

# Market Report 2022

- The 2022 year saw more volatility, shaped by the war in Ukraine, monetary policy and inflation.
- Shareholder compensation was up 27% to 26.0 billion euros, Spain offering a dividend yield of 4%.
- In 2022, 2 companies have been added to the Bolsa, 1 to Latibex and 15 to BME Growth. BME Growth companies have raised 878 million euros.
- The Outstanding balance of the Public Debt grows by 7% up to 1.33 billion and in Private Debt 114.0 billion euros are issued, 1% more. The MARF reached a total of 136 issuers.
- Clearing Of IBEX Futures was up 4%, settlement of Italian debt increased and REGIS-TR was fully incorporated in BME.

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## FIGURES FOR THE YEAR

### Prices indices

	31/12/20	31/12/21	31/12/22	Change**	Maximum*	Date	Minimum*	Date
IBEX 35	8,073.70	8,713.80	8,229.10	-5.56%	8,933.60	May-27	7,261.10	Oct-12
IBEX 35 with dividends	24,262.00	26,878.00	26,332.90	-2.03%	27,983.60	May-27	23,061.70	Oct-12
IBEX MEDIUM CAP	12,715.90	13,815.40	12,798.50	-7.36%	13,890.60	Jan-5	11,580.20	Sep-29
IBEX SMALL CAP	8,098.10	8,241.80	7,185.20	-12.82%	9,000.90	Jun- 8	6,535.90	Oct-12
IBEX TOP DIVIDEND	2,174.00	2,498.70	2,527.90	1.17%	2,806.10	May-27	2,266.30	Oct-12
FTSE4Good IBEX	8,411.30	9,267.40	8,795.90	-5.09%	9,630.80	May-30	7,739.90	Oct-12
FTSE Latibex Top	4,364.50	4,952.30	5,340.80	7.84%	6,479.30	Apr-12	4,889.00	Jan-6
FTSE Latibex Brasil	9,793.30	10,611.10	11,196.80	5.52%	14,848.50	Apr-12	10,351.50	Jan-6
IBEX GROWTH MARKET 15	2,312.80	2,432.40	2,381.60	-2.09%	2,497.10	May-12	1,972.80	Mar-7
IBEX GROWTH MARKET All Share	1,794.90	1,984.30	1,967.30	-0.86%	2,058.10	May-30	1,739.50	Mar-7
10-year interest rates	0.04%	0.55%	3.53%					
USD/EUR exchange rate	1.22	1.14	1.07					

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

### Volatility/risk index

	31/12/20	31/12/21	31/12/22
VIBEX <sup>1</sup>	21.95%	17.49%	16.23%

<sup>1</sup> Averages of daily data for each period.

### Trading volumes

(EUR million, unless indicated)

	2020	2021	2022	Change (*)
Equities	429,359	378,144	362,122	-4.24%
Public debt on BME platforms	279,183	233,651	114,449	-51.02%
IBEX 35 options and futures <sup>1</sup>	9,977,394	7,721,823	6,399,722	-17.12%
Options and futures on individual shares <sup>1</sup>	30,499,535	25,434,719	25,333,109	-0.40%

<sup>1</sup> Number of contracts;

(\*) Compared to the same period of the previous year

### Capitalization and outstanding balances

(EUR million)

	31/12/20	31/12/21	31/12/22	Change (*)
Equity Capitalization	948,209	1,082,048	1,029,003	-4.90%
Spanish public debt outstanding balance	1,172,853	1,243,547	1,334,999	7.35%
AIAF corporate debt outstanding balance	464,584	456,744	394,131	-13.71%

<sup>1</sup> Includes equities and ETFs. (\*) Compared to the previous year-end

## ○ ANNUAL SUMMARY

In February 2022, the war in Ukraine broke out, coming shortly after 2021, a year of recovery following the outbreak of Covid-19 in 2020. The tragic human, economic, and social losses incurred by the war have been coupled with the impact of the virus in terms of fatalities, population displacement, inflation which affects commodities and energy costs particularly sharply, an upsurge in debt levels (especially public debt), supply chain disruption as a consequence of international tensions and restrictions on global mobility, or an increase in precarity in many social groups already affected by the pandemic. In addition, central banks around the world have been forced to vigorously curb inflation by raising interest rates with a speed and intensity unprecedented in recent memory.

Against this backdrop, the global economy and financial markets have experienced a tumultuous year; marked by an economic decline and price drops that impacted most asset classes. These losses were considerable at various periods in the year, albeit mitigated in some cases by the recovery in the last quarter.

According to the IMF's October forecast, global GDP will grow by 3.2% in 2022, a slowdown of 2.8 percentage points from the previous year. Over the course of the year, growth estimates for 2023 have also moved downward, from 3.8% in January to 2.7% in the October forecast.

Eurozone GDP is also experiencing a sharp slowdown to an expected growth of 3.9% in 2022 from 5.2% in 2021. The IMF October estimate for 2023 is a modest 0.5%, revised down from 2.5% in January. Inflation was the main problem in 2022, accelerating from 3% in January to close to 10% in the final months of the year. By 2023, IMF projections point to lower levels, 5.7%, but still very high.

Spain is one of the eurozone economies making the most positive contribution to the region's growth. In 2022, GDP growth is expected to reach 4.3%, due to the revival of the economy, the strong recovery of tourism, the strength of domestic demand and the increase in investment triggered by the gradual arrival of the funds from the European recovery plan, NextGenerationEU. For the eurozone as a whole, the GDP growth estimate for 2023 has been significantly lowered to 1.2% throughout the year, according to the IMF's October report.

The central banks of the main countries and economies were the main financial protagonists of the year. They radically changed their strategy, clearly opting for a very aggressive policy of monetary tightening to contain the general and more stubborn than expected rise in prices, as the increase in energy and commodity prices was gradually transmitted to food prices, wages and the services sector.

The shift in the central banks' stance seen in the second half of last year was led by the U.S. Federal Reserve (Fed), which in March raised intervention rates by 0.25 percentage point to the 0.25%-0.50% range for the first time since 2018. Two months later, on May 4, it raised the interest rate again by 0.50 points. Under heavy pressure from inflation, which reached almost 10% in the U.S., in the U.S., the intervention rate was raised by 0.75 percentage points during four consecutive months in June, July, September, and November, and an additional 0.50 point rise in December. This brought the intervention rate to 4.25%-4.5%, something not seen since 2007.

At the beginning of 2021, the European Central Bank (ECB) adopted a more measured stance as the eurozone saw an economic downturn. However, with steadily escalating inflation reaching nearly 10% year-on-year, the ECB decided to terminate its asset purchases in March. Then, on July 21 at their meeting, they raised intervention rates by 0.50 percentage points for the first time in

11 years, ending a long period of zero rates. In September and October, it made two more rate hikes of 0.75, and a further rise in December of 0.50 points, to bring the intervention rate to 2.5%, its highest level since 2008. The unscheduled meeting in June, when it announced flexible reinvestment of debt portfolio maturities to contain the rise in risk premiums on the debt of some euro area countries, was significant in terms of its impact. Both the Fed and ECB used the last rate hike of the year to target further increases in 2023. Other major European central banks, such as the Swiss SNB and the Bank of England, also raised the key interest rate significantly by 0.75 basis points at one or more points during the year.

## INTERNATIONAL INDICES AND STOCK MARKETS

All these macroeconomic and geopolitical elements have hit global stock markets hard in 2022. Major global stock market indexes have accumulated losses of about 19.5% by year end, after posting strong gains of more than 15% the previous year. The vast majority of global equity markets have posted losses this year, with one region standing out from the trend: Latin America.

European equity market losses were slightly better than global averages, with the EuroStoxx 50 and STOXX Europe 600 around -12% over the year, reflecting the better relative performance of indices such as Portugal's PSI (+2.8%), Greece's ATHEX (+4.1%), the U.K.'s FTSE (+0.9%), Spain's IBEX (-5.6%), France's CAC (-9.5%) or to sectors such as the banking sector, whose continental index lost almost 5%. Underperforming the Euro STOXX 50 (-11.7%) are country indices such as the German DAX (-12.6%), the Swiss SMI (-16.7%), the Italian MIB (-13.3%) or the Austrian ATX (-19.1%).

After several years of successive record highs, the North American markets, which carry the greatest weight in the world indices, suffered sharp declines in 2022. The technical economic recession and, more importantly, the aggressive increases in key interest rates by the Federal Reserve (FED) to combat double-digit inflation have been reflected in the stock markets with significant, but varying, losses depending on the index. While the Dow Jones of the 30 major

stocks posted only a limited loss (-8.8%), the broader S&P 500 declined -19.4% and the Nasdaq 100 index of technology stocks extended its losses to a very large loss (-33%). This abruptly broke a 12-year streak of uninterrupted gains, reflecting the impact of rising interest rates on the valuation of technology-leading companies, whose expectations of generating large earnings to justify valuations are a long way off.

The other major focus of global equity market losses in 2022 was emerging Asia, led by Chinese stock markets. The MSCI Emerging Markets Asia Index fell -22.4%, mitigated by Hong Kong's Hang Seng at -15.5% and the DJ Shanghai with -17.7%. In China, the economic slowdown, the zero-Covid policy, and the increasing interventionism of Chinese authorities in large companies have had a negative impact on valuations.

## INVESTING IN SPANISH STOCKS: CAPITALIZATION, TRADING, LIQUIDITY AND DIVIDENDS

Despite the complexity of the global economic and financial scenario, the Spanish stock market has a better annual record than other markets. In 2022, the IBEX 35© lost a meager 5.6%, reduced to -2% return of the IBEX 35© with dividends, which includes the positive effect of the significant distributions to shareholders made by most of the companies in the indicator during the year. Dividends, with their anti-inflationary effect, take center stage this year; and one of the indices of the IBEX family, the TOP Dividend, was actually in positive territory at year end (+1.17%).

The IBEX 35© marked its 30th anniversary as an indicator of the Spanish economy and companies in February, a notable milestone. Over this period, the size of the Spanish economy in terms of GDP has tripled and the value of companies represented in the indicator has increased tenfold. The average annual cumulative return, including dividends since inception, is 8%.



Large caps and mid caps outperformed small caps. The IBEX Medium Cap index showed a loss of 7.4% over the year, while the downward trend was accentuated in the small caps indicator, the IBEX Small Cap, with a decline of 12.8%. The sectoral structure of the market has favored a better performance in relative terms of the Spanish market. At year end, IBEX banks were up 12.96% for the year and IBEX energy was up 5.96%.

The combined market capitalization, or the value of companies listed on the Spanish Stock Exchange, remains just above one trillion euros (1.03 trillion at the end of December), down 4.9% over the year. The value of shares of Spanish companies (621.796 billion euros) decreased by 9.25%, while the value of foreign shares, mainly Latin American, increased by 2.6% to 407.207 billion. From a national sectoral point of view, the two sectors whose capitalisation has performed best during the year are Oil and Energy (+0.4%) and Financial Services (-2.2%).

Among smaller companies admitted to BME's financing and trading platforms, the capitalization of BME Growth SOCIMIs is up 5.5% over the year, and that of Growth companies is up 17.4%. The market value of companies in the Latin American segment traded in euros, Latibex, has experienced considerable growth. In 12 months, the capitalization of the 19 listed companies has increased by almost 20.639 billion euros to 269.782 billion, an amount that includes the contribution of Neoenergía — the Brazilian subsidiary of Iberdrola that came to market on June 7 — in the amount of almost 4 billion euros.

The total number of companies with shares admitted to trading on the various markets and platforms managed by BME fell from 2,585 to 1,498 at the end of 2022, mainly due to the sharp drop in the number of SICAVs that have opted to close due to regulatory and tax changes. Between January and December, the number of companies listed on the exchange rose from 124 to 121, while those included in BME Growth rose from 127 to 135.

Trading in shares listed in 2022 reached 362.122 billion euros and a total of 38.9 million stock market transactions. These amounts decreased by 4.2% and 13.7%, respectively, compared to 2021 levels, both in terms of the amount of money traded and the number of trades brokered.

The Spanish Stock Exchange continues to be the benchmark for the execution and liquidity of trading in Spanish securities and the vehicle through which companies conduct their business and meet their financing needs in the form of capital. The transparency and legal security framework offered by a regulated market is decisive when channeling investment operations. In 2022, the market managed by BME reached a market share of 67% in Spanish securities trading. At the same time, it had the best execution metrics in terms of bid-ask spreads, order book depth and best price available for execution compared to alternative trading platforms, confirming its position as a benchmark for trading and liquidity in its listed securities, according to data from independent information provider Liquidmetrix.

The dividends of Spanish listed companies have historically been of great importance, a fact which has been repeatedly confirmed in 2022. For years, the Spanish market has consistently ranked at the top of the developed equity markets in terms of dividend yield. This is one of the attractions of the market for international investors, who own 48.8% of the value of Spanish listed shares, 15 percentage points more than 14 years ago. Spanish listed companies with longstanding histories of generous dividend disbursements have revitalized and bolstered their payouts post the pandemic arising from Covid-19, which led to severe anomalies in the financial position and liquidity of many companies listed on the Spanish stock exchange.

Overall, direct shareholder remuneration in 2022 on the Spanish stock market increased 26.9% compared to the same period last year. A total of 25.973 billion euros were distributed through the four formulas most commonly used by listed companies to share retained earnings with their shareholders: cash dividends, stock dividends (scrip), return of premiums and capital reduction with return of capital contributions. Share-based payments (scrip) decreased by close to 23%.

These figures position Spain as one of the stock markets with the highest dividend yield for its investors. According to data from MSCI's latest monthly report for developed equity markets, Spain has a value of 4% at the end of December 2022 (equal to its historical average over 37 years).

Share buybacks and redemptions have emerged as a prominent form of shareholder remuneration in Spain this year. This method, which has a long tradition and great impact in the United States, is experiencing strong growth in Europe. In Spain, in 2022, there were 27 share buybacks with a total market value of 14.437 billion euros. This is more than four times the buyback in 2021 and a record figure for this year.

### CAPITAL INVESTMENT: INVESTORS, SHARE CAPITAL INCREASES, SECONDARY OFFERINGS AND IPOs

The Spanish stock market has a diverse investor base. According to BME's year-end 2021 figures, international investors hold 48.8% of the capital of all listed companies. Individual investors or families have 17.1%.

New equity financing and IPOs declined in 2022 in an environment characterized by the economic slowdown and interest rate increases at all maturities.

The data provided by the World Federation of Exchanges (WFE) on total financing and investment flows are very telling in this regard. They show a decline of more than 90% compared to 2021 in flows channeled through IPOs on North American and European exchanges, and a decline of more than 70% in new funds raised by already listed companies.

In the Spanish stock market, new investment and financing flows through IPOs and other new admissions also dropped significantly (-74%). 18 new companies have joined BME's platforms, of which two have joined the exchange (Opdenenergy Holdings and Atrys Health, which made the leap from BME Growth to the main market), 15 on BME Growth and one on the Latibex platform.

Capital increases, on the other hand, recorded a weak year in terms of amounts. In 2022 as a whole, 120 transactions are accounted for (24% more than the previous year) but with a value of 6.137 billion euros, about one third of the previous year.

### SUSTAINABLE INVESTMENT THROUGH EQUITIES

Since 2008, the stock market managed by BME has made the FTSE 4Good IBEX® index available to investors. This index is a powerful tool that allows investors to identify and invest in companies that meet global standards for corporate responsibility.

Since its inception in 2008, the FTSE4Good IBEX® index has registered an increased commitment to sustainable investment among listed companies, as evidenced by the rising number of components: from 27 initially to 46 in 2022, with notably robust growth observed in recent years.

At the end of 2021, a gender equality index — IBEX Gender Equality — was created for Spanish listed companies. BME's creation of a gender equality index underscores the securities industry's commitment to integrating sustainability factors into the financial sector and, in particular, supports gender equality through the UN Sustainable Development Goal number 5, in the belief that more women in leadership positions will help achieve this goal. In 2022, this index has fallen -7.9%, in line with the decline in the other leading indicators of the Spanish stock market. The index does not have a fixed number of components and has increased from 31 to 45 companies in the index revision carried out in June of this year.

## BME GROWTH AND PRE-MARKET ENVIRONMENT

In 2022, 15 companies have joined BME Growth, which once again is a catalyst for the listing of new companies in the Spanish financial market. Of these, 10 companies belong to the Growth segment and 5 of them are SOCIMIs. Overall, the market closed the month of December 2022 with 135 companies and a market capitalization or value of 20.686 billion euros, the capitalization of SOCIMIs has risen by 5.5% in the year and that of Expansion Companies by 17.4%, reflecting the strength of the market.

Despite the challenging environment, BME Growth has continued to act as a financing and growth engine for small and medium-sized Spanish companies. The amount raised by companies in this market through capital increases and market entry transactions reached 878.25 million compared to 959.7 million in 2021 and 428.3 million in 2020. The number of transactions has continued to rise, reaching a record high of 93 transactions in 2022.

Yet again this year, special mention should be made of the Pre Market Environment's growing role in bringing investors, companies, and the finance and investment ecosystem represented through the securities markets. To this end, the participating companies in any kind of sector have the support of partners specializing in different strategic areas to provide them with the training needed to achieve a level of competence that allows them to make the jump to the financial markets.

In 2022, 6 new companies and 4 new partners have joined the EpM and have been included in the portfolio of services offered to the companies. Thus, there are already 24 companies that have participated or are participating in the support offered by the EpM for their development, and 24 partners that are currently members of the entrepreneurial ecosystem. Three of them, Enerside Energy, Substrate AI and Energy Solar Tech, have already transitioned successfully the market, namely to BME Growth.

## CORPORATE TRANSACTIONS

Global merger and acquisition (M&A) activity was also affected by the slowdown in economic growth, geopolitical tensions and the rise in interest rates - a key question for the funding of these transactions. According to data compiled by Dataside, in the first three quarters of the year, the number and value of M&A transactions in Europe, the Middle East and Africa fell by 14% and 16%, respectively.

On the Spanish market, the focus was once again on takeover bids involving stocks with a long tradition and stock market weight, such as Zardoya Otis, Mediaset España, Metrovacesa and Siemens Gamesa. The Zardoya Otis transaction was completed with a write-down following the acquisition by its American parent company, Otis, of the 50% of the capital it did not own. MFE-MediaForEurope, an Italian company, successfully increased its total share in Mediaset España's capital to 82.9%, following a takeover bid for 100% of the remaining capital that it did not previously control. Siemens Gamesa was awaiting, at year-end, the decision of the General Shareholders' Meeting on delisting after the takeover bid for 32.9% of its parent company Siemens Energy's capital was accepted by 25.6% of the capital. Finally, Metrovacesa was partially acquired by FCC Group and its partner Control Empresarial de Capitales (CEC), which increased its stake to 17%.



## ETFs AND WARRANTS

In 2022, exchange traded funds (ETFs) worth 1.609 billion euros were traded on the Spanish Stock Exchange. This figure represents a 3% increase over 2021 for the only five ETFs admitted to trading. The fiscal and regulatory measures pertaining to this product's listing on the Spanish Stock Exchange position the Spanish financial market as an international 'island' given its status as a reference for private and institutional investments in the main economies and global financial markets over recent decades.

Warrants trading on the Spanish Stock Exchange has seen a high level of activity in 2022. In the 12 months of the year, almost 600 million effective euros was traded, more than double the amount traded in 2021. Traditional warrants have grown the most in terms of cash traded, with a share of 72% of the total and an annual increase of 116%. They are followed by multi-warrants with a 16% share and 60% annual growth. At the end of December, there were 2,641 warrants on the market, following 6,355 new additions during the year, the highest levels in 5 years.

## FIXED INCOME: FUNDING AND INVESTMENT

Global government and corporate bond markets have experienced unique difficulties this past year, with falling prices and increased interest rates caused by the implementation of accelerated central bank monetary tightening strategies to combat high, consistent inflation. In the last quarter, high yields have become a strong attraction for investors and losses have moderated. Despite the difficult environment, Spanish bond markets have maintained their ability to finance both the public and private sectors, with issuance volumes exceeding 380.000 billion euros.

The performance of the 10-year U.S. bond paints a good picture of the year: It began the year at 1.63%, the lowest level of the year, and maintained the upward trend in yields for virtually the entire year, reaching a level of 4.3% in October, driven by Fed rate hikes and very high inflation. In November and December it underwent some correction to close the year at 3.8%. In Europe,

the German 10-year Bund started the year with interest rates which were still negative (-0.12%) and abandoned them at the end of January to further increase yields, closing the year at 2.6% with periods of correction in August and November.

The Spanish 10-year bond started the year at 0.61% and closed the year at 3.7%, the highest level in 8 years, after going through correction phases during the summer and in November. The risk premium of these Spanish bonds over the benchmark 10-year German bond, which was 0.73 percentage points at the beginning of the year, reached 1.38 percentage points at times during the year, but the measures taken by the European Central Bank (ECB) under the transmission protection instrument (TPI) curbed the increase and over the last few months the premium went back to around 1 percentage point.

The volume of Spanish government bonds issued and admitted to trading on the BME's regulated market for fixed-income securities in 2022 amounted to 252.227 billion euros, down 10% year-on-year. This corresponds to the decline in the high volume of public sector issuance in previous years, which was marked by the impact of the Covid-19 pandemic.

The exceptional nature of the year had a negative impact on the volumes traded on the market. Thus, between January and December, total trading in public debt instruments on the SENAF platform, which is reserved for specialized wholesale financial institutions, and on the SEND platform, which is open to all types of investors, amounted to 114.706 billion euros, a decrease of 51%.

The total balance of outstanding Spanish government debt in the regulated fixed income market stood at 1.33 trillion euros at the end of 2022, close to 7% higher than the same time last year. The balance of foreign government debt fell by 5.6% to 4.3 trillion euros at the same time.

In the Corporate Debt market, the volume of Spanish private bonds admitted to trading on the regulated market between January and December 2022 reached 114.038 billion euros, an increase of 0.7% over the previous year. Unlike in 2021, in which longer-term issuance almost doubled, in 2022 companies concentrated

their issuance in the short term, given the medium-term uncertainty, and the growth of promissory note issuance stood out with 39.334 billion euros and a growth of 95%. Securitization issues also increased by 12% to 20.644 billion euros.

## 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 end of 2022, 136 companies, including six Portuguese and three others from the Netherlands, the United Kingdom and Canada, have sought funding through it. After growing steadily during its 9 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 authorizations added to MARF between January and December totaled 13.756 billion euros, a slight decrease of 1.5% compared to the same period last year. Of note in the year was the increase in short-term promissory notes (+24%). By year end, 19 companies had tapped the MARF market for the first time to meet their financing needs through fixed-rate issues.

MARF closed December with an outstanding issuance balance of 8.160 billion euros, 15.4% less than the previous year, with a balance between outstanding bond issuances of 3.553 billion euros, divided between 71 issues, and 4.608 billion euros in over 300 tranches issued under the promissory note programs in force.

## GREEN, SOCIAL AND SUSTAINABLE BONDS

Sustainability funding slowed in 2022 after a major surge in 2021. At that time, it surpassed \$1 trillion (€900 billion) for the first time in the issuance of fixed-income securities linked to environmental or social goals. In the first half of the year, total emissions amounted to almost 404 billion euros, 14% less than in the same period last year, according to figures from the Spanish Observatory of Sustainable Finance (OFISO). In these first 6 months, green bond issuance numbers remain similar, while social bond numbers decline as the worst effects of the pandemic caused by Covid-19 fade, and numbers for bonds with conditions attached to meeting certain sustainability targets (Sustainability Linked Bonds or SLBs) increase. Total issuance figures for the year as a whole are expected to exceed 800 billion euros.

In Spain, the issuance of green, social and sustainable bonds decreased significantly in the first half of 2022 to 8.263 billion (-46%) compared to the same period last year, mainly due to the reduction in Treasury issuance, also according to OFISO data. However, Spain maintains its position as one of the world's leading markets for green bond issuance by national public and private entities. With data for 2021 as a whole, it once again ranked among the top 10 countries in terms of volume issued.

On the fixed income markets and platforms managed by BME, 28 green, social and sustainable fixed income issues were admitted to trading in the year for a total amount of more than 52.5 billion euros from both Spanish and foreign issuers. At the end of December there were 96 ongoing issues related to the environment and sustainability, well above the 63 at the end of 2021, with companies such as the railroad manager ADIF, banks such as ICO, Caixabank, BBVA, or Abanca; or the Autonomous Communities of Madrid, Andalusia, Euskadi, all of them issuers throughout 2022, playing a leading role.

## DERIVATIVES: FUTURES AND OPTIONS

Spanish derivatives market MEFF has further diversified its offering in the financial derivatives segment with the introduction of 5 new underlying assets and a new order type. The total volume of contracts traded during 2022 reached 33.1 million contracts, virtually unchanged from the previous year.

Implied volatility in 2022 increased by slightly more than 4 points to a daily average of 21.3%, compared to 17.4% for all of 2021, according to the VIBEX® Volatility Index.

As a result of the higher volatility and the better relative performance of the IBEX 35© compared to other international indices, the number of traded contracts in futures on the IBEX 35©, the main product of the Spanish market, increased by 3.5% to 5.4 million through December. The number of trades also increased significantly, by 15%. Trading in options on individual stocks exceeded 15 million contracts over the year, up 7%.

During 2022, MEFF has included Acciona Energía, Applus, Unicaja, Vidrala and Rovi shares as underlyings for futures and options on individual shares. This completes the set of securities that are part of IBEX 35©, facilitating their replication with derivatives for all types of investors. In addition, MEFF has improved a relevant market parameter for market members in 2022: since June, the validity period of orders has been extended to 90 days.

MEFF electricity futures have been subject to the significant changes in the European electricity market due to current production levels, pricing variables, and regulatory shifts. Trading in the Spanish market in 2022 decreased by 56%

compared to the previous year to 10.7 million MWh compared to almost 26.7 million MWh in the previous year. Price increases, volatility due to outages and hindered gas supply, and a lack of clarity regarding the government's measures adopted in spring to reduce the price of electricity have had significant implications for the liquidity of the electricity futures markets.

The xRolling FX® FX futures contract market, which is under construction and development, is part of the Spanish derivatives market MEFF's strategy to leverage its experience as a regulated market supervised by the CNMV with a proven trading system and decades of experience, as well as the security of a central counterparty. 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 effective volume traded on the market through December is almost 9,400 contracts with an effective trading volume of almost 93 million euros.

