

# The customer

In the Banco Sabadell business model the customer is always the primary concern. The relationship model, based on personalised attention and high standards of quality and service, ensures that the Bank is able to create value for customers and be wherever they are.

Banco Sabadell believes that its relationship with customers should be a long-term one based on trust and authenticity. For this reason, Banco Sabadell focuses on the customer experience as a way of standing out from its competitors and achieving profitable growth. This approach is a logical consequence of the excellence in quality of service that is part of Banco Sabadell's DNA.

The customer experience attributes that Banco Sabadell strives to be recognised for are: trust, excellence in service delivery, transparency and convenience.

In a constantly changing environment in which technology plays an ever more vital role and customers have an increased power to take decisions, Banco Sabadell's ambition is to be a leader in the customer experience in all customer segments.

To meet this challenge the Bank is engaged in a far-reaching transformation of its sales and marketing model and its offering of digital capabilities.

A multi-channel strategy that combines the human touch with the best of the digital world, and one that will enable Banco Sabadell to build relationships based

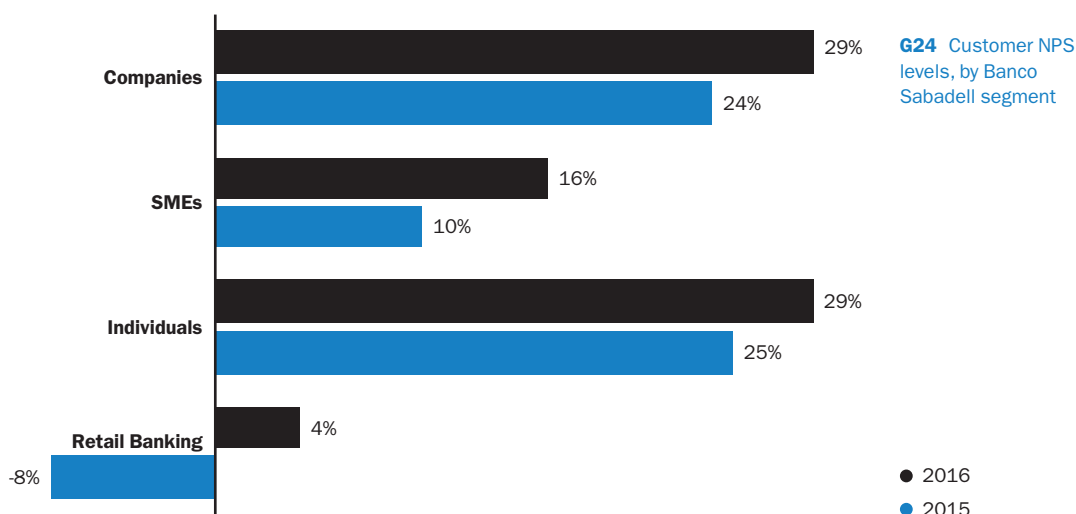
on trust and designed to meet the real needs of each and every customer.

Banco Sabadell has chosen the NPS (Net Promoter Score) index to track and measure the customer experience, this being the most widely recognised and a standard reference in the market, and to benchmark itself against its competitors and also against companies in other sectors, both domestic and foreign. It also conducts regular surveys and internal audits to gather in-depth knowledge of how satisfied its customers really are and to identify areas for improvement at any given moment, both generally and for each customer relationship channel. For each of these surveys and audits the Bank sets itself quality targets and keeps the results under constant scrutiny.

The results obtained from these studies testify to the Bank's prioritisation of a quality service to the customer, with all indicators showing a continuous improvement (G24).

These excellent NPS scores confirm our position as first among our peers in the business customer segment and in the top three for the individual customer segment.

## G23



\* Source: Accenture NPS benchmarking survey - customers who see Banco Sabadell as their main bank, 2016. The score is the ratio of clients who rate the Bank 9 or 10 out of 10 with respect to those who rate it between 0 and 6 out of 10.

In 2016, this commitment to improving the customer experience was further strengthened by the inclusion of customer experience as a factor in determining staff pay at all levels of the organisation. We are also carrying out an ambitious programme of internal training and communication whose aim is to raise awareness throughout the organisation of the key objective of putting the customer at the centre of each employee's daily work. The practice has been introduced of proactively contacting customers who have expressed dissatisfaction with the Bank in the course of an interview; these approaches have become a key priority for business development personnel.

Focus groups and in-depth customer surveys are routinely carried out so that customers can give us detailed accounts of how particular Bank processes have affected them, making it possible to gain insights into how the customer experience can be improved.

