

Corporate Banking and Structured Finance business enters Colombia and Peru.

Global Corporate Banking offers financial solutions and advisory services to large companies and financial institutions, both Spanish and foreign, with branches throughout Spain and in 17 other countries. It encompasses Corporate Banking, Structured Finance, Trade Finance & IFI.

2015 was a key year for Global Corporate Banking; it commenced corporate banking and structured finance activities in Colombia and Peru, and it was also the first full year of engaging in these activities in Mexico, where it achieved €969 million in lending transactions after just 18 months of operation. In Europe and Spain, teams were strengthened in a bid to bring specialist teams closer to the territories where we serve this customer segment.

In 2016, the focus will continue to be on transforming and internationalising the business, while also executing the actions envisaged under the “Triple” plan, keeping the customer at the centre of our focus. We will also continue to enhance one of our main assets, which is a source of customer value: the ability of all the highly trained people in Global Corporate Banking in the various geographies to work together to build this great project, which will deliver value for the community and returns for our shareholders.

Corporate Banking

Overview

Corporate Banking is the unit that handles large corporations; it offers a model of global solutions to their needs through a team of professionals located in Madrid, Barcelona, London, Paris, Miami, Mexico City, Bogota, Lima and Casablanca.

The business model is based on a close strategic relationship with customers, providing them with global solutions adapted to their needs, taking into account the specific features of their industry and the markets in which they operate. We contribute value in many ways: collaboration between our sales teams in the various geographies, a service tailored to our customers through teams specialised in specific industries, and continuous improvement of middle office service in pursuit of excellence.

Key developments in 2015

The year saw a surge in investment by large corporations, by €2,419 million overall, though performance varied by region: €711 million in Europe, Middle East & Africa, compared with €1,708 million in America and Asia. Spanish corporations contributed €600 million of that growth: €172 million in Spain and €428 million through our overseas branches.

Proximity to our customers and excellence in middle office services enabled us to achieve a 23.4% increase in working capital finance business for large corporations.

Specialised value-added products also expanded in 2015: foreign trade transactions (+23.7%), cash distribution (+162.8%), and structured finance fees (+32.4%), as a result of a more proactive approach to offering sophisticated solutions coupled with coordination between specialised teams.

In 2016, Corporate Banking will continue to strengthen the factors that are a source of value creation for large corporations, by investing in management tools to improve inter-team coordination, while working to enhance product quality and expedite processes for our customers in all the markets where we operate. We will also consider moving the Corporate Banking business into new markets, in line with our customers' needs.

	2014	2015	% 15/14
Net interest income	162.50	164.05	1.0
Net fees	24.94	25.49	2.2
Other income	11.44	7.45	(34.9)
Gross income	198.88	196.99	(1.0)
Operating expenses	(26.60)	(29.66)	11.5
Operating profit/(loss)	172.28	167.33	(2.9)
Losses due to asset impairment	(102.24)	(96.72)	(5.4)
Other profit/(loss)	—	—	—
Profit/(loss) before taxes	70.04	70.61	0.8
Ratios (%)			
ROE (profit / average shareholders' equity)	7.1	8.4	
Cost:income (general administrative expenses / gross income)	13.4	14.8	
Loan loss ratio	2.5	3.2	
Loan-loss coverage ratio	64.7	65.0	
Business volumes			
Loans and receivables	10,798	11,702	8.4
Customer accounts	5,177	6,191	19.6
Securities	662	666	0.6
Other data			
Employees	113	124	9.7
Spanish branches	2	2	—
Branches abroad	3	3	—

Structured Finance

Overview

This business consists of origination and structuring of corporate and acquisition finance and project finance deals. In addition to traditional forms of bank lending, it has specialized in corporate bond issuance, enabling it to cover the full range of options in long-term business finance. Banco Sabadell's structured finance team operates globally from offices in Madrid, Barcelona, Alicante, Bilbao, Oviedo, Paris, London, Lima, Bogota, Miami, New York and Mexico City, and has more than 20 years' experience.

Key developments in 2015

Once again, the Bank retained its lead in structured finance in Spain. It was one of the leading banks in originating and structuring deals for its customers, both project finance in such sectors as infrastructure, energy, transport and hotels, and corporate and acquisition finance, originating and participating in meeting its customers' funding and investment needs. It was also actively involved in syndicating deals and in trading syndicated deals in the secondary market.

During 2015, Banco Sabadell continued its policy of supporting customers and adapting to meet their new needs as the economic environment in Spain and

worldwide improved, having regard to changing conditions in the credit markets. A key indicator of the strength of business activity in the year was the volume of origination, which exceeded €5,000 million, spread over more than 200 deals.

A notable success on the international front, in accordance with the "Triple" business plan, was the Bank's launch of a new Mexican subsidiary, through which it participated in numerous syndicated loan deals with Mexican companies. Also, by opening representative offices in Lima and Bogota, the bank entered the structured finance business in Latin America. Fee income in these and other international markets where the unit operates accounted for 36% of total structured finance revenues in 2015.

Another area of business, aside from more traditional, loan-and-credit forms of finance, was given a boost by a joint initiative with the Bank's Treasury department to raise finance for customers on the bond market, enabling the Bank to position itself as a leading player on Spain's Alternative Fixed-Income Market (Spanish initials: MARF). This business has increased the Bank's ability to offer customers a wide range of options in long-term finance packages. In 2015, it played an active role in a number of bond issues in the Spanish and French markets.

In 2016, this unit will continue the main lines of action of 2015, which placed the bank as a leading player in the structured finance market and expanded its international footprint.

TradeFinance & International Financial Institutions

Overview

The business model in TradeFinance & IFI focuses on two main activities: providing optimal support to our corporate customers as they expand abroad, in coordination with the group's network of branches, subsidiaries and investees, and managing the “banks” customer segment (over 3,000 financial institutions worldwide) with which Banco Sabadell has cooperation agreements to provide its customers with maximal worldwide coverage.

Key developments in 2015

In 2015, the main mission of Trade Finance & IFI was to allocate resources and develop the Group's international business in order to achieve the targeted growth and returns and determine the strategy in the banking customer segment. All the business targets in relation to markets, customers and products were met in the second year of the “Triple” business plan.

Over 500 negotiations with bank customers in international markets in connection with bilateral business

flows were concluded, ensuring a balance between defending the interests of the group and its customers and safeguarding commercial interests with banking customers while complying with international regulations and customs. The Bank focused on expanding business with other banks in the international arena, in line with its risk model, while ensuring growth, consolidation, quality and profitability in this business. The Bank also gained healthy market shares in documentary credit received from correspondent banks: 30.5% of export documentary credit — 2.4% more than in 2014 — based on SWIFT traffic data (G3).

The Trade Finance & IFI segment ended the year with a network of over 3,000 correspondent banks worldwide, the Bank's own network of branches, representative offices and subsidiaries, and a team of professionals specialised in international markets with extensive geography knowledge and contacts with which to facilitate foreign trade deal flows and clinch foreign investment transactions. Additionally, the domestic organisation focuses on proximity (both operational and commercial), which, coupled with a comprehensive range of products and services and a high level of operational quality, represent the best assurance for the group's corporate customers operating worldwide.

