



LETTER
FROM THE
CHAIRMAN



Antonio Zoido, Chairman of BME

Dear shareholder,

In 2015, tension in the international financial markets increased, resulting in greater volatility in share prices and Corporate and Public Debt.

Factors such as the rising disparity between monetary policies of the main central banks; the weakness in certain economies and areas, particularly emerging markets; falling commodity prices; Greece's talks with the euro area; or geopolitical tension, all helped generate uncertainty in the global financial system which has remained highly liquid and showed it had faith in the central banks' powers and monetary policies to be able to get the economies back on track.

The key areas of activity: capitalisation, trading, channelled financing and shareholder remuneration, have reached important levels.

Capitalisation over one trillion

Capitalisation remained over one trillion euros for the third year running, something not seen since before the crisis. This puts the Spanish exchange in the group of bourses with the highest capitalisation of its listed companies. From the lows of 2012, and excluding companies domiciled abroad, Spanish listed companies have seen their value increase by 375 billion euros.

Trading continues to improve

Trading levels have risen, standing at 962 billion euros, 8.9% higher than 2014. This puts the figure close to one trillion for the first time since 2010. The average cash amount per trade was 15,528 euros, the highest for the past three years. The number of trades remains close to record highs, at around 62 million.

More Fixed Income issues

Very low interest rates and market uncertainty caused volatility in global Public and Corporate Debt markets to spike. Bond prices in the global Corporate Fixed

Income markets also declined, triggering higher yields which, unlike Public Debt, have barely recovered at the end of the year.

In 2015, activity in the Spanish corporate Fixed Income market continued adjusting and the outstanding balance of issues declined to below 540 billion, 38% less than at the end of 2012. Trading totalled 514.78 billion euros in 2015, 53% less than the same period in 2014, mainly due to low interest rates and the above mentioned reduction in balance.

The primary bond market is gradually returning to normal, with a 27% increase in new issues.

IBEX 35 Futures strong

The total number of Futures and Options contracts traded in MEFF was down 15% but up 5% in terms of underlying nominal volume. The market's main product, the IBEX 35 Future, was up for the third consecutive year while the volume of futures and options on individual shares declined.



Top shares in Europe by liquidity

Spanish listed companies are not only a benchmark in terms of their business and valuations, they are also favoured for their liquidity. Santander is once again the most liquid stock on the Euro Stoxx and is accompanied by Telefónica, BBVA, Iberdrola and Inditex.

Record foreign participation

Foreign investors are increasingly attracted to the market. Foreign investors own 44.1% of all listed Spanish equities and provisional figures for the first half of 2015 make this a new record.

Greater confidence in equities in households

Individual investors have also returned to the market. Households now own 26% of the listed shares, the highest level for 12 years and double that of the European Union as a whole.

The Stock Market channels more investment flows

Foreign and individual investors have entrusted the Exchange to channel their savings and offer a return. Likewise, more and more companies are choosing the market as a means of financing and to help grow. In 2015, total investment flows channelled by the Spanish stock market exceeded 41.5 billion, up 15% on the 2014 figure.

The market has always offered a high financing pace, even in the midst of the crisis, helping companies secure finance. Since 2008 companies have tapped over 242 billion euros through the Spanish exchange.

Record number of listings

The number of new listings has remained constant throughout the year. We had 7 new companies come to the market, with a further 16 joining the MAB, eight of these were SOCIMIs.

Record year for alternative markets

More and more companies are seeking financing on the alternative markets, a clear indication that these systems are meeting their requirements.

The MAB had a record year and now has 34 companies. In 2015, this trading segment channelled over 110 million. This is indeed good news but still well off its potential.

Positive performance of MARF

Issues on the MARF topped 757 million euros in 2015, 81% more than in 2014. This brings the total to 1.27 billion euros after just two years for this market, where different products with different terms are traded, offering investors a wide range of options.



AN INCREASINGLY COMPETITIVE ENVIRONMENT

New products

BME continues to offer all its participants new services. New sectorial indices were created to act as the underlying for financial products. The first FX Multis issues were also admitted to trading in the Warrants and Certificates segment.

