



# Bankers since 1881, Banco Sabadell has remained faithful to its origins.

## Who we are

Established in 1881, Banco Sabadell is, today one of the main entities of the financial system, Spain's fifth largest banking group, and holds an important position in the personal and business banking market.

With a young, well qualified staff and equipped with the most up-to-date technology and business systems, Banco Sabadell's operating model is focused on its dual aim of being its customers' main bank and building relationships based on quality and commitment. With a strong focus on lasting and profitable relationships, Banco Sabadell supports its customers through every phase of their financial lives by following a multi-brand, multi-channel and multi-product strategy, providing options and channels that meet their needs and offering a full range of products and services favourable to long-term customer retention.

The Bank's development objectives are focused on profitable growth and the creation of shareholder value through a strategy of business diversification that is subject to periodic review based on quality of service, quality of risk, efficiency and profitability while maintaining high standards of ethics and professional conduct combined with sensitivity to stakeholders' interests.

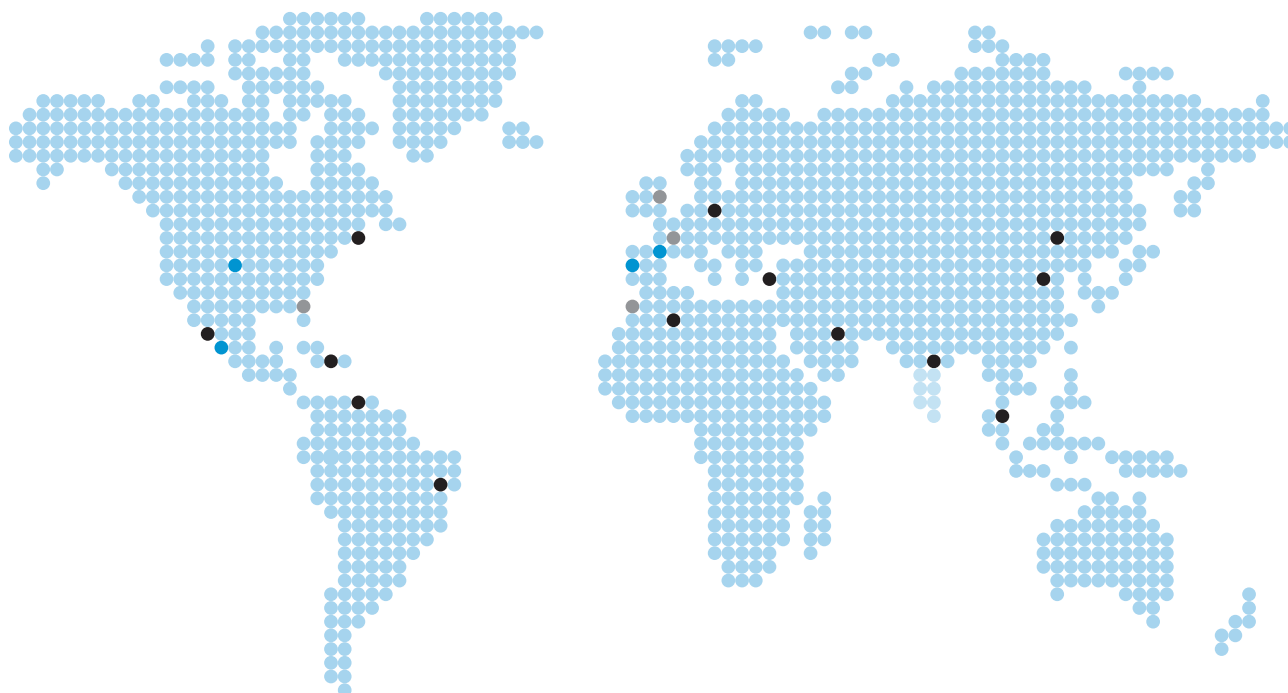
## Historical background and recent acquisitions

Since 1996, Banco Sabadell has embarked on a policy of rapid expansion which was particularly notable in recent years, during which it experienced a very major increase in scale.

## G1 Landmark developments

A group of 127 businessmen and traders set up the Bank in the town of Sabadell to provide funding for local industry.	Acquisition of NatWest Spain Group and Banco de Asturias.	Successful bid for Banco Atlántico.	Acquisition of Banco Urquijo.	The Bank acquires BBVA's private banking business in Miami, USA. Sells 50% of its insurance interests.	The Bank launches a takeover bid for 100% of Banco Guipuzcoano.	Acquisition of Banco CAM and creation of Sabadell Urquijo BP.	The Bank begins operations in Mexico.
<b>1881</b>	<b>1996</b>	<b>2003</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>	<b>2012</b>	<b>2014</b>
<b>1965</b>	<b>2001</b>	<b>2004</b>	<b>2007</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>	
Steady expansion of branch network begins.	Banco Sabadell is listed on the stock exchange. The Bank acquires Banco Herrero.	A capital increase puts the Bank in the IBEX-35 league. Integration of Banco Atlántico IT and business systems.	Acquisition of TransAtlantic Bank (Miami).	Acquisition of Mellon United National Bank.	The Bank acquires the assets and liabilities of Lydian Private Bank (Florida) and announces the takeover of Banco CAM.	Acquisition of Caixa Penedès and Banco Gallego branches and Lloyds Banking Group's Spanish operations.	

## G2 Banco Sabadell - foreign market presence



### ● Branches

United Kingdom  
USA  
France  
Morocco

### ● Representative offices

Algiers (Algeria)  
Sao Paulo (Brazil)  
Beijing (China)  
Shanghai (China)  
New York (USA)  
Dubai (UAE)  
New Delhi (India)  
Mexico City (Mexico)  
Warsaw (Poland)  
Singapore

### ● Foreign subsidiaries and key equity investments

Andorra  
USA  
Portugal  
Mexico

Banco Sabadell has always been seen by customers as a vital partner in cross-border transactions and foreign trade. The Bank's current 3-year plan ("Triple" — see the section on "Strategy" below) includes international expansion as

a key theme. The Bank commenced operations in Mexico in June 2014, with the result that it had a presence in 17 countries through branches, representative offices, subsidiaries and equity holdings at the end of 2014.

# Banco Sabadell achieved a significant increase in scale in recent years.

	2007	2010	2014	2014/2007
Assets	76,776	97,099	163,346	X 2.1
Loans and advances (*)	63,165	73,058	121,141	X 1.9
Deposits (**)	34,717	49,374	94,461	X 2.7
Branches in Spain	1,225	1,428	2,267	X 1.9
Employees	10,234	10,777	17,529	X 1.7

**T1** Banco Sabadell - changes  
in key numbers (€Mn.)

(\*) Gross loans and advances excluding repos.

(\*\*) On-balance sheet customer funds.

## Mission and values

Banco Sabadell's mission is to "develop its business as a full-service bank with a focus on specialization based on a programme of selective growth and a customer-centred approach".

Banco Sabadell believes in long-term relationships centred on values such as trust, authenticity and communication. This means that the Bank manages its affairs at all times according to a series of corporate values, namely:

**The desire to serve:** The Bank's professional approach is based on understanding the problems and needs of customers and offering them the full range of its individual and collective abilities in the form of rapid, simple and effective solutions.

**Closeness:** Closeness means taking all the necessary steps to establish strong relationships and deliver a good service. Customers should see the Bank as an equal partner which is sensitive to diversity, removes physical barriers, and uses new technology to facilitate communication and reduce the distance with customers.

**Adaptability:** Banco Sabadell is agile in adapting to customer needs by providing flexible, efficient solutions.

**Business approach:** Being proactive, knowing the customer and his or her needs, anticipating those needs, and making mutually beneficial transactions are the basis of a sustainable relationship; these are the key principles that guide all the Group's actions.

**Innovation:** Anticipating customers' needs by developing products and services which are surprisingly advanced yet simple to use. Carefully evaluating the potential offered by new technologies with a view to developing

innovative value propositions. Being able to imagine how the future might be.

**Professionalism:** Rigour, neatness, punctuality, accuracy, clear and truthful communication, commitment, responsibility, making the right decisions, and lifelong learning are the characteristics that define professionalism.

**Ethics and social responsibility:** Professional and personal life at Banco Sabadell is based on fairness, honesty, transparency and taking responsibility for the consequences of employees' actions. The Bank contributes to sustainable social development through sponsorship, caring for the environment and rejecting all forms of discrimination and exploitation against other human beings.

**Austerity:** Austerity means using the company's resources sensibly and avoiding ostentation and unnecessary expense. Sabadell applies this principle by distinguishing what is necessary from what is inessential and seeking to provide a distinctive level of quality.

**Prudence:** Banco Sabadell undertakes business risks in a responsible way thanks to appropriate specialist training and by making decisions based on information which is sufficient and verified.

**Working together:** Working together is key to the progress of mankind. We work as a team and bring people and ideas together in the pursuit of a common goal which generates enthusiasm and helps to retain talent, in which common objectives are more important than individual interests and information is shared openly and transparently. We respect diversity among individual members of the Group, for it is this very diversity that enriches the whole.

## Corporate governance and General Management

The Board of Directors is the highest decision-making body in the Company and its consolidated group and is responsible under the law and the Articles of Association for the management and representation of the Company. The Board of Directors acts mainly as an instrument of supervision and control, and delegates the management of ordinary business matters of the Company to the executive organs and management team.

The Board of Directors is regulated by clear, transparent rules of governance, specifically the Articles of Association and the Board's Rules of Procedure, which conform to corporate governance standards.

The Bank's Articles of Association, the Board's Rules of Procedure and the Annual Report on Corporate Governance can be viewed on the Bank's web site ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)).

## Composition of the Board and Board committees

The members of the Board and Board committees at 2014 year-end were as follows:

### Board of Directors

#### Chairman and CEO

Josep Olliu Creus

#### Deputy Chairmen

José Manuel Lara Bosch

José Javier Echenique Landiribar

#### Managing Director

(*Consejero Delegado*)

Jaime Guardiola Romojaro

#### Directors

Héctor María Colonques Moreno

Joaquín Folch-Rusiñol Corachán

M. Teresa García-Milà Lloveras

Joan Llonch Andreu

David Martínez Guzmán

José Manuel Martínez Martínez

José Ramón Martínez Sufrategui

Antonio Vítor Martins Monteiro

José Permanyer Cunillera

#### Director-General Manager

José Luis Negro Rodríguez

#### Secretary

Miquel Roca i Junyent

#### Deputy Secretary to the Board

María José García Beato

## T2 Board Committees - Membership

Position	Executive	Audit and Control	Appointments and Remuneration	Risk Control	Strategy
Chairman	Josep Olliu Creus	Joan Llonch Andreu	Héctor María Colonques Moreno	José Manuel Martínez Martínez	Josep Olliu Creus
Deputy Chairman	—	—	—	José Permanyer Cunillera	—
Member	José Javier Echenique Landiribar	María Teresa García-Milà Lloveras	José Manuel Lara Bosch	María Teresa García-Milà Lloveras	José Manuel Lara Bosch
Member	Jaime Guardiola Romojaro	José Ramón Martínez Sufrategui	José Javier Echenique Landiribar	Joan Llonch Andreu	José Javier Echenique Landiribar
Member	José Luis Negro Rodríguez	—	Joaquín Folch-Rusiñol Corachán	—	Jaime Guardiola Romojaro
Member	José Permanyer Cunillera	—	—	—	Joaquín Folch-Rusiñol Corachán
Member	—	—	—	—	José Manuel Martínez Martínez
Secretary	María José García Beato	Miquel Roca i Junyent	Miquel Roca i Junyent	María José García Beato	Miquel Roca i Junyent

