MARKET REPORT 2021

BME
BOLSAS Y MERCADOS ESPAÑOLES
a SIX company

The market capitalisation of the stock exchange recovers the **1 trillion euro** mark and shareholder remuneration grows **9.4%.**

EUR 23.9 billion in corporate financing via the stock exchange, (+49%) in 19 IPOs and 97 capital increases.

SMEs the protagonists: **BME Growth adds 16 new companies**, raising 960 million. **MARF reaches 117 issuers.**

31 ESG issues in BME's fixed-income market. Treasury places its first **Green Bond** and **BME launches the Ibex Gender Equality Index©.**

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FIGURES FOR THE YEAR

PRICE INDICES

	31/12/19	31/12/20	30/12/21	Change**	High*	Date	Low*	Date
IBEX 35	9,549.20	8,073.70	**8,713.80**	7.93%	9,281.10	14-Jun	7,757.50	29-Jan
IBEX 35 with dividends	27,790.00	24,262.00	**26,878.00**	10.78%	28,216.00	1-Nov	23,385.50	29-Jan
IBEX MEDIUM CAP	14,083.20	12,715.90	**13,815.40**	8.65%	14,203.80	4-Jun	12,224.30	27-Jan
IBEX SMALL CAP	6,809.30	8,098.10	**8,241.80**	1.77%	9,217.80	16-Jun	7,661.90	3-Dec
IBEX TOP DIVIDEND	2,873.30	2,174.00	**2,498.70**	14.94%	2,577.30	1-Nov	2,133.60	29-Jan
FTSE4Good IBEX	9,791.00	8,411.30	**9,267.40**	10.18%	9,798.20	14-Jun	8,094.00	29-Jan
FTSE Latibex Top	5,391.90	4,364.50	**4,952.30**	13.47%	5,483.00	23-Jun	3,987.30	3-Mar
FTSE Latibex Brasil	12,294.30	9,793.30	**10,611.10**	8.35%	13,098.50	23-Jun	8,889.70	3-Mar
IBEX GROWTH MARKET 15	1,501.20	2,312.80	**2,432.40**	5.17%	2,557.30	6-Sept	2,351.40	30-Jul
IBEX GROWTH MARKET All Share	1,285.30	1,794.90	**1,984.30**	10.55%	2,044.80	17-Nov	1,815.80	4-Jan
10-year interest rates	0.47%	0.04%	**0.55%**					
USD/EUR exchange rate	1.12	1.22	**1.14**					

(*) Calculated based on end-of-day data (**) compared to the previous year's close

VOLATILITY/RISK INDEX

	31/12/19	31/12/20	30/12/21
VIBEX[1]	13.70%	21.95%	**17.49%**

[1] Average of daily data.

TRADING VOLUMES

(EUR MILLION, UNLESS INDICATED)

	2019	2020	2021	Change (*)
Equities	469,635	429,359	**378,144**	-11.93%
Public debt on BME platforms	333,692	279,183	**233,651**	-16.31%
IBEX 35 options and futures[1]	11,372,054	9,977,394	**7,721,823**	-22.61%
Options and futures on individual shares[1]	33,548,830	30,499,535	**25,434,719**	-16.61%

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

CAPITALISATION AND OUTSTANDING BALANCES

(EUR MILLION)

	31/12/19	31/12/20	30/12/21	Change (*)
Equity capitalisation	1,105,662	948,209	**1,082,048**	14.11%
Spanish public debt outstanding balance	1,051,869	1,172,853	**1,243,547**	6.03%
AIAF corporate debt outstanding balance	500,501	464,584	**456,744**	-1.69%

(*) Compared to the previous year-end

ANNUAL SUMMARY

In areas of health, economics and finance, 2021 has been a year of recovery after the hit humanity took in 2020 as a result of the global pandemic caused by COVID-19. Both economic and financial activity has rebounded substantially in 2021 thanks in particular to the massive vaccination campaigns carried out by the vast majority of the world's countries, but also thanks to the enormous monetary and fiscal stimulus measures implemented by the central banks and governments and to the recovery in confidence among households and companies.

Although the most harmful effects of the crisis have been adequately overcome, its scars and repercussions have started to emerge in the form of inflation flare-ups centred primarily in raw materials and energy; higher debt, especially public debt; supply chain imbalances due to reduced global mobility; more insecurity among some social groups, especially those impacted by the pandemic, etc.

Based on the IMF's projections from October, the global economy will grow 5.9% in 2021 and 4.9% in 2022 after falling 4.4% the previous year. The recovery has been particularly intense in the developed economies, with the United States and Europe at the head of the pack, while the emerging economies have experienced less growth than anticipated. However, the uncertainty over the projections has increased over the last quarter due to new outbreaks of the pandemic and its effects on the economy.

The Eurozone has experienced a magnificent recovery, which gained momentum in the second half of the year, when vaccination rates in the big countries started to comfortably exceed 50% of the target population and this led to eased restrictions and greater business and consumer confidence. The IMF estimates growth of 6% in 2021 and 4.3% in 2022, which was even an improvement on its previous projections.

At over 80%, Spain has one of the highest vaccination rates in the world, and it is one of region's top countries in terms of recovery with the FMI expecting its growth to be 5.7% in 2021 and 6.4% in 2022, driven by the recovery in spending and confidence, greater investment from the NextGenerationEU funds and the highly expansionary fiscal policies included in the budget for 2021 as well as the draft budget for 2022. However, the recovery has been less magnificent than expected in recent quarters, and the GDP growth estimates for 2021 were cut to below 5%, with the growth estimate for 2022 left as is.

The central banks of the major countries and economic regions have kept their expansionary policies virtually intact up until the final weeks of the year. Both the Fed and the ECB are keeping their interest rates at respective levels of 0–0.25% and 0%. In terms of unconventional measures, the Fed has continued its monthly asset purchases in the amount of USD 120 billion, which it started to gradually reduce in November, while the ECB has maintained a pace of purchases of around EUR 100 billion per month. In November, the Fed started to gradually taper its asset purchases at a pace of 15 billion per month and the ECB slowed its purchase programme slightly.

Governments – especially those of the developed economies – have continued to introduce fiscal policy measures to strengthen the recovery. These notably include investment programmes in the US and the approval and introduction of the European Union Recovery and Resilience Facility this year, called NextGenerationEU, through which EUR 750 billion will be mobilised, financed through the issuance of community debt.

The large increase in public debt and the sharp rise in inflation are among the main uncertainties emerging after the health and economic crisis. Debt reached record levels both in the developed and the emerging economies, with the former easily exceeding 100% of GDP and the latter already approaching these levels, after the jump in 2020 and 2021. In turn, inflation has become another major headache for the recovery, with the developed economies experiencing interannual price increases of 4–7%, which has not been seen for decades, and with much uncertainty regarding their persistence and duration as well as their impact on the policies implemented by the central banks.

INTERNATIONAL INDICES AND STOCK MARKETS

Just as they did during the final months of the previous year, the global stock exchanges rose as a reflection of the global economic recovery that has generally given rise to better results for listed companies. The main global indices have cumulative gains of 16–21% in 2021, with much less volatility than the previous year.

The European stock exchanges have reported widespread gains, driven by the strong recovery experienced by the major economies, the fiscal stimulus programmes to overcome the COVID-19 crisis and the expansionary monetary policy kept in place by the ECB. The index that includes the major securities listed in the monetary union – the EuroSTOXX 50 – rose 21% in 2021, and was even exceeded by the STOXXX Europe 600 – a broad benchmark for the entire continent – with an increase of 22.3%, which shows that the favourable performance of the stock exchanges has not been limited to the group with the largest listed securities. The EuroSTOXX 50 was outperformed by the indices for Austria (+38.9%), France (+28.9%), the Netherlands (+27.8%) andNorway (+24.4%) Yields slightly below the index were reported by the indices of countries including Switzerland (+20.3%), Belgium (+19.0%), Germany (+15.8%), the United Kingdom (+14.3%) and Portugal (+13.7%), and Spain's Ibex 35 trailed with a yield of 7.9%.

The US markets reported another year of double-digit gains with new all-time records. The strong recovery of the economy and the large fiscal stimulus programmes trounced fears of inflation and the Fed starting to taper its bond purchases. The country's main indices had yields in line with or above the global average: the Dow Jones rose 18.7%, the S&P 500 was up 26.9% and the Nasdaq 100 Technology Sector Index rose 26.6% and is headed for its twelfth consecutive year of gains. Another developed market – Japan's Nikkei index – had slight total gains of 4.9%, which was lower than the global indices. Conversely, the year has not been favourable for the emerging markets as a whole, with a 4.6% decline in the global MSCI EM index, and with Latin America falling around 13.1% as a particular consequence of a slower vaccination rate, which has impacted its main economies. Similarly, the emerging stock markets in Asia have been unable to build on their previous great year and are reporting collective losses of 6.6% due to the impact of the new waves of the pandemic on their economies.

INVESTMENT IN SPANISH SHARES: CAPITALISATION, TRADING, LIQUIDITY AND DIVIDENDS

The Spanish stock exchange had a more positive year in 2021. All the most indicative indexes in the IBEX family experienced percentages of growth ranging from 1.77% in IBEX Small Cap to 14.94% in the IBEX Top Dividendo. The most representative index – the IBEX 35® – rose 7.93% year-on-year. The positive effect of the recovery in shareholder remuneration was significant this year, and the index of securities with the highest dividend yields – the IBEX Top Dividend – rose 14.94%. In turn, the IBEX 35® with Dividends – which reinvests dividends in the same index – was an additional return of nearly 3 points relative to the main index, reaching 10.78%.

Based on the size of the companies included in the index, the largest increase in the IBEX family was reported by the IBEX Growth Market All Share, with an annual increase of 10.55%. In turn, the FTSE4Good IBEX rose 10.18%.

Of note among the largest sectors in the Spanish market was the performance of listed banks, whose sector index was up nearly 21% in 2021, while prices in the electricity and gas subsector fell a collective 4.16% as a result of regulatory uncertainty that rattled the Spanish electric market during the year.

The collective market capitalisation or value of the companies listed on the Spanish stock exchange was back above a trillion euros (EUR 1.08 trillion as of the end of the year), which represents 14.19% growth, and it was primarily driven by the rise in prices but also by the new additions to the market. In terms of sectors, the largest increase in capitalisation was experienced by technology and telecommunications at 21.3% (up EUR 15.5 billion) and financial services thanks to the banks, with an annual increase of 18.3% (up 24.8 billion).

The increase in capitalisation has occurred in parallel to an inverse movement in the total number of companies listed on the different markets and platforms, which went from 2,738 on 31 December 2020 to 2,585 at the end of 2021. This decline was largely due to the flight of SICAVs that started back in 2015 when a total of 3,373 were listed, to the current number of 2,284 now that 163 SICAVs disappeared this year. The largest growth in relative terms was in BME Growth, which has 127 companies and a market capitalisation of EUR 19.060 billion – nearly 19% more than the previous year and more the double the amount 4 years ago.

Trading for listed stock in 2021 was EUR 378.435 billion at the end of the year and a total of 45.1 million market trades. These figures reported declines, both in the cash traded (-11.9%) and in the number of brokered trades (-19%), as compared to their values in 2020. Smaller-sized companies performed better than the global aggregate, with IBEX Small Cap companies trading 3.4% more over the year, and shares in BME Growth companies did even better, rising 22.5%.

The Spanish Stock Market remains the benchmark for execution and liquidity in trading Spanish securities and for the conduct by which the companies complete their corporate operations and meet their financing needs in the form of capital. The transparency and legal security framework offered by a regulated market is decisive when channelling investment operations. BME's market share in the trading of Spanish securities remained above 70% throughout the year and reached 70.4% while reporting the best execution metrics compared to alternative trading platforms in buy-sell spreads, order book depth and the best execution price available, thus confirming it is a benchmark for trading and liquidity for its listed securities.

Historically, the dividends of Spanish listed companies are of great importance. For years the Spanish market has consistently been a leader among the developed stock exchanges in terms of dividend yield, one of the market's attractions for international investors, who own practically 50% of the value of listed Spanish shares, 16% more than 13 years ago. The recovery of financial activity has also ceased to be noted under the shareholder remuneration heading. Spanish listed companies with a longer tradition of generous remuneration policies have sought formulas to maintain them as much as possible or to return to their philosophy after the deviations caused by the circumstances of 2020.

The overall shareholder remuneration of the Spanish stock exchange in 2021 rose 9.4% as compared to the previous year. EUR 20.475 billion had been distributed through the four formulas most commonly used by listed companies in order to share retained profits with their shareholders: cash dividends, scrip dividends, reimbursement of share premiums and capital decreases with a refund of contributions.

Scrip dividends declined in 2021. Shares valued at 4,716 were distributed, which is equivalent to 24.5% of the total dividends distributed.

Another formula for shareholder remuneration that has grown this year is share buybacks followed by redemption. This modality, which has a long history in the United States, is seeing a great deal of growth in Europe. In Spain, EUR 3.581 billion in shares had been redeemed at the end of the year, which corresponded to the redemption of 391 million securities from 17 listed companies.. The announced and executed share buybacks anticipate significant volumes of redemptions in 2022.

CAPITAL INVESTMENT: INVESTORS, SHARE CAPITAL INCREASES, SECONDARY OFFERINGS AND IPOS.

The investor base of the Spanish Stock Market remained extensive and diversified, with international investors making up the most important group with a record high 49.9% stake in the overall capital of the listed companies and with individual or household investors owning 17.1%, according to the data at the close of 2020. The Spanish Stock Market has traditionally occupied a relevant position in the international arena in terms of financing companies in the form of capital.

New capital investment and IPOs have been strengths of the Spanish securities market in 2021. Capital increases registered their best year since 2016. As of

December, 97 transactions had been recorded, raising funds in the amount of EUR 21 billion as compared to EUR 15.791 billion in 2020. This was a 33% increase, and the companies raised funds largely used for new programmes to expand their business and to conduct merger and acquisition operations with other companies.

Examples of the increases carried out in order to make acquisitions are Colonial and Cellnex, which carried out the year's largest capital increase at EUR 7 billion. In turn, Caixabank and Unicaja used this mechanism for their respective mergers with Bankia and Liberbank by swapping shares issued in capital increases.

Regarding IPOs, 19 new companies had joined the BME platforms as a whole, 3 of which did so in the stock exchange (Acciona Energía, Ecoener and Línea Directa) and the rest on BME Growth. Collectively, they raised EUR 2.933 billion, which surpasses the three previous years with less than EUR 1 billion placed.

In terms comparable to other stock exchanges and based on the metrics used by the World Federation of Exchanges (WFE), new investment flows and equity financing channelled through the BME platforms in 2021 totalled slightly more than USD 32.140 billion as valued on their admission price and converted using the average euro/dollar exchange rate each month between January and December. This figure is nearly twice that of 2020, and it places BME among the major securities markets in the world under this heading for yet another year, where it consistently ranks among the top 15 in the world.

SUSTAINABLE INVESTMENT THROUGH SPANISH EQUITIES

The pandemic accelerated a trend that had already been gaining momentum in previous years: the need to incorporate the concept of sustainability into all decisions on the investment and production chains.

All the political, social and economic authorities involved in the transition to a more sustainable economy acknowledge the essential role that the financial and capital markets should play in the process. The securities markets also have an important role to play in this contest, and the Spanish stock exchange decided years ago to support this idea of promoting a future of sustainable companies and investments as an essential part of shaping the future.

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 index is a powerful tool that allows investors to identify and invest in companies that meet global standards for corporate responsibility.

One reflection of the rising commitment of listed companies to sustainable investment is the fact that since it was created in 2008, the FTSE4Good IBEX® index has increased the number of components from the initial 27 companies to 46 in 2021, with stronger growth in the most recent years.

The IBEX GENDER EQUALITY index was also launched by BME in late November, and it was designed to measure the stock market performance of companies with exposure to gender equality in Spain that are listed on the Spanish stock exchange. The index selects listed companies whose Board of Directors is comprised of 25–75% women and having 15–85% women in their senior management. The index does not have a set number of components and will instead add companies during its annual revisions as they meet the established minimum thresholds. This index has appreciated 5.9% in 2021, which is comparable to the gains of the IBEX 35® index. The IBEX GENDER EQUALITY index currently comprises 31 companies.

BME GROWTH AND PRE-MARKET ENVIRONMENT

BME's market aimed at small and medium-sized companies, which was created in 2006 as a Multilateral Trading Facility (MTF), was renamed BME Growth on 3 September 2020 after the recognition of the European Growth Market category by the CNMV and is known as the SME Growth Market in Spain.

This new category is developed within the framework of the Capital Markets Union (CMU) included in MiFID II with the aim of promoting the financing of smaller companies through their presence in financial markets and standardising quality and transparency among the growth markets in Europe. Regulation is also simplified to adapt it to this type of company.

16 companies joined BME Growth over the course of 2021. Collectively, the market closed 2021 with 127 companies (8 more than a year ago) and a market capitalisation or value of EUR 19.060 billion – nearly 19.1% more than the previous year and more than double the amount 4 years ago.

Funding raised by BME Growth companies through increases rose 124% over the year, at a total amount of EUR 960 million. The amount raised by companies listed in the growth companies segment was reported at its highest levels since this market was created in 2009 – with 48 increases in the amount of EUR 441 million, which represents an annual increase of 232%. In turn, the REIT segment recorded EUR 519 million in 32operations and rose 75% over 2020.

The sectoral composition of the growth companies traded in BME Growth as a whole provides a snapshot of what the path of transformation could be for the economic backbone of Spain and the world as well. The technology, biotechnology/health, engineering, telecommunications and renewable sectors are the largest.

Of particular note again this year is the growing role played by the BME Pre-Market Environment (PME) in bringing companies and investors into the financing and investment ecosystem represented by the securities markets. To this end, the participating companies in any kind of sector have the support of partners specialising 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 2021, the PME gained another 9 new companies and 5 new partners intervening in the portfolio of services offered to companies. With the companies that joined in 2021, this makes 30 that have now taken part or are taking part in the assistance offered by the 20 PME partners for their own development. Of them, 3 have made the jump to the market – specifically to BME Growth. The last one was Club de Fútbol Intercity, which debuted in October and became the first football team listed in Spain.

CORPORATE OPERATIONS: TAKEOVER BIDS AND OTHER M&AS

In line with what occurred in the rest of the world after the slowdown experienced during a good part of the previous year, the Spanish market for the control of companies and M&A accelerated over the course of 2021, primarily in the following sectors: financial, pharmaceutical, renewable energy, technology, telecommunications and real estate.

Major operations took place over the course of the year that were concentrated in the Spanish banking system. First, Caixabank and Bankia concluded the merger they had announced back in 2020. This operation made the new entity the new national market leader based on number of customers and assets, and it allows the Spanish government to recover part of the investment it made in Bankia through the FROB. Second, the merger between Unicaja and Liberbank was also completed, and it resulted in Spain's fifth largest bank by asset volume.

Takeover bids have also picked back up in the market after the scarce activity recorded in 2020. Four of these operations were carried out, of which two were total (100% of the capital), one was partial and one was an exclusion takeover bid. Of note among the takeover bid operations was the partial takeover bid extended by Australian pension fund IFM for 22.7% of the capital of Naturgy Energy Group, which concluded with IFM's acquisition of 10.83% of the energy company's capital, which represented a transaction value of EUR 2.318 billion. Another major takeover bid was one carried out for 100% of the capital of Euskatel by Kaixo Telecom, a company in MásMóvil Group.

FIXED INCOME: FINANCING AND INVESTMENT

Spain's public and corporate debt markets have returned to playing an important role in 2021, and maintained their capacity to finance both the public administrations and companies with very large volumes of funds and under highly favourable interest rate conditions and maturities, while still having the support of the expansionary monetary policies of the European Central Bank.

Both the Spanish market and the world's main public and corporate debt markets have been reflecting the impact that these opposing factors have had over the course of the year, which has resulted in significantly lower volatility levels than in previous years. On the one hand, the central banks maintained asset acquisition measures for most of the year; on the other, there was the reactivation of the economy and the fears stemming from high inflation levels of an unknown duration.

In Europe, Germany's 10-year Bund continued to retain its status as a safe haven asset during the year, with negative yields throughout the year, but approaching positive yields at some points. In turn, the Spanish 10-year bond started the year at 0.02%, rose to a high of 0.62% in May in the midst of the fifth COVID-19 wave, and then moderated again to levels of 0.40% and finished the year rebounding 0.56%. The risk premium of Spanish bonds, which during the worst moments of the health and economic crisis has even exceeded 150 basis points (1.5%), remained within a range of 55–75 basis points (0.55 and 0.75%).

The volume of Spanish public debt issued and admitted to trading on BME's fixed income regulated market in 2021 was EUR 266.252 billion, or 3% less than in the same period of the previous year. This slowed the fast pace of issuance in the public sector throughout the previous year (+36%) in response to the effects of COVID-19, bringing Spanish public debt up to 120% of GDP at the end of 2020, having risen 24 percentage points.

Despite the volume of issues remaining high, the average cost of new public issues in the year has fallen to -0.04%, below the 0.18% average for the entire previous year. The average cost of all outstanding public debt has also fallen to 1.65%, below the 1.88% average of the previous year.

Over the the year, public debt traded on the SENAF platform reserved for specialised market makers rose 42%, to EUR 184.017 billion, and the number of back-to-back operations rose 12.5% to more than 26,000. The total volume of public debt traded on BME platforms in 2021 was EUR 233.651 billion.

The total outstanding balance of Spanish public debt in the fixed income regulated market stood at EUR 1.24 trillion at the end of 2021 – a 6% increase compared to the previous year. The balance of foreign public debt on the same date fell by 2.1%, to EUR 4.6 trillion.

In turn, the admission of foreign public debt in the BME fixed income market rose to more than EUR 786.751 billion in 2021, or 5.8 % more than in the previous year.

Corporate debt has experienced a year characterised by low yields and less volatility – quite far from the fluctuations of the previous year. The volume of Spanish private debt issued and admitted to trading on the regulated market in 2021 was EUR 113.124 billion, a decrease of 5.2% over the previous year. Unlike what occurred the previous year, companies seized on favourable market conditions to issue longer maturities in 2021, and the increase in medium- to long-term debt issues stands out, having risen 84.7% to 37.603 billion.

ALTERNATIVE FIXED INCOME: MARF

BME's alternative fixed income market (MARF) was designed as a result of the financial and sovereign debt crisis, and it was launched in late 2013 as a multilateral trading facility to facilitate fixed income issues by companies of various sizes, many of which had no presence in the capital markets before issuing in this market. Since its inception until the close of 2021, 117 companies have already used it to raise funds since it was launched – 6 of them from Portugal, and another 4 from the Netherlands, United Kingdom, Germany and Canada. After growing steadily during its 7 years of life, this market plays a big role among the alternatives in the move to diversify corporate funding sources in Spain.

The volume of issues and admissions added to MARF in 2021 was EUR 13.850 billion, which represents a 44% increase over the previous year.

As of the end of December, the outstanding balance of issues was EUR 9.645 billion, which is 82% more than in the previous year, with balanced outstanding bond issues in the amount of EUR 5.64 billion distributed among 61 issues and EUR 4.002 billion in 386 tranches issued within the promissory note programmes in place. As of December, 23 companies turned to the MARF market for the first time to meet their financing need by issuing fixed income, thus marking 117 issuers in MARF since it was created.

One noteworthy milestone of the year was in April, when MARF broke the symbolic figure of 100 issuers since it was created in late 2013. A paper conducted at the University of Seville, titled “MARF and its contribution to business growth”, provides a reckoning of the first years of this BME market and these 100 first issuers. Collectively, they have a total turnover of EUR 78 billion with figures similar to 2019, provide 380,000 jobs and generate EUR 21 billion in profits. Of the issuers in MARF, 65% are unlisted companies, 4% are listed in BME Growth and the remaining 31% are listed in the main market of the Spanish stock exchange.

GREEN, SOCIAL AND SUSTAINABLE BONDS

Sustainable financing has seen a major boom around the globe in 2021, particularly in terms of the issuance of green bonds, social bonds, sustainable bonds and sustainability-linked bonds. For the first time ever, these issues could reach a global volume of USD 1 trillion in 2021, nearly doubling the figures from the previous year.

One noteworthy milestone of the year is the higher volume of 15-year green bonds issued by the European Union in October as part of the Recovery and Resilience Facility in the amount of EUR 15 billion.

Over EUR 15 billion in green, social and sustainable bonds were issued in Spain in the first half of 2021 according to data from AFME and the Spanish Observatory of Sustainable Financing (OFISO), which is 70% more than the same period of the previous year and is greater than total amount issued in 2020. The country thus maintains its position among the top 10 benchmark markets at the global level in green bonds, social bonds, sustainable bonds and sustainability-linked bonds issued by national entities.

In the fixed income markets and platforms managed by BME, 31 green, social and sustainable fixed income issues were admitted to trading for a total amount of EUR 12.79 billion. BME had 63 outstanding issues of this kind at the end of the third quarter.

In the MARF fixed income market adapted to the needs of medium-sized enterprises, social and sustainable green bonds have also gained momentum. In 2021, the market had 10 pending issues after the addition of energy companies like Greenalia, Valfortec, Audax Renovables and Biodiesel de Aragón as well as industrial companies like Pikolin and Elecnor.

FINANCIAL AND NON-FINANCIAL DERIVATIVES: FUTURES AND OPTIONS

The Spanish derivatives market (MEFF) is still betting on diversification in 2021 with consolidation in the derivatives for electricity and the new currency futures market xRolling FX®.

The collective options and futures on underlying equities saw their trade volume decline 18% in 2021 to 33.2 million contracts in a context marked by less volatility in the spot market. As such, implied volatility in 2021 has decreased nearly 9 points to a daily average of 17.4%, according to the VIBEX® volatility index, compared to 26% for the whole of 2020.

Of note over the year was the recovery in the contracts traded for stock futures, which were up 3.4% at 11.3 million, as well as the open interest, which rose 33%. Trading also rose in contracts for hedging dividend payments on individual shares in the Spanish market, driven by the recovery in dividend payments by listed banks after being authorised by the ECB. Trading in stock dividend futures contracts was up three-fold in 2021.

In turn, the electricity derivatives traded on MEFF were impacted by the increased prices and sharp rise in volatility that has characterised Spain's electricity market in 2021 as result of the improvement in the health situation with the associated economic recovery, and by the tensions and price increases in the global markets for raw materials, particularly for natural gas. Since the Spanish spot market is marginal, the price of gas has impacted electricity prices not only in the spot market, but also in the futures market with impacts on liquidity. In futures contracts, which allow for a forward cover of the participating operators, the trade volumes have remained slightly below the previous year's levels, at 26.6 million MWhin 2021, while open interest rose 15% to 9.4 million MWh.

The xRolling FX® currency contract market is concluding its second complete year of activity under the strategy of the Spanish MEFF derivatives market to highlight its experience as a market regulated and supervised by the CNMV, with a proven trading system and decades of experience and the certainty provided by a central counterparty.

Currency derivatives are products that can be readily and directly used as investment, especially as an instrument for hedging currency risks for companies that import and export as well as for financial investments carried out in non-euro currencies. The cash volume traded – comprised of the 27,207 contracts traded in the market – exceeded EUR 277 million in 2021, an increase of 29% over the previous year. September set a new monthly record for the number of contracts exchanged, at 3,681, and the number of active clients also rose to a monthly average of 80.

CLEARING

BME Clearing is the Spanish stock exchange's central counterparty, offering clearing services in five segments: equity and currency financial derivatives, trades in securities listed on the stock exchange, European sovereign debt repos, electricity and natural gas derivative instruments and interest rate derivatives.

In the Financial Derivatives area in 2021 there were a total of 8,737 transactions and 26,766 contracts, compared to 4,934 transactions and 21,793 contracts in the previous year, an increase of 77% and 23%, respectively.

SETTLEMENT

Settlement and registration activity reported figures in line with previous years. In 2021, the number of instructions from stock exchange operations settled in Iberclear fell 8.7%, with a monthly average of 0.6 million operations, while the daily average of cash settled was 6.036 billion, or 0.31% more.

Activities in this area have been defined by the draft regulations. In May of this year, the preliminary draft of the Spanish Securities Markets and Investment Services Law and of three royal decrees being developed was submitted for public consultation by the Ministry of Economic Affairs in order to transpose different European directives and to undertake important reforms to improve the competitiveness of the Spanish securities markets. As part of this reform, CNMV asked Iberclear to create and head a technical group with the involvement of the major sector entities in Spain to assess the operational impacts from the new legislation in the context of post trade in Spain.

REGIS-TR

REGIS-TR maintains its leadership position among the largest trade repositories in Europe, with more than 2,000 European clients in 37 countries. In 2021, it processed over 3.2 billion operations and continues to gain importance in the market, with a broad and compelling range of services.

An agreement was signed in September 2021, under which Iberclear would acquire a 50% share in REGIS-TR from Clearstream (Deutsche Boerse) to thus become the sole shareholder and incorporate REGIS-TR's business into SIX. The transaction is expected to conclude in the first quarter of 2022.

1 ECONOMIC AND BUSINESS ENVIRONMENT

Global economic growth close to 5.6% due to widespread vaccination in Europe and the US. Inflation at its highest level in decades. Expansionary monetary and fiscal policies.

Spain, with 5% projected **GDP growth**, leads the **European recovery** in 2022 and 2023 with respective increases of **5.8%** and **3.8%**.

Spanish listed companies had a total **profit of 26.16 billion** as of June leaving behind the losses of the same period of 2020.

ECONOMIC AND BUSINESS

In 2021, the global economy completed its recovery to pre-pandemic levels thanks to the normalisation of global economic activity due to greater control over the pandemic, a significant improvement in confidence among investors, businesses and consumers, and the active role of the monetary and fiscal institutions. The OECD's December report estimated growth for the global economy of 5.6% for 2021 and 4.5% for 2022, which was a slightly downward revision to the growth forecast for 2021 from the previous report in May. This revision followed new outbreaks and variants of the global pandemic, supply disruptions and growing fears of more persistent inflation.

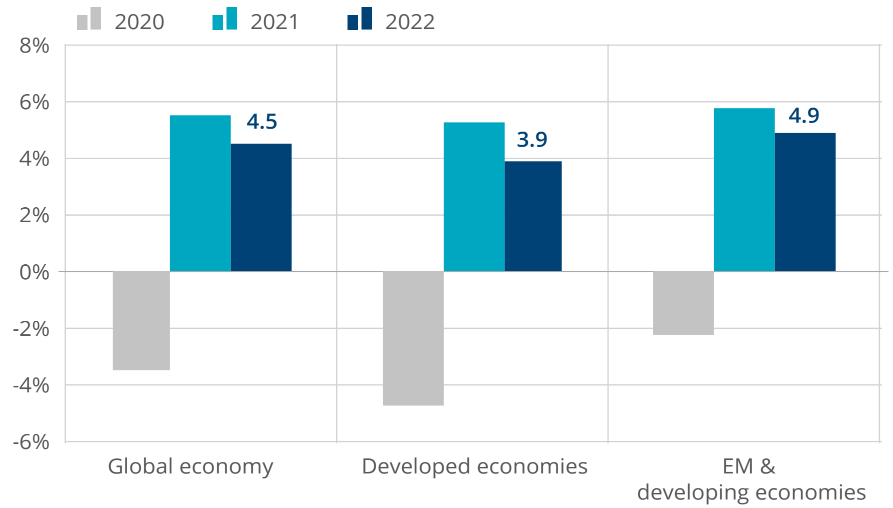
The economic recovery has not been uniform, nor has the pace of vaccination around the world. The developed countries have achieved fully vaccinated rates of over 60% in their populations and have already begun vaccination campaigns for a third dose. Much unlike the scenario described, the developing countries currently have vaccination rates below 10% on average, which is creating dangerous divergences in the economic forecasts and driving up the rates of inequality and poverty among the countries. The developed countries are thus projected to resume the growth trend that was estimated before the pandemic and could even surpass it in 2024. By contrast, according to the IMF October report the emerging and developing countries (excluding China) are projected to still remain 5.5% below the same pre-pandemic trend estimate.

The strong uptick in global GDP is largely due to the high vaccination rates in the developed economies and to active support from the major central banks and governments that implemented expansionary monetary and fiscal programs and generated greater confidence to tackle the recovery. This confidence carried over to equity market prices throughout the developed world, driven by good corporate results, which counteracted the fear caused by generally high inflation rates.

Of note among the main effects of the pandemic is the disruption caused in many international distribution and production chains, which has produced significant dysfunctions in the supply of products. The shortage of intermediate goods has slowed the production of crucial parts in major sectors of economic activity.

ANNUAL GDP GROWTH (%)

IMF WORLD ECONOMIC OUTLOOK – DECEMBER 2021



Alongside this, geopolitical tensions have emerged that have contributed to the rise in raw material prices (particularly oil and gas) and have also given way to large increases in energy prices around the world. As such, the oil and natural gas prices have respectively risen around 50%, reaching much higher increases at certain times of the year. Another key factor that gave rise to this increase was the disconnect between the limited production capacity and supplies after years of insufficient investment in infrastructures and COVID-19 outbreaks in some producing countries as well as higher demand once restrictions were lifted in major countries. In some cases, the price increases for raw materials that are key to the production of goods have had a negative impact on the paralysis of companies, which were already suffering from the decline in sales caused by measures to combat COVID-19 and have been forced to absorb higher prices for energy and many supplies in order to keep manufacturing, which has often meant their closure, thereby hindering global operation formulas in many sectors. It should be noted, however, that the significant rise in energy prices was partially slowed at the end of the year due to fear that new containment measures could be introduced again as a result of new flare-ups in the pandemic.

These circumstances have taken place in a historic environment where governments and the central banks in the developed countries have provided direct and indirect fiscal and financial stimulus in an effort to maintain activity and to support the prosperity and income and consumption levels of the largest number of economic players possible.

