In a year marked by the Covid-19, the stock markets have continued to work normally, with transparency, security and liquidity. The small and mid-cap indices have better withstood this financial year, showing double-digit returns. The number of trades on the Stock Market has grown 50% and capital increases by 17.5%. BME Growth and MARF consolidated themselves in 2020 as sources of financing for all types of companies.
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIGURES FOR THE YEAR</td>
<td>3</td>
</tr>
<tr>
<td>ANNUAL SUMMARY</td>
<td>4</td>
</tr>
<tr>
<td>1 ECONOMIC AND BUSINESS ENVIRONMENT</td>
<td>12</td>
</tr>
<tr>
<td>2 INVESTMENT AND FINANCING ON THE STOCK MARKETS</td>
<td>27</td>
</tr>
<tr>
<td>3 FIXED INCOME</td>
<td>54</td>
</tr>
<tr>
<td>4 FINANCIAL DERIVATIVES FUTURES AND OPTIONS</td>
<td>68</td>
</tr>
<tr>
<td>5 CLEARING ACTIVITY</td>
<td>75</td>
</tr>
<tr>
<td>6 SETTLEMENT AND REGISTRATION</td>
<td>79</td>
</tr>
<tr>
<td>7 MARKET DATA</td>
<td>82</td>
</tr>
<tr>
<td>8 REGIS-TR</td>
<td>84</td>
</tr>
</tbody>
</table>
# Figures for the Year

## Indices

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IBEX 35</td>
<td>8,539.90</td>
<td>9,549.20</td>
<td>8,073.70</td>
<td>-15.45%</td>
<td>10,100.20</td>
<td>19 Feb.</td>
<td>5,814.50</td>
<td>16 Mar.</td>
</tr>
<tr>
<td>IBEX 35 with dividends</td>
<td>23,838.90</td>
<td>27,790.00</td>
<td>24,262.00</td>
<td>-12.70%</td>
<td>29,488.00</td>
<td>19 Feb.</td>
<td>16,957.70</td>
<td>16 Mar.</td>
</tr>
<tr>
<td>IBEX MEDIUM CAP</td>
<td>12,994.10</td>
<td>14,083.20</td>
<td>12,715.90</td>
<td>-9.71%</td>
<td>14,312.40</td>
<td>2 Jan.</td>
<td>8,944.40</td>
<td>23 Mar.</td>
</tr>
<tr>
<td>IBEX SMALL CAP</td>
<td>6,086.80</td>
<td>6,809.30</td>
<td>8,098.10</td>
<td>18.93%</td>
<td>8,128.70</td>
<td>26 Nov.</td>
<td>4,278.40</td>
<td>16 Mar.</td>
</tr>
<tr>
<td>IBEX TOP DIVIDEND</td>
<td>2,733.90</td>
<td>2,873.30</td>
<td>2,174.00</td>
<td>-24.34%</td>
<td>2,914.70</td>
<td>2 Jan.</td>
<td>1,649.40</td>
<td>16 Mar.</td>
</tr>
<tr>
<td>FTSE4Good IBEX</td>
<td>8,853.70</td>
<td>9,791.00</td>
<td>8,411.30</td>
<td>-14.09%</td>
<td>10,289.90</td>
<td>19 Feb.</td>
<td>6,189.70</td>
<td>16 Mar.</td>
</tr>
<tr>
<td>FTSE Latibex Top</td>
<td>4,676.90</td>
<td>5,391.90</td>
<td>4,364.50</td>
<td>-19.05%</td>
<td>5,633.00</td>
<td>24 Jan.</td>
<td>2,727.10</td>
<td>23 Mar.</td>
</tr>
<tr>
<td>FTSE Latibex Brasil</td>
<td>10,291.90</td>
<td>12,294.30</td>
<td>9,793.30</td>
<td>-20.34%</td>
<td>12,946.30</td>
<td>24 Jan.</td>
<td>4,987.40</td>
<td>23 Mar.</td>
</tr>
<tr>
<td>IBEX GROWTH MARKET 15</td>
<td>907.60</td>
<td>1,501.20</td>
<td>2,312.80</td>
<td>54.06%</td>
<td>2,312.80</td>
<td>31 dic.</td>
<td>1,072.60</td>
<td>16 Mar.</td>
</tr>
<tr>
<td>IBEX GROWTH MARKET All Share</td>
<td>933.70</td>
<td>1,285.30</td>
<td>1,794.90</td>
<td>39.65%</td>
<td>1,794.90</td>
<td>31 dic.</td>
<td>984.50</td>
<td>16 Mar.</td>
</tr>
</tbody>
</table>

(*) Calculated based on intraday data (**) compared to the previous year’s close

## Volatility/Risk Index

<table>
<thead>
<tr>
<th>Index</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>VIBEX*</td>
<td>15.04%</td>
<td>13.70%</td>
<td>25.50%</td>
</tr>
</tbody>
</table>

(*) Average of daily data.

## Trading Volumes

<table>
<thead>
<tr>
<th>Index</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Change (**)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equities</td>
<td>587,507</td>
<td>469,635</td>
<td>429,359</td>
<td>-8.37%</td>
</tr>
<tr>
<td>Public Debt on BME Platforms</td>
<td>193,641</td>
<td>333,692</td>
<td>279,183</td>
<td>-16.63%</td>
</tr>
<tr>
<td>IBEX 35 options and futures*</td>
<td>12,089,334</td>
<td>11,333,528</td>
<td>9,977,394</td>
<td>-9.76%</td>
</tr>
<tr>
<td>Options and Futures on individual shares*</td>
<td>31,412,879</td>
<td>33,461,256</td>
<td>30,499,535</td>
<td>-11.57%</td>
</tr>
</tbody>
</table>

(*) Number of contracts (**) Compared to the previous year

## Capitalisation and Outstanding Balances

<table>
<thead>
<tr>
<th>Balance</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Change*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Capitalisation</td>
<td>990,867</td>
<td>1,105,662</td>
<td>948,209</td>
<td>-14.24%</td>
</tr>
<tr>
<td>Public Debt outstanding balance</td>
<td>1,028,380</td>
<td>1,051,869</td>
<td>1,172,853</td>
<td>11.50%</td>
</tr>
<tr>
<td>AIAF Corporate Debt outstanding balance</td>
<td>483,080</td>
<td>500,501</td>
<td>464,584</td>
<td>-7.18%</td>
</tr>
</tbody>
</table>

(*) Compared to the previous year
Annual summary

2020 will go down in history as the year of the global pandemic caused by the coronavirus Covid-19. Its unpredictable and devastating health and economic consequences have been of an unprecedented intensity and have affected all areas and corners of the planet. Its implications and scars will remain for a long time, although many of its most harmful effects can be overcome.

The fight against the virus in all countries has fully or partially confined or paralysed activities that represent about 70% of the world economy for weeks on end, which has led to a historical and global contraction of GDP that the IMF estimates to be 4.4% in 2020, the largest since records began. Families and companies around the world have suffered severe adjustments to their income, turnover and profits because of the consequent impact on consumption and investment, and therefore on the world's production of goods and services. In Europe, and particularly in Spain, the pandemic has a significantly virulent impact. The Eurozone economy will contract by 8.3% in 2020 and the Spanish economy even more so, by 12.8%, according to the IMF's October forecasts.

To try to mitigate the effects and combat the economic shock, the main central banks and governments of the world have implemented monetary and fiscal aid programmes of an unprecedented intensity and size.

The North American Federal Reserve, which had already started its expansionary policy in 2019 with three cuts in intervention rates, responded in March 2020 to the spread of the pandemic and the growing uncertainty about the economy with an unscheduled cut in intervention interest rates of 0.5 points on 3 March, to a between 1% and 1.25%. With the spread of the pandemic already out of control, on Sunday 15 March, it again applied an unscheduled cut of 1 percentage point to a minimum range of 0-0.25%. Additionally, between March and April, it launched up to 11 emergency programmes with a capacity of up to $2.6 trillion, among them being the unlimited purchase programme of Treasury debt and mortgage securities and two programmes for the acquisition of corporate debt.

The ECB, however, announced an initial package of measures on 12 March to reinforce liquidity and for larger purchases of assets to face the health and economic crisis. Conditions were improved so that banks could request almost unlimited liquidity from the TLTRO-III programme at a lower cost and by relaxing conditions; the current sovereign and corporate bond purchase programme was substantially increased with another €120 billion. Given the seriousness of the health and economic crisis looming over the European economies, the Pandemic Emergency Purchase Programme (PEPP) was launched on 18 March with €750 billion to „restore the orderly functioning of the financial markets of the Eurozone and ensure that European Monetary Policy continues to reach all corners of the Eurozone.” At the meeting on 4 June, the volume of the PEPP was increased by €600 billion, to a total size of €1.3 trillion, and extended until June 2021. At the meeting on 30 April, the conditions of the TLTRO liquidity auctions to banks in the medium term conditional on credit were greatly improved. In addition, 7 emergency liquidity auctions (Pandemic Emergency Longer-Term Refinancing Operations or PELTROS) were announced linked to the pandemic, but...
In Spain, the markets and systems managed by BME remained open and have continued to operate normally during 2020, and particularly during the State of Alarm decreed in Spain during the second quarter as a consequence of the Covid-19 health crisis. Both the trading platforms and the Central Counterparty, BME Clearing, as well as the Central Securities Depository, Iberclear, operated satisfactorily in their key role in managing the financial system risk and maintaining the financing and liquidity channels.

International Indices and Stock Markets

In 2020, the world stock indices accumulated increases of between 11% and 14%, a performance marked by volatility with a generalised and sharp fall in March and the subsequent recovery supported mainly by the good performance of the US, Japanese and Asian emerging market stocks, with China leading the way. The explanation for the positive balance of the aggregate indicators of world stock markets rests on factors such as the unprecedented expansionary monetary policies of central banks, China’s success in the fight against the virus, and the growing weight of sectors and companies, for the most part American, which have been reinforced during the pandemic, such as the health sector or the new information technologies applied to multiple areas of the economy.

Among the fiscal policy programmes launched by governments around the world, those implemented or announced by the European Commission are of most significance, as these aim to mobilise up to a total of €3.3 trillion, which would be equivalent to 22.1% of the European economy. These programmes include the European Recovery Fund, called Next Generation EU, through which €750 billion will be mobilised, financed through the issuance of community debt. The funds will be distributed in the form of transfers and loans to the countries most affected by the pandemic between 2021 and 2024. The Plan aims to mitigate the damaging effects of the pandemic and strengthen the long-term strategic growth of the region. Spain expects to receive €140 billion from the recovery fund, of which approximately half will be direct aid and the rest in the form of loans under very favourable conditions. In addition to these supranational measures, the Spanish Government has mobilised close to €200 billion to guarantee liquidity to the business fabric and ensure a minimum income for households. In the US in March a 2.2 trillion QE programme was approved, a supplementary 0.9 trillion dollars in December and in January 2021 an additional 1.9 trillion dollar government plan is expected to be approved by the new President.

The immediate consequence of the health and financial crisis will be a large increase in global debt, which reaches record levels in both developed and emerging economies. In the former, debt is expected to climb to 126% of GDP between 2019 and 2022, while in emerging economies, this figure rises to 100%. The public deficit on a global scale will reach an amount equivalent to 12.7% of global GDP in 2020 and 14.4% for the group of developed economies.

However, in general the European stock markets have accumulated losses over the year but with vast disparities: The Euro STOXX 50 of the main stocks fell 5.1%. This trend is improved by the indices of the Netherlands (+3.3%), Portugal (+12.9%), Switzerland (+0.8%) and Germany (+3.6%). Slightly worse than the pan-European
index are Italy (-5.4%) and France (-7.1%) and the Spanish IBEX 35® already with higher losses (-15.5%), United Kingdom (-14.3%) and Greece (-11.8%). The poor performance of the European banking sector (the STOXX® Europe 600 Banks fell -22.9%), and particularly the Spanish, with its considerable weight on the stock market, once again undermined the performance of IBEX 35®.

The US markets have undergone a spectacular recovery after the collapse in March and accumulated gains in the year 2020, supported by FED measures, government stimuli and the weight of large technology companies. Its main indices reached all-time highs and returns above world averages. The Dow Jones is up 7.3%, the S&P 500 +17.3% and the high-tech Nasdaq 100 Index an impressive 47.6%, a run of eleven consecutive years of annual gains. Emerging markets rise +16.6% in the year, according to the MSCI EM global index, with Latin America (-0.3%) falling far below this figure.

Investment in Spanish shares: capitalisation, trading, liquidity and dividend yield

The share prices of the large securities listed on the Spanish Stock Exchange have generally suffered significant losses with the IBEX 35® down 15.45% in 2020 and the IBEX with Dividends mitigating the decline to 12.7%. The significant weight of the banking financial sector and tourism related sectors penalise the comparison with other international references. The IBEX Banks sector lost 27.35% until the end of November, but energy fell only 4.2% while the Leisure, Tourism and Hospitality subsector index fell more than 30%.

The indices of the small companies are those that have performed best: The IBEX Small Cap, made up of 30 companies, gained 18.9% and the two indices of the BME Growth platform for growth companies showed greater gains: The IBEX Growth All Share rose 39.6% and the IBEX Growth 15 was up 54.1% in 2020. The differences in the sectoral structure of the companies that make up these indicators provide an explanation to the disparate performance and have helped the smaller stock indices to successfully overcome the crisis.

Historically, the dividends of the large Spanish listed companies are of great importance. For years the Spanish market has consistently been a leader among the developed Stock Exchanges in terms of dividend yield, one of the market’s attractions for foreign investors, who own just over 50% of the value of listed Spanish shares, 16% more than 13 years ago.

In 2020, the Covid-19 crisis has had a very decisive impact on the main figures: In 2020, total shareholder remuneration rose to €18.7 billion, 41% less than the previous year. Much of the responsibility for these decreases is within the banking sector, which, following the recommendation of the ECB, decided not to distribute dividends as of the second quarter of the year so as to strengthen its capital ratios.

Of particular note during the year was the increase in dividends paid in the form of shares (scrip dividends). In 2020, payments of this type amounting to €6.6 billion had been executed, 69.5% more than in 2019.

The capitalisation or joint market value of the companies listed on the Spanish Stock Exchange stood at €948.2 million at the end of 2020, 14.2% less than at the end of 2019, highlighting the impact of the crisis on the value of the main listed companies, particularly the banks. However, from the lows until the end of 2020, the total market capitalisation has recovered more than €218 billion. The total number of listed companies the last day of 2020 was 2,738: 157 listed on the main market and 2,851 on the BME Growth MTF and the SICAV segment.

Trading in equities has performed better than listed shares, where activity on the Spanish Stock Market has remained stable compared to the previous year. The accumulated trading volume in 2020 totalled €429.7 billion, showing a decrease of 8.6% compared to the volume traded in 2019 and a 49.6% increase in the number of trades to 55.7 million. The effect of the 45% decrease in the trading of
During the 2020 financial year, the turbulence in trading prices and high volatility have not been conducive to new IPOs, but the market has been very effective in channelling capital increases to strengthen the financial structures of listed companies weakened by the reduced activity. This therefore reveals the differential advantage of the companies present on the Stock market in terms of financing alternatives.

In 2020, the financing flows channelled in the form of capital increases increased by 17.6%, reaching €18 billion. On the contrary, new investment flows in the form of new admissions decreased by 75% compared to the previous year.

The figures for the IPO market in Europe in 2020 continue the four-year decline for these operations. According to PwC’s annual “IPO watch Europe” report, IPOs fell by 14% in number and 30% in volume in the year to September, compared to the same period of 2019.

In Spain, in 2020, 11 companies have been admitted to all the markets, jointly contributing €905.4 million on the day of their admission. Ten of these companies have been admitted to trading on BME Growth. 6 of them are REITs, which continues to be the most dynamic sector in incorporating companies into the market. The IPO in the main market was by the renewable energy company SOLTEC, raising €150 million in October and debuted with a capitalisation close to €400 million. In terms of value contribution of the Stock Market to business growth, the addition of Cuatroochenta to BME Growth from the Pre-Market Environment (PME) stands out, the first company to complete this journey through the consolidation chain in the markets proposed by BME.

