in Iberclear in 2023 reached a monthly average of 0.53 million, down 10% from the previous year. Regarding cash settled, the daily average remained stable at 6.393 billion euros.

Nominal balances recorded in the Central Securities Depository at year end increased by 6.4% in the Public Debt Market and decreased by 2.61% in securities listed on BME's Private Fixed Income Market. Regarding equity, the growth has been 8.52% valued at market prices.

REGIS-TR

REGIS-TR continues to maintain its leading position as one of the largest repositories or derivative transaction records in Europe with almost 2,000 European customers in 37 countries. In 2023, a market share of more than 50% in the EU has been consolidated.

REGIS-TR S.A. maintains its position with the supervisory and regulatory community, reporting data to 46 European authorities under the EMIR regulation, and 34 European authorities under the SFTR regulation, either through TRACE, ESMA's communication portal, or via direct communication. REGIS-TR UK provides regulatory reports to the Financial Conduct Authority and the Bank of England.

1. Market Environment: Economy, Business and Regulation

MACROECONOMIC ENVIRONMENT

What happened in 2023 has confirmed the powerful influence of the monetary weapon on the economy. The historically accelerated tightening of monetary policy enacted by the Federal Reserve (Fed) and the European Central Bank (ECB), which began in 2022, stretched into the third quarter of 2023, and we can say that it has achieved the desired impact on price containment and – more positively and to some extent surprisingly – without very negative consequences for GDP growth in the short term. With official reference interest rates in the range of 4.5%-5.5% in Europe and the United States, inflation rates have halved, also aided by the easing of tensions in energy prices that have picked up to some extent since the summer (the price of oil fell by 40% between June 2022 and June 2023 and increased by 4.3% from then until December 2023).

Unexpectedly, in a highly unstable geopolitical context and with international supply chains for goods and services not very fluid, international economic growth in 2023 remained at quite positive levels, driven by the great strength of the United States and despite the greater weakness shown by the eurozone and China.

Against this backdrop, investment caution and capital flows prevailed, leading to a year marked by a sharp decline in market volatility and, as usual in such conditions, lower than normal volumes of activity in both equity and fixed-income products. The best news has come from good stock market returns in specific sectors and securities (such as Spanish Banking, which closed 2023 with an increase of 27.8%) which, in addition, have been complemented by attractive dividend yields which, in the case of Spain, are once again around an aggregate 4.5%.

To close 2023, the world economy is expected to slow by 0.5 percentage points compared to 2022, with growth at 3.0% compared to the previous 3.5%. Over the course of the year, monetary and governmental institutions kept their projections for economic growth relatively stable, with marginal upward alterations for 2023 and downward alterations for 2024. The IMF, in its October economic outlook update, raised global growth from the 2.9% projected in January to 3.0%. Growth expectations for 2024, in turn, fell from 3.1% in January to 2.9%. The IMF noted that the global economy has been resilient and that the likelihood of a "soft landing" has increased, although there are downside impacts that should be considered.

According to IMF projections, by region, eurozone GDP will decelerate by 2.6 percentage points in 2023 compared to 2022, to 0.7%. Growth for 2024 was cut from 1.6% in January to 1.2% in October. Inflation forecast for 2023 dropped from 5.7% in January to the current 5.6% and is expected to ultimately register levels of around 3.3% in 2024.

Eurozone activity remains slow and without a clear growth engine. Despite falling energy prices and a strong labor market, with low unemployment rates and rising wages, the high level of consumer prices for most goods and services and, at the same time, the slowdown in bank credits have had a negative impact on the economy as a whole, although divergences between countries predominate. The IMF's growth forecast for Germany was revised down 0.2 percentage points to -0.5% in 2023 and France is forecast to record 1% growth in 2023, up 0.3 percentage points compared to January.

In the United States, the economy continued to show signs of strength, with a resilient labor market, consistent business investment and increased public and private consumption. According to the IMF, the United States will grow by 2.1% in 2023 compared to the growth of 1.4% expected at the beginning of the year, 0.7 percentage points more. The estimate for 2024, however, has been increased by only 0.1 percentage points to 1.5%. Slowing wage growth and tight monetary policy contributed to the fall in the inflation rate, but the resilience of US growth forced the Federal Reserve to postpone market

2.5% and 1.7% GDP in 2023 and 2024

With projected GDP growth of 2.5% and 1.7% for 2023 and 2024, respectively, Spain continues to be one of the most prominent European economies.

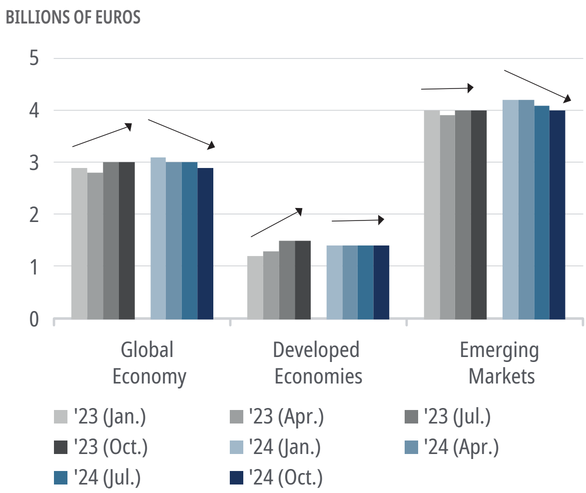
3% World Economic Growth

World economic growth currently stands at 3.0% for 2023, marginally higher than the forecast at the start of the year.

412.763 Billion Euros

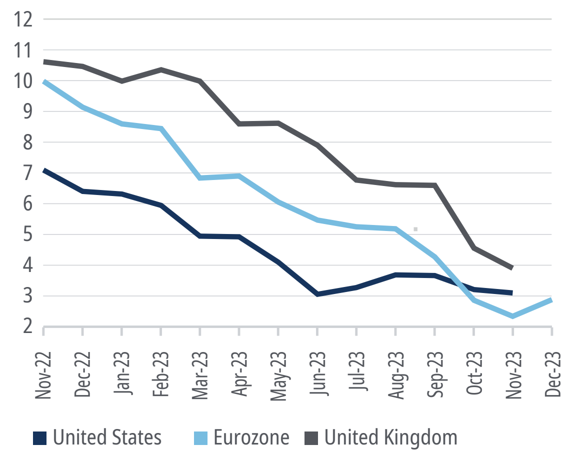
Companies listed on the Spanish stock exchange increased their revenue in the first half of the year, reaching 26.8% more than in the same period of 2022.

Annual GDP Growth Estimates for 2023 and 2024 (%)



Source: IMF World Economic Outlook January, July and October. 2023

Year-on-Year Change in CPI (%)



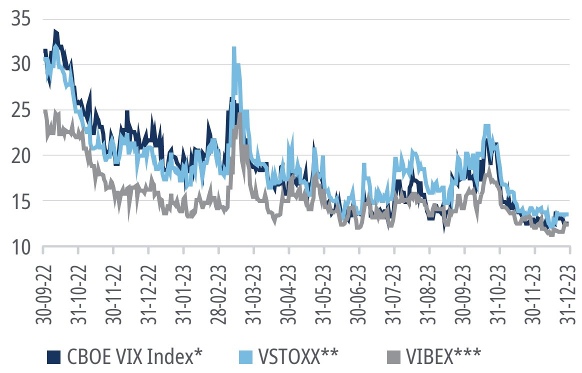
Source: Thomson Reuters

expectations of rate cuts until mid-2024 or even somewhat later. With interest rates remaining high for longer, the resulting tightening of financial conditions is expected to limit investment and consumption in the coming year.

The Chinese economy is facing increasing difficulties stemming from its real estate crisis and deteriorating confidence. In the October report, the IMF forecasted that Chinese GDP would grow by 5.0% in 2023, 0.2 percentage points lower than in January. Growth for 2024 was cut from 4.5% in January to 4.2% in October.

After a better-than-expected recovery in 2022 and early 2023, LAC (Latin America & The Caribbean) economic growth for 2023 and 2024 was also projected to be 2.3% (+0.5 and +0.3 percentage points from January's projections, respectively). Due to swift action by the region's major central banks, headline inflation (excluding Argentina and Venezuela) has been declining and is expected to stand at 5% in 2023, down from 7.8% in 2022.

Volatility in Equities



Source: SIX iD
* US stock market volatility
** European stock market volatility
*** Spanish stock market volatility

On October 7, the terrorist group Hamas attacked Israeli territory, triggering a forceful response, with Israel declaring war on the entire Gaza Strip, which is still ongoing as of January 2024. For the time being, the stock markets have not suffered too much after the outbreak of the conflict, and the greater or lesser impact of this war on oil prices and, consequently, on the global economy, will depend on a potential escalation of the conflict to oil-producing countries.

The Rate Hike Cycle Is Nearing the End, but the Consensus Is for Rates to Stay High for Longer

The governors of the ECB, the Fed and the Bank of England (BoE) paused rate hikes in a scenario in which price escalation is softening, although inflationary pressures cannot be ruled out, indicating that the focus of monetary authorities is shifting toward a more precise definition of "how long" to keep it at restrictive levels before turning the trend around. Thus, agents have begun to recognize and adapt to a higher cost of capital, not only because of higher rates, but also because of concerns about bank capital if banks again shed interest rate risk to reduce their balance sheets, which would lead to reduced lending and a further increase in rates.

Since March 2022, in its battle against inflation, which reached a forty-year high of 9.1% in June 2022, the Federal Open Market Committee (FOMC) of the US Federal Reserve raised interest rates 11 times, the last one taking place in July 2023. In all this time, the general rate rose from a range of 0.0%-0.25% to the current 5.25%-5.50%, the highest since 2001. At the last meeting of the year, in December, the Fed decided to maintain interest rates for the third time in a row, even leaving the door open for a possible easing of monetary policy in 2024. However, in his statements, Fed Chairman

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GDP Forecast '24

	United States	Eurozone	Spain	China	United Kingdom	Japan
IMF (October)	1.5%	1.2%	1.7%	4.2%	0.6%	1.0%
OECD (November)	1.5%	0.9%	1.4%	4.7%	0.7%	1.0%
S&P ratings (November)	1.5%	0.8%	1.8%	4.6%	0.4%	0.9%
Moody's (November)	1.0%	1.1%	--	4.0%	0.7%	1.0%
Fed (September)	1.7%	--	--	--	--	--
ECB (September)	--	1.0%	1.9%	--	--	--

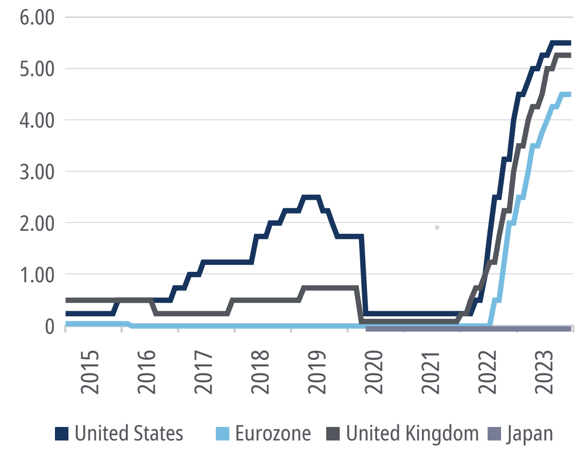
Inflation Forecast '24

	United States	Eurozone	Spain	China	United Kingdom	Japan
IMF (October)	2.8%	3.3%	3.9%	1.7%	3.7%	2.9%
OECD (November)	2.8%	2.9%	3.7%	1.0%	2.9%	2.6%
S&P ratings (November)	2.8%	2.9%	3.1%	1.7%	3.0%	2.5%
Moody's (November)	2.5%	--	--	2.0%	3.6%	2.5%
Fed (September)	2.5%	--	--	--	--	--
ECB (September)	--	3.2%	3.6%	--	--	--

Jerome Powell maintains a cautious tone, stating that the situation must be reviewed in the light of the data and that convincing evidence that inflation is under control is needed before starting to ease monetary policy. The market does not expect rate cuts until at least after mid-2024 and warns that when they begin, the process should be very gradual.

As for the ECB, in July 2022, the institution also decided to begin modifying its expansionary monetary policy, raising interest rates to the highest levels since the creation of the euro. Thus, the ECB has brought the reference interest rate 10 consecutive times since July 2022 to the current 4.5%. However, although inflation is far from its 2% target, most indicators of core inflation are declining, which supported the monetary authority's decision to pause rate hikes at the October 2023 meeting and maintain them at the December meeting. As with the Fed, the ECB's future decisions will depend on the data, and its president Christine Lagarde states that, although inflation is expected to fall further in the near term, "domestic inflationary pressures remain strong", so a rate cut is not in the cards. Just as for US interest rates, the market does not expect a rate cut by the ECB until the middle of 2024.

Rate Policy of the Main Central Banks (%)



Source: SIX

The Bank of England (BoE) has also maintained its tightening tone, raising interest rates 14 consecutive times since the beginning of the tightening cycle in December 2021. In total, the increase amounted to 515 basis points.

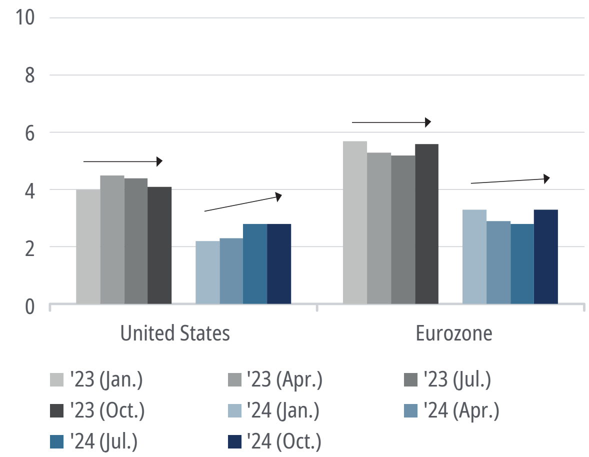
Controlled Inflation, but with Potential Upward Pressures

In 2023, inflation gradually moderated thanks to the restrictive stance maintained by central banks. As monetary policy tightening helps to gradually rebalance demand and disruptions in the supply chain and commodity prices are easing, headline inflation has been declining, but pressures on core inflation remain high. Thus, the IMF projects that global headline inflation will fall from 8.7% in 2022 to 6.9% in 2023. For 2024, in October 2023, the Institution raised its inflation forecast to 5.8%, an increase of 0.6 percentage points compared to the July 2023 projection.

In the United States, wage pressures are expected to begin to ease as demand for workers cools while labor supply increases. This rebalancing in the labor market is reflected in services inflation, which is headed for moderation. Decreases in excess pandemic-related savings are also expected. These factors together contribute to a positive inflationary outlook for the country.

In the euro area, the ECB expects food inflation to continue to decline, due to the expected decline in food commodity prices in the region. November inflation data confirm the consolidation of the downward trend observed since mid-2022. After slowing more than expected in November, to 2.4%, the general index grew by 2.9% in December, mainly due to the smaller drop in energy costs. Meanwhile, the trend in labor costs and

Annual Growth Estimates for Inflation '23 and '24 (%)



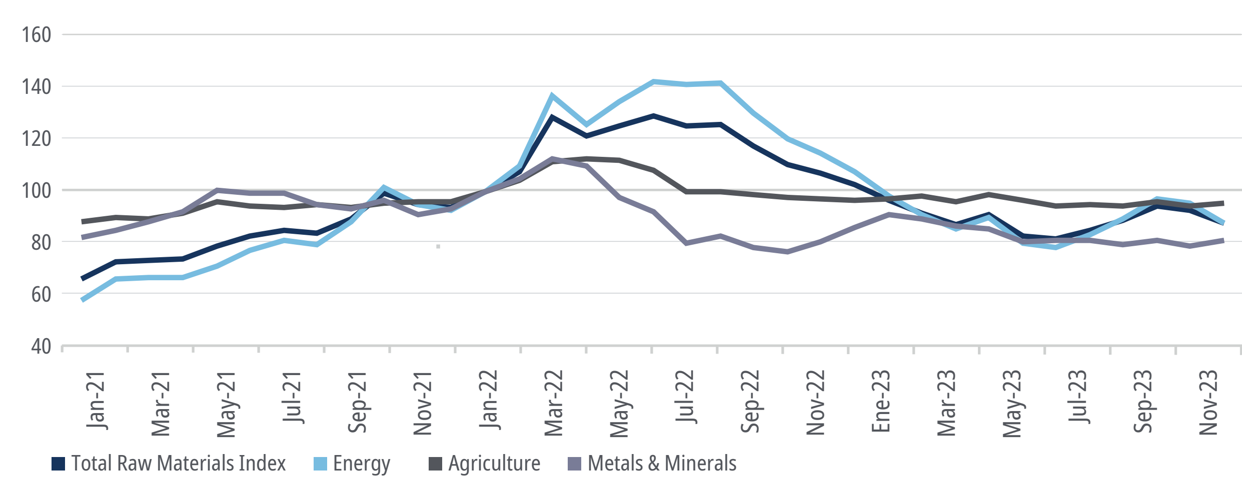
Source: IMF World Economic Outlook January, July and October. 2023

the effects of adverse weather conditions are expected to put upward pressure on food inflation. Nominal wage growth is expected to decline gradually, although it will remain high as a result of continued tight labor markets and offsetting inflation.

In the foreign exchange market, the strength of the US economy, the Fed's determination to fight inflation, raise interest rates and keep them higher for longer alongside the rebound in US sovereign debt yields caused the US dollar to appreciate against most currencies worldwide in 2023. The dollar index, which compares the dollar against a basket of the ten major market currencies, reached

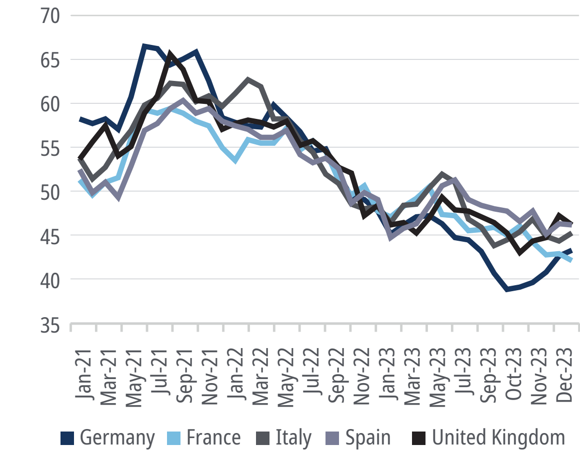
Raw Material Prices

INDEX, 100 = JAN 2022



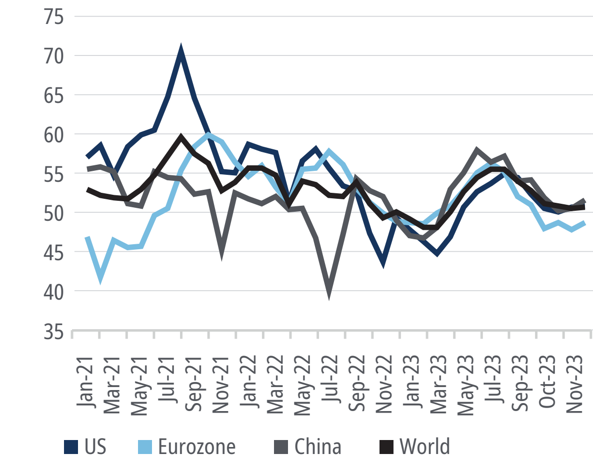
Source: World Bank

Manufacturing PMIs in Europe



Source: FactSet

PMI Services



Source: FactSet

its year highs in October ($107) but closed December at July 2023 levels ($101.4). The euro, which had hit its lows for the year against the dollar in October, regained momentum in November and December, closing 2023 up 3.12%.

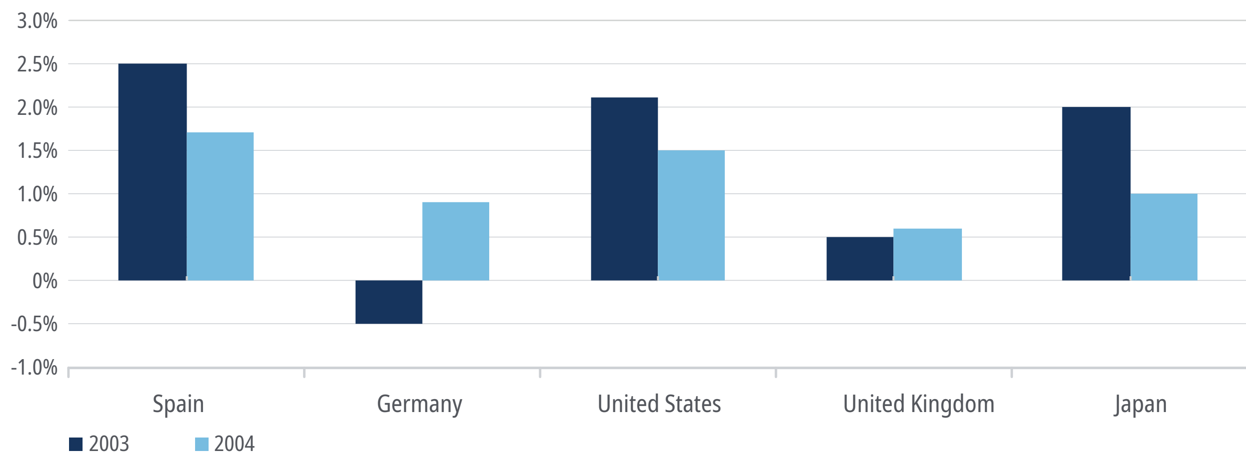
Prior to the latest conflict in the Middle East, commodity prices as calculated by the World Bank's commodity price index had risen by 5% in the third quarter of 2023, led by the increase in the price of oil, but still remaining slightly below levels prior to the Russian invasion of Ukraine. However, the index closed 2023 down 18.39%, driven by a 24.02% drop in the energy index.

Commodity prices are expected to fall gradually in 2024 and stabilize in 2025. A key driver of continued commodity price weakness in 2024 will be weak global growth amid financial constraints. Moderate global goods trade and the fragility of China's highly leveraged real estate sector will weigh on the energy and industrial sectors in the coming year. Additionally, increased supply of major commodities (crude oil, grains, metals and most foodstuffs) will also help put downward pressure on prices.

The baseline forecast assumes that the conflict in the Middle East will have a limited impact on commodities and that price dynamics will be driven by key supply and demand factors.

The main monetary, governmental and analytical institutions are unanimous in forecasting a scenario of lower inflation in the coming quarters, which will materialize throughout the year, and moderate global growth in 2024.

Annual GDP Growth 2023 and 2024



Source: IMF (WEO October 2023)

Economic Indicators Underpinning Spain's Improved Performance in 2023

The Spanish economy, as is the case with the profitability of the stock market as a whole, has been one of the fastest growing among the main European countries in 2023, maintaining strong relative growth in the region, as it has been doing since 2021. Indeed, pending the publication of final data, economic growth is expected to close 2023 with an advance of 2.5%, more than three times the eurozone average (0.7%), underpinned by domestic demand, with particularly strong advances in the case of consumption and investment in non-residential construction, and also by the strengthening of the labor market and the good performance of the services sector. For 2024, in its October forecast, the IMF projected that growth will slow to 1.7%, 0.7 percentage points lower than projected in January 2023.

The Bank of Spain has also lowered growth projections for 2024 to 1.6%, 0.7 percentage points lower than at the beginning of the year. As regards the current price pressure, the Bank of Spain expects inflation to increase by 3.4% at the end of 2023, after an average of 8.3% in 2022, and to remain relatively stable in 2024, reaching 3.3%. Core inflation is also expected to ultimately register an increase of 4.1% in 2023 (three tenths of a percentage point higher than in 2022), before decelerating to 1.9% in 2024.

Finally, the labor market continued its solid recovery and closed the year with an average unemployment rate of 12.1, down from 12.9% at the end of 2022. By 2023, the IMF expects the unemployment rate to fall to 11.3%.

ACTIVITY AND RESULTS OF BME LISTED COMPANIES

In 2023, the strong financial performance of listed companies and their solid position in terms of debt (which has decreased significantly and has developed more diverse sources) are two important bright spots.

The latest half-year results of companies listed on the Spanish stock exchange show a significant increase in revenues and profits in the first half of 2023, maintaining the trend already observed in 2022. With the new growth figures, the net result of companies listed on the Spanish stock exchange is 32% higher than that obtained by all of the Continuous Market companies in the first half of 2019, reflecting the strength of their accounts in a context of inflation, rising interest rates, slower economic growth and the impact of geopolitical issues.

The main companies listed on the Spanish stock exchange recorded a turnover of 412.763 billion euros in the first half of 2023. This represents a year-on-year growth of 26.8% over the figure recorded in the same period of the previous year (325.42 billion). Despite the slowdown in the global economy, the good performance of the banking sector, together with the recovery of tourism companies and the growth of concessions and infrastructure businesses have contributed to obtaining these positive results.

The significant increase in turnover in the first half of 2023 was particularly relevant in the banking sector, driven by interest rate hikes, and in the consumer services sector, with increases of 52% and 22%, respectively. Excluding the financial sector, corporate net sales declined by 7.6% in the first half of 2023, mainly due to a 20.8% decline in the energy sector.

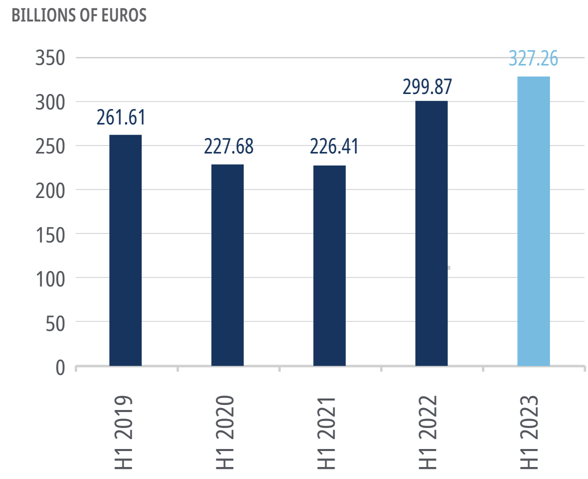
Moving down to the balance sheet, companies listed on the Spanish continuous market obtained a combined net profit of 33.28 billion euros in the first half of 2023, a decrease of 4.7% compared to the same period of the previous year. This decline is largely due to the performance of steelmaker ArcelorMittal, whose earnings fell 63%, mainly as a result of lower steel prices and lower demand from the United States and Europe. Excluding the company from the overall computation, profit would have grown by 10.6%.