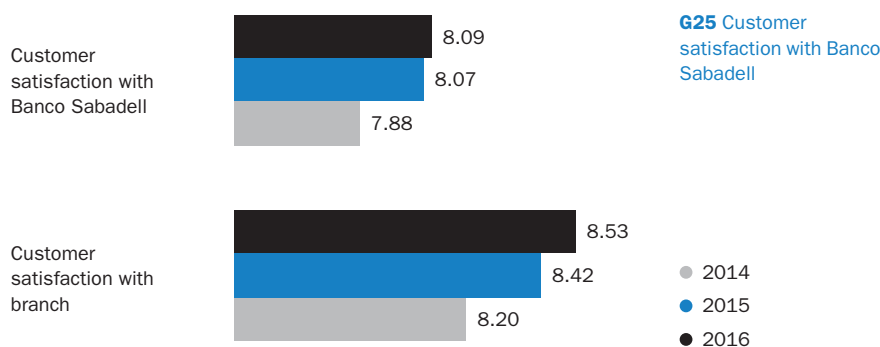
Banco Sabadell seeks to protect the interests of its customers and has control mechanisms in place to review the products and services it offers. Before a product or service is launched an assessment is made of its suitability and branches provide customers with product factsheets before any commitment is made. Where a complex financial product is to be marketed, the Bank conducts a test of its appropriateness and suitability as required by the Markets in Financial Instruments Directive (MiFID.)

Banco Sabadell performs regular surveys to identify areas of improvement. The results of these surveys reflect the Bank's focus on customer service quality in the form of a steady improvement in all indicators (G25).

The Group's customers and users may contact the

Customer Service Department (CSD) with any complaints or issues that have not been resolved satisfactorily at their local branch. The CSD is independent from the business and operational side of the Group and is governed by the Banco Sabadell Group's own rules and procedures on the protection of customers and users of financial services. Customers and users may also appeal to the Customer Ombudsman, an independent unit that is competent to resolve any issues referred to it either directly or on appeal. Decisions of the CSD or the Ombudsman are binding on all the Bank's branches and other units.

In 2016, the CSD handled 22,131 complaints and claims, 12.63% less than in the previous year. The CSD also provides assistance and information to customers and users with regard to other issues. In 2016, it handled 1,057 requests for assistance and information, compared with 408 the previous year.\*



\* Source: STIGA customer satisfaction surveys. The data reported are as at December 2014, December 2015 and December 2016.

\* Further information can be found in note 46 of the 2016 notes to financial statements.

# BS strengths

The strengths of the Banco Sabadell Group are described in different chapters of the annual report, except for those detailed below, marked with an \*:

- **Organisation by businesses\***
- **Multi-brand and multi-channel structure\***
- **Leading-edge technology and innovation\***
- **Service quality\***
- **Focus on business and personal banking**
- **A leading player on the international stage**
- **Strict management of capital and risk**
- **Defined, transparent corporate governance**

## Organisation by business

The banking business is divided into the following business units:

### Commercial Banking

Commercial Banking provides a range of financial products and services for large and medium-sized companies, SMEs, retail and other businesses; private individuals (i.e. private banking, personal banking and retail banking); non-residents and professional/occupational groups. Commercial Banking's specialised service ensures that customers receive the personalised attention they need, whether from the knowledgeable staff assigned to its branches or via channels designed to offer ease of access to a wide range of remote banking services.

It offers products for both borrowers and savers. Its products for borrowers include mortgage and other loans, credit facilities and working capital finance. For savers, the product range includes demand and term deposit accounts, mutual funds, endowment policies and pension plans.

Other key business areas are general insurance products and payment means such as credit cards and money transfer services.

## Markets and Private Banking

Savings and investment products are designed and sold through a multi-channel distribution approach. A high value-added service of recognised excellence whose offerings range from investment analysis and execution of market trades to active portfolio management and custodian services, with the aim of securing good returns for investors and thus helping to grow and diversify our customer base.

### UK banking business (TSB)

The TSB franchise includes retail banking in the United Kingdom (current and savings accounts, personal loans, cards and mortgages).

### Americas & Global Corporate Banking

It provides banking and financial services of all kinds, including highly complex and specialised products for large corporate and institutional clients (such as project finance and treasury services) with a focus on a comprehensive range of transaction banking products and services likely to be required by business and professional firms of any size, along with products specially designed for individual and private banking clients in any of the geographies covered.