The investor base of the Spanish Stock Market remained extensive and diversified, with foreign investors making up the most important group with a record high 50.2% stake in the overall capital of the listed companies, according to the data at the close of 2019. The Spanish Stock Market has traditionally occupied a relevant position in the international arena in terms of financing companies in the form of capital.

The companies listed on the main market of the Spanish Stock Exchange have carried out 42 capital increase operations from which €15.2 billion have been obtained.
BME Growth: investment and financing

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

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

The capitalisation of BME Growth corresponding to the 119 companies admitted to trading grew by almost 3% in the year to reach €16 billion. 10 new companies have been admitted, six of them REITs.

Despite the falls in the European stock markets, many of these companies, established in growth and competitive sectors, such as technology (software and electronics), pharmaceuticals, biotechnology and engineering, have registered increases in their valuations. The IBEX GROWTH MARKET® All Share and IBEX GROWTH MARKET® 15 indices accumulated gains of 39.7% and 54.1%, respectively.

The companies included in BME Growth have also continued to finance themselves through the market to meet their growth and financing needs. In 2020 2020 they have carried out 71 capital increase operations, raising €428 million.

Of particular note is the growing role played by the BME Pre-Market Environment (PME) in bringing companies and investors into the financing and investment ecosystem represented by the securities markets. The recent inclusion of Cuatroochenta to BME Growth has highlighted this role. At the end of November, 14 companies with a high technological component but from very different sectors were taking part in advisory programmes and adjusting their businesses to the markets. They have also continued to add partners to this ecosystem made up of companies, investors, entrepreneurs, advisors and professionals of the financial markets to bring the total to 15.

Corporate operations: Takeover bids

As a result of the global pandemic and the generalised uncertainty, the Spanish market for the control of companies and M&A has slowed down during a good part of 2020 but the outlook for the coming months and years is one of strong activity due to the consequences of the crisis and factors such as the low level of interest rates, the sharp drop in some share prices, the high amount of liquidity present in the market and the sustained investment appetite of venture capital and institutional investment.

The two large takeover bids of the year have had international buyers. The largest was that by the Swiss SIX Group for BME for €2.8 billion with the aim of forming a widely diversified markets and financial systems operator, with the ability to compete in Europe and the world. The other takeover bid was made for Másmóvil by the investment vehicle of the Cinven international venture capital groups: KKR and Providence. Másmóvil has participated in one of the most vertiginous growth stories of the Spanish Stock Market. It went public three years ago via BME Growth (formerly the MAB), and in five years it has multiplied its value by 6.

Among the merger and acquisition operations in 2020, it is worth mentioning the merger announcement between two Spanish banks, Caixabank and Bankia, which will result in a banking leader for deposits in the national market. The operation will close in 2021. Also two medium-sized banks, Liberbank and Unicaja, confirmed their merger agreement in the final part of the year.
Fixed Income: financing and investment

The role of the Fixed Income markets has been essential in 2020 to ensure that companies and States have been able to finance themselves to face the serious consequences of the health and economic crisis caused by Covid-19. The action taken by central banks has been swift and forceful in support of these markets. As a result, the issuance of public and private debt in the world has broken records for the year so far.

In Europe, with the worsening of the health crisis, the Spanish and Italian risk premiums increased in March both due to the rise in the yields of their bonds and the reduction in the rates of the German 10-year Bond, once again becoming a safe-haven asset. The German Bund started the year with a negative yield of -0.23% and increased to a minimum of -0.87% in March to then begin moderate recovery to -0.58% at the end of the year. The 10-year Spanish bond began the year at 0.44%, rising to a maximum of 1.19% on 18 March, to start a downward trend that finally led it into negative territory (-0.01%) on 15 December for the first time in history, closing the year 2020 at 0.04% as a reflection of the impact of the strong measures of the ECB. The risk premium of Spanish bonds, which during the worst moments of the health and economic crisis peaked at 150 basis points (1.5%), returned to lows close to 60 basis points (0.6%) at the end of the year.

The volume of Spanish public debt issued and admitted to trading on the fixed income regulated market in 2020 reached €275 billion, representing an increase of 36% year-on-year.

In 2020, accumulated trading in Public Debt on the BME platforms reached €279.2 billion, 16.3% down on the volume the previous year. The total outstanding balance of Spanish Public Debt in the BME Fixed Income regulated market stood at €1.17 trillion at the end of 2020 an 8.8% increase year-on-year. The balance of foreign Public Debt on the same date fell by 4.5% to €4.7 trillion euros.

Corporate debt has undergone a year marked by extreme volatility during the initial moments of the health crisis with never before seen fluctuations in these markets. In the case of BBB rated European Fixed Income, according to the Iboxx Index of BBB rated Eurozone Bond Prices, prices plummeted by almost 10% in just three weeks to mid-March, to subsequently initiate an upward rebound that took them even above their starting levels in the months of November and December thanks to the support of the ECB. The volume of Spanish private debt issued and admitted to trading on the BME regulated market in 2020 reached €119.2 billion, an increase of 4.5% compared to the previous year. During the year, there was a noteworthy growth in promissory notes, which grew 48% to €22.3 billion. At the end of December, the total outstanding balance of Spanish issues registered in BME Fixed Income grew by 0.2% to €464.6 billion.

In 2020 the number of non-financial companies that issued fixed income securities reached a record-high, with 91 issuers.

Fixed Income: MARF

In a year as complex as 2020, the Alternative Fixed Income Market (MARF) has seen its position as a key tool for business financing of Spanish companies endorsed and has also served as an instrument for support policies for companies launched by the Spanish government. Created in 2013, in 2020 90 companies had already turned to MARF for financing, six of them from Portugal.
After a halt in the months of March and April, as a result of the health crisis caused by the Covid-19, the issuance rate recovered as the second quarter progressed thanks mainly to the extension to the promissory note issues made in this market by the public guarantees programme channelled by the Instituto de Crédito Oficial (ICO) for a value of €4 billion. ICO coverage reaches up to 70% of the total volume of the issue. Altogether, the modifications of 13 promissory note programmes have been processed to incorporate this possibility of issuing guaranteed promissory notes and, under this, issues have been carried out satisfactorily for issuers, with close to €2.5 billion guaranteed. ICO has also launched the direct subscription of shares in promissory notes issued in this market to support the liquidity of companies. In October, the decision of the European Central Bank to consider the MARF as a multilateral trading facility eligible for monetary policy was made public.

The total volume of issues in 2020 reached €9.6 billion, a moderate drop of 7% compared to the previous year. The total outstanding balance at the end of December stood at €5.3 billion, with an increase of 3.82% year-on-year.

Financial and non-financial derivatives: futures and options

The Spanish derivatives market, the MEFF, is expanding and diversifying with the inclusion of new products such as foreign exchange derivatives or the growth of electricity products. In a context marked by the sharp increase in volatility in the stock market, the range of Equity derivatives reduced their traded volume by 10% in 2020 to 40.5 billion contracts, mainly as a consequence of the ban on short selling in Spain for two months, although the total number of transactions shot up 26%.

Implied volatility in 2020 increased to a daily average of 25.6% compared to 13.7% for the whole of 2019 according to the VIBEX® volatility index, which allows daily monitoring of the volatility of the Spanish stock market using more liquid options on the IBEX that are traded on the MEFF derivatives market.

The products that grew the most in the year, by almost 11%, were options on individual stocks, a phenomenon that has also occurred in the main international markets, largely linked to greater trading activity by retail investors and traders. Whereas IBEX 35® Futures, the flagship product of the Spanish derivatives market, fell slightly by 1% but the number of trades linked to them grew 26%.

2020 will be the first fully operational year of the xRolling FX® futures contract market® after their launch in 2019. They are “perpetual” contracts, renewing automatically at the end of the day and in 17 of the main world currency pairs. Taken as a whole the trading of contracts on xRolling FX® has increased progressively during the year and, for example, in the third quarter of 2020 it multiplied by 100 compared to the same quarter of the previous year.

Financial Sustainability

Funding aimed at promoting sustainability and the fight against climate change continues to grow worldwide. Green, social and sustainable bond issuance will be well over $500 billion in 2020 according to forecasts by Swedish bank SEB, up from $321 billion the previous year.

Throughout 2020, the Covid-19 crisis has slowed the issuance of so-called green bonds, but social bonds have grown, which have broader purposes mainly linked to avoiding social exclusion.
In the case of Spain, these trends are echoed. Financing through green, social and sustainable bonds issued by companies and institutions in 2020 reached €15 billion, with an increase of 54% from the previous year, according to data collected by the Spanish Observatory of Sustainable Financing (OFISO). BME’s markets throughout 2020 saw issuances such as the Comunidad de Madrid health social bond, the Basque Country social bonds, the ICO social bond to mitigate the economic impact of the virus, and the issuances of social bonds by BBVA and CaixaBank totalling €1 billion, among others.
Most companies show lower turnover, profits and market value.

Contraction of global growth in 2020 due to the pandemic.

Fall in GDP of the Spanish economy.
Economic and business environment

The appearance of the Covid-19 pandemic has caused global growth to experience a historic contraction, one that the IMF estimates to be a decrease of 4.4% for 2020. The international health crisis has increased uncertainty and market volatility within a context that prior to March 2020 was already registering a high degree of both geopolitical and commercial global tension.

Most of the companies in traditional and consolidated economic sectors have suffered severe setbacks in terms of turnover, profits and market value. For example, stock markets such as the Spanish one, with a strong weight of Banks in the domestic sector and companies from emerging Latin American countries in the foreign sector, have lost nearly €157.5 billion of their market value during the year (-14.24 % ) and is a true reflection of the economic and social transformations that the pandemic seems to be imposing throughout the world.

The fight against the virus has confined or frozen about 70% of the global economy for a long period, forcing the world’s main governments to implement unprecedented fiscal stimulus programmes much faster and much bigger than in 2008. These incentives already reached a value equivalent to 12% of global GDP up to September.

The central banks of the world’s leading economic areas have also been at the forefront of support measures of enormous amounts to combat the effects of the economic shock caused by the pandemic. It is calculated that the large monetary institutions (Fed, ECB, etc.) have
accumulated a record amount in assets of over $30 trillion, of which more than 15 trillion correspond to the ECB and the Fed.

All of this has contributed to a rise in global debt, reaching record levels in both developed and emerging economies. In case of the former, debt is expected to climb to 126% of GDP between 2019 and 2022, while in emerging economies, this figure rises to 100%. Turning to deficits, globally it will stand at 12.7% in 2020 and in developed economies it will be higher, at around 14.4%. In global terms, according to the International Finance Institute, both public and private debt reached 277 trillion dollars, around 365% of global GDP.

The restrictions on mobility implemented by the different governments have taken their toll on an economic activity that is expected to return to the path of growth as of 2021. This recovery will be supported by the greater control of the pandemic thanks to the distribution and implementation of the Covid-19 vaccines throughout the year. The advanced economies have been the most affected over the short term by the pandemic due to the greater weight of the services sector, which has been most affected by mobility restrictions. An example of this is the economic and employment weight of the tourism sector in many European economies such as Spain, Portugal, France or Italy, for example.

However, a strong recovery in activity is expected, which will remain solid over the coming years. IMF forecasts indicate that developed economies will rebound by 3.9% and 2.9% in 2021 and 2022, and that stable growth will become consolidated from 2023. In the case of emerging countries, their economies will recover more strongly in 2021 growing at 6% and levelling out with GDP increases of around 5% thereafter.

However, the health and economic crisis reflects a greater decorrelation between emerging countries that have been able to control the pandemic more rigorously and those that have not. Another conclusion that can be made is the vulnerability of some emerging economies in their limited capacity to take action, which may widen inequalities between this group of countries and the more developed economies.

In Europe, where the pandemic has hit with significant virulence, the Eurozone economy will contract by 8.3% this year, according to the IMF's October forecasts. With social distancing measures still in force, a 5.2% recovery is expected for 2021, marked by the uncertainty surrounding the evolution of the virus in the region. The latest IMF forecasts contemplated a scenario of uncertainty until the arrival of medical solutions to the pandemic. However, during the last two months of this year, three pharmaceutical companies (Pfizer, Moderna and AstraZeneca) have reported the discovery of highly effective vaccines. This, together with a wide distribution of vaccines throughout 2021, will be the catalysts that drive economic activity in the region. So far, the monetary and fiscal measures discussed above ensure the liquidity and financing capacity of the companies and states of the European Union with the authorities having shown themselves willing to maintain them, whenever the conditions so require. In this context, the containment measures, together with the high uncertainty and the worsening labour market, will continue to have an impact on activity until the appearance and availability of medical solutions to the pandemic. Meanwhile, the monetary and fiscal measures discussed above ensure the liquidity and financing capacity of the companies and states of the European Union.

The IMF expects the Spanish economy to register one of the largest contractions among the advanced economies, with a fall of 12.8% in 2020. Spain, with an economy where the leisure sector, restaurant industry and tourism have a significant weight, has been severely affected by the confinement measures and the closure of borders, which affect both internal and external demand. However, activity is expected to rebound in 2021 to 7.2% and register strong growth rates, above its European counterparts in the coming years. This will be due to less uncertainty related to the health situation and the effect of the monetary and fiscal policies implemented after the outbreak of the pandemic, with Spain being one of the countries benefiting the most from the EU recovery plan.
Along the same lines, the stimuli from the European Commission, the Government of Spain and the European Central Bank have contributed to generating greater certainty in the markets and in the country’s economic forecasts.

**Unprecedented European aid packages to underpin the recovery**

Turning to fiscal policy, the European Commission has announced that it has implemented programmes with private participation that aim to mobilise a total of €3.3 trillion, which is equivalent to 22.1% of the European economy. Among these programmes, is the *Next Generation EU* fund, through which €750 billion will be mobilised, financed through the issuance of community debt that will be distributed in the form of transfers and loans to the most affected countries, taking place between 2021 and 2024. Furthermore, the Commission has approved the Community budget endowed with €1.1 trillion for the period 2021-2027. Both plans seek to alleviate the damaging effects of the pandemic and then strengthen the region’s long-term strategic growth. Spain expects to receive €140 billion from these programmes, of which approximately half will be direct aid. In line with the requirements stipulated by the European Commission, around 70% of the funds will go to “green” projects and digitisation. The rest from the programmes involve aid to national governments with structural funds, liquidity lines from the EIB and temporary unemployment benefits for affected workers (furlough schemes).
**EUROPEAN UNION AVERAGES**

- **Aid measures from Government and companies €540,000 million**
  - Aid to finance Furlough schemes for a total amount of €100,000 million in EU loans (SURE)
  - Government aid for €240,000 million (European Supervisory Mechanism and Structural Funds)
  - Liquidity support to companies for €200,000 (loan from the European Investment Bank)

- **Multiannual financial framework 2021-2027 €1,100 million**

- **Next Generation EU Recovery Fund €750,000 million**
  - Presented by the European Commission and already approved
  - 500,000 million in grants
  - 250,000 million in loans
  - Distribution according to sectors and countries

**Relaxation and suspension of requirements**

- Deficit and debt targets
- Access requirements to European structural investment funds

**SPANISH GOVERNMENT MEASURES**

- **€200,000 million mobilised (20% of GDP)**
  - 100,000 million public guarantees (ICO)
  - Furlough schemes: €18,000 million
  - Tax deferrals: €17,000 million
  - Commitments to the private sector
  - Subsidies to the autonomous communities

- **Support measures for companies and self-employed**
  - Loans and guarantees for issuances
  - Tax deferral for SMEs and the self-employed
  - Furlough Schemes (temporary dismissal)
  - Social security contribution exemptions
  - Deferred payment of corporation tax

- **Support measures for families**
  - Temporary and extraordinary grants
  - Deferral of mortgage and rent payments
  - Support for basic supplies
  - Minimum living wage

**Planned amount mobilised with private participation: more than €3.3 trillion (22.1% of the EU GDP).**
As a result of the pandemic, the Government of Spain has simultaneously mobilised €200 billion, around 20% of the Spanish GDP, with the aim of guaranteeing the liquidity of the business sector, protecting the sectors most affected and ensuring families have a minimum income.

