30 YEARS OF THE REPORT ON OWNERSHIP OF LISTED SPANISH STOCK

INTERNATIONAL INVESTORS AND HOUSEHOLDS OWN TWO THIRDS OF THE LISTED SPANISH STOCK

In 2021 – which was characterised by the recovery and gradual return to normal after the CO-VID-19 pandemic – the ownership structure of the stock listed on the Spanish stock exchange did not exhibit any major changes. The minor changes notably included a one-point decline in the stake held by non-resident investors, to 48.8%, and they are still the main shareholders of listed Spanish stocks – well ahead of the other groups identified in this study. Households have 17.1% of the stock in an environment where their financial positions have improved.

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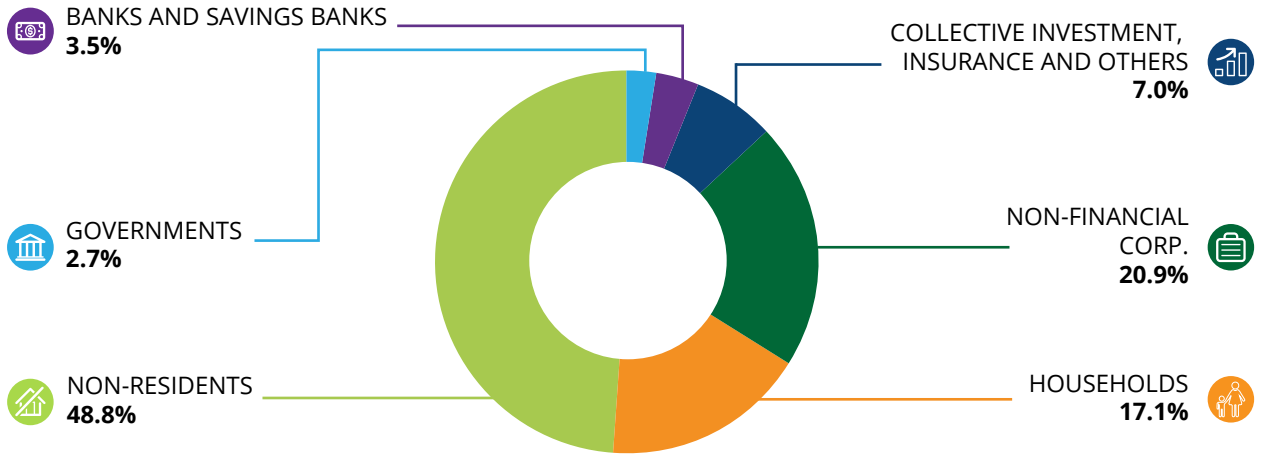
The participation of international investors in the Spanish stock exchange is around 50%, which was occasionally exceeded in 2019. At the end of 2021, non-residents represented 48.8% of the market capitalisation of Spanish listed companies, which was 1.1 points less than the previous year and 1.4 points below the historic record that was reached a few years ago. Since the turn of the century, non-resident investors have increased their weight in the Spanish stock exchange by more than 14.5 points, from 34.3% in 1999 to 48.8% in 2021. If we use 2007 as a reference point – before the outbreak of the global financial crisis that led to the Great Recession – foreigners have increased their participation 12 percentage points over the course of nearly 15 years marked by various kinds of large-scale calamities: the financial crisis, the sovereign debt crisis in the eurozone, and the global pandemic caused by COVID-19, which has given rise to a global energy crisis.

OWNERSHIP OF SPANISH LISTED STOCK (2021)

% of total capitalisation at year-end 2021



Source: BME Market Research. June 2022.

DISTRIBUTION OF STOCK OWNERSHIP IN SPANISH LISTED COMPANIES

(Figures as a percentage of the total market value at year-end of all Spanish listed companies)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BANKS AND SAVINGS BANKS	15.6	13.4	15.1	15.1	14.1	12.9	11.7	12.8	7.3	7.9	7.1	7.7	8.7	8.6	9.3	9.4	7.6	5.0	4.6	7.5	5.2	5.1	4.3	3.6	3.0	3.1	3.0	2.8	2.7	**3.5**
COLLECTIVE INVESTMENT, INSURANCE AND OTHERS	5.0	4.2	5.7	7.0	7.2	10.2	10.2	8.8	7.1	7.2	7.4	7.9	8.6	8.6	9.6	8.1	7.4	7.6	7.6	8.8	8.4	7.4	7.8	7.9	7.4	8.0	7.9	7.3	6.4	**7.0**
GOVERNMENTS	16,6	16.4	13.8	12.2	10.9	5.6	0.6	0.3	0.2	0.2	0.4	0.3	0.3	0.3	0.3	0.2	0.3	0.3	0.3	0.3	0.5	2.3	1.9	2.9	3.1	3.1	2.9	2.8	2.9	**2.7**
NON-FINANCIAL CORP.	7.7	6.9	6.8	6.7	6.9	5.9	5.5	10.1	20.3	21.7	22.0	23.0	23.1	24.7	24.4	25.4	26.0	25.9	26.1	22.1	21.7	19.0	17.1	18.9	20.1	20.1	20.8	20.8	21.0	**20.9**
HOUSEHOLDS	24.4	24.8	22.8	22.2	23.6	30.0	35.1	33.6	30.5	28.0	28.3	26.0	24.1	23.6	23.8	20.1	20.2	21.1	22.2	21.2	25.1	26.1	26.2	24.4	23.4	19.7	17.2	16.1	17.1	**17.1**
NON-RESIDENTS	30.6	34.4	35.9	36.7	37.4	35.6	36.9	34.3	34.7	35.0	34.8	35.1	35.2	34.2	32.6	36.8	38.5	40.1	39.2	40.0	39.2	40.1	43.0	42.3	43.1	46.0	48.1	50.2	49.9	**48.8**

