

Regulation of the Board of Directors of Banco de Sabadell, S.A.

REGULATION OF THE BOARD OF DIRECTORS OF
“BANCO DE SABADELL, S.A.”

C O N T E N T S

Chapter I. Preamble

- Article 1. Purpose
- Article 2. Interpretation
- Article 3. Amendment
- Article 4. Distribution

Chapter II. Mission of the Board

- Article 5. General supervisory function
- Article 6. Mission of the Board

Chapter III. Composition of the Board of Directors

- Article 7. Composition

Chapter IV. Structure of the Board of Directors

- Article 8. The Chairman of the Board of Directors
- Article 9. Chief Executive Officer
- Article 10. Lead Director
- Article 11. Deputy Chairmen
- Article 12. Secretary of the Board of Directors
- Article 13. Bodies of the Board of Directors
- Article 14. Strategy and Sustainability Committee
- Article 15. Credit Delegated Committee.
- Article 16. Audit and Control Committee
- Article 17. Appointments Committee

- Article 18. Remuneration Committee
- Article 19. Risk Committee
- Article 20. Other sub-committees

Chapter V. Operation of the Board

- Article 21. Meetings of the Board of Directors
- Article 22. Transaction of business

Chapter VI. Appointment and removal of directors

- Article 23. Appointment of directors
- Article 24. Removal of directors

Chapter VII. Information for directors

- Article 25. Powers to be informed and to inspect

Chapter VIII. Directors' remuneration

- Article 26. Directors' remuneration

Chapter IX. Directors' duties

- Article 27. Directors' general obligations
- Article 28. Directors' duty of confidentiality
- Article 29. Obligation not to compete
- Article 30. Private information
- Article 31. Directors' disclosure duties

Chapter X. Relations of the Board of Directors

- Article 32. Relations with shareholders
- Article 33. Relations with the markets
- Article 34. Relations with auditors

CHAPTER I. INITIAL MATTERS

ARTICLE 1. PURPOSE

1. The purpose of this Regulation is to determine, within the framework of the Articles of Association, the principles governing the actions of the Board of Directors of BANCO DE SABADELL, S.A., the basic rules of its organisation and operation, and the code of conduct for its members.
2. The rules of conduct established in this Regulation for directors are also applicable, mutatis mutandis, to the company's senior executives.

ARTICLE 2. INTERPRETATION

This Regulation shall be interpreted in accordance with the applicable current law and the Articles of Association.

ARTICLE 3. AMENDMENT

1. This Regulation may only be amended by the Board of Directors itself based on a reasoned proposal in writing by the Chairman, three directors, or the Appointments and Corporate Governance Committee.
2. The Appointments and Corporate Governance Committee must be consulted on any proposals for amendment.
3. The text of the proposal and any report by the Appointments and Corporate Governance Committee must be attached to the notice of the Board meeting that must decide on the proposal.
4. In order to be validly adopted, amendments to the Regulation must be approved by a two-thirds majority of the directors present at the meeting.

ARTICLE 4. DISTRIBUTION

The directors are obliged to be aware of, comply with, and ensure compliance with this Regulation. To this end, the Secretary to the Board shall provide each of them with a copy of same.

CHAPTER II. MISSION OF THE BOARD

ARTICLE 5. GENERAL SUPERVISORY FUNCTION

1. With the exception of matters falling within the remit of the Shareholders' Meeting, the Board of Directors is the highest decision-making body in the Company and its consolidated group and is responsible under the law and the Articles of Association for the management and representation of the Company.
2. Subject to the Articles of Association and the resolutions adopted by the Shareholders' Meeting, the Board of Directors represents the Company and the Company shall be bound by its decisions. The Board of Directors shall be responsible for taking such action as may be considered necessary in pursuit of the Company's object as described in the Articles of Association.

The Board of Directors, following consultation with the Appointments and Corporate Governance Committee, shall assess the performance of the Board itself and the discharge of their duties by the Chairman of the Board and the Chief Executive Officer. Also, following a report by the Board's Committees, it shall evaluate the performance of the latter.