## CLEARING

BME Clearing, as the BME's central counterparty, provides offers clearing services in five segments: financial derivatives on equities and currencies, spot securities trades traded on the stock exchange, repo transactions on European sovereign debt, electricity and natural gas derivatives, and interest rate derivatives.

In the derivatives area, the volume of settled IBEX 35 futures increased by around 4%, in line with the development of trading. By contrast, the volume cleared in equities declined by 13% over the year.

Total operations on Public Debt Repos reached 199.059 billion euros in 2022, in line with the previous year, of which 139.246 billion corresponded to Spanish debt, 59.636 billion to Italian debt and the rest to Portuguese debt. The open position at the end of December amounted to 10.489 billion euros with an average term of 17 days.

The Power Derivatives segment increased to 230 participating entities at the end of the year, eight more than the previous year. Activity has suffered from high volatility and uncertainty, which has dampened liquidity. By the end of December, the registered volume in the power segment reached 10.75 TWh and the open position was 7.36 TWh. Natural gas derivatives clearing, which was particularly affected by the war in Ukraine and saw a sharp decline in activity, had a similar performance. At the end of December, 54 companies participated in this energy segment, with a cumulative volume of 1.95 TWh and an open position of 0.71 TWh.

The Interest Rate Swaps (IRS) segment of BME's Central Counterparty Clearing House reduced its volume to 10.11 million euros with an open position of 513.3 million euros and an average maturity of 5.7 years.

## SETTLEMENT

BME's settlement and registration activity for 2022 continued to remain steady, in line with the trends from previous years. The number of exchange instructions settled through Iberclear decreased slightly by 5% year-on-year, with a monthly average of 0.59 million transactions. Average daily cash settled increased by 3.7% to 6.099 billion euros.

Nominal balances at the end of the period for BME's Private Fixed Income Market securities fell by 10.4%, while balances for Public Debt Market securities grew by 6.8%.





## MARKET ENVIRONMENT: ECONOMY, BUSINESS AND REGULATION

Global economic growth slows to 3.2% in 2022. This is half of that forecast at the start of the year.

With projected GDP growth of 4.3% and 1.2% for 2022 and 2023, respectively, Spain is one of the most resilient European economies.

Listed Spanish companies increase their revenues to 314.0 billion euros in the first half of 2022 and manage to increase their profits despite the decline in margins due to inflation.



# MARKET ENVIRONMENT: ECONOMY, BUSINESS AND REGULATION

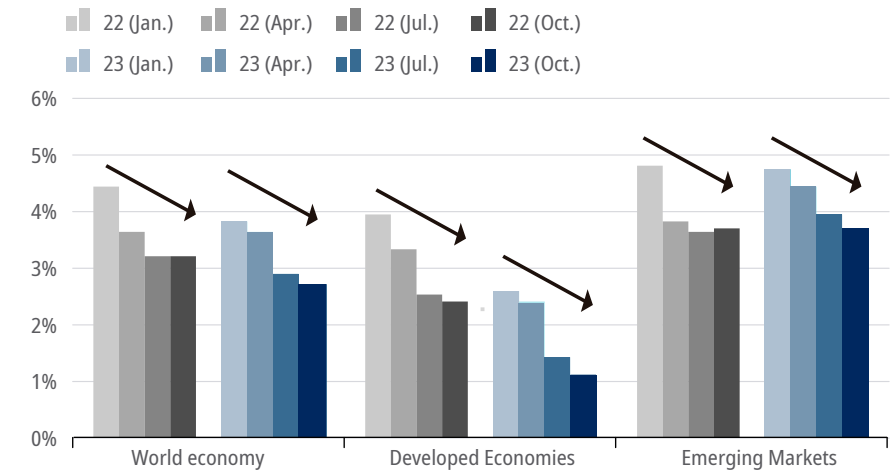
## Economy

In 2022, global economic growth slowed by 2.8 percentage points compared with 2021, to 3.2% from 6% in 2021, the year of recovery from COVID-19. During the year, monetary and governmental institutions lowered economic growth for both 2022 and 2023 in light of unexpected geopolitical and economic events. For example, in its updated October economic outlook, the IMF downgraded global growth from the 4.4% forecast in January to the aforementioned 3.2%. Growth expectations for 2023 have evolved in a similar way, from 3.8% to the projected 2.7%. The recent slowdown in the world economy can be attributed to a number of factors, chief among them being the Russian invasion of Ukraine and its attendant geopolitical and economic consequences. Other significant contributory factors include the global shift in monetary policy designed to combat persistent inflation, intermittent outbreaks of COVID-19 and manufacturing closures in countries such as China.

On February 24, Russia announced its incursion into Ukraine, resulting in a strongly united response from the United States and Europe, supported by other large economies of the West. As a result, Russia was cut off from Western trade, while the supply of oil and gas from Russia to Europe was curtailed. All of this accelerated inflation, which had climbed above historic levels since mid-2021, undermining household consumption capacity, shrinking industrial production and activity, and worsening consumer confidence. The global financial markets have seen significant declines in recent months, as investors have become increasingly worried about the future. A number of factors have contributed to this, including the accumulation of uncertainties, risks, and tighter monetary conditions. This has led to a reduction in financing activity through market channels of 70-90% compared to 2021 in major developed regions.

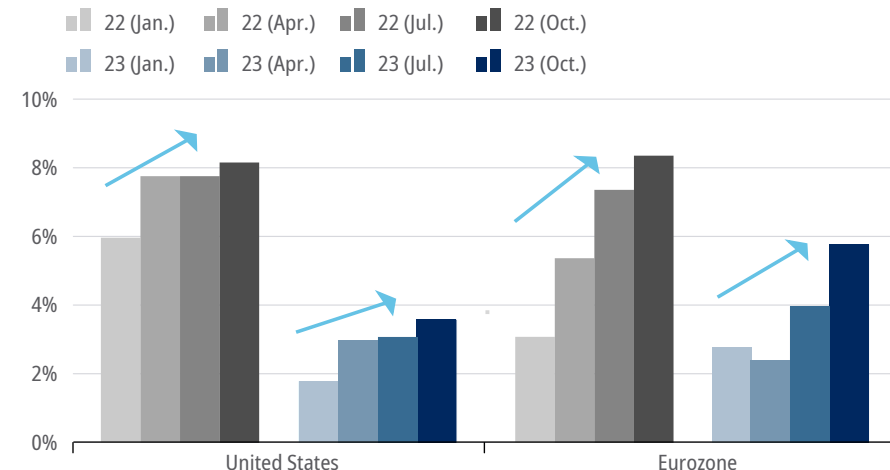
Broken down by region, eurozone GDP has weakened by 2.1 percentage points (5.2% in 2021) and has been revised down by 8 tenths for 2022, from 3.9% to

## Annual GDP growth estimates for '22 and '23 (%)



Source: IMF World Economic Outlook in, Apr, Jul and Oct 2022

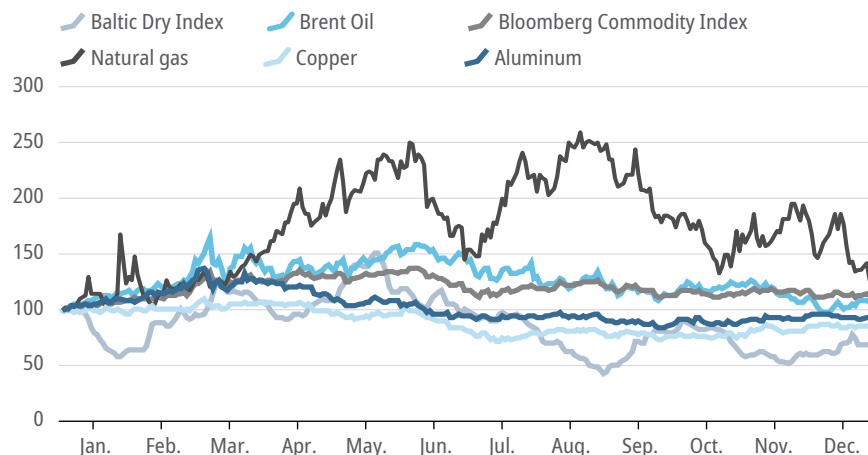
## Annual growth estimates inflation for '22 and '23 (%)



Source: IMF World Economic Outlook in, Apr, Jul and Oct 2022

## Change in commodity prices

Base 100=31/12/2021



Source: Thomson Reuters

the current 3.1%, as has growth for 2023, which has been lowered from 2.5% to 0.5%. Conversely, projected inflation for 2022 has accelerated from 3.0% in January to 8.3% now, and is expected to be around 5.7% in 2023, compared with the 1.7% estimate earlier this year. The observed differences in economic growth and inflation can be attributed to the destructive effects of war in Europe.

Two of the countries most affected by the geopolitical situation in Europe are Germany and Italy, two of the region's major economies, which are expected to enter recession toward the end of 2022 and to contract by 0.3% and 0.2%, respectively, in 2023. Spain is making one of the most significant contributions to economic growth among major countries in the eurozone. The Spanish economy will grow by 4.3% in 2022 and is estimated to grow by 1.2% in 2023.

In the United States, there has been a noticeable inflationary increase in prices since 2021, and its second-round effects have been seen to impact consumer

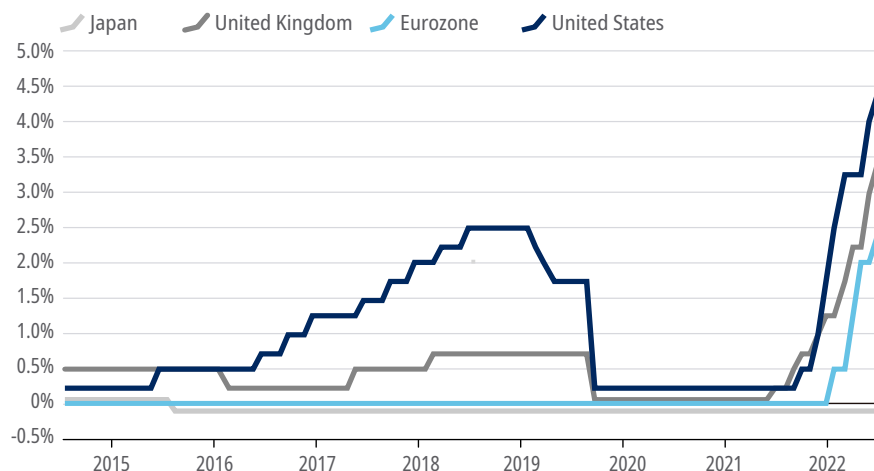
demand negatively throughout the first half of 2022. According to the IMF, the U.S. grew 1.6% in 2022, down 2.4 percentage points from the 4.0% growth expected at the beginning of the year. The estimate for 2023 was also scaled back during the year from 2.6% to the current 1.0%.

## The rapid escalation of interest rates

The first monetary authority to change its monetary policy stance was the U.S. Federal Reserve (Fed). During 2022, the Federal Open Market Committee (FOMC) raised interest rates 7 times in a row since March 16. Four of the last five increases were by 75 basis points, while the last was by 50 basis points. This brought the general interest rate from 0.0%-0.25% at the beginning of the year to 4.25%-4.5%. The Federal Reserve capitalized on the strong U.S. labor market, which is close to achieving full employment, and clearly conveyed to the markets that they would be moving toward inflation control in the first quarter of the year. The Federal Reserve has revised their inflation forecasts upward throughout the year, in line with international institutions. Chairman Jerome Powell stated in the latest meetings in 2022 that interest rates are set to end up higher than initially projected in order to mitigate increasing prices.

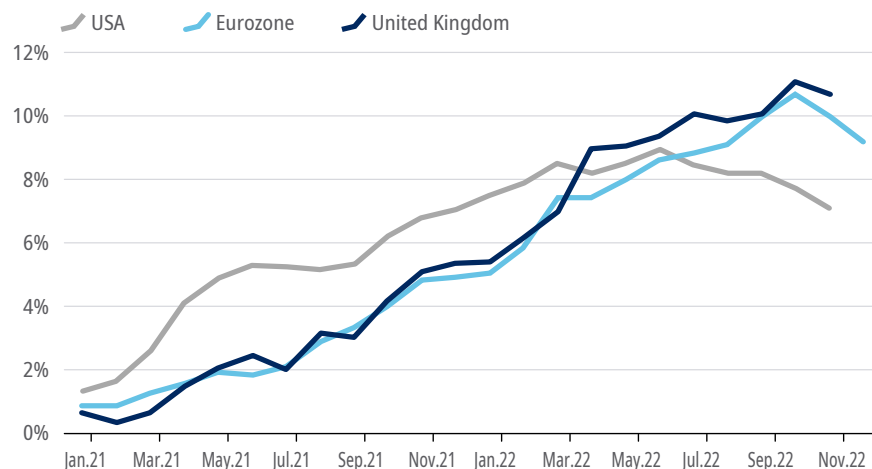
In July, the European Central Bank made a decisive decision to alter its expansionary monetary policy, with an increase in interest rates for the first time since 2011. This action not only raised the key rate off 0% after 7 years but also removed negative interest rates from the deposit facility. Thus, the ECB brought the key interest rate to 2.5%, the marginal lending facility to 2.75% and the deposit facility to 2.00%. Unconventional monetary policy measures also played an important role during the year. For example, the asset purchase program (APP) was terminated on July 1 and a new program called the transmission protection instrument (TPI) was announced to ensure effective transmission of European monetary policy to all economies in the monetary union. This instrument was also introduced in July, when risk premiums in peripheral eurozone countries had begun to rise. Perhaps the most

## Rate policy of the main central banks



Source: Thomson Reuters

## Year-on-year change in CPI (%)



Source: data extracted from national sources

consequential meeting of the year took place in December, when the institution decided to announce, in addition to raising interest rates, that it would reduce assets held under the APP program by €15 billion per month starting in March 2023, shortly after the end of the APP program.

Also in Europe, the Bank of England (BoE) has implemented a restrictive monetary policy by increasing interest rates 8 times from 0.25% at the start of the year to 3.5%. The Bank of England took the unprecedented step to intervene in UK bond markets during the previous quarter due to a combination of factors. This was in response to the announced tax cuts to be implemented by the new government, as well as a dramatic decrease in value of the British Pound compared to the US dollar which had resulted in a 20% depreciation since January, bringing its values to levels not seen since the 1980s. The British crisis sent stock markets around the world into an accelerated downtrend in September, when it found a bottom and then rebounded to today, ending the year at -10.5% against the U.S. dollar.

## Expectation of lower price pressure in the immediate future

However, despite the general increase in prices throughout 2022, a slowdown in price growth is observed in the last phase of the year and will continue, mainly due to a 'step effect' caused by the very high prices in the first half of 2021. In addition, the decline in demand will help dampen price growth in 2023, according to analysts. In the United States, where the economic cycle is more advanced than in other advanced countries, the step effect and the weakening of consumer demand are already being felt. Indeed, the latest inflation figures have shown a slowdown in prices in the last four months of the year. On the financial markets, commodity prices have seen a significant drop over the past six months. On average, prices have fallen 20-30%, and in some cases, such as natural gas, prices have fallen 50% decrease from their peak values. This newfound stability has been welcomed by many industries and businesses.

## Economic forecasts

GDP forecast '23	Global	United States	Eurozone	China	United Kingdom	Japan
IMF (October)	2.7%	1.0%	0.5%	4.4%	0.3%	1.6%
OECD (September)	2.2%	0.5%	0.3%	4.7%	0.0%	1.4%
S&P ratings (October)	2.4%	0.2%	0.3%	4.7%	-0.4%	1.4%
Moody's (August)	2.1%	1.3%	0.3%	4.8%	0.9%	1.3%
Fed (September)	--	1.2%	--	--	--	--
ECB (September)	--	--	0.9%	--	--	--

Inflation Forecast '23	Global	United States	Eurozone	China	United Kingdom	Japan
IMF (October)	6.5%	3.5%	5.7%	2.2%	9.0%	1.4%
OECD (September)	--	3.4%	6.2%	3.1%	5.9%	2.0%
S&P ratings (October)	--	3.7%	5.2%	2.4%	5.8%	1.6%
Moody's (August)	--	2.3%	--	2.5%	3.8%	1.2%
Fed (September)	--	2.8%	--	--	--	--
ECB (September)	--	--	5.5%	--	--	--

Nevertheless, the prices of most commodities continue to exhibit high volatility, due in part to the stalemate in the war in Ukraine and the global economic slowdown.

China, the world's second largest economy, has had a significant impact on global GDP growth and international trade availability in 2022 due to its economic conditions and policies. Zero COVID-19 measures, alongside the contraction of the real estate sector in late 2021 following Evergrande's bankruptcy, have impacted household consumption and production levels, as well as commercial confidence; ultimately hindering China's capacity to maintain its pre-pandemic trajectory of growth above 5%. Chinese GDP ended the third quarter at 3.9% year-on-year growth and is expected to end the year at 3.2%, its worst performance in three decades and the first time it has grown at a slower pace than the rest of Asia. However, the end of the Covid-zero policy

announced by the Communist Party of China in the last month of the year may be key to the region's economic revival and hence global demand.

The main monetary, governmental and analytical institutions are unanimous in forecasting a scenario of lower inflation in the coming quarters, which will materialize later this year, and a significant decline in global growth by 2023.

## The dollar and Latin American currencies appreciate against other currencies

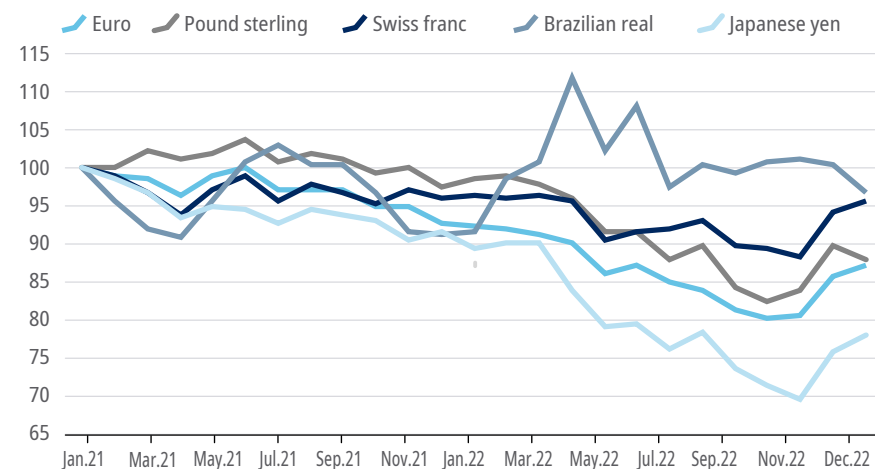
In the foreign exchange market, the Fed's determination to tame inflation has caused the U.S. dollar to strengthen against most currencies around the world, rising to its highest level since the early 2000s. Developed economies' currencies have depreciated since the outbreak of the war in Ukraine and since the acceleration of monetary policy normalization by the Fed starting in the second half of the year. The euro has depreciated by 5.8% over the year and by almost 13% since January 2021, breaking exchange parity for the first time since 2002 although closing the year above this barrier. The British pound fell by 9.7% in 2022 and reached its lowest level since 1985 during the year, while the Swiss

franc's depreciation against the U.S. currency was around 0.58% and reached exchange rate parity at several points during the year, which has not been the case since 2019.

Emerging market currencies have generally performed in a similar fashion to the US dollar, which could have far-reaching implications for economic stability and monetary policy in those countries. As global financial conditions tighten and import prices increase, emerging markets may face significant challenges. However, the situation is different for the main Latin American countries, whose currencies have shown strength despite the aforementioned appreciation of the U.S. dollar. Highly active management of national central banks to combat persistent inflation on the continent has provided stability and confidence for international investors. During 2022, the Brazilian real and the Mexican peso

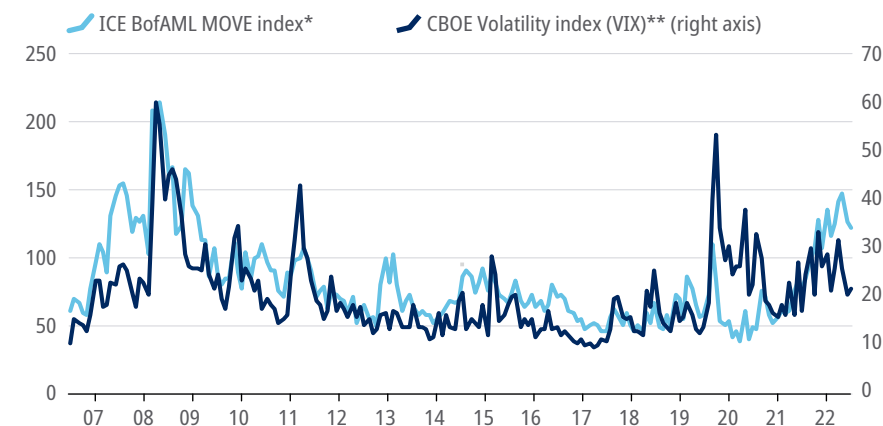
## Appreciation of the US dollar against currencies of developed countries

Base 100 = 31 December 2020



Source: Thomson Reuters

## Volatility in equities and fixed income - United States



\* US government bond volatility, Reuters.

\*\* US stock market volatility, Reuters.

Source: Thomson Reuters



gained 6.2% and 6.5%, respectively, which is unique given the new monetary policy of FED and the deterioration of the global business cycle.

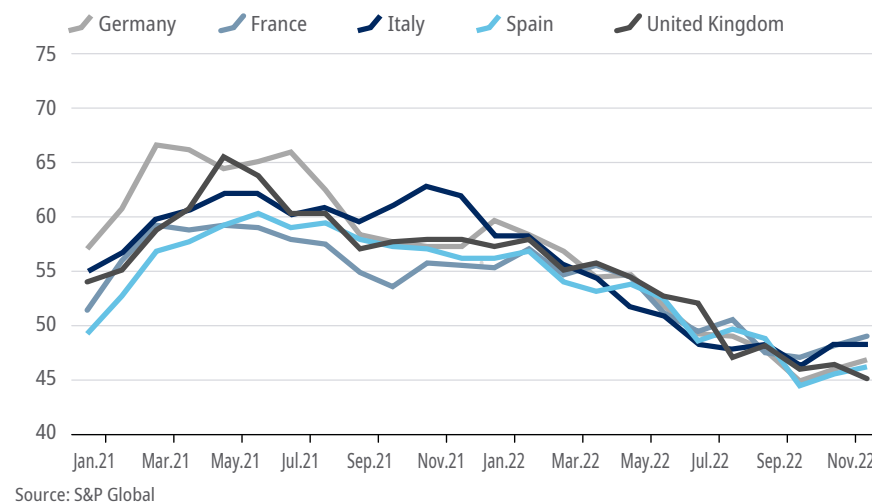
As we mentioned earlier, financial markets were significantly impacted throughout 2022 in this context. Global equities accumulated very large losses during the year, with sharp declines in technology companies that are classified as growth companies. Fixed income securities were not spared from the normalization of monetary policy and posted one of the worst performances in recent decades, with larger losses in long-dated products, both private and government.

### The energy crisis hits Europe hardest

As a result of the war, the European Union forcefully and jointly introduced a series of trade and financial isolation measures, which were expanded during the year. In turn, Russia restricted the supply of energy (mainly oil and gas) to Western countries. In light of rising inflation and increasing geopolitical tensions, the economy has experienced a deceleration in the second half of this year. This has caused a decline in industry and consumer outlook, prompting experts to anticipate an economic recession in some countries for the upcoming year.

In its latest report (WEO of October), the IMF expects the euro zone to grow by only 0.5% in 2023. Two of the largest nominal contributors to European GDP, Germany and Italy, have negative growth forecasts (-0.3% and 0.2%, respectively), as do other countries such as Sweden with an expected 0.1% decline in GDP. This is mainly due to energy dependence on oil and gas from Russia. Germany's energy dependence on Russia is the most obvious example. Virtually all countries in the European region are negatively affected by the energy crisis, and of the top 10 countries in the region, only Spain is expected to grow by more than 1%.

### Manufacturing PMIs in Europe

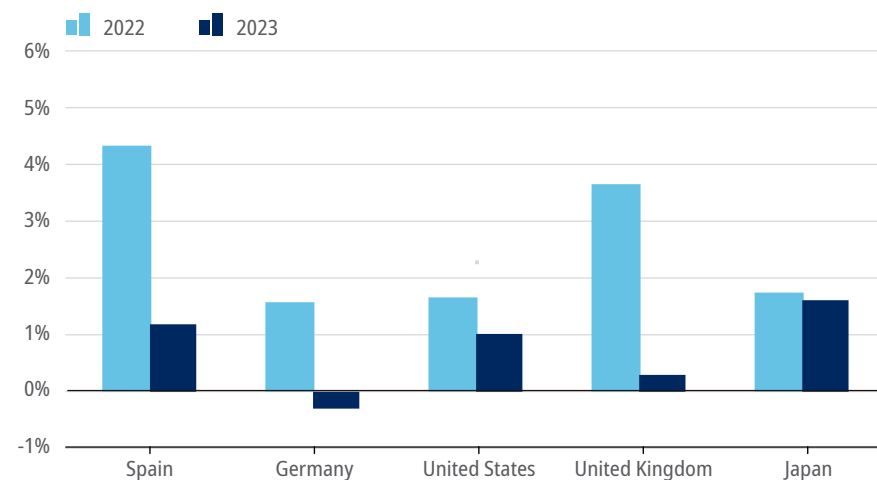


As mentioned earlier, private sector expectations have deteriorated in both manufacturing and services. Despite the macroeconomic and geopolitical situation described above, the services sector has shown resilience for much of 2022. The resilience of this sector was due in part to rising tourism and growth in the labor market.

### Economic indicators underpinning Spain's improved performance

Despite the downward revision of forecasts for Spanish economic growth, the Spanish economy is one of the fastest-growing among the main European countries, in line with the global trend mentioned above. For example, in its October forecast, the IMF predicted that Spain would grow by 1.2% in 2023, against a backdrop of virtually zero growth forecast for the eurozone and

## Annual GDP growth 2022 and 2023



Source: IMF WEO October 2022

recession in countries such as Germany and Italy. Spain is therefore maintaining its strong relative growth, as has been the case since 2021. In fact, until the release of the final data, economic growth is expected to finish 2022 with a solid increase of 4.3%, due to the revival of the economy, the almost full recovery of the tourism sector, the strength of domestic demand and the implementation of the NextGenerationEU funds.

