

Banco Sabadell sees its market shares growing in key market sectors.

Key developments in 2015

Noteworthy developments in 2015 were a rise in net interest income, deeper customer relationships, substantial growth in the insurance business and a major increase in mutual fund assets.

€ million

T1 Commercial Banking [FS6]

	2014	2015	% 15/14
Net interest income	1,778.47	2,141.99	20.4
Fees and commissions (net)	636.27	651.56	2.4
Other income	(76.97)	(55.64)	(27.7)
Gross income	2,337.77	2,737.91	17.1
Operating expenses	(1,345.73)	(1,395.26)	3.7
Operating profit/(loss)	992.04	1,342.65	35.3
Impairment losses	(644.15)	(642.93)	(0.2)
Profit/(loss) before tax	347.89	699.72	101.1
Ratios (%)			
ROE (profit/average shareholders' equity)	8.0	14.8	
Cost:income (general administrative expenses/gross income)	57.6	49.9	
Loan loss ratio	10.3	9.0	
Loan loss coverage ratio	47.2	52.7	
Business volumes			
Loans and advances	79,460	77,708	(2.2)
Customer funds	90,785	94,053	3.6
Securities	8,678	9,008	3.8
Other information			
Employees	12,562	12,550	(0.1)
Branches in Spain	2,253	2,190	(2.8)

Particularly encouraging was a sharp fall in doubtful loans, with the loan loss ratio in the Commercial Banking business falling to 9.0% in 2015, down from 10.3% in 2014.

As envisaged by the Group's "Triple" 3-year business plan, key priorities for 2015 were profitability and getting increased productivity from the new capacity added as a result of its recent acquisitions.

In the business banking sector the year again saw increases in customer numbers and market share in all

market segments. In its continuing drive to expand its product range the Bank started to offer new financing solutions to both the domestic and foreign markets. One of the Bank's priorities was, once again, to boost the availability of credit for businesses. This aim was pursued by means of new and existing agreements with official organizations such as the Official Credit Institute (ICO), the European Investment Fund and the Spanish Confederation of Reciprocal Guarantee Societies. The Bank continued to be an acknowledged leader in the franchising

market and to develop specialist business units focusing on the agricultural and tourist sectors.

In the individual customer sector its efforts were directed towards two aims: strengthening the customer relationship and becoming a household word.

As part of this policy, Banco Sabadell launched a campaign entitled “New Times” featuring such media personalities as tennis star Rafa Nadal, TV and film actor José Coronado and astronaut Michael López-Alegría. The campaign invites people to be confident and optimistic about the future in a fast-changing world; it also emphasizes the values of closeness, trust and commitment to customers. It speaks of a better future for all.

The year saw further expansion in the Bank's offering of products for the individual customer. Growth in consumer loan production was given further impetus by the launch of the “Expansión 24+24” product, featuring a fast-track approval process and a special focus on the use of remote channels. Another 2015 product launch was a fixed-rate mortgage known as “Hipoteca Expansión” with adjustable repayments to suit the borrower's stage of life.

Growth plans for the branch business in Spain's different regions helped to drive increases in profitability and customer numbers. In the Madrid region, for example, the “Opportunity Madrid” plan enabled the region to win the largest number of new customers for the Bank this year - 15% of the Bank's total.

In the business transformation area of the Group's strategy, an active response continued to be seen in Madrid, including the introduction of a plan for

managing change in which a large number of employees participated.

Further improvement of the customer experience continued to be a key aim for the Bank. To achieve this the Bank set itself the goal of becoming a leader in customer experience ratings in every market segment in 2018. A further consequence was the launch of “Plan Este” in the Eastern region comprising a range of initiatives designed to enhance the customer experience in the region. The plan's main themes are improving ATM usability, reducing in-branch waiting times and more tightly focused brand positioning.

The Northern region's “Plan Norte” has the primary goal of increasing rates of new customer enrolment and profitability at branches whose profitability levels were below the benchmark average. The implementation of the plan has helped to improve performance indicators including, particularly, new customer sign-ups and net revenue.

Customer segments

This section describes the Bank's activities in the company, business and government and individual customer segments served by Commercial Banking under the “Sabadell” brand (registered as “BSabadell”).

Our promise to businesses - a new kind of relationship with business customers.

Companies, businesses and government

€ million

	2014	2015	% 15/14
Net interest income	892.58	1,027.28	15.1
Fees and commissions (net)	239,01	253,40	6.0
Other profit/(loss)	(3.51)	20.26	—
Gross income	1,128.08	1,300.94	15.3
Business volumes			
Loans and advances	43,114	41,709	(3.3)
Customer funds	37,715	40,632	7.7
Securities	4,579	4,694	2.5
Loan loss ratio (%)	10.3	9.4	—

T2 Companies, businesses and government [FS6]

The year 2015 saw the launch of a new approach to building relations with business customers based on the “Our Promise to Businesses” plan. Under the plan, the Bank gives a written undertaking to all its business customers that it will respond to a loan application within not more than seven days, keep the terms of its credit facilities unchanged, not change a customer's designated account manager, visit the customer's premises at least once a year, allow customers to transact business at any branch of the Bank, and support its customers' expansion into foreign markets. The key aim is that Banco Sabadell should become its customers' main provider of financial services.

Along with intensive promotional efforts, the Promise to Businesses campaign ensured that for another year Banco Sabadell was able to see growth in its market shares as measured by customer numbers. In 2015 a total of 95,894 businesses were enrolled as customers of the Bank, 15.7% up on the previous year's figure. As a result, 42.89% of small and medium enterprises and 72.1% of large corporates had an account with Banco Sabadell at the end of the third quarter; these figures showed increases of 4.9% and 2.0%, respectively. Of particular significance for the large corporate segment is the added value provided by a network of 60 dedicated branches all over the country catering to the needs of these corporate customers.