With regard to monetary policy, the paralysis of a large part of the global economy and trade has led to unprecedented actions by the main central banks, which have implemented extraordinary liquidity measures that have caused their balance sheets to register all-time highs. These measures have made it possible to maintain low, and in some cases even reduce, the interest rates of the sovereign debt of the main economies during a context of high uncertainty and significant increases in debt issuance. The ECB in particular has extended and expanded the current asset purchase programme (APP) and launched a new emergency asset purchase programme (PEPP) and extended the maturity until March 2022 in accordance with the measures announced during the ECB’s December meeting. The latter programme stands out for the flexibility of the purchase requirements and the president of the institution has already communicated that it is precisely this what she wants to transfer to other programmes.

In total, the ECB acquired more than €1 trillion between March and December 2020. Likewise, very long-term market financing programmes (TLTROs) have been initiated at either negative interest rates or close to 0%.

---

* TLRO at -0.5%, up to -1% under certain conditions for granting the loan.
* PELTROs at -0.25%. Seven auctions of up to €3,000 million.
** These include “fallen angels” bonds for the first time.
*** APP: Asset reinvestment until the interest rate rises. There is no real deadline.
*** PEPP: Asset reinvestment until the end of 2022 and extension until March 2022 announced at the December meeting.
All this has generated confidence in the financial markets and the Spanish bond has registered a new historical low, which will translate into lower financial spending by the government and the private sector, at a time when financing needs are increasing substantially. For the first time in history the Spanish treasury issued a 10-year bond with a negative interest rate of -0.027%. However, the unprecedented increase in the money supply and the possible change in inflation targets by the main central banks raises some concern regarding the high liquidity of the financial markets. In the short term, the Spanish economy presents a situation of price containment in the face of consumption still below pre-pandemic levels, contained energy prices and a euro at highs seen in 2018. Although this revaluation of the community currency may slow down the region’s recovery by weakening the momentum of external demand.
**Strengths to support the recovery phase in Spain**

Spain is expected to show a rapid recovery as of 2021, in a setting very different to the financial crisis of 2008.

The country has a lower leverage with regard to families and companies, lower debt costs and a financial sector that is fully concentrated, one that is more efficient and more solvent. The merger between CaixaBank and Bankia took place during 2020, following the line of concentration of the sector recommended by the ECB and thus giving rise to the largest bank in the country in terms of clients. These factors make it easier for the productive sector to have access to sources of financing to meet possible liquidity needs.
AVERAGE INTEREST RATE OF OUTSTANDING SPANISH DEBT

EFFICIENCY RATIO EUROPEAN BANKS
2019 YEAR-END. SOURCE: EBA

ROE. EUROPEAN BANKS
2019 YEAR-END. SOURCE: EBA
The improvement in productivity in recent years and the good competitive positioning of important sectors of the economy, such as utilities, pharmaceutical, biotechnology and financial sectors mentioned previously, will allow external demand to drive growth within a context of domestic consumption weakened by the pandemic. In the first quarter of 2020, 67.62% of the turnover of IBEX-35® companies came from their international activities, compared to 63.79% in 2015. Likewise, the export-import ratio shows an improvement and stands at 0.95, while the openness index of the economy rose to 50%, approximately. This international drive has allowed the Spanish economy to register an external financial surplus in recent years that reduces its dependence on external financing.
Economic and financial situation of companies

The companies listed on the Spanish Stock Exchange have faced a significant drop in their turnover and income statement as a result of the coronavirus pandemic. If the results of the first quarter were already negative, the worsening of the virus and its consequent economic crisis has led companies to face the largest accumulated losses in history during the first half of 2020. However, companies regained lost ground during the second half of the year.

Listed companies recorded losses of more than €5 billion in the third quarter of 2020, after having gained more than €27 billion in the same period of the previous year. Of these losses, €8 billion were lost by large Spanish companies, which are included in the IBEX35 index®.

Turnover fell from €436.4 billion in the previous year to €355.7 billion today, a fall of 18.5%, resulting in an impairment of around €80 billion. The companies of the selective IBEX 35®, whose turnover represents 75.31% of the total, have registered a fall of 20.20%.
DATA AVAILABLE FOR 2020 (FIRST HALF OF THE YEAR)
ANNUAL COMPARISON

TURNOVER OF IBEX 35® COMPANIES

Millions of €

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<tbody>
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<td>700,000</td>
<td>720,000</td>
<td>740,000</td>
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</tbody>
</table>

DATA AVAILABLE FOR 2020 (FIRST HALF OF THE YEAR)
ANNUAL COMPARISON

TURNOVER OF LISTED COMPANIES

Millions of €

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<td>Value</td>
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</table>
The gross operating income, EBITDA, of listed companies has fallen by more than 40%, around €20 billion, with the reduction in the case of large companies being 38%.

Since March 2020, companies have faced a scenario of simultaneous supply and demand shock without any recent precedent as a reference on which to base a response. However, the monetary and fiscal performance has been both rapid and significant, unlike the last financial crisis. The third quarter results of the companies that have filed accounts to date have shown an improvement in both turnover and net income, as companies have adapted to the new normal and activity recovers a positive trend.

The breakdown of the normal operating chains for commercial activity (supplies), management (labour) and handling exchange rates caused companies to implement urgent measures that affected their financing structure and their shareholder remuneration policies.

The initial reactions by companies have been, in addition to reducing general expenses, to take the prudent decision to forego or reduce the distribution of dividends for the 2019 financial year, a suggestion that was highly recommended by the ECB, especially in the case of financial entities. But perhaps the first and most significant actions have been to generate an increase in provisions for the most affected sectors. In some cases, these have been multiplied by 3 or 4 times, especially for banks that have followed in the wake of US commercial banking, which has increased this by up to 5 times what they had in 2019. Large Spanish banks have made provisions for some 9.3 billion this year. This increase has greatly reduced the accounting profits of many companies during the year, as mentioned above.
The decrease in activity in many sectors has caused a significant fall in income for many companies, which is resulting in the search for new financial resources to meet their current payment requirements from their operating activities. Investment projects in fixed assets are also being paralysed to the detriment of the consolidation of balance sheets in those sectors most damaged by the health crisis.

The options to cover liquidity needs are multiple and diverse. Either use or expand their liquid assets such as bank deposits in addition to continuing to use the available credit lines or take out new bank loans, make divestments, and generate new capital contributions by shareholders. The accumulation of liquidity in the form of bank deposits is already very remarkable so far this year, with interannual rates that have not occurred since 2006, and the demand for loans by companies has skyrocketed after the lockdown. In this vein, the Bank of Spain puts the liquidity needs of companies due to Covid-19 at more than €230 billion. The financial debt of non-financial listed companies of the IBEX 35® in the first half of the year stood at €248 billion, 7.43% more than at the end of 2019. However, the healthy financial situation of the companies and the prudence exercised by the management teams when distributing the profits of the previous year caused a containment of the net financial debt, which is just over 3%.

The risk of continued lack of liquidity could lead to solvency problems if the deficit generated is not covered either with their liquid assets or by resorting to new loans. However, support through credit lines and guarantees made available by the Government, as well as fiscal and monetary stimuli, which have brought the cost of public debt to record lows, help to alleviate possible situations of financial stress suffered by companies. In any case, the balance sheets of the IBEX 35® companies have deteriorated by approximately €45 billion during the first three quarters of 2020.

With regard to the other Spanish companies, that is to say, unlisted companies, the National Institute of Statistics (INE) prepares the Business Turnover Index (ICNE) on a monthly basis, which it also presents adjusted for seasonal and calendar effects.

In its latest report for the month of November, which contains data up to the month of September, the significant decrease in this indicator can be seen in the month of April, when the annual variation rate reached -40%, and then gradually recovered in the months following and at the end of Octoberber with a variation of -12.1% compared to the previous year.

Non-financial market services are those that have fallen the most compared to the previous year, by 22.1%, trade by 9.6%, mining and manufacturing industries by 8.8% and the supply of electricity and water, sanitation and waste management by 5.5%.

The greatest impact of the health crisis was concentrated in the social consumption sectors, which were logically exposed to the mobility restriction measures and the international travel recommendations by some of the main countries exporting tourists. The Gross Value Added (GVA) by sectors of the Spanish National Statistics Institute indicates a drop in the second quarter of 36.9% compared to the previous quarter in the commerce, transport and hospitality sector. This sector was followed by the decline during the second quarter in artistic and other activities, which fell by 31.6%. Only the primary sector and financial and insurance services improved their activity in the second quarter of the year.
To face this complex setting, companies with the ability to access financial markets have more and better alternative tools to raise funds, through capital increases, as indicated by BME data in 2020, and through new debt issues, an area where BME also offers platforms that facilitate the placement and exchange of securities.
02

INVESTMENT AND FINANCING ON THE STOCK MARKETS

10% growth in financing flows

56 million trades in Equities, up 50%

€15.7 billion raised in capital increases, up 17.5%

the IBEX BME Growth grows over the year
Investment and financing on the stock markets

The annual balance of activity in the stock markets has been highly conditioned by the persistence of the pandemic, resulting in conservative and cautious attitudes among citizens and companies. The markets for goods and services, as well as those for securities, have seen their activity volumes reduced, while governments and public institutions have taken the reins of the economy and finance to act as support, cushion and lever for recovery from the strong impact of the crisis.

In this context, the Stock Exchanges have effectively reallocated capital between different assets and, although inevitably the share prices of many companies have suffered significant penalties, the mechanisms designed to provide business financing at different levels have worked very adequately. The IBEX-35® fell by 15.4% in 2020, the volume traded in shares fell by 8.6% and new flows of business financing with shares grew by 10.1% y-o-y, with capital increases making it 17.5% to €15.7 billion. Shareholder remuneration was also affected by these precautions and the amount of dividends paid out fell by 39.36% over the year, with 16% fewer pay-outs.

The SME stock market, BME Growth, has allowed smaller companies to execute interesting financing operations. REITs have continued to grow in number and a good number of companies in sectors linked to energy and new technologies have experienced increases in their value on the Stock Market over this period.

2.1 RETURNS AND INVESTMENT

The pandemic unleashed at the beginning of the year by Covid-19 has altered the economy, the development of companies and the performance of the Equity market as a reflection of the behaviour of listed companies in 2020. The uncertainty and volatility associated with the evolution of the pandemic have significantly impacted the activity of the Equity markets throughout the year, in Spain and throughout the world.
Listings
The main index of the Spanish Stock Exchange, the IBEX 35®, fell by 15.45% for the year and the inclusion of dividends managed to mitigate this decrease only slightly to leave it at 12.7%. The result can be regarded as good if we take into account that at some point during the year it lost almost 36% and it regained 26% in just two months.

In line with the global trend, none of the indices of mid and large cap stocks listed on BME managed to end the year on a positive note and only the indicators showing the price of smaller companies, included in BME Growth, stand out as positive on a national and international scale. While the IBEX Medium Cap fell by 9.71% annually at the end of 2020 and the IBEX Small Cap grew by 18.93%, the IBEX Growth All Share was up 39.65% and the IBEX Growth 15 by 54.06%. The differences in the sectoral structure of the companies that support these indicators clearly seem to be the basis for these very disparate behaviours and, in terms of the potential for inclusion and growth of new companies on the Stock Market in Spain, this disparity sends a message that can be considered from the standpoint of renovation, as we will see later.
The beginning of the year was marked by the continuing progressive recovery of prices that, with temporary interruptions, had been establishing the trend of the IBEX 35® since December 2018. And so it continued until reaching the annual maximum of 10,083.6 points on February 19, the IBEX 35® grew 5.6% in 2020, rising 14.5% from the lows of August 2019 and 18% since the end of 2018.

With the closures of the city of Wuhan decreed by China in the second half of February, that trend was broken and after a practically uninterrupted decline in the index of 26.25% from 19 February to 11 March 2020 came the fateful 12 March, which has become, with a 14.4% drop in the IBEX 35®, the largest drop in index prices in a single session in 60 years. On that same day, the Spanish Stock Market broke the record for the number of trades executed with 723,070 trades.

The initial punishment to the IBEX 35® caused by the reactions and the decline in economic expectations deriving from the fight against Covid-19, lasted from 19 February to 16 March with a decrease of 39.43% to 6,107.2 points, which marked the annual minimum of the index as at the closing date of this Report. On 17 March, the one-month prohibition imposed by the CNMV on short selling shares traded on the Spanish Stock Exchange entered into force and was extended until 18 May in April.

Over the course of those 26 days in 2020, 3 of the 10 largest daily declines in the history of the index were recorded. The IBEX 35 index® finally fell by 28.9% in the first quarter of 2020, registering strong rebounds in volatility that boosted trading over the period despite the sharp fall in share prices in the sectors most exposed to the effects of the pandemic, such as tourism, oil, airlines and banks.
Decreases in the world's main stock indices

The backdrop of economic shock and high uncertainty derived from the pandemic has caused global stock markets to register levels of volatility that are only comparable to those recorded in 2008 in the records going back the last 30 years. In that year, the effects of the subprime crisis caused annual falls in practically all Stock Exchanges of more than -30% (almost 50% in the United Kingdom) with annualised daily volatilities of between 40% and 55% in all of them. Compared to that occasion, so far in 2020 the annualised daily volatilities of the world’s most important Stock Exchanges have also presented high levels that are mostly in the range of 30%-35% and however the movement of the indices is generally negative, but within a much broader range than in 2008. In this case, and because of the composition of the indices that we will try to analyse, in 2020 the Spanish Stock Market and secondly the British Stock Market recorded losses greater than those of other equivalent economies, as can be seen in any of the attached graphs.

As we have said, the initial volatility unleashed in the second half of February 2020 was accompanied by sharp falls in all markets, which intensified in March before the monetary and fiscal authorities intervened with determination to bear the economic impact of the crisis and announce the introduction of instruments and policies to drive recovery. The IBEX 35® fell by almost 40%, largely affected by the poor performance of the financial sector and companies linked to tourism and mobility. Subsequently, the deterioration of the income statements, as a consequence of a lengthening of the control of the pandemic and of the anticipated recovery periods, has continued to harm the behaviour of the stock market throughout the year and more so in some countries like Spain. Between 16 March and 8 June, the IBEX 35® recovered 1,800 points, 45% of the almost 4,000 previously lost. However, this recovery of 30% from the lowest level reached was gradually trimmed back in recent months with the outbreak of the second wave of the pandemic to 8.58% at the end of September since the lowest level of the year.

However, the announcement of the rapid arrival and efficacy of antiCovid vaccines has been one of the strongest stock market boosters in history with the IBEX 35® increasing 26% in the last two months of the year, to leave growth from lowest levels at 32.2%.

Two significant items of data in the same year indicate the strength of the feeling of uncertainty and the volatility of the markets in 2020. In the same year, the IBEX 35® has experienced its biggest daily drop of 14.4% in March and the biggest monthly rise of 25.18% in November. The previous monthly maximum was June 2012 with 16%.
Listings and sectoral structure of the Spanish Stock Exchange

An in-depth analysis of the IBEX 35® reveals an important part of why over the year the average of the large European stocks has fallen, which can be represented by the EuroStoxx 50 index. The Banking and Utilities sectors started the year with a joint weight of 37.12% of the domestic capitalisation of the shares listed on BME: the first with 19.39% and the second with 17.79%. Up to December, the share price of Banks fell 27.49% and that of Utilities gained 14.23%, different, worse and better performances than their peers in the United States and Europe respectively (see graph). In other words, the impact of the fall in the share prices of the Spanish Banks has been much greater than that of the Utilities in our stock market indices, especially when considering that the weight of the former in the volumes traded at the beginning of the year was 31.75% and that of the latter 15.87%.