Thus, the recovery of the tourism sector has positioned itself as the main driver of economic growth. The number of international travelers tripled in the first half of the year compared to 2021, recovering 85% of the total number of visitors from 2019 before the pandemic. However, both the services and manufacturing sectors have exhibited decreased activity since September and business confidence is negatively impacted by political uncertainty in Europe.

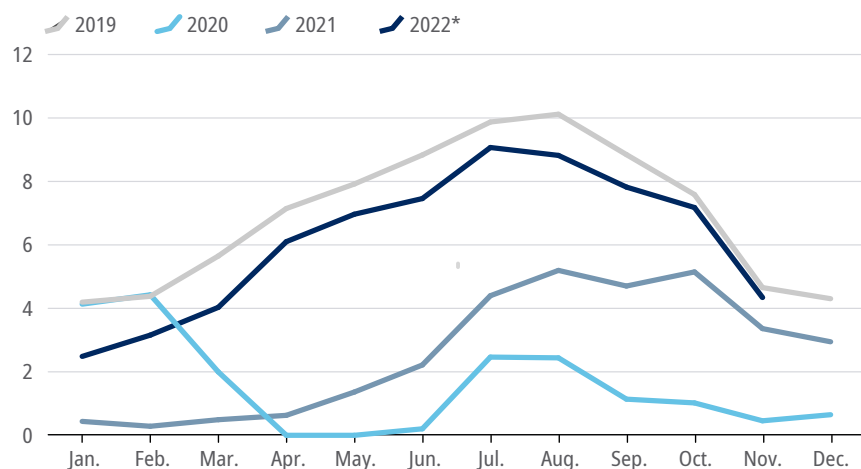
All in all, growth for 2023 will be diminished by inflation, which is now forecast to be higher than initially expected, affecting household disposable incomes, as well as by the energy crisis in Europe and an unstable geopolitical scenario, which will affect investment and consumer confidence. However, the Bank of Spain expects economic activity to accelerate in the second half of the year and the momentum to continue until 2024, when it expects growth of 2.7%.

According to the Bank of Spain, inflation is expected to rise by 8.4% by the end of 2022. This is below the 40-year peak that was recorded back in July, when prices were driven up by the costs of energy, food, industrial goods and others. Core inflation is also expected to rise 3.8% for the year.

The labor market continued to experience a steady recovery throughout the year, with an unemployment rate of 12.8% at the end of 2022, the lowest it had been since 2008, and below the level of 14.8% at 2021 year-end. The labor market is expected to remain at the current level through 2023 despite the scenario of a global slowdown.

## International tourist arrivals in Spain

In millions



Source: INE. \*Data up to November

## Economic and financial situation of Spanish companies

In 2022, the strong financial performance of listed companies and their solid position in terms of debt (which has decreased significantly and has developed more diverse sources) are two important bright spots.

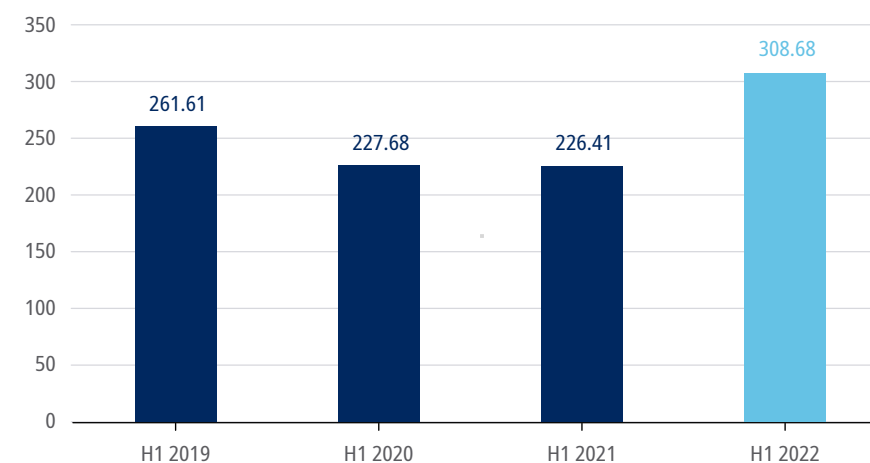
The latest results of listed Spanish companies reflect significant revenue and profit growth in the first half of 2022. Although the global economic situation is unstable, the return to normal health conditions and the removal of restrictive measures designed to control the pandemic have driven growth for many companies, especially in the service sector. These companies have not only recovered their pre-pandemic revenue levels, but surpassed them.

Spanish listed companies recorded a turnover of more than 314 billion euros in the first half of 2022, representing a growth of 33% compared to the same period last year (236 billion euros). The latest growth numbers show that the revenue of listed Spanish companies is continuing to recover after it began in 2021, with a 16.9% increase over the turnover achieved in the first half of 2019.

During the first six months of this year, notable growth in sales was seen across the oil and energy and consumer services sectors, with a remarkable rise in revenue of 63% and 61%, respectively. During the first half of the year, companies in the oil and energy sector saw significant gains thanks to a robust economy and higher energy costs caused by supply disruptions resulting from the war in Ukraine. The consumer services sector has directly benefited from the economic resurgence post-pandemic, as lockdown restrictions have been entirely lifted and the Spanish tourism industry has seen a near full-recovery.

## Revenue growth of IBEX 35® companies

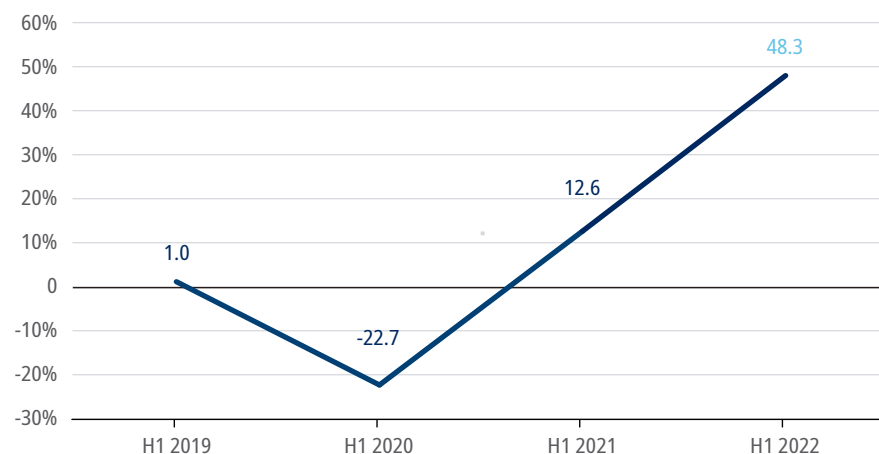
(Billions of euros)



Source: Results extracted from the accounts published in the CNMV.

Through June, Spanish companies were successful in restricting the rise of costs on their financial statements in a global inflationary environment that caused notable gains in production expenses. It seems that thanks to these efforts, the reduction in gross and operating margins has not been very strong and has allowed companies to increase their net profits by 28.14% in the first six months of the year. This would be not including the earnings of Telefónica, which recorded an extraordinary profit of 8.60 billion euros in the first half of last year, after the sale of Telxius and the merger of O2 and Virgin. If we include this anomalous figure for Telefónica, we would have an overall decrease of 9.39%.

## Central Balance Sheet Data Office: year-on-year growth (%) by half-year of the revenues of Spanish non-financial companies



Source: Bank of Spain.

The gross operating profit (EBITDA) of all the companies that make up the Spanish Stock Exchange increased by 6.15% year-on-year to over 45.0 billion euros. If the results are adjusted for the extraordinary effect of Telefónica mentioned above, EBITDA recorded a significant increase of 49% year-on-year.

The companies that make up the main national stock market index, the IBEX 35®, increased their revenues by 36.34% in the first half of the year, also surpassing the figures for the same period in 2019, while their EBITDA and net profit, excluding the extraordinary effect of Telefónica, increased by 55% and 30%, respectively (2.9% decrease in the aggregate net profit of the IBEX companies when included).

However, the strong growth in sales and corporate profits slowed slightly in the third quarter of this year, according to data from the Central Office of Balance Sheet Data of the Bank of Spain. Thus, the deterioration of economic dynamics

reflected in the advanced indicators would be generally felt in all sectors of the economy in the third quarter, affecting industry in particular. Corporate margins will also be slightly affected by inflation and interest rate hikes by the main central banks.

For the second year in a row, listed companies have capitalized on strong profits and substantial cash reserves amassed during the COVID-19 crisis to increase shareholder compensation. Remunerations in 2022 have increased, almost reaching the figure of 26 billion euros, 26.8% compared to the previous year. The MSCI data reveals that the dividend yield of the Spanish stock market, bolstered by considerable shareholder remuneration, including a noteworthy rise in dividends, has surpassed several other comparable markets - standing at 4% as of December's end.

Available data suggest that publicly traded companies continued to implement share repurchase and subsequent cancellation programs in 2022, supplementing returns from investing in equities. Through the year, listed companies have canceled shares with a market value of 14.438 billion euros, 303% more than the previous year. This pattern is mainly due to the operations of the Spanish banking sector, such as those of Banco Santander and BBVA, which together have canceled capital worth 4.4196 billion euros.

The data indicate that for the first half of 2022, the financial health and overall capital structure of listed companies has strengthened. This has been evidenced by lowered debt ratios coupled with increased creditworthiness. In this context, the financial debt to EBITDA ratios of the IBEX 35® and IBEX Medium components have slightly improved, decreasing to 6.03 and 6.33 x, respectively. The financial debt to total assets ratio also improved, rising to 32.03% of total assets for the IBEX 35® companies and to 30.14% for IBEX mid-caps. The ratio of financial debt to net assets remained stable for companies in both indices.

## 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
Dec-21	13.80	15.70	14.70	16.60	21.90	26.10
<b>Dec-22</b>	<b>9.90</b>	<b>11.30</b>	<b>12.10</b>	<b>7.00</b>	<b>14.90</b>	<b>19.40</b>
Max 37 years	41.40	27.50	69.00	288.90	76.30	34.80
37-year low	6.10	6.40	-211.00	-0.10	7.00	11.30
37-year mean	15.72	15.57	20.01	23.38	21.12	20.60
<b>Difference</b>	<b>-5.80</b>	<b>-4.26</b>	<b>-7.89</b>	<b>-16.34</b>	<b>-6.21</b>	<b>-1.20</b>

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
Dec-21	2.80	3.60	2.30	3.00	2.10	1.30
<b>Dec-22</b>	<b>4.00</b>	<b>3.80</b>	<b>3.70</b>	<b>5.00</b>	<b>2.90</b>	<b>1.70</b>
Max 37 years	10.60	6.20	6.30	9.00	6.40	4.00
37-year low	1.40	2.10	1.60	1.20	1.40	1.10
37-year mean	4.03	3.80	2.87	3.32	3.07	2.14
<b>Difference</b>	<b>-0.03</b>	<b>0.00</b>	<b>0.83</b>	<b>1.68</b>	<b>-0.17</b>	<b>-0.44</b>

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
Dec-21	1.30	1.90	1.70	1.00	2.10	5.00
<b>Dec-22</b>	<b>1.10</b>	<b>1.70</b>	<b>1.30</b>	<b>1.10</b>	<b>1.70</b>	<b>3.90</b>
Max 37 years	3.61	4.18	4.46	4.31	4.60	5.81
37-year low	0.80	1.20	1.00	0.60	1.00	1.50
37-year mean	1.74	2.14	1.94	1.58	1.89	3.01
<b>Difference</b>	<b>-0.64</b>	<b>-0.44</b>	<b>-0.64</b>	<b>-0.48</b>	<b>-0.19</b>	<b>0.89</b>

The Table includes data for February 2020, the month before the COVID-19 pandemic is declared on a global scale.

Source: Morgan Stanley Cap. Int.(December 2022)



The decline in global stock prices in 2022 and the momentum shown by P&Ls during that time have improved the relative metrics that many analysts consider relevant in determining a company's greater or lesser attractiveness to investors based on its share prices. For example, the P/E ratios of many equity markets are generally lower than their historical averages, as you can see in the attached table of data from MSCI. On December 30, 2022, the P/E ratio of the Spanish stock market was 9.9 x, 5.8 points below its historical average. Similarly, the market valuation of the book value of companies (price-to-book ratio) is 1.1 x for Spain, while the monthly average over the last 37 years is 1.74.

## Regulatory environment

Perhaps some of the best news for securities markets in the balance of 2022 comes from the regulatory arena. Despite the economic headwinds and challenging financial circumstances, there have been positive developments in regulation which provide promising possibilities for stock markets, securities trading and the economy as a whole. However, there are also risks that the reform of the MiFID Directive and the MiFIR Regulation do not really aim to stop the deterioration of healthy competition in equity trading between execution venues. The European Union is facing a growing problem with fragmentation and opacity in its markets. This threatens the strength of the most deep-rooted market infrastructure, which will be needed to support the digital and sustainable transition that the European economy must make.

### 1. Digital assets and new technologies

Despite the difficult market environment and the subsequent high volatility and decline in share values of certain digital currencies over the course of 2022, investment companies have become increasingly optimistic about including digital assets in their portfolios over the past few years. This trend is evidenced across all dimensions profitability, financing, and technology.

A recent CNMV document estimates that cryptocurrency investments will have reached a value of nearly \$1 trillion globally by June 2022 (i.e., less than 1% of the total capitalization of the world's exchanges at year-end 2021). The CNMV in Spain has estimated that around 7% of the population has purchased cryptocurrency at some point, though most of these investors allocated less than 5% of their financial assets to it.

It is generally agreed upon that the current regulatory landscape does not incorporate the necessary advancements within the financial and technological sectors. The good news is that there are significant developments in this area in 2022.

- On October 6, the EU Council approved the **Digital Services Act (DSA)**, which regulates due diligence requirements for intermediary service providers, including financial service providers. Earlier, on July 5, the corresponding **Digital Markets Act (DMA)** was also approved.
- In addition, on June 30, the Council and the European Parliament reached preliminary agreement on the proposal for a **Markets in Cryptoassets Regulation (or MICA)**. On October 10, the document was adopted by the Committee on Economic and Monetary Affairs of the European Parliament. This new regulation aims, among other things, to regulate the issuance of certain cryptoassets such as utility tokens and stablecoins, as well as to approve and harmonize the rules of conduct and licensing of providers of certain cryptoasset services.
- **DLT Pilot Regime.** Important steps have been taken to incorporate digital assets and new technologies into regulated financing and trading channels that have proven effective for many years. **The European Regulation on a Pilot Scheme** for Distributed Ledger Technology (DLT)-based Market Infrastructures ("the DLT Pilot Scheme") is primarily aimed at developing trading and settlement of tokenized securities. The DLT Pilot Regime entered into force on June 23 and will apply from March 23, 2023.

The European Parliament regulation creates a pilot regime to “test” infrastructures based on decentralized registration technology and aims to develop trading and settlement of tokenized securities. It therefore applies to systems where tradable securities are traded and settled, i.e. multilateral trading facilities (MTFs) and settlement systems operated by central securities depositories (CSDs) that use decentralized registration technology.

If approved by the regulating authority, specific infrastructures may receive up to six years' exemption, under certain conditions, from traditional compliance requirements stipulated for multilateral trading facilities (for example MARF and BME Growth). Similarly, obligations could be waived for settlement systems run by CSDs like Iberclear. The new regime also provides for the possibility of authorizing a legal entity that combines the two activities of trading and settlement, which is not envisaged for traditional market infrastructures. Thus, there are three types of infrastructures to which the exemption framework can be applied.

Approved systems may have one or more exemptions that must be applied for. For example, there is the possibility of securities not being represented by book entries; exemptions related to the reporting of transactions by markets; the replacement of cash deliveries by token deliveries; retail investors may be allowed direct access to the market without the need for an intermediary under certain conditions; or exemptions related to outsourcing obligations on the part of settlement systems managed by CSDs.

Financial assets that may be traded through these infrastructures include equities, certain types of bonds, and units in collective investment undertakings. However, the total market value of the negotiable instruments (instruments) at the time of admission to trading may not exceed 6 billion euros. In addition, the issuer of the shares must have a market capitalization of less than EUR 500 million, the bond issue must not exceed EUR 1 billion (excluding bonds issued by companies with a market capitalization of less than EUR 200 million), and the limit for CIU are funds with a portfolio of less than EUR 500 million.

## New regulations and the advance other innovative market developments

The rise of digital assets and new technologies has not caught the Spanish stock market unprepared.

In parallel with the aforementioned regulatory developments, 2022 saw the forging of alliances with relevant financial institutions to launch futures on crypto-assets traded 24/7, a partnership with Cryptocompare to create a comprehensive offering of cryptocurrency data, or collaborations with BBVA and IDB to issue the first regulated blockchain-registered bond in Spain, among others.

BME is one of the main promoters and coordinators of initiatives to digitize the Spanish financial system. For this reason, it plays this role in collaborative projects to modernize processes, such as those related to regulatory compliance or innovation-based software.

For example, since last May, BME has been testing, in an authorized sandbox — a test environment not affected by regulation — a platform that facilitates the financing of SMEs through the issuance of instruments in the form of digital assets within a blockchain network, the technology that allows the creation of cryptocurrencies. Following the approval of a pilot program, the sandbox marketplace developed by BME will receive official regulatory backing. This presents an opportunity to launch projects related to tokenized financial instruments, including issuance, registration and trading activities.

The acquisition of BME by the Swiss marketplace operator SIX in 2020 has reinforced the innovative vocation of the Spanish exchange manager through the use of DLT technology, AI, ML, Big Data, etc.

In 2018, SIX Group set the goal of launching a fully integrated trading, settlement and custody infrastructure for digital assets based on DLT technology with the creation of SIX Digital Exchange (SDX). In September 2021, it achieved this goal by obtaining the appropriate licenses (MTF and CSD) to operate in Switzerland. SDX aims to transform the traditional securities value chain into a digital model. This initiative is comparable in terms of ambition and transformative dimension to the development of electronic trading platforms 25 years ago. In November 2021, it took an important step forward by issuing a tokenized bond, having it approved for trading and placement on the regulated market infrastructure. Through these actions, it became the inaugurate issuer of a digital bond of this kind.

## 2. Attracting more companies to finance through the market

A second block of regulatory content in which progress was made in 2022 is what we might call promoting the creation, financing, and growth of Spanish companies. This chapter is integral to the European Capital Markets Union (CMU) Action Plan, as it encourages companies to list securities on exchanges in order to support more robust corporate growth throughout Europe and thus expand its economic reach.

- **New Securities Market Act.** A new Securities Market Act is being elaborated in Spain, which will include crypto-assets within the scope of the financial markets with comparable guarantees to those of other traditional financial assets. This Act seeks to modernize securities markets by facilitating and promoting the financing of companies through these markets. The main objective of this Law is to modernize the securities markets and includes measures to improve the ability of the securities markets to finance Spanish companies and protect investors.

The Bill introduces amendments and innovations to the current regulations in order to introduce improvements that facilitate the development of the Spanish securities markets and to adapt the national regulations to the latest developments in European law.

Before turning to the new developments that most directly affect issuers of securities and are related to the issue of market infrastructures based on TRDs discussed in the previous section, the Bill contains provisions aimed at ensuring the legal certainty of the representation of securities by TRDs in order to allow the application of the Regulation of the European Parliament and of the Council on a pilot regime for market infrastructures based on TRDs in Spain. Thus, once the European regulation is approved, the CNMV will already have supervisory powers to ensure investor protection and financial stability in this area.

We will now address some of the new developments regarding issuers of securities that are included in the document under review:

- ✓ **Simplification of the requirements for the issuance and admission to trading of securities.** Including the relaxation of the requirements for admission to trading of fixed income instruments or the restoration of the possibility that a tradable security that has been admitted to trading on a regulated market of another Member State may subsequently be admitted to trading on a Spanish regulated market without the consent of the issuer.
- ✓ **Changes in takeover bid regulation.** For example, the takeover bid regime applicable to regulated markets will be extended to multilateral trading facilities (MTFs) for companies domiciled in Spain, under conditions yet to be determined.
- ✓ **Financial report for the second half of the year.** The deadline for the submission and publication of the half-yearly financial report for the second half of the year is extended from 2 to 3 months.
- ✓ **A new chapter VIII bis is created within Title XIV of the Corporate Enterprises Act to develop the regulation of SPAC** (Special Purpose Acquisition Companies).

The new provision, which is being analyzed in Congress, also includes the elimination of the obligation of the information system for monitoring trading, clearing, settlement and registration of securities, the central securities depositories (also known as PTI, for Post-Trade Interface). The text also transposes the obligations of the Quick Fix of MiFID II, which in practice will mean for market participants a simplification of information obligations toward professional clients and an adjustment of the limitation of positions in certain derivatives.

The Bill also contains a number of other amendments, such as those relating to the prudential requirements for investment services firms, the introduction of new rules of conduct for firms providing investment services, the establishment of national financial advisory firms and those relating to the institutional and operational regime of the CNMV.

#### **- Law on the Establishment and Growth of Companies (Crea y Crece Act)**

The Law on the Establishment and Growth of Companies was published on September 29. This law is part of a broader strategy (called España Nación Emprendedora) to make Spain a more attractive environment for entrepreneurial activity. The new law aims to encourage business creation and growth. Measures range from simplifying regulations to lowering the minimum share capital required to set up joint stock companies, promoting collective investment and venture capital, and improving access to financing.

Stakeholders most critical of this law point out that it does little for companies at an advanced stage or with an international focus, and ask that in order for more companies to take advantage of this regulation's relief on capital increases, the 5 million euro turnover limit be removed and qualification be extended to companies older than five years (7 years for biotechnology companies). Also, start-up benefits should be extended to companies in later stages of growth. Finally, the rules for tax residency in Spain should be improved to encourage the return and attraction of talent.

### **3. The European reforms of MIFID and MiFIR: current risks**

One regulatory issue to keep an eye on this year and in the coming months concerns the reforms and changes that European policymakers are proposing for the MiFID II directive and the MiFIR regulation.

For the EU to position itself as a true global player in the capital markets, the Capital Markets Union (CMU) must provide a transparent, stable and well-functioning market that investors can trust. In this regard, regulation is an essential pillar, and Europe's ability to establish itself as a global player that can compete with the United States and Asia in terms of the breadth of its financial markets and the infrastructures that support them depends on its orientation.

The MiFID II /R framework was created in the wake of the financial crisis to improve transparency, price formation, investor protection and investor access to EU markets. However, in recent years, the complexity and fragmentation of equity trading in Europe has increased, with more than 250 authorized equity trading venues currently in operation. Thus, the current level of dark trading in the EU is well above the threshold recommended by both academic research and the need for transparent and robust regulated market infrastructures in Europe that efficiently serve as vehicles for the digital and sustainable economic transformation demanded by investors and society at large. The proposed changes to the market structure increase the risk of consolidating the high levels of fragmentation and opacity that already exist.

Amid intense discussions on PFOF (Pay for Order Flow) and CT (Consolidated Trade) commitments, the stock exchanges, through their European federation (FESE), have recently urged EU policymakers not to lose sight of their goals of greater transparency, visibility, liquidity and a level playing field between trading venues and equity order execution.

There is a general consensus among financial experts of different disciplines in the EU that market fragmentation and opacity are detrimental to market efficiency. As the distribution of 2022 traded volumes in listed equities in Europe shows, activity related to opaque platforms has increased sharply in an environment where infrastructures that enable transparent trading (such as exchanges) struggle to pursue policy objectives beyond the transactional functions of markets and incur much higher regulatory costs than other players. This poses a serious risk to the stability of markets, as it means that an orderly level playing field, which is necessary to achieve the ambitious goals of the Capital Markets Union, will break down over time.

A November 16 FESE press release states, “The current extent of dark trading is well above the threshold recommended by academic research. Systematic internalizers (SIs) have performed particularly well, accounting for 27% of European trade flows in June 2022, while primary activity in transparent markets has reached a historic low of 28%, almost half of the pre-MiFID II 2017 peak of 53%. These levels threaten the viability of their capital markets to fund digital and sustainable transformation.”

Traffic via SIs should be limited to what it is intended for: large Block Trading. ESMA should establish a uniform volume cap. A threshold that preserves trading in transparent systems that contribute to the growth of firms and the open participation of many investors in the process, as in the past.

With regard to the risks posed by certain “commission-free” brokerage practices, such as the receipt of payments for order flow (PFOF), the European Securities and Markets Authority (ESMA) has already issued a statement in the summer of 2021 questioning the ethics and transparency of the business model of several investment platforms.

The receipt of PFOF can be defined as the compensation or profit that a broker receives for routing its customers' orders to a particular trading or execution venue (market maker). In other words, the broker acts as an intermediary and receives compensation for routing an order to a third party for execution.

This type of “arrangement” can raise a number of investor protection issues. The receipt of PFOFs conflicts with a number of important MiFID II obligations to ensure that brokers always act in the best interests of their clients when executing client orders. PFOFs are the basis of the business model of popular “commission-free” trading platforms in the United States, where alarm bells are also ringing. There is concern that this type of compensation prevents brokers from obtaining the best terms for executing their clients' orders.



# 2

## INVESTMENT AND FUNDING ON THE STOCK MARKETS

Shareholder remuneration amounted to **25.9 billion euros**, 27% more than in 2021. **Dividend yield** was back at **4%**.

Listed companies conduct **120 capital increases**, raising more than 6.3 billion euros. IPOs slow down worldwide.

**BME Growth** continues to grow year after year with 15 new companies, 72 expansions and EUR 878 million in financing in 2022.



## ◉ INVESTMENT AND FUNDING ON THE STOCK MARKETS

### 2.1 Returns and investment

The war in Ukraine, persistent and very high inflation, rising interest rates at all maturities, and slowdowns in major economies have hit the mainstays of global equity market activity in 2022. Throughout the year, most financial assets have experienced a significant reduction in profitability and there has been an increased search for safe havens and hedging positions, resulting in restricted capital mobility. This has led to a balance of stock market activity with few growth niches compared to 2021 in equities and bonds, both in terms of share prices and trading volumes, as well as financing, especially in the second half of the year.