Source: BME Market Research

The higher level of international activity of Spanish companies, particularly those listed on the stock exchange, has been one of the factors that contributed to the brilliant recovery of the Spanish economy after the global financial crisis that began in 2008 and the subsequent sovereign debt crisis in Europe in 2012. Leading Spanish companies have expanded not only their business activities internationally, but also their capital and financing through stocks and bonds, which are both registered in the securities markets. The technological competitiveness and transparency of the Spanish stock exchange have also been key factors in boosting the confidence of foreign investors.

NON-RESIDENT INVESTORS PREFER LISTED INSTRUMENTS

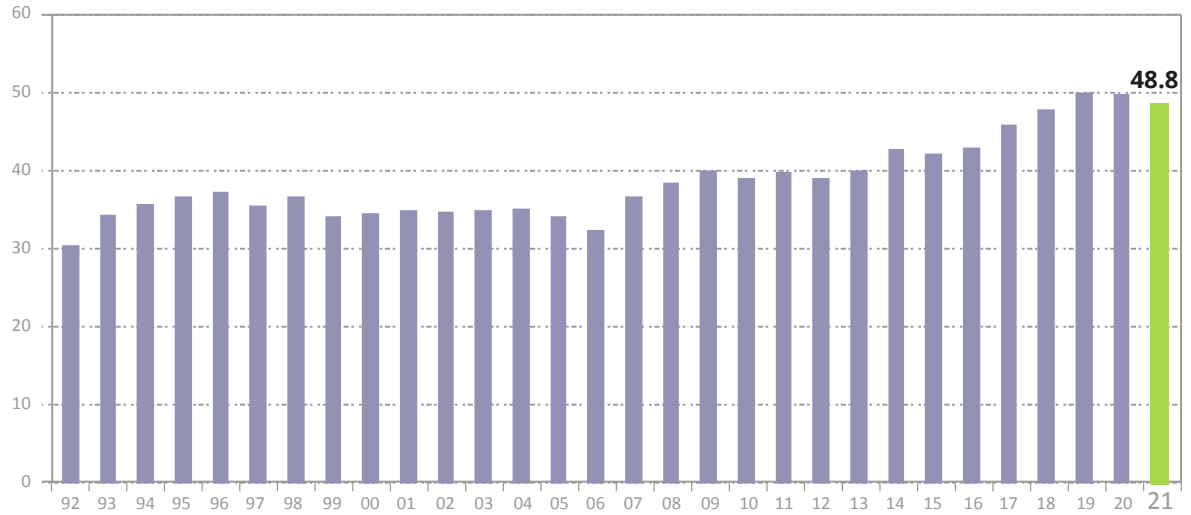
Another characteristic that defines foreign investment in Spain is the growing preference for listed companies over unlisted ones. According to statistics from the Financial Accounts for the end of 2021 published by the Bank of Spain, international investors owned just over 50% of the total value of listed Spanish stock, which is up more than 20 percentage points over the last two decades. If we perform the same calculation for stocks and other equity stakes in unlisted companies, non-resident investors own 24%, a little less than half as much as listed stock. This figure is just two percentage points higher than the values reached in 2000.

In short, the stake held by non-resident investors in listed Spanish companies has not ceased to grow over the last 21 years, while their stake in unlisted companies is virtually unchanged. As a result, being listed on the stock exchange also turned out to be a strong factor in attracting foreign investment in the share capital of Spanish companies and thus in driving forward their plans to expand.

The main investors within the non-resident investors group are what are known as institutional investors – in other words, investment and pension fund managers, sovereign wealth funds, insurance companies, venture capital or private equity funds and even investment banks and intermediaries that hold stock portfolios.

Ownership of stock listed on the Spanish Stock Exchange

Foreign investors (%)



Source: BME Market Research

To give an example, BlackRock, Qatar's sovereign fund and private equity manager CVC made up 6% of the value of the IBEX 35® as of year-end 2021. The first of these – BlackRock – had several shareholdings of more than 5% in companies listed on the Spanish stock exchange: 5.25% in Iberdrola, 5.4% in Santander, 5.9% in BBVA, 5.2% in Cellnex, 6.1% in Amadeus and nearly 5% in Telefónica. Other large global institutional investors such as Norges Bank, Vanguard, Fidelity, Standard Life, Capital Research, GIP, Amundi, Invesco and many others also figure prominently. Most of its holding are through traditional investment funds, risk capital funds or ETFs, the last of which passively replicate listed equity indices of the world's major stock markets.

