

Excellence



The integration of branches acquired from BMN–Penedès was successfully accomplished, as operating and IT systems were merged and the change of brand was completed.

2013 was the final year of the “CREA” plan to bring about a transformation of the group’s operating processes and business model. The plan has given the Bank the tools and resources it needs to increase productivity and accommodate the anticipated growth in customer numbers while maintaining the high-quality service that is the group’s hallmark. This has meant giving greater visibility to profit performance and paying more attention to managing down costs and bad debts while continuing to see the anticipated growth in our customer base and improvement in service quality. Meanwhile, the main planks of our 2014–2016 master plan were being put in place.

As the programme of group transformation was being implemented, the integration of assets acquired from BMN–Penedès was completed in the third quarter of the year.

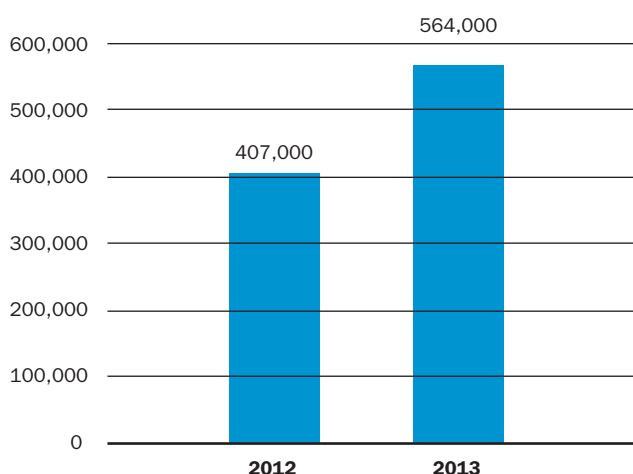
Operational and organization change

The year saw a number of changes being made to reduce the workload at branches by concentrating administrative tasks at dedicated central units, thus leaving branches free to concentrate on purely business-related tasks. In 2013 the Bank continued to implement its “operations factory” programme, designed to reduce administrative work at branches. Its Regional Administrative Centre (RAC) in Alicante

came fully on stream and was soon achieving the same standards of quality and service as the other RACs. The Catalonia RAC absorbed the growth in transaction numbers caused by the integration of the branches acquired as a result of the asset purchase agreement with BMN–Penedès.

During the year the group’s RACs were processing 96% of its service-related transactions and 91% of its loan-related transactions, improving their performance by 2% and 3% respectively compared with the previous year. Central processing of loan applications at RACs was in operation for 98% of the group’s branches and it is expected that the move to centralized processing will be completed during the first half of 2014. Work continued during the year to release branches from administrative tasks and thus enable them to give more time to business development activities. An example of this ongoing operation is the transfer to “factories” of the processing of avals for cross-border transactions, due to take place in January 2014.

In aggregate the RACs, together with the Superdex centres responsible for processing international payments and the Global Service Centre which handles more specialized transactions, are processing more than 564,000 transactions every month. These processing centres are facilitating future expansion by providing a platform with the capacity to accommodate the group’s strategies for growth (F1).



F1 Transactions processed each month at Central Processing Centres

The business transformation programme included a number of other initiatives to increase sales efficiency and sharpen the focus on sales throughout the organization, while ensuring that the Bank retained its leadership in service quality.

The group's system of sales incentives was another area that saw further development with the aim of promoting an ever sharper business focus across the group.

Specifically in relation to business development, in 2013 training programmes were conducted to improve sales and business skills. These emphasize personal development and building an organization committed to and motivated by change.

Technology

The year 2013 was notable for mergers of banking operations driven by consolidation in the Spanish banking industry. In the first quarter of the year Banco Sabadell started the process of migrating customers and products of the former BMN-Penedès branches in Catalonia and Aragon — acquired by the group under the asset purchase deal with that organization — to its own information systems. The migration process was completed in October.

At the same time work on the integration of Banco Gallego and Lloyds Bank International was underway and will be continued into the early months of 2014.