Despite global socioeconomic and financial tensions, Spain weathered the year with certain comparative advantages. Economically, growth has been higher than in other countries and the unemployment rate is at its lowest level in many years. The introductory chapter illustrates that, despite some indicators suggesting a recessionary impact, the results of listed companies have not been adversely affected. And, despite everything, the financial situation of Spanish households appears to be sound. Perhaps this is why the value of the benchmark stock market index in Spain, the IBEX 35®, has recorded better cumulative results than the other markets throughout the year.

In 2022, the IBEX 35® lost 5.56%, or 2.03% if we include the positive effect of the significant dividends paid out by 26 of its member companies during the year. Dividends and their inflation-protecting effect are indeed among the “winners” in this annual review. For this reason, the Spanish stock market has benefited overall with a good representation of stocks historically associated with the return of dividends. In particular, one of its indices of the IBEX family, the Top Dividend, which was up 1.17% per year, became one of the best cross-sector stock market indicators in the world this year.

In this respect, February was an important milestone for the IBEX 35®, underlining the importance of this indicator in the long term and the correct reinvestment of dividends. The IBEX 35® celebrated its 30th anniversary. During this period, the size of the Spanish economy, measured by GDP, has increased threefold, while the value of the companies included in the indicator has increased tenfold. For 30 years, the index has consolidated its position as the leading brand for the Spanish economy and listed companies.

Over the past 30 years, BME has managed a family of over 80 indices, which have come to serve as benchmarks for a variety of financial products and investment strategies. In the same time frame, more than 60 different companies have been part of the IBEX 35®. The sector representation has also changed significantly, confirming the IBEX 35® as the main reference for changes in the structure of the Spanish stock market and economy over the last three decades. The current structure is more diversified, and within it digitalization and renewable energies have gained weight.

Since its launch on January 14, 1992 until December 30, 2022, the cumulative annual return of the IBEX 35® has been 4%. If we include the dividends paid during this period by the companies that have integrated it, this rate is 8% (almost equivalent to multiplying the investment by 10).

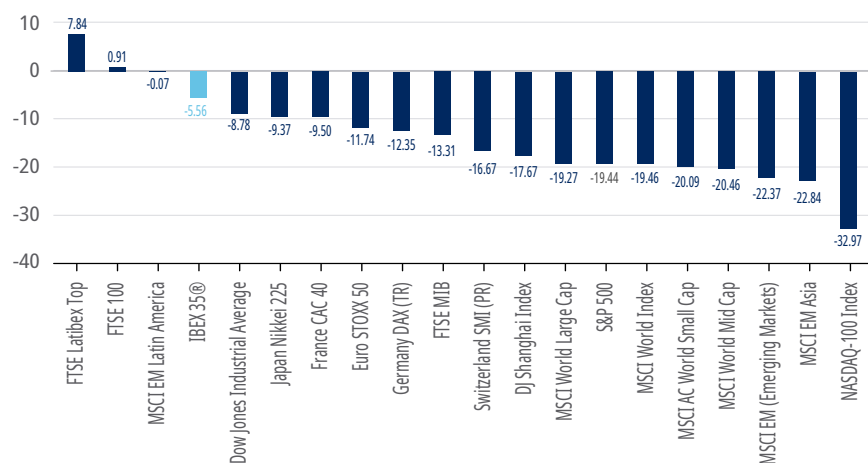
## Steeper declines in the US and Asia

Major global stock market indexes have accumulated losses of about 19.5% at year end, after posting strong gains of more than 15% the previous year. Losses in many markets were higher at some points during the year, although they moderated in October and November when the first signs of a correction in inflation began to be seen.

Despite the fact that the majority of stock markets experienced declines this year, one market remained resilient. Latin America. While the broad FTSE or MSCI indices remain practically flat, others such as BME's Latibex Top or Brazil's Bovespa closed with gains between 4% and 8% thanks to a better relative position of the area in an environment of rising commodity prices, earlier tightening monetary policy decisions and stronger currencies.

### Annual yield in the world's main stock indices

Variation in 2022 (up to Dec 30)

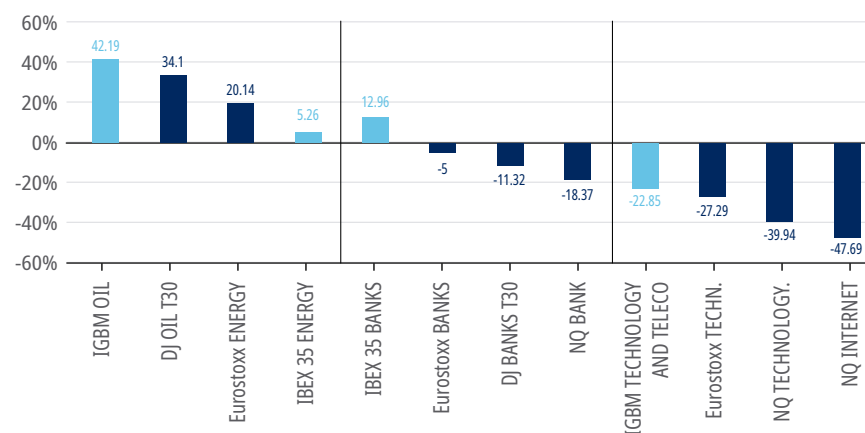


European equity market losses were slightly lower than global averages, with the EuroStoxx 50 and STOXX Europe 600 around -12% over the year, reflecting the better relative performance of indices such as Portugal's PSI (+2.8%), Greece's ATHEX (+4.1%), the U.K.'s FTSE (+0.9%), Spain's IBEX (-5.6%), France's CAC (-9.5%) or to sectors such as the banking sector, whose continental index lost almost 5%. Underperforming the Euro STOXX 50 (-11.7%) are country indices such as the German DAX (-12.6%), the Swiss SMI (-16.7%), the Italian MIB (-13.3%) or the Austrian ATX (-19.1%).

After achieving consecutive yearly record highs, the North American markets, some of the most influential indices in the global landscape, experienced a decline in 2022; yet, its impact was varied depending on each index. The confirmation of the (albeit mild) economic recession and, more importantly, the aggressive increases in key interest rates by the Federal Reserve (FED) to combat double-digit inflation have been reflected in the stock markets. While the

### Oil, energy and banks save the year amid steep declines in tech companies

Annual change in the indices (%) in 2022 through December



Dow Jones of the 30 major stocks posted only a limited loss (-8.8%), the broader S&P 500 declined -19.4% and the Nasdaq 100 index of technology stocks extended its losses to a very large loss (-33%). This abruptly broke a 12-year streak of uninterrupted gains, reflecting the impact of rising interest rates on the valuation of technology-leading companies, whose expectations of generating large earnings to justify valuations appear to be a long way off.

The other major focus of global equity market losses in 2022 was emerging Asia, led by Chinese stock markets. The MSCI Emerging Markets Asia Index fell -22.4%, mitigated by Hong Kong's Hang Seng at -15.5% and the DJ Shanghai with -17.7%. In China, the economic slowdown, the zero-Covid policy, and the increasing interventionism of Chinese authorities in large companies have had a negative impact on valuations.

Also in Asia, but now in developed markets, Japan's Nikkei Index limited its losses to -9.4% for the year overall, significantly less than the losses of global world indices.

## IBEX 35 in 2022

Daily data.



## Spanish stock exchange indices (IBEX and Latibex)

	30/12/21	30/12/22	%	Maximum	Date	Minimum	Date
IBEX 35	8,713.80	8,229.10	-5.56%	8,933.60	May-27	7,261.10	Oct-12
IBEX 35 with dividends	26,878.00	26,332.90	-2.03%	27,983.60	May-27	23,061.70	Oct-12
IBEX MEDIUM CAP	13,815.40	12,798.50	-7.36%	13,890.60	Jan-5	11,580.20	Sep-29
IBEX SMALL CAP	8,241.80	7,185.20	-12.82%	9,000.90	Jun-8	6,535.90	Oct-12
IBEX TOP DIVIDEND	2,498.70	2,527.90	1.17%	2,806.10	May-27	2,266.30	Oct-12
FTSE4Good IBEX	9,267.40	8,795.90	-5.09%	9,630.80	May-30	7,739.90	Oct-12
FTSE Latibex Top	4,952.30	5,340.80	7.84%	6,479.30	Apr-12	4,889.00	Jan-6
FTSE Latibex Brasil	10,611.10	11,196.80	5.52%	14,848.50	Apr-12	10,351.50	Jan-6
IBEX GROWTH MARKET 15	2,432.40	2,381.60	-2.09%	2,497.10	May-12	1,972.80	Mar-7
IBEX GROWTH MARKET All Share	1,984.30	1,967.30	-0.86%	2,058.10	May-30	1,739.50	Mar-7

## Strong share prices of banks and energy companies

In accordance with global trends, Spanish equity prices experienced a mostly bearish trajectory throughout the year. However, in contrast to past years, this year's sectoral composition of the market provided a boost to the overall performance of the market. The IBEX Banks has risen by 12.96% and the IBEX Energy by 5.26% over the year. Both sectors benefited particularly in the stock market following the upward market reaction between October 20 and early December. These two large sectors account for 48% of the capitalization of the Spanish stock market (if we include oil and renewable energy). And the technology sector (which has been the most punished during the year) accounts for almost 11% if we include telecommunications.

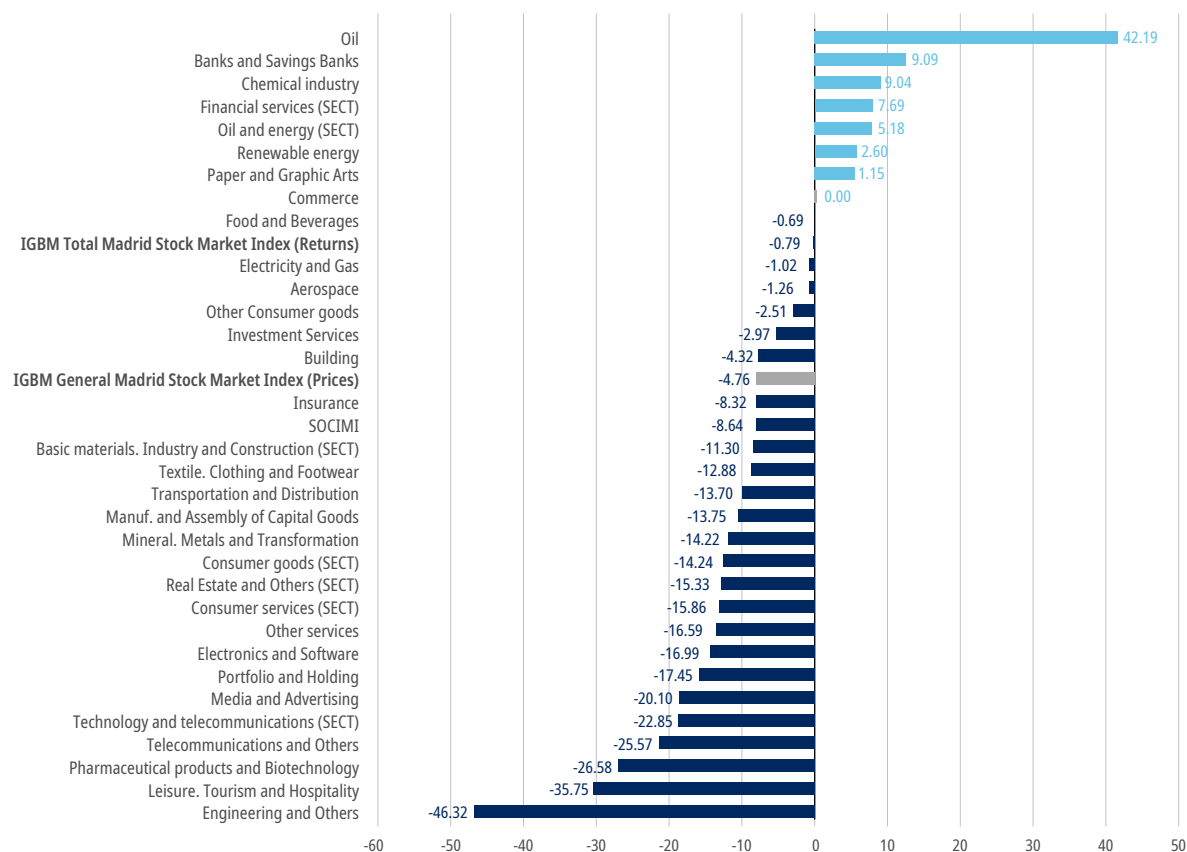
Nonetheless, share price declines were the general trend throughout the year. At the end of 2022, 27 of the 35 sectors and sub-sectors of activity in which the listed companies of the Spanish Stock Exchange are divided, showed falls ranging from -46.32% in Engineering and Others to -0.69% in the Food and Beverages sub-sector.

On the other hand, there were 8 groupings led by the Oil subsector (+42.19%) accompanied, among others, by the Banks (+9.09%), the Chemical Industry (9.04%), Renewable Energies (+2.60%) and the Paper and Graphic Arts subsector (+1.15%).

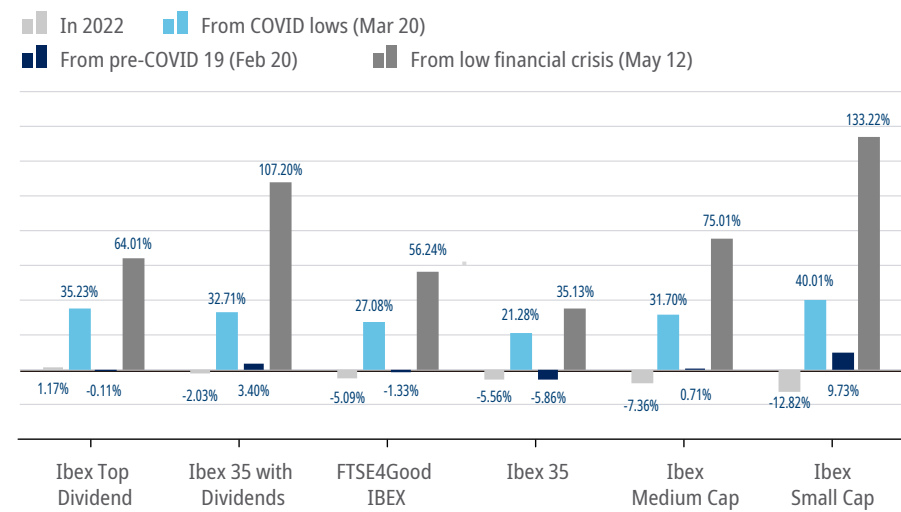
## Annual change in Spanish stock market prices in 2022 by sector and sub-sector of economic activity

Until December 30. Data in %.

Based on sector grouping of the General Index of the Madrid Stock Exchange (IGBM).



## Performance of the main IBEX indexes in the short and long term as of Dec 30, 2022



## Large caps, better than small caps in 2022

Large caps and mid caps outperformed small caps. Compared to the IBEX 35's decline of 5.56%, the IBEX Medium Cap index showed a depreciation of -7.36% over the year. The downward trend is accentuated in the indicators of small companies and companies in expansion, with the IBEX Small Cap and IBEX Growth Market 15 indices marking this unfavorable trend with declines of -12.82% and -2.09%, respectively. However, the IBEX Growth Market All Share was one point lower at -0.86%.

In 2022, the slight difference in stock price decreases between companies of different sizes has remained a global phenomenon. The global pool of small caps, as measured by the MSCI World Small Caps, lost -20.1% in 2022, mid caps shed -20.7%, and large caps lost -19.3%.

In the long run, however, the smaller companies included in IBEX Small Cap benefit. This indicator is up 133% in 10 years (minimum of the 2012 financial crisis up to December 2022), while the IBEX 35 is up 35%. The appreciation of the IBEX Small is even higher than the 107% that the IBEX 35 with Dividend has in the indicated period. In the two and a half years that have passed since the initial sharp drop in share prices due to the pandemic (March 2020), the companies of the IBEX Top Dividend and the IBEX Small lead the way, with 35% and 40% respectively at December 30 2022 since March 2020.

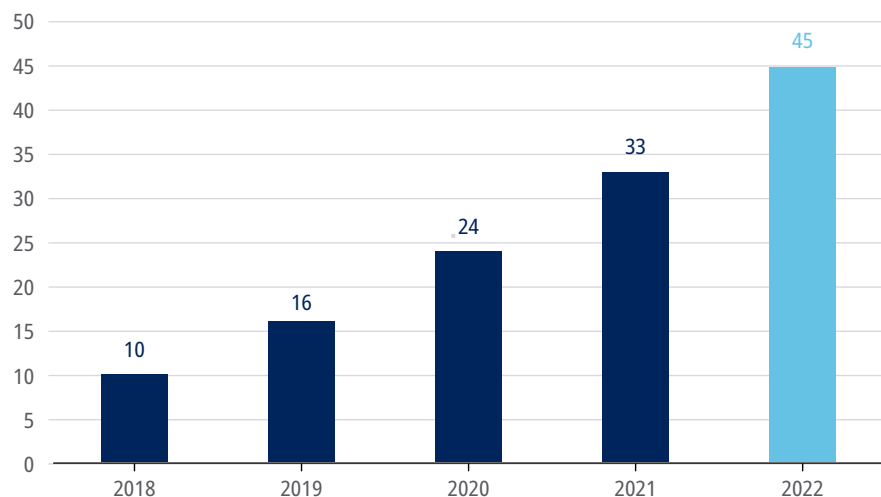
## Sustainability and gender in stock indices

At the end of 2021, a gender equality index, IBEX Gender Equality, was created for Spanish listed companies. BME's creation of a Gender Equality Index highlights its commitment to integrating ESG factors into finance, in line with Sustainable Development Goal 5. A greater number of women in management positions will contribute to achieving this goal.

In 2022, this index has fallen -7.9%, in line with the decline in the other leading indicators of the Spanish stock market. The index has no fixed number of components and has grown from 31 to 45 companies in the review of the index conducted in June of this year, with the number of components meeting the requirements for inclusion in this indicator increasing exponentially with each annual review.

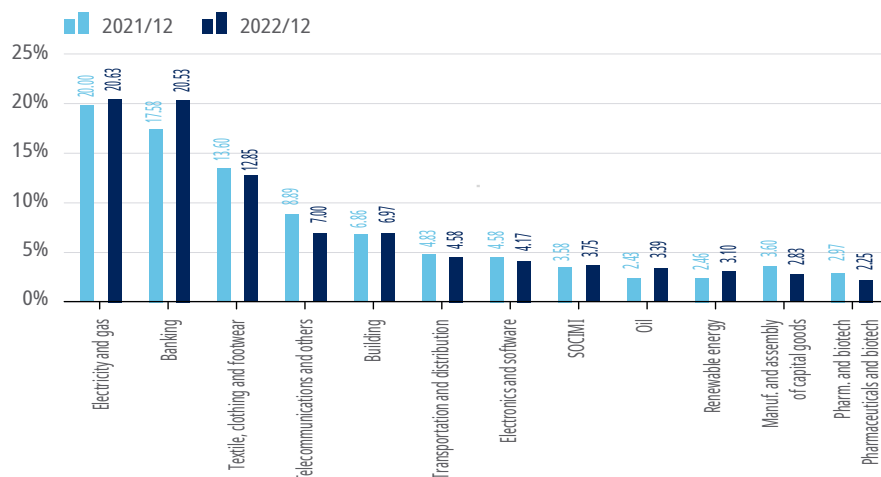
The IBEX Gender Equality Index selects those listed companies that belong to the IGBM and have between 25% and 75% women on their board of directors, and between 15% and 85% women in senior management. The exposure ratios are obtained using a study that CNMV publishes each year on the presence of women in positions of responsibility at listed companies.

## Number of companies in the Ibex Gender Equality index



## Weight of the main sectors of the Spanish stock market capitalisation (%) Based on the sectoral distribution of the IGBM

Based on the sectoral distribution of the IGBM



## The capitalization of the Spanish stock market is still above one trillion euros

The more widespread declines in share prices in 2022 have resulted in significant falls in the value of stock markets around the world which, given the postponement of IPOs due to the prevailing uncertainty, have not been compensated by major new additions to the stock markets. According to the World Federation of Exchanges, all of its nearly 100 members would have suffered a drop of almost \$30 trillion (-30%) in the value of their listed companies, from \$124 trillion at year-end 2021 to about \$92 trillion on Oct. 31 (latest complete figure available).

In the case of the Spanish stock market, the decline in total market capitalization was -4.9% in 2022. The value of Spanish companies' shares fell by -9.25% but that of foreign stocks, mainly Latin American, rose by 2.6%. Overall capitalization at December 30, 2022 reached 1.03 trillion euros, with Spanish securities accounting for 621.7 billion euros and foreign securities for 407.2 billion euros.

Of particular note is the financial services sector, whose capitalization has fallen 2.25% this year. This is the smallest of the sectoral declines and includes mainly the banking sector, whose share in the total capitalization of the Spanish stock market is now back to over 20% after two previous years in which it represented 16%.

The banking sector experienced a significant and positive performance in 2022. This key sector in the Spanish equity market has experienced a turbulent decade during which it underwent various changes. Now, however, it appears to be shifting gears as it navigates an environment of stringent regulations and improved forecasts for its business model.

The return of interest rates from the exceptional situation in which they have been in recent years to normal levels has enabled the banking sector to refocus on its core business, i.e.: lending (credit). The potential for banks to enter into new business areas with the security of having a reliable source of recurring income may have a lasting impact in the years to come.



## Variation in the capitalization of listed companies in 2022

	Value at Dec 30, 2022	Variation in the year		Variation since March 2020 (start of COVID-19)	
	EUR mn	EUR mn	%	EUR mn	%
<b>Total</b>	<b>1,029,003.0</b>	<b>-53,044.5</b>	<b>-4.90</b>	<b>298,819.4</b>	<b>40.92</b>
Of which:					
Spanish securities	621,795.8	-63,377.0	-9.25	103,112.2	19.88
Foreign securities	407,207.2	10,332.4	2.60	195,707.1	92.53
Of which Latibex	269,782.1	20,639.3	8.28	132,241.8	96.15
<b>BME Growth (included in Spanish Securities)</b>	<b>39,079.9</b>	<b>-9,553.4</b>	<b>-19.64</b>	<b>-796.3</b>	<b>-2.00</b>
Growth companies	5,975.3	883.4	17.35	3,975.3	198.77
SOCIMI	14,710.6	761.5	5.46	1,210.6	8.97
<b>BME Growth (Expansion + SOCIMI)</b>	<b>20,685.9</b>	<b>1,644.8</b>	<b>8.64</b>	<b>5,185.9</b>	<b>33.46</b>
SICAVs, SILs and ECRs	18,394.0	-11,198.2	-37.84	-6,148.7	-25.05

Sectors of activity (without foreign securities) and including BME Growth)	Value at Dec 30, 2022	Variation in the year		Variation since March 2020 (start of COVID-19)	
	EUR mn	EUR mn	%	EUR mn	%
Oil and energy	163,802.4	692.8	0.42	40,102.6	32.42
Basic materials, industry and construction	69,962.9	-14,885.9	-17.54	14,185.4	25.43
Consumer goods	100,374.9	-17,607.9	-14.92	-6,564.3	-6.14
Consumer services	37,215.2	-5,915.8	-13.72	5,464.2	17.21
Financial services	156,444.0	-3,604.9	-2.25	42,010.4	36.71
Real estate services	26,526.8	-1,249.5	-4.50	1,990.1	8.11
Technology and telecommunications	67,469.6	-20,805.8	-23.57	5,717.6	9.26

SIX published a study about the future of finance in September. It was based on 300 executives from international financial institutions and found that over two-thirds of them expect the economy to improve over the next twelve months. A larger percentage (over 70%) also expects inflation to fall by 2023. In addition, more than 90% of executives believe their company will achieve strong or moderate growth over the next three years. Overall, the executives surveyed from investment banks were most positive about their growth prospects, followed by those from retail banks and asset managers. Asset managers and wealth service providers are at the other end of the spectrum, but in each case, at least three-quarters of respondents expect strong or moderate growth in each of the sectors surveyed.

In the case of smaller companies admitted to BME's financing and trading platforms, the capitalization of BME Growth SCIMIs rose by 5.46% in 2022 and that of Growth Companies by 17.35% after 10 new companies were added to this segment in the year. The capitalisation of the BME MTF Equity market space, which includes BME Growth (SOCIMI and Empresas en Expansión) together with the SICAV, ECR and SIL segments, amounted to 39.08 billion euros at December 30, 2022.

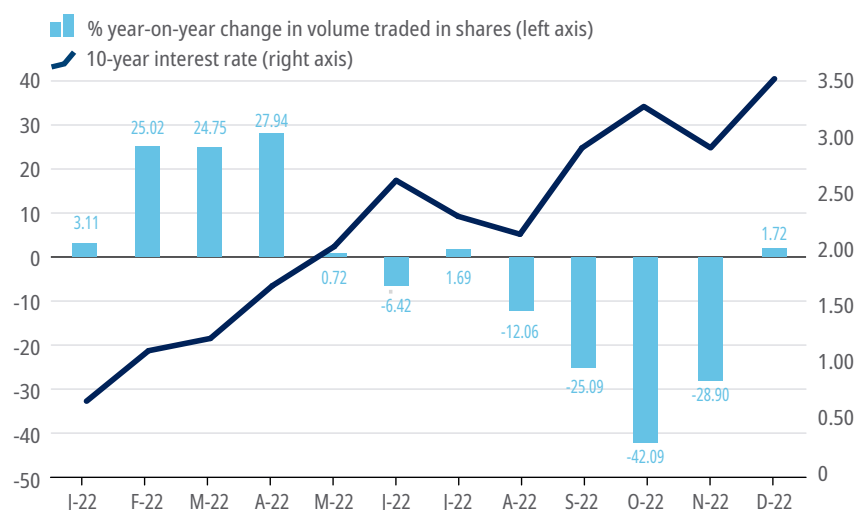
Another important fact in the Review of activities in 2022 is the strong growth of the value of companies in the Latin American segment Latibex. In 10 months, the capitalization of the 19 listed companies has increased by 20.6 billion euros to 269.7 billion euros. This amount includes the contribution of Neoenergía, the Brazilian subsidiary of Iberdrola, which came to market on June 7, amounting to almost 4.0 billion euros. Since the lows reached by the COVID-19 crisis in 2020, the capitalization of Latibex has doubled.

