

The Customer

In the Banco Sabadell business model, the customer is always the primary concern. Our relationship model, based on personalised attention and high standards of quality and service, enables Banco Sabadell 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 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 multichannel strategy that combines the human touch with the best of the digital world will enable Banco Sabadell to build relationships based on trust and designed to meet the real needs of each and every customer (G17).

Banco Sabadell has chosen NPS (Net Promoter Score) 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, both domestic and foreign, in other sectors. 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.

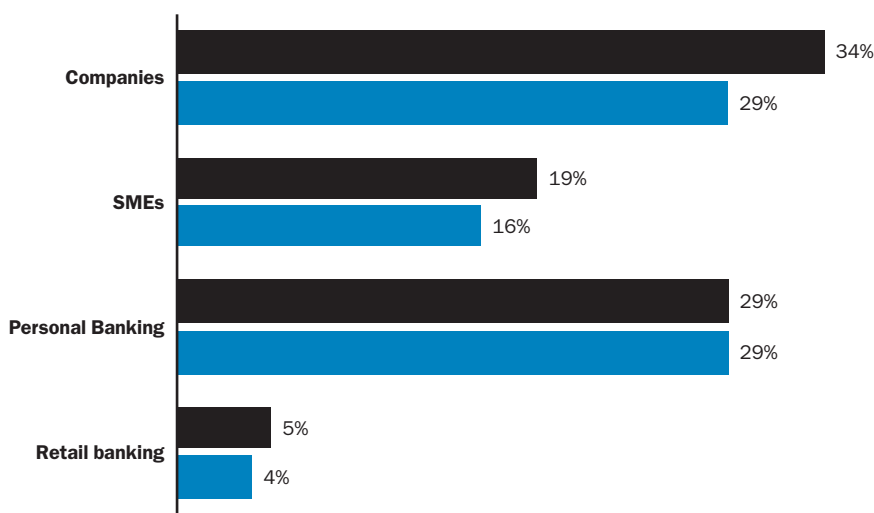
The results of these surveys testify to the Bank's prioritisation of a quality service to the customer, with all indicators showing a continuous improvement (G18).

These excellent NPS scores strengthen our position as first among our peers in the business customer segment, among the top four among individual retail customers, and in second place among personal banking customers.

Focus groups and in-depth customer surveys are routinely carried out to obtain detailed customer feedback on how particular Bank processes have affected them, thus providing us with their 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,

G17 Omnichannel strategy



G18 NPS scores by customer segment for Banco Sabadell
Source: NPS Accenture Benchmark Report.

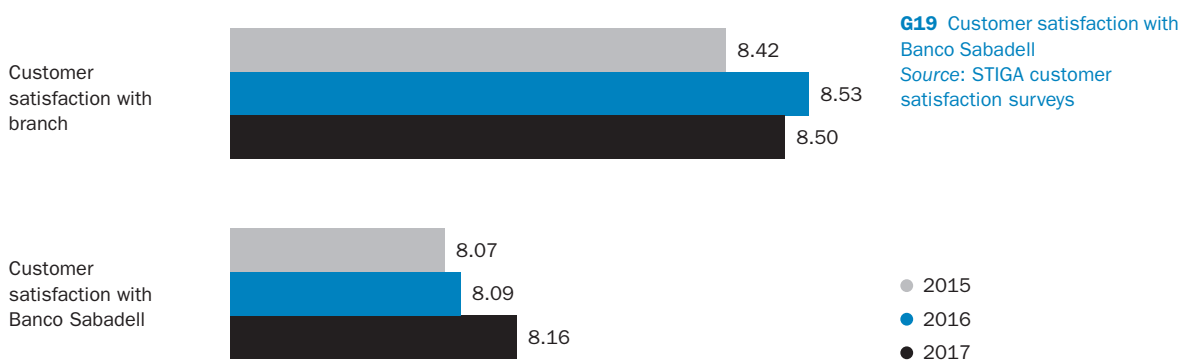
Note: The NPS is based on the question "On a scale of 0 to 10, where 0 is 'not at all likely' and 10 is 'I would definitely recommend it', how likely would you be to recommend Banco Sabadell to a relative or friend?" The NPS is the percentage of customers who answered 9 or 10, after eliminating those who answered between 0 and 6. Includes institutions that are comparable to the Group. Data for the most recent available month.

and branches provide customers with product factsheets before any commitment is made. Additionally, 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 checks to identify areas susceptible to 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 (G19).