SOVEREIGN FUNDS

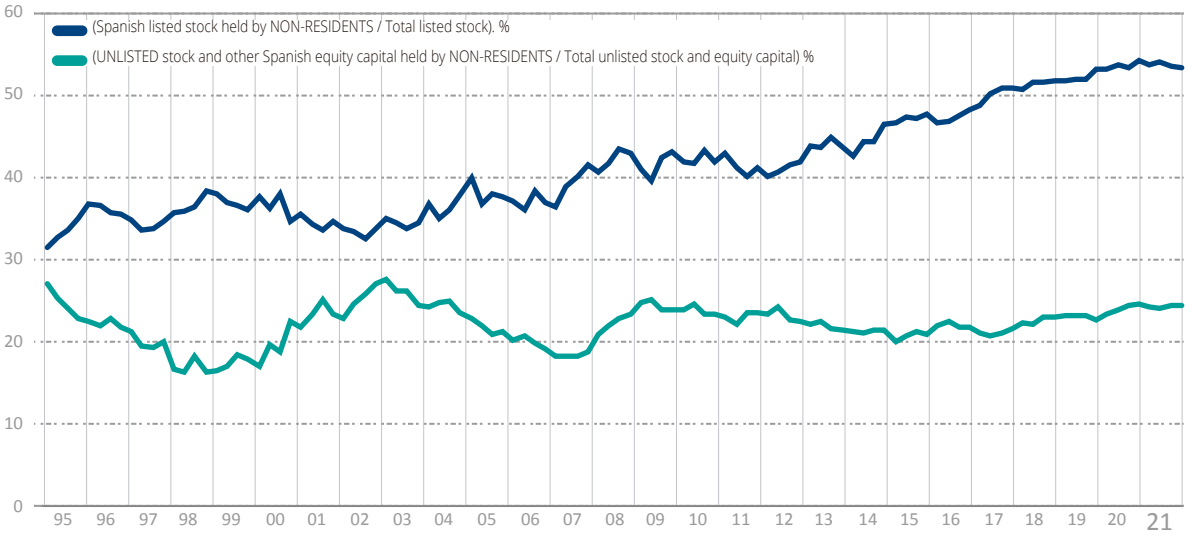
Among the data that underscore the rising interest in the Spanish stock exchange among international investors notably include the data found in the latest Sovereign Wealth Funds Report for 2021, drawn up by IE University along with ICEX. This report revealed that between October 2020 and December 2021, sovereign wealth funds invested more than EUR 2.8 billion in 12 Spanish companies. The only times this volume of investment was exceeded in the historic series were in 2011 and 2009, when the Mubadala fund (known as IPIC at that time) took control of Cepsa. There were two big names behind this boost to sovereign investment in 2021: GIC – one of Singapore's two sovereign wealth funds – and the fund of the prominent Emirate of Abu Dhabi.

According to said report, GIC is one of the world's most active sovereign wealth funds based on executed transactions and was by far the most active in Spain in 2020–2021. GIC has historically had exposure to Spain, and aside from its large stake in Cellnex's share capital (7%), GIC joined in on Acciona Energía's IPO in summer 2021. In line with this stake in renewable energy, GIC granted a EUR 300 million loan to Forestalia in May 2021 – an Aragon-based company founded in 2011 that carries out renewable energy projects with an installed capacity and development portfolio of 6 GW in wind energy, solar energy and biomass.

This group of international institutional investors has strong interest in Spanish renewable companies. It is a heterogeneous group that includes Canadian pension funds such as Caisse de Depot et Placement du Qué-

Foreign equity stake in spanish listed corp. vs non listed corp

Quarterly data Mar. 1995 to Dec. 2020



Source: Financial Accounts of the Spanish Economy. BdE 2022

bec (CDPQ), Alberta Investment Management Corporation (AIMCo) and Cubico (the joint venture of Ontario Teachers' Pension Plan and PSP Investments) as well as global alternative asset managers (such as Brookfield, KKR and Macquarie) and numerous banks that provide project financing. The list includes China Three Gorges – the massive Chinese state-owned company that already owns 23 wind parks and 14 photovoltaic plants in Spain.

According to the report from IE University, the Committee on Foreign Investment in the United States (CFIUS) also authorised GIC's purchase of Biomat in November 2021 – the US subsidiary entirely owned by Grifols. The EUR 881 million investment was meant to be made via a minority interest in Biomat, which has nearly 300 plasma centres in the United States, thus making GIC and Grifols strategic allies.

The sample data from GIC come on top of the extensive presence of Norges Bank in our market – Norway's Government Pension Fund Global – which is the world's largest sovereign wealth fund, with nearly USD 1.3 billion in assets under management in its portfolios, and which surpassed a 3% interest in Spanish listed companies such as Iberdrola, Cellnex, Repsol and Indra as of year-end 2021. Altogether, it holds nearly EUR 20 billion in Spanish listed companies and bonds.

THE IMPORTANCE OF SUPPORTING IPOS AND INVESTMENT

The higher figures for foreign investment in the Spanish stock exchange highlight the importance of paying attention to their presence and favouring more stock exchange listings by companies in order them to benefit from the global investment flows that are otherwise difficult to obtain.

Making an IPO or listing on the stock exchange during a company's life cycle is a critical, decisive step for business internationalisation, diversification of shareholders and business financing sources, and thus, for increasing company size, one of the handicaps of the Spanish economy compared to its European peers, which penalised it during the COVID-19 crisis due to the greater impact on smaller companies. Listing on the stock exchange and the participation of foreign funds and institutional investors in Spanish companies are determining factors in reaching company sizes more in line with current competitive requirements.