The gross operating profit (EBITDA) of all the companies that make up the main segment of the Spanish stock exchange fell by 7.7% in the first six months of 2023 compared to the same period of the previous year, more than 54 billion euros. If the results are adjusted for the extraordinary effect of ArcelorMittal, mentioned above, EBITDA recorded an increase of 1.4% year-on-year.

For the second year in a row, listed companies have capitalized on strong profits and substantial cash reserves amassed during the COVID-19 crisis to increase shareholder compensation. In this respect, dividend payments and refunds of issue premiums in 2023 increased by 16.6% compared to 2022, amounting to 30.294 billion euros. The latest MSCI data shows that, due to this significant growth in remuneration, the dividend yield on the Spanish stock market once again outstripped that of many comparable markets, standing at 4.6% at the end of October.

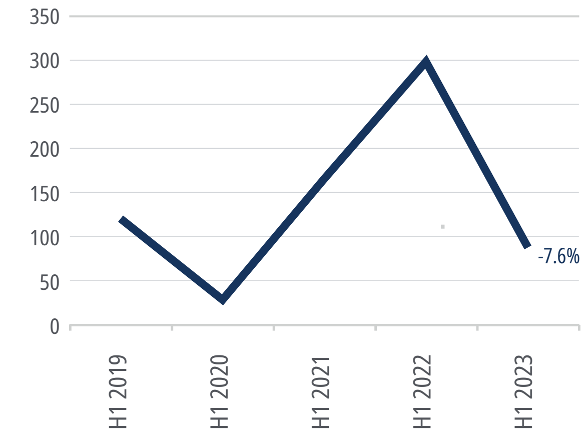
Available data also indicate that throughout 2023, listed companies continued to implement share repurchase and subsequent redemption programs that could complement the returns from investing in equities. Over the course of 2023, listed companies redeemed shares

Revenue Growth of IBEX 35® Companies



Source: Results extracted from the accounts published in the CNMV

Year-on-Year Growth (%) by Half-Year of the Revenues of Spanish Non-Financial Companies



Source: Central Balance Sheet - Bank of Spain

for a market value of 13.415 billion euros, 7.1% less than that observed in 2022, but still well above the average of the last 5 years (8.537 billion euros). This pattern is mainly due to the operations of the Spanish banking sector, such as those of CaixaBank, Banco Santander and BBVA, which together have canceled capital worth 5.738 billion euros.

The numbers published also point to the fact that in the first half of 2023, non-financial IBEX 35® companies, excluding SOCIMIs, recorded slightly lower debt levels than in the same period of the previous year. In a context of rising interest rates, the companies in the Spanish selective index recorded a 3.28% reduction in their total debt levels in the period. The strength of the balance sheets and overall financial structure of listed companies has been maintained, which has been reflected in the stability of debt ratios and the strengthening of solvency. The ratio of financial debt to EBITDA of the IBEX 35® components increased marginally compared to the same period of the previous year, closing the half-year at 6.09 times, and that of the IBEX Medium, falling back to 5.78 times. The financial debt to total assets ratio increased slightly for IBEX 35® companies to 32.34% of total assets, but improved to 29.79% for IBEX Medium companies. The financial debt to equity ratio has been reduced for companies in both indices, to 0.61 in the case of the IBEX 35® and 0.56 for the IBEX Medium group.

The resilience shown by corporate results, combined with price increases at a perhaps slower pace than could have been predicted in line with the trend in corporate margins, has also led to the maintenance of stock market valuation ratios at attractive levels in 2023. The P/E ratio of many equity markets are generally lower than their historical averages, as shown in the attached table of data from MSCI. On October 30, the P/E ratio of the Spanish stock market was 8.9 x, 5.8 points below its historical average. Similarly, the market valuation of the book value of companies (price-to-book ratio) is 1.2 x for Spain, while the monthly average over the last 35 years is 1.75.

Per in Different Global Stock Markets

	SPAIN	UNITED KINGDOM	GERMANY	ITALY	FRANCE	US
Dec-20	16.50	17.60	27.90	32.10	31.40	32.10
Dec-21	13.80	15.70	16.60	26.10	21.90	26.10
Dec-22	9.90	11.30	7.00	19.40	14.90	19.40
Oct-23	**8.90**	**11.10**	**7.50**	**22.20**	**15.70**	**22.20**
Max 35 years	41.40	27.50	288.90	34.80	76.30	34.80
35-year low	6.10	6.40	-0.10	11.30	7.00	11.30
35-year mean	15.72	15.57	23.38	20.60	21.12	20.60

Dividend Yield in Different Global Stock Markets

	SPAIN	UNITED KINGDOM	GERMANY	ITALY	FRANCE	US
Dec-20	3.90	3.30	2.30	1.50	1.90	1.50
Dec-21	2.80	3.60	3.00	1.30	2.10	1.30
Dec-22	4.00	3.80	5.00	1.70	2.90	1.70
Oct-23	**4.60**	**3.90**	**4.90**	**1.60**	**3.00**	**1.60**
35-year high	10.60	6.20	9.00	4.00	6.40	4.00
35-year low	1.40	2.10	1.20	1.10	1.40	1.10
35-year mean	4.03	3.80	3.32	2.14	3.07	2.14

Price/Book Value Ratio in Different Global Stock Markets

	SPAIN	UNITED KINGDOM	GERMANY	ITALY	FRANCE	US
Dec-20	1.30	1.60	1.70	1.20	1.20	4.40
Dec-21	1.30	1.90	1.70	1.00	1.00	5.00
Dec-22	1.10	1.70	1.30	1.10	1.10	3.90
Oct-23	**1.20**	**1.70**	**1.30**	**1.20**	**1.20**	**4.00**
35-year high	3.61	4.18	4.46	4.31	4.31	5.81
35-year low	0.80	1.20	1.00	0.60	0.60	1.50
35-year mean	1.75	2.14	1.94	1.59	1.59	3.00

Source: Morgan Stanley Cap. Int. (October 2023)

BME MARKET REPORT 2023

REGULATORY ENVIRONMENT

In 2023, regulatory output on the functioning and development of securities markets remained high. Many of the texts are aimed at improving the attractiveness and competitiveness of national and European capital markets. Although, according to the data, the differential in size and activity of these markets compared to the United States and Asia continues to grow unfavorably for Europe, which calls into question the effectiveness of the regulatory measures that have been implemented on a massive scale for more than a decade now.

Once again this year, we wish to highlight the risks that the reforms of the MiFID directive and the MiFIR regulation are not aimed at truly halting the deterioration of healthy competition in equity trading between execution venues. The European Union is facing a growing problem with fragmentation and opacity in its markets. This threatens the strength of the most deep-rooted market infrastructure, which will be needed to support the digital and sustainable transition that the European economy is already undergoing.

New Law on Securities Markets and Investment Services in Spain (LMVSI)

Among the main legislative developments in 2023 with an impact on the markets is Law 6/2023, of March 17, on Securities Markets and Investment Services (LMVSI), which repeals the previous consolidated text of the Securities Market Law approved by Royal Legislative Decree 4/2015, of October 23.

The new law incorporates the necessary provisions to afford legal certainty in the representation of marketable securities through systems based on distributed ledger technology or blockchain and for the implementation of Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot scheme for market infrastructures based on decentralized ledger technology.

The law also addresses reforms aimed at improving the competitiveness of Spanish markets and making them more agile by eliminating requirements that are considered superfluous, redundant or already unnecessary. The obligation of the central securities depository to have an information system for the supervision of trading, clearing, settlement and registration of securities, known as PTI, is eliminated. This information system, introduced in 2015, established reporting obligations for financial intermediaries operating in the Spanish market in order to maintain the traceability of transactions from market execution to settlement. The law, in its explanatory memorandum, considers that this was an unnecessary requirement, as it is redundant with the European standard and considers that exhaustive, reliable and quality information is available to the CNMV in other ways.

Also noteworthy is the elimination of the requirement for double control by the CNMV and the regulated market operator of the process of issuing fixed-income securities and their subsequent admission to trading, with the market governing body now verifying the requirements for admission to trading of non-equity securities.

The new law also introduces an amendment to Royal Legislative Decree 1/2010, of 2 July, approving the revised text of the Corporate Enterprises Act, to develop the regulation of SPACs, listed companies with the purpose of acquisition that raise investments with the aim of identifying a company with high growth potential and acquiring it, with specifics regarding the investors' right of redemption. This constitutes an alternative mechanism to the IPO which favors the diversification of sources of financing for developing companies and could encourage a greater presence of companies on the markets (a declared objective pursued by the European Capital Markets Union project).

Finally, it incorporates into Spanish law some European Union directives such as Directive 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms, amending, inter alia, Directive 2014/65/EU (MiFID II), and Directive 2021/338 of the European Parliament and of the Council, of 16 February 2021, which also modifies Directive 2014/65 /EU regarding information requirements, product governance and position limitation in order to contribute to the recovery from the COVID-19 pandemic, and relaxes certain requirements applicable to financial agents to facilitate economic recovery derived from the COVID-19 crisis.

Development of the LMVSI

In development of the LMVSI, four Royal Decrees have been approved in 2023, which complete the adaptation of Spanish regulation to EU regulations on the functioning of the securities markets.

These Royal Decrees address the regulatory development of such relevant aspects as financial instruments, admission to trading, registration of securities and market infrastructures, the regulation of investment firms, certain amendments relating to collective investment institutions, as well as the CNMV's administrative powers. The stated objective is to increase market competitiveness, facilitate business financing and strengthen investor protection.

BME MARKET REPORT 2023

However, there are several aspects that have been left out of this regulatory development and that will have to be addressed at a later date, such as the updating of the regulations on public takeover bids and their application to multilateral trading facilities or the regulatory development of the representation of securities through blockchain technology.

The most relevant issues for Market Infrastructures, with special attention to the Royal Decree on financial instruments, are briefly mentioned below:

- **Royal Decree 814/2023, of November 8, on Financial Instruments, Admission to Trading, Registration of Marketable Securities and Market Infrastructures**

This regulation brings together all the regulatory provisions, provided for in different rules now repealed, relating to the regulations applicable to i) the registration of negotiable securities, trading venues and clearing, settlement and registration systems, incorporating the contents of Royal Decree 878/2015; ii) the admission to trading of marketable securities on official secondary markets, of public offers for sale or subscription and of the prospectus, incorporating the provisions of Royal Decree 1310/2005; iii) the legal framework for regulated markets and position limits in derivatives, contained in Royal Decree 1464/2018; and iv) the participation in the capital of companies that manage secondary securities markets and companies that manage securities registration, clearing and settlement systems, from Royal Decree 361/2007.

Noteworthy are the regulations concerning the reform of the registration and settlement system and the elimination of the PTI (known as Reform 3) and the market infrastructure regulatory framework.

The regulatory provisions that address Reform 3 and the elimination of the PTI harmonize the obligations that correspond, in accordance with European regulations, to central securities depositories, limiting them to ensuring the integrity of the issue and monitoring the efficiency of settlement and eliminating the monitoring and control obligations associated with the PTI that fell to the central securities depositories.

In terms of infrastructures, it is worth highlighting the regulation of the markets in terms of verification of compliance with the requirements for admission to trading of fixed-income securities, which is the responsibility of the governing body of the regulated market where they are admitted to trading. This issue was already developed by BME Renta Fija last July, with the approval of its Circular 1/2023, on rules for the admission and exclusion of securities in the fixed income market, AIAF, with the aim of reinforcing the agility and competitiveness of the Spanish markets. Also last July, in connection with warrants, certificates and other non-equity securities, stock exchanges approved amendments to their respective Circulars on the admission of shares, units in listed investment funds and warrants, certificates and other products traded on the stock exchange. It also maintains the explicit mention of the stock exchanges and the Stock Exchange Interconnection System, which play a relevant role in the Spanish capital market, and clarifies the infrastructure economic regulatory framework, which implies the elimination of the obligation to present the budget in advance.

- **Royal Decree 816/2023, of November 8, Which Amends the Regulations for the Development of Law 35/2003, of November 4, on Collective Investment Institutions, Approved by Royal Decree 1082/2012, of July 13**

In view of its more direct impact on the markets operated by BME, the exception applicable to ETFs of not requiring the presentation of informative documents is maintained. However, the development of the regulatory framework for securities lending, which has been repeatedly requested of the regulator, is not addressed.

- **Royal Decree 813/2023, of November 8, on the Regulatory Framework for Investment Firms and Other Entities That Provide Investment Services**

The Royal Decree consolidates the regulatory framework for ESISs, completing the transposition of Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms. A new regulatory framework is incorporated for national financial advisory firms, which are outside the category of ESIS, whose objective scope of action is strictly limited to marketable equity or fixed income securities and units in CIIs.

- **Royal Decree 815/2023, of November 8, Developing Law 6/2023, of March 17, on Securities Markets and Investment Services, in Relation to the Official Registers of the National Securities Market Commission, Cooperation with Other Authorities and the Supervision of Investment Services Companies**

This Royal Decree aims to develop in a unitary and coherent manner the administrative supervisory powers and faculties attributed to the CNMV by the Law. It also includes a comprehensive list of the official public records to be kept by the CNMV, which will contribute to transparency in each of the matters to which they refer: prospectuses, entities responsible for the accounting registration of securities with book entries, regardless of whether or not they are admitted to trading, etc.

Tax on Financial Transactions

Another new regulatory development, as a result of the incorporation of the Financial Transaction Tax into the Economic Agreement with the Autonomous Community of the Basque Country and the Economic Agreement between the Spanish Central Government and the Autonomous Community of Navarre, respectively, was the approval of the new self-assessment form of the tax by Order HFP/308/2023, of March 28, amending Order HAC/510/2021, of May 26, approving form 604 and establishing the form and procedure for presenting it.

This modification has involved new developments by the central securities depository, Iberclear, and its participating entities, to allow the filing of the self-assessment of the tax with each of the competent administrations. This model will be applied for the first time to the self-assessment corresponding to the month of January 2024.

The negative effects of Spain's unilateral application of this tax on the liquidity and trading of the shares of the main Spanish listed companies are notorious and there is evidence that can be contrasted through some academic research. The maintenance of this tax is helping to aggravate the loss of competitiveness that the development of capital markets in Spain has been showing for some years, a deterioration in which the lack of an adequate regulatory and fiscal context, consistent with that of similar developed European markets, is largely to blame.

Listing Act

At the European level, on December 7, 2022, the European Commission presented a legislative package consisting of three interconnected proposals (all of which will be collectively referred to as the Listing Act):

i. a proposal for a Regulation of the European Parliament and of the Council amending Regulations (EU) 2017/1129, (EU) No 596/2014 and (EU) No 600/2014 to make the Union's public capital markets more attractive to companies and to facilitate access to capital for small and medium-sized enterprises;

ii. a proposal amending Directive 2014/65/EU to make the Union's public capital markets more attractive to companies and to facilitate access to capital for small and medium-sized enterprises and repealing Directive 2001/34/EC; and

iii. a proposal for a new Directive of the European Parliament and of the Council on share structures with multiple voting rights in companies seeking admission of their shares to trading on an SME growth market.

The main objectives of the Listing Act are to (i) reduce regulatory burden, (ii) ensure investor protection and market integrity, and (iii) provide issuers with incentives to list securities. All this is within the framework of the development and strengthening of the Capital Markets Union (CMU). The main amendments to be highlighted in the Listing Act are intended to reduce bureaucracy in the listing process, both in cases where companies seek to access the securities markets for the first time and in cases where they access the securities markets for a subsequent issue of equity or non-equity securities.

The rules contained in the Listing Act are intended to reduce listing bureaucracy, both for companies wishing to access the markets and for those wishing to finance themselves and already listed.

The proposed regulation facilitates the development and execution of investment studies, avoiding conflicts of interest inherent to such studies. With respect to the prospectus, the specific amendments proposed are particularly aimed at making it easier and less costly for issuers to prepare the prospectus, while trying to help investors make the right investment decision by providing understandable, easy-to-analyze, concise information. These modifications also aim to introduce significant simplifications, or even exemptions, from prospectus requirements in cases where the issuer is already known to investors and a large amount of information is already available to the public (follow-on issues). Some of the most relevant amendments in relation to prospectuses will be the increase of the threshold exempting the publication of the prospectus for the admission to trading of shares from 20% to 40% of the volume of securities already admitted to trading on the same market, and its extension to the obligation to publish a public offering prospectus. What is considered insider information is also clarified, reducing the weight of insider lists of securities issuers.

In the proposal amending Directive 2014/65/EU, it is proposed to reduce the percentage of share capital held by the public (free float) in order to obtain initial admission to trading of shares from 25% (subject to a possible waiver) to 10%, although apparently no possibility of waiver by the regulator will be included as had been the case under the current regulatory framework.

Additionally, it is proposed to approve a new directive on multiple voting structures that seeks to harmonize national laws and allow owners of listed companies to retain decision-making power in a company while tapping the stock markets for financing. It should be noted that these new multiple voting structures are extended in the proposed new directive only to companies applying for admission of their shares to trading on an SME growth market in one or more Member States and which do not yet have shares admitted to trading on any trading venue. However, it should be kept in mind that the current Corporate Enterprises Act establishes in Article 527 octies that this structure is applicable to companies listed on a regulated market.

Regulation on Digital Operational Resilience of the Financial Sector (DORA)

On January 17, 2023, after publication in the Official Journal of the European Union on December 27, 2022, Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on the digital operational resilience of the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 ("DORA") entered into force. This Regulation creates a regulatory framework on digital operational resilience that consolidates and improves uniform requirements regarding the security of network and information systems that support the business processes of financial institutions, also raising awareness of ICT risks. It also specifically regulates:

i. Requirements in relation to contractual agreements between third party ICT service providers and financial institutions and the supervision of the former when providing services to a financial institution.

ii. Regulations on cooperation between competent authorities.

The main objective of DORA, which will be implemented as of January 17, 2025, is to prevent and mitigate cyber threats to financial institutions.

Markets in Crypto-Assets Regulation (MiCA)

After a three-year legislative process, on June 9, 2023, the regulation known as MiCA was published in the OJEU: Regulation (EU) 2023/1114 of the European Parliament and of the Council of 31 May 2023 on cryptoasset markets, amending Regulations (EU) No. 1093/2010 and (EU) No. 1095/2010 and Directives 2013/36/EU and (EU) 2019/1937.

In order to encourage the listing of family-owned companies on the stock exchange, Europe has proposed the drafting of a directive to harmonize national legislation on the issue of shares with multiple voting rights.

This regulation, which is part of the digital finance package, establishes the pillars of administrative intervention in the European Union and sets the minimum standards of conduct that are required of those operators who carry out activities in the field of cryptoassets, whether by means of public offerings or the provision of services related to these assets.

Cryptoassets are considered by the European legislator as one of the main applications of Blockchain technology in finance. They are assets that, because of their characteristics, fall outside the legislation applicable to traditional financial instruments – as defined in MiFID II. They include both natively digital assets and the tokenization of physical assets (digital registration of rights that fractionalize a pre-existing economic asset). They also include within their scope the asset-referenced tokens or stable-coins and e-money tokens.

The initiative is pioneering, as it is the first harmonization effort in this area that will have an impact on all EU Member States, some of which had already developed a minimum regulatory framework within their borders, and in many others it was an unregulated activity, with the consequent uncertainty. For this reason, it has been widely applauded, since the absence of regulation in this area generated risks both for the holders of cryptoassets and for the integrity of a market that, since 2008, has grown exponentially.

It should be noted that the effective application of the obligations contained in MiCA and, therefore, of the protection it grants to investors, will take place in two successive moments: June 30, 2024 for the public offers of asset-referenced tokens and e-money tokens, and December 30, 2024 for the remainder of MiCA's content. In addition, the regulation establishes a transitional regulatory framework to aid providers of services related to cryptoassets that were already operating prior to MiCA in adapting to this new regulatory framework.

In Spain, the responsibilities for authorization and supervision of these companies will fall on the Bank of Spain (in the case of the issuance of cryptoassets backed by other assets, as long as they are not significant, in which case supervision will correspond to the EBA) and on the CNMV (other cryptoassets and cryptoasset service providers).

Additionally, the European MiCA supervisory authorities have been issuing warnings to the public with the aim of highlighting the risks inherent in cryptoassets and their difference with traditional financial instruments. The latest example of these cautions is the October 17, 2023 publication by the European Securities and Markets Authority (ESMA).

The European Systemic Risk Board (ESRB) has also studied the systemic implications of cryptoasset markets and proposed policy options to address risks arising from cryptoassets and decentralized finance (DeFi). The ESRB believes that, given the potential for exponential growth and high volatility of cryptoassets, they should be specially monitored and proposes to design an effective reporting and disclosure system in a standardized manner.

Pilot Regime

Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 (Pilot Regime) entered into force on March 23 ,2023. This Regulation establishes a pilot regime that creates an exemption framework applicable to market infrastructures based on distributed ledger technology (DLT) or blockchain.

The Pilot Regime's legal framework will apply to three types of infrastructure: the DLT multilateral trading facility (DLT MTF), the DLT settlement system (DLT SS) and the DLT trading and settlement system (DLT TSS). The latter is a hybrid market infrastructure between an MTF and a CSD and thus combines trading, settlement and recording of these assets.

Each of these infrastructures may request a series of specific exemptions in their authorization processes. Specifically, they may be temporarily exempted from certain requirements of Directive 2014/65/EU (MiFID II) or Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and central securities depositories, amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR) that could hinder the development of their solutions for trading and settlement of financial instruments on DLT. These authorizations will be granted for a period of up to six years.

Shares, bonds and UCITS units may be traded on these infrastructures within the thresholds set out in the Pilot Regime. This will allow ESMA and the CNMV to gain experience in the supervision of a closed group of financial instruments and their underlying technology.

EU Retail Investment Strategy

On May 24, 2023, the European Commission published its Retail Investment Strategy through which it aims to achieve one of the main objectives set out in its 2020 Capital Markets Union Action Plan, i.e., to make the European Union (EU) a safer place for citizens to invest for the long term, as despite their high savings capacity their participation in this type of markets is lower than in other jurisdictions.

This strategy has been materialized in a regulatory package called "Retail Investment Package", which includes a proposal for a Regulation to amend certain aspects of Regulation 1286/2014 on linked retail investment products and insurance-based investment products (known as the PRIIPs Regulation), and a proposal for a directive, known as the Omnibus Directive, which will amend 5 directives.

Measures are proposed to increase disclosure requirements on risks, costs and potential conflicts of interest to small investors, as well as other measures aimed at reducing the cost differential charged to these investors compared to professional investors for the same services. For example, the Commission mandates ESMA and the European Insurance and Occupational Pensions Authority (EIOPA) to develop reference indices on costs and returns that can be used by producers/creators as a benchmark to determine whether the cost of the products they offer to retail investors is justified and proportionate. The Commission assigns the task of supervising these valuations to the competent national authorities.

Indications are also given to improve the content of the suitability and convenience tests for retail clients, which are already being applied at present, in an attempt to better measure their tolerance to the risk of loss in their investments. In addition, in this area, the Commission intends to relax the criteria for clients to be considered as professionals, at their own request. It is proposed to reduce the wealth requirement from 500,000 euros to 250,000 euros, although requiring that this amount be met during the last three years, as well as introducing a fourth criterion relating to relevant education or training. It also intends to allow legal entities to qualify as professional upon request, by meeting certain criteria in relation to balance sheet, net turnover and own funds.

Finally, there are blocks of measures related to advertising communications, including those using digital channels or influencers, others aimed at improving the financial education of customers, as well as another group aimed at improving the knowledge and competence of financial advisors.

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Proposal for an EC Directive on Share Structures with Multiple Voting Rights in Companies Applying for Admission to Trading on an SME Growth Market

One of the main barriers deterring family businesses from going public is the fear of losing control of their company when it goes public. Multiple voting share structures can be an effective mechanism that allows the owners of a company to maintain decision-making power in the company while obtaining financing in the public markets, as they make it possible for a shareholder (or group of shareholders) to own a controlling stake in a company without having to make the proportionate economic investment required for the size of the shareholding. These structures typically include at least two different and independent classes of shares: shares with multiple voting rights, which carry more than one vote per share, and shares with one vote, whose holders have less decision-making power.

The proposal aims to achieve a minimum harmonization of national laws on share structures with multiple voting rights of companies listed on SME growth markets while granting Member States sufficient flexibility in their implementation. The proposal for a Directive on multiple voting shares in companies seeking admission of their shares to trading in a growing SME market is part of the Listing Act package, which also includes a proposal for a Regulation amending the Regulations on prospectuses, market abuse and markets in financial instruments (MiFIR), and a proposal for a directive amending the Directive on markets in financial instruments (MiFID II), which also repeals the Listing Directive.

The statement of commitment agreed on by the Member States in the Council of the European Union (EU) was published on June 14 together with the mandate to start interinstitutional negotiations with the European Parliament (EP) in order to agree on a final version of the directive.

2. Investment and Financing on the Stock Markets

2.1. Investment

The strong rise in share prices, particularly in November, was one of the most positive events for the stock markets in the 2023 balance sheet. The IBEX 35® recorded the third best November in its 31-year history (+11.54%) to practically lead the annual rise of the European stock markets with 22.76% at the close of December. Greater certainty about the end of the rate hike cycle and higher-than-expected declines in inflation appear to have ultimately combined to positively influence investor sentiment toward listed equities.