3. Without prejudice to the foregoing, the Board of Directors acts mainly as an instrument of supervision and control, and delegates the management of ordinary business matters of the Company to the executive organs and management team.
4. Powers may not be delegated where they are required by law or the Articles of Association to be exercised directly by the Board of Directors or are necessary for the responsible performance of the general function of supervision.
5. Specifically, to ensure better and more efficient performance of its general supervisory duties, the Board undertakes to discharge the responsibilities provided by law, including:
 - a) those deriving from the generally-applicable corporate governance standards.
 - b) approving the Company's general strategies;
 - c) appointing and, as necessary, removing the company's senior

- executives;
- d) appointing and, as necessary, removing directors of subsidiaries;
 - e) identifying the main risks of the Company and its consolidated Group and implementing and monitoring the appropriate internal control and reporting systems;
 - f) setting policy on the reporting and disclosure of information to shareholders, the markets and the general public;
 - g) setting policy on treasury stock in accordance with any guidelines laid down by the Shareholders' Meeting;
 - h) authorising transactions between the company and its directors and significant shareholders that may pose a conflict of interest;
 - i) generally deciding on business or financial transactions that are of particular importance for the Company; and
 - j) those specifically envisaged in this Regulation.
6. The delegation or assignment of the power to represent the Bank to one or more directors, whether individually or collectively, binds them to inform the Board of any actions they take in the exercise of such powers which go beyond ordinary administration.
7. The Board of Directors shall have the power and the function to determine and establish the limits and conditions governing risk and lending transactions arranged by each of the subsidiaries, and the fees and general conditions to which such transactions must conform, without prejudice to the functions of the subsidiaries' Board of Directors.
8. In performing its functions of representing Banco Sabadell, the Board of Directors shall designate the Chairmen of the Boards of the operating subsidiaries.

The appointee must obligatorily inform the Board of Directors about business performance at the respective subsidiary.

ARTICLE 6. MISSION OF THE BOARD

1. The Board of Directors of the Company shall effectively take on the powers of managing, overseeing and representing the Company as attributed to it by current law and the Articles of Association, with the objective of attaining the company's object, defending the shareholders' interests, and seeking to progressively increase the company's value.

2. In pursuit of those goals, the Board shall determine the Company's economic and financial objectives and decide upon the strategy, plans and policies for achieving them, supervise the progress of the business, and ensure the company's future viability and competitiveness.
3. In order to attain the aforementioned objective, the Bank's Board of Directors must comply with the law, fulfil in good faith all explicit and implicit agreements with the workers, suppliers, financiers, customers and any other persons, and generally comply with the ethical standards required for responsible conduct of business.
4. On the basis of a report from the Audit and Control Committee, the Board of Directors shall draw up an annual report on the structure and practice of corporate governance within the Company.

CHAPTER III. COMPOSITION OF THE BOARD OF DIRECTORS

ARTICLE 7. COMPOSITION

1. The Board of Directors shall be comprised of the number of board members determined by the Shareholders' Meeting within the limits established by the Articles of Association.
2. The Board shall propose, to the Shareholders' Meeting, the number of members that, in accordance with the changing circumstances of the Company, is most suitable for ensuring proper representativeness and the efficient operation of the Board.
3. When exercising its powers to make proposals to the Shareholders' Meeting and to co-opt persons to fill vacancies, the Board of Directors shall strive to ensure compliance with the provisions of the law and the Articles of Association, particularly:
 - a. That the persons proposed as directors meet all the requirements necessary to hold that position and are not in a situation of incompatibility or prohibited from holding such a position by the Articles of Association or current law.
 - b. That external or non-executive directors represent a majority of the total number of directors; and

- c. That there is a significant proportion of independent directors among the external or non-executive directors.
4. The Remuneration Committee shall ensure that, where directors work as executives within the Bank, their professional relationship with the Bank is regulated by a specific contract approved by the full Board.
5. Directors who have stepped down for reason of age or because they do not wish to seek re-appointment may, if allowed by the Articles of Association, be proposed by the Board of Directors for appointment as Honorary Directors; such appointment must be approved by the Shareholders' Meeting. Honorary Directors may, when invited, attend meetings of the Board and may speak but not vote at such meetings.

CHAPTER IV. STRUCTURE OF THE BOARD OF DIRECTORS

ARTICLE 8. THE CHAIRMAN OF THE BOARD OF DIRECTORS.

1. The Chairman of the Board of Directors shall perform his duties as a non-executive director.
2. The Chairman is the highest representative of the Bank and has the rights and obligations inherent to that position, including the power to sign on behalf of the company. In discharging his duties, the Chairman of the Board of Directors is the person with primary responsibility for the effectiveness of the Board of Directors and, as such, shall represent the Bank in any event, and sign on behalf of the company; he shall convene and chair meetings of the Board of Directors, setting the agenda, directing the debates and deliberations within the Board of Directors, and shall be responsible for ensuring compliance with the decisions adopted by the Board of Directors.
3. If the Chairman is unable to discharge his duties for any reason, they shall be performed by the Deputy Chairman, or the first Deputy Chairman if there is more than one, or, if the first Deputy Chairman is unable to act, by the next Deputy Chairman in numerical order. Any director standing in for the Chairman shall not be required to show proof of the designation to third parties.