In an environment characterized by higher economic growth, one of the Bank's main priorities in 2015 was to make it easier for businesses to obtain credit. Its success in doing so is evidenced by the fact that the Bank increased its lending to businesses by 3.6% in the course of the year, with new loans rising to over €37,300 million. In the spirit of its Promise to Businesses, the Bank remains committed to increasing its lending to customers, subject always to having full knowledge of customers and their needs and to applying its risk acceptance policy with the usual high degree of rigour.

Deposits held with the Bank by customers in this market segment also showed an excellent performance, rising by 6.8% on the figure for 2014.

Domestic market

In 2015 the Bank continued to pursue its aim of adding product and service innovations to modernize and generate value from its product base, taking a multi-country and multi-currency perspective to benefit not only companies operating within the domestic market but also those engaging in business with other countries.

In factoring, an updated and modernized product enabled the Bank to respond to customers more swiftly and efficiently and to offer them a factoring process that was quicker and easier to manage. The Banco Sabadell express factoring service was upgraded and its foreign currency service, which covers all quoted currencies, was notably enhanced - a key differentiating factor for any exporting company. All these improvements helped to deliver good volume growth this year and enabled us to capture a 12.19% share of the business as of September 2015.

The Bank's reverse factoring service (in which customers pass supplier invoices to the bank, which then offers the supplier discounted payment in advance of the due date) also underwent a series of modifications to make the service faster and more responsive for customers and their suppliers, and thus increase online usage. The changes received a very positive response from customers and this was reflected in a rise in our share of the reverse factoring market to 11.36% as of September 2015.

In the international trade arena the Bank's strong position in the handling of documentary credits was reflected in market shares of 30% in documentary credit for exporters and 15.21% (rising to over 18.08% at times during the year) for importers.

In 2015 the Bank once again renewed its commitment to make finance available through its support for ICO schemes, in which its 18.87% share was the second largest among participating banks. In 2015 the ICO schemes that generated the highest volumes of loan production were the Business and Entrepreneur scheme, with loan or credit facilities totalling €1,213 million, and ICO Exporters, in which the total amount of financing was €515.7 million. The Bank took first place in the amount of financing arranged under the ICO's Reciprocal Guarantee Society scheme, with a 35.49% share.

Agreements with the European Investment Bank to fund loans to customers enabled the Bank to make available a total of €560.7 million in financing for businesses.

**In 2015 we continued our drive to offer
more up-to-date, more specialized
products and services.**

The Bank also provided funding for small and midsize businesses and sole proprietors under partnership agreements with mutual guarantee societies represented by the Spanish Confederation of Mutual Guarantee Societies (Spanish initials: CESGAR) and with the Spanish Refinancing Company (Spanish initials: CERSA), an agency of the Spanish Ministry for Industry, Energy and Tourism. Financing under these agreements increased by 25.6% during the year.

To further its aim of increasing the availability of financing for businesses on the best possible terms, in late 2015 the Bank entered into an agreement with the European Investment Fund as part of the “PYME Initiative”, a €625 million project co-financed by Spain, the European Commission and the EIB Group to provide funding to smaller businesses.

International trade

In the foreign trade arena, during the year a package of foreign trade services offered by the Bank's International Business Resource Centre was added to the Bank's web site. This service provides support to businesses venturing into foreign markets, a valuable non-financial service that has made it possible for Banco Sabadell to become involved in customers' decisions at every level. The Resource Centre provides firms with information, analysis, tools, resources, opportunities and marketing know-how, thus meeting all the requirements of a company thinking of entering a foreign market. This innovative programme is being very well received by businesses as a source not only of information on financing but also of support, advice and training specifically to engage in foreign trade.

At the same time the “Export to Grow” programme continued to expand so as to target a wider audience and include both general information about exporting and special briefings on markets of interest to Spanish firms. These briefings included sessions on Morocco and Peru organized in 10 meetings all over Spain attended by more than 1,000 businesses.

Long- and medium-term finance

A significant highlight in the area of medium and long-term finance was the growth in the Group's fleet rental and contract equipment leasing operations (“Sabadell Renting”) which saw their business grow by 51.6% and 13.8% respectively. This further strengthened the Bank's leading position as a provider of energy-efficient solutions for customers as well as support for technological change in such areas as lighting, building envelopes, sanitary water heating, climate control and renewable energy sources (geothermal, solar, photovoltaic) as required by the EU's energy efficiency Directives 2010/31 and 2012/27. It is also a provider of finance to end users, energy services companies and suppliers of energy in different forms. A steady rise in sales to major fleet operators during the year led to

the creation of a new dedicated unit to serve this business sector. A project was also launched to take the Group's contract leasing business into foreign markets by making agreements with other operators to serve customers expanding outside their home market.

As envisaged by the “Triple” business plan, the leasing business is looking to develop the potential of sales channels such as sales introducers/agents, which give customers the opportunity to earn extra income by offering financing options along with their products. Channels used by individual customers proved to be a valuable tool in raising the profile of the rent-a-car operation and included attractive offers designed to appeal to younger drivers. These younger users tend to prefer pay-as-you-go options and are ever more demanding in relation to both service and tools for online access, such as apps and websites, in their interaction with Sabadell Renting.