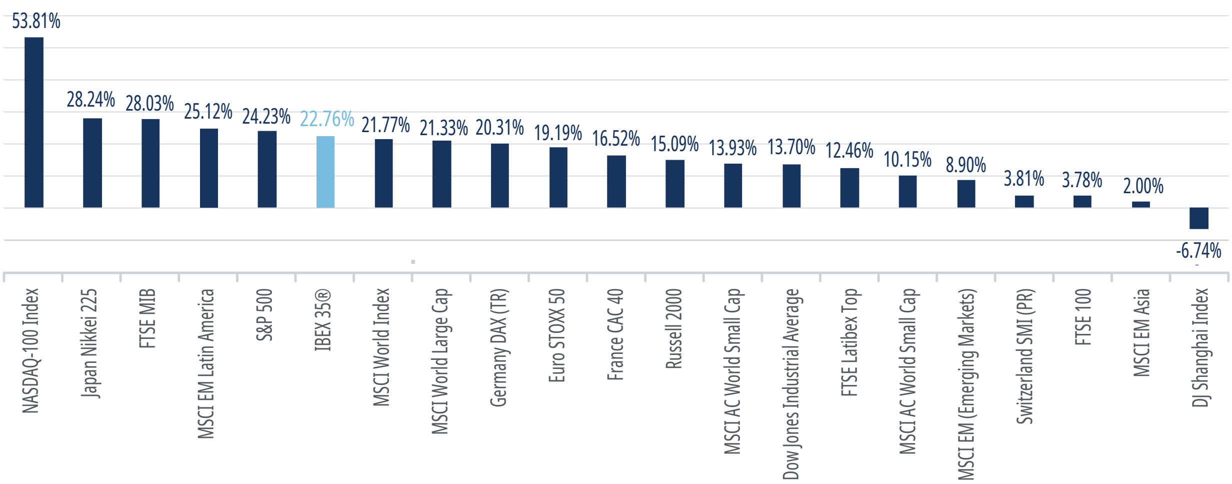
However, while welcoming this trend, which has yet to be consolidated in the longer term, in 2023 the Spanish stock market has experienced a year characterized by low levels of activity in the trading and new company incorporation chapters, in line with what has happened in other comparable European markets. Caution presided over the attitude of companies in an environment where expectations regarding funding costs were focused on knowing when the central banks (North American and European) would decree the end of the accelerated increase in reference rates that was sustained for almost a year and a half. Compared to previous years, in 2023 high interest rates also favored the move of a larger portion of savings toward more conservative products outside the markets but with good "fixed" returns in all maturities.

During the year, the ECB raised official interest rates 6 times to 4.5%. In the United States, the official reference rate rose during the year from 4.5% to 5.5%, a 22-year high.

Caution in capital mobility prevailed in the markets this year, leading to a significant decrease in the volatility of stock prices worldwide. In Spain, this scenario is consistent with the stress indicator for the Spanish financial markets calculated by the CNMV, which, in the last quarter of 2023, remained near the threshold that separates medium and low risk levels after having reached high risk levels at the end of 2022.

Annual Yield in the World's Main Stock Indices

CHANGE IN 2023



The IBEX 35® Stands out in Europe

with an increase of 23%. It reached its highest levels in the last 5 years and its dividend yield grew by 28% during the year.

Dividends Grow 19%

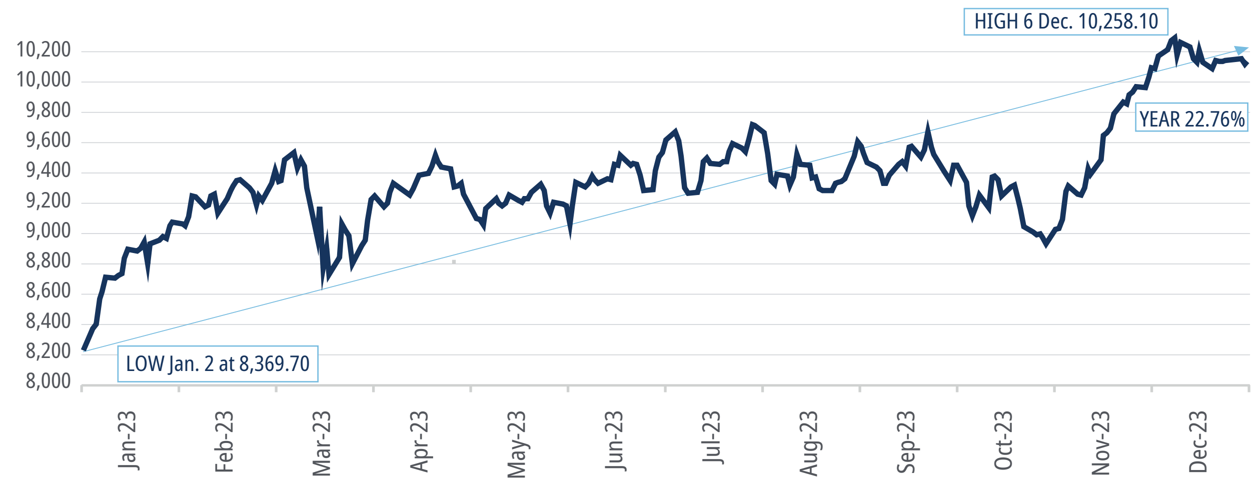
in the year and reach 30.087 billion euros. Including buybacks, shareholder remuneration reaches 43.709 billion, the second best in history.

The 10 New Incorporations

to BME Growth bring the total number of companies admitted to BME's trading platform to 138. Its capitalization now reaches 18.876 billion euros.

IBEX 35® in 2023

DAILY DATA



Returns

In this context, the revaluations in the stock market indices led the good news in the markets throughout the year and in practically the whole world, compensating, to a large extent, a significant part or all of the losses recorded in 2022. The peak of this advance in share prices took place in a splendid month of November, in which the IBEX 35® recorded the twelfth highest monthly rise in its 31-year history with an increase of 11.56%.

The IBEX 35® is one of the best positioned indicators internationally in 2023, recording an annual growth of 22.76%, only behind the American Nasdaq 100 Technology Sector Index (which lost 33% of its value in 2022), the Japanese Nikkei and the Italian FTSE MIB (which also lost between 10-15% last year).

The Spanish stock market has been favored by the good performance of two of its reference sectors, textiles and banking, as well as by better-than-expected corporate results in the first half of 2023, attractive valuation ratios and an important group of companies with very competitive dividend yields.

The corporate results reported by the Central Balance Sheet Data Office of the Bank of Spain (CBT) back up the strength shown by listed companies, as indicated in the first chapter of this report. According to the Bank of Spain, in the first half of 2023, results would have continued to rise, supported by the increase in activity, although at a more moderate pace than in the previous year and unevenly by sector and company size. Also in that period of the year, despite the rise in interest rates, there was a decrease in the percentage of companies with a negative ROA, as well as in the percentage of highly indebted companies and those whose results do not cover financial expenses. According to the abovementioned source, these vulnerability indicators, which are more representative of large companies, were at historically low levels and well below the average for the 2008-2022 period.

Backed by these arguments, investors pushed up share prices, driving the IBEX 35® to annual returns that reached almost 18% at the end of July and, after a dip in the summer and the following months, finally approached 22.7%. This is a significant figure that rises to a yield of 28.05% if we include the reinvestment of the dividend.

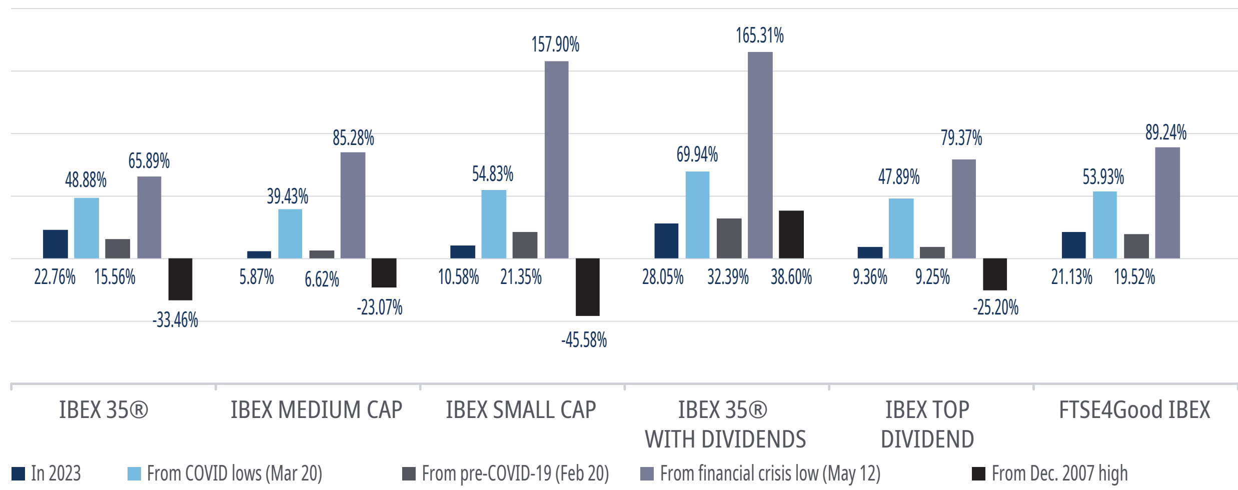
Large listed companies were the ones with the best stock market performance during the year, while medium-sized companies grew by 5.87% and small companies by 10.58%. All groupings have recovered their pre-pandemic levels in the medium term, with the IBEX 35®, IBEX® Medium and IBEX® Small up 49%, 39% and 55%, respectively. In the long term, since the lows of the financial crisis in May 2012, these three indicators grow by 66%, 85% and 158% respectively. However, none of them are back to the peaks of 2007 (16 years) and all are still more than 23% below those levels.

In 2023, 27 of the 34 sectors and subsectors of activity into which the General Stock Market Index (the broadest index calculated for the Spanish market) is divided recorded growth in their representative stock market indices. Fourteen of them grew by over 20% and eleven comfortably exceeded 3.4% per annum, above the 3.1% of the inflation rate and the one-year secondary market interest rate at the end of December 2023. The textile, clothing and footwear subsector was the leader in the year's stock market yield with 52% growth, thanks mainly to the presence of the Inditex Group, which is currently the largest listed Spanish company in terms of market capitalization (123.89 billion euros at the end of December). The Banking sector was also in top positions in terms of share price appreciation in 2023 with 30.7%. These two groups of companies currently account for 41% of the 697.457 billion euros capitalized as of December 29 by the all Spanish companies listed with BME.

Spanish Stock Exchange Indices (IBEX 35® and Latibex)

	30/12/22	29/12/23	%	High	Date	Low	Date
IBEX 35	8,229.10	10,102.10	22.76%	10,258.10	Dec-6	8,369.70	Jan-2
IBEX 35 with dividends	26,332.90	33,718.00	28.05%	34,137.70	Dec-6	26,782.80	Jan-2
IBEX MEDIUM CAP	12,798.50	13,549.30	5.87%	14,050.30	Feb-8	12,370.20	Oct-26
IBEX SMALL CAP	7,185.20	7,945.70	10.58%	8,673.60	Feb-20	7,360.50	Oct-26
IBEX TOP DIVIDEND	2,527.90	2,764.60	9.36%	2,829.60	Dec-5	2,501.50	Mar-17
FTSE4Good IBEX	8,795.90	10,654.10	21.13%	10,832.50	Dec-6	8,956.90	Jan-2
FTSE Latibex Top	5,340.80	6,006.30	12.46%	6,060.20	Dec-28	4,782.20	Mar-23
FTSE Latibex Brasil	11,196.80	12,632.80	12.83%	12,817.10	Dec-28	9,700.00	Mar-23
IBEX GROWTH MARKET 15	2,381.60	1,805.80	-24.18%	2,570.00	Jan-27	1,738.60	Nov-2
IBEX GROWTH MARKET All Share	1,967.30	1,750.70	-11.01%	2,064.00	Jan-26	1,697.40	Oct-26

Performance of the Main IBEX 35® Indices in the Short and Long Term as of December 29, 2023



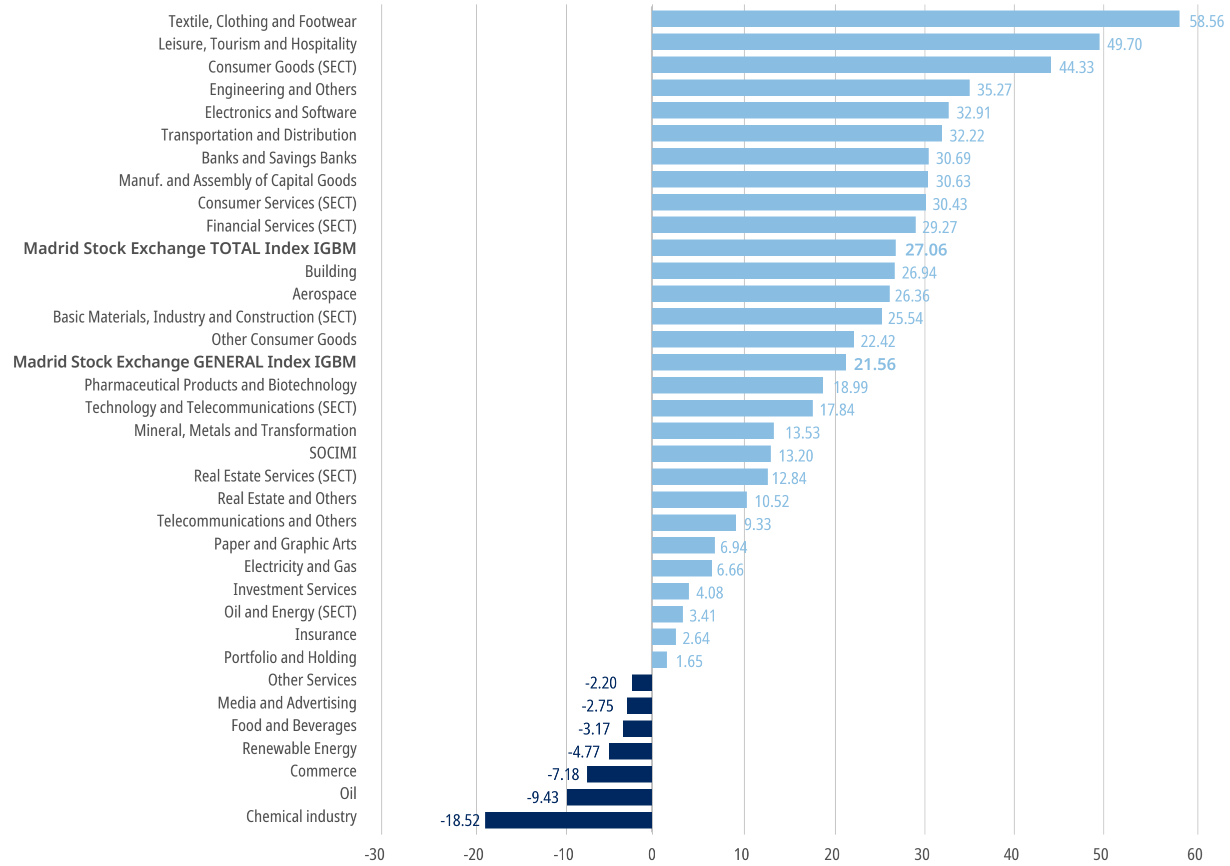
Capitalization and Number of Listed Companies

In 2023, the banking sector regained its almost historic first place as the group of companies with the highest market value on the Spanish stock exchange after ceding this position to the Electricity and Gas sector in the year of the pandemic. At year end, the financial sector capitalized 181.308 billion euros, which is 21.63% of the total value of listed Spanish companies, 5.5 points higher than three years ago and 4.5 points lower than before the major adjustment imposed by the financial crisis in 2012.

At the close of December, the total capitalization of the Spanish stock market reached 1.2 trillion euros, a value 16.8% higher than that of December 2022 and supported by a 12.17% increase in the capitalization of Spanish securities and a 23.91% increase in that of foreign companies listed on BME's platforms. The Spanish stock market capitalization level is very close to the historical highs reached three decades ago. With this amount, added to the nearly 1.9 trillion capitalization of the Swiss stock exchange, the SIX Group (owner of BME) is one of the 10 largest developed stock market infrastructure operators in the world.

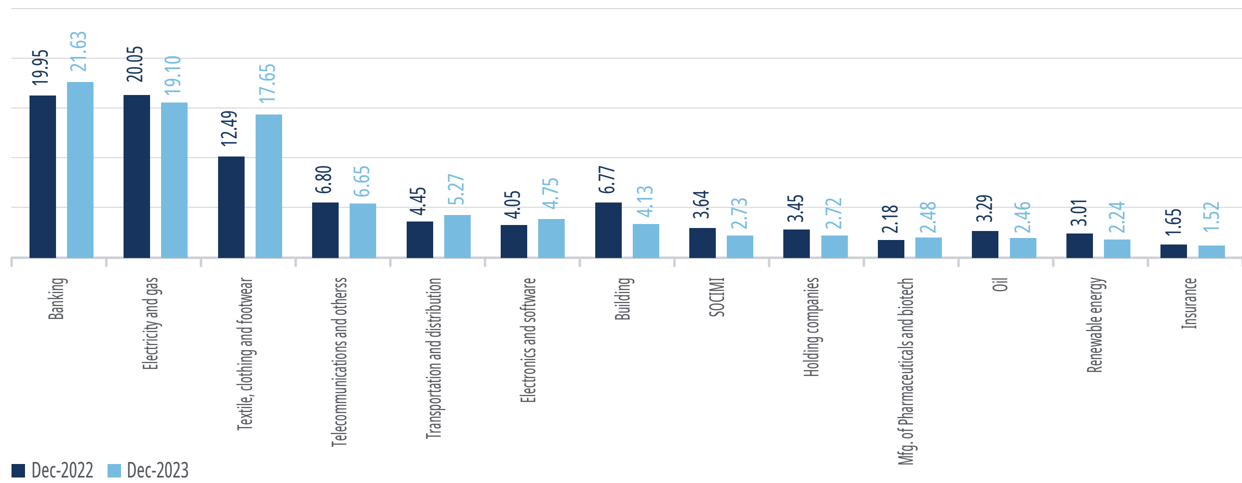
2023 Annual Change in Spanish Stock Market Prices by Sector and Sub-Sector of Economic Activity

DATA IN %. BASED ON SECTOR GROUPING OF THE GENERAL INDEX OF THE MADRID STOCK EXCHANGE (IGBM)



Weight of the Main Sectors of the Spanish Stock Market Capitalization (%)

BASED ON THE SECTORIAL DISTRIBUTION OF THE IGBM



Variation in the Capitalization of Listed Companies in 2023

	Value at Dec 29, 2023	Variation in the year		Change since March 2020 (lows beginning of COVID-19 crisis)	
	EUR mn	EUR mn	%	EUR mn	%
Total	**1,202,047.7**	**173,044.7**	**16.82**	**471,864.1**	**64.62**
Of which:					
Spanish securities	697,457.4	75,661.6	12.17	178,773.9	34.47
Foreign securities	504,590.3	97,383.1	23.91	293,090.2	138.58
Of which Latibex	*314,528.8*	*44,746.7*	*16.59*	*176,988.6*	*128.68*
BME Growth	**18,875.6**	**-1,810.3**	**-8.75**	**3,375.6**	**21.78**
Growth companies	*8,818.5*	*2,843.2*	*47.58*	*6,818.5*	*340.93*
SOCIMIs at BME Growth	*10,057.1*	*-4,653.5*	*-31.63*	*-3,442.9*	*-25.50*
MTF Equity (SICAV, SIL and ECR)	**15,755.3**	**-2,638.7**	**-14.35**	**-8,787.4**	**-35.80**

Sectors of activity (without foreign securities)	Value at Dec 29, 2023	Variation in the year		Change since March 2020 (lows beginning of COVID-19 crisis)	
	EUR mn	EUR mn	%	EUR mn	%
Oil and energy	165,943.9	2,141.5	1.31	42,244.1	34.15
Basic materials, industry and construction	47,502.0	-22,461.0	-32.10	-8,275.6	-14.84
Consumer goods	149,964.0	49,589.1	49.40	43,024.8	40.23
Consumer services	46,434.3	9,219.1	24.77	14,683.3	46.24
Financial services	181,307.9	24,863.9	15.89	66,874.3	58.44
Real estate services	26,844.8	318.0	1.20	2,308.1	9.41
Technology and telecommunications	79,460.6	11,990.9	17.77	17,708.5	28.68

The capitalization indicated for the Spanish stock exchange corresponds to a total of 801 companies listed on all BME's share trading platforms as of December 29, 2023, of which 128 are on the main market of the Spanish stock exchange, 18 on Latibex, 138 on BME Growth (Growth companies and SOCIMIs) and 517 on the MTF Equity platform for SICAVs, SILs and ECRs.

This result in terms of the number of companies listed at the end of 2023 is the result of 2 new additions to the Spanish stock exchange (Ferrovial SE and MFE-MediaForEurope, formerly Ferrovial and Mediaset but now with Dutch nationality), 10 to BME Growth (3 of them SOCIMI) and 20 investment firms (SIL) to BME's MTF Equity segment. In contrast to these 29 new issuers admitted to trading, 730 delistings were recorded in 2023: 3 in the Spanish stock market (Mediaset and Ferrovial in May and June, preceded by Siemens Gamesa Renovables in February), 3 in Latibex, 6 in BME Growth (4 of them SOCIMIs) and 718 SICAVs.

Trading

For the bulk of these securities (those traded on the continuous market), average daily trading in 2023 fell by 16.16% compared to the same period in 2022, to 1.181 billion euros. Against a backdrop of declining trade volumes in the vast majority of developed stock exchanges, equity trading recorded on the main market of the Spanish stock exchange also recorded a large drop in 2023, reaching 301.249 billion euros for the year.

The trend toward delocalization of trading between different execution venues is a natural part of the competition process driven by European regulation. Both in BME and in the rest of the major European markets, in recent months there has been an increase in the trend toward volumes traded on listed shares to slide toward internalized systems and dark pools. For our market, moreover, the existence of the Financial Transaction Tax[1] continues to weigh negatively on the trading of listed Spanish securities, as it makes its main companies less attractive than comparable assets in other markets not

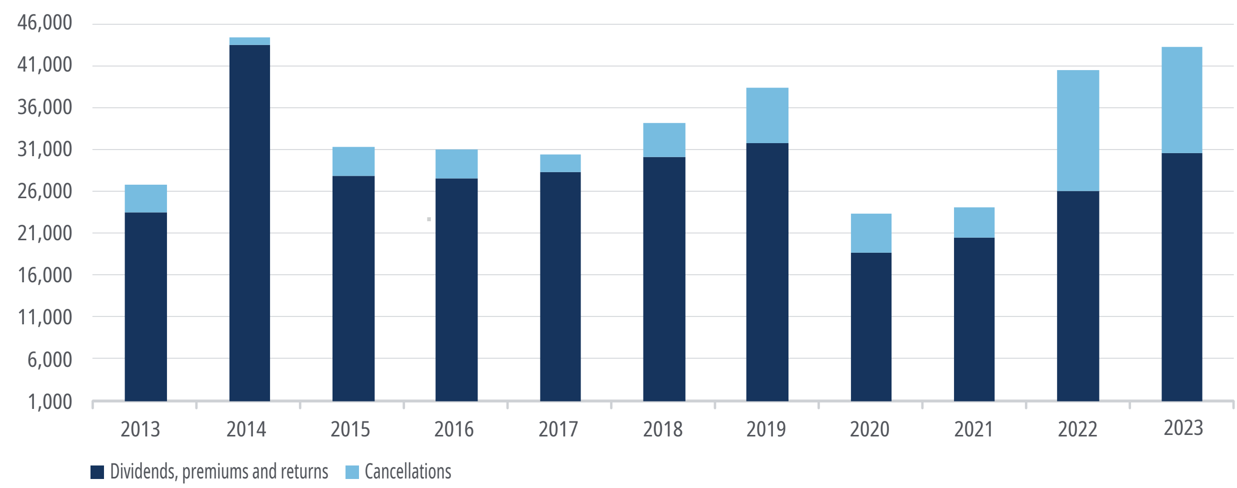
1) The Financial Transaction Tax is applied to the net purchase of shares of listed Spanish companies with a market capitalization of more than one billion euros at a rate of 0.2% of the transaction amount.

Number of Companies Listed on the Spanish Stock Exchange

	Dec-20	Dec-21	Dec-22	Dec-23
Spanish stock exchange (SIBE)	127	124	121	120
Other companies listed for floor trading	11	10	9	8
Latibex	19	19	19	18
BME Growth	2,581	2,432	1,349	655
Growth companies	42	50	56	63
SOCIMIs	77	77	79	75
MTF Equity				
SIL	20	20	30	61
ECR	1	1	1	1
SICAV	2,441	2,284	1,183	455
TOTAL	2,738	2,585	1,498	801

Number of Companies Listed on the Spanish Stock Exchange

MILLIONS € EFFECTIVE



subject to the tax. In a context of increasing globalization of investment and the management of highly diversified portfolios, a tax of this type is a significant handicap for the shares of large Spanish listed companies.

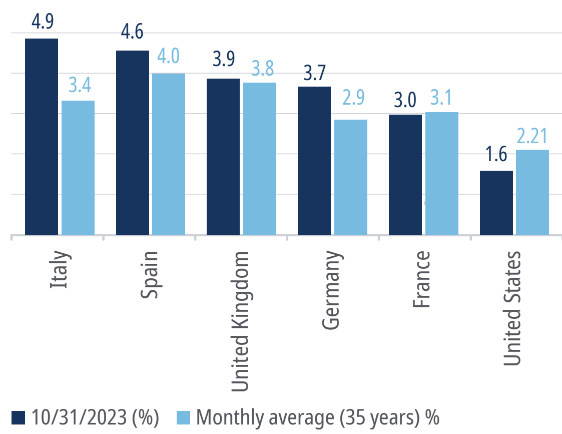
In terms of competition among trading platforms authorized to operate with equivalent rules on securities admitted to trading on the Spanish stock exchange, the one managed by BME continues to have the largest share according to the data provided by LiquidMetrix for BME. Specifically, the share in 2023 was 67.46%, taking into account the total trading carried out under homogeneous market rules applicable to the Regulated Market and the Multilateral Trading Facilities (MTFs) authorized by the regulations in force.

For Spanish securities, data provided by LiquidMetrix also shows BME as the most liquid execution venue among its various competitors. During 2023, the spread[2] over the first price level of IBEX 35® securities stood at 6.30 basis points (bp), 7.22% better than the same period of the previous year. For a depth of 25,000 euros in the order book, the spread was 7.87 bp, 27.80% better than what was obtained in other trading venues.