<table>
<thead>
<tr>
<th>Index</th>
<th>Annual Variation (% in 2020)</th>
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<tbody>
<tr>
<td>ESP IGBM Electricity and Gas</td>
<td>14.23</td>
</tr>
<tr>
<td>EUR Stoxx UTILITIES</td>
<td>-9.32</td>
</tr>
<tr>
<td>USA DJ UTILITIES</td>
<td>-5.16</td>
</tr>
<tr>
<td>USA Nasdaq BANK</td>
<td>-23.2</td>
</tr>
<tr>
<td>EUR Stoxx BANKS</td>
<td>-27.5</td>
</tr>
<tr>
<td>ESP IGBM BANKS</td>
<td></td>
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</tbody>
</table>
WEIGHT OF THE MAIN SECTORS OF THE SPANISH STOCK MARKET CAPITALISATION (%) 
BASED ON THE SECTORAL DISTRIBUTION OF THE IGBM

WEIGHT OF THE MAIN SECTORS OF THE SPANISH STOCK MARKET FROM TRADING (%) 
BASED ON THE SECTORAL DISTRIBUTION OF THE IGBM
ANNUAL VARIATION IN 2020 OF THE STOCK PRICES OF THE SPANISH STOCK EXCHANGE BY SECTOR AND SUBSECTOR OF ECONOMIC ACTIVITY
DATA UP TO 31 DECEMBER IN %.

- Renewable energy: -16.28%
- Retail: -10.27%
- Manufacture and assembly of capital goods: -18.04%
- Electricity and gas: -12.93%
- Food and drinks: -18.83%
- Oil and Energy (SECT): -16.28%
- Other consumer goods: -24.90%
- Investment Services: -15.35%
- Basic Materials, Industry and Construc. (SECT): -24.90%
- Minerals, metals and metal product transf.: -25.78%
- Consumer Goods (SECT): -21.93%
- Textile, clothing and footwear: -18.04%
- Chemical industry: -25.78%
- Total Index Madrid Exchange (Yield): -24.90%
- Pharmaceutical products and biotechnology: -27.85%
- IGBM (prices): -27.49%
- Engineering and other: -27.85%
- Construction: -27.49%
- Holding companies and Holdings: -27.85%
- Telecommunications and other: -32.13%
- Technology and Telecommunications (SECT): -32.13%
- Electronics and Software: -30.55%
- Paper and graphic arts: -30.55%
- Real estate and other: -25.78%
- Insurance: -27.85%
- Financial Services (SECT): -26.37%
- Banks and Savings Banks: -27.49%
- Leisure, tourism and hospitality: -30.55%
- Media and Advertising: -32.13%
- Aerospace: -30.55%
- Real Estate (SECT): -25.78%
- REITs: -35.80%
- Other services: -36.21%
- Consumer Services (SECT): -35.80%
- Transportation and distribution: -36.21%
- Oil: -38.78%

Total Index Madrid Exchange (Yield): 50.73%
What happened with the presence of both sectors in the joint value of our Stock Market in 2020 is significant and indicates, along with other aspects, that perhaps we are facing a positive, deeper and lasting change in the appearance of the market and the economy Spanish. At the end of 2020, the capitalisation of the Banks was 16.12% and that of Utilities 21.89%. These are the lowest values for the Banks in the contemporary history of our Stock Market and half of what they came to represent barely two decades ago. In addition, it is accompanied by the consolidation taking place in 18.81% of the companies in sectors related to Technologies, Media and Telecommunications (TMTs). It is precisely the high representation of these companies in the North American Nasdaq 100 index or in our IBEX BME Growth (68%) that explains their dissociation in the Stock Market from the surrounding general economic reality, with annual increases in 2020 in the order of 47.6% and 39% respectively.

This change in the weighting structure, deriving to a large extent from the performance of the stock prices and restrictions on the distribution of dividends by the Banks as “suggested” by the Central Banks, has been reflected in the distribution of cash volumes traded in shares. In the annual calculation up to December, Banks accounted for 23.26% of the traded volume and Utilities 18.72%, 8.5 points less and 3 points more than a year ago, respectively. TMTs had gone from 20% to 24.2% under this heading in a single year.
These are important variations in a smaller cap stock market than a few years ago which, as can be seen by the bulk of companies that make up the second line of the future of our economy; it is in the process of transformation after spending the last decade digesting the delicate process of rationalisation, recapitalisation and concentration of the banking sector. The intense cross-border business concentration process guided in different sectors by the drive of competition and the integration of European markets, plus a radical transformation of the real estate sector to match more recognisable figures and business models abroad, have done the rest.

However, Spain still has around twenty companies from relevant sectors (utilities, oil, transport, retail, pharmacy, engineering, etc.) that occupy positions of international leadership in their respective niches of activity. From the point of view of its market model (also subject to strong competition), it maintains the leadership in efficiency, depth and liquidity over the operations of the securities traded on its platforms.

Of the 7 sectors and 27 subsectors of economic activity that we detail in this Report as sub-indices of the General Index of the Madrid Stock Exchange (IGBM), as of 31 December, only 8 presented a positive variation during the year. These are 30 companies whose capitalisation is close to 33% of the market and have played a part in 30% of the cash volume of shares traded in the year. In the previous year, these same subsectors were made up of 32 companies with a similar market value, but with a much lower weight compared to the total national capitalisation of the Stock Market (23%) and also in the amounts traded: 19% of that recorded in 2019.

**THE DIFFERENCE THAT EXPLAINS THE IBEX 35®’S DELAYED RECOVERY FROM THE CRISIS.**

**WEIGHT OF TMT AND CLOSELY RELATED SECTORS IN EACH MARKET SEGMENT (TECHNOLOGY, MEDIA AND TELECOMMUNICATIONS)**

<table>
<thead>
<tr>
<th>Sector</th>
<th>STOck Exchange (31 Dec 20)</th>
<th>BME Growth (31 Dec 20)</th>
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<tbody>
<tr>
<td></td>
<td>Weight by capitalisation</td>
<td>No. Companies</td>
</tr>
<tr>
<td>Electronics and Software</td>
<td>4.87%</td>
<td>3</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>1.26%</td>
<td>5</td>
</tr>
<tr>
<td>Pharmaceutical Products and Biotechnology</td>
<td>3.65%</td>
<td>9</td>
</tr>
<tr>
<td>Telecommunications and Other</td>
<td>7.37%</td>
<td>5</td>
</tr>
<tr>
<td>Engineering and Other</td>
<td>1.12%</td>
<td>8</td>
</tr>
<tr>
<td>Media and Advertising</td>
<td>0.54%</td>
<td>5</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>18.81%</strong></td>
<td><strong>35</strong></td>
</tr>
</tbody>
</table>
The recent IPO of the company Soltec in October, apart from being relevant because it broke the drought of IPOs on the Stock Market, acquires a relevant and special significance due to the signal it transmits to the youngest companies with a future in the market. Soltec is the fifth company to join the Renewable Energies subsector, and specifically the leader in the revaluation of its price in 2020 at 162.8% in 2020 and reaches about 400% in the last 4 years.

The response on the stock market of this small Spanish subsector to the crisis is in line with two basic characteristics that governments indicate as essential for the future development of the economy and companies: sustainability and digitisation. And it is precisely the groups of listed securities linked to technologies in different fields of application that have obtained the best responses from investors in 2020. Most of them are small cap securities (such as IBEX BME Growth), others are mid and large caps located in the United States. Among them are the large Spanish Electricity and Gas (utilities) companies with an annual revaluation of about 14%, as well as attractive dividend yields of between 4% and 7% in an environment where the search for high investment returns becomes particularly difficult.

In relation to all the aforementioned, the IBEX 35® closes 2020 with three new additions corresponding to the pharmaceutical and renewable energy sector. This is the case of Almirall, Pharma Mar and Solaria, which entered the main national selective, replacing Mediaset, Ence and MásMóvil respectively.
Dividends and other forms of shareholder remuneration

In 2020, the Covid-19 crisis has had a very decisive impact on the large figures associated with one of the most determining variables of stock market activity for investors and participants of the Spanish Stock Exchange, especially in the last 15 years: dividends. In 2020, 206 dividend payments were distributed in the year for an amount of €18.5 billion, 39.36% less than the figure recorded a year ago of 244 payments. The total amount of shareholder remuneration for the period totals €18.7 billion if we include the payments for the reimbursement of share premiums, which amounted to €186 million and which also fell 83% compared to 2019.

Much of the responsibility for these decreases lies with the ECB’s recommendation on 27 March to European banks not to distribute dividends in the first half of the year to strengthen their capital ratios as a precautionary measure in the face of the economic crisis that was already expected. Thus, the Banking sector, which in 2019 was responsible for around 25% of the total dividends paid by Spanish listed companies up to September, in 2020 has distributed half that of 2019 and its weight overall has fallen to 11.5%.

<table>
<thead>
<tr>
<th>SHAREHOLDER REMUNERATION 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
</tr>
<tr>
<td>Mn €</td>
</tr>
<tr>
<td>Total STOCK MARKET (inc. BME Growth)</td>
</tr>
<tr>
<td>Of which REITs</td>
</tr>
<tr>
<td>Of which SCRIP</td>
</tr>
<tr>
<td>BME Growth</td>
</tr>
<tr>
<td>Of which REITs</td>
</tr>
</tbody>
</table>
INVESTMENT AND FINANCING ON THE STOCK MARKETS

SECTORIAL WEIGHT IN THE DISTRIBUTION OF DIVIDENDS

ANNUAL VARIATION IN THE AMOUNTS OF DIVIDENDS PAID BY SECTORS
Obviously, the decrease is not only the responsibility of the withdrawal of the Banks but, logically, the crisis has caused other large listed companies in different sectors to act prudently, especially those most affected by the reduction in trade and the mobility of people, but they are not alone. The companies from the four sectors which in 2019 jointly accounted for 30% of the amounts paid to investors in the form of dividends, in 2020 have decided not to pay out in many cases or leave it at a testimonial value. This is the case for the Aerospace, Textile, Transport and Distribution sectors as well as Pharmacy and Biotechnology, which account for roughly 9% of total shareholder remuneration.

Companies are seeking to retain resources to increase their financial muscle and be able to redesign their future strategies with room to undertake the necessary adaptations and changes with less pressure from financing costs and a reinforced solvency.

The Oil and Energy sector took over from the Banking sector in 2020 by doubling the amounts distributed via dividends in 2019. The weight of this sector in the period analysed has risen from 18% of the total in 2019 to 43% in 2020. In particular, Electricity and Gas (utilities) companies, which are businesses with a highly recurring and fairly stable income, have tried to maintain their shareholder compensation plans as a mechanism for attention, loyalty and attracting investors.

All of these, which, as we have just mentioned, currently represent 21.9% of the capitalisation of the Spanish Stock Market and 19% of the volumes traded in shares, offered dividend yields on 31 December that ranged between 3.42% for Iberdrola and 9.73% for Endesa.

The tone set for remuneration for the most „defensive“ securities among those listed on the Stock Market has been followed in 2020 by construction companies, which have increased the aggregate dividends distributed in the year by 40%, doubling their participation

<table>
<thead>
<tr>
<th>Company</th>
<th>Dividend Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endesa</td>
<td>9.73%</td>
</tr>
<tr>
<td>Enagas</td>
<td>9.08%</td>
</tr>
<tr>
<td>Naturgy</td>
<td>7.45%</td>
</tr>
<tr>
<td>ACS</td>
<td>7.33%</td>
</tr>
<tr>
<td>Red Eléctrica</td>
<td>6.27%</td>
</tr>
<tr>
<td>Sacyr</td>
<td>4.06%</td>
</tr>
<tr>
<td>Iberdrola</td>
<td>3.42%</td>
</tr>
<tr>
<td>Ferrovial</td>
<td>2.27%</td>
</tr>
<tr>
<td>San José</td>
<td>2.23%</td>
</tr>
<tr>
<td>Acciona</td>
<td>1.66%</td>
</tr>
</tbody>
</table>
in the total from 3.5% in 2019 to 7.4% in 2020. For different reasons and with different strategies, companies such as ACS, FCC, Sacyr, Ferrovial, Acciona or San José have offered attractive dividend yields in this very complicated year.

Another of the prominent sectors in terms of activity during the year has been REITs. In the case of the shareholder remuneration figures, it follows the conditions of its creation, but it is a condition that has opened the capital of the companies and has allowed the revitalisation and reorganisation of the real estate sector, terribly affected by the crisis after the boom during the second half of the first decade of this century. REITs are responsible for 3.6% of the dividends distributed in the year. In total, €638 million, of which €531.5 million correspond to many of the 77 that are currently listed on BME Growth.

A noteworthy aspect in the year is the increased presence of dividends paid in the form of shares (scrip dividends). In 2020, 15 payments of this type had been executed and widely accepted by investors. Thus, around €6.6 million would have been distributed in 2020, 69.5% more than in the 13 payments that were made in 2019. This is an amount that again represents around 35.9% of the total dividends paid, after a downward trend in recent years that had culminated in the 14% of 2019.

The dividend yield of the Spanish Stock Market remains high

Although the current economic situation distorts many of the ratios and data when taken as a whole, when compared internationally, the latest MSCI Bluebook Report on developed markets places Spain among the world leaders in dividend yield for yet another month, at 3.9%. In the last 13 years, the ratio that MSCI calculates for Spain has never been less than 4% in any month; in other words, it has exceeded that level for 156 consecutive periods, up to year-end. The historical average of this indicator for Spanish listed companies over the last 33 years (396 months) is 4%, putting it in first place for this ratio compared to other developed economy stock exchanges.

The Spanish market has led this section for years. This sustained difference over time may be one of the factors that most attracts foreign investors to invest and take an active interest in the day-to-day business of our listed companies. Based on data a year ago, non-residents owned 50% of the shares of Spanish listed companies, 16 points higher than 13 years ago.

Companies listed on the Spanish stock market have paid out €470 billion in dividends so far this century, or 71% of the current market value of all listed Spanish companies. The average gross dividends paid out by listed companies to their shareholders between 2000 and 2005 amounted to €10.9 billion. In 2006, this figure was €21.8 billion and, since then, until this unusual year, it has not fallen below €23 billion.

Share redemptions maintain a positive tone

Finally, throughout 2020, 16 companies redeemed a total of 536 million securities in the year, with a cash value of €4.6 billion. These figures are 32% lower than those registered in the same period of the previous year (historical record of
€6.7 billion in the entire year), but higher than our historical records. In 2019, 20 communications were registered from companies that redeemed securities for €503 billion.

Iberdrola and Repsol, with two operations that entailed the amortisation of €2.9 billion in securities, were the two main protagonists of this chapter in the Spanish stock market in 2020. Repsol proceeded to redeem 98.8 million own shares on 8 October to remunerate its shareholders. The cash amount of this reduction was €618 million on the day of execution. Repsol already carried out a similar operation at the end of 2019, with 71 million shares for an amount close to €1 billion, at a time when the price was around €14.30 per share, a far cry from the €6.20 the day the operation was carried out this year.

The redemption of own shares is one of the options companies have for remunerating their shareholders, as this increases the per share ratios (profits, dividends, etc.). This type of operation is often linked to an earlier buy-back programme for own shares in the market. It is commonly used in North American companies and is becoming an increasingly common practice in Europe, where its use is closely monitored in light of all the regulations developed around treasury shares and the application of the Market Abuse Directive.

TRADING OF SHARES AND OTHER LISTED PRODUCTS

In 2020, the markets and systems managed by BME remained open and continued to operate normally in Spain in spite of the confusion and concern among investors and market agents as a consequence of the COVID-19 health crisis. The regulated securities markets exercised their key corporate functions of guaranteeing liquidity for investors and preserving the transparency, fairness, security and integrity of financial transactions in all circumstances. Both the trading platforms and the Central Counterparty, BME Clearing, as well as the Central Securities Depository, Iberclear, operated satisfactorily in their key role in managing the financial system risk and maintaining the financing and liquidity channels.