Meanwhile a systems plan was put into effect that was more intensive than the previous year's plan and was aligned with the basic aims of the 2011-2013 "CREA" strategic plan: growth, profitability, efficiency and ambition.

Some key aspects of the systems plan are worth highlighting. First, the integration of assets acquired from BMN-Penedès in 2013 and the increase in customers and business resulting from the takeover of Banco CAM in December 2012 made it necessary to adapt Banco Sabadell's IT systems to increase their processing capacity. Modifications were required to the banking IT system to accommodate a twofold increase in activity and also in the IT systems running the BS Online and BS Móvil banking services, which saw increased usage of 44% and 75% respectively (F2, F3 and F4).

Next, the group carried out an IT systems plan that would meet new regulatory demands of the Spanish securities market regulator (CNMV), EU law (MiFID) and the Bank of Spain; it would also provide support to the monitoring and oversight of the Asset Protection Scheme (APS) set up as part of the arrangements for the takeover of Banco CAM. Another of the plan's objectives was to boost IT capacity in every operational area related to new products and new services to customers. This included the completion of work to upgrade the group's fixed-income back office system and the addition of new functionality to the BS Online and BS Móvil online and mobile banking services. An example of the latter was the option, now available to Banco Sabadell customers, to sign up for the Virtual Mobile Point of Sale service to collect payments by smartphone, or the "Instant Money" service to make cash

withdrawals from ATMs using only a mobile phone. There was also time for technological innovation during the year, including such state-of-the-art projects as an e-banking application for Google Glass that is without equal in Spain.

In the field of services to third parties, BanSabadell Information Systems, a Banco Sabadell group IT company, successfully brought to completion such noteworthy projects as the launch of a life and pensions platform for Zurich's Spanish insurance operation, and the initiation of business continuity services at its Data Processing Centre in Alicante for the Office for Harmonization in the Internal Market (OHIM), the EU's trade mark registration agency.

Cost management

During the year the group's cost approval and management system continued in operation and resulted in overhead costs being reduced by 11.4% on a like-for-like basis compared with the previous year.

Integration processes

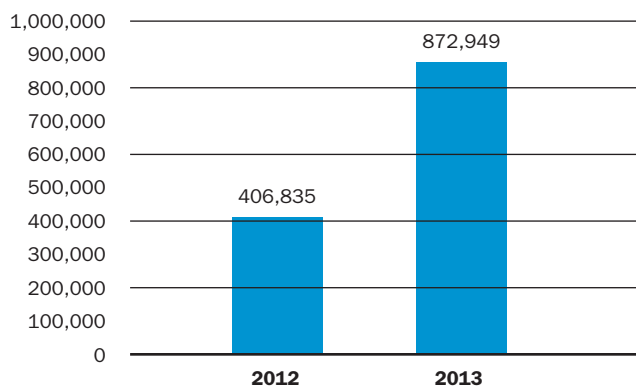
Achievements in 2013 included the successful integration of the former Caixa Penedès branches along with the merging of its operating and IT systems and the change of brand. Once again Banco Sabadell's experience of success garnered in the course of numerous integration exercises over the last three years and its proven technological capability ensured that the whole process was brought to a conclusion in the record time of five months.

The integration resulted in an increase in assets of more than €10,000 million and over 745,000 new customers.

