

## ANNEXED I

### ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

#### IDENTIFICATION PARTICULARS OF ISSUER

<b>DATE OF YEAR END</b>	31/12/2013
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<b>TAX NUMBER:</b>	A-08000143
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<b>Corporate name:</b>
BANCO DE SABADELL, S.A.

<b>Corporate address:</b>
PL. DE SANT ROC, NÚM. 20 (SABADELL) BARCELONA

## ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

### A OWNERSHIP STRUCTURE

A.1 Complete the following table showing the share capital of the company:

Last change on (date)	Share capital (euros)	Number of shares	Number of voting rights
18/12/2013	501,435,197.62	4,011,481,581	5,014,351

State whether there are different classes of shares with different rights attached to them:

Yes

No

A.2 List the direct and indirect holders, other than Directors, of significant interests in the company at the end of the year:

Name or corporate name of shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. JAIME GILINSKI BACAL	0	209,603	5.03%
WINTHROP SECURITIES LTD	0	205,792	4.94%
BLACKROCK INC.	0	125,541	3.01%

Name or corporate name of shareholder	Direct shareholder	Number of voting rights
MR. JAIME GILINSKI BACAL	ITOS HOLDING S.A.R.L.	209,603
WINTHROP SECURITIES LTD	FINTECH INVESTMENTS LTD	205,792
BLACKROCK, INC.	SEVERAL SUBSIDIARIES OF BLACKROCK, INC.	125,541

List the most significant changes in the share ownership structure during the financial year:

Name or corporate name of shareholder	Date of operation	Description of the operation
MR. JAIME GILINSKI BACAL	10/09/2013	Over 5% of Company Capital exceeded

A.3 Complete the following tables showing members of the Board of Directors of the company, who possess voting rights attached to shares in the company:

Name of director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
MR. JOSÉ OLIU CREUS	4,626	4,659	0.18%
MR. JOSÉ MANUEL LARA BOSCH	134	2,008	0.04%
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	98	0	0.00%
MR. JAIME GUARDIOLA ROMOJARO	260	153	0.01%
MR. HÉCTOR MARÍA COLONQUES MORENO	96	2,613	0.05%
MR. JOAN LLONCH ANDREU	1,771	0	0.04%
MS. SOL DAURELLA COMADRÁN	16	13,198	0.26%
MR. JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	20,482	0	0.41%
MS. MARIA TERESA GARCIA-MILÀ LLOVERAS	63	0	0.00%
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	35	0	0.00%
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	1,068	432	0.03%
MR. ANTÓNIO VÍTOR MARTINS MONTEIRO	10	0	0.00%
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	2,394	0	0.05%
MR. JOSÉ PERMANYER CUNILLERA	1,496	1,257	0.06%

Name of director or corporate name of indirect owner participation	Through: Name or corporate name of direct shareholder participation	Number of rights vote
MR. JOSÉ OLIU CREUS	OTHER SHAREHOLDERS	4,659
MR. JOSÉ MANUEL LARA BOSCH	OTHER SHAREHOLDERS	2,008
MR. JAIME GUARDIOLA ROMOJARO	OTHER SHAREHOLDERS	153
MR. HÉCTOR MARÍA COLONQUES MORENO	OTHER SHAREHOLDERS	2,613
MS. SOL DAURELLA COMADRÁN	OTHER SHAREHOLDERS	13,198
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	OTHER SHAREHOLDERS	432
MR. JOSÉ PERMANYER CUNILLERA	OTHER SHAREHOLDERS	1,257

<b>Total percentage of voting rights held by members of the Board of Administration</b>	1.13%
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Complete the following tables showing members of the Board of Directors of the company, who possess voting rights attached to shares in the company:

- A.4 Indicate, where applicable, any connections of a family, business, contractual or corporate nature existing between any holders of significant interests, where known to the company, other than those of minor importance or arising in the normal course of business
- A.5 Indicate, where applicable, any connections of a business, contractual or corporate nature existing between any holders of significant interests and the company and/or its group, other than those of minor importance or arising in the normal course of business
- A.6 State whether the company has been notified of any shareholder agreements affecting it pursuant to the provisions of Articles 530 and 531 of the Public Limited Companies Act. If applicable, briefly describe them and list the shareholders bound by the agreement

Yes

No

Parties to the shareholders' agreement
MR. HÉCTOR MARÍA COLONQUES MORENO
MR. MIGUEL BÓSSER ROVIRA
MR. JOAQUÍN FOLCH-RUSIÑOL CORACHÁN
MR. JOSÉ OLIU CREUS
MR. ISAK ANDIC ERMAY
MR. JOSÉ MANUEL LARA BOSCH

**Percentage of corporate capital affected:** 3.26%

**Brief description of agreement:**

Signed on 27/07/06 to establish restrictions on the free transfer of their shares in the company.