In addition to this, the increase in infections worldwide as a result of the appearance of new variants of the virus (omicron) in some areas of the world and the appearance of a new variant of concern, together with recent major adverse climatic and other economic events, have fanned the flames of uncertainty and concern in markets that seemed to foresee a more gradual overcoming of the serious effects of the pandemic that have accumulated to date. One example of economic damage is the collapse of the real estate giant Evergrande, the direct effects of which could have a significant impact on the recovery plans of the Chinese economy and, consequently, have a negative impact on global growth and trade.

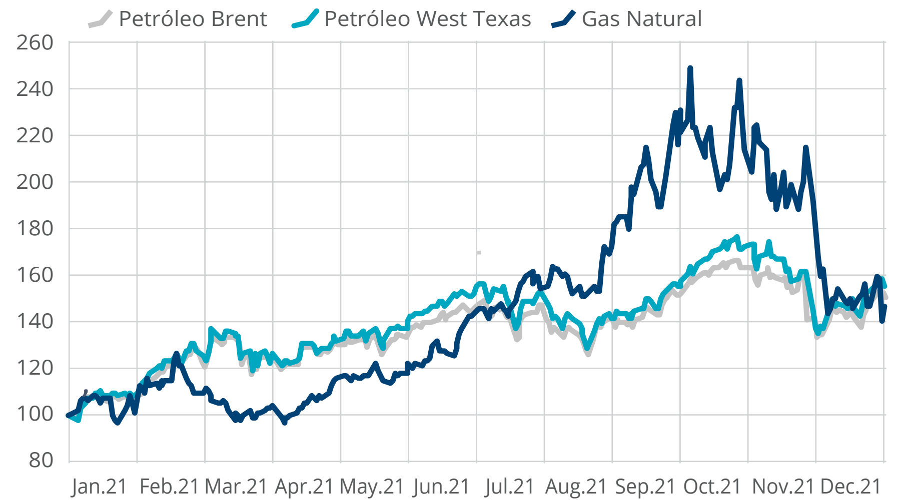
It was this cluster of circumstances and this imbalance between the growing pressure of global demand and the difficulties in adequately responding in terms of supply that ultimately seem to be driving inflation in the developed economies to levels not seen in many years. Prices in the United States have thus risen more than 6.5% year on year in the last few months of the year, with underlying inflation high as well, at around 4.9%. The Eurozone has seen inflation growth in response to energy prices, with the CPI well above the target of 2%, although underlying inflation (2.6%) has not risen as much as in other parts of the world.

Despite the fact that many of the circumstances contributing to the price increases appear to be tied to economic or short-term factors, these increases are gradually spilling over into the entire product chain and there is a risk the economic causes could be protracted. With the central banks reticent – but to some extent forced – to start gradually withdrawing monetary stimulus, the equity markets around the world thus responded positively, although more cautiously in the second half of the year, when the pace of new corporate projects slowed after being historically high in the second quarter of the year.

For 2021 as a whole, the equity markets appear to suggest the strong recovery of the economy and corporate results largely outweigh the fears of excessively high and persistent inflation that would force the central banks to withdraw stimulus or raise interest rates faster than anticipated. This outlook is supported by the unattractiveness of fixed income, which would be hurt if short-term interest rates return to more reasonable levels.

ENERGY PRICES IN 2021

BASE 100 = 31 DECEMBER 2020



Source: Thomson Reuters

DECISIVE ROLE OF CENTRAL BANKS ON THE PATH TO RECOVERY

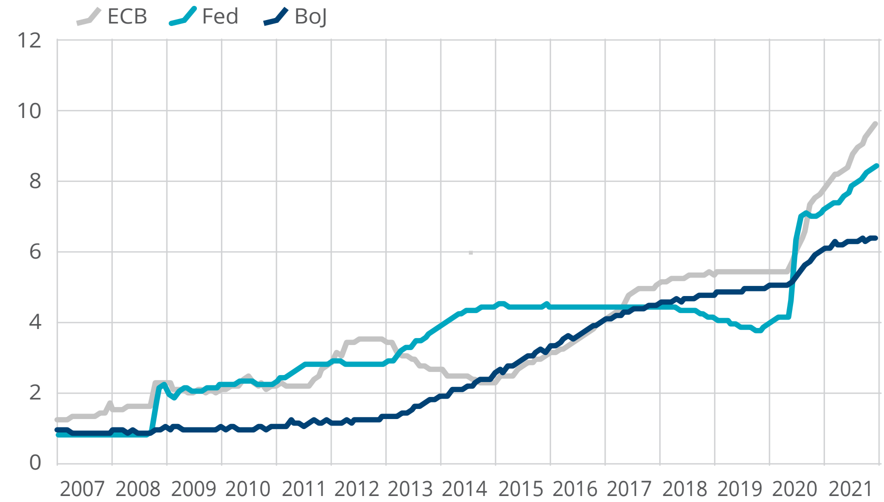
In 2021, the main central banks continued their expansionary monetary policies by keeping both the conventional and unconventional measures nearly virtually intact. Both the Fed and the ECB are keeping their interest rates at respective levels of 0–0.25% and 0%. Regarding the unconventional measures, the Fed has kept its monthly asset purchases at USD 120 billion, which it started to gradually reduce in November, while the ECB has maintained a pace of purchases of around EUR 100 billion per month. The two central banks are finishing the year at historic highs with total assets valued at above USD 18 trillion.

The transitory nature that many major international decision makers are attributing to inflation right now as well as greater moderation in the economic recovery are currently allowing the central banks to maintain very cautious plans for tapering monetary stimulus. First, by tapering their debt purchasing programs and then laying out a far-off tentative schedule for addressing interest rate hikes. Based on indications from the monetary authorities, interest rates are projected to rise earlier in the United States than in Europe due to higher underlying inflation in the US and with half of the Fed's executive members expressing their inclination to raise interest rates slightly at upcoming Fed meetings, provided the economy continues to rebound as anticipated. This strategy of normalising monetary policy and the message of the transitory nature of inflation appear to have broad support from the global stock market in Q4, which expect inflation to be at its historic average over the medium and long term.

In any event, it seems certain that the current expansionary monetary policy of the ECB and the Fed are helping to set a positive stage for consumption and investment to improve to rates favourable and significant growth for the next few years.

BALANCE SHEETS OF THE MAIN CENTRAL BANKS

TRILLIONS OF DOLLARS



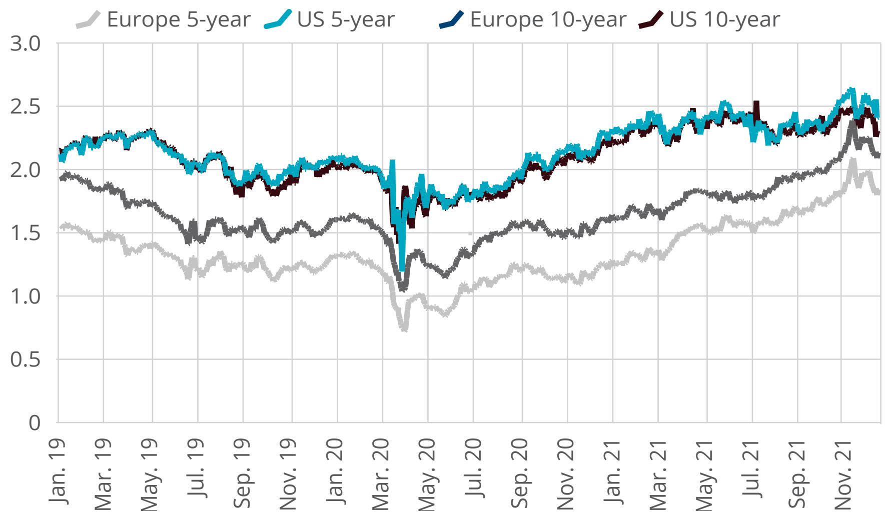
Source: Thomson Reuters

The economic recovery has also come hand in hand with unprecedented fiscal packages from the developed countries, which have made their budget control measures more flexible on an exceptional basis and thus generated the economic boost needed for the recovery and to introduce plans to transform the economy. The fiscal stimulus packages announced and/or approved have not been exclusively aimed at alleviating the impacts caused by the pandemic crisis.

Much of this stimulus will be aimed at the green transition and the digital transformation of the economies. The fiscal plans announced by the EU and the United States could add up to USD 4.6 trillion to global GDP between 2021 and 2026.

INFLATION EXPECTATIONS

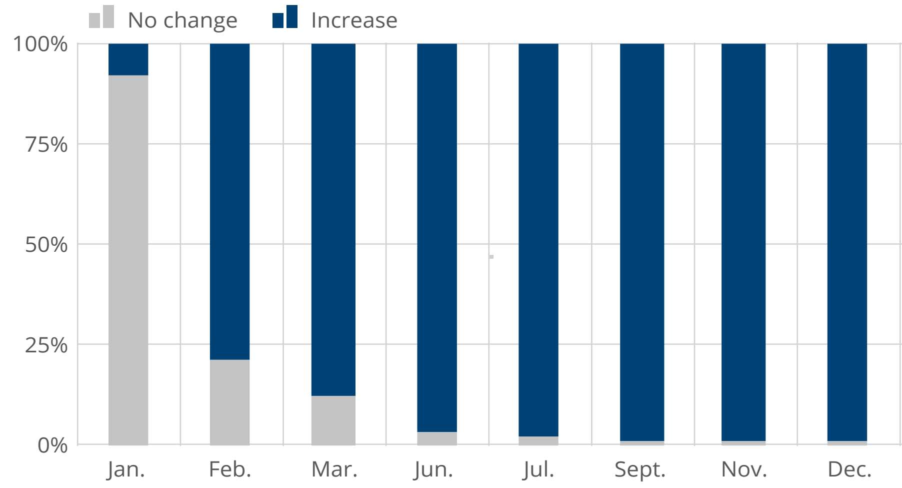
SWAPS LINKED TO FUTURE INFLATION (%)



Source: Thomson Reuters

LIKELIHOOD OF INTEREST RATE CHANGE IN 2022

LIKELIHOOD BASED ON FED FUND FUTURES



Source: CME Group

By maintaining favourable financing conditions, the ECB and the Fed are effectively providing their governments with the exceptional use of fiscal spending and debt as a necessary and transitory measure to create an environment that encourages recovery. An example of this can be seen in the US, where President Biden's administration agreed to ease the debt ceiling temporarily (through December) in October, with an increase to EUR 480 billion, which would mean expanding the debt limit to USD 28.9 trillion. With fiscal rules suspended as a result of the pandemic, the European Commission will also consider reforming and simplifying the budget rules in the post-COVID-19 era in a context where most countries have a high level of debt and public debt and where additional large investments will be required to achieve the energy transition stipulated by the Paris Accord in order to combat climate change.

EUROPE IS GROWING AND CHAMPIONING SUSTAINABLE DEVELOPMENT

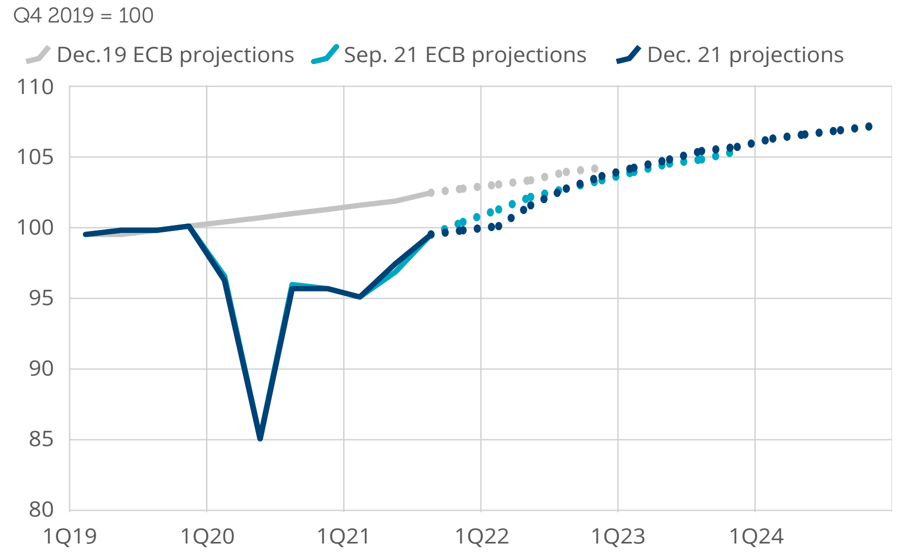
Europe has undergone a strong economic recovery in 2021, which accelerated in the second half of the year as vaccination rates in major countries started to surpass 50%. The region is closing the year out with one of the highest vaccination rates in the world, with some countries above 80, such as Spain. In its latest report for December, the IMF estimated that the Eurozone will grow 5.2% in 2021 and 4.3% in 2022, which is nine-tenths higher than was previously estimated for this year in May and the same as estimated for next year. The massive vaccination campaigns carried out over the summer have helped to ease restrictions and to boost business and consumer confidence.

However, estimates have been subject to great volatility during the year, mainly as a consequence of the increase in infections and the reimposition of new restrictions in some European countries due to the increase in Covid-19 cases. Thus, some countries re-imposed restrictions on mobility, on the entry of tourists and even new lockdowns and measures limiting social activity, all in the face of the rapid spread of the Omicron variant, much more contagious and dominant in many countries by the end of 2021. The Netherlands, for example, was the first country to re-implement strict containment with the closure of non-essential businesses, schools, universities, gyms, contact professions, among others.

Likewise, the OECD estimates did include in their scenario the price pressures that are causing much concerns of both institutions and citizens and companies. In this sense, the upturn in prices in Europe is mainly due to increases in energy prices, specifically oil and natural gas. While in other countries inflation is beginning to be seen in the labor market and throughout the production value chain, as is the case in the United States, in Europe the upturn in prices has taken place, for the moment, practically in energy prices, placing the underlying CPI at contained levels. This is the case in Spain, where the differential between the CPI and the underlying CPI (gap of +4.6%) in December was one of its highest figures since data were recorded in 1986.

In terms of countries, France would have the highest growth in 2021 among the major Eurozone countries at 6.8%, followed by Greece and Italy, which are

REAL EUROZONE GDP – ECB PROJECTIONS



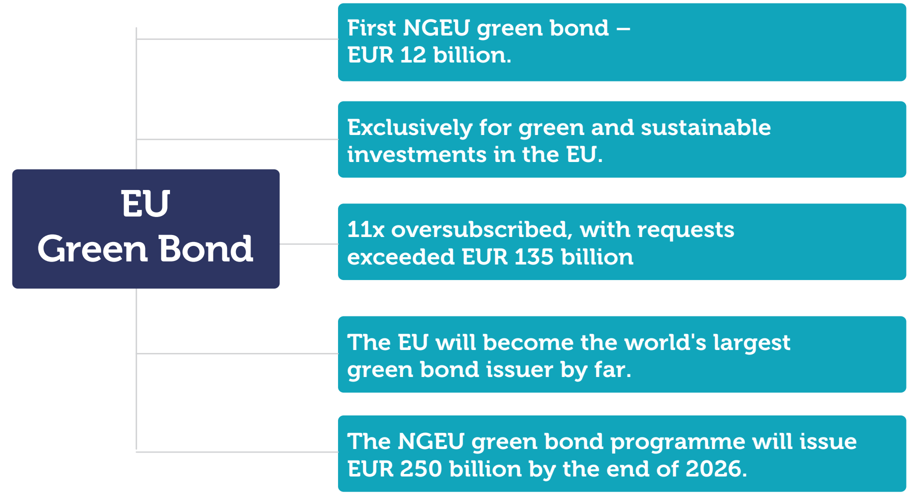
benefiting from the reopening of the economy. France's case is also due to less dependence on fossil fuels since roughly 70% of its total energy consumption comes from nuclear energy, while its per capita natural gas consumption is well below that of countries such as Germany, Italy and the UK.

In turn, Italy is benefiting from the boom from investment, which will grow 15% in 2021 given the arrival of NextGenerationEU funds and state subsidies under the temporary framework of the EC, greater political stability thanks to the arrival of Mario Draghi, the implementation of structural reforms and less dependence on semiconductor imports, among other catalysts.

With OECD data, the country that will contribute most to the eurozone's recovery in 2022 and 2023 will be Spain, with an increase of 5.5% and 3.8%, respectively which is also benefiting from the uptick in investments and the arrival of a large part of the EU recovery funds. Investment will rise by 8.1% and 7.0% in 2022 and 2023, one of the highest growth rates among advanced countries.

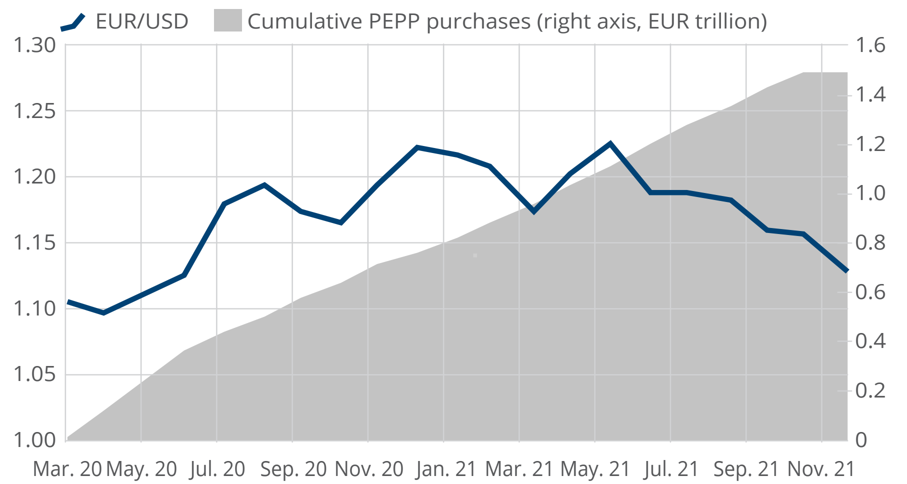
The greatest investment in Europe's recovery the next few years will come from both the public and the private sector, and it will have a clear target of sustainability. This means the EU will become the leader in the fight against climate change. In order to achieve this, the majority of the NextGenerationEU funds will be dedicated to the circular, green and sustainable economy. Another example can be found in the EU's bid to promote sustainable finances and the so-called green bond market, as it was responsible for the largest issue to date, which the European Commission hopes to use to support the world's largest green bond market. During the last few months of the year in the banking sector, the financial institutions have also started to prepare for the first climate stress tests by the ECB, which will change how investments are assessed by the industry.

Lastly turning to currencies, the euro has fallen 6.92% against the US dollar in 2021, which could serve as an important tailwind for net Eurozone exports to rise. This depreciation occurred in a context where investors projected the Fed would be ahead of the ECB in moving towards a tighter monetary policy as mentioned above.



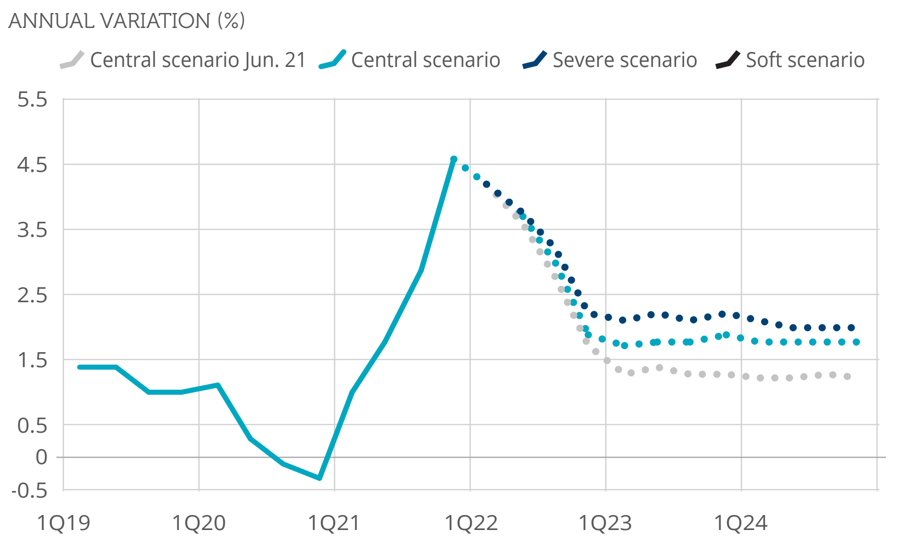
Source: European Commission

ECB PEPP PROGRAMME AND EUR/USD EXCHANGE RATE



Source: Thomson Reuters and ECB

ECB EUROZONE INFLATION FORECAST – DEC. 2021



SPAIN TO HAVE THE HIGHEST GROWTH RATES IN EUROPE FOR 2021 AND 2022

Despite the latest downward revisions by the main international institutions, Spain will be one of the countries that will lead the region's recovery in 2022 and 2023 with expected growth according to the OECD of 5.5% and 3.8% in 2022 and 2023, respectively. However, Spain will grow by 4.5% in 2021, after a cut of 1.5 percentage points compared to the May forecast.

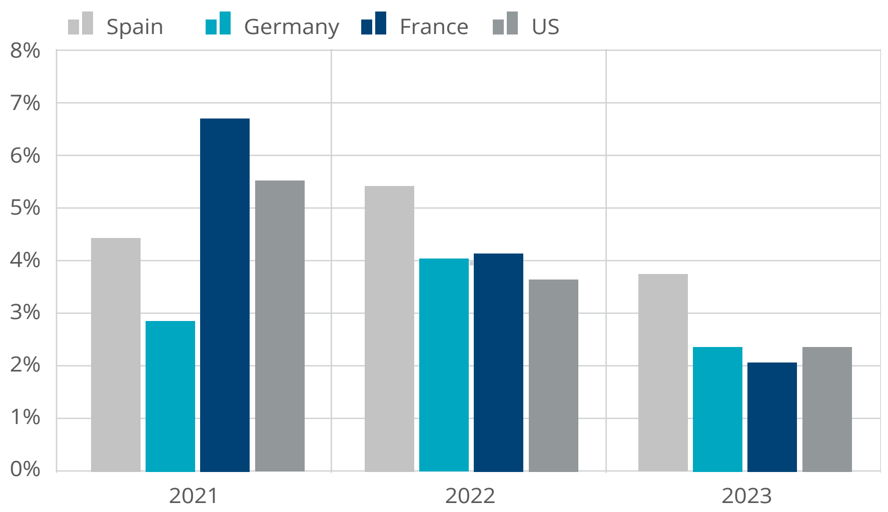
The acceleration in 2022 will be mainly due to an increase in investment from the NextGenerationEU Funds, the fiscal boost from the new 2022 State Budget, an improvement in the labor market and less impact from disruptions in global supply chains.

Fixed capital investment from the NextGenerationEU funds – which is already reaching the budgets of national governments in the EU – will primarily be aimed at transforming their economies with a view to digitalisation, ecology and sustainability. Spain is a good example, where 39% of the direct subsidies will go to "green transformation", 29% will go to "digital transformation" and 7% will go to R+D+i, according to the plan presented by the government and approved by the EC. The funds distributed by the European Commission are not only intended to benefit the countries hit the hardest by the pandemic, but are also meant to encourage faster changes in countries with a less digitalised sector structure.

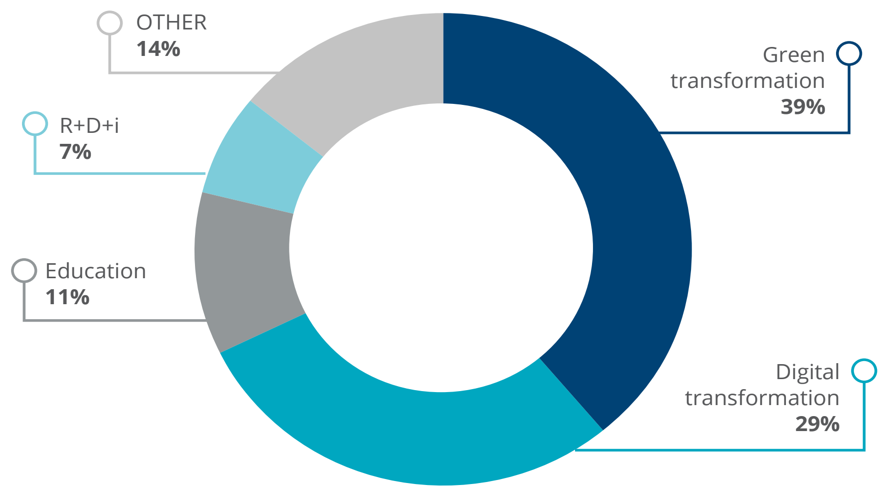
Spain's government also announced a new spending ceiling for 2022, which will total a record amount of EUR 196.142 billion after the EC's suspension of its fiscal rules. This easing will allow the government to keep attenuating the negative effects cause by the pandemic.

ANNUAL GDP GROWTH (%)

IMF WORLD ECONOMIC OUTLOOK – DECEMBER 2021



MAIN TARGET ITEMS FOR NEXTGENERATIONEU FUNDS IN FIRST PHASE (EUR 70 BILLION)



Source: Spanish government

However, 52.96% of the total spending planned in the general state budgets for 2022 is for pensions, unemployment benefits, personnel costs and interest payment on debt. Pensions – which will include a 2.5% increase in benefits – will account for a record total expense of more than EUR 170 billion, which is up 4.8% from the previous year and up nearly 75% from 2008.

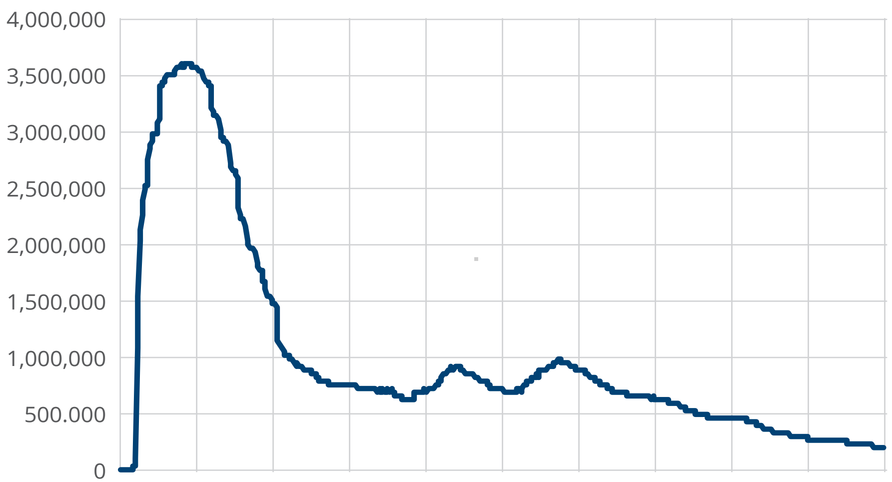
Moreover, job creation has been robust in 2021, with the unemployment rate below 15% in Q3 and expected to continue to fall to 14% in 2022. The job market is also strengthening in the last few months of the year, as seen in the number of contracts signed. This figure surpassed two million in November – the highest figure ever for November. In particular, the number of indefinite contracts signed was 282,981 – the best figure ever reported. In terms of the furlough schemes, the trend has been rather positive, moving from nearly 1 million enrollees impacted by furlough schemes to fewer than 150,000 in November. All of this will boost private consumption and thus economic activity since it is one of the factors expected to grow the most in 2022.

In addition to the evident recovery driven by the reopening of the economy and the gradual removal of restrictions, companies have also received financial support from the public sector. For instance, in March the Spanish government decided to direct EUR 11 billion to the sectors that the pandemic hit the hardest in order make it easier to pay fixed expenses and debts and to restructure and recapitalise companies with backing from the state.

During the pandemic, household savings were also at record highs in some quarters, reaching 25%. This figure has gradually tapered off as the economy has recovered. However, total household savings are currently estimated to be over EUR 60 billion, which could be another path to support growing consumption and investment in Spain.

DAILY CHANGE IN SOCIAL SECURITY ENROLLEES IMPACTED BY FURLOUGH SCHEMES IN SPAIN

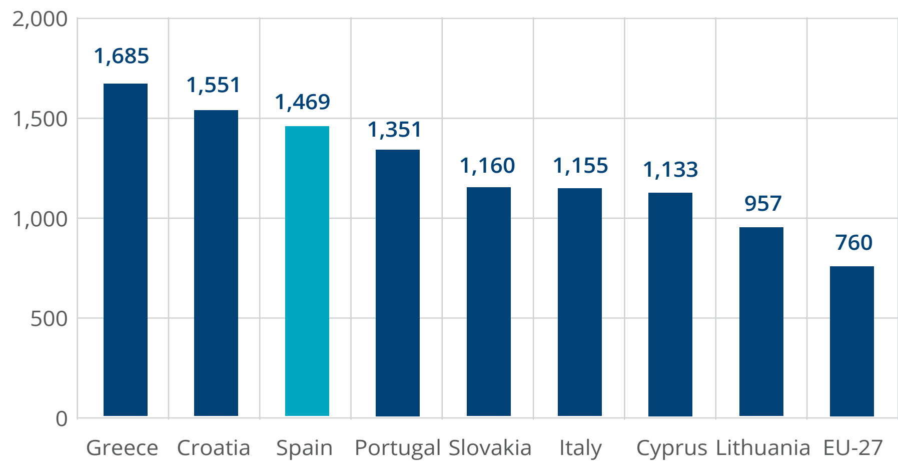
NO. OF PEOPLE



Source: EpData.es

LARGEST BENEFICIARIES PER CAPITA OF NEXTGENERATIONEU FUNDS

FUNDS PER CAPITA (CURRENT PRICES IN EUR M)



Source: European Commission

ECONOMIC AND FINANCIAL SITUATION OF COMPANIES

On the corporate side, the symptoms of V-shaped recovery are more than evident based on the latest results data for Spanish companies – both in their profits and revenues. Faster vaccination and greater control over the pandemic in Spain and the main economies has set the stage to move past 2020 and face the new phase of economic expansion with revenues and profits normalising and better financial conditions.

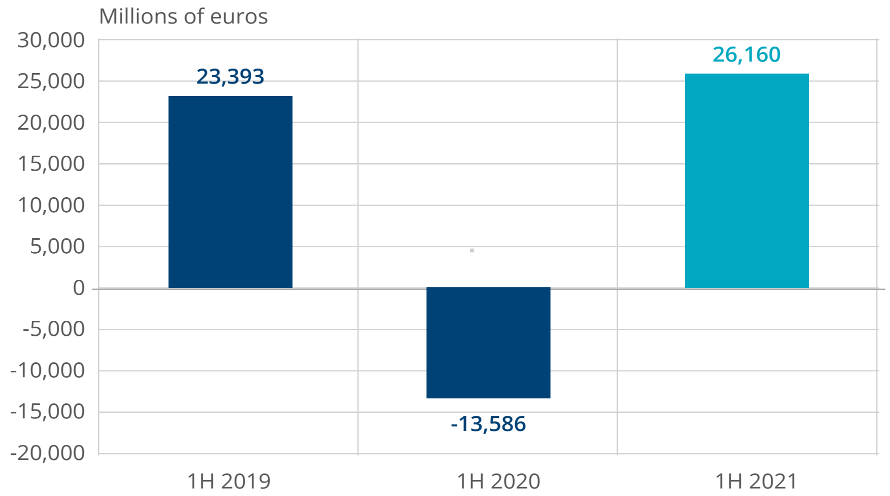
Spanish companies listed on the stock exchange totalled EUR 26.16 billion in Q1 2021, which represents a strong recovery from the losses reported in the same period of the previous year (13.585 billion). A clear V-shaped recovery from 2019. This means the companies obtained 11.8% more in profits during this period than two year ago. The companies on the main national stock market index, the IBEX 35®, managed to exceed EUR 30 billion in operational profits with 299% growth, and they cancelled out the EUR 14 billion in losses during the pandemic year.

EUR 11 billion in direct aid to SMEs

- 7 billion in direct aid to pay fixed costs and debts to suppliers.
- 3 billion to restructure financial debt (ICO) of financially viable companies.
- 1 billion to recapitalise affected companies (COFIDES).
- ICO loan term extension.
- Moratorium for insolvency proceedings until end of year.

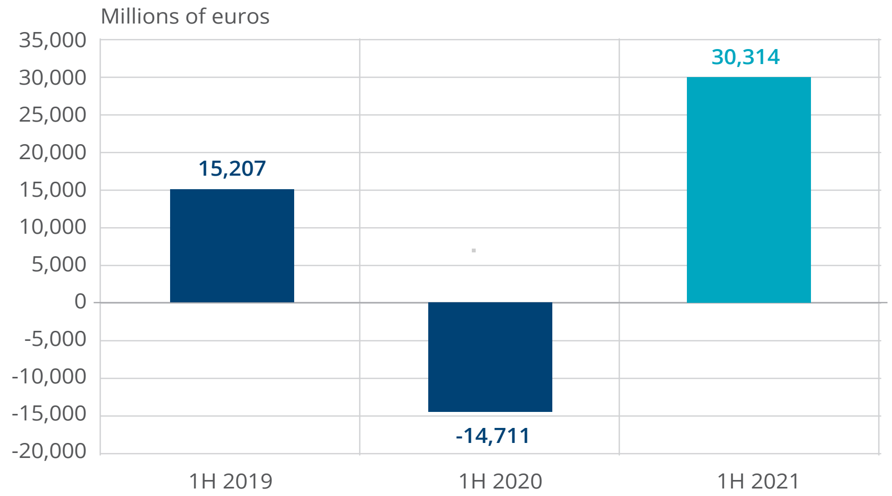
Source: Spanish government

RECOVERY IN PROFITS FOR STOCK EXCHANGE COMPANIES



Source: In house

RECOVERY IN PROFITS FOR IBEX 35 COMPANIES



Source: In house

A similar development also occurred among unlisted companies. According to statistical data from the Bank of Spain, the profits for Spanish companies rose 141% in Q1 2021 compared to a 76% decline in Q1 2020.

Turnover for listed companies approached that of 2019 at over EUR 260 billion in revenue. Moreover, the gross operating income (EBITDA) of all the companies comprising the continuous market rose 7.7% year-on-year, at over EUR 100 billion.

