

Triple Plan

After concluding a period of organic growth in 2013, evolving from a specialised bank to a universal bank and building a franchise in Florida, Banco Sabadell faced the following challenges (G3):

- a) The amount of problematic assets had increased significantly.
- b) Profitability was affected by, among other factors, the absorption of banks with low margins, deleveraging by companies and individuals, and falling interest rates.
- c) Assets were concentrated mainly in Spain.

In this context, a new business plan was developed to address these challenges, supported by three pillars (G4).

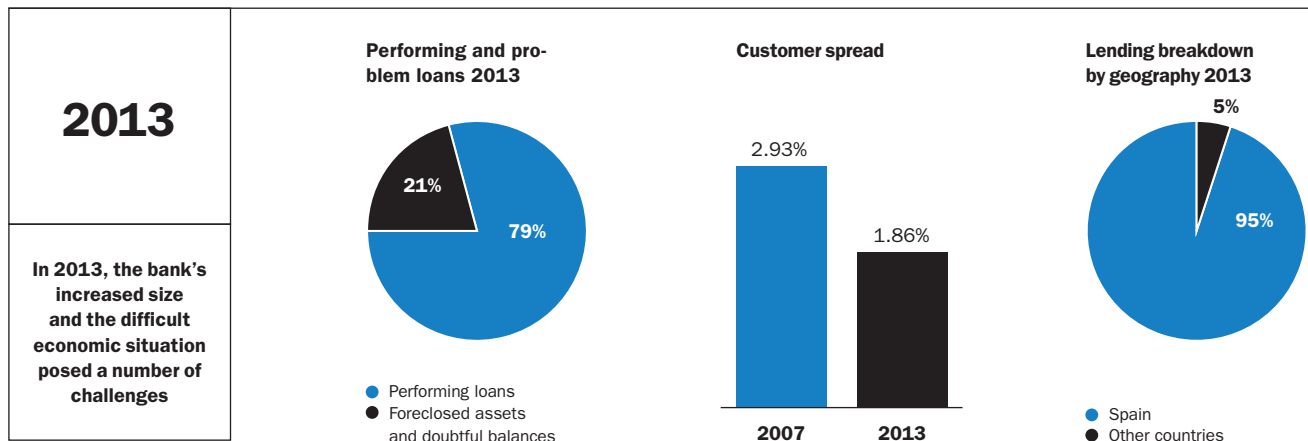
The Triple Plan focused firstly on transforming the balance sheet, the commercial model and the production model. Balance sheet transformation focused on reducing the volume of non-performing loans and foreclosed real

estate. Additionally, in order to enhance the commitment to long-term relationships with customers, Banco Sabadell decided to deploy a new commercial and production model that would enable it to increase productivity and efficiency while enhancing the customer experience in all segments, but without impairing the quality of service that has always been the Bank's hallmark.

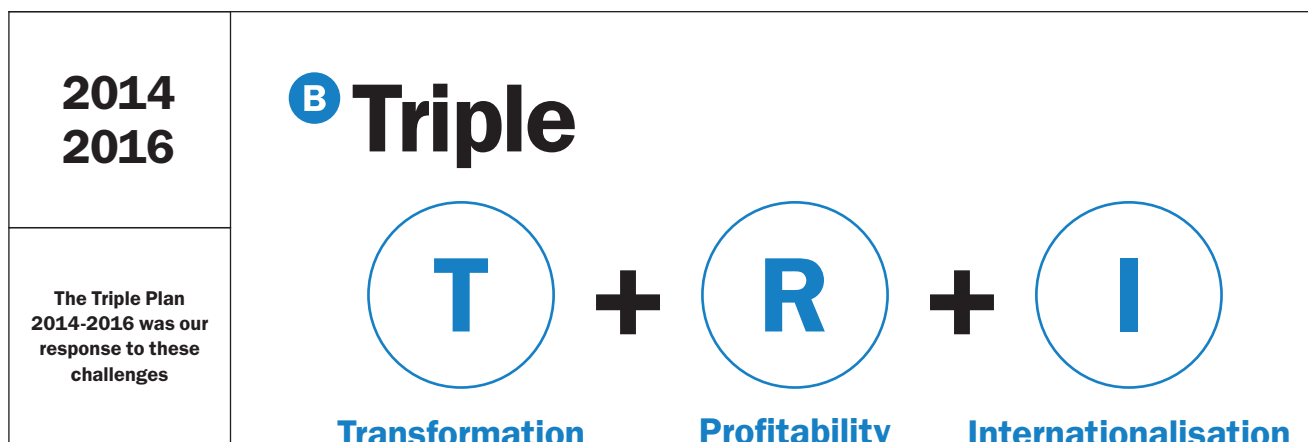
The second goal of the business plan was to improve productivity. After making a leap in size in recent years, from 1.9mn customers in 2007 to 6.4mn in 2013, Banco Sabadell decided to focus on consolidating the domestic business and making the acquired businesses more profitable.