### Asset Transformation

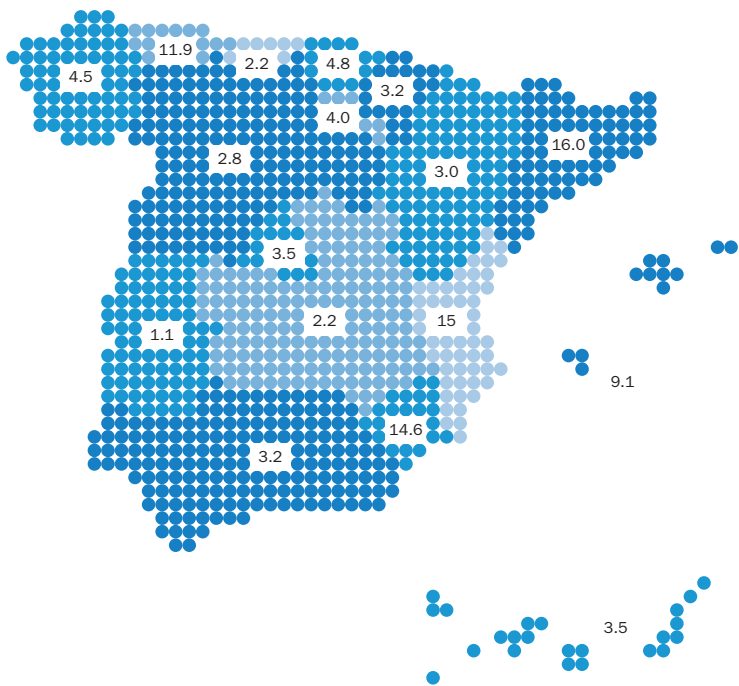
Manages the Group's non-performing and real estate exposure across all its businesses, and sets and implements the strategy with regard to real estate investees, including Solvia. The approach to non-performing and real estate exposure is to develop an asset transformation strategy based on a comprehensive vision of the Group's real estate portfolio with the goal of maximising its value.

G26 Market share by autonomous region

Banco Sabadell market share in Spain

7.2%

%, June 2016 figures.  
Note: The figure shown for the Asturias region includes the province of León.



Multibrand strategy

The bank operates under the Sabadell brand, coupled with a distinctive local brand in some territories (T5).

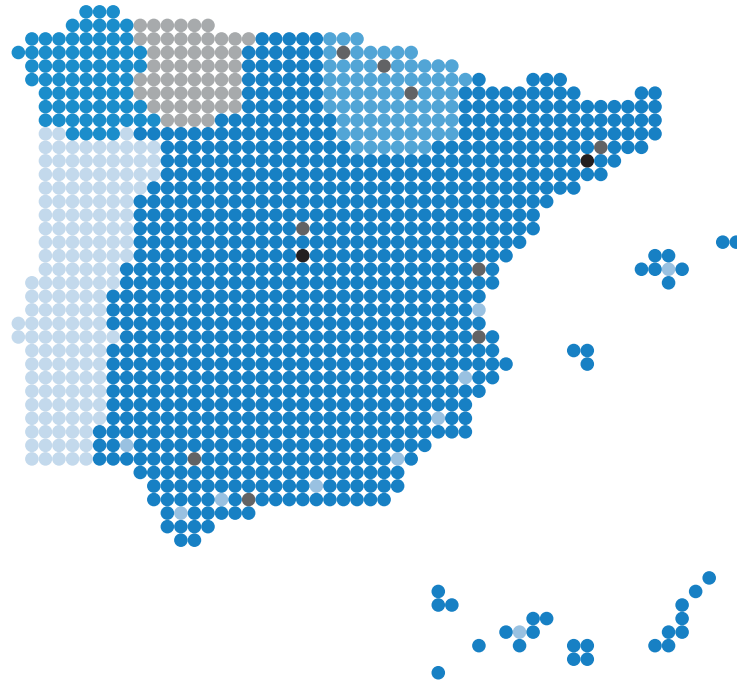
Banco Sabadell is a leading player on the international stage. With a specialized offer and an effective value proposition, Banco Sabadell is present in strategic locations and works with organizations that promote foreign trade, supporting customers as they grow and expand internationally (G27).

<b>Sabadell</b>	— Commercial banking, business banking — Coverage: all of Spain except for areas served by other brands
<b>Sabadell</b> Guipuzcoano	— Commercial banking, business banking — Coverage: Basque Country, Navarra and La Rioja
<b>Sabadell</b> Herrero	— Commercial banking, business banking — Coverage: Asturias and León
<b>Sabadell</b> Solbank	— Commercial banking for European residents in Spain's tourist zones — Coverage: Mediterranean coastal areas and islands
<b>Sabadell</b> Urquijo Banca privada	— Private banking. A merger of Sabadell Banca Privada with Banco Urquijo — Coverage: commercial banking and business banking throughout Spain
<b>Sabadell</b> Gallego	— Commercial banking, business banking — Coverage: Galicia
<b>Activobank</b>	— Commercial banking — Offices in Madrid and Barcelona