## General Management

### Management Committee

#### **Chairman and CEO**

Josep Ollu Creus

#### **Managing Director**

*(Consejero Delegado)*

Jaime Guardiola Romojaro

#### **Director-General Manager**

José Luis Negro Rodríguez

#### **Secretary-General**

María José García Beato

#### **General Manager (CFO)**

Tomás Varela Muiña

#### **General Manager (COO)**

Miguel Montes Güell

#### **Deputy General Manager**

Carlos Ventura Santamans

#### **Deputy General Manager**

Fernando Pérez-Hickman

### Operating Divisions

#### **Commercial Banking**

Carlos Ventura Santamans

*Deputy General Manager*

Eduardo Currás de Don Pablos

Manuel Tresánchez Montaner

Silvia Ávila Rivero

*Assistant General Managers*

#### **Markets and Private Banking**

Ramón de la Riva Reina

*Deputy General Manager*

Cirus Andreu Cabot

Alfonso Ayuso Calle

*Assistant General Managers*

#### **Sabadell America**

Fernando Pérez-Hickman

*Deputy General Manager*

#### **Corporate Banking and Global Businesses**

Enric Rovira Masachs

*Assistant General Manager*

#### **Asset Transformation and Solvia**

Miguel Montes Güell

*General Manager (COO)*

### Regional Divisions

#### **Catalonia Region**

Luis Buil Vall

*Assistant General Manager*

#### **Central Region**

Blanca Montero Corominas

*Assistant General Manager*

#### **Eastern Region**

Jaime Matas Vallverdú

*Assistant General Manager*

#### **Northeast Region**

Pablo Junceda Moreno

*Assistant General Manager*

#### **Northern Region**

Pedro E. Sánchez Sologaistua

*Assistant General Manager*

#### **Southern Region**

Juan Krauel Alonso

*Assistant General Manager*

### Central Service Divisions

#### **Risks**

José Luis Negro Rodríguez

*Director-General Manager (CRO)*

Rafael José García Nauffal

*Assistant General Manager*

#### **General Secretary**

María José García Beato

*Secretary-General*

Gonzalo Baretino Coloma

*Assistant General Manager*

#### **Chief Financial Officer**

Tomás Varela Muiña

*General Manager (CFO)*

Sergio Palavecino Tomé

*Assistant General Manager*

#### **Operations and Corporate Development**

Miguel Montes Güell

*General Manager (COO)*

Federico Rodríguez Castillo

*Assistant General Manager*

#### **Corporate Operations**

Joan M. Grumé Sierra

*Assistant General Manager*

#### **Equity investments**

Ignacio Camí Casellas

*Assistant General Manager*

#### **Communication and Institutional Relations**

Ramon Rovira Pol

*Assistant General Manager*

#### **Human Resources**

Javier Vela Hernández

*Assistant General Manager*

#### **Internal Audit**

Nuria Lázaró Rubio

*Assistant General Manager*

## Economic, business and regulatory environment

### Global economic and financial environment

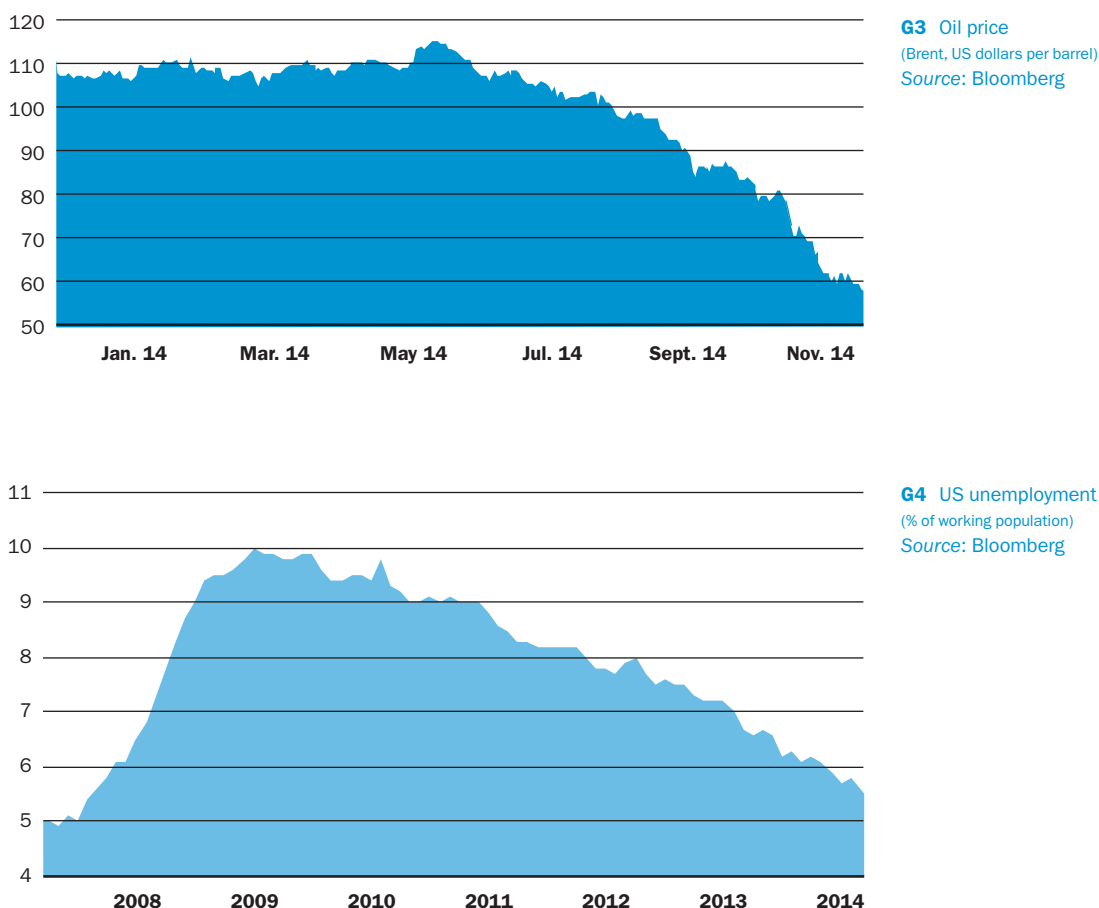
#### World economic situation

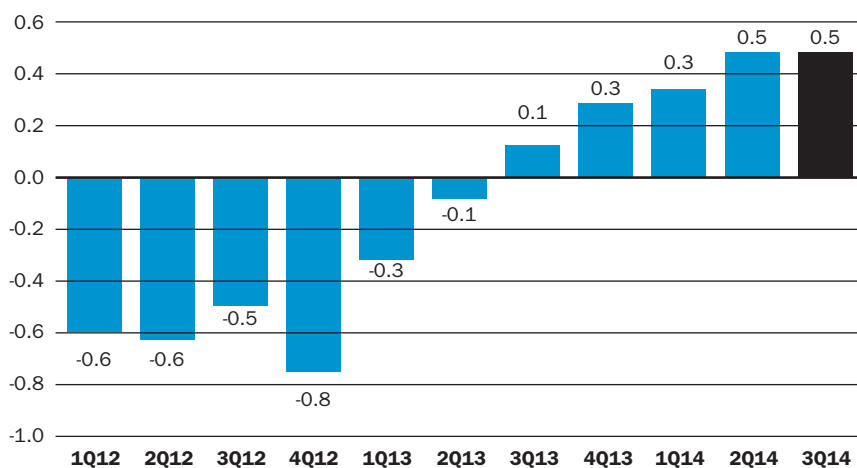
In 2014 the world economy was characterized by modest growth, with inflation remaining muted. The sharp fall in the price of oil (G3) in the latter months of the year increased the downward pressure on inflation. Oil prices, affected by demand as well as supply factors, fell by nearly 50% and now stand at the levels they were at in 2009. The financial markets continued to be supported by accommodative monetary policies although there were occasional bouts of instability.

In the global arena political and geopolitical developments were a major focus of attention. Geopolitical tensions flared in the Middle East and, especially, in Ukraine. In Europe political events were the prime cause of uncertainty. The fragmentation revealed by national voting intention surveys has raised questions over the future governability of certain countries. One example of this is Greece, where an early election was held at the beginning of 2015.

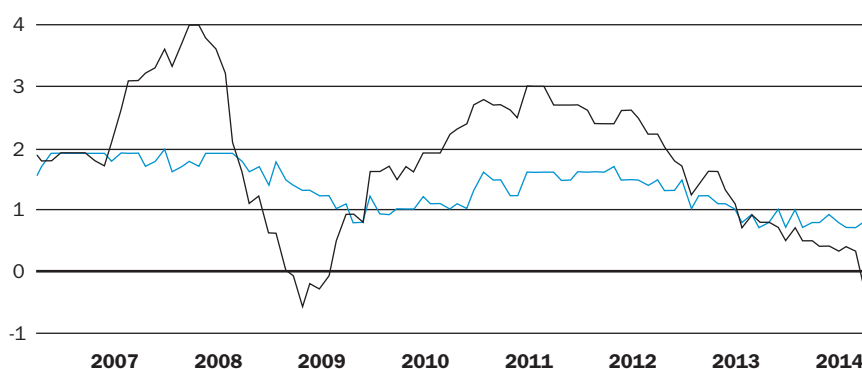
In terms of economic activity, the global slowdown in growth masked divergent growth paths in different countries. In the US the economy staged a gradual recovery and the labour market surprised on the upside. The Eurozone

barely showed any increase in activity as investment remained weak. Investor and business confidence was weighed down by geopolitical uncertainty over the conflict in Ukraine. The United Kingdom continued to show robust growth and steadily falling unemployment (G4). In Europe, the European Commission presented a programme, the Juncker plan, whose aim is to mobilize €315 billion for investment over the period 2015-2017. In Japan an increased tax on consumer spending put a brake on economic activity in the middle of the year. The emerging markets continued to see a slowdown in their economic growth. China saw a continuation of the structural deceleration of its economy, which was constrained by a weak real estate market. In Latin America the dominant theme was economic fragility and political uncertainty in Brazil. In Mexico, meanwhile, activity saw an upturn albeit at a pace that was slower than anticipated. The country continued to make progress in implementing structural reforms. The Russian economy suffered damage from geopolitical instability and falling oil prices. This fall was a factor affecting oil exporting countries generally.





**G5** Spain GDP (q.o.q. change %)  
Source: INE



**G6** Eurozone headline inflation (HICP) (change %)  
Source: Bloomberg

## The Spanish economy

The Spanish economy stood out as a success story within the Eurozone (G5). Activity recovered after bottoming out in 2013 and began to create employment for the first time since 2008. Domestic demand was the main driver behind growth. Rising levels of activity were supported by a more benign financial climate and a slackening in the pace of budgetary consolidation. At the same time, the construction industry steadied itself after the dramatic correction it had gone through in the preceding years. Meanwhile, the process of private sector deleveraging continued throughout the year. The most significant reform was to make changes in the tax legislation, mainly affecting the Personal Income Tax (“IRPF”) and corporation tax, the goal being to reduce the tax rate and restrict certain deductions.

## Financial system

In the financial arena, the European Union’s financial assistance programme came to an end in January.

Inflation fell back in all the main developed economies (G6). In the Eurozone, inflation was one of the most

keenly scrutinized variables. Inflation indices consistently surprised on the downside and sank to very low levels, especially on the European periphery. Surplus capacity, lower commodity prices and the sluggish growth in bank lending all contributed to the decline. Against this backdrop, forecasts for long-term inflation in the Eurozone slipped lower. In the US the lack of pressure for pay increases helped inflation to remain firmly below the Federal Reserve’s target. In the UK inflation plunged to levels not seen since the year 2000. Finally, in Japan inflation rose after the increase in the tax on consumer spending before falling back into a gradual decline.

The monetary policies pursued by the principal central banks remained accommodative, albeit with regional variations. The ECB again resorted to stimulus measures to counteract the low level of inflation. Policy rates of interest were set at historically low levels (0.05%) and the deposit facility rate was taken into negative territory (-0.20%). The ECB also set up a programme of long-term liquidity-boosting operations (TLTROs) to encourage banks to increase lending. It also launched programmes for the purchase of asset-backed securities (ABS’s) and covered bonds. The ECB has indicated its general aim of increasing the size of its balance sheet to levels last seen in early 2012 (G7). In such conditions, given the persistent



low level of inflation, it has left the door open for further stimulus measures. In the US, the Fed brought its asset purchasing programme (US bonds and mortgage-backed securities) to an end. Despite keeping its key rate at historically low levels, the Fed thus marked a change of direction in its monetary policy. In the UK, the Bank of England kept base rates unchanged at 0.50% although some members were in favour of an increase. The BoE also announced a number of macroprudential measures to cool the property market. In Japan, the central bank moved aggressively to pull the country out of deflation, including a substantial increase in government bond purchases. These purchases will absorb virtually the whole of the government's borrowing requirement for 2015.

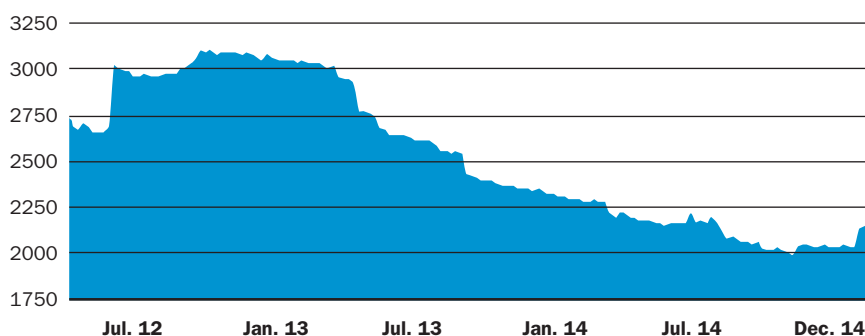
In the long-dated bond markets, yields fell sharply in the main developed economies. US bonds found support in fears over global economic growth and a more uncertain geopolitical environment. German bond yields sank to all-time lows (G8). The German long bond was boosted by falling inflation, Eurozone economic weakness and the ECB's accommodative policy stance. On the European periphery, with the exception of Greece, risk premia continued to tighten significantly. This was spurred by the ECB's accommodative approach and expectations that it would finally adopt a broad programme of bond purchases. In Spain, bond yields fell to historic lows — lower, even, than in the US (G9). During the year the three main credit rating agencies upgraded their ratings for Spanish sovereign debt. And Greece was able to issue long-term

debt for the first time since the country was bailed out. Both Portugal and Ireland gradually regained normal access to global debt markets. In May, Portugal exited from its assistance plan without making any request for further support. In Japan too, yields on government bonds fell, reaching their lowest-ever level. Massive bond purchases by the Bank of Japan gave rise to distortions, causing the market to become illiquid at times.