The European Capital Markets Union (CMU) Action Plan also includes the promotion of measures and initiatives that encourage company financing through the markets as one of the main measures to strengthen the economic and financial ecosystem in Europe, particularly those targeting SMEs. Here, it is important for policy makers to understand that taxation is one of the

THE STOCK MARKET LISTING BOOSTS THE ATTRACTIVENESS OF SPANISH COMPANIES TO INTERNATIONAL CAPITAL, THUS PROVIDING ACCESS TO NEW FINANCING.

intervention areas with the greatest impact on achieving the most desirable objectives for more balanced and resilient economic growth.

It also seems clear that strong foreign ownership in the leading Spanish companies and the importance of the stock market in providing an efficient valuation of these holdings and adequate liquidity should be very strong arguments against the Financial Transaction Tax (FTT) that is applied to the stock of companies listed on the Spanish stock exchange since January 2021. Since it is not an EU-approved tax, the Spanish stock market and therefore the leading Spanish listed companies are being unfairly penalised as an investment alternative when compared to competing companies based in other European or non-European markets.

The FTT has very harmful effects for companies, for the financial industry and ultimately for Spain as an investment destination. The public authorities did not choose to support a tax map for Spanish financial assets that is competitive in international terms, given the Spanish economy's need for a continuous flow of capital to both refinance high levels of debt and ensure continued capital flows to boost the improvement in productivity. The lack of awareness in the tax treatment of investment instruments is starting to become noticeable not only in the Financial Transaction Tax, but also in other instruments as a lack of incentives to invest in SME stocks both directly and via collective investment vehicles, the treatment of SICAVs, the listing of ETFs and investment certificates on the Spanish stock exchange, and even the revision of the treatment of SOCIMIs, (REITs) which despite being of minor entity, do not help to incentivise this vehicle that is so highly valued by international capital.

HOUSEHOLDS

The proportion of Spanish households owning listed stock in Spanish companies remained stable at 17.1% as of year-end 2021, after an increase of one percentage point the previous year, which broke a streak of five straight years of decline. The figure for 2020 and 2021 is the second lowest in the historical series compiled by the Research Department of the Spanish stock exchange, which it has produced for 30 years now. The high participation rate of individual and household investors has historically been one of the distinguishing features of the Spanish stock exchange and peaked at 33.6% in 1999. The most recent period of growth was in the years following the financial and economic crisis that began in 2008, when households became an important market force, increasing their portfolio of listed stock.

The rise in retail activity detected particularly in the US markets – but also in Spain – as a result of the sharp declines in March 2020 in the depths of the pandemic crisis caused by COVID-19 did not carry over into 2021. The strong recovery in listings appears to have mostly resulted in profit taking. In Spain for instance, the total number of shareholders in the five biggest listed entities fell by 213,000 from the end of 2020 to year-end 2021.

A broader analysis reveals some factors that could be behind this decrease in the number of small stockholders with stakes in Spanish listed companies[1]. Over the medium term, this percentage is converging rapidly with Europe, where the direct participation of individual investors in the stock exchange has traditionally been lower than in Spain. Successive reforms of the European financial and securities markets, implemented with the stated aim of improving investor protection, have so far failed to deliver the expected results of bringing more investors into ownership of listed shares nor have they increased the number of listed companies, incidentally. Likewise, the IPOs that have taken place in recent years have mostly bypassed the retail tranche that was characteristic of the stock market debuts that took place in large numbers in the last decade of the 20th century.

Another reason for this trend reduction in the weight of individual investors in the Spanish stock market is the growing weight of investment funds in Spanish portfolios due to their advantageous tax treatment and the business commitment of financial institutions, especially banks, to these vehicles.

Competition is also intensifying with the growth of international investment funds marketed in Spain, which individual investors can also access. According to statistics from the Spanish securities market supervisor, CNMV, the total volume of these funds marketed in Spain was EUR 276.232 billion at the end of 2021, including institutional investors as well. This is 38.5% higher than the previous year – a new all-time high.

The Spanish stock market's low performance in the last decade, especially in large sectors like banking and

Ownership of stock listed on the Spanish Stock Exchange

Households (%)

Source: BME Market Research

(1) The data that the Bank of Spain published from the latest Survey of Household Finances available for 2017, revealed that 11.60% of Spanish households owned listed stock at that time, representing 2.14 million households if we apply it to the total number of households in Spain and 5.35 million people with exposure to stock if we use the average number of people per household for the calculation.

telecommunications that attracted a large number of individual investors, may also be behind this lower participation of Spanish investors in the stock exchange.

Another factor that may have had an influence (particularly in 2021) is the growing interest in cryptoassets among new investors. According to the World Federation of Exchanges (WFE) citing data from Chainalysis, investment in these assets rose 2,300% globally between Q3 2019 and Q2 2021. A recent report from KPMG consulting estimates that 4.4 million people have invested or have investments in cryptocurrencies and nearly 71% of them are above EUR 1,000. According to another report from the Bank of Spain, Spain also made up around 10% of the volume of cryptocurrency transactions in the eurozone relative to its GDP between July 2020 and June 2021.