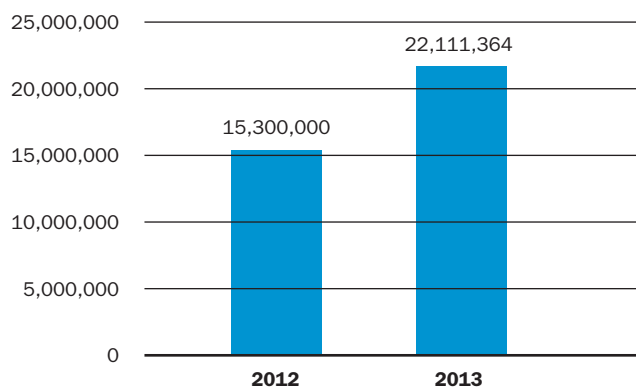
Human Resources

Composition of group employees

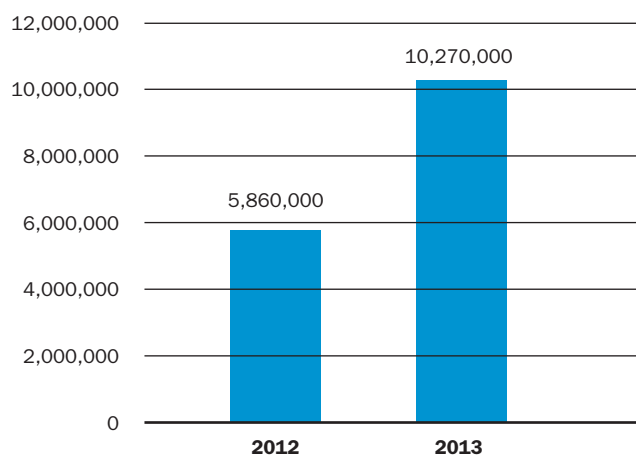
At the end of the 2013 the Banco Sabadell group was employing a total of 18,077 people, an increase of 2,481 on the year before. The average age of employees was 42.4 years and the average length of service was 16.5 years. The gender split was 50.2% men and 49.8% women (F5).



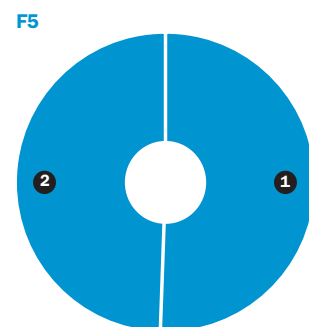
F2 Bank IT platform:
Monthly transaction volume



F3 BS Online:
Monthly transaction volume



F4 BS Móvil:
Monthly transaction volume



Gender split

1	Men	50.2%
2	Women	49.8%

Employee training

The Bank continued its policy of providing training for all group employees, achieving high levels of participation — with 88% of employees undertaking some form of training — and dedication. A total of 399,394 training hours were provided, an average of 26 hours per employee.

Of particular importance were the hours dedicated to the training of staff joining the group as a result of the integrations carried out in recent years. A total of 364,007 hours' training was provided as part of the Banco CAM integration and 207,227 hours as part of the integration of branches acquired from BMN-Penedès. A key contributor to the success of these training programmes was the large number of existing employees who gave support to their new colleagues and thus assured a smooth transfer of knowledge during the integration process. A vital role was also played by the Branch Support Tutors, experts in branch banking operations who were brought into branches to provide support during the two weeks following integration. A total of 457 staff members were transferred to former Banco CAM branches and 304 to former BMN branches, with 109 staying on to take up a permanent post at the branch to which they had been assigned.

At the time of writing, training programmes are in place for employees acquired as a result of the takeover of Banco Gallego and Lloyds Bank's Spanish business (now SabadellSolbank).

Further progress was made in establishing in-service training across the entire branch network, with more than 6,207 employees — 72.2% of the total — taking part. This included the “Laude” scheme, an arrangement with the University of Barcelona under which group employees taking in-service training can have their achievement recognized by the award of a university qualification. In 2013 the scheme was repeated for the sixth and seventh times and resulted in 124 newly qualified employees. Ten of the trainees who gained a qualification under the scheme did so with a “cum laude” distinction.

Human resources development

In the area of training at senior management level, fresh progress was made in the group's approach to developing management skills. A further round of 360-degree assessments took place as part of the continuing Manager Leadership Programme, with 254 senior executives taking part. The programme aims to provide managers with their own personal solutions to help them develop their strengths and explore more fully their areas for improvement.