T5 Brands used by Banco Sabadell in Spain

**G27** Map of brands  
by zone

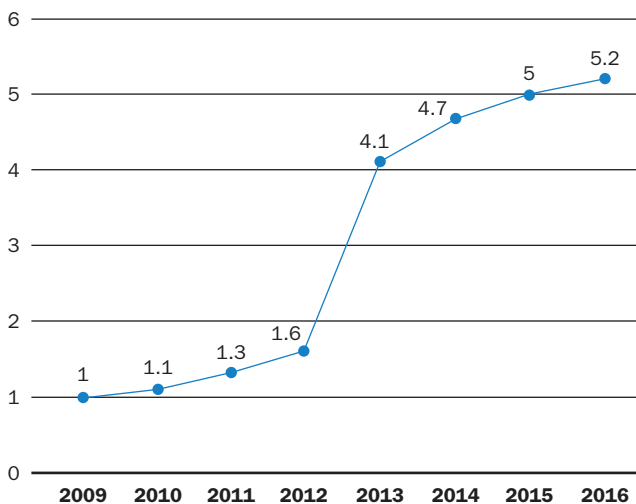
- Sabadell
- SabadellHerrero
- SabadellGallego
- SabadellGuipuzcoano
- SabadellSolbank
- SabadellUrquijo
- ActivoBank



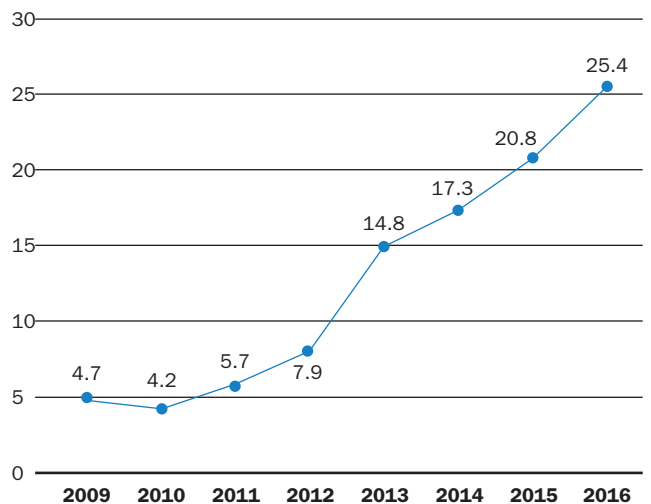
## BS brand perception indicators

During 2016 the Bank continued its successful policy of raising awareness of its brand, key to increasing its capacity for growth in the retail market in Spain, where it aims to match the brand recognition achieved by our main competitors. In the course of the last six years "top of mind" awareness of the Sabadell brand has increased from 1.3% to 5.2% (up 325%) and total brand awareness from 5.7% to 25.4% (up 446%), putting the brand in fifth place among Spanish financial institutions according to data from the FRS Inmark annual survey, a key industry benchmarking tool (G28 and G29).

**G28** Top of mind brand awareness



**G29** Total brand awareness



## Advertising campaigns and actions to enhance the Bank's image in 2016

The Bank's advertising in 2016 continued to exhibit the marked personal character that distinguishes it from other banking sector advertisers and seeks to emphasise the qualities of professionalism, reliability, modernity and innovation in customer service and its entrepreneurial flair.

The first quarter of the year saw the launch of the "Old Times" themed campaign that talked about time-honoured banking notions as if they were a thing of the past. This enabled the Bank to highlight its responsiveness in a changing environment and to put across the key competitive advantages of the "Cuenta Expansión" account and emphasise its selling points and brand leadership.

The "One Hundred Immediate Responses" campaign in April transmitted the message that BS is improving customer support in two ways: responding to loan applications immediately, and in the right place - wherever the business customer happens to be. This benefit not only improves the brand image but also creates more opportunities to evaluate and win new business. Therefore, the Bank concentrated on capitalising on these differentiating service benefits, which further enhanced its image as a developing business enterprise.

In the last campaign of the year, "More Immediate Responses", we developed the concept behind the previous campaign to carry over our competitive position as a lender equipped to meet borrowers' needs into the individual customer market with "Préstamo Expansión", a fast, flexible, practical, convenient loan product.

## Multi-channel strategy

2016 was the last year of the Triple plan, the three-year Master Plan whose primary aim was to complete the transformation of the organisation, both internally and externally. The transformation process focused on digitalisation, business transformation, a better experience for customers in their relationships with the Bank, and the transformation of internal processes and of the organisation itself.

Digital transformation is a response to consumers' changing habits; for this reason Banco Sabadell adopted a new approach to customer relationships and new ways of getting close to customers, wherever they might be, that they will find convenient. The goal was to improve the Group's value proposition and its services by putting in the right sales methodology and the right systems, adapting to the requirements of different customer segments and making the customer relationship available as and when it was needed.

In the course of 2016 a new distribution system was put in place, including a change in branch network organisation and a new branch concept (hub and spoke branches) designed to satisfy customers' requirements. A total of 863 branches, handling approximately 2.9 million customers, were converted to the new system.

