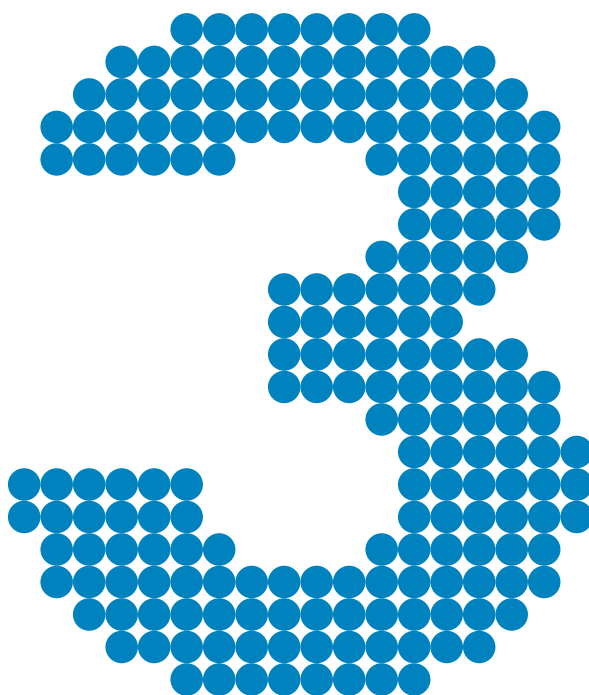


# Banco Sabadell Group

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## Banking since 1881.

Founded 136 years ago, Banco Sabadell is a member of the IBEX 35 index and an international banking group with a network of 2,473 branches and over 12.1 million customers. Banco Sabadell is today one of the leading banks in the Spanish financial system and occupies a pre-eminent position in personal and business banking.

With a young, highly qualified workforce equipped with IT and sales resources to meet the needs of today's market, Banco Sabadell's business model is geared to being its customers' main bank through long-term relationships based on quality and commitment.

By building lasting, profitable relationships, Banco Sabadell works with its customers throughout their financial life cycle, offering solutions and distribution channels to meet their needs and a comprehensive range of products and services that favour long-term relationships based on professionalism, ethics and transparency.

Banco Sabadell has also proven to be an agile customer-focused institution that adapts its business model to different market needs through a range of brands and business lines that represent distinctive value propositions.

Banco Sabadell's strategic aims have traditionally been set out in three-year business plans. However, 2017 was a transition year in which the Bank prioritised implementing the final phase of TSB's technological migration, as well as improving its bottom line, in order to lay solid foundations for the business plan for the 2018-2020 period.

Successfully completing the migration of TSB to a newly created autonomous IT platform will enable it to respond more quickly and efficiently to customer needs and to expand into new lines of business, such as banking for companies in the United Kingdom. In short, this will enhance the customer experience, which is a lever for competitive differentiation, while also providing significant synergies.

During 2017, Banco Sabadell also concentrated on improving its bottom line. To this end, the Bank focused on generating sales, protecting margins and increasing fees and commissions, while consolidating its business in core markets: Spain and the United Kingdom. In 2017, the Bank arranged the sale of Sabadell United Bank, its subsidiary in Florida, for \$1,025 million,

And maintaining the trend of previous year, Banco Sabadell continued to improve its credit quality. This was evident in the reduction in the balance of non-performing assets, which were cut by close to €3.5 billion (including €1.252 billion of NPAs carved out to the new Solvia Desarrollos Inmobiliarios business line), and in the NPL

ratio, which is now around 5%. In parallel, the Bank strengthened its capital during the year, achieving a fully-loaded CET1 capital ratio of close to 13%.

The improvement in the Bank's earnings, credit quality and capital during 2017 met with a very good reception in the market. This is reflected in the fact that Banco Sabadell has regained an investment grade rating from three credit rating agencies: Standard & Poor's, Moody's and DBRS.

Banco Sabadell also continued to lead the digital transformation and accelerate its commercial transformation with the aim of improving the excellent customer experience that has always characterised it.

## History and acquisitions

**In 2017, Banco Sabadell gave priority to strengthening its bottom line with the aim of laying solid foundations for the next three-year business plan, for 2018-2020.**

### G1 Landmarks in Banco Sabadell's history

A group of 127 businesspeople and merchants in Sabadell founded the Bank, with the goal of financing local industry.	Acquisition of NatWest Spain Group and Banco de Asturias.	Successful bid for Banco Atlántico.	Acquisition of Banco Urquijo.	Acquisition of BBVA's private banking business in Miami (US). Sale of 50% of the insurance business.	Takeover bid for 100% of Banco Guipuzcoano.	Acquisition of Banco CAM.	Commencement of operations in Mexico.	Sale of Sabadell United Bank (US).
<b>1881</b>	<b>1996</b>	<b>2003</b>	<b>2006</b>	<b>2008</b>	<b>2010</b>	<b>2012</b>	<b>2014</b>	<b>2017</b>

<b>1965</b>	<b>2001</b>	<b>2004</b>	<b>2007</b>	<b>2009</b>	<b>2011</b>	<b>2013</b>	<b>2015</b>
Expansion into nearby towns.	Banco Sabadell is floated. Acquisition of Banco Herrero.	Capital increase and entry in the IBEX-35. Banco Atlántico integrated in technological and operating terms.	Acquisition of TransAtlantic Bank (Miami).	Acquisition of Mellon United National Bank.	Acquisition of the assets and liabilities of Lydian Private Bank (Florida) and announcement of the adjudication of Banco CAM.	Acquisition of the network of Caixa Penedès, Banco Gallego and the Spanish business of Lloyds Banking Group.	TSB acquisition. Bank licence in Mexico.

€M

	<b>2007</b>	<b>2010</b>	<b>2017</b>	<b>2017/2007</b>
Assets	76,776	97,099	221,348	<b>X 2.9</b>
Lending (*)	63,165	73,058	145,323	<b>X 2.3</b>
Deposits (**)	34,717	49,374	132,096	<b>X 3.8</b>
Branches	1,249	1,467	2,473	<b>X 2.0</b>
Employees	10,234	10,777	25,845	<b>X 2.5</b>

**T1** Changes in key numbers

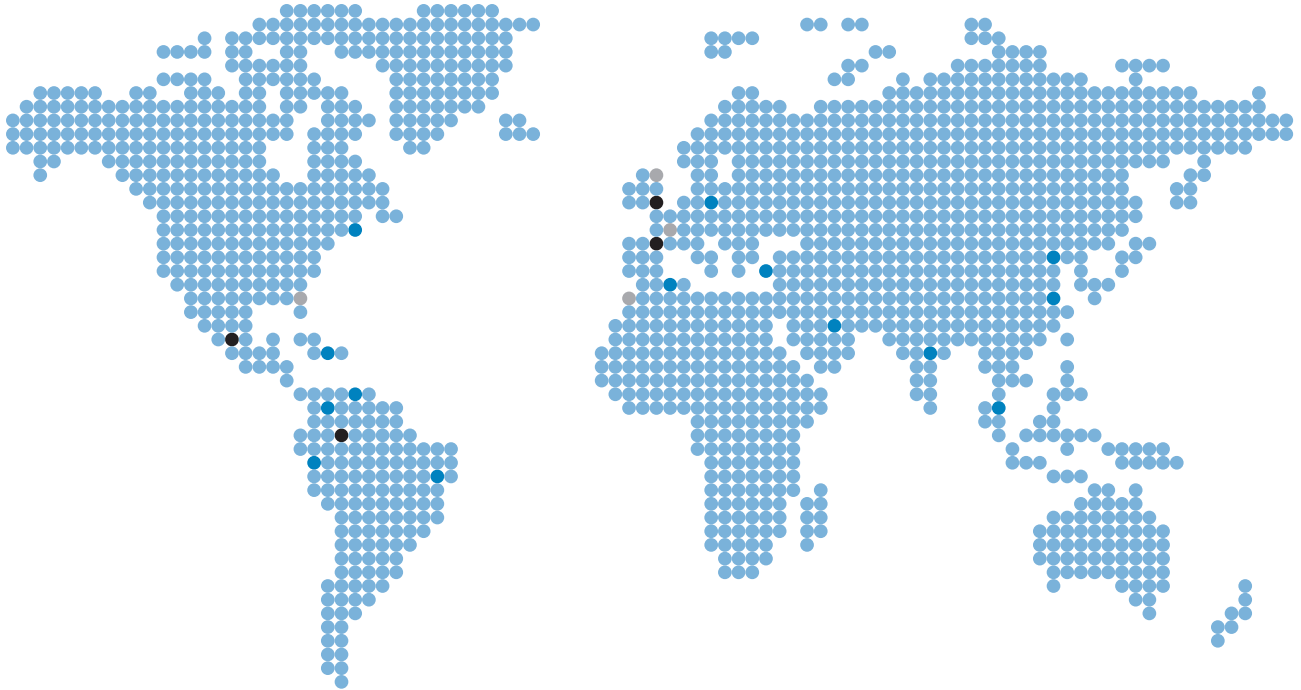
The EUR/GBP exchange rate used for the balance sheet is 0.8872 as of 31.12.2017.

(\*) Gross loans and advances, excluding repos.

(\*\*) Customer funds on the balance sheet.

Banco Sabadell now operates in 19 countries through branches, representative offices, subsidiaries and investees; 32% of its loan book is located outside Spain (G2).

G2 Banco Sabadell - foreign market presence



● **Subsidiaries and affiliates**

- Andorra
- Bogotá (Colombia)
- Mexico City (Mexico)
- London (United Kingdom)

● **Branches**

- Miami (US)
- Paris (France)
- Casablanca (Morocco)
- London (United Kingdom)

● **Representative offices**

- Algiers (Algeria)
- Sao Paulo (Brazil)
- Beijing (China)

- Shanghai (China)
- Bogotá (Colombia)
- Dubai (UAE)
- New York (US)
- New Delhi (India)

- Warsaw (Poland)
- Lima (Peru)
- Santo Domingo (DR)
- Singapore
- Istanbul (Turkey)
- Caracas (Venezuela)



## Board of Directors

### **Chairman**

Josep Olius Creus (E)

### **Deputy Chairman**

José Javier Echenique Landiribar (I)

### **Managing Director**

Jaime Guardiola Romojaro (E)

### **Director – General Manager**

José Luis Negro Rodríguez (E)

### **Directors**

Anthony Frank Elliott Ball (I)

Aurora Catá Sala (I)

Pedro Fontana García (I)

M. Teresa Garcia-Milà Lloveras (LI)

George Donald Johnston (I)

José Manuel Lara García (EX)

David Martínez Guzmán (P)

José Manuel Martínez Martínez (I)

José Ramón Martínez Sufrategui (I)

Manuel Valls Morató (I)

David Vegara Figueras (I)

### **Secretary**

Miquel Roca i Junyent

### **Deputy Secretary**

María José García Beato

## Board committees

### **Executive Committee**

Josep Olius Creus (C) (E)

José Javier Echenique Landiribar (I)

Jaime Guardiola Romojaro (E)

José Manuel Martínez Martínez (I)

José Luis Negro Rodríguez (E)

María José García Beato (S)

### **Audit and Control Committee**

Manuel Valls Morató (C) (I)

Pedro Fontana García (I)

M. Teresa Garcia-Milà Lloveras (LI)

José Manuel Lara García (EX)

José Ramón Martínez Sufrategui (I)

Miquel Roca i Junyent (S)

### **Appointments Committee**

Aurora Catá Sala (C) (I)

Anthony Frank Elliott Ball (I)

Pedro Fontana García (I)

M. Teresa Garcia-Milà Lloveras (LI)

Miquel Roca i Junyent (S)

### **Remuneration Committee**

Aurora Catá Sala (C) (I)

Anthony Frank Elliott Ball (I)

M. Teresa Garcia-Milà Lloveras (LI)

George Donald Johnston (I)

María José García Beato (S)

### **Risk Committee**

David Vegara Figueras (C) (I)

M. Teresa Garcia-Milà Lloveras (LI)

George Donald Johnston (I)