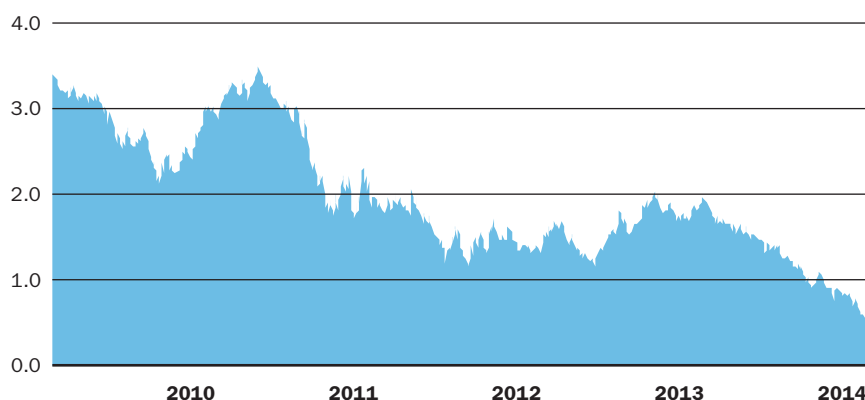
In the currency markets the euro weakened against the dollar and sterling (G10). The divergence between the monetary policies pursued by the ECB and the two other central banks were the main factor behind these movements. The weak economic performance of the Eurozone compared with the US and the UK contributed to the decline. The yen showed a significant depreciation against the dollar in the second half of the year, sinking to the levels of 2007. The Bank of Japan's policy of monetary easing and the deterioration of the country's economy after the tax increase drove the yen lower.

In the global equity markets, key US stock indices ended the year in positive territory. The S&P 500, in particular, rose by 26.9% in euro terms. Some of this improvement in euro terms is explained by the strength of the dollar. In Europe the Euro Stoxx 50 did not show any clear trend. The index barely managed a rise of 1.2%. In Spain the IBEX index was up by 3.7%, in sharp contrast to the 21.4% gain it had made in 2013.

Equity markets in the emerging markets were affected by high degrees of volatility and sharp currency

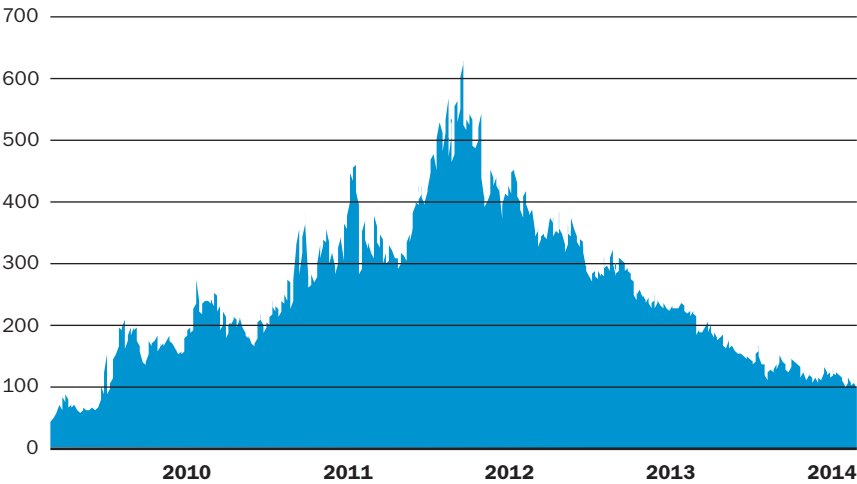


**G7** ECB balance sheet (€bn.)  
Source: Bloomberg

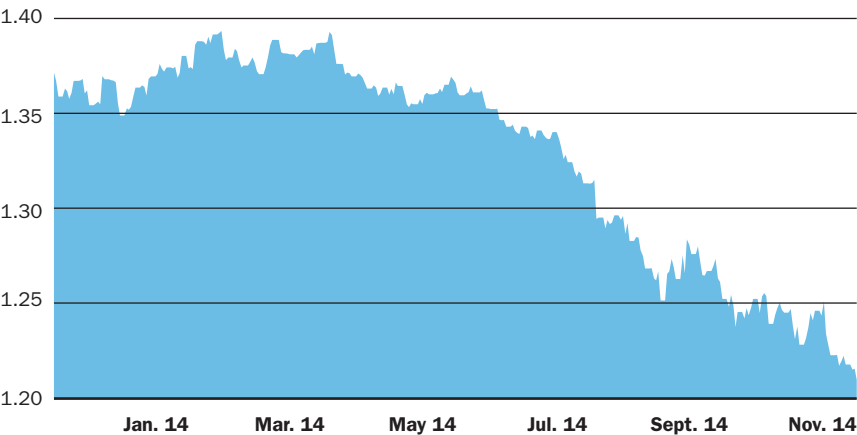


**G8** Yields on German 10-year government bonds (%)  
Source: Bloomberg

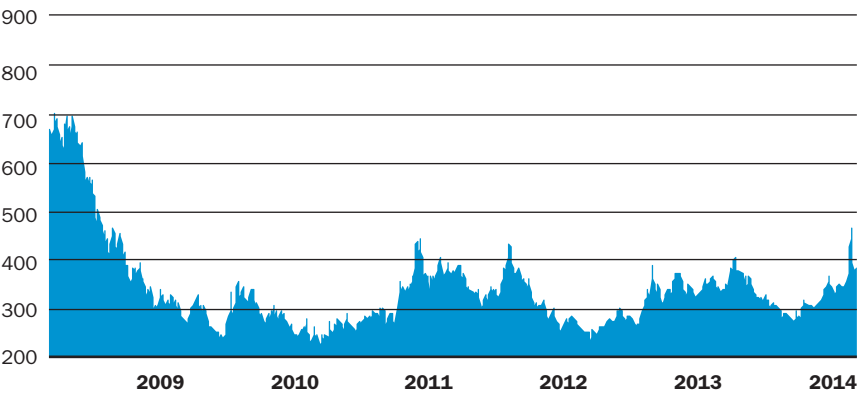
depreciation (G11). This was fuelled by uncertainty over the extent of the economic slowdown in China. Further causes of weakness were political instability and worries over the possible start of interest rate hikes by the Fed. Dramatic falls in the oil price also stoked financial turmoil in countries such as Russia and Venezuela. In the case of Venezuela, this even aroused market fears that the country might have to seek a restructuring of its external debt.



**G9** Risk premium on Spanish 10-year government bonds (basis points)  
Source: Bloomberg



**G10** Dollar/euro rate  
Source: Bloomberg



**G11** Risk premium on emerging market debt (JPMorgan EMBI+; basis points)  
Source: Bloomberg

The main event in the sector in Europe was the Comprehensive Review of banks' balance sheets by the European Banking Authority and the ECB. In the wake of the review, the ECB took on the role of single banking supervisor in the Eurozone. This process was a major challenge for both the financial institutions themselves and for the regulators. The banks strengthened their balance sheets substantially ahead of the process. The review was extremely thorough, covering a large number of institutions in a short time.

In October, the results of the assessment of 128 banks, representing more than 80% of bank assets in the Eurozone, were published. The review included a detailed classification, valuation and provisioning of the main portfolios of each bank. The banks' capacity to maintain a minimum regulatory capital in an adverse macroeconomic scenario was also tested.

The results indicated that banks would comply with the minimum regulatory capital requirements an adverse scenario, but that such a scenario would entail a sizeable reduction in that capital. The review also evidenced that Spanish banks are more robust than their peers in the Eurozone as a whole. The results of this exercise and the strengthening of banks' balance sheets helped normalise funding in the sector in 2014. In particular, the cost of wholesale funding and the gap between banks from various countries has diminished (G12).

Details of the comprehensive assessment of Banco Sabadell are available in the Risk Management chapter of this Annual Report.

In 2014, other essential progress was made to build the European Banking Union; this is set out in detail below, in the Regulatory Environment section.

The global economy will foreseeably continue to feel the after-effects of the financial crisis and grow at a modest pace.

The geopolitical landscape will remain a source of concern and uncertainty fuelled by political developments will persist in Europe.

Core inflation (ex food and energy) will continue at a low level in the world's main regions and especially in the Eurozone.

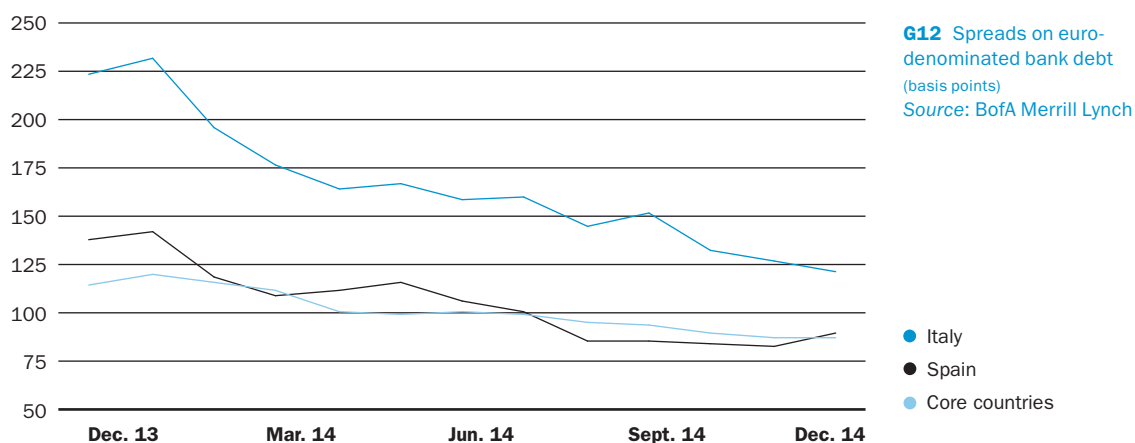
Recovery is likely to be fragile and uneven across the euro area. The Spanish economy is set to remain one of the region's few success stories. In the USA the growth of the economy is expected to stay close to its potential rate.

The ECB will take further measures to counteract deflation risks. In contrast, the Fed is expected to embark on a round of very gradual interest rate increases.

In the field of banking union, efforts will be focused on the implementation of the single resolution mechanism. In 2015 the ECB will complete its first round of banking supervision.

Many emerging economies will have to steel themselves for the onset of a process of deleveraging (especially by companies) in an increasingly complex environment.

In China potential GDP growth is expected to continue its downward trend.



## Regulatory environment

### European Banking Union

Banking Union is a critical stage in the process of moving towards fuller economic and monetary union in Europe. The establishment of a Single Supervision Mechanism (SSM) and the assumption by the ECB of its mandate as a prudential supervisor are key milestones in the process of establishing a banking union, which is to be supplemented by a Single Resolution Mechanism (SRM) and the implementation of a harmonized deposit guarantee system. The SSM is responsible for the supervision of all credit institutions in member states of the Economic and Monetary Union (EMU) and in those countries of the European Union which do not have the euro as their currency but choose voluntarily to participate in the system.

The ECB took on its new role as Europe's banking supervisor in November 2014, more than two years after the European sovereign debt crisis reached its peak and the European authorities agreed to work towards greater financial integration in the EU. The ECB is to carry out its new functions through the SSM, part of a new regulatory and operating regime approved in April 2014.

#### Pillar 1

The SSM is the first fundamental pillar of Banking Union, the goals of which include (i) guaranteeing the security and solidity of the Eurozone banking system, (ii) boosting integration and financial stability in the region, and (iii) ensuring the application of standard supervision. Accordingly, the SSM seeks to ensure prudential compliance with the single European capital regulation and the technical standards developed by the European Banking Authority and approved by the European Commission. Nevertheless, the SSM also has significant executive powers, such as the authorization of bank acquisitions and licences, powers to intervene in banks that are at risk, and on-site inspections. From an operating standpoint,

the SSM is backed by the collaboration and integration of banking supervisors of the national competent authorities (NCAs) for the Supervisory Review and Evaluation Process (SREP). The main regular supervisory tool consists in the joint supervisory teams assigned to each significant bank (including Banco Sabadell) which, led by a coordinator appointed by the ECB, are responsible for day-to-day oversight.

The joint supervisory teams apply a harmonized supervisory process based on the assessment of each bank's risks, governance and capital and liquidity situation (see table T3).

For the SSM to be able to efficiently discharge its duties there must be a single rulebook in the European Union (EU), particularly in connection with regulatory capital requirements. In this regard, it is worth highlighting the transposition of Basel III into European regulations, via Directive 2013/36/EU of the European Parliament and of the Council (CRD IV) and Regulation (EU) 575/2013 of the European Parliament and of the Council (CRR) on prudential requirements for credit institutions and investment firms, that establish new capital and liquidity rules. This single rulebook is still being developed, using the European Commission's technical standards and the guidelines and recommendations of the European Banking Authority.

In accordance with the aforementioned requirements, credit institutions must comply with a total capital ratio of 8% at all times. However, CRD IV grants the SSM certain powers at Pillar II level, such as the countercyclical buffer, the systemic risk buffer, and specific macro-prudential elements, in order to prevent future credit bubbles and mitigate the effects of credit crunches in the future. Accordingly, a number of corrective measures may be derived from the supervisory process that, in the event, would be subject to the approval of the SSM Supervisory Board.

The focus of the SSM in the short and medium term will be on harmonizing supervisory practices and requirements; in particular, the differences between the models for risk-weighting assets and the national discretionality in defining banking capital will be examined.