Seeking to address the needs and preferences of more clients, on December 5, BME's Equities platform development division incorporated two new functionalities in its market model for those securities traded in the closing auction of the market session:

2) The price spread reflects the liquidity of the supply and demand of a listed share and the quality of the execution of the buy and sell operations on the trading platform. In a trading system, the narrower the difference between the purchase and sale prices of securities, and the greater the volume of securities available at each price level, the lower the implicit transaction cost and the greater the ease with which operations are executed.

Consistent Dividend Yield in 2023



Source: MSCI Development Markets (October 2023)

1. At the Close (AtC) Orders: this is a new type of order that allows market members to enter orders at any time during the session but, unlike the rest of the orders enabled in the market, they will be activated at the moment the closing auction starts for each security.

2. Trading At Last (TAL) phase: a new trading phase which, following the closing auction, allows trading at the closing price published after the end of the session's closing auction. This phase will be activated exclusively for those securities that have marked a price in the closing auction and will have a maximum duration of 10 minutes, starting at 5:35 p.m. (5:37 p.m. if there is an extension of the closing auction) and ending at 5:45 p.m.

The Good Performance of Growth Companies

Although quantitatively of little relevance for the Spanish stock market as a whole, there are two pieces of good news in 2023 that concern companies of sizes closer to what can be understood in Europe as SMEs. One was the launch of a market segment for scaleup companies, to which we dedicate a specific section in this Annual Report (page 50), and the other was the growth experienced by the group of Growth companies housed in BME Growth. Its market value grew by 47.58% to 8.818 billion euros in 2023, after recording almost the only additions of new companies to the Spanish stock market: 7, to increase from 56 to 63 issuers admitted. Since the lows of activity and value in March 2020 (pandemic close), the capitalization of this section of the market has grown by 341% (6.818 billion euros) and the number of companies has increased from 42 to the abovementioned 63 companies from December 2020 to October 2023. The 498 million euros traded in shares of these companies in 2023 were close to the figure achieved in 2022.

Dividends: A Very Positive Year

For yet another year, the best news of the Spanish stock exchange's results of activity relating to its listed shares came from the remuneration aspects, especially the dividends, of which 30.087 billion euros were distributed in 2023, 19% more than in the same period of 2022 and up for the third year in a row. Adding to this the 207 million euros corresponding to returns for share premiums, the total remuneration amounts to 30.294 billion euros, 16.63% more than a year ago.

All of these amounts have been paid out in 237 dividend payments (136 from listed companies and 101 in BME Growth) and 23 returns for premium. Ten of the dividends were paid in the form of a scrip or option or flexible dividend and shares were distributed for a value of nearly 3.5 billion euros (12% of the total).

Publicly traded companies continued to implement share repurchase and subsequent cancellation programs in 2023, supplementing returns from investing in equities. In 2023, listed companies continued the trend observed in the previous year by redeeming shares with a market value of 13.415 billion euros, through 31 transactions. This pattern is mainly due to the operations of the Spanish banking sector, such as those of CaixaBank, Banco Santander, BBVA and Banco Sabadell, which together have canceled capital worth 5.947 billion euros.

If we add both remuneration items in the Spanish stock market (dividends and buybacks), we are talking about a year-end where the total remuneration will be just over 43.709 billion euros. The all-time high was in 2014 when a total of 44.315 billion euros was paid out by listed companies for both of these items.

Once again this year, we would like to focus on the importance of this data for investors. The cumulative yield difference between the IBEX 35® and the IBEX 35® with Dividend in 2023 is 5.28 percentage points, which is 1.3 points above the average dividend yield offered by the Spanish stock exchange since 1986 and a level that positions it as an international model for this concept among the stock exchanges.

Price and Yield Performance of Shares Listed on the Main Market of the Spanish Stock Exchange by Sector in 2023

BREAKDOWN BY SECTOR AND SUBSECTOR OF THE MADRID STOCK EXCHANGE GENERAL INDEX (IGBM)
WHICH ACCOUNTS FOR 99% OF SPANISH MARKET CAPITALIZATION

	Price change	Total return[1]	Difference in percentage points
Paper and Graphic Arts	6.94%	19.62%	12.68
Real Estate and Others	10.52%	18.55%	8.03
Other Consumer Goods	22.42%	30.19%	7.77
Banks and Savings Banks	30.69%	38.42%	7.74
Financial Services (SECT)	29.27%	36.87%	7.60
Media and Advertising	-2.75%	4.18%	6.93
Real Estate Services (SECT)	12.84%	19.33%	6.49
SOCIMI	13.20%	19.37%	6.17
Textile, Clothing and Footwear	58.56%	64.62%	6.06
Electricity and Gas	6.66%	12.39%	5.73
Insurance	2.64%	8.26%	5.61
Madrid Stock Exchange General Index IGBM	**21.56%**	**27.06%**	**5.50**
Oil and Energy (SECT)	3.41%	8.75%	5.34
Consumer Goods (SECT)	44.33%	49.58%	5.25
Oil	-9.43%	-4.85%	4.58
Telecommunications and Others	9.33%	13.89%	4.56
Building	26.94%	31.49%	4.55
Engineering and Others	35.27%	39.67%	4.41
Basic materials, Industry and Construction (SECT)	25.54%	29.93%	4.39
Mineral, Metals and Transformation	13.53%	17.92%	4.39
Manuf. and Assembly of Capital Goods	30.63%	34.72%	4.09
Chemical Industry	-18.52%	-14.49%	4.03
Other Services	-2.20%	1.58%	3.79
Investment Services	4.08%	7.75%	3.67
Technology and Telecommunications (SECT)	17.84%	21.32%	3.48
Food and Beverages	-3.17%	0.12%	3.29
Transportation and Distribution	32.22%	35.18%	2.96
Consumer Services (SECT)	30.43%	33.32%	2.89
Portfolio and Holding	1.65%	4.19%	2.54
Aerospace	26.36%	28.17%	1.81
Pharmaceutical Products and Biotechnology	18.99%	20.63%	1.63
Electronics and Software	32.91%	34.52%	1.60
Renewable Energy	-4.77%	-3.70%	1.07
Commerce	-7.18%	-7.07%	0.10
Leisure, Tourism and Hospitality	49.70%	49.70%	0.00

1) Return includes the change in prices during the year, including reinvestment of dividends and bonus issues.

Dividend Yield on Stocks in 2023

ANNUAL CLOSED AS OF DECEMBER 29, 2023

	IBEX 35®			IBEX MEDIUM CAP			IBEX SMALL CAP	
1	Enagas	11.268%	1	ENCE Energia	23.658%	1	Aedas Homes	11.800%
2	Endesa	8.588%	2	Atresmedia	11.130%	2	Prosegur Cash	7.342%
3	Telefonica	8.489%	3	Prosegur	5.489%	3	Vocento	8.364%
4	Mapfre	7.509%	4	Faes Farma	4.905%	4	Lingotes Especiales	6.536%
5	Redeia Corp	6.707%	5	Corp Fin Alba	4.071%	5	Realia Bus.	4.717%
6	Grupo Logista	5.882%	6	Gestamp Autom.	3.865%	6	Nicolás Correa	3.538%
7	Acerinox	5.631%	7	Ebro Foods	3.673%	7	Azkoyen	2.909%
8	CaixaBank	6.189%	8	Viscofan	3.619%	8	Grp Emp S José	2.890%
9	ACS	4.885%	9	Grupo Catalana Occ.	3.372%	9	Talgo	2.118%
10	Naturgy Grp	5.185%	10	CIE Automotive	3.223%	10	Tubacex	1.800%
11	Repsol	5.294%	11	Global Dominion	2.934%	11	Lab.Reig Jofre	1.778%
12	BBVA	5.227%	12	CAF	2.638%			
13	MERLIN Prop.	4.394%	13	Almirall	2.184%			
14	Unicaja Banco	5.442%	14	Pharma Mar	1.582%			
15	Sacyr	4.351%	15	APPLUS SERVICES	1.600%			
16	Iberdrola	4.221%	16	Vidrala	1.303%			
17	Fluidra	4.085%	17	Línea Directa	0.940%			
18	Acciona	3.383%						
19	Inmob. Colonial	3.008%						
20	Banco Santander	3.117%						
21	Aena	2.895%						
22	Banco Sabadell	3.594%						
23	Inditex	2.701%						
24	Bankinter	2.985%						
25	Crp Acc Ener Rn	2.494%						
26	Laborat Farmac	2.149%						
27	Ferrovial	1.993%						
28	Indra Sistemas	1.786%						
29	ArcelorMittal	1.331%						
30	Amadeus IT	1.141%						

According to this analysis, the Paper and Graphic Arts subsector would offer the highest dividend yield for the year (12.68%), followed by Real Estate (8.03%), Other Consumer Goods (7.77%) and Banks (7.74%).

As of December 29, 2023, 58 of the 85 companies included in the main indices of the IBEX 35® family had paid dividends. 30 of them belong to the IBEX 35® and 17 to the IBEX® Medium. Among all of them, 19 have distributed dividends to achieve a dividend yield for the year of more than 5% for their shareholders.

ETFs and Warrants

In 2023, exchange traded funds (ETFs) worth 1.297 billion euros were traded on the Spanish Stock Exchange. This figure represents a 19.16% drop compared to the same period in 2022. BME's activity in this market segment has been sustained by the 5 references that have been there for more than three years now. Together, as of December 29, they had 516 million euros in assets, which is 2.9% higher than the amount recorded at the end of 2022.

Of this figure, 22% is accounted for by an ETF on the Eurostoxx 50 index and the rest by four instruments linked to an IBEX 35® index. Two follow the IBEX 35®, and they comprise 60% of the total equity traded on the stock exchange. The lion's share of activity was mainly driven by investors with direct and positive exposure to the IBEX 35®, as 60% of trading (776 million euros) was focused on references to this index, while the Lyxor IBEX® Doble Inverso accounted for 37% of the value of purchases and sales.

These records are historic lows and confirm that Spain is outside the successful and extensive international capital circuit that has developed in recent years around this attractive investment asset. It is difficult to point to a single cause for this fact, but we understand that, sticking to the determining factors that directly impact the financial asset in question, the main one is its taxation.

Spanish exchange-traded funds are taxed similarly to equities. Capital gains derived from the purchase and sale of shares are not subject to withholdings on account. ETFs though, are taxed on the capital gains generated at any given time, regardless of whether the reimbursed amount is reinvested in another ETF or not. Unlike ETFs, traditional funds may defer the taxation on capital gains – therefore, transfers from one fund to another are allowed without tax until redeemed. The sales of funds are, however, subject to tax withholding or payment on account, accumulating what is known as "tax baggage". BME continues to promote the ETF market with various actions designed to reactivate interest, pending the approval of a regulation that corrects the tax differences that penalize its attractiveness to investors and issuers in Spain, while in the United States and Europe they continue to show very significant activity figures.

Although for reasons other than ETFs, the activity figures for warrants admitted and traded on the Spanish stock exchange also suggest that this is a section of the Spanish markets with little scope at present. The decline in market volatility in 2023 has not helped the company's development this year either. The figures are close to historic lows in its almost 25-year history on the BME market platform, with only one issuer (Societé Générale) present in Spain. Trading in warrants on the Spanish stock market fell sharply in 2023. It was a year in which 600 million euros were effectively traded, 36% less than in 2022. Volatility levels gradually decreased throughout the year, with occasional extreme peaks. The VIBEX® index recorded a monthly closing average of 14.7 points, compared to 21.3 in 2022.

At the end of December, there were 2,634 warrant references on the market, after 6,334 new admissions were registered over the year. These are the highest values in 7 years, although they bring with them little activity, even though the new Securities Market Law (SML) has made the conditions for their incorporation to the market more flexible.

BME MARKET REPORT 2023

2.2. Financing

The volume of investment flows related to market financing has fallen sharply in 2023, in line with the accelerated tightening of monetary policy by the world's major central banks to curb inflationary escalation. Against this background of a market scenario that has been slowed by events, a large majority of companies have deferred certain decisions on their financing structure until they know with certainty where the rise in interest rates induced by the world's main monetary authorities will stop. This decline in capital flows is also seen in other alternative funding channels such as venture capital and seed capital, albeit to a lesser extent.

According to data on new investment and financing flows on the stock exchanges provided by the World Federation of Exchanges (WFE), as of September 2023, the average monthly amount of financing raised by all the world's public markets through new IPOs and capital increases carried out by already listed companies was 37.141 billion dollars, compared to 87.5 billion in 2022 and 151 billion in 2021. For its part, the Spanish stock market, which historically appears in this comparative chapter among the world's top 20 market operators, was in fourteenth position at that time in 2023, but its monthly average had also fallen to 552 million dollars from 621 million in 2022 and 1.571 billion in 2021.

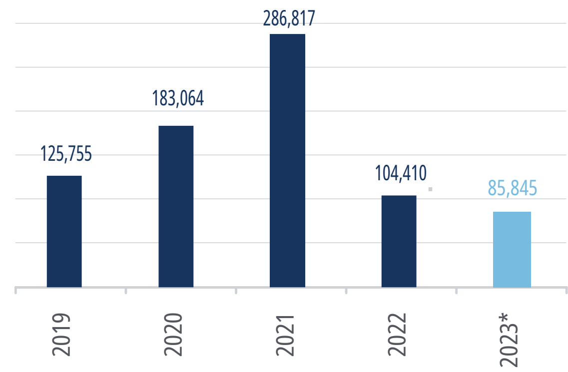
In Spain, BME continued to respond to the financing needs of the Spanish economy, although, as we have already mentioned, it was not able to decouple itself from the negative trend experienced in most of the key global market infrastructures compared to 2022.

New Listed Companies That Have Been Financed on the Market

As mentioned above, during the year, as of November 2023, a total of 32 new companies have been registered on BME's platforms and their shares were listed. Of these, 22 were direct admissions and 10 raised funds at the time of their market debut. Of these last 10, all have traded in BME Growth: seven in the Growth segment and three as SOCIMIs. Together, they have raised funds amounting to 39.9 million euros (in 2022 there were 16 new incorporations of the abovementioned type - 2 of them in the main market - which raised 362.8 million euros).

Financing Raised by IPOs in Europe

MILLIONS OF EUROS



Source: Bloomberg
* through October 2023

For the second year in a row in BME Growth, the number of new listings of companies in the Growth segment exceeds that of SOCIMIs. With these figures, this section of the Spanish market for small companies accumulates a total of 52 new incorporations since 2020 and now totals 138 companies, the highest figure since the creation of this market. The BME Growth platform channeled 544.16 million in new financing to its companies in 2023, including IPOs and capital increases. Last year it amounted to 878.25 million, and since its start-up in 2009 to nearly 7.805 billion euros.

Activity in the ecosystem created by BME to facilitate companies' approach to the markets also suffered over this year of unstable financing conditions. In 2023, the Pre-Market Environment (PME) gained another 3 new companies and 2 new companies intervening in the portfolio of services offered to companies. This brings the number of professional services companies that are currently members of the EpM to 26. Together with the 3 companies incorporated in 2023, there are now 38 companies that have participated or are participating in the support offered by the EpM to promote their growth. Seven of them have already made the leap to the market, more specifically to BME Growth.

Capital Increases

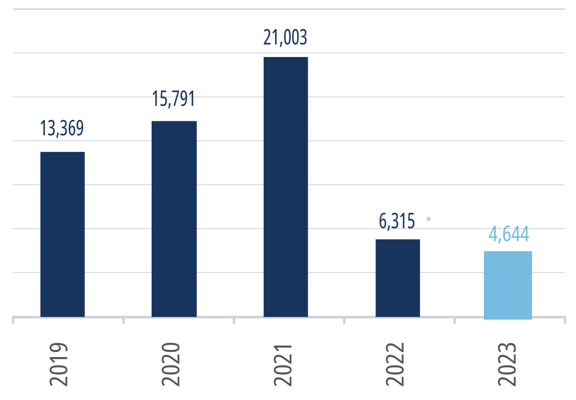
As for capital increases, a total of 140 transactions were carried out throughout the year, up 17.6% from 119 in 2022. Spanish listed companies increased capital by 4.644 billion euros in 2023 (6.314 billion euros in 2022). From this amount, 4.144 billion euros correspond to 40 capital increases carried out by companies listed on the main segment of the Spanish stock exchange and 500 million euros come from another 100 capital increases carried out by companies admitted to trading on BME Growth.

Noteworthy in this section are the cash and non-cash capital increases carried out by IFFE Futura in order to acquire Natac. The first was for 52 million euros and the second for 205 million euros, to create a listed group with a capitalization of 300 million euros. This corporate transaction was a milestone in the history of BME Growth as it was one of the largest that implied increases since the market was created. It is also an example of how companies can use the stock market to finance their growth plans.

Also noteworthy in this area of financing were the capital increases carried out during the year to cover flexible shareholder remuneration plans. In this respect, nearly 70% of the amounts raised were used to remunerate shareholders in the form of an option dividend.

Capital Increases in the Spanish Stock Market

MILLION EUROS



Source: BME

Takeover Bids, Mergers and Acquisitions

Global merger and acquisition activity was also impacted in 2023 by the current economic landscape of volatility and heightened uncertainty surrounding economic growth and geopolitical tension. Thus, the total value of M&A deals reported worldwide was exceptionally low. This was so much the case that the first nine months of the year were the lowest seen in a decade. By the end of September the decline compared to 2022 was 55% in Europe and 45% worldwide.

In Spain, 2023 was the worst year for M&A in the 21st century, due to the tightening of financing conditions and economic uncertainty, which led to a sharp slowdown in activity. A total of 1,751 transactions were recorded in the first 9 months, with an aggregate amount of 48.016 billion euros, according to the TTR Data report. These figures represent an 18% decrease in the number of transactions, as well as a 29% decrease in capital mobilized, compared to the same period in 2022.

Three takeover bids were registered on the Spanish stock exchange and closed in the final stretch of the year. On December 27, 2023, the Council of Ministers approved Apollo's takeover bid "without any conditions" – through the special purpose vehicle Manzana Spain BidCo – for 100% of Applus+, proposed on June 30 for 1.226 billion euros in cash (9.5 euros per share).

FCC announced on December 5 the closing of the takeover bid launched on October 30, 2023 on its own capital. The takeover bid was addressed to all holders of FCC shares and was open to the takeover of a maximum of 32.02 million FCC treasury shares representing 7.01% of the company's share capital. This was a takeover bid for a capital reduction that was finally accepted by 64.20% of the shares to which the bid was addressed and 4.50% of the company's capital stock.

Gubel, a company controlled by Prosegur's own president (Helena Revoredo) and owner of the company with 59.89% of the capital, announced on November 15 a takeover bid for 15% of the company which it does not control. The takeover bid is addressed to all holders of Prosegur shares and extends, without conditions, to the takeover of a maximum of 81,754,030 shares.

BME MARKET REPORT 2023

One result of a takeover transaction was Mediaset's return to the market (after being delisted on May 10, 2023) under the new name of its buyer, MFE-MediaForEurope N.V., in May 2022.

Ferrovial also did something similar this year on June 16. This last transaction was carried out as a merger by absorption of Ferrovial, S.A. by Ferrovial International, S.E., in what is known as a reverse merger transaction where the parent company is absorbed by another subsidiary company. In this intra-Community cross-border merger, an exchange of Ferrovial, S.A. shares for newly issued shares of Ferrovial International, S.E. (which, after the merger became effective, was renamed Ferrovial, S.E. and was simultaneously listed on BME and Euronext Amsterdam).

Regarding Private Equity transactions, in the first 9 months of 2023, a total of 192 transactions for 10.749 billion were recorded, representing a 34% decrease in the number of transactions, as well as a 51% decrease in the amount of transactions compared to the same period of the previous year.

Performance of BME's Sustainability Indices

On October 5, 2023, a new range of IBEX® ESG indices was launched. With this addition, BME increases the family of sustainable indices that also saw one of its most celebrated launches in 2021: the IBEX® Gender Equality index.

Since 2008, BME has been making the FTSE 4Good IBEX® index available to investors, in collaboration with FTSE Russell – an indicator that meets some very relevant characteristics within the framework of sustainability:

- It allows investors to identify and invest in companies that meet global standards for corporate responsibility.

- It provides asset managers with a socially responsible investment (SRI) indicator and a tool for developing SRI products.

- They can be used by public pension fund managers, which are required by Spanish law to invest 10% of the funds in assets with ESG criteria.

- It allows investors to capitalize on the benefits of good corporate governance (such as eco-efficiency, improved brand image, etc.).

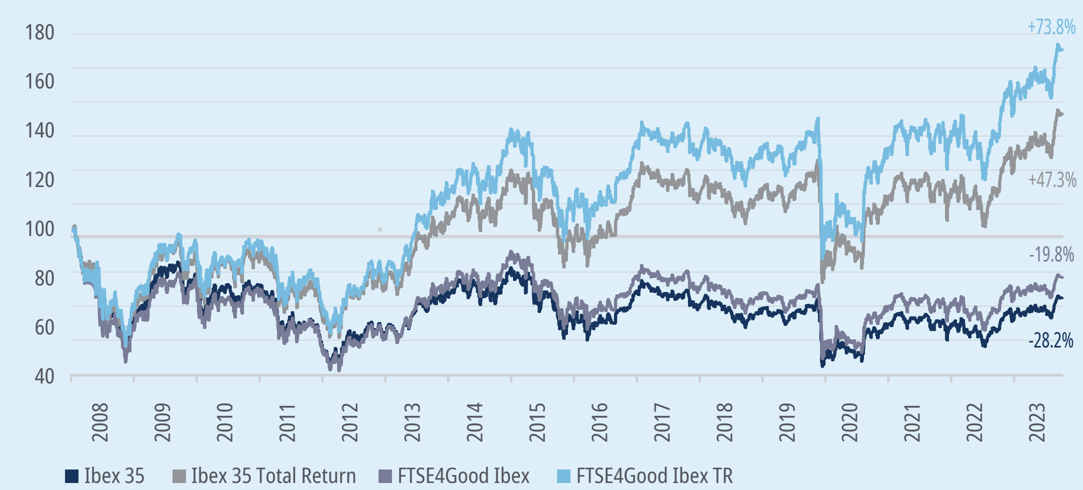
- It promotes the concept of being “socially responsible” within the companies included in the index.

At the end of 2023, the annual return of the FTSE 4Good IBEX® index was 21.13%, similar to that of the IBEX 35®. However, in the long term, the performance of BME's sustainable indices is better, both in terms of prices and dividend reinvestment. Since it was created in 2008, the FTSE4Good IBEX TR® has gained 74% compared to the 47.3% appreciation of the IBEX 35® with dividends.

At the end of 2021, a gender equality index – IBEX® GENDER EQUALITY – was created for Spanish listed companies. In 2023, this indicator was revalued at 12.59%. By creating a gender equality index, BME reaffirmed our commitment to the inclusion of ESG factors in finances, and more specifically, this action contributes to gender equality under Sustainable Development Goal 5, by presuming that a larger number of women in leadership roles will help achieve this goal.

The IBEX® GENDER EQUALITY Index selects those listed companies that belong to the IGBM and have between 25% and 75% women on their board of directors, and between 15% and 85% women in senior management. The exposure ratios are obtained using a study that CNMV publishes each year on the presence of women in positions of responsibility at listed companies. This index is weighted equally, such that the size of the companies included will not matter when calculating the appreciation of a replicating portfolio.

Performance of IBEX 35® vs. FTSE4GOOD IBEX



BME Expands Its Range of ESG Indices

On October 5, the IBEX® ESG family of indices was launched. The IBEX® ESG Indices measure the performance of companies by taking into account environmental, social and governance (ESG) sustainability factors. They pursue sustainability objectives by encouraging the development of sustainable practices among Spanish listed companies.

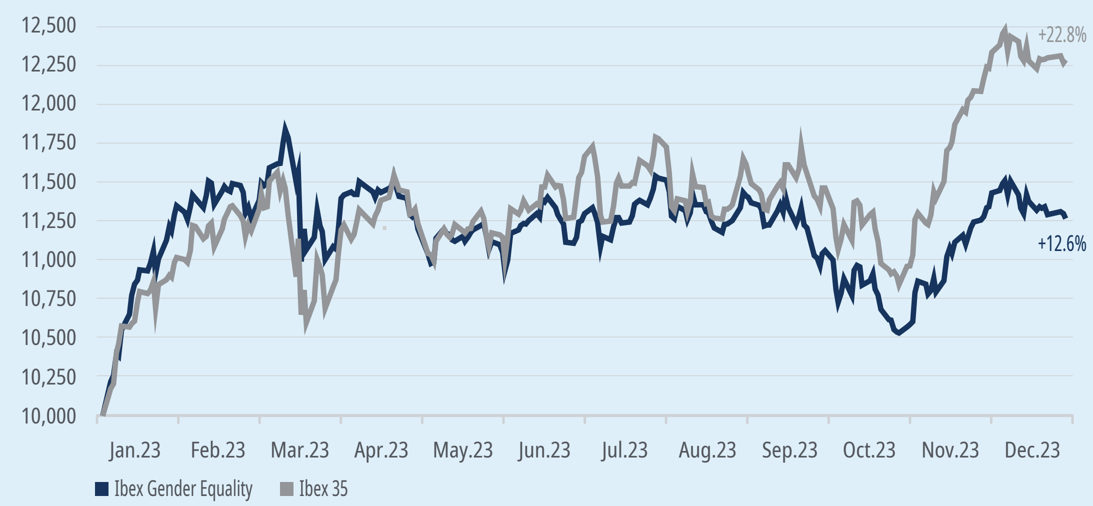
With this launch, BME seeks to offer the market a clear indicator with transparent criteria that serves to measure the sustainability impact of Spanish listed companies, something that has enormous social and economic importance and with which BME, as a market infrastructure and also as a company, is firmly committed.

The new family of indicators is comprised of two types of indices: the IBEX® ESG, which selects its components according to certain sustainability criteria and is weighted by free float-adjusted capitalization, and the IBEX® ESG Weighted, composed of the same securities, but with a weighting adjusted to their sustainability rating (ESG Impact Rating). These indicators do not have a fixed number of components. They are calculated in real time in three versions: price, with dividends and with net dividends. The independent data provider Inrate is the one who provides this methodology and the information necessary to measure the impact of companies.