Manuel Valls Morató (I)

María José García Beato (S)

## Senior Management

### **Chairman**

Josep Olius Creus

### **Managing Director**

Jaime Guardiola Romojaro

### **Director – General Manager**

José Luis Negro Rodríguez

### **General Secretary**

María José García Beato

### **General Manager (CFO)**

Tomás Varela Muiña

### **General Manager – Operations, Organisation and Resources**

Miguel Montes Güell

### **General Manager –**

#### **Commercial Banking**

Carlos Ventura Santamans

#### **Deputy General Manager -**

#### **Risk Management**

Rafael García Nauffal

#### **Deputy General Manager –**

#### **Private Banking and Asset Management**

Ramón de la Riva Reina

#### **Deputy General Manager –**

#### **Asset Transformation and**

#### **Industrial and Real Estate**

#### **Investees**

Enric Rovira Masachs

#### **Deputy General Manager –**

#### **Business Transformation and Marketing**

Manuel Tresánchez Montaner

#### **Deputy General Manager -**

#### **Corporate & Investment Banking**

José Nieto de la Cierva

#### **Deputy General Manager**

#### **and CEO TSB**

Paul Pester

#### **Deputy General Manager**

#### **and CFO TSB**

Ralph Coates

Composition at 15 March 2018

(E) Executive / (LI) Lead independent / (I) Independent / (P) Proprietary / (EX) External / (C) Chairman / (S) Secretary

## Deputy General Management

### Corporate Service divisions

#### Internal Audit

Nuria Lázaro Rubio

#### Corporate Transactions

Joan M. Grumé Sierra

#### Risk Control

Joaquín Pascual Cañero

#### Legal

Gonzalo Barettino Coloma

#### Compliance

Federico Rodríguez Castillo

#### Global Finance and CFO Spain

Sergio Palavecino Tomé

#### Global Financial Controller

Anna Bach Portero

#### Chief Economist

Sofía Rodríguez Rico

#### Human Resources

Conchita Álvarez Hernández

#### Organisation and Services

Adrià Galian Valldeneu

#### Global IT and Operations

Rüdiger Schmidt

#### Risk Transformation

Xavier Comerma Carbonell

#### Chief Analytics Officer

Alfonso Ayuso Calle

## Business Areas

### Commercial Banking

*Bancassurance*

Silvia Ávila Rivero

*Products and Distribution*

Albert Figueras Moreno

*Institutional Business*

Blanca Montero Corominas

*Sabadell Consumer Finance*

Miquel Costa Sampere

*Catalonia Region*

Luis Buil Vall

*Central Region*

Eduardo Currás de Don Pablos

*Eastern Region*

Jaime Matas Vallverdú

*Northwest Region*

Pablo Junceda Moreno

*Northern Region*

Pedro E. Sánchez Sologaistua

*Southern Region*

Juan Krauel Alonso

### Markets and Private Banking

*Asset Management and Research*

Cirus Andreu Cabot

*Trading and Custody*

Javier Benzo Perea

*Sabadell Urquijo Banca Privada*

Pedro Dañobeitia Canales

*Treasury and Capital Markets*

Guillermo Monroy Pérez

### Corporate & Investment Banking

*Corporate Banking EMEA*

Ana Ribalta Roig

*Corporate America & Asia and*

*SIB*

Maurici Lladó Vila

*Structured Finance*

David Noguera Ballús

### Mexico

Francesc Noguera Gili

### Asset Transformation and Industrial and Real Estate Investees

*Real Estate and Institutional Markets*

Jaume Oliu Barton

*Solvia*

Javier García del Río

# Board of Directors

With the exception of matters falling within the remit of the General Meeting, the Board of Directors is the highest decision-making body in the Group and is responsible under the law and the Articles of Association for managing and representing the Bank. The Board of Directors acts mainly as an instrument of supervision and control, and it delegates the management of ordinary business matters to the executive organs and management team.

The Board of Directors is subject to well-defined, transparent rules of governance, particularly the Articles of Association and the Board's own rules of procedure, and it conforms to best practices in the area of corporate governance.\*

The composition of the Board of Directors of Banco de Sabadell, S.A. is diverse and efficient. It is of the appropriate size to perform its functions effectively by drawing on a depth and diversity of opinions, enabling it to operate with a level of quality and efficacy and in a participatory way. The Board has the necessary range of skills, knowledge and professional experience, since its members have knowledge of the Group itself, banking, auditing and the financial sector in general, and international and business experience, all in sectors that are germane to the bank's activities.

The composition of the Board of Directors has an appropriate balance between the various categories of director. For the benefit of the general oversight function that is the Board's mission, it has an optimal balance between executive and non-executive directors: non-executive directors account for a broad majority and the number of independent directors is sufficient to properly defend the interests of minority shareholders, in accordance with the corporate governance rules. In 2017, the Board of Directors strengthened the position of independent directors within the Board and its sub-committees (G3).

At 31 December 2017, the Board of Directors had 15 members: three were executive directors, and twelve non-executive, of whom 10 were independent, one was proprietary and one was non-executive. In 2017, independent directors Manuel Valls Morató, Anthony Frank Elliott Ball, George Donald Johnston and Pedro Fontana García joined the Board, while proprietary director António Vítor Martins Monteiro, independent director Joan Llonch Andreu and external director Joaquín Folch-Rusiñol Corachán stepped down.

At the end of 2017, the Bank's Board of Directors resolved to transfer its registered office to the city of Alicante. This decision, adopted to protect the interests of our customers, shareholders and employees, means that the Bank will continue to operate normally, serving companies and families through the territories where it operates under the supervision of the European Central Bank and the regulation of the European Banking Authority.

## G3 Corporate governance Composition of the Board of Directors

### Diversity of profiles and experience

20% International

13% Women

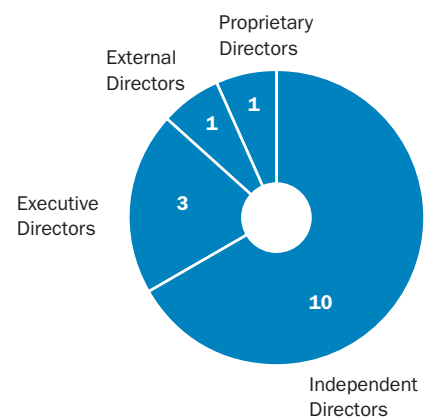
66% Independent

### Committed to the highest standards of quality, among others

Ongoing training

Assessment by an external consultant

Continuous assessment of Board member fitness and suitability



\* See the Articles of Association, the Board's rules of procedure and the Annual Report on Corporate Governance on the Bank's web site.



# Board committees

There are currently five Board committees to which the Board of Directors delegates its functions making use of the powers vested in it by the Articles of Association; committee meetings are attended by senior management.

## Executive Committee

The Executive Committee is composed of five directors and is chaired by the Chairman of the Board; in its composition, the Committee preserves a balance of member categories similar to that of the Board. The Committee is responsible for adopting any resolutions and decisions falling within the scope of the powers granted to it by the Board of Directors, and for overseeing the Bank's ordinary activities; it must report all decisions adopted at its meetings to the Board of Directors, without prejudice to any other functions assigned to it under the Articles of Association and the rules of procedure of the Board of Directors.

Name	Position	Category
Josep Oliu Creus	Chair	Executive
José Javier Echenique Landiribar	Director	Independent
Jaime Guardiola Romojaro	Director	Executive
José Manuel Martínez Martínez	Director	Independent
José Luis Negro Rodríguez	Director	Executive
María José García Beato	Secretary	

## Audit and Control Committee

The Audit and Control Committee comprises five non-executive directors, four of whom are independent directors; it meets at least once per quarter. Its main function is to oversee the efficacy of the Bank's internal control, internal audit and risk management systems, supervise the process of drafting and presenting regulated financial disclosures, advise on the Bank's annual and mid-year financial statements, liaise with the external auditor, and ensure that suitable measures are taken to address any conduct or methods that could be inappropriate. It is also a watchdog, ensuring that the measures, policies and strategies determined by the Board are duly implemented.

Name	Position	Category
Manuel Valls Morató	Chair	Independent
Pedro Fontana García	Director	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
José Manuel Lara García	Director	External
José Ramón Martínez Sufrategui	Director	Independent
Miquel Roca i Junyent	Secretary	

## Appointments Committee

The main functions of the Appointments Committee, which comprises four independent directors, are to ensure that the quality requirements for members of the Board of Directors are fulfilled, assess whether directors meet the suitability, competency and experience requirements for the position, make proposals as to the appointment of independent directors and advise on the appointment of other directors. The Committee also sets a representation target for the gender less represented on the Board of Directors and draws up guidelines on how the target should be achieved; it advises on proposals for

Name	Position	Category
Aurora Catá Sala	Chair	Independent
Anthony Frank Elliott Ball	Director	Independent
Pedro Fontana García	Director	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
Miquel Roca i Junyent	Secretary	

the appointment and removal of senior executives and members of the identified staff, as well as on the basic contractual conditions for executive directors and senior executives.

## Remuneration Committee

The main functions of the Remuneration Committee, which comprises four independent directors, are to make recommendations to the Board of Directors on policy for the remuneration of directors and general managers and on remuneration and other contractual conditions for individual executive directors, and to ensure compliance with existing policies. The Committee advises on remuneration in the form of shares and/or options and on the annual report on director remuneration; it also reviews the general principles governing remuneration and the arrangements for the remuneration of all employees, ensuring that transparency is maintained.

Name	Position	Category
Aurora Catá Sala	Chair	Independent
Anthony Frank Elliott Ball	Director	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
George Donald Johnston	Director	Independent
María José García Beato	Secretary	

## Risk Committee

The functions of the Risk Committee, which comprises four independent directors, are to supervise and ensure good practice in the acceptance, control and management of all risks assumed by the Bank and the Group, and to report to the full Board of Directors on the performance of its duties as required by law, the Articles of Association and the rules of procedure of the Board of Directors.

The Bank has published its Annual Report on Corporate Governance, which is attached to the financial statements for 2017, and its Report on Director Remuneration, on the CNMV and Banco Sabadell websites.\*

The annual performance assessment of the Board of Directors and its sub-committees for 2017 was entrusted to an independent external expert.\*\*

Name	Position	Category
David Vegara Figueras	Chair	Independent
M. Teresa Garcia-Milà Lloveras	Director	Independent
George Donald Johnston	Director	Independent
Manuel Valls Morató	Director	Independent
María José García Beato	Secretary	

\* See the Annual Report on Corporate Governance and the Annual Report on Director Remuneration on the Bank's website.

\*\* See the Committees' reports on their performance and activities in 2017 on the Bank's website.

## Milestones in 2017 and Plan 2020

Strengthening the bottom line. The Group exceeded all its objectives and laid the foundations for its Business Plan.

The market has recognised the Bank's good performance in 2017.

2017 was a transition year in which Banco Sabadell gave priority to strengthening its bottom line and to creating TSB's technology platform, the goal being to lay a solid foundation for the business plan for 2018-2020.

Banco Sabadell successfully exceeded all the objectives established at the beginning of 2017, an achievement that was widely recognised by the market.

Banco Sabadell's top priority in 2017 was to enhance earnings. To this end, the Bank focused on generating commercial activity, defending its margins and increasing fees and commissions, as well as consolidating its position in the main markets in which it operates (Spain and the United Kingdom); the result was that net profit amounted to €801.5 million.

And maintaining the trend of previous year, Banco Sabadell continued to improve its credit quality. In parallel, the Bank strengthened its capital in 2017, achieving a fully-loaded CET1 capital ratio of close to 12.8%.

Stronger earnings (G4) and a sound capital position enabled Banco Sabadell to continue increasing shareholder remuneration, with a total dividend of €0.07 per share in the year, i.e. an increase in the payout to 49% (from 40% in 2016).