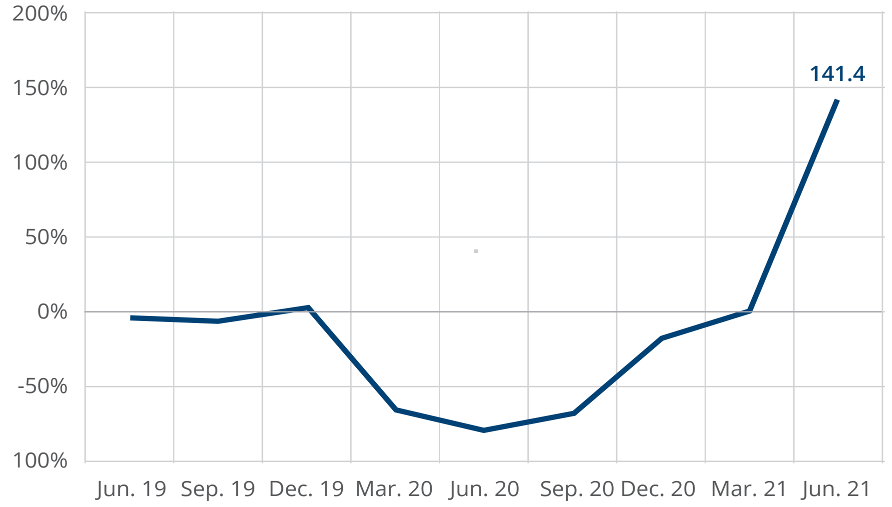
The companies have harnessed the progressive return to normalcy to resume investments in both fixed and working capital. However, said increase is occurring gradually since the pandemic situation was completely different in early 2021 than at year-end.

In this chapter of the corporate investment and financing process, the role of the stock exchange and the Spanish securities market in general is once again proving to be decisive for companies that decided to use it as a tool to propel their action plans. In 2021, listed companies made over EUR 21 billion in capital increases, with annual growth of 33.02% compared to 2020. These figures are much higher than the previous three years. The net financing obtained through private fixed-income instruments in BME's regulated AIAF market, with total gross financing above EUR 110 billion.

In these segments and specifically in regards to smaller companies, the latter have also used the markets to expand using the capital and debt. Capital increases by BME Growth companies were EUR 960 million in 2021 – one of the highest annual figures since the market was created in 2009. Financing in the alternative fixed-income market (MARF) rose 53.2% over 2020, with the volume of new issues reaching EUR 13.849 billion.

Based on the improved confidence and the new growth opportunities resulting from the economic recovery, business concentration operations have picked up sharply again in 2021 with major fusions, particularly in the financial sector, and with IPOs for many companies located in the sectors noted as central pillars for future growth, such as renewable energies and others.

CENTRAL BALANCE SHEET DATA OFFICE: ANNUAL GROWTH (%) IN PROFITS FOR SPANISH NON-FINANCIAL COMPANIES BY QUARTER (2019–2021)



Source: BoS

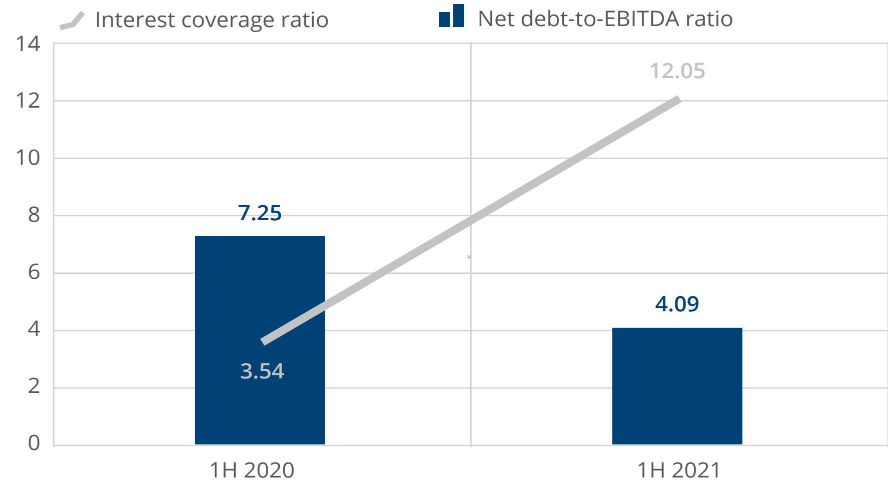
The value of capital increases for merger transactions reached EUR 6.481 million during the year, the second highest figure since 2008. In BME Growth, 16 new companies were added during the year, bringing the total number of companies admitted to this market to 127, without taking into account SICAVs, SILs and ECRs. These operations and the increases that have been carried out, whether or not associated with them, have often had the objective of acquiring companies in the sector in order to gain markets, size and competitiveness.

The improvement in the economy, the transactions, and adequate use if the equity and debt markets have helped to considerably stabilise the general financial structure of the companies, as reflected in their smaller debt ratios and stronger solvency. As such, the interest coverage ratio for IBEX 35® components has improved drastically, moving from just over 3x operational profit to more than 12x. In turn, the net financial debt-to-EBITDA ratio also recovered considerably, dropping to 43.56% at 4x EBITDA versus 7x EBITDA for the same period in the previous year. Regarding the liquidity of these companies, they have seen their cash and cash equivalents increase 16.3%.

Spanish listed companies currently have a mixed risk/return ratio, with a price/earnings ratio (PER) of 16.5x – which is slightly above its historic average of around 16.4x – but a price-to-book value of 1.3x, while the average for the past 35 years is 1.7x. The status of this last relative valuation ratio is different in Spain than the rest of the world since the current value in all the European equivalents assessed using data provided by MSCI is higher than its historic average, and after the relentless ascent of prices in the United States over the past decade, the market price for listed companies is more than twice their book value.

In terms of shareholder remuneration for Spanish listed companies, the dividend yield from the Spanish stock exchange is much higher than many comparable markets, at 2.8% at the close of October. Parallel to the improvement in the liquidity of the companies and the capital structure of their balance sheets, the listed companies took the opportunity to attempt to redesign their typical schemes for shareholder remuneration, especially starting in the summer, and more remuneration measures are expected since the ECB lifted its veto on banks distributing dividends on 30 September. After all, dividends are starting to grow again and programmes are being implemented in which shares are bought back and then redeemed to supplement the yields from investment in shares.

DEBT RATIOS FOR IBEX 35® (1H2020 VS 1H2021)



Source: In house

ASSESSMENT RATIOS FOR LISTED COMPANIES BY MARKET

PER IN DIFFERENT GLOBAL STOCK MARKETS

	SPAIN	UNITED KINGDOM	GERMANY	ITALY	FRANCE	US
Feb-20	**11.70**	12.30	17.30	10.90	16.40	21.10
Dec-20	**16.50**	17.60	24.30	27.90	31.40	32.10
Oct-21	**16.40**	**17.00**	**14.50**	**17.30**	**23.00**	**27.40**
35-year high	**41.40**	27.50	69.00	288.90	76.30	34.80
35-year low	**6.10**	6.40	-211.00	-0.10	7.00	11.30
35-year mean	**15.84**	15.63	20.23	23.79	21.25	20.56

DIVIDEND YIELD IN DIFFERENT GLOBAL STOCK MARKETS

	SPAIN	UNITED KINGDOM	GERMANY	ITALY	FRANCE	US
Feb-20	**4.80**	5.30	3.30	4.50	3.40	2.00
Dec-20	**3.90**	3.30	2.50	2.30	1.90	1.50
Oct-21	**4.04**	**3.80**	**2.85**	**3.28**	**3.08**	**2.16**
35-year high	**10.60**	6.20	6.30	9.00	6.40	4.00
35-year low	**1.40**	2.10	1.60	1.20	1.40	1.10
35-year mean	**2.80**	3.60	2.30	2.90	2.20	1.30

PRICE/BOOK VALUE RATIO IN DIFFERENT GLOBAL STOCK MARKETS

	SPAIN	UNITED KINGDOM	GERMANY	ITALY	FRANCE	US
Feb-20	**1.10**	1.50	1.40	1.10	1.60	3.30
Dec-20	**1.30**	1.60	1.70	1.20	1.70	4.40
Oct-21	**1.30**	**1.80**	**1.80**	**1.40**	**2.10**	**5.00**
35-year high	**3.61**	4.18	4.46	4.31	4.60	5.81
35-year low	**0.80**	1.20	1.00	0.60	1.00	1.50
35-year mean	**1.76**	2.15	1.96	1.60	1.89	2.97

Source: Morgan Stanley Cap. Int.(October 2021). In house.

2

INVESTMENT AND FINANCING ON THE STOCK MARKETS

20.5
billion euros in **shareholder remuneration** (+9,4%)

19
IPOs channelling **EUR 2.933 billion**

21
billion euros raised through **capital increases** – the highest value since 2016

INVESTMENT AND FINANCING ON THE STOCK MARKETS

The whole world has taken a breath of optimism again in 2021. The high rate of vaccination among the population of the developed economies has brought a gradual and incremental recovery in economic and social activity, intermittently disrupted by the threat of new virus variants that are causing distress. Along with the perpetuation of expansionary public spending policies, the exceptional and sustained monetary measures, the recovery in corporate results and significant amounts of savings-seeking opportunities to lock in consistent yields, the securities markets have seen positive growth rates in the majority of their basic activity variables in 2021. Once again, the Spanish stock exchange has surpassed a market cap of EUR 1 trillion, shareholder remuneration is again winning back its seal of growth, and investment flows and equity financing channelled to companies was EUR 23.935 billion, which is 49.2% more than in 2020 as a whole, which again this year places the Spanish market among the world's top 15 in this regard.

The balance sheet of the Spanish stock exchange was positive in 2021. The market's most-cited index – the IBEX 35® – grew 7.93% year-on-year and with it, the combined value of the listed companies rose 14.2% over the year to reach EUR 1.08 billion. The IBEX 35® is thus 43% higher than the low hit on 16 March 2020 after the first impact of the pandemic, and the market cap is 48% higher.

Despite the recent uncertainty from the Omicron variant of the virus, the normalisation of living conditions brought about by the vaccine and government support in the form of broad funding programmes aimed at reactivation (particularly in Europe), paired with interest rates kept at historically low levels, seem to be keeping market spirits positive given the emerging risks. At least that is what we see in the data from surveys on consumers, investors and employers, which currently have a very high and positive sentiment level despite minor declines in December.

The short-term risks for the economy and investments particularly involve: 1) ever recurring inflationary pressure with prices for oil, gas and energy rising very rapidly; 2) the slow vaccination progress in emerging countries, which are crucial for the cycles of producing and distributing the intermediate goods needed to complete the supply chains for basic products and services in the economies that contribute the most to global GDP; 3) the possibility of new, highly contagious variants of COVID-19 (as was the case with Omicron in recent weeks); 4) lastly, any massive business closures that create more supply-side disruptions thereby preventing demand from providing sufficient doses of growth at a desirable pace to become sustainable.

Nonetheless, market sentiment remains positive throughout the year. Along with the progressive improvement in corporate results and with projections this will continue, listed companies have started to set funds aside again to remunerate their shareholders. Remuneration is up 44% for the year compared to 2020, with the majority of dividends in the form of cash, but forms such as scrip dividends, reimbursement of share premiums and share buybacks and redemptions are also on the rise.

More dynamic movement of cash flows in pursuit of business opportunities and higher yields than those indicated by financial assets linked to interest rates was based on several trends of strong annual growth in the levels of global investment in equities, funds and alternative products like cryptoassets. The stock exchanges are the most powerful mechanism for channelling these capital flows that emerge in the exchange of share ownership in the form of secondary market trading or the placement of new securities, which are listed via initial public offerings (IPOs) for companies that are new to the market and/or capital increases for already listed companies. In the first case, the trade volume in 2021 was down in Europe, and Spain saw an annual decline of 11.9% in cash traded and 19% in the number of transactions, although liquidity levels remained high, with the Spanish stock exchange platform used the most use and having the highest quality in terms of market access for its securities listed for trading.

In the second case – the role of the stock exchanges as centres for channelling corporate financing and executing corporate equity transactions – the regulated securities markets have witnessed a year of strong growth experienced by small, medium and large companies. Spain was no exception, and after a faltering first quarter, a large number of companies were listed on the market, which mobilised EUR 2.933 billion in funds versus the EUR 255 million from 10 operations in all of 2020. Capital increases also saw strong growth: 97 operations for the year at a total value of EUR 21.003 billion as compared to 100 over the same period in 2020 in the amount of EUR 15.791 billion, which represents an increase of 33%. In both cases, in 2021 15 increases were aimed at paying stock dividends.

For nearly the twelfth year in a row, the SME stock market, BME Growth, has allowed smaller companies to execute interesting financing operations. Without taking into account SICAVs, 16 new companies were listed in 2021 as compared to 9 in all of 2020. This is the first time in several years that the number of REITs entering the market (5) was lower than that of companies in other sectors. The market capitalisation and liquidity of non-REIT companies has performed well this year: market value has increased by 61.5% and volumes have grown by 7.1%, 49% and 3%, respectively, as compared to the same period in 2020. REITs have also continued to grow in number in 2021 and a good number of small and medium-sized enterprises in sectors linked to energy and new technologies have experienced interesting increases in their value on the stock exchange over this period.

In turn, in 2021 the Pre-Market Environment (PME) added seven new companies and another four members to its business growth programmes. Since it was created in 2017, almost 30 companies have joined this ecosystem for approaching the securities markets and 3 have made the jump to BME Growth after starting in the programme. Currently, 20 companies are linked to this pre-market ecosystem for BME.

In any event, it is important to note that in 2021, the markets and systems managed by BME remained open and operating normally despite the fact that successive waves and variants of the COVID-19 pandemic have kept the health situation from returning to normal. The regulated securities markets have remained operational at all times, thus guaranteeing liquidity for investors and preserving the transparency, fairness, security and integrity of financial transactions. The trading platforms and the central counterparty (BME Clearing) as well as the central securities depository (Iberclear) operated correctly, thus fulfilling their role of managing the financial system risk and maintaining the financing and liquidity channels.

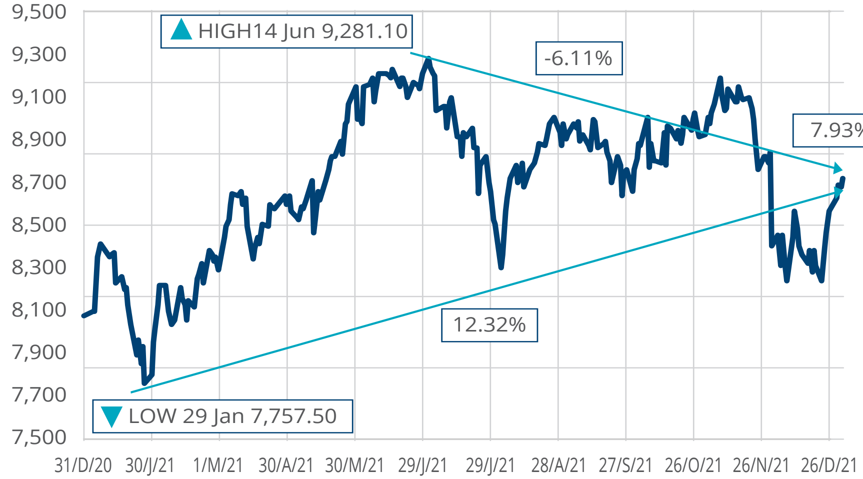
2.1 Profitability and investment

The general upward trend in prices has clearly prevailed in the Spanish stock exchange over the year despite the last throes of the COVID-19 crisis. As of the close of Deember, nearly all the most indicative indexes in the IBEX family experienced annual percentages of growth ranging from 1.77% in IBEX Small Cap to 14.94% in the IBEX Top Dividendo. Of the 34 sectors and subsectors of economic activity that include securities under which the companies on the General Index of the Madrid Stock Exchange fall, prices rose for 23 in 2021, although only around 15 are currently back at the levels reported in February 2020 – before the pandemic broke out.

The IBEX 35® has risen over the year, but it has been particularly sensitive to all the uncertainty that threatened the underlying positive factors that remain today: a larger vaccinated population and fewer hospitalisations and deaths; ultra-expansionary monetary policy; economic recovery and improved corporate results. Of the risks existing in the economy – aside from the permanent risk the pandemic could resurge – the main one is faster inflation due in part to the difficulties in normalising the weakened production chains on the international scale, but also

IBEX 35 IN 2021

DAILY DATA.



SPANISH STOCK EXCHANGE INDICES (IBEX AND LATIBEX)

	31/12/20	30/11/21	ANNUAL %	HIGH	DATE	LOW	DATE
IBEX 35	8,073.70	8,305.10	2.87%	9,281.10	14 Jun.	7,757.50	29 Jan.
IBEX 35 with dividends	24,262.00	25,546.10	5.29%	28,216.00	1 Nov.	23,385.50	29 Jan.
IBEX MEDIUM CAP	12,715.90	13,000.80	2.24%	14,203.80	4 Jun.	12,224.30	27 Jan.
IBEX SMALL CAP	8,098.10	7,810.70	-3.55%	9,217.80	16 Jun.	7,758.10	27 Jan.
IBEX TOP DIVIDEND	2,174.00	2,389.70	9.92%	2,577.30	1 Nov.	2,133.60	29 Jan.
FTSE4Good IBEX	8,411.30	8,761.40	4.16%	9,798.20	14 Jun.	8,094.00	29 Jan.
FTSE Latibex Top	4,364.50	4,722.50	8.20%	5,483.00	23 Jun.	3,987.30	3 Mar.
FTSE Latibex Brasil	9,793.30	10,129.50	3.43%	13,098.50	23 Jun.	8,889.70	3 Mar.
IBEX GROWTH MARKET 15	2,312.80	2,430.90	5.11%	2,557.30	6 Sep.	2,351.40	30 Jul.
IBEX GROWTH MARKET All Share	1,794.90	1,987.80	10.75%	2,044.80	17 Nov.	1,815.80	4 Jan.

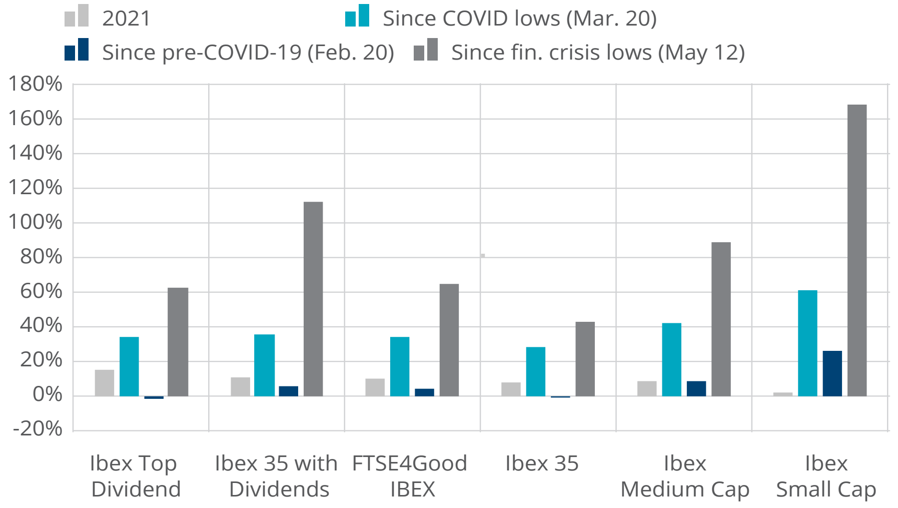
due to higher levels of consumption and production, and ultimately to the fact this creates uncertainty about the pace that the central banks should set to undertake the plans they have announced to taper the ordinary monetary expansion measures (the extraordinary ones such as purchasing debt have already started to be removed) and to thus return to more orthodox hypotheses of traditional economic theory after many months of anomalies with destabilising effects on the prices of some assets and the normal operations of investment and cash flow circulation.

With a view to the economic recovery and the beneficial impacts of the vaccination programmes, the Spanish equity markets started 2021 off at new highs that extended the significant price gains reported the last two months of 2020. The IBEX 35® climbed 5% the first week of the year, but the rise in infections from the third wave of COVID-19 and the loss suffered by major US funds with downside positions in the open market at the hands of Reddit forum members organised around the Robinhood platform caused a cascade of cash-outs in securities listed in the United States, with negative implications for the majority of the stock exchanges. In Spain, the IBEX 35® dropped nearly 10% in three weeks (8–29 January) to hit its lowest level for the year at 7,757.50 points. Lastly, January closed out with a 3.6% decline, making this the stock market's worst start to the year since 2016.

The annual low reported in January – from which the market recovered 12.42% during the year – was an upwards turning point that went nearly uninterrupted until the start of summer, when vaccination rates were rising faster each week. The IBEX 35® hit its annual high on 14 June at 9,281.10 points after rising 19.84% from the low reported in January.

Between 14 June and 19 July 2021, the IBEX 35® fell 10.55%. Once again, investors were driven to a more conservative path due to greater concern over the strength of the inflation phenomenon and the Fed's announcement that it intends to further tighten monetary conditions sooner rather than later. Following this, the IBEX 35® climbed around 10% by mid-November, thereby overcoming the new risks resulting from the crisis triggered by Chinese real estate giant Evergrande and the persistent surge of inflation in Spain and generally in the developed world, at levels not seen in decades. These incidents caused the levels of implied volatility in prices to rise

SHORT- AND LONG-TERM PERFORMANCE OF MAIN IBEX INDICES



temporarily, which then corrected and brought the Vibex index to around 13–14 points in late October – already quite close to pre-pandemic values and nearly 65 points below the peak hit on 16 March 2020. However, all these data were undermined first by the downward revisions for Spanish GDP growth in November and second by the emergence of the Omicron variant in South Africa . These two elements pushed the IBEX 35® back down to the lows of this summer, nearly 8,300 points after quickly falling 11% as the Vibex gained 25 points, thereby doubling its value in just a few days. The IBEX 35® finally regained momentum in the last two weeks of the year to close the year with a return of 7.93%.Based on the size of the companies included on the BME indices, the largest gain in the IBEX family for 2021 was recorded by the IBEX Growth Market All Share, with an annual increase of 10.55%, which demonstrates the strength of the group of companies looking to consolidate and grow based on the securities markets.

By category, the two most characteristic IBEX indices – the FTSE4Good and the IBEX Top Dividend – are the two large security indices that outperformed the IBEX 35® for the year. The first rose 10.18% in 2021, and the second gained 14.94%.

In both cases, two hypotheses backed by an important part of the academic literature were confirmed for this year: that sustainable investment offers superior returns, particularly in the long-term, and that shares in companies frequently distributing large dividends are also reporting superior price performance compared to those that do not.

As seen on one of the enclosed charts, the FTSE4Good has risen 33.89% from the lows reached in March 2020 and 64.61% from the lows during the financial crisis in May 2012 (nearly a decade ago). In turn, the IBEX Top Dividend index has risen a respective 233.67% and 62.12% over these two periods. Both outperformed the IBEX 35® at 28.42% and 43.09%.

As we noted, this comparison is for large security indices. If we add other sizes in this comparison, long term is undoubtedly favourable for the smallest securities included on IBEX indices. The IBEX Small Cap has risen 60.6% since March 2020 and 167.51% since May 2012, as the IBEX Medium Cap increased 42.16% and 88.9% over the same periods.

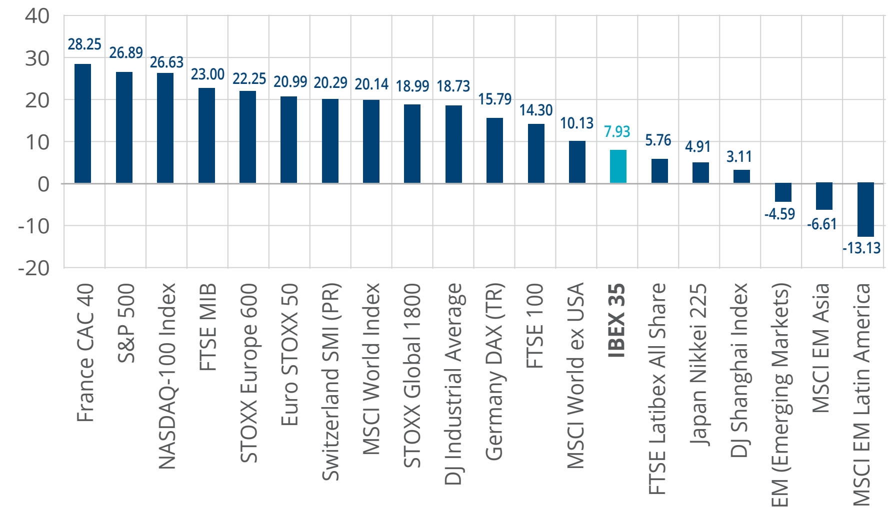
The strong positive impact of reinvesting dividends is clear when the IBEX 35® is compared against its dividend counterpart. The yield for the latter rose 2.85 points for the year, 7.04 points over just more than a year and half (from March 2020 to November 2021) and 68 points over 10 years (111% versus 43%).

COMPARISON OF INTERNATIONAL INDICES

As we noted above, the IBEX has improved in 2021, but it has been particularly sensitive to downside risks. All the stock exchanges in the area of the developed countries have generally seen the value of their main benchmark indices rise in 2021 – both in Europe and the United States. Nearly all of them gained more over the year than the IBEX 35® – by more than 6–20 percentage points.

ANNUAL YIELD IN THE WORLD'S MAIN STOCK INDICES

VARIATION IN 2021



The causes for this distinctly negative performance – which is recurring at magnitudes different from those of the financial crisis of 2012 in particular – are unfavourable sectoral composition for Spain's primary stock exchange index and a certain amount of difficulty for Spain to add new, large companies in the large segment of the stock exchange.

As we at BME have often reported, Spain's business sector is generally smaller on average than other comparable developed economies. Managing to add more companies to the securities market – as the EU hopes to encourage with its

Capital Markets Union – is a central goal in order for Spain and Europe to more quickly advance in the growth of their companies in order to make them more comparable to the large multinationals of the US and to have more influential participation in the world's major economic transformation processes.

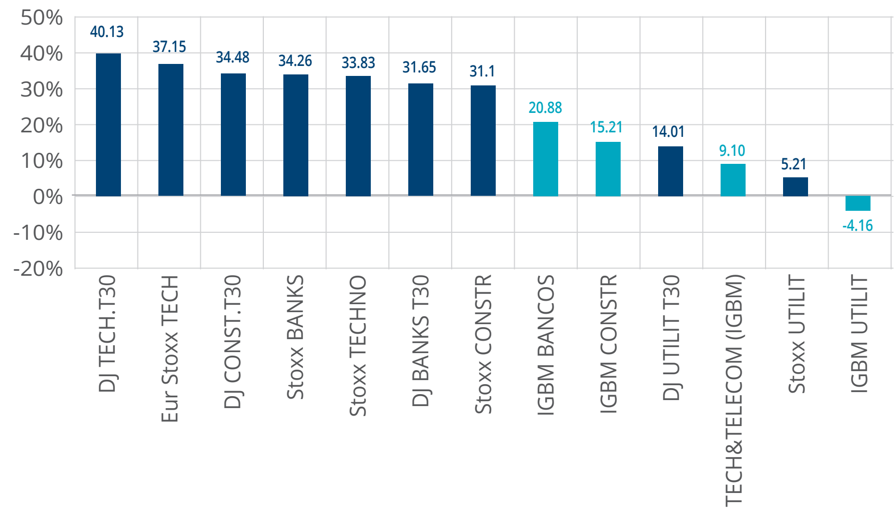
The different initiatives that the BME has introduced for years now to make the securities markets approachable to companies are aimed at accelerating their growth process. The results are increasingly visible, and companies that passed through BME Growth – such as Masmovil and Grenergy – quickly made the jump to the stock exchange. Companies listed on BME Growth are experiencing faster growth than their off-market counterparts.

At the international level, the European stock exchange that grew the most is France, with the CAC 40 jumping close to 29% annually. In the United States, the S&P 500 has risen 26.9%. The Eurostoxx50 – primarily composed of French (16), German (16) and Dutch (7) securities – rose 21%, i.e. 13 percentage points more than the IBEX 35®. It should be noted that the Eurostoxx50 includes 4 Spanish large securities that represented 5% of the index as of the close of December 2021.

The companies with the prices that suffered the most in 2021 were those in Asia and Latin America – particularly those traded in markets considered to be emerging. The MSCI EM Asia fell 6.61% annually and the MSCI EM Latin America dropped 13.13%. Both have extensive areas where the pandemic remains very active and the pace vaccination is very low. For Asia in particular, there is also a more direct impact from China's growth slump, which is due to factors that are often related to changes needed to adjust decades of extremely high economic growth rates to the social transformation and adaptation to changes required due to sustainability and the digital age.

IN THE FINAL STRETCH OF THE YEAR, THE SPANISH STOCK EXCHANGE TRAILS IN SOME KEY ECONOMIC SECTORS

ANNUAL VARIATION OF THE INDICES (%) IN 2021



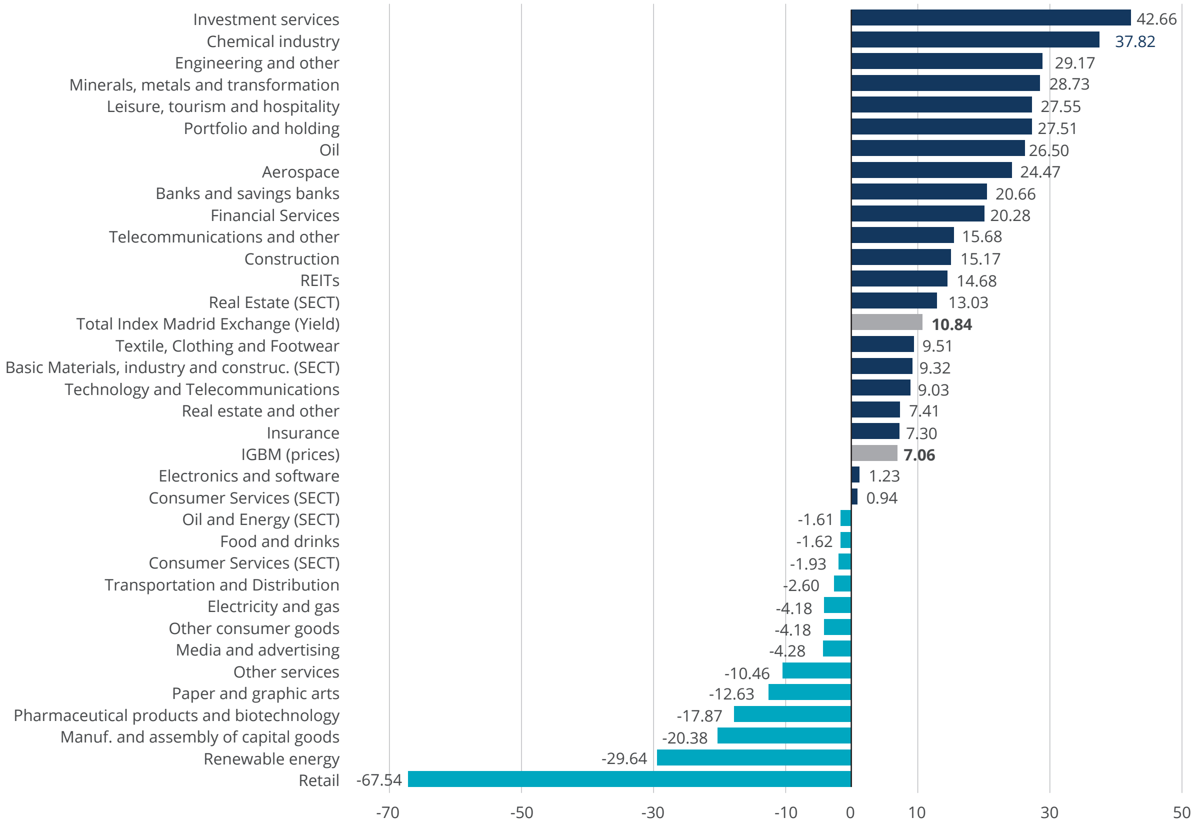
PRICES BY SECTOR OF ECONOMIC ACTIVITY

Drawing an international comparison also allows us to further assess stock exchange performance in 2021 based on the sector of activity of the companies. We thus note that the main sectors of activity in Spain trailed their counterparts in the developed world, particularly in the final stretch of the year. Spanish banks are better positioned with annual growth of 20.88%, while global bank indices grew around 32-34%. Technology and telecommunications grew 9.10%, while growth in other technology stock exchange indices outside Spain were in the order of 33-40%. In the construction sector, Spanish companies currently have an annual increase of 15.2% versus increases of around 31-34% elsewhere. Lastly, utilities (electricity and gas) had an annual decline in prices of 4.16% as of the end of December versus 5–14% growth among companies chosen by Stoxx or the Dow Jones. These four sectors make up just over 50% of the capitalisation of the Spanish stock market, and at the end of the year none of them yet managed to resume the price levels prior to the outbreak of the pandemic in early March 2020.

Since the financial crisis, Spanish banking has suffered more in the stock exchange than many of its equivalents in other countries of Europe. This is partly because the demanding criteria for capital levels and debt limits imposed by the successive Basel agreements have had a more negative impact on it than on others by reducing the scope of action in its business areas. It seems the latest proposal from the European Commission in this area (Basel III) has greater penalties for banks in countries like France or Germany that have operating

ANNUAL VARIATION IN 2021 OF THE STOCK PRICES OF THE SPANISH STOCK EXCHANGE BY SECTOR AND SUBSECTOR

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



models with lower capital requirements in their countries. It should be noted that the bank index is still roughly 51% below the level it was at 4 years ago – this after a period of adjustment and restructuring that led it to lose a total of around 65 billion in market capitalisation in this period.