## Companies listed on the Spanish Stock Exchange

	Dec-20	Dec-21	Dec-22
Continuous market (SIBE)	127	124	121
Other companies listed for floor trading	11	10	9
LATIBEX 19	19	19	19
BME Growth	2,581	2,432	1,349
Growth companies	42	50	56
SOCIMIS	77	77	79
SIL	20	20	30
ECR	1	1	1
SICAV	2,441	2,284	1,183
<b>Total</b>	<b>2,738</b>	<b>2,585</b>	<b>1,498</b>

The substantial reduction in the number of SICAVs on the Spanish Stock Exchange marks the decrease in the total number of listed companies from 2,585 at year-end 2021 to 1,498 on December 30, 2022. Meanwhile, the number of companies listed in continuous trading decreased from 124 to 121, while the number of SOCIMIs and expanding companies included in BME Growth increased from 127 to 135.

## Spanish stock market trading volumes worsen in the second half of the year



## The volume of shares traded reflects changes in the direction of investment over the year

Average daily trading in 2022 fell by 4.61% to 1.409 billion euros. The best differential performance of the Spanish Stock Exchange in the first 5 months of the year, when the daily average reached 1.709 billion euros, 17.16% higher than in the same period of 2021, was offset by what happened in the following 7 months, when average daily trading decreased by 18% to 1.2 billion. Finally, the actual volume traded this year amounted to 362.1 billion euros, corresponding to 38.9 million trades executed (4.24% or 13.7% lower than the corresponding data in 2021).

Amidst the challenging conditions facing capital markets this year, with commodities as the only market to draw in positive investment flows, the performance of share volumes traded on the Spanish Stock Exchange can be deemed satisfactory. The Spanish stock market's sectoral composition, comprised of large companies established on a solid dividend structure, alongside

the heightened participation of retail investors since the COVID outbreak has enabled a slight cushioning effect against capital outflows to liquidity, increasing competition among trading platforms, and the negative discriminatory effect of the financial transaction tax on trading in Spanish securities, now in force for the second year in a row.

In this context, using WFE data available through September, we found a 20% decline in effectively traded share volumes on the NYSE and 37% in Hong Kong, and a 10% increase on Euronext and 54% on the London Stock Exchange. At the end of September 2022, global stock exchanges saw a 10% decrease in the effective value of shares traded, indicating a highly disordered market. The Stock Markets part of Swiss group SIX, in which BME is integrated, reached at that time a traded volume of shares of 957.5 billion euros, 2.7% less than in the same period of 2021, ranking third in the EU among market participants and sixteenth in the world in a list in which 8 Asian markets are among the 15 that appear in front.

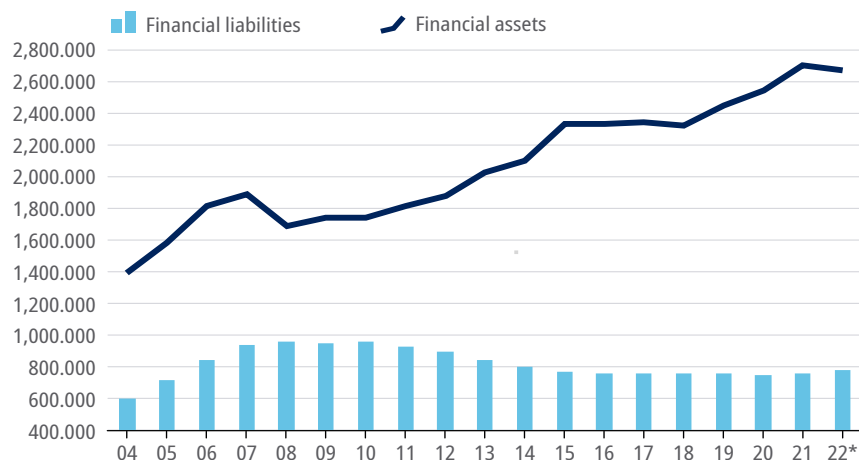
## Retail Investment

One aspect that may have contributed to the good performance of volumes with Spanish listed stocks in the first half of the year is the participation of retail investors. At year-end 2021, households owned 17% of the shares listed on the Spanish stock exchange. According to the CNMV's interactive panel on retail investor behavior, retail investors were responsible for 6.4% of the volume traded on our stock exchange in 2021, after accounting for 7% in 2020 and 4.4% in 2019.

In 2022, Spanish households, despite having increased liquidity in their portfolios in line with the more conservative investor consensus, held 4% of their financial savings directly in equities at the end of H12022. This fact, together with the finding that their position in terms of net financial assets was quite solid in June 2022, are factors that suggest that retail investors were an important support for the volumes traded in the Spanish equity market in 2022, especially in the first half of the year.

## Value of financial assets and liabilities of Spanish households (2004-2022\*)

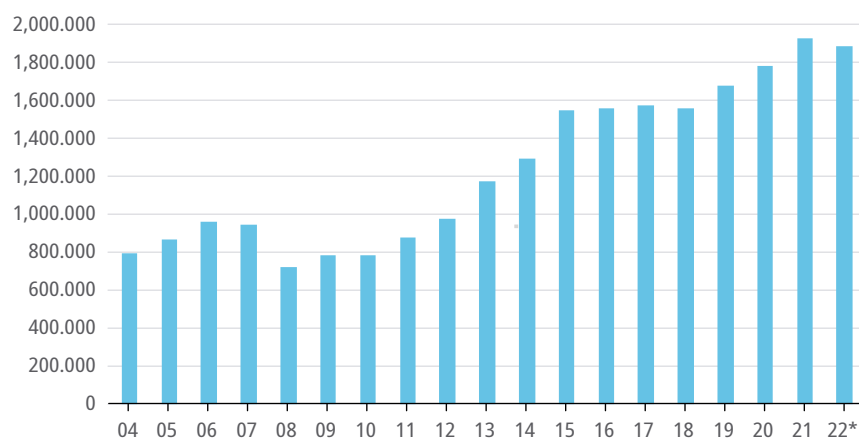
Millions of euros. \*First half 2022



Source: Financial Accounts. Bank of Spain

## Net financial wealth of Spanish households

Financial assets less financial liabilities (2004 - 2022\*). Millions of euros. \*First half 2022



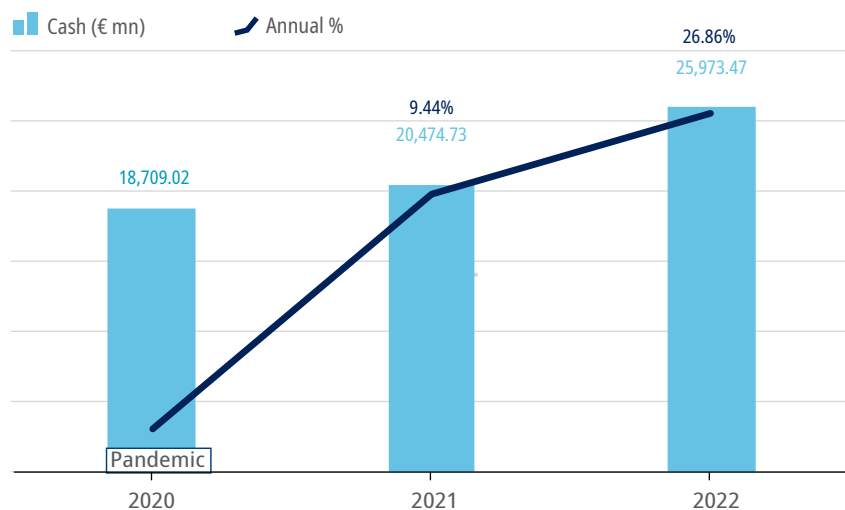
Source: Financial Accounts. Bank of Spain

The financial assets of Spanish households amounted to 2.67 trillion euros at the end of the first half of 2022. This is 0.7% more than a year earlier and 42% more than a decade ago (end of 2012), according to the Financial Accounts data of the Spanish economy published by the Bank of Spain. The Spanish pandemic response resulted in a limited impact on the financial assets of households, due to the implementation of income support measures and a significant rise in savings in 2020. This resulted in household savings reaching unprecedented high levels. In June 2022 financial assets were 9.2% above year-end 2019. The total debt of Spanish households, their liabilities, reached 773.1 billion euros at the end of the first half of 2022, 1.6% more than a year earlier and 2% more than at the end of 2019, before the pandemic. Although the 2022 figure is higher than the annual closing levels of the last 7 years, according to data from the Bank of Spain, it is still 19% lower than the 2011 closing level, reflecting that Spanish households have become more than 187 billion euros less indebted in 13 years, equivalent to more than 17 percentage points of GDP.

The combined effect of the increase in assets and the containment of the growth in liabilities in recent years means that the net financial assets of Spaniards at the end of the first half of 2022 are 1.89 trillion euros, 0.7% higher than the closing level of 2021, although slightly below the all-time record of 1.93 trillion euros in 2021.

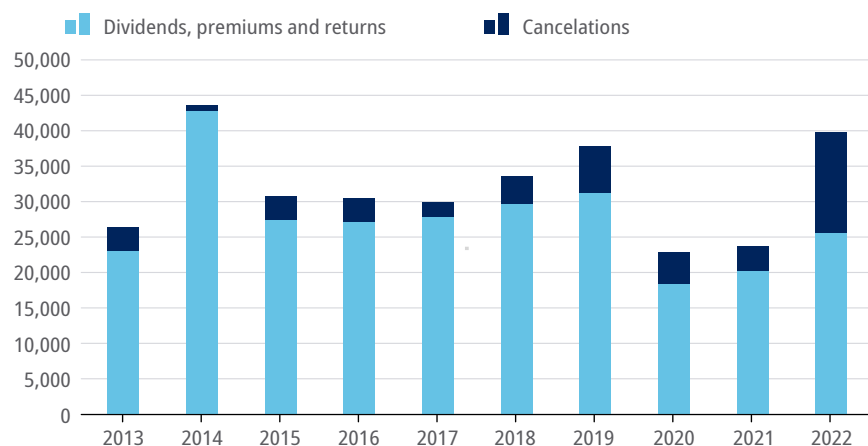
## Shareholder remuneration on the Spanish stock exchange

Dividends, refund of issue premiums and refund of contributions



## Shareholder remuneration on the Spanish stock exchange

Millions € effective



## Competition and liquidity

The BME-managed trading platform continues to maintain a higher market share than its competitors among platforms admitted to the Spanish Stock Exchange, which operate under equivalent rules for securities admitted to trading. Specifically, the market share in 2022 was 67.16% taking into account the total trading conducted under homogeneous market rules applicable to all trading venues for listed shares authorized by the regulations in force.

This trend of delocalizing trading between different execution venues is a natural part of the competitive process that MiFID II aims to foster and that can be observed both at BME and at the other major European markets, without compromising market quality and liquidity metrics.

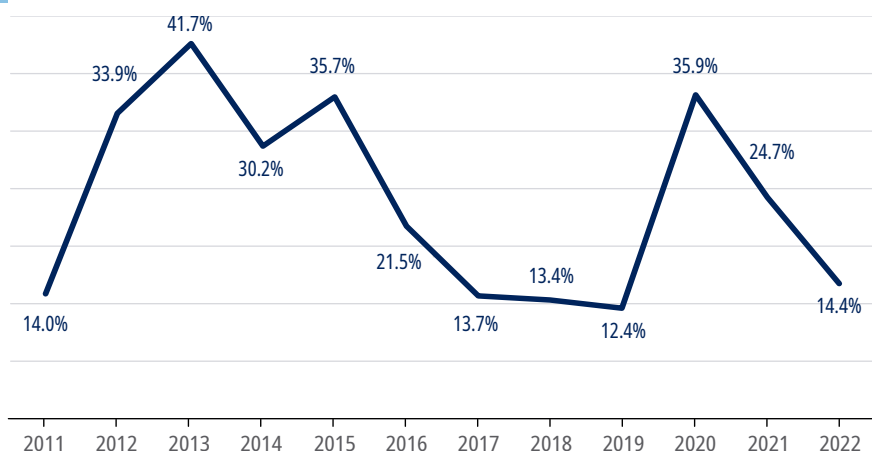
Data provided by LiquidMetrix also shows BME as the most liquid execution venue among its various competitors. During 2022 the spread over the first price level of IBEX 35® securities stood at 6.79 basis points (bp), 2.30% better than the levels shown by other centers. For a depth of €25,000 in the order book, the annual spread in 2022 was 9.13 bp, 29.39% better than what has been obtained in other centers.

## Shareholder remuneration brings the best news for investors in 2022

This year, many companies listed on the Spanish stock exchange have sought to reward their shareholders through dividend payments and share buybacks with the aim of canceling out outstanding shares. The IBEX Top Dividend is one of the few international indices of developed stock exchanges that has practically maintained its value at the beginning of the year in the face of general losses of, in many cases, well over 10% per year.

In 2022, total shareholder remuneration recorded by all companies listed on the Spanish stock exchange in the form of dividends and the return of share premiums amounted to 25.9 billion euros during the year, 26.86% higher. Twenty-seven share buyback transactions were recorded, representing an all-time high of 14.4 billion euros. This figure is the same as the entire amount canceled between 2019 and 2021 and represents an all-time high for the year. Together, the two types remuneration amount to 40.4 billion euros, the second highest amount in the history of the Spanish stock exchange.

## Weight of scrips in total dividends distributed



Of the direct shareholder remuneration, 25.2 billion euros are accounted for by dividends (32.55%), 692.03 million by share premium refunds (-50.58%) and 5 million by capital reductions with return of contributions. By market, 25.3 billion euros is remuneration from listed companies and €658.08 million from companies admitted to BME Growth.

Of the dividends, 24.7 billion euros were distributed in 141 payments from listed companies (129 in 2021) and 494 million euros (+70.52% compared to 2021) in 105 transactions (69 in 2021) from BME Growth companies. Of the latter, 11 payments (8 in 2021) were made by growth companies amounting to 46.16 million euros and the remainder corresponds to 94 SOCIMI distributions (61 in 2021).

Once again this year, the scrip flexible dividend distribution (shares or cash) has accounted for a significant portion of the distributed amounts. Thus in 2022 they carried out 15 payments by the scrip method. They are the same number as in 2021 but for an amount of 3.65 billion euros, 22.6% less.

Spain ranks among the stock markets with the highest dividend yield for its investors, as indicated by the data. According to data from MSCI's latest monthly report for developed equity markets, Spain had a value of 4% in December 2022 (the same as its historical average for the last 37 years). Combining this ratio with other classic company valuation indicators such as PER (9.9 x) and price to book value (1.1 x), many experts believe that the Spanish stock market currently has a valuation that can be attractive to a medium- and long-term investor.

Recent research shows that the long-term dividend explains almost 70% of the return of the total return indices of the Spanish stock market (TR), compared to 60% for comparable indices such as the Eurostoxx 50 TR and 50% for the TR indices of the North American 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.

One aspect that underscores the importance of dividends for investors, growth and market development is the increase in products related to this type of remuneration. On April 28, BME launched four new indices that exclude dividend risk. These indices track the performance of the IBEX 35® with dividends and discount them annually by a constant (decrement); they are typically used as underlyings in various structured products. They aim to eliminate dividend risk, i.e. the uncertainty of future dividend payments by listed companies.

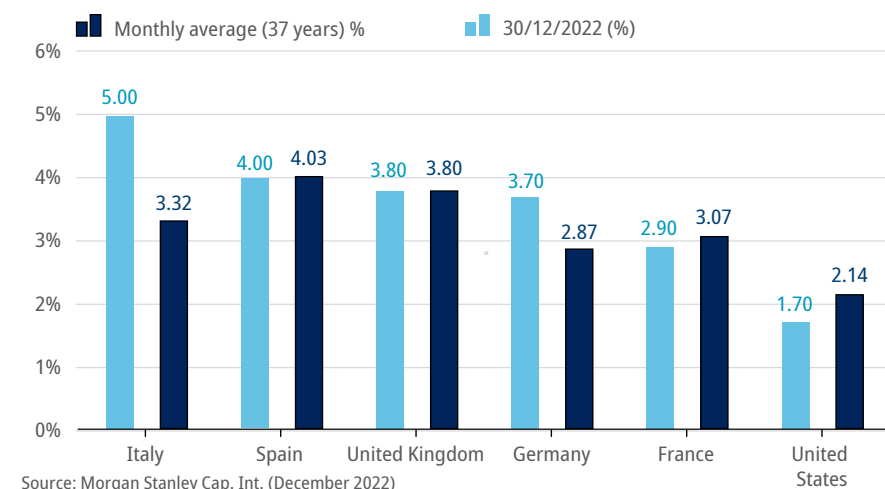
## Dividend yield on stocks in 2022

Annual closed as of December 30, 2022

Ibex 35			Ibex Medium Cap			Ibex Small Cap		
1	Merlin	11.085%	1	Atresmedia	13.158%	1	Azkoyen	17.087%
2	Enagás	11.002%	2	Prosegur	10.694%	2	Aedas Homes	15.675%
3	Telefónica	8.804%	3	Ence	9.751%	3	Prosegur Cash	8.236%
4	Endesa	8.150%	4	Línea Directa Aseguradora	6.514%	4	Vocento	7.120%
5	Mapfre	8.072%	5	Faes Farma	5.869%	5	Nicolás Correa	4.211%
6	ACS	7.318%	6	Ebro Foods	3.888%	6	Miquel y Costas	3.503%
7	BBVA	6.212%	7	CAF	3.774%	7	San José	2.525%
8	Fluidra	5.854%	8	Corp. Fin. Alba	3.460%	8	Iberpapel	1.916%
9	Banco Sabadell	5.677%	9	Viscofan	3.040%	9	Reig Jofre	1.826%
10	Acerinox	5.410%	10	Cie Automotive	2.993%			
11	Logista	5.339%	11	Ercros	2.623%			
12	Naturgy	4.936%	12	Global Dominion	2.443%			
13	Sacyr	4.423%	13	Talgo	2.364%			
14	Repsol	4.242%	14	Applus	2.338%			
15	Iberdrola	4.062%	15	Gestamp	2.241%			
16	Caixabank	3.984%	16	Almirall	2.058%			
17	Banco Santander	3.918%	17	Vidrala	1.448%			
18	Inditex	3.742%	18	Pharma Mar	1.011%			
19	Bankinter	3.453%						
20	Ferrovial	2.828%						
21	Laboratorios Rovi	2.650%						
22	Unicaja Banco	2.425%						
23	Acciona	2.392%						
24	Indra	1.408%						
25	Inmobiliaria Colonial	1.092%						
26	Acciona Energía	0.775%						



## Consistent dividend yield in 2022



## ETF trading is growing

In 2022, exchange traded funds (ETFs) worth 1.6 billion euros were traded on the Spanish Stock Exchange. This figure represents an increase of 3.14% compared to the same period in 2021. As with equity trading, the year was divided into two distinct parts. In the first half of the year, volumes increased by 31% compared to 2021, and from then until December there was a decrease of 26%.

BME's activity in this market segment was underpinned by the five benchmarks listed on the Spanish Stock Exchange. Together, they had assets of 530 million euros as of December 30, down 10.6% from the end of 2021. Of this figure, 21% is accounted for by an ETF on the Eurostoxx 50 index and the rest by four instruments linked to an index of the IBEX family. Two follow the IBEX 35® and they comprise 63% of the total equity traded on the stock exchange. The lion's share of activity was mainly driven by investors with direct and positive

exposure to the IBEX 35, as 63% of trading (1.012 million euros) was focused on references to this index, while the LYXOR IBEX Double Inverse accounted for 34% of the value of purchases and sales.

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

## Volatility pushes up warrants to levels of five years ago

Warrants trading on the Spanish Stock Exchange has seen a high level of activity in 2022. This year almost 600 million euros have been effectively traded, slightly more than double the amount traded during the same period in 2021.

In this case, the high level of socioeconomic uncertainty that persisted throughout the year has led to high volatility, which has been maintained over time (with occasional extreme peaks). The Vibex index registered a monthly closing average of 21.8 points in 2022 compared to 17.44 in 2021 and 25.48 in the pandemic year.

Traditional warrants have gained the most, accounting for 72% of traded cash and rising 116% annually. They are followed by multi-warrants with a 16% share and 60% annual growth. Finally, turbo warrants accounted for 11%, and volume 132% higher than in 2021.

Warrants on international indices accounted for 59% of actual trading in 2022, equity indices and domestic equities each accounted for 12%, foreign indices accounted for 10%, exchange rates accounted for 11%, and foreign equities accounted for the remaining 5%.

At the end of December 2022, there were 2,641 warrant references on the market, after 6,355 new admissions were registered over the year. As we said, these are the highest levels in 5 years.

The volume of investment flows related to market financing has fallen sharply in 2022, in line with the accelerated tightening of monetary policy by the world's major central banks to curb inflationary escalation. As market conditions remain uncertain and companies largely focus on downward price adjustments, the majority of firms have put their financing plans on hold.

## 2.2 Financing

The data provided by the World Federation of Exchanges (WFE) on total financing and investment flows are very telling in this regard. They show a decline of more than 90% compared to 2021 in flows channeled through IPOs on the main North American and some European exchanges, and a decline of more than 70% in the same places in new funds raised by already listed companies.

This decline in flows is also seen in other alternative funding channels such as venture capital and seed capital, albeit to a lesser extent.

Broken down by region, data on investment flows in emerging and developing economies such as China, India, Thailand, Egypt, and Latin American countries have been remarkable resilient. There, despite the aforementioned global context, companies have maintained or, in some cases, surpassed 2021 levels of financing activity through financial markets.

### Decline in financing volumes on the stock market

In Spain, in 2022 BME continued to meet the financing needs of the Spanish business community, although in comparative terms compared to 2021 it has not been able to decouple from the negative performance in this area of most of the world's leading global market infrastructures.

A total of 18 new market entrants have been registered in 2022. Two to the stock exchange (Atrys Health and Opdenenergy), one to the Latibex platform (Neoenergía) and fifteen to BME Growth. These figures do not include companies such as SICAVs, SILs or ECRs which are admitted to BME's alternative MTF Equity platform. Between all these companies, 356.05 million euros of new funds were mobilized at the time of their entry into the market, which was particularly intense in the first half of the year and in the final stretch of the year. This is significantly lower than in 2021 in line with the general worsening of the economic environment during the year, but 72% higher than in 2020 when the pandemic broke out. In the 2020 financial year, 10 new companies were registered on the Spanish stock market, attracting resources worth 255.39 million euros at the time of their listing on the stock exchange.

During the year which has just finished, Opdenenergy Holdings, a renewable energy company, recently completed an Initial Public Offering (IPO) on the main Spanish stock market, raising approximately 220 million euros due to high demand for its shares. The company was valued at around 700 million euros on the day of its stock market debut. This is an example of how the renewable energy sector is continuing the trend of recent years, increasing its presence and its share in the total capitalization of the Spanish stock market.

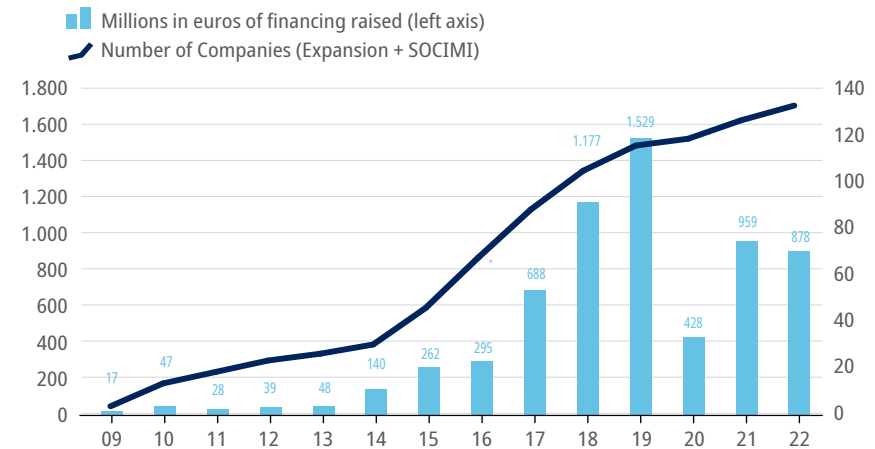
Likewise, Atrys Health transitioned from BME Growth to the Continuous Market of the Spanish Stock Exchange in February 2022, following in the footsteps of MásMóvil and Grenergy Renovables in previous years. With this milestone, the company completed a six-year journey in BME Growth. A period in which it has multiplied its market capitalization by almost 40 times, from 16 to more than 600 million euros, while its revenue increased from 4.5 million euros in 2016 to a pro forma turnover of more than 90.8 million euros in the first half of 2022 alone. This is yet another example of the value of this alternative market on the Spanish stock exchange as a financial lever for accelerating the size and expansion of SMEs.

Continuing with the IPOs throughout 2022, BME Growth has once again been the main catalyst for the listing of new companies on the market. Fifteen out of the 18 new listings mentioned above have joined BME Growth: 10 in the growth companies segment and 5 in the SOCIMIs segment. This means that for the second year in a row, the number of new listings of companies in the growth segment exceeds that of SOCIMIs. With these figures, BME Growth accumulates 179 listings since its inception, of which 135 remained listed at the end of December 2022, the highest balance since the creation of this market.

In terms of capital increases, a total of 120 transactions were carried out on the stock markets during the year, 24% more than the 96 in the same period of 2021. This is because due to the adverse macroeconomic and financial conditions, listed companies have continued to utilize the market as a funding strategy to realize their growth objectives and maintain an attractive and secure remuneration system. However, the value of these transactions was significantly lower than in previous years, as is also reflected in data from the main international stock markets at the global level. This means that Spanish listed companies increased their capital by 2022 by 6.3 billion euros.