Any IBEX 35® or IBEX® Medium Cap company with an ESG rating equal to or higher than C+ (there are 12 levels ranging from A+ to D-) is eligible for inclusion in the indices. Additionally, companies must comply with the United Nations Global Compact Principles, and certain exclusion criteria are taken into account for business activities critical to sustainability. The review of index components will be done annually in the month of September.

The first composition of the index is made up of 47 listed companies out of a universe of 55 companies analyzed, which means that a very high percentage of large and medium-sized Spanish listed companies follow the path of sustainability.

IBEX® GENDER EQUALITY vs. IBEX 35® 2023



Launch of BME Scaleup

This market is another step taken by the stock exchange to cover the financing and liquidity needs of all companies once they reach a minimum level of maturity. This is the key data.

In July 2023, BME launched BME Scaleup. This is a new market aimed primarily at scaleups, companies with a proven business model, in an accelerated growth phase for at least three years and with a minimum turnover of one million euros and/or an investment of no less than that amount.

This new market provides stock market access to companies that until until now, in many cases, did not even consider it as an option, with the conviction that the financial markets should be open to all types of companies and be representative of the economy and Spanish industries.

BME Scaleup is a new step on the corporate financing ladder, complementary to the Pre-Market Environment, which links up with BME Growth, the SME stock exchange, and ends at the Spanish stock exchange. Obviously, not all companies have to go through all these steps, but BME's responsibility as a basic market infrastructure is to open adapted spaces of opportunity so that all companies can finance themselves and grow, taking advantage of the benefits and diversification offered by the public, open, secure and transparent alternatives offered by the stock exchange mechanisms. BME Scaleup is also aimed at more established companies, many of them family-owned, that want to approach the stock market for the first time in order to enhance their value and improve their reputation and prestige in exchange for being subject to the discipline that the market demands.

Here are five keys to understanding this new market:

- **A growing ecosystem**. In Spain, it is estimated that there are more than 500 scaleups, and that they have an estimated growth capital requirement of more than 2.5 billion euros in the next few years. So far, this ecosystem has been mainly financed through venture capital, business angels and alternative financing platforms.

  These are companies in a clear growth phase and with a proven business model that need financing to continue growing. Also, this is a new market that is part of the third largest financial market infrastructure group in the world and that accumulates the experience of BME Growth – the SME stock exchange, which already has 140 listed companies that have raised more than 7 billion euros in financing since its creation.

- **Transparency, flexibility and lower costs.** Another key feature of BME Scaleup is that it combines the necessary transparency offered to investors with a simplification of company incorporation requirements. It is important for small companies to know that there is a specific market for them that addresses their particular situation and where they will find specialized investors who focus precisely on this type of company. Furthermore, it is a market with BME's trading and settlement technology.

To be part of BME Scaleup, it will not be necessary to meet a minimum free float or have a liquidity provider. This means that each company can choose when to open its shareholding, without being conditioned by the ups and downs of the market, showing its project to investors and allowing its shareholders to trade their shares from the very beginning. This flexibility is also available for other types of companies such as SOCIMIs, SMEs or family businesses that wish to have a first contact with the financial markets while maintaining control of the company. Companies listed on this new market must be corporations with audited accounts for the last financial year and have a registered advisor.

The incorporation process has been significantly simplified, eliminating formal requirements, reducing the intervention of third parties and adapting the incorporation process to shorten deadlines. All this results in a significant reduction of costs for companies, both at their launching into the market and in their subsequent maintenance.

- **Recurring financing.** The key advantage of the financial markets is that they are a window for recurring financing, something very important for all companies and, undoubtedly, especially for companies such as scaleups.

  For example, the BME Growth companies that could form part of BME Scaleup due to their size (peak turnover of 10 million euros in 2022) have raised 275 million euros in financing through capital increases in recent years and have a combined capitalization of more than 350 million euros.

- **More visibility and reputation.** Financing is not the only thing that makes a difference for listed companies. Entering the financial markets also offers greater visibility, which differentiates companies from their competitors. This means a better reputation when it comes to attracting or retaining talent, as well as with suppliers. Furthermore, listing on BME Scaleup facilitates inorganic growth, increases liquidity for shareholders and provides an easy path for generational transition for family-owned companies.

- **Support in all phases.** At BME, we we want to accompany companies in all their growth phases. That is why we launched the Pre-Market Environment years ago, a training and networking program aimed precisely at companies that are thinking about making the leap into the financial markets. Also, all companies listed on BME Scaleup will have automatic access to the Pre-Market Environment, from which six companies have already entered the market.

As part of the advances made in the running of this new market segment, BME announced, on November 2, the approval of Abbaco Markets, PFK Attest and Solventis, three firms with proven experience in capital markets, to become BME Scaleup Registered Advisors. These companies are in addition to seven other firms whose incorporation was authorized at the start of this market (Armabex Asesores Registrados, Deloitte, GVC Gaesco Valores, Impulsa Capital, Orbyn Capital Markets, Renta 4 Corporate and VGM Advisory Partners). There are now 10 Registered Advisors operating in BME Scaelup.

The role of the Registered Advisor is key to the development of this market, as each company must have one, to assess the suitability of the companies to enter BME Scaleup and assist them in the preparation of the information required at all times. Registered Advisors' tasks include checking and assisting the company in complying with the incorporation requirements, reviewing the information submitted by the company at the time of incorporation and thereafter, as well as being available to the market to answer their questions about the issuer, activity and compliance.

Market Platforms at BME:
A Financing Ladder with Opportunities for All Types of Companies

PRE-MARKET ENVIRONMENT (EPM), BME SCALEUP, BME GROWTH AND STOCK MARKET

3. Listed Fixed Income

BME's fixed income markets have provided financing to both the public and private sectors, with issuance volumes exceeding 422 billion euros. The new Securities Markets Law, which simplifies listing procedures, enters into force. High interest rates continue to attract strong volumes from both institutional and retail investors, the latter mainly in short-term public debt. The central banks of the main countries and economic areas persist with very restrictive monetary policies, which have been easing in the last months of the year in line with better inflation data. The MARF celebrates 10 years of life after channeling 70 billion euros in issues from 148 companies, in addition to securitization entities. Green, social and sustainable fixed income issues grow 43% in Spain in the first half of the year.

3.1. Public Debt Activity

The volume of Spanish government debt issued and admitted to trading on the BME regulated market for fixed income securities in 2023 amounted to 292 billion euros, 15.8% more than the previous year. The volume of issues and admissions has increased by 20% in the case of medium and long-term Treasury debt to 181.226 billion and contracted by 3.4% in the case of Treasury bill issues, to 86.84 billion. The issuance and admission of debt from the Autonomous Communities has also recovered (+44%) to 3.2 billion euros.

Treasury Net Debt Issuance Slows and Interest Rates Continue to Rise

The Treasury's year-end estimates pointed to net issuance of government debt at all maturities reaching €65 billion in 2023 as a whole, €5 billion less than the initial forecast and 7.2% less than the previous year, already far short of the net €110 billion issued in 2020 as a result of the pandemic. Estimated gross issuance for 2023 was 256.93 billion, 8% less than the previous year. Interest expenditure on Spanish government debt reached 35.55 billion euros in 2023 (2.4% of GDP) and is expected to increase to nearly 39 billion (2.5% of GDP).

The total balance of outstanding Spanish government debt in the regulated fixed income market stood at nearly 1.43 trillion euros at the end of 2023, 7% higher than the same time 2022.

Despite the rise in yields at all maturities, the average cost of all outstanding Spanish government debt is contained at 2%, a low level by historical standards, although higher than the 1.64% of the previous year. The average maturity of all Spanish sovereign debt is around 8 years, a level considered appropriate to reduce refinancing risk and vulnerability to interest rate increases. With the auction held at the beginning of November, the medium- and long-term issuance target for the whole of 2023 was almost completed.

Both Treasury bills and medium and long-term bonds have maintained high yields in 2023. In the case of Treasury bills, although they corrected in November and December, interest rates on placements made at highs in October ranged from 3.59% at three months to 3.88% at 12 months, and one of the highlights of the year was the massive inflow of individual investors in this product.

422
Billion Euros
Public and private issues channeled through BME's fixed-income markets.

+4%
10-Year Interest
Ten-year government bond rates have reached levels not seen in 15 years, although they have since declined significantly.

10 Years
of MARF
The market celebrated its anniversary in October with 148 companies and 70 billion channeled.

In September, the volume of Treasury bills accumulated by individual investors exceeded 21.35 billion euros, an all-time record, which meant a six-fold increase in volume at the close of 2022, surpassing the over 19.5 billion euros in the same product accumulated by foreign investors.

More Than 8 Trillion Euros of Total Balance in Foreign Public Debt

Foreign government debt listings in BME's Fixed Income market experienced a boost in 2023 with the incorporation of a large volume of new issues amounting to 5.4 trillion euros. In order to make the use of the BME fixed income market's SEND electronic trading platform universal, the Treasury issuances of Germany, France, Holland, Belgium, Italy, Austria, Portugal, Ireland, Greece and the European Stability Mechanism (ESM) started to be incorporated into this system in December 2017.

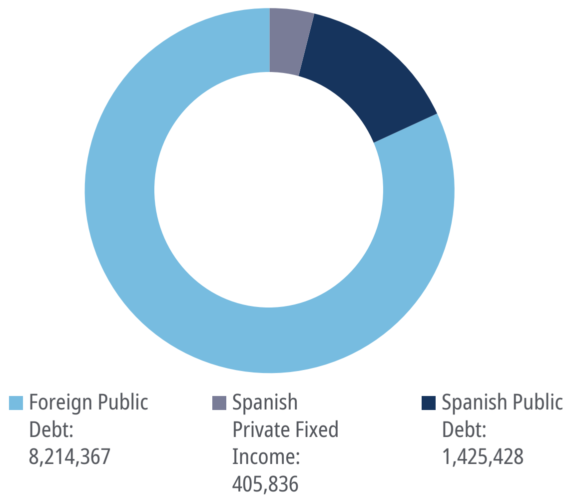
The total outstanding balance of foreign government debt tradable through BME's platform nearly doubled year-on-year to 8.2 trillion euros at the end of 2023.

Public Debt Trading Increases on All Platforms

The high returns achieved by public debt at all maturities have attracted a large number of new investors, and this has also had an impact on an increase in the volumes traded in the market. Thus, between January and December 2023, total trading in public debt instruments on the SENAF platform, reserved for specialized wholesale financial institutions, increased by 68% to 161.987 billion euros, and on the SEND platform, which is open to all types of investors, trading amounted to 22 billion euros, an increase of 19%. The number of cross-trades in 2023 also increased by 58% on the SENAF platform to 20,508 trades and by 290% on the SEND platform to 5,006 trades.

Total Outstanding Balance in Bme's Fixed Income Market

AIAF MARKET. AT DECEMBER 2023. DATA IN MILLIONS OF EUROS



Trading Volume of Government Debt on Fixed-Income Platforms

MILLIONS OF EUROS

	SENAF	SEND	Total
2022	96,316	18,389	**114,706**
2023	161,988	21,958	**183,946**

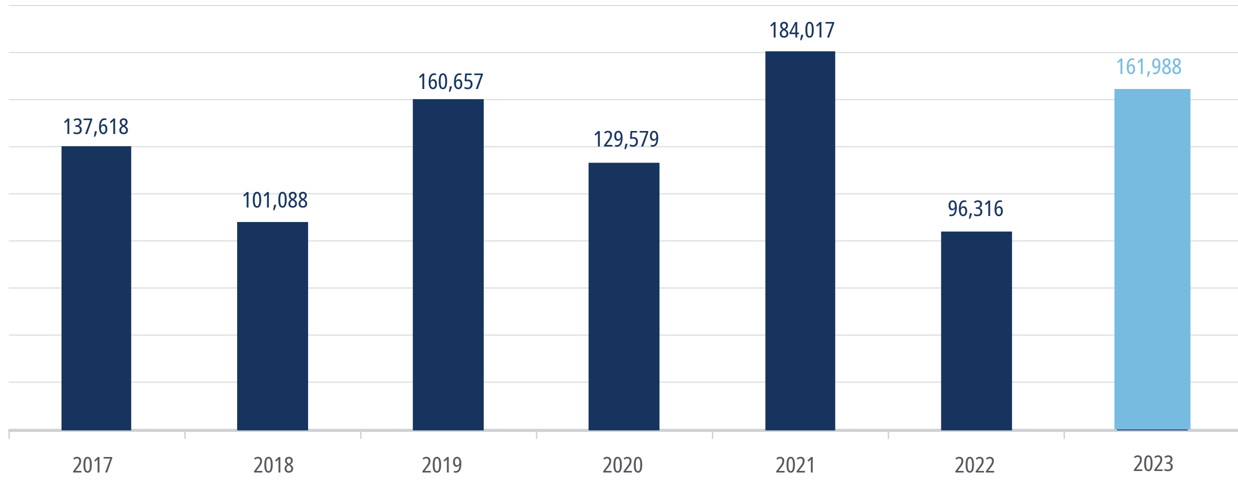
Performance of BME Government Debt Yield Indices (RODE)

In 2023, conditions in the Spanish short- and long-term debt market can be accurately observed in the graphs depicting the daily RODE 6- to 12-month public debt index and the daily RODE 8- to 12-year public debt index.

According to these indices, which take averages of prices and transactions of the previous month for each date, after the strong losses of 2021 (-6.3%) and 2022 (-17.2%) in the long-term debt index (8-12 years), in 2023, return reached levels of 12.2% due to the high interest rates

Regulated Fixed-Income Market. Volume of Public Debt Traded on the SENAF Platform

2017 - 2023. MILLIONS OF EUROS



of the issues and especially the spectacular rebound in bond prices in November and December. For short-term debt (6-12 months), the index return in 2023 is virtually 0% compared to losses of 2% in the previous year.

Since May 2021, the Spanish fixed income market has had these government bond indices (RODE) designed to track the performance of the Spanish government bond market across maturities.

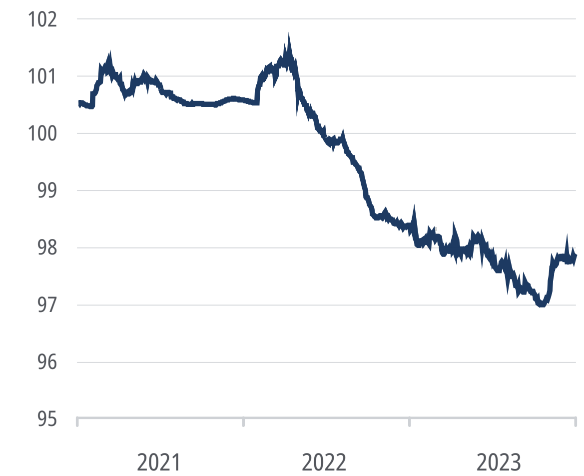
The series of indices consists of 9 daily and 9 monthly indicators that reflect the internal rate of return in the public debt market at different maturities, ranging from 6 months to over 20 years, integrating interest rates and transactions on a monthly and semi-annual basis.

The daily RODE indices are designed to represent a weighted average of the prices and interest rates of the major issues in transactions executed in the 30 calendar days preceding the respective date.

The monthly RODE indices are calculated at the first meeting of each month using data from the previous six months. One of the monthly indices in the RODE family — the Public Debt Index from 2 to 6 years (S) — remains the index for the "yield rate in the secondary public debt market for the period of two to six years" that has thus far been calculated by the Bank of Spain. This reference index is considered an official interest rate and is calculated by Sociedad de Bolsas in its capacity as index administrator. The Bank of Spain publishes it monthly in the Official Gazette and on its website.

Yield Index of Spanish Government Debt between 6 and 12 Months (2021 - 2023)

DAILY RODE INDEX OF SPANISH PUBLIC DEBT BETWEEN 6 AND 12 MONTHS. DAILY DATA. SOURCE: BME



Yield Index of the Spanish Government Debt between 8 and 12 Years (2021 - 2023)

DAILY RODE INDEX OF SPANISH PUBLIC DEBT BETWEEN 8 AND 12 YEARS. DAILY DATA. SOURCE: BME

3.2. Corporate Debt Activity. The New Securities Market Law Comes into Force.

The volume of Spanish private debt issued and admitted to trading on the regulated market in 2023 reached 114.882 billion euros, a slight increase of 0.7% over the previous year. In contrast to what happened in 2022, when companies concentrated their issuance in the short term, 2023 saw a strong increase in medium and long-term bond issues, with 46.091 billion euros over the year and a growth of 140%. In contrast, short-term commercial paper issues fell by 34% to 25.896 billion and securitization issues also declined to 14.666 billion (-29%) and Mortgage Bond issues to 26.88 billion euros (-23%), consistent with the lower liquidity needs of Spanish banks following the sharp increase experienced by these instruments in the previous year.

The figures for corporate debt issuance in 2023, despite the slight decline, are more valuable and meaningful considering that the ECB's corporate debt purchase programs, discontinued as of mid-2022, were no longer in place for the entire year.

At the end of 2023, the total balance of outstanding Spanish issues registered in the regulated private fixed income market was 405.836 billion euros, 3% more than at the close of the previous year.

In 2023, the volume of issues made and registered by banks, companies and subsidiaries of Spanish groups in foreign markets and exchanges remained very high. According to data published by the CNMV, up to August, cumulative issues abroad amounted to nearly 150 billion, compared to 71.814 billion issued as of September in the Spanish markets, i.e., one third of the total amount issued in the Spanish markets. These figures show practices that are not in the best interest of the Spanish financial markets and their participants. Since 2018, the CNMV and the BME have taken steps to make Spanish markets more attractive to issuers by introducing measures which streamline the issuance and approval processes of debt securities, consequently improving capital raising capability in domestic markets. As a result of these efforts, in recent years some large Spanish companies have changed tack and repatriated or issued in Spain part of their fixed-income issues.

The Changes of the New Securities Market Law

Among the novelties of the year was the entry into force on September 18 of the provisions of the new Spanish Securities Markets and Investment Services Law (LMVSI). This law introduced changes to the procedure for verification and admission to trading of fixed-income securities in regulated markets, with the aim of providing the Spanish fixed-income markets with a more agile, efficient and competitive framework for action.

Until that date, these functions were divided between the market supervisory body, the CNMV, and BME as the governing company of the regulated private fixed-income market. In practice, this division of competencies meant that issuers had to submit documentation to the CNMV and BME and process separate files. In accordance with the new regulations, the CNMV continues to approve the prospectuses, but it is BME that verifies compliance with the admission requirements and proceeds to admit the securities.

BME's Fixed Income market has developed a new regulation to take on the new responsibilities, which establishes the timetable for presentation and the documentation to be provided for admission to trading, while taking advantage of the opportunity to coordinate this documentation with that used for the book-entry of the issue in the Spanish central securities depository, Iberclear.

Just a few days after the entry into force of these legislative changes, the airport management company AENA registered the first bond program under this same scheme and other recurring issuers such as CaixaBank, BBVA, Kutxabank, Abanca and several securitization bond issues have begun to use it.

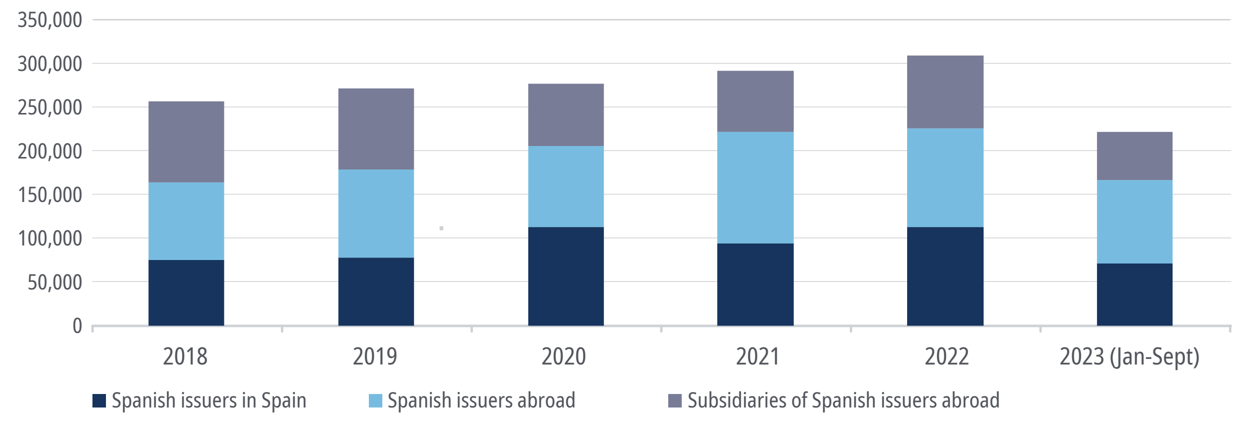
Regulated Private Fixed-Income Market AIAF

ADMISSION TO TRADING OF SHORT, MEDIUM AND LONG-TERM PRIVATE DEBT (MILLIONS OF EUROS)

	Bonds and debentures	Covered bonds	Securitazion bonds	Preferred shares	Commercial paper	Total
2022	19,169	34,890	20,645	0	39,334	114,038
2023	46,091	26,880	14,666	1,350	25,896	114,882
Chg. %	140.4%	-23.0%	-29.0%	-	-34.2%	0.7%

Total Issuance of Fixed Income by Spanish Banks, Companies and Business Groups (2018 - 2023*).

MILLIONS OF EUROS. ISSUES MADE IN SPAIN AND IN FOREIGN MARKETS. (SOURCE: CNMV)



* Data for 2023 on foreign market issues by Spanish issuers and their subsidiaries corresponds to the January-July period. Issues made in Spain are up to September.

The MARF Celebrates Its 10th Anniversary with More Than 148 Issuing Companies

In October, the Spanish Alternative Fixed Income Market (MARF) celebrated its 10th anniversary. Over its first decade, a total of 148 companies have obtained financing directly from MARF, and several hundred more have done so through securitization issues, which include financing instruments such as loans or invoices from small companies. The total resources raised in this period well exceed 70 billion euros.

The total volume of financing provided by the market to the real economy at the end of December 2023, measured through the balance of outstanding debt admitted to trading, was 7.837 billion euros, which is represented in the various financial instruments available on the MARF.

Over its ten-year history, this market has established itself as a solid financing alternative for companies of all sizes and sectors of the economy. Out of the 148 direct issuers in the MARF, 14 are international, including a significant representation of Portuguese companies. The MARF provides a wide variety of financing possibilities, ranging from commercial paper programs for obtaining short-term financing to medium- and long-term bond issues, including project bonds for infrastructure financing and securitizations. In addition, ESG securities have begun to be issued in the market in recent years: sustainable bonds, linked to sustainability, social or green emissions.

A paper published for the 10th anniversary of the MARF by professors and researchers María José Palacín and Carmen Pérez, from the University of Seville, entitled "The MARF transforms corporate financing in Spain: 10 years in 10 achievements", analyzes the performance of the market since its creation through its main milestones. The work of the researchers from the University of Seville dissects the launch of the MARF and the main legislative developments, the first issue and the market's main figures, the first infrastructure financing instrument, the extraordinary breadth of the sector, geographical origin, age or stock market situation of the issuers, the internationalization of the market, the development of promissory notes, the channeling of sustainability commitments, public-private collaboration instruments and the resilience shown in the different interest rate environments.

Among the milestones reached, the MARF's leading role in public-private collaboration is particularly significant. For example, in response to the coronavirus crisis, ICO guarantee lines for 4 billion euros were deployed through this market. This organization also actively participates as an investor in the primary market, facilitating the financing of companies. The support of institutions such as CESCE or COFIDES has also been relevant in issues that have been launched in the market.

International recognitions are also worthy of note: since 2020 the MARF has been included in the list of eligible markets by the ECB, which meant that the ECB could purchase debt registered in this market from BME in its stimulus programs; in 2022, it obtained Recognised Overseas Investment Exchange (ROIE) status from the British FCA for the provision of its services in the United Kingdom.

In 2023 as a whole, the volume of issues and admissions incorporated into the MARF reached 15.348 billion euros, an increase of 11.6% compared to the previous year. The increase in short-term commercial paper issues (+14%) in the first 12 months of the year offset the decline in securitization issuance. MARF closed December with an outstanding issue balance of 7.837 billion euros, 4% less than at the close of the previous year, with a balance between outstanding bond issues of 4.005 billion euros, divided between 67 issues, and 3.832 billion euros in 399 tranches issued under the commercial paper programs in force.

The wide variety of companies that MARF has been able to attract since its inception was also evident in 2023. Incorporations this year include two banking institutions, A&G Banco and MyInvestor Banco; the digital and industrial engineering company Oesía Networks; the wood derivatives manufacturer Grupo Losan and the technology and entertainment group Squirrel Media.

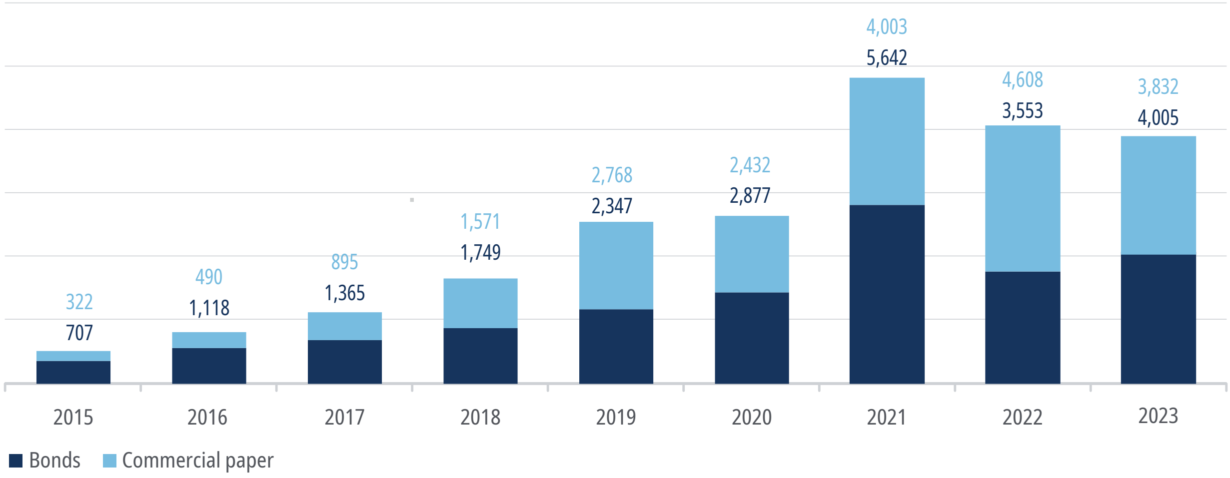
In terms of securitization, the Pensium ESG1 Securitization Fund bonds were incorporated during the year. The fund's assets consist of rights derived from credit agreements entered into between the transferor and individuals with degree III of high dependency or degree II of severe dependency - its clients - in order to enable them to access private homes for the elderly or to pay for care services in the home of a family member or relative. The clients and/or their relatives grant guarantees on a property as collateral for the loan agreements, by virtue of which Pensium Direct acquires the right to receive the monthly rent of the property which will be applied to the payment of interest and the principal of the loan granted.