Businesses

The business customer segment saw sales increasing steadily in line with the growth in customer numbers seen in the last few years. “Cuenta Expansión Negocios” continued to be the key tool in winning and keeping customers and in helping users to manage their day-to-day banking operations. During the year the Business Support Plan, first launched in 2012, was strengthened and improved to maximize the business opportunities provided by the many business owning customers and to forge links with them at an early stage in the relationship through centrally planned initiatives.

Agreed overdraft limits

Another important action area in this customer segment during the year was an ongoing review of agreed overdraft limits to help meet the financing needs of sole proprietors, small retailers and other small businesses. This resulted in overdraft facilities amounting to €4,700 million being offered to 248,000 customers during the year. Since the new policy came into effect in 2012, the Bank has granted credit totalling almost €8,700 million to more than 500,000 Spanish businesses.

The “We believe” small retailer campaign

The year 2015 saw the “Creemos” (We believe) campaigns targeted on retail establishments being continued in 52 towns and cities all over Spain, with visits being made to more than 17,000 outlets. The aim of the campaign was to encourage people to visit shops in their neighbourhood, spend some money and thus give a boost to business activity in Spain's towns and cities. The campaign message was clear: to believe in a local neighbourhood is to believe in its local traders. Key to the campaign's success was the involvement of branch managers, who personally

visited each shop in their neighbourhood to present the campaign, thus creating opportunities for winning and strengthening relationships with customers in the local retailer community.

In each local area the campaign was supported by press, radio and billboard advertisements, giving it wide-spread diffusion and a resounding media impact. In 2015 the following municipalities participated in the “Creemos” campaign: Avilés, Ferrol, Seville, Vilanova i la Geltrú, Santa Coloma de Gramenet, Salamanca, Móstoles, Alicante, Valencia, Murcia, Inca, A Coruña, Pontevedra, Vitoira, Getxo, Torrelavega, Amurrio, Burlada, Tudela, Cintruénigo, Sabiñánigo, Fraga, Eibar, Sestao, Portugalete, Galdakao, Barakaldo, Erandio, Amorebieta, Gernika, Durango, Calatayud, Monzón, Miranda de Ebro, Ordizia, Beasain, Tolosa, Zarautz, Bergara, Calahorra, Tafalla, Donostia, Munguia, Basauri, Bermeo, Santurtzi, Derio, Irún, Arrasate, Laudio, Leioa and Haro.

Franchising

The franchising sector was another area of increased activity during the year, with a focus on profile raising as well as business development. Banco Sabadell was an active participant in a number of industry events (trade fairs, training seminars, etc.) and was able, by means of a large number of partnership agreements, to assist in arranging more than €380 million in new lending — a 70% increase on the previous year — to over 1,500 franchisees. Moreover, in an initiative that was in all respects a “first” for the industry, it organized the “Franquicia Futura” franchising conference at its central services facility in Sant Cugat. The event was an unprecedented success and positioned Banco Sabadell as an unequivocal leader as banker to the franchising sector.

Institutional clients

The Bank's promotional efforts in the institutional customer segment were centred on attracting funds and on the promotion of alternative investment products to provide solutions in a low interest rate environment. In the area of funding, two key developments were the effects of the decline in the Bank's funding costs and diversification into alternative money-market assets, thus increasing the inflow of funds for the institutional segment as a whole. As for alternative investment products, promotional activities focused on three separate areas: first, increasing mutual funds assets with the help of new categories of fund designed to fit each customer profile; second, marketing products originated by Sabadell Corporate Finance, and third, marketing what will be our first venture capital fund for distribution to third parties, known as Aurica III. All this resulted in a broader offering of financial products for the Bank's institutional clients.

Agricultural sector

The Bank has set itself two clearly-defined targets for the agricultural segment: to be a key provider of financial services to the sector and to raise its share of the market to 5% by the end of 2016.

With these clear aims in mind, in 2015 the Bank set up a specialist sales force by creating 14 “Agriculture Delegate” posts to provide coverage and support to branches throughout the country.

A total of 130 designated “Agro” branches, located in areas of special importance for the agricultural or fishing industries, were given a new layout, specially trained staff and a promotional image to identify them more closely with the industry.

In addition, more than 700 account managers across the branch network are on hand to respond to any concerns of existing or potential customers. A number of highly specific financial products were created in response to special requests from customers, who thus saw their concerns and suggestions being addressed.

The Bank's presence at major industry exhibitions and conferences, agreements with key industry players, high levels of customer acquisition and increased business volumes, all support the conclusion that Banco Sabadell is getting the recognition it seeks.

Tourism

The year 2015 saw further development of the Bank's business with the tourist industry, where the primary aim was to make Banco Sabadell a key partner. The result has been a value proposition fit for customers in the industry, with a strong focus on lending. A team of four delegates was set up in the regional divisions responsible for the areas where tourism is most highly concentrated: Catalonia, East, Centre and South.

The Bank's business with the sector consisted mainly of financing for hotel purchases, international expansion of hotel chains, refurbishments, reflagging and energy efficiency, plus a range of specialist services and products and payment media, special payment cards and bancassurance products. The goals set for the tourist industry were thus clearly achieved, with lending growing by more than 13% and deposits by more than 20.5% year-on-year.

Also noteworthy was the Bank's presence at industry conferences, forums and specialist media, as well as the conclusion of agreements with major trade associations, both nationally and locally.

