



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

ORDINARY GENERAL SHAREHOLDERS' MEETING

Madrid, 26 April 2018

Report by the Chairman of the Board of Directors

Mr Antonio J. ZOIDO MARTÍNEZ

Good afternoon ladies and gentlemen:

First of all, as Chairman, and on behalf of the BME Board of Directors, I would like to welcome you and thank you for attending the 2018 General Shareholders' Meeting.

Please allow me to extend my greeting to all the people who work in Group companies. On my own behalf, and on behalf of the Board, I wish to express our recognition for your dedication. Thanks also goes to all of my fellow Board members, whose hard work and sense of duty in their positions on the various governing bodies have made the company's positive performance possible.

As is logical, I will be referring to the 2017 fiscal year, but I would also like to present you with a brief and simple overview of the scope of our activity and the problems it faces.

First of all though, I would like to make a very special mention and dedicate a memory, as affectionately as I can, to Mr Manuel Olivencia Ruiz, who was with us since the very beginning of BME, holding positions of the utmost importance on our Board and, as you know, who passed away on the 1st of January.

Professor Olivencia was a man of integrity, of privileged intelligence, overflowing with humane and professional quality, one of the great men of Spanish law. I truly believe that it was a privilege for the company and its shareholders to have him among us.

Because of the meaning of his work in the BME Group and his humane and professional qualities, I would also like to pay tribute to Blas Calzada Terrados, who chaired the advisory committee of the IBEX indexes, and who also passed away very recently.

THE MARKET ENVIRONMENT

The company's activity in 2017 has had to face and adjust to complex markets in which the actions of the participants in the platforms, services and instruments that BME puts at their disposal have left traces of uncertainty, due to the many unknown circumstances that affect the global situation.

Our markets, or rather the financial markets and markets that BME serves, have a strong international profile. Consistent with this, the volumes of orders, trades, the holding of shares, bonds, debt, data consumption, etc. that circulate through the different systems of our company, have a predominantly international origin and destination.

Therefore, the difficult global political, social and economic development of the post-crisis inevitably also falls on our markets. This is added to the complex problems that we had to deal with in our country in 2017 and continue to do so in 2018.

Originating from the recent crisis, a result of worldwide economic policy, is the concern to not damage, maintain or improve the financial stability of the system. For the stock markets of today, this caution translates into three very powerful expressions:

- One, the search for financial mechanisms that complement traditional bank financing and, in particular, a greater use of equity capital in the structure of corporate balance sheets.
- Two, a high level of control and regulation of activity in the markets.
- Three, as a consequence, a moderation or slowdown of the expansion of existing financial systems.

These positions, both doctrinally and operationally, condition the actions of the agents that operate in the markets, and moderate or standardise their transaction activity. This was shown last year, as we will see later on.

Another aspect that dominates the spectrum of the markets is the tempting technology novelties and fears in the cybersecurity chapter.

THE STRATEGY

On a framework such as the one described, full of novelties and complexities, the company's business model has shown its strength and sustainability.

As proof, the trend of the diversification operated, step by step, in the company's revenue. Our solid financial position and experience of the model allows us to support and face investments, tasks and opportunities that may arise and that contribute development and value to the company.

The coverage ratio of the cost base with revenues not linked to volumes ended the year with a value of 129% for the year as a whole, which was an increase of 10 points. The result supports the company's management approach towards increased revenue differentiation.

In turn, our strategic effort seeks to strengthen the relationship with clients and always guarantee that the best option in each of the services offered is with BME.

In this context, technology can be key to developing our full potential, and this is where most of our focus is right now.

DEVELOPMENT OF 2017

The main global markets closed 2017 with some positive balances, although with differences. In the case of the IBEX 35, the profit was 7.5%, it being the best result in four years.

Small Spanish companies were among the best in the world in terms of profitability offered: the Ibex Small Cap rose by around 32%.

In 2018, stock markets are following a more irregular development as a result of certain political and economic tensions. Meanwhile, volatility is still at historically low levels.

LEADERS IN FINANCING

New investment and financing flows channelled through capital increases, new admissions to trading, IPOs and public offerings of newly issued shares totalled 40 billion euros, 39% more than the previous year. This is the second best on record in the last decade.

IPOS RAISE THREE TIMES AS MUCH FUNDING

It was an excellent year for IPOs. The new additions to the different markets and segments of BME (a total of 27 companies) raised funds amounting to almost 4.3 billion euros, three times as much as in 2016.

These figures confirm market confidence and companies' interest in additional sources of financing.

RECORD NUMBERS OF FOREIGN INVESTORS

The confidence of investors in our markets and listed companies continues to make history. At the end of 2017, the proportion of shares in Spanish listed companies held by foreign investors exceeded 45% of the total, which is a record.

Families remain the second biggest owner group, with a stake of between 23% and 24%.