The annual trading figures for listed stock in 2020 are inevitably marked by the data recorded in the first quarter, especially in March. During this period, the cash volume in Equities trading reached €129.8 billion and 15.2 million trades, showing increases compared to the first quarter of 2019 of 19.6% and 59.2%, respectively.

Only the data for March, with €55.8 billion traded and the nearly 7.6 million trades registered (about 18% of everything recorded in the year in both cases), show increases compared to the same period immediately before and that corresponding to the previous year, which are in any event among the record highs for the century and since electronic trading was established (continuous market). 12 March saw the largest drop in the history of the IBEX 35 index®, 14.4%, beating the all-time record for daily trades on the Spanish Stock Exchange, with 723,070 trades.

Another circumstance that has had an impact on the amount of volumes traded, unrelated to the fundamental expectations made on the securities by investors, is the prohibition of short sales decreed by the CNMV on shares traded on the Spanish Stock Exchange. After the biggest daily fall of the IBEX 35® of its 28 year history (-14.1% on 12 March), the regulator decided to prohibit short selling on 13 March for 69 securities. Days later it decided to approve a more extensive ban for on a monthly basis: the first began on 17 March and was extended in April until 18 May.

In 2020, the accumulated cash volume traded in Equities totalled €429.7 billion, showing a decrease of 8.6% compared to the volume traded in 2019 and a 49.6% increase in the number of trades to 55.7 million.

The effect of the decrease in trading of the block segment has been of significant relevance regarding the decline in the traded cash volume. From January to October, trading in this segment decreased by 45.3%, while all other trading excluding this segment increased 9.1%.
An important part of the trading of the block segment is associated with the tax optimisation carried out in relation to dividend distributions. Due to the current situation, the dividend payment fell 39.36% in 2020, from €30.5 billion in 2019 to €18.5 billion paid in 2020.
The increase in volatility compared to the previous year has led to an increase in the number of brokered trades and a decrease in the average cash volume per trade. In 2020, the number of trades exchanged on the market showed the aforementioned increase of 49.6%, exceeding 55 million trades, while the average cash volume per trade fell by 38.9% to €7,709.

**Small investors, more active**

One of the reasons for this behaviour is the increased activity in the market by retail investors, due to the sharp fluctuations in the prices of listed shares.

According to the European securities market regulator, ESMA, there has been an increase both in the transactions undertaken by investors who were already operating on the stock markets and the incorporation of new private investors who have opened accounts to operate on the stock exchange through specialised brokers. There has also been a sharp increase in requests for information on financial information platforms related to the stock market. The North American stock exchanges have experienced a similar phenomenon.

A recent analysis performed by the AMF, the French securities markets supervisor, reached a similar conclusion. During the highly-volatile six-week period on the markets in February and March 2020, the uptake of French shares by „retail“ clients quadrupled. In March, more than 150,000 new investors bought shares traded on the SBF 120 index, the main French broad index. These new clients are 10 to 15 years younger than regular investors in French shares.

At the moment it is a one-off event, but an important one. Historically, the participation of small investors in the Spanish Stock Market has been relevant but the latest property data are not very flattering in this regard. With data closed for 2019, households control 16.1% of the shares listed in Spain, one point less than the previous year and well below the highs reached in 1998, when they owned 35.1%. This data confirms the convergence with the rest of Europe, where the direct participation of retail investors in the Stock Market has traditionally been lower than in Spain. The growth of investment funds is one of the causes of this decline. According to data from the Bank of Spain, around 2.14 million Spanish households own shares.

As previously indicated, the trends highlighted by these data in terms of the future transformation and outlook of the structure of the market’s operating base are of special importance from many corporate strategic points of view and the national economic policy.

**BME, the central pole for liquidity and the trading of listed Spanish shares**

In terms of competition with other operators for trading flows, the tariff measures on Equity trading applied in 2019 to ensure compliance with the best execution on BME’s platforms by adjusting the transaction cost and start-up of liquidity provision programmes have maintained BME’s position as the highest liquidity, most efficient and best execution point for Spanish securities.

In 2020, the Spanish Stock Market continues to be the benchmark for execution and liquidity in trading Spanish securities and for the conduct by which the issuers complete their corporate operations and resolve their financing needs. The transparency and legal security framework offered by a regulated market is decisive when channelling investment operations.

The price spread reflects the liquidity of the supply and demand of a listed share and the quality of the execution of the buy and sell operations on the trading platform. In a trading system, the narrower the difference between the purchase and sale prices of securities, and the greater the volume of securities available at each price level, the lower the implicit transaction cost and the greater the ease with which operations are executed.

In this way, in 2020 the Spanish Stock Market continues to be the main pole for trading and liquidity for its listed securities, accounting for more than 73% of the cash traded on its platforms. In the last available month, BME reached a market share in the trading of Spanish securities of 75.7% and had the best execution metrics compared to alternative trading platforms for Spanish securities in terms of buy-sell spreads, order book depth and the best execution price available.

During periods when volatility values have been higher as a result of the epidemic, trading has been concentrated to a greater extent on the reference platform of regulated markets. In Spanish securities trading, BME reached 78% of the
During the year, activity in this segment of the BME market was based on 5 references. As a whole, on 31 December they had a net worth of €613.4 million. Of this figure, 16.6% is represented in an ETF on the Eurostoxx50 index and the rest falls under the umbrella of four instruments referenced to an index belonging to the IBEX family. Two follow the IBEX 35® and they comprise 68% of the total equity traded on the Stock Market.

The increase in activity has been mainly supported by the dichotomy among investors who want to take advantage of a presumed recovery in the IBEX® 35 in a leveraged manner and those who believe that the decline will be prolonged. 33% of the trading (€840 million) took place in operations on the LYXOR ETF IBEX Double Leveraged and another 30% (€762 million) on LYXOR IBEX Doble Inverso.

The different taxation that ETFs bear compared to traditional investment funds seems to be the main impediment to the more successful development of these investment products in Spain.

Currently, Exchange Traded Funds on the Spanish Stock Market have a tax rate similar to that of shares. Capital gains derived from the purchase and sale of shares are not subject to withholdings on account. ETFs though, are taxed on the capital gains generated at any given time, regardless of whether the reimbursed amount is reinvested in another ETF or not.

Unlike ETFs, traditional funds may defer the taxation on capital gains, therefore transfers from one fund to another are allowed without tax until redeemed. The sales of funds are, however, subject to tax withholding or payment on account, accumulating what is known as „tax baggage”.

BME continues to promote the ETF market with various actions designed to reactivate interest, pending the approval of a regulation that corrects the tax differences that penalise its attractiveness to investors and issuers in Spain, while in the United States and Europe they continue to register very significant activity figures.

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volume traded in the period of greatest volatility at the beginning of the spread of Covid-19 in April.

Investors demand liquidity especially at times of great tension in the markets and therefore concentrate operations at those times on the platform where the best prices and volumes are offered for the securities. It is because of this that the quality differential in spreads and depth has widened with respect to alternative platforms during this period of continued pandemic, with frequent spikes in volatility depending on the evolution of events in terms of control of the epidemic.

In accordance with the data on the trading of Spanish securities prepared periodically by Liquidmetrix, an independent entity that prepares reports on liquidity and execution in the different platforms providing trading services for Spanish securities and those of other markets, if for the whole of 2019 the IBEX 35® index trading spread stood at 4.91 basis points and its difference over the best alternative offer amounted to 0.73 basis points, the latest data available for 2020 placed this range at 6.29 basis points and the difference widened to 1.65 basis points. The same behaviour showed the depth of the order book in which between 2019 and 2020 the difference between BME and the rest of the platforms widened until it was more than four times the depth of the book compared to that presented by the rest of the platforms. Likewise, the best trading price for the shares was maintained more than 81.6% of the time compared to the other platforms. This behaviour is even more evident for securities with less liquidity, such as those that make up the IBEX® Medium and Small Cap indices.

Promoting the trading in ETFs and warrants

In 2020 ETFs traded on the Spanish Stock Market stood at an amount of €2.6 billion, representing a total of 154,775 trades. These figures represent increases of 48% and 153%, respectively, compared to the same period in 2019. These positive records break the downward trend that had already lasted 4 years and which ended in 2019 with the lowest trading figures on record in Spain, dating back to 2006.
Trading in warrants on the Spanish Stock Market has reacted positively in 2020 with €253 million traded. This figure is 52% higher than that recorded in 2019. The high volatility registered in the year favours these growth rates. As in the case of ETFs, this year’s balance sheet data in this chapter breaks a sustained four-year run of declines.

Warrants on domestic shares represent 55% of cash trades in 2020; those issued on national stock indices, 13%; on foreign indices, 14%; on shares of foreign listed companies 7%; and the remaining 11% for exchange rates and other.

At the end of December, there were 1,806 warrant references on the market, after 2,953 new admissions were registered over the year.

### CAPITALISATION AND NUMBER OF LISTED COMPANIES

The stock market demographics in 2020 have also been dominated by a certain degree of immobility derived from the effects of the crisis. Without taking into account SICAVs, 11 companies entered the market in 2020 that jointly contributed €905.4 million on the day of their admission. 10 of these companies joined BME Growth and 6 of them are REITs, which continues to be the most dynamic sector in the incorporation of companies to the market although, compared to the same periods of the two preceding years, its rhythm is decreasing: 16 new ones were admitted in 2018 and 15 in 2019.

This register of admissions does not include the two companies that have reached the market in October with important peculiarities. On 22 October, the cloud solutions company, Cuatroochenta, valued at €20.8 million, joined BME Growth and is the first company to jump into the market from the pre-market environment (PME), an ecosystem to bring companies closer to the Stock Market that BME

### VARIATION IN THE CAPITALISATION OF LISTED COMPANIES IN 2020

<table>
<thead>
<tr>
<th></th>
<th>Value as at 31 Dec 2020</th>
<th>Variation in the year</th>
<th>Variation from year low to 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>€ Mn</td>
<td>€ Mn</td>
<td>%</td>
</tr>
<tr>
<td><strong>Total STOCK MARKET</strong></td>
<td>948,209.2</td>
<td>-157,452.5</td>
<td>-14.24</td>
</tr>
<tr>
<td>(inc. BME Growth)</td>
<td></td>
<td></td>
<td>217,819.3</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>29.82</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Spanish Securities</td>
<td>665,346.9</td>
<td>-45,356.7</td>
<td>-6.38</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>106,580.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>19.07</td>
</tr>
<tr>
<td>Foreign Securities</td>
<td>282,862.3</td>
<td>-112,095.7</td>
<td>-28.38</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>111,238.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>64.82</td>
</tr>
<tr>
<td>Of which Latibex</td>
<td>212,681.0</td>
<td>-40,196.1</td>
<td>-15.90</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>75,140.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>54.63</td>
</tr>
<tr>
<td>BME Growth</td>
<td>43,582.9</td>
<td>-1,238.5</td>
<td>-2.76</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>3,706.7</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>9.30</td>
</tr>
<tr>
<td>Of which SICAV:</td>
<td>27,084.8</td>
<td>-1,951.3</td>
<td>-6.72</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>2,542.0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>10.36</td>
</tr>
<tr>
<td>Of which REITs:</td>
<td>12,754.9</td>
<td>-472.6</td>
<td>-3.57</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Of which Growth Companies</td>
<td>3,145.7</td>
<td>1,234.5</td>
<td>64.59</td>
</tr>
</tbody>
</table>

Launched in the middle of this decade. Also, on 28 October, the renewable energy company Soltec was listed, with an initial capitalisation of close to €500 million. It did so through an IPO and raised €150 million. This IPO was the first of the year and the fourth in 3 years.

Turning to exclusions, not counting SICAVs, there have been 11 in the year, with an aggregate capitalisation of €6.3 billion on the day they left the market. One of the main exclusions has been that of BME itself, after the Swiss SIX Group completed the friendly takeover bid it launched during the third quarter of 2019. In the previous year there were 9 exclusions that drained €43.3 billion of capitalisation, of which €38 billion corresponded to the German company Bayer.

Taking this operation into account, at the end of December the shares of 2,738 companies were admitted to trading on the BME platforms: 157 on the Stock Market and 2,581 on BME Growth.
Of the 157 listed on the Stock Market, 146 were traded electronically on the continuous market (of which 19 belong to Latibex) and 11 through electronic floor trading.

Of the 2,581 admitted to BME Growth, 77 are REITs and 42 are assigned to the segment called Growth Companies and which is dominated by companies that operate in the Technology, Media and Telecommunications (TMT) sector. The rest is made up of 20 Hedge Funds (HF), 1 Venture Capital Entity (VCE) and 2,441 SICAVs, 134 less than in December 2019.

All the additions and cancellations mentioned have had little impact on the market value of the group of companies traded, which, due to the sharp decline in prices during the year, lost 14.24% in value between December 2019 and December 2020. We are talking about a high negative impact of €157.5 billion, which leaves the total market capitalisation of the BME stock market at €948.2 billion a month before the year end. The decline in the stock market value corresponds almost equally to listed Spanish securities (€-45.4 million) and foreign, mainly Latin American (€-112 billion). Since the lows of the year, the Stock Market has only managed to recover about €217.8 billion in terms of capitalisation.

This abrupt descent after the most volatile moments of the crisis that began in March has not been so acute in the rest of the stock markets of the Eurozone and is mainly due to the particular sectoral composition of the Spanish Stock Market. In fact, the companies comprising BME Growth, with a market value of €43.6 billion as of 31 December, caused its capitalisation to decrease by just 2.7% in the year, much more in line with other markets in the Eurozone.

### SECTORAL CAPITALISATION OF THE SPANISH STOCK MARKET

<table>
<thead>
<tr>
<th>Activity sectors (excluding foreign stocks and including BME Growth)</th>
<th>Value as at 31 Dec 2020</th>
<th>Variation in the year</th>
<th>Variation in the year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil and energy</td>
<td>150,194.7</td>
<td>4,641.5</td>
<td>3.19</td>
</tr>
<tr>
<td>Basic materials, industry and construction</td>
<td>80,615.3</td>
<td>4,746.0</td>
<td>6.26</td>
</tr>
<tr>
<td>Consumer goods</td>
<td>113,643.9</td>
<td>-20,687.5</td>
<td>-15.40</td>
</tr>
<tr>
<td>Consumer services</td>
<td>44,159.0</td>
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<td>Technology and telecommunications</td>
<td>72,772.9</td>
<td>-13,359.3</td>
<td>-15.51</td>
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BME GROWTH CONTINUES ON GROWTH PATH IN TIMES OF CRISIS

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

This new category is developed within the framework of the Capital Markets Union (CMU) included in MiFID II with the aim of promoting the financing of smaller companies through their presence in financial markets and standardising quality and transparency among the growth markets in Europe. Likewise, the issuance prospectus models are simplified and certain relief is applied to the obligations required by the market abuse regulation.

In 2020, this market has been one of the strongholds for growth on the stock markets. Subsequently, the capitalisation of BME Growth corresponding to the 119 companies admitted in both categories grew by around 5% per year as of 31 December, reaching €15.9 billion. This figure reflects a 64.6% growth in the market value of Growth Companies and a 3.57% drop in that related to REITs.

Despite the backdrop of global falls, many of these companies, established in growth and competitive sectors, such as technology (software and electronics), pharmaceuticals, biotechnology and engineering, have registered increases in their valuations. As a result, the IBEX GROWTH MARKET® All Share and the IBEX GROWTH MARKET® 15 indices have closed the year with a gain of 39.65% and 54.06%, respectively.
The interest shown by investors in more technological sectors and in companies with high growth prospects has contributed to increasing the volume of trades by 141.8% compared to the previous year, to €753 million. By including REITs in this section, the volume grows to €809.6 million, with an overall increase of 81.8% compared to the previous year.

In 2020, the companies in this market have paid their shareholders €577.3 million through dividends and share premium redemptions, 18.55% less than in 2019.

BME Growth has allowed smaller companies to obtain financing in times of high global uncertainty, carrying out a total of 71 operations in 2020 that has allowed them to raise €428 million.