The year also saw the development of "Active Management", a new sales/distribution model which lets customers do their banking through multi-channel interactions, with the account manager continuing to bring added value to the customer relationship via computer-assisted management. This innovative approach is supplemented by customer self-service using online and/or mobile communications. The means that customers can do their banking using multi-channel (telephone or email) interactions, for a longer period of the day, without having to go to their branch.

Some 3,500 tablets were distributed to branches to enable account managers to visit customers in their homes and do business that would previously have had to be done in-branch; this enables them to be more effective and efficient, and results in a more satisfying business experience for both parties.

To facilitate interactions between customers and Bank and deliver a better service and customer experience, we invested in process optimisation by simplifying the product range to make it more accessible to customers, and reducing the time taken to complete business transactions.

Further progress was also made in moving towards a new, more proactive type of digital experience to eliminate limits imposed by space, time and equipment, and to become more "digital". Digital channels were enhanced to ensure that customers would be able to operate any time, anywhere, in signing up for products and services remotely through a variety of channels and benefit from a better customer experience. During the year we launched new versions of our online and mobile applications with added functionality, as well as new payment apps such as Sabadell Wallet y Bizum.

Over 42% of our active customers are digital (more than 2% up on the figure for 2015) and are doing over 86% of their business on digital channels. For business customers, the proportion using digital channels is over 80%.

Rafa Nadal — *Tennis player*

What's the first thing you  
do when you get up  
in the morning?

Switch off  
the alarm clock.



What would you be willing  
to sacrifice for success?

I'd never sacrifice  
the people I love.



What is your  
favourite word?

Actually,  
I don't have a favourite word.



What do you value most  
in a friend?

Trust.

What do you prefer:  
clay, grass or water?

Water.

***More Answers Immediately.***

Because you need agility to book the perfect trip,  
now with our Expansion Loan, we will respond to your



## Branch network

Table T6 presents details of the domestic branch network. Including the 648 overseas branches, the Group had 2,767 branches at the end of 2016.

Region	Branches	Region	Branches
Andalusia	142	Valencia	381
Aragón	34	Extremadura	7
Asturias	134	Galicia	123
Balearic Islands	62	La Rioja	8
Canary Islands	30	Madrid	201
Cantabria	6	Murcia	141
Castilla-La Mancha	23	Navarra	18
Castilla y León	64	Basque Country	105
Catalonia	638	Ceuta and Melilla	2

**T6** Distribution of branches by region

## ATM network

At the close of 2016 the Group's network of self-service tills in Spain totalled 3,123 ATMs and 371 passbook updating machines. This number is slightly lower than at the close of 2015 (3,603 machines).

The number of ATM transactions continues to increase year by year. In 2016 it increased by around 6% to a total of 110 million transactions. The proportions of transactions done using credit/debit cards and passbooks were similar to the previous year: 65% were done with credit/debit cards and 35% with passbooks.

The transactions done most frequently were cash withdrawals (more than 60% of the total), followed by passbook updates and account balance and payment enquiries.

The year 2016 saw the completion of a renovation programme on 800 ATMs in Spain, initiated the year before; the programme resulted in significant gains in service availability and in transaction execution times, with a corresponding increase in customer satisfaction.

One novel development during the year was the launch of the Instant Money service associated with the "Sabadell Móvil" and "Sabadell Wallet" applications, which let users send money to any mobile phone by text message. The code embedded in the message enables the money to be withdrawn without a card from any of the Bank's ATMs. This free service is of great value in emergency situations where users find themselves with neither cash nor card.

## BS Online

Registered users of our online banking services were more than 8% up on 2015, with close to 4 million users now able to access the service. Active customers on BS Online increased by more than 12%, twice as much as

in the previous year, rising to almost 34% of the Group's active customers.

The number of transactions (payments and enquiries) carried out on BS Online continued to increase, rising by 19% in 2016 to more than 1,800,000 transactions.

The year saw the completion of the roll-out of digital signatures for all individual customers and an increased capability for remote sign-ups for products and services, including mutual funds. Processes for applying for products on remote channels are being upgraded. This is an important step in the consolidation of self-service banking and remote servicing of customer requirements. New features included the addition of Bizum to the list of services available on BS Online and improvements to a number of website usability features that optimise interaction and digital documentation handling by customers.

Kelvin Retail, an information service for small and mid-sized retailers, was launched in April. The aim of this new service is to make information held by the Bank available to retailers concerning the performance of their businesses, their customers and their industry. The service has been improving and expanding and has since November been available on mobile phones.

## Sabadell Móvil

The number of Sabadell Móvil users grew significantly over the year and there were 43% more active Sabadell Móvil users than at the end of 2015. This growth was spurred by the launch of new versions during the year offering ever greater capabilities, better usability and also a link-up with Digital Signature. Significant growth was also seen in the number of customers active on mobile phone only, which increased from 300,000 to more than 425,000 during the year. These users account for almost 20% of the Bank's active digital customers.



New developments during 2016, "the year of the app", included the addition of commercial information on products offered by Banco Sabadell to its customers and a feature letting users sign up for accounts, pension plans, investment funds, deposits and loans from within the app. Other major enhancements included the development of a new alerts management function to improve interaction with customers, fingerprint access for users of Samsung terminals, and the addition of fund transaction reports.

## Sabadell Wallet

Another novelty in 2016 was the launch of Sabadell Wallet, which allows users to make payments using their mobile phones, manage credit and debit card transactions, and apply for the "stickers" needed to make payments on the iOS system; it also includes Bizum, a new app for making payments immediately between individuals using only the mobile number of the payee.

The Bizum service is a project sponsored by Spanish banks as part of an initiative to promote innovation in digital technology and meet the needs of bank customers. The app was launched in October and will in time let users make online purchases and pay for goods in retail outlets.

There are 68,000 registered Sabadell Wallet users, 39,000 of whom are also registered for Bizum. Of the total number of registered users, approximately 40% are active users of both Wallet and Bizum. Banco Sabadell users account make up 13.4% of the total number of Bizum users and account for 20.2% of transactions by number and 17.5% by amount.

## Branch Direct

Branch Direct logged over 3,500,000 contacts in 2016, an increase of over 24% compared with the 2015 figure.

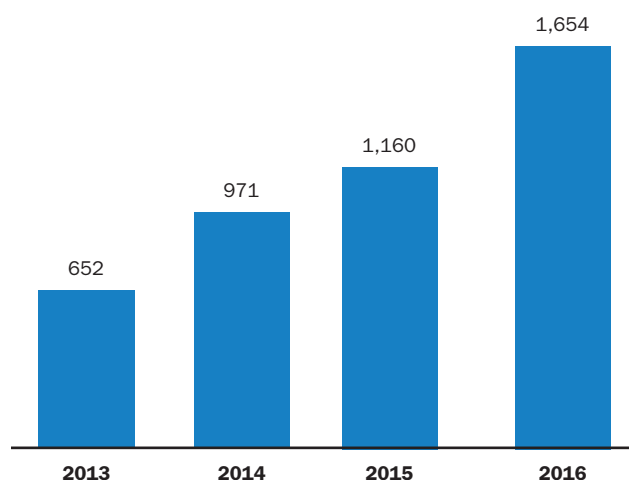
Telephone enquiries were the dominant method (76%), far exceeding contacts by email, chat and on social media, despite the very rapid growth of these channels during the year.

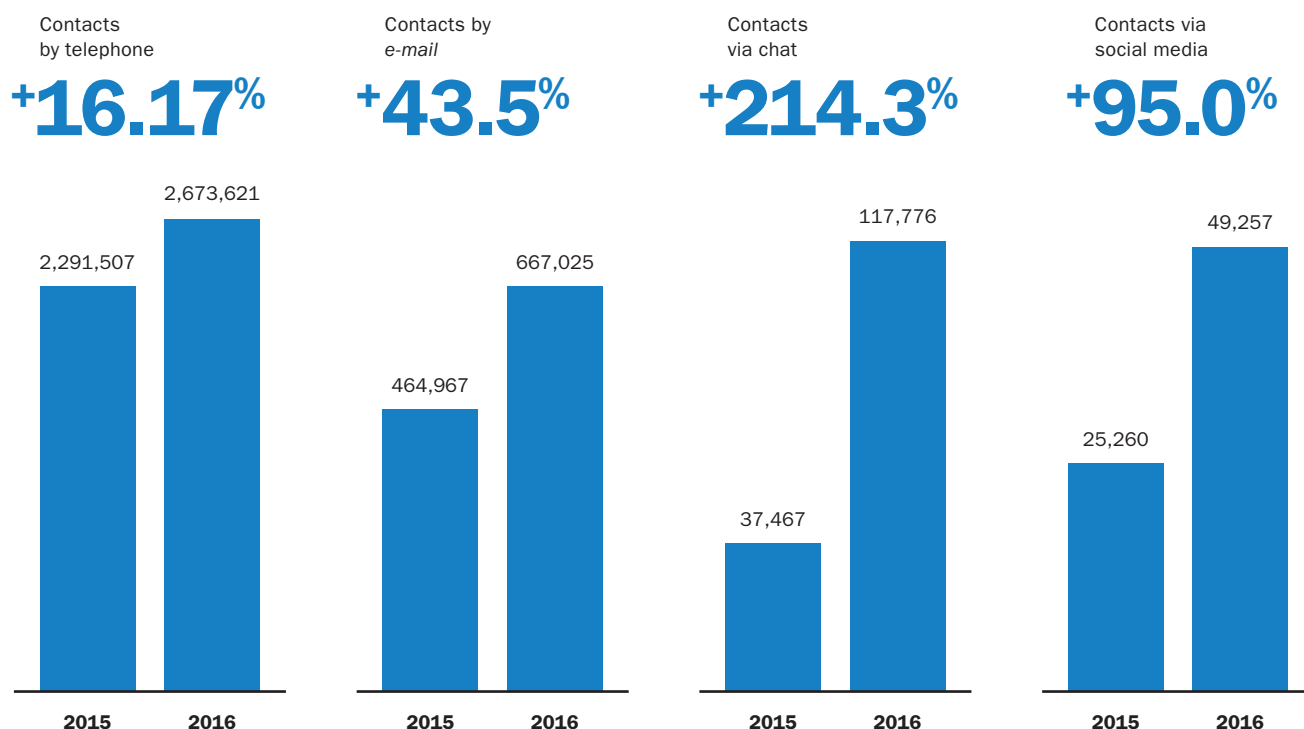
There was growth in all channels in 2016; however, the most well-established channels were those that showed the lowest rates of increase. Telephone calls were up 17% on 2015; inbound emails increased by 43%. Contacts on social media increased by 95% and web chat conversations rose by 214% over the twelve month period (G31).