Significant Event number 69323 dated 2/8/2006

Parties to the shareholders' agreement
LLOYDS TSB BANK PLC

**Percentage of corporate capital affected:** 1.61%

**Brief description of agreement:**

Undertaking by Lloyds TSB Bank not to transfer Banco Sabadell shares until 30 April 2015.

Significant Event number 190278 dated 8/7/2013

State whether the company is aware of the existence of concerted actions between its shareholders. If applicable, give a brief description of them:

Yes

No

If, during the financial year, there has been any change in, or cessation of, any such shareholders' agreements or concerted actions, expressly indicate this:

**A.7** State whether there is any individual or corporate entity that is exercising or is able to exercise control over the company pursuant to Article 4 of the Stock Market Act. If applicable, give names:

Yes

No

Observations
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**A.8** Complete the following tables to show the company's holdings of its own shares:

At the financial year-end:

Number of direct shares	Number of indirect shares (*)	Total % of company capital
30,607,898	0	0.76%

**(\*) Held through:**

Give details of any significant changes during the financial year, pursuant to the provisions of Royal Decree 1362/2007:

Date of notification	Total direct shares acquired	Total indirect shares acquired	Total % of company capital
01/02/2013	49,406,579	0	1.67%
04/03/2013	31,602,540	0	1.07%
27/03/2013	30,994,799	0	1.05%
09/04/2013	30,312,423	0	1.02%
29/05/2013	32,250,223	0	1.09%
26/06/2013	34,799,525	0	1.18%
08/07/2013	31,226,965	0	1.06%
09/07/2013	1,420,287	0	0.05%
04/09/2013	22,838,962	0	0.77%
12/09/2013	4,405,114	0	0.13%
09/10/2013	6,931,979	0	0.17%
11/12/2013	40,060,796	0	1.00%
24/12/2013	7,258,224	0	0.18%

**A.9 State the terms and deadline of any authorisation given by the General Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer the company's own shares.**

The Ordinary General Meeting of Shareholders of Banco de Sabadell, S.A. held on second call on 31 May 2012, authorised the Board of Directors in the following terms in respect of item 9 on the Agenda:

"Revoke the resolution adopted at the General Meeting on 14 April 2011 in the part not executed, and authorise the Company so that, either directly or through any of its subsidiaries, and within a maximum period of five years as from the date of this General Meeting, it may acquire, at any time and as often as it sees fit, shares of Banco de Sabadell, S.A. by any of the means admitted by law, including against profit for the year and/or unrestricted reserves, and in order that it may subsequently sell or cancel any shares thus acquired or, where appropriate, deliver them to employees or directors of the Company as part of their remuneration or as a result of the exercise of stock options which they hold, all in accordance with the provisions of Articles 146, 509 and matching articles of the Capital Companies Act.

Approve the limits or conditions of these acquisitions, as follows:

- The par value of the shares thus acquired, directly or indirectly, in addition to any shares already held by the Bank and its subsidiaries, shall not exceed, at any time, ten per cent of the share capital of Banco de Sabadell, S.A., complying in all cases with all the limits established for acquisition of treasury shares by the stock market regulators in the markets on which Banco de Sabadell, S.A. shares are listed.
- It must be possible to create a restricted reserve on the liabilities side of the Company's balance sheet equivalent to the amount of the treasury shares recognised on the assets side. This reserve must be maintained until such time as the shares are disposed of or cancelled.
- The shares acquired must have been fully paid.
- The acquisition price must be no less than par value and no higher than 20 per cent above the stock market price or any other price whereby the shares may be valued as of the date of their acquisition. All acquisitions of treasury shares shall be made in accordance with general stock market rules and regulations."

The Ordinary General Meeting of Shareholders of Banco de Sabadell, S.A. held on second call on 26 March 2013, authorised the Board of Directors in the following terms in respect of item 7 on the Agenda:

"Revoke the resolution adopted at the General Meeting on 31 May 2012 in the part not executed, and authorise the Company so that, either directly or through any of its subsidiaries, and within a maximum period of five years as from the date of this General Meeting, it may acquire, at any time and as often as it sees fit, shares of Banco de Sabadell, S.A. by any of the means admitted by law, including against profit for the year and/or unrestricted reserves, and in order that it may subsequently sell or cancel any shares thus acquired or, where appropriate, deliver them to employees or directors of the Company as part of their remuneration or as a result of the exercise of stock options which they hold, all in accordance with the provisions of articles 146, 509 and matching articles of the Capital Companies Act.