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 by the CSD or the Ombudsman are binding on all the Bank's branches and other units.

In 2017, the CSD handled 65,964 complaints and claims, 198.06% more than in the previous year. The CSD also provides assistance and information to customers and users with regard to a range of issues. In 2017, it handled 1,917 requests for assistance and information, compared with 1,057 the previous year.*



Note: Data as of December 2015, 2016 and 2017.

* For more detail, see note 43 to the consolidated financial statements for 2017.

Our strengths

The strengths of the Banco Sabadell Group are described in the various chapters of this annual report, except for those detailed below, which are marked with an asterisk (*).

- **Organisation by business***
- **Multibrand and multichannel strategy***
- **Cutting-edge technology and innovation***
- **Quality of service***
- **Focus on companies and personal banking**
- **A leading player in international business**
- **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, retailers and other businesses; private individuals (i.e. private banking, personal banking and retail banking); non-residents and professional/occupational groups. Its specialised service ensures that customers receive the personalised attention they need, whether from the knowledgeable branch staff or via channels designed to offer easy access to a wide range of remote banking services.

It offers products for both borrowers and savers. 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, savings plans and pension plans (G20).

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

Markets and Private Banking

Through a transition to a multichannel relationship with customers based on personalized face-to-face service and remote channels, customers are offered an end-to-end solution with a full range of products and services. We analyse the specific needs of customers that require specialised and customised services and attention, combining the value of Private Banking with the financial strength and product capabilities of a universal bank.

The result is a value-added service of acknowledged quality in the design and management of savings and investment products, ranging from analysis of the most efficient investment options through advisory and execution services in the markets to active asset management and custody.

UK banking business (TSB)

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

Corporate & Investment 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 transactional 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.

Other Regions

The Other Regions business comprises mainly Mexico, offices in other countries and representative offices that offer all kinds of banking and financial services in corporate banking, private banking and commercial banking.

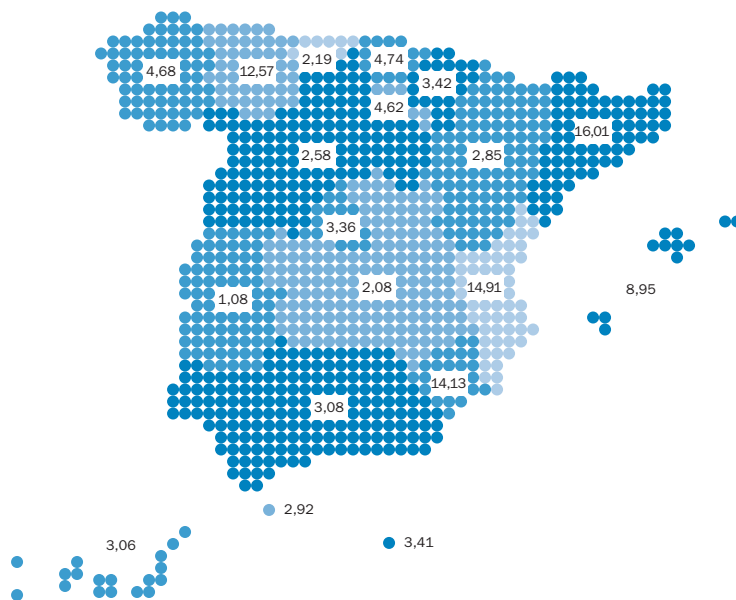
Asset Transformation

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.