#### Integrated approach

##### Process phases

1	Risk Appetite Statement (RAS)	A quantitative assessment of each material risk and of the robustness of the institution's control and risk governance system
2	Quantification of capital and liquidity during SREP	Quantification of capital and liquidity requirements (ICAAP/ILAAP) and assessment of the RAS
3	Top-down stress tests	Top-down stress tests on capital planning
4	Definition of supervisory oversight programmes	Design of supervision plans, identifying priorities for review and resource assignment

##### Results

- Assessment of the institution's risk profile
- Calculation of SREP Capital and Liquidity Ratios
- Definition of corrective measures

#### T3 Harmonized supervision process

## Pillar 2

With regard to Pillar 2 of the Banking Union, Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism (SRM) and a Single Resolution Fund (SRF), was published in July 2014.

The SRM will ensure that, when a bank supervised by the SSM finds itself in difficulties, the resolution policy will be (i) efficient, (ii) independent of the bank's location, and (iii) at a minimum cost to taxpayers. This is an integrated system of national resolution authorities headed by the Single Resolution Board as the common resolution authority. This new agency will be in charge of the uniform application of the EU's common resolution rules as set out in the new directive on banking restructuring and resolution. This directive enters into force in 2015, when the Board must become operational. Furthermore, a Single Resolution Fund will be set up, under the Board's control, which in the medium term will act as funder of last resort when resolution entities are unable to cover the needs, provided that shareholders and creditors have assumed losses. This Fund will be created in 2016 and, accordingly, although the SRM's start date is January 2015, it will not be fully operational until 2016.

Operation of the Fund is governed by an intergovernmental agreement which countries belonging to the Banking Union signed in May 2014. The banking industry will contribute to the Fund over an eight-year period. National contributions to the fund will gradually be merged until, after eight years, the financial support it provides will no longer be national. Although, if necessary, the Fund may receive public funds—national funds, during the first ten years—these must be subsequently replenished using contributions from the banking industry, so as to guarantee the scheme's fiscal neutrality in the medium term.

In relation to the SRM, the European Central Bank has published a large number of technical standards, guidelines and recommendations, some of which are in the consultation phase.

## Pillar 3

The final pillar of the Banking Union is the harmonized deposit guarantee system. Although EU countries have not yet been able to reach an agreement regarding a single European deposit guarantee scheme, due mainly to the potential budget implications, a first step towards achieving such a fund was the publication in April 2014 of Directive 2014/49/EU of the Parliament and of the Council, concerning the deposit guarantee systems that member states must incorporate into their statute books by 3 July 2015 at the latest.

In accordance with this Directive, by 3 July 2014, each member country must have set up a fund containing 0.8% of insured deposits. Contributions to the

deposit guarantee schemes must be based on the volume of guaranteed deposits and on the risk assumed by each participating bank. The contributions must be calculated proportionately and must take into account the risks of banks' business models. Accordingly, the contributions of each member bank must reflect i) likelihood of default, and ii) the potential losses to be incurred by the DGS in the event of a bailout.

Based on all the above measures, Banking Union is a very significant step forward which should make a decisive contribution to breaking the links between each country's national banking sector and its sovereign risk.

## Other European Union initiatives

In January 2014 the European Commission submitted a proposal for structural reform of the banking system. The aim of the proposal is to reduce the likelihood of retail banking being affected by contagion from the risks of banks' financial market operations. In particular, it is suggested that the proprietary trading business of banks be transferred to entities that would be separate from them both legally and financially. The proposal would include all EU banks that were of a globally systemic nature or whose proprietary trading was significant. At the present time the proposal is under negotiation in the European Parliament.

In another development, negotiations are in progress among a group of 11 EU countries (including Spain, Germany and Italy) on the introduction of a financial transaction tax. The negotiations relate to a proposal made by the Commission in February 2013 which would impose a tax on transactions in the main financial instruments linked to participating countries.

Finally, the European authorities have indicated that they will increase the supervision of risks of non-bank financial institutions. In particular, they have highlighted the significant growth in the corporate bond market and the exposure of mutual funds to this market as a potential threat to financial stability. However, this regulation is still at an early stage and initiatives are being spearheaded by the Financial Stability Board. In the EU proposals have focused on the liquidity of money market mutual funds and on a reform of the securitization market. Progress has also been made in the regulation of collateral-based funding operations.

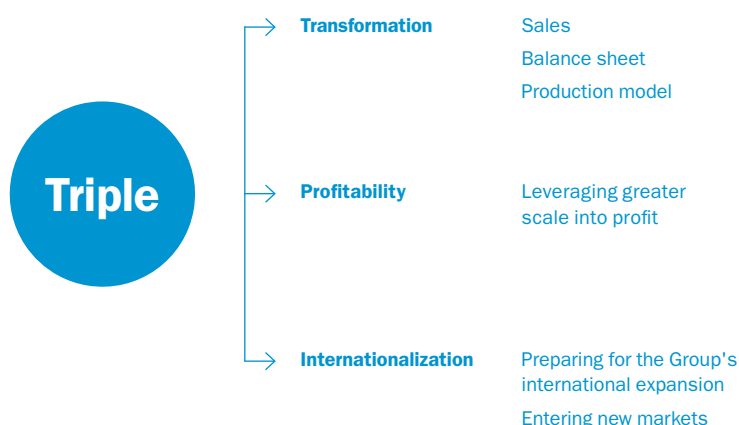
## Strategy

# Banco Sabadell initiated the Triple plan in 2014.

In 2014 Banco Sabadell launched a new business plan for the period 2014- 2016, known as “Plan Triple”. The plan is designed to enable the Bank to leverage the strength of its

balance sheet, its strong sales platform and its nationwide footprint to lead a recovery in lending in the medium and long term.

**G13** Plan Triple - key themes



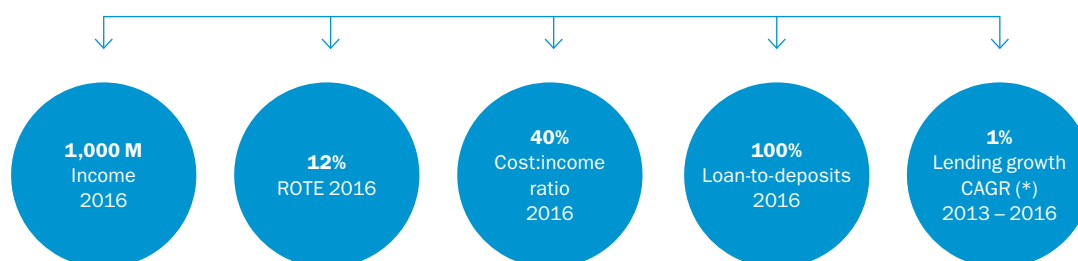
The first priority of the new business plan is to increase profitability by working towards a target return on adjusted equity (ROTE) of 12% for 2016.

Having made a huge leap in scale, Banco Sabadell's focus is now on consolidating its domestic business and increasing the profitability of its newly acquired businesses. To do this, it has set out two strategies for different regions according to its market position in each one. In the Catalonia and Southeast (Valencia and Murcia) regions, the Bank has now reached a suitable scale and its business focus will therefore be on profitability, product offer and closing the performance gap in its recently acquired businesses.

In the rest of the country the focus is on growing customer numbers and market share. The Bank also intends to continue improving customer relationships so as to become the customer's banker of choice and to grow its market shares in mutual funds and insurance.

The second key action area for Banco Sabadell has to do with transformation: of the sales, the balance sheet and the production model. In the case of the balance sheet, transformation was based on reducing loan losses and divesting property. To reduce loan losses the Bank has put in hand management programmes combining pre-emptive actions (to anticipate new loan defaults) with recovery (faster debt recoveries).

**G14** Main targets set by Triple business plan



(\*) Compound Annual Growth Rate (CAGR)

To reduce its holdings of real estate assets the Bank will continue to leverage the expertise of its asset transformation division and the market-leading position of its property sales business, Solvia, while benefiting from an improving real estate market.

The goal of transforming the production and sales system is to increase productivity, but without any loss in the quality of service for which the Bank has always been renowned. For example, a new "instant banking" system has been created which will initially be rolled out in key growth areas such as the Madrid region.

Along with these two action areas, the new business plan also focuses on internationalization, to prepare the ground for future expansion into new markets. The Triple Plan also addresses talent and human resources management.

### Key milestones in 2014

In the area of profitability, the primary focus of the Plan, good performance was shown by all the main indicators (G15).

In the area of business development transformation, the Bank has launched major initiatives focused on the customer experience, including a new customer-oriented,

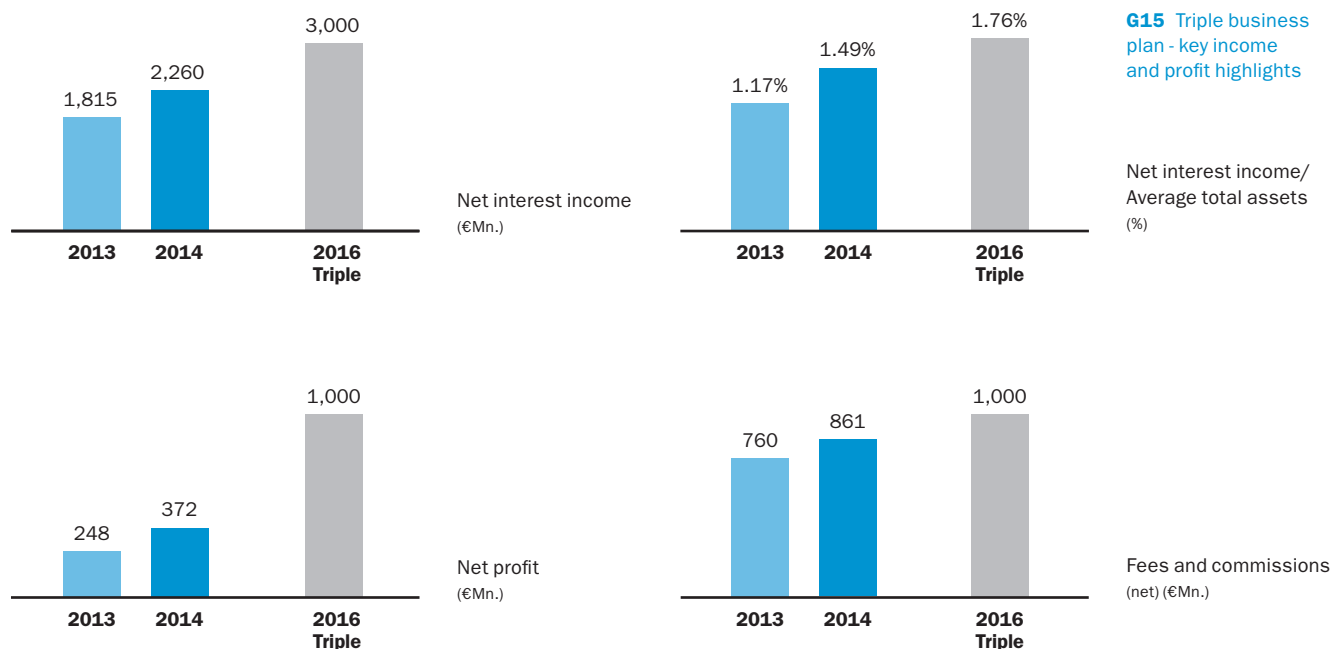
centrally managed sales and marketing system and a customer relationship model to realize our aim of being our customers' main bank and building more lasting and profitable relationships.

Once again this year, the ratings obtained by the Bank in the STIGA organization's "Equos-RCB" independent survey of bank branch service quality confirmed Banco Sabadell's position as one of Spain's market-leading banks, with a score of 7.16 compared with an industry average of 6.29.

With regard to balance sheet transformation, doubtful assets (other than those covered by the asset protection scheme) fell by €1,829 million in the course of 2014.

The next section on the operating and organization model provides more information about transforming the operational model and organization during the year.

As for the internationalization part of the plan, once the necessary permissions had been obtained from the Spanish supervisory authorities and Mexican regulators, Banco Sabadell started operations in Mexico via a new subsidiary, Sabadell Capital, a Mexican multi-purpose financial company ("SOFOM") which will provide specialized financing in Mexican pesos and US dollars for projects in energy, infrastructure and other areas such as tourism, foreign trade and public administration.



Quality of service levels  
have improved.



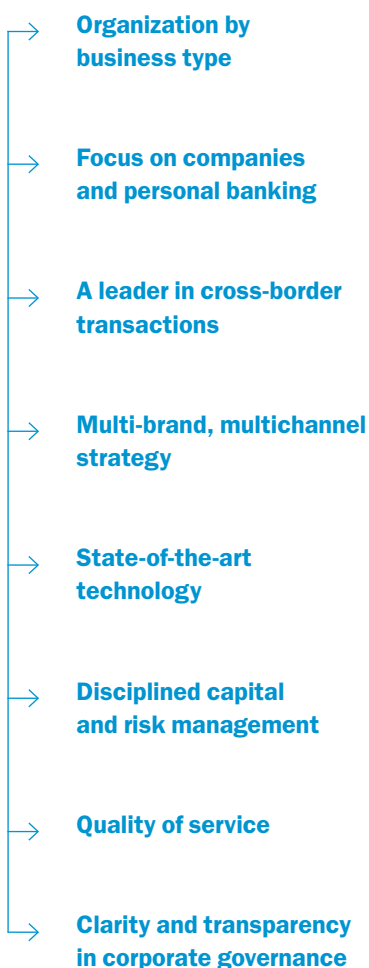
## Business model

Banco Sabadell has a relationship-driven business model and a widely recognized business franchise.