### Profitability

There was a sharp increase in banking revenues (net interest income plus fees and commissions) in 2017: +5.5% in like-for-like terms. Net interest income performed well as a result of dynamic commercial performance and an increase in customer spreads. Fees and commissions also performed very positively due to strong performance by the asset management business and to the commercial strategy designed to sell more products to existing customers. As anticipated, the cost:income ratio was affected by extraordinary technology expenditure at TSB, which was partially offset elsewhere in the group.

### Commercial activity

Outstanding loan volumes were driven by the good performance by SMEs and large corporates, offsetting the ongoing decline in home mortgages.

As a result, the Bank continued to improve market share in various products and segments, maintaining a high level of service quality and seeking to offer the best customer experience (G5 & G6).

G4 Milestones in 2017

★ Rating upgraded to investment grade by the three rating agencies

★ #1 position in NPS<sup>1</sup> among SMEs and large corporates

★ Best share performance among Spanish banks in 2017

★ TSB was an award-winner at the 2017 Banking Technology Awards and the NPS reached +25 points at the end of the year (from +16 points in 2015)<sup>1</sup>

1. Bank objective quality survey Source: NPS Accenture Benchmark Report. Includes institutions that are comparable to the group. Data for the most recent available month.

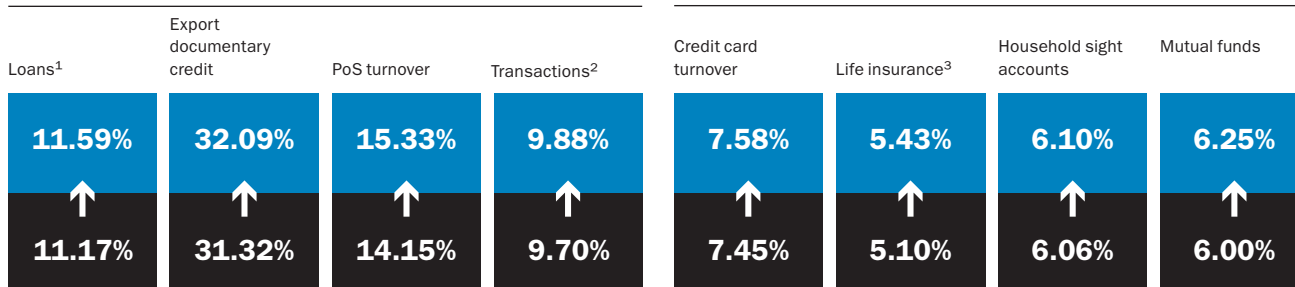
G5 Product market share

%

● Dec. 2017  
● Dec. 2016

Companies

Individuals



Note: Data for 2017 are for December 2017 or most recent available month. YoY change. Sources: ICEA (life insurance), Bank of Spain (loans and demand deposits for households), Servired (POS and card turnover), Iberpay (transactions) and Swiftwatch (export documentary credit).

1 Excludes real estate services and repos.

2 Transaction calculated in terms of volume.

3 Insurance expressed as number of contracts.

The Bank has strengthened its position in the Spanish market through excellent quality of service.

Banco Sabadell expanded the quality gap that separates it from the rest of the industry and ranks first in customer experience for large corporates and SMEs.

## Service quality Net promoter score (NPS)<sup>1</sup>

Sabadell quality index with respect to the industry

G6

	2017	Ranking
Large companies (turnover >5 €M)	34%	1 <sup>st</sup>
SMEs (turnover < 5 €M)	19%	1 <sup>st</sup>
Personal Banking	29%	2 <sup>nd</sup>
Retail Banking	5%	4 <sup>th</sup>

Source: NPS Accenture Benchmark Report. 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.

## Credit quality and capital adequacy

Maintaining the trend of previous years, Banco Sabadell continued to improve its credit quality. This was evident in the reduction in NPAs by €2.2 billion in the year, exceeding the initial objective. Additionally, a new business line was created to focus on developing real estate (Solvia Desarrollos Inmobiliarios), with assets worth €1.3 billion under management (€0.7 billion net of provisions); this, coupled with the preceding actions, resulted in a €3.5 billion reduction in NPAs (including €1.252 billion of NPAs in the carve-out for the new Solvia Desarrollos Inmobiliarios business line), while the NPL ratio was cut from 6.14% to 5.14%. During 2017, the Bank carried out several successful corporate transactions, enabling it to increase provisions by close to €900 million, thus reinforcing coverage of non-performing assets to 49.8% while, at the

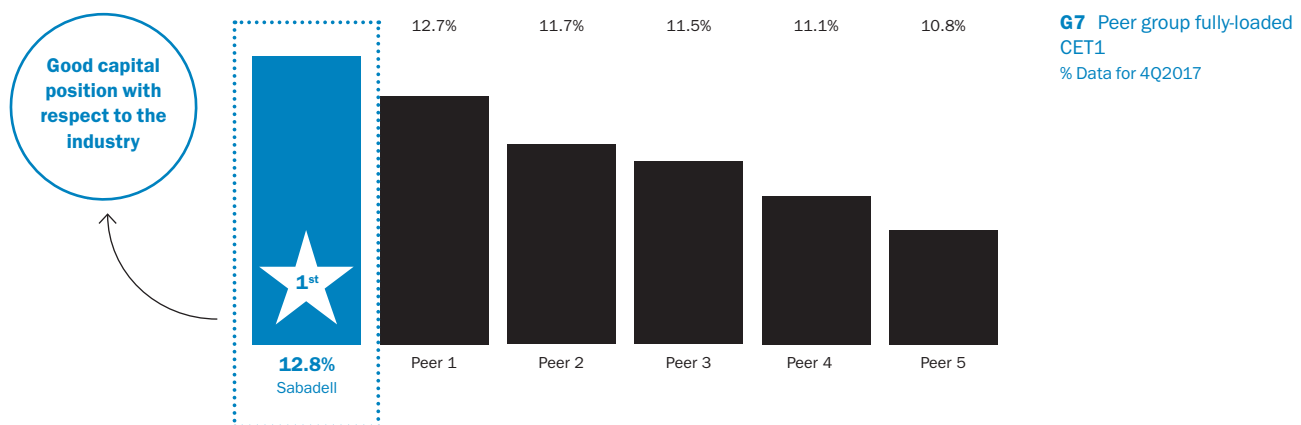
same time, putting an end to losses on the sale of fore-closed assets.

Those corporate operations also made it possible to continue strengthening the bank's sound capital position, achieving a fully-loaded CET1 ratio of close to 13% (G7).

Additionally, the implementation of IFRS 9 in January 2018 will entail €900 million in provisions and increase coverage of NPAs to 54.7% in pro forma terms (excluding interest rate floors; including provisions for interest rates floors, coverage of NPAs stands at 51.1%, or 56.0% pro forma IFRS 9) while bringing the fully-loaded CET1 ratio to 12.0% in pro forma terms.

As for the capital market, Banco Sabadell placed its first two issues of contingently convertible preferred securities (AT1), amounting to €750 million and €400 million. As a result, the Bank completed the 1.5% AT1 buffer in its capital structure as required by the ECB. Those issues enabled Banco Sabadell to optimise its capital structure.

## Leader in capital adequacy among Spanish banks.



Data from bank earnings presentations.  
From December 2013 to December 2017.

# TSB technology migration

In 2017, Banco Sabadell built a new cutting-edge technology platform for TSB, which was presented to analysts and the press in November. The final phase of TSB's technology migration has begun, which will enable the bank to finally disconnect from its former parent company, Lloyds Banking Group. After the migration, TSB will become the first bank in the United Kingdom with a leading-edge platform adapted to the challenges of the digital era.

Successfully completing the technology migration to a newly-created free-standing platform will provide TSB with a strong competitive advantage and drive its commercial transformation, while significantly reducing the time-to-market for new products and services and offering notable synergies.

The first visible milestone of the migration is the new TSB mobile app, which gives customers an interface adapted to their needs, with enhanced user experience and innovative features. In fact, TSB is the first bank in Europe to use iris recognition built into its mobile app, based on an agreement with Samsung.

Banco Sabadell is also keenly aware of the technological challenges faced by financial institutions in the digital era. For this reason, in 2017 the Bank continued focusing on advancing an efficient management model, deploying the necessary technological capabilities to develop digital businesses.

To this end, in 2017, Banco Sabadell founded InnoCells, a hub for new digital businesses, and its corporate venture arm, InnoCapital, aimed at making strategic digital and technology investments in businesses in the seed phase and in series A and B rounds, always in areas of interest for the Banco Sabadell Group.

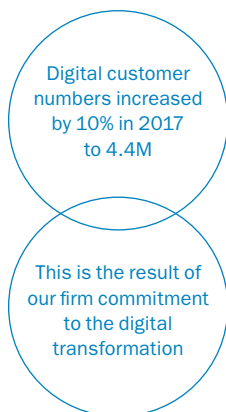
As part of its overall strategy of supporting startups, in 2017 the Bank, through InnoCapital, co-led a first round of investment in Bud, a leading UK fintech in the integration of financial products and solutions in a single marketplace.

Also, in collaboration with InnoCells, Banco Sabadell launched Kelvin Atlas, the most complete public open data portal in the Spanish financial sector, which gives any user detailed economic, commercial and tourist statistics via an interactive map that is constantly kept up to date. Using anonymous fully-shielded data, it is possible to ascertain consumer trends in any territory (G9).

# Commercial and digital transformation

Banco Sabadell continues to drive its commercial transformation by developing new distribution models: Active Management, multilocation branches, branches with shared managers, etc. Additionally, the implementation of pull models based on data & analytics and of targeted marketing will enable us to increase the relevance and improve the density of the relationship with customers (G8).

## G8 Digital and commercial transformation



**4.4M**  
(+10% YoY)  
Group digital customers

**3.3M**  
(+17% YoY)  
Group mobile customers

**88%**  
(+2pp YoY) Out-of-branch transactions in Spain

**20%**  
(+1pp YoY) Digital sales in Spain

**59%**  
(+9pp YoY) Digital sales in the UK

**26,725**  
(+68% YoY) Digital sales of unsecured finance in Spain

**35M**  
(+19% YoY) Monthly web + mobile traffic in Spain

**14%**  
Share of Bizum registrations in Spain

**332,000**  
(+108% YoY) Sabadell Wallet downloads in Spain

# Corporate transactions

In 2017, Banco Sabadell created significant value through a number of successful transactions (G10):

- In July, Banco Sabadell completed the sale of subsidiary Sabadell United Bank (SUB). The buyer, Iberiabank Corporation (IBKC), paid USD 796 million in cash and 2.6 million IBKC shares, representing 4.87% of its share capital, worth USD 209 million on the basis of the closing price on 28 July 2017. This sale provided a net capital gain of €370 million. Subsequently, during the fourth quarter of the year, the Bank disposed of its holding in IBKC for USD 205 million.

- Also in June, BanSabadell Vida, a company owned 50% by Banco Sabadell, signed a reinsurance contract with reinsurer Swiss Re Europe, S.A. for its portfolio of individual life and casualty policies. This transaction generated €253.5 million in net revenues for the Banco Sabadell Group.
- In October, Banco Sabadell subsidiary Hotel Investment Partners, S.L. sold its hotel management platform (HI Partners Holdco Value Added, S.A.U.) to The Blackstone Group L.P. This transaction provided a net capital gain of approximately €51 million in Banco Sabadell's P&L for 2017.

The number of customers using digital channels increased by 10% in 2017, to 4.4 million, as a result of our firm commitment to the digital transformation.

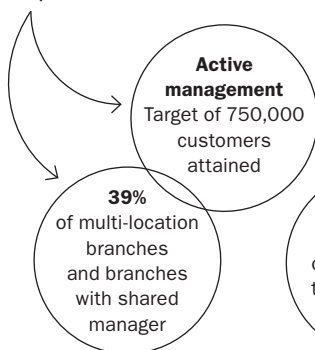
The Bank continues to advance with the commercial and digital transformation.