**G30** Customers who are active users of Sabadell Mòvil

**× 2.5 in 3 years**

**#active Sabadell Mòvil users**





In the area of service levels, the SLA (Service Level Agreement) ratio for telephone enquiries was again in the region of 96%, followed by web chat with 95% in the final quarter of the year, and 91% for email. The service was mentioned 527,000 times on social media (2015: 460,000 times) and the number of social media interactions was 49,000, with an SLA ratio of 96%.

The volume increases in 2016 were due to continual improvements in the various channels and initiatives undertaken to promote them:

- Improvements in the telephone channel included incorporation of the Digital Signature into customer transactions, redesigned routings through Virtual Agent, which means improved call management and a better customer experience, and the optimisation of platform resources.
- A new supplier was brought in to handle Office Direct traffic.
- Improvements were made in the extraction and analysis of social media data with the help of a new data management tool.

## Social media

Social media are one of the main channels through which customer relationships are realised, both in managing transaction activity and in the broadcasting of corporate and business-related messages and marketing campaigns. Their use is growing exponentially and the Bank sets a high priority on raising its social media profile. As a channel social media have been used to publicise numerous events of a corporate nature or in which the

Bank was a participant. Examples of this include presentations of trading results or Shareholders' Meetings, both of which could be followed on Twitter, or the Barcelona Open Banc Sabadell Conde de Godó tennis tournament, conversations with Rafael Nadal or the 4YFN Summit for start-ups at the Mobile World Congress.

Banco Sabadell increased its presence on social media during 2016 by opening Twitter accounts for the Banco Sabadell Foundation (@FBSabadell) and Banco Sabadell Mexico (@BancoSabadellMX).

The number of followers on social media now stands at over 300,000 for all the channels on which the Bank maintains a presence: Twitter, Facebook, YouTube, LinkedIn and Google+ not only in Spain but also in the UK and the Americas. The production of our own content continued without interruption in 2016, with blog posts and videos. The broadcasting of live events by streaming on Banc Sabadell TV, with the aim of bringing the Bank's activities to our customers, potential customers and employees in real time, continued at a high level.

## Cutting-edge technology and innovation

In the area of pure innovation, the Bank continues to launch innovative services that enrich the customer relationship and accelerate the processes of digitalisation and creation of digital technology-based businesses for the Bank, based on a long-term vision of the future of banking.

## Sabadell Digital & Agile Lab

2016 was the year in which Sabadell Digital & Agile Lab, started in late 2015, showed its full potential. The "Lab" operates in an area of the Bank's central services building in Sant Cugat, Barcelona and uses co-creation strategies and Design Thinking and Agile methodologies to help the Bank to progress the implementation of its policy of technological and business transformation.

From a technological point of view, Digital & Agile Lab has all the necessary tools, and the latest in mobile devices, to facilitate efficient project development and to replicate the different types of relationships with customers and users using its digital devices.

In 2016 the average occupancy of Lab spaces was 88%, providing a base for more than 500 internal and customer-focused activities in which more than 700 people took part.

### *Big Data* - Kelvin Retail

In March 2016 a new service, Kelvin Retail, was launched, the first commercial Big Data-based service. There were 1,500 access in the first two weeks that followed the launch, and usage increased by 376% in the second half of 2016.