ARTICLE 9. CHIEF EXECUTIVE OFFICER

The Board shall appoint a Chief Executive Officer from among its members.

The Chief Executive Officer shall be the person with primary responsibility for managing and directing the Institution's business, and he shall be the Bank's representative in the absence of the Chairman, with the obligation to report periodically to the Board of Directors and whenever duly asked to do so.

The Board of Directors shall delegate to the Chief Executive Officer all the powers that it sees fit from among those that may be legally delegated.

ARTICLE 10. LEAD DIRECTOR

The Board of Directors may designate a Lead Director from among the independent directors; that person shall be empowered to give notice of meetings of the Board of Directors, add items to the meeting agenda, coordinate and meet with the non-executive directors, reflect the opinion of the external directors, and direct any regular assessment of the Chairman of the Board of Directors, maintain contacts with investors and shareholders, and participate in the succession process for the Chairman in the terms set out in the Succession Plan approved by the Board of Directors.

ARTICLE 11. DEPUTY CHAIRMEN

1. In accordance with the provisions of article 54 of the Articles of Association, the Board shall appoint one or more Deputy Chairmen; if there is more than one, they shall be numbered sequentially.
2. The Deputy Chairmen shall be appointed from among the directors who fulfil the requirements for that position as established in the Articles of Association.

ARTICLE 12. SECRETARY OF THE BOARD OF DIRECTORS

1. The Board shall also appoint a Secretary and may appoint a Deputy Secretary, neither of whom need be a director. A Secretary who is not a director shall not have the right to vote. The appointment and removal of the Secretary and Deputy Secretary of the Board must be decided by

- the full Board based, in both cases, on a report by the Appointments and Corporate Governance Committee.
2. The Secretary and, in their absence, the Deputy Secretary shall be responsible for taking minutes at Shareholders' Meetings and at meetings of the Board of Directors and for signing them with the Chairman; and for keeping the minutes books and issuing, with the countersignature of the Chairman or his replacement, any certificates that may be required, whether in relation to such minutes or to any other documents or matters concerning the Company.
 3. The Secretary and Deputy Secretary shall assist the Chairman in his duties and ensure the good functioning of the Board and, in particular, provide the directors with the necessary advice and information, archive corporate documentation, duly enter the minutes of meetings into the minutes book, and certify the Board's resolutions.
 4. The Secretary and Deputy Secretary shall supervise the formal and material legality of the Board's actions in all cases and ensure that its procedures and rules of governance are respected and regularly reviewed, while striving to ensure compliance with the corporate governance rules.
 5. In the event of the Secretary being absent or incapacitated or in the event of the position being vacant, his duties shall be undertaken by the Deputy Secretary and, absent the latter, by a director designated by the Board. Any director standing in for the Secretary shall not be required to show proof of the designation to third parties.

ARTICLE 13. BODIES OF THE BOARD OF DIRECTORS

1. The Board of Directors must establish the Board Committees that the Company is required to establish by law, and at least the following:
 - Strategy and Sustainability Committee
 - Credit Delegated Committee
 - Audit and Control Committee
 - Appointments and Corporate Governance Committee
 - Remuneration Committee
 - Risk Committee
2. The Board Committees shall meet upon notice being given by their Chairman. Absent specific provisions in the Articles of Association and

in this Regulation, the rules of functioning established by this Regulation in relation to the Board shall apply, provided that they are compatible with the specific committee's nature and purpose.

3. Without prejudice to the specific provisions of this Regulation with regard to each committee of the Board, the committees shall comprise two or more directors, as decided by the Board of Directors, and shall be chaired by the director designated by the Board of Directors from among the Committee's members or, in his absence, by the director designated by the Committee itself from among its members. The Secretary of each of the Board Committees shall be appointed by the Board of Directors and need not be a director. In any event, minutes shall be countersigned and ratified by the Secretary or Deputy Secretary of the Board, who shall issue such certificates as may be pertinent.
4. Each Board Committee may require the attendance at its meetings of such executives as it sees fit, to which end it shall notify the General Manager(s) to schedule their attendance.
5. Without prejudice to the specific provisions of this Regulation with regard to each Board Committee, the Chairman of each Committee shall determine the order or frequency of meetings and give notice of same.
6. Any Director may request that the Board be informed of any matter that is within the remit of any of the Board Committees.
7. The Committees of the Bank's Board of Directors may also exercise those same functions for those subsidiaries or dependent companies which, under the legislation applicable at any given time, are also required to have such bodies.