Government

In 2015 the “Government” business segment was heavily influenced by two important factors. First, 2015 was an election year, which meant a reduction in spending by government departments and agencies. The second was the introduction by central Government of measures

to regulate spending by regional and local authorities, including the imposition of policies of financial prudence with regulations and recommendations that operations be refinanced on the basis of price limits. These regulations did, naturally, lead to a narrowing of financial margins, but did not prevent the Bank from continuing to grow its business in the manner prescribed by its “Triple” strategic plan. This can be seen in the way its market shares have changed. The Bank's share of lending to Government increased by 16 basis points to 5.96%; its share of deposits rose by 82 basis points to 4.39%; and its share of customers was up 107 basis points, to 20.09%. This growth in market shares was reflected in increased current transaction activity, which translated into higher account margins and thus reduced the restrictive effect of financial prudence requirements. The business expansion plan launched in 2014 and continued at a higher level this year ensured that Banco Sabadell maintained its leading position as a supplier to government agencies at all levels.

Individuals

One of the Bank's priorities for the individual customer segment in 2015 was to maintain a high rate of customer acquisition with a special focus on credit quality. This policy resulted in an inflow of 380,000 new individual customers, with Banco Sabadell becoming the main banker to more than 70.3% of them.

To achieve this goal it was vital to have a competitive offering of high-quality products and services, to continue our focus on visibility and brand identity, and to be one of the most innovative banks in the marketplace, in terms of products and new ways of building customer relationships.

The year 2015 saw the launch of active management, a new integrated customer management system for Personal Banking customers based on remote-access channels. Active management is designed to meet customers' needs. It includes a designated account manager and extended

Building strong relationships
has been critical to making
Banco Sabadell the main bank
for more and more customers.

In 2015 we launched our
“active management” initiative.

€ million

	2014	2015	% 15/14
Net interest income	885.89	1,114.71	25.8
Fees and commissions (net)	397.26	398.16	0.2
Other profit/(loss)	(73.46)	(75.89)	3.3
Gross income	1,209.69	1,436.98	18.8
Business volumes			
Loans and advances	36,346	35,999	(1.0)
Customer funds	53,070	53,421	0.7
Securities	4,099	4,315	5.3
Loan loss ratio (%)	10.3	8.7	—

T3 Individuals

hours of business to ensure that customers can be attended to immediately via a remote channel without having to visit their branch.

New product launches include Cuenta Ahorro 5, a long-term savings plan with tax benefits; Hipoteca Expansión, a fixed-rate mortgage with increasing monthly repayments, and the new Préstamo Expansión 24+24 personal loan. These initiatives taken together make for an enhanced customer experience.

Business development actions on the individual customer front were organized around a view of the customer that means fulfilling his or her need for convenient payment, finance, security and savings solutions.

With regard to profile-raising, the Bank continued the brand strategy adopted in previous years, which has had a major impact on the individual customer segment thanks to the “Gestor Personal” campaign highlighting the role of the Banco Sabadell account manager, and the two-stage “Nuevos Tiempos” campaign to reposition the brand and then focus on personal loan products.

Personal Banking

In Personal Banking, the Bank launched its new approach to customer management in 2015, in which the personal account manager and personalized service are key aspects of the customer relationship. Personal Banking sets out to offer a fully comprehensive, proactive service provided by dedicated managers who support the customers as they build up, consume and transfer their wealth, to satisfy all their financial requirements. Communication with the personal customer segment has been strengthened with a welcome pack for new account holders, a fortnightly newsletter to keep customers up-to-date with news and information on economic developments and financial products and services, and a video on asset allocation.

During the year the inflow of funds into mutual funds continued to increase and caused the Bank's share of the mutual fund market to rise by 16.4%. Banco Sabadell introduced a new range of actively managed mutual funds to suit all investor profiles, with an asset allocation strategy to anticipate market developments. The funds are highly diversified across a wide range of geographies and sectors and maintain a constant risk profile.

Another development in products for the personal customer segment was the launch of “Cuenta Expansión Plus”, an instant-access account with special features for customers with high transaction volumes requiring a product that makes them feel special and gives them preferential treatment. The Cuenta Expansión Plus account gives the Bank a highly competitive product with which to attract and retain new high-value customers.

All these initiatives began to bear fruit and increased the average margin per customer by 7.8%. As a result, Banco Sabadell ranked in second place among comparables according to the NPS (Net Promoter Score) metric of customer experience.

Middle-income

Middle-income customers account for 82.2% of total individual customers, 59.4% of net revenue and 46.4% of business, including 66.5% of lending. The relative share of this segment has gradually increased, not only as a result of promotional efforts by our branches on the stock of existing customers but also thanks to our success in attracting new customers, the number of which totalled 323,107 in 2015, or 84.8% of total new individual customers.

The value offering made available by the Bank to its customers is intended to meet every need and to adjust to market conditions and different stages of customers' life cycles. A typical example is Cuenta Ahorro 5, a long-term savings account which helps customers to save by offering tax advantages and facilities for regular payments, a key strategy for the middle-income saver. Banco Sabadell has been very active in promoting this account, over 400,000 of which had been opened by the end of 2015 with aggregate account balances in excess of €1,000 million.

To meet the need for long-term saving for retirement, a pension plan, “Plan de Futuro”, was introduced. This type of pension plan is linked to the customer's life cycle in such a way that the distribution of fixed-income and equity investments is varied according to the time remaining until retirement.

A critical aspect in managing a huge customer segment such as middle-income is the provision of additional signing-up facilities. The key factor here was effective action by the Bank to increase these facilities, which were implemented at branches and on all channels for interaction with customers.

Expatriates

Business metrics for the expatriate customer segment in Spain continued to show an excellent performance in 2015, with increases of 56.2% in customer acquisition and 15.6% in new mortgage approvals.

A marketing plan was prepared with the aim of tactically consolidating our position by strengthening the basic business development tools through micro-level local sales actions and use of the introducer channel. These actions were accompanied by a media campaign to raise our profile among the resident expatriate community.