A Linkfactor Trade Receivables EUR1 securitization notes program was also incorporated, for a maximum outstanding balance of 150 million euros. The assets of this fund will consist of a portfolio of receivables derived from the provision of financing and invoice discounting services.

Throughout 2023, 12 companies entered the MARF for the first time to cover financing needs through Fixed Income issuance, bringing the total number of companies issuing in this market since its creation to 148.

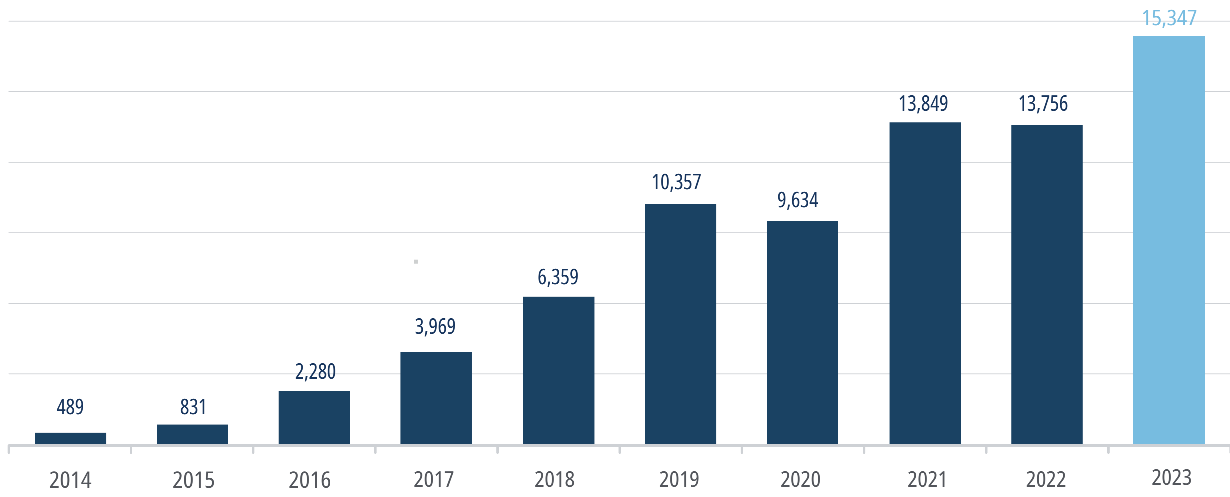
Alternative Fixed Income Market (MARF). Outstanding at the End of the Period (2015 - 2023)

FIGURES IN MILLION EUROS



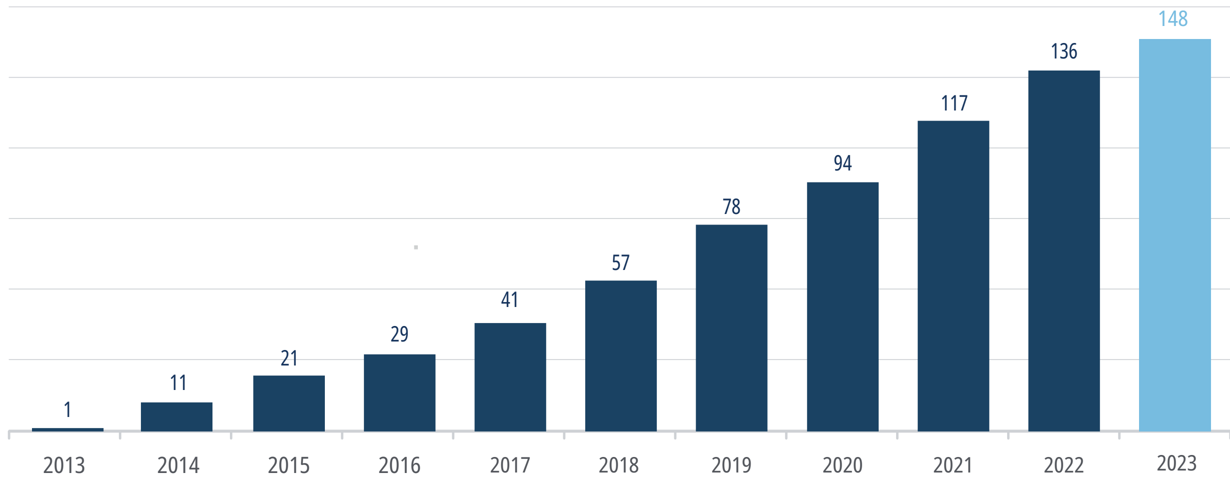
Alternative Fixed Income Market (MARF). Volume Issued and Admitted to Trading in the Year (2014 - 2023)

FIGURES IN MILLIONS OF EUROS



Companies That Have Been Financed in the MARF since Its Inception (2013 – 2023)

CUMULATIVE FIGURES FROM 2013 TO EACH YEAR-END.



3.3. Sustainable Issues: Strong Recovery in 2023

Financing through bond issues aimed at promoting sustainable development of the planet in environmental and social terms shows recovery in 2023 after the slowdown experienced in 2022, a year in which it fell by 23% to a total annual amount of 800 billion euros.

According to available figures for the first half of 2023, total emissions reached nearly 480 billion euros, 19% more than in the same period of the previous year according to figures from the Spanish Observatory of Sustainable Finance (OFISO) based on Enviromental Finance. It is worth highlighting the recovery of green bond issuance with a 30% increase to 284 billion, while social bond issuance rose to 87.5 billion (+17%) and sustainable bond issuance to 78.875 billion (+16%), while bonds linked to compliance with certain sustainability objectives (SLB) decreased by 30% with a volume of 29.681 billion euros.

Provisional figures suggest that the 2021 record of 900 billion euros of total Fixed Income issuance linked to green or social objectives could be surpassed in 2023.

Since March 2021, the Sustainable Finance Disclosure Regulation (SFDR) has been in force in the European Union, requiring companies participating in securities markets to comply with sustainability-related (ESG) requirements. It applies to investment firms, pension funds, asset managers, insurers, banks, private equity funds and credit institutions offering investment portfolio management and financial advisors. The SFDR Regulation applies a "comply or explain" approach, whereby financial market participants are obligated to comply with the Regulation or provide an explanation for why they do not. This provision, however, is no longer available to asset managers with 500 or more staff members after June 30, 2021. Although the SFDR Regulation applies across the EU, non-EU funds marketed in Europe are also required to comply. In 2023, the adaptation of investment fund management companies to the new reporting requirements continued.

Of particular interest in the field of sustainable investment is what is known as the EU Taxonomy, a classification system for environmentally sustainable economic activities. It is integrated into the SFDR Regulation and in particular into Articles 8 and 9. The inclusion of a fund in Article 8 or Article 9 must include information on the alignment of its investments with the European Taxonomy.

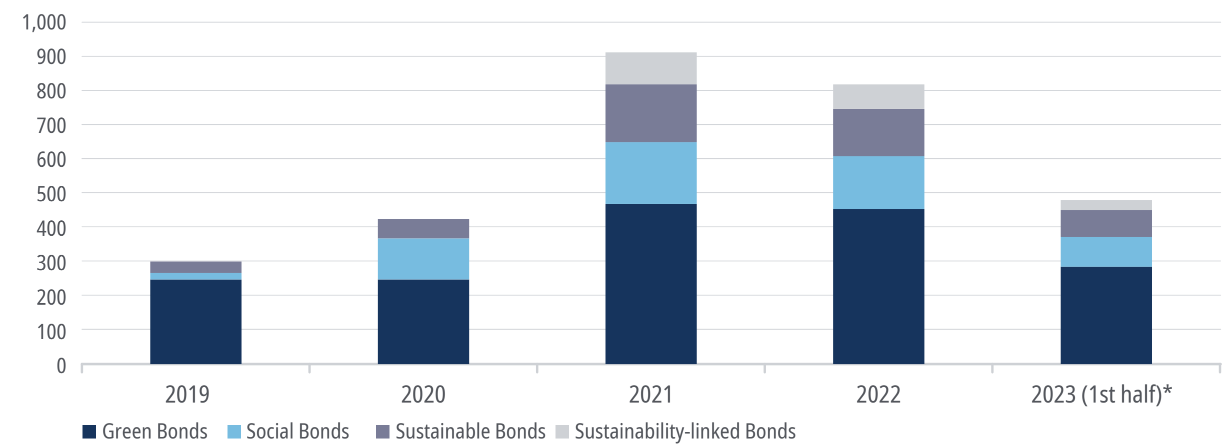
Spain, 43% Growth in Sustainable Issues Volume

In the first half of 2023, the issuance of green, social and sustainable bonds in Spain experienced a sharp rise of 43% to 12.467 billion euros after a 24% drop in the previous year as a whole, according to data published by the Spanish Observatory of Sustainable Finance (OFISO).

Recovery and issuance volume in 2023 is concentrated in green bonds with 7.067 billion in the H1 (+70%). Social bonds also increased to 1.5 billion (+50%), sustainable bonds to 3.3 billion (+6%) and bonds linked to certain sustainability commitments (SLBs) to 600 million euros.

Sustainable Bond Issuance in the World (2019-2023 H1*)

DATA BY TYPE OF ISSUE IN BILLIONS OF EUROS



Source: Spanish Sustainable Financing Observatory (OFISO).

In the fixed income markets and platforms managed by BME, 62 domestic and international green, social and sustainable fixed income issues were admitted for trading during the year, for a total amount of nearly 170 billion euros, of which 14 billion euros correspond to Spanish issuers and the rest to foreign issuers. At the close of 2023, 89 Spanish bond issues and promissory note programs were open on BME's fixed income markets, with companies such as the railroad company ADIF, banks such as ICO, BBVA, Abanca, Unicaja, Kutxabank, Caja Rural de Navarra and the Autonomous Regions of Madrid, Andalusia, the Basque Country and Galicia, most of them issuers throughout 2023, playing a leading role. Also among the year's outstanding issuers was once again the Treasury with the Kingdom of Spain's sovereign green bond, and issues by the European Union and the European Investment Bank were also included.

In the MARF, the Alternative Spanish Fixed Income Market, aimed at financing smaller companies, green, social and sustainable issues also have had a leading role after the debut in 2019 of the first green bond issue, made by the company Grenergy Renovables. In October 2023, there were 11 outstanding issues in the market, following the inclusion in recent years of energy companies such as Greenalia, Valfortec, Audax Renovables or Canadian Solar, or industrial companies such as Pikolin or Elecnor. The type of green issues has also been diversified with green commercial paper programs such as Grenergy's or bonds issued by the Sacyr Green Energy Management Securitization Fund. In 2023, the incorporations of the green commercial paper program of Greening, a company dedicated to the design of photovoltaic self-consumption facilities, as well as those of Visalia Energía and the sustainable commercial paper program of the ENCE paper mill, were noteworthy.

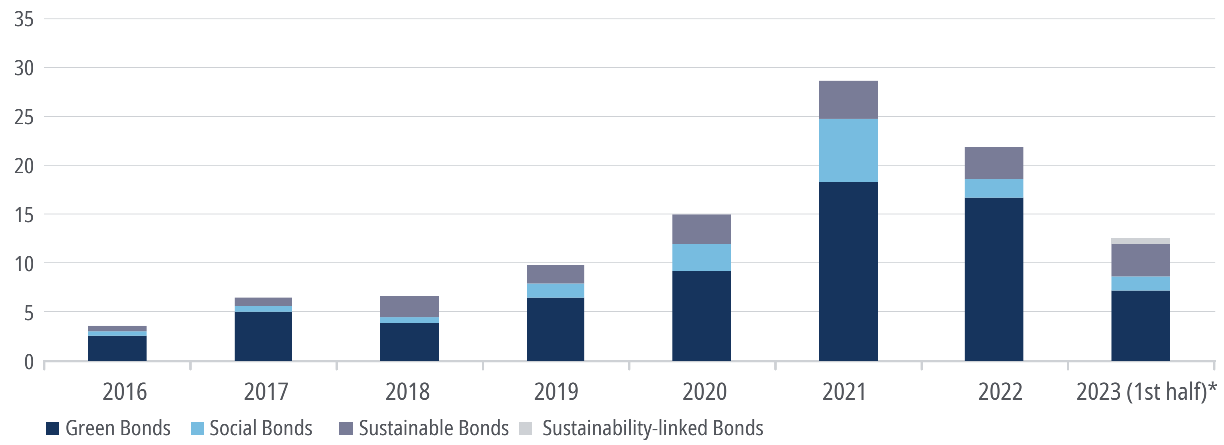
Lighthouse ESG Certification in Collaboration with BME

Among the notable initiatives in the field of sustainability in Spain is the creation of the ESG analysis service specifically for small and mid caps. This service was launched by Lighthouse, the analysis service of the Spanish Institute of Financial Analysts and the Foundation for Financial Studies (IEAF-FEF), with which BME works closely. ESG certification will be introduced, with its own methodology adapted to the specificities of these companies, which may allow them to access financing increasingly linked to compliance with sustainability standards.

The aim of this new service is to provide companies with insight into their ESG position so that they can identify potential areas for improvement. Moreover, it will serve as a dependable resource for annual review and assessment of changes that may impact their operations.

Sustainable Bond Issuance in Spain (2016-2023 H1*)

DATA BY TYPE OF ISSUE IN BILLIONS OF EUROS



Source: Spanish Sustainable Financing Observatory (OFISO).

Central Banks Maintain Restrictive Monetary Policies. High Rates and Return to Profit in Global Bond Markets

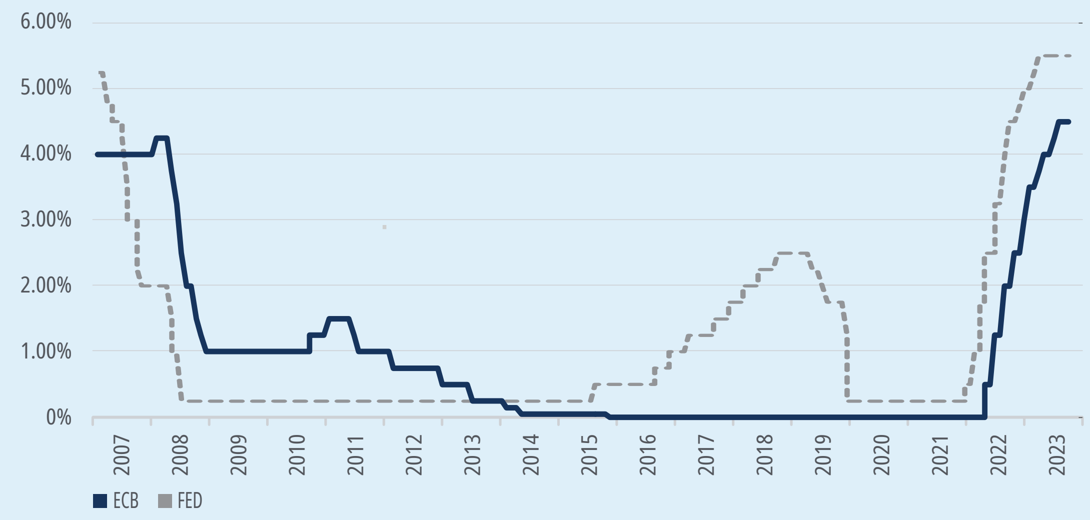
The central banks of the main economic areas have continued in 2023 with very restrictive monetary policies despite the progress made in the fight against inflation, having restricted and tightened the financing conditions of the economy and therefore aggregate demand. Despite these achievements, the monetary authorities in the US and the eurozone have continued to believe for most of the year that inflation is likely to remain high for a considerable time, although in the last quarter of the year both the US Fed and the ECB opted to pause rate hikes and even, in the case of the Fed, announce the intention to cut intervention interest rates in 2024.

The Fed applied 4 rate hikes in 2023 until November, after having been extraordinarily aggressive in 2022 with 7 consecutive rate hikes to reach the 4.25-4.50% range. The increases in 2023 began on February 1 (+0.25), continued in March (+0.25), May (+0.25), a first pause was made in June and the increases were resumed in July (+0.25). In the following meetings, from September through December, the Fed opted for new pauses, and rates were maintained within the range of 5.25-5.5%.

In the eurozone, the ECB, which had opted for greater caution the previous year, has been very aggressive in 2023 with no less than 6 increases in reference rates to 4.5%. There were two increases of 0.5 points each on February 2 and March 16. In May, June, July and September, there were four increases of 0.25 points each. On October 26, after 10 consecutive hikes in 14 months, the ECB decided to pause the increases in light of the marked cooling of the European economy and the serious events in the Middle East. At that October meeting, it also decided to maintain reinvestments of maturities and interest on the large debt portfolio held on its balance, implying that it considered the risks of such a sharp cooling of the eurozone economy. At the meetings in the last two months of the year, ECB kept its reference interest rates unchanged.

From Financial Crises to Covid-19, the War in Ukraine and Inflation

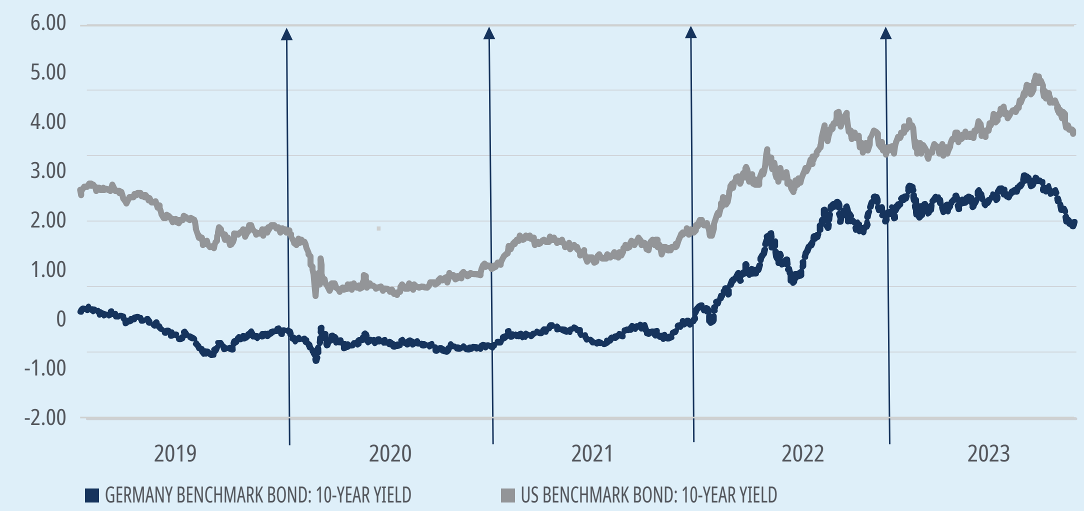
ECB AND FED BENCHMARK INTEREST RATES (2007–2023)



In this restrictive scenario, which in general has also been followed by other central banks, the main world public debt markets, led by long-term issues in dollars, maintained until October, for the third consecutive year, the increases in reference interest rates. This radically ended the period of near-zero interest rates supported by massive debt purchases by central banks. A paradigmatic example is the 4.50 percentage point increase over three years in 10-year US government bond yields to reach 5% in October for the first time in 16 years in what is already considered the longest period of bond sell-off in the fixed income markets. The increase in long-term yields on US bonds in this period was driven by several factors such as the strength of the economy, rising government debt and the downgrade of this debt, selling by Chinese investors, and selling by the Federal Reserve as part of the unwinding of its quantitative easing (QE) policies. Nevertheless, there is still debate as to whether rates will remain high or cheap money will return: some researches are betting on the definitive end of low rates as a result of the generalized rise in government spending, increased military spending and the transition to a green economy, while others argue that low productivity growth and rapidly aging demographics will bring rates back to very low levels. After reaching peak rates in October, the correction in the following weeks and months until the end of the year was also spectacular, driven first by the growing expectation that the Fed's intervention rates might have peaked and then by the confirmation that the Fed will start cutting interest rates in 2024.

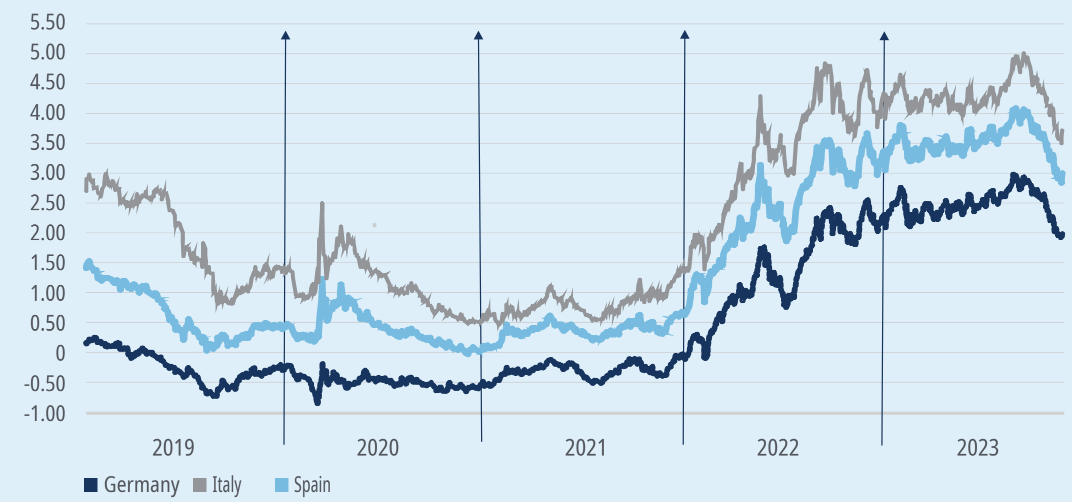
Interest Rates for 10y Debt in the US and Germany (2019 - 2023)

DAILY DATA. SOURCE: REFINITIVE



Interest Rates for 10y Debt in Germany, Spain, Italy (2019 - 2023)

DAILY DATA. SOURCE: REFINITIVE



BME MARKET REPORT 2023

In 2023, the US 10-year bond rose moderately but almost continuously from 3.8% at the beginning of the year to levels of 5% in October, accumulating losses of more than 8% at some points during the year. The minimum yield was reached at the beginning of April at 3.28% and from that moment onwards an upward path was maintained, driven by a better than expected performance of the US economy, and a still resilient inflation that led it to briefly hit 5% on October 19. This was followed by a very accelerated yield correction to levels of 3.9% at the end of the year, almost the same as at the beginning of the year.

In Europe, the rise in German 10-year bund yields has been much more subdued in 2023, reflecting the weaker performance of the European economy and fears of further cooling in the last quarter. It began the year with rates at 2.4%, rose to 2.7% at the beginning of March, then cut back to levels below 2.5% and rose again to close to 3% in October. Thereafter, it also cut its profitability at an accelerated rate until it closed the year at almost 2%, significantly below the beginning of the year.

The Spanish 10-year bond has followed a contained upward trajectory, in line with the 10-year German bund, evidencing the ECB's control over eurozone reference bond risk premiums. It started the year at 3.5% and rose to nearly 3.8%, then corrected to rise again to over 4% in October and then fell rapidly to 3% at the end of the year, below the beginning of the year. Spanish bonds' risk premium, on the benchmark 10-year German 10-year bund, has remained stable at around 1% under the ECB's transmission protection instrument (TPI). In the case of the Italian 10-year bond, yields have come close to 5% with a risk premium against the German bond that has remained near 2%, also protected by the ECB. The gap between Italian and Spanish 10-year bonds has maintained an average of about 0.75 percentage points throughout the year.

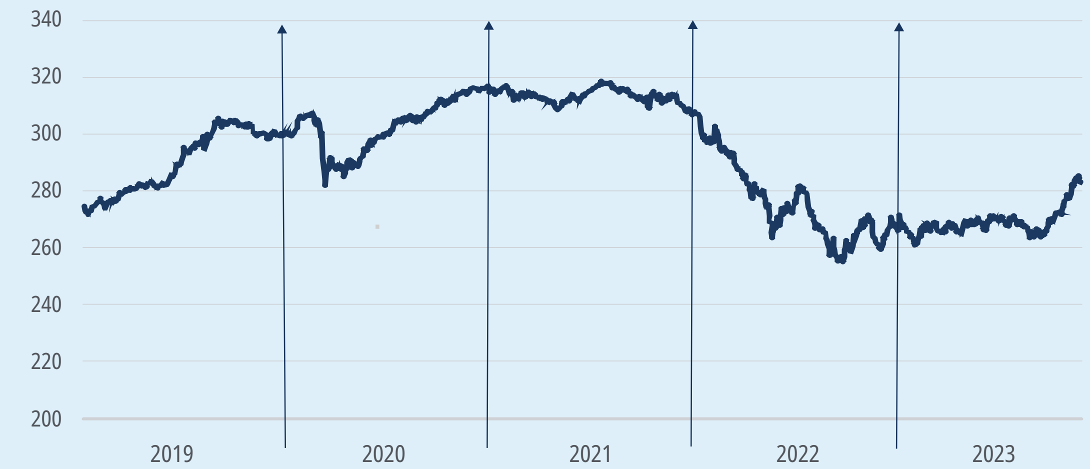
Regarding global corporate debt markets, the year has been one of stability and recovery of bond prices after losses of more than 15% in the previous year. European triple-B rated fixed income saw gains of 9.1% over the year, according to the Iboxx index of euro-area BBB rated bonds.