G20 Market share by autonomous region

Banco Sabadell market share in Spain

7.58%



Percentages as of September 2017.
Note: the Asturias share includes León.

Multibrand strategy

The Bank operates under the Sabadell brand, combined with a well-known local brand in some territories (T5).

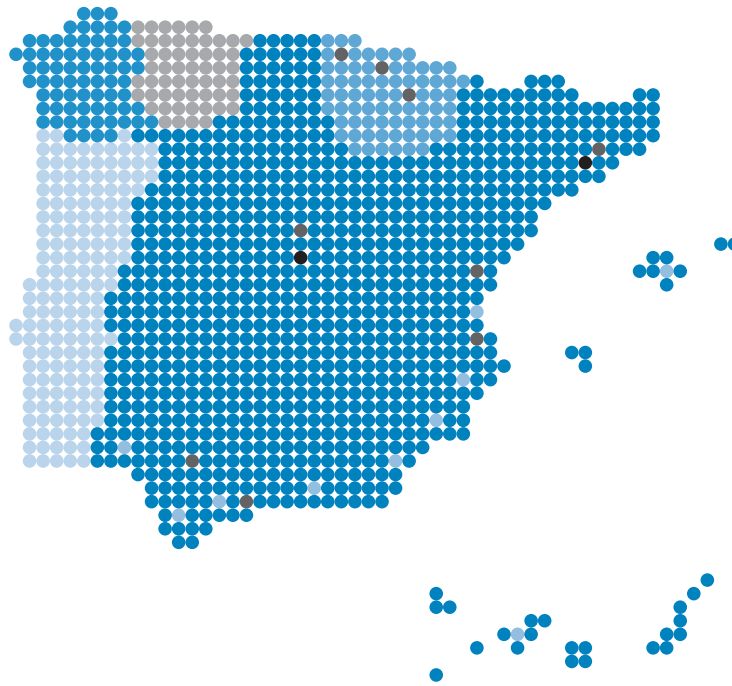
Banco Sabadell is a leading player in international business. With a specialised offer and an effective value proposition, Banco Sabadell is present in strategic locations and collaborates with foreign trade promotion agencies, enabling it to support its customers in developing and expanding their international activities (G21).

| | |
|---|---|
| Sabadell | — Commercial and business banking — Coverage: all of Spain except of the territories covered by the other brands |
| Sabadell Guipuzcoano | — Commercial and business banking — Coverage: Basque Country, Navarra and La Rioja |
| Sabadell Herrero | — Commercial and business banking — Coverage: Asturias and Castilla-León |
| Sabadell Solbank | — Commercial Banking for European residents in Spain's tourist zones — Coverage: the Mediterranean coast and the islands |
| Sabadell Urquijo <small>Banca privada</small> | — Private banking. Created by merging Sabadell Banca Privada with Banco Urquijo — Coverage: all of Spain |
| Sabadell Gallego | — Commercial and business banking — Coverage: Galicia |
| Activobank | — Commercial banking — Branches in Madrid and Barcelona |

T5 Brands used by Banco Sabadell in its home market

G21 Geographic distribution of brands

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



BS brand perception indicators

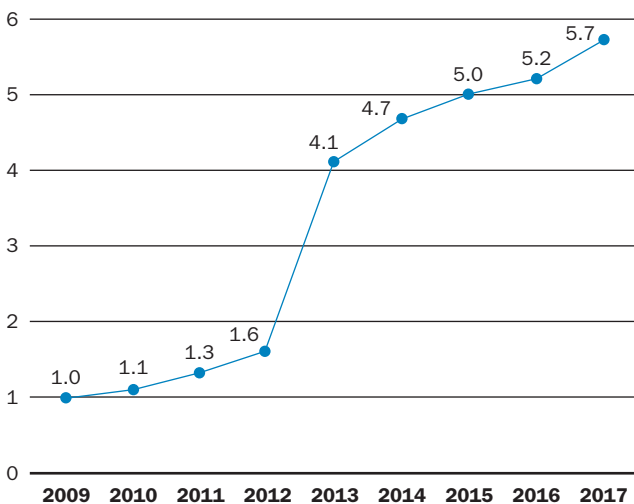
During 2017, the Bank continued its successful policy of raising brand awareness, which is key to increasing its capacity for growth in the retail market in Spain, where it aims to match the brand recognition achieved by the main competitors. In the course of the last six years, “top of mind” awareness of the Sabadell brand has increased from 1.3% to 5.7% (up 338%) and total brand awareness from 5.7% to 32.0% (up 461%), putting the brand in fifth place among Spanish financial institutions according to data from the FRS Inmark annual survey, a key industry benchmarking tool (G22 & G23).