Some initial steps were taken to get closer to this niche market and to gauge opinion among expatriates on the possibility of implementing a value proposition and growth plan. This included sponsoring the International Talent Monitor and organizing Networking Breakfasts in partnership with Barcelona Activa and Barcelona Global. There was further expansion of the range of products and services targeted on this segment.

To attract deposits and savings from expatriates, the range of mutual funds was extended with the addition of funds denominated in sterling and US dollars. On the lending side, in 2015 a key product in winning customers among resident expatriates was the fixed rate mortgage.

Key developments

The housing loan market continued to see an upturn in property sales and in mortgages, with new production increasing by 39.4% in value terms and 24.7% in number of loans. As a result the Bank's share of new home loans was 8.8% in value terms and 7.5% in number of loans for the year to September 2015, up from 7.4% and 7.0% for the same period the previous year. From early in the year the Bank was actively promoting fixed-rate mortgages, whose share of new mortgage production increased from 9.8% in the first quarter to 25.3% in the last quarter of the year. As already mentioned, the Bank continued to innovate with the launch of its "Hipoteca Expansión" mortgage, which combines the advantages of a fixed-rate mortgage (knowing what one will be paying) with those of a variable-rate mortgage (a more attractive starting rate).

Another significant factor was an increase in mortgages arranged through agents, which accounted for 16.8% of mortgage lending in 2015 compared with 12.8% the year before.

Consumer loan production was up 46.7% by volume on the previous year as a result of the focus on branches and a controlled strategy of reducing loan prices. Another development was the launch of Préstamo Expansión 24 + 24, an innovative loan product featuring swift response, arrangement and payment times and a focus on remote channels for loan management purposes. Línea Expansión, a product to obtain immediate credit to finance minor household expenses, saw continued growth, as did credit to fund the cost of business school and university study courses.

In payment media, once again we saw our business expand at the excellent pace observed in recent years. The number of debit and credit cards in use increased to 4.8 million, a rise of 8.9%. Credit card turnover was up by 15.9%. The vertiginous take-off of contactless payment cards since their launch barely two years ago and the piloting of payments by mobile phone started in 2015 and due for expansion in 2016, were further significant changes.

The EFTPOS business also showed substantial increases on the same period the previous year, with a 15.0% rise in the number of user terminals and a very substantial 27.0% increase in turnover. The payment platform was upgraded to provide new services such as payment by smartphone, SMS or email purchases, payments to government authorities or agencies and pay-later solutions. In the course of the year a number of partnership agreements were concluded with international payment providers to extend payment services to retailers in 20 European countries. The Bank maintained its position as a market leader in handling payments for online sales.

Trading brands

During the year the Bank merged the SabadellAtlántico and Sabadell CAM brands for a stronger brand identity. Banco Sabadell remains the flagship brand operating in most of the country's regions except for Asturias and León, which are served by the Group's SabadellHerrero brand; the Basque Country, Navarre and La Rioja, where the Group is represented by its SabadellGuipuzcoano network; and Galicia, where it operates under the SabadellGallego brand. The Group's SabadellSolbank brand caters primarily for resident expatriates from other European countries. It does this through a chain of specialist branches operating exclusively in the Canary Islands, the Balearic Islands and the country's southern and south-eastern mainland coastal areas. Finally, ActivoBank is there to serve customers who prefer to do their banking exclusively by telephone or online.

The Bank's different trading brands continued to show improved performance across all business and new customer (including businesses and individuals) metrics, as well as in market share, attaining leading positions in a number of market segments. All brands play an especially prominent role in their communities thanks to their social and cultural sponsorship programmes. Some landmark achievements by other Group brands in the course of 2015 are described below:

SabadellHerrero

Delivering a high-quality service has been Bank's guiding principle since its earliest origins and is seen by it as a key differentiating factor and driver of its growth in terms of customer and business volumes. In the light of this priority aim, it is important to highlight an accolade awarded to SabadellHerrero as the brand offering the best customer experience at its bank branches and the highest quality of service of any bank in Spain. The award was bestowed by Stiga, an industry leader in quality assessment based on objective surveys of the quality of service provided by bank branches. The survey rates the service given to potential customers by bank branches using the mystery shopper technique. The Stiga survey, which began in the year 2000, covers 50 bank brands and 4,000 branches, compares 260 variables and possesses a historical database of 80,000 branch visits.

This leadership in quality, now confirmed at the national level, lies at the heart of the strength of the SabadellHerrero brand in the Asturias and León region that it sets out to serve. Its advances have been most significant in three areas: increasing its lending, broadening its customer base and offering specialized saving options in the form of mutual funds and pension plans.

With demand for credit largely restored, SabadellHerrero saw this reflected in its loan arrangement figures which showed across-the-board year-on-year increases in all parts of its regional market: 3.11% in Asturias, 7.59% in León. SabadellHerrero's outstanding role as a provider

SabadellHerrero - best domestic brand in quality of service.

of credit within its home market is exemplified by its major share of the business of channelling funds to businesses under ICO schemes, with 37.92% in Asturias and in the province of León where, for the first time, it ranked in first position by taking a 33.35% share. Amounts made available in new credit outweighed reductions due to repayments, resulting in a net growth in lending of 3.05% in contrast to the contraction in the market generally as revealed by the latest figures, a clear sign of the Bank's success in new business generation.

As a direct consequence of constantly striving to meet customers' needs and maintaining high quality standards, the Bank saw its customer base grow steadily throughout the year, with individual customers increasing by 19,926 and business customers by 3,106. Once again, the Bank's sustained efforts to forge business partnerships with business, trade and professional associations were key to securing this growth in customer numbers.

