

2020 IN REVIEW

Javier HERNANI
Chief Executive Officer

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Good afternoon.

Thank you very much for your kind words, Jos. It is a pleasure to have you here and hopefully next year we can all be together in the Stock Exchange Palace building.

Under normal conditions, today we would be on the trading floor chatting and toasting a new year. Sadly, the pandemic, which has affected our daily lives so much, forces us to celebrate this event from a distance. I hope you and your families are doing well and I trust that next year we can meet again as always.

The reason that compels us to hold a remote meeting today is the same that has conditioned this year in the financial markets, as Jos pointed out in his speech. The Covid-19 pandemic marked a before and after in all areas of life, also in finance. It caused sharp stock market crashes, triggered volatility and prompted central banks and governments to take exceptional measures to deal with the consequences of Covid-19. The hope of an effective vaccine has contributed to an improvement in financial markets in the last months of the year and has given investors more confidence.

With regards to BME, what can I tell you that you do not already know? This year we have given you more work than usual with our integration in SIX. After several months of joint work between the different teams, this union will be very positive for our company and for the financial markets in Spain. Our group is the third largest stock market operator in Europe, which gives us a great international dimension and attractive growth opportunities. We are very excited about this new road on which we have started to travel. We hope to keep giving you positive news on this very fruitful path for all of you that has only just begun.

I would like to share with you the main aspects of this financial year that we will not easily forget.

1. When taking stock of 2020, it is important to point out that the securities markets, the Central Counterparty and the Central Securities Depository have continued to function normally during the pandemic, which has provided transparency, liquidity and security. In times of such uncertainty, both investors and companies have benefited from the advantages of financial markets.
2. 2020 has been a very hectic year in the markets. The Ibex 35 experienced its worst session in history this year, falling by more than 14% on March 12, but also the best month since its creation, in November, with a rise of 25%. Since the beginning of the year, the Ibex 35 has fallen by more than 15%.
3. Small- and mid-capitalisation indexes have held up better than large companies in this difficult year. In fact, several of the Spanish indexes for small and medium-sized companies are amongst the most profitable for 2020 worldwide. The trajectory of BME Growth indexes has been especially successful.
4. This financial year has also left us with confirmation of a process that has been notable in recent years. The Spanish stock market is being transformed. Traditionally, the banking sector has always been the one with the most weight, but in 2020 it has dropped to third position, behind the electricity and gas sector and the textile sector. Whilst the arrival of new companies on the market has strengthened the presence of growth sectors such as renewable energy in the stock market.
5. The volume traded up to November this year on the Spanish Stock Exchange was 8.3% lower compared to 2019. The lower number of block transactions had a strong influence on this decline, which for yet another year has once again been the general trend in stock markets worldwide as a whole. However, the number of transactions increased by 51% to

51.2 million, as a result of volatility and the greater presence of retail investors.

6. The main function of the stock exchange since its inception has been to finance the growth of companies and consequently, that of the economy as a whole. This year more than ever, accessing the financial markets has been vital for companies, as shown by the fact that capital increases grew by 8%. Flows channelled to the stock market also increased by 4%.
7. One of the hallmarks of the Spanish stock exchange is remuneration to shareholders of listed companies. Covid-19 has also had a great impact on this aspect. Regulatory restrictions on the payment of dividends by banks and caution on the part of companies reduced the amount of dividends by 47.7%, to 14.26 billion euros. All in all, the Spanish stock exchange is still the leader in dividend yield in the world.
8. An important milestone in this regard was when BME Growth, formerly MAB, was granted the European SME Growth Market seal. It represents a boost for this market and opens the door to internationalisation. In 2020, BME Growth attracted 9 enterprises and its companies have closed 59 financing transactions that have enabled them to raise 383 million euros.
9. REITS once again played a leading role this year, not only in BME Growth but also in the main market. These companies, which have professionalised and revitalised the real estate sector, provide investors with a transparent formula to access a traditionally illiquid sector.
10. One of the new additions to the market this year, Cuatroochenta, is an excellent showcase for the role of financial markets in the development and growth of companies. It was the first company from the Pre-Market Environment to be included in BME Growth. This initiative accompanies companies from the moment they consider making the jump to the market until they finally achieve it. At BME, it is clear to us that our mission is to

stand alongside companies in all their growth phases, whatever their sector or size.

11. 2020 has also been a significant year for MARF. This Fixed-Income market has been consolidated as an agile and transparent source of financing for companies, as the 86 companies that have already turned to the MARF since its creation can verify, six of them Portuguese. What is more, this year MARF has been an example of public-private collaboration in responding to the Covid-19 crisis, through the ICO commercial paper programme guarantee plan.

12. In the MARF there are issues of all kinds, including green bonds. Sustainable finance has been another outstanding factor in 2020, as I am convinced it will be in the following years. In the last decade, green, social and sustainable bonds have been issued in Spain for an amount totalling 40 billion euros. The willingness of both public and private issuers and the growing interest of investors in this type of bonds leads us to believe there is a successful future for them.

13. I would like to finish with three more messages, corresponding to other areas of the financial markets that have also made the headlines this year. For example, Financial Derivatives, in which transactions have grown by 29% in 2020, partly due to a more prominent presence of retail investors in this market.

14. Developments in the Clearing area this year have also been important. As you know, clearing is a key factor in risk mitigation. It is one of those aspects of the financial markets that are not as visible to the general public, but whose significance is crucial. This year, Equity Clearing increased by 48.9% and open interest in Repos increased to 14.19 billion euros in November.

15. Finally, I really should point out that the balances for securities under custody of our Cross-Border Services almost quadrupled, to 21.80 billion euros.

I would like to finish by reiterating my best wishes for you and yours. I know that 2020 has also been a difficult year for the media. That is why I would like to thank you for your work, which is essential for financial information to reach investors and society as a whole. As you know, one of our strongest commitments at BME is to promote financial education and the media are our best allies there.

I wish you a Merry Christmas, as happy as it can be this year, and a happy and prosperous 2021. Let us hope next year will be better for everyone and you can all publish some good news, and about time too!

Now we will gladly answer your questions. Pablo, please tell me how to proceed.

Thank you very much.