ARTICLE 14. STRATEGY AND SUSTAINABILITY COMMITTEE

The Strategy and Sustainability Committee shall comprise five non-executive directors, a majority of whom must be independent. The Committee shall be chaired by the Chairman of the Board of Directors. The Secretary of the Board of Directors shall be its Secretary or, as appropriate, the person who acts as Deputy Secretary of the same.

In matters of strategy, the Chief Executive Officer may speak and vote at meetings, to which end the Committee shall be deemed to have six members.

In the area of strategy, the Committee shall have the following responsibilities:

1. Evaluating strategies for growth, development, diversification or transformation of the Company's business and making proposals to the Board of Directors in this connection.
2. Informing and advising the Board of Directors on the Company's long-term strategy, identifying new opportunities for value creation and submitting corporate strategy proposals to the Board of Directors in relation to new investment or divestment opportunities, financial transactions with a material accounting impact and significant technology changes.
3. Studying and proposing recommendations or improvements to the strategic plans and their updates that are submitted to the Board of Directors from time to time.
4. Issuing and submitting to the Board of Directors, on an annual basis, a report containing the proposals, evaluations, studies and work carried out by the Committee in relation to the foregoing matters.

In the area of sustainability, the Committee shall have the following responsibilities:

1. Reviewing the Company's sustainability and environmental policies, and advising the Board of Directors on possible amendments and regular updates of the sustainability strategy.
2. Reviewing the definition and amendment of diversity and integration, human rights, equal opportunity and work-life balance policies and evaluating their degree of fulfilment on a regular basis.
3. Reviewing the Bank's social action strategy and its sponsorship and patronage plans.
4. Reviewing and reporting on the Non-Financial Disclosures Report before the Audit and Control Committee reviews and reports on it and it is subsequently authorised by the Board of Directors.
5. Receiving information in connection with reports, written communiqués

or communications from external supervisory bodies within the scope of this Committee's competencies.

ARTICLE 15. CREDIT DELEGATED COMMITTEE

1. The Credit Delegated Committee shall consist of at most five directors, a majority of whom must be independent directors, all designated by the Board of Directors with the favourable vote of two-thirds of its members. The Board shall appoint one of the Committee members as its Chairman. The Secretary of the Board of Directors shall be its Secretary or, as appropriate, the person who acts as Deputy Secretary of the same.
2. The Credit Delegated Committee shall analyse and, where appropriate, decide on credit transactions in accordance with the cases and limits established by express delegation from the Board of Directors.
3. It shall meet whenever convened by its Chairman, and its meetings may be attended by any person, whether related to the Company or otherwise, who is invited to attend, by a decision of the Committee itself or the Chairman of same, for the purposes to be determined on the basis of the purpose of the matter in question.
4. The Committee shall be quorate if at least one-half of its members are in attendance in person or by proxy; it shall adopt all resolutions by majority of those in attendance, in person or by proxy; the Chairman shall have a casting vote in the event of a tie. Members of the Committee may grant proxy to another member, but no member may hold more than two proxies.
5. The resolutions of the Commission shall be entered in a minutes book, and the minutes shall be signed by the Chairman and the Secretary or, where applicable, by those who acted as such at the meeting in question, by virtue of the provisions of this Regulation.

ARTICLE 16. AUDIT AND CONTROL COMMITTEE

1. The Audit and Control Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least a majority of them must be independent directors, and at least one of them must be appointed on the basis of their knowledge and experience of accounting and/or auditing and, overall, and it shall be ensured that, as a whole, the members have the necessary knowledge

not only in accounting and auditing, but also in finance, internal control, information technology, risk management and the banking business. The Board shall appoint one of the Committee members who is an independent director as its Chairman. The Chairman may hold office for at most four years, and may only be re-elected after a one-year interval. The Secretary of the Board of Directors shall be its Secretary or, as appropriate, the person who acts as Deputy Secretary of the same.