Approve the limits or conditions of these acquisitions, as follows:

- The par value of the shares thus acquired, directly or indirectly, in addition to any shares already held by the Bank and its subsidiaries, shall not exceed, at any time, the legal limit established at any time by the legislation in force (currently ten per cent of share capital), complying in all cases with all the limits for acquisition of treasury shares established by the stock market regulators in the markets on which Banco de Sabadell, S.A. shares are listed.
- The acquisition, including any shares previously acquired by the Bank (or a person acting in his own name but on the bank's behalf) and held by it, does not lead to equity being less than the amount of capital plus legal reserves and reserves required by the Articles of Association.
- The shares acquired must have been fully paid.
- The acquisition price must be no less than par value and no higher than 20 per cent above the stock market price or any other price whereby the shares may be valued as of the date of their acquisition. All acquisitions of treasury shares shall be made in accordance with general stock market rules and regulations."

**A.10 State whether there are any restrictions on the transfer of shares and/or any restrictions on voting rights. Specifically, give details on the existence of any type of restrictions that may hinder the taking of control of the company through the acquisition of its shares on the market.**

Yes

No

Description of the restrictions
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The only restriction that exists is the legal requirement under Articles 57, 58 and 60 of the Credit Establishments Discipline and Intervention Act 26/1988 [Ley de Disciplina e Intervención de las Entidades de Crédito] (as amended by Act 5/2009 of 29 June 2009) that clearance be obtained from the Bank of Spain for any proposed purchase of shares in a bank amounting to 10% more of its capital, or any other percentages expressly indicated.
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A.11 State whether the General Meeting has resolved to adopt measures to neutralise a takeover bid under the provisions of Act 6/2007.

Yes

No

If so, describe the measures adopted and the terms under which the restrictions will be ineffective:

A.12 State whether the company has issued securities that are not traded on an EC regulated market.

Yes

No

If applicable, state the different categories of shares, and for each category of shares, the rights and obligations conferred.

## **B** GENERAL SHAREHOLDERS' MEETING

B.1 State whether there are any differences in the quorum for the General Meeting with respect to the minimums laid down in the Public Limited Companies Act (LSC). If so, give details:

Yes

No

B.2 State whether there are any differences with the rules established in the Public Limited Companies Act (LSC) for the adoption of company resolutions. If so, give details:

Yes

No

Describe the differences with the rules established by the Public Limited Companies Act.

B.3 State the rules applicable to amendment of the company's articles of incorporation. Specifically, detail the majorities envisaged for the amendment of the articles of incorporation, as well as, where applicable, the rules envisaged for the implementation of the rights of shareholders in the amendment of the articles of incorporation.

Modification to the bank's articles of incorporation is governed by the provisions of the Capital Companies Law and in the Bank's Articles of Incorporation, and where applicable may require authorisation from the Bank of Spain. In general terms, any amendment to the Articles of Incorporation must be agreed by the Shareholders' General Meeting and demands concurrently the following requirements to be met:

- Administrators, or, where applicable, shareholders who are authors of the proposal should formulate a written report with the justification of the same.
- The points that it is proposed to amend should be expressed at the meeting with due clarity.
- The text announcing the meeting should include mention of the right of all shareholders to examine, at the company headquarters, the entire text of the proposed amendment and the associated report, and to request the delivery or sending of such documents without charge.
- The resolution should be adopted by the Meeting in accordance with the provisions of Article 44 of the Articles of Incorporation:

### Article 44

In order for an Ordinary or Extraordinary Shareholders' Meeting to validly adopt a resolution to issue bonds, reduce or increase the share capital, change the legal form of the Company, merge or de-merge the Company or, generally, make any amendment to the Articles of Incorporation, the Meeting, if at first call, must be attended by shareholders holding not less than 50% of the subscribed voting shares, in person or by proxy.

If at second call, 25% of capital shall suffice.

Where those present represent less than 50% of the subscribed voting shares, any of the resolutions referred to in the preceding paragraph shall require a majority of two-thirds of the votes validly cast at the Meeting.

The Shareholders' Meeting may grant authorisation to the Board of Directors, for a period of not more than three years, to issue non-convertible bonds, to be denominated as such, treasury bonds, or similar securities, on one or more occasions, provided that the volume of bonds outstanding at any time does not exceed the limits specified by law.

If adopted by the special majorities provided in this article, such a resolution may empower the Board to freely determine the total amount, the interest rates and any other terms of each issue.

Any amendment to the Articles of Incorporation imposing further obligations on the shareholders shall require the acquiescence of all those concerned.