THE STRUCTURE OF SPANISH HOUSEHOLDS' FINANCIAL PORTFOLIOS

At the end of 2021, according to the Spanish Household Savings Report prepared by INVERCO with data from the Financial Accounts of the Spanish Economy published by the Bank of Spain, direct investment in listed stock accounted for 4% of household financial savings while domestic and foreign investment funds and SICAV shares accounted for 15.2%, more than three times as much. In 2012, in the wake of the global financial crisis, the weight of Spanish listed stock in household portfolios (5.5%) was close to that of shares in funds and SICAVs (6.4%), but with year-end 2021 data, the latter are now three times higher than listed stock.

THERE IS A LACK OF RESOLVE ON THE PART OF PUBLIC AUTHORITIES TO SUPPORT A COMPETITIVE FISCAL MAP OF SPANISH FINANCIAL ASSETS, WHICH CONTRASTS WITH THE SPANISH ECONOMY'S NEED FOR A CONTINUOUS FLOW OF CAPITAL TO REFINANCE BOTH HIGH DEBT LEVELS AND TO IMPROVE PRODUCTIVITY.

Said study also shows that the weight of cash, current accounts and term deposits in the financial asset portfolios of Spanish households continues to predominate, representing 38.4% of the total as of 31 December 2021. Another trend that has picked up in recent years is the reduction in cash held by households, which has fallen from 5.6% of total household assets at the end of 2008 to 2.2% in 2021 – less than half that held 13 years prior.

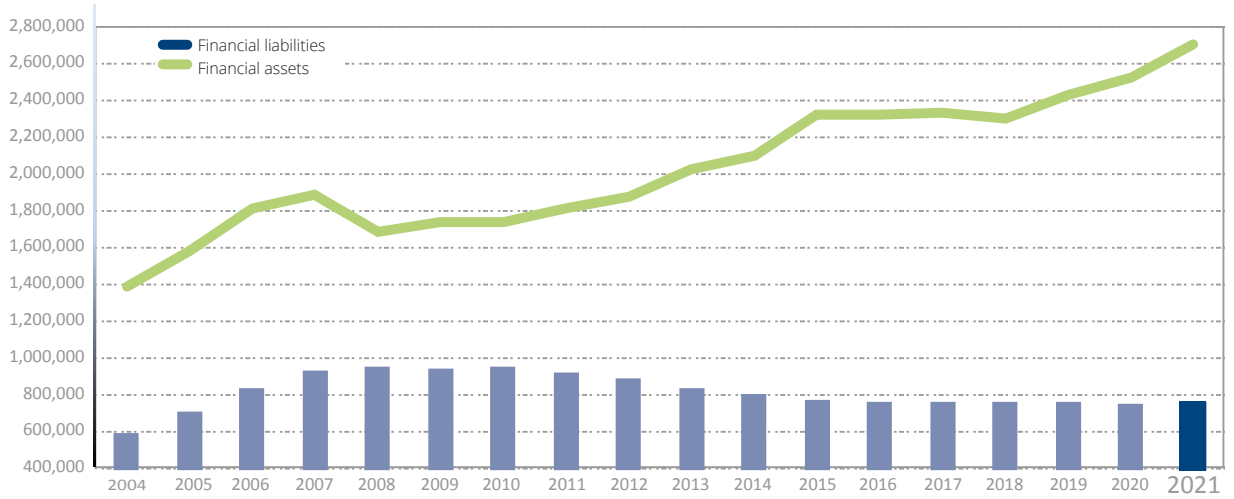
THE FINANCIAL POSITION OF SPANISH HOUSEHOLDS FARED WELL IN THE COVID-19 CRISIS

The financial assets of Spanish households stood at EUR 2.69 trillion at the end of 2021, 6.9% more than one year earlier and 48% more than a decade ago (at the end of 2011) according to data from the Financial Accounts of the Spanish Economy published by the Bank of Spain. The effect caused by the pandemic on the overall financial assets of Spanish households has been limited thanks to income protection measures and to the significant increase in household savings in 2020, which reached record levels.

In turn, the total indebtedness of Spanish households – their liabilities – was EUR 770 billion at the end of 2021, 1.4% more than the previous year and already higher than the level of 2019, before the pandemic. Although the figure for 2021 is the highest of the past 6 years according to data from the Bank of Spain, it is still 17% lower than at the close of 2011, which reflects that Spanish households have paid off more than EUR 157 billion in debt over 10 years, or more than 15% of GDP.

Value of financial assets and liabilities of Spanish households (2004–2020)

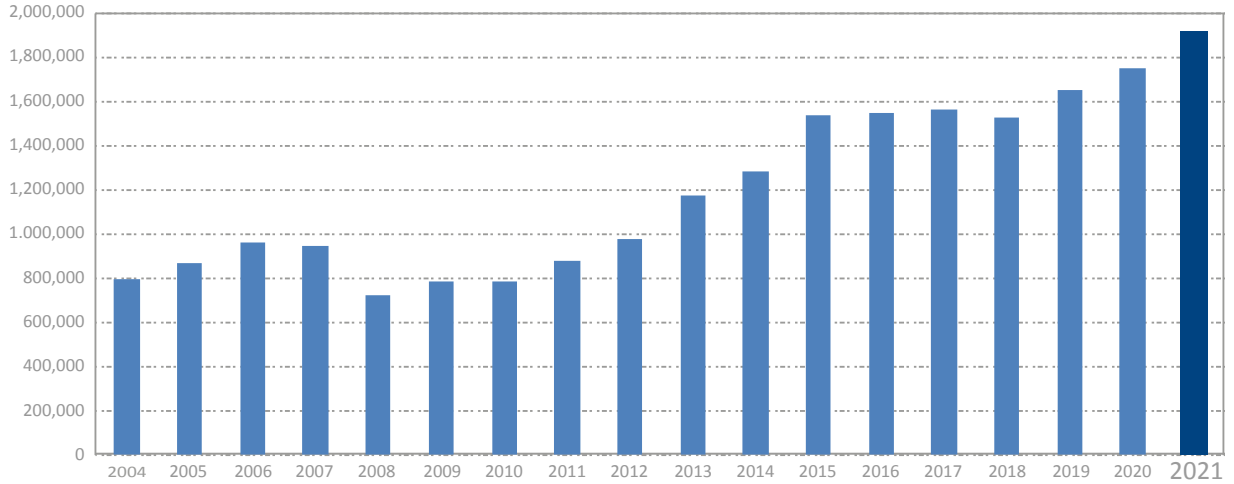
EUR million.