2. The Audit and Control Committee must meet at least once every three months, and whenever convened by the Chairman at his own initiative or at the request of any Committee member, or at the request of the Chairman of the Board of Directors or of the external auditors.
3. Meetings of the Audit and Control Committee shall be minuted by the Secretary designated by the Board of Directors. The business transacted at Committee meetings shall be reported to the Board of Directors at the next meeting by means of a reading of the minutes of each meeting.
4. The Audit and Control Committee may require the attendance at its meetings of such executives, including directors, as it sees fit, to which end it shall notify the General Manager(s) to schedule their attendance.
5. The Audit and Control Committee has the responsibilities established by the applicable regulations, including:
 - a) Reporting to the General Meeting on all issues raised by shareholders that are within its remit, particularly about the outcome of the audit, and describing how the audit contributed to the integrity of financial reporting and the function that the Committee played in this process.
 - b) Supervising the effectiveness of the Company's internal control, internal audit and risk management systems, including those relating to tax risk, as well as discussing with the auditors or audit firms any significant weaknesses in the internal control system detected in the course of the audit, all without impairing their independence. To that end, presenting any recommendations or proposals to the Board of Directors and the corresponding period for follow-up.
 - c) Supervising the production and presentation of regulated financial and non-financial disclosures and making recommendations or proposals to the Board of Directors with the aim of safeguarding its integrity.
 - d) Proposing to the Board of Directors, for submission to the General

Meeting of Shareholders, the appointment or re-appointment of the external auditor, establishing the engagement conditions, the scope of the professional mandate, and revocation or non-renewal, if appropriate; reviewing compliance with the audit contract, and obtaining regular reports from them about the audit plan and its execution, as well as striving to ensure their independence in the performance of their functions and to ensure that the opinion on the financial statements and the main content of the auditors' report are drafted clearly and accurately.

- e) Advising the Board of Directors beforehand on the financial information and directors' report, which must include the mandatory non-financial disclosures that the Company must publish, as well as the quarterly and half-yearly financial statements and the prospectuses that must be submitted to the regulatory or supervisory bodies, exercising vigilance to ensure compliance with the requirements of the law and the proper application of generally accepted accounting principles, and advising on proposals to amend those principles.
- f) Establishing the appropriate relations with the external auditors in order to receive information on matters that might jeopardise their independence, the declaration at least once per year of their independence vis-à-vis the Company or entities related to it, directly or indirectly, and detailed and itemised information on additional services rendered of any kind and the corresponding fees received from those entities by the external auditor, or by persons or entities related to it in accordance with the provisions of the regulations governing auditing, for examination by the Committee, and any other information or communications related to the process of auditing and with auditing standards, as well as, where appropriate, authorising non-audit services not classified as prohibited, in accordance with the regulations governing auditing.
- g) Issuing each year, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the auditors or audit firms has been compromised, with a reasoned assessment of the provision of each and every one of the additional services referred to in the preceding item, considered individually and as a whole, other than the statutory audit and in relation to the independence regime or to the regulations governing auditing.
- h) Supervising the internal audit units, their independence and budget, reviewing their action plans and resources in order to ensure that they are adequate for the Company's needs; proposing, where appropriate, the appointment and replacement of the person in

charge; and verifying that senior management takes into account the conclusions and recommendations of their reports.

- i) Advising on any matters within the framework of its competencies that are referred to it by the Board of Directors, in particular with regard to the creation or acquisition of stakes in special purpose vehicles or entities domiciled in countries or territories that are designated tax havens and transactions with related parties.
- j) Any other matters for which the Committee is responsible by law or under the Articles of Association or any of their implementing regulations, those arising from generally applicable corporate governance standards, and those arising from corporate governance rules and codes that are applicable to the Company.

6. The Audit and Control Committee shall draft an annual report on its activities, which must be included in the Directors' Report referred to in article 86 of the Articles of Association.

ARTICLE 17. APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE

1. The Appointments and Corporate Governance Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. In any event, the Chairman of the Committee shall be appointed from among its members who are independent directors. The Secretary of the Board of Directors shall be its Secretary or, as appropriate, the person who acts as Deputy Secretary of the same.

Nevertheless, at the request of the Committee's Chairman, General Managers, even if directors, may attend meetings when issues of the Bank's senior management are being discussed, except where they refer directly to them or to the Chairman of the Board of Directors.