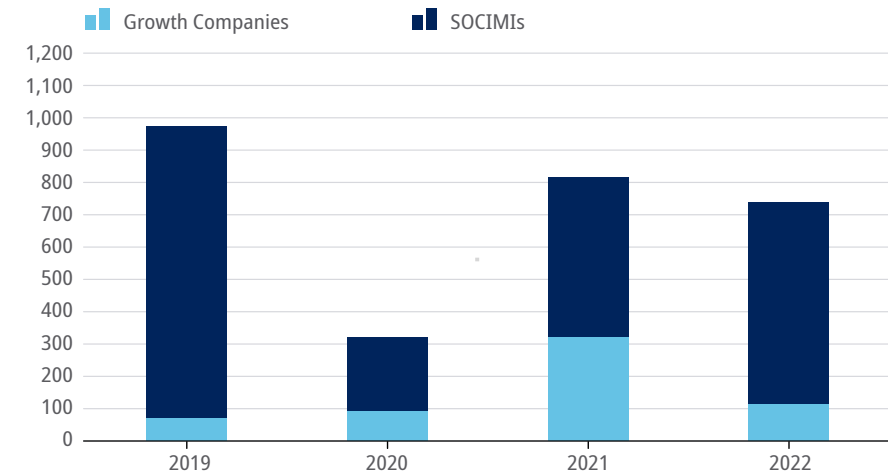
In the stock market, capital increases were carried out throughout the year to maintain and, in some cases, increase shareholder remuneration. Of the 5.5 billion euros in 2022, 3.7 euros (67.6% of the total) are accounted for by capital increases to compensate shareholders in the form of a flexible dividend. Iberdrola and Telefónica were two of the most noteworthy capital increase operations, with Iberdrola completing a pair of transactions totaling over 2.0 billion euros for dividend payouts and Telefónica expending 636 million euros on theirs.

## BME Growth maintains its financing power

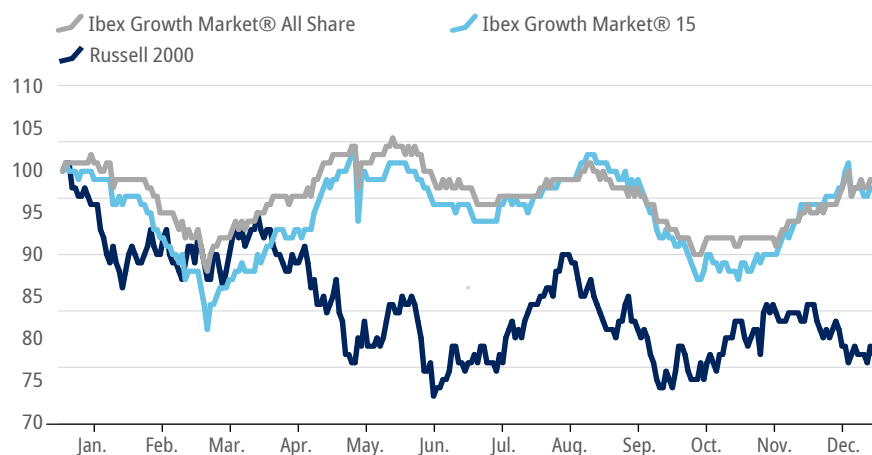


## Capital increases of companies already listed on BME Growth (€ million)

Cumulative data for each year.

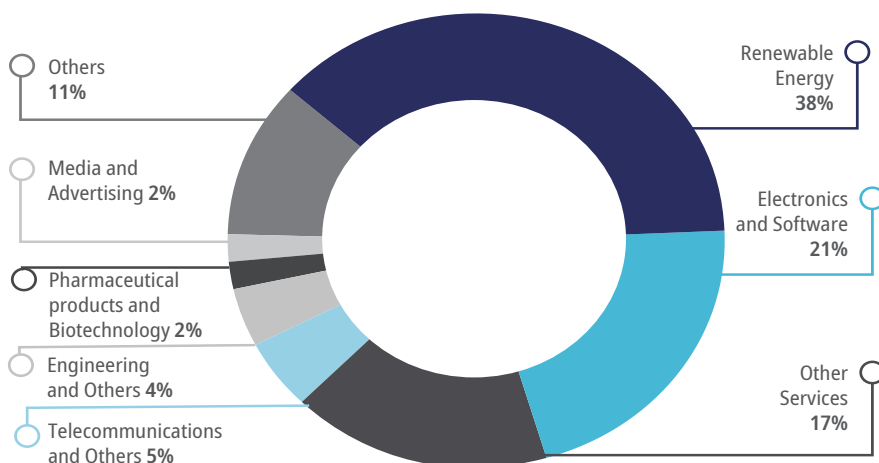


## Stock market performance: BME Growth vs Russell 2000 indexes



## BME Growth. Distribution of capitalization by sector (without SOCIMIs)

Date 12/30/2022



## BME Growth escapes the general mood of apathy on the markets

BME Growth has continued to be a growth engine for small and medium-sized Spanish companies. The value of funds raised by listed companies in this market through capital increases reached 742.2 million euros in 2022, 9.4% less than the previous year, supported by 72 operations, which are paradoxically 16 more than those recorded in 2021. As mentioned above, the main reasons for capital increases in the market were the organic and inorganic expansion of the business, as in the case of companies such as the identity verification company Facephi, the photovoltaic company EiDF, the electricity trader Holaluz or the biotechnology company IFFE Futura and others. If we take into account all types of financing transactions (mainly credit offsetting and share swaps), BME Growth activity continued to be very dynamic in 2022, reaching 93 transactions, a figure that is an annual record high and which brings to 532 the number of financing transactions that have been carried out in this market since its creation in 2009.

If we take into account the expansions and operations to add new companies to the market, the flow of financing raised by BME Growth companies reached 878.25 million euros in 2022, compared to 959.7 million euros and 428.3 million euros in 2021 and 2020, respectively.

In the secondary market, the IBEX Growth Market® All Share and IBEX Growth Market® 15 indices have performed relatively better than their U.S. counterparts.

## Acquisitions, mergers and takeovers

Global merger and acquisition activity was also impacted by the current economic landscape of volatility and heightened uncertainty surrounding economic growth and geopolitical concerns. As data compiled by Dataside shows, in the first three quarters of the year, the number and value of M&A deals in Europe, the Middle East and Africa declined by 14% and 16%, respectively.

In Spain, several stocks such as Zardoya Otis, Mediaset España, Metrovacesa and Siemens Gamesa were again the focus of takeover bids in 2022. The transactions carried out on the companies Zardoya Otis and Siemens Gamesa have been carried out with the aim of delisting the companies from

the stock exchange. Thus, Zardoya Otis was delisted following the takeover bid by its American parent company Otis for the remaining 50% of the capital it did not yet control, while Siemens Gamesa is awaiting approval of its delisting by the extraordinary shareholders' meeting after the takeover bid by its parent company Siemens Energy for the 32.93% of the capital it did not hold was accepted by 25.6% of the latter. MFE-MediaForEurope, an Italian company, successfully increased its total share in Mediaset España's capital to 82.92%, following a takeover bid for 100% of the remaining capital that it did not previously control. Finally, Metrovacesa was partially acquired by the FCC Group and its partner Control Empresarial de Capitales (CEC), increasing its share in the capital to 17%.



# 3

## FIXED INCOME

More than **€380 billion** euros in **public and private issuance** in a year marked by interest rate hikes and volatility.

The **MARF** reaches **136 issuers** since its launch. **19 new companies** join in 2022.

After a record year in 2021, the **volume of sustainable debt issuance** falls in the first half of 2022 in Spain (€8.3 billion) and globally (€403 billion).

## ○ FIXED INCOME

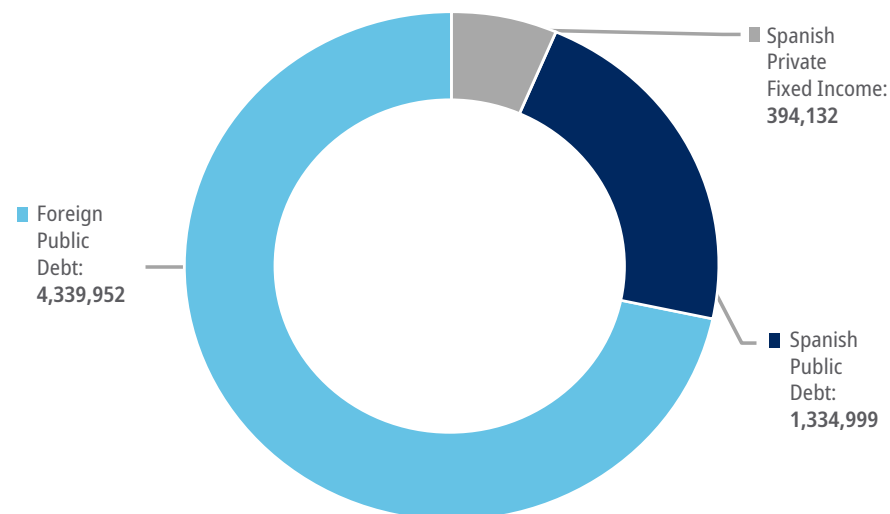
Government and corporate bond markets have experienced a tumultuous year of historically unprecedented price declines and yield increases as central banks have accelerated monetary tightening to combat runaway and persistent inflation. However, high rates have become a powerful attraction for investors especially in the last quarter of the year. Despite the difficult environment, Spanish bond markets have maintained their ability to finance both the public and private sectors, with issuance volumes reaching 380.000 billion euros. The number of issuers in the MARF continues to rise, reaching 136 companies. Financing focused on sustainability is slowing down globally and in Spain in line with the performance of fixed income securities in general.

### ○ 3.1. Public Debt Activity

The volume of Spanish public debt issued and admitted to trading on the BME regulated market for fixed income securities in 2022 amounted to 252.227 billion euros, 10% less than the previous year. The high pace of public sector issuance in previous years, marked by the impact of the pandemic caused by Covid-19, which brought Spanish public debt to levels close to 120% of GDP at the end of 2020 and 2021, with growth of almost 24 percentage points, was slightly reduced. In 2022, the asset purchase programs implemented by the European Central Bank — which had facilitated the issuance and placement of public debt and kept interest rates at historically low levels — was ended. The volume of issuance and admission shrank both in Treasury bills to 84.89093 billion (-4.8%) and in medium and long-term debt (-6%), with a volume of over 151.195 billion euros in the year. There were greater difficulties in the debt securities of the Autonomous Communities, whose issuance volume fell by 63% year-on-year.

#### Total outstanding balance in BME's fixed income market

AIAF Market. At December 2022. Data in Millions of Euros



Source: Thomson Reuters

## Public Debt

Volume traded on fixed income platforms. Millions of euros

	Senaf	Send	Total
2022	96,316	18,389	114,706

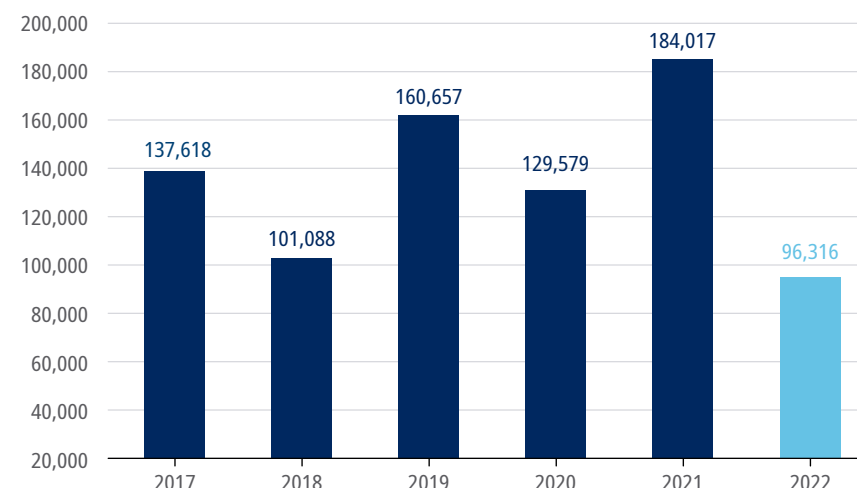
### Treasury gross issuance is reduced, and moderate rise in the average cost of debt

Overall, the latest estimates from the Ministry of Finance indicate that gross issuance of public debt across all maturities reached 70 billion euros in 2022. This is 5 billion less than the previous year and again significantly less than the net issuance of 110 billion in 2020, which was caused by the pandemic. Estimated gross issuance for 2022 was 232.507 billion, 12% less than the previous year. Widespread interest rate increases in international bond markets caused the average cost of new issues to rise to about 1.27% this year, leaving behind the negative-rate placements of 2021 (-0.04% average cost). The average cost of all outstanding government debt remains at a historically low level for the time being (1.71%), slightly above the previous year's low of 1.64%. The average maturity of all Spanish sovereign debt is 7.89 years, a level considered appropriate to reduce refinancing risk and vulnerability to interest rate increases.

Admission of foreign government debt in BME's fixed income market reached 679.395 billion euros in 2022, 12% less than 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.

## Regulated Fixed Income Market volume traded on the SENAF Platform

(2016 - 2022) Millions of euros



The total balance of outstanding Spanish government debt in the regulated fixed income market stood at 1.33 trillion euros at the end of 2022, 6.8% higher than the same time last year. The balance of foreign government debt fell by 5.6% to 4.3 trillion euros at the same date.

This year was marked by extreme price declines and fluctuations that had a deleterious effect on market trading volumes. Thus, between January and December, total trading in public debt instruments on the SENAF platform, which is reserved for specialized wholesale financial institutions, and on the SEND platform, which is open to all types of investors, amounted to 114.705 billion euros, a decrease of 51%, and the number of cross-trades also decreased by a similar percentage.

## Performance of BME Government Debt Yield Indices (RODE)

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

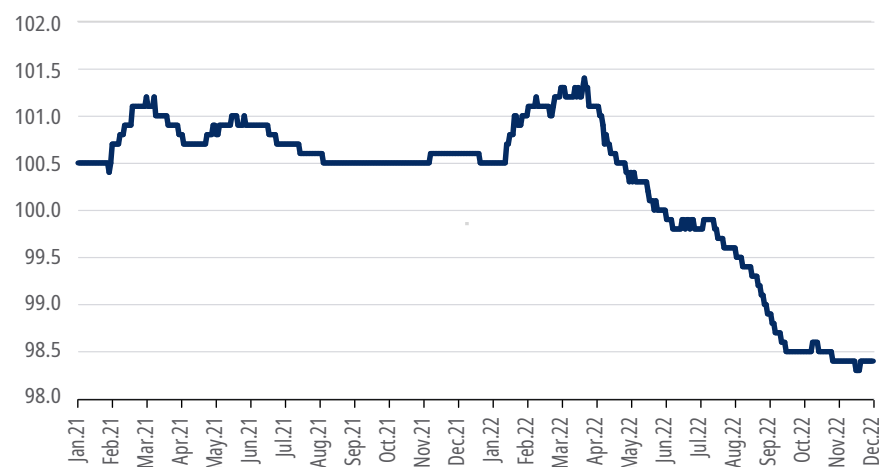
The series of indices consists of 9 daily and 9 monthly indicators that reflect the internal rate of return in the public debt market at different maturities, ranging from 6 months to over 20 years, integrating interest rates and transaction on a monthly and semi-annual basis.

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

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

### Yield index of Spanish Government Debt between 6 and 12 months in 2021 and 2022

(Daily data). Daily RODE Index of Spanish Public Debt between 6 and 12 months.



Source: BME

### Yield index of the Spanish Public Debt between 8 and 12 years in 2021 and 2022

(Daily data). Daily RODE index of Spanish Public Debt between 8 and 12 years.



Source: BME

In 2022, conditions in the Spanish short- and long-term debt market can be accurately observed in the graphs depicting the daily RODE 6 - to 12-month public debt index and the daily RODE 8 - to 12-year public debt index.

According to these indices, which average the prices and transactions of the previous 30 days for each date, losses in short-term public debt amounted to 2.2% between January and December 2022, while losses in long-term debt reached a record of 17.2%, which adds to the value recorded in the previous year (-6.3%).

## 3.2. Corporate Debt Activity

The volume of Spanish private debt issued and admitted to trading on the regulated market between January and December 2022 reached 114.038 billion euros, an increase of 0.7% over the same period last year. Unlike in 2021, in which longer-term issuance almost doubled, in 2022 companies concentrated their issuance in the short term, given the medium-term uncertainty, and the growth of promissory note issuance stood out with 39.334 billion euros and a growth of 95%. On the other hand, medium- and long-term issues of bonds and debentures decreased by almost 50% to 19.169 billion. Securitization issues continued to consolidate, increasing their volume by 12% to 20,645 million, reinforcing expectations of a recovery in this important market for Spanish banks. Issues of

covered bonds remained stable at 34.89 billion euros. The European directive that took effect in July shields covered bonds from illiquidity during times of corporate insolvency and is expected to significantly expand the market across the coming years.

The mid-year end of corporate bond-buying programs from ECB adds even more value to the short-, medium-, and long-term bonds that companies could issue in 2022.

### Regulated Fixed Income Market AIAF

Admission to trading of short, medium and long-term private debt. (Millions of euros)

	Bonds and debentures	Covered Bonds	Securitization bonds	Preferred shares	Commercial paper	Total
2021	37,663	35,351	18,376	1,625	20,190	113,205
2022	19,169	34,890	20,645	0	39,334	114,038
Chg. %	-49.1%	-1.3%	12.3%	-100.0%	94.8%	0.7%



At the end of December, the total balance of outstanding Spanish issues registered in the regulated private fixed income market was 394.130 billion euros, 14.7% less than the close of the previous year.

In 2022, the volume of issues made and registered by banks, companies and subsidiaries of Spanish groups in foreign markets and exchanges remained high. According to data published by the CNMV, cumulative issuances abroad through September amounted to 125.222 billion euros, representing more than half of total issuances (215.842 billion). These practices are not in the best interest of the Spanish financial markets and their participants. Since 2018, the CNMV and the BME have taken steps to make Spanish markets more attractive to issuers by introducing measures which streamline the issuance and approval processes of debt securities, consequently improving capital raising capability in domestic markets. As a result of these efforts, in recent years some large Spanish companies have changed tack and repatriated or issued in Spain part of their fixed-income issues. Specifically, in 2022, Red Eléctrica's Euro Commercial Paper program was admitted to BME markets with a volume of 100 million euros in several currencies, after Endesa's and Adif's programs had already been repatriated.

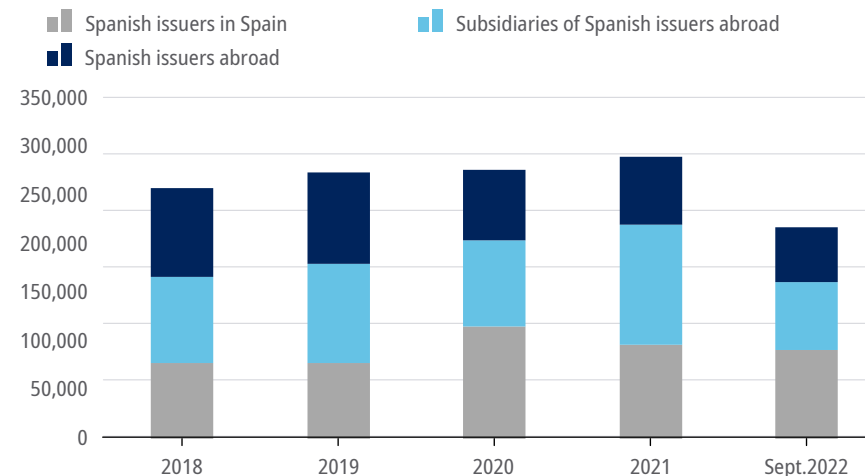
According to the Spanish stock exchange regulator (CNMV), 9% more issues were registered in Spain in 2022 through the third quarter than in the previous year, while issues abroad fell by 9.7%.

### First issuance of a bond registered with blockchain technology in Spain in a regulated market.

In Spain, a milestone was achieved today with the issuance of a bond admitted to trading on a regulated market and registered in secure blockchain technology for the first time ever. The transaction involved BME through its central securities depository Iberclear, BBVA, the Inter-American Development Bank (IDB) and ioBuilders, BME's technology partner that developed the blockchain platform.

### Total issuance of fixed income by Spanish banks, companies and business groups

(2015 - 2022 (through Sept.). Millions of euros.  
Issues made in Spain and in foreign markets.



Source: CNMV

The project is part of the IDB's LACChain alliance to accelerate the use of blockchain technology.

It will also allow BBVA to export this technology to Latin America, where funding for business projects through marketplaces is rather limited. The Spanish bank participated as tokenizer of electronic money and digital custodian and marketer of the issue, in which Iberdrola and Renta 4 were the investors of the bond.



### Alternative Fixed Income Market (MARF): outstanding balance at the end of the period

(2015-2022). Figures in millions of euros



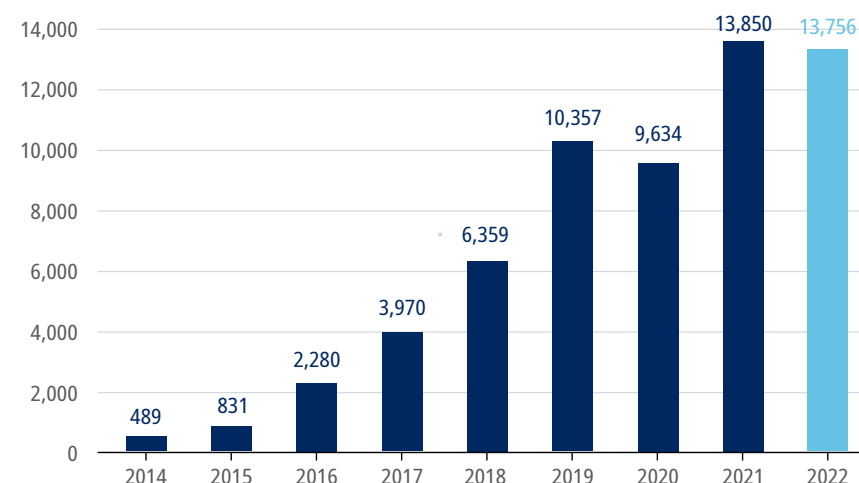
### MARF grows with 19 new issuers to 136. Volume issued remains unchanged

As in 2020 after the initial outbreak of the pandemic caused by Covid-19, the uncertainty caused by the invasion and escalating war in Ukraine has slowed the pace of issuance and the growth of the outstanding balance on the Mercado Alternativo de Renta de Fija de BME (MARF), a growth that had been very pronounced since its launch in late 2013.

In response to financial and sovereign debt crises, MARF was designed as a multilateral trading facility to issue fixed income securities. This allowed various-sized companies, many without prior capital market presence, to enter into markets. Since its launch through to the end of 2022, 136 companies have already used it for financing, including six Portuguese and two Dutch and British. In its nine year history, this market has experienced consistent growth, rendering it an

### Alternative Fixed Income Market (MARF): volume issued and admitted to trading during the year

(2014-2022). Figures in millions of euros



integral factor in promoting the diversification of financing sources for companies within Spain. In addition to the aforementioned diversification of financing sources, the MARF facilitates access to more flexible financing structures and conditions than traditional debt financing for the companies present. Over the past years, firms have used it to access sustainable financing frameworks which help create ties to environmental and social sustainability commitments. These frameworks also encourage companies to achieve certain objectives using the granted funds.

The volume of issues and admissions incorporated into the MARF in 2022 reached 13.756 billion euros, a small decrease of 1.5% on the previous year. In the first 12 months of the year, there was a significant rise in short-term promissory bill issuance (+23.8%), offsetting the decline in securitization issuance, which had been boosted in the previous year by the entry of large corporates, synthetic securitization issuance or "green" securitization issuance into this market. The

complexities of the bond market in 2022, including a noticeable uptick in interest rates, led to a decrease in new issuance activity across these sectors.

The wide variety of companies that MARF has been able to attract since its inception was also evident in 2022. This year's newcomers include Castellón-based tile manufacturer Pamesa, 100% green electricity marketer Fenie Energía, aluminum laminate products manufacturer Aludium, driverless car rental company Record Go, vehicle leasing company for businesses and the self-employed Alquiber, certifier AENOR, audiovisual company Agile Content, Portuguese credit institution UNICRE and, in the final months of the year, tile manufacturer Pamesa, energy company Holaluz, Urbas, the human resources consultancy Eurofirms or the Navarrese poultry company Agotzaina.

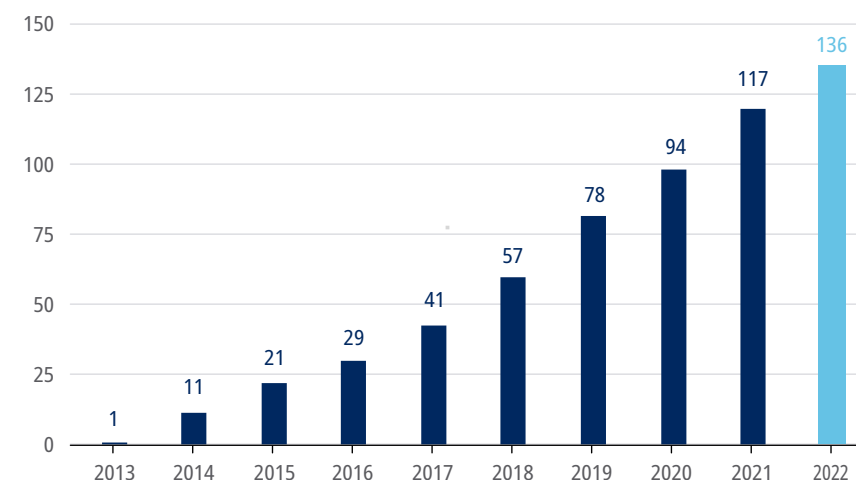
Notably, Traianus DAC, an Irish financial institution, announced a bond issuance program of up to 10 billion euros in 2022. BlackRock Investment Management (UK) Limited was appointed as the portfolio manager for this bond offering. The BlackRock Group is the world's leading asset manager.

Securitization issues made during the year include the AQUA 2020 Securitization Fund, which pools credit rights from Spanish neobank Crealsa, which specializes in corporates and the self-employed, and is backed by an insurance policy underwritten by Compañía Española de Seguros de Crédito a la Exportación (CESCE).

Other notable issuances included the securitized promissory bills of the Factor One Securitization Fund and the bonds of the Aquisgran Securitization Fund, promoted by the Mutual Guarantee Companies (MGS) initiative, which provide financial resources to Spanish SMEs and self-employed individuals to diversify their sources of financing.

## Companies that have been financed through MARF since its inception (2013 – 2022)

Cumulative data from 2013 to the close of each year.