With the return of profit after the pandemic, however, the banks have recouped nearly EUR 25 billion in value on the stock exchange in 2021 and have announced plans to start gradually returning to consolidated shareholder remuneration schemes. In this context, they could be expected to recover some of the ground lost in the market to their most direct European competitors over the next few years. As of December's close, the banking sector made up 17.6% of the combined value of all Spanish listed companies and ranked second under this heading, after yielding first place to energy companies at the close of 2019.

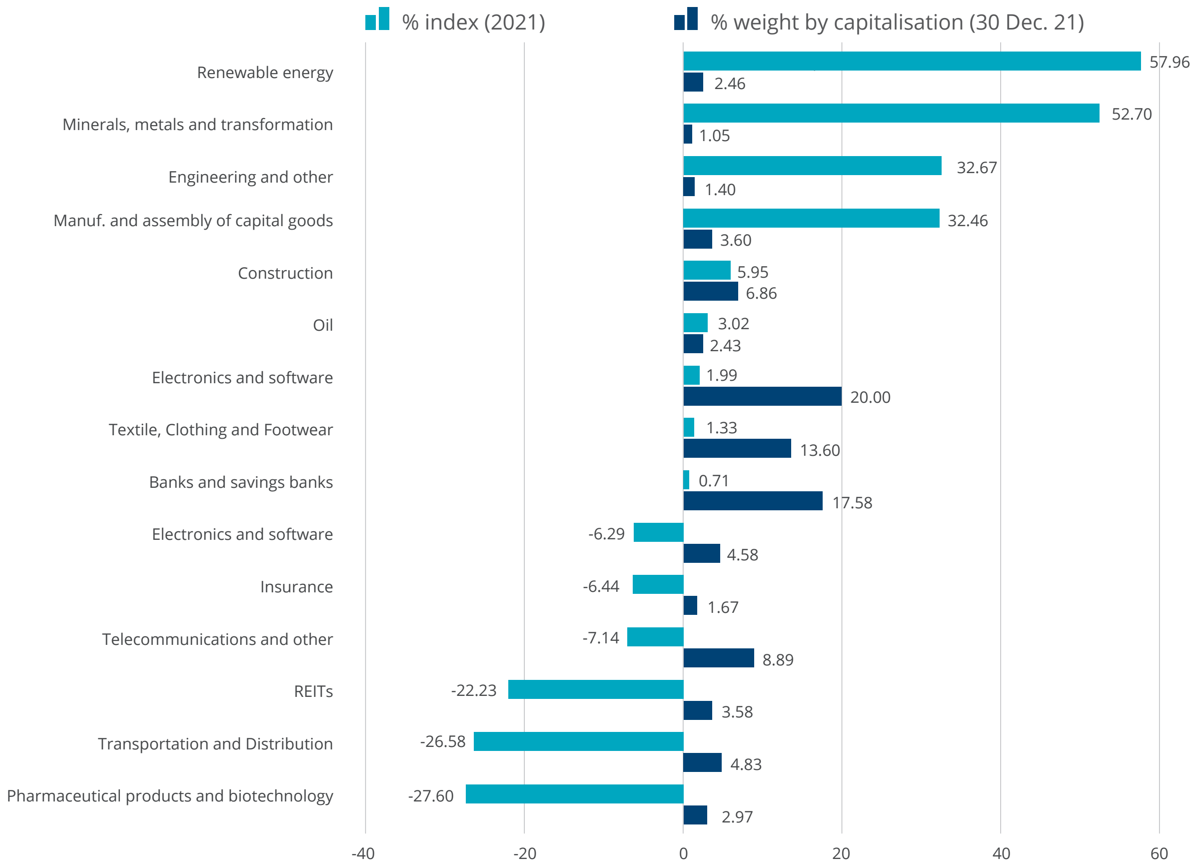
Electricity and gas companies particularly comprise one of the market subsectors whose overall price has fallen this year. In 2021, they dropped 4.18% and they went from constituting 21.84 percentage points of the domestic capitalisation in 2020, to 120% at the end of 2021.

Repsol's strong recovery due to the rise of oil prices over the year meant an annual rise of 26.5% in the value of the index for the oil subsector, ranking seventh in the line of stock market indices, with the Investment Services subsector taking the lead at an increase of 42.66% in 2021.

Thanks to the improvement in Repsol's annual price, the oil and energy sector on the stock exchange fell just 6.71% over the year, and its capitalisation grows EUR 12.941 billion.

VARIATION OF SUBSECTOR STOCK PRICES IN THE SPANISH STOCK EXCHANGE SINCE FEBRUARY 2020 (PRE-COVID-19)

GROUPS COMPRISING MORE THAN 1% OF DOMESTIC CAPITALISATION AS OF 30 DECEMBER 2021 (REPRESENTING 95%)



This annual decline in the oil and energy sector of the Spanish stock market may have also been influenced by the decline in share prices for renewable energy companies. The index of this subsector had the second largest decline over the year (-29.64%) after reporting a sharp increase in 2020.

As we have already noted, the stock market indices for 23of the sectors and subsectors of economic activity into which the companies listed on the stock exchange are divided have risen overall in 2021, while 13 lost value. The General Index of the Madrid Stock Exchange (IGBM) – which is the broadest index for the market – rose 7.06%.

On the path to recovering the normalcy prior to the arrival of COVID-19 (February 2020), things have levelled out much more, and the IGBM has fallen a mere 94% in 2021 with 19 sectors in positive territory and 15 below. Worth of note, dividends exhibit their beneficial effect over time (a year and 10 months in this case) via IGBM Total Return, which rose 7.01%.

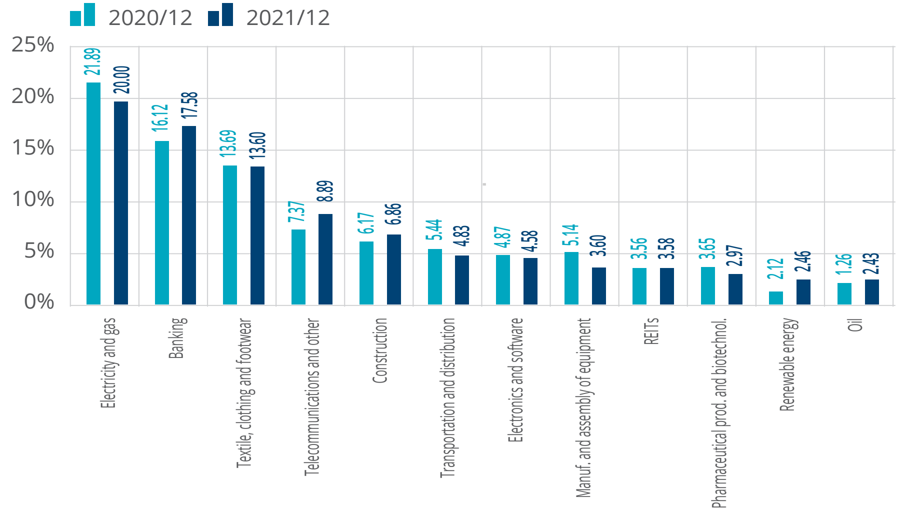
CAPITALISATION AND NUMBER OF LISTED COMPANIES

With the aforementioned price gains throughout 2021, the total market value of shares listed in Spain has once again surpassed the trillion euro mark. To be precise, it was EUR 1.08 trillion at the close of 2021, after rising EUR 134.448 billion over the year (+14.19%), which is equal to EUR 352.233 million since late March 2020 (+48.26%).

This increase is undoubtedly due in large part to the rise in prices, but there are also factors that are less weighty in relative terms but are very significant in terms of what they reveal about the corporate financing capacity of the Spanish stock exchange.

Since the emergence of the pandemic (March 2020), 38 new companies (including SICAVs) have joined the Spanish securities market with a market value of EUR 14.612 billion as of their admission date. In the 20 months since, close to 180 capital increases have also been carried out for securities that were listed with a market value of EUR 35.000 billion approximately.

WEIGHT OF THE MAIN SECTORS OF THE SPANISH STOCK MARKET CAPITALISATION (%) BASED ON THE SECTORAL DISTRIBUTION OF THE IGMB



Around EUR 50.000 billion in total was listed, almost 70% of which occurred in 2021.

On the other hand, there have also been 12 delistings from the stock market with a value of EUR 16.670 billion since March 2020, in addition to another 12 BME Growth companies that were not SICAVS valued at EUR 570 million as well as 292 SICAVs valued at 1.318 billion. A total of EUR 18.558 billion was delisted, EUR 10 billion of which occurred in 2021. This is in addition to the nearly EUR 8.135 billion that was eliminated through capital redemptions, 3.581 billion of which occurred in 2021.

The increase in capitalisation has occurred in parallel to an inverse movement in the number of companies listed, which dropped from 2,738 on 31 December 2020 to 2,585 at the end of 2021. This decline is mainly due to the exodus of SICAVs that began in 2015, when the number of SICAVs listed reached

3,373. Since then, the number has continued to decline until this year, when the new law on measures to prevent and fight against tax fraud stipulated new conditions for their existence, thus condemning this form of company to potentially disappear in the next few year, according to the view of a vast majority of experts. With this fact in mind, the law itself establishes a transitional scheme that will allow SICAV investors to transfer their investments to other collective investment institutions that meet the requirements set by the legislation.

A further 163 SICAVs disappeared in 2021, which leaves a net total of just 2,284 listed as of December's close. However, their capitalisation totalled EUR 29.179 billion, after rising EUR 2.055 billion over the year (7.6%) and close to EUR 5 billion since March 2020.

As of December's close, Spanish listed companies had contributed EUR 685.173 billion to the total market capitalisation after gaining 10.2% in value over the year and just over 32.1% in 20 months (+166.489 billion).

VARIATION IN THE CAPITALISATION OF LISTED COMPANIES IN 2021

	VALUE AS AT 30 DEC. 2021	VARIATION IN THE YEAR		VARIATION SINCE MARCH 2020 (START OF COVID-19)	
	EUR MN	EUR MN	%	EUR MN	%
Total	**1,082,047.6**	**133,838.3**	**14.11**	**351,863.9**	**48,19**
Of which:					
Spanish securities	685,172.8	63,408.7	10.20	166,489.2	32.10
Foreign securities	396,874.8	70,429.6	21.57	185,374.7	87.65
Of which Latibex	249,142.8	36,461.8	17.14	111,602.5	81.14
BME Growth	48,633.3	5,050.5	11.59	8,757.1	21.96
Of which SICAV:	29,592.2	2,270.1	8.31	5,049.5	20.57
Of which REITs:	13,949.1	1,194.2	9.36	449.1	3.33
Of which growth companies	5,091.9	1,945.9	61.85	3,091.9	154.60

ACTIVITY SECTORS (EXCLUDING FOREIGN STOCKS AND INCLUDING BME GROWTH)	VALUE AS AT 30 DEC. 2021	VARIATION IN THE YEAR		VARIATION SINCE MARCH 2020 (START OF COVID-19)	
	EUR MN	EUR MN	%	EUR MN	%
Oil and energy	163,109.6	12,914.9	8.60	39,409.8	31.86
Basic materials, industry and construction	84,848.8	4,233.5	5.25	29,071.3	52.12
Consumer goods	117,982.7	4,338.8	3.82	11,043.5	10.33
Consumer services	43,131.0	-1,028.0	-2.33	11,379.9	35.84
Financial services	160,048.9	24,812.2	18.35	45,615.3	39.86
Real estate services	27,776.3	2,634.8	10.48	3,239.6	13.20
Technology and telecommunications	88,275.4	15,502.5	21.30	26,523.3	42.95

The largest relative growth was experienced by the growth companies segment in BME Growth, which saw its companies increase from 42 to 50 and its market value rise 61.85% over the year as it went from EUR 5.092 billion to 4.706 billion. The capitalisation of this group of companies is up 155% since March 2020.

The Latibex market also saw its capitalisation increase 17% over the year, reaching EUR 249.153 billion. The recent listing of Brazilian multinational EDP in the Spanish Latin American securities market links this segment of the Spanish stock exchange to the torrent of new admissions that was unleashed in the spring after a sluggish first quarter. There are currently 19 companies listed on Latibex, 11 of which are Brazilian.

In terms of sectors, Technology and Telecommunications had the largest capitalisation growth thanks to large national telecommunications companies Telefónica and Cellnex, which saw their combined market value increase EUR 15.550 billion over the year. The capitalisation of the sector was up 21.3% annually as of the end of December (+43% since March 2020). The next sector in terms of value growth over the year was Financial Services at 18.35%, after its capitalisation increased EUR 24.812 billion (roughly 19.400 billion of which came from banks and another 2.500 billion from Insurance companies).

Due to various reasons – some of which were local in nature – Europe saw a divergence in 2021 between the development of prices and capitalisation on the one hand, and the volumes traded in shares on the other. The first two increased while the trade volumes declined. Just the opposite occurred in Asia, where major investors may have taken advantage of the drop in prices to increase their holdings of certain securities. A double-digit growth trend in both items was observed only in the United States.

In Spain, the decrease in volumes traded in shares was 11.93% in cash and 19.01% in the number of transactions. Meanwhile, the IBEX 35® rose 7.93% and capitalisation rose 14.11%, as noted above.

However, this divergence is revisited when we turn to groupings of smaller-sized companies. In the case of IBEX Medium Cap companies, for instance, trading

COMPANIES LISTED ON THE SPANISH STOCK EXCHANGE

	DEC-20	DEC-21
Continuous market (SIBE)	127	124
Other companies listed for floor trading	11	10
LATIBEX	19	19
BME Growth	2,581	2,432
Growth companies	42	50
REITs	77	77
HF	20	20
VCE	1	1
SICAV	2,441	2,284
Total	**2,738**	**2,585**

dropped 3.4% over the year and capitalisation rose 37.5%. Even more reasonable seems the 22.45% increase in trades involving the shares of BME Growth companies (ex SICAVs) corresponding to a 18.2% increase in market value. These increases in volumes traded in shares in theses smaller companies are a positive message in terms of improved liquidity – one of the most important aspects for promoting growth and investor interest in taking part in the businesses they operate.

TRADING OF SHARES

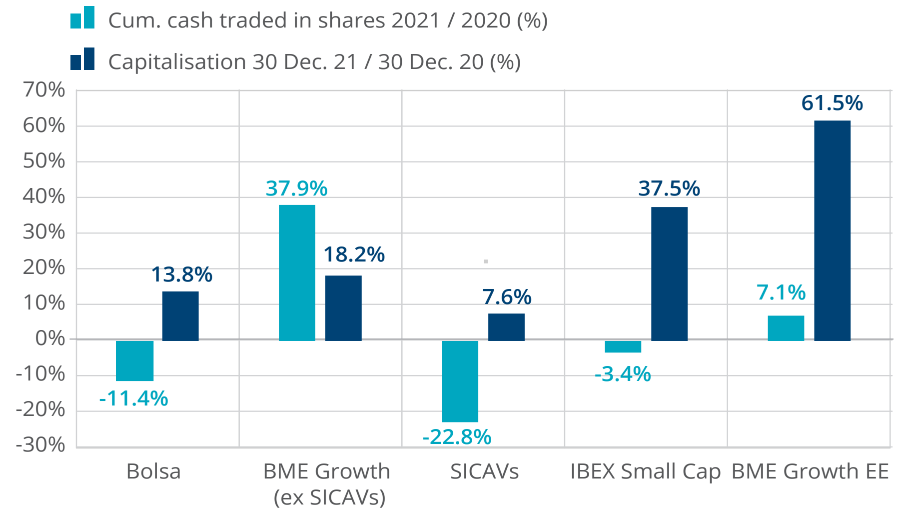
The trading figure for listed stock in 2021 was EUR 378.435 billion at the end of December and a total of 45.1 million market trades. These amounts represented declines of 11.9% in the cash traded and 19% in the transactions executed as compared to the same period in 2020. This performance is explained by two factors.

Extraordinary increases in volatility in the first quarter of the previous year and particularly in March caused by the outbreak of the pandemic gradually returned to normal over the year, and in 2021, volatility and the trading patterns associated with it have roughly returned to their pre-pandemic values. The effect has been negative for the trading segments that benefited the most from the higher volatility, high-frequency trading and the rise in retail trading.

The European markets have generally suffered more from the effects of the pandemic, which has had a particularly negative impact on sectors associated with tourism and transport. The volumes in Europe have generally performed poorly compared to the previous year, with average annual declines of 4.7% in 2021, while the US and Asian markets reported respective increases of 11.7% and 24.9% in cash.

The introduction of a financial transaction tax in Spain – which has charged 0.2% of the transaction amount on net purchases of shares in listed companies with a capitalisation of more than EUR 1 billion since January – has been an impairment to the liquidity of the companies concerned and had an impact on the general liquidity of the Spanish stock exchange system by making its main companies less attractive than comparable assets in other markets not subject to the tax.

VARIATION IN STOCK MARKET ACTIVITY IN DIFFERENT SEGMENTS AND TRADING PLATFORMS



WEIGHT AND ACTIVITY OF SECURITIES INCLUDED IN THE EUROSTOXX 50 INDEX BY COUNTRY (ANNUAL DATA AS OF 30 DEC. 2021)

COUNTRY	NO. COMPANIES	SOURCE TRADING EUR MN	MTF TRADING EUR MN	% WEIGHT	CAPITALISATION EUR MN	TOTAL TRADING EUR MN	SOURCE	MTF	TURNOVER %
SPAIN(1)	**4**	**141,944**	**102,511**	**5.06%**	**241,996**	**244,455**	**58.07%**	**41.93%**	**101.02%**
FRANCE	16	536,797	531,158	35.38%	1,753,197	1,067,955	50.26%	49.74%	60.91%
GERMANY	16	644,411	452,320	32.22%	1,242,505	1,096,731	58.76%	41.24%	88.27%
ITALY	4	197,874	81,708	4.88%	221,295	279,583	70.77%	29.23%	126.34%
NETHERLANDS	6	296,835	225,759	18.17%	596,008	522,593	56.80%	43.20%	87.68%
5 COUNTRY TOTAL	**46**	**1,817,861**	**1,393,456**	**95.71%**	**4,055,002**	**3,211,317**	**56.61%**	**43.39%**	**79.19%**
REST	4	62,196	43,185	4.29%	203,352	105,381	59.02%	40.98%	51.82%
TOTAL	**50**	**1,880,057**	**1,436,641**	**100.00%**	**4,258,354**	**3,316,698**	**56.68%**	**43.32%**	**77.89%**

(1) The Spanish companies included are Iberdrola, Banco Santander, BBVA and Inditex

The recovery in market prices in 2021, whereby the IBEX 35® index has climbed 42.7% since the lows of March 2020, did not come hand in hand with a similar recovery in trading values, as would typically be the case. The negative effect of this rate has been particularly noteworthy for the 10 most liquid companies on the Spanish stock exchange, which have seen the speed of turnover for their trading drop from 82% in 2020 to 57% in 2021, and this has brought their circulation to values they exhibited in 1999 and 2000. It is true the levels of turnover achieved are similar to those reported by large securities in other European stock markets as observed in the stock performance of companies included on the Eurostoxx 50 index.

Compared to average declines of 4.7% in Europe, the Spanish stock exchange had slightly more negative performance (-11.9%) that was similar in terms of cash and somewhat worse in the number of transactions. However, the new tax on financial transactions has not been observed to have a considerably negative impact on the buy-sell spread for shares, which despite not reaching the pre-pandemic average annual value of 5.13 basis points, has gradually normalised from 14.2 basis points in March 2020 to 5.93 points at the end of 2021.

The gradual recovery in the activity of companies thanks to the rising percentage of the vaccinated population and the return to in-person normalcy at the workplace still has not allowed pre-pandemic dividend remuneration levels to be recovered. Given that an important part of the trading of the block segment is associated with the tax optimisation carried out in relation to dividend distributions, trading of the block segment remained low in 2021 and saw a 6.7% decline in trading over 2020. Remuneration via dividends fell 2.95%, from EUR 18.523 billion paid in 2020 to EUR 19.069 billion in 2021. As explained in this report, however, total shareholder remuneration is up nearly 9.44% over the year.

In any event, it is possible to draw some positive assessments from the variation data for the volumes traded in shares on the Spanish stock exchange in 2021 based on the variations and trends. For example, this is the first time since 2017 that three consecutive months of growth were reported for the cash volumes traded when compared to the same month of the previous year (August, September and October). The pandemic also broke a trend of improvement in the cumulative change in volumes as compared to the previous year, which had started in July 2019. A cumulative positive monthly sequence began a year later - in April 2021 - which continues at the close of this report in January 2022 after stopping sporadically in December 2021

ACTIVITY ON THE RISE AMONG SMALL INVESTORS: FROM THE UNITED STATES TO SPAIN

Since the start of the pandemic, the ratio of trades to cash traded shot up more than 60% from an average of 0.008% to values above 0.012%. Although the number of trades was down from the previous year in 2021, it is still at much higher levels than exhibited before the COVID-19 crisis. One of the reasons for this behaviour is the increased activity in the market by retail investors.

The sharp declines experienced by the major world stock exchanges in March 2020 and the subsequent recovery have been accompanied by a significant increase in retail investor activity, especially on the US stock exchanges but also in Europe.

The regulators for both markets – ESMA and the SEC – have witnessed the incorporation of new private investors who have opened accounts to operate in the stock exchange through specialised brokers, and a sharp increase in requests for information on financial reporting platforms related to the stock market. On US stock exchanges, the trading activity of individual investors has gone from representing 10% of the total volume in 2019 to almost 25% in the final months of 2020 and the beginning of 2021.

This also appears to be confirmed in Spain by the change in the trading pattern and by the fact that households increased their share of ownership of listed shares by one percentage point in 2020, which broke the five-year downward trend. Part of this occurrence is due to the continuous improvement in the net financial position of Spanish households, which improved even further during the pandemic with higher savings rates and reduced debt. This trend has been reported throughout Europe, and Spanish households are currently using the smallest share of their disposable income to cancel debt. Keeping interest rates this low for such an extended period of time is evidently helping families a great deal to restructure their balance sheets in a much more balanced format with less risk. More persistently high inflation may also encourage stock exchange investment as a way of hedging against the negative effects inflation has on the value of assets.

BME, A BENCHMARK FOR TRADING LISTED SPANISH SHARES

Brexit has not fundamentally altered the mechanics of the performance of alternative trading to the regulated markets. The trading venues located in UK territory opened branches located within the European Union, and they continued to offer the same type of operations from these new locations as they had before Brexit. At the same time, the offices in UK territory maintained their trading offering for securities from the United Kingdom and other countries with which they have reciprocal agreements, e.g. Switzerland.

The change has not had a major impact in terms of the distribution of share of trades among the different alternative platforms and the regulated primary stock markets. Once again, it was evident that during periods when volatility values were higher as a result of the epidemic, trading has been concentrated to a greater extent on the reference platform of regulated markets. In the trading of Spanish securities, BME achieved 78% of the traded volume in the most volatile period when COVID-19 started to spread and later, as volatility gradually reduced and activity returned to normal, its share returned to pre-pandemic levels with roughly 70% of trading through BME and the remainder distributed among the different alternative platforms.

In 2021, the Spanish Stock Market remains the benchmark for execution and liquidity in trading Spanish securities and the conduit by which the issuers complete their corporate operations and solve their financing needs. The transparency and legal security framework offered by a regulated market is decisive when channelling investment operations.

In the last available month – December 2021 – according to the independent report from Liquidmetrix, BME had a market share in the trading of Spanish securities of 70.4% while reporting the best execution metrics compared to alternative trading platforms in buy-sell spreads, order book depth and the best execution price available, thus confirming it is a benchmark for trading and liquidity for its listed securities.

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.

In accordance with the data on the trading of Spanish securities prepared periodically by Liquidmetrix, an independent entity that prepares reports on liquidity and execution in the different platforms providing trading services for Spanish securities and those of other markets, the last available data for 2021 placed this range at 5.84 basis points with a difference of more than 0.7 basis points in execution through other platforms. BME's order book depth was between 3 and 4 times better than other platforms based on whether the size of an order rises from EUR 25,000 to EUR 50,000. More than 84% of the time, better executions prices can also be accessed in BME than in the remaining platforms. This behaviour is even more evident for securities with less liquidity, such as those that make up the IBEX® Medium and Small Cap indices. These figures include trading carried out at trading venues – both on the transparent order book (lit), which includes auctions, and non-transparent (dark) trading carried out off the book.

SHAREHOLDER REMUNERATION: DIVIDENDS AND OTHER PAYMENTS

The normalisation of stock market activity has also gradually gained importance under the shareholder remuneration heading. Listed companies with a longer tradition of having generous remuneration policies have sought formulas to maintain these as much as possible or to return to their philosophy after the deviations caused by the circumstances of 2020. Especially banks that have sought alternatives through formulas such as reimbursement of share premiums and – after announcing the end of their restrictions on distributing dividends – have announced remuneration plans that combine cash and share buybacks followed by redemption for the next few months.

The amounts reported for shareholder remuneration in the Spanish stock exchange for 2021 are up 9.44% from 2020. In 2021, EUR 20,474.73 billion had been distributed through the four formulas most commonly used by listed companies in order to share retained profits with their shareholders: cash

SHAREHOLDER REMUNERATION IN THE SPANISH STOCK EXCHANGE 2021 VS. 2020

CUMULATIVE FIGURES OF EACH YEAR

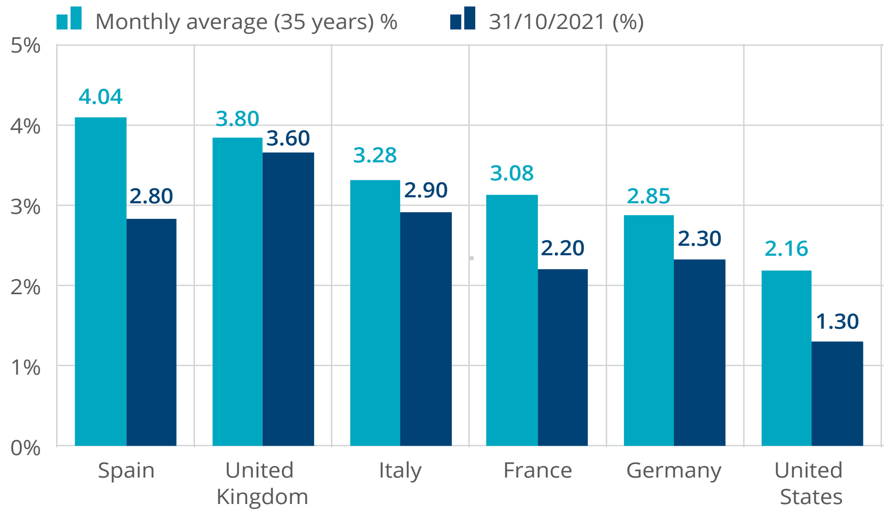
	CASH DIVIDENDS		SHARE DIVIDENDS (SCRIP)		REIMBURSEMENT OF SHARE PREMIUMS		CAPITAL DECREASE WITH REFUND OF CONTRIBUTIONS		TOTAL DIVIDENDS		% 21/20	TOTAL REMUNERA-TION		% 21/20
	EUR MN	NO.	EUR MN	NO.	EUR MN	NO.	EUR MN	NO.	EUR MN	NO.		EUR MN	NO.	
STOCK EXCHANGE														
2021	**14,062.75**	**114**	**4,716.31**	**15**	**1,315.38**	**9**	**5.56**	**1**	**18,779.06**	**129**	**4.00**	**20,100.00**	**139**	**10.84**
2020	11,411.88	97	6,644.17	15	78.83	4			18,056.05	112		18,134.88	116	
BME Growth														
2021	**289.87**	**62**			**84.86**	**20**			**289.87**	**62**	**-37.95**	**374.73**	**82**	**-34.73**
2020	467.13	92			107.01	15			467.13	92		574.14	107	
TOTAL														
2021	**14,352.62**	**176**	**4,716.31**	**15**	**1,400.24**	**29**	**5.56**	**1**	**19,068.93**	**191**	**2.95**	**20,474.73**	**221**	**9.44**
2020	11,879.01	189	6,644.17	15	185.84	19	0.00	0	18,523.18	204		18,709.02	223	

dividends, scrip dividends, reimbursement of share premiums and capital decreases with a refund of contributions.

The distributed dividends were EUR 19,068.93 billion – or 2.95% more than in 2020. However, large companies such as the major banks of Spain (Santander and BBVA), construction companies such as Neinor and Metrovacesa, and REITs such as Merlin have opted to make large payments this year by reimbursing share premiums to reach EUR 1,400.24 billion under this heading in 2021(10 times more than the previous year). This method was used to make 29 payments as compared to 19 in 2020.

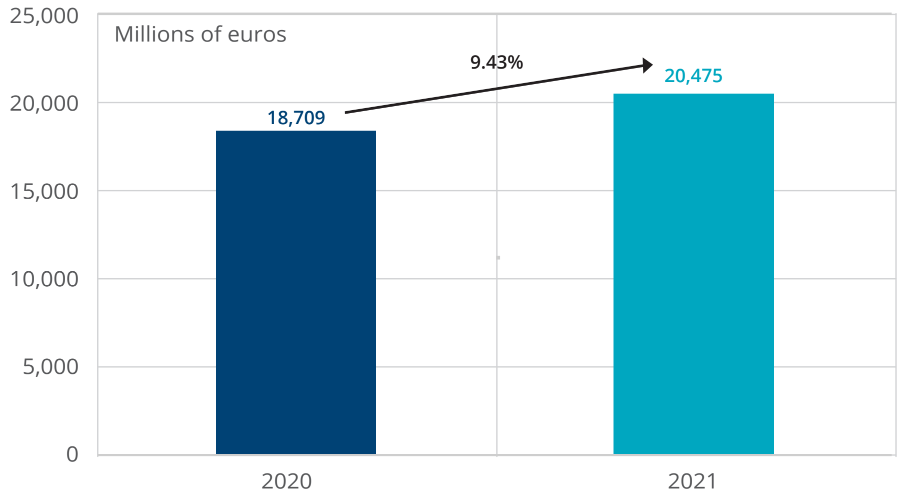
The reimbursement was supplemented by 5.5 million from a reduction of par value, which explains the 49.44% growth of the aggregate over the year. If we exclusively consider payments of all types by companies listed on the stock market and exclude BME Growth companies, this increase is 10.84% as seen in the enclosed tables.

SPAIN – TOP DIVIDEND YIELDS IN THE PAST

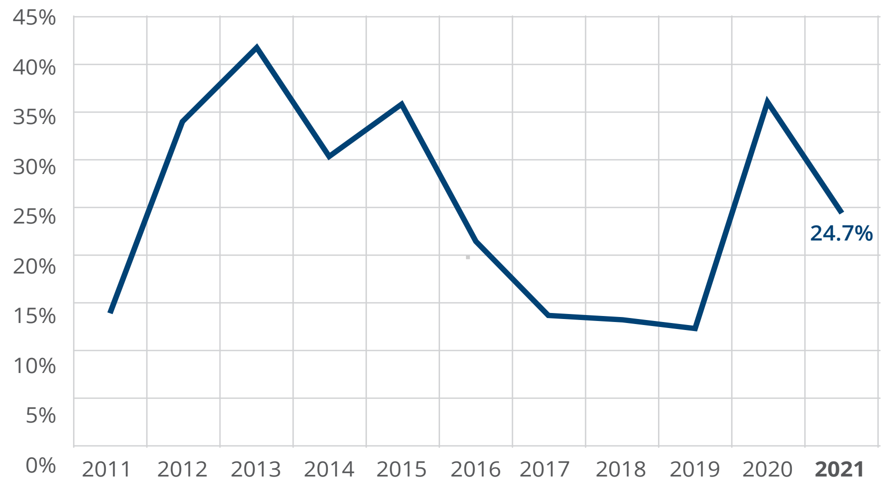


Source: Morgan Stanley Cap. Int. (October 2021)

SHAREHOLDER COMPENSATION BACK ON THE RISE



WEIGHT OF SCRIPS IN TOTAL DIVIDENDS DISTRIBUTED



DIVIDEND YIELD OF SECURITIES IN 2021

AS OF 30 DECEMBER 2021

IBEX 35		
1	Endesa	12.444%
2	Telefónica	8.982%
3	Enagás	8.275%
4	Mapfre	7.549%
5	ACS	7.306%
6	Repsol	5.634%
7	Bankinter	5.203%
8	Red Eléctrica	5.137%
9	Naturgy	4.645%
10	Acerinox	4.392%
11	Iberdrola	4.054%
12	Inditex	2.454%
13	Acciona	2.329%
14	Grifols	2.219%
15	CIE Automotive	1.936%
16	Ferrovial	1.821%
17	Banco Santander	1.649%
18	Almirall	1.637%
19	Merlin	1.567%
20	BBVA	1.524%
21	Fluidra	1.136%
22	Caixabank	1.110%
23	Pharma Mar	1.052%
24	Arcelormittal	0.737%
25	Laboratorios Rovi	0.517%

IBEX MEDIUM CAP		
1	Faes Farma	10.581%
2	Logista	6.845%
3	Ebro Foods	6.754%
4	Prosegur	5.368%
5	Línea Directa Aseguradora	4.439%
6	Sacyr	4.199%
7	Zardoya	3.994%
8	FCC	3.610%
9	Viscofan	2.970%
10	CAF	2.301%
11	Corp. Fin. Alba	1.942%
12	Applus	1.855%
13	Vidrala	1.344%
14	Unicaja Banco	1.072%
15	Global Dominion	0.526%

IBEX SMALL CAP		
1	Prosegur Cash	6.198%
2	Aedas Homes	5.809%
3	Atresmedia	5.396%
4	Azkoyen	3.876%
5	Miquel y Costas	3.792%
6	Elecnor	3.270%
7	Nicolás Correa	2.833%
8	San José	2.041%
9	Audax Renovables	1.803%
10	Reig Jofre	1.380%

After it stopped declining in 2020, the amount of scrip payments started to fall again in 2021: nearly 29% over the year. In 2021, 15 payments of this type were made , the same as last year. Shares valued at EUR 4.716 billion have been distributed. This figure is equivalent to 24.47% of all distributed dividends. They made up 35.9% in 2020, although they were around 13% of the total the three previous years.