The Pre Market Environment (PME) is also playing an increasingly significant role in bringing companies and investors into the financing and investment ecosystem represented by the securities markets. The recent addition of Cuatroochenta to BME Growth has highlighted the role of the PME as an optimal means to grow and become listed.

Currently there are 14 companies with a high technological component in the performance of their business, but from very different sectors, taking part in advisory programmes and adjusting their businesses to the markets. They have also continued to add „partners“ to this ecosystem made up of companies, investors, entrepreneurs, advisors and professionals of the financial markets. There are already 15 and you can find all the information on this website.
2.2 FUNDING

During the 2020 financial year, market turbulence and high volatility have put the brake on IPOs. Despite this, the Stock Markets have efficiently and effectively carried out the reallocation of capital between different assets through the different mechanisms designed to provide business financing at different levels. In this way, numerous listed companies have gone to the market to carry out capital increases with the aim of strengthening their financial structures weakened by the reduction in activity or in some cases to comply with their remuneration commitments to their shareholders. Due to this, the activity in capital increases has risen, showing the differential advantage of the companies present in the Stock Market in terms of financing alternatives.

In 2020, the financing flows channelled towards new admissions of companies on the market have decreased by 74.8% compared to the previous year. Likewise, recapitalisation operations have increased by 17.6%, reaching €18 billion. Overall, the financing flows channelled to the Stock Market, including already listed and newly admitted companies, increased 10.1% compared to 2019, with standardised measurement metrics to prepare the information sent to the international Exchange Federations.

The Spanish stock market has traditionally been well positioned on the international stage in terms of corporate funding in the form of capital. Funding flows channelled through the Spanish Stock Market in the form of equity amount to €355 trillion since 2008, of which €287 billion correspond to increases of listed companies and €68 billion to market admission operations.

The lack of IPOs continues

In 2020, and without taking SICAVs into account, 11 new companies had joined BME platforms. All of them joined BME Growth except Soltec, which joined the Stock Market. Six of them are REITs.

The incorporation of Soltec to trading was through an IPO with which it has obtained around €150 million and there was a very high demand for securities. This would be normal if we take into account that it belongs to the renewable energy sector (the fastest growing sector of the year) and is the first IPO of 2020 and the fourth in four years on the Spanish Stock Market.

The lack of IPOs is not a problem unique to Spain but has been spreading worldwide and has been going on for some time, although it is not as pronounced in the United States and Asia as in Europe. In the United States, the creation of special purpose acquisition vehicles (SPAC) specialised in holding the shares of companies that can go public and listing procedures such as direct listing, are measures that are proving effective to encourage the presence of new companies in the stock markets.

The figures for the IPO market in Europe in 2020 continue the four-year decline for these operations. According to PwC’s „IPO watch Europe” report, which is published regularly, IPOs fell by 14% in number and 30% in volume in the year to September in Europe, compared to the same period of 2019. The 61 IPOs for the amount of €11.2 billion represent just over a third of the figures recorded in 2017.

Low interest rates and strong competition from private equity are weighty factors influencing this process against which the European Commission, through a recent Action Plan to promote the European Capital Markets Union, intends to fight through effective measures that promote the incorporation of new companies into the markets as a mechanism for growth and strengthening of the European economic fabric after the crisis.

As a positive element for 2020 in terms of adding value to the business growth of the Stock Exchanges, it should be noted that the incorporation of Cuatroochenta to BME Growth from the Pre-Market Environment (PME), the first to make this journey, completes the operation of the consolidation chain in the markets proposed by BME. In previous years Greenergy, Masmovil and Airtificial successfully made the journey from BME Growth (formerly MAB) to the Stock Market.
Listed companies increased their capital by an amount 17.46% higher than in 2019

Capital increases have registered quite positive data in 2020. Listed companies have increased capital to strengthen their financial and business structure in the face of the crisis, as well as to maintain their remuneration commitments to shareholders. Until September, the amount raised from those carried out in the year was €15.7 million, 17.46% more than the previous year.

Listed companies have carried out a total of 42 capital increases raising €15.2 billion in 2020. The five largest increases in the period have been those carried out by Iberdrola on two occasions, Amadeus IT Group, Cellnex Telecom and IAG. Iberdrola increased its share capital by €945 million in January to satisfy the payment of the dividend. Amadeus IT. The Group increased its capital valued by €895 million, in addition to launching €750 million in convertible bonds. Iberdrola, once again in July satisfied the payment of another dividend amounting to €1.2 billion. In August, Cellnex Telecom carried out its third increase in two years in the amount of €4 billion, in order to dedicate itself to investing in new growth projects via acquisition. In September, the International Consolidated Airlines Group carried out a new capital increase in the amount of €2.7 billion in order to strengthen IAG’s balance sheet, reduce its indebtedness and improve its liquidity. In November Banco Santander carried out a new capital increase for €1.9 billion to pay the 2019 final scrip dividend.

The resources raised by stock-exchange listed companies, excluding BME Growth, through capital increases with pre-emptive subscription rights, the majority of them executed, reached €15.1 billion. Of this amount, €6.6 billion corresponded to capital increases intended to cover dividend option payments.

The companies included in BME Growth continue to finance themselves in the market to meet their growth and financing processes. In 2020, the companies in this BME market performed 71 capital increases, raising €428.3 billion. The amount raised by companies listed in the growth companies segment was €133 million and the capital increases carried out by REITs totalled €295 million. The capital increases carried out by SICAVs amounted to €118.5 million.
In 2020, a Draft Bill was approved on 14 July 2020 to transpose the EU Directive 2017/828 on long-term involvement of shareholders. This project includes, along with other new developments, such as loyalty shares, various measures to make the system for the issuance of shares and convertible bonds by listed companies more flexible. The main objective of the Project, in the terms of its explanatory memorandum, is „to make the processes of raising capital in the market by listed companies and companies with shares admitted to trading in multilateral trading systems simpler and more agile“. BME very positively values the FESE Blueprint (May 2019): „Capital Markets Union by 2024 - A vision for Europe“, which sets out 20 principles and policy recommendations on how to take the Capital Markets Union (CMU) forward. In 2020, one of the responses to the crisis has also been outlined through the publication of an Action Plan to achieve, in practice, a Capital Markets Union (CMU) for individuals and companies. This Plan contains some basic premises and recommendations for measures that position equity and the Equity markets as very necessary actors to cushion against the external impacts of the crisis on companies. Something which some of the data on obtaining financing that we have commented on in this 2020 Balance, undoubtedly corroborate.

Hybrid debt and equity instruments
We would like to mention the issuance of some financial debt instruments that can function as capital at certain times, which serve to reinforce the company’s equity structure and own resources. In 2020, companies also opted for other financing alternatives offered by the markets, such as the issuance of hybrid debt, classified as equity, or Contingent Convertible bonds (CoCos), hybrid instruments that have debt elements (paying a periodic interest to the buyer) and capital (they can absorb losses), and are convertible into shares of the issuer if the highest quality capital ratio falls below a certain level.

In January, Ibercaja placed a subordinated debt issue in the market (Tier II) in the amount of €500 million. More than 140 leading institutional investors participated in the operation and the demand received was for €1.8 billion, almost four times higher than the volume of the issue. More than 70% of the securities placed among international investors of different geographical origins, mostly European.

In July, BME admitted a green convertible contingent bond (CoCo) from BBVA to trading on the AIAF Fixed Income market for an amount of €1 billion. It is the first bond of this type issued by a financial institution at a global level.

In October, the issue of the CaixaBank Contingent Convertible Bond (CoCo) for €750 million was admitted to trading at BME.

CoCos have been issued our country since 2013 and around 19 issues have been launched, almost all abroad, with CaixaBank being the first to be traded in Spain.

Initiatives to reinforce the role of Stock Exchanges in overcoming the crisis
One of the effects of the crisis in 2020 is that the economic and political authorities in Europe are reinforcing the role of the markets as a very necessary and powerful instrument to ensure that when the recovery is underway it recovers strongly. The European Commission, the ECB and the IMF understand that it is necessary to design a strategy and implement specific measures to ensure that companies gain muscle and size using investment and financing mechanisms provided by the Stock Markets.

Under the Plan, equity markets can help companies overcome the crisis and finance their growth when it ends. To this end, the set of rules governing how market operations in the securities markets ought to be carried out, as well as the rules for being admitted to the stock market, must be simplified. To ensure the success of the CMU, a review of previously unmet goals within MiFID II is urgently required. There is a proposal for the establishment of a public-private fund to support IPOs of small and medium-sized companies, as well as the application throughout the EU of a common and standardised system concerning withholding tax.

Business concentration operations slow down in 2020
The prevailing uncertainty and the profound social and economic changes that the coronavirus crisis will presumably bring have also had an impact on.
activity on the Spanish Stock Market and, in general, the mergers and acquisitions (M&A) market in Spain. According to the latest Baker & Mckenzie Report, this market will decline 4.8% in Spain in 2020. The chairman of the Spanish National Commission on Markets and Competition has stated that they normally analyse between 80 and 100 business concentration operations per year and this year they have only reviewed 40.

Two operations have been closed on the Spanish Stock Market up to September and a banking macro-merger between Bankia and Caixabank has been announced which, if everything goes according to plan, should be fully confirmed in the first quarter of 2021 with the mandatory approvals of the Ministry of Economy and the National Commission on Markets and Competition. Eight takeover bids were registered in the Spanish market in 2019, this being the year with the fewest operations of this type since 2010. If everything goes as its promoters expect, the merger of Caixabank and Bankia will allow the Spanish State to recover part of the investment that it made in Bankia through the FROB to rescue it from bankruptcy. Other Spanish banks such as Sabadell, Liberbank and Unicaja are very much present in the media on a daily basis as possible subjects of upcoming banking concentration movements on the Spanish Stock Market.

The two registered movements have foreign buyers and are oriented towards the exclusion of the stock market value. The largest takeover bid was the one completed by the Swiss SIX Group for BME Group, which has already been delisted with a value of close to €2.7 billion. The purchase implies the formation of a widely diversified market operator, with financial muscle and great capacity to expand and compete in Europe and the world.

The other takeover bid was made for Másmóvil by the Lorca Telecom Group, which is an investment vehicle in Spain for the Cinven international venture capital groups. KKR and Providence. The capitalisation of Másmóvil was €3 billion, and it is one of the most vertiginous growth stories of the Spanish Stock Market. It went public three years ago via BME Growth (formerly the MAB), and in five years it has multiplied its value by 6.

Experts suggest that the growth prospects for the M&A market in the upcoming years are good due to the low interest rates, the sharp drop in prices, the great liquidity in the market and the investor appetite of the venture capital. The rebound in the pandemic introduces a broad factor of uncertainty into the current expectations, although factors such as a certain return of local business or the consolidation of the banking sector throughout Europe seem to be events that will delimit the movements in the near future.
36% increase in the admission of Spanish Public Debt in the regulated market

90 companies have already issued in the MARF

40 billion in green, social and sustainable bonds in Spain in the last decade
Fixed Income

The role of the Fixed Income markets has been essential in 2020 to ensure that companies and States have been able to finance themselves to face the serious consequences of the health and economic crisis caused by Covid-19. The rapid and forceful action of central banks in acquiring large volumes of debt has moderated the tension and initial volatility in the regulated and secondary markets and has brought the interest rates of the main assets back to minimum levels. As a result, the issuance of Public and Private Debt breaks records in the year.

3.1 PUBLIC DEBT ACTIVITY

The volume of Spanish Public Debt issued and admitted to trading on the regulated market in 2020 reached €275 billion, representing an increase of 36% year-on-year. The high rate of issuance by the public sector to deal with the effects of Covid-19 has been supported by the asset acquisition programmes launched by the European Central Bank. The increase in the volume of issues and admissions has been especially significant in the case of Treasury Debt in the medium and long-term, which has reached a volume of close to €175 billion, 54% more than the previous year. Issuance of Treasury Bills has also grown by 18.8% to almost €93 billion in the year.
Record volumes and falling rates for Treasury issues

Overall, the Treasury’s forecasts for 2020, which have been updated and adjusted as the year has progressed, highlight that the gross issuance of Public Debt at all terms will exceed €277 billion and the payment of interest will be around €26 billion, more than €1 billion less than in the previous year. Despite the strong increase in issues in 2020, the average cost of issues in the year has fallen to 0.18%, below the 0.23% for 2019 as a whole. The average cost of all Debt Public outstanding has fallen to 1.86%, below the 2.19% at the close of the previous year. Also, the average life of all Spanish Public Debt has increased to 7.8 years, a level that is considered optimal to reduce the risk of refinancing and exposure to interest rate increases.

The admission of foreign Public Debt in the BME Fixed Income market has grown to €743.4 billion in 2020, 44% more than in the previous year. In order to make use of the BME fixed income market’s SEND electronic contracting platform universal, the Treasury issuances of Germany, France, Holland, Belgium, Italy Austria, Portugal, Ireland, Greece and the European Stability Mechanism (ESM) started to be incorporated into this system in December 2017.

The total outstanding balance of Spanish Public Debt in the BME Fixed Income regulated market stood at €1.17 trillion at the end of December, an 8.8% increase year-on-year. The balance of foreign Public Debt on the same date fell by 4.5% to €4.7 trillion euros.

In 2020, accumulated trading in Public Debt on the BME platforms reached €279.2 billion, 16.3% down on the volume of the same period of the previous year. The uncertainty during the second quarter of 2020 has mainly affected trading on the SENAF Platform reserved for financial entities, which has fallen by almost 24%.

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<th>SEND</th>
<th>Total</th>
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<td>-13.5%</td>
<td>-16.3%</td>
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<table>
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<tr>
<th>Year</th>
<th>Regulated fixed income market volume issued and admitted of Spanish public debt (2018-2020)</th>
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<tr>
<td></td>
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<tr>
<td>2018</td>
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<tr>
<td>2019</td>
<td>231,912</td>
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<tr>
<td>2020</td>
<td>275,067</td>
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</table>
3.2 ACTIVITY IN PRIVATE DEBT

The volume of Spanish private debt issued and admitted to trading on the regulated market in 2020 reached €119.2 billion, a slight increase of 4.5% compared to the previous year. During the year, there was a noteworthy growth in promissory notes, which grew over 48% to €22.3 million. Another important aspect was the recovery of mortgage-covered bonds, which grew by almost 13% to €38.5 billion, and securitisation, which with almost €36.3 billion grew by 94%. The Corporate Debt acquisition programmes launched by the European Central Bank have served as a point of support for the recovery of volumes after the moments of tension experienced by the markets, during March.

At the end of 2020, the total outstanding balance of Spanish issues registered in the regulated private Fixed Income market grew by 0.2% year-on-year to €464.6 billion.

Interest rates on private Fixed Income in Spain, after the strong rebound experienced in March, have reached all time lows in the last quarter, benefiting from the ECB's purchase programmes, both the Corporate Sector Purchase Programme (CSPP) and in the Antipandemic Programme (PEPP). According to data published by the CNMV at the end of 2020, the 5-year Private Fixed Income entered negative territory, at -0.13%.

Among the year highlights for the market of note is the record number of Spanish non-financial institutions that issued fixed income securities in 2020, reaching 91 companies. As regards financial institutions, the issuance of CoCos, anti-crisis debt, and banking entities registered in the BME market stand out among the highlights of the year in the market: Ibercaja in January for €500 million, BBVA in July for €1 billion and Caixabank in October for €750 million. CoCos are hybrid debt instruments that are convertible into shares of the issuer if the highest quality capital ratio falls below a certain level.
MARF, a key tool for companies during the crisis with support from ICO and the ECB

With 2020 being such a complex year, the MARF market has seen its positioning as a key tool for business financing endorsed. It was designed as a multilateral trading facility in 2013 to efficiently incorporate the fixed-income issuances of companies of a diverse range of sizes, many of which were not present in the capital markets before issuing on the MARF and since its launch up to December 2020, it has been used by 90 companies (6 Portuguese) to raise funds. After growing steadily during its seven years of life, this market plays a key role among the alternatives in the move to diversify corporate funding sources in Spain.
Despite the exceptional circumstances that have characterised this year as a result of the Covid-19 crisis, and after a stoppage in March and April, the pace of issuance has recovered as the second quarter progressed thanks to especially the extension to the issuance of promissory notes made in this market of the programme of public guarantees channelled by the Official Credit Institute (ICO), for a value of up to €4 billion. ICO coverage reaches up to 70% of the total volume of the issue.