The MARF closed December with an outstanding issuance balance of 8.160 billion euros, 15.4% less than at the same time last year, with a balance between outstanding bond issuances of 3.553 billion euros, divided between 71 issues, and 4.608 billion euros in over 300 tranches issued under the promissory note programs in force.

Over the year overall, nineteen additional companies had utilized the MARF this year to fulfill their financing requirements by issuing fixed income securities, bringing the total number of issuers in this market to an impressive 136 since its start.

### 3.3. Sustainable emissions: slowing in 2022, in line with fixed income markets, after the previous record high

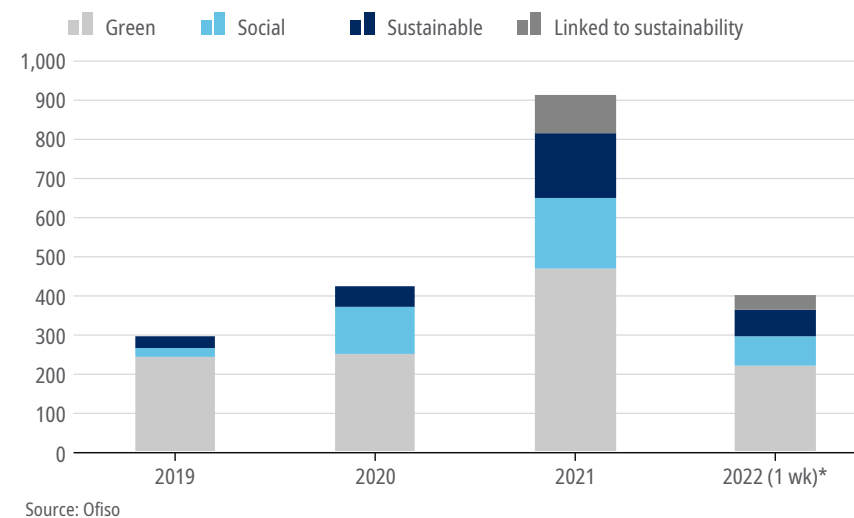
In 2022, the issuance of bonds to facilitate sustainable development in terms of environment and social responsibility decreased. The global fixed-income market experienced a significant surge in 2021, with more than \$1 trillion (EUR 900 billion) of green or socially responsible bonds issued for the first time. However, recent actions such as the Ukrainian conflict and changes to monetary policies by major central banks have significantly impacted debt markets around the world.

In the first half of the year, total issues amounted to almost 404 billion euros, 14% less than in the same period last year, according to figures from the Spanish Observatory of Sustainable Finance (OFISO). For perspective, this figure is virtually the same as was raised in all of 2020, making 2021 at least the second-best year ever in terms of global sustainability finance issues. In the first 6 months of 2022, green bond issuance numbers will remain similar, while social bond numbers will decline as the worst effects of the pandemic caused by Covid-19 fade, and numbers for bonds with conditions attached to meeting certain sustainability targets (Sustainability Linked Bonds or SLBs) will increase. Total issuance figures for the year as a whole are expected to exceed 800 billion euros by the end of the year.

In March 2021, the Sustainable Finance Disclosure Regulation (SFDR) came into force in the European Union, requiring companies participating in securities markets to comply with sustainability-related (ESG) requirements. It applies to investment companies, pension funds, asset managers, insurers, banks, private equity funds and credit institutions offering investment portfolio management and financial advisors. The SFDR Regulation applies a “comply or explain” approach, whereby financial market participants are obligated to comply with the Regulation, or provide an explanation for why they do not. This provision, however, will no longer be available to asset managers with 500 or more staff members after June 30th, 2021. Although the SFDR Regulation applies across the EU, non-EU funds marketed in Europe are also required to comply. Progress has been made in both 2021 and this year 2022 in publishing technical standards and aligning investment fund management companies with the new reporting requirements.

#### Sustainable bond issuance in the world

Data by type of issue in billions of euros



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

In 2022, work continued on legislation that would expand the scope of the Non-Financial Reporting Directive, which currently requires sustainability reporting for 11,600 companies, to 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 power and institutional investment on the rise

Spain maintains its position as one of the world's leading markets for green bond issuance by national public and private entities. In 2021, the country was once again among the top 10 countries in terms of issuance volume, improving to 7th place with a placement volume of 20.3 billion euros in these instruments, according to the Climate Bonds Initiative, a global benchmark organization in this field.

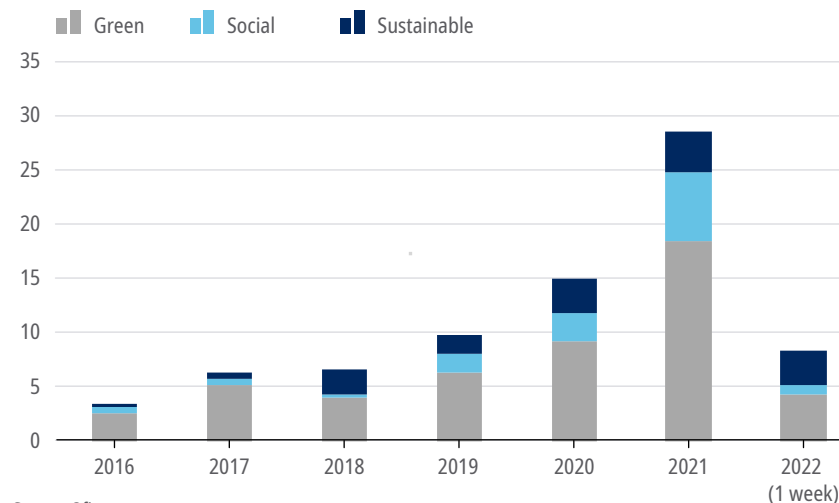
However, in the first half of 2022, the issuance of green, social and sustainable bonds in Spain decreased significantly to 8.263 billion (-46%) compared to the same period last year, mainly due to the decrease in Treasury issuance, according to the Observatory of Sustainable Finance (OFISO). The strong improvement in the health situation as a result of the pandemic also explains to some extent the trend in sustainable issuance figures. Year-end volumes are expected to improve after the summer due to increased activity by public and private issuers, including the Ministry of Finance, autonomous regions, and major banks.

This year, although to a lesser degree than in the previous one, not only large companies and public sector entities -as usually is the case for this type of issue- but also small companies, have issued bonds with sustainable criteria.

On the fixed income markets and platforms managed by BME, 28 green, social and sustainable fixed income issues were admitted to trading in 2022 for a total amount of more than 52.5 billion euros from both Spanish and foreign issuers. At the end of December there were 96 ongoing issues related to the environment and sustainability, well above the 63 at the end of 2021, with companies such as the railroad manager ADIF, banks such as ICO, Caixabank, BBVA, or Abanca; or the Autonomous Communities of Madrid, Andalusia, Euskadi, all of them issuers throughout 2022, playing a leading role. Among the outstanding issuers of the year, albeit to a lesser extent than in the previous year, was once again the Treasury, which expanded the placement and admission to the market of the green sovereign bond of the Kingdom of Spain issued last year. The change in

## Sustainable bond issues in Spain

Data by type of issue in billions of euros



Source: Ofiso

market conditions is reflected in interest rates: while it was 1% in September 2021, it reached 3.6% in November 2022. The placement volume in 2022 exceeded 3.0 billion euros.

In the MARF fixed-income market, which is tailored to the needs of mid caps, social and sustainable green issuance also accelerated after the debut of Grenergy Renovables' first green bond in 2019. At December 31, 2022, there were 12 ongoing issues in the market, following the inclusion in recent years of energy companies such as Greenalia, Valfortec, Audax Renovables or Biodiesel de Aragón, or industrial companies such as Pikolin or Elecnor. The type of green issues has also been diversified with green promissory note programs such as Grenergy's or bonds issued by the Sacyr Green Energy Management Securitization Fund. The most recent additions to the green issuance market were Canadian Solar EMEA Capital Markets' €30 million issuance and Galician photovoltaic group EiDF's maximum €25 million green promissory note program.

According to INVERCO, the association of Spanish fund managers, the assets of Spanish funds managed according to environmental, social and sustainable (ESG) criteria reached 71.603 billion euros in June 2022, 11% more than at the end of 2021. Since the entry into force of the Non-Financial Information in Investment Products Directive in 2021, responsible funds are divided into two main categories: funds that comply with Article 8 of the Disclosure Regulation are those that “promote environmental and social characteristics”, while funds that comply with Article 9 of the Regulation have a specific responsible investment objective. Of the 24.1% that responsible funds account for in the total assets of Spanish funds, 23.1% fall into the group that complies with Article 8, while 1% falls under Article 9, i.e. having a specific responsible investment objective.

At the beginning of August this year 2022, the amendment to the MiFID II directive came into force, which stipulates that financial advisors and intermediaries will also be asked about their preferences in terms of sustainability when assessing the suitability of their investor clients. The first question will be whether the investor has preferences for sustainability. If so, the next question will be to what extent the portfolio should take these preferences into account, which can be defined as three ranges: less than 10%, at least 25%, and more than 50%. The next question would be about the realization of these preferences: through investments that are considered sustainable under the Taxonomy Regulation, through sustainable investments under the Disclosure Regulation, or through products that take into account the main negative impacts, that is, manage the negative impact that this investment may have on the environment or social aspects. The investor can choose one, two or all three options.

### Lighthouse ESG certification in collaboration with BME

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

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

## The central banks' fight against inflation causes heavy losses and soaring interest rates in global bond markets

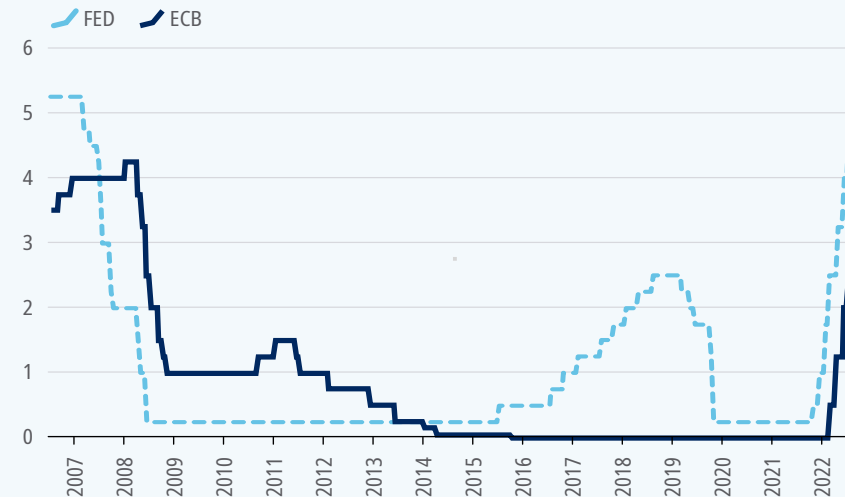
In the years since the outbreak of the Covid-19 pandemic, central banks around the world have adopted a much more aggressive stance on monetary policy in an attempt to control inflationary pressures. This is largely due to rising prices for energy and commodities, which have filtered through to other areas such as food and wages.

In March, the U.S. Federal Reserve (FED) delivered on their commitment to initiate adjustments to policy, including the termination of their asset purchase program and an increase in interventional rates by 0.25 percentage points to a range of 0.25%-0.50%, the first raise in rates since 2018. Two months later, on May 4, it made another 0.50 percentage point increase. Faced with the challenge of rapid inflation, which had risen to a rate of 10% in the U.S., the intervention rate was raised by 0.75 percentage points during four consecutive months in June, July, September, November, and then a 0.50 p.p rise in December. This brought the intervention rate to 4.25%-4.5%, something that seemed inconceivable only a few months prior and not seen since 2007.

The ECB decided to take a more cautious approach at the beginning of the year as the eurozone economy continued to worsen. With inflation rapidly approaching 10% year-on-year, the ECB ended net asset purchases under the PEPP program and announced the end of APP purchases. To contain rising risk premiums on debt from some eurozone countries, the ECB also announced flexible reinvestment of debt portfolio maturities. At its July 21 meeting, it raised intervention rates by 0.50 percentage point for the first time in 11 years, ending a long period of zero or negative interest rates. In September and October, it made two more rate hikes of 0.75 points, plus an additional 0.50 point increase in December, to bring the intervention rate to 2.5%, its highest level since 2008. Other major European central banks, such as the Bank of England and the Swiss

### From the global financial crises to Covid-19 and the war in Ukraine

Benchmark ECB and Fed interest rates (2007 – 2022)

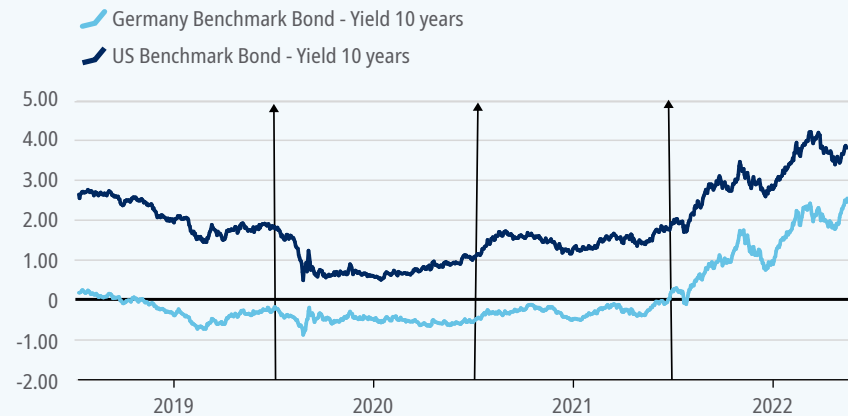


SNB, have also raised the key interest rate by 0.75 basis points at one or more points during the year.

Against this backdrop, returns in the global fixed income markets decreased significantly and experienced high levels of volatility due to the instability of asset prices caused by a lack of monetary policy support observed over the last year. This resulted in one of the least profitable years for the industry.

## 10-year Debt Interest Rates in the USA and Germany (2019 – 2022)

Daily data.



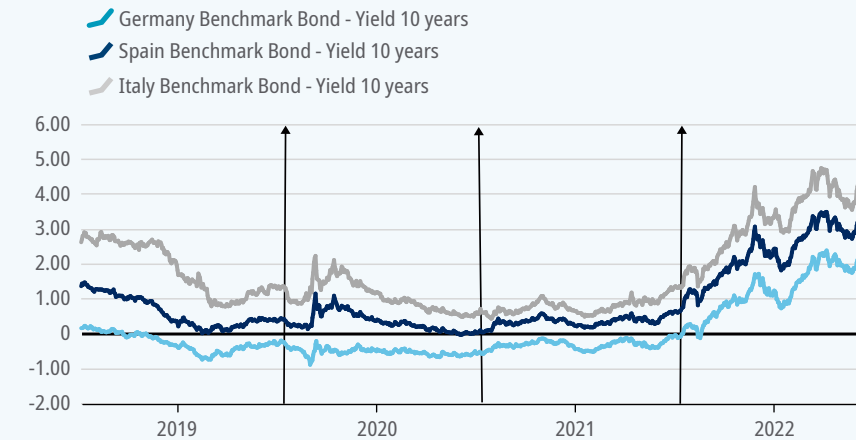
Source: SIX and Refinitive.

The volume of debt instruments with negative yields, which had exceeded \$18 trillion at the end of 2021, fell to less than \$0.25 trillion at 2022 year end, concentrated in Japanese government bonds, which are still supported by the Bank of Japan's purchase programs.

The U.S. 10-year bond began the year at 63¢, its lowest level of the year, steadily increasing throughout the duration of the year until reaching a peak of 4.23% in October due to various rate hikes from The Fed and increased inflation levels. In November and December it underwent a significant correction to levels of around 3.8%, with which it closed the year, supported by the first signs of moderating inflation in the US.

## 10-year Debt Interest Rates in Germany, Spain, Italy (2019 – 2022)

Daily data.



Source: SIX and Refinitive.

In Europe, the German 10-year Bund started the year with negative rates (-0.12%) and abandoned them in late January before yields continued to rise, reaching a peak of 2.44% in October, also with periods of correction in the summer months and then to around 2% in November due to better inflation expectations. It closed the year with a return of 2.6%.

The Spanish 10-year bond started the year at 0.61% and climbed to a high of 3.55% in October before correcting below 3% in November and rising again in December to 3.7% at the end of the year. For the first time in eight years, the Spanish benchmark bond exceeded the 3.5% mark. The risk premium of these Spanish bonds over the benchmark 10-year German bond, which was 0.73 percentage points at the beginning of the year, reached 1.38 percentage points at times during the year, but the measures taken by the European Central Bank



### Corporate bond price index of the BBB-rated euro area (2019-2022) (iBoxx Euro Overall BBB Rated price)

Daily data.



Source: Factset

(ECB) under the transmission protection instrument (TPI) curbed the increase and in November and December the premium fell to around one percentage point (101 basis points at year end). The 10-year Italian bond also benefited from the protection provided by ECB, although yields more than doubled from an initial 1.20% to a high of 4.82% and fell to below 4% in November. The Italian risk premium was above 2% from June, although it never exceeded 2.5%, and was close to 2% in November and December. The spread between Italian and Spanish 10-year bonds widened to 125 basis points in October, a level not seen since March 2020. By November and December, it had fallen back to levels of around 1% (104 basis points at year end).

### High yield bond price index (2019-2022). (Ice BofA Global High Yield Index USD)

Daily data.



Source: Factset

For their part, corporate bonds experienced a year characterized by high bond price losses. European triple-B rated fixed income saw losses of 16.3% over the year overall, according to the Iboxx index of euro area BBB rated bonds.

High-yield bonds were not spared the heavy losses either, widening their gap with higher-rated bonds, both government and corporate. According to the ICE BofA Global High Yield Index in dollar terms, the yield on a portfolio of such issues in 2022 was 8.9% at the end of December, over four percentage points higher than at the end of the previous year, when the yield was 4.6%. The cumulative losses of a portfolio of high-yield bonds, as represented by this index, amounted to 11.8% between January and December 2022.

# 4

## DERIVATIVES: OPTIONS AND FUTURES

The **increase in volatility** drives **Futures contracts** on IBEX 35 (+4%) and Options on Single Stocks (+7%).

20% of the **volume** of IBEX 35 **mini futures** contracts is accounted for by **retail investors**.

**Volume of electricity derivatives** (-60%), disadvantaged by intervention measures in energy prices.



## DERIVATIVES: OPTIONS AND FUTURES

Spanish derivatives market MEFF further diversifies its offering in the financial derivatives segment with the introduction of 5 new underlying assets and a new order type. Trading in IBEX 35 futures and also options on individual stocks is increasing. Electricity derivatives are penalized by supply interruptions and regulatory changes.

The total volume of Financial Derivatives traded during 2022 reached 33.1 million contracts, virtually unchanged from the previous year. While contracts of great importance to the market such as IBEX 35 futures®, IBEX mini futures, and equity options traded more in 2022 than in the same period last year, the declines in trading were concentrated primarily in equity futures and dividend futures. The total number of trades in the market increased by 15% over the year.

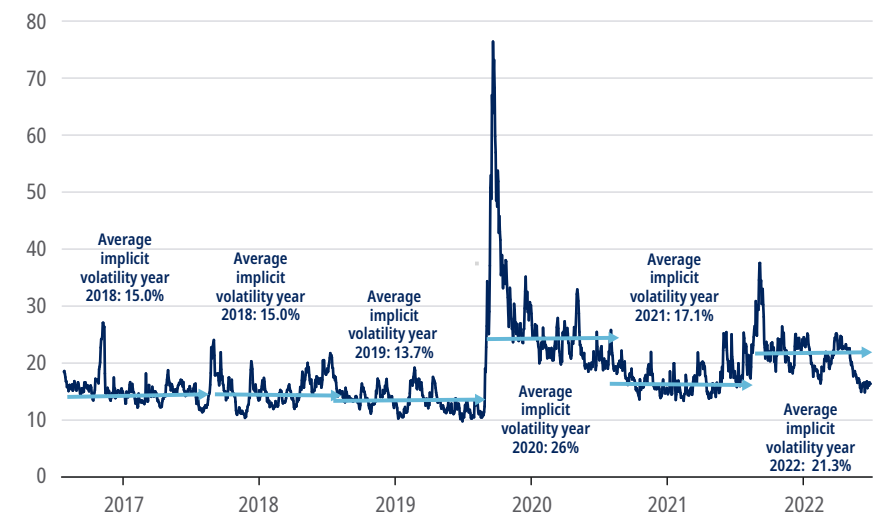
### Spike in volatility

Implied volatility in 2022 has increased by slightly over 4 points, to a daily average of 21.3%, compared to 17.4% for all of 2021, according to the VIBEX® Volatility Index. This indicator allows us to track the volatility of the Spanish market using the most liquid options on the IBEX index. The initial implied volatility for the year began at 19%, staying consistently high since February with averages at 21% and peaking during periods of heightened tension (such as in March due to the war in Ukraine) up to 29%. At certain moments, the volatility rose even further to 30% and 35%. Between April and September, volatility returned to a range of about 22%, except in August, which was characterized by lower activity. November and December saw a significant decline to levels below 17%.

As a result of the higher volatility and the better relative performance of the IBEX 35© compared to other international indices, the number of traded contracts in futures on the IBEX 35©, the main market product, increased by 3.5% to 5.4 million. The mini futures contract on IBEX 35, with a lower notional value, also

### VIBEX Volatility Index of the Spanish Stock Exchange

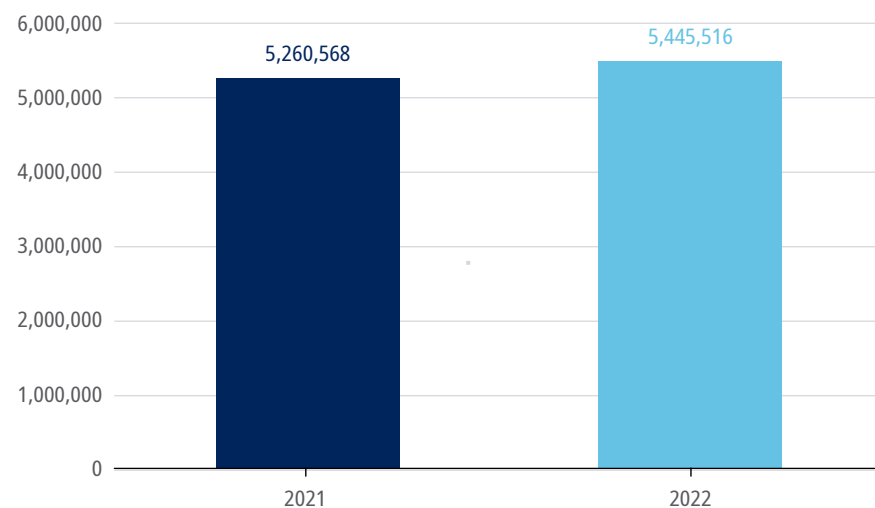
2017–2022. Daily volatility data in %



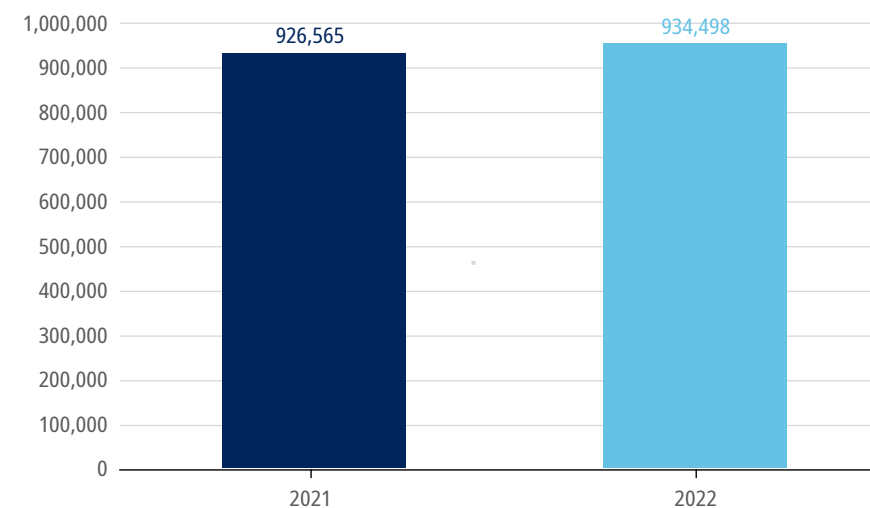
rose by a modest 0.9% to almost 934,500 contracts. In both cases, the number of transactions also increased significantly: 15% for the main contract to 3.4 million trades and 3% for the mini contract. In the main European markets, the volume of futures contracts on the major national indices improved.

**IBEX 35 futures trading volume**

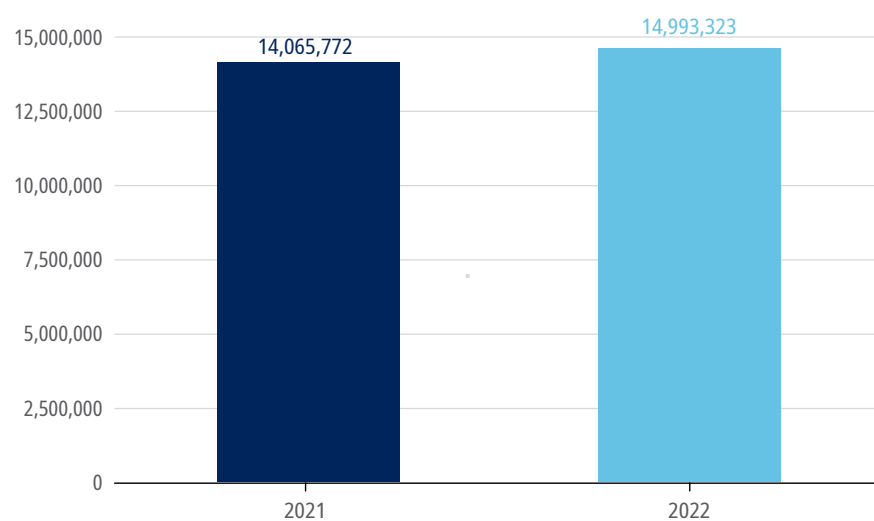
Number of contracts traded in MEFF. Year 2021 and 2022

**IBEX 35 Mini futures traded volume**

Number of contracts traded in MEFF. Year 2021 and 2022

**Traded volume of equity options**

Number of contracts traded in MEFF. Year 2021 and 2022



The trading of options on individual stocks in 2022 saw a marked increase, with around 15 million contracts in 2022 - 7% higher than the previous year. This rise is thought to be largely attributed to the increased volatility, which makes these contracts attractive and advantageous for stock portfolio management strategies. The number of trades increased by almost 18%.