As of the end of 2021, 50 listed companies of the 85 that make up the IBEX family based on size had a dividend yield higher than the rate indicated by Spanish 10-year debt in the secondary market (0.55% daily average in December). They were 25 IBEX 35® companies, 15 IBEX Medium Cap companies and 10 IBEX Small Cap companies. Of the 8 first IBEX 35® companies, 5 belonged to the oil and energy sector. In all, 8 companies provided a dividend yield higher than Spain's year-on-year inflation rate in November (6.5%).

DIVIDENDS AND INVESTMENT PROTECTION

The importance of dividends in stock market investments is widely known, especially in terms of their impact on portfolio yields when investing over the long term. Their impacts are even noteworthy over the short term, however, and more so in the Spanish stock exchange than other venues, particularly when assessing longer periods of time.

In 2021 the IBEX 35® with Dividends provided an additional 2.85 percentage points of annual yield over the IBEX 35® per year. In exceptional inflation situations like the present (6.5%), this would mean a protective buffer of 2.85 annual points against the effect of underestimation introduced by general price elevation.

Looking back, the data are far more telling. The IBEX 35® is still 42.6% below its record high, which it reached 14 years ago (2007), while the IBEX 35® with Dividends is 10.5% higher. Throughout this period, the average monthly dividend yield for the Spanish stock exchange was 5.1% and average inflation was 1.3%.

Until this year, inflation has not been higher than the dividend yield rate in Spain for any month since 2008, either.

If we expand the horizon even further to the early 1990s (31 years ago), the average year-on-year inflation each month is 2.58% and the average stock market dividend yield is 4.1%. Generally speaking, falling within a target range for controlled inflation of 2% has been very valuable for Spain in terms of protecting the yield of stock market investments from this phenomenon. This is particularly true in a country like Spain, where the major companies that have systematically distributed dividends for many years now have been banking or energy blue chips, which still enjoy fairly reasonable financial and economic health to this day despite the string of predicaments over the past 15 years.

In the last decade of the 20th century, the average annual yield for the Spanish stock exchange was 3.5% with an average inflation rate of 4.15%. Since December 2001, the average monthly dividend yield is 4.4% and average inflation is 1.85%.

Recent studies suggest the dividend accounts for nearly 70% of the long-term yield for the return or total return (TR) indices of the Spanish stock exchange compared to 60% for comparable indices such as Eurostoxx 50 TR and 50% for TR indices of the US stock exchanges. This percentage is higher for indices that select stocks in companies with high and stable dividends (such as the IBEX Top Dividend), which also have less market risk since their beta (indicator measuring the response of these indices to the most representative index in the market) tends to be tight and they tend to be less volatile.

In international terms and as compared to the stock exchanges of developed countries, the Spanish stock exchange has taken a back seat to stock exchange venues, such as London and Milan, in recent months in terms of the leading role it has held in annual dividend yield for years. However, at close to an annual 2.8% in 2021 according to MSCI data, Spain is still one of the top markets in the world and its average over the past 35 years – calculated using reports from the same source – clearly place it in the top position.

SHARE BUYBACKS AND REDEMPTIONS MAINTAIN A POSITIVE TONE OF ACTIVITY

Another formula for shareholder remuneration that has remained relevant this year is share buybacks followed by redemption. This modality, which has a long history in the United States, has seen a great deal of growth there as well as in other European countries. From January to September 2021, the volume of shares redeemed on the New York trading floors was USD 640 billion – more than three times that of 2020. Over the same period, Europe's listed companies also announce programmes to buy USD 176 billion (EUR 152 billion) of their own shares – the largest amount since 2007 and more than twice that of the previous year.

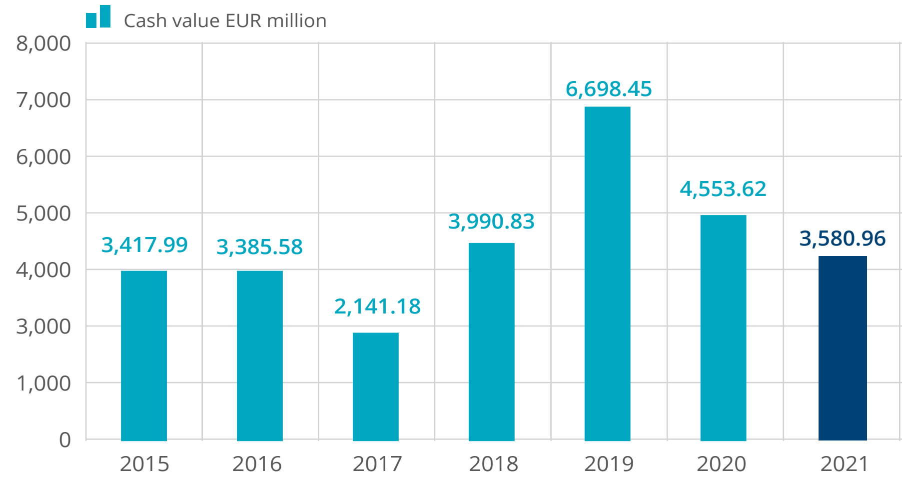
In Spain, the trend of using share redemptions as a remuneration mechanism has been growing slightly in recent years, although it declined in 2020 as a result of the pandemic., They reached EUR 3.581 billion at year end, redeemed by listed companies. The current annual record by the Spanish stock exchange was set at 6.7 billion in 2019. In 2021, 17 redemptions were carried out, affecting 391 million securities from 15 listed companies. What has been announced about things to come in the first quarter of 2022 suggests close to another EUR 4 billion in shares will be redeemed over the next few months, particularly as a result of the programmes announced by Arcelor, Santander and BBVA.

This form of remuneration is also typically referred to as a share buyback. This is because the action of the issuing company buying back its securities tends to be preliminary step to redemption. Even though the ultimate goal of a buyback is not always to remunerate shareholders, it does tend to be the most common, and in any event, as long as the shares remain in the issuing company's portfolio, they do not receive dividends (if any are produced), such that any dividends distributed go to a smaller number of securities that receive a larger portion of the distributed profit.

Normally, these share buybacks followed by redemption in treasury stock tend to be carried out to rebalance the company's financial structure or after imbalances due to various causes, including the dilution that occurs when scrip

SHARE REDEMPTION ON THE SPANISH STOCK EXCHANGE

EUR MN CASH



dividends (shares) have been paid in the past and increases were carried out in order to pay them.

As we noted, however, buybacks are not always aimed at redeeming securities. They are sometimes used to cover remuneration plans for executives and directors. On other occasions, they are also used to execute share stabilisation and liquidity plans as part of programs announced to CNMV.

The EU Market Abuse Regulation (MAR) took effect in 2016, and since it was fully integrated into the Spanish legal system in 2018, operations carried out using treasury stock (i.e. resulting from buybacks) have been monitored much more. The CNMV may consider them suspicious if they are not carried out as part of a buyback and stabilisation programme or liquidity contracts as included in the regulation in force.

SUSTAINABLE INVESTMENT IN SPANISH EQUITIES

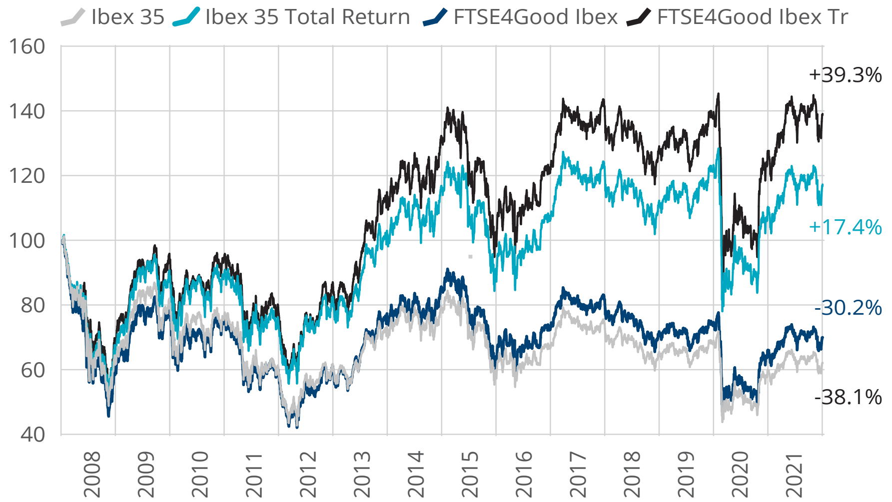
The pandemic as well as its impact on the entire world's social customs, way of life, and production and work models has accelerated two trends that had already been gaining a great deal of traction in the year leading up to 2020: the digitalisation of processes linked to generating value through work and conducting business, and secondly, the need to incorporate the concept of sustainability into all decisions on the investment and production chains.

In the second case, the public authorities have implemented massive programmes using both incentives and direct injection of public funds in order to support the bailout and recovery of the largest number of companies possible. As for the EU, when coming up with objectives sought by these direct and indirect aid packages, it defined targets and established conditions that were closely related to effecting a profound change in the ways companies produce and invest. The most extensive part of these change requirements have to do with sustainable practices at the companies. As a result, the companies that have survived the pandemic and still did not have a sustainable action model must now have and implement one pursuant to the Sustainable Development Goals and the 2030 Agenda.

The government did not really need to have much involvement it this topic aside from taking the opportunity to enact a regulation allowing a consensus on certain matters that should or should not be considered sustainable. These are the taxonomies associated with the Sustainable Development Directive. As we stated however, not much more was necessary since the flow of international investment capital and the major decision-makers on the allocation thereof – primarily large management companies and funds – have already pushed for

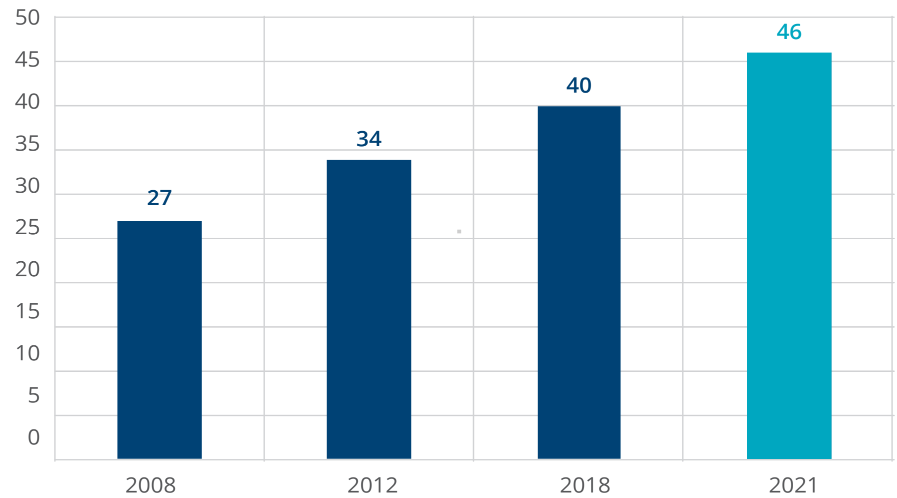
PERFORMANCE OF IBEX 35 vs FTSE4GOOD IBEX

(MAY 2008–DECEMBER 2021)



NUMBER OF COMPANIES INCLUDED ON THE FTSE4GOOD IBEX (2008–2021)

FIGURES AS OF YEAR END



the selection of assets that meet the demanding standards for observing and complying with the Sustainable Development Goals.

The IMF is more explicit in describing this in its latest financial stability report as follows: The global financial sector – and the investment fund sector in particular – can play a crucial role in catalysing private investment to accelerate the transition to a low-carbon economy and mitigate climate change. With investor awareness of catastrophic events rising in the wake of the pandemic, flows into sustainable funds, and into climate funds in particular, have surged since early 2020. Inflows support climate stewardship and issuance of securities by "green" firms. Sustainable investors may also offer financial stability benefits as they tend to be less sensitive to short-term returns. However, the sustainable fund sector remains small (USD 3.6 trillion in assets under management at the end of 2020, of which only USD 130 billion is in climate funds)".

The securities markets also have an important role to play in this context, and the Spanish stock exchange actually decided years ago to support this idea of promoting a future of sustainable companies and investments as an essential part of shaping the future. All the political, social and economic authorities involved in the transition to a more sustainable economy acknowledge the essential role that the financial and capital markets should participate in the process. As the company that manages the major Spanish capital markets, BME has been innovative and persistent in raising awareness of this role in order to facilitate and promote actions by investors and companies geared towards sustainability.

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 Russell. This index is a powerful tool with some very important features in the area 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 capitalise 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.

Another important aspect of sustainable investment is its profitability. Since it was created in 2008, the FTSE4Good IBEX TR® has gained 39%, compared to the 17% appreciation of the IBEX 35® with dividends.

One reflection of the rising commitment of listed companies to sustainable investment is the fact that since it was created in 2008, the FTSE4Good IBEX® index has increased the number of components from the initial 27 companies to 45 in 2021, with stronger growth in the most recent years.

In the area of the European Commission's Sustainable Finance Action Plan, changes are also being made to the Benchmark Regulation (BMR) to adapt some benchmark indicators to sustainability criteria. Entities that administrate indices – such as BME – will also have to adapt them to make passive management portfolios based on low-carbon indicators or on positive impact indices for decarbonisation.

BME is a member of the Spanish Observatory of Sustainable Financing (OFISO) created in 2019 as a multi-sectoral meeting forum independent from companies, financial entities, public administrations and other financial industry actors in order to discuss sustainable development.

LAUNCH OF IBEX GENDER EQUALITY INDEX

The IBEX GENDER EQUALITY index was launched in November, and it was designed to measure the performance of companies with exposure to gender equality in Spain that are listed on the Spanish stock exchange. By creating a gender equality index, BME/SIX reaffirmed its commitment to the inclusion of ESG factors in finances, and more specifically, it is contributing to gender equality under Sustainable Development Goal 5, by presuming that a larger number of women in leadership roles will help achieve this goal.

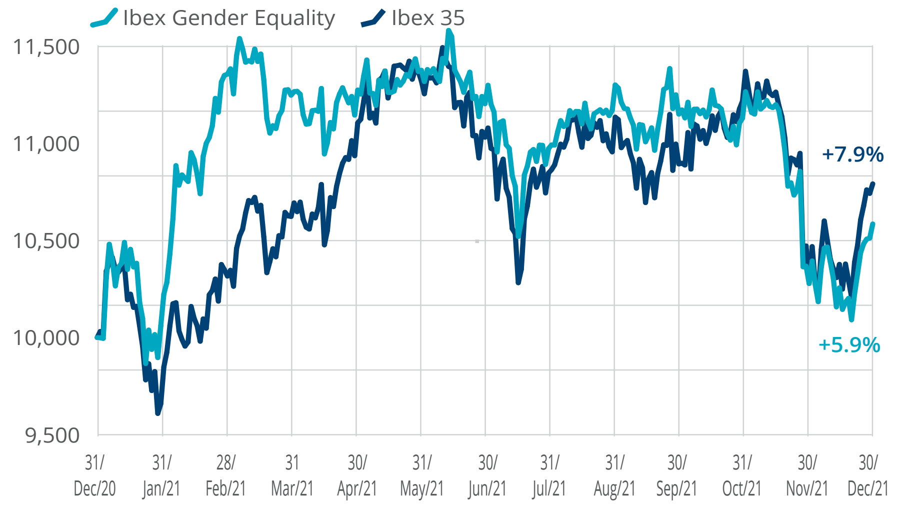
The IBEX GENDER EQUALITY index selects listed companies that are members of the IGBM and whose Board of Directors is comprised of 25–75% women and having 15–85% women in their senior management. The index does not have a set number of components and will instead add companies during its annual revisions as they meet the established minimum thresholds. 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.

This index has appreciated 5.9% in 2021 as of the end of December, compared to a 7.9% yield for the IBEX 35® index. The IBEX GENDER EQUALITY index currently comprises 33 companies.

ETFS AND WARRANTS REPORT LITTLE ACTIVITY FOR THE YEAR

In 2021 exchange traded funds (ETFs) traded on the Spanish Stock Market stood at an amount of EUR 1,555.97 . billion, representing a total of 91,948 trades. These numbers represent decreases of 39% and 40.5%, respectively, compared to the same period in 2020.

IBEX GENDER EQUALITY VS. IBEX 35, IN 2021



These negative reports have shattered the upward trend that appeared to be returning in 2020 after 4 years of virtually uninterrupted declines. The annually projected data hearken back to the record lows that occurred in 2019 (part of a string that began in 2006).

Currently, exchange traded funds on the Spanish stock exchange have a tax rate similar to that of shares. 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 penalise its attractiveness to investors and issuers in Spain, while in the United States and Europe they continue to register very significant activity figures.

Activity in this segment of the BME market was based on the 5 references that have remained for at least a couple years. As a whole, on 30 December they had a net worth of EUR 785 million, which is 28% more than was reported 12 months ago. Of this figure, 15.7% is represented in an ETF on the Eurostoxx 50 index and the rest falls under the umbrella of four instruments referenced to an index belonging to the IBEX family. Two follow the IBEX 35® and they comprise 71% of the total equity traded on the stock exchange. The bulk of activity was based primarily in investors expecting growth in the IBEX 35® since 43% of trading (EUR 668 million) was concentrated in LYXOR ETF IBEX Doble Apalancado, while LYXOR IBEX Doble Inverso garnered 28.6% of the value of trades.

Trading in warrants on the Spanish stock exchange also reversed the growth trend experienced in 2020. In 2021 EUR 290.94 million have been traded in cash, which is 9.4% less than during the same period in 2009. This is equivalent to 68.049 operations, or 21.7% fewer.

The rapid decline in market volatility levels to near pre-pandemic values has had its impact on the decreased activity among investors with these listed products. As in the case of ETFs, this year's balance sheet data in this chapter are back on the track of declining activity seen before the pandemic. Warrants on domestic shares represent 50% of cash trades in 2021; those issued on national stock indices, 28%; on foreign indices, 11%; on shares of foreign listed companies 9%; and the remaining 2% for exchange rates and other. At the end of the year, there were 1,877 warrant references on the market, after 3,903 new admissions were registered over the year.

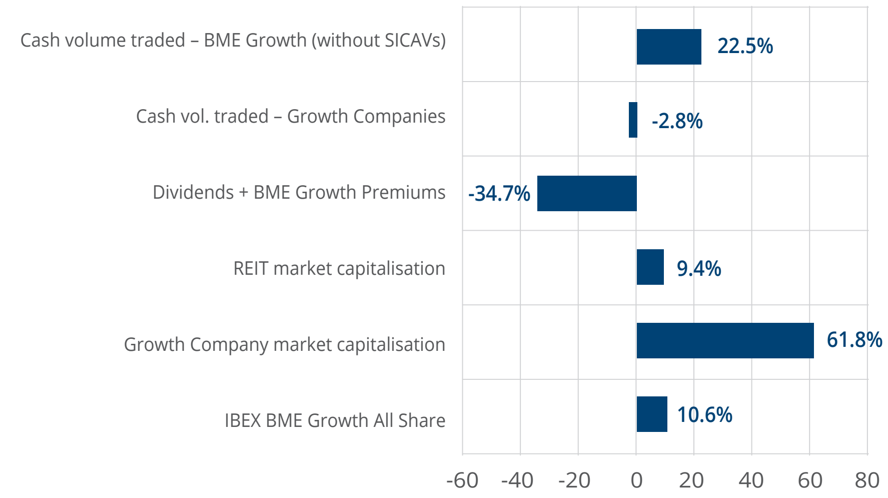
HIGHER ACTIVITY IN MARKET SEGMENTS FOR SMALLER COMPANIES

Aside from the good news resulting from the surge in listings and from the good reports of aggregate financing through the stock exchange, of particular note in the 2021 balance sheet is the boost of growth reported in BME Growth and in the Pre-Market Environment (PME) – an ecosystem to support financing and bring companies closer to the market that BME created specially for small and medium enterprises (SMEs).

Spain stands out as a country of small and medium companies, and they play a fundamental part in our economy. In fact, more than 99% of Spanish companies are SMEs, and they employ 80% of our country's workforce and represent 65% of Spain's GDP.

BME GROWTH CONSOLIDATING ITS GROWTH

ANNUAL VARIATION OF AGGREGATE DATA FOR GROWTH COMPANIES AND REITS AS AT 30 DEC. 2021



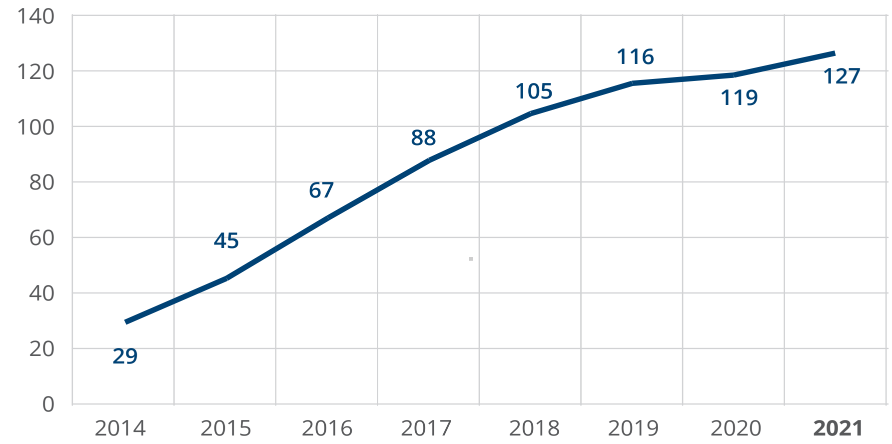
The aim of BME with the PME is for companies to familiarise themselves with the operations of the financial markets and for them to be able to access private and institutional investors to help them with this objective. To this end, the participating companies in any kind of sector have the support of partners specialising 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 2021, the PME gained another 9 new companies and 5 new partners intervening in the portfolio of services offered to companies. This makes 20 partners who are now members of the entrepreneur ecosystem. Over the entire course of 2020, 3 new companies and 1 new partner joined.

With the 9 companies that joined in 2021, this makes 29 that have now taken part in the assistance offered by the PME for their own development. Of them, 3 have made the jump to the market – specifically, to BME Growth. The last one to do so was Club de Fútbol Intercity, which debuted in October and became the first football team listed in the Spanish stock market. Before that, it was Catalan company Parlem, which debuted on 22 June with a capitalisation of EUR 45 million and is currently worth 105 million – more than double the amount. Cuatroochenta did so on 22 October 2020, which – along with the companies Soltec, Almagro Capital and Making Science – was nominated for the European Small and Mid-Cap Awards in the International Star category. These awards were created by the European Commission and the Federation of European Securities Exchanges (FESE) in 2013 and seek to promote the best practices and success stories among European small and mid-cap companies.

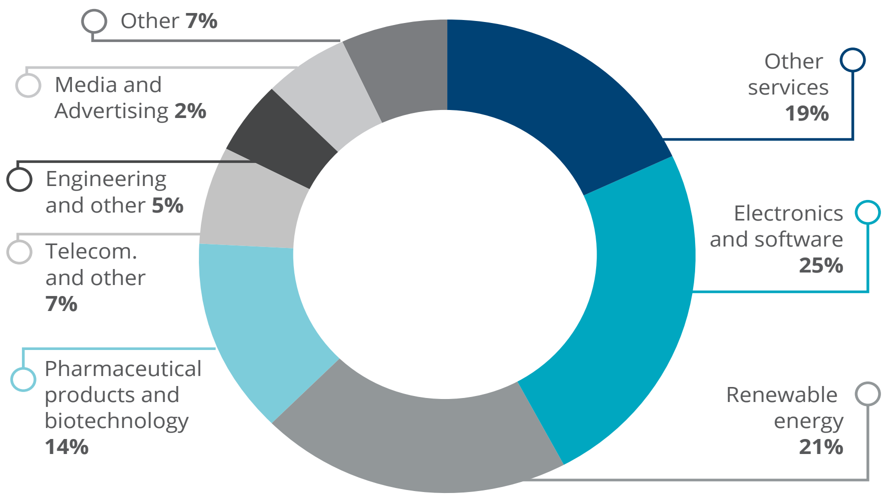
Parlem's inclusion in BME Growth in 2021 and the rapid appreciation of its price (130%) serve to illustrate the capacity for growth this market platform has exhibited for small and medium enterprises over the year, particularly in the growth companies segment. This segment is currently comprised of 50 companies now that 11 new admissions were reported over the year, and its capitalisation was EUR 5.092 billion as at 30 December, or 61.85% more than in December 2020. This growth is explained by the additions cited above and by the 10.55% increase in prices according to the IBEX BME Growth All Share index.

CHANGE IN NO. OF BME GROWTH COMPANIES



BME GROWTH SECTORAL STRUCTURE

(WEIGHT BASED ON CAPITALISATION) DATA CALCULATED AS OF 30 DECEMBER 2021.



The liquidity of this group for companies symbolically grouped under the label of „growth companies" also improved particularly in 2021. The volume traded in 2021 was EUR 805 million – nearly 7.1% more than in the same period of the previous year.

However, this marks yet another year in which the emphasis must be placed on the market's ability to be an efficient provider of financing for companies who are typically prevented from readily accessing diverse sources of funding due to their size. In 2021, "growth" companies admitted to trading carried out 48 financing operations (primarily increases) in the amount of EUR 441 million, which is 232% more than in 2020 and 20% above the financing that the market provided to the companies admitted over the past 3 years. Since it was created 12 years ago, 69 companies in this segment have made use of the financing mechanisms at their disposal to obtain EUR 1.559 billion through 250corporate operations.

The sectoral composition of the growth companies traded in BME Growth as a whole provides a good snapshot of what the path of transformation will apparently be for the economic backbone of Spain and the world. The technology, biotech/health, engineering, telecommunications and renewable sectors are the largest. Some forums have even qualified this subgroup of BME Growth as the "Spanish Nasdaq" since it includes around 15 companies that are clearly tech that have grown an average of 230% since they were initially listed.

Excluding the company segments whose main activity is to act as financial investment vehicles, such as SICAVs, HFs and ECRs, the section with the most growth the past few years in the BME Growth market in terms of figures is the segment of REITs, which are experts in managing real estate assets intended for rental. This year, 5 new REITs were admitted to end the year with 77 listed REITs – the same as in December 2020. Their capitalisation increased 8.7% to EUR 13.949 billion and their trade volume rose to EUR 129 million, or 123% more than during the same period in 2020. In terms of financing, 32 transactions were recorded in 2021 in 2021, which were used to mobilise EUR 519 million, or 223 million more than the previous year. Since appearing in the Spanish market in 2015, these companies have acquired EUR 4.103 billion in capital.

Collectively, the growth companies and REITs ended 2021 totalling 127 companies (8 more than a year ago) and a market value of EUR 19.060, which is 19.1% more year-on-year and twice the amount of just 4 years ago. In terms of financing, the EUR 960 million acquired is 124% more than a year ago and the third best annual record in a series reaching a cumulative EUR 5.662 billion. A significant portion of this money has been used to make selective purchases that have allowed many companies to obtain a large scale in very few years, which thus means BME Growth can be assigned a major share of responsibility in one of the missions for which it was conceived: to accelerate the growth of companies and to contribute to increasing the average size of Spanish companies in little time.

Without a doubt, the financing figure for BME Growth in 2021 is also a very important piece of data under difficult circumstances and after a period of sharp economic contraction, which proves the ecosystem for BME's small and medium enterprises is itself a market with significant growth potential for the next few years.

2.2 Financing

Financing has been one of the strengths of the Spanish securities market in 2021. It has been for years now, but all the more so this year due to the steady recovery of activity that has been much more apparent than on prior occasions due to the exceptional nature of the crisis that triggered the severe economic depression in 2020. The recovery in the pulse of activity was persistent in 2021 yet unsteady due to the constant presence of new variants of the virus. It is also true that, with the circumstances imposed by the crisis many opportunities are presenting themselves for old and new actors in company life cycles. There are activities for which the pandemic has served to distil and distinguish participants, which has left an open field for anyone with more financial muscle and/or better business projects to try to succeed faster and focused more on new applications and habits of current and potential customers.

All this changing reality has evidently cleared a path in the stock exchanges by channelling new financing and investment flows towards many companies of all sizes through IPOs and capital increases. These transaction have managed to raise funds that over the past few months have been devoted more frequently to expansion projects or company acquisitions than for restructuring balance sheets as was often the case in previous years.

Based on data from the Association for Financial Markets in Europe (AFME), the total value of the new shares subscribe in the European securities markets grew 39% in the first 9 months of the year 2021 compared to the same period in 2020. As for initial public offerings (OPIs), their amount increased fivefold during the same period, while the amount of capital increases rose 8%. In mergers and acquisitions of European companies, operations worth EUR 829 billion were reportedly carried out compared to 519 billion during the same period of the previous year, which represents a 60% increase and the highest value since 2007.

In this role of the stock exchanges as centres for channelling corporate financing and executing corporate equity transactions, the regulated securities markets have witnessed a year of strong growth experienced by small, medium, and large companies. Spain was no exception, and after a faltering first quarter, 19 companies were listed on the market, which mobilised EUR 2.933 billion in funds versus 10 operations in all of 2020, which raised EUR 255.39 million. There was also strong growth in capital increases: 97 operations for the year at a total value of EUR 21.003 (+33% over the year) billion as compared to 100 operations over the same period in 2020 in the amount of EUR 15.791 billion In 2021, 15 increases were aimed at paying scrip dividends.

In total, the investment and equity financing channelled to listed companies was EUR 23.935 billion, which is 9% more than in 2020 as a whole. This figure places the Spanish market among the world's top 10 in this regard.

In terms comparable to other stock exchanges and based on the metrics used by the World Federation of Exchanges (WFE), new investment flows and financing channelled through the BME platforms in 2021 totalled slightly more than USD 32.140 billion as valued on their admission price and converted using the average euro/dollar exchange rate each month between January and December. This figure is nearly twice that of 2020, and it places BME among the most powerful securities markets in the world under this heading for yet another year, where it consistently ranks among the top 10–15 in the world out of a total of 100 global venues included in the WFE statistics.

In this comparison covering nearly the entire century (from 2006 to the present), BME has acted a vehicle for providing companies with new financing flows in the total amount of close to USD 650 billion. In relative terms, the average capitalisation of the market is 65% of this value – a much higher percentage than that reported by other reference stock exchanges in the developed economies.

For nearly the twelfth year in a row, the SME stock market, BME Growth, has allowed smaller companies to execute interesting financing operations in 2021. Without taking into account SICAVs, SILs and ECRs 16 new companies were listed in 2021 as compared to the 10 that did so in all of 2020. This is the first time in several years that the number of REITs entering the market (5) was lower than that of companies in other sectors.

IPOS RECOVER IN NUMBER AND VALUE

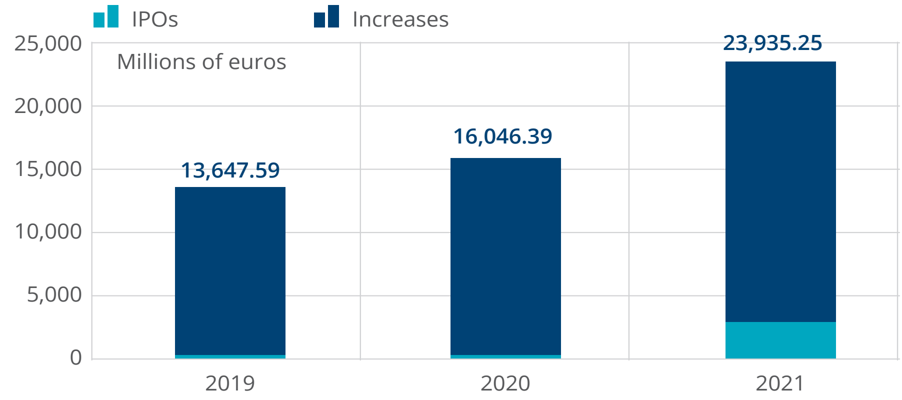
In 2021 and as we mentioned earlier, excluding SICAVs,SILs and ECRs, 19 new companies joined the BME platforms over the course of the year, 3 of which did so in the stock exchange and 14 in BME Growth, of which 5 are REITs. Collectively, these companies raised EUR 2.933 billion as of their IPOs, which is a significant amount and surpasses three years in which new listed companies have raised far fewer funds using this operation (255 million in 2020 through 10 operations, 278 million in 2019 through 22 operations, and 855 million in 2018 through 28 IPOs). In other words, the increase in the number of companies and value over 2020 is significant, but given the exceptional and negative circumstances we experienced the past year, what matters is that initial and secondary offering activity in the Spanish stock exchange is returning to figures similar to 2017, when 30 IPOs were recorded at a value approaching EUR 4.3 billion.

This normalisation as well as the parallel growth reported in 2021 in simultaneous and successive capital increases for new companies and for the remaining listed companies is the most significant figure from the year's events in this segment of activity of the stock exchange.