SabadellHerrero's support for business was recognized by the Castilla and León Confederation of Business Organizations (Spanish initials: CECALE) which, on the recommendation of the León Association of Entrepreneurs, picked SabadellHerrero for its "CECALE de Oro", the first time this prize had been awarded to a financial institution.

The new low interest environment requires that financial institutions show a greater ability to provide advisory services and a full and diverse range of products, and thus ensure that customers receive a return on their savings with a level of risk appropriate to their personal circumstances and risk profiles. SabadellHerrero acted to meet this requirement and was able to report growth in its mutual funds and pension plans of 17% and 6.34% respectively.

In the area of sponsorship and support, 2015 was the fifth year of another award with strong business associations: the Álvarez-Margaride prize which is given, on the recommendation of SabadellHerrero and the APQ (Asturias Patria Querida) Association, for outstanding achievement in business. The prize was awarded to Daniel Alonso Rodríguez, founder of the Daniel Alonso Group, which operates in the environmental, assembly, truck and machinery manufacturing, special transport, industrial maintenance and engineering sectors.

Talent of this kind is, in fact, what the Bank promotes and supports through the Banco Sabadell Foundation. Sponsorship is organized through agreements with the Universities of Oviedo and León and allows university grant programmes to be continued so that students can complete their training by applying it in the day-to-day working practice of a bank. The Foundation also sponsors grants to undertake work experience at the

Inter-American Development Bank. These grants enable top-performing students from the University of Oviedo to obtain training of the highest order at the Bank's headquarters in Washington DC.

In the 14th year of the SabadellHerrero Prize for Research in Economics the Banco Sabadell Foundation awarded its prize for Best Young Economist to Víctor Martínez de Albéniz, an associate professor at IESE business school, where he had been working since 2004 as a researcher in business management.

SabadellGallego

In 2015 SabadellGallego completed the upgrade to its IT platform and its business and sales systems and prepared the ground for a period of solid expansion in Galicia. A significant number of the Bank's 129 Galician branches underwent a complete refurbishment and all its ATMs were replaced by new latest-generation machines. This investment had a profound impact on the Bank's rural branches which were given a major upgrade in terms of equipment, people and levels of service.

All these changes brought a radical transformation to SabadellGallego, the effects of which were seen in rapid improvements in service and customer perceptions. Quality of service indicators not only exceeded the average for banks serving the Galician market but came very close to the Banco Sabadell Group's own standards of excellence.

The volume of credit extended by the Bank in Galicia showed a significant increase, with the number of agreements up by 2.5% and lending rising by 1.81% overall, compared with the previous year. SabadellGallego maintained its position as one of Galicia's biggest providers of ICO-sponsored lending with an 18.44% share, a performance similar to that of the previous year. An area of special attention for the Bank was its customers' operations in foreign markets, culminating in an international conference in A Coruña at the end of the year, which brought together a large number of exporting businesses in the region.

On the funding side, the Bank worked to diversify its product portfolio with the aim of preserving returns for its customers despite interest rates on deposits at all-time lows. Mutual funds and pension plans were the products in which growth was strongest (18% and 11.64% respectively), while the Cuenta Expansión account continued to enjoy commercial success.

A total of 19,844 individuals and 5,327 businesses were added to the Bank's customer base in Galicia, exceeding the growth numbers recorded in previous years

and clearly showing the Bank's ability to generate new business and the success of the many partnership agreements concluded with business, trade and professional associations. A key area of activity for branches in rural parts of the region was the agriculture, livestock and fisheries sector. Business growth in this customer segment was twice that of other branches and clearly showed the potential and the strong presence of SabadellGallego branches in the region's rural areas.

In the social and cultural domain, SabadellGallego sponsored the Business Leadership prize awarded by the Coruña Confederation of Entrepreneurs. This year the accolade went to Roberto Tojeiro, Chairman of the Gadisa Group, a diversified business conglomerate operating

in the food, energy, wood and other sectors. The Banco Sabadell Foundation continued its support for Galicia's universities, including an agreement with the Universidade Galega Business Foundation (FEUGA) to take graduates on work experience placements. In the strictly cultural arena, the Foundation sponsored "The First Picasso. A Coruña 2015", an exhibition organized by A Coruña City Hall and the Galician Government's Department of Culture; and the "Camiño.Aorixe" exhibition, again in partnership with the Culture Department in Santiago de Compostela. The Banco Sabadell Foundation also organized an exhibition entitled "Leaps off the Page - the Art Book in the 21st Century" in partnership with the Galicia Auditorium.

SabadellGallego completed its transformation and prepared itself for growth in Galicia.

SabadellGuipuzcoano

A significant achievement of the brand in 2015 was the launch of Plan Norte, one of the key region-level initiatives to be rolled out as part of the Group's "Triple" 3-year business plan. The plan is a special promotion/marketing programme with a focus on growing the customer base and improving margins beyond the targets set for the wider Group, with the aim of increasing market shares.

The two-year plan, due for completion in 2016, involves designing and putting in place a number of mechanisms that are already proving to be highly effective. An improved business performance was rapidly seen in all the main action areas. These are:

- Opening two new branches in two areas of high growth potential: Zaragoza and Logroño.
- Coordinated marketing actions in 40 local promotion sites as part of the "We believe..." campaign, to raise the profile of the Bank and increase branch visits by customers.
- Changes in the organization and in working methods, including the creation of a special post of commercial director for Cantabria and the design and implementation of a system for monitoring and supporting a particular set of branches in geographically dispersed locations but all facing similar challenges in terms of marketing and account manager specialization.