As part of the diversification of its financial derivatives offering, MEFF added Acciona Energía, Applus, Unicaja, Vidrala and Rovi shares as underlyings for futures and options contracts on individual shares in 2022. This completes the total number of securities that are part of IBEX 35© after its last revision, facilitating its replication with derivatives for all types of investors. The total number of Spanish underlying securities on which derivative contracts can be traded was 51 at year end.

## Equity futures and options trading on MEFF (2015 – 2022)

Volumes in number of contracts

Years	Futures							Options		Total Contracts
	Ibex 35	Mini Ibex + Micro	IBEX Div Impact	IBEX Sectors	Equity	Stock Divid, Plus	Stock Divid	Ibex 35	Equity	
2015	7,384,896	3,181,287	32,499	-	10,054,830	484	291,688	5,444,156	21,420,685	47,810,525
2016	6,836,500	2,498,973	58,044	1,619	9,467,294	760	367,785	3,222,390	22,900,619	45,353,984
2017	6,268,290	1,618,857	43,372	7,753	11,671,215	880	346,555	4,303,701	20,316,354	44,576,977
2018	6,342,478	1,490,232	70,725	2,745	10,703,192	200	471,614	4,183,154	20,237,873	43,502,213
2019	5,955,822	1,454,867	144,831	6	15,288,007	0	758,700	3,783,002	17,414,549	44,799,784
2020	5,905,782	1,543,507	91,571	0	10,968,411	7,752	130,055	2,436,534	19,393,317	40,476,929
2021	5,260,568	926,565	45,450	0	11,346,047	20,800	2,100	1,489,240	14,065,772	33,156,542
January-22	449,249	76,350	275	0	22,504	0	0	123,289	863,565	1,535,232
February-22	513,581	101,180	4,020	0	41,938	0	25	158,445	822,061	1,641,250
March-22	624,394	152,887	25	0	3,855,213	9,040	0	116,864	1,311,419	6,069,842
April-22	410,713	73,209	500	0	10,481	0	75	124,085	1,130,963	1,750,026
May-22	449,828	85,774	615	0	68,040	0	0	155,581	1,219,305	1,979,143
June-22	453,848	71,319	125	0	877,923	0	0	90,517	1,440,105	2,933,837
July-22	416,971	77,204	750	0	4,477	0	0	30,192	1,200,174	1,729,768
August-22	365,241	57,240	200	0	15,703	0	50	107,654	991,878	1,537,966
September-22	476,513	68,970	700	0	1,529,464	0	6,000	88,180	1,536,135	3,705,962
October-22	486,649	71,077	1,351	0	2,693	0	0	87,536	1,139,612	1,788,918
November-22	410,341	51,958	750	0	7,029	0	50	52,323	1,475,834	1,998,285
December-22	388,188	47,330	10,397	0	3,878,261	4,470	6,350	209,453	1,862,272	6,406,721
<b>2022</b>	<b>5,445,516</b>	<b>934,498</b>	<b>19,708</b>	<b>0</b>	<b>10,313,726</b>	<b>13,510</b>	<b>12,550</b>	<b>1,344,119</b>	<b>14,993,323</b>	<b>33,076,950</b>

In addition, MEFF has improved a relevant market parameter for market members in 2022: since June, the validity period of orders has been extended to 90 days. Thus, the “Good Till Date (GTD)” orders remain active until a certain date, with a limit of 90 calendar days, which allows market participants to maintain the priority of orders placed in the market for more than one session.

In parallel, BME continues to work to ensure that market maker members provide sustainable liquidity in derivatives contracts.

In 2022, there is a downturn in dividend futures contracts trading which is being mirrored across other European markets. In a year of post-Covid recovery in shareholder remuneration in equity cash markets, this seems to indicate a shift in trading in regulated dividend derivatives to over-the-counter (OTC) bilaterally exchanged dividend swap type contracts.

It is important to remember that when organized markets like MEFF and other European markets launched dividend futures, their goal was to provide an alternative to OTC trading. The main difference between the two is that contracts traded on regulated markets have standard maturities, i.e. monthly or quarterly maturities, while dividend swap contracts have bilaterally agreed maturities but do not have the guarantees of a central counterparty clearing house.

### The presence of retail investors at MEFF

Since the beginnings of the Spanish derivatives market in the late 1980s and early 1990s, MEFF has been deeply committed to facilitating and promoting education, training, and understanding related to financial instruments, particularly those related to derivatives. These efforts are designed to not only aid professionals, but also provide comprehensive financial education to all citizens who wish to gain a deeper understanding of derivative financial products and the potential they could offer as an investment tool or a hedging mechanism.

As a consequence of this joint policy promoted by the BME Institute and through the efforts of market members, retail customer presence in MEFF is noticeable, albeit still lagging behind other global markets, especially those located in North America.

In markets such as the U.S., Canada, and even South America, and Asia, retail trading in financial derivatives through regulated markets has increased significantly in recent years. The sparse data for Europe do not point in the same direction, at least as far as trading on regulated markets is concerned. However, for the so-called Off Exchange (or over-the-counter, OTC) products that are traded and negotiated without going through regulated markets, it seems that is the case. For both investors and regulated markets, financial education is essential in order to familiarize them with the advantages and risks associated with derivative contracts and trading in both regulated and unregulated markets. The roles of the national regulator (CNMV) as well as the European regulator (ESMA) in regulating and supervising these products are of utmost importance.

In 2022, the retail presence in the derivatives market is concentrated in the Mini IBEX futures contract, the contract with the lowest multiplier (1 euro). The trend is similar to the last years. Private customers account for 19% of the total number of contracts traded in this product.

### Foreign exchange futures

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

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

It was a very complex year for foreign exchange markets, with the war in Ukraine, inflation, and the global economic slowdown all playing a role. But the aggressive monetary policy of the Federal Reserve (FED) was the biggest factor, and it was supported by most central banks around the world. Total trading volume in 2022 amounted to 93 million euros, spread over close to 9,405 contracts.

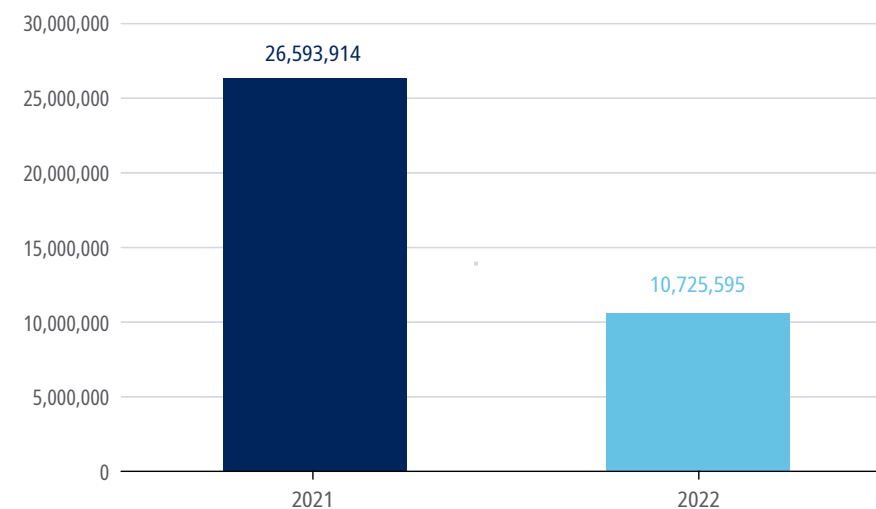
Anticipating 2023, xRollingFX® futures contracts will enter a period of stabilization through intermediaries that have integrated the product into their business operations for market making and distribution with the primary focus being corporate entities and fund managers.

### Electricity derivatives

The exceptional circumstances in which the European electricity market continues to suffer in terms of production, prices and regulation in 2022 are having an even greater impact on the electricity derivatives markets, leading to a sharp decline in their activity.

### Volume of energy derivatives, in MWh of traded contracts

Year 2021 and 2022



Trading of electricity derivatives in the Spanish market through November fell 60% year-on-year to 10.7 million MWh, compared to nearly 26.6 million MWh in the same period last year. The total number of contracts traded in 2022 was 6,835.

Price increases, increased volatility due to outages and difficulties in Europe's gas supply, or uncertainty in the run-up to the government measures adopted in the spring to reduce electricity prices have had a significant impact on the liquidity of Europe's electricity derivatives markets and have also had a major



impact on electricity derivatives, where forward contracts on electricity supplies are traded to provide hedging at the end of the term of operators and customers participating in the market.

In addition, the increased volatility and higher electricity prices in the spot market mean that the collateral required to be posted by Market Members at the Clearing House is very high, and some participating non-financial firms may have had difficulty finding immediate liquidity. This increase in collateral also appears to be a contributing factor to the decline in volumes and likely the shift of some power futures trading to bilateral mechanisms outside of regulated markets (OTC).

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 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.



5

## MARKET DATA

BME disseminates information on more than **50,000** equity, fixed income, index and derivative instruments.

In a further step toward integration with **SIX**, a new app has been used in Spain called **Data Feed**.

## ○ MARKET DATA

Market Data is a BME unit that uses the data generated by the Group's markets and systems to develop value-added services and products for the wide range of clients involved in the securities markets, be they investment services firms, banks, fund managers, 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

In 2022, BME increased its customer base to a new all-time high for those receiving BME market information through information distributors, while the number of customers choosing to connect directly to BME servers - to minimize data reception and processing times - remains at similar levels to last year.

However, the total number of connections from these customers continues to increase. This is due to the introduction of the BME Multicast Binary Feed connection in 2021, which enables the receipt of information on BME's equity and derivatives markets with the highest level of detail and very low latency.

At the end of 2021, the BME Data Feed platform was discontinued and replaced by the "SIX MDDX" application, whose design and technical maintenance is the responsibility of SIX.

In addition, the monthly average number of delivery points disseminating real-time information on the more than 50,000 equity, fixed income, derivative and index instruments managed by BME exceeded 100,000 in 2022.

BME Market Data also continues to expand its content offering, both in terms of real-time and end-of-day information. Regarding the new content available in real time, during the year the necessary work was carried out to integrate xRolling, as well as the inclusion of information on the new indices IBEX 35® TR DECREMENT.

BME has also expanded its range of analytics and end-of-day products and services with the development of files related to the dissemination of the Multicast Binary Feed connection and developments to produce the Broker Ranking Report by Market and Instrument, scheduled for launch in 2023.

BME very closely monitors developments in the legislation resulting from MiFID II. Effective January 1, 2022, the version of the BME Market Data Disclosure Agreement adapted to the guidelines published by ESMA in June 2021 entered into force.

## Market access

BME has continued to promote the hosting and connectivity services known as BME Co-Location, BME Proximity and BME London Hub to ensure that its customers can take advantage of the most advanced solutions on the market in this area.

Specifically, the BME Co-Location Service continues to expand available capacity to accommodate the increase in the number of units contracted for the service and growing interest from market participants and BME customers, while work continues on the BME London Hub Service to improve infrastructure, ensure continuity of the service, and ensure its scalability to meet the needs of its customers (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's data reporting services provider (DRSP), has added three major Spanish investment firms as clients for its ARM (Transaction Reporting) and APA (Trade Reporting) services during 2022.

This brings the client base to more than 100 companies. Following participation in the discussions on the supervisory framework for DRSPs throughout 2021, BME Regulatory Services has worked with the competent authority by providing information for the threshold calculations needed to determine exoneration from direct supervision by ESMA, as a result of which CNMV continues to be the national competent authority for BME Regulatory Services.

On the technical side, BME Regulatory Services has worked on several projects and improvements, including the expansion of the database of reference prices used in the validation of transactions processed by APA and the update of the process for matching the trade reports received with the information published by APA through SIX's information dissemination platform, MDDX.

## 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.

Similarly, it is of great importance that the new system adds value and contributes to the orderly functioning of financial markets and that it does not artificially create latency arbitrage opportunities that benefit only the most sophisticated market participants, create the illusion of false liquidity, or involve appropriation of the financial information generated by Regulated Markets and Multilateral Trading Facilities without the latter receiving adequate economic compensation.



# 6

## CLEARING ACTIVITY

In **Financial Derivatives**, clearing activity was maintained, except in **IBEX35 Futures**, which grew 4%.

In the **Fixed Income** segment, trading in **Sovereign Debt** increased, especially **Italian sovereign debt**, where it rose 31%.

The **Swaps and Energy** segments recorded a decline in activity due to volatility, geopolitical uncertainty and price increases.

## CLEARING ACTIVITY

BME Clearing, as the BME's central counterparty, provides offers clearing services in five segments: financial derivatives on equities and currencies, spot securities trades traded on the stock exchange, repo transactions on European sovereign debt, electricity and natural gas derivatives, and interest rate derivatives.

### Financial derivatives

2022 was a year marked by volatility due to the impact of the war in Ukraine, rising inflation, and the global economic slowdown. European index futures markets saw a general decline in traded volumes.

Measured in contracts, the segment's activity in 2022 was 0.3% lower than in 2021. The product whose trading volume increased by 4% this year is the IBEX futures contract.

The xRollingFX® are “perpetual” contracts with automatic rollover at the end of the day and on 17 of the world's major currency pairs.

xRollingFX® futures activity has also been affected, with trading volumes down by a third compared to last year. Total cumulative volume in 2022 is 9,410 cumulative contracts (as of end-December).

### Equities

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

At the end of December, there were a daily average of 303,851 transactions (purchases plus sales), 13% fewer than at the end of 2021, with an average daily (one-sided) clearing volume of 1.388 billion euros and an average daily securities volume of 372 million euros.

### Repo

The fixed income segment offers the central counterparty service for repo and simultaneous transactions on Spanish sovereign debt and six other European sovereign debts: Italy, Portugal, Germany, France, Netherlands and Austria. With the interposition of the CCP, the counterparty risk for the settlement participants is eliminated.

Even the central bank's interest rate hike has not benefited REPO trading, which was down 4% year-over-year at 2022 year end against the previous year. However, Italian sovereign debt operations experienced 31% growth compared to 2021.

The trading volume in Portuguese government bonds is also noteworthy, with a cash volume of 177 million euros.

Cumulatively in 2022, the total volume of all debt instruments is 199.059 billion euros, of which 139.246 billion euros in Spanish debt instruments, 59.636 billion euros in Italian debt instruments and 177 million euros in Portuguese debt instruments. The average monthly total number of transactions was 191.

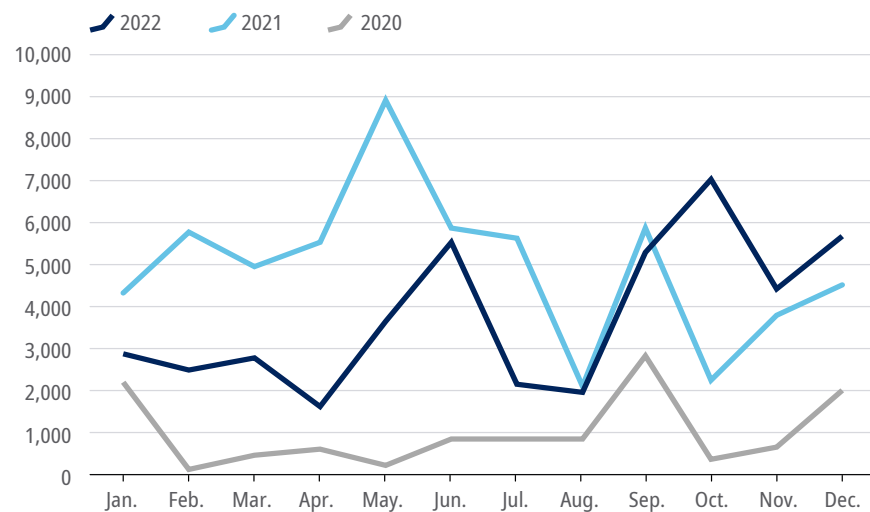
The total open position at the end of 2022 was 10.489 billion euros, with an average maturity of 17 days.

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

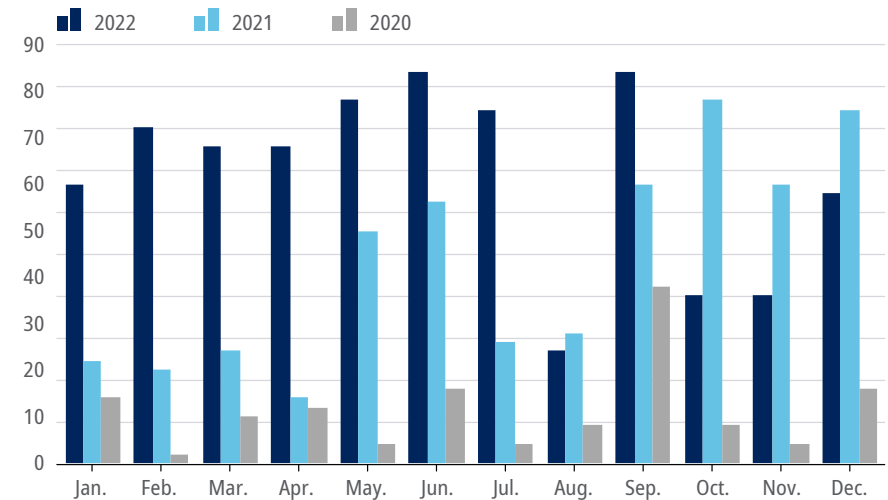


- Activity with Italian debt rose in 2022, both in terms of volume and operations.

Effective volume Italian sovereign debt



No. Transactions Italian sovereign debt



## Energy

Since its inception a decade ago, the energy derivatives segment has continued to grow rapidly, increasing the number of participants to 230 to date, representing 8 new companies in the last year. While this growth has continued, it has been dampened by the high level of inactivity suffered by the markets due to high volatility. The high volatilities mentioned above have greatly reduced liquidity in energy markets, leading to a significant decline in global volumes. At the close of 2022, the volume in the power sector was 10.75 TW and the open position was 7.36TWh.

In 2018, BME Clearing added natural gas derivatives to the energy segment. Since then, the number of participants has increased sharply. However, gas markets were the most affected by the energy crisis and their activity was greatly reduced. Nevertheless, the number of participants has increased from 48 in 2021 to a total of 54 companies. The registered volume at the end of 2022 is 1.95 TWh, and the open position is 0.71 TWh.

The conflict in Ukraine has exacerbated a critical situation in energy markets that had been looming for months. The disruption of gas supplies from Russia, together with high demand for electricity, has led to an excessive increase in prices, with unprecedented volatility. This has created an atmosphere of caution among market participants, which has seriously affected liquidity and reduced activity, leading to increased activity in the marketing of liquefied natural gas.

## IRS 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).

At 2022 year end, the total volume recorded was 10.11 million euros, down one-third from 2021. The open position amounts to 513.3 million euros, with a slightly higher volume than in the same period last year. The average residual term of the transactions is 5.7 years, concentrated between 2 and 5 years and between 5 and 10 years.

In this period of 2022 and in view of the reform of the interest reference rates, it is worth mentioning the abolition of the EONIA on January 3, 2022. Since then, the reference rate for the overnight rate is exclusively the EuroSTR, or €STR.

Currently, as part of the integration of SIX, a number of initiatives are being considered to boost the activity of the IRS segment, attracting both domestic and international companies, as well as operations that increase the clearing volume and open position.

Among the initiatives, it is worth highlighting the connection of Bloomberg and Tradeweb as trading centers with the CCP, allowing companies to electronically negotiate their transactions in these centers and then send them to the Clearing House.

These connections complement the current ability to register bilateral transactions that are not traded on a trading venue.

# 7

## SETTLEMENT AND REGISTRATION

○ **Securities settlements** recorded a slight decline of **5%**, in line with the decline in trading.

○ The **outstanding amount of registered public debt securities** increased by **6.8%**, to **1.3 trillion euros**.



## ◉ SETTLEMENT AND REGISTRATION

In 2022, settlement and registration activity in Spain remained in line with previous years. Regarding the main business figures, the number of orders settled through Iberclear at the close of 2022 shows a decrease of 5.22% year-on-year, reaching a monthly average of 0.59 million transactions.

The number of cash transactions settled increased by 3.71% to a daily average of 6.325 billion euros, compared to 6.099 billion in the previous year. Combining this figure with the previous figure for the number of settled orders shows that the volume of settled orders has increased, even though their total number is lower.

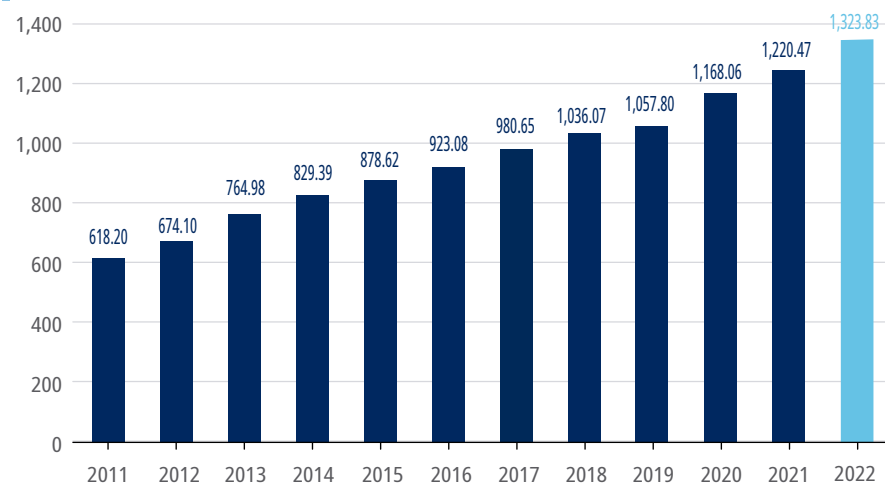
The nominal balances recorded at the end of the reporting period showed a negative change of 10.4% in securities listed on the BME private fixed income market and a growth of 6.8% in the public debt market. There was a decrease of 11.16% in equities valued at market prices, in line with the development of the equity markets during the year.

As usual, European regulatory projects continued to dominate activities in 2022. But the customer was also at the center of the implementation of other initiatives.

On the regulatory front, the most important milestone of the year was undoubtedly the entry into force of the Settlement Discipline Regime (SDR) in 2022. Iberclear successfully launched all SDR-related functionalities, including daily internal reconciliation processes, in order to manage the penalties imposed by this regulation. The entities had been specifically approved for this operation after an extensive testing phase, which led to a smooth running of the processes.

### Public Debt increases in 2022

(Billions)



Regarding ECMS (European Collateral Management System), the pan-European collateral management project promoted by the European Central Bank, Iberclear updated its white paper in January and provided institutions with detailed documentation on this initiative. It also offers a service for communication with ECMS that allows participating institutions to transfer their communication with the new ISO20022 message categories to the ECMS platform. In early December, the Eurosystem officially announced the postponement of the effective date from November 2023 to April 2024.

At the national level, the processing of the Securities Market Law, the preliminary draft of which was submitted for public consultation in 2021, continued in 2022, with adoption expected in early 2023. Iberclear, at the request of the CNMV, has chaired the Reform 3 Technical Group, which includes the main companies in the sector in Spain. This group has held regular meetings throughout the year to adapt its activity to the new requirements of the law.

Iberclear has also developed other initiatives aimed at expanding the range of services offered to its customers, complementing its main settlement and custody services. For example, in February it launched a new digital service for the management of votes at shareholders' meetings, the Proxy Voting Service. This is an integrated and sustainable service that digitally connects participating companies, intermediaries and issuers, making the voting process at shareholder meetings faster and more efficient. This innovative digital communication platform centrally connects attendees and issuers to streamline the voting process at shareholder meetings and make it more efficient.

As a result of the integration of BME with SIX and the expansion of settlement and custody infrastructures to channel new trade flows, operational links were established between Iberclear and its Swiss counterpart SIX-SIS during the year. In this way, we offer our clients the possibility of settling and holding Swiss securities, while SIX-SIS, for its part, also offers its clients the possibility of settling and holding Spanish securities. This development will reduce costs and time for the participating companies by simplifying the custody chain.

An important milestone was the creation of a regulated bond, issued for the first time using DLT (Distributed Registration Technology). The first issue of this type in Spain was closed in July by the Inter-American Development Bank (IDB) with BBVA as bookrunner and custodian, admitted to trading on a regulated market (AIAF) and registered using blockchain technology. This platform can serve as a foundation for future issuances in both Spain and Latin America.

8

## REGIS-TR ACTIVITIES IN 2022, A KEY YEAR

REGIS-TR remains one of the leading repositories in Europe, with **2,000 customers** in **37 countries**.

REGIS-TR has been fully integrated into the **SIX Group** during the year.



## REGIS-TR ACTIVITIES IN 2022, A KEY YEAR

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

In 2021, REGIS-TR had a 47% share of the total EMIR reporting market in the EU and has further strengthened its position in 2022, reaching a market share of over 55%, with more derivatives contracts reported than the other repositories.

REGIS-TR also maintains its strong position with the supervisory and regulatory community, providing information to 46 European authorities under EMIR and 34 European authorities under SFTR, mainly through ESMA's information portal, TRACE.

In addition, in the United Kingdom, REGIS-TR reports data to the FCA (Financial Conduct Authority) and the Bank of England.

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

Founded in 2010 as a joint venture between BME's Iberclear and Deutsche Boerse's Clearstream, and with the support of both shareholders, REGIS-TR has successfully become the leading company in Europe. In September 2021, an agreement was signed whereby Iberclear acquires Clearstream's 50% stake in REGIS-TR and becomes the sole shareholder, and the transaction was successfully closed on 1 April 2022. The integration and migration project is on schedule and REGIS-TR benefits from an optimized shareholder structure.

In the UK, REGIS-TR UK Limited successfully launched after the end of the Brexit transition period with the opening of more than 150 new accounts and the start of UK EMIR reporting in January 2021.

REGIS-TR UK Ltd continued to grow in 2022 and has a significantly higher market share than originally anticipated. This trend continues, and UK business has a large pipeline of additional flows expected from the end of the Temporary Permissions Regime, which requires EU-based companies operating through a UK branch to open a full UK subsidiary and thus accept reporting from UK EMIR.



# Market Report 2022