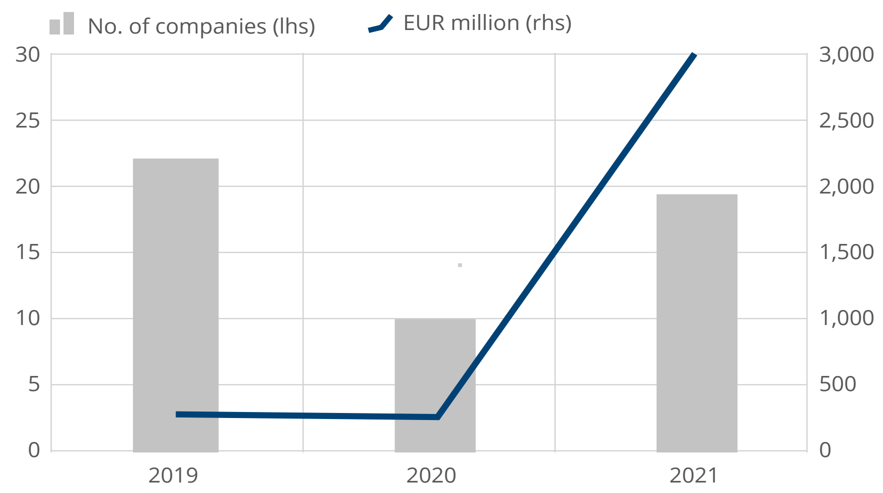
Moving on from aggregate figures to the details, it is worth noting that of the three stock exchange listings in 2021, two (Acciona Energía and Ecoener) were in the renewable energy sector. Following the trend of the past few years, this remains the largest increase in critical mass on the Spanish stock exchange. As such, the renewable energy sector has seen its market weight grow over the year, and its market capitalisation now represents 2.50% of the total domestic market, while this figure was 1.26% 11 months ago.

By entering the market through a secondary offering, Ecoener was able to obtain around EUR 100 million with high demand for securities, whereas Acciona Energía made an initial offering in which over 180 investment groups participated and through which it placed 17.25% of its capital. The company was listed at a value of EUR 8.8 billion, which made it the largest IPO since Cellnex (2015).

EQUITY FINANCING RAISED ON THE SPANISH STOCK EXCHANGE



NUMBER OF IPOS AND FUNDS OBTAINED IN INITIAL/ SECONDARY OFFERINGS



In turn, Línea Directa was the third company to enter the main market – also via an initial offering, in which it placed over 82% of its capital and obtained an initial capitalisation of EUR 1.434 billion. This capitalisation rose quickly once trading began and the largest stock market début since 2013 was reported with a 23.07% increase the first day it was listed.

As for BME Growth, the 14 new additions bring the total number of companies up to 127, with a capitalisation of over EUR 19.060 billion.

It is worth noting that 11 of these new listings belong to the growth company segment, which is the highest number of companies joining this group since 2015 and raises the total figure to 50 companies – the highest since this market was created.

EXPLOSION OF SPACS

In parallel, the increase in initial offering at the global level is also due to the significant growth currently experienced by special purpose acquisition companies (SPACs), which are intended to acquire unlisted companies. This form of operation has already totalled over USD 137 billion in the United States, which is much higher than the previous year. Meanwhile, Europe is experiencing significant growth, although it is still far from the US figures. According to AFNE, 11% of the combined IPOs in the EU, UK and Switzerland in 2021 were carried out using SPACs as "landing" vehicles for companies on the stock exchange.

Regarding SPACs in Spain, the Ministry of Economic Affairs and Digital Transformation published the preliminary draft of the Spanish Securities Market and Investment Services Law on 5 May, which provides for regulation of SPACs in the Spanish legal system, among other aspects.

As stipulated in the explanatory memorandum of the preliminary draft, this type of company is particularly interesting for companies in development since it favours diversification of financing sources by facilitating the access of companies to listing and to the alternatives offered by the market.
In order to potentially be implemented in the Spanish legal system, it requires a reform of the corporate regulations and the securities market based on the characteristics of investment and particularly divestment in said vehicles by their shareholders. This regimen would apply to both the SPACs admitted to the stock exchange and to BME Growth and would lapse once the de-SPAC is finalised or a company is landed in the market via an SPAC.

Among the main guidelines of the preliminary draft, it is important to note the change of the company names of such entities (to indicate "SPAC.SA") until the planned acquisition is carried out and the assurance that the investors' capital is adequately protected by freezing the allocated funds in the public offer of securities. SPACs must also incorporate mechanisms to reimburse the capital invested by shareholders, such as the introduction of a statutory right of separation or the issuance of redeemable shares.

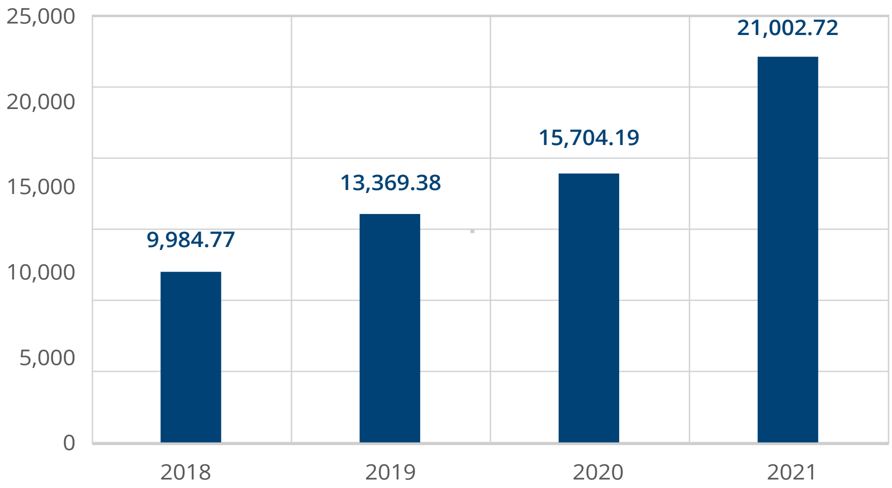
CAPITAL INCREASES REGISTER THEIR BEST YEAR SINCE 2016

In terms of capital increases, the Spanish stock exchange also saw strong growth in 2021: 97 operations for the year at a total value of EUR 21.003 billion as compared to the 100 that were carried out over the same period in 2020 in the amount of EUR 15.791 billion.

Unlike the previous year, when this type of operation was primarily used by companies to strengthen their financial structure and meet their remuneration commitments to shareholders, the financing raised by companies in 2021 has

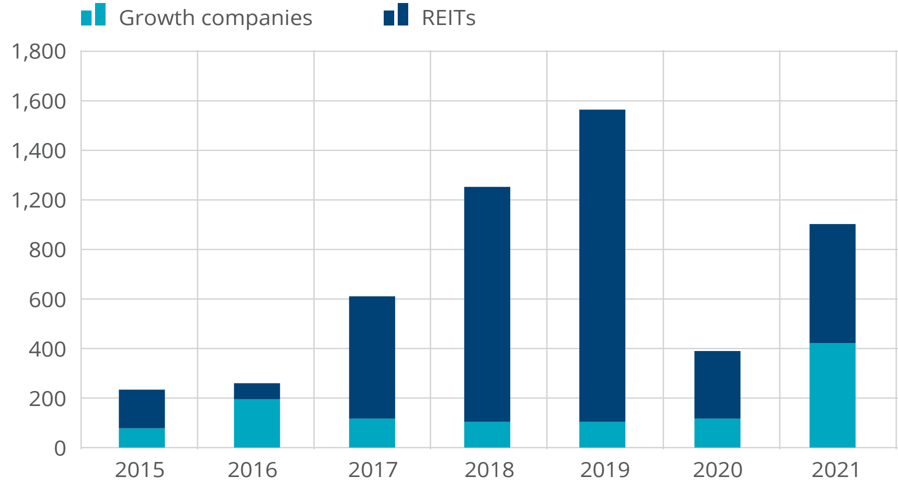
CAPITAL INCREASES IN BME

VALUE IN MILLIONS OF EUROS.



FUNDING RAISED BY BME GROWTH COMPANIES

(EUR MN)



largely been used for new programmes to expand their businesses and to conduct merger and acquisition operations with other companies. Of course, they have also been used to carry out shareholder remuneration programmes using shares (4 transactions) and occasionally to reduce external debt.

Examples of the increases carried out in order to make acquisitions are Colonial and Cellnex, which performed the year's largest capital increase in the Spanish market at EUR 7 billion.

In turn, Caixabank and Unicaja used this mechanism for their respective mergers with Bankia and Liberbank, by swapping shares issued in capital increases. Caixabank increased its capital by around 5.4 billion, which was the second largest operation of the entire year. Unicaja increased its capital EUR 1.075 billion, which makes its increase the year's third largest by size not counting Iberdrola's two operations.

Another notable capital increase during the year was carried out by DIA in the amount of EUR 1.027 billion, which was aimed at a debt-to-equity swap in order to reduce its leverage by 60%, strengthen its solvency and improve its liquidity. Along these same lines, OHL carried out two capital increases in the amount of around EUR 87 million as part of the company's refinancing plan that will allow it to reduce its debt.

Lastly, capital increases in order to remunerate shareholders were resumed. As such, Iberdrola carried out two capital operations that were released to make a dividend payment in a total amount of over EUR 2.037 billion, with Telefónica doing the same in the amount of 759 million. In 2021, the total amount of capital increases intended to pay scrip dividends was EUR 4.174 billion, which was almost 30% less than during the previous year.

Following in the same vein, BME Growth experienced a 124.1% increase in terms of raising the financing provided to companies in the form of increases and new company market admission operations. We are talking about EUR 959.74 million in 2021 versus 428.31 million for all of 2020. The amount raised by companies listed in the growth companies segment was reported at its highest levels since being created in 2009. It was EUR 441.04 million, or 231% higher than the previous year after the admission of 11 new companies was recorded. In turn, the REIT segment reported EUR 518.70 million in new financing flows and rose just over 75.64% year-on-year after reporting 5 new companies in the market.

Regarding hybrid debt and equity instruments issued by Spanish listed companies, this remains an active market that manages to attract many investors given the risk/return combination offered by the issues in a low interest rate environment.

Of the operations with the highest issued volumes, the following stand out: Iberdrola's hybrid green bonds in the amount of EUR 2 billion, IAG's convertible bonds in the amount of 825 million, and Telefónica's issuance of its first sustainable hybrid bond of 1 billion. The Spanish banking sector has also been active in issuing hybrid debt with an additional target: strengthening its financial structure. Such is the case for Santander, with two convertible contingent (CoCo) issues totalling more than EUR 2.5 billion, and the case for Caixabank, with an issue in the amount of 759 million.

All of these stand out for having been in high demand, with considerable over-subscription given the value of their issues.

REVIVAL OF BUSINESS CONCENTRATION OPERATIONS IN 2021

After an intense 2019 and several months in 2020 in which M&A activity was suspended as a precaution by the companies given the heightened uncertainty around the economy, the activity of these operations in Europe has gradually accelerated since the second half of 2020. Over the course of 2021, merger and acquisition activity in Spain has been concentrated in the following sectors: financial, pharmaceutical, renewable energy, technology, telecommunications and real estate.

Major operations took place over the course of the year that were concentrated in the Spanish banking system. First, Caixabank and Bankia concluded the merger they had announced back in 2020. This operation made the new entity the new national market leader based on number of customers and assets, and it allows the Spanish government to recover part of the investment it made in Bankia through the FROB. Second, the merger between Unicaja and Liberbank was also completed, and it resulted in Spain's fifth largest bank by asset volume.

In turn, takeover bids have picked back up in the Spanish market after the little activity recorded in 2020. Four of these operations were carried out, of which two were total (100% of the capital), one was partial and one was an exclusion takeover bid.

One of the total takeover bids carried out was for 100% of the capital of Euskatel by Kaixo Telecom, a company in MásMóvil Group. The operation

– valued at close to EUR 2 billion – combines the fourth and fifth national telecommunications operators. The second total takeover bid was extended by Kerry Iberia Taste & Nutrition – owned by Ireland's Kerry Group – for Biosearch in the amount of around EUR 126.9 million.

The partial takeover bid was extended by Australian pension fund IFM for 22.7% of the capital of Naturgy Energy Group. Moreover, the takeover bid concluded with IFM's acquisition of 10.83% of the energy company's capital, which represented a transaction value of EUR 2.318 billion.

Lastly, Barón de Ley extended an exclusion takeover bid for 8% of the capital not controlled by the executive team in a operation totalling EUR 34.2 million.

Last June, Switzerland's EQT also presented an EUR 881 million takeover bid for Solarpack that was accepted by 96% of the shareholders and will allow EQT to exercise the right to squeeze out the remaining 4% of the capital and exclude the company from the stock exchange. There is also takeover bid pending conclusion that was extended by the US-based Otis Group for 49.9% of the remaining capital in Zardoya Otis that it does not own in order to exclude the company from the stock exchange.

Experts suggest that the growth prospects for the M&A market in the upcoming years are good due to interest rates remaining low, the great liquidity in the market and the investor appetite of the venture capital.

3 FIXED INCOME

Interest rates and maturities remain favourable for **public and corporate debt** with high issue volumes

MARF reached **117** issuers with an outstanding balance of 9.645 billion (+82%)

266 Billion euros in public debt and **113** billion euros in corporate debt admitted to BME

FIXED INCOME

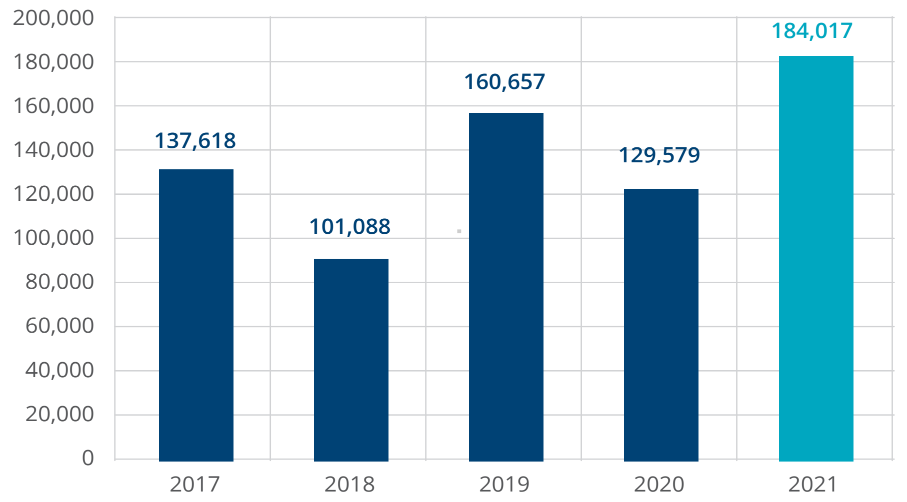
The public and corporate debt markets have maintained their capacity to finance the public administrations and companies with very large volumes of funds and under highly favourable interest rate conditions and maturities, while still having the support of the expansionary monetary policies of the main central banks. Of note is the role of MARF, which reached 117 issuers and increased its issue volumes 44% and outstanding issues 82% in 2021 . It was also another record year for sustainability financing in the world and in Spain.

3.1. Public debt activity

The volume of Spanish public debt issued and admitted to trading on BME's fixed income regulated market in 2021 was EUR 266.252 billion, or 3% less than in the previous year. This slowed the fast pace of issuance in public sector throughout 2020 (+36%) in response to the effects of COVID-19, bringing Spanish public debt up to 120% of GDP at year-end, having risen 24 percentage points. In 2021, the asset purchase programmes launched by the European Central Bank remained in place throughout the year, and they made it easier to issue and place public debt while keeping interest rates at historically low levels. Issuance and admission volume was lower for Treasury bills (-0.9%), and shrank especially for medium- and long-term debt (-8.5%), with a volume of close to EUR 159.500 billion in 2021. The largest increase occurred in debt issued by the autonomous communities (+62%), some of which returned to the markets after years of absence.

REGULATED FIXED INCOME MARKET VOLUME TRADED ON THE SENAF PLATFORM

(2016–2021.) MILLIONS OF EUROS



PUBLIC DEBT

VOLUME TRADED ON THE FIXED INCOME PLATFORMS
MILLIONS OF EUROS. * VARIATION IN 2021 COMPARED TO SAME PERIOD OF PREVIOUS YEAR

	SENAF	SEND	TOTAL
2019	160,657	173,035	333,692
2020	129,579	149,604	279,183
2021	**184,017**	**49,634**	**233,651**
*Var. % **	*42.0%*	*-66.8%*	*-16.3%*

FEWER TREASURY ISSUES AND FALLING INTEREST

On the whole, the latest Treasury data for 2021 suggest net public debt issuance at all maturities totalled EUR 75 billion, after a series of reductions of up to 25 billion from the initial estimates for the year and far from the net 110 billion in 2020 as a result of the pandemic. The estimated gross issuance for 2021 was around 265 billion. Despite the volume of issues remaining high, the average cost of new issues in the year has fallen to -0.04%, below the +0.18% average for the entire previous year and with 60% of the issued volume placed at negative rates. The average cost of all outstanding public debt has also fallen to 1.65%, below the 1.88% average at the close of the previous year. The average life of all Spanish public debt has increased to 8 years – a level considered adequate to reduce the risk of refinancing and exposure to interest rate increases. In 2021, 60% of the issues were carried out with negative interest rates.

The admission of foreign public debt in the BME fixed income market rose to EUR 786.751 billion in 2021, or 5.8% more than in the previous year. In order to make use of the BME fixed income market's SEND electronic contracting 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 Spanish public debt in the fixed income regulated market stood at EUR 1.24 trillion at the end of December – a 6% increase compared to the previous year. The balance of foreign public debt on the same date fell by 2.1% to EUR 4.59 trillion.

In 2021, public debt traded on the SENAF platform reserved for market makers rose 42% to EUR 184.017 billion, and the number of back-to-back operations rose 12.5% to more than 26,000. By contrast, volumes on the SEND platform for end investors dropped 67% as a result of the disappearance of some traditional market brokers. The total volume of public debt traded on BME platforms between January and December was just shy of EUR 233.651 billion.

BME LAUNCHES FAMILY OF GOVERNMENT DEBT TRANSACTION YIELD INDICES (RODE)

Since May 2021, the Spanish fixed income market has had a new family of government debt transaction yield (RODE) indices, which is designed to reflect the evolution of the Spanish public debt market at different 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 transaction on a monthly and semi-annual basis.

The daily RODE indices are designed to reflect an average for rates and prices as weighted by the nominal volume of the transactions carried out over the past month. The conditions of the Spanish short- and long-term debt market throughout 2021 are reflected well in the performance charts for both the RODE Public Debt Index from 6 to 12 months and the RODE Public Debt Index from 8 to 12 years. Based on these indices that measure prices and transactions from the previous month for each date, the yield on a portfolio of short-term debt (6–12 months) was 0% between January and December, while it was negative on long-term debt (8–12 years) at -6.3%.

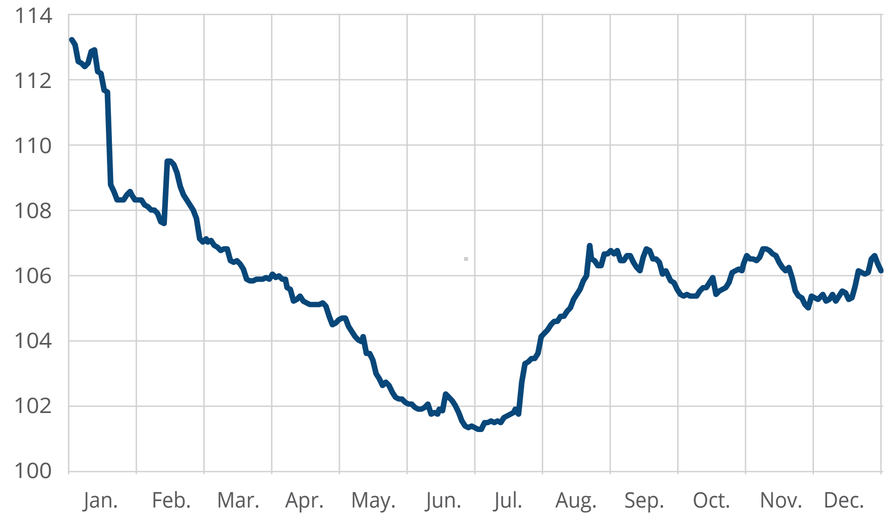
RODE INDEX: 2021 YIELD ON SPANISH PUBLIC DEBT FROM 6 TO 12 MONTHS

DAILY RODE INDEX OF SPANISH PUBLIC DEBT FROM 6 TO 12 MONTHS

DAILY DATA. SOURCE: BME

RODE INDEX: 2021 YIELD ON SPANISH PUBLIC DEBT FROM 8 TO 12 YEARS

DAILY RODE INDEX OF SPANISH PUBLIC DEBT FROM 8 TO 12 YEARS



DAILY DATA. SOURCE: BME

In turn, the monthly RODE indices are calculated in the first session of each month using data from the previous six months, and they are intended to serve as an indicator and benchmark for financing transactions and contracts. 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 benchmark index is considered the official interest rate and will be calculated by Sociedad de Bolsas in its capacity as index administrator. The Bank of Spain will publish it each month in the Spanish Official Gazette and on its web page.

3.2. Corporate debt activity

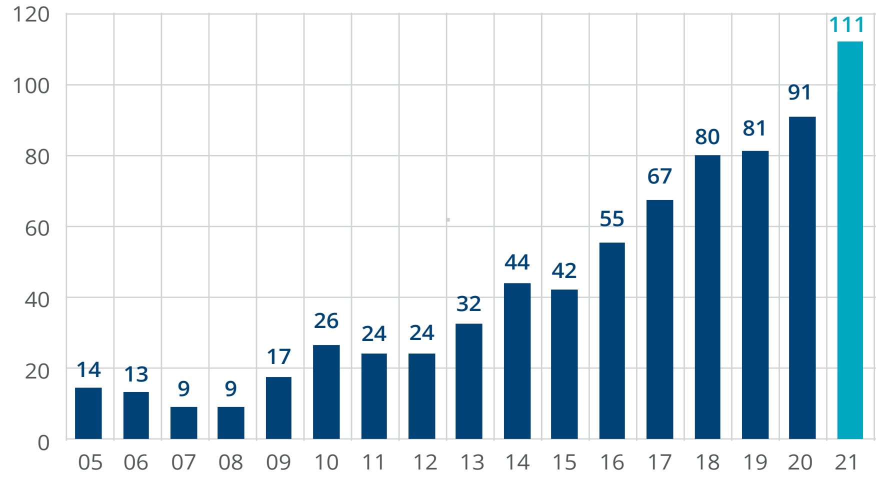
The volume of Spanish private debt issued and admitted to trading on the regulated market between January and December 2020 was EUR 113.124 billion, a year-on-year decrease of 5.2%. Unlike what happened the previous year, where promissory note issues nearly doubled, companies seized on favourable market conditions to issue longer maturities in 2021. The increase in medium- to long-term debt issues stands out, having risen 84.7% to 37.603 billion.. Along with steady mortgage bond issues, the issuance of CoCos – a debt considered to be an anti-crisis buffer – by medium-sized banks such as Sabadell and Abanca was also noteworthy this year.

The retention of the ECB's corporate debt acquisition programs launched in March of the previous year to counter the effects of the pandemic on liquidity in the financial system has continued to be a supporting factor for corporate issues. In this context, interest rates for private fixed income in Spain have generally remained stable, with changes depending on their credit rating and their outlooks.

Once again, a record number of non-financial companies in Spain was carried out issues in the fixed income markets in 2021. During the year, 111 companies had done so, which is 20 more than in all of 2020. The increase in the number of non-financial companies able to finance themselves in the fixed income markets has been remarkable over the past ten years, and it has largely been supported by

NO. OF NON-FINANCIAL CORPORATIONS THAT ISSUED FIXED INCOME EACH YEAR

(2005–2021). INCLUDES BOTH SHORT- AND LONG-TERM ISSUES



Source: Bank of Spain

REGULATED AIAF FIXED INCOME MARKET

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

	BONDS AND DEBENTURES	WARRANTS	SECURITISED BONDS	PREFERENCE SHARES	COMMERCIAL PAPER	TOTAL
2020	20,360	38,498	36,281	1,750	22,294	119,183
2021	**37,603**	**35,351**	**18,376**	**1,625**	**20,169**	**113,124**
Var %	*84.7%*	*-8.2%*	*-49.4%*	*-7.1%*	*-9.5%*	*-5.1%*

the appearance or markets such as MARF, which has facilitated the incorporation of companies of all sizes.

At the end of December, the total outstanding balance of Spanish issues registered in the regulated private fixed income market remained practically at the previous year's levels, at EUR 456.744 billion.

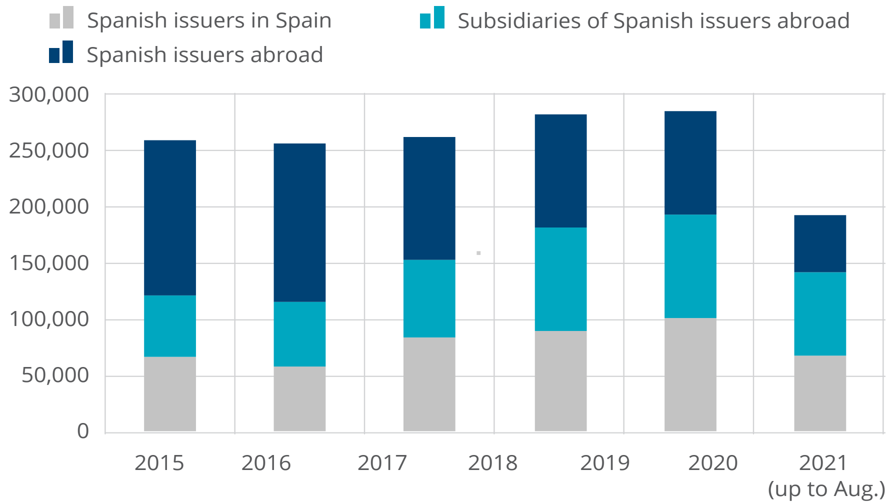
The volume of issues made and registered by Spanish companies and business groups in foreign markets and stock exchanges remained high in 2021. Based on data published by the CNMV, the issues carried out in foreign markets by Spanish issuers or their affiliates totalled EUR 123 billion as of August, a figure that is easily exceeds the 74 billion issued in the Spanish market. This practice that does not benefit the Spanish financial markets or their participants and both the CNMV and BME have been trying since 2018 to improve the attractiveness of the Spanish markets for issuing companies through the implementation of measures that simplify the issuance and admission of debt and facilitate fundraising in domestic markets. In recent years, some major Spanish companies have reversed this situation and repatriated some of their fixed income issues or carried out issues in Spain.

MARF GROWS MORE THAN 40% AND SURPASSES 100 ISSUERS

BME's alternative fixed income market (MARF) concluded an extraordinary year in 2021, in which not only did it easily break the threshold of 100 companies financed since its creation, but it also got back on the track of strong growth after the previous year was marked by the pandemic. MARF was designed as a result of the financial and sovereign debt crisis, and it was launched in late 2013 as a multilateral trading facility to facilitate fixed income issues by companies of various sizes, many of which had no presence in the capital markets before issuing in MARF. Since it inception, 117 companies have already used it to raise funds since it was launched – 6 of them from Portugal, 1 from the Netherlands, 1 from the United Kingdom, 1 financial institution from Germany and 1 Canadian company. After growing steadily during its 7 years of life, MARF plays a major role among the alternatives in the move to diversify corporate funding sources in Spain.

TOTAL ISSUANCE OF FIXED INCOME BY SPANISH BANKS, COMPANIES AND BUSINESS GROUPS

(2015–2021). MILLIONS OF EUROS. ISSUES CARRIED OUT IN SPAIN AND IN FOREIGN MARKETS



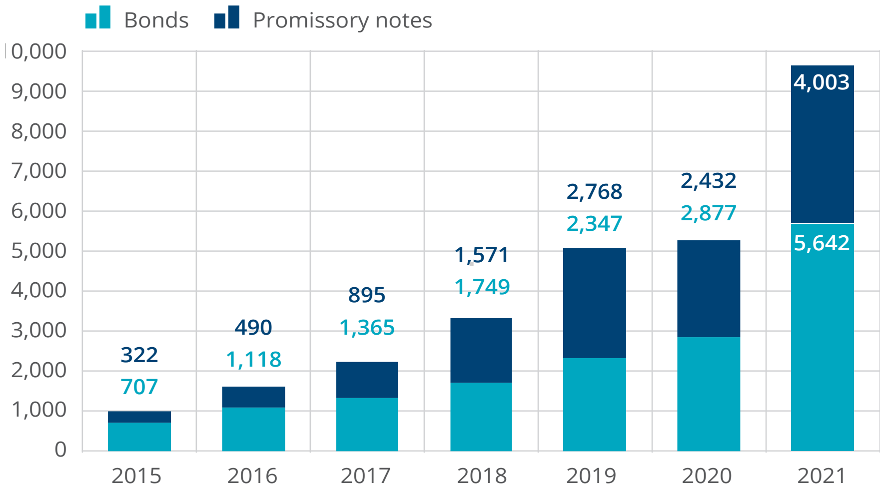
Source: CNMV

The volume of issues and admissions added to MARF in 2021 was EUR 13.850 billion, which represents a 44% increase from the previous year.

Between January and December, what stands out is both the increase in short-term promissory notes issued (+23%) and the recovery in medium- and long-term issues in particular – especially focused in securitisation issues, with the arrival of major entities in this market. Such is the case with Caixabank Corporates 1 Securitisation Fund, which combines a portfolio of loans to companies greater than EUR 2 billion, and this provides a major boost as a means for financing companies in the real economy. A new issue of synthetic securitisation was also admitted in 2021, Pymes Magdalena 4 Securitisation Fund, constituted by Sociedad Gestora Santander de Titulización and referenced to a portfolio of 1.2 billion in loans to SMEs, which covers the credit risk of that portfolio. The first green

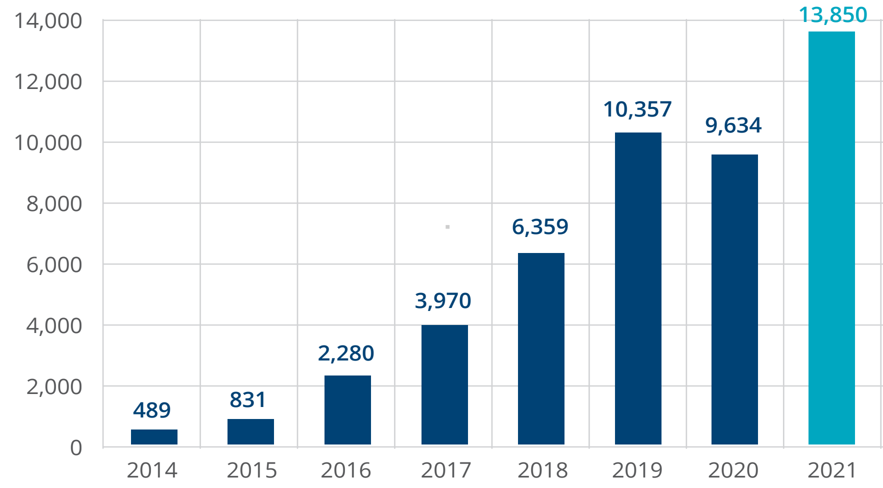
MARF OUTSTANDING BALANCE AT END OF THE PERIOD (2015–2021)

FIGURES IN MILLION EUROS



MARF VOLUME ISSUED AND ADMITTED TO TRADING IN THE YEAR (2014–2021)

FIGURES IN EUR MILLION



securitisation bond issue was admitted in October, specifically the Sacyr Green Energy Management Securitisation Fund in the amount of EUR 104 million, the assets of which consist of credit rights from invoices tied to work in cogeneration plants, biomass plants and oil extraction plants. The issue has a Green Bonds rating in accordance with ICMA Green Bond Principles. It is also very noteworthy that the first issue of securitisation bonds carried out by German financial institution Süd-West-Kreditbank Finanzierung GmbH was admitted to trading on MARF in November. This is the first time a securitisation fund backed entirely by foreign assets has been admitted to trading in the Spanish market.

The great diversity of companies that MARF has managed to attract since its launch was evident once again this year. The new admissions included food company Ultracongelados Virto, General de Alquiler de Maquinaria (GAM), La Finca Socimi, Nimo´s Holding (holding company for Inveready Group), EBN Banco, Nueva Pescanova, García Munté Energía, Biodiésel de Aragón, Making Science, logistics company Ontime Corporate Union, Asturiana de Laminados and in the final quarter of the year, Balearic mobility solutions group OK Mobility, telecom companies like Avatel, industrial companies like Canadian Solar and Cunext, and food companies like La Sirena; bringing the total to 20 new issuing companies in 2021.

The programme of public guarantees channelled by Instituto de Crédito Oficial (ICO – Official Credit Institute) for promissory note issues in MARF for a value of EUR 4.5 billion was also kept in place during the year, aimed at meeting liquidity needs due to the economic impact of COVID-19. ICO coverage accounts for up to 70% of the total volume of the issue and up to 17 companies have made modifications to their promissory note programmes to include the option of issuing guaranteed promissory notes. One of the characteristics of guaranteed promissory notes that stands out is the extension of the issuance terms in order to help the financial stability of the companies. In the same vein of support to small and medium enterprises in order to access non-banking financing, the ECB has considered MARF to be a multilateral trading facility eligible for monetary policy since October 2020.

MARF concluded 2021 with an outstanding balance of EUR 9.645 billion in issues, which is 82% more the previous year, with balanced outstanding bond issues in the amount of EUR 5.642 billion distributed among 61 issues and EUR 4.002 billion in 386 tranches issued within the promissory note programmes in place.

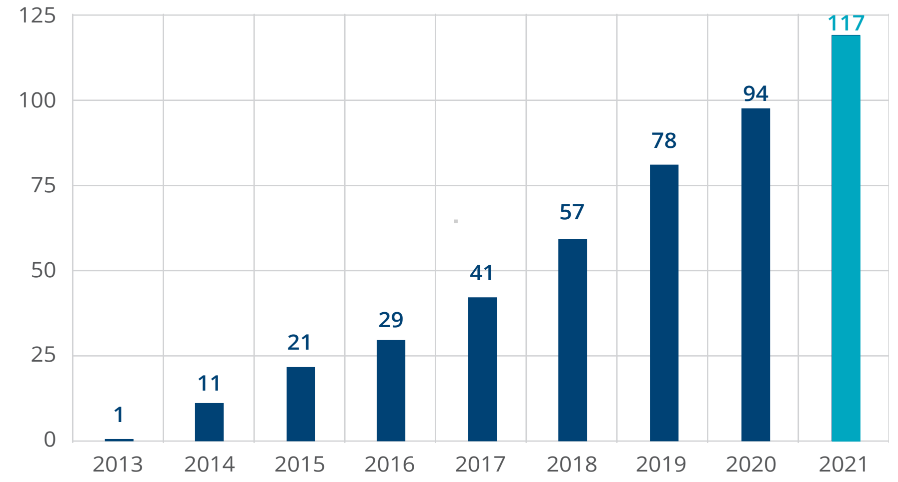
One noteworthy milestone of the year was in April, when MARF broke the symbolic figure of 100 issuers since it was created in late 2013. A paper published around that time by professors María José Palacín and Carmen Pérez of the University of Seville, titled "MARF and its contribution to business growth", provides a thorough analysis and reckoning of MARF's first years and these 100 first issuers.