The third focus of the Triple Plan was internationalisation, laying the foundations for entering new markets.

G3



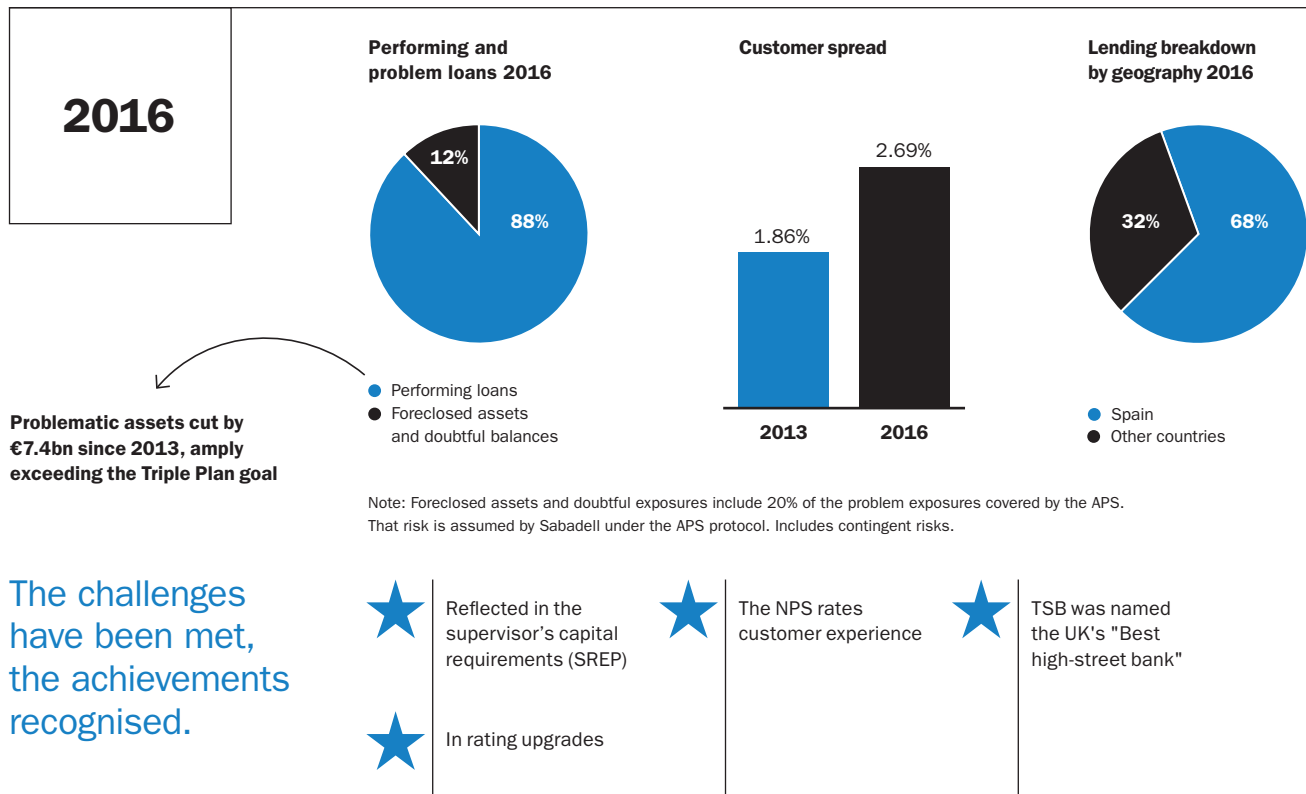
G4 Axes of the Triple Plan



- 1 Balance sheet
- 2 Production model
- 3 Commercial

Results of the Triple Plan (2014-2016)