Advertising campaigns and actions to enhance the Bank’s image in 2017

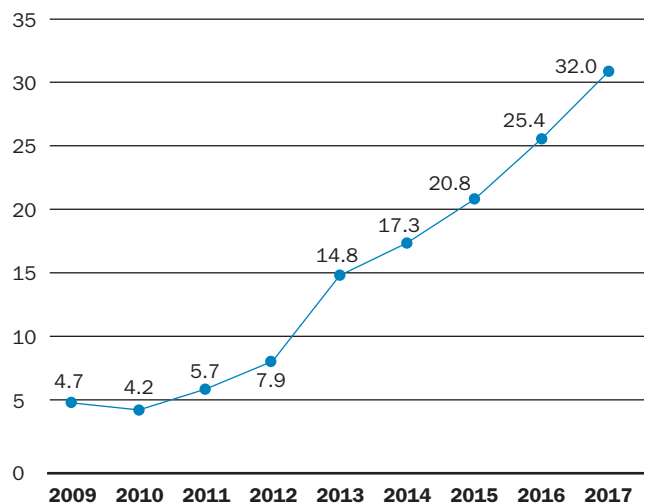
In 2017, the Bank maintained its characteristic style of advertising, which differentiates it from the competition and other advertisers.

It also advanced in its communication model and presence in the mass media, from sporadic and seasonal appearances to a more continuous presence through agreements and sponsorships in media related to our target customers.

G22 Top of mind brand awareness
Source: FRS Inmark



G23 Total brand awareness
Source: FRS Inmark



“Acompañarte” (Accompanying you) was the guiding thread for the whole year, since it defines very well the bank’s service-oriented, customer-centric approach. It also emphasised the “There, wherever you are” claim, as a key driver.

In the first part of the year, this accompaniment idea was illustrated with the metaphor of music in a campaign led by singer and composer Pau Donés and cellist Andrea Amador. The campaign presented an updated Expansión Account that adapted to customers’ evolving financial needs and life stages (childhood, teenage years and adulthood).

The advertising evolved from May to December 2017, with a video clip in which, through dance and music with lyrics written specifically to purpose, couples of different ages told a little story about spending their lives together.

In this vein, it was decided to strengthen the institution’s position as an expert in banking for companies via the “Company Commitment” campaign, which highlighted the managers who are specialised in this segment, and the “Sabadell Protection” campaign, focused on insurance for individuals.

The “Servicing” campaign presented the convenience of digital features and innovation in customers’ day-to-day lives.

Subsequently, advertising emphasised the agility and simplicity offered by the Expansión Loan product to respond to funding needs. To conclude the year, the “Personalised Plans for the Future” campaign presented multiple savings formulas for retirement which adapt to each individual’s needs.

Rafael Nadal, the greatest clay-court tennis player of all time, is Banco Sabadell’s ambassador. The positive qualities conveyed by his personality and successful sporting career further enrich the corporate values associated with the Banco Sabadell brand. His charisma and the international prestige of his sporting achievements contribute to enhancing our brand recognition throughout Spain and undoubtedly boost our image in other countries, where Nadal is revered. Values such as rigour and perseverance in training, hard work, eagerness to excel, teamwork, and others such as experience, fair play and respect for rivals, all of which are embodied by Rafa Nadal, coincide fully with the attributes that characterise the Group’s corporate culture, grounded in professionalism, closeness to customers, ethics and excellence in service.