It is a customer-based model that features a personalized, differentiated management style based on value creation. Sales processes are based on the provision of advice and on high quality sales support systems. The relationship-driven approach is supplemented by product-specific customer-focused campaigns.

In line with our aim to be our customers' main bank, our relationship-driven model places particular emphasis on quality, commitment and the role of the account manager, which is to support customers through every stage of their financial lives, thus ensuring lasting and profitable relationships.

## BS strengths





### **Commercial Banking**

The largest of the Group's business lines, Commercial Banking focuses on providing financial products and services to large and medium-sized businesses, SMEs, retailers and sole proprietors, occupational Groupings, entrepreneurs and private individuals.

### **Corporate Banking and Global Businesses**

Offers products and services to large companies and financial institutions, both domestic and foreign.

### **Markets and Private Banking**

Provides savings and investment management services ranging from research into alternative investment products to securities market trading, and include active wealth management and custodian services.

### **Asset Transformation**

The division's tasks are to take an integrated approach to the Group's real estate assets, develop and implement its asset transformation strategy and to carry on the business of a high-quality provider of real estate finance.

### **Real Estate Group (Solvia) Division**

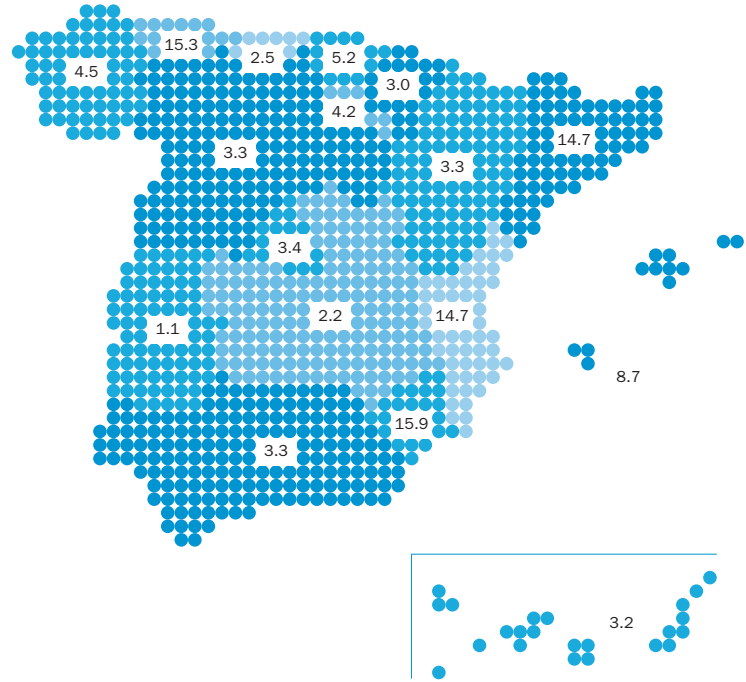
The division specializes in the integrated management of a full range of real estate services —property sales and servicing, land management, preparation and development — and is driving forward the process of leveraging Solvia's servicing capabilities.

As a result of the rapid inorganic growth undergone in the last few years, Banco Sabadell now has a footprint covering the whole of Spain and a 7.6% share of the market (G16).

Within the domestic market the Bank uses a number of brands, all of them under the Banco Sabadell umbrella (G17).

Banco Sabadell is, in addition, a leading provider of foreign trade services. With a specialized product offering and a powerful value proposition, Banco Sabadell is present in strategic business and financial centres and partners with trade promotion bodies to provide support to customers in developing and growing their business in foreign markets.

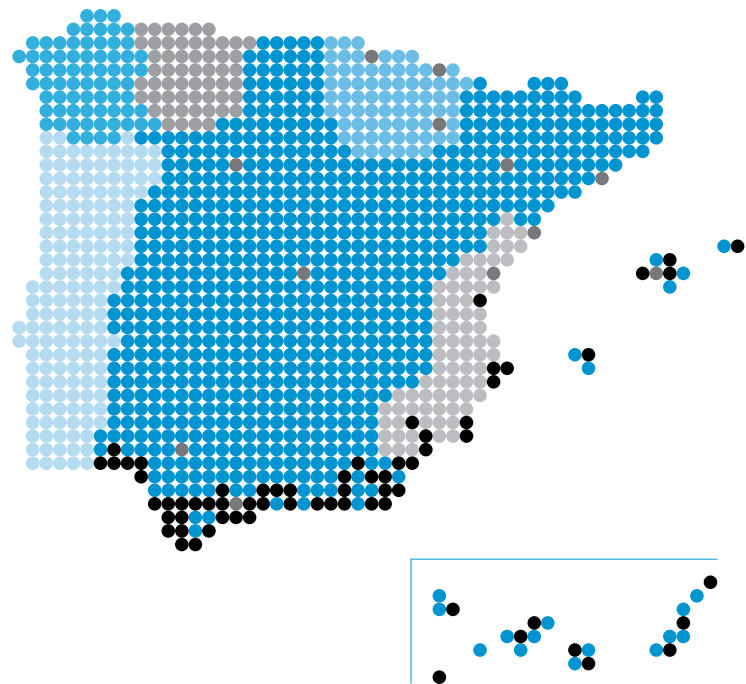
G16 Market share by autonomous region



G17 Geographic distribution of brands

Distribution of the Spanish network at 2014 year-end

- SabadellAtlántico
- SabadellCAM
- SabadellGallego
- SabadellGuipuzcoano
- SabadellHerrero
- SabadellSolbank
- SabadellUrquijo



## The Bank continues to assure highest standards in quality of service.

For Banco Sabadell, quality is not just a strategic option; rather, it is a whole approach to doing business, whether in the delivery of value to stakeholders or in the execution of each and every process forming 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.

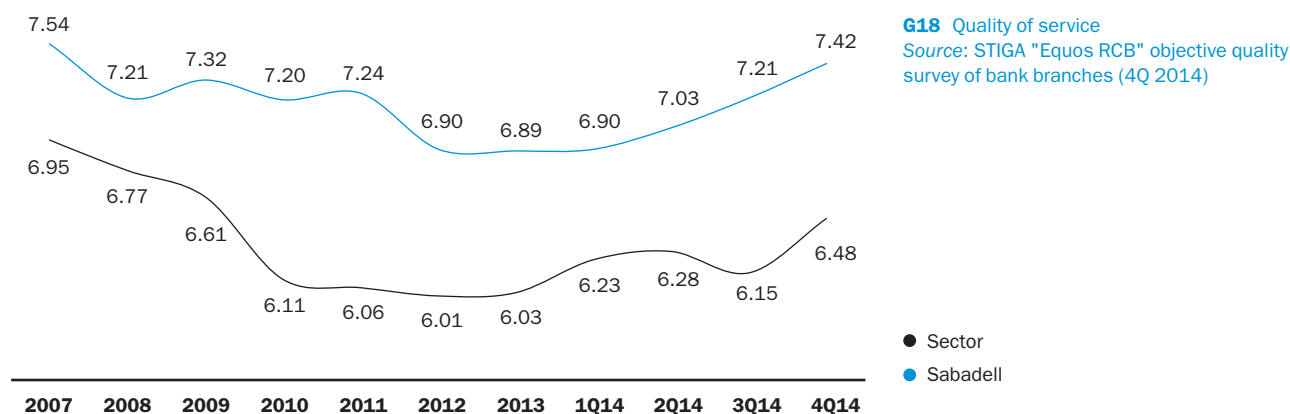
Consequently, the Bank makes use of existing standards and benchmarks to judge its own actions and satisfy itself that its way of doing business is the right one, and sets itself new goals based on continual self-criticism.

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 November 2014 assessment resulted in the Bank's EFQM Gold Seal (+500 points) being renewed and a score of over 700 points being awarded according to EFQM's very demanding standard. This was 100 points higher than the number awarded in 2012, a truly extraordinary result that few organizations would be capable of achieving.

Banco Sabadell remains the only Spanish credit institution with 100% of its financial operations certified to the ISO 9001 standard, providing further proof of its customer-centred approach and diligent process management. In 2014 Banco Sabadell renewed its ISO 9001 certification for another three years.

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.

The various initiatives carried out as part of the sales and promotion plan have borne fruit and customer ratings reflect the improvements in the quality of our service, both in relation to the industry average and in absolute terms. Quality surveys show Banco Sabadell to be the bank most highly rated by customers (G18).



Note: figures for individual quarters.

### Operational model

The Bank's operational model consists mainly of transferring the entire administrative workload of branches and central service departments to operational factories. Releasing branches from administrative tasks in this way increases the time available for sales-related work, improves customer service and boosts business generation. Concentrating the workload in factories allows average operating times (AOT) to be reduced as more tasks are industrialized; this leads to more efficient processes and/or automation, speeds up response times and provides greater transaction traceability.

These improvements help to bring greater operating efficiency along with a better customer experience, simpler, more responsive processes and a branch network that is more committed to and focused on giving advice and assistance to customers.

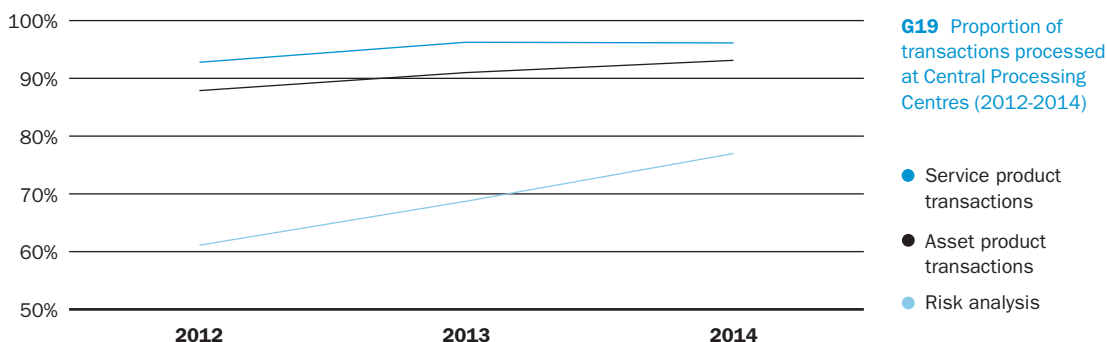
In 2014 the work of transforming the production model was directed mainly at making improvements to the centralized handling of banking transactions at factories. Work also continued on transferring tasks from branches and central services divisions to central processing units, increasing centralized processing rates and bringing them ever closer to the target set by the transformation plan. The task of integrating the IT and business systems at Banco Gallego and Lloyds Bank was also completed.

### Expenditure management and cost control

The Bank's new optimized control system allows in-depth monitoring of costs and expenses, a vital requirement if cost reduction targets and capacity increases needed for business growth are to be kept in alignment.

In 2014 average transaction costs (ATCs) were down by 3% for lending-related products and remained unchanged for service-related products.

Simple, agile processes enhance operating efficiency and make for a better customer experience.



## The BS brand

### Brand perception indicators

In 2014 the Bank successfully continued its policy of raising awareness of its brand, as it was obliged to do in order to increase its capacity for growth in the Spanish retail market and reach a level of brand recognition that was on a par with its key competitors.

In the course of the last five years “top of mind” awareness of the Sabadell brand has increased from 1% to 4.7%, and total brand awareness from 4.7% to 17.3%, putting the brand in fifth place among Spanish financial institutions according to data from the FRS Inmark annual survey, a key industry benchmarking tool (G20 & G21).

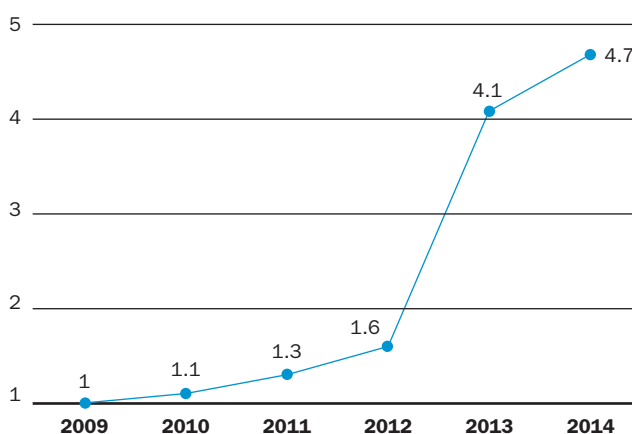
### Advertising and promotional campaigns in 2014

In 2014 the Bank’s advertising and promotional campaigns continued to show a strong personal stamp that set them apart from those of other banking sector advertisers and sought to highlight its professionalism, reliability, innovative customer service and entrepreneurial flair.