G5



Transformation

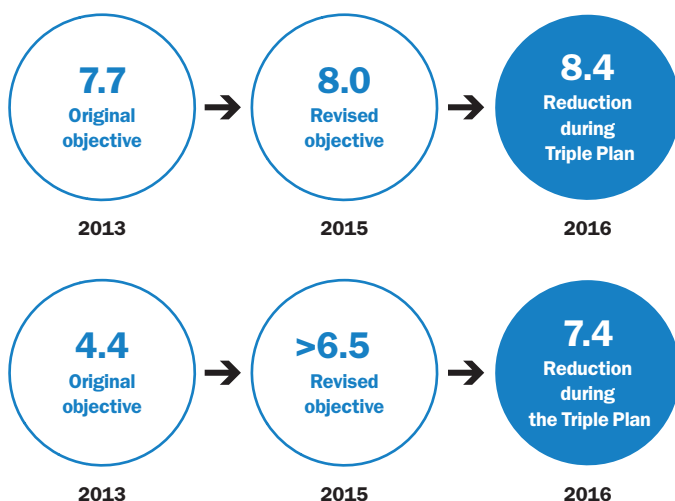
As for transformation, the business plan focused on three axes: balance sheet transformation, operational transformation and commercial transformation.

Balance sheet transformation

In the process of transforming the balance sheet, the volume of doubtful and problematic assets has been reduced significantly, amply exceeding the targets set by the Triple Plan, and non-performing loans are down to single digits: 6.1%. This was achieved through active management, which proved to be a good approach since Banco Sabadell is the bank that achieved the greatest improvement in the NPL ratio since 2013, ranking second in the reduction of problematic assets.

The Bank designed management programmes combining timely action (to reduce new loan defaults) with recovery (faster debt recoveries). To reduce its real estate holdings, the Bank continues to leverage the expertise of its asset transformation division and Solvia's leading position, while benefiting from an improving real estate market (G6 and G7).

NPL ratio 13.6% → NPL ratio 6.1%



Reduction in doubtful balances, excl. TSB
€ billion

At the end of 2015, after two years of faster-than-expected revenue growth, the Triple Plan targets for the reduction in doubtful balances and for total problem assets were increased.

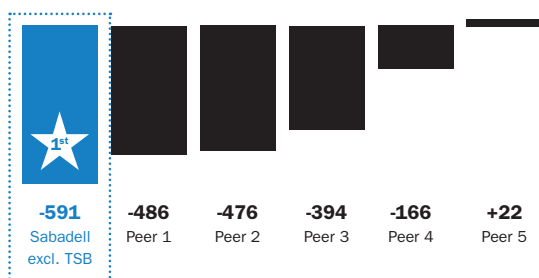
Reduction in problem asset exposure, excl. TSB
€ billion

At 2016 year-end, the reduction in doubtful exposures and in problem assets amply exceeded the revised targets of the Triple Plan.

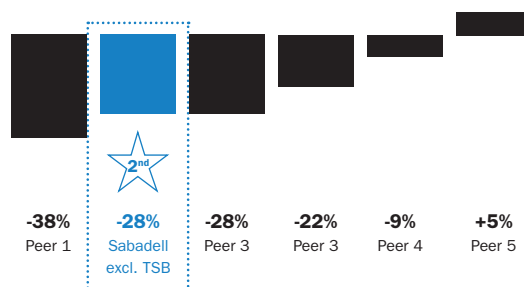
Banco Sabadell is the bank that improved its NPL ratio the most and ranks second in terms of the reduction in problematic assets since 2013.

G7

Comparison of reduction in NPL ratio, excl. TSB
Basis points



Comparison of reduction in problem asset exposure, excl. TSB
%



Note: Information from Spanish banks' earnings reports between December 2013 and December 2016.