THE HIGHEST DIVIDEND YIELD

The dividend yield exceeded 4% in 2017 for the tenth consecutive year, reaffirming the global leading position of the Spanish stock market in this area. In total, companies distributed almost 28 billion euros to their shareholders. 1.61% of that amount was paid by REITS.

STRONG GROWTH OF MAB AND MARF

Markets aimed at SMEs and medium-sized companies continue along a path of strong growth. In 2017, the MAB provided companies with 600 million euros of financing. There are now 93 companies that trade in this segment.

Equally positive is the balance for MARF, which ended the year with an outstanding balance of 2.19 billion euros, which is an increase of 36%. The volume of admissions reached almost 4 billion, which is significantly more than in 2016.

REITS ARE REACTIVATING THE REAL ESTATE SECTOR

This development is especially relevant in the field of the REITS. There are now more than 55 companies trading on one of the BME markets. This type of companies has become the investment vehicle capable of reactivating the real estate sector in the stock market after the hard correction suffered during the crisis.

ACTIVITY BY BUSINESS AREAS

The global summary of 2017 in terms of activity by business areas shows stability, confirming that our business model has the ability to adapt to the environment.

STABLE EQUITY VOLUME

The Equities business barely registered a variation on the previous year, with 652 billion euros exchanged. It's interesting to note that these volumes, which are the same as eight and nine years ago, give higher profits. This data shows the sustainability of the model and how we are diversifying the sources of revenue.

Trading in mid-cap companies continued to represent more than 50% of the total for the second consecutive year, compared to 30.9% in 2012. This is a key factor for boosting the liquidity of the Spanish market and investment options.

PRE-MARKET ENVIRONMENT

Supporting SMEs is one of our premises; facilitating the growth of our companies is vital for the Spanish economy. Last year we launched the first Pre-Market Environment for start-ups, an initiative from BME and the National Association of Business Angels, Big Ban Angels, to facilitate these companies' access to the capital markets and help them in their search for new investors.

NEW INDEXES

BME has expanded the series of IBEX indexes. Furthermore, two new indicators representing growth companies have been created, one called IBEX MAB All Share, where all the companies are listed, and another that includes the 15 most liquid securities, the IBEX MAB 15.

Likewise, indices have been designed with IBEX 35 options that measure the implied volatility of the market and offer certain investment strategies through derivative products.

MORE FIXED INCOME ISSUES

The primary Fixed Income market has shown signs of recovery with a 22.4% increase in trading admissions, largely reflected in Corporate Debt (+39%) and MARF (+74%), totalling 432.24 billion euros.

However, trading was still on a downward trend, and in 2017 it dropped by 39%, affected by a scenario of record low interest rates and the ECB's asset purchase policy.

In Private Debt, we are seeing how companies are issuing more capital after the necessary deleveraging that was carried out, and how they are seeking financing through Fixed Income markets. In the last quarter, issuances grew by 24%.

MIXED RESULT IN DERIVATIVES

In a very low volatility environment, the global activity in the Derivatives market in 2017 remained in line with that seen in other countries.

In MEFF, 44.6 million contracts were traded on underlying assets related to Equity, indices and shares; the figure hardly varies with respect to the previous year.

CONSOLIDATION OF BME CLEARING

BME Clearing recorded a daily average of 399,845 Equity clearing transactions, with a daily average effective value of 2.53 billion euros, 16% higher than in 2016.

With Derivatives clearing, it is worth mentioning the 26.5% increase in the open interest of Futures on the IBEX 35 with respect to 2016, reaching historical highs with more than 113,000 contracts. Also noteworthy is the increase in the open interest in Options on IBEX 35 (+78.6%) and in Futures on Shares (+77.5%).

We are working on several projects to continue with the development of BME Clearing towards other services and markets.

SUCCESSFUL MIGRATION TO T2S

The most relevant aspect for Iberclear in the settlements area in 2017 was the migration to Target2 Securities (T2S), the European settlement platform, which was successfully completed in September as far as migration and subsequent stabilisation are concerned. This operation has made it possible to standardise the post-trade systems of the Spanish market with the other main European countries, increasing efficiency, optimising costs and improving competitiveness.

Once the process was completed, an agreement was signed between Iberclear and Citi's clearing and custody unit to provide global custody services to Iberclear's clients. Therefore, Spanish companies can settle international securities through Iberclear, which will act as a single point of access to T2S and to the other international markets.

REGIS-TR ACHIEVES AN OUTSTANDING POSITION IN EUROPE

REGIS-TR has consolidated its position as the second largest repository in Europe, processing more than 8 million messages a day. Last year, it obtained the pertinent authorisation to offer trade repository services under Swiss regulations.

MARKET DATA GROWS IN TERMS OF CLIENTS AND EXPANDS ITS SERVICE

It was a favourable year for the Market Data unit, which has maintained its growing trend in the number of clients, especially amongst those with a direct connection to the information servers. The number of subscribers who receive End of Day information increased by 5.3%.

The monthly average of delivery points, where information has been disseminated in real-time for the more than 79,000 Equity, Fixed Income and Derivatives Instruments and Indices managed by the BME group, exceeded 100,000.

In terms of developing legislation arising from the MiFID II Directive, BME has been closely following the regulatory process very closely so it can adapt its data feeds, information products and implementing policies for the use of these data to the new regulations.

Since January 2018 BME Market Data includes the information supplied by the new APA BME service, managed by BME Regulatory Services, which has integrated the details of OTC trades on financial instruments as real-time content, as well as the firm trading prices of the Systematic Internalisers that have signed to the service.

BME INNTECH AS ADDED VALUE

Last year, the Group reorganised activities related to the technological and regulatory and innovation areas, which led to the merger of BME Innova, Visual Trader and Infobolsa into a new company called BME Inntech.

The idea behind the initiative is to serve the needs of market participants in terms of financial information services, management and delivery of orders, provision of tools for financial advice and regulatory compliance services in a more global and efficient manner.

INTERNATIONAL DEVELOPMENT

The Group also continues to increase its international presence. In 2017, we developed the new trading platform for the Bolivian Stock Exchange and, in collaboration with AFI and ALMIS, we were awarded the project to update the Algerian stock market.

We are also working on implementing our interest rate swap trading technology in the clearing house of the Colombian stock exchange

COMPANY RESULTS

As I already mentioned, 2017 was an intense and challenging year for BME, in which we had to adapt to European regulations and technological development without leaving our traditional activity behind. This was done in a time that was difficult for markets in general, with a clear moderation in trading volumes.

OVER 153 MILLION EUROS NET PROFIT

BME's net profit for 2017 was 153.3 million euros, which is a 4.3% drop. However, this figure is in line with that registered over the last four years.

BETTER MANAGEMENT INDICATORS THAN THE INDUSTRY

The efficiency ratio of operating costs over net income stood at 34.4%, and the ROE, which measures the return on equity, stood at 36.1%. These values exceed the industry average by more than 10 points, following last year's improvement.

AGREEMENTS

As provided for in the agenda for this General Meeting, the Board of Directors will propose the approval of the accounts for the year ended on 31 December 2017.

PROPOSED DIVIDEND

These accounts also include a proposal for the distribution of a final dividend for 0.78 euros gross per share. If approved, it will be paid on 11 May of this year.

The total dividend for our shareholders charged to the 2017 results will be 1.78 euros gross per share, leaving the company's pay-out at 96%. It is still one of the highest amongst listed companies, as is the dividend yield, which exceeds 6%.

Later, Javier Hernani will break down the results by the business units and comment on the company's financial information for the first quarter, which was published this morning.

CORPORATE GOVERNANCE

As you already know from this Meeting's agenda, several independent directors have been let go, having reached the maximum term for which they can be appointed. They are Mr Álvaro Cuervo García, Mr Karel Lannoo, Mr Carlos Fernández González and Ms Margarita Prat Rodrigo. Mr Manuel Olivencia, whose sad passing we mentioned earlier, was also in the same situation. I would like to express my sincere congratulations and thanks for the extraordinary work that these Board colleagues have done in recent years.

The proposal of the agenda includes the re-election of Mr Ignacio Garralda Ruiz de Velasco as a member of the Board of Directors, in accordance with the provisions of article 38.1 of the Articles of Association, and the elections of Ms Ana Isabel Fernández, Mr David Jiménez Blanco, Ms Isabel Martín Castellá and Mr Juan Carlos Ureta Domingo as new members of the Board, all of whom are mentioned as independent directors.

In line with best practices in corporate governance, if these proposals are approved, more than half of the Directors will be independent, and there will be a higher number of women on the Company's management body.

The future members of the Board of Directors, whose experience and professionalism are fully accredited, will undoubtedly contribute to the Board of Directors' new visions, perspectives and proposals, which will be beneficial and will allow the Company to face the challenges that arise in the coming years and maintain its positive progress.

Wrapping up, I would like to focus on the two aspects on which the improvement in the follow-up of the recommendations of the Code of Good Governance in 2017 has focused:

- With regard to the remuneration of executive Directors, the remuneration structure of the CEO incorporated in the Directors' Remuneration Policy at the previous Ordinary General Shareholders' Meeting has meant that two recommendations that were not previously followed are now partially followed; and
- Improvements in the information on Corporate Social Responsibility that the Company publishes annually, with the 2017 Corporate Social Responsibility Report having obtained the Global Reporting Initiative badge, certifying that it meets the essential content requirements of the GRI G4 Guidelines.

Some last words of thanks, as I usually give in this General Meeting, to all those who have collaborated in the company in 2017 and in recent years, and of course, to all the shareholders who accompany us as owners and followers of the future of the Company.

I believe that the effort has been worthwhile, since it has provided the company and all its participants with large profits and has given it the ability to exceed these profits in the future. We continue working to be the most

competitive Group for our clients, members and investors, and profitable for shareholders.

Thank you very much for your attention.