

Letter from the Chairman



Dear Shareholders

It is an honour for me, as Chairman of the Board of Directors, to once again present BME's Corporate Social Responsibility Report (CSR) for the year 2012.

Although we are living through a period of deep crisis, we maintain our commitment to CSR. For this reason, in 2012 BME continued to focus its best efforts on its own responsibilities in this sphere: bolstering the financial system, especially with regard to transparency, universal access and efficiency.

Also within our own specific mission, we have sought to help channel funds towards companies, in view of the difficulties many face in obtaining financing. We believe our work in this field can be especially useful, as we advance and promote all avenues to facilitate contact with investors able to provide the resources needed in their operations.

Consequently, we can state with pride that the Spanish stock exchange, along with the London exchange, has taken the lead in company financing in Europe, having channelled a volume greater than €30 billion in new investment flows. To this we may add the role played by our fixed income markets, which have helped diversify and supplement companies' sources of financing.

To help broaden the public debate on this crucial matter and contribute suggestions and solutions in this field, we have organised and sponsored events such as Deleveraging and growth in Spain, a symposium we held jointly with the IEAF, or the Latibex Forum, which this year focused particularly on showing the opportunities offered in Latin America for Spanish companies. Both these events garnered extensive attention in the media and in the financial sector.

Within BME's policy of promotion and sponsorship, we would also note our participation in the second edition of Spain Investors Day, which helped put Spanish companies in contact with more than 200 investors; the Spanish Small & Mid Caps Conference, which brought together more than 30 American institutional investors with 9 Spanish small and mid cap companies, and our organisation of the MedCap Forum, with 75 small and mid caps and more than 200 institutional investors, brokers and analysts taking part.

As an expression of our commitment to shareholders, and despite difficult circumstances, we have maintained our capital remuneration. Hence, our dividend yield continues to rank high among IBEX 35 companies.

Letter from the Chairman

The start and development of the BME 2.0 programme in 2012 has achieved very positive results as the framework for launching new digital formats to facilitate access to our publications and database. In addition, this programme has significantly increased the presence of our group in social networks as a channel of dialogue enabling more effective communication with the general public. In less than a year, our corporate Twitter account has surpassed 2,000 followers.

At the same time, we have continued to uphold the commitments we undertook when we signed up to the United Nations Global Compact in 2011 as a member of the Spanish Network in the Large Listed Companies category.

With regard to BME's employees, in line with trends in the last five years, there has been a noticeable increase in training through the 2012 Training Plan, which has introduced innovative elements such as e-learning methodologies and a new curriculum in skills training. Internal monitoring of the plan indicates that the level of satisfaction among employees is high.

The continued effort to optimise our use of resources and to collaborate in reducing greenhouse gas emissions into the atmosphere has led to a reduction of energy and paper consumption per employee, thanks to energy-saving measures including indoor temperature limitation, and adjustments in travel practices, with the increased use of public over private transport and the utilisation of video-conference systems.

BME continues to be interested in supporting certain cultural activities, and is a member of the Friends of the Prado Foundation, a sponsoring partner of the Reina Sofia museum in Madrid, and a partner of the Teatro Real in Madrid. Through the Bilbao stock exchange, our company is a strategic patron of the Guggenheim museum in Bilbao. Additionally, we continue to collaborate with several institutions, universities and academic associations in training projects related to the world of securities markets, especially through the BME Institute, which contributes a good number of specific courses to these institutions.

As part of our financial education initiatives in the area of securities markets and their role in the financial system, in 2012 we launched the BME Ediciones Digitales service, a platform for the dissemination of articles, books and reports that is accessible online from any device.

BME's work in training journalists to help them fulfil their duty of providing coverage of securities markets is also particularly worthy of notice. We actively collaborate with the Spanish Financial Press Association, the Asociación de Periodistas de Información Económica (APIE), in organising training sessions. In 2012, BME continued to sponsor awards to drive and encourage stock market investment.

We dedicate a substantial portion of our collective resources and talent to fulfilling our commitments to the environment and society, placing an emphasis on our own particular responsibilities to shareholders, employees, clients and companies, while also seeking to make our own contribution towards meeting the difficult challenges that economies and societies are currently facing. And we shall continue to do so.

Thank you.



Antonio J. Zoido

Introduction

Since 2007, Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (BME) has fulfilled its voluntary commitment to issue a “triple report” on its economic, corporate and CSR performance. The 2012 Corporate Social Responsibility (CSR) report is available to all shareholders and covers the performance of BME and its subsidiaries during the year. It is complemented by the 2012 Annual Report, which includes the Annual Corporate Governance Report.

BME's corporate outlook: management model and relationships with main market participants

BME gears its management toward obtaining an optimal performance from all the assets at its disposal in a responsible and sustainable manner. This makes it a company with strong growth potential.

As manager of Spain's financial markets and systems, BME is the nexus between Spanish and international companies and investors. It provides a channel through which savings can be used to finance companies, while endeavouring to offer maximum speed, reliability, transparency, efficiency and security to the markets and systems it manages.

Since BME's incorporation, it has always been committed to being a reference for the economy and for businesses in Spain and Latin America (through the Latibex). To achieve this, its actions are guided by the following principles:

- **Efficiency in service provision**, which is essential for the financial market to perform its key role in fostering sustainable economic growth.
- **Market integrity**, which allows several centres to undertake trading activity simultaneously and under identical conditions.
- **An impartial trading environment**, achieved through strict compliance with laws and regulations governing the financial markets and systems.
- **Transparency and fairness in the market**, by providing complete information on market performance so investors, without any privileges, can operate under the same conditions.
- **Innovation and cutting-edge technology**, by providing the means necessary to help companies grow and actively participate in the creation of new financial products and the development of systems infrastructure.
- **Training**, as a cornerstone for the sustainable development of a financial market.
- **Investor protection**, which is crucial for creating a bond of trust between investors and the market.

In establishing these core principles of conduct, BME has taken into account the needs and priorities of the different market agents, as well as society in general as the ultimate beneficiary when financial markets and, by extension, the economy, operate properly.

Therefore, BME considers users of its services, company employees, shareholders, service providers and society at large as the main market players.

The company's guidelines for conduct with these agents can be outlined as follows:

- Complying with Spanish and international laws and regulations, and the codes to which it adheres voluntarily, as well as complying strictly with social ethics and best practice standards in its business operations.
- Making the necessary efforts to ensure that relations with users and investors is profitable for all concerned.
- Maintaining solid and fluid relationships, through official channels, with government and watchdog bodies.
- Implementing clear procedures for selecting partners and marketing services and technology.
- Maintaining permanent contact with shareholders and potential investors.
- Building fluid relationships between the company, its employees and trade union organisations.

BME's corporate outlook: management model and relationships with main market participants

Awards and distinctions received in 2012

Antonio Zoido, Chairman of the University of Extremadura's Social Council.

On 16 July 2012, Antonio Zoido, Chairman of BME, was sworn in as Chairman of the University of Extremadura's Social Council. This council is the collegiate body for the participation of society in the governance and administration of the university.

Jesús Benito, Chairman of the CDS Steering Committee.

In July 2012, Jesús Benito, CEO of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., (Iberclear) was unanimously appointed Chairman of the CSD Steering Group. The group's mandate is to articulate and coordinate the views of all the central securities depositories (CSDs) in the European Union and Switzerland participating in the Target 2 Securities (T2S) project.



Antonio Zoido, Chairman of the University of Extremadura's Social Council



Jesús Benito, elected Chairman of the CSD Coordination Committee for T2S

BME's corporate outlook: management model and relationships with main market participants

Infobolsa, the leader in financial app downloads.

The free app developed by Infobolsa that brings any user the content necessary to follow markets was the most downloaded financial app in July 2012.



Infobolsa ranks first in terms of financial apps downloads

BME's corporate outlook: management model and relationships with main market participants

Initiatives in which BME participates

BME is involved in the following national and international initiatives:

- The European Code of Conduct for Clearing and Settlement (since 2006)
- The Carbon Disclosure Project (since 2007)
- The Code of Best Tax Practices (since 2010)
- The United Nations Global Compact (since 2011)

BME does not contribute to any political parties or organisations, allowing the management to remain independent in its relationships with local, regional and national government bodies.

BME did not receive any financial aid from the government in 2012. However, it did avail itself of subsidies offered by the Tripartite Foundation to provide in-company training initiatives for its employees (See Chapter 3 of this report for more information).

Relations with the media

The responsibility taken on by BME as the main vehicle for channelling savings towards the financing of companies requires dealing closely with the Spanish and international media. It has a Corporate Communication department for this.

BME meets daily demand for news by putting out press releases. For occasional needs of media and other information providers, especially to help journalists keep up to date, BME periodically offers courses (see Chapter 6 for more information).

All company-related information on the corporate web page is updated. The "Press Room" section contains all the Chairman's speeches and other documents of interest.

Furthermore, the stock exchange trading floor continues to attract the attention of the media. This has prompted BME to strive to meet the infrastructure needs of TV and radio stations and other media, and to create an active press room fully equipped with computer systems, subscriptions to financial information services, etc.

Relations with Public Administrations

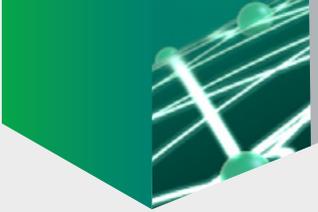
Given the importance of the activities carried out by BME in ensuring the smooth running of the financial markets and, by extension, the Spanish economy, the company must maintain a fluid relationship with public bodies through official channels predicated on strict adherence to applicable regulations.

Furthermore, Spanish industry legislation governs BME's role as manager of regulated markets and trading systems. Therefore, BME and most of its subsidiaries are supervised by the Spanish National Securities Commission, Comisión Nacional del Mercado de Valores (CNMV), with which it participates actively in the forums established therein, namely the CNMV's Consultative Committee, which is its Board of Directors' advisory body.

BME continues to adhere to the Code of Best Tax Practices, designed to foster a relationship of reciprocal cooperation between the Spanish tax administration agency and companies.

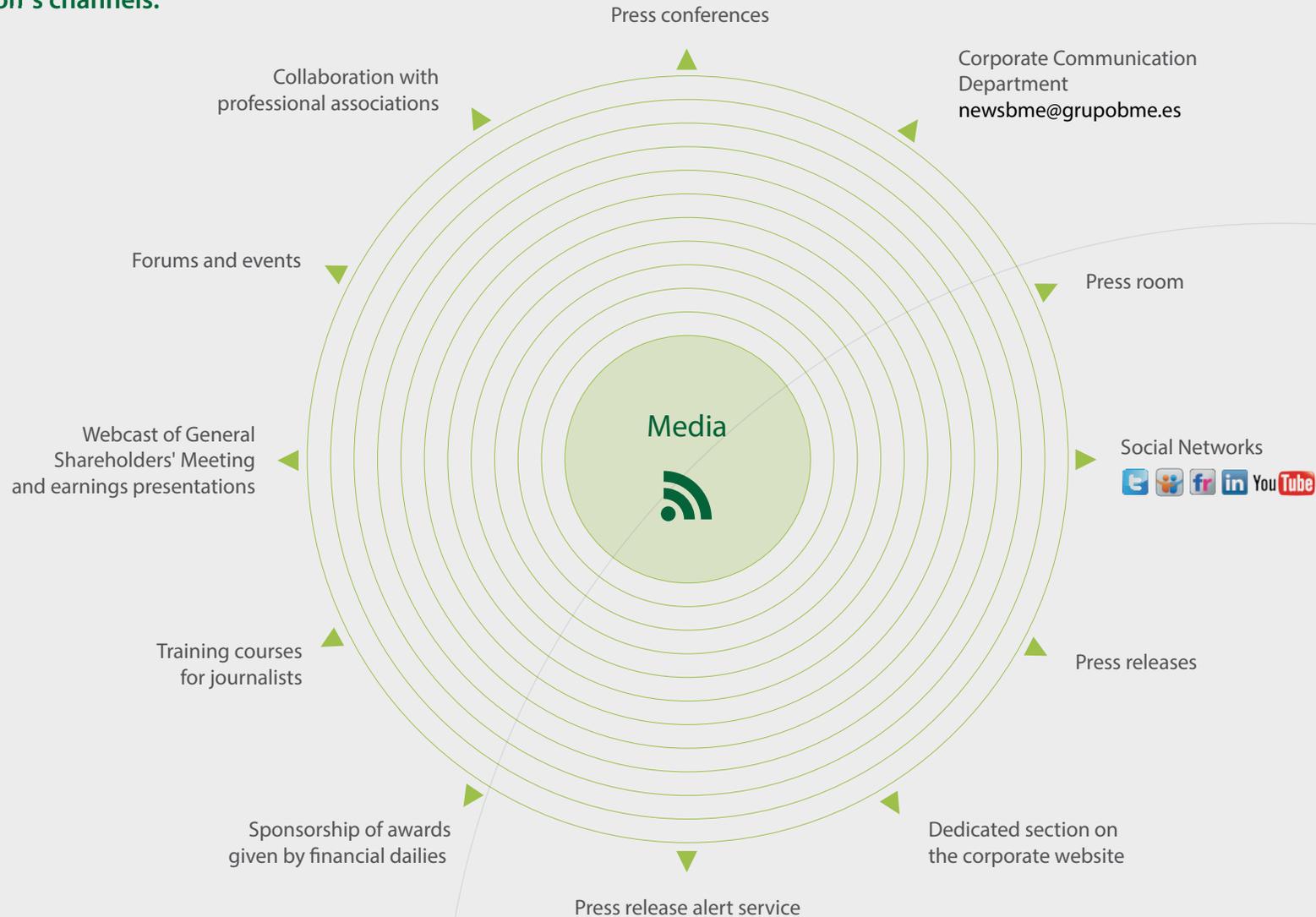


Focus on the media during the traditional gathering with BME



BME's corporate outlook: management model and relationships with main market participants