Nor has it been a negative year for bonds with higher risk and profitability, which have maintained a stable spread with portfolios of bonds with higher credit ratings, both public and corporate debt. According to the ICE BofA Global High Yield Index dollar price index, the price gain on a portfolio of such issues in 2023 was 12.4% versus losses of more than 14% a year earlier. Also according to this index, the average interest rate of a high yield bond portfolio at the end of December was slightly above 7.4%.

This context of high interest rates and uncertainty about their future development has slowed issuance, especially at some points in the year. In the United States, for example, corporate issuance reached the lowest monthly level in a decade in October.

Prices of Corporate Bonds from the Euro Area with a BBB Rating. (2019-2023)

IBOXX EURO OVERALL BBB-RATED PRICE. DAILY DATA. SOURCE: REFINITIV



High Yield Bond Price Index (2019 - 2023)

ICE BOFA GLOBAL HIGH YIELD INDEX USD. DAILY DATA, SOURCE: REFINITIV

Yield of High Yield Bonds (2019 - 2023)

ICE BOFA GLOBAL HIGH YIELD INDEX USD (YIELD IN %). DAILY DATA, SOURCE: REFINITIV

4. Derivatives Products: Options and Futures

The Spanish derivatives market, MEFF, traded 30 million contracts in 2023 and continues to expand the range of features for retail and institutional investors. Low volatility in the stock market penalizes trading of IBEX 35® Futures, while Futures on individual Spanish shares gaining ground in Europe are growing. The new restrictions imposed on the supply of regulated derivatives to retail investors limit their access to regulated markets and are negative for product development.

The total volume of Financial Derivatives traded in the first 12 months of 2023 totaled 29.9 million contracts, 9.6% less than in the previous year.

Volatility in the Stock Market Plummets

The increase in contracts traded has been concentrated in individual Equity Futures while products such as IBEX 35® Futures, Mini IBEX® Futures, IBEX® Options and Stock Options have traded less during 2023 than last year, largely as a result of the sharp drop in volatility in the overall Spanish equity market represented by the IBEX 35®.

According to the BME's VIBEX® volatility indicator, the average implied volatility in 2023 was 14.7%, almost 7 percentage points below the levels reached the previous year. The indicator began the year at levels of 17%, and immediately decreased to lower levels with significant spikes in March as a result of the banking crisis in the United States (Silicon Valley Bank) and Switzerland (Credit Suisse), and less intense spikes in October as a result of the Hamas attacks in Israel and the start of the bombings in Gaza. December has been the month with the lowest volatility of the year, with an average below 11.9%, which has not occurred since 2019. The indicator reflects the expected volatility in the Spanish stock market and its most representative index, using the most liquid IBEX 35® options contracts traded on the MEFF financial derivatives market.

Low levels of volatility have also been a constant in the main European stock markets, which has been evidenced by generalized falls in the trading of futures contracts on the main indices. Futures on EuroStoxx, SMI and DAX experienced declines of around 12% in 2023, while trading in Futures contracts on the Dutch AEX fell by 27%. Trading of futures contracts on the IBEX 35®, the most important product of the Spanish derivatives market MEFF, fell by 15% in 2023 compared to the previous year.

Activity in individual equity option contracts has also been impacted by the reduction in volatility, and volumes have declined in the main European markets. MEFF was no exception, with an almost 15% drop compared to the previous year.

The most outstanding contracts of the year in terms of cumulative trading growth in 2023 were Equity Futures, up 9% compared to the previous year, with 11.3 million contracts, showing the gain in market share in this product compared to other markets. MEFF's current market share against its main competitor EUREX in Spanish stock options is 69%, maintaining its position as the leading market in these contracts for another year. Contracts related to the hedging of dividend payments generally maintain low volumes, also in line with the situation in other European markets, showing that these contracts are traded predominantly bilaterally, over-the-counter (OTC), without the organized markets having managed to standardize this trading.

14.7% Volatility
Implied volatility, in line with the spot market, has remained very low, with occasional limited spikes.

30 Million Contracts Negotiated
By MEFF

+9% Stock Futures
Trading increased and gained market shareover competing markets.

Improvements in Market Trading for Retailers and IBEX 35® Options

Regarding the operational aspects of the Spanish derivatives market, MEFF offers Market Members, as of December 4, 2023, the possibility of "marking" an order received as coming from a retail client, if the investor so wishes.

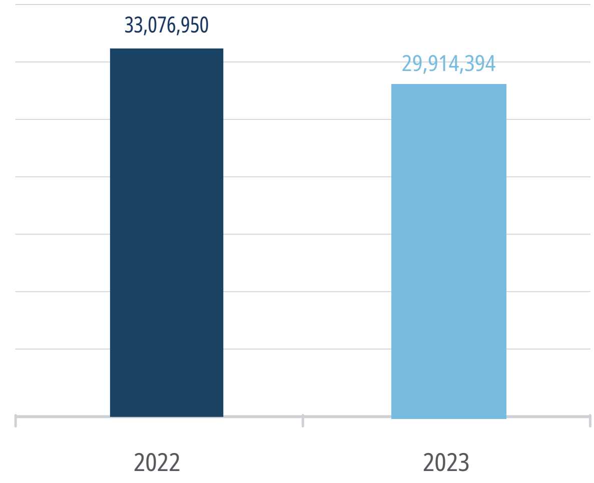
This way, the aim is that Market Members that are Liquidity Providers in MEFF can identify the orders of retail clients and, thanks to this information, try to offer better prices on the public screens.

Also as of December 4, a larger number of exercise prices are also offered to MEFF Market Members in IBEX 35® options contracts, linking the interval between exercise prices to the time to maturity, so that the shorter the term to maturity, the shorter the interval between strike prices, thus widening the possibilities available to investors.

Additionally, MEFF continues to work so that Market Members that are Market Makers provide sustained liquidity in the different derivative contracts that can be traded in the market.

Total Trading Volume of Equity Derivatives

NUMBER OF CONTRACTS TRADED IN MEFF. 2022 AND 2023



The Retail Investor in Regulated Derivatives Markets

Consistent with the policy followed in recent years, MEFF has been actively involved in the disclosure, education and financial training of those citizens and professionals who want to complete their financial knowledge, with greater specific weight and specialization in the field of derivatives as an investment and hedging instrument. It is a proven fact that the better the knowledge of the advantages and risks offered by derivative products, the better the client will be able to use them.

Partly as a result of this policy promoted together with the BME Institute, BME's training center, and partly also thanks to the work of the Market Members, the presence of the retail client in the Spanish MEFF market

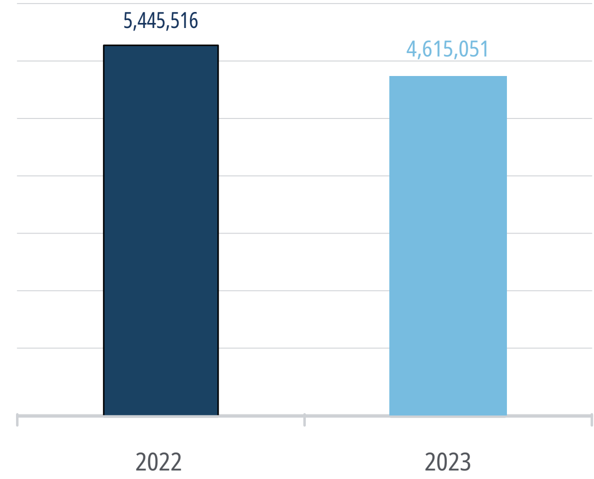
VIBEX® Volatility Index of the Spanish Stock Exchange (2018 - 2023)

DAILY VOLATILITY DATA IN %

BME MARKET REPORT 2023

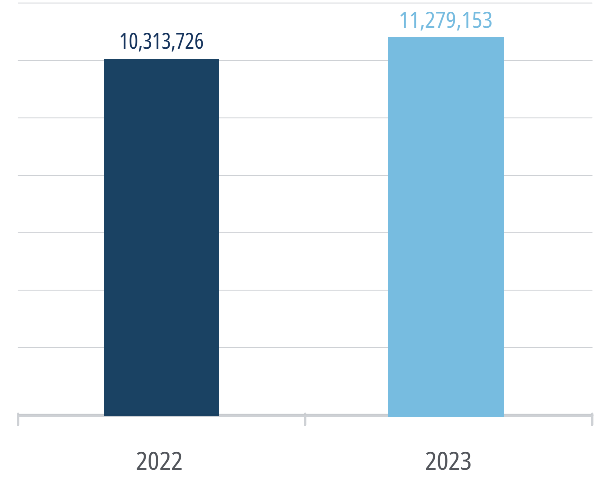
Futures Trading Volume IBEX 35®

NUMBER OF CONTRACTS TRADED IN MEFF. 2022 AND 2023



Trading Volume of Volume Traded in Stock Futures

NUMBER OF CONTRACTS TRADED IN MEFF. 2022 AND 2023



is significant. However, it still lags behind other world markets, especially markets such as those in the United States, India and Brazil, which have witnessed a major growth in the investment of retail clients in derivatives products traded on the Regulated Markets.

The retail presence in the derivatives market is concentrated in the Mini IBEX® futures contract, a contract with the lowest multiplier (1 euro). The retail client participates in 21% of the contracts traded in this product, a figure similar to that of recent years.

In the area of derivatives market regulation, the year 2023 has been negative due to the restrictions established on the offer to Spanish retail customers of derivatives products traded in regulated markets. Specifically, certain restrictions that were already imposed on Contracts for Difference (CFDs) in 2019 have been extended to futures and options contracts traded on regulated markets and offered to Spanish clients.

The presence of the retail client in European capital markets is a key element of the Capital Markets Union (CMU) project, and the European Securities Markets Authority (ESMA) is finalizing its regulation in the Retail Investor Strategy which aims to make capital markets more understandable and accessible without lowering investor protection.

The level of protection of retail clients in derivatives products admitted and traded in regulated markets meets the most demanding guarantees and standards thanks to the characteristics of the platforms and infrastructures that support these markets:

- Multilaterality, where any participant can trade against any other participant, both to open and close their position.

- Integrity, as it has the necessary mechanisms established by Spanish and European standards that contribute to its integrity.

- Transparency, as it complies with the pre- and post-transparency standards required by European and Spanish regulations, some of which are exclusive to Regulated Markets and are not required of other trading platforms.

- Market Members must comply with the rules of the market that follows the European regulation on trading venue matters, the Spanish Securities Market Law.

- Supervised by the domestic regulator, the CNMV in the case of Spain, and the European regulator, ESMA.

Foreign Exchange Futures

What is known as xRolling FX® contracts were launched in 2019 as part of the Spanish derivatives market's strategy to highlight its experience as a regulated market supervised by the CNMV with a proven trading system and decades of experience, as well as the security of an authorized central counterparty (CCP) subject to the European Capital Markets Infrastructure Regulation (EMIR).

These futures contracts on 17 of the world's major currency pairs are of the "perpetual" type, with automatic rollover at the end of the day, trading hours are 23 hours per day, and bid-ask spreads are kept tight and competitive. The product is extremely simple, both for investment and for hedging the currency risks of importers, exporters or asset holders managing cash or balance sheet positions in non-euro currencies. Companies that have gradually joined product trading through the latest generation of BMEFX terminals particularly appreciate the transparency in pricing, the flexibility in automatic rollover at the end of the day, and the security provided by the presence of the clearing house BME Clearing, which acts as a counterparty for all transactions, eliminating the risk of bilateral trades.

The year 2023 has once again been a complex one for currency traders due to the impact of the tightening monetary policies of major central banks, the banking crises in the US and Switzerland, and the events in the Middle East. Trading of xRollingFX® futures contracts in 2023 reached 5,800 contracts with an effective trading volume of around 55 million euros.

Options and Equity Futures Trading at MEFF (2015 - 2023)

VOLUMES IN NUMBER OF OPTIONS AND FUTURES CONTRACTS

	IBEX 35®	Mini IBEX® + Micro	IBEX® Div Impact	IBEX® Sectors	Equity	Stock Divid. Plus	Divid Equity	IBEX 35®	Equity	Total Contracts
2015	7,384,896	3,181,287	32,499	-	10,054,830	484	291,688	5,444,156	21,420,685	47,810,525
2016	6,836,500	2,498,973	58,044	1,619	9,467,294	760	367,785	3,222,390	22,900,619	45,353,984
2017	6,268,290	1,618,857	43,372	7,753	11,671,215	880	346,555	4,303,701	20,316,354	44,576,977
2018	6,342,478	1,490,232	70,725	2,745	10,703,192	200	471,614	4,183,154	20,237,873	43,502,213
2019	5,955,822	1,454,867	144,831	6	15,288,007	0	758,700	3,783,002	17,414,549	44,799,784
2020	5,905,782	1,543,507	91,571	0	10,968,411	7,752	130,055	2,436,534	19,393,317	40,476,929
2021	5,260,568	926,565	45,450	0	11,346,047	20,800	2,100	1.489.240	14,065,772	33,156,542
2022	5,445,516	934,498	19,708	0	10,313,726	13,510	12,550	1,344,119	14,993,323	33,076,950
January-23	388,483	45,263	3,090	0	87,092	0	200	130,118	1,344,808	1,999,054
February-23	357,397	43,765	675	0	98,835	0	0	45,798	1,087,647	1,634,117
March-23	473,316	76,922	1,250	0	5,871,091	4,090	100	64,345	1,291,409	7,782,523
April-23	335,017	32,743	0	0	92,064	0	250	17,392	764,344	1,241,810
May-23	359,863	41,717	225	0	7,223	0	0	22,380	950,095	1,381,503
June-23	404,485	55,703	1,200	0	838,863	0	0	29,834	1,270,167	2,600,252
July-23	356,061	44,752	0	0	11,581	0	0	30,852	463,733	906,979
August-23	372,434	59,803	1,200	0	16,049	0	50	21,124	568,981	1,039,641
September-23	371,177	60,335	0	0	3,098,879	12,224	0	31,266	1,173,059	4,746,940
October-23	439,397	65,216	1,050	0	41,711	0	50	36,927	1,341,333	1,925,684
November-23	378,703	48,049	0	0	27,532	0	50	35,757	1,179,427	1,669,518
December-23	378,718	37,880	7,950	0	1,088,233	4,067	350	93,411	1,375,764	2,986,373
2023	**4,615,051**	**612,148**	**16,640**	**0**	**11,279,153**	**20,381**	**1,050**	**559,204**	**12,810,767**	**29,914,394**

Electricity Derivatives

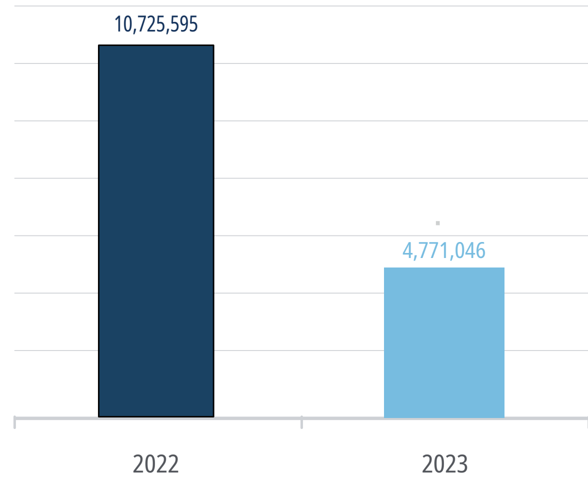
The uncertainty and large fluctuations in electricity prices that had been a constant in the previous two years have continued throughout 2023, accentuating the decrease in liquidity in the forward electricity markets. In addition to the geopolitical events that triggered price increases in 2021 and 2022, the year 2023 has brought with it the armed conflict in the Middle East, also with potential impact on oil, gas and electricity prices.

Very high and very low levels and price swings in all parts of the maturity curve result in a significant increase in the collateral required to post forward contracts at clearing houses. These high guarantees reduce and in many cases stop the activity of many of the different market participants for whom it is not feasible to afford the large amounts of cash required. The impact is direct in the volumes registered in the Spanish Electricity Derivatives market, transferring part of this activity to off-market bilateral transactions (OTC) or limiting the hedges made by the companies.

In 2023 as a whole, the accumulated volume of electricity derivatives traded was 4.8 million MWh, and the open position at year end was 5.7 million MWh.

Energy Derivatives. Volume in MWh of Traded Contracts

2022 & 2023



However, prospects are already indicating a further stabilization of electricity prices, which will result in a gradual decrease in the collateral required for the negotiation of forward contracts. That is not to mention another factor that will have an impact in the coming months: the harshness or mildness of winter.

5. Market Information Reaching 100,000 Delivery Points

BME's Market Data unit offers real-time data flows that include information on all financial instruments admitted to trading on the different trading venues of the BME Group, as well as end-of-day and historical information products related to these instruments and markets.

BME Market Data provides real-time information on more than 70,000 equity, fixed income, derivatives and index instruments managed by the BME Group to almost 100,000 delivery points.

Market Data also provides hosting services, access and connectivity to the BME Group markets, as well as to the information marketed by BME Market Data These services consist of BME Co-Location, which provides the space (racks) and infrastructure necessary to access BME's services with minimum latency; BME Proximity, which features very low latency fiber optic lines that guarantee fast access to the markets; and BME London Hub, which provides an access point to BME from London.

BME Market Data's products and services are aimed at institutional investors, whether they are investment services companies, banks, fund managers, funds or advisors. Non-professional investors enjoy discounted rates to receive BME information through their provider.

Increasing Value Added Data Supply

Over 2023, the upward trend in the number of BME Market Data clients will continue, both those who receive information from an information distributor and those who connect directly to BME's servers. For the latter, BME Market Data provides three direct connection modalities:

- SIX MDDX: consolidates in a single format multiple contents generated by the different BME Group Regulated Markets and Multilateral Trading Facilities.

- BME GATE SERVER: direct connection modality to the information dissemination servers. This connection is independent and specialized for each trading segment of the different BME Group platforms.

- BME MULTICAST BINARY FEED: direct connection modality that allows for receiving, exclusively, information on the equity and derivatives trading segments through a data flow based on multicast.

BME Market Data expands its content supply, both in terms of real-time information and end-of-day information based on the markets' performance. For real-time information, all IBEX ESG indices were added to the information supply during 2023. Work was also carried out on the implementation of the trading venues new functionalities - the "Trading at Last" for equities and the "Retail Flag" for derivatives - which will be available in January 2024.

Information in Real Time
on more than 70,000 instruments.

BME Regulatory Services
over 100 clients using its services.

BME Participates in EuroCTP
to provide a consolidated tape of stock market information in the EU.

Regarding analytical and end-of-day products and services, during 2023 work was carried out on the development of products such as the ranking of brokers by market, index and listed instrument, and the calculation of new analytical data files on derivatives and equities.

Currently, BME Market Data delivers around 1,600 end-of-day files at the close of each session, with peaks of up to 1,900 files depending on the needs of the service.

A special mention should be made of the BME Market Data's exhaustive monitoring of the development of the legislation derived from the MiFID II Directive and the MiFIR Regulation in all aspects related to the dissemination of information in real time. It is worth highlighting the provisions of the guidelines published by ESMA in 2021 regarding the provision of information under "reasonable commercial terms" as well as the creation of a "Consolidated Price List", which is detailed below.

Market Access is Expanded

BME Market Data is constantly working to improve and promote its hosting and connectivity services known as BME Co-Location, BME Proximity and BME London Hub. Particularly, the BME Co-Location service continues to expand the available capacity to respond to the increase in the number of units contracted for the service, as well as the growing interest of market members and BME MD clients.

A great effort was also made to improve the infrastructure of the BME London Hub service in order to guarantee the continuity of the service, as well as its scalability in terms of the needs of its clients (for example, the required bandwidth expansion).

These two services, together with BME Proximity, have become a key pillar in the daily operations of BME's trading and information dissemination platforms. Clients are guaranteed the lowest possible latency when accessing these systems and a guaranteed robust connection with BME's various operating environments.

BME Regulatory Services Continues to Grow

BME Regulatory Services (BME RS), BME's data reporting services provider (DRSP), has incorporated two new clients to the SIA (transaction reporting) service and one to the APA (trade reporting) service. Additional clients are expected to subscribe to both services in the coming months.

In this way, BME's client base continues to grow, consolidating its presence through more than 100 entities. BME has closely followed the regulatory debate on the revision of MiFID 2 and MiFIR, which will introduce some changes in transaction and trade reporting and in the regime for the disclosure and consolidation of information.

BME Participates in EuroCTP, the Company Created by the European Stock Exchanges to Provide a Consolidated Tape Data in the EU.

One of this year's milestones in the Market Data sector was the establishment of EuroCTP, a company in which 14 European stock exchange groups are shareholders and which aims to offer a consolidated tape in the European Union. BME, through SIX, is part of this initiative, which responds to the European Commission's proposal to create an equity list.

A consolidated tape is a unique provider of stock market data. Through this measure, the EU seeks to integrate information from all equity markets in the region into a unique financial information system, which it is believed will have a positive impact on the development of the Capital Markets Union. To this end, the European authorities have made a process available for different institutions or market players to apply to provide this service.

In February of this year, the European stock exchanges announced a joint venture to participate in this selection process, given that the stock exchanges, key players in the EU capital markets, have recognized expertise in the provision of comprehensive, standardized and consistent market data. They will seek to deliver this service for the benefit of retail investors and other market participants.

Months later, at the end of August, EuroCTP was established as an independent company domiciled in the Netherlands, with its own Board of Directors. It was the first European consolidated tape initiative for equities to be created by a company, as a demonstration of the level of commitment of its shareholders.

Jorge Yzagirre, COO of Securities Services at SIX, was elected Chairman of the Board of Directors of EuroCTP in September. The initiative that has led to the creation of EuroCTP is a true representation of the European capital markets and covers a wider range of interests than any other consolidated tape proposal, which aims to strengthen the European Union's Capital Markets Union.

EuroCTP seeks to create a consolidated tape that provides a complete, standardized and coherent picture of the EU trading environment for the benefit of all market participants. It also aims to provide a well-governed, robust and resilient consolidated tape that is cost-effective and complies with applicable regulations.

6. Clearing

BME Clearing has more than 34 years of experience as a Central Counterparty, managing clearing in its five segments, comprising the Financial Derivatives and Foreign Exchange segment, the Equities segment (trading of securities traded on the Exchange), the Fixed Income segment (simultaneous and repos), the Energy segment (with Electricity and Gas Derivatives) and the Interest Rate Derivatives segment. In September 2023, BME Clearing received regulatory approval to clear Digital Asset Futures, which will mean a new BME Clearing segment.

CLEARING ACTIVITY

FINANCIAL DERIVATIVES

Low volatility has been the predominant trend in all European markets in 2023, with occasional spikes in March and October as a result of the war between Israel and Palestine. According to the VIBEX® Volatility Index (an indicator that allows for tracking the volatility of the Spanish market using the most liquid IBEX® index options, and gives us a measure of how investors perceive risk), the average daily implied volatility in 2023 was 15%, 7 points lower than in the previous year.

The total volume of Financial Derivatives traded during 2023 was 29.91 million contracts, down 10% from 2022. Contracts such as IBEX 35® Futures, Mini IBEX® Futures and Stock Options have traded less in 2023, specifically -15% in the case of the IBEX 35® Futures. The increase in trading was concentrated in equity futures, up 10% from the same period of the previous year.

EQUITIES

The equities segment provides the central counterparty service for securities traded on the Spanish stock exchange.

At year-end 2023, an average daily turnover of 224,227 transactions (purchases plus sales) was recorded, 26% less than at the close of 2022. The average cleared daily cash traded (one-sided) was 1.18 billion euros, 15% less than in 2022 and with an average daily volume of securities of 342 million euros.

REPO

The fixed income segment offers the central counterparty service for repo and simultaneous transactions on Spanish sovereign debt and six other European sovereign debts: Italy, Portugal, Germany, France, the Netherlands and Austria.

Digital Assets
a Digital Asset Futures clearing segment (approved by the CNMV in September 2023).

Financial Derivatives
recorded a10% increase in equity futures. Portuguese sovereign debt trading stands out.

In the IRS SWAP Segment
total volume recorded was higher than that of 2022.

All of the aforementioned Sovereign Debt can be registered bilaterally, through Iberclear or as a result of transactions on the Brokertec platform, Europe's leading electronic repo trading platform. All settlements are made through T2S.

It is important to highlight that the forward-adjusted cash value has increased, since repos with forward-adjusted cash were traded with an average of 201.542 billion euros per month, which represents an average term of 26 days during the year.

The trading volume in Portuguese government debt is also noteworthy, exceeding that of last year, at a cash volume of 211 million euros.

In December, a total of 118 transactions amounting to 9.6 billion euros were cleared at BME Clearing REPO, with the effective forward adjusted value recorded at 221 billion euros in an average term of 27 days. As of December 31, the total outstanding balance was 6 billion (moving average of the last 10 days).

ENERGY

It has been 12 years since the opening of the Energy Derivatives Segment at BME. Growth has been steady, reaching 235 open accounts for electricity trading; however, over the past two years geopolitical events have continued to strain energy markets and sap liquidity.

These geopolitical events have resulted in a significant increase in prices and continued volatility across the price curve in European markets. This has greatly increased the collateral required to register forward contracts with the clearinghouse. High collateral is synonymous with a significant reduction and even a halt in the activity of many of the players who cannot afford the large amounts of cash required, which has a direct impact on the volumes recorded in the clearinghouse, shifting part of this activity to the bilateral environment.

The accumulated volume of electricity in 2023 was 4,770,866 MWh and the open interest was 5,741,294 MWh. It is worth noting that in 2018 we launched Natural Gas forward contracts, covering the entire curve from Day Ahead to Cal + 2. The growth in number of participants has also carried the same upward trend, currently counting 53. However, as in the electricity markets, the increase in prices together with high volatility has resulted in increased collateral required, reducing liquidity to levels well below expected. At the close of 2023, the volume registered in gas was 1,777,825 MWh and the open interest was 849,219 MWh. Regardless of the current market situation, at BME we are committed to moving forward and that is why we will launch new Natural Gas and Liquefied Natural Gas products in the first half of 2024.

Although it is true that there is still uncertainty in the energy markets, we note that prices are stabilizing, which is helping to gradually reduce the collateral required. Winter will mark the performance of prices heading into the beginning of next year, remaining stable with a mild winter or more agitated if a colder winter occurs.