At the end of 2017, a new campaign featuring Nadal was launched to celebrate his attaining the #1 spot in world tennis and his long-standing relationship as a customer of the Bank since his early days.

Multichannel strategy

The year 2017 was one of transition after the completion of the Triple Plan and it served to stabilise and drive the institution’s transformation plan, which had commenced in 2014 with the previous Master Plan. A key lever in this transformation process was the focus on enhancing the customer experience. The customer-Bank relationship has been adapting to our customers’ spending habits so as to make the Bank a more convenient and agile option that is more closely attuned, adapting our services to customers’ needs while pursuing excellence and conveying trust and transparency.

The new distribution model continued to be rolled out in 2017, based on greater specialisation among branch staff and a network of branches more adapted to the needs of our customers. There are currently 731 branches operating under this new model, in addition to six mobile offices that provide services to certain locations on a periodic but not permanent basis.

In parallel, the Active Management model continues to be deployed in retail banking, enabling customers to do their banking through multichannel interactions; the account manager continues to add value to the customer relationship with the support of distance channels (web, mobile and ATMs). A total of 750,000 customers nationwide can now bank at any time without having to visit a branch,

The distribution of 3,500 tablet computers in the branch network enables our managers to visit customers in their homes, enhancing the efficiency and efficacy of the commercial activity while also improving customer satisfaction.

During the year, we also worked on improving interactions between customers and the Bank by optimising processes and simplifying the product catalogue to make it easier to understand. Customer-Bank interactions are now more agile and transactions can be completed in less time (e.g. new customer registration, and the process of granting and formalising mortgage loans).

Digitalisation is another avenue for making our services more convenient and reducing the distance between us and our customers. Currently more than 48% of customers aged over 16 are digital users; 80% interact with the Bank using mobile devices and perform close to 88% of their transactions without visiting a branch, which eliminates obstacles in terms of time and distance.

This digitalisation was made possible by constant work to provide new features in our digital channels, enabling new functionalities for banking and acquiring products via remote channels; as a result, the Bank’s app is rated as one of the best bank apps in the market.



You.



Your bank.

We are specialists in seeing things from the viewpoint of a new resident in our country.

Welcome Service.

Welcome to the bank in Spain that understands you best.

B Sabadell
There, wherever you are

Branch network

The branch network in Spain is shown in table T6. Including the 593 branches in other countries, the Group had 2,473 branches at the end of 2017.

| Region | Branches | Region | Branches |
|--------------------|----------|-----------------|----------|
| Andalusia | 135 | Valencia | 326 |
| Aragón | 31 | Extremadura | 6 |
| Asturias | 112 | Galicia | 109 |
| Balearic Islands | 57 | La Rioja | 8 |
| Canary Islands | 31 | Madrid | 184 |
| Cantabria | 5 | Murcia | 126 |
| Castilla-La Mancha | 23 | Navarra | 15 |
| Castilla y León | 59 | Basque Country | 92 |
| Catalonia | 559 | Ceuta & Melilla | 2 |

T6 Number of branches by region

ATM network

At the end of 2016, the Group's network of self-service machines in Spain comprised 2,954 ATMs and 345 passbook updaters. This number is slightly lower than at the close of 2016 (3,494 machines),

The number of ATM transactions continues to increase year by year. In 2017, it increased by around 3% to a total of 113 million transactions. The proportions of transactions done using credit/debit cards and passbooks were the same as in 2016: 65% and 35%, respectively.

The most frequent transactions were cash withdrawals (more than 63% of the total), followed by passbook updates, account balance and payment enquiries, and cash deposits.

During 2017, we continued to improve transaction availability and speed, which contributed to enhancing customer satisfaction, as revealed by regular surveys.