In the area of appointments, the Committee shall have the following responsibilities:

- a) Making proposals to the Board of Directors as to the appointment of independent directors, for co-optation or for referral to the General Meeting, and as to the re-appointment or removal of such directors;
- b) Advising on proposals to appoint other directors by co-optation or for referral to the General Meeting, and on proposals to re-appoint or remove them;

- c) Ensuring that the qualitative composition of the Board of Directors complies with the provisions of article 53 of the Articles of Association;
- d) Checking the fitness, suitability, knowledge and experience of the Board of Directors;
- e) Advising on proposals for the appointment and removal of senior executives and members of the Identified Staff;
- f) Advising on the basic conditions of the contracts of executive directors and senior executives;
- g) Examining and organising succession plans for the Chairman of the Board of Directors and the Bank's chief executive and, as appropriate, making proposals to the Board;
- h) Establishing a target for representation of the gender that is less represented on the Board of Directors and drawing up guidelines on how to achieve that target.

In the area of corporate governance, the Committee shall have the following responsibilities:

- a) Advising the Board of Directors on the Company's internal corporate policies and regulations, except in matters that are the responsibility of other Committees;
- b) Supervising compliance with the Company's corporate governance rules, excluding those corresponding to areas that are the responsibility of other Committees;
- c) Advising the Board of Directors on the Annual Corporate Governance Report for its approval and publication each year, except for matters that are the responsibility of other Committees;
- d) Supervising, within the scope of its responsibilities, the Company's communications with shareholders and investors, proxy advisors and other stakeholders, and informing the Board of Directors in this connection;
- e) Proposing amendments to this Regulation and advising on proposals to amend it and on proposals to amend the Regulation of the General Meeting of Shareholders of Banco Sabadell;
- f) Any other actions that may be necessary to ensure good governance of all the Company's activities.

The Board may ask the Committee to prepare reports on matters within its remit.

2. The Appointments and Corporate Governance Committee shall meet

whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any case, it must meet once per year to provide advice in advance on the Board's performance evaluation.

ARTICLE 18. REMUNERATION COMMITTEE

1. The Remuneration Committee shall comprise at most five directors appointed by the Board of Directors, none of whom may be an executive director; at least two of them must be independent directors. In any event, the Chairman of the Committee shall be appointed from among its members who are independent directors.

Nevertheless, at the request of the Committee's Chairman, General Managers, even if directors, may attend meetings when issues of the Bank's senior management are being discussed, except where they refer directly to them or to the Chairman of the Board of Directors.

2. Without prejudice to the other duties assigned to it by law, the Articles of Association, the Board of Directors or this Regulation, the Remuneration Committee shall have the following basic duties:
 - a) proposing the director remuneration policy to the Board of Directors.
 - b) proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Delegated Committee or the Chief Executive Officer(s), and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with.
 - c) regularly reviewing remuneration policy.
 - d) advising on remuneration programmes based on shares and/or options.
 - e) periodically reviewing the general principles of remuneration and the remuneration programmes for all employees, and considering whether they conform to those principles;

- f) ensuring that remuneration is transparent.
 - g) ensuring that any conflicts of interests are not detrimental to the independence of external advisors.
 - h) verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.
3. The Remuneration Committee shall meet whenever the Board or its Chairman requests that it issue a report or adopt a proposal, and whenever it is advisable in order to properly discharge its duties. In any event, the Committee must meet once per year to prepare the information on director remuneration that the Board of Directors must approve and include in its annual public documentation.
4. The Committee shall also determine the bonuses for the senior executives of the Bank and its subsidiaries at the proposal of the General Manager(s).

ARTICLE 19. RISK COMMITTEE

1. The Risks Committee shall comprise at most five directors, appointed by the Board of Directors, none of whom may be an executive director; they must have the appropriate knowledge, skill and experience to fully understand and oversee the Bank's risk strategy and risk appetite; at least two of them must be independent directors. In any event, the Chairman of the Risk Committee shall be designated from among its members who are independent directors.
2. The Risk Committee shall have the following functions:
- a) supervising implementation of the Risk Appetite Framework;
 - b) determining, and proposing to the full Board, the annual limits on investment in the real estate market and the criteria and volumes applicable to the various types of investment;
 - c) reporting to the full Board regarding the performance of its functions under this article and other applicable legislation and provisions of the Articles of Association;

- d) reporting on a quarterly basis to the full Board about the levels of risk assumed, investments made and their performance, and the potential repercussions on Group revenues of variations in interest rates and the degree to which they conform to the VAR levels approved by the Board of Directors;
 - e) monitoring and detecting any excess over and above the approved tolerance thresholds, overseeing the activation of the contingency plans established for this purpose;
 - f) advising the Remuneration Committee as to whether the employee compensation programmes are coherent with the Bank's levels of risk, capital and liquidity.
3. The Risk Committee shall meet at least twice per month and whenever convened by its Chairman at his own initiative or at the request of any member of the Committee or of the Chairman of the Board of Directors.
 4. In the exercise of its functions, the Risk Committee may directly request the information it sees fit from both the director who is General Manager of Risk and the Director of Risk Control.
 5. The Secretary of the Committee, and his substitute in the event of absence or illness, shall be appointed by the Board of Directors, and need not be a Board Member.

ARTICLE 20. OTHER SUB-COMMITTEES

The Board of Directors may decide to establish other committees under the provisions of Article 11 above, in keeping with article 58 of the Articles of Association, with the purposes and attributions that the Board itself may determine in each case, which in no event may coincide with those set out in this Regulation.

CHAPTER V. OPERATION OF THE BOARD

ARTICLE 21. MEETINGS OF THE BOARD OF DIRECTORS

1. The Board of Directors shall meet once per month and as and when the Chairman shall see fit, or whenever a director requests a meeting; meetings may be held by electronic or telematic means, in which case they shall be deemed to be held at the registered office. The notice of meeting shall always contain the Agenda, which must set out, among other points, the issues relating to reports from subsidiaries and Board Committees as well as any proposals and suggestions made by the Chairman and the other members of the Board and the General Manager(s) of the Bank, which must be presented at least five working days in advance of the date of the Board meeting; such proposals must be accompanied by the pertinent material for distribution to the directors. The Board itself shall approve the minutes and set the date of the next meeting.
2. The Chairman may convene extraordinary meetings and set their agenda in the notice. He must also convene extraordinary meetings at the request of the Lead Independent Director or, as the case may be, the Deputy Chairman, and of any director in accordance with the provisions of the Articles of Association. If the Chairman fails to give notice of a meeting within five business days, the Lead Independent Director or the Deputy Chairman may give notice of the meeting.
3. Notice of meetings of the Board may be given by electronic or telematic means where the Chairman considers that this is warranted by the circumstances.
4. Both ordinary and extraordinary meetings may transact business that is not on the agenda, provided that the decision to do so is adopted unanimously.

ARTICLE 22. TRANSACTION OF BUSINESS

1. The Board shall be quorate and shall adopt resolutions in accordance with the attendance and voting quorums set forth in the Articles of Association.
2. Decisions shall be binding upon directors not in attendance.
3. The Chairman shall direct the debate, seeking to ensure that all directors participate in the Board's deliberations.

CHAPTER VI. APPOINTMENT AND REMOVAL OF DIRECTORS

ARTICLE 23. APPOINTMENT OF DIRECTORS

1. Directors shall be appointed by the Shareholders' Meeting or the Board of Directors, in accordance with the provisions of the Capital Companies Act and the Articles of Association.
2. Directors must fulfil the requirements set out in the Articles of Association for their position and may not be in any disqualifying circumstances set out in the law or incur any of the prohibitions set out in the Articles of Association.
3. Directors shall be appointed for a term of at most four years and they can be re-appointed one or more times for periods of the same maximum duration.
4. Directors appointed by co-optation shall hold office until the next Shareholders' Meeting.

ARTICLE 24. REMOVAL OF DIRECTORS

1. Directors shall stand down once their term has expired or when so decided by the Shareholders' Meeting or the Board of Directors in application of the powers vested in them by law or the Articles of Association.
2. They must also stand down:
 - a) When they fall under a situation of incompatibility or disqualification as established in the law or the Articles of Association.
 - b) If they are arraigned for alleged criminal acts or are subject to a disciplinary procedure by the supervisory authorities for a serious or very serious violation.
 - c) When their continuance on the Board might jeopardise the company's interests.

CHAPTER VII. INFORMATION FOR DIRECTORS

ARTICLE 25. POWERS TO BE INFORMED AND TO INSPECT

1. Directors are vested with the broadest powers to be informed about any aspect of the company, to examine its books, records, documents and other background information on the company's transactions and to inspect all of its installations. The right to information extends to subsidiaries, both domestic and foreign.
2. So as not to disturb the ordinary running of the company, the exercise of the powers of information shall be channelled through the Chairman or the Secretary to the Board, who shall attend to the director's requests by giving the information directly, providing appropriate access to individuals at the relevant level of the organization, or providing the means by which the director may carry out the desired formal examination and inspection on site.

CHAPTER VIII. DIRECTORS' REMUNERATION

ARTICLE 26. DIRECTORS' REMUNERATION

Without prejudice to the provisions of article 90 of the Articles of Association, directors shall be entitled to the remuneration set by the Board of Directors in accordance with the provisions of the Articles of Association on the basis of recommendations by the Remuneration Committee.

CHAPTER IX. DIRECTORS' DUTIES

ARTICLE 27. DIRECTORS' GENERAL OBLIGATIONS

1. In accordance with this Regulation, the director's function is to guide and oversee the management of the company with the objective of maximising its value in benefit of the shareholders.
2. In the course of carrying out his duties, the director must act diligently as

an orderly businessman and loyal representative and, in particular, is obliged to:

- a) Obtain information and prepare adequately for meetings of the Board and the bodies of the Board to which he belongs.
 - b) Attend the meetings of the bodies of which he is a member and participate actively in debates so that his opinion makes an effective contribution to decision-making.
 - c) Perform any specific task entrusted to him by the Board of Directors that falls reasonably within his commitments.
 - d) Investigate any irregularities in the management of the company of which he becomes aware, and monitor any risk situation.
 - e) Urge those persons capable of calling a meeting to convene an extraordinary Board meeting, where necessary, to discuss any items deemed relevant, or to include such items in the agenda of the next meeting.
3. Directors must avoid situations of conflict of interest in the terms defined in the Capital Companies Act, including those where the beneficiary of the prohibited acts or activities is a related party of the director.

ARTICLE 28. DIRECTORS' DUTY OF CONFIDENTIALITY

1. Directors must keep secret the deliberations of the Board and the bodies of the Board of which they are members, and generally may not reveal any information to which they are privy by virtue of their position.
2. The duty of confidentiality shall persist even after the director ceases to hold office.

ARTICLE 29. OBLIGATION NOT TO COMPETE

1. Directors may not render professional services in Spanish companies whose object is wholly or partly similar to that of the company. This prohibition does not apply to positions at Group companies.

2. Before accepting a management position at another company or entity, directors must notify the Appointments and Corporate Governance Committee.

ARTICLE 30. PRIVATE INFORMATION

1. The use by directors of private information for personal purposes shall only be admissible if the following conditions are met:
 - a) the information is not used in connection with the purchase or sale of securities;
 - b) its use does not affect the company or third parties, directly or indirectly;
 - c) the company does not hold an exclusive right or an analogous legal position with respect to the information to be used.
2. In addition to the condition set out in item a) above, where the Company's shares are listed on a stock exchange, the director must fulfil the rules of conduct established in the legislation on securities markets and, in particular, those set out in the Company's Code of Conduct with regard to the securities markets.

ARTICLE 31. DIRECTORS' DISCLOSURE DUTIES

1. Directors must inform the company of any shares of same which they own directly or through companies in which they hold a significant stake. They must also disclose any shares held, directly or indirectly, by their close relatives.
2. Directors must also inform the company of all positions that they hold and activities that they perform in other companies or entities and, generally, of any fact or situation that may be material in connection with their actions as directors of the company.

CHAPTER X. RELATIONS OF THE BOARD OF DIRECTORS

ARTICLE 32. RELATIONS WITH SHAREHOLDERS

1. The Board of Directors shall establish the appropriate procedures for receiving proposals from the shareholders with respect to the management of the Company.
2. The Board of Directors shall encourage the informed participation of shareholders at Shareholders' Meetings and shall adopt such measures as may be advisable to facilitate effective exercise by the Shareholders' Meeting of the functions assigned to it by the law and the Articles of Association.

ARTICLE 33. RELATIONS WITH THE MARKETS

1. If the Company's shares are listed on a stock exchange, the Board of Directors shall inform the public immediately regarding:
 - a) significant facts that are capable of having a significant influence on the process of price discovery;
 - b) changes in the company's ownership structure, such as variations in significant shareholdings, syndication agreements and other forms of coalition, that come to its knowledge;
 - c) material changes to the corporate governance rules;
 - d) the policies with respect to own shares that the company proposes to apply under the powers granted by the Shareholders' Meeting.
2. The Board of Directors shall adopt the necessary measures to ensure that the half-yearly, quarterly financial information and any other information that prudence requires be made available to the markets is prepared according to the same principles, standards and professional practices as the annual accounts and is equally reliable. To this end, that information shall be reviewed by the Audit and Control Committee.

ARTICLE 34. RELATIONS WITH THE AUDITORS

Relations between the Board and the company's external auditors shall be channelled through the Audit and Control Committee.