



**BOLSAS Y MERCADOS ESPAÑOLES, SOCIEDAD HOLDING DE
MERCADOS Y SISTEMAS FINANCIEROS, S.A.**

ORDINARY GENERAL SHAREHOLDERS' MEETING

Madrid, 26 April 2018

Report by the Chief Executive Officer

Mr. Javier HERNANI

Thank you, Mr Chairman,

Good morning, ladies and gentlemen shareholders,

I can only echo your words in acknowledgement of our two illustrious colleagues who passed away recently, Mr Manuel Olivencia and Mr Blas Calzada. I wish to express all my affection, and that of all BME employees, to their families.

I intend to divide what I am about to say into four parts; I will begin by quoting a few financial figures for 2017, the financial year we are presenting to you here today, for your approval, should you consider this appropriate. I will then provide a summary of the main figures for the first quarter of 2018, followed by a few words on shareholder remuneration, and finish with the strategic challenges.

FINANCIAL DATA - 2017

The Chairman has already mentioned the key financial figures in 2017, and I intend to dwell on some of them.

Revenue in 2017 totalled €325 million, down by 0.6%, while operating costs increased by 2.2%.

The distribution of revenue by business areas was as follows:

- Equities: 45%
- Settlement and Registration: 20%
- Market Data and Value-Added Services: 20%
- Clearing: 9%
- Derivatives: 3%
- Fixed Income: 3%

Revenue shifted from the settlement and registration segment to the clearing segment in the course of the year in comparison to 2016, due to the introduction of T2S.

It is most satisfactory that we are moving towards a balanced mix of revenue and margins in the wake of the major changes that have arisen in post-trading.

I wish to emphasise that BME is still improving the cost base's coverage ratio with revenue not directly related to volumes. At year-end 2017 this indicator stood at 129% of the BME cost base covered by this type of revenue, i.e. up by 10 points against the previous year. This improvement is the result of an effort by management to help the company keep revenue steady in any market cycle scenario.

We feel this ratio is extremely important in our management because it means the company's sustainability is not dependent on the volume factor. By covering costs with this type of revenue, the entire contribution of volumes is conveyed to profit.

This has ratcheted up the habitual solvency of the BME balance sheet. The following are some of the main features of the company's sturdiness:

- Its leverage capacity is intact, which opens up opportunities for substantial inorganic growth. The ordinary generation of funds provides a large measure of self-financing, enabling BME to undertake its investment projects.
- BME finished 2017 with €428 million of equity. Stripping out the final dividend (€65 million), the company's consolidated equity would stand at €363 million.
- Goodwill once more comfortably passed the mandatory impairment test valuation conducted by an independent expert. In the worst-case scenario, the fund's implicit value exceeds the book-value by over 300%.

In short, BME remains a benchmark for the sector in terms of efficiency and profitability in its management.

I would like to reiterate the main ratios comparable to other operators in the markets sector, because I feel they are key data: net profit in 2017 puts ROE at 36.1%, 16 points above our sectoral benchmark group. The efficiency ratio, which indicates the cost units required to secure the company's total revenue, stands at 34.4%, outstripping our benchmark group by 10 points.

FIRST QUARTER OF 2018

I would now like to say a few words on the results of the first quarter of 2018, presented this morning.

Key data for the first quarter are as follows:

- BME posted €37.9 million of net profit, down by 3.6% against the previous year. Profit improved for the second consecutive quarter, exceeding the third and fourth quarter of 2017 by 5.3% and 2.3% respectively.
- Revenue, operating costs and EBITDA remained at levels very similar to those attained during the previous quarter, 4Q 2017.
- The efficiency ratio finished the first quarter at 35.9%, and ROE at 33.9%, while the ratio of revenue not linked to volumes stood at 128%.
- Investment flows channelled through the stock market totalled €4.5 billion.

SHAREHOLDER REMUNERATION

Ladies and gentlemen shareholders, I wish to remind you that the gross final dividend of €0.78 per share, submitted for approval by this General Meeting today, will be paid on 11 May. The total ordinary per-share dividend will be €1.78.

As the Chairman has already said, this dividend means that BME is distributing 96% of its net profit, one of the highest *pay-out* ratios in the sector and on the Spanish stock market.

If the proposal is approved, the date on which those due to receive the dividend will be determined (record date) will be 10 May, and the ex-dividend trading date (ex-date) will be 9 May. Therefore the cut-off date to take up BME shares eligible for the dividend will be 8 May.

STRATEGIC SCENARIO

BME has pinpointed four strategic objectives in its area of business: organic and inorganic growth, boosting the business model, geographic diversification, and making the customer the focus of all our actions.

2017 was a vibrant year, during which BME made major progress concerning most of these objectives. The challenge pending is growth, where the cyclical factor of improvement in volumes that has arisen in other markets has not yet emerged in the Spanish market.

The company is hard at work generating new initiatives for organic and inorganic growth to drive it forward in the years ahead.

Diversification not linked to volumes has reached record levels (129%), an intensive and steady task which gives the company great solidity and has become all the more important in an environment of low volumes.

The robustness of the model have been enhanced by overcoming two strategic and very demanding regulatory challenges: migration to T2S and adaptation to MiFID II, which have created a major milestone in the company's future.

These projects have required not only hard work in terms of planning, coordination with the sector, meeting deadlines and complying with standards, but also reconsideration of work methods, a new relationship with customers, and pricing criteria in the company's main Business Units. A genuine transformation which has produced steady economic results in an environment, as I have already said, of low market volumes. BME carried out this task successfully, and also at very moderate cost, mostly availing itself of internal funds.

In this difficult context, we have maintained our solidity in terms of capital ratios and returns for shareholders, and thus the company is well placed to undertake growth initiatives and monetise a possible improvement in the market environment.

Moving forward, let us turn to the future. The strategic scenario contains many challenges, and also has its fair share of threats. Regulatory change in itself is an ambivalent variable: it brings in business opportunities which home in on our very nature, but also the threat of greater competition throughout the value chain.

Our customers also face similar threats, and they also need to transform, adapt and create new products and services. At BME we must secure a proper reading of their new needs to enable us to focus our offering and future technological development efficiently, innovating, tabling proposals and investing in business lines that generate value for both customers and our shareholders.

Some courses of action already implemented are taking us in that direction:

- BME 4 Companies, an initiative with a new commercial focus, bringing together all the services that issuers may receive from BME before listing.
- We are also working to create incentives for bringing OTC Fixed-Income and Derivative transactions to our markets in terms of trading, settlement and provision of information.
- We are also pushing ahead with the BME Regulatory Services and BME Market Data facilities, while stepping up commercial work beyond our borders.
- Incorporation in the Alastria consortium and involvement in DLT projects, exploring the implementation of blockchain technology in a number of applications. This has also been demonstrated by the purchase of 10% of Finect, a Fintech company working with smart data and new information and Internet technologies.

Our strategy, our investment plan and organisational tasks will focus on improving this business model and transforming it towards the future: enhancing our range of products and services, listening carefully to our customers, and making BME part of the technology revolution that is already up and running.

We intend to remain front-line competitors to achieve growth that allows us to increase our size and specific weight, giving priority, as we have to date, to the generation of value for our shareholders.

Thank you very much for your attention.