A new feature in 2017 was personalisation of ATM menus based on the customer's history of transactions, achieved using Big Data techniques. The menu now offers the customer the specific amount that they usually withdraw or the transactions that they use most frequently. The overall graphic interface has also been improved, enhancing the customer experience. In the Sabadell Wallet application, the Instant Money option has been improved, resulting in a considerable increase in its use.

BS Online

Registered users of our online banking services increased by more than 8% with respect to 2016, with close to 4.5 million customers now able to access the service. BS Online users now account for 34% of the Group's active customers.

The number of transactions carried out on BS Online continues to increase: servicing transactions were up 5% in the company banking segment, while product acquisitions increased by 11%. Sabadell Móvil (BSM) experienced considerable growth in 2017: servicing transactions increased by 65% and product acquisitions by 85%.

The Digital Signature service began to be rolled out to business customers in 2017. We are improving the processes for applying for products on remote channels. This is an important step in the consolidation of self-service banking and remote servicing of customer requirements.

Growth in distance banking contracts

+8%

Sabadell Móvil

The number of Sabadell Móvil (BSM) users grew significantly, to 3 million customers; the number of users of this service has tripled in the last four years. 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 active customers who use mobile devices only: from 425,000 to nearly 750,000 during the year. These users account for almost 30% of the Bank's active digital customers (G24).

During 2017, work continued based on data analytics to improve the customer experience by reducing points of friction and abandonment in the main transactions. The app's error messages were redefined in order to contextualize the error in the process, give options for resolution or enable the customer to request a call from the call centre.

At the same time, improvements were made to the process of obtaining a pre-approved loan, in terms of both enhancing the product's visibility and the conversion of the application process.

Work was also done to raise the visibility and customer awareness of the option of financing purchases over €100 via a mobile phone. Notification messages linked to transactions were also added, and online account statements now contain action links. Sabadell Wallet developed a new process that displays to customers the range of options for financing purchases, including the instalments, putting finance just two clicks away from the till receipt.

Within the policy of "anticipating" customers' needs, a new location was developed to be able to display events of relevance to the customer from the app's home screen. A total of 50 events are in production; they are related to the customer's life cycle, age and financial situation.

In the fourth quarter, the focus was on updating BSM to enable it to comply with MiFID in a way that is optimal

for the customer experience in terms of information and acquisition.

Sabadell Wallet

Bizum, a service launched throughout the banking industry at the end of 2016, continues to expand; with 200,000 accesses per month, 60,000 customers are actively using Sabadell Wallet every month. Banco Sabadell users make up 13.7% of the total number of Bizum users and account for 15% of Bizum transactions.

As for Instant Money, improvements have been made to Sabadell Wallet in terms of both service visibility and usability, which has resulted in a ten-fold increase in the volume of instant money transactions with our Wallet app.

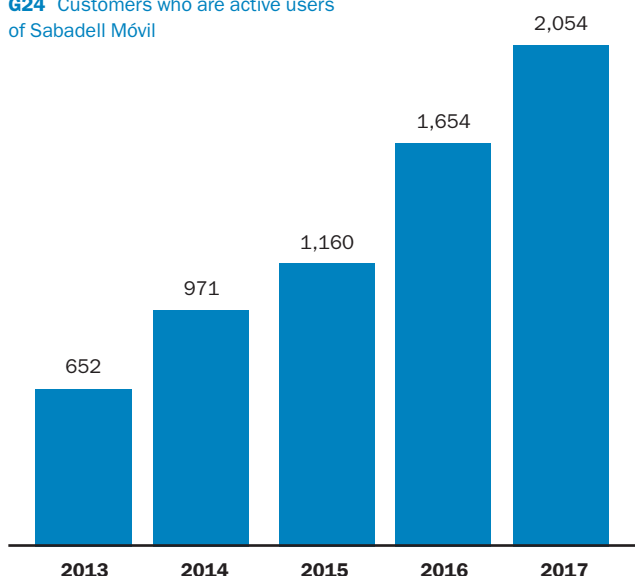
Branch Direct

Contacts with Branch Direct increased by 4.87% in 2017 with respect to 2016, to 3.8 million.