A large number of companies have registered with the MARF promissory note programmes with a guarantee or endorsement from the ICO, among them El Corte Inglés, Sacyr, Amper, Tubacex, Audax Energías, Aedas Homes, Hotusa, Pryconsa, Vocento and Pikolin. Altogether, the modifications of 16 promissory note programmes have been processed to incorporate this possibility of issuing guaranteed promissory notes and, under this, issues have been carried out satisfactorily for issuers, reaching a value of approximately €2.5 billion. The extension of the issuance term stands out among the characteristics of the guaranteed promissory notes, in such a way that the companies have obtained more stable financing.

ICO has also launched the direct subscription of shares in promissory notes issued in this market to support the liquidity of companies. In October, the decision of the European Central Bank to consider the MARF as a multilateral trading facility eligible for monetary policy was made public. As a direct consequence of this decision, the dual programme for the issuance of medium and long-term mortgage bonds presented by Banco Caminos and Bancofar has been incorporated into the MARF.

Due to its relevance in the field of financing small companies, the admission to trading, at the beginning of October, of a new issue of synthetic securitisation bonds in the amount of €198 million by the Pymes Magdalena 4 Securitisation Fund, constituted by Sociedad Gestora Santander de Titulización also deserves a special mention.
This operation covers a portfolio of loans granted to SMEs by Banco Santander in the amount of €2.3 billion.

Mostly thanks to all these measures, the total volume of issuances in the 2020 recovered after the near total stoppage in March and April and has reached €9.6 billion, with a moderate fall of 7% year-on-year. The total outstanding balance at the end of December stood at €5.3 billion, with a slight increase of 3.8% compared to close of the previous year.

In a year as complex as 2020, the MARF has seen the inclusion of issuances from 8 companies from very different sectors that have issued for the first time: among them, Logitravel from the tourism sector, Vía Célere and Metrovacesa from the real estate sector, Grupo GranSolar from the renewable energies sector, IM Vall Companys from the agri-food sector, Haya Titulización, Sociedad Gestora de Fondos de Titulización for ODF Energía, Network Steel Resources, from the steel sector, and the engineering firm Técnicas Reunidas.

**Improved attractiveness of the Spanish debt markets compared to the competition**

For yet another year, in 2020 the volume of issues made and registered by Spanish companies and business groups in foreign markets and stock exchanges was high. According to the data published by the CNMV, the accumulated issues up to August totalled €67,034 million, a figure that represents 45% of all issues of private Fixed Income made by Spanish companies in any market. However, we must also add the issues made and registered in foreign markets and stock exchanges by the subsidiaries of Spanish companies in the rest of the world to these volumes, which amounts to €51 billion until August.

In brief, of the almost 200 billion private Fixed Income issues made by Spanish business groups between January and August 2020, 59% were made and registered in foreign markets and exchanges, a phenomenon that worries all participants in the Spanish stock markets.

It is a practice that does not benefit the Spanish financial markets or their participants and both the CNMV and BME have been trying since 2018 to improve the attractiveness of the Spanish markets for issuing companies through the implementation of measures that simplify the issuance and admission of debt in Spanish markets, thus facilitating fundraising in domestic markets during situations of financial stress and a high need for liquidity. Some important Spanish companies such as Inmobiliaria Colonial, Endesa or AENA have repatriated part of their Fixed Income issues as a result of the initiatives of the CNMV and BME.
3.3 FIXED INCOME, THE KEY TO FINANCING SUSTAINABILITY

Funding aimed at promoting sustainability and the fight against climate change continues to grow worldwide. According to the International Capital Markets Association (ICMA), the issue of green, social and sustainable will have reached a volume of more than 500 billion dollars by 2020, according to forecasts by the Swedish bank SEB. By mid-September, according to the International Capital Markets Association (ICMA), it had already exceeded 300 billion dollars, which is already very close to the 321 billion dollars issued in the entire year 2019.

Throughout 2020, the Covid-19 crisis has slowed the issuance of so-called green bonds, but social and sustainability bonds have grown, which have broader purposes mainly linked to avoiding social exclusion. According to the aforementioned organisation, these social and sustainability bonds would be experiencing a very strong growth in 2020, with a total issuance up to September of almost €140 billion, double the annual total of 2019.

In the case of Spain, sustainable financing issued by companies and institutions in 2020 will reach €15 billion in 2020, with growth of 54% compared to the previous year, according to data collected by the Spanish Observatory of Sustainable Financing (OFISO). If between 2014 and 2019 sustainability financing had already multiplied its annual volume by 18 times, in 2019 alone, the growth compared to the previous year was greater than 50%, with an issued volume of ESG Bonds of €9.8 billion. The figures for the last two years place Spain in the top 10 of countries that issue sustainable bonds, a position that is a substantial improvement on the one that would correspond to its GDP. By type, in 2020, green bonds accounted for 60.7% of total issuance, social bonds 18.8% and sustainability bonds 20.5%. The highest growth compared to the previous year was achieved in social bonds, with 88%.

Expectations for the coming years continue to be very favourable and more so in the case of Europe, where the European Commission has announced that it is considering using green bonds to finance up to a third of the Next Generation EU Recovery Programme, provisioned with almost €750 billion.

In Spain, and particularly in BME’s markets, throughout 2020, they saw issuances such as the first health social bond issued to fight the Covid-19 pandemic, launched by the Comunidad de Madrid, the Basque Country social bonds, the ICO social bond to mitigate the economic impact of the virus, and the issuances of social bonds by BBVA and CaixaBank totalling €1 billion.

The issuance and registration in BME of the first Green CoCo launched by a financial institution in the world, in this case, by BBVA, is of particular note, which forms part of its objective of reaching up to €100 billion channelled towards sustainable investments up to the year 2025.

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**SUSTAINABLE BOND ISSUES IN SPAIN**

**DATA BY TYPE OF ISSUE IN BILLIONS OF EUROS.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Green</th>
<th>Social</th>
<th>Sustainable</th>
</tr>
</thead>
<tbody>
<tr>
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<td>2.5</td>
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<td>0.2</td>
</tr>
<tr>
<td>2015</td>
<td>2.7</td>
<td>0.7</td>
<td>0.3</td>
</tr>
<tr>
<td>2016</td>
<td>3.2</td>
<td>1.1</td>
<td>0.7</td>
</tr>
<tr>
<td>2017</td>
<td>5.0</td>
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<td>2.0</td>
</tr>
<tr>
<td>2018</td>
<td>6.2</td>
<td>2.5</td>
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</tr>
<tr>
<td>2020</td>
<td>11.5</td>
<td>4.0</td>
<td>6.5</td>
</tr>
</tbody>
</table>

*PROVISIONAL DATA IN 2020 UNTIL 15 SEPTEMBER WITHOUT BREAKDOWN. SOURCE: OFISO*
Interest rates on Public Debt return to historical lows with the support of the Central Banks. Unprecedented measures by the European Central Bank.

The monetary policies of the main central banks have become the main weapon to tackle the deep health and economic crisis caused around the world by Covid-19. Fixed Income markets have strongly reflected the effects of both the crisis and the forceful and unprecedented response by the central banks.

The North American Federal Reserve had already started its expansionary policy in 2019 with three cuts in intervention rates in July, September and October, to place them at 1.75%, in light of the „prominent risks“ for the economy. Already in 2020, the spread of the pandemic caused by the coronavirus and the growing uncertainty about the North American and world economy led the FED to aggressively cut intervention interest rates outside the normal calendar, on 3 March, to between a range of between 1% and 1.25%, the first time it has returned to this level since 2008. Due to the spread of the pandemic, on Sunday 15 March, again outside the normal the calendar, it applied another cut of 1 percentage point to the minimum range of 0-0.25%. Up to 11 emergency programmes were launched between March and April, with a capacity of up to $2.6 trillion. Among those that affect the debt markets are the unlimited purchase programme of Treasury debt and mortgage securities and the two programmes that allow the acquisition of Corporate Debt in the regulated market with an „investment grade“ rating and any that had lost this rating during the pandemic. There is also a programme that allows the acquisition of ETF bonds below investment grade and others to support the market for short-term promissory notes and municipal debt. At the ordinary meeting held on 29 April, it announced that neither the rates nor the stimuli would be withdrawn until the reversal of the serious situation.
The ECB announced an initial package of measures on 12 March to reinforce liquidity and for greater purchases of assets to face the health and economic crisis. Conditions were improved so that banks could request almost unlimited liquidity from the TLTRO-III programme at a lower cost and by relaxing the conditions, and the current sovereign and corporate bond purchase programme was substantially increased with another €120 billion, added to the purchases of €20 billion a month already underway.

Given the seriousness of the health and economic crisis looming over the European economies, the Pandemic Emergency Purchase Programme (PEPP) was launched on 18 March with €750 billion to „restore the orderly functioning of the financial markets of the Eurozone and ensure that European Monetary Policy continues to reach all corners of the Eurozone.™ On 26 March, the limits on bond purchases by countries were eliminated and on 22 April it was announced that it will accept bonds that have lost investment grade (fallen angels) during this crisis as a guarantee of liquidity operations to the banks. At its meeting on 4 June, the volume of the PEPP programme was increased by €600 billion to a total size of €1.3 trillion and it was extended to June 2021. The debt expiring under this plan until the end of 2022 will also be reinvested. In December and given the gravity of the pandemic’s second wave, the ECB decided to extend the PEPP programme for nine months, up to March 2022, adding to it €500 billion to reach €1.85 trillion in total.
In addition to these measures having an impact on the debt markets, at the meeting on 30 April, the conditions of the TLTRO liquidity auctions to banks were improved in the medium term conditioned on credit, with an additional bonus of 50 basis points, from the 25 above. Banks providing credit may obtain up to an additional 1% by also saving the cost of 0.5% for having funds deposited with the ECB. It was also announced that as of May there would be 7 emergency liquidity auctions (Pandemic Emergency Longer-Term Refinancing Operations or PLTRO) linked to the pandemic, but not to credit, with an estimated volume of €3 trillion to preserve the functioning of the money market, which will have a negative interest for banks of -0.25% and repayable until September 2021. A temporary reduction of capital requirements for banks was also implemented and it was demanded that they cancel all dividend payments until October, but later until the end of the year. In December, the extraordinary liquidity conditions for banks were also extended until June 2022.

Markets
During 2020, the world and European markets for Public and Corporate Debt have reflected the severity of the health and economic crisis and the rapid action of the central banks, which has returned yields at all time lows and in many cases these have been negative.

The US 10-year Bond, converted into a safe haven asset, took an accelerated downward path from 1.88% at the beginning of the year to the historical low of 0.50% on 9 March, a level that was almost reached again on 4 August with 0.51%, to commence a rebound to 0.92% that was reached at the end of the year. The 30-year US Bond also marked successive historical lows, until it fell below 1% on 9 March for the first time in its history.
In Europe, with the worsening of the health crisis, Spanish and Italian risk premiums increased in March both due to the rise in the yields of their bonds and the reduction in the rates of the German 10-year Bond, once again becoming a safe-haven asset.

The German Bund started the year with a negative yield of -0.23% and increased to a minimum of -0.87% on 9 March to then begin moderate recovery to -0.58% at the end of the year.

The 10-year Spanish bond began the year at 0.44%, rising to a maximum of 1.19% on 18 March, to start a downward trend that would lead it to record lows (-0.01%) on 15 December for the first time in history, closing the year 2020 at 0.04% as a reflection of the impact of the strong measures of the ECB. The risk premium of Spanish bonds in comparison with Germany's benchmark bond, which during the worst moments of the health and economic crisis exceeded 150 basis points (1.5%), is once more consistently below 100 basis points, closing the year at 0.6% (60 basis points). The Italian bond started the year at 1.41%, rising to 2.28% on 18 March and later returned to a minimum of 0.51% at the end of December, thanks to the measures implemented by the ECB.

Corporate debt has undergone a year marked by extreme volatility during the initial moments of the health crisis with never before seen fluctuations in this segment of the market. The aggressive investment grade corporate bond
purchase programmes announced by major central banks, the ECB in particular, have calmed these corporate bonds. As for BBB rated European Fixed Income, according to the Iboxx Index of BBB rated Eurozone Bond Prices, prices plummeted by almost 10% in just three weeks to mid-March, to subsequently initiate an upward rebound that quickly took them above their starting levels in November and December. The recovery is even more stunning if we look at the returns offered by top investment grade corporate bonds: according to the Moody’s Index for triple A issues, rates started the year at 2.94%, between 5 March and 9 March rose from 2.68% to 4.12% to return to their previous level in early April and steepen the fall in yields to the 2 and 2.5% bracket, closing the year at 2.23%.
FINANCIAL DERIVATIVES
FUTURES AND OPTIONS

04

26% more trades in MEFF due to the greater presence of retail investors

11% growth in Share Options, the product with the highest growth in 2020

Increase in volumes traded in electricity derivatives
FINANCIAL DERIVATIVES: FUTURES AND OPTIONS

The Spanish derivatives market, the MEFF, is expanding and diversifying with the inclusion of new products such as foreign exchange derivatives or the growth of electricity products. In a context marked by the sharp increase in volatility in the stock market, the Equity derivatives range reduced their traded volume by 10% in 2020, mainly as a consequence of the prohibition of short selling in Spain for two months. All in all, the total number of trades shot up 26%. The product that grew the most in the year, by almost 11%, were the options on individual shares while the IBEX 35® futures, the flagship product of the Spanish derivatives market, remains stable.

The total volume of Financial Derivatives traded during the year reached 40.5 million contracts, 9.9% less than in the previous year. The total open interest for contracts at the end of December was reduced by 0.81%.

The increase in volatility boosts the use of Equity Derivatives as hedging products, but the growth in the volume of contracts noted in the first quarter was slowed by the aforementioned ban on short sales in Spain for two months. During the second quarter of the year, the total volume traded fell to 9.6 million contracts, 27.1% less than the same period of 2019.

An outstanding aspect of the year in the Spanish Financial Derivatives market has been the increase in trades by small investors (retail), reflected in the total number of trades in the market, which increased by 26% in the year, to 4.4 million trades.

Volatility doubles in 2020 compared to the previous year

Implied volatility in 2020 has increased to a daily average of 25.5%, according to the VIBEX Volatility Index®, compared to 13.7% for the whole of 2019.

The VIBEX® index, which was created in 2018, allows the Spanish stock market volatility to be followed daily using the most liquid IBEX 35® options traded on the MEFF derivatives market. According to this indicator, the average implied volatility reached annual highs on 16 March 2020, at the worst moment of the health crisis caused by Covid-19, with a value of 76.6%. This maximum is only comparable to the level of 79.2% reached on 27 October 2008, at the worst moment of the global financial crisis after the bankruptcy of the Lehman Brothers investment bank in the US. The average daily volatility for 2020 was 25.5%, above the historical average of the VIBEX® since 2007, at 23.3%.

The drop in volume in the Spanish market occurred largely as a result of the two-month ban commencing on 17 March on making short sales on the Spanish stock market, a measure that has also been applied in European countries like France, Italy, Belgium, Austria and Greece, but not in the UK or German markets. In Europe as a whole, according to data from the Futures Industry Association (FIA), the volume of options and futures traded increased by 11% from January to November, compared to the comparable period of the previous year.

The total volume of Financial Derivatives traded during the year reached 40.5 million contracts, 9.9% less than in the previous year. The total open interest for contracts at the end of December was reduced by 0.81%.
Individual Stock Options Grow

Another outstanding aspect of the behaviour of the Spanish Financial Derivatives market in 2020 has been the sharp increase in Individual Stock Options, a phenomenon that has also occurred in the main international markets, largely linked to greater trading activity by retail investors and traders. In 2020, trading in Stock Options grew by 10.9% to 19.4 million contracts. According to FIA data, the worldwide trading volume of individual stock options increased by 50% up to November.

