



OPENING SPEECH
By Javier HERNANI
Chief Executive Officer

21 November 2019



Welcome,

I would like to start by thanking the Secretary of State for the Economy, Mexico's Ambassador to Spain, the CEO of Banco Santander Spain, the CEO of Deloitte, the president of ICO, the vice president of the CEOE and the chief financial and resources officer of Iberdrola for joining us today.

Ladies and gentlemen, many thanks to all of you for attending today's inauguration of the twenty-first Latibex Forum.

We have two intensive days ahead of us, which offer an opportunity to explore the reality of Latin American business in great depth. This will include 40 Latin American and Spanish companies meeting 115 investors and intermediaries in 9 panels and hundreds of individual meetings. In addition to panels on topics such as sustainable development, the need for new infrastructures, renewable energy and financing through green bonds, we will also be discussing the opportunities offered by new technologies and the achievements of Latin American entrepreneurs.

The great interest among investors throughout Europe for this Latibex Forum demonstrates, once again, that Spain is the perfect bridge for investment between the European and Latin American markets. This is demonstrated by our history and close cultural, economic and business ties.

Spain is the entry point for a region brimming with opportunities but not always easily accessible for European investors. BME is determined to continue playing its leading role in the rewarding and exciting task of attracting investment to Latin America and expanding the range of opportunities for those who invest there from this side of the Atlantic. Building bridges between economies and facilitating the financing of companies is a function that is woven into our DNA, and which makes perfect sense in our increasingly globalised environment.

As you will all know, BME is playing a role in the transformation of Latin American markets by exporting its technology and market infrastructures to several

countries in the region. Our connection to Latin America is strong and we are working hard on a range of projects, hand-in-hand as a partner with its financial centres.

We are currently involved in projects in Mexico, Colombia, Chile, Venezuela, Costa Rica and Bolivia. We are also working in partnership with the Mexican Stock Exchange to promote LED, a joint initiative to boost the market-data business in Latin America.

The region's stock exchanges have performed relatively well so far this year, especially considering the macroeconomic backdrop. The Latibex All Share index, which includes all the shares traded in this market, is up 9% so far this year.

Looking to the future, Latin America has obvious opportunities to boost its growth and reduce inequality. But one of its great challenges is low productivity, which is responsible for Latin America systematically growing more slowly than other emerging areas. Stock markets can play a significant role in this. In its productivity report, CAF highlights that per capita income in the region has remained almost unchanged compared to the US since 1960, with the ratio between them increasing from just 20% to 23%.

Private sector credit stands at 50% of GDP in Latin America, compared to 200% in the US. This hinders the development of new companies, limits the growth of established businesses and drags down innovation rates.

Public policies are essential for addressing this problem, through decisive and efficient action to correct failures in market allocation. But these public actions must be coordinated with, and reinforced by, private sector initiatives. This is the responsibility of everyone involved, not just the regulators and especially not those who comprise the stock market ecosystem: investors, intermediaries, issuers and, of course, the stock exchanges.

There seems therefore to be an interesting opportunity to seek private finance, against a backdrop of low interest rates and abundant liquidity. We need new ways of connecting the global supply of available funding with the local demand of large projects. This is where stock markets can contribute their ability to bring supply and demand together efficiently.

Debt issuance in Latin America's non-financial corporate sector has grown significantly, increasing fourfold during this decade. This growth has been particularly significant in Mexico, Brazil and Chile, where corporate debt issues already represent between 9% and 16% of GDP.

This greater funding capacity for companies coincides with the countries with the most developed stock markets. We see the same pattern with financing via capital, through rights issues and other flows of equity finance. The largest stock exchanges in the region issued US \$9 billion in shares in the first three quarters of this year, 25% more than in 2018.

An increasing part of this funding is starting to go to projects and developments that we can describe as sustainable, which are very favourably received by the investment community.

The region's first green bond issue took place in 2014. Since then, the pace has been quickening and multilateral bodies and companies in the region have now issued US \$12.6 billion in green bonds, 44% of which involve renewable energy. According to the Climate Bonds Initiative, issuances in the first half of 2019 totalled US \$3.6 billion, almost double the total for the whole of the previous year.

It is also important to highlight initiatives that help smaller companies access stock markets more easily.

In the case of BME, during this decade we have consolidated two markets that are adapted to the needs of smaller issuers, completing our wide range of services for all types of companies. MARF, BME's Fixed Income market, has opened the door to bond financing for 77 companies, many of which were

approaching the stock market for the first time. Its successful performance - more than 110 issues, commercial paper programmes and bonds, with a cumulative value of €9 billion and an outstanding balance of €5.4 billion - is a shining example. MAB, BME's Growth Market, will soon complete its first decade, in which it has channelled €4 billion to 125 companies with a combined size of over €13 billion.

Many of these companies have a strong presence in Latin America and, of course, are here at this Forum to share their experiences. The largest Spanish companies will also be here. Despite the negative situation to which I referred earlier, they are sticking to their development strategy for the region, which provides them with about 40% of their income. And we are also witnessing the movement of investment by Latin American companies towards Spain, in sectors as diverse as finance, food and drink, hospitality and, increasingly, real estate. Five REITs (called SOCIMIs in Spain) with Latin American capital have been listed on BME markets in the last two years.

However, developing stock markets is not just a matter of technology and the commercial offering of financial services. There is also an important knowledge component relating to financial culture. BME has been consistent in this task since the launch of Latibex and this Forum, which seeks to help disseminate economic and financial information on the region and, above all, its companies to investors effectively. In closing, I would like to express my sincere gratitude for the work of our sponsors, headed by Santander and Deloitte, who make this Latibex Forum possible each year. And I would like to thank all of you for your attendance and support for this event. Thank you all very much.