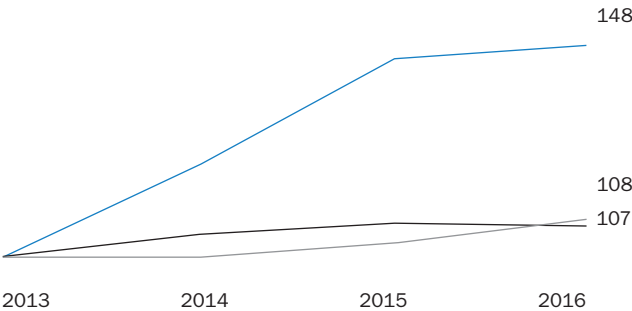
Transformation of production

The production model transformation process improved the cost/income ratio, in like-for-like terms, and it is now one of the best among Spanish banks. Optimisation of the operational model and the branch network's very dynamic performance produced synergies after the rapid increase in size in recent years (G8).

This transformation involves industrialising administrative activities, enabling staff to devote more time to value-generating tasks and critical business processes, leaving non-core activities to operational factories. Synergies resulting from mergers are helping to achieve

shorter average turnaround times, greater responsiveness and amalgamation of processes, as well as the possibility of implementing further improvements for increased traceability and oversight.

G8 Customer numbers, expenses and revenues

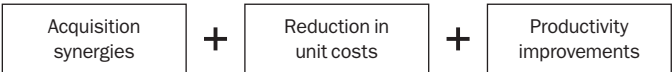


↑ Net interest income and fees and commissions

↑ Customers

↓ Administration expenses

Baseline 2013 = 100



Commercial transformation

The digital transformation developed new technology capabilities that gave visible results and enable us to continue improving the customer experience (trust, service delivery, transparency and convenience) (G9).

Sales processes were improved and the branch network was adapted to customer needs.

In the area of customer experience, Banco Sabadell tops the Net Promoter Score (NPS) league table among both SMEs and large companies and has significantly improved its position among individuals (G11).

G9 Five tangible initiatives to improve efficiency and become leaders in customer experience, and the outcome

Initiative	Objective	Some examples of how we achieve this	
1 Distribution model	Adapt the distribution model to our customers' needs, improving satisfaction and efficiency	<ul style="list-style-type: none"> — Hub and spoke branches — Active account management (remote) — Simplify the branch network organisation structure 	
2 Digital capabilities	Offer our customers the best in digital capabilities	<ul style="list-style-type: none"> — Sabadell Móvil — Sabadell Wallet — Digital signature 	<ul style="list-style-type: none"> — Instant Money — Touch ID — Sabadell Chat
3 Sales intelligence	Make a personalised offer and launch value-added products for our customers	<ul style="list-style-type: none"> — Impact customers via pull events — Kelvin Retail 	Kelvin Retail A business analytics service that identifies information of interest for sales.
4 Value proposition	Improve our value proposition	<ul style="list-style-type: none"> — Proteo Mobile (takes our services to wherever the customer is) — Companies commitment 	
5 Simplification	Simplify our customers' interactions with the bank	<ul style="list-style-type: none"> — The number of contracts for all types of deposits has been reduced from 7 to 1 — 48-hour turnaround for consumer loan applications — New customer sign-up Customers 	

2.2mn

Digital customers
41% of customers

1.7mn

Mobile customers
32% of customers
Top-rated app

230mn

Customers under active management
159 distance account managers

3,500

Tablets distributed to account managers

19%

of sales are via digital platforms

86%

of transactions are via distance means



863

New branch design
41% of the network

One Click

Digital user

G10



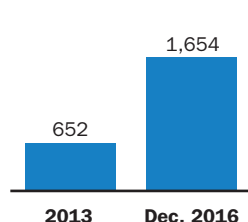
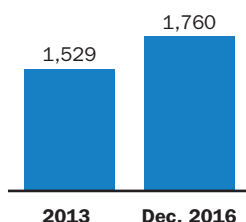
Active users—Web
'000

+15%



Active users—Mobile
'000

x2.5



G11 Net Promoter Score

Sabadell quality index performance vs. banking industry

	2016	Ranking	Since 2013 ↑
Large corporates (revenues > €5mn)	29%	1 st	+14pp
SMEs (revenues < €5mn)	16%	1 st	+13pp
Personal Banking	29%	2 nd	+33pp
Retail Banking	4%	3 rd	+26pp

*Source: Accenture NPS benchmark report.
Includes peer institutions. Latest available data.