Source: Financial Accounts. Bank of Spain

Net financial wealth of spanish households

Financial assets minus financial liabilities (2004–2021) EUR million.



Source: Financial Accounts. Bank of Spain

The combined effect of the strong increase in assets and the containment of growth in liabilities brings the net financial wealth of Spaniards close to EURO 2 trillion at the end of 2021, a new historical record and a positive figure for facing the economic challenges of the coming years

NON-FINANCIAL CORPORATIONS

Non-financial corporations accounted for 20.9% of the total capitalisation of Spanish listed companies on the Spanish stock exchange at the end of 2021, one tenth less than the previous year. In the six years since 2016, the stake held by this group of investors has hovered between 20% and 21%.

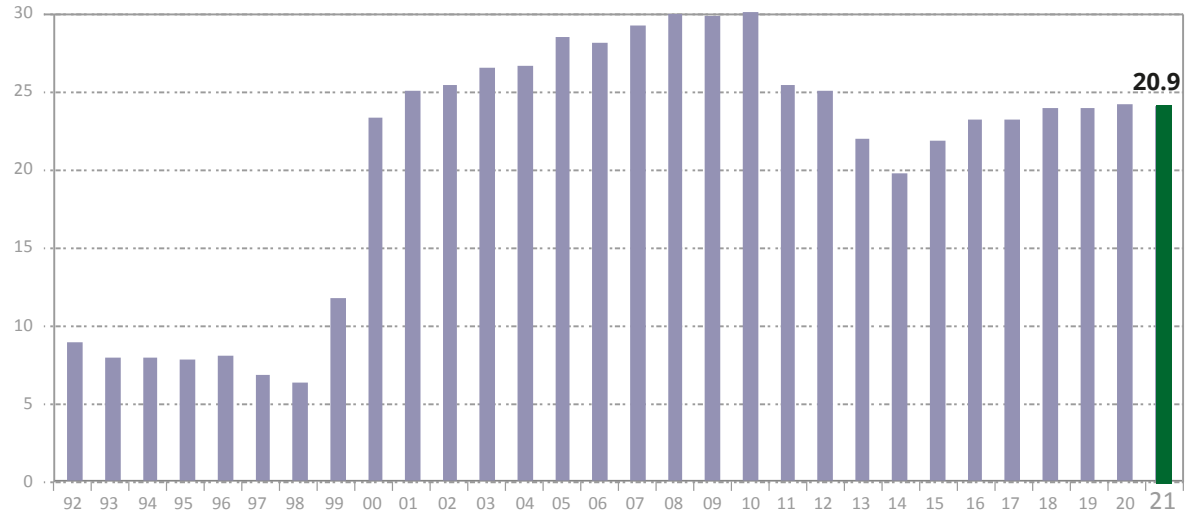
The share of non-financial corporations owning Spanish listed stock fell sharply in the aftermath of the global financial crisis during the last decade. In those years, non-financial corporations were often forced to make large divestments to reduce their indebtedness, and their stake in Spanish listed companies dropped to a low of 17.1% of the total in 2014. Since then and until 2021, their share in the stock exchange has grown to its current level of 21%.

COLLECTIVE INVESTMENT INSTITUTIONS

Collective Investment Institutions (CIIs), insurance and other non-bank financial institutions represented 7% of the market capitalisation of Spanish listed companies at the end of 2021, an increase of six tenths over the previous year but still far from the maximum level in the historical series, which it reached in 1997 and 1998 when this group owned 10.2% of the total value of the Spanish stock exchange.