**B.4 Give details of attendances at General Meetings held during the year to which this report refers and those of the preceding year:**

Date of general meeting	Attendance figures				
	% present in person	% present by proxy	% of votes cast by remote means		Total
			Electronic votes	Others	
26/03/2013	1.86%	65.20%	0.00%	0.00%	67.06%
31/05/2012	2.80%	63.04%	0.00%	0.00%	65.84%
23/02/2012	3.19%	71.59%	0.00%	0.00%	74.78%

**B.5 State whether the Articles of Incorporation require ownership of a minimum number of shares for attending General Meetings:**

Yes

No

<b>Number of shares required to attend a General Meeting</b>	800
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**B.6 Indicate whether, although not expressly required by company legislation, it has been agreed that certain decisions involving any structural modification of the company ("subsidiarisation", acquisition of disposal of essential operating assets, operations having an effect equivalent to that of winding up the company, etc.) should be submitted to the General Meeting for approval.**

Yes

No

**B.7 Give the address and explain how access may be had to corporate governance information and other information on the general meetings that must be made available to shareholders via the company's website.**

The information is available on the Group's corporate website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)), and can be accessed directly via the tab "Shareholder and Investor Information" that is listed on its home page.

## **C ORGANISATIONAL STRUCTURE OF THE COMPANY**

### **C.1 Board of Directors**

**C.1.1 Maximum and minimum number of Directors envisaged in the Articles of Incorporation:**

<b>Maximum number of Directors</b>	15
<b>Minimum number of Directors</b>	11

C.1.2 Complete the following table of members of the Board:

Name or corporate name of director	Represented by	Office held	Date of first appointment	Date of most recent appointment	Method of election
MR. JOSÉ OLIU CREUS	--	CHAIRMAN	29/03/1990	25/03/2010	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOSÉ MANUEL LARA BOSCH	--	1st DEPUTY CHAIRMAN	24/04/2003	26/03/2013	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	--	2nd DEPUTY CHAIRMAN	18/09/2010	18/09/2010	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JAIME GUARDIOLA ROMOJARO	--	MANAGING DIRECTOR	27/09/2007	26/03/2013	RESOLUTION AT SHAREHOLDERS' MEETING
MR. HÉCTOR MARÍA COLONQUES MORENO	--	DIRECTOR	31/10/2001	31/05/2012	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOAN LLONCH ANDREU	--	DIRECTOR	28/11/1996	31/05/2012	RESOLUTION AT SHAREHOLDERS' MEETING
MS. SOL DAURELLA COMADRÁN	--	DIRECTOR	19/03/2009	19/03/2009	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	--	DIRECTOR	16/03/2000	25/03/2010	RESOLUTION AT SHAREHOLDERS' MEETING
MS. MARIA TERESA GARCIA-MILÀ LLOVERAS	--	DIRECTOR	29/03/2007	31/05/2012	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	--	DIRECTOR	26/03/2013	26/03/2013	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI	--	DIRECTOR	18/09/2010	18/09/2010	RESOLUTION AT SHAREHOLDERS' MEETING
MR. ANTÓNIO VÍTOR MARTINS MONTEIRO	--	DIRECTOR	20/09/2012	26/03/2013	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	--	DIRECTOR	31/05/2012	31/05/2012	RESOLUTION AT SHAREHOLDERS' MEETING
MR. JOSÉ PERMANYER CUNILLERA	--	DIRECTOR	21/03/2002	31/05/2012	RESOLUTION AT SHAREHOLDERS' MEETING

<b>Total number of Directors</b>	14
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Give the names of all Members of the Board who ceased to act in that capacity during the period:

Name or corporate name of director	Office held at time of cessation	Date ceased
MR. FRANCESC CASAS SELVAS	INDEPENDENT NON-EXECUTIVE DIRECTOR	26/03/2013
MR. ISAK ANDIC ERMAY	PROPRIETARY NON-EXECUTIVE DIRECTOR	30/09/2013



C.1.3 Complete the following tables relating to the status of members of the Board:

### **EXECUTIVE DIRECTORS**

Name or corporate name of director	Committee proposing appointment	Office or position held in the company
MR. JOSÉ OLIU CREUS	NOMINATION AND REMUNERATION COMMITTEE	CHAIRMAN
MR. JAIME GUARDIOLA ROMOJARO	NOMINATION AND REMUNERATION COMMITTEE	MANAGING DIRECTOR
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	NOMINATION AND REMUNERATION COMMITTEE	DIRECTOR - GENERAL MANAGER

<b>Total number of Executive Directors</b>	3
<b>% of total Board members</b>	21.43%

### **PROPRIETARY NON-EXECUTIVE DIRECTORS**

Name or corporate name of director	Committee proposing appointment	Name or corporate name of the significant shareholder represented or that proposed appointment to the Board
MR. ANTÓNIO VÍTOR MARTINS MONTEIRO	NOMINATION AND REMUNERATION COMMITTEE	BANCO COMERCIAL PORTUGUES, S.A.