The contact channels that experienced fastest growth were telephone, chat and social media. Telephone accounted for 68% of total contacts, ahead of e-mail, chat and social media. Figure G25 shows the growth in contacts by channel.

The SLA (Service Level Agreement) ratio for telephone enquiries exceeded 96%, followed by chat (94.39%) and e-mail (86.56%). There were more than 521,000 mentions on social media, and the number of interactions exceeded 101,000, with an SLA of 95.40%.

G24 Customers who are active users of Sabadell Móvil



x3 in 4 years

active users of Sabadell Móvil

The volume increases in 2017 were due to continual improvements in the various channels as well as initiatives undertaken to promote them:

- Improvements in the telephone channel included incorporation of the Digital Signature into customer transactions, redesigned routings through a virtual agent, which means improved call management and a better customer experience, and the optimisation of platform resources.
- A new service provider was engaged 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 for managing customer relationships, in terms of both transactions and of broadcasting institutional, business and marketing messages. Their use is growing exponentially and the Bank sets a high priority on raising its social media profile.

As a channel, social media were used to publicise numerous events of a corporate nature or in which the Bank was a participant. Examples of this include presentations of earnings and the Shareholders' Meetings, both of which could be followed on Twitter, as well as the Barcelona Open Banc Sabadell Conde de Godó tennis tournament, conversations with Rafael Nadal, and the 4YFN Summit for start-ups at the Mobile World Congress.

Banco Sabadell increased its presence on social media during 2017 by launching an Instagram profile and a Twitter account for the digital business hub (@Innocells).

The number of followers on social media now exceeds 380,000 for all the channels on which the Bank maintains a presence: Twitter, Facebook, Instagram, YouTube, LinkedIn and Google+, in Spain, the United Kingdom and America. The production of our own content continued without interruption in 2017, including blog posts, videos on Banco Sabadell TV, and alliances with third parties to stream content and events.

G25 Contacts by channel type



Cutting-edge technology and innovation (InnoCells)

InnoCells, Banco Sabadell's digital business hub

New technologies and the arrival of new competitors in the financial sector have led to changes in the supply of products and services to meet the growing demand for personalisation and immediacy on the part of the new digital generations.

Banco Sabadell views this paradigm shift as an opportunity to strengthen its market position, while maintaining its focus on the good customer service that has characterised it since inception, coupled with technology and digital leadership.

Banco Sabadell's distinctive capabilities in the financial sector — extensive knowledge of its customers, a solid service-based brand, and proximity to the business, among others — facilitate its integration into the digital ecosystem, reinforced by a single model: InnoCells, its digital business hub and corporate venture arm.

InnoCells is the natural evolution of the institution's continued commitment to digital and commercial transformation in order to offer the best service to its customers. In InnoCells, Banco Sabadell combines the agility and innovation of the digital ecosystem with its own experience and track record.

InnoCells contributes actively to the Banco Sabadell Group's digital strategy through its knowledge of the digital ecosystem and market trends that are central or adjacent to the institution's core business. This new subsidiary also supports the development of new value propositions focused on customers needs in order to continue accompanying them in their daily lives.

InnoCells is part of the institution's entrepreneurship ecosystem, alongside BStartup, a programme designed to support entrepreneurs in the early stages, and Sabadell Venture Capital, focused on companies seeking to expand through A or B series investment rounds.

Business builder — creating and promoting new businesses

Business builder provides a hub for creating and expanding digital businesses in areas of strategic interest for the Banco Sabadell Group. It is a flexible model that both develops new businesses from scratch and offers the institution's best resources and capabilities to existing teams and startups to enable them to expand.

InnoCells develops new digital businesses through internal cells led by entrepreneurs in residence or CEOs with extensive market knowledge. In this way, it facilitates both the construction of strategic capabilities and businesses for the Group and provides access to talent from the digital ecosystem.