The impact of these measures on the branches concerned was a 14.7% increase in the number of individual customers in the course of the year. The growth in business customers was 6.5% and account margins showed an 11.4% improvement.

With regard to the network of branches focusing on business customers, the year saw increased competition in the form of reductions in loan prices; despite this, an increase in lending of 6.6% was achieved within the area served by the brand. At the same time, the loan loss ratio was controlled.

Despite these factors and adverse market conditions, SabadellGuipuzcoano succeeded in maintaining, and in some cases improving, its presence within its home territory where, despite representing just 5.5% of all bank branches, it held a 5.7% share of the individual customer market and - particularly significant - a 34.8% share of small and midsize businesses and, more significant still, 73.9% of the large corporate segment.

At the same time, SabadellGuipuzcoano continued to grow throughout 2015 and to claim its position as one of the area's leading local and regional banks, an advertisement for the strength and leadership of the Group and its long-term connection with, and commitment to, the region.

We worked hard to strengthen our position as a regional bank and concluded a record number of partnership agreements.

One expression of this bond with the region is our ever more active policy of strengthening our position as a regional bank and of concluding business development partnerships such as the foreign trade arrangements that the bank has traditionally maintained with the Navarre and Zaragoza Chambers of Commerce and with the Business Associations in Guipúzcoa (ADEGI) and Vizcaya (CEBEK). Other actions related to international trade were two successful conferences held in Bilbao as part of the “Export to Grow” programme, focusing on Morocco and Peru.

Two important developments in the area of business partnerships were the conclusion of separate agreements with the Government of the Basque Country entitled “Support for the Basque Agricultural and Food Industry” and “Supporting a language policy to encourage the use of Basque in business and retailing”.

Finally, the bank continued to be especially active in supporting and sponsoring events of all kinds and once again played a leading role within the region in its support for social, cultural and sporting activities. In the scientific and university circles, for example, it renewed its research grant to Bio Donostia for another year through the Banco Sabadell Foundation and worked with the University of San Jorge in Zaragoza as a business and institutional partner.

A major example of the bank's participation in the cultural domain was acting as principal sponsor of the highly popular International Gastronomy Fair in Donostia-San Sebastián and its contribution to a very full programme of events related to the choice of that city as European Cultural Capital in 2016.

The brand also played a prominent role in the sporting arena, where SabadellGuipuzcoano was once again a sponsor to the Round Basque Country Cycle Race and where, together with SabadellGallego, it supported another cycling event, the Roncesvalles/Santiago de Compostela 24 hour challenge in which seasoned professional Mikel Azparren was a participant and attracted huge media interest.

ActivoBank

ActivoBank ended the year with 55,359 customers and continued to focus on its wealth management business with volumes totalling €1,229.7 million. Account balances were up 11.6% and off-balance sheet funds by 1.7%. Mutual funds grew by 1.5%, with assets reaching a total of €115.0 million.

BStartup

The BStartup programme aims to position Banco Sabadell as the most supportive bank for start-up businesses and particularly for firms working in the digital/technology sphere, where the potential for scalability is greatest. One key feature of the programme is the 88 branches specializing in start-up businesses, including a risk assessment procedure specially designed to service customers of this kind. Another is the BStartup 10 initiative which invests €1 million each year in 10 firms at the seed capital stage of development. It has so far helped 19 firms in this way. The ten businesses are offered a highly intensive programme of training with the seed accelerator Inspirit to help them become established in the marketplace and gain access to further injections of capital. In the two BStartup 10 sessions completed in 2015 a total of 887 projects were submitted. A third feature of the programme is closer collaboration with the Bank's Open Innovation process.

The Bank has obtained a high degree of exposure in the two years for which BStartup has been in operation. 2015 saw significant increases in media appearances (1,085 appearances) and social media impacts, as well as active participation in entrepreneurship events all over Spain. In 2015 BStartup organized or actively participated in 121 events. By the end of the year 24 collaboration agreements had been signed with companies that support entrepreneurs throughout the country and are in a position to recommend the Bank's products and services. The business actually generated from this source amounted €161 million in new lending and deposit or other funding, up 132% on the previous year.

Occupational groups and agent partners

Agreements with professional and occupational associations and agent partners have the primary purposes of winning new business with individuals, small retailers, SMEs and professional practices. At the end of the year 2,487 collaboration agreements with professional associations and occupational groupings were in existence covering a total of 2,843,000 individual members, of whom 659,582 became customers of the Bank and generated more than €20,000 million in new business.

Banco Sabadell leads the way in serving professional/occupational associations throughout the country. The special nature of its service is based on its close relationship with the associations, enabling it to be aware at all

times of the specific needs of their members and to provide the products and services best suited to their needs.

The Bank's agent partner network is seen as an efficient channel for capturing new business; in 2015, more than 35,000 new customers were acquired in this way. New business from this source amounted to €7,200 million.

Bancassurance

Bancassurance - a growing, fast-changing business.

At 31 December 2015, the total volume of funds under management in insurance and pension plans was €11,962.3 million. Issued premiums on life and non-life policies totalled €461.8 million, up 1% and 18% on the previous year's figures. The insurance and pensions businesses wholly or partly owned by Banco Sabadell reported net profits totalling €146.1 million overall.

In 2015 the Bank continued its reorganization of bancassurance arrangements inherited from recently merged banking organizations. On 1 January 2015, the merger took place of the insurance entities Banco Gallego Vida y Pensiones SA de Seguros y Reaseguros and Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros. At the end of November Mediterráneo Seguros Diversos S.A. de Seguros y Reaseguros was merged into BanSabadell Seguros Generales. These operations completed the reorganization, which had been prompted in large measure by the acquisition of Banco Gallego and Caja de Ahorros del Mediterráneo.