<b>Total number of Proprietary Non-Executive Directors</b>	1
<b>% of total Board members</b>	7.14%

### **INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Name or corporate name of Director**

MR. JOSÉ MANUEL LARA BOSCH

**Profile:**

BUSINESS

**Name or corporate name of Director**

MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR

**Profile:**

BUSINESS

**Name or corporate name of Director**

MR. HÉCTOR MARÍA COLONQUES MORENO

**Profile:**

BUSINESS

**Name or corporate name of Director**

MR. JOAN LLONCH ANDREU

**Profile:**

BUSINESS/ACADEMIC

**Name or corporate name of Director**

MS. SOL DAURELLA COMADRÁN

**Profile:**

BUSINESS

**Name or corporate name of Director**

MR. JOAQUÍN FOLCH-RUSIÑOL CORACHÁN

**Profile:**

BUSINESS

**Name or corporate name of Director**

MS. MARIA TERESA GARCIA-MILÀ LLOVERAS

**Profile:**

ACADEMIC

**Name or corporate name of Director**

MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ

**Profile:**

BUSINESS

**Name or corporate name of Director**

MR. JOSÉ RAMÓN MARTÍNEZ SUFRATEGUI

**Profile:**

BUSINESS

<b>Total number of Independent Directors</b>	9
<b>% of total Board members</b>	64.29%

State whether any director classed as independent receives from the company, or from the group, any amount or benefit for any item other than director's remuneration, or maintains or has maintained, during the last year, a business relationship with the company or with any company in the group, whether in their own name or as a significant shareholder, director or senior executive of any organisation that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the Board regarding the reasons for which it considers that said director is able to perform functions as an independent director.

**OTHER NON-EXECUTIVE DIRECTORS**

<b>Name or corporate name of Director</b>	<b>Committee proposing appointment</b>
MR. JOSÉ PERMANYER CUNILLERA	NOMINATION AND REMUNERATION COMMITTEE

<b>Total number of other Non-Executive Directors</b>	1
<b>% of total Board members</b>	7.14%

Give the reasons why they cannot be considered as Proprietary Directors or Independent Directors, and their relationship with the company or its executives or with its shareholders.

**Name or corporate name of Director**

MR. JOSÉ PERMANYER CUNILLERA

**Company, executive or shareholder with whom related:**

**Reasons:**

By application of Article 8.4.a of Ministerial Order ECC/461/2013, of 20 March.

Indicate, where applicable, any changes in the status of any Director during the period:

Name or corporate name of director	Date of change	Previous status	Current status
MR. JOSÉ MANUEL LARA BOSCH	26/03/2013	OTHER NON-EXECUTIVE	INDEPENDENT

C.1.4 Complete the following table with information relating to the number of female directors during the last 4 years, as well as the nature of these directors:

	Number of female directors				% of total of female directors of each type			
	Year 2013	Year 2012	Year 2011	Year 2010	Year 2013	Year 2012	Year 2011	Year 2010
<b>Executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Proprietary</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Independent</b>	2	2	2	2	22.22%	25.00%	22.22%	22.22%
<b>Other non-executive</b>	0	0	0	0	0.00%	0.00%	0.00%	0.00%
<b>Total:</b>	2	2	2	2	14.29%	13.33%	13.33%	13.33%

C.1.5 Explain, where applicable, any measures taken to try to include in the Board of Directors a sufficient number of women to allow a balanced presence between men and women to be achieved.

Explanation of the measures
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The Board of Directors has adopted active policies that allow, as far as possible, the promotion of gender diversity within the organisation, having incorporated, in 2007, Ms. María Teresa García-Milà Lloveras as a board member, in 2009, Ms. Sol Daurella Comadrán also as a board member and in 2012 Ms. María José García Beato as vice-secretary.

C.1.6 Explain any measures agreed by the Nomination and Remuneration Committee to establish procedures to ensure that the selection processes are not implicitly biased against the appointment of female Directors and that the company deliberately seeks and includes among potential candidates, women who meet the required professional profile:

<b>Explanation of the measures</b>
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The Nomination and Remuneration Committee has, among its functions, ensuring that in the selection process for directors no kind of gender discrimination arises, with 3 women having been appointed in recent years.

When, despite the measures that, if applicable, have been adopted, there are few or no female directors, explain the reasons why.

C.1.7 Explain how shareholders with significant holdings are represented on the board.

C.1.8 Give the reasons, if any, why Proprietary Directors have been appointed by shareholders with a holding of less than 5% of the capital:

**Name or corporate name of shareholder**

BANCO COMERCIAL PORTUGUES, S.A.

**Justification:**

Mr. António Vítor Martins Monteiro is Chairman of Banco Comercial Portugues.