Senior management training included Management Audits and Assessments, a training exercise to draw up management structures for the new Catalonia and Northwest Regions. Key areas highlighted in the exercise were merit, past contributions and future potential.

To meet the group's current and future challenges the full cooperation of all management personnel will be vital.

We will continue to work to instil a performance-driven culture.

Some key actions we have undertaken to realize this aim are:

- Online training: for former Banco CAM and newly recruited employees (708 trainees at management level and 4,109 at other levels).
- Attendance-based training: 15 workshops were held to equip executives to handle Annual Performance Assessment interviews and were attended by 400 managers from Central Services divisions. A set of tools and resources was provided to help and support them in carrying out staff assessments.

The performance culture was also brought into the Business Development Programme to help branch employees meet new challenges due to changes in our approach to customer relationship management and business development. A third round of the Corporate Management Programme (CMP) was carried out during the year. This is aimed at newly appointed middle-management employees and equips them with the new management and leadership skills expected of a Banco Sabadell executive. The three CMPs so far held have given training to a total of 94 managers.

Executive remuneration

As permitted by the regulations on remuneration enacted by the European authorities and the legislation implementing these in Spain, and with the authority of a resolution of the General Meeting, the group has approved the use of options on Banco Sabadell shares as a form of payment of variable compensation accruing in the year 2012, to which directors and employees subject to regulatory oversight have voluntarily agreed.

Banco CAM Assistance Programme

The assistance plan linked to the redundancy procedure applicable to employees of the former Banco CAM comprised two simultaneous initiatives.

First, a revitalization plan for the Levant regions which, as of 30 November 2013, had provided incentives for the creation of 629 new jobs. Second, an outplacement scheme that has enabled 316 ex-employees — 33% of the total number of people enrolled in the scheme — to find other jobs. The outplacement scheme remains in operation and applies to employees voluntarily agreeing to accept redundancy terms and also to the spouses of employees transferring to new jobs. Support in the search for employment under the scheme is due to end in March 2014.

Quality Management

For Banco Sabadell, quality is not just a strategic option; rather, it is a whole approach to doing business, whether in delivering value to stakeholders or in the execution of each and every process forming a part of that business. This natural affinity with excellence helps to enhance the Bank's capabilities in all areas, transforming threats into strengths and challenges into opportunities for the future.

Consequently, the Bank makes use of existing standards and benchmarks to judge its own actions and satisfy itself that its way of doing business is the right one, and sets itself new goals based on continual self-criticism.

A key benchmark against which to measure and improve management practices is the European Foundation for Quality Management (EFQM) excellence model, against which the Bank is independently assessed every two years. The most recent assessment, carried out in October 2012, resulted in the Bank's EFQM Gold Seal (+500 points) being renewed and a score of over 600 points being awarded according to EFQM's very demanding standard.

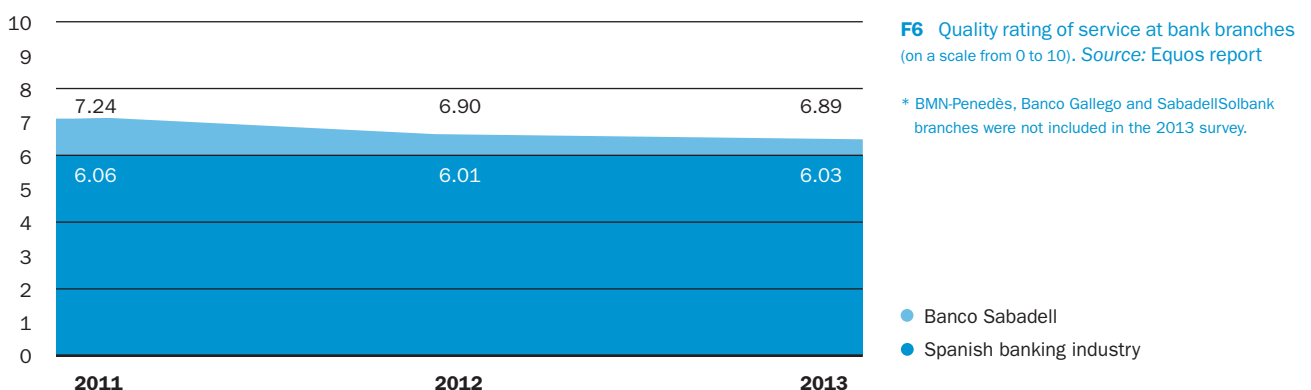
Banco Sabadell continues to be the only Spanish credit institution with 100% of its Spanish financial operations certified to the ISO 9001 standard, providing further proof of its customer-centred philosophy and diligent approach to process management. In 2013 it successfully passed the annual audit required for the renewal of its certificate.