On 5 March 2015 the Group's life insurance subsidiary Mediterráneo Vida, Sociedad Anónima de Seguros y Reaseguros agreed an extension to a reinsurance treaty signed in March 2014 with reinsurers SCOR Global Life Reinsurance Ireland Plc, in respect of part of its individual life and permanent disability portfolio at 31 December 2014. Total reinsurance premiums credited to the income statement of Mediterráneo Vida, and therefore the Group, were €8.9 million.

At 31 December 2015 the reorganized Banco Sabadell insurance and pensions business was as follows:

- Sabadell Vida, Sabadell Pensiones and Sabadell Seguros Generales, operating as a joint venture with the Zurich insurance group since 2008.
- Mediterráneo Vida, a business in run-off, wholly owned by the Banco Sabadell Group.
- Sabadell Mediación, a bancassurance tied broker.
- Exel Broker de Seguros, and insurance brokerage operation.

In 2015 Banco Sabadell continued to lay down a strategic vision for the transformation of its insurance and pensions business to enable it to meet new challenges in the marketplace, in which a focus on the customer rather than a product-centred view, a new customer relationship-focused business style, and process digitization would be key elements.

Sabadell Vida

Total premium income in life insurance for the year 2015 was €2,850.5 million, with Sabadell Vida ranking in second place among Spanish life according to recent data published by ICEA, a research organization for the insurance and pension industries.

In death benefit insurance (including personal accident), premium income totalled €206.9 million, up 44% on the year-end figure for 2014, an increase that was due mainly to sales of lending-related products. In life-with-savings products, savings under management reached a year-end total of €5,444 million. This performance ranked Sabadell Vida in sixth place among its Spanish life industry peers according to recent data from ICEA. A net profit was posted of €81.4 million.

Sabadell Pensiones

Funds under management by Sabadell Pensiones reached an end-2015 total of €3,746.8 million. Of this total, €2,286.8 million related to individual and group pension plans —up by 10.4% on the previous year— and €1,460.0 million originated from company schemes, up 4% on the 2014 figure. On these measures, Sabadell Pensiones ranked eighth in the industry as a whole according to recent data from Inverco. Sabadell Pensiones reported a net profit for the year of €0.8 million.

Sabadell Seguros Generales

Premium income for the Group's general insurance provider in 2015 was €194.3 million. During the year the company absorbed Mediterráneo Seguros Diversos as part of the reorganization of the Group's insurance subsidiaries. Net premium income for the year totalled €23.9 million. Sabadell Seguros Generales made a net profit for the year of €8.4 million.

Sabadell Previsión, EPSV

Sabadell Previsión, a voluntary social insurance society, distributes pension/retirement plans within the Basque Country. In 2015 the society held €345.4 million in savings under management, a volume increase of 1.2%.

Mediterráneo Vida

The company's insurance operations in 2015 generated premiums and contributions of €188.1 million, of which €28.8 million were death benefit (including personal accident) policies. In the life-with-savings business the company ended the year with provisions totalling €1,884.7 million. Mediterráneo Vida contributed a net profit of €37.5 million to Group earnings. This includes exceptional income of €8.9 million received on the signature of an extension to the reinsurance treaty with SCOR. In 2014 the company ceased to write any new business other than group savings products and company pension schemes.

The company's pension fund management business had a total of €57.0 million under its management at the end of the year. This business consisted entirely of company pension schemes, since all its individual and group plans - the assets of which amounted to €280 million - were transferred to BanSabadell Pensiones as part of the agreements made with Zurich the year before.

Sabadell Mediación

Sabadell Mediación is the Bank's insurance brokerage subsidiary. It operates as a tied agent for bancassurance products and is the company through which sales of insurance by branches are handled.

Sales commission income contributed €66.6 million to Group earnings, with brokered premium income totalling €3,310.6 million. The net contribution to Group earnings from Sabadell Mediación in 2015 was €51.7 million.

Exel Broker de Seguros

Exel Broker de Seguros, an insurance brokerage business, has been a wholly-owned subsidiary of Banco Sabadell since the acquisition of Banco Guipuzcoano. It provides brokerage and risk management services to large companies in all business sectors and boasts a highly qualified team of insurance experts.

Sales commissions, generated from a brokered premium income of €23.6 million, were up by 19.6% and contributed €3.5 million to the Group. The net profit contributed to the Group in 2015 was 1.4 million, up 25.93% on the previous year's figure.

Sabadell Consumer Finance

Sabadell Consumer Finance is a Group subsidiary specializing in point-of-sale retail finance. It operates through a variety of channels and enters into partnership agreements with retail establishments such as auto dealers, shops, dental clinics, hearing aid centres, beauty parlours, home equipment suppliers, etc.

The continuing upturn in private consumption and consumer lending helped Sabadell Fincom to see an increase in the number of loans compared with the previous year, as well as an increase in market share. Business performance in 2015 showed further improvement compared with previous years, with significant increases in interest spreads and operating income.

Efficient debt recovery processes led to a further reduction in loan delinquencies, which were down to 2.6%.

During the year a total of 380,690 new finance packages were arranged at 6,000 points of sale all over the country. The amount of new lending arranged in 2015 totalled €478.1 million. To support further business growth Sabadell Fincom continued to promote the use of the digital systems and tools that had been put in place. These included more widespread use of digital signatures on loan agreements using mobile phones or tablets, bringing the proportion of digitally signed loans up to 57%. These improvements helped the company to keep its cost:income ratio to 34%.