State whether the company has refused any formal requests for a presence on the Board from shareholders with holdings that are the same as or larger than those of other shareholders at whose request proprietary directors have been appointed. If so, give the reasons for the refusal:

Yes

No

C.1.9 State whether any Directors resigned before the end of their term of office, whether they explained to the Board their reasons for doing so, and in what form, and, if the whole Board was informed in writing, indicate below, as a minimum, the reasons they gave:

**Name of director**

MR. ISAK ANDIC ERMAY

**Reasons for resignation:**

On 30 September 2013, he presented his letter of resignation from his post, addressed to the Chairman of the Board, and he informed each of the Board members by letter.

The reasons for his resignation were reported via significant event number 193339, dated 30 September 2013.

His term of office was due to expire on 14 April 2016.

C.1.10 Indicate the powers delegated to the Managing Director(s), if any:

**Name or corporate name of director**

MR. JAIME GUARDIOLA ROMOJARO

**Brief description**

The powers of the Managing Director are set out in the section "H. OTHER INFORMATION OF INTEREST"

C.1.11 Name any members of the Board holding office as administrators or senior executives of other companies in the same group as the listed company:

<b>Name or corporate name of director</b>	<b>Name of the company in the group</b>	<b>Office held</b>
MR. JOSÉ OLIU CREUS	BANSABADELL HOLDING, S.L. SOCIEDAD UNIPERSONAL	CHAIRMAN
MR. JOSÉ OLIU CREUS	BANCO GALLEGO, S.A.	CHAIRMAN
MR. JAIME GUARDIOLA ROMOJARO	BANCO GALLEGO, S.A.	DIRECTOR
MR. JOAN LLONCH ANDREU	BANSABADELL HOLDING, S.L. SOCIEDAD UNIPERSONAL	DIRECTOR
MR. JOAN LLONCH ANDREU	BANCSABADELL D'ANDORRA, S.A.	DIRECTOR
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	BANSABADELL HOLDING, S.L. SOCIEDAD UNIPERSONAL	DIRECTOR
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	BANCO GALLEGO, S.A.	DIRECTOR
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	BANSABADELL FINANCIACIÓN, E.F.C., S.A.	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	BANCSABADELL D'ANDORRA, S.A.	DIRECTOR
MR. JOSÉ PERMANYER CUNILLERA	AURICA XXI, S.C.R. DE RÉGIMEN SIMPLIFICADO, S.A.	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	BANSABADELL INVERSIÓ DESENVOLUPAMENT, S.A.U.	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	MEDITERRANEAN CAM INTERNATIONAL HOMES, S.L.	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	SINIA RENOVABLES, S.C.R. DE RÉGIMEN SIMPLIFICADO, S.A.U.	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	SOLVIA DEVELOPMENT, S.L. UNIPERSONAL	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	SOLVIA HOTELS, S.L. UNIPERSONAL	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	SOLVIA HOUSING, S.L. UNIPERSONAL	CHAIRMAN
MR. JOSÉ PERMANYER CUNILLERA	TENEDORA DE INVERSIONES Y PARTICIPACIONES, S.L.	CHAIRMAN

C.1.12 List, where applicable, any Directors of the company reported to the company to be members of the Board of Directors of other companies quoted on official stock markets, other than companies in the same group:

<b>Name or corporate name of director</b>	<b>Name of the listed company</b>	<b>Office held</b>
MR. JOSÉ MANUEL LARA BOSCH	ATRESMEDIA CORPORACIÓN DE MEDIOS DE COMUNICACIÓN, S.A.	CHAIRMAN
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ACS ACTIVIDADES DE LA CONSTRUCCIÓN Y SERVICIOS, S.A.	DIRECTOR
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	REPSOL, S.A.	DIRECTOR
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	ENCE ENERGÍA Y CELULOSA, S.A.	DIRECTOR
MS. SOL DAURELLA COMADRÁN	ACCIONA, S.A.	DIRECTOR
MS. SOL DAURELLA COMADRÁN	EBRO FOODS, S.A.	DIRECTOR
MS. MARIA TERESA GARCIA-MILÀ LLOVERAS	ENAGAS, S.A.	DIRECTOR
MR. ANTÓNIO VÍTOR MARTINS MONTEIRO	BANCO COMERCIAL PORTUGUES, S.A.	CHAIRMAN
MR. ANTÓNIO VÍTOR MARTINS MONTEIRO	SOCO INTERNATIONAL PLC	DIRECTOR

C.1.13 State, and where applicable explain, whether the company has any rules on the number of boards to which its Directors may belong:

Yes

No

Explanation of the rules
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The company has been governed by the provisions of Act 31/1968 of 27 July on incompatibilities and limitations on Chairpersons, Directors, and Senior Executives in the Private Banking sector, with a maximum of four Boards of Directors in Spanish public limited companies. The aforementioned maximum does not include posts on boards in public limited companies in which the interested party, their spouse, or first-degree relatives, together or separately, are holders of a number of shares not lower than the quotient from dividing the company capital by the number of members of the Board of Directors, although overall, exercising as a director in more than eight public limited companies is not allowed.