The Bank had its "Madrid Excelente" quality mark renewed in 2012. Keeping this accreditation current requires an annual assessment, which Banco Sabadell came through satisfactorily.

Quality in customer service

Banco Sabadell is a Spanish market leader in quality of service and satisfaction ratings from both business and individual customers.

Professionalism, care and attention to detail, and insistence on best practice are the group's most characteristic values. Once again this year, the ratings obtained by the Stiga organization in its "EQUOS-RCB" independent survey of service quality at bank branches confirmed Banco Sabadell as one of Spain's market leading banks. The survey measures the quality of the service provided by banks in the course of visits to more than 3,800 bank branches. Expert quality assessors appear at branches unannounced, acting like ordinary customers, and rate each branch on a set of 200 variables. Stiga, as an independent research organization, guarantees that its measurements are fair and transparent (F6).



Between April and July 2013 the specialist consultancy FRS Inmark carried out its annual survey into the financial behaviour of private individuals in Spain, based on a sample of 12,000 people aged 18 or over living in towns or cities of more than 2,000 inhabitants. The survey showed that Banco Sabadell was once again the bank with the highest satisfaction ratings among Spain's ten largest banks by number of customers. The group's most recent acquisitions — Banco CAM, BMN-Penedès, Banco Gallego and SabadellSolbank (formerly Lloyd's Bank) — were not included in the survey. The latest 2-yearly study by FRS Inmark on the financial behaviour of businesses with sales of between €1 million and €6 million found that, of the top ten Spanish banks, Banco Sabadell was the second most frequently recommended by small and medium-sized firms.

To make this possible, the Bank carries out regular surveys that enable it to identify areas for improvement as they develop, both for the organization generally and for each individual branch:

- Branch quality audits. At present these are being carried out for Banco Sabadell every year by MDK, an independent consultancy, using the mystery shopper technique. The surveys are rotated so as to cover all group branches. Branches are visited without warning by an expert quality auditor pretending to be a customer. After their visit the auditor or mystery shopper rates the branch on such aspects as staff courtesy, product knowledge, understanding of customers' needs, ability to give clear explanations and the quality of information provided. Audits are also conducted by telephone using the same methodology (F7).
- Customer satisfaction surveys. Banco Sabadell is particularly concerned to know customers' opinions and

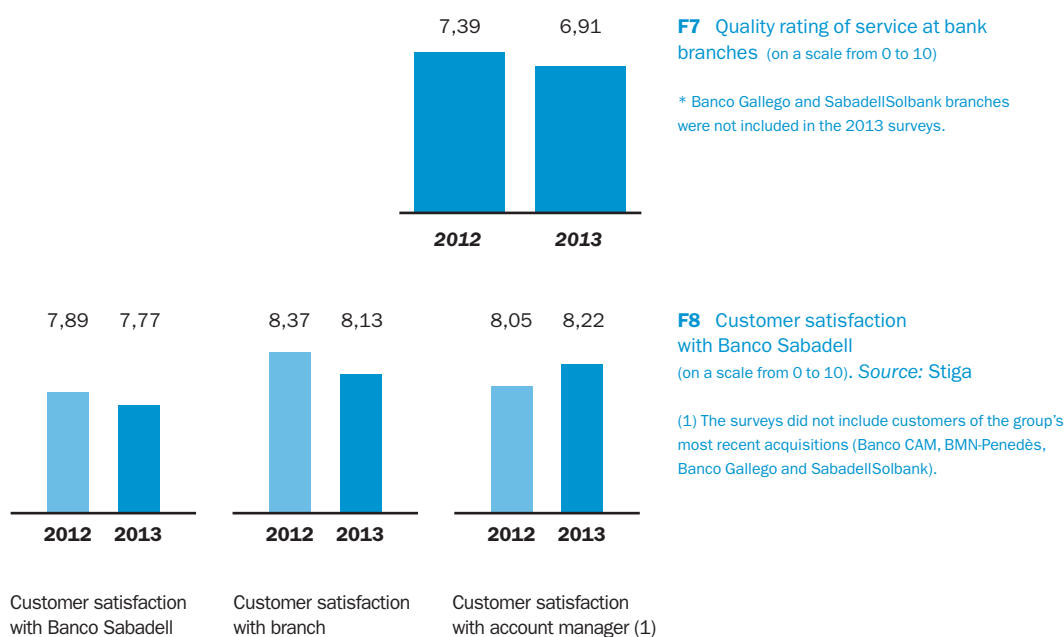
levels of satisfaction. For this reason, the consultancy Stiga works continuously throughout the year to carry out telephone surveys for the Bank. In these surveys it asks customers about the professionalism of account managers, the attention and courtesy shown to them by branch personnel, the speed with which disputes are resolved and so on. The large number of responses collected means that the results are statistically relevant for every one of the Bank's branches.

The surveys are of two types:

- General surveys conducted on random customer samples. These provide data for each region where the Bank operates and for each customer segment.
- Special surveys carried out directly on customers with recent experience of contact with a branch, providing the Bank with feedback on customers' satisfaction with the business or transaction actually conducted, as well as with their overall assessment of the Bank (F8).

2013 was an abnormal year in terms of our findings on quality delivery and perceptions, mainly on account of the addition of Banco CAM to the group:

- Quality audits on branches, where former Banco CAM branches showed worse results than the group has normally had in the past. This was to be expected, bearing in mind employees' need for time to become familiar with Banco Sabadell's operating and business procedures.
- Customer complaints. There was a massive inflow of written complaints over Banco CAM's selling of preference shares; there were also complaints about pricing policies that were not those to which Banco CAM users had become accustomed.



Customer and user protection

Any customer or user of the group's services can contact the Customer Service Department (CSD) if they have a complaint or a claim that cannot be settled with the branch in the normal way.

The CSD is independent from the business and operational side of the group and is governed by the group's own rules and procedures on customer and user protection. Customers can submit their claims or complaints to the CSD at the registered office of any group company or at any branch, using the complaint forms available at branches and also on the group web site, or in any other way that provides proof of the complainant's identity.

The Customer Ombudsman deals with claims or complaints referred to him by Banco Sabadell group customers or users, either directly or on appeal from a prior procedure. Decisions of the CSD or the Ombudsman are binding on all group units or departments.

To support good customer relations the Ombudsman draws up recommendations and proposals to promote good banking practice and nurture the relationship of trust that should exist between the Bank and its customers. In addition the CSD produces an annual report for the Board of Directors which includes sections on good practice and recommendations for employees and division or unit heads with the aim of helping to improve customer service.

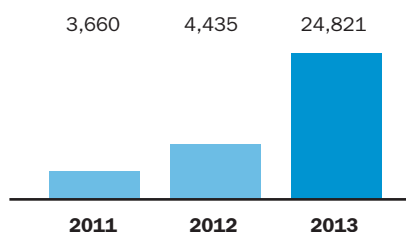
Most frequent causes of claims or complaints

33%	Dissatisfaction with interest paid
22%	Dissatisfaction with bank fees or charges
14%	Account entry or entries disputed
5%	Dissatisfaction with product functionality
5%	Accessibility of service
4%	Delay in service delivery
3%	Quality of information supplied
3%	Attitude shown by staff
1%	Authority to act on behalf of third party
1%	Decision on application for loan, etc.
1%	Bank processing errors

Products/services most likely to be a cause of claims or complaints

38%	Mortgage loans
19%	Demand deposits
8%	Cashier services
7%	Credit and debit cards
5%	Securities/financial assets
3%	Loans and credit other than mortgage
3%	Property insurance
2%	Cash machines
2%	Life insurance
2%	Direct debits
1%	Information supplied
1%	Transfers

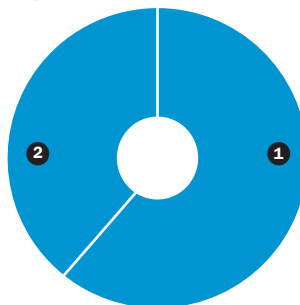
* Data for branches acquired from BMN-Penedès were included from June 2013 onwards. Claim and complaint data do not include Banco Gallego and SabadellSolbank.



F9 Claims and complaints examined

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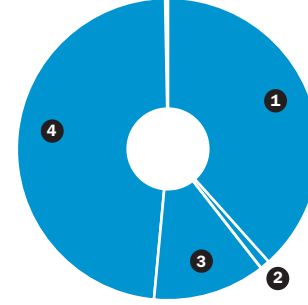
F10



Claims and complaints - distribution

1	Complaints	83%
2	Claims	17%

F11



Decisions by Customer Service Department and Customer Ombudsman

1	In customer's favour	35.33%
2	Partly favourable to customer	0.97%
3	Settlement reached with customer	11.08%
4	In Banco Sabadell's favour	44.38%
5	Claim dropped by customer	0.28%

Promptness in responding to complaints is a key aspect of customer care. For this reason, bearing in mind the official 60-day maximum response time, Banco Sabadell's average response times for customer claims or complaints for the year 2013 were as follows:

T1 Average response time

Number of days

	2013	2012	2011
Cases of low complexity	17.79	2.62	2.37
Cases of medium complexity	32.41	8.02	11.51
Cases of high complexity	46.65	31.52	23.68

Qualis Awards for Excellence

Established by the Bank in 2002, the Qualis Prizes are awarded to people and groups of people who have been particularly noted for the excellence of their work during the year. These prizes — now in their 11th year — were awarded for performance in 2012. Of particular significance are the prizes for best bank branch as a reward for successful teamwork, and the Qualis Gold Prize, which is given to an individual employee in recognition of their overall track record. Branches selected for best branch awards were: La Jonquera; Illescas; Alhaurín el Grande, Segorbe and the Elche - Parque Empresarial and Palma de Mallorca business branches. The Qualis Gold prize was awarded to Luciano Méndez Sánchez, head of Caribbean Operations.

Employee participation for improvement and innovation

To encourage employee engagement a Web 2.0-based collaborative platform, BS Idea, has been set up on the corporate Intranet. The platform provides an easy, amicable way for employees to use their creativity and put forward suggestions for improvements in working methods or additions to the range of products and services. A major advantage of this system is its transparency: employees' ideas are immediately visible to all other employees and can be voted on, improved upon or enriched with further opinions and ideas. This helps to establish priorities for implementation, since the number of votes in favour of an idea gives an excellent indication of the benefits that it could bring to the organization.

In 2013 a total of 4,129 employees were active participants on the site and 2,656 ideas were put forward. Any customer or other person can send comments, suggestions or requests to Banco Sabadell via its pages on Facebook or Twitter or make use of the feedback platform at www.feedback.bancsabadell.com. Customers can use the platform to put forward suggested improvements or new ideas on remote banking channels, mobile phone services, operating processes, product features, accounts, credit and debit cards and so on.