Kelvin Retail is an information service for small and mid-size retail businesses and sole proprietors that provides information held by the Bank concerning their trading performance, their customers and their industry. It consists of a private website in "responsive" mode (i.e. accessible on all devices and via BS Online and BS M6vil), supplemented by an activity report sent each month by email. It also provides comparative data on competitors according to location. All the information is first anonymised and aggregated, and is always presented in the form of statistics. All this information can be helpful to those managing the business with the decisions they have to take on a daily basis.

### Open API & Sabadell Developers Portal

Open API is a library of methods where third parties can access and interact with some of the main functions and digital services that the Bank offers its customers. This interface makes it possible to create applications that can be integrated seamlessly with Banco Sabadell services.

By setting up its own API, Banco Sabadell has been able:

- To facilitate experimentation and development of new services by third parties.
- To increase the number of interactions with customers and potential customers.
- To attract talent and identify new business opportunities.

This initiative is aimed at developers who are Banco Sabadell customers, but is also open to anyone interested in the business opportunities offered by the Bank's API. The

Bank's interaction with these communities takes place on the [developers.bancsabadell.com](http://developers.bancsabadell.com) website, which was created specifically for this purpose.

Banco Sabadell does not expect the API to be used solely for the design, development and optimisation of applications to make it easy to perform banking tasks and expedite day-to-day bank transactions for its customers; rather, intention is to build new links with the fintech world, such as integrating banking services with cutting-edge devices (e.g. smartwatches, VR goggles, etc.).

In 2016 more than 180 independent developers worked on the Bank's Open API and 30 apps are currently in development.

### Collaborative innovation

The Innovation Team, in conjunction with BStartup and Sabadell Venture Capital, has set up a project for collaborative innovation and building relationships with start-ups. The project's aim is to systematise awareness of and communication with the entrepreneurial ecosystem to ensure a sound approach is applied across the Bank.

The protocol ensures that all the business start-ups receive a customised service through the appointment of an agent who examines the project being undertaken. Start-ups are also informed of the Bank's various entrepreneurship and open innovation initiatives. A CRM has been put in place to centralise the management of relations with the entrepreneurs and ensure the observance of timescales, excellence in service provision, and the recording and implementation of start-ups' suggestions.

### 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 it 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 assessment carried out in November 2016 resulted in the Bank's EFQM Gold Seal (over 500 points) being renewed, with a score of over 700 points being awarded according to EFQM's very demanding standard. This means that the very high standards measured in 2014 were maintained, a truly extraordinary achievement.

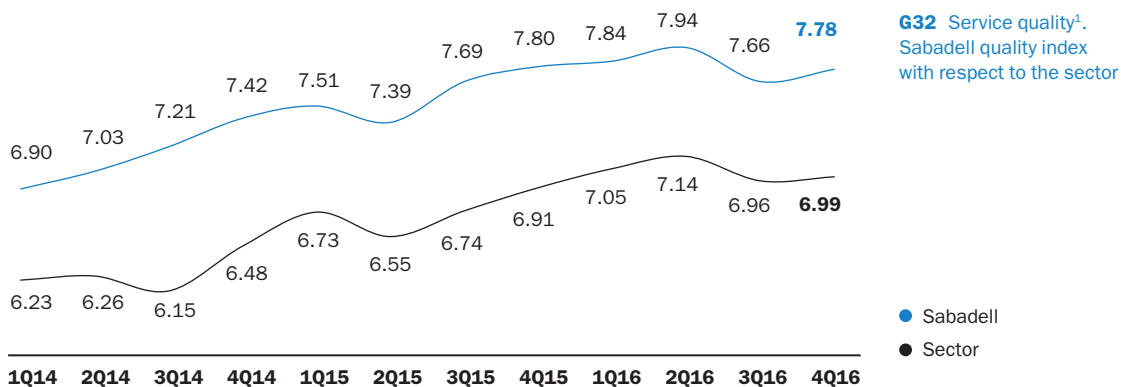
# Banco Sabadell continues to show a clear lead in quality over the rest of the industry.

Moreover, Banco Sabadell is still the only Spanish credit institution with 100% of its financial operations certified to the ISO 9001 standard, providing further proof of its customer-centred philosophy and diligent approach to process management. Banco Sabadell's ISO 9001 certification was renewed in 2016.

The Bank's "Madrid Excelente" quality mark was also renewed in 2015 for another three years after successfully coming through the evaluation.

The actions implemented under the commercial plan have been successful: customer satisfaction surveys ratify the improvement in service quality with respect to the industry average and also in absolute terms.

The optimised model makes it possible to keep track of costs in great detail, which is essential to the achievement of cost reduction goals, considering the increases in capacity resulting from acquisitions in recent years.



<sup>1</sup> Source: STIGA, EQUOS (Estudio de Calidad Objetiva Sectorial, 4Q 2016).

## Accolades