## G9 Digital and commercial transformation

### Initiatives → Annual performance

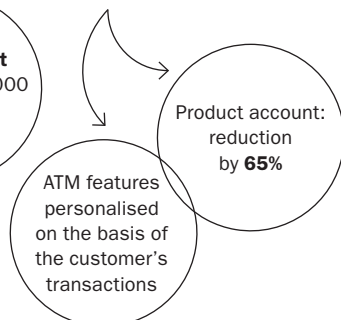
#### Distribution model

Offer greater efficiency and more convenience as well as an improved customer experience



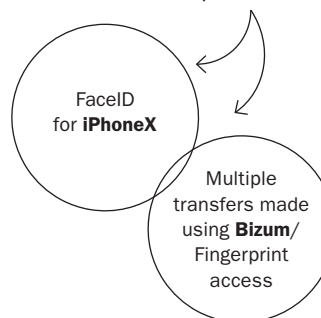
#### Simplification

Facilitate commercial and operational processes for our customers and simplify their interaction with the bank



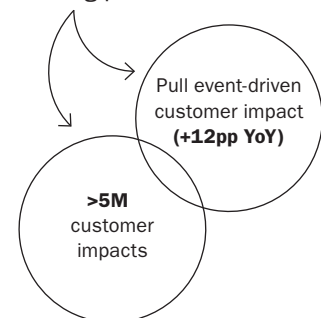
#### Digital offering

Develop new capabilities and promote their use to provide our customers with the best user experience



#### Data driven processes

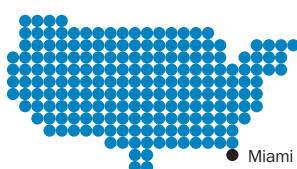
Provide value to our customers and enhance our business decision-making process



# Successful corporate transactions reinforced the Group's capital and coverage levels in 2017.

## G10 Acquisitions and divestments

### Sale of Sabadell United Bank



Crystallising tangible book value

**×1.95**

**1,025\$M**

Sale amount

### Reinsurance of the BanSabadell Vida value-in-force

Agreement with the world's second-largest reinsurer



Risk management by monetising the future value of the portfolio

**254€M**

Deal amount

### Sale of HI Partners

Located in the main tourist destinations



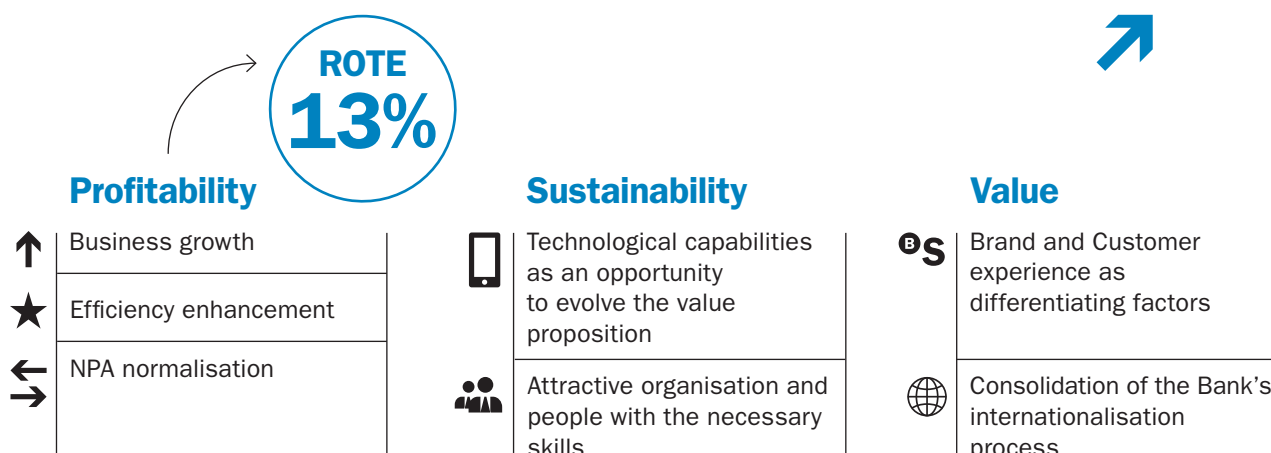
Hotel management platform focused on vacation hotels

**631€M**

Deal amount

## Strategic Plan 2018-2020

### G11 Strategic Plan 2020



Under the three-year Strategic Plan 2020, the Bank will have adapted its strategic programmes to the degree of maturity of each market in which it operates: Spain, United Kingdom and Mexico (G11, G12, G13 & G14).

In Spain, the vision for 2020 is to develop the current business by focusing on specific aspects to expand market share among both individuals and companies, increase spreads, and gain efficiency. This will be achieved with a coherent, consistent brand both internally and externally, offering a distinctive customer experience, transforming

the business to be more relevant and convenient for our customers, developing new digital businesses, and adopting a more proactive risk management approach. Another priority will be to continue managing non-performing assets in order to normalise the classification of assets as delinquent, accelerate the reduction of non-performing stock, cease incurring losses on the sale of foreclosed assets and, in this way, attain a normalised cost of risk in 2020.

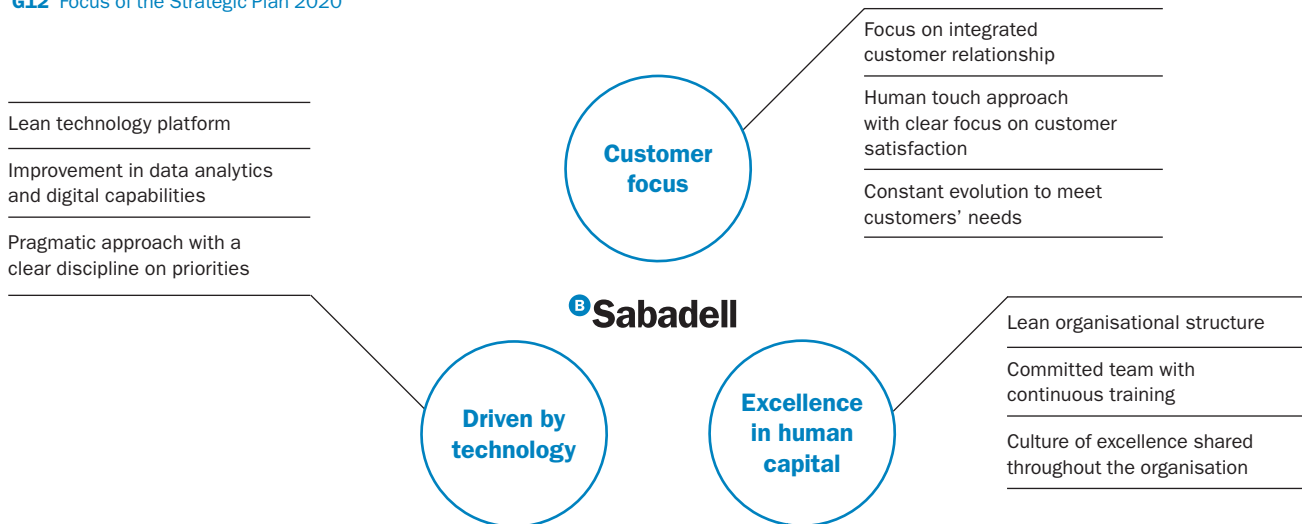


In the United Kingdom, Banco Sabadell will focus on achieving significant business growth, taking advantage of technological autonomy as a lever for differentiation, improving efficiency by maintaining a focus on managing costs, and taking advantage of the Group's knowledge and leadership in the SME and corporate segment to kickstart this business in the United Kingdom.

Efforts in Mexico will focus on boosting the corporate and corporate banking business with an ambitious growth plan, building on the positive track record and solid foundations already laid in that country. The bank will also enter the banking for individuals business with an innovative digital proposal.

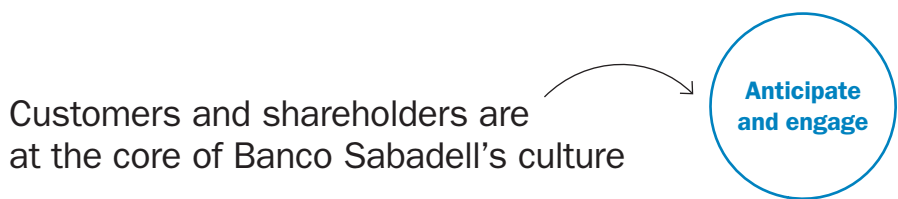
Because of their importance for the Group, those three markets will share a strategic focus on the brand and customer experience as distinguishing features, an effective, efficient management model, deploying the necessary technological capabilities to develop digital businesses and lead the transformation within the company and the development of internal talent.

**G12** Focus of the Strategic Plan 2020



**G13** Base of the Plan

**Enhancing profitability**



# Share performance and share ownership

Market attention in 2017 was focused on central banks' monetary policy decisions, geopolitical risk and its potential economic impact, and financial regulation.

In the first seven months of the year, share performance was shaped mainly by investor expectations that the European Central Bank would bring forward its calendar of interest rate increases, uncertainty about negotiations over the terms of Brexit, and the resolution and subsequent sale of Banco Popular.

Meanwhile, the strength of Banco Sabadell's banking business, and the improvement in its capital position and balance sheet quality, led to an upward revision of the rating on its long-term debt by Standard & Poor's, with the result that it attained investment grade from the three rating agencies. These factors, together with the announcement of one-time transactions such as the sale of Sabadell United Bank and the reinsurance agreement for the BanSabadell Life value-in-force portfolio, enabled the share to reach its high for the year.

In subsequent months, postponement of ECB interest rate hikes, heightened regulatory uncertainty, and rising political tension in Catalonia undermined the gains by the share (G15).

Overall, in 2017, Banco Sabadell's share appreciated by 29% (adjusted for capital increases and dividends), the best performance in the Spanish banking sector.

One of Banco Sabadell's goals is to reward the trust placed in us by our shareholders by assuring them of an appropriate return, a balanced and transparent governance system, and careful management of the risks associated with our activity.

In parallel, at the end of 2017, more than 80% of the analysts covering Banco Sabadell recommended buying or holding the share.

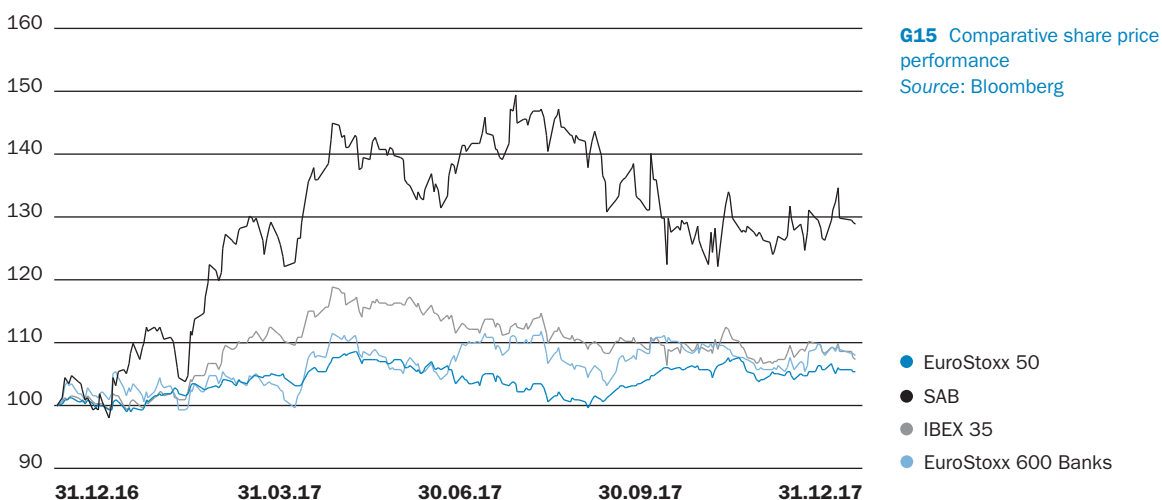
In the course of the year, institutional investors significantly increased their share of Banco Sabadell's equity, from 43.9% in December 2016 to 54.3% in December 2017 (G16, T2 & T3).