Profitability

The results evidence solid growth in the domestic business with a significant improvement in customer margins. This was achieved through proactive pricing (both interest rates and fees) and an improvement in market share, while maintaining a high level of service quality at all times. The Bank increased net interest income and it was the Spanish bank that achieved the greatest increase in the customer spread. Capital and liquidity are also sound (G12).

G12

Net interest income %16/15

Sabadell excl. TSB

+4.6%

Group

+19.8%

Fee revenues 16/15 (%)

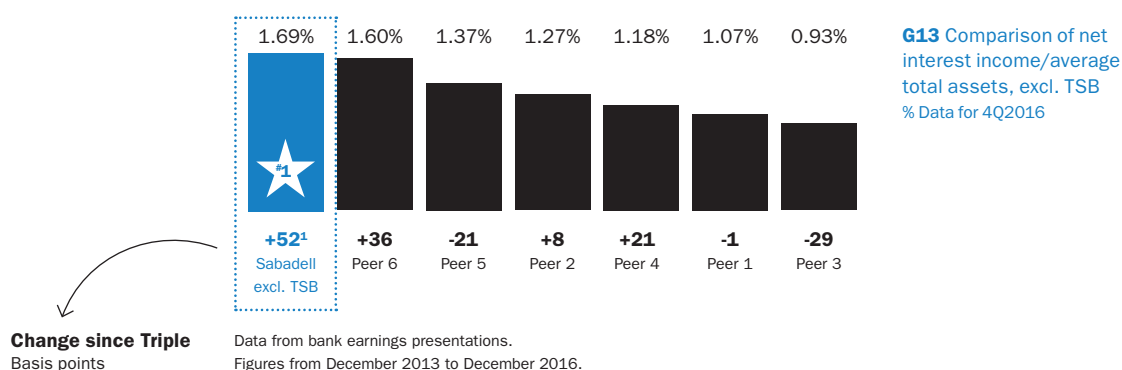
Sabadell excl. TSB

+1.4%

Group

+5.6%

Net interest income performance was the best in the sector.



The main domestic commercial growth targets have been achieved.

G14

	Property and casualty insurance margin	Consumer finance margin	Treasury distribution revenues	Mutual fund fees and commissions	Pension funds and saving insurance margins	Private banking margin
Triple Objective	+72%	+32%	+43%	+94%	+17%	+41%
2016 earnings	+96% ↑	+84% ↑	+72% ↑	+100% ↑	+24% ↑	+45% ↑

	PST turnover share	Card turnover share	Mutual fund share	Transactional share	Total share of exports	Ranking in securities trading
Triple Objective	× 1.3	× 1.3	× 1.6	× 1.3	× 1.3	Top 5
2016 earnings	× 1.4 ↑	× 1.3 =	× 1.5 ↓	× 1.2 ↓	× 1.3 =	Top 3 ↑

Most of the Triple Plan's financial objectives have been attained.