Ownership of stock listed on the Spanish Stock Exchange

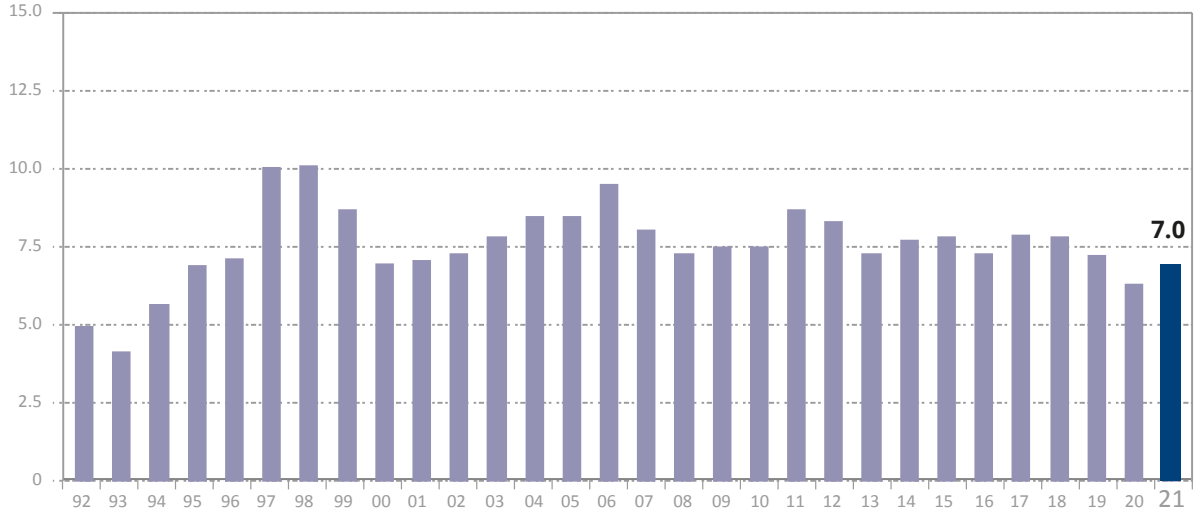
Non-financial corporations (%)



Source: BME Market Research

Ownership of stock listed on the Spanish Stock Exchange

Collective Investment Institutions, insurance and others (%)



Source: BME Market Research

Although the stake of Spanish investment funds and SICAVs in the Spanish stock exchange rose 8.7% in 2021 to EUR 8.465 billion, it remains at very low levels in relative terms. In percentage terms, SICAVs and investment funds accounted for just 1.15% of the capitalisation of Spanish securities at the end of last year, which was even slightly lower than the previous year.

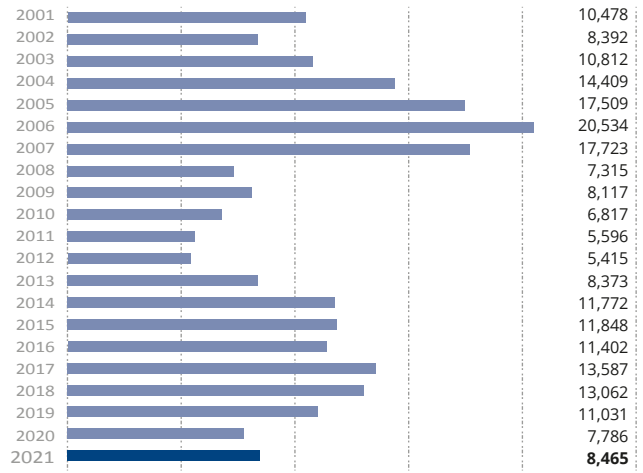
The conservative profile of Spanish investors and the growing geographical diversification of the portfolios of CIIs – often by buying shares in other national investment funds, but particularly foreign ones – largely explain the low national institutional participation in the Spanish stock exchange.

As we have noted in prior years when presenting this report, the lack of incentives for national institutional investment to support Spanish listed companies is a handicap especially for smaller listed companies, which attract less attention from foreign investors. In order to reverse this situation, it is important for the national authorities to keep this in mind at such a delicate time for the economy, with such intense competition challenges, change and transformation.

One occurrence of note in 2021 was greater investment from pension funds in the Spanish stock exchange. It rose 21% over the year, reaching EUR 15.58 billion. In relative terms, their portfolio is equivalent to 2.1% of the capitalisation of listed Spanish companies. This figure is still very low in relative terms and compared to other European countries.

Spanish equity portfolio of the Spanish investment funds and SICAVs

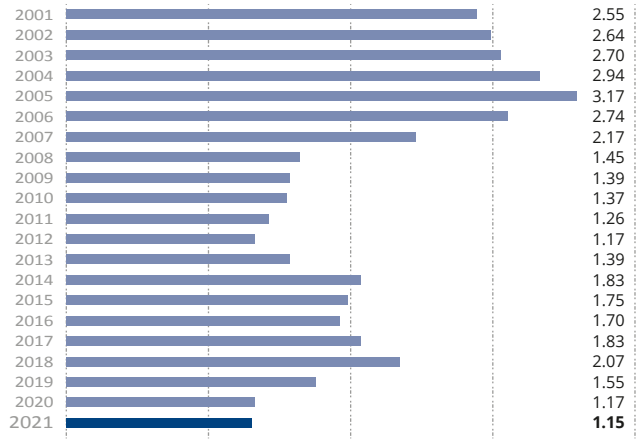
Figures in EUR million.



Source: CNMV

Spanish equity portfolio of the Spanish investment funds and SICAVs

Data in percentage (%) of the capitalisation of Spanish securities listed on the stock market.



Source: In-house with CNMV and BME data

INCREASE IN BANKS PARTICIPATION

The stake that the banks and savings banks sector holds in the Spanish stock exchange rose to 3.5% in 2021, the highest figure in six years. The percentage of Spanish companies listed on the Spanish stock exchange held by banking institutions has been on a steep downward trajectory that began with a peak at 15.6% in 1992. In the last decade, from 2011 to 2021, it fell 4 points and since the last year of the 20th century, the loss has exceeded 9 percentage points.