As part of ongoing efforts by the Bank in recent years to ensure a degree of transparency and communication appropriate to the Group's increased scale, Banco Sabadell management continued to maintain a high level of interaction with institutional investors. As a result, bank management attended nineteen conferences in 2017, organised four earnings roadshows, two fixed-income deal roadshows, and meetings with more than seven hundred investors in more than ten countries, all record figures.

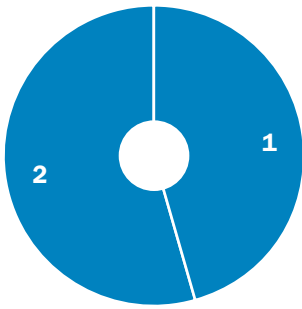
At the end of the year, Banco Sabadell's market capitalisation stood at €9,224 million, with a price-to-book ratio of 0.69.

The Board of Directors will recommend that the General Meeting of Shareholders approve the distribution of a gross dividend for 2017 of €0.07 per share in cash.

## Top share performance among Spanish banks in 2017.



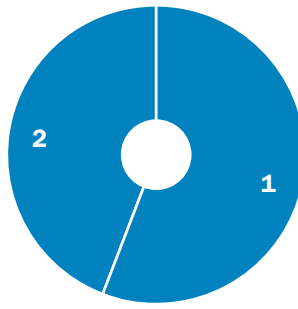
Note: share price adjusted for dividends and capital increases.



#### G16

##### Ownership structure 31.12.2017 (%)

<b>1</b>	Retail investors	45.7
<b>2</b>	Institutional investors	54.3



##### Ownership structure 31.12.2016 (%)

<b>1</b>	Retail investors	56.1
<b>2</b>	Institutional investors	43.9

No. of shares	Shareholders	Shares in tranche	% of capital
1 to 12,000	191,049	568,067,780	10.10%
12,001 to 120,000	41,430	1,255,935,409	22.32%
120,001 to 240,000	1,572	255,423,290	4.54%
240,001 to 1,200,000	882	384,358,991	6.83%
1,200,001 to 15,000,000	159	490,753,568	8.72%
More than 15,000,000	38	2,672,425,663	47.49%
<b>TOTAL</b>	<b>235,130</b>	<b>5,626,964,701</b>	<b>100.00%</b>

**T2** Analysis of shareholdings by size at 31 December 2017

No. of shares	Shareholders	Shares in tranche	% of capital
1 to 12,000	210,724	637,613,634	11.35%
12,001 to 120,000	47,192	1,434,418,837	25.54%
120,001 to 240,000	1,815	298,083,930	5.31%
240,001 to 1,200,000	1,016	447,346,950	7.97%
1,200,001 to 15,000,000	165	465,697,498	8.29%
More than 15,000,000	36	2,332,990,347	41.54%
<b>TOTAL</b>	<b>260,948</b>	<b>5,616,151,196</b>	<b>100.00%</b>

**T3** Analysis of shareholdings by size at 31 December 2016

	M	€M	€	€M	€
	No. of shares	Profit attributable to the Group	Earnings per share attributed to the Group	Equity	Book value per share
2014	4,024	372	0.092	10,224	2.54
2014 (*)	4,290	372	0.087	10,224	2.38
2015	5,439	708	0.130	12,275	2.26
2015 (**)	5,472	708	0.129	12,275	2.24
2016	5,616	710	0.126	12,926	2.30
2016 (***)	5,624	710	0.126	12,926	2.30
2017	5,627	802	0.142	13,426	2.39

**T4** Earnings per share and book value per share 2014-2017

(\*) With dilution effect of convertible bonds (265.27 million shares).  
 (\*\*) With dilution effect of convertible bonds (33.01 million shares).  
 (\*\*\*) With dilution effect of convertible bonds (7.52 million shares).

# 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.

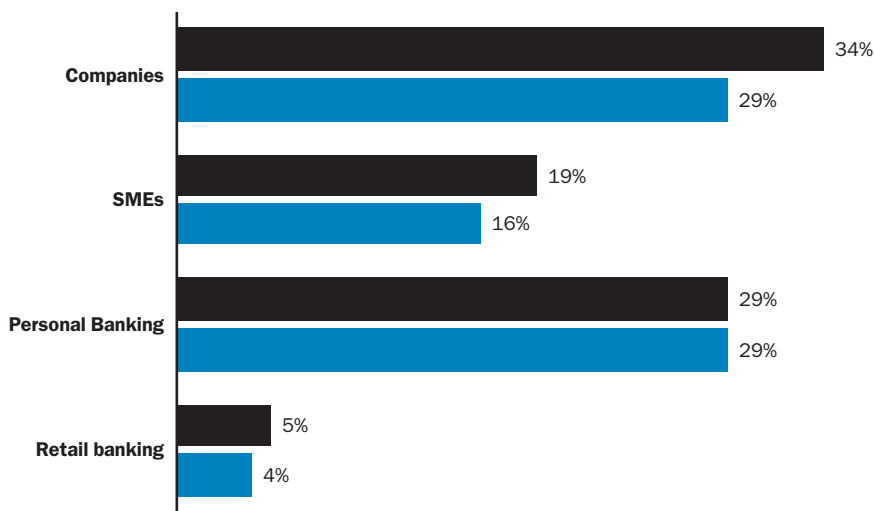
The results of these surveys testify to the Bank's prioritisation of a quality service to the customer, with all indicators showing a continuous improvement (G18).

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.

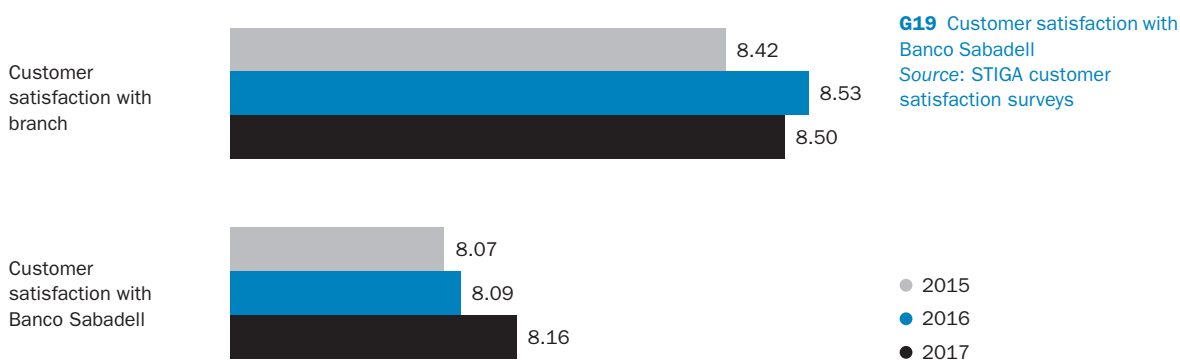
Note: The NPS is based on the question "On a scale of 0 to 10, where 0 is 'not at all likely' and 10 is 'I would definitely recommend it', how likely would you be to recommend Banco Sabadell to a relative or friend?" The NPS is the percentage of customers who answered 9 or 10, after eliminating those 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.

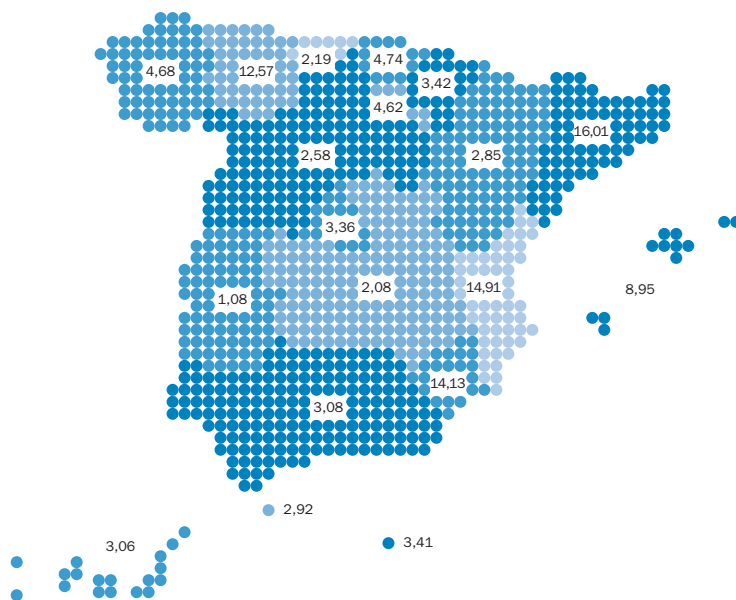
### Asset Transformation

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).

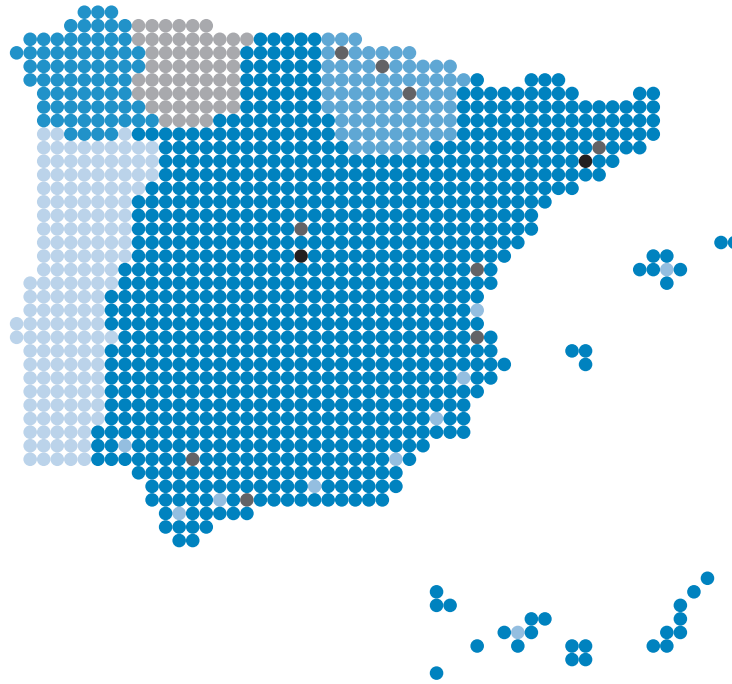
Banco Sabadell is a leading player in international business. With a specialised offer and an effective value proposition, Banco Sabadell is present in strategic locations and collaborates with foreign trade promotion agencies, enabling it to support its customers in developing and expanding their international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

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

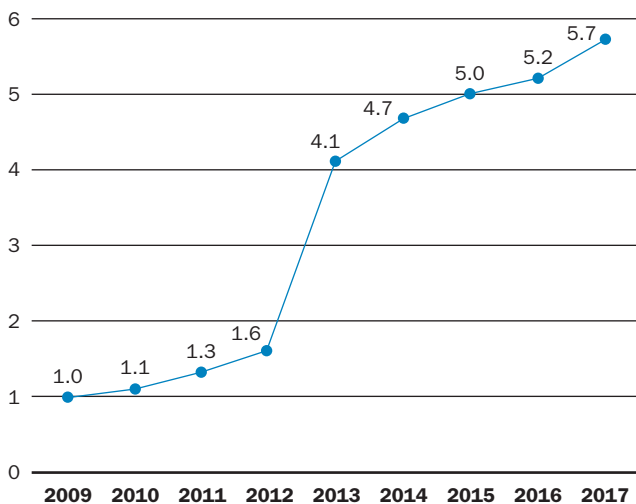
During 2017, the Bank continued its successful policy of raising brand awareness, which is key to increasing its capacity for growth in the retail market in Spain, where it aims to match the brand recognition achieved by the main competitors. In the course of the last six years, “top of mind” awareness 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**

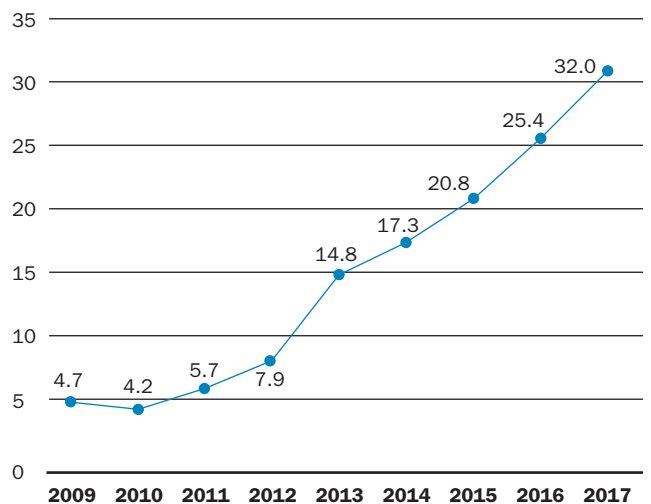
In 2017, the Bank maintained its characteristic style of advertising, which differentiates it from the competition and other advertisers.