Reform of the Clearing and Settlement System

The cash volume settled in Iberclear in 2015 increased 20.6% year-on-year, with an average of 4.98 billion euros settled daily. The nominal balances recorded at the end of 2015 decreased by 8.8% in the securities listed on AIAF and increased by 6.9% in the Public Debt Market. Equities grew by 6.8%.

The Reform of the Clearing and Settlement System will conclude in 2016. This will help Spain connect to Target 2 Securities, the pan-European post-trade infrastructure. The first phase only affects Equities, with Fixed Income following in 2017.

New segments for BME Clearing

BME Clearing, BME's central counterparty entity, began operating a new OTC interest rate swaps (IRS) segment.

REGIS-TR to act as energy reporting mechanism

For the past two years European entities have been reporting derivatives transactions to authorised trade repositories pursuant to EMIR. During this time activity on the Luxembourg-based REGIS-TR reached 1,000 clients and over 1,200 open accounts. Each day it receives around seven million new transactions and nearly 20 million messages.

Rise in clients requesting information

In 2015, BME Market Data continued to introduce new content. The Spanish exchange currently offers market data to over 120,000 subscribers worldwide through 300 large clients with real-time information on 45,600 Equity, Fixed Income and Derivatives instruments as well as 230 indices calculated by BME.

STRONGER PROFITS AND DIVIDENDS

Best result for seven years

In 2015, BME's net profit amounted to 173.5 million euros, 5.2% up on the previous year and the best figure since 2008. This is extremely satisfying for us as it clearly reflects the results of the company's efforts to modernise its structures.

Total revenue was 1.6% up on 2014 at 348 million euros while operating costs were down 0.4% year-on-year, at 103.1 million euros.

EBITDA for 2015 stood at 244.9 million euros, up 2.5% on 2014. Turning to the main indicators for monitoring financial management performance, the efficiency ratio improved, at 29.6% points while ROE stood at 40.9%.

Committed to our Shareholders

BME has upheld its attractive shareholder remuneration policy since 2007 and this year the Board will propose to shareholders at the general meeting the distribution of a gross 0.93 euros per share as the final dividend, up 4.5% year on year. This is the highest in the market operator sector and one of the highest of all Spanish listed companies.

BME's shareholder remuneration policy and the distribution of a pay-out above 93% is unique in our sector, given the company's operational gearing, which allows us to cover operating costs with revenue not linked to volumes.



THE CHALLENGES OF THE COMING MONTHS

More corporate transparency to have more efficient markets

Another point in its favour is the structural change to the financing model which is already being felt, particularly in the markets.

The evident problems in Spain mean we must not renounce the realistic reforms which will modernise our structures.

For many years we have publicly advocated the enormous value offered by a greater contribution from market financing to achieve a more balanced structure of companies' balance sheets and financial structure.

The financial crisis, proof of excessive indebtedness and leverage worldwide, has almost turned this analysis into a necessary mantra: companies need to have more

balanced financial structures, be less dependent on bank finance and make greater use of equity capital.

I believe that we have only just begun to make headway here. But they represent a very positive option for the development of the securities markets and we need to remember, as I mentioned previously, that the exit conditions of the Spanish market are excellent in total and competitive terms.

I believe that to push forward we must build on our position as one of the leading markets in Europe, and in fact the world, in terms of financing channelled to companies, and we have work to do there, with the following actions:

- Discover mechanisms to bolster the size of small and medium sized companies.
- Strengthen the development of the fledgling

markets, such as MAB and MARF, and optimise the strongest ones which are already open to larger companies.

- Enrich those services which improve the mechanisms to access financing in the market.
- I believe this will be much more effective if we develop a line of positive collaboration between the public and private sectors.

In short, we need to analyse permanently what we are doing and what is around us, always taking into account the possible implications and opportunities to improve future growth at BME and our strategic position, as well as creating shareholder value which will help us manage the Spanish securities markets with the utmost security, efficiency and transparency.

We are confident that we have a company which leads the way in profitability and efficiency and which boasts a strong and forward-looking business model as borne out by this review of the year. Dear shareholders, rest assured that we shall continue with this endeavour.

Antonio J. Zoido