InnoCapital, the vehicle for strategic investments

InnoCells also makes strategic investments in digital and technology businesses through InnoCapital, its corporate venture fund.

Its focus is on acquiring stakes in startups, both B2B and B2C, at the seed, series A and series B stages, with a flexible average ticket of between €0.5 million and €3 million, which can be extended if strategically significant opportunities arise.

InnoCapital's strategy also includes co-investing with other venture capital firms and leading funding rounds. The goal of the investment is to accelerate the Group's transformation, build strategic know-how and give the Group access to distinctive talent.

For the moment, although the scope of action is international, investments are focused on Europe — particularly Spain, the United Kingdom and Germany, which are the main fintech hubs — as well as Israel and Mexico.

Strategic investments

In September 2017, the investment vehicle co-hosted its first investment: Bud, a UK technology provider that offers financial institutions a platform to accelerate their digital transformation and evolve towards platform models (PSD2).

Internationalisation

The InnoCells model is flexible and scalable to address the numerous locations in which Banco Sabadell operates. The capacity for internationalisation and idea portability are key features of the digital businesses we promote. For this reason, the first cells were set up in Spain, the United Kingdom — where we have the support of TSB — and Mexico.

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 cross-check its management approach and sets itself new goals based on constant self-assessment.

The EQUOS RCB market benchmark, a survey conducted by independent consultancy Stiga over the last twelve years, shows the result of Banco Sabadell's efforts in this connection: it scored above average for its peer group (+0.53) and the industry (+0.77) and it leads its peer group in terms of commercial action, the principal factor addressed by the survey.

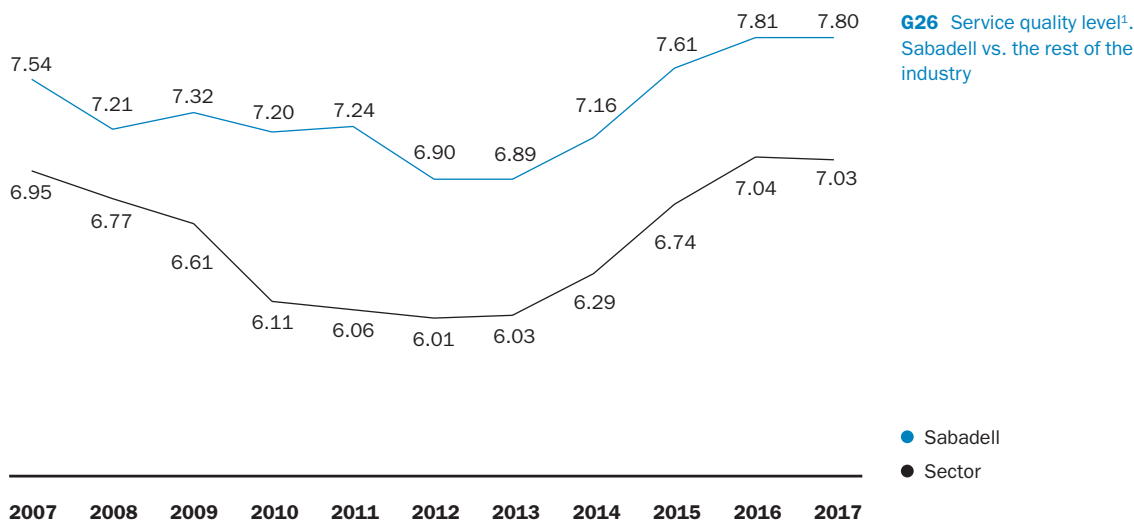
Sabadell maintains a clear lead in quality over the rest of the industry.

A key benchmark for measuring and improving 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 under EFQM's very demanding standard. This means that very high standards continue to be maintained with respect to 2014 (G26).

Additionally, 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 2017.

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



1. Source: EQUOS, STIGA, Bank network quality survey. 2017 figures, reported with consolidation scope at the end of each year.

Quality certificates