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.

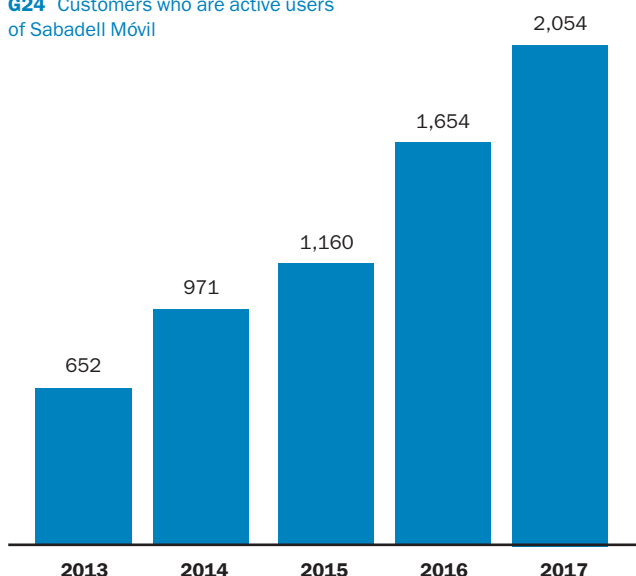
## Branch Direct

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

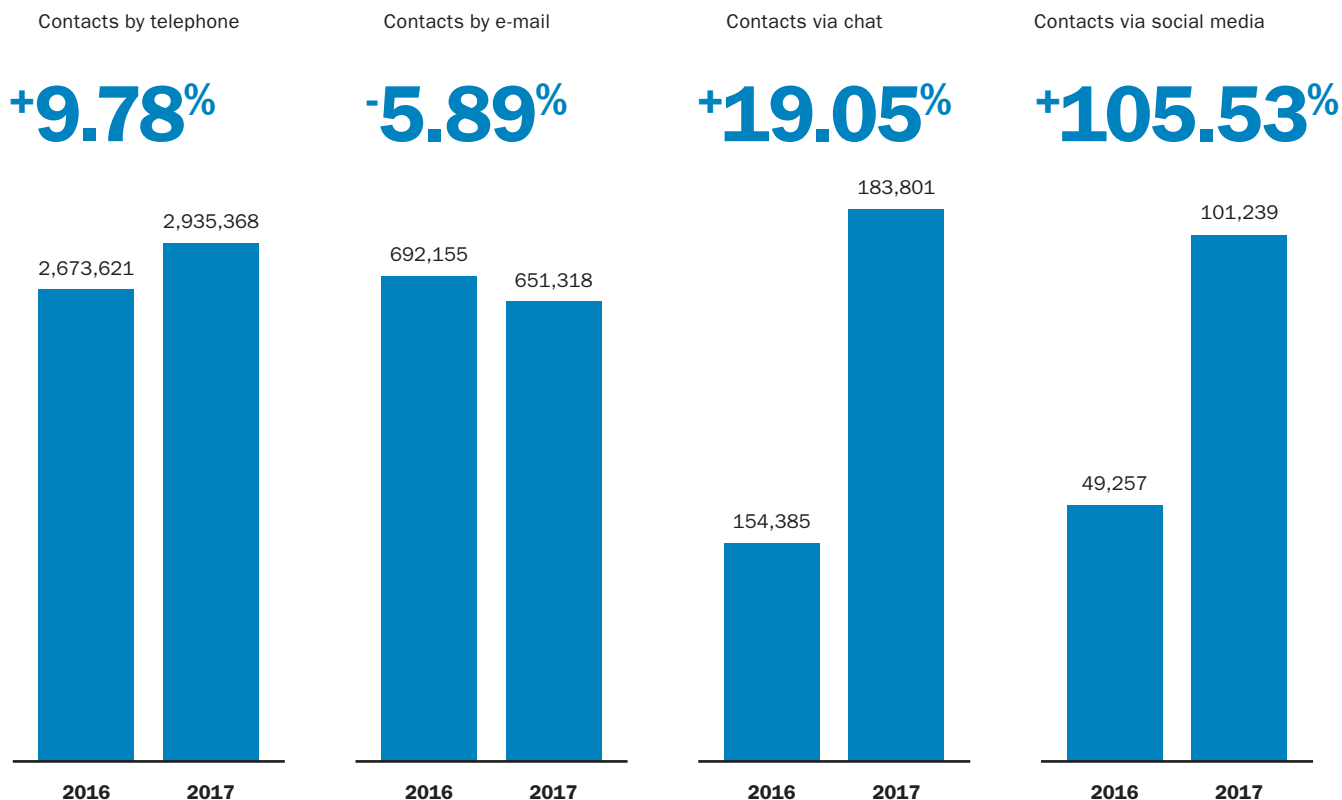
Social media are one of the main channels for managing customer relationships, in terms of both transactions and of broadcasting institutional, business and marketing messages. Their use is growing exponentially and the Bank sets a high priority on raising its social media profile.

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.

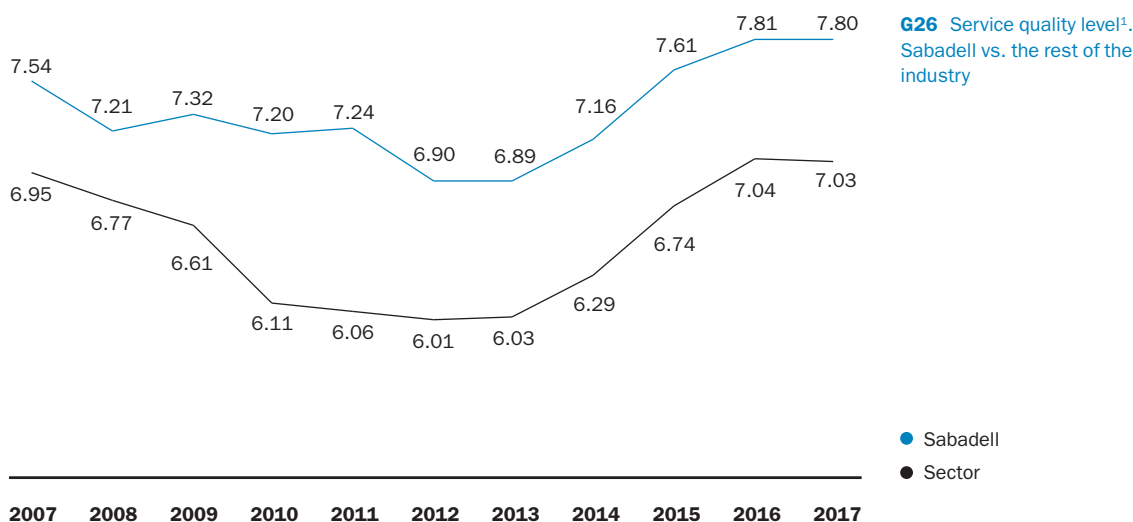
# Sabadell maintains a clear lead in quality over the rest of the industry.

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



MADRID EXCELENTE



ISO 14001 CERTIFICATION



ISO 9001 CERTIFICATION



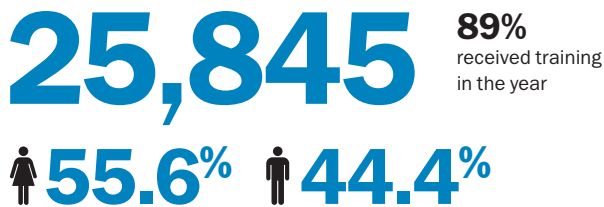
EFQM EUROPEAN EXCELLENCE

# People

The Bank has a young, qualified and gender-diverse workforce. The human resources strategy is based on four key principles which ensure that the goals are achieved (G27).

Four essential premises underpin the group's human resources management approach:

- The Bank has human resources policies and procedures in place that apply throughout the organisation.
- People are a differentiating asset and a critical success factor for Banco Sabadell.
- People are part of the whole organisation and make up a single team: Banco Sabadell.
- The Bank believes it is necessary to constantly strengthen the emotional bond between the Bank and its people.



G27 Banco Sabadell Group  
headcount

34.6% of managers are women

## Human resources strategy and lines of action in 2017

The capacities built into the previous Master Plan are the foundation for development towards a new management structure that is more efficient and closer to the business. The human resources function is now global and fully aligned with the other corporate lines of action.

Restructuring of the human resources function, completed in 2017, will enable effective coordinated action in all areas required by the Master Plan 2018-2020:

- Planning and anticipating the institutions' future personnel needs.
- Pro-active management focused on enhancing human capital.
- Development of the culture and improvement in employee satisfaction.

A number of programmes, most of which had commenced in previous years, were consolidated in 2017, including notably:

### — **Global Performance Management**

The cornerstone of a global, integrated standardised approach to talent management throughout the Group, whose main objective is to measure performance

objectively, across the entire organisation, in order to enhance each individual's strengths and minimise the areas requiring improvement.

### — **Employee Satisfaction Improvement Programme**

Based on coordinated efforts by all areas of the Bank, this resulted in a significant improvement in the target ratios and reinforces the Group's appeal as an employer.

### — **Mobility and Diversity Programme**

Translates into a multitude of professional opportunities for internal talent, with a special focus on female talent as a competitive advantage and on flexibility as an opportunity to improve productivity and employee satisfaction.

### — **Definitive roll-out of the Sabadell Campus concept**

To provide an overarching integrated vision of training, based on self-development, career choice and challenge as an engine of personal progress.

In addition to these ongoing programmes, there are others that are critical for the institution in the immediate future:

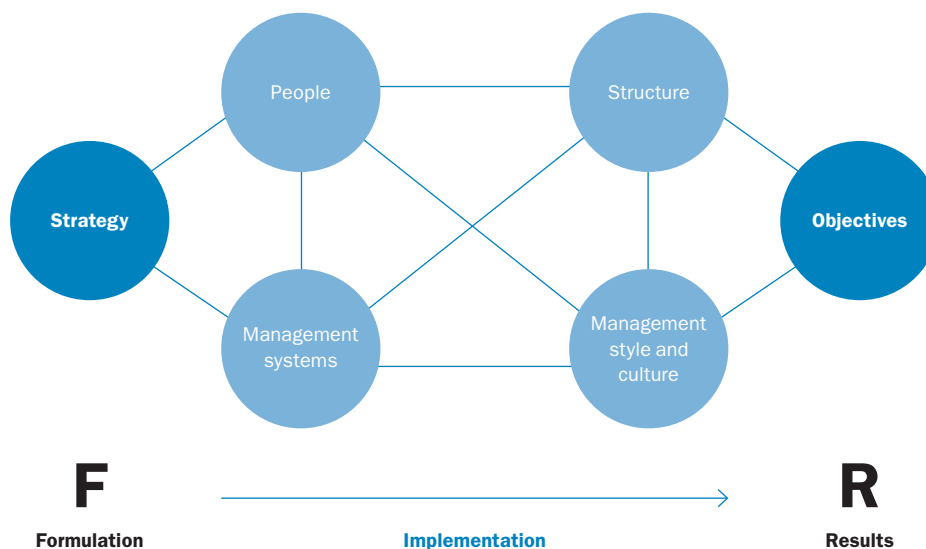
- Strategic personnel planning, in both quantitative and qualitative terms, with special focus on the gap between the staff's current capabilities and future challenges.
- Adaptation of remuneration and benefits policies



to align our compensation systems with the current and future regulatory framework, while orienting remuneration more toward rewarding outstanding performance.