G15

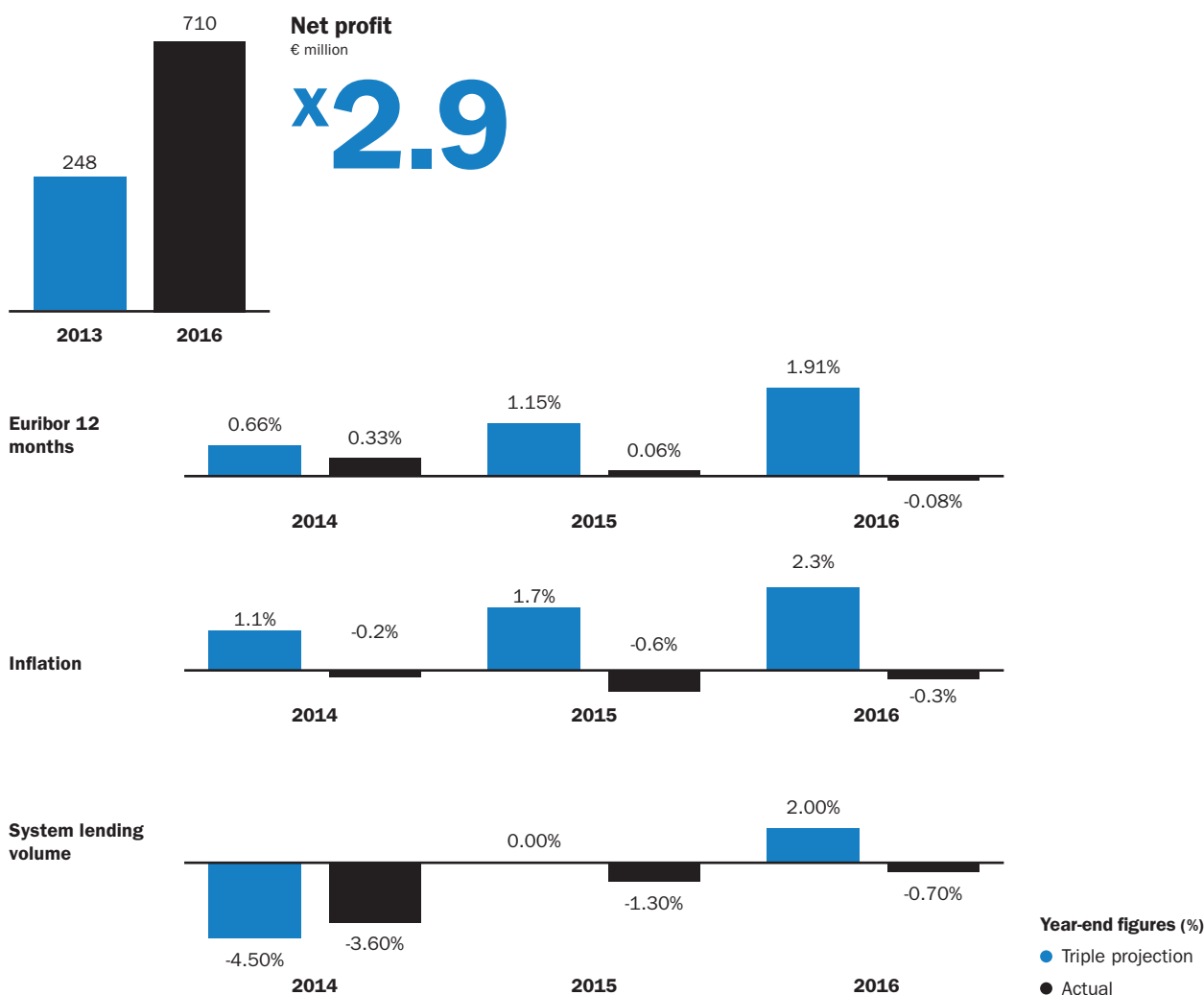
	Triple Plan objective	Banco Sabadell Group 2016	Banco Sabadell excl. TSB 2016
Net interest income	€3bn	€3.8bn ✓	€2.8bn !
Fees and commissions	€1bn	€1.1bn ✓	€1.0bn ✓
Reduction of NPLs	€7.7bn	€8.2bn ✓	€8.4bn ✓
Reduction of problem asset exposure	€4.4bn	€7.2bn ✓	€7.4bn ✓
Capital (phase-in)	11.9%	12.0% ✓	12.0% ✓
Capital (fully loaded)	11.2%	12.0% ✓	12.0% ✓
Net interest income / Average total assets	1.76%	1.86% ✓	1.71% !

All despite operating in a complex environment



In this three-year period, the Bank tripled earnings against a macroeconomic and industry background that was more adverse than had been expected.

G16



Other factors: New regulatory requirements with an impact on capital and provisions

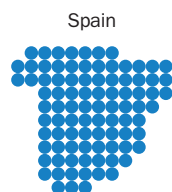
Internationalisation

The Triple Plan was a major leap in Banco Sabadell's internationalisation. The main achievements include the acquisition of UK bank TSB and the entrance into the Mexican market after obtaining a commercial banking licence. Two new representative offices were opened in the period, in Colombia and Peru, with the goal of originating corporate banking business.

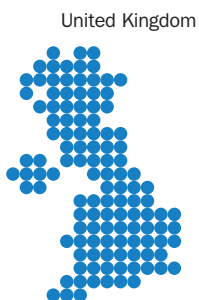
At present, over 30% of the Group's lending is generated outside Spain (24% in the UK and 8% in the Americas and elsewhere), amply exceeding the 10% goal set for the end of the Triple Plan (G17).