The volume accumulated in 2020 in the Future contracts on the IBEX 35® decreased slightly (1%), while the number of trades (3.4 million) did so by 26% year-on-year. The Mini IBEX 35® futures contracts increased by 6% to 1.54 million and the number of operations by more than 37% to 0.84 million. The increase in small contracts has also been a global trend this year. For example, the main North American derivatives markets, CME, the Intercontinental Exchange (ICE), and CBOE, have created and launched smaller versions of their most popular futures contracts for which demand from small investors has increased substantially. Along these lines, the demand for specialised training by these investors, in many cases already small „traders”, has also increased around the world.

Hedging products for IBEX 35® dividend payments and individual shares have been penalised by the uncertainty generated regarding the maintenance of the dividend payment schedule of listed companies as a result of the crisis caused by COVID-19. The trading in IBEX 35® Dividend Impact Futures contracts shrank by 37% in 2020 and Stock Dividend Futures fell by 83%.
Individual Stock Futures have also seen their volume decrease in the year by 28% compared to the previous year to close to 11 million contracts, hampered by the prohibition on short sales.
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**Energy derivatives**

The BME Electricity Derivatives market, where contracts are exchanged that allow adequate coverage to operators in the Spanish electricity market, has experienced a year characterised by increased volumes traded as a result of increased coverage by operators and the closing of positions at times of high volatility in the electricity spot market.

Thus, the electricity market in Spain has been very active throughout 2020 and with a high volatility in its prices as a result of the Covid-19 pandemic. The significant drop in prices of some commodities with high correlation with electricity (oil, gas, etc.), as well as the decrease in demand for electricity as a result of the slowdown in economic activity, have affected the behaviour of the Spanish electricity market spot prices.

The existence of the Electricity Derivatives market allows operators to close the prices at which they will buy (consumers) or sell (producers) their energy in future periods of time (weeks, months, years, etc.), allowing them to effectively manage the planning of their activity, especially in companies and industries with high consumption and, therefore, high cost in their income statement. The effects on these companies are very significant, which means that more and more consumers have direct access to the Derivatives market in order to close future trades.

In 2020, the volume of Terawatt hours or TWh (equivalent to millions of Megawatt hours or MWh) represented in the contracts traded in the MEFF reached 27.8 TWh, with an increase of almost 10% year-on-year. Furthermore, the open interest at the end of December was above the 8 TWh registered.

**xRolling FX: Currency derivatives**

2020 will be the first full year of operation of the xRolling® FX Currency Futures contract market after its launch in 2019 framed within the strategy of the Spanish MEFF derivatives market to highlight its experience as a market regulated and supervised by the CNMV, with a proven trading system and decades of experience and the security provided by a central counterparty (CCP) authorised and subject to the European Market Infrastructure Regulation (EMIR). The xRolling® FX are “perpetual” type contracts, which renew automatically at the end of the day and cover 17 of the main global currency pairs. Trading hours span 23 hours and the buy-sell spreads are very narrow and competitive.

The xRolling® FX has competitive advantages over CFDs, in which retail clients trade, or compared to more sophisticated products such as OTC bilateral hedges with Forwards in which importers, exporters or holders of financial assets used to hedge their exposure to exchange rate risk. The flexibility, simplicity, zero counterparty risk, lower capital requirements, transparency and effectiveness of the hedge are some of the reasons that have led numerous entities such as managers or companies to participate in the market through the 6 distributing market members.

The most significant fact in the world currency market (FX) in 2020 has been the gradual weakening of the dollar against the main currencies, and in particular against the euro against which it has depreciated more than 8% in the year. The greater aggressiveness of the monetary policy of the North American Federal Reserve compared to that carried out by the European Central Bank against the
backdrop of Covid-19, is the basis for this performance of the main world currency.

Altogether, trading in xRolling® FX contracts has increased progressively during the year, especially in the third quarter, in which it has multiplied by 100 year-on-year. The heaviest monthly volume was registered in December, with almost €36 million traded. Increases in trading are expected over the coming months, with the inclusion of new liquidity providers, in addition to banks that will be distributing xRolling® FX to both international corporations and institutional clients.

ECAC Dividend Guidelines

After the launch in 2019 of the European Corporate Actions Committee (ECAC) as a permanent contact forum to seek alignment in the treatment of corporate actions with an impact on the derivatives markets, in 2020 the guidelines have been defined for the treatment of corporate actions in derivative contracts when dividend payments are postponed or cancelled due to the COVID-19 crisis.

These guidelines help determine whether, under the current circumstances, the announcement of dividends will result in an adjustment to derivatives contracts or not. Of particular importance is the recommendation referring to the dividends related to the distribution of the 2019 profit. These dividends will be considered as ordinary regardless of whether the issuer defines these dividends as extraordinary.
The growth of activity in Mini Ibex Futures.

€1.6 billion is the average daily cash cleared in the Equity segment.

This is the volume registered in Energy Derivatives (Electricity + Natural Gas).

6.1%
Clearing activity

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

FINANCIAL DERIVATIVES

The activity in equity derivatives has been greatly affected by the high volatility during the months of February and March as a result of the beginning of the signs of the SARS-CoV-2 pandemic and the impact it has had and continues to have on society, the economy and the financial markets throughout the year. This impact has been unsettled for months and instruments, with months registering a much higher than usual activity and other months very low activity. Overall, measured in terms of contracts, the segment’s activity during 2020s has decreased by 9.89% compared to 2019. The main product, IBEX 35® Futures, has decreased slightly over last year, decreasing by 1%, to 5.9 million contracts, and the Mini IBEX 35® Futures has increased by 6.1%, to 1.5 million contracts. The volume of stock futures decreased by 28.3% compared to 2019; while dividends futures on shares were down by 82.9% and the IBEX 35® Impact

Dividend futures rose by 36.8%. IBEX 35® Options fell by 36%.

Stock Options have presented positive figures, with a total of 19.4 million contracts cleared, an increase of 10.9%.

The global open interest for equity financial derivatives at the end of the year 2020 remains in similar levels, increasing by 0.82% in 2020, compared to year-end 2019.

In June last year BME launched xRolling® FX, “perpetual” futures contracts on 17 currency pairs. Activity in these contracts is growing, with an accumulated volume in of 21,793 cleared contracts in 2020. It is expected to continue growing while development work continues in this business segment.

EQUITIES

The equities segment provides the central counterparty service for securities traded on the Spanish Stock Exchange.

In 2020, the daily average was 433,742 trades (purchases and sales), up 48.43% from 2019, with average daily cash (one side) cleared of €1.6 billion, down 10.071% from 2019 and securities cleared reaching an average daily volume of 728 million.
REPOS

The Fixed Income segment offers the central counterparty service for repo and simultaneous transactions on Spanish Sovereign Debt and six other European Sovereign Debts: Italy, Portugal, Germany, France, Holland and Austria. With the interposition of the CCP, the counterparty risk for the settlement participants is eliminated.

In addition to Spanish debt, the registration and clearing of repos on Italian debt became consolidated in 2020. The activity in Italian debt was high during the summer months, reaching its maximum volume registered in September since it began clearing activities in December 2019.

The total volume registered in all debts during 2020 reached €290.3 billion at 31 December, of which €278.2 billion correspond to Spanish debt, €12 billion to Italian debt and €75 million to Portuguese debt. The monthly average number of operations was 227.

Total open interest at the end of December was €17.8 billion, with an average period of 21 days.

As regards Spanish debt, the open interest at the end of December was €16.2 billion, with an average term of 20 days, while the Italian debt stood at €1.6 billion, with an average term of 30 days.

In November 2020, the first two transactions in Portuguese debt were registered and cleared with an accumulated cash volume of €75 million.

The registration of all the Sovereign Debt indicated above can be carried out bilaterally through Iberclear, or as a result of the transactions traded on the Brokertec platform, Europe’s leader in electronic trading of repos. All settlements are made through T2S.
ENERGY
The energy derivatives segment has continued to attract interest from numerous entities active in the sector for electricity, increasing the number of participants from 179 entities at the end of 2019 to 215 settlement participants at the end of 2020. The volume registered in electricity during 2020 totalled 27.8 TWh, representing an increase of 5.2% compared to that of 2019, to stand at 26.4 TWh. The open interest reached 8.2 TWh at the end of 2020.

Since the beginning of the clearing of natural gas derivatives in 2018, the behaviour has continued with a significant increase in the number of participants to 39 entities at the end of December 2020, with a registered volume in 2020 of 7.1 TWh in comparison to the 234,000 MWh for the whole of 2019, multiplying the volume more than 30 times, and with an open interest of 3.4 TWh, both figures being much higher than expected.

The expectations for future development for gas instruments are high, in a market with an outlook for strong growth in volumes over the coming years. It is planned to start trading in Liquefied Natural Gas (LNG) in 2021 with physical delivery in the Virtual Balance Tank, with characteristics similar to those of natural gas, such as natural expansion of the chamber in all those products with high expectations for future development.

SWAPS IRS
The swaps segment offers a central counterparty service for trades involving interest rate derivatives. It commenced its activities in 2016. In 2020 it registered a total volume of €12.2 million.

The open interest was €586 million at the end of December 2020.
SETTLEMENT AND REGISTRATION

06

Nominal balances increase in Private Fixed Income and Public Debt

Positive progression of the Cross Border Services (CBS)

5.84% growth in settled instructions
Settlement and Registration

2020 has been the year of the pandemic, but also for the settlement and registration of securities. Since BME activated its Continuity and Contingency Plan in March, Iberclear has been offering its services as normal.

With regard to the most significant revenue figures, the number of instructions from stock market operations settled in Iberclear in 2020 was up by 5.84% compared to the previous year, with a monthly average of 0.66 million trades.

In terms of cash volume settled, there was a fall of 10.68%, with a daily average of €6 billion being settled compared to €6.8 billion of the previous year. Due to the drop in market prices over the period, this cash amount settled should have registered an even greater decrease, but it has been cushioned by a parallel increase in the volume traded due to the volatility registered, especially during the first half of the year.

However, the nominal balances for the period showed an increase of 2.88% in the securities listed on the BME private fixed income market and a more remarkable growth of 10.42% in the public debt market. Equities dropped by 10.55% at market prices as a consequence of the said drop in prices compared to 2019.
The evolution of the pandemic in Europe has added to the other factors, therefore, public administrations have been postponing the entry into force of some regulatory projects that affect the post-trading sector. Specifically, the European Commission confirmed the delay of the entry into force of the Settlement Discipline Regime (SDR) to February 2022 and the consolidation of T2/T2S has been pushed back to November 2022.

The implementation of the harmonisation standards on collateral management, initially scheduled for November 2022, will be postponed in line with the delay of the entry into force of the ECMS project (European Collateral Management System), already approved by the European Central Bank, until November 2023.

However, Implementing Regulation (EU) 2018/1212 that establishes the minimum requirements for the development of the Shareholders Rights Directive (SRDII) entered into force on 3 September.

Other initiatives

The cross-border settlement and custody service, called Cross-Border Services (CBS), with which Spanish financial institutions can register and settle international securities through Iberclear, has continued to progress positively during 2020 and despite the additional difficulties during this year.

Specifically, with the data available from the last twelve months, the balances of securities in the custody of this service had multiplied by more than two-fold: From just above €9.2 billion at the end of 2019 to close to €21.5 million at the end of December 2020 (+234%).

European settlement on the T2S platform

Turning to T2S, the most remarkable thing is that it has been able to function in general terms, along with the other technical platforms, correctly despite the problems both in technical management, this being remote, and the turbulence in financial markets which generated considerable volumes of trades to be settled, all a consequence of the COVID-19 pandemic.

Of particular note would be the correct implementation of important releases of the T2S software in February, June, September and November, as detailed in the annual planning agreed between the ECB and the CSDs and Central Banks participating on T2S.
MARKET REPORT 2020

07

MARKET DATA

Record number of clients receiving market data from BME

BME Market Data expands content, information in real-time and end-of-day

Launch of LATAM Exchanges Data LED
Latam Exchanges Data (LED) went into production in June of this year. The goal of this initiative is to promote the generation, distribution and sale of information on Latin American financial markets using the highest levels of automation and processing. This is crucial information that is in high demand among entities with interests in these markets.

Throughout 2020, several entities and financial information vendors have signed agreements that allow them to access LED products during a trial period. Meanwhile, the development and integration of additional sources and content continues.

In 2021 we will work with new contributors of information in Latin American financial markets to incorporate new content not only from the countries currently included in the service, but also from the rest of the region's countries with the medium-term objective of expanding the coverage of the services offered by LED to the entire Latin American area.

Lastly, BME Market Data has continued to promote the hosting and connectivity services known as „BME Co-Location“, „BME Proximity“ and „BME London HUB“ to continue offering the most advanced solutions on the market in this field. Specifically, work has been done to improve the infrastructure of the BME London Hub service to optimise the benefits offered by this connection service with the Group's clients in London. 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 the various BME Group operating environments.

Despite the difficult backdrop of 2020 as a consequence of the Covid 19 pandemic, BME Market Data has seen its number of clients increase to a new all-time high in those who receive market information from BME through information distributors, with a slight decrease in the number of clients who opt for a direct connection with BME Market Data servers in order to minimise data reception and processing times.

The monthly average of delivery points disseminating real-time information on over 60,000 equity, fixed income and derivative instruments and indices managed by BME group during 2020 easily exceeds 90,000.

In this financial year, BME Market Data has carried out the testing phase of the new method for disseminating public information based on the „Multicast“ methodology, the „BME MULTICAST BINARY FEED“. This will allow clients to receive information on BME Equity and Derivatives markets with the highest level of detail and a very low latency in receiving data.

BME Market Data significantly range of content for both real-time and end-of-day information.

Regarding the new content available in real time, the unit has activated the dissemination of deferred Fixed Income transactions in its information systems and launched the new Retail Service in BME's information dissemination products.

BME Market Data has also expanded its line of analytical and end-of-day products and services with the launch of a prototype to calculate the daily public debt index. Likewise, work is being done to implement the daily calculation of the „Fair Value“ of private fixed income assets listed on BME. BME Market Data currently delivers more than 1,400 end-of-day files at the end of each session.

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MARKET REPORT 2020

08

REGIS-TR

10th anniversary of the creation of Regis-TR
REGIS-TR

REGIS-TR maintains its leadership position among the largest trade repositories in Europe, with more than 1,500 accounts open in 37 countries. The derivatives trade repository continues to gain importance in the market, thanks to the experience and positioning in the financial markets of its two shareholders, Iberclear and Clearstream. REGIS-TR offers information to 46 European authorities under EMIR and 24 European authorities under SFTR, through TRACE, ESMA's common information portal, and our own.

COVID-19 delayed the start of the SFTR, postponing the start of each phase and forcing phases one and two to roll out simultaneously. The fourth and final phase will come into effect in January 2021. Market participants, trade repositories and regulators were well prepared thanks to meticulous planning, close collaboration and the success of expert working groups. Building on the successful adaptation of the above regulations, close industry-wide collaboration has been key to the effective execution of SFTR.

REGIS-TR and its clients have continued to be affected by the UK's exit from the European Union. Brexit, its delay, the uncertainty about a deal and doubts about the details and communication flows of post-Brexit transactions have been a major challenge across the industry. REGIS-TR UK, the sister entity of REGIS-TR, was created in 2019 and will be regulated by the Financial Conduct Authority (FCA). REGIS-TR UK is ready to start reporting transactions under EMIR after Brexit and the team is preparing for this moment. REGIS-TR UK is, by clients and volumes, the largest foreign trade repository in this market.

Another project that REGIS-TR has presented in 2020 is its podcast, The REGIS-TR Roundup. With the aim of filling the gap in communication and relationships lost due to the pandemic, the weekly podcast attracts guests from the sector to discuss the news and challenges of regulations, Brexit and general news. REGIS-TR Roundup has been very well received, reaching more than 3,000 downloads and 10,000 streams worldwide.