- Expressing the brand through our employees, as a fundamental competitive advantage in the transition from a branch-based bank to a multichannel, hyper-connected relationship platform.

G28



Talent planning is a strategic priority for the project's long-term sustainability.

## Composition of the Group headcount

At the end of 2017, the Banco Sabadell Group had 25,845 employees, a decrease of 100 compared with the previous year. The average employee age was 43.04 years and the average length of service was 16.19 years. The gender split was 44.4% men and 55.6% women.

89% of the employees have participated in at least one Sabadell Campus activity.

# Projects in the Human Resources area

## Training and development. A new approach to training

During 2017, Banco Sabadell continued to promote its learning model, instituted in 2016, by expanding Sabadell Campus and its constituent schools and learning spaces. The Campus incorporates the main features of the Bank's training model based on innovation, personalised training, alignment with business goals, and efficiency.

### Expanding digital offering

Sabadell Campus provides all employees with a space for the development of digital skills with the aim of helping them to be part of Banco Sabadell's digital transformation programme.

### Expanding the Commercial School

The Commercial School, which focuses on training to meet the challenges facing the branch network, expanded its content and range of subjects.

In 2017, specific training programmes were designed for many other commercial profiles, in Commercial Banking (Active Management, SME branch manager, business Manager), Private Banking and Corporate Banking. Priority was given to having a much more comprehensive offering of courses adapted to each professional's needs.

### Enhancing the School of Management

The School of Management is the section of Sabadell Campus whose content is oriented towards meeting professional and personal goals through skill-building. In 2017, it expanded its range of on-site courses with innovative and useful subjects, and extended its online catalogue, which is available to all employees in a range of formats, including gamification. The School of Management is the section that receives the most visits: 9,500 employees connected in 2017,

The School of Management also rolled out two new editions of the Corporate Management Programme. This programme was redesigned to be more efficient with a blended format that includes networking with executives and a project presentation competition based on the elevator pitch; winning projects can be implemented in the Bank.

## All sections of the Finance School are now operational

A mission of the Finance School is to raise the level of financial skills in the Group by offering specialist training to all employees and providing them with an attractive range of content and learning methodologies.

In 2017, three new financial challenges were implemented: analysing a balance sheet, analysing a P&L account, and gaining an overview of the banking business.

The Finance School is receiving very good feedback from the Risk Management Programme being implemented by UPF for the Bank's risk analysts.

### Language Area

The Sabadell Campus Language Area pursues the goal of enhancing language skills by giving all employees access to the full range of language training that the Bank offers for each profile and specific need.

### Expanding the team of internal trainers

The internal trainer team is a key component of Banco Sabadell's new training approach. Internal trainers share their knowledge and talent with co-workers, providing training in all territories when needed.

Internal trainers received specific training in this area in 2017, including a seminar in February and a programme on training techniques and skills offered by Barcelona University.

The team of trainers participated in a number of projects on the basis of the Bank's needs, including notably the workshops to support EIP training, the Laude Programme tutorials, and the implementation of a systematic commercial approach through workshops with the Corporate Banking and Active Management employees.

These professionals provided more than 25,000 hours of training, an average of over 86 hours per trainer, sharing their knowledge with the rest of the workforce.

### Mobility

To vitalise the Bank's internal recruitment process, create opportunities for professional development and encourage internal mobility for Group employees, the following actions were implemented:

- Making internal recruitment procedures more flexible to attract existing in-house talent.
- Approving a procedure for active internal employee searches.
- At international level, the internal recruitment policy was rolled out in the regions where the Group operates in pursuit of more efficient employee movement.

In external recruitment, work is continuing to develop a pool of professionals that can selectively drive future expansion, and on incorporating international experience into the executive career path.

For this reason, a service unit has been set up to design and manage programmes to attract young talent showing potential for development as a talent pool to support the Group's expansion.

- Internship Programme
- Young Talents
- Talent Graduate Programme

As for diversity, the Group is focusing specifically on empowering female talent as a source of corporate wealth, based on an exhaustive analysis of gender-based indicators, workshops with managers and executives to understand the situation of female talent in the Bank, and a specific plan to continue advancing in diversity and equality.

Banco Sabadell also offers a broad range of measures aimed at improving work-life balance for its staff, by enabling them to purchase goods and services via the employee intranet, by which they save not only money but also time, as the products are delivered to the office, avoiding the need for extra trips outside work hours.

In 2017, new flexibility and work-life balance measures were introduced, including the possibility of purchasing additional days of vacation and the progressive implementation of telework.

The corporate services buildings in Sant Cugat del Vallès and Madrid offer employees a range of time-saving services, such as a gym, dry cleaning, parapharmacy, travel agency and hair salon.

## Leadership management

Anchored in a business-focused leadership style that is propagated by the School of Management, the management model has been enhanced with the aim of having the best information about our current talent and its potential in order to ensure appropriate decision-making, effective and efficient management, and effective development of our executives and pre-executives. In detail:

- Have objective, relevant and consistent information for decision-making in the personnel area (assessment of internal candidates and promotion to executive level), responding at national and international level.
- Supporting executives and middle management via personalised development programmes and horizontal programmes, as necessary.
- Building a global culture of talent management (assessment, identification and development) that makes it possible to maximise present and future performance, with participation by the entire management team.

An onboarding programme has been created for new corporate managers and the top 300, the goal being to assist them in their career transition and prepare them for the changing business environment, focusing particularly on the specific challenges posed by their new leadership role. The programme adopts a "learn by doing" approach and uses networking with the executive team to provide visibility.

## Operations, Organisation and Resources Department

The new Organisation and Resources managers seek to be close to the business and in a position to lend support; their function, from a corporate standpoint, is to provide the business with the resources it needs to achieve its objectives, with the focus on people. Its functions include defining the personnel and organisational adaptation plan in their sphere of responsibility, based on in-depth knowledge of the people involved, their talent and expectations. This comprehension, coupled with knowledge of the structure, processes, key figures and indicators for those areas, results in a mission focused on improving employees' activity, productivity and satisfaction through the use of models and solutions designed by the Human Resources Department.

## **Improved employee satisfaction**

Applying the “great place to work” approach to excellence, the Group continues to measure and act on the priorities in this area in order to continue building trust internally. All areas of the Bank have made a commitment to this objective, and many initiatives have been implemented to enhance employee satisfaction. Particularly noteworthy are actions aimed at improving internal communication, recognition and meritocracy.

In parallel, corporate actions have been implemented to support this process. They include the new My Benefits portal, the extension of flexibility and work-life balance measures, and improvements in selection and performance assessment, based on employee feedback.

## **Prizes and distinctions**

### **Mercotalento**

Banco Sabadell continues to rank highly in this prestigious indicator of the ability to attract talent: it is #21 among the top 100 places where people would like to work.

### **Randstad Award**

Banco Sabadell retained its position as one of the most attractive employers in the financial sector, according to the Randstad survey.

### **2nd Talent Awards — HR Encounter in the Insurance Industry**

Banco Sabadell was named Best Company for HR Innovation.

### **El Mundo Zen Adecco award for encouraging physical activity and healthy lifestyles**

Banco Sabadell obtained second prize among 200 nominees.

# Corporate Social Responsibility

Banco Sabadell's approach to Corporate Social Responsibility (CSR) relies on doing business in an ethical and responsible way, with a focus on excellence and a commitment to society by providing the best solutions to the challenges it faces. Anticipating and engaging through responsible business development, a commitment to employees, to the environment and to society in all the territories where the Bank does business. Each and every professional in the organisation has a part to play in applying the principles and policies of corporate social responsibility so as to fulfil this aim and commitment on the part of Banco Sabadell.

In addition to complying with applicable regulations, Banco Sabadell has a set of policies and codes of conduct that guarantee ethical and responsible conduct at all levels of the organisation and in all Group operations, and it applies them to its suppliers, incorporating social and environmental responsibility into the supply chain.

Responsibility for oversight and monitoring of these policies, procedures and codes of conduct lies with the Corporate Ethics Committee, whose members are appointed by the Board of Directors. The Corporate Social Responsibility Committee drives and coordinates Group strategy, policy and projects in the area of CSR.

At Banco Sabadell, Corporate Social Responsibility is also visible in its support of international initiatives and commitments and in the certifications and qualifications it has received.

Planned Corporate Social Responsibility initiatives continued to be implemented in 2017 in four main areas of action: responsible business, commitment to employees, commitment to the environment, and commitment to society.

## Responsible business

### Social housing

Through *Sogeviso*, Banco Sabadell has a housing programme to deal with situations of social exclusion among its mortgage customers. Depending on the mortgage customer's situation, a number of solutions are offered, ranging from an affordable rent to rent+ "social contract", which includes services.

In 2017, 2,912 new reduced rent contracts were arranged, and the "social contract" continues to be rolled out as an annex to the reduced rent contract. This service involves assigning a social worker to provide support to vulnerable families in cooperation with the local government social services, combined with training, preparation for job interviews and coaching for employability; additionally, efforts are made to enhance these customers' socio-economic situation by working with Banco Sabadell

Group suppliers, public administrations and third-sector organisations. By 2017 year-end, the "social contract" had been extended to 3,769 families, 48% of all the families to which the Bank has provided a housing solution following a situation of over-indebtedness due to the loss of their livelihood. The number of families to which the bank had provided affordable or social rent solutions amounted to 8,656 by the end of 2017.

### Vulnerability

Some of the solutions that Banco Sabadell provides to facilitate financial inclusion of vulnerable customers are implemented via *Sogeviso* through the *JoBS* work placement programme. These support actions focus on reinforcing beneficiaries' skills through personal coaching or training, focused on actual labour market demand. *JoBS* connects customers with the job offers that best suit their professional and personal profile so as to maximise successful placements. Since November 2016, more than 2 thousand clients have benefited, and over 600 of them had obtained a job by the end of 2017.

### Transparency

In order to enhance relations with customers and facilitate comprehension of their relationship, the Bank continued the process of simplifying contracts by rewriting them in more straightforward, less technical language while maintaining the legal and informative certainty to which customers are entitled. It simplified the catalogue of demand accounts by applying the advantages of the initial 111 products to 31 new offerings.

It is now possible to arrange for a number of associated products that a customer needs with just one signature, which shortens the process and reduces paperwork.

### Ethical and solidaric investing

Banco Sabadell encourages responsible investing by offering customers a number of ethical investment products which also contribute to solidaric projects. In the area of investment, both pension fund manager BanSabadell Pensiones EGFP, SA and, since 2016, Aurica Capital, a venture capital enterprise that invests in Spanish companies with plans to expand in foreign markets, have adopted the Principles for Responsible Investment in the "investment manager" category. These principles cover social, environmental and governance criteria in management policies and practices.

Products in this area include Fondo de Inversión Sabadell Inversión Ética y Solidaria, F.I. (a mutual fund), Sociedad de Inversión Sabadell Urquijo Cooperación, S.I.C.A.V, S.A. (an investment company), Plan de Pensiones BS Ético y Solidario, P.P. and Plan de Pensiones BanSabadell 21 F.P. (pension plans), and Fondo de

Pensiones G.M. PENSIONES, F.P. (a pension plan for Group employees). In 2017, the Corporate Ethics Committee chose 22 projects mostly aimed at covering social exclusion risks, improving the living conditions of people with disabilities and meeting basic food and health needs. Over €430,000 were granted to solidaric organisations and projects in 2017.

## Commitment to employees

### Gender

Banco Sabadell guarantees gender equality in selection, training and promotion processes, as well as in salary and working conditions. This commitment, for each of the aspects of the employment relationship, is embodied in the Equality Plan, the human resources policy and the Code of Conduct.

To this end, the Bank continues working to prevent any kind of gender-based discrimination at work. In 2017, Banco Sabadell fulfilled and exceeded the commitment it made in 2014 when it signed a Cooperation Agreement with the Spanish Ministry of Health, Social Services and Equality that set a target that women should account for 18% of senior management roles by 2018. At present, 34.6% of managerial positions in Banco Sabadell are held by women.