Triple Plan milestones

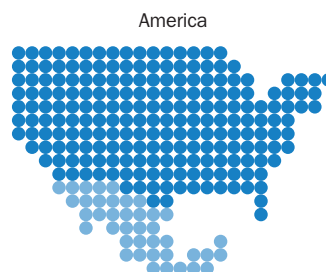
G17 Banco Sabadell Group
loan distribution
%
Data for 4Q2016



95%
68%



—
24%



5%
8%

Dec. 2013

Dec. 2016

TSB is a major step forward in the Group's internationalisation.

G18



Share of current accounts

6.4%

Growth in lending
year-on-year¹

+19%

Net Promoter Score²

+23.4%

Growth in deposits
year-on-year

+14%

Growth in mortgages
year-on-year

+50%

The most recommended
high-street bank³ in the UK

1st

¹ Data refer only to franchise.

² NPS: Net Promoter Score (NPS) is based on the question: "On a scale of 0-10, where 0 is not at all likely and 10 is extremely likely, how likely is it that you would recommend TSB to a friend or colleague?" NPS is the percentage of TSB customers who score 9-10 after subtracting the percentage who score 0-6.

³ Independent benchmarking survey (covering most banks) by BDRC Continental (sampling 15,000 consumers in the United Kingdom, March 2016).

Business plan update

Banco Sabadell presented an update of its business plan. The year 2017, in which the migration of TSB to Banco Sabadell's technology platform will be completed, is a transition year prior to the new Business Plan for 2018-2020.

A business plan fully in line with the industry's current challenges and opportunities.

G19

2020

Business growth,
profitability and
leader in customer
experience

2008 – 2010	>	Óptima	Capacity-building
2011 – 2013	>	Crea	Growing organically and through acquisitions
2014 – 2016	>	Triple	Transforming size into business performance
2017	>	Transition year	
2018 – 2020	>	New business plan	<ul style="list-style-type: none"> — Growth in existing markets — Normalisation of the balance sheet — Optimisation of the cost:income ratio — Strengthening digital and commercial capabilities

2017

Successfully complete migration of TSB's technology platform

Continue reducing problem assets (objective for the year: €2 billion)

Commercial activity while protecting margins and increasing fees and commissions

Accelerate the commercial transformation (remote management and digital offering)

Cost containment (Spain and the UK)

Priorities for 2017

In 2017, the Bank will focus on concluding the TSB migration. A newly-developed free-standing platform will enable TSB to significantly improve time-to-market for new products, achieve synergies, cut costs and, in short, enhance the customer experience, which is the lever for differentiation from the competition.

The Bank will also focus on protecting its bottom line in 2017. To this end, it will concentrate on generating commercial activity, protecting margins and increasing fees and commissions, containing costs and prioritising investments. It will also continue to reduce non-productive assets.

In parallel, we will continue to lead the digital and commercial transformation with the goal of enhancing the already-excellent customer experience that has always been our hallmark.

The year 2017 will lay solid foundations for a new business plan ranging up to 2020.

2020 vision

For 2020, Banco Sabadell will adapt its business plan to the maturity of the markets in which it operates (Spain, the UK and the Americas) (G20).

In Spain, the vision for 2020 is to expand market share in both individuals and companies, defend margins, and strengthen the brand and digital capabilities in a more pull-oriented market, and transform our sales approach with a focus on improving efficiency.

The focus in Spain is on managing non-productive assets to achieve a normalised cost of risk by 2020. For this purpose, the Bank focuses on early action in the face of delinquency, and a segmented approach to problematic assets.

In the UK, Banco Sabadell will focus on expanding business significantly, taking advantage of technological autonomy as a distinguishing feature, improving efficiency while maintaining the focus on managing costs and leveraging Group know-how and leadership in SMEs to move into this area in the UK.

Efforts in America will focus on expanding the Mexican subsidiary. An ambitious growth plan has been designed for business and corporate banking, given the positive track record and the solid initial work that has been done in this area. The Mexican subsidiary will also begin providing banking services for individuals based on an innovative digital proposition.

Given their importance for the Group, the three markets share the focus on effective and efficient management using the necessary technology to develop digital business, as well as leading the cultural transformation within the company and developing talent in-house.

G20 2020 objectives