INTEREST RATE SWAPS

The interest rate swaps (IRS) segment provides the central counterparty service for interest rate derivatives transactions, being the main IRS denominated in euros.

The activity was initiated in 2016, so far involving Spanish companies. However, following the integration with SIX, several initiatives have been implemented to improve the segment, including the connection of BME Clearing to both Bloomberg and Tradeweb as trading venues, so that entities can electronically trade their transactions in these venues, and then send them to BME Clearing immediately or STP (straight-through-processing). These connections complement the possibility of continuing to record transactions bilaterally if they are not traded on a trading venue.

In 2023, the total volume recorded was 37.6 million euros, higher than that of 2022. The open position amounts to 497 million euros, with a slightly lower volume than the previous year. The average residual term of transactions is between 2 and 10 years, where 74% of the open position is concentrated in terms of volume.

In anticipation of the regulatory changes under discussion as a result of EMIR 3.0 (described- in greater detail ahead), at BME Clearing we have proposed a remodeling of the segment, with programs that encourage liquidity, to boost activity, attracting both domestic and international entities, and that this will result in new transactions that increase both the cleared volume and the open position.

DIGITAL ASSET FUTURES

In September 2023, the regulatory approval of the Digital Asset Derivatives segment for institutional investors was announced. It should be noted that the sector has been impacted in recent years by high volatility and a process of concentration of cryptocurrencies and participants, as a phase prior to the start of a new cycle or entry into a plateau of maturity of this type of assets. Institutional investors (own account of entities, fund managers, CTAs, etc.) will undoubtedly demand much more security, transparency and regulation for this new asset class, which in the case of BME Clearing will allow clearing futures on indices of the crypto family settled by differences (without physical delivery of the underlying) and denominated in USD. By doing so, investors are provided with new opportunities to capitalize on the potential growth and volatility within the digital asset space.

The CNMV approval in September this year marked a milestone in the digital asset ecosystem and reinforces SIX's commitment to innovation and security.

As highlighted by the CNMV in its communiqué authorizing BME Clearing to clear these Futures, BME Clearing was "the first European Central Counterparty authorized to clear these products following the exhaustive verification processes required by European regulation (EMIR) for this type of product, with the favorable opinions of other European supervisors and bodies".

BME Clearing offers highly diversified clearing services for all asset classes, backed by robust real-time risk management and operational efficiency at the service of clients.

BME MARKET REPORT 2023

REGULATORY CHANGES EMIR 3.0

The European Commission's (EC) legislative proposal referred to as EMIR 3.0, which will amend the current legislative text with the key objective of mitigating excessive exposure to third country cameras and promoting clearing efficiency in the European Union (EU), is currently in the trialogue phase and the Institutions are expected to reach a political agreement before the end of the year.

The text covers a wide range of measures aimed at streamlining the monitoring and approval processes as a key part of supporting innovation, promoting data transparency, expanding the collateral eligible for Central Counterparties (CCPs) and increasing clearing activity in the EU by attracting new participants and offering the possibility to diversify their exposures by clearing certain products in the EU.

Active Account

As part of EMIR 3.0, the EC proposes the introduction of an active account requirement whereby European companies subject to the clearing obligation would be obliged to clear at EU clearinghouses a proportion of certain product categories where there is an over-reliance on third country CCPs. This proposal arose due to the high concentration of OTC Interest Rate (IRS) Derivatives denominated in euros in UK CCPs, considered a systemic risk for the EU.

To boost this measure, it includes a requirement for clearing members and clients providing clearing services to inform their clients about the possibility of clearing a certain product at a CCP in the EU.

Although details on the implementation of this account, as well as the conditions it must meet to be considered active, are still under discussion at the political level, this measure could provide an option for participants wishing to diversify their exposures in the clearinghouse or offset them in the EU, while reducing concentration in CCPs established in a third country.

Monitoring and Approval Processes

To support innovation and diversification, which is essential for CCPs, a review of procedures and timelines is proposed to allow for streamlined monitoring and approval processes, so that CCPs can adapt and meet participants' demand for new products more quickly and efficiently.

For their part, European regulators seek to increase the cooperation of the authorities involved in the supervision of CCPs in the EU, as well as with the supervisory authorities of third countries on issues that may be relevant to the EU.

Participation Requirements

The text proposes a regulation to establish the elements to be taken into account when determining the criteria for access to counterparty clearinghouses, which will be developed at level 2 and is expected to clarify the requirements for the participation of non-financial counterparties as clearing members. It is also expected that this regulation will prohibit access by individuals without the intermediation of a financial clearing member.

Transparency

In order for clients and indirect clients to have better visibility and predictability of the collateral requested, the EC establishes requirements to promote transparency in the information provided by clearing members and clients providing clearing services to their clients.

Eligible Collateral

Previous tensions in the energy markets led to a temporary modification of the regulation exempting bank guarantees from the need to be fully collateralized. To avoid a potential disruption during the winter season, ESMA has decided to extend for a limited period of 6 months this emergency measure that temporarily expands the eligible collateral to include uncollateralized bank guarantees provided by non-financial clearing members, excluding non-financial counterparties that are clients of a clearing member.

The European Association of Clearing Houses (EACH) is promoting the inclusion in the EC proposal of the possibility for CCPs to accept uncollateralized bank guarantees from both non-financial clearing members and non-financial clients of clearing members in order to avoid discrimination between the different clearing models (direct and indirect) and to provide a level playing field for all market participants. This measure has also been included in the EU Council proposal and will most likely be included in the final EC text.

7. Settlement Processes Focus on Regulatory Developments and Advances in Digitalization

Settlement and registration activity in Spain in 2023 has been marked both by numerous legislative and regulatory initiatives, as well as by BME's objective to provide issuers and participants in Iberclear, the Spanish Central Securities Depository (CSD), with the implementation of new services and functionalities.

Internationalization and Interoperability

The growing interrelation between the different markets at a global level makes Iberclear's main objective to facilitate access to as many international markets as required by both issuers and participants.

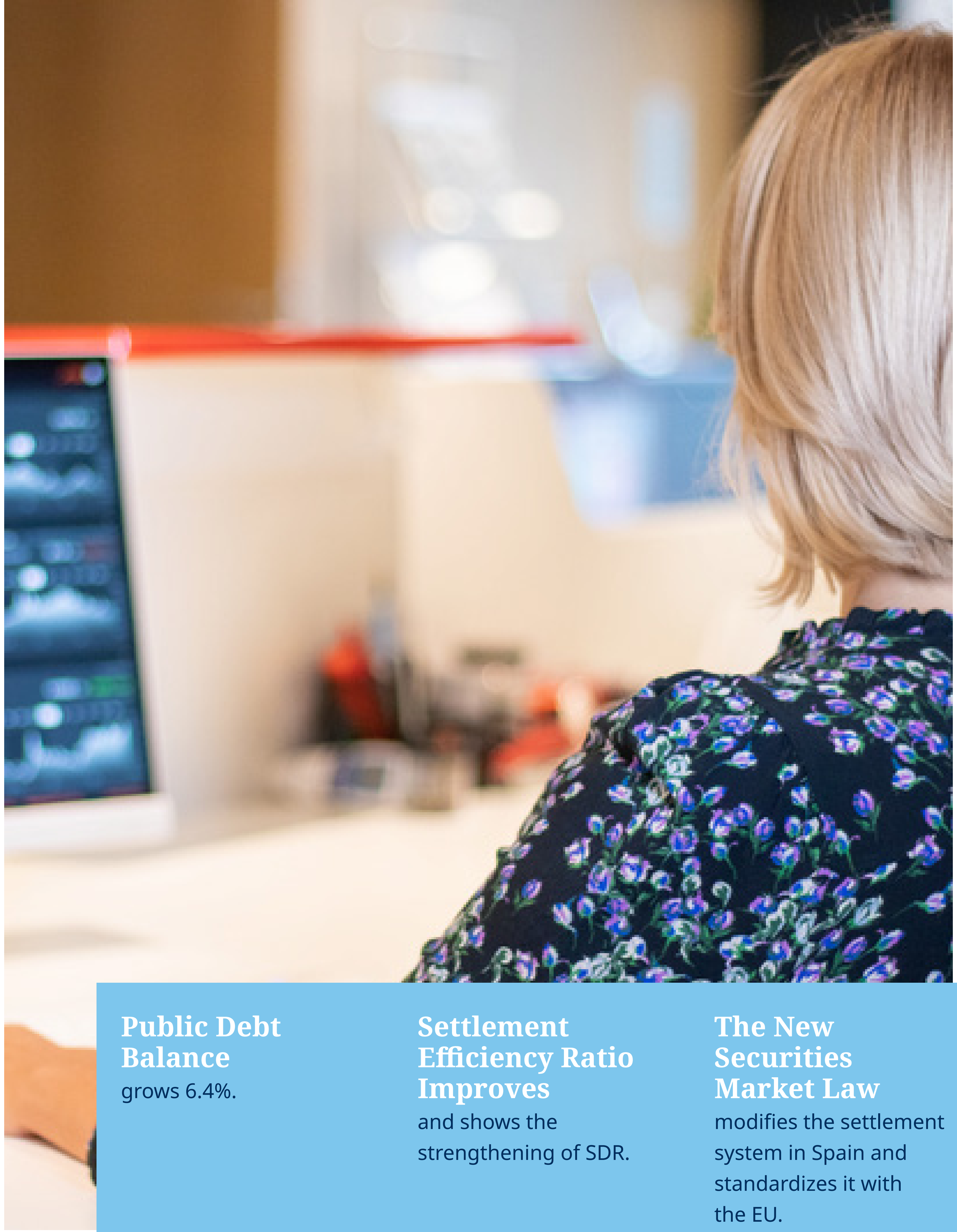
To this effect, and following the establishment of the bidirectional link between Iberclear and its Swiss counterpart in 2022, a new link with the securities settlement system of the Central Bank of Belgium, NBB-SSS, was added in June of this year. Thus, Iberclear participants will be able to access both the primary market auctions of NextGen EU bonds, accessible to primary dealers, and whose issuing CSD will be NBB-SSS, as well as the usual transactions associated with the secondary market.

This link is in addition to those already in place with the CSDs of Argentina, Austria, Brazil, France, Germany, Italy, Portugal and the Netherlands, strengthening internationalization and demonstrating once again Iberclear's intention to provide access to as many markets as may be of interest to its issuers and participants.

Iberclear is also focused on providing access to the Spanish post-trade market to the widest possible range of clients. The incorporation of Instinet as a participating company last August has meant the adhesion of a major player in the international markets, initiating its direct activity in the Spanish post-trade market through which it will increase its operational and cost efficiency.

With regard to Iberclear's operational procedures, it is worth highlighting the efforts made to improve settlement efficiency within the framework of the European Settlement Discipline Regime (SDR). Not only the market infrastructures, but also the entire Spanish community of the sector, have participated in this increase in the settlement ratio. This regulation came into force in 2022, but it has been during this year that its application has been strengthened.

Lastly, it is worth highlighting Iberclear's active and valuable participation in all European forums, especially the role played in the European Central Depositories Association (ECSDA), as well as in the various governance groups of the European Central Bank and its Target platform.



Public Debt Balance
grows 6.4%.

Settlement Efficiency Ratio Improves
and shows the strengthening of SDR.

The New Securities Market Law
modifies the settlement system in Spain and standardizes it with the EU.

Regulatory Developments in the Sector

With respect to the regulatory framework, Law 6/2023, of March 17, on Securities Markets and Investment Services, came into force on April 7, establishing a period of two years for the market infrastructures involved to incorporate the necessary adaptations.

In these adaptations, Iberclear, leading the Technical Group of Reform 3, played a significant role. Its work was detailed in the report issued in November of last year. Once the abovementioned law was approved, the process of reforming Iberclear's settlement system began in 2023.

The major operational impact of this third reform is the elimination of the Post-Trade Interface (PTI). This implies changes in procedures and formats, which, once implemented, will lead to an improvement and simplification for customers, consistent with the desired harmonization of markets on which the European Union has been working for years.

From a regulatory point of view, there are also other projects that have defined the work of settlement and registration during 2023.

The most relevant was the project to consolidate the two platforms for securities settlement (Target2 Securities) and cash settlement (Target2) into a single platform called TARGET. After some delay, the new systemwent into production on March 20, with no impact on operations, resulting in a successful consolidation of the two platforms.

The European Central Bank reviewed the status of the pan-European collateral management project, ECMS. At its meeting last September 28, the Market Infrastructure Board (MIB) concluded that the planned April 2024 start-up date for the project does not provide sufficient guarantees for successful implementation. On November 30, the Governing Council of the European Central Bank announced that it had agreed that November 18, 2024 would be the new launch date for ECMS.

It should be noted that Iberclear is providing the service for communication with ECMS, or technical sender, so that participating companies can transfer their communications to this platform in accordance with the new ISO 20022 messaging categories.

Local regulatory projects are also underway in the settlement and registration area. Iberclear is finalizing the necessary adaptations to meet the new requirements of the Financial Transaction Tax (FTT). These requirements were specified in the Ministerial Order approving the new self-assessment model for the Financial Transaction Tax, which now includes in the process the regional treasuries of the Basque Country and Navarre, published on March 31 in the Official State Gazette (BOE) and which will come into force on January 1, 2024.

Lastly, it is worth mentioning that Iberclear has continued to work intensively on everything related to distributed ledger technologies or DLT in the Pilot Regime, taking an active role in the experimentation programs launched by both the Bank of Spain and the European Central Bank.

BME MARKET REPORT 2023

Activity Data

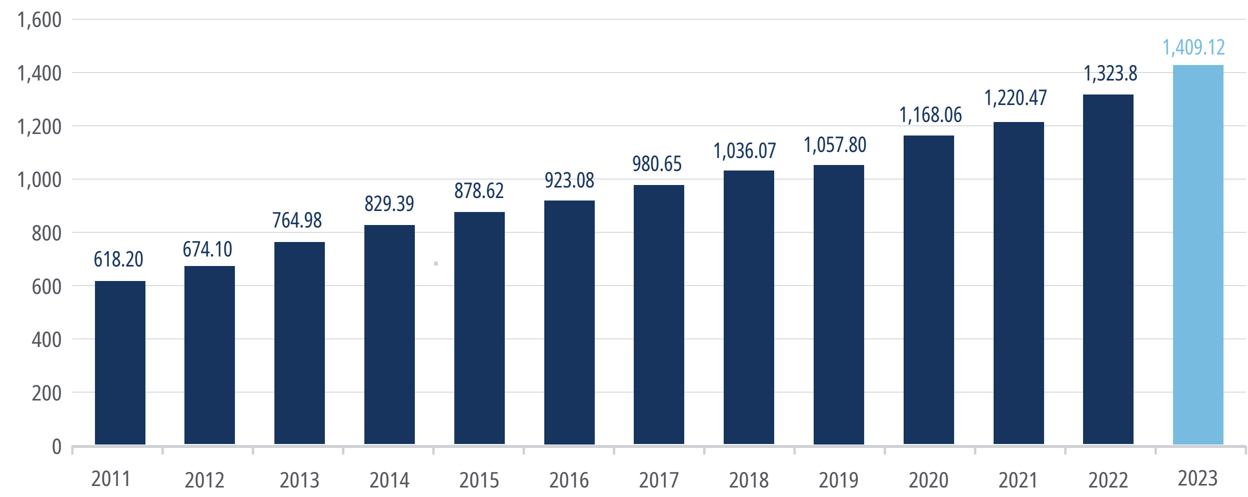
Regarding the 2023 key business figures relating to the settlement and registration activity in Spain, the number of orders settled through Iberclear at the end of the year shows a decrease of 10% year-on-year, reaching a monthly average of 0.53 million transactions.

The number of cash transactions settled remained in line with 2022, with an average of 6.393 billion euros settled daily, compared to 6.325 billion euros last year. If this figure is compared to the number of instructions, the small increase in this figure with respect to the previous one indicates an increase in the size of settled instructions, although their total number is lower.

The nominal balances at the end of the abovementioned period showed a minimal negative change of 2.61% in the securities listed on the BME private fixed income market and growth of 6.44% in the public debt market. Regarding equity, growth has been 8.52% valued at market prices.

Public Debt Increases in 2023

PUBLIC DEBT (BILLIONS OF EUROS)



The reduction of the settlement cycle to T+1 can bring numerous benefits but also an increase in the failure rate.

BME MARKET REPORT 2023

Settlement Project in T+1

The first reference to the migration to T+1 dates back to the document published by DTCC in February 2021 under the title "Advancing Together: Leading the Industry to Accelerated Settlement”. In September 2022, the Association for Financial Markets in Europe (AFME) published an analysis called "T+1 Settlement in Europe: Potential Benefits and Challenges”. This document has turned out to be the basis for many of the discussions that have since taken place in Europe in the field of post-trade. However, the formal decision to switch to T+1 adopted by the SEC in February of this year has undoubtedly triggered the full opening of this debate in Europe.

The US market is one of those currently leading the changeover to T+1, with the migration scheduled to take place on May 28, 2024. The implementation of the change of the settlement cycle in Europe is much more complex than in the United States, given the greater fragmentation, with 14 currencies, 31 central securities depositories and different regulatory and market characteristics in the different countries.

Pros and Cons of Migrating to T+1

There are several potential benefits to be gained from reducing the settlement cycle. The main advantage is the reduction of the risks faced by the markets. Moving to T+1 would undoubtedly reduce counterparty, market and post-trade credit risk. This reduction in risk is directly associated with a reduction in the collateral requirements of central counterparty clearinghouses, which also implies lower costs for clearing members.

Aligning the different settlement periods around the world would also facilitate the post-trade processes of financial intermediaries providing services globally and, consequently, facilitate a reduction in operational costs and risks, compared to a situation where each market has a different settlement period.

Lastly, another argument in favor of moving to T+1 would be to encourage the modernization of the processes of those involved in the post-trade process. Given the practical immediacy in the settlement of other more modern markets and underlying assets, it is argued that our sector has the duty to move in the same direction.

In turn, there are several arguments that jeopardize the opportunity to implement a reduction of the settlement cycle. According to AFME's estimates, given the time differences between the American, European and Asian markets, in practice we are not talking about a 50% reduction in settlement overlap time, but an 83% reduction.

The reduction of the settlement cycle to T+1 could imply a significant increase in the settlement failure rate. The shorter the time period for the matching and justification of settlement instructions, the greater the potential for errors to prevent the successful completion of transactions.

The reduction to T+1 would also hinder securities lending transactions to cover defaults, as well as impact the current dates of corporate events, which would affect not only settlement processes, but also custody or asset services.

ESMA (European Securities and Markets Authority), the EU's financial markets regulator and supervisor, recognizes all these positive and negative factors, but it is very important for it to listen carefully to market feedback before taking any steps to reduce settlement times in Europe. For settlement times to be reduced, the measure must be taken from the bottom up, based on input from market participants and market infrastructures, as was the case with the move from T+3 to T+2. A top-down implementation that does not take into account the characteristics of the market structure in Europe is likely to lead to dysfunctions that will have a negative impact on competitiveness vis-à-vis the North American markets.

BME's Position

BME's position is neutral on the question of whether or not to migrate to T+1 in the European Union and Switzerland. BME will do what regulators and its clients ask. It is considered appropriate to assess the results of the migration of the American market in order to be able to analyze the potential problems that Europe would face, despite the great differences between the American market and the European ones. BME also advocates aligning the migration, if so decided, of the three most relevant European markets: the European Union, Switzerland and the United Kingdom, as it is considered that this would facilitate Europe's migration to T+1.

BME is represented in the working groups created by AFME and ECSDA in which it plays a relevant role at the international level with the dual objective of defending the interests of its markets and providing its clients with as much information as possible so that they can manage resources in-house as necessary. However, BME calls for strong private sector involvement in any analysis that regulators may undertake, with particular relevance to the date by which they may require markets to make this migration.

ESMA launched on October 5, 2023 a public consultation inviting the different market infrastructures (CSDs, CCPs, trading venues), their members and participants, issuers, fund managers and other companies involved in the financial sector to submit their comments on the possible reduction of the settlement cycle to T+1, before December 15, 2023. BME, as the main infrastructure of the Spanish market, participated in the abovementioned survey.

8. REGIS-TR Maintains Its Leadership Position as a Trade Repository

REGIS-TR continues to maintain its leading position as one of the largest Trade Repositories in Europe, with almost 2,000 European customers in 37 countries.

In 2022, REGIS-TR held 55% of the total EMIR market share in the EU and has continued to maintain its position through 2023, with more derivative contracts reported than any other entity.

REGIS-TR maintains its position with the supervisory and regulatory community, reporting data to 46 European authorities under the EMIR regulation, and 34 European authorities under the SFTR regulation, either through TRACE, ESMA's communication portal, or via direct communication. In addition, the UK subsidiary, REGIS-TR UK, provides regulatory reports to the UK Financial Conduct Authority (FCA) and the Bank of England.

In Switzerland, REGIS-TR continues to solidify its position as a FINMA-approved Trade repository for the provision of services under the FinfraG Ordinance.

Established in 2010 as a joint venture between BME and Deutsche Börse, REGIS-TR has successfully evolved into Europe's leading trade repository. In April 2022, BME acquired 50% of the shares controlled by the German stock exchange, becoming the sole shareholder of both REGIS-TR S.A. and REGIS-TR UK Ltd. The SIX migration and integration project is underway and is scheduled to be completed before the end of the first quarter of 2024. REGIS-TR will then benefit from a simplified shareholder structure.

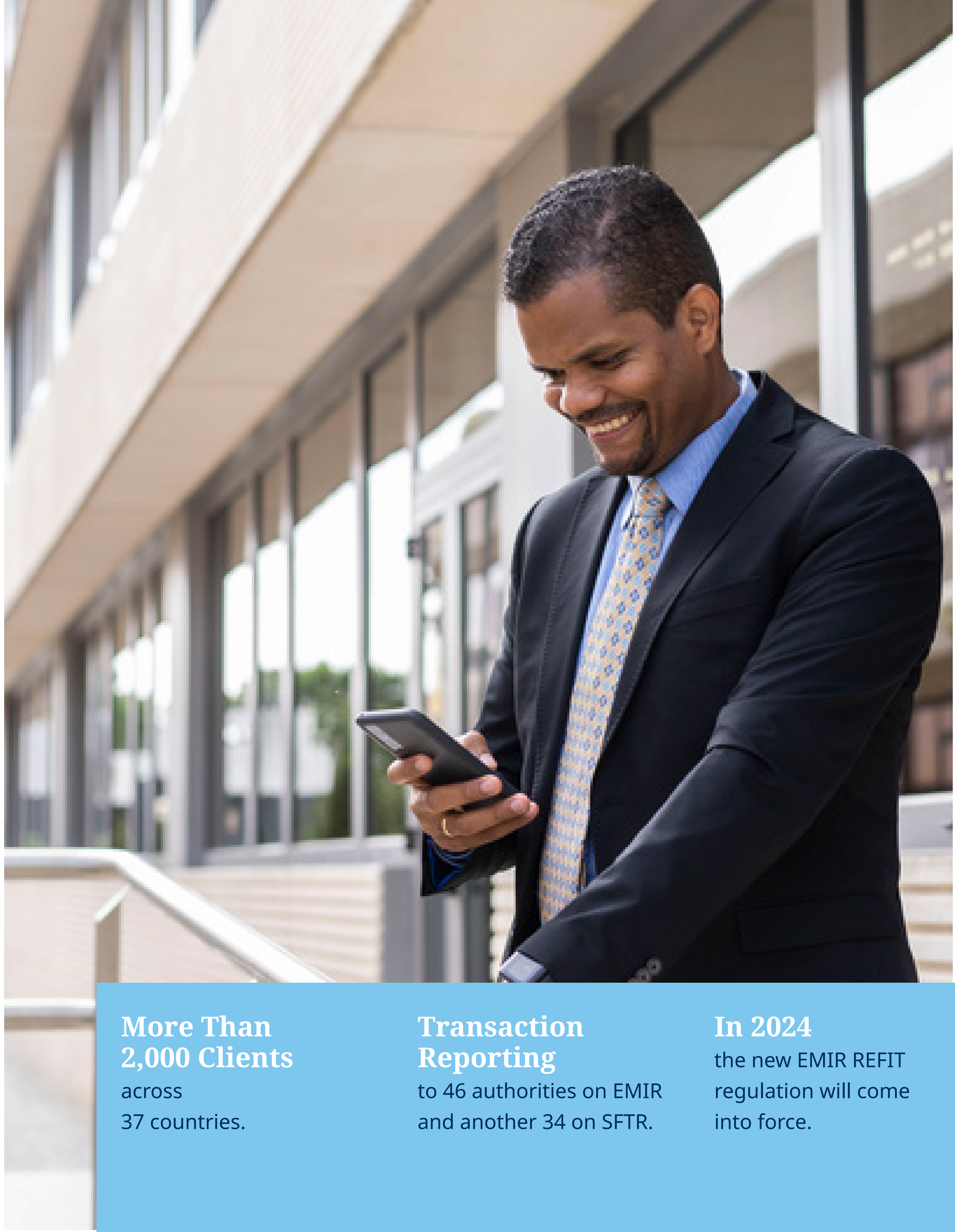
In January 2021, REGIS-TR UK became operational after the Brexit transition period. Originally created to serve the needs of our existing EU client base in the UK, the business has grown successfully, leveraging consolidation within the transaction repository area. This trend is continuing, and the UK business has considerable potential in the medium to long term.

The regulatory reporting space and activity continues to be a major challenge for market participants, both entities and transaction repositories, due to constantly changing requirements and the need to adapt to new regimes and standards.

Thus, EMIR REFIT, which will come into operation in April 2024 in the European Union (in September of the same year in the United Kingdom), is the most important and comprehensive regulatory update that will impact the business.

To ensure that its clients adapt to this major change, REGIS-TR regularly organizes training initiatives (seminars via TEAMS, workshops for clients), in addition to participating in industry events and conferences and disseminating information via its podcast.

A new technological platform is also being launched for EMIR REFIT, with enhanced reporting capabilities and analytical tools, which will help improve data quality and thus enable REGIS-TR to move up the value chain together with its clients.



More Than 2,000 Clients
across 37 countries.

Transaction Reporting
to 46 authorities on EMIR and another 34 on SFTR.

In 2024
the new EMIR REFIT regulation will come into force.

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