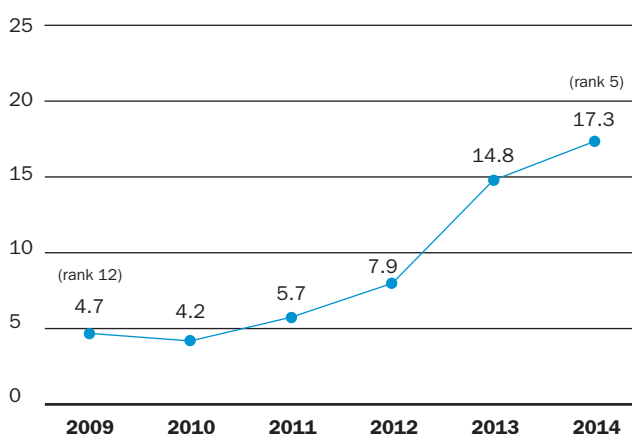
The first quarter of the year saw the launch of the “believing in business” campaign, whose aim was to boost lending to small and midsize firms under the slogan “Believing in businesses means giving them credit”, with the added promotional “hook” of a promise to respond to loan applications within a maximum of seven days. The level of awareness generated by the campaign in its target market was very high, with a recognition rate of over 70% of respondents being achieved.

The main communication breakthrough, however, came in the third quarter with the appearance, for the first time in the Bank’s advertising history, of Rafael Nadal in a campaign under the slogan “Closeness: a private conversation between Rafa Nadal and John Carlin”. The agreement with the tennis star to act as a global ambassador for the Sabadell brand was reached in 2014 and can be seen as another big step forward in the Bank’s drive to raise awareness of its brand, supported by one of the world’s most admired sports personalities, who not only has enormous appeal in Spain but is associated with values that are very close to those that the Bank is seeking to communicate.

### G20 Top of mind brand awareness



### G21 Total brand awareness





**“I don't think that things change by themselves — you have to change them”**



# Banco Sabadell passed the stress test of Europe's banks.

## BS share performance and shareholders

### Share performance

In 2014 the macroeconomic environment, the European Central Bank's decisions on monetary policy and the stress tests carried out on Euro-pean banks by the ECB prior to taking on the role of sole banking supervisor were dominant themes in the financial markets.

In the first half of the year improving sentiment on economic recovery in Spain, the positive reaction to the Group's trading results and the announcement of its new Triple business plan for 2014-2016 helped Banco Sabadell's share price to outperform the rest of the banking industry.

In the second half-year, uncertainty over the economic situation in Europe and the Comprehensive Assessment impacted on stock markets generally and affected the performance of Banco Sabadell's share price.

After the publication by the ECB in late October of stress test results confirming the strength of Banco Sabadell's capital position, an improvement was seen in the performance of the Bank's share price compared with its domestic peers. In its published test results the ECB concluded that the valuations of Banco Sabadell's assets and collateral, as well as its provisions, were appropriate and that, under any of the test scenarios, the Bank would not have any requirement for additional capital (for further details of the test results see the chapter on Risk management).

With the share price standing at €2.205 at 2014 year-end, Banco Sabadell's market capitalization at 31 December was €8,874 million, making it Spain's fifth largest banking group by market value and on most other financial measures. At 31 December 2014, the price-to-book ratio at 0.87.

Throughout 2014 Banco Sabadell's management sought to engage ever more actively with institutional

investors. This included attendance at 20 international conferences and holding meetings with 646 investors. These increased interactions boosted the visibility of the stock.

The proportion of Banco Sabadell's shareholder base represented by institutional investors increased over the year from 38.5% in December 2013 to 48% in December 2014.

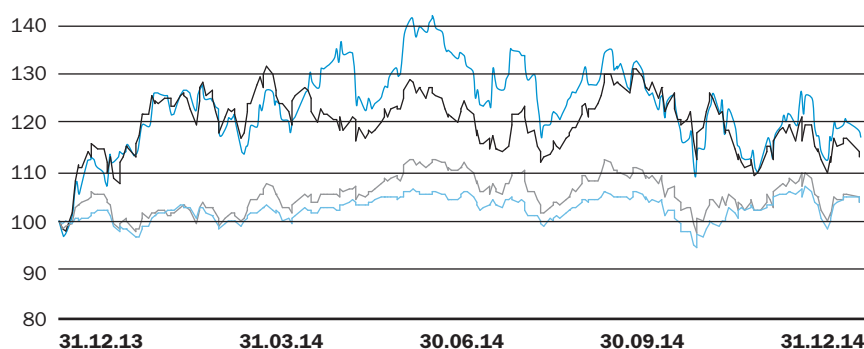
In 2014 the way our shares were perceived by analysts tracking Banco Sabadell showed significant variations, with 70% of them recommending overweight or neutral positions in the stock.

Dividend payments to shareholders in 2014 comprised an interim dividend of €0.01 per share for the year 2013 and a final dividend equivalent to €0.02 per share, paid in the form of shares from the Bank's holding of treasury shares.

A proposal will be made to the Annual General Meeting for the payment of a dividend for 2014 as follows:

- Flexible shareholders remuneration amounting to an estimated €0.04 per share, in the form of a bonus issue charged to reserves, which shareholders may elect to receive in cash and/or in new shares.
- An additional shareholder payment of €0.01 per share in the form of an allotment of shares of an equivalent value out of the Bank's holding of treasury shares and charged to the share premium account.

Following the capital-raising actions carried out in 2014 — conversions of mandatorily convertible bonds into shares (for details see the chapter on Capital management in the notes to the accounts)— the number of ordinary shares of the Bank totalled 4,024 million.



G22 Banco Sabadell share performance

- Banco Sabadell
- Comparable Spanish banks
- IBEX 35
- DJ STOXX 600

	In euro	In euro	In euro	Shares
<b>2014</b>	<b>Closing price</b>	<b>Maximum price</b>	<b>Minimum price</b>	<b>Average daily trading volume</b>
January	2.193	2.198	1.820	38,817,451
February	2.394	2.437	2.139	28,683,423
March	2.242	2.429	2.126	27,360,620
April	2.450	2.474	2.181	31,943,575
May	2.424	2.588	2.214	25,182,099
June	2.492	2.713	2.404	22,433,254
July	2.434	2.570	2.238	20,337,269
August	2.396	2.479	2.150	27,708,202
September	2.344	2.538	2.294	23,562,633
October	2.300	2.404	1.958	27,559,637
November	2.281	2.310	2.016	30,103,889
December	2.205	2.377	2.056	24,259,056

**T4** Monthly share price movements 2014

	in million	€Mn.	In euro	€Mn.	€
	<b>Number of shares</b>	<b>Income attributed to the Group</b>	<b>Income per share attributed to the Group</b>	<b>Shareholders' equity</b>	<b>Book value per share</b>
2012	2,960	82	0.028	9,120	3.08
2012 (*)	3,184	82	0.026	9,120	2.86
2013	4,011	146	0.036	10,227	2.55
2013 (**)	4,299	146	0.034	10,227	2.38
2014	4,024	372	0.092	10,224	2.54
2014 (***)	4,290	372	0.087	10,224	2.38

**T5** Earnings per share and book value per share 2012-2014

Figures for 2013 restated as a result of early application of IFRIC 21.

(\*) Includes the dilution effect of 224.28 million additional shares resulting from issues of convertible bonds.

(\*\*) Includes the dilution effect of 287.13 million additional shares resulting from issues of convertible bonds.

(\*\*\*) Includes the dilution effect of 265.27 million additional shares resulting from issues of convertible bonds.

<b>Number of shares</b>	<b>Shareholders</b>	<b>Shares in tranche</b>	<b>% of capital</b>
from 1 to 12,000	196,380	507,853,029	12.62%
12,001 to 120,000	33,095	974,338,672	24.21%
120,001 to 240,000	1,172	191,390,723	4.76%
240,001 to 1,200,000	701	312,497,888	7.76%
1,200,001 to 15,000,000	108	336,901,273	8.37%
More than 15,000,000	25	1,701,479,029	42.28%
<b>TOTAL</b>	<b>231,481</b>	<b>4,024,460,614</b>	<b>100.00%</b>

**T6** Analysis of shareholdings at 31 December 2014

<b>Number of shares</b>	<b>Shareholders</b>	<b>Shares in tranche</b>	<b>% of capital</b>
from 1 to 12,000	220,038	606,504,305	15.12%
12,001 to 120,000	40,339	1,173,220,164	29.25%
120,001 to 240,000	1,331	218,181,418	5.44%
240,001 to 1,200,000	756	340,786,387	8.50%
1,200,001 to 15,000,000	105	303,994,156	7.58%
More than 15,000,000	20	1,368,795,151	34.12%
<b>TOTAL</b>	<b>262,589</b>	<b>4,011,481,581</b>	<b>100.00%</b>

**T7** Analysis of shareholdings at 31 December 2013



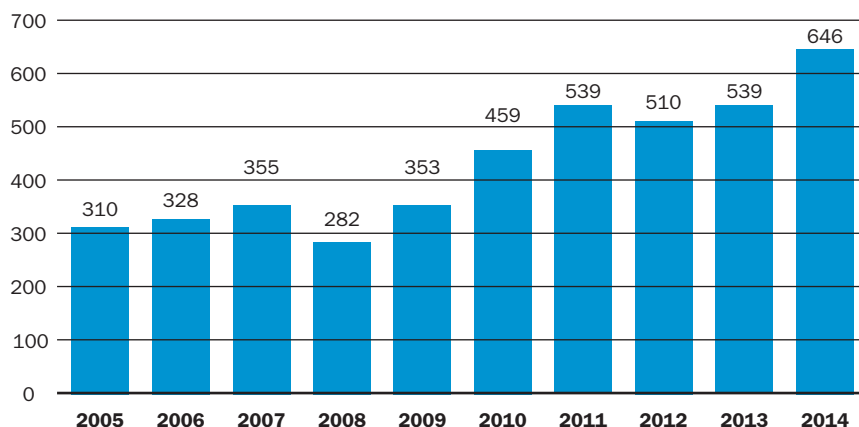
## Shareholders

Banco Sabadell seeks to reward its shareholders' confidence by assuring them of reasonable returns, a balanced, transparent corporate governance system and careful management of the risks arising from its operations.

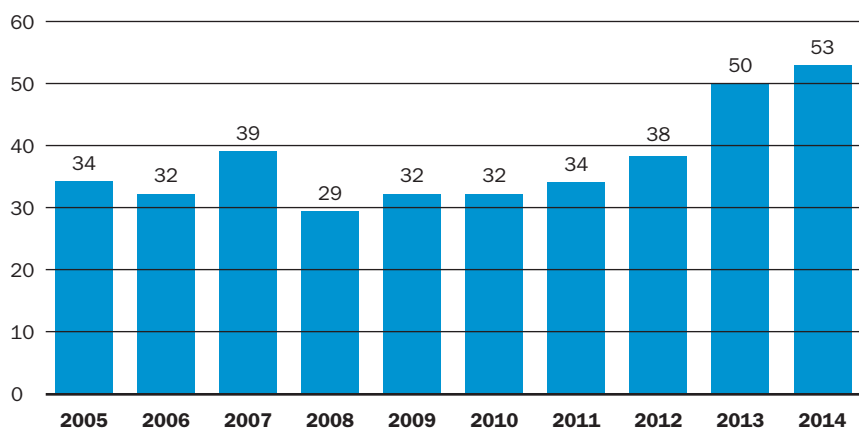
As part of its continuing efforts to be transparent and to communicate with the markets, in February Banco Sabadell presented its "Plan Triple" business plan for 2014-2016 to the international investor community in London, which gave a very positive reception to the main points of the plan.

Moreover, again as part of a commitment to transparency and communication appropriate to the increased size of the Group, Banco Sabadell's management redoubled its efforts to engage with institutional investors through increased attendance at international conferences and more frequent meetings with investors.

The Bank is also meeting the need for greater communication and transparency by making continual improvements to the reports and information it provides to investors on a regular basis.



G23 Number of investors visited



G24 Days spent on visits to investors

## Customers

The Bank's aim is to build lasting and profitable relationships with customers and to support them through all stages of their financial lives; for this reason it emphasizes values such as trust, commitment, communication, closeness and desire to serve (see the section on Mission and values in "About Banco Sabadell").

Both in its day-to-day operations and when taking decisions for the medium term (e.g. business plans), Banco Sabadell is guided by those values and by its customer-centred business model.

In 2014, for example, the Bank met businesses' need for credit through its "believing in business" campaign. In the campaign the Bank made a promise to answer businesses' loan applications within not more than seven days, thus showing support for them and giving them the prompt attention they needed. The Bank's promise of a speedy reply was more than fulfilled, with customers' loan applications being answered within 3.2 days on average.



Banco Sabadell presents:

# Believing.

Believing in a business  
is giving it credit.

**Enrique Tomás**  
Enrique Tomás

**Gemma Nierga**  
Journalist

**Félix Tena**  
Imaginarium

**Manuel Teruel**  
Economist

**Clemente Cebrián**  
El Ganso

**Marta Seco**  
Ten con Ten



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 3,500 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.

To make this possible, the Bank carries out regular studies that enable it to identify areas for improvement as they develop, both throughout the organization and at each individual branch. These include branch quality audits and customer satisfaction surveys.

Banco Sabadell believes in long-term relationships centred on values such as trust and authenticity. Banco Sabadell seeks to protect the interests of its customers and has control mechanisms in place to supervise the products and services it offers. Prior to offering any financial product on the market, the Bank assesses the product for suitability. Branches are provided with customer information sheets and, where more complex products are involved, an appropriateness or suitability test is carried out as required by the EU Markets in Financial Instruments Directive (MiFID).



(\*) The surveys did not extend to the brands most recently added to the Group (Banco CAM, BMN-Penedès, Banco Gallego and SabadellSolbank).