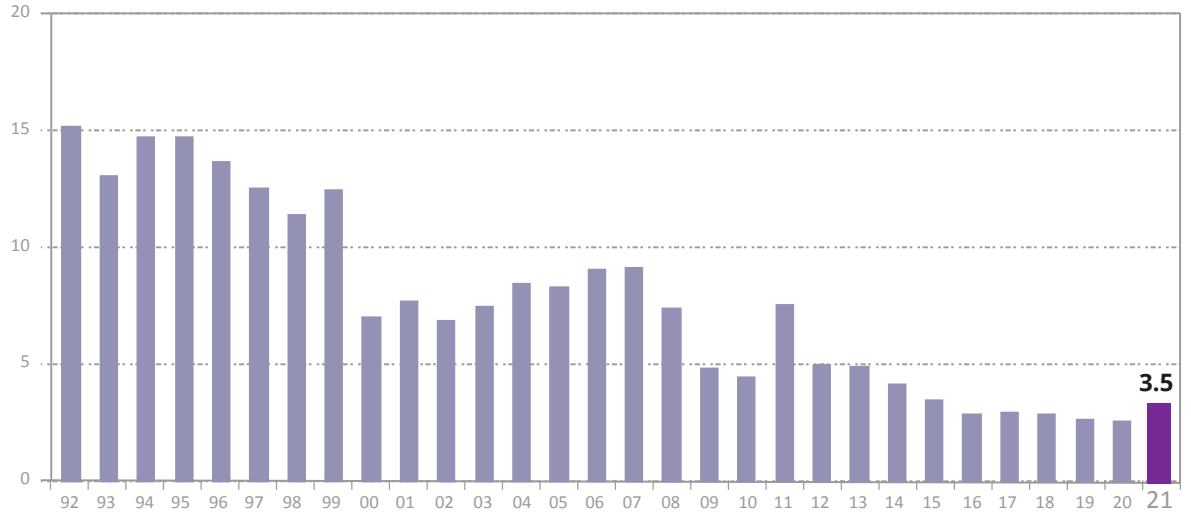
The trend reflects the profound change in banking activity in recent decades, with a notable emphasis on reducing industrial holdings, divestments necessitated by the financial crisis and the need to strengthen capital. New regulations in the wake of the financial crisis penalise banking institutions' stakes in listed companies as they affect their solvency calculation.

THE PUBLIC SECTOR'S STAKE FELL TWO TENTHS, TO 2.7%

Through its various public bodies, entities and enterprises, the Spanish public administrations own 2.7% of the market value of Spanish listed securities at the end of 2021, two tenths less than the previous year.

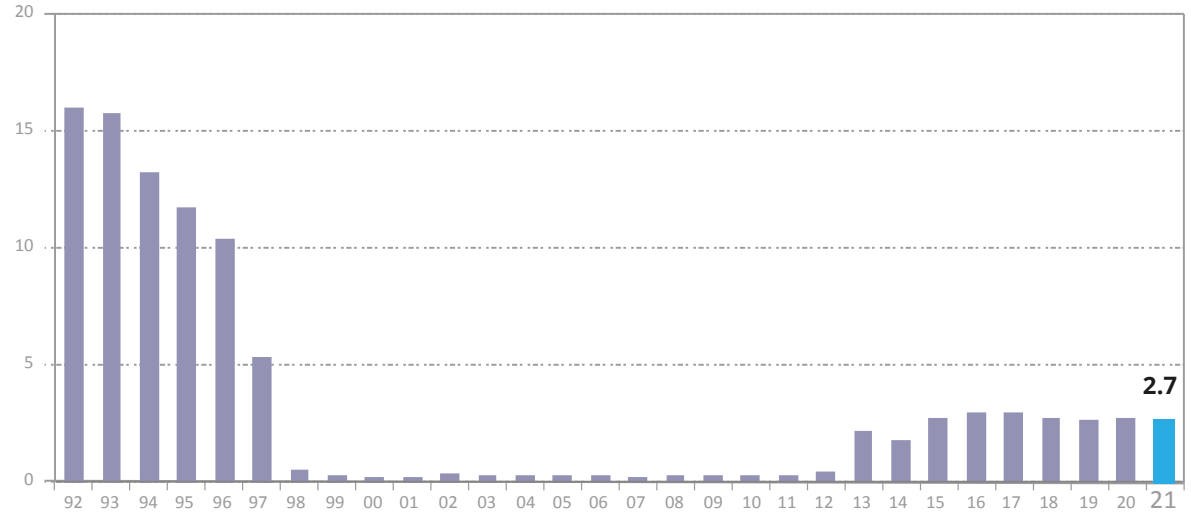
The series of processes to privatise public companies at the end of the 1990s, channelled through the stock market with high individual shareholder participation, led to a large reduction in the government's stake in Spanish listed companies. While its stake was 16.6% in 1992, by the end of 1998 it had fallen to 0.6%. It remained low until it rebounded to 2.3% in 2013 due to the public aid received by some banks, in particular, the nationalisation of Bankia as a result of the financial and sovereign debt crisis between 2008 and 2014. Currently, this stake has become a 16.1% stake in the share capital of CaixaBank after the institution merged with Bankia. This stake was worth EUR 3.137 billion at year-end 2021.

Ownership of stock listed on the Spanish Stock Exchange
Banks and savings banks (%)



Source: BME Market Research

Ownership of stock listed on the Spanish Stock Exchange
Governments (%)



Source: BME Market Research