Collectively, they have a total turnover of EUR 78 billion with figures similar to 2019, provide 380,000 jobs and generate EUR 21 billion in profits. Of the issuers in MARF, 65% are unlisted companies, 4% are listed in BME Growth and the remaining 31% are listed in the main market of the Spanish stock exchange.

In terms of the sectors they fall under, 24% of the issuers belong to the basic materials, industry and construction sector, 22% to consumer products and services and 16% to the energy sector. There are also participants in financial services, real estate services, technology and telecommunications. The paper also notes that 50% of the companies are over 20 years old, one-third are 10–20 years old and the remaining 20% are less than 10 years old. The market includes companies from 13 autonomous communities in addition to Portugal, the Netherlands and the United Kingdom.

COMPANIES THAT HAVE BEEN FINANCED THROUGH THE MARF SINCE ITS CREATION (2013–2021*)

CUMULATIVE FIGURES FROM 2013 TO EACH YEAR-END.



3.3. Sustainability: Europe makes decisive bid with record financing and Spain leads the pack

kinds, which notably include the legislative measures enacted by the European Union, the IMF's announced prioritisation of stopping climate change, the first climate stress test by the Central Bank of Europe and the COP26 climate summit organised by the United Nations in Glasgow.

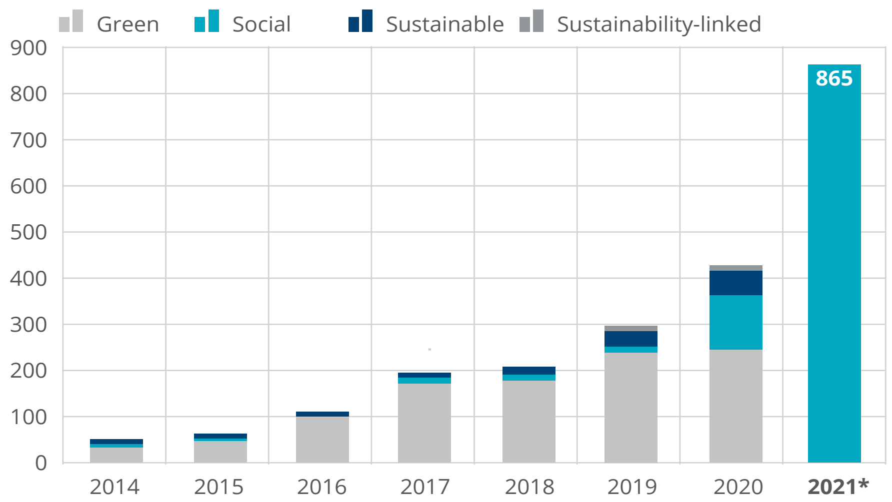
For the first time, total fixed income issues could have reached a global volume of USD 1 trillion (EUR 865 billion) in 2021, according to estimates by Moody's and Bank of America, which would nearly double the previous year's USD 550 billion. As of September, green bond issues came close to USD 350 billion on their own according to Climate Bonds Initiative, with September being the highest month in history at 71 billion issued. Emerging economy countries are also joining in on the trend and now make up 17% of the sustainable debt issued in the first half of the year.

On the investor side, interest in assets meeting ESG criteria continued to rise. According to data from the Association for Financial Markets in Europe (AFME), the total equity of global ESG funds was EUR 3.74 million at the close of Q1 2021, which was more that double that of 2018.

One noteworthy milestone of the year is the higher volume of 15-year green bonds issued by the European Union as part of the Recovery and Resilience Facility in the amount of EUR 15 billion. This took place in October, and prior demand outstripped supply 11 times over. The funds will be used to finance reforms and investments tied to energy efficiency, renewable energy, sustainable mobility and climate change adaptation. It announced that EUR 250 billion will be placed in green bonds over the next five years.

SUSTAINABLE BOND ISSUES IN THE WORLD

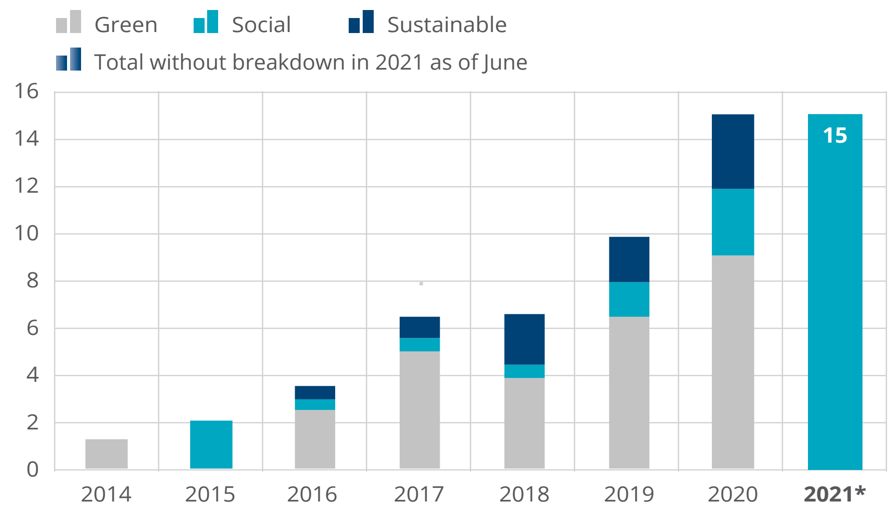
DATA BY TYPE OF ISSUE IN BILLIONS OF EUROS



*Source: OFISO until 2020 and *Total estimate without breakdown for 2021 from Moody's and Bank of America*

SUSTAINABLE BOND ISSUES IN SPAIN

DATA BY TYPE OF ISSUE IN BILLIONS OF EUROS



*Source: OFISO. *Provisional data in 2021 as of June*

The Sustainable Finance Disclosure Regulation (SFDR) took effect in Europe in March 2021, and it applies to asset management. The technical standards have been gradually published over the course of the year.

In July, the EU presented the draft regulation for the new standard for issuing green bonds, which is being integrated into the sustainable finance strategy and is intended to become the key reference for this type of issue.

The EU is also working on a legislative proposal to expand the scope of the Non-Financial Reporting Directive – which currently requires 11,600 companies to report on sustainability – to include 49,000 companies. It will be expanded to apply for all large companies and for those listed on the regulated markets of the EU, except for micro-enterprises.

SPAIN – EIGHTH LARGEST PLAYER

Spain maintains its position as one of the benchmark markets at the global level in green bonds, social bonds, sustainable bonds and sustainability-linked bonds issued by national entities. Between 2018 and 2020, it has remained among the top 10 countries by volume issued, and became number eight in 2020 according to data from the Climate Bonds Initiative.

Over EUR 15 billion in green, social and sustainable bonds were issued in Spain in the first half of 2021 according to data from AFME and the Spanish Observatory of Sustainable Financing (OFISO), which is 70% more than the same period of the previous year and is greater than total amount issued in 2020. Green bonds rose 70%, sustainable bonds doubled, and social bonds dropped 45% due to the improvement of the health situation caused by the pandemic.

Just like the previous year, bonds with sustainable criteria were issued not only by the large companies and private sector institutions that are typically the protagonists of this type of issue, but also by smaller companies.

In the fixed income markets and platforms managed by BME, 31 green, social and sustainable fixed income issues were admitted to trading in 2021for a total amount of EUR 12.790 billion. As of the end of December, there were 63 outstanding issues in BME, which notably included those placed by banks like Kutxabank and Abanca that issued in 2021 as well as the Autonomous Communities of Madrid, Andalusia, Galicia, Navarre, the Basque Country and the City Council of Barcelona. The most notable operation of the year occurred in September: the first green sovereign bond by the Kingdom of Spain was placed and admitted to the market with a volume of EUR 5 billion, a 20-year maturity, and an initial interest rate near 1%, for which demand prior to definitive placement was EUR 61 billion, or 12 times that. In the final stretch of the year, the eighth social bond by Instituto de Crédito Oficial was admitted for trading, with its funds being used to finance the projects of Spanish freelancers, SMEs and companies with a positive social impact that help to drive the recovery and sustainable economic growth.

In the MARF fixed income market adapted to the needs of medium-sized enterprises, social and sustainable green bonds have also gained momentum after the first green bonds were issued by Grenergy in 2019. In December 2021, the market had 11 pending issues after the addition of energy companies like Greenalia, Valfortec, Audax Renovables and Biodiesel de Aragón as well as industrial companies like Pikolin and Elecnor. The type of issues has also become more diverse with the September admission of the first green promissory note programmes in Spain issued by Grenergy, and the October admission of bonds in the amount of EUR 104 million by the Sacyr Green Energy Management securitisation fund o already in December, a second green commercial paper program from the independent renewable energy producer Opdenergy Holding, up to a maximum outstanding balance of 100 million euros

According to S&P data, Spanish companies have published the most results of the ESG assessment by this rating agency out of the global companies that have undergone the assessment.

There are also significant assets in national investment funds that are sustainable according to their prospectus: a total of EUR 45.719 billion in the first half of the year, or 14.4% of the total assets in investment funds according to data from VDOS.

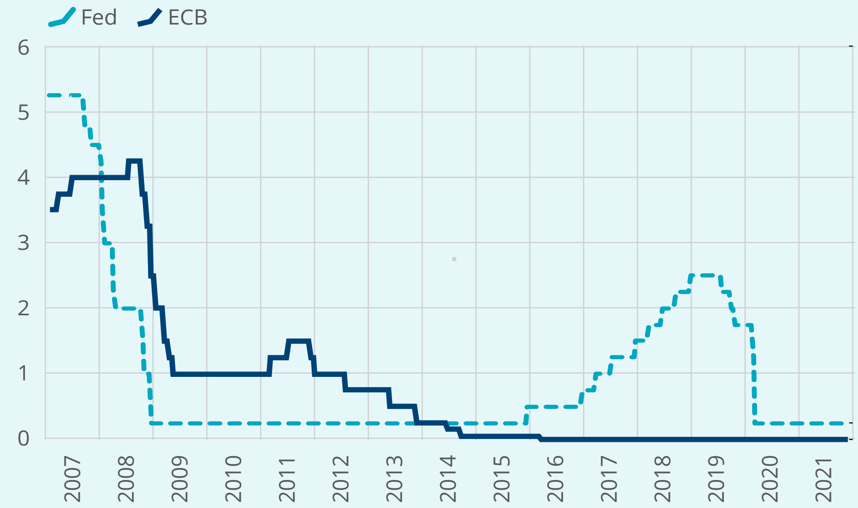
LOW INTEREST RATES IN GLOBAL DEBT MARKETS, WITH MODERATE VOLATILITY AND LOSSES

In a context generally characterised by the substantial improvement in the health and economic situation caused by the impact of COVID-19, the central banks in the major economic regions have generally chosen to maintain expansionary monetary policies and extreme caution when it comes to announcing the withdrawal of the unprecedented measures introduced the previous year. However, as a result of the strong economic recovery and the increasingly persistent high inflation levels, the discourse among the central banks has started to change during the second half of the year, particularly that of the US Fed, with announcements and initial stimulus withdrawal measures that will be gradually carried out and staggered so as not to hurt the economic recovery. Over the year, the major fixed income markets have gone back and forth between the vulnerabilities noted in the strong economic growth and the rise in inflation, although the support from the central banks has moderated the fluctuations of bond prices and interest rates have remained quite low. A moderate bull trend in yields appeared to be building up starting in the summer in response to the uncertainty caused by rising inflation and its future behaviour. Once again this moderate bull trend was halted and was reversed to some degree in November as a result of the fear caused by the new Omicron variant of COVID-19.

After the extensive and powerful artillery deployed by the Federal Reserve in 2020 to address the risks for the US economy as a result of the pandemic, it maintained an expansionary policy in 2021 with benchmark interest rates at 0–0.25% and asset purchase programmes in the amount of USD 120 billion per month, 80 billion of which in Treasury debt and the rest in mortgage-backed securities. The good performance of the US economy and the strong rise in inflation has driven the Fed to start a significant change to its monetary policy: gradually withdrawing stimulus starting in November by cutting its bond purchase programme at a pace of USD 15 billion per month, which means it will stop purchasing bonds in June 2022.

FROM THE GLOBAL FINANCIAL CRISIS TO COVID-19

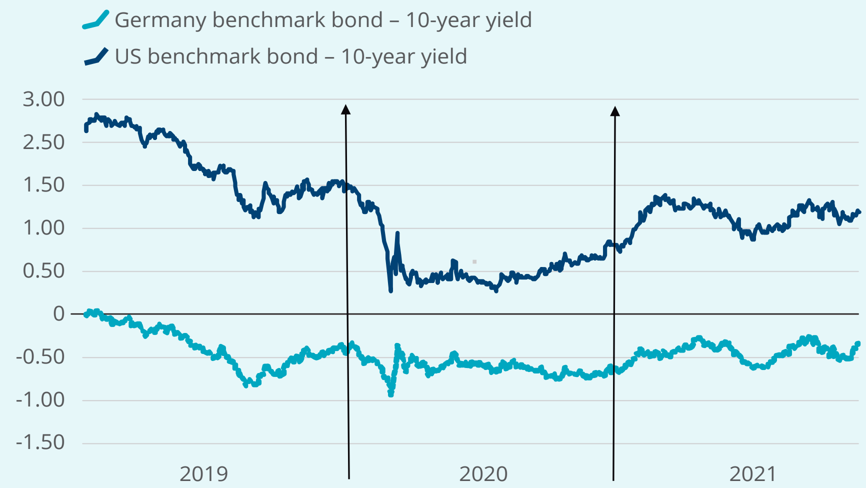
ECB AND FED BENCHMARK INTEREST RATES (2007–2021)



In turn, the ECB has lefts its intervention interest rates unchanged at 0% and extended the term of its PEPP asset purchase programme – which has a total size of 1.3 trillion – until at least March 2022, with the debt expiring under this plan also being reinvested until the end of 2023. Although it increased the pace of asset purchases during the second quarter of the year in order to ease tension in the markets, there was slight change in its bias during the last quarter of the year when it moderately reduced the pace of purchases. At the end of the year, it started to explore introducing a new purchase programme in 2022 that would increase the capacity to acquire debt issued by European

INTEREST RATES FOR 10Y DEBT IN THE US AND GERMANY (2019–2021)

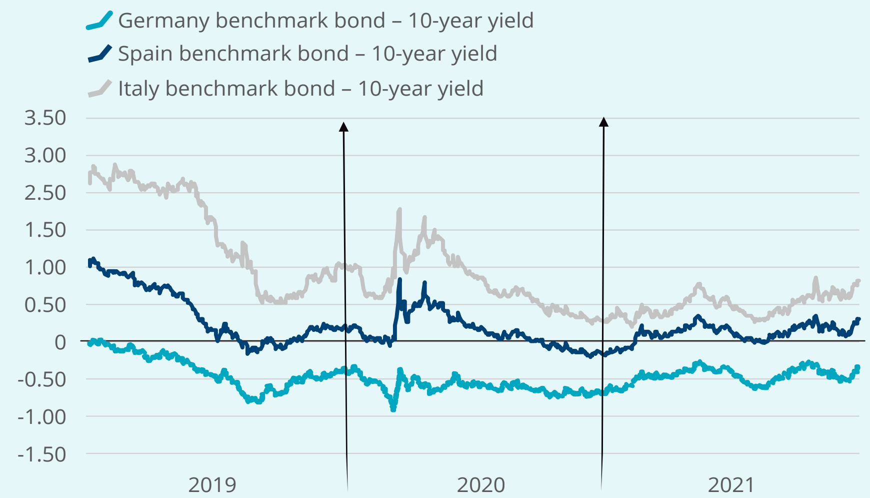
DAILY DATA.



SOURCE: INFOBOLSA AND FACTSET

INTEREST RATES FOR 10Y DEBT IN GERMANY, SPAIN, ITALY (2019–2021)

DAILY DATA.



SOURCE: INFOBOLSA AND FACTSET

institutions, which could also include issues from the NextGenerationEU recovery and resilience plan.

In July, the ECB announced a revision of its monetary policy targets which modified the target of achieving inflation “below, but close to, 2%” to a symmetric target of around 2%. In practice, this has been interpreted to mean the ECB is aiming for a permanent increase in prices of around 2% and that as a result, it will temporarily tolerate higher inflation rates and the intervention rates will not be raised prematurely.

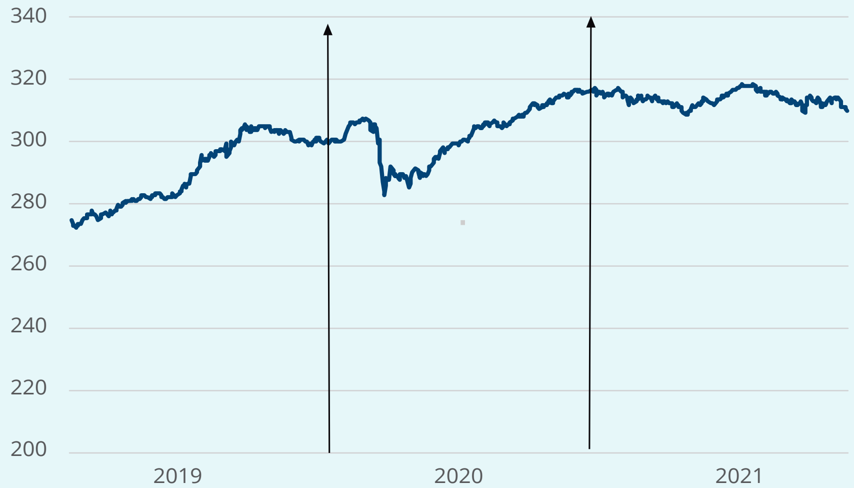
The world’s main public and corporate debt markets have been reflecting the impact of these opposing factors over the course of the year. On the one hand, the central banks maintained aggressive asset acquisition measures; on the other, there was the reactivation of the economy and the fears stemming from high inflation levels of an unknown duration. According to global fixed income indices such as the Blomberg Barclays Global Aggregate, losses on a global portfolio would have reached 4.76%.

The 10-year US Treasury bond started the year off at 0.91% – the low for the year – and yields rose to annual an annual high of 1.74% in March, driven by the strong recovery of the US economy. The virulence of a new wave of COVID-19 and a slightly less dynamic economy corrected the trend up until the summer downwards to then give way to more periods of rising and falling yields until the end of the year, with yields close to1.50% despite the high inflation data.

In Europe, Germany’s 10-year Bund retained its status as a safe haven asset during the year, with negative yields over the course of the year as of December. In the last few days of the year it experienced a sharp correction

EUROZONE BBB-RATED CORPORATE BOND PRICE INDEX. IBOXX EURO OVERALL BBB-RATED PRICE

DAILY DATA.



SOURCE: INFOBOLSA AND FACTSET

HIGH YIELD PRICE INDEX (2019–2021) ICE BOFA GLOBAL HIGH YIELD INDEX USD

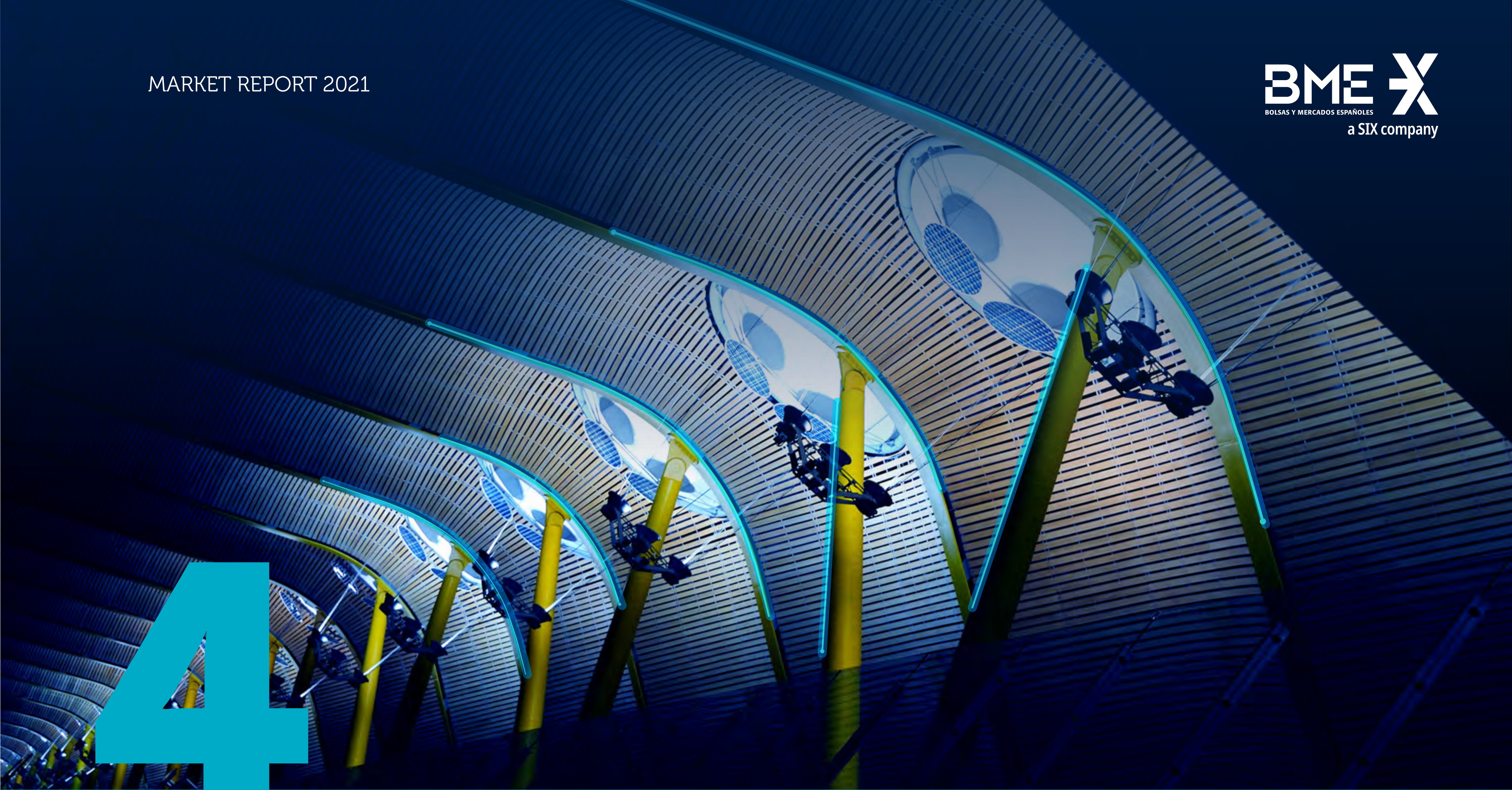
DAILY DATA.

SOURCE: INFOBOLSA AND FACTSET

in yields to -0.18%. It started the year with a negative yield of -0.60% (also the low for the year), rose until May and then approached lows again in August. From that point on, it started to climb to -0.11% in October, bringing it close to positive territory for the first time in over two years, after which it corrected again to -0.35% at the start of December. In turn, the Spanish 10-year bond started the year at 0.02%, rose to a high of 0.62% on 17 May in the midst of the fifth COVID-19 wave, and then corrected to start a gradual and moderate upward path until it surpassed 0.50% in October. Then in November and December, the sixth wave of COVID-19 initially brought it back to 0.31% to make a sudden correction and finish the year at 0.56%. The risk premium of Spanish bonds, which during the worst moments of the health and economic crisis has even exceeded 150 basis points (1.5%), went back to consistently falling within a range of 75–55 basis points (0.75 and 0.55%) closing the year in the higher end of the range. Italian bonds also retained yields between 0.50% and 1% for most of the year thanks to the measures by the ECB, although in the last week of the year it rebounded in line with other eurozone bonds to 1.17% at year-end.

In turn, corporate debt has experienced a year characterised by low yields and less volatility – quite far from the fluctuations of the previous year. In the case of BBB-rated European Fixed Income, according to the Iboxx Index of BBB-rated Eurozone Bond Prices, prices fluctuated within a narrow band, with an overall loss of 1.9% for the year.

High yield bonds saw their fluctuations moderate during the year and their spread over higher-rated bonds was reduced, both in public and corporate debt. According to the ICE BofA Global High Yield Index in dollars, the yield on a portfolio of this type of issues in 2021 as of late December was 2.8%, in contrast to the losses in higher-rated public and corporate debt.



4 DERIVATIVES: FUTURES AND OPTIONS

494

billion euros in **underlying notional volume** traded (-1,9%) due to lower volatility

11.3

million stock futures contracts traded and the open interest grows 33%

277

million euros traded in xRolling© (+29%)

DERIVATIVES: FUTURES AND OPTIONS

The Spanish derivatives market (MEFF) is still betting on diversification with consolidation in the derivatives for electricity and the new currency futures market xRolling FX©. The collective options and futures on underlying equities saw their trade volume decline 18% in 2021 in a context marked by less volatility in the spot market. Of note was the increase in stock futures trading, with 11.3 million contracts and 3.4% growth.

The total volume of financial derivatives traded in 2021 was 33.2 million contracts, 18.1% less than in the previous year. As regards the underlying nominal value, the fall is reduced to 1.9%. On the other hand the open interest in the number of contracts decreased 18% and 11.6% valued in million euros. The drop in volume occurred in a context of a sharp decline in volatility compared to the previous year, which was marked by the pandemic.

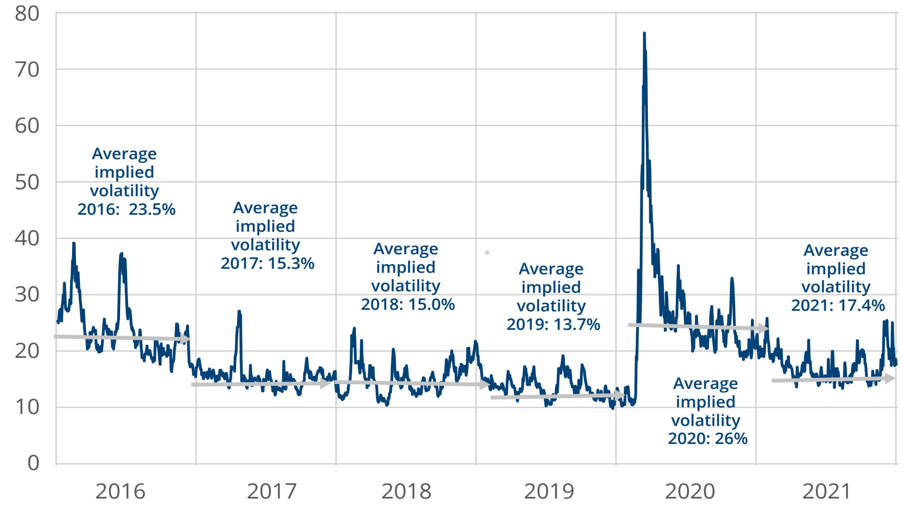
SHARP DECLINE IN VOLATILITY

Implied volatility in 2021 has decreased nearly 9 points to a daily average of 17.1%, according to the VIBEX® volatility index, compared to 26% for the whole of 2020. This indicator allows the Spanish stock market volatility to be followed using the most liquid IBEX index options traded on MEFF. Based on this indicator, the average implied volatility started the year at 22.5% to then consistently remain under 20% after February, with a few temporary spikes during particular moments of tension until reaching levels below 15%. It was not until the final sessions of November and some in December that it approached levels near 25% again, in a context marked by market fears of the new "Omicron" variant of COVID-19. The daily average for 2021 as a whole was back below the VIBEX's historic average since 2007 of 24%.

Due to the lower volatility and worse relative performance of the IBEX 35© index compared to other international indices, the volume of IBEX 35© futures traded fell 10.9%in 2021, at 5.9 million contracts, and this performance reflects the generalised decline in the main futures contracts on European indices.

VIBEX VOLATILITY INDEX FOR THE SPANISH STOCK MARKET

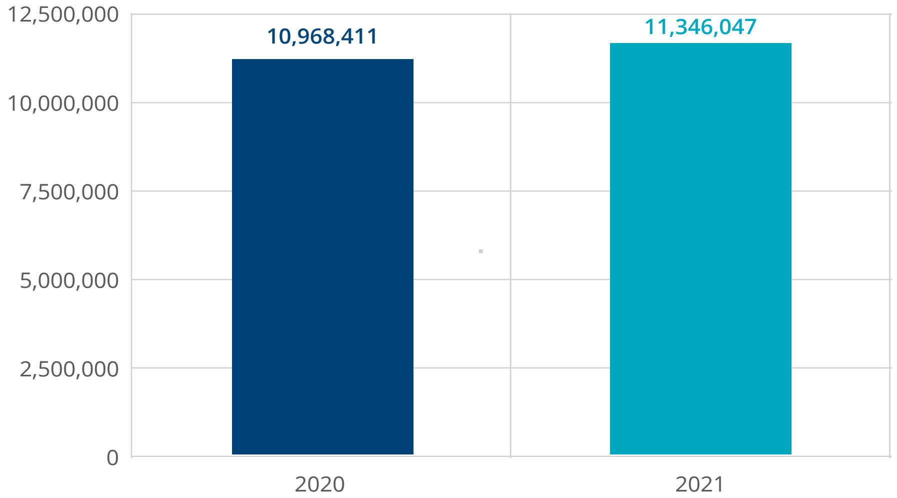
2016–2021. DAILY VOLATILITY DATA IN %



However, the nominal volume of IBEX 35© Futures traded in the year grew to 456,835 million euros at the close of 2021, 1% above the close of the previous year, reflecting the strength of the benchmark contract on the MEFF market. The number of orders placed in the market for this product also grew by 90% to 240 million in 2021.

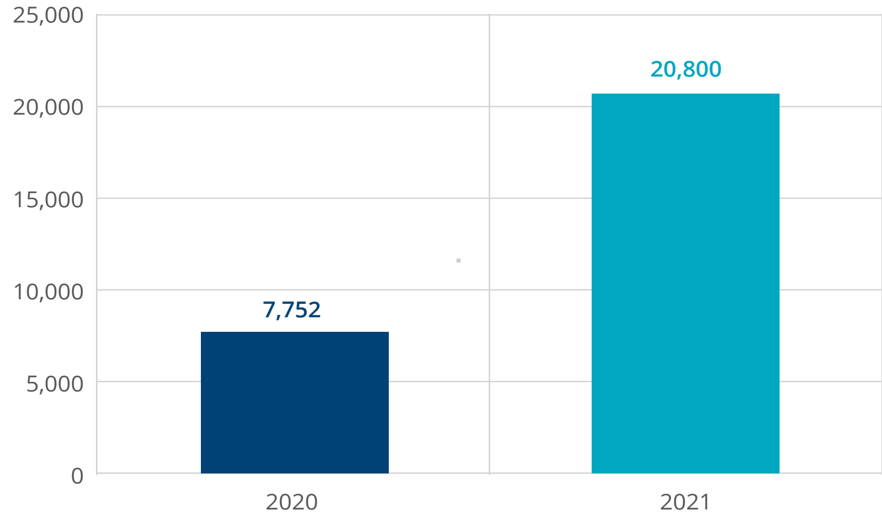
VOLUME TRADED IN STOCK FUTURES

NUMBER OF CONTRACTS TRADED IN MEFF. OF 2020 AND 2021



VOLUME TRADED IN STOCK FUTURES PLUS STOCK DIVIDENDS

2020 AND 2021. FIGURES IN NUMBER OF CONTRACTS.



Of note over the year was the recovery in the contracts traded for stock futures, which were up 3.4% at 11.3 million, as well as the open interest, which rose 33%. Trading also rose in contracts for hedging dividend payments on individual shares in the Spanish market, driven by the recovery in dividend payments by listed banks after being authorised by the ECB. Trading in stock dividend futures contracts was close to three-fold in 2021.

Over the course of 2021, MEFF added shares in Almirall, Pharma Mar, Solaria and Fluidra as underlyings in its offering of stock futures and options contracts. This rounds out the list of stocks included on the IBEX 35© after its latest revision, which makes it easier to replicate using derivatives for both institutional and retail investors. The total number of Spanish stocks that can be used as underlyings for derivative contract trading on MEFF is 47.

In terms of operational updates, MEFF also included the monthly expiration in contracts for IBEX dividend impact futures and stock dividend futures.

ELECTRICITY DERIVATIVES ON MEFF

The increased prices and sharp rise in volatility that has characterised Spain's electricity market during 2021 have been reflected in the electricity derivatives traded on MEFF, where futures contracts allow for a forward cover of the participating operators.