## Service channels

The Bank maintains a number of channels for communications with customers, both physical (network of branches in Spain and other countries, and network of ATMs) and digital (BS Online, BS movil, Branch Direct and social media), in response to its customers current demands.

In 2014, Banco Sabadell stepped up its determination to move steadily into digital by combining the best of its classic banking approach, based on personal relations, with the best of digital in order to offer great convenience coupled with ubiquity: customers need something right now, regardless of where they may be; and they can ask for it or we can offer it to them.

The digital transformation entails using the advantages of technology to leverage our knowledge of the customer. Using any channel, in a simple, transparent, immediate way, in processes that are simple end to end, regardless of time or place.

The initiatives conducted under the Triple business plan through the Instant Banking programme were:

- Deployment of remote transaction and contracting capabilities (Instant Selling programme)
- Promoting the mobile channel as the primary relationship and service channel (with BS Móvil version 3.0 and the virtual code card)
- Constantly pursuing the latest trends in digital in order to steadily enhance the customer experience (push notifications).

The Bank views the knowledge of the digital world available among entrepreneurs and universities to be very enriching. In 2014, it worked on a web environment for external developers in order to develop a production version of an API to enable new apps to be integrated.

## Branch network

Bank's Spanish branches are shown in Table T8 below. For details of our foreign branches and affiliates see figure G2 in the section About BS.

## ATM network

A total of 94.7 million ATM transactions were performed in 2014 (3.7% more than in 2013), of which 65% were with cards and 35% with passbooks.

At the end of 2014, the Banco Sabadell Group's network of self-service tills totalled 3,295 ATMs and 374 passbook updating machines. That was a year-on-year increase of 73 ATMs and 16 updaters.

During the year, the Bank continued with its ATM upgrade programme; 664 machines were upgraded (355 were replaced, and 309 were expanded).

The Bank also continued making improvements to maximise availability of the ATM network, by adjusting monitoring processes, consolidating cash management and expanding support and maintenance crews.

In May 2014, the styling of the application's on-screen content was modernized to enhance usability and accessibility to customers and users.

New features were added during the year, including transactions with pre-paid cards (reloading, withdrawals, queries) and credit/debit card activation via ATMs. Changes were also made to optimize the machines' ability to present commercial proposals and offers.

Region	Branches	Region	Branches
Andalusia	142	Valencia	392
Aragon	39	Extremadura	6
Asturias	146	Galicia	129
Balearic Islands	65	La Rioja	8
Canary Islands	31	Madrid	216
Cantabria	6	Murcia	149
Castilla-La Mancha	23	Navarra	19
Castilla y León	64	Basque Country	107
Catalonia	723	Ceuta and Melilla	2

**T8** Distribution of branches by region

## Digital initiatives enable the Bank to provide a better service at a lower cost.

### BS Online

At the end of 2014, more than 2,751,000 individual customers and 597,000 businesses had signed up for the group's online banking service, an 11% increase on the previous year. A total of 1.335 million transactions were performed online, a significant 27% annual increase.

The EFT ratio (the number of transactions done on line as a proportion of the total) at year-end was 91.1%, a 0.5-point increase on the previous year's figure. BS Online continued the pattern of improving efficiency in the Bank's service to customers.

At the end of 2014, BS Online was the Spanish online banking service for individual customers with the third-highest rating for web service availability, according to metrics produced by EUROBITS, a specialist online banking benchmarking organization. BS Online Empresa, the Bank's online banking service for businesses, finished the year in fourth place.

During the year, a number of projects were performed to incorporate transactions and promotions related to new products and services, and to adapt to the Single Euro Payments Area (SEPA).

### Banking on the move – BS Móvil

The number of active users of BS Móvil at 2014 year-end was 970,825, 40% more than in the previous year.

During the year the Bank maintained its policy on SMS messages with the aim of increasing efficiency and saving costs. To this end, it engaged in push messaging campaigns with the aim of significantly reducing the existing costs of SMS messaging to customers.

In order to enhance the service, the app for mobiles and

tablets was upgraded with a new design in which navigation is more intuitive. The new app highlights the client's overall balance as the starting point for navigation to products and services. The information on cards was reformatted to make it more visual and simple.

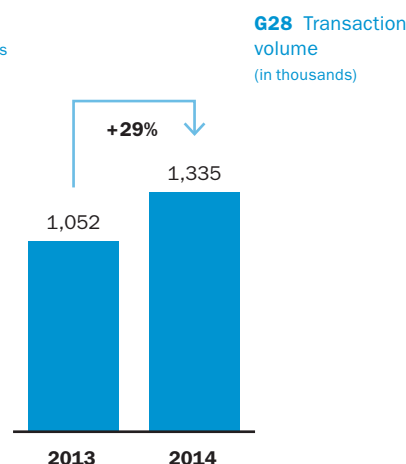
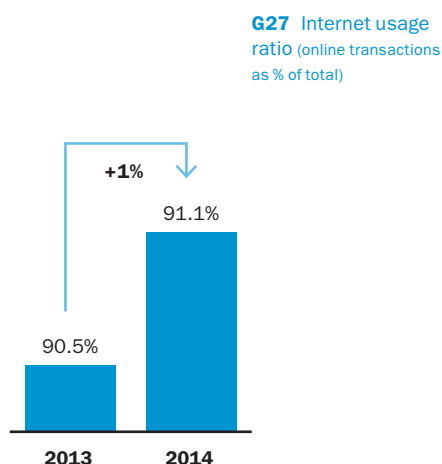
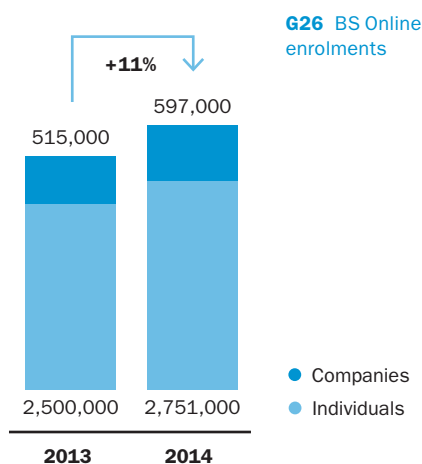
The BS Móvil application on the various platforms (Android, iPhone/iPad, Windows Phone and BlackBerry) has been undergoing a process of constant updating with the result that it ranked among the top six downloads in Spain for all 12 months of 2014.

### Branch Direct

In 2014, Branch Direct focused on improving technology and developing new features, the aim being always to enhance the customer experience. This was achieved while also successfully integrating Lloyds International Bank and Banco Gallego.

Service levels were maintained or exceeded in all remote channels. The telephone helpline handled over 2,400,000 calls and achieved a service level (calls answered as a proportion of calls received) of 97.8%, up from 96.27% in 2013. The service level in the e-mail channel was 92.3% of the over 300,000 e-mails received. The online chat handled over 16,000 conversations, and there were over 75,000 mentions in social media, 15,000 cases were handled, and the Bank ended the year with 133,000 fans.

New features were implemented, such as "click to call" (which enables website visitors to enter their phone number and receive a call back immediately); the Sabadell Chat channel, which provides a conversation format like WhatsApp but with additional features enabling users



to operate with their accounts at any time and to arrange for consumer loans in less than 48 hours (over 10,000 applications were handled). Adaptation to SEPA (Single Euro Payments Area) generated a significant volume of customer service traffic, particularly with companies in the early months of the year.

The overall quality index was 91.57%, nearly 2 percentage points above target. The rating by customers, on a scale of 1 to 5, averaged 4.46 in the year, almost 0.1 points more than in 2013.

#### *Social networking sites*

In 2014, the Bank attained nearly 140,000 followers, up 25% on the previous year, combining all social media in which it has a presence: Twitter, Facebook, YouTube, LinkedIn and Google+.

The Bank published 516 blog posts and produced 80 videos. For the first time, it arranged a webcast from another country: the press conference to present the Triple business plan at the Bank's offices in London.

The Press Room on the website was redesigned and linked with the Group's social media.

New technologies and social networking sites were used to publicize major events. One such case as the Barcelona Open Banc Sabadell Tennis Grand Slam. Gamification enabled the #bcnopenbs hashtag to garner 88 million hits, whereas Banco Sabadell's monthly average is 10 million. The hashtag was used in nearly 20,000 tweets by approximately 6,000 users.

Another such event was Instant Banking Hack Day, a technology encounter with developers of financial apps. This generated 7,671 tweets and attained over 7 million impressions (the average weekly impact of @BancoSabadell is 2.5 million) and 2,000 tweets in a single weekend (1,200 in a single day).

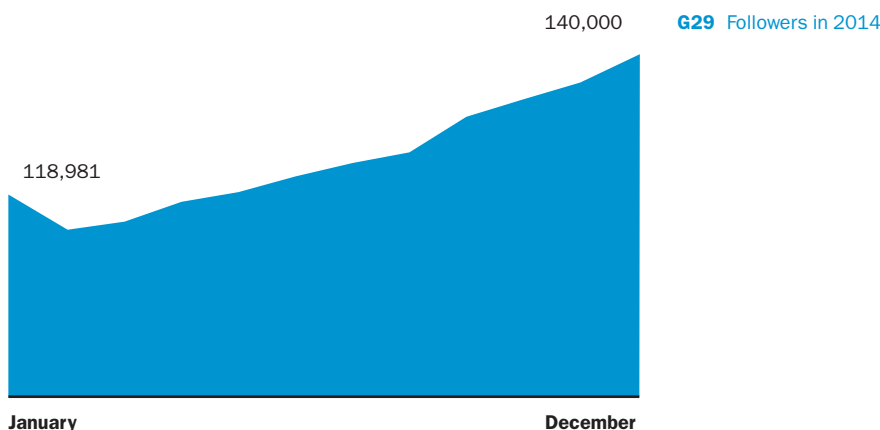
Work continued in developing a strategy based on distinctive value-added content, building on the success of previous years in designing campaigns that lend themselves to multiple channels. The "Believe" slogan centred the campaign on branded content that exemplifies the brand using videos focused on entrepreneurs.

The "Close" project was kicked off with a new type of campaign involving Rafa Nadal. As a result of the presence of this world-class celebrity, it was among the most viewed commercials on YouTube (2,110,555 views).

In particular, the "Som Sabadell" flashmob doubled the number of views attained in 2013, to 60 million, without requiring expenditure on its distribution.

One of the most important content areas during the year was entrepreneurship and innovation. The @BStartup profile was used to publicise webcasts of events under this programme, such as the "Conversations on the future", and live events on the corporate blog, such as the Alumni Entrepreneurship Day. As regards innovation, the Bank's participation in 4YFN and Imagine Express was webcast live.

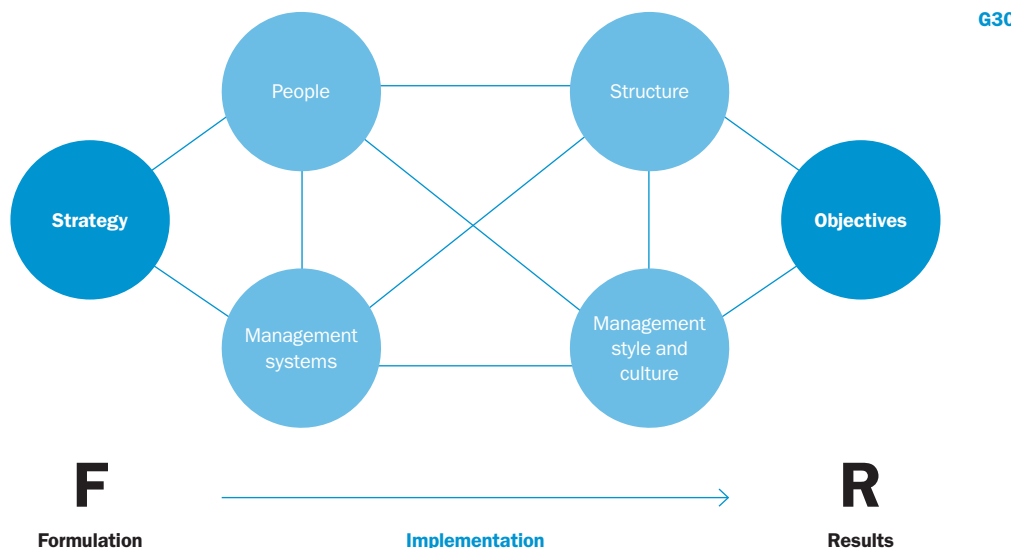
As a result, Banco Sabadell was chosen by the Open University of Catalonia (UOC) to cooperate in a Digital Empowerment programme as a paradigm of a large organization that is in full transition towards a digital culture and is in a position to present successes in this field.



## Human resources

### Human resources management model

The human resources model is based on a scheme that leads from strategy design to results, using four key levels.



This is based on four premises that govern Group human capital management at all times:

- Human resources policies and rules do not rank below other corporate guidelines, either in definition or in application.
- People are a distinctive asset and a critical success factor for Banco Sabadell.
- The employees belong to the entire organization and form part of a single team: Banco Sabadell.

It is necessary to constantly reinforce the emotional contract between the Bank and its people.

### Human resources management strategy under the Triple plan and lines of action in 2014

Talent and human capital management forms an essential component of the Triple strategic business plan along with other key action areas of the plan. It encompasses drivers of organizational change and development as well as a wide-ranging and completely updated view of the Human Resources function.