C.1.14 State policies and strategies of the company that the Board is approving:

	Yes	No
<b>Investment and financing policy</b>	x	
<b>Definition of the structure of the group of companies</b>	x	
<b>Corporate Governance policy</b>	x	
<b>Corporate Social Responsibility policy</b>	x	
<b>Strategic or business plan, as well as management targets and annual budget</b>	x	
<b>Policy on remuneration and assessment of the performance of senior executives</b>	x	
<b>Risk control and management policy and regular monitoring of internal information and control systems</b>	x	
<b>Policy on dividends and purchases of own shares, especially the limits thereon</b>	x	

C.1.15 Indicate the global remuneration of the Board of Directors:

<b>Remuneration of the Board of Directors (thousands of euros)</b>	7,488
<b>Amount of the global remuneration that corresponds to the consolidated rights of directors in pension matters (thousands of euros)</b>	3,413
<b>Global remuneration of the Board of Directors (thousands of euros)</b>	10,901

C.1.16 Name any senior executives who are not also Executive Directors, and state the total remuneration earned during the year:

Name or corporate name	Office(s) held
MS. MARÍA JOSÉ GARCÍA BEATO	VICE-SECRETARY OF THE BOARD - GENERAL SECRETARY
MR. TOMÁS VARELA MUIÑA	GENERAL MANAGER
MR. MIQUEL MONTES GÜELL	GENERAL MANAGER
MR. RAMÓN DE LA RIVA REINA	DEPUTY GENERAL MANAGER
MR. CARLOS VENTURA SANTAMANS	DEPUTY GENERAL MANAGER
MS. NURIA LÁZARO RUBIO	GENERAL ASSISTANT DIRECTOR – DIRECTOR OF INTERNAL AUDITING

<b>Total remuneration paid to senior executives (in thousands of euros)</b>	4,472
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C.1.17 Identify, if applicable, any members of the Board who are also Board members of companies of significant shareholders and/or in companies in the group:

Identify, if applicable, relevant relationships apart from those contemplated in the previous section, of members of the Board that connect them with significant shareholders and/or in companies in the group:

C.1.18 State whether there have been any changes in the Regulations of the Board of Directors during the year:

Yes

No

C.1.19 Describe the procedures for recruitment, appointment, re-appointment, evaluation and removal of Directors. Specify the responsible person or body, the procedures to be followed and the criteria to be employed in each case.

Under Articles 51, 54 and 56 of the Articles of Incorporation and Articles 14, 19 and 20 of the Regulations of the Board of Directors and the Procedure for assessing the suitability of members of the Board and holders of key offices at Banco Sabadell, the procedures for the appointment, re-election, assessment, and removal of Directors are as follows:

1.- Selection

It is one of the basic responsibilities of the Nomination and Remuneration Committee, in accordance with the provisions of Article 14 of the Regulations of the Board of Directors, to formulate and review the criteria that should be followed for the composition of the Board of Directors and the selection of candidates.

Specifically, it is also responsible for submitting proposals to the Board regarding the appointment of Independent Directors and informing of the appointment of all other Directors.

2.- Appointment

Members of the Board of Directors are appointed by the General Meeting. Equally, any vacancies on the Board shall be filled by the General Meeting, unless the Board, in the interests of the company, decides to co-opt directors in the terms of Article 244 of the Public Limited Companies Act. Directors who are co-opted on to the Board shall hold office until the date of the next General Meeting.

3.- Re-election

Directors shall hold office for a maximum term of five years, after which they may be re-elected.

4.- Assessment

The Nomination and Remuneration Committee is responsible, inter alia, for submitting proposals to the Board regarding the appointment of Directors, in which case the Board may either make the appointments directly (co-opting) or accept the recommendations and submit them to the General Meeting. The Committee is responsible for the selection and continuous assessment of suitability of members of the Board of Directors, for which it analyses the reports and proposals submitted to it by the Secretary, produced by the Bank's General Secretary, regarding commercial and professional standing, knowledge and experience, and willingness to observe good governance, in application of the requirements defined in sections 2, 3 and 4 of Article 2 of Royal Decree 1245/1995, of 14 July (as per text of Royal Decree 256/2013, of 12 April). Furthermore, it will evaluate the profile of the most suitable people to form part of the different committees and will submit the corresponding proposals to the Board. Specifically, it will take measures to ensure compliance with the required qualitative composition of the Board of Directors

5.- Removal

Directors will cease in office at the end of the period for which they were appointed or as decided by the General Meeting or the Board of Directors under the authority vested in them by the law or the Articles of Incorporation. At present, the Board has no such authority. Article 51 of the Articles of Incorporation states that the General Meeting may resolve upon the removal of a Director at any time.

6.- Restrictions

The following persons may not be members of the Board of Directors:

- a) Shareholders who are minors.
- b) Shareholders who are barred by law, are insolvent or are undischarged bankrupts, or have been convicted of crimes that prohibit them from holding public office or who have been found guilty of serious infringements or the law or of the Articles of Incorporation, and those who by reason of their office may not carry on business.
- c) Government officials whose duties are related to, or have a bearing on, the business of the Bank.
- d) Shareholders who are overdrawn with the bank due to defaults on overdue obligations.

C.1.20 State whether the Board of Directors has proceeded to carry out an assessment of its activity during the course of the year:

Yes

No

If so, explain to what extent this self-assessment has given rise to important changes in its internal organisation and regarding the procedures applicable to its activities:

**Description of modifications**

On 25 July 2013, the Board of Directors approved the "Procedure for assessing the suitability of members of the Board of Directors and of key post-holders". This procedure regulates the unit responsible for the assessment, the assessment mechanisms, the support documentation, the assessment frequency, and the training of those concerned.

**C.1.21 Describe the circumstances in which Directors are required to resign.**

In accordance with the provisions of Article 20 of the Regulations of the Board of Directors, directors shall be required to resign:

- a) When they are prohibited from holding office due to incompatibility or prohibition by law or by the Articles of Incorporation.
- b) When they have been charged with a criminal offence or have disciplinary proceedings taken against them by the regulatory authorities for a serious or very serious breach of duty.
- c) When, by continuing to serve as a member of the Board, they may jeopardise the interests of the company.

**C.1.22 State whether the office of Chief Executive of the company is held by the Chairman of the Board of Directors. If so, state what measures, if any, have been taken to limit the accumulation of powers in a single person:**

Yes

No

**Measures to limit such risks**

There is no risk of accumulation of powers since all decisions are taken by the Executive Committee.

State, and where applicable explain, whether rules have been established that allow one of the Independent Directors to request a Board meeting or the inclusion of further items on the agenda, in order to coordinate and reflect the concerns of the Non-executive Directors, and to direct the evaluation by the Board of Directors:

Yes

No

**Explanation of the rules**

Article 17 (sections 1, 2 and 4) of the Regulations of the Board of Directors states as follows:

1.- The Board of Directors shall meet once a month and upon the Chairman's initiative whenever he considers it appropriate for the proper functioning of the company. Notices of meetings should always include the agenda for the meeting, which should set out, inter alia, all business concerning subsidiary companies and Delegated Committees, and all proposals and suggestions put forward by the Chairman and other members of the Board and by the General Manager/s of the bank, and should be sent not less than five working days before the date of the board meeting, together with any related documents for distribution to Directors. The Board shall approve the minutes of meetings and fix the date of the next meeting.

2.- The Chairman may call extraordinary meetings, indicating in the notice the purpose of the meeting. He may also call meetings at the request of any Director in accordance with the provisions of the Articles of Incorporation. Should the president not call, within five working days, a meeting requested by any Director, the latter may request that the First Deputy President call the meeting within the same time period.

Furthermore, Article 23.2 (e) of the aforementioned Regulations of the Board of Directors states that Directors are obliged in particular to request persons with the authority to do so to call an extraordinary meeting of the Board or to include on the agenda for the next meeting such items as they consider appropriate.



C.1.23 Are qualified rather than legal majorities required for some types of resolution?:

Yes

No

If so, describe the differences.

C.1.24 State whether there are any special requirements for holding office as Chairman of the Board, other than those applicable to Directors.

Yes

No

C.1.25 State whether the Chairman has a casting vote:

Yes

No

<b>Matters on which there is a casting vote</b>
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The casting vote applies to all resolutions of the Board of Directors

C.1.26 State whether the Articles of Incorporation or the Regulations of the Board of Directors establish any age limit for Directors:

Yes

No

Age limit for Chairperson: 75

Age limit for Managing Director: 75

Age limit for Directors: 75

C.1.27 Indicate whether any limits exist in the Articles of Incorporation or Board Regulations, different to those legally established, on length of term of office for independent Directors:

Yes

No

C.1.28 State whether the Articles of Incorporation or Regulations of the Board of Directors establish specific guidelines for voting by proxy on the Board of Directors, how this is done, and, particularly, the maximum number of proxy votes a director may have, as well as whether it is obