



APPOINTMENTS AND REMUNERATION COMMITTEE REPORT ON THE RE-ELECTION OF RAMIRO MATO GARCÍA-ANSORENA AS BME DIRECTOR

The Appointments and Remuneration Committee, at its meeting on 27 February 2017, drew up this report in relation to the re-election of Ramiro Mato García-Ansorena as a Proprietary Director of the Company proposed by the Board of Directors in accordance with section 6 of article 529.decies of the Companies Act, and articles 20.2 and 22.1 of the Board of Directors Regulations.

This report also complies with article 22.2 of the Board of Directors Regulations on the content of reports on the re-election of Directors that the Appointments and Remuneration Committee is required to issue.

In the case of Ramiro Mato García-Ansorena's re-election as Director is approved by the Ordinary General Shareholders' Meeting, the Appointments and Remunerations Committee has prepared this report on his re-election as a member of the Audit Committee, pursuant to article 20.2.e) of the Board of Directors Regulations. This article stipulates that a prior report is required from this Committee regarding the appointment or re-election of members of the Board of Directors whose names are put forward to sit on any of the Board Committees, as well as, if appropriate, to hold any office thereon.

I. Background

Ramiro Mato García-Ansorena has been a member of the Board of Directors since the Company was incorporated, as formalised in a public deed dated 15 February 2002.

Ramiro Mato García-Ansorena was re-elected as a member of the Board of Directors at the Extraordinary General Shareholders' Meeting of 24 November 2005 and at the Ordinary General Shareholders' Meetings of 29 April 2009 and 30 April 2013.

He has been a member of the Company's Audit Committee since 24 November 2015.

Given the date of Mr. Mato García-Ansorena's last re-election as Director, the term for which he was appointed will end, and therefore his position as Director will expire, on 30 April 2017.

In view of the foregoing, and on reviewing and evaluating the composition of the Board of Directors, the Appointments and Remuneration Committee and the Board of Directors have decided it is in the Company's interests to submit the proposal to re-elect Ramiro Mato García-Ansorena as Director for a new term of four (4) years at the ordinary General Shareholders' Meeting.

II. Medium and long-term planning of the Board of Directors structure and composition

The analysis conducted by the Appointments and Remuneration Committee and the Board of Directors on the composition and structure of the latter corporate body in order to consider whether proposing the re-election of Ramiro Mato García-Ansorena is appropriate took into

account that the terms in office of Joan Hortalá i Arau and Antonio J. Zoido Martínez, as Executive Directors, will also come to an end on 30 April 2017.

Following this analysis, both corporate bodies concluded that the composition of the Board of Directors was balanced and fit for purpose, not overlooking the fact that a number of improvement points had been identified prompting the proposal to begin transforming the most senior executive functions at the Company from the current situation of a Chairman with executive functions to a model involving the coexistence of a Chairman, who will retain executive functions, and a Chief Executive Officer.

During this process, the Appointments and Remuneration Committee evaluated the size of the Board of Directors – twelve (12) members – and concluded that it was advisable to re-elect the three (3) Directors whose term in office had expired, to enable it to fulfil its duties, to retain the variety of existing knowledge, skills and experience of the Board, and to ensure it has members with a long background in national and international markets.

Regarding to Mr. Mato García-Ansorena, Proprietary Director, the Appointments and Remuneration Committee has determined that BNP Paribas, Societe Anonyme (BNP Paribas), an entity which Mr. Mato García-Ansorena represents on the Board of Directors, is still one of the Company's major shareholders.

Consequently the Appointments and Remuneration Committee has concluded that, while this entity's stake in BME's capital is less than three (3) percent – the threshold above which a stake is considered to be significant according to *Royal Decree 1362/2007, of 19 October, developing Securities Market Act 24/1988 on reporting transparency requirements for issuers of securities admitted for trading in official secondary markets or other regulated markets in the European Union*, its stake is more than 1 percent, a percentage that is defined in *Royal Decree 361/2007, of 16 March, concerning stakes in the capital of companies which manage secondary securities markets and companies that are administrators of securities registration, clearing and settlement systems*, as a significant stake in those companies which, as in BME's case, are owners of companies that are administrators of, central securities depositories, central counterparties and Spanish official secondary markets.

The Appointments and Remuneration Committee has also concluded that BNP Paribas has a larger stake in BME than the other shareholders not represented on the Board of Directors and who hold bigger stakes, apart from those held nominally by custodian entities.

The proposal to re-elect Mr. Mato García-Ansorena is also based on his long background working for major players in the national and international financial markets and therefore, his knowledge of the sector, knowhow and experience of accounting and auditing, and his personal and professional repute.

On the other hand, beginning the transformation of the structure of the Company's highest executive functions requires submitting a proposal to the Ordinary General Shareholders' Meeting to increase the number of members' Board of Directors from twelve (12) to thirteen (13), to be able to appoint a new Executive Director.

The Appointments and Remuneration Committee and the Board of Directors consider this increase in the number of Board members would ensure the current adequate composition of the Board is retained, while improving the functional structure of the Company's senior

executives by appointing an individual who fulfils requirements to be appointed as an Executive Director and then as Chief Executive Officer.

For adopting this resolution, the Appointments and Remuneration Committee also evaluated what effect re-electing a Proprietary Director would have on the Board's functional structure, alongside re-electing the two (2) Directors whose terms of office ended in 2017 and appointing a new Director, all of whom will be qualified as Executive Directors.

The Appointments and Remuneration Committee concluded that following this re-election, External Directors – of which there would be ten (10) – would continue to comprise a large majority of the Board of Directors, and that the number of Independent Directors would represent over a third of all Board members.

III. Mr. Mato García-Ansorena's professional background

Graduated in Economics from Madrid University and holds a PMD from Harvard University.

He is currently Country Manager for the BNP Paribas Group in Spain, Director of Business Banking, member of the Management Committee of the Group's Investment Banking Division, member of the Board of Directors of Arval and of Banco Cetelem, member of the Board of Directors of BNP PARIBAS España, S.A., and member of the Board of Directors and Executive Committee of the Spanish Banking Association. He is also a Director of Ansorena, the art auction house.

Previously he was the General Manager for Spain and Portugal of Paribas's Spain Branch and a member of the Paribas Europe International Council. Prior to this, he worked at Argentaria from 1980 where he held the following posts, among others: General Manager of Argentaria Business Banking, Chairman of Argentaria Bolsa SVB, Head of BEX for the United States, and Chairman of Extebank-New York.

IV. Appointment procedure.

Pursuant to section 6 of article 529.decies of the Companies Act, and articles 22.1 a and 20.2 of the Board of Directors Regulations, the Appointments and Remuneration Committee's is responsible for reporting on the proposals for the appointment of proprietary or executive Directors by the Board to be submitted for approval by the Ordinary General Shareholders' Meeting.

Moreover, pursuant to article 6.3 of the Board of Directors Regulations, the category of each Director shall be explained at the Ordinary General Shareholders' Meeting where the appointment is to be made.

V. Analysis of Ramiro Mato García-Ansorena's compliance with the requirements laid down by law and under the Articles of Association for re-election as Director

Mr. Mato García-Ansorena is currently a Director at the Company and, therefore, compliance with the requirements of experience, expertise and integrity required to perform his duties is considered to have been already proven.

Nevertheless, the Appointments and Remuneration Committee has evaluated Mr. Mato García-Ansorena's professional background and confirmed that he fulfils the requirements of article 152.1.f) of the Securities Market Act, referred to in section 3 of the sixth additional provision of the same Act, stipulating that members of BME's Board of Directors have the integrity knowledge and experience necessary for the appropriate discharge of their functions and the time available to exercise good governance of the Company.

The Appointments and Remuneration Committee also confirmed that Ramiro Mato García-Ansorena is not involved in any of the circumstances of legal incompatibility or limitations which, to hold this position, are set out in prevailing legislation or included in article 23 of the Board of Directors Regulations.

VI. Director category into which the candidate would be classified

Ramiro Mato García-Ansorena has been qualified as a Proprietary Director of the Company as per section 3 of article 529 duodecies of the Companies Act, having been appointed by BNP Paribas, a significant shareholder of the Company.

VII. Director's re-election effects on the composition of the Board of Directors

As at the date of this proposal, the Board of Directors is composed of twelve (12) Directors, of which ten (10) are external, three (3) are proprietary, six (6) are independent, one (1) is other external and the remaining two (2) are executive.

Given the proposal to re-elect the three (3) Directors whose positions end on 30 April 2017, irrespective of the appointment of a new Executive Director, submitted to the Ordinary General Shareholders' Meeting, Mr. Mato García-Ansorena's re-election would not alter the structure of the Board of Directors.

Given the proposal to re-elect the three (3) Directors and appoint Javier Hernani Burzako, who would be qualified as Executive Director, the re-election would alter the structure of the Board of Directors, as the number of Executive Directors would increase from two (2) to three (3).

The re-election of Ramiro Mato García-Ansorena, a Proprietary Director, would mean that External Directors – comprising Proprietary Directors, Independent Directors and those qualified as "other external" – would continue to comprise a large majority: ten (10) compared to three (3) Executive Directors.

Independent Directors – six (6) – would therefore comprise more than a third of the Board of Directors; a percentage that Recommendation 17 of the Good Governance Code of listed companies considers appropriate for non-large cap companies, such as BME.

The Board of Directors also has one (1) Director qualified as "other external", taking the percentage of External Directors who are "non-proprietary" to over fifty (50) percent of all Directors.

The Appointments and Remuneration Committee concludes that, given the previous presence of Independent Directors – 46.15 percent of Board members, 53.84 percent including the "other external" Director – these would have sufficient weight in the Board of

Directors and would adequately represent the interests of minority shareholders. The presence of three (3) Proprietary Directors, including Mr. Mato García-Ansorena, would not result in the Company's significant shareholders having a disproportionate influence on the Board of Directors.

VIII. Appraisal of services provided by Mr. Mato García-Ansorena during his last term office

The quality of Mr. Mato García-Ansorena's work and competencies as a member of the Board of Directors and the Audit Committee is assessed annually as per article 10.3 of the Board of Directors Regulations, by way of the Board of Directors' approval of the Report on the performance of the Board of Directors and its Committees.

Based on these annual reports, the Appointments and Remuneration Committee approves Mr. Mato García-Ansorena 's performance as a member of the Board of Directors and of the Audit Committee.

Concerning Mr. Mato García-Ansorena's dedication during his last term office as a Board member, he attended 44 of the 47 Board meetings held, and 31 of the 33 meetings of the Audit Committee, representing an attendance rate of 93,62 percent and 93,93 percent, respectively, of the meetings held by these bodies.

IX. Conclusion of the Appointments and Remuneration Committee

1.- Regarding his re-election as Director

In view of the aforesaid, the Appointments and Remuneration Committee, after deliberation, has resolved to issue a favourable report on the Board of Directors' proposal, which may be submitted to the General Shareholders' Meeting, to re-elect Ramiro Mato García-Ansorena as a member of the Board of Directors.

2.- Regarding his re-election as a member of the Audit Committee

Should Ramiro Mato García-Ansorena be re-elected as a member of the Board of Directors by the Ordinary General Shareholders' Meeting, the Appointments and Remuneration Committee, in accordance with the powers granted thereto by article 20.2.b) of the Board of Directors Regulations, would support the re-election of Mr. Mato García-Ansorena as a member of the Audit Committee.