The deregulated activities in the Spanish electricity market are generation and selling, for which the operators are natural customers of the derivatives market. Electricity generators are primarily the ones selling the derivatives, while the

EQUITY FUTURES TRADING IN MEFF (2015–2021)

VOLUMES IN NUMBER OF CONTRACTS

	FUTURES							OPTIONS		TOTAL CONTRACTS
	IBEX 35	MINI IBEX + MICRO	IBEX DIV IMPACT	IBEX SECTORS	STOCK	STOCK DIVID. PLUS	STOCK DIVID	IBEX 35	STOCK	
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
January-21	408,656	82,148	3,967	0	12,463	0	0	144,525	1,459,869	2,111,628
February-21	408,182	82,225	3,322	0	108,602	0	0	146,733	1,265,403	2,014,467
March-21	457,378	104,810	8,000	0	3,032,585	3,956	0	193,587	1,272,564	5,072,880
April-21	416,669	74,127	2,000	0	21,306	80	0	66,263	807,404	1,387,849
May-21	412,257	74,891	4,200	0	2,078,847	0	0	117,505	948,274	3,635,974
June-21	435,114	68,808	4,950	0	1,218,148	3,876	0	138,208	1,345,911	3,215,015
July-21	465,956	76,469	0	0	6,372	0	0	86,666	512,184	1,147,647
August-21	393,010	55,863	0	0	13,368	0	50	47,315	666,523	1,176,129
September-21	518,836	78,260	3,793	0	3,390,487	8,729	350	140,426	1,485,037	5,625,918
October-21	412,653	74,995	550	0	131,740	0	0	64,495	989,115	1,673,548
November-21	492,260	82,567	3,485	0	87,312	0	350	100,200	1,116,013	1,882,187
diciembre-21	439,597	71,402	11,183	0	1,244,817	4,159	1,350	243,317	2,197,475	4,213,300
Año 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**

sellers – which currently number over 600 in Spain – are largely the ones buying the derivatives, which allow them to guarantee the price at which they purchase electricity.

The derivatives may be traded on the organised markets or through bilateral negotiations (known as OTC markets). The advantage of the organised markets is that the entire transaction is recorded by central counterparties (CCPs), which use mechanisms like requesting guarantees to practically eliminate the risk of these transactions, the credit risk and the counterparty risk, i.e. the risk that the purchase or sale is not carried out at the set price – typically due to suspended payments or bankruptcy.

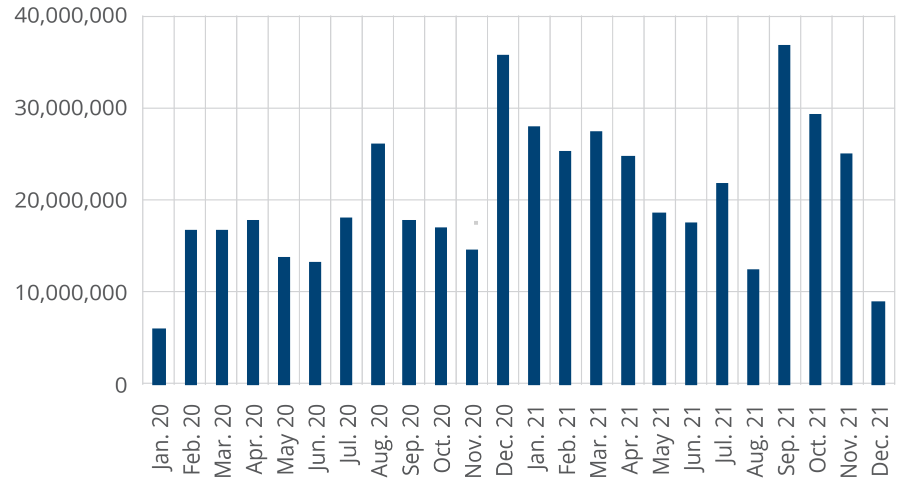
The Spanish electricity market was impacted by the economic recovery in 2021 after the improvement in the health situation caused by the pandemic and by the tensions and price increases in the global markets for raw materials, particularly for natural gas. Pricing in the Spanish market is marginal and as a result, the global price of gas has a direct impact in the absence of any other sources of generation capable of filling the gaps in power production, as occurred during the year. As such, the price of gas has impacted electricity prices not only in the spot market, but also in the futures market. These factors have also had a major impact on liquidity in the spot and derivatives markets, which saw their trade volumes and open interest remain slightly below the previous year's levels, at 26.6 million MWh in contracts traded. Positions in the futures market have been closed at times when the spot market was highly volatile. On the whole, all segments of the forward curve experienced significant price increases and higher volatility – from the short and medium term to the 10-year contracts MEFF accepts for registration.

XROLLING©FX: CURRENCY DERIVATIVES

The xRolling©FX currency contract market is concluding its second complete year of activity under the strategy of the Spanish MEFF derivatives market to highlight its experience as a market regulated and supervised by the CNMV, with a proven trading system and decades of experience and the certainty provided by an authorise central counterparty subject to the European Market Infrastructure Regulation (EMIR).

XROLLING©FX CURRENCY FUTURES

MONTHLY CASH VOLUME OF CONTRACTS TRADED (2020–DEC. 2021)



FIGURES IN EUROS. SOURCE: BME

Currency derivatives are products that can be readily and directly used as investment, especially as an instrument for hedging currency risks for companies that import and export as well as for financial investments carried out in non-euro currencies. It offers advantages over CFDs on currencies, which are traded by many retail clients, or compared to more sophisticated products such as OTC bilateral hedges carried out with forwards, which importers, exporters or holders of financial assets typically used to hedge their exposure to exchange rate risk. The xRolling®FX traded in the Spanish derivatives market are "perpetual" type contracts, which renew automatically at the end of the day and cover 17 of the main global currency pairs. Trading hours span 23 hours and the buy-sell spreads are very narrow and competitive. The flexibility, simplicity, zero-counterparty risk, lower capital requirements, transparency and effectiveness of the hedge are some of the reasons leading a growing number of major entities in the Spanish market to participate in this market.

The cash volume traded – comprised of the 28.184 contracts traded in the market – exceeded EUR 277 million in 2021, an increase of 29% from the previous year. September set a new monthly record for the number of contracts exchanged, at 3,681, and the number of active clients also rose to a monthly average of 80.

The market is expected to undergo gradual consolidation in 2022 in terms of liquidity as well as in the area of distribution, particularly after the admission of entities such as Cecabank and Banka March, which will expand currency futures trading to institutional clients, large and medium-sized fund managers, and insurance companies. The roll-out of the new BME FX terminal will also allow market participants – especially banks – to offer its own brand of the latest screens to their clients for xRolling FX© contract trading in order to hedge exchange rate risk.

ECAC DIVIDEND GUIDELINES

As a permanent contact forum to seek alignment of the derivatives markets in the treatment of corporate actions with an impact on derivatives contracts, the European Corporate Actions Committee (ECAC) created in 2019 continued its activities in 2021. The markets participating in ECAC are: the Italian stock exchange, Eurex Deutschland, Euronext, ICE Futures Europe, MEFF (BME) and Nasdaq Stockholm.

Of particular importance among the harmonised measures are the guidelines established for the treatment of corporate actions in derivatives contracts when the payment of dividends is postponed or cancelled due to the COVID-19 crisis, which refer to the dividends related to the distribution of 2019 and 2020 profits or in replacement thereof. These dividends are considered ordinary regardless of whether the issuer defines these dividends as extraordinary.

If the issuer does not provide a clear reference to the distribution of 2019 and/ or 2020 profit and defines the dividend as extraordinary, the ECAC markets will review these on a case-by-case basis to determine whether there is an adjustment or not. The payment will be considered extraordinary if the issuer clearly explains that the dividend is additional to the dividends related to the distribution of normal profit for the year or to the current dividend policy.

These guidelines will apply until 31 December 2022. The dividends related to the distribution of 2021 profits or in replacement of 2021 will be unaffected.

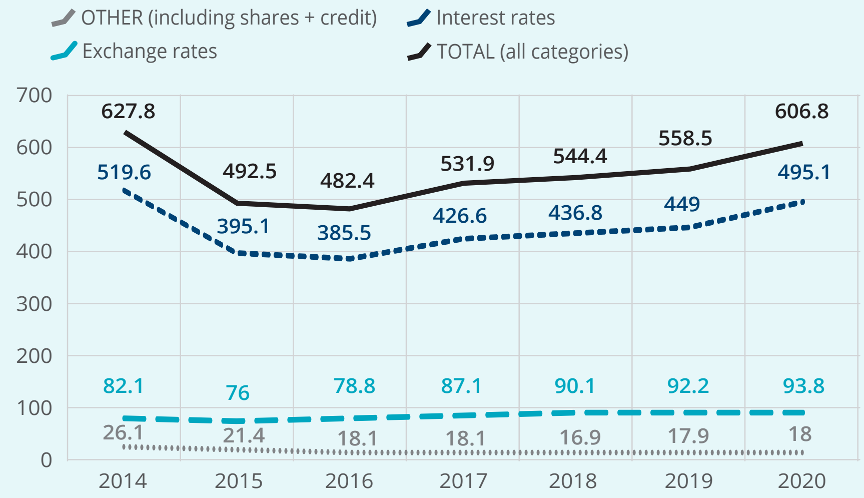
DERIVATIVES REGISTERED WITH CENTRAL COUNTERPARTIES ON THE RISE

The outstanding notional volume, i.e. the total latent financial risk, of the OTC derivatives contracts (agreed bilaterally outside the organised markets) was USD 582.1 trillion at the end of 2020, or approximately 7 times global GDP, and 7.67% higher than the previous year. The all-time high at year-end was USD 710 trillion in 2013. Interest rate derivatives make up the vast majority of the total, at 80%.

In addition, the regulatory pressure is also leading derivatives to increasingly be registered and settled via central counterparties (CCPs), such that use of guarantees and margins is becoming widespread, as was urged by the Basel Committee as well as IOSCO – the organisation that includes the entire world's regulatory bodies. In the EU, the European Commission published the first draft regulation in 2010 and passed EMIR in 2012, which defines clearing, reporting and risk control obligations for OTC derivatives, requirements for CCPs,

GLOBAL OTC DERIVATIVES
NOTIONAL VALUE OF OPEN CONTRACTS BY CATEGORY 2014–2020

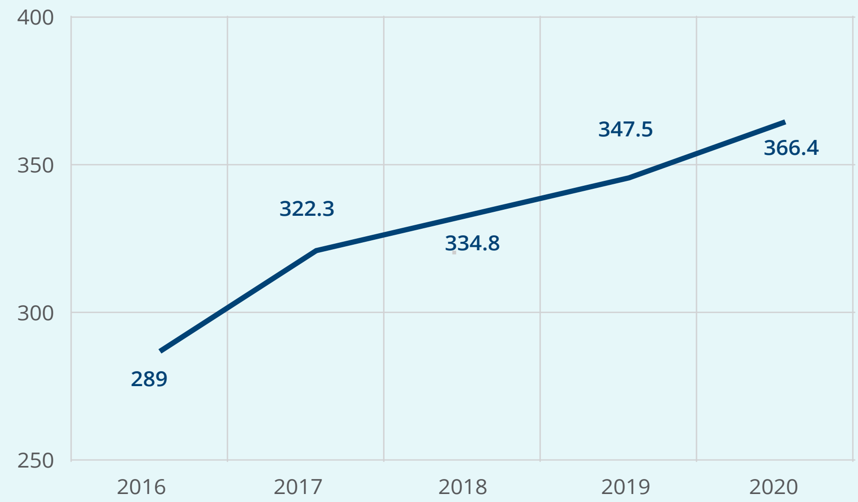
DATA AS OF EACH YEAR-END IN TRILLIONS OF DOLLARS.



SOURCE: BIS

DERIVATIVES REGISTERED IN CENTRAL COUNTERPARTIES AROUND THE WORLD
TOTAL NOTIONAL VALUE OF OPEN CONTRACTS BY 2016–2020

DATA AS OF EACH YEAR-END IN TRILLIONS OF DOLLARS



SOURCE: BIS

and registration and supervision by trade repositories. Important standards regarding the world's major derivatives markets that took effect starting in 2013 led to the gradual transfer of OTC transactions to CCPs. The reforms seek to mitigate systemic risk by improving risk management, reducing position interconnectivity and improving transparency.

The outstanding volume of OTC derivatives registered by CCPs has risen nearly 27% since 2016. The use of trade repositories is required to monitor the outstanding volumes and the resulting latent financial risk of derivatives that are difficult to standardise.

At the request of the Basel Committee, the new standard for capital to cover the counterparty risk assumed by many banks when they trade financial derivatives with their clients (particularly companies) took effect in Europe in late June.

5 MARKET DATA

100,000
delivery points disseminating real-time information

1,400
end-of-day files delivered

MARKET DATA

Market Data is a BME unit that uses data to build value-added services and products targeted at the wide variety of clients involved in the securities markets, whether they are investment services companies, banks, management companies, funds, advisors or investors. Its mission is to facilitate market operations by providing custom solutions to many different clients in order to help them interact with the industry and the Spanish securities markets as simply as possible and tailored to the particular interests of each actor.

DATA WITH ADDED VALUE

Despite the difficult environment in 2021 due to the global pandemic, BME Market Data increased its client base to set a new record high for those who receive market information from BME through its information distributors. A slight decrease was reported in the number of clients who opt for a direct connection with BME Market Data servers in order to minimise data reception and processing times. However, the total number of connections these clients have has increased due to the implementation of the Multicast Binary Feed connection, which allows them to receive information on BME Equity and Derivatives markets with the highest level of detail and a very low latency in receiving data.

In this same vein, BME Market Data is working on migrating the content of BME Data Feed to the new MDDX platform managed by SIX. During the first phase, the equity and index sources will be made available in the MDDX production environment.

The monthly average of delivery points disseminating real-time information on over 50,000 equity, fixed income and derivative instruments and indices managed by BME group during 2021 exceeds 100,000.

BME Market Data is also expanding the content it offers for both real-time and end-of-day information.

In terms of the new content available in real time, work needed to add xRolling stocks as a source of financial derivatives is underway, which is slated to launch in Q1 2022.

BME has also expanded its line of analytical and end-of-day products and services with the launch of a daily calculation of its public debt indices, and work is underway on improving the flow of relevant events from both local and Latin American issuers. BME Market Data currently delivers more than 1,400 end-of-day files at the end of each session.

BME very closely monitors developments in the legislation resulting from MiFID II. Over the course of this year, BME Market Data has worked on adapting the information dissemination contract to the provisions of the guidelines published by ESMA in June 2021, which will take effect in 2022.

SERVICES IN LATIN AMERICA

Latam Exchanges Data (LED) is a joint venture created in collaboration with the Mexican Stock Exchange (BMV) that promotes the generation, distribution and sale of information on Latin American financial markets using the highest levels of automation and processing. Over the course of 2021, it has focused its efforts on marketing its various products and services. The initial outcome of these activities is that several entities and financial information vendors have signed agreements that allow them to access LED products during a trial period. Meanwhile, the development and integration of additional sources and content continues.

MARKET ACCESS

BME Market Data has continued to promote the hosting and connectivity services known as BME Co-Location, BME Proximity and BME London Hub to continue offering the most advanced solutions on the market in this field. Specifically, the available space was expanded for the CME Co-Location Service, thus providing clients with the possibility of contracting new racks, and work has continued on the BME London Hub service by improving the infrastructure, thus ensuring service continuity as well as its scalability in terms of any needs that its clients may bring up (e.g. increasing the required bandwidth).

These services 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

BME Regulatory Services (BME RS) – BME's data reporting service provider (DRSP) – managed to increase its client base both for its ARM service (transaction reporting) and for its APA service (OTC transaction transparency) a respective 2% and 10%. It also actively participated in discussions and the respective consultations regarding the new framework for DSRP supervision published by both ESMA and later by the European Commission. The definition of this system via the corresponding EU regulation will have a direct impact on the configuration of the competitive map for DRSPs in the EU and thus, on the scope of their cross-border activities.

BME has also worked on the adaptations needed to include information from the APA in the MDDX platform cited above as well as in analysis of the ESMA guidelines on market data in regard to the dissemination of APA information.

CONSOLIDATED TAPE PROJECT FOR EUROPE

BME is actively engaged in discussions on creating a consolidated tape system in Europe. It is essential for the final design of this system to be able to improve the information provided by the systematic internalisers and the entities with OTC operations of a much lower quality than that of the regulated markets and the NMSs. Likewise, it is highly important for the new system to add value and to contribute to the good operation of the financial markets and for it not to artificially create opportunities for latency arbitrage that only benefit more sophisticated market participants, for it not to create the illusion of false liquidity or to involve an appropriation of financial reporting generated by the regulated markets and multilateral trading facilities unless they receive adequate financial compensation for said appropriation.

6 CLEARING ACTIVITY

EUR 1.5
billion in average daily cash cleared in equity

+233%
increase in Italian sovereign debt transactions

11
additional entities joining the energy segment in BME Clearing

CLEARING ACTIVITY

BME Clearing is the Spanish stock exchange's central counterparty, offering clearing services in five segments: equity and currency financial derivatives, trades in securities listed on the stock exchange, European sovereign debt repos, electricity and natural gas derivative instruments and interest-rate derivatives.

FINANCIAL DERIVATIVES

Volatility was lower compared to 2020, but it was still above the levels of years prior to the COVID-19 crisis. This increase did not boost the trading of financial derivatives contracts, which saw a general decline in trade volume in the European indexed futures markets.

Overall, measured in terms of contracts, the segment's activity during 2021 has decreased by 18% compared to 2020.

xRolling©FX currency futures activity continues to rise. In 2021 there were 8,737 operations in total and 26,766 contracts, in contrasts with 4,934 operations and 21,793 contracts in 2020, an increase of 77% and 23% respectively.

Regarding the number of clients that operated in the xRolling©FX segment continues to rise throughout 2021 there were 246 compared to 197 in 2020, an increase of 25%.

EQUITIES

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

In 2021, the daily average was 349,907 trades (purchases and sales), down 19.33% from the end of 2020, with average daily cash (one side) cleared of EUR 1.435 billion, down 12.59% from 2020 and securities cleared reaching an average daily volume of 393 million.

REPOS

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. With the interposition of the CCP, the counterparty risk for the settlement participants is eliminated.

Due to the expansionary policies of the central banks, the market has been flooded with liquidity, which has had a negative impact on repo operations. However, Italian sovereign debt operations experienced 278% growth compared to 2020.

The total volume registered in all debts during 2021 was EUR 206.307 billion in 2021, of which EUR 160.286 billion correspond to Spanish debt and EUR 45.482 billion to Italian debt.

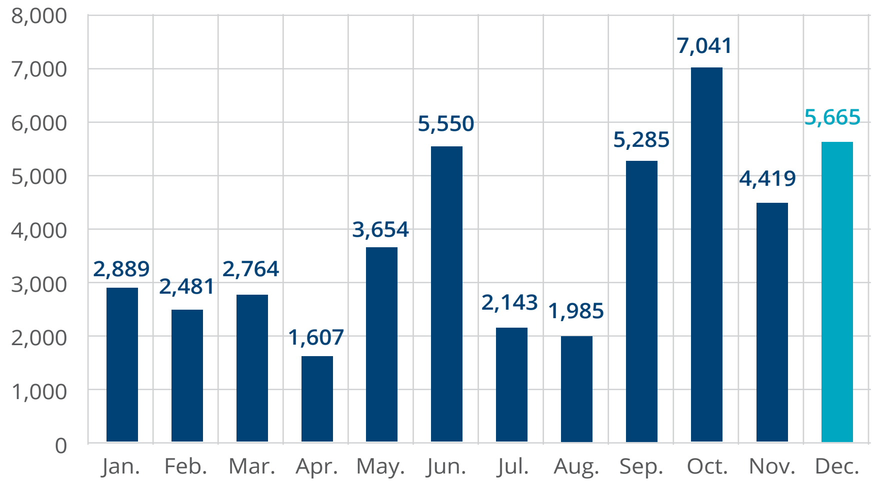
Total open interest at the end of December was EUR 15.279 billion, with an average term of 21 days.

As regards Spanish debt, the open interest as of 31 December was EUR 12.100 billion, with an average term of 19 days, while Italian debt stood at EUR 3.179 billion, with an average term of 27 days.

The registration of all the sovereign debt indicated above can be carried out bilaterally through Iberclear, or as a result of the transactions traded on the Brokertec platform, Europe's leader in electronic trading of repos. All settlements are made through T2S.

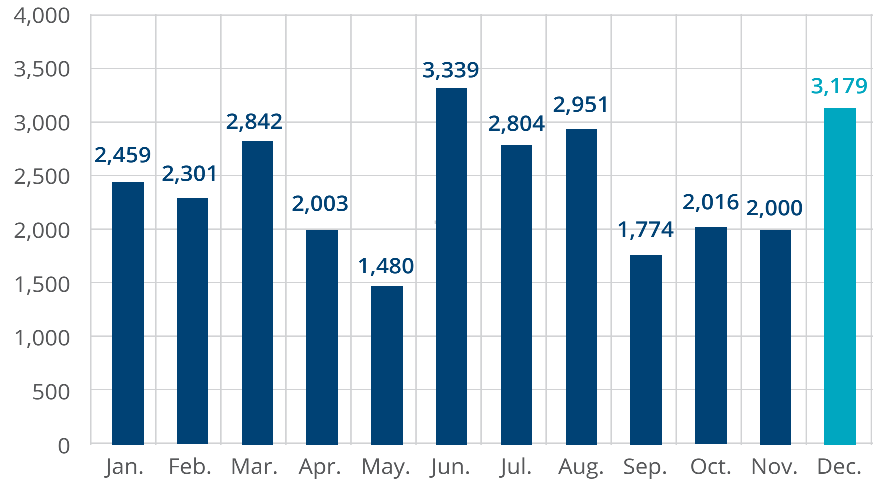
CASH REGISTERED IN ITALIAN DEBT IN 2021

IN MILLIONS OF EUROS



OUTSTANDING BALANCE IN ITALIAN DEBT IN 2021

(MOVING AVERAGE OF LAST 10 DAYS) IN MILLIONS OF EUROS



Lastly, the fixed income segment reached a new milestone in 2021 with the link between Iberclear and Monte Titoli opening and thereby allowing for cross-border settlement and the registration of new operations without requiring Iberclear membership. This new initiative allows custom services to be offered, thus reducing costs for clients.

ENERGY

Since it was created nearly a decade ago, the energy derivatives segment has continued to grow at a fast pace, with the number of participants rising to 222 entities thus far, including 10 new entities over the past year. Despite the current situation in the energy markets, the volume registered in electricity as of the end of the year was 26.6 TWh, and open interest was 9.4 TWh, an increase was 15% relative to the position opened at the end of the previous year.

In 2018, BME Clearing added natural gas derivatives to the energy segment. Since then, it has had a large increase in its participants, with the total rising to 49 entities. This represents an increase of 12 new entities over the 37 that participated in December of the previous year. The volume registered was 9.2 TWh as of the end of 2021, versus the 7.1 TWh registered in 2020, up 29%. The open interest is 3 TWh.

The growth in this market, currently driven by high demand, is raising expectations that new gas instruments will be created over the next few years. New products, such as liquefied natural gas (LNG) contracts with physical delivery at the Virtual Balance Tank and with characteristics similar to those of natural gas, are planned to be launched in 2022. This is an example of the continual advancement and development of this segment within the clearing house.

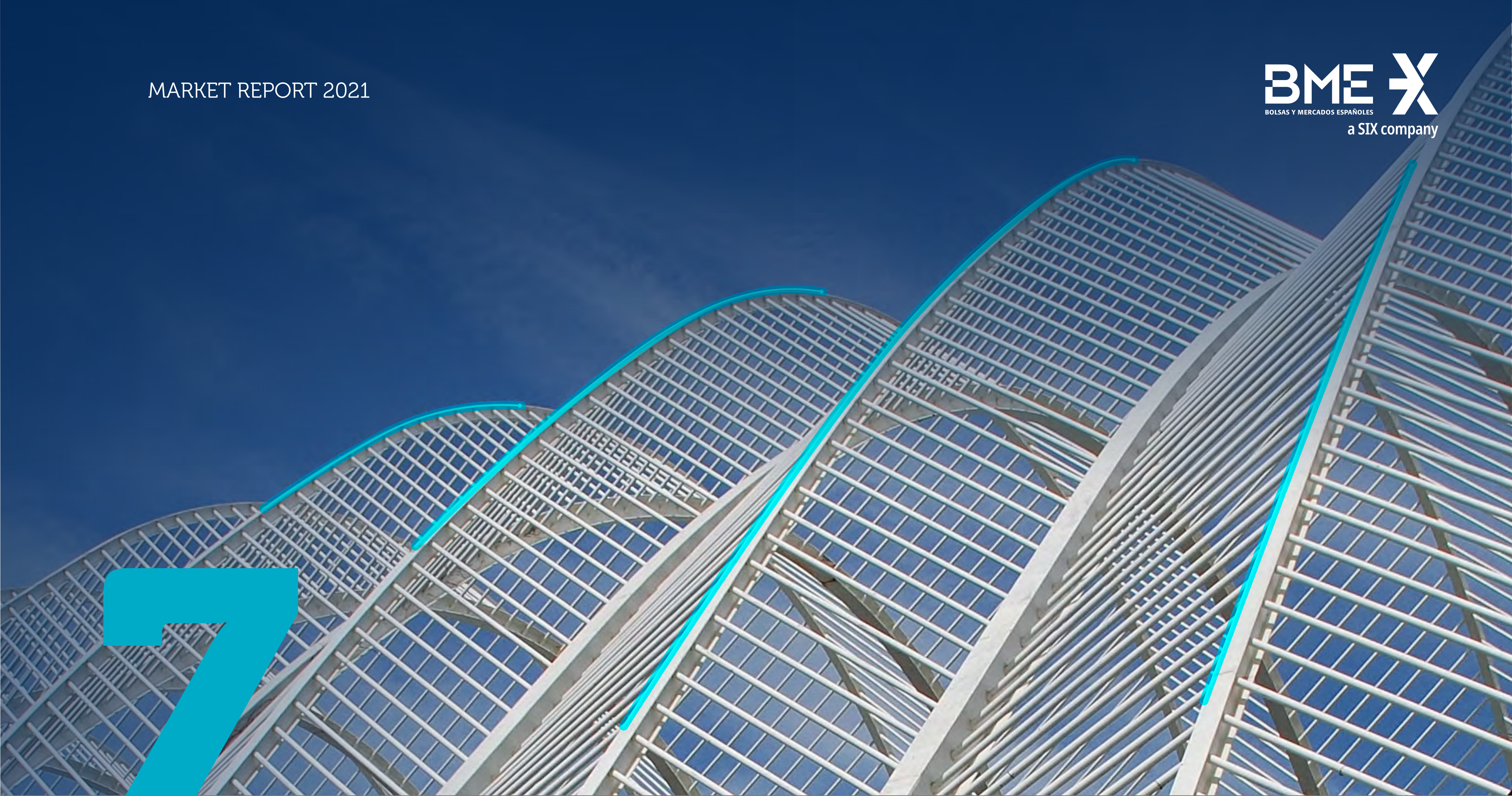
INTEREST RATE SWAPS

The swaps segment began its activity in 2016 and offers the central counterparty service for interest derivative operations – primarily euro-denominated interest rate swaps (IRSs).

A total volume of EUR 41 million was registered in 2021, with open interest at EUR 568.2 million. The average remaining transaction term is 5.68 years, with transactions concentrated between 2 and 5 years and between 5 and 10 years.

The second phase of adopting the new benchmarks for risk-free interest rates was carried out during this period in 2021, with EONIA removed as the benchmark for any activity in the clearing house as of September. From that point on, the euro short-term rate (€STR) began being used exclusively. In addition, the EONIA ceased to be used as of December 31, the date of publication of its last fixing.

MARKET REPORT 2021



7

SETTLEMENT AND REGISTRATION

Iberclear acquires
50%
of REGIS-TR

5%
growth in nominal balances registered in equities

6
billion in cash settled

SETTLEMENT AND REGISTRATION

In 2021, settlement and registration activity in Spain remained in line with previous years. With regard to the most significant revenue figures, the number of instructions from stock market operations settled in Iberclear at the end of 2021 was down 8.71% compared to the same period of the previous year, with a monthly average of 0.60 million trades.

In terms of the cash volume settled, there was a minimal increase of 0.31%, with a daily average of EUR 6.055 billion being settled compared to EUR 6.036 billion the previous year.. Together with the previous figure for the number of instructions, this figure points to an increase in the size of the instructions settled, although their total number is lower.

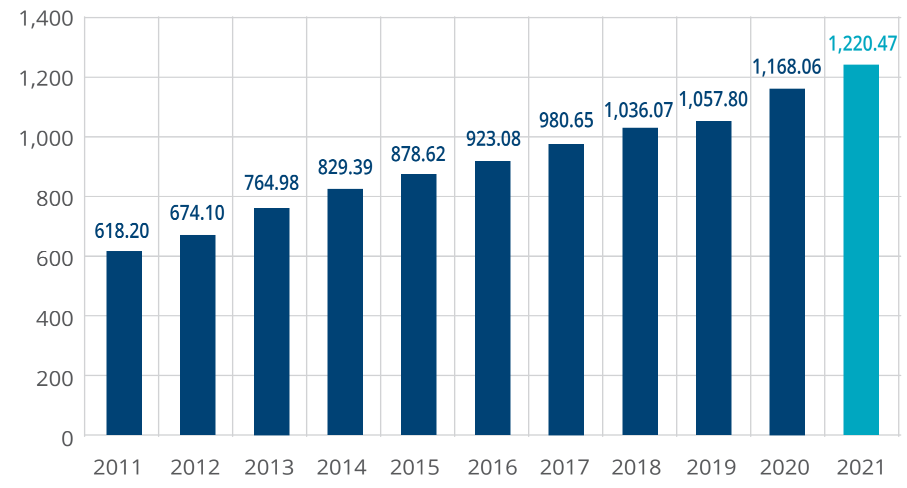
On the other hand, the nominal balances at the end of the period showed a negative change of 4.05% in the securities listed on the BME private fixed income market and growth of 4.49% in the public debt market. Equities rose a significant 9.12 at market prices..

Once again, Iberclear's activities have been defined by the draft regulations in the pipeline in Europe in 2021. The various delays to the dates each takes effect – which were announced in late 2020 – have had a positive impact on Iberclear's adaptation of its procedures and systems.

Regarding the Settlement Discipline Regime, the community tests were carried out between May and September of this year, and they culminated in the approval of the participants in order to certify their ability to adequately manage both the penalties and the result of buy-ins. The testing period began in September and is scheduled to last until the regime takes effect on 1 February. This process consists of calculating and communicating the corresponding penalties for the entities using real market data, which makes it possible to simulate the penalties that would be imposed on these entities if the settlement discipline regime were in place, without any payments or charges being made as a result of this simulation.

PUBLIC DEBT OUTSTANDING BALANCE

(BILLIONS)



Also noteworthy is the expected announcement of the delay in the incorporation of the penalty process for buybacks, which will not come into effect along with the other penalties on February 1, 2010.

Iberclear published its White Paper for the Eurosystem Collateral Management System (ECMS) project in June, where it not only detailed the road map, but also listed the main areas affected, such as corporate actions, the establishment of guarantees to the Bank of Spain and the turnover module. Iberclear is also considering the possibility of making a technical sender service available to its participants so they can transfer their communications to the ECMS platform using the new ISO20022 messaging categories that emerged in this project.

Lastly, it is worth noting a matter that will become highly important in 2022: In May of this year, the preliminary draft of the Spanish Securities Markets and Investment Services Law and of three royal decrees being developed was submitted for public consultation by the Ministry of Economic Affairs in order to transpose different European directives and to undertake important reforms to improve the competitiveness of the Spanish securities markets.

As part of this reform, CNMV has asked Iberclear to create and head a technical group with the involvement of the major sector entities in Spain to assess the operational impacts from the new legislation in the context of post trade in Spain.

Aside from regulatory pressure, Iberclear continues to develop new products and services to offer its clients. In keeping with this, it started to offer a new service to identify beneficial owners on 7 June, thus making it easier for issuers to identify the beneficial owners of their securities and for participants and brokers to report this information.

A digital Proxy Voting solution that is integrated and sustainable and that centrally connects participants and issuers will be launched in February 2022 in order to make the voting process at shareholder meetings more flexible and efficient.

8

REGIS-TR ACTIVITY

2,000
European clients in 37 countries

7,000
downloads of the REGIS-TR Round Up in 50 countries

REGIS-TR ACTIVITY

REGIS-TR maintains its leadership position among the largest trade repositories in Europe, with more than 2,000 European clients in 37 countries. REGIS-TR processed over 3.2 billion operations in 2020 and continues to gain importance in the market, with a broad and compelling range of services.

REGIS-TR has consolidated its role vis-à-vis the supervisory and regulator community by offering the required data to 46 European authorities under EMIR and 34 under SFTR through ESMA's shared reporting portal (TRACE) and its own portal.

In Switzerland, REGIS-TR still retains its position as a transaction repository that is recognised by FINMA to provide services pursuant to FinfraG regulations.

REGIS-TR was created in 2010 as a joint company between Iberclear (BME Group) and Clearstream (Deutsche Börse Group), and REGIS-TR has succeeded in becoming a leading repository with support from both shareholders. An agreement was signed in September 2021, under which Iberclear would acquire a 50% share in REGIS-TR from Clearstream to thus become the sole shareholder and incorporate REGIS-TR's business into SIX. The transaction is expected to conclude in the first quarter of 2022.

The year 2021 marked the end of the transition period for Brexit and the start of REGIS-TR UK. REGIS-TR UK started its activity in January 2021 with over 150 new client accounts and the submission of EMIR transaction reports to regulators in the United Kingdom. Activity has continued to rise and develop over the course of the year, with a significantly higher market share than was originally projected.

The challenges of the COVID-19 pandemic have persisted in 2021 and it remains impossible to re-establish in-person meetings. REGIS-TR organised three virtual events, each of which was attended by around 1,000 clients. This allowed the team to support clients and to remain present at a time when meeting is more difficult. REGIS-TR also introduced a quarterly newsletter to have another communication channel with its clients.

The REGIS-TR Round Up podcast remains a very attractive tool to connect with clients in 2021 and has been downloaded more than 7,000 times in 50 countries. Originally based on the idea of filling the gap caused by the pandemic as everyone worked from home, the weekly podcast attracts guests from the industry to discuss the news and challenges of regulations, topics such as Brexit and general news.

BME
BOLSAS Y MERCADOS ESPAÑOLES
a SIX company

MARKET REPORT 2021