Communication's channels:

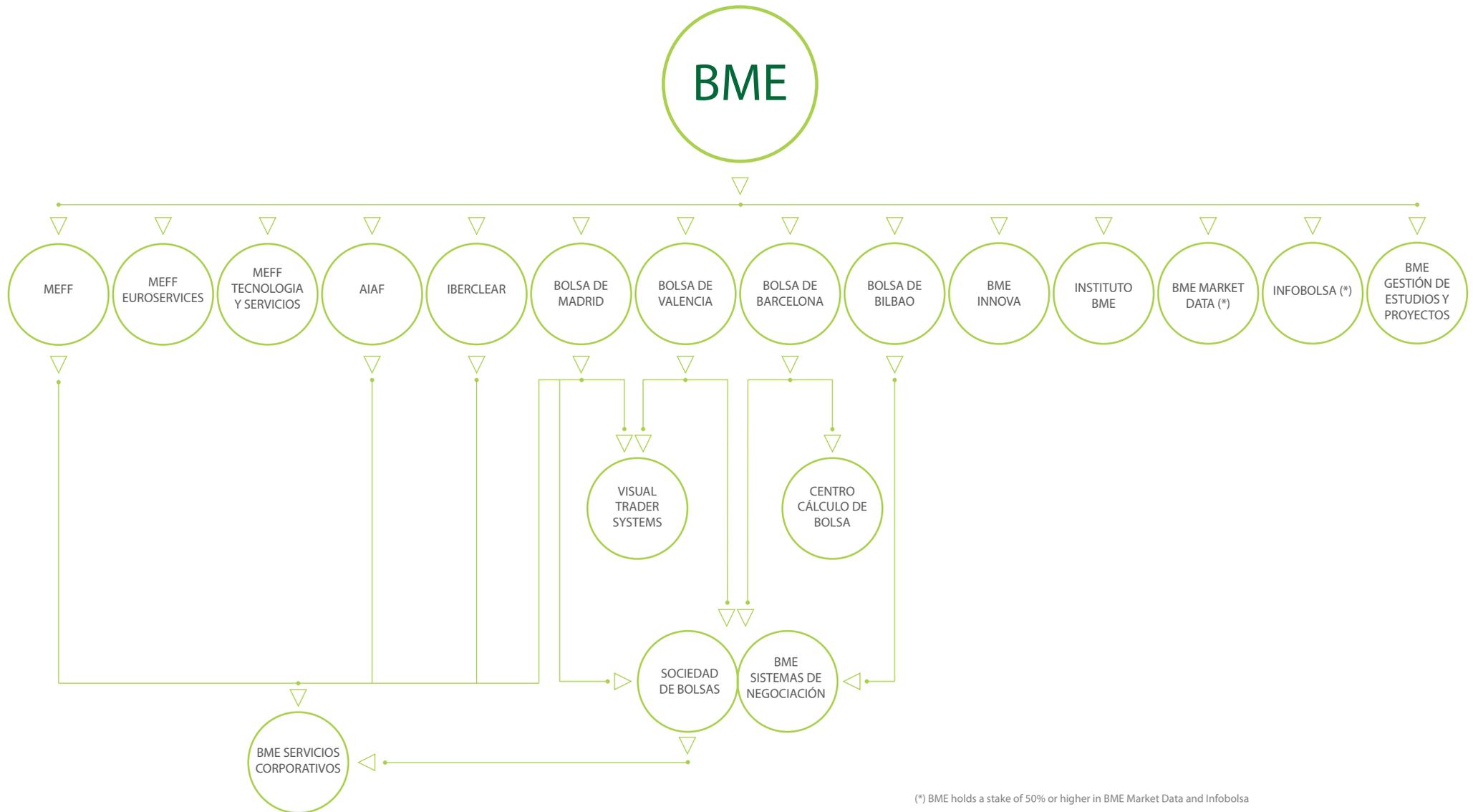


About BME

BME is the operator of all stock markets and financial systems in Spain. A public limited company (sociedad anónima), BME has been a listed company since 14 July 2006 and is a IBEX 35® and FTSE4Good IBEX® constituent.

BME's headquarters and all of its subsidiary companies' main offices are in Spain, where the group carries out its business. The company's main operational headquarters are in Las Rozas, Madrid.

About BME



(*) BME holds a stake of 50% or higher in BME Market Data and Infobolsa

About BME

BME group companies



Stock exchange governing companies

The purpose of stock exchange governing companies is to list for trading, supervise and manage official secondary markets for securities.

The Barcelona, Bilbao and Valencia stock exchange governing companies deal exclusively with public debt issued by the Catalonia, Basque Country and Valencia regional governments, respectively.

The four stock exchange governing companies also own 25% of:

Sociedad de Bolsas, S.A.

which manages and operates the Spanish electronic trading platform (SIBE).



Bolsas y Mercados Españoles, Sistemas de Negociación, S.A., (BME Sistemas de Negociación).

the governing company of two multi-lateral trading systems:

- **Mercado Alternativo Bursátil (MAB)**, which lists different segments: small cap companies looking to expand, collective investment institutions, venture capital firms (ECRs) and hedge funds (SIL), and,
- **Latibex**, the market for European investors to buy and sell euro-denominated Latin American stocks.



MEFF Sociedad Rectora de Productos Derivados, S.A.U. (MEFF).

Manages the official secondary market for derivatives and the central party clearing house for equity and fixed-income derivatives.

In 2012, MEFF expanded its business with the merger and takeover of MEFF Renta Fija and the partial transfer of MEF Tecnología y Servicios' derivatives market technical and human resources to MEFF

MEFF Euroservices, S.A.U., S.V.

which transfers orders to European markets (Eurex).

MEFF Tecnología y Servicios S.A.U.

which develops and operates data-processing systems, and manages the forward market for Red Eléctrica de España.

About BME



AIAF Mercado de Renta Fija S.A.U. (AIAF).

Manages and supervises both the primary and secondary corporate debt markets, the electronic fixed income trading platform SEND and is the governing company of the multilateral trading system SENAF (SENAF.SMN).



Bolsas y Mercados Españoles InnoVA, S.A.U. (BME InnoVA).

Offers specialised strategic consultancy services, custom-made technological solutions and integrated training programmes for the financial markets, as well as products and services for three areas: business continuity, financial communication and management software for financial institutions.



Bolsas y Mercados Españoles Market Data, S.A. (BME Market Data).

Specialises in handling, generating and selling information from the Group's various regulated markets and multilateral trading facilities (MTFs) and in developing value-added services aimed at the securities industry.

BME Market Data is owned by BME, the four stock exchange governing companies, MEFF and AIAF.



Visual Trader Systems, S.L.

Develops and operates the Visual Trader system, a platform which allows access to international markets and routing networks. It is connected to entities and brokers all over the world to send and receive orders.

This company is owned by the Madrid and Valencia stock exchange governing companies, with stakes of 90% and 10%, respectively.



Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. (Iberclear).

This is Spain's central depository for securities. It is responsible for the accounting records and the clearing and settlement of securities listed for trading on Spanish stock exchanges, the book-entry public debt market, AIAF and Latibex.

Iberclear, under the supervision of the Spanish Ministry for Agriculture, Food and the Environment, manages the National Registry of Greenhouse Gas Emission Rights (RENADE).



Instituto Bolsas y Mercados Españoles, S.L.U. (Instituto BME).

BME's training centre, focusing on the organisation of different training services related to financial markets.



Infobolsa, S.A.

markets real-time financial market information services. It is jointly owned (50%/50%) by BME and Deutsche Börse.

In addition to the above, Bolsas y Mercados Españoles Servicios Corporativos, S.A. and BME Gestión de Estudios y Proyectos, S.A.U. act as auxiliary companies for the rest of the BME group companies.

About BME

Holdings in other companies.

Since it was incorporated, BME has been involved in developing and upgrading Latin American financial markets through shareholdings in the following companies:

- **Cámara de Riesgo Central de Contraparte de Colombia, S.A.**, the clearing house for Colombia's futures and options market, with a 9.99% stake.
- **Bolsa Mexicana de Valores, S.A. de Capital Variable**, with a 0.99% stake.

In addition to these holdings in Latin American companies, BME also has interests in other companies:

- **Operador del Mercado Ibérico de Energía-Polo Español, S.A.** which oversees the financial management of the electricity generation market, with an indirect stake through BME Innova of 5.65%.
- **OMIP Operador do Mercado Ibérico (Portugal), SGPS, S.A.**, the holding company for the Portuguese electricity market, with a 5% stake.
- **Link Up Capital Markets, S.A.** in which Iberclear holds a 23.47% stake and whose corporate purpose is to improve efficiency and reduce settlement costs in cross-border securities transactions.
- **Regis-TR, S.A.**, which is 50% owned by Iberclear and Clearstream Banking, S.A., a Luxembourg-based company that manages the registration of financial instruments traded OTC.
- **Openfinance S.L.**, provider of front-office solutions for financial advisory and portfolio management, 62%-owned by Infobolsa.

Economic value generated, distributed and retained

(thousand euros)

	2010	2011	2012
Economic value generated	328,323	324,375	[298,365]
Revenues	314,033	314,674	[292,109]
Other income	14,290	9,701	[6,256]
Economic value distributed	330,343	326,534	[319,257]
Operating expenses	36,770	34,571	[33,854]
Employee remuneration	64,294	61,949	[63,400]
Dividends ⁽²⁾	164,225	164,225	[164,225]
Income and other taxes ⁽³⁾	63,974	64,673	[56,685]
Payments to capital suppliers (financial cost)	0	0	[0]
Payments to public bodies, donations and other investments in the community	1,080	1,116	[1,093]
Economic value retained (profit not distributed)	-2,020	-2,159	[20,892]
Reserves ⁽²⁾	-10,073	-10,532	[28,752]
Amortisation and depreciation	8,053	8,373	[7,860]

(1) Includes work performed by the company on own assets, other operating revenue, the share of profit (loss) of companies accounted for using the equity method and the net financial result, minus the result attributed to external partners.

(2) Includes the payment of three extraordinary dividends against unrestricted reserves, for €30.98 million each, made in 2010, 2011 and 2012.

(3) Includes only income tax expense and taxes reported in the year.



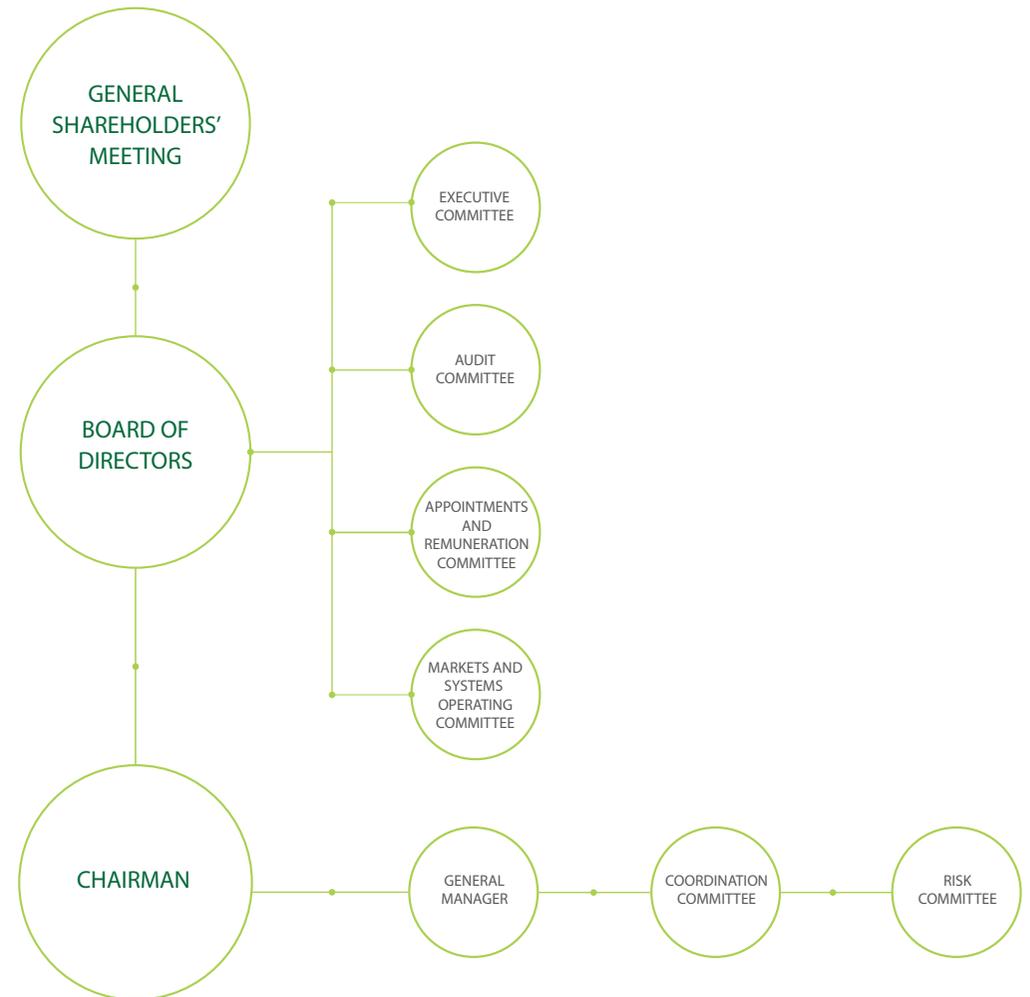
About BME

Corporate Governance

BME's corporate governance model conforms to the highest market standards in this field. Its guiding principles are transparency, shareholder participation and independence of the external auditor.

BME's internal regulations are available under the "Information for shareholders and investors" section of the corporate website: www.bolsasymercados.es.

Governing Bodies



About BME

Board of Directors

Is BME's most senior governing and administrative body. It is made up of 14 members of recognised capacity, integrity and independence.

The composition of the Board complies with the recommendations of the Unified Code of Good Governance as 12 members are external directors (7 non-independent external and 5 independent) and only two are classified as executive directors.

Board of Directors

Directors	Post	Type	COMMITTEE			
			Executive Committee	Audit Committee	Appointments and Remuneration Committee	Markets and Systems Operating Procedures Committee
Antonio J. Zoido Martínez	Chairman	Executive	Chairman	-	-	-
José A. Barreiro Hernández	First Vice Chairman	External Non-independent	Member	-	-	-
Tomás Muniesa Arantegui	Third Vice Chairman	External Non-independent	Member	-	-	-
Margarita Prat Rodrigo	Fourth Vice Chairwoman	External Independent	Member	Member	-	-
Javier Alonso Ruiz-Ojeda	Director	External Non-independent	Member	-	-	-
José Antonio Álvarez Álvarez	Director	External Non-independent	-	-	Member	-
Ignacio Benjumea Cabeza de Vaca	Director	External Non-independent	Member	-	-	-
Álvaro Cuervo García	Director	External Independent	Member	Chairman	-	-
Rosa María García García	Director	External Independent	-	-	Member	-
Joan Hortalá i Arau	Director	Executive	-	-	-	Chairman
Ricardo Laiseca Asla	Director	External Non-independent	-	-	-	Member
Karel Lannoo	Director	External Independent	-	-	-	Member
Ramiro Mato García-Ansorena	Director	External Non-independent	-	Member	-	-
Manuel Olivencia Ruiz	Director	External Independent	-	-	Chairman	-

* Secretary of the Board and of the Committees: Luis María Cazorla Prieto.

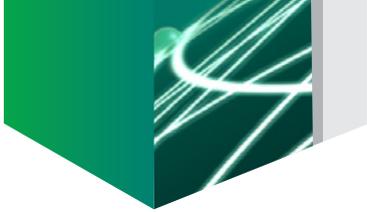
* Deputy secretary of the Board and of the Committees: Cristina Bajo Martínez.

* Legal Advisor Jaime Aguilar Fernández-Hontoria.

About BME



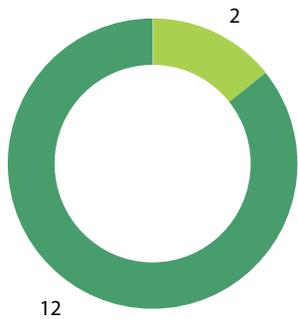
Board of Directors of BME



About BME

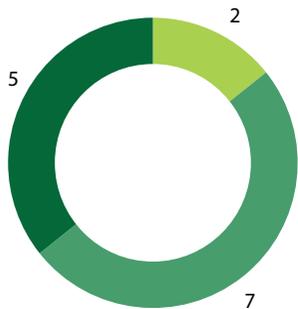
Breakdown of the board of Directors

Internal/external directors



- Internal directors
- External directors

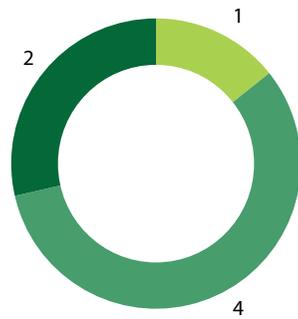
Breakdown of directors



- Executive directors
- External non-independent directors
- Independent directors

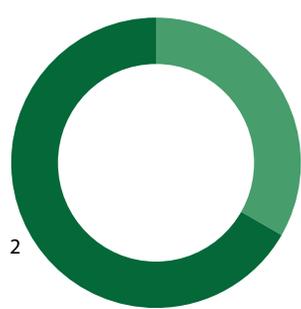
Breakdown of Committees

Executive committee



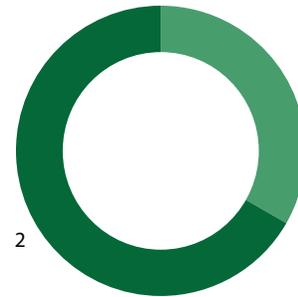
- Executive directors
- External non-independent directors
- Independent directors

Audit Committee



- Executive directors
- External non-independent directors
- Independent directors

Appointments and remuneration committee



- Executive directors
- External non-independent directors
- Independent directors

Markets & Systems Operating Procedures committee



- Executive directors
- External non-independent directors
- Independent directors

All information relating to corporate governance at BME can be found in the company's Annual Corporate Governance report, the Annual Report on Directors' Remuneration for 2012 and the Report on the Board of Directors' activity, are of which all available on the corporate website: www.bolsasymercados.es.

About BME

BME's structure

As established in the company's Articles of Association and Board of Directors' Regulations, the Board of Directors has entrusted the running of its ordinary business to the delegate bodies, the Board's executive members and the senior management team.

Accordingly, the company has a **General Manager** who, under the supervision and encouragement of the Chairman, as the most senior executive of the Company, coordinates the business units and areas, and a **Coordination Committee**, which is responsible for the permanent coordination between the Group's various business units and the activities of the company and the group's companies. Given the Group's corporate structure, the coordinated management of its activities is based on a structure of seven Business Units and seven Corporate Areas, which provide support functions to all Business Units.

Coordination Committee

Antonio Zoido Martínez (Chairman)
Javier Hernani Burzako (General Manager)
Ramón Adarraga Morales
Jaime Aguilar Fernández-Hontoria
Antonio Giralt Serra
José Massa Gutiérrez del Álamo
Francisco Nicolás Tahoces
Francisco de Oña Navarro
Jorge Yzaguirre Scharfhausen

Business Units

Business Units	Head
Equities: Trading of securities through the electronic trading platform (Sistema de Interconexión Bursátil) or on the stock exchange floor and all corresponding post-trade activities.	Jorge Yzaguirre Scharfhausen
Derivatives: Trading, counterparty management and settlement of derivatives products.	Francisco de Oña Navarro
Fixed income: Trading of private fixed income and public debt securities.	Francisco de Oña Navarro
Settlement: Registration, clearing and settlement of equity, private fixed income and public debt trades.	José Massa Gutiérrez del Álamo
Information: Dissemination of information as a primary source and commercial provider services.	Ramón Adarraga Morales
Listing: Listing and maintenance services for issuers on the equity and private fixed income markets.	Antonio Giralt Serra
IT & Consulting: Production and sale of software, global access, advisory and training services.	María Parga Landa

Corporate Areas

Corporate Areas	Head
Human Resources	Luis García Berral
Technology	Francisco Nicolás Tahoces
Financial	Javier Hernani Burzako (General Manager)
International Relations	Ramón Adarraga Morales
Administration	Luis María Cazorla Prieto
Legal	Jaime Aguilar Fernández-Hontoria
Corporate Communication	Pablo Malumbres Muguera

Risk management

BME has a risk management system in place which ensures that any significant risks which could affect the Group's objectives and activities are identified, evaluated and controlled as described in BME's Annual Corporate Governance Report.

The **Risk Committee** and the Internal Audit Department assist the Board of Directors and the Audit Committee in developing a suitable risk management programme.

The Risk Committee, under the helm of the General Manager, reports to the Coordination Committee and these two units work together to implement the risk control and management policy laid down by the Board of Directors. The Committee monitors and analyses the risks arising in the day-to-day activities of BME Group companies.

The Risk Committee has constructed an integrated risk management system (IRMS) following the methodological framework specified in the COSO II paper. It also maintains, in close cooperation with the Business Units and Corporate Areas, the Corporate Risk Map. In addition to the IRMS, the Risk Committee has formally incorporated the Internal Control over Financial Reporting (ICFR) system. Description of the IRMS, included in the ICFR, is available in the Annual Report on Corporate Governance for 2012 and in the appendix issued to comply with the Sustainable Economy Law.

At its meeting of 29 November 2012, the Board of Directors resolved to set up a Penalty Prevention System, as described in Chapter 3 of this report.

The **Internal Audit Department** is charged with providing senior management and the Board with information that enables them to fulfil the company's objectives, including the assessment and evaluation of the efficiency of the risk assessment tasks carried out by management. Its task is therefore aimed at assessing and improving the efficiency of the processes concerning risk management, control and governance by identifying key risks and controls.