For the period 2016-2020, the Bank has set a target of promoting 450 women to positions of responsibility in the organisation; 198 have been promoted since the programme began, 38% of the final target. The Bank also took part in events and initiatives that promote gender equality and leadership, such as “Inversión y Finanzas”, “Mujer Hoy”, “Women, Leadership and #climatechange” and the “Mujeres influyentes” forum.

### Work-life balance

The Bank has measures in place, applicable to all employees in the organisation, to help promote a better work-life balance. Available benefits include the option of shorter working days, paid and unpaid leave for various reasons (breastfeeding, maternity, caring for a relative, special circumstances, paternity) and several forms of flexitime.

In 2017, the Bank broadened this range of measures to include a reduction of between 20% and 50% of the working day to attend to personal needs, the ability to purchase holidays (up to 31 additional days against the employee's salary) and partial retirement (for employees over the age of 61, who can cut their working day by between 25% and 50%). In coordination with existing measures, a work-life balance unit was created with the mission of providing advice, intermediation and guidance for managers and employees.

## Professional development

Banco Sabadell gives priority to employees' personal well-being as well as their professional growth. The Talent Department handles the induction and development of new hires and monitors their retention, all of which are key factors for competitiveness, leadership and excellence.

During 2017, the Group continued to promote its learning model, instituted in 2016, by expanding Sabadell Campus and its constituent schools and learning spaces: the School of Management, the Commercial School and the Finance School. 89% of employees received training, and employees took 137,000 online training sessions.

### Diversity

Banco Sabadell also promotes diversity through the integration in the workplace of differently-abled people by means of non-discriminatory recruitment policies. The Group takes measures to adapt job briefs where needed. In 2017, a pilot programme was begun with the Fundación DKV Integralia to hire persons with disabilities at some subsidiaries.

## Commitment to the environment

Banco Sabadell has an environmental policy which set-out its commitment to the environment and to combatting climate change. The policy focuses on minimising the environmental impacts of the processes, facilities and services inherent to the business, managing business-related environmental threats and opportunities appropriately, and promoting a commitment to the environment by all persons with whom the Bank comes into contact. In this respect, the Bank has joined a number of global initiatives, including the Equator Principles and the Carbon Disclosure Project (CDP).

### Commitment to the planet

Since 2011, Banco Sabadell has applied the Equator Principles, an international voluntary framework of policies, standards and guidelines coordinated by the International Finance Corporation (IFC), a World Bank agency, whose aim is to determine, assess and manage the environmental and social risks of structured finance deals amounting to 10 million dollars or more and of corporate loans amounting to 100 million dollars or more. Under these standards, a social and environmental impact assessment is carried out that, in some cases, results in minimisation, mitigation and offsetting measures, subject to review by an independent expert. In 2017, Banco Sabadell

signed 11 deals incorporating the Equator Principles, 91% of which related to renewable energy projects.

All Group branches have access to information to assist them in assessing any environmental risk associated with the industry or business of a company that is being evaluated. The assessment is one of the documents on which the transaction credit risk evaluation is based and it has an influence on the final decision.

Banco Sabadell promotes the development of a more sustainable energy model by investing directly in, and lending to, renewable energy projects.

In 2016, through subsidiary Sinia Renovables, Banco Sabadell launched a new €150 million programme of equity investment in renewable energy projects, which will continue until 2019. In line with the Bank's internationalisation strategy, the Sinia programme will include investments in Spain, Mexico, the UK and a number of Latin American countries. Renewable electricity generation in Spain that is attributable to Sinia totals 181 GWh per year, exceeding the electricity consumption of Banco Sabadell's branches and corporate offices.

To date, Banco Sabadell has provided over €1,048 million in funding to renewable energy generation projects.

Another environment-related area of the Bank's business is financing energy-efficient equipment and facilities by means of special-purpose leasing products; these are used to finance projects in such areas as public lighting, biomass-fired boilers and cogeneration facilities.

## Responsible consumption

As regards the Bank's own infrastructure, it has an environmental management system that is certified to the ISO 14001 standard and covers six Central Services buildings. To reduce energy consumption, the Bank undertakes continuous improvement initiatives to make its facilities and processes more eco-efficient.

The contract with Nexus Renovables was maintained in 2017; this covers 99.93% of the Group's electricity supplies with energy from sources that are 100% renewable, and was able to achieve a 99.83% reduction in scope 2 CO<sub>2</sub> emissions (electricity consumption, taking 2014 as the baseline year).

Banco Sabadell works to minimise its consumption of resources (water and paper) while also appropriately managing waste. Along these lines, paper consumption was reduced by 33% in the period 2015-2017. In addition, the use of digital contract systems has avoided printing 4.7 million pages.

## Sustainable mobility

There was also an increase in the range of sustainable vehicles in the Bank's vehicle leasing pool; in 2017 they accounted for 78% of the entire fleet. The Bank has also contributed to sustainable mobility in such cities as Terrassa and Bilbao by financing hybrid city buses and

100% electric taxis in collaboration with leading industry brands.

## Commitment to society

Banco Sabadell shows its commitment to society by permanently engaging with the community and sharing its concerns. Financial education, social action and support for initiatives with a social impact are the key elements of this commitment, which is also expressed through the corporate volunteer programme and initiatives by divisions of the Bank and by the Banco Sabadell Foundation.

## Financial education

The Bank promotes and takes part in a number of financial education initiatives aimed at meeting the needs of different segments of society in this respect.

- For children: through the "What's money for?" drawing competition for children, the Bank provides learning materials and a specialised glossary to encourage children to think about the importance of saving and helping others. For each drawing received, it makes a donation to a charitable cause. Around 5,000 children took part in the eighth edition of the competition, in 2017.
- For young people: the Bank has been participating in the Catalan Schools Financial Education programme for young people aged 15-16 since its inception; the fifth edition included events in over 320 schools. In 2017, a total of 179 volunteers took part, including current and retired employees of the Bank. Also, in partnership with the Spanish Banking Association (AEB) and the Junior Achievement Foundation, the Bank took part in the "Your finances, Your future" programme in more than 100 schools all over Spain. A total of 32 volunteers (current and retired employees) took part in this programme, and the Bank was also present at the first Financial Innovation Camp organised by the AEB, mentoring fourth-year secondary school students.
- For SMEs: For the last five years, Banco Sabadell, with AENOR, AMEC, Arola, CESCE, Cofides, Esade and Garrigues, have sponsored the "Export for Growth" programme to help small and medium-sized firms expand into foreign markets. In 2017, five sessions were held on the US and India, with over 420 people attending in cities such as Barcelona, Madrid and Bilbao. The Bank also extended its commitment to support and advise customer companies through the Sabadell International Business Program, a training initiative held simultaneously in Barcelona, Madrid, Valencia, Oviedo, San Sebastián and Málaga in collaboration with the University of Barcelona (UB). In this first edition, over 70 participating companies will obtain a university certificate in International Trade.

The Bank is also party to an agreement with the AEB, the CNMV and the Bank of Spain to promote the National Financial Education Plan. This Plan, which follows the recommendations of the European Commission and the

OECD, is designed to improve public understanding of financial matters by providing people with basic skills and tools to manage their financial affairs in a well-informed, responsible way.

## Corporate volunteer programme

Banco Sabadell encourages community and volunteer work by its employees by providing the necessary resources. In 2017, the in-house website, Sabadell Life, became more firmly established; with over 9,800 users, it covers more than 200 community and volunteer initiatives put forward by the Bank and its employees. Applying the dynamics of gamification, the more community-minded employees exchanged their prizes for donations to one of the causes sponsored by Sabadell Life through its Actitud Solidaria platform: a programme by Arrels Fundació for homeless people, a programme by Alzheimer Catalunya for people with dementia, and the Fundación Vicente Ferrer's paediatric care initiative.

Apart from the financial education programmes mentioned previously, the initiatives with the largest number of volunteers, were:

- Programmes to leverage the knowledge and experience of current and former employees to favour people at risk of social exclusion: Fundación Exit's "Coach" project, which mentors young people at risk to improve their employability, and the Transpirenaica Social Solidaria walk.
- Contributions to/participation in solidaric campaigns: The Trailwalker hike in which over 70 teams and 400 volunteers took part; the Carrera de la Mujer (a fun run for women), in which the Bank paid 360 entry fees; over 280 blood donations; collaboration with the Fundación Magone on Reyes Magos Solidarios with the contribution of over 400 Christmas presents; and other activities designed by the employees themselves, such as the "Imparables" campaign to raise funds for medical research into leukaemia.
- Projects aimed at integration and improving employability: An alliance with Cáritas on the "Feina amb Cor" programme in which unemployed people and people at risk of social exclusion took part. Of the 14 people who participated in the programme, 11 continue to work for Banco Sabadell.

## Solidarity

Banco Sabadell carries out some of its community support work through its foundation, Fundación Banco Sabadell, whose work is organised around talent, science, culture and social entrepreneurship. Key initiatives by the Foundation include a Prize for Biomedical Research and a Prize for Research in Economics, both of which aim to give recognition and support to the achievements of young Spanish researchers in those disciplines.

As regards alliances in social innovation and talent, Fundación Banco Sabadell has launched two programmes in conjunction with Fundación Ship2B: B-Value, an innovation programme for social organisations which provides specialised mentoring in a number of sectors, with guidance being provided by the Bank's employees; and B-Challenge, a young talent programme which includes crowdfunding for the four best projects that propose innovative solutions to social challenges with sustainable business models.

In addition, by organising initiatives on a cross-divisional basis, Banco Sabadell seeks to contribute to social welfare using business ventures of its own. This was the case with an alliance signed with Worldcoo, a start-up in which the Bank invested through its BStartup 10 programme, to use its online banking system to enable customers to make donations to solidaric initiatives. In 2017, Worldcoo enabled customers and employees to channel their solidarity: over 2,400 donations to 10 projects, benefiting over 34,000 people. This platform enabled an effective response to several emergencies, such as the earthquake in Mexico, when it helped over 2,500 children and families, and support for over 2,200 refugees through Proactiva Open Arms's "Misión Mediterráneo".



## Corporate standards and institutional commitments

In addition to the actions and initiatives described in this report, Banco Sabadell has a series of codes, policies and rules that shape its commitment to Group objectives, and has also entered into various national and international agreements that provide a framework for this commitment.

### Principles and policies

- Code of Conduct: applies generally to all persons directly involved with the Group, whether as employees or as members of its governing bodies.
- The Internal Code of Conduct in connection with the securities market.
- Suppliers' Code of Conduct.
- Policy on ethics and human rights.
- Corporate Social Responsibility Policy.
- Policies related to stakeholders (shareholders and investors, customers, suppliers, employees, the environment and the community).
- Equality Plan.
- Code for the use of Social Media.
- Membership of AUTOCONTROL, a self-regulatory advertising standards body.
- Adoption of the Code of Good Banking Practice.

### Agreements and commitments

- Signatory of the United Nations Global Compact, in respect of human and labour rights, the environment and the fight against corruption.
- Signatory of the Equator Principles, requiring it to take account of ESG issues in financing major projects and in large corporate loans.
- Integration of CSR policies into business practice in accordance with ISO 26000 guidelines.
- Signatory of the United Nations Principles for Responsible Investment, in the “investment manager” category.
- Party to an agreement between the Spanish Banking Association (AEB), the CNMV and the Bank of Spain to carry out a programme of activities as part of the National Financial Education Plan.
- Inclusion in the FTSE4Good and FTSE4Good IBEX sustainable stock market indices.
- Awarded the European Foundation for Quality Management (EFQM) Gold Seal of Excellence.
- Current certification to ISO 9001 for 100% of the Group's processes and activities in Spain.
- Signatory to the Carbon Disclosure Project (CDP) in connection with action against climate change.\*

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\* For more details of CSR policies, see the CSR section of the Bank's website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)).