In the area of organizational change and development, three strategic priorities have been identified: organization-wide talent management to meet the needs of the enlarged Group, raising the bar on employee performance across the organization and securing employee

involvement in and engagement with the Group's future development.

Five core initiatives were defined in order to undertake this transformation:

#### 1. Integrated talent management

Strengthening leadership and developing a culture of talent planning and development to assist with the Group's expansion. An integrated talent management model that is, universal (for all employees) and corporate, in order to harness the talent of the Group wherever it is, focusing investment in key groups.

#### 2. New performance management system

An updated common model that facilitates a culture of active performance management. This will be achieved by enhancing the performance appraisal process, increasing its validity and reliability, as the cornerstone of the Group's approach to managing people.

#### 3. Segmented people management

Developing a human resources management model inspired by sales models, which provides more and better information about employees to support decisions in managing people and teams, drive performance and professional development, discover hidden talent, and leverage human resources products and services.



#### 4. The brand as employer and commitment manager

The goal is for all employees to become involved with and make a commitment to the Group's future. This will be implemented by developing and leveraging the advantages of working for BS, developing an "employee experience", and offering an image of the brand as an employer that is commensurate with our commercial image. It will also provide metrics of commitment in order to define specific action and continuous improvement levers.

#### 5. Transforming training

An innovative, comprehensive approach to training and development that is embedded in the organization, incorporates new pedagogy models and new learning paths by extending training solutions to other business areas, with a core set for central services staff, while also including internal knowledge management practices. This is implemented via the "corporate school", whose implementation will begin with the Commercial Banking School.

These initiatives answer the question "how?", but it is just as important to focus on "who?". To this end, four additional initiatives were designed to enhance the capabilities of the organization's key human resources.

##### 1. Executive quality

The human resources master plan entails major changes in the way in which executives and managers manage people and teams; this initiative seeks to delimit those changes and provide the necessary means to implement them.

##### 2. Policies for work-life balance and extension of the working life

The goal of this area is to provide the organization with the tools and solutions to facilitate work-life balance that the organization needs to enhance productivity and competitiveness.

##### 3. Change management office

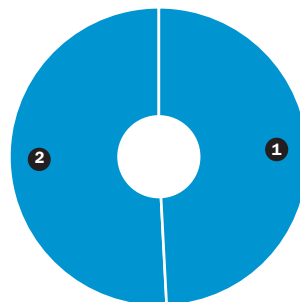
Its mission is to respond to needs arising from the transformation processes under the Triple plan that have an impact on people.

##### 4. International human resources model

The human resources model and policies call for a significant increase in international mobility. Work continues on developing a pool of professionals to drive future expansion and to include international experience in the executive career path.

#### Composition of Group workforce

At the end of 2014 the Banco Sabadell Group was employing a total of 17,529 people, a decrease of 548 compared with the previous year. The average age of employees was 43.1 years and the average length of service was 17.2 years. The gender split was 49.9% men and 50.1% women (G31)



G31 Employee breakdown by gender

1	Men	49.9%
2	Women	50.1%

#### Corporate projects under way in 2014 as part of the Triple business plan

##### In-service and leadership training

In parallel with the implementation of the initiatives under the Master Plan, active talent management practices and projects are being developed, including notably:

##### *Training in sales and in managing sales teams*

The implementation of the new model of sales and referrals in the branch network as a whole required training to be delivered in cascade to the entire sales network, from territorial management functions down to customer-facing functions. The process is related to the Bank's growth in recent years as a result of integrating acquisitions (increased number of employees, branches, customers and profiles).

##### *Integration training*

This training is linked to the integration of the acquisitions in 2014 (Banco Gallego and Lloyds), totalling 46,165 contact hours at Banco Gallego and 11,526 hours in the case of Lloyds (over 80 hours per employee in both cases). 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 144 professionals participated in this process as tutors.



The training plans at Banco Gallego and Lloyd's concluded in 2014.

In both integration processes, over 90% of employees rated the training as Very good or Good.

#### *Training plans. University certification of BS internal training*

Further progress was made in establishing in-service training across the entire branch network (training in products, regulations, sales, finance and tax, etc.), with more than 73% of branch network employees 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 2014 the scheme was repeated for the eighth and ninth times for the GCO/GCS, DPYME and GBP functions, as well as a second round for the DO function, resulting in the award of 184 qualifications. A total of 531 employees have obtained qualifications in this way to date.

#### *Senior management training*

In the area of training at senior management level, fresh progress was made in 2014 in the Group's approach to developing management skills. A further round of 360-degree assessments took place as part of the ongoing Manager Leadership Programme. 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. An improvement in management performance was observed in all areas in this second wave.

#### *Management quality training*

To meet the group's current and future challenges the full cooperation of all management personnel will be vital. For that reason, we will continue to work to instil a performance-driven culture. A number of workshops were held to equip executives to handle Annual Performance Assessment interviews, and a set of tools and resources was provided to help and support them in carrying out staff assessments. Over 500 managers participated in 2013 and 2014.

In the same line, during 2014 a fourth 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 four CMPs held so far have given training to a total of 131 managers.

#### *Compliance training*

The compliance training offer was redesigned and expanded to adapt to new needs and requirements by regulators.

#### *Training linked to the new models in the banking business*

Training is being given that is attuned to new customer relationship formulas and branch models.

#### **Mobility**

A total of 18 international assignments were arranged in 2014:

- Short-term international assignments (under 1 year): 9 (6 to Uruguay; 3 to Mexico).
- Long-term international assignments (1-3 years): 9 (6 to Mexico; 1 to Morocco; 2 to the USA).

A total of 100 interviews were conducted with internationally mobile employees from the total of 347 employees from across the Banco Sabadell Group who in 2014 showed an interest in taking up appointments in foreign countries.

#### **Employee engagement and volunteer programme**

Social and volunteer programmes and initiatives are publicized on the employee portal under the "Solidaris" label. The success of these programmes year after year caused the number of participants to increase substantially and led to a rise in the number of activities in 2014, many of them as a result of suggestions from employees.

Some of the main activities in 2014 are described below:

- Oxfam-Intermon Trailwalker. A total of 144 people represented Banco Sabadell in the 2014 event, making us the company with the largest number of employees taking part and raising more than €40,000 to be used for Oxfam's water management projects in the Sahara.
- Sant Jordi Solidari at the CBS and 901-SC buildings. This event enabled the animal protection societies of Mataró (SPAM) and Sabadell to raise over €4,000 net. Employees were also able to acquire products from writers and associations, the entire proceeds being donated to charity. An employee played the leading role in each of these activities.
- Employee participation in health activities promoted by Unicef.
- Over 300 surplus items of furniture (desks, chairs, shelving units, etc.) were donated to associations and NGOs.
- In cooperation with the Blood and Tissue Bank, Banco Sabadell arranged its regular blood donation campaign, in which participation rose considerably year after year.
- For the second year in a row, 105 volunteers from the Bank participated in workshops for fourth grade pupils as part of the Schools Financial Education Programme in Catalonia (EFEC). The result of a partnership agreement with Catalonia's regional government and the Financial Study Institute, the programme covers 20% of secondary schools in Catalonia.

- A number of corporate volunteer programmes were arranged in 2014 in connection with entrepreneurship and in cooperation with seniors and with the involvement of foundations that are particularly relevant and have a notable impact in society: Fundació Emprèn, Fundació Príncep de Girona, Proyecto Cecrem and Fundació Novia Salcedo.
- This year, through the Magone Foundation, 309 letters were sponsored under which Banco Sabadell employees made Christmas wishes come true for children at risk of social exclusion.
- For another year, 102 volunteers participated in the TV3 telethon to raise funds for research into cardiovascular diseases.
- COACH Foundation: a corporate volunteer initiative that uses coaching and mentoring to enhance the employability of young people at risk of social exclusion. Six young people benefited from the programme in 2014.

### **Achievements and awards**

#### *Talent Mobility Award*

Banco Sabadell was named Best Spanish Company in the first Talent Mobility Awards, which are given in recognition of best practice in talent mobility, an integrated management process that concerns itself with an organization's ability to identify, develop and deploy talent effectively.

The award pays tribute to Banco Sabadell's success in managing talent, as demonstrated in a succession of integrations following the eight corporate mergers of the last few years.

Consistency, innovation and an emphasis on in-house talent were among the qualities cited by the jury in awarding the first prize of its kind to our organization.

#### *Randstad Award*

An independent global study rated Banco Sabadell, for the first time, as one of three most attractive employers in the Spanish financial services industry.

Each year the Randstad Award identifies the most attractive companies to work for in different countries. The winner is chosen based on the findings of the most extensive study of employer branding anywhere in the world. Moreover, unlike other studies, it looks at the perceptions of employees only and takes a large sample of 7,000 people in each country between the ages of 18 and 65 who are asked about their impressions of the 150 biggest employers in their country. Companies cannot ask to take part in the study and winners are selected on the basis of their attractiveness as employers once the respondents' answers have been collated. This method ensures that the study is totally objective.

#### *Oxfam-Intermon Trailwalker*

Banco Sabadell won the prize for the largest number of volunteers, which is given for success in mobilizing people (26 teams) and also for the communication skills deployed in the promotion of this fundraising event.

#### *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.

In 2014 the Qualis prizes, now in their 12th year, were awarded for performance in 2013. This year the arrangements were changed in keeping with the increase in the size of the Group since 2003 when the prizes were instituted.

The Bank felt that it was time to change the structure of the prizes for best branch so as to move from a prize for overall excellence to a system that gave recognition to the best branches in each Regional Division.

An independent global study  
described the Bank as one of three  
most attractive employers in  
the Spanish financial services industry.

Consequently, the awards for the Bank's best branches are particularly noteworthy because they recognise collective merit:

#### Catalonia Region

Vilana-Bonanova branch (377) in Barcelona City  
Vielha branch (5127) in Catalonia West  
El Masnou branch (67) in Catalonia East  
(#1 branch overall)

#### Eastern Region

Orihuela Cabo Roig (621), in the Alicante Region  
Caravaca de la Cruz O.P. (5247), in the Murcia region  
Benicassim branch (4325) in the Valencia Region  
Jesús branch (1407) in the Balearic Islands

#### Central Region

Madrid-General Perón branch (5276) in Madrid  
Torrijos branch (5377) in Castille

#### Northeast Region

Astorga branch (5037) in Asturias & León  
A Coruña-Pza. de los Caídos branch (505) in Galicia

#### Southern Region

Ceuta branch (1291)

#### Northern Region

Zaragoza-Sagasta branch (5583)

Awards were also granted in the categories of "Best Company Banking branch", "Best Zone", "Best Head Office Unit" and "Best Improvement Plan".

The Gold Qualis award for an entire career was granted to Lluís Buil Vall, Deputy General Manager and Head of the Catalonia Region.

### **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 2014 a total of 5,179 employees were active participants on the site and 3,024 ideas were put forward.

To supplement the quarterly competition a "Challenge Week" was introduced in which, for a single week, all employees are asked to produce ideas on a strategic theme. To

orient disruptive ideas in connection with the Challenge theme, a group of experts drew up a goals document which was released to the organization on the same day as the "Evento BS Idea Forum", a lecture/dialogue broadcast live on BancSabadell TV to all employees from the Auditorium of the CBS building. As part of the event, the BS person in charge of the Challenge sets out the objectives, and an influencer with acknowledged prestige in the field stimulates employees to adopt a new perspective; the event concludes with a question and answer session open to the entire Community. The event takes place a few days before the Challenge Week, to give employees time to meditate on the issue.

Not only the ideas produced by employees are welcomed; any customer or other person can make 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](http://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.

## Customer and user protection

Any customer or user of the Group can contact the Customer Service Department (CSD) for the resolution of any complaint or claim that has not been settled with the branch in the normal way.

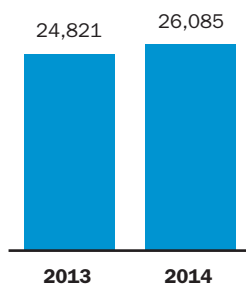
The CSD is independent from the business and operational side of the Group and is governed by the Group's own rules and procedures for the protection of customers and users of its financial services.

Customers and users may also avail themselves of the Customer Ombudsman, a forum that is independent of the Group and is competent to decide on claims made to it either directly or on appeal from a prior procedure (G32 & G33).

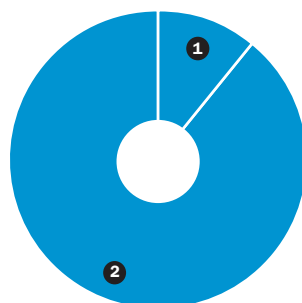
Decisions of the CSD or the Ombudsman are binding on all Bank units or departments.

Of the total complaints and claims examined by the Customer Service Department, 39.2% resulted in a decision favourable for the Bank, 8.4% were settled by agreement with the customer or user and 0.8% were resolved partly in favour of the customer or user. In 0.9% of cases customers withdrew the claim (0.3% in 2013), and 42.1% were resolved in favour of the customer or user.

At 31 December, 6.0% of cases had yet to be ruled on by the regulatory bodies and the Customer and Investor Ombudsman. Finally, the Bank declared itself not to be competent in 2.6% of the cases.



**G32** Complaints and claims handled



**G33** Complaints and claims - breakdown

1	Complaints	11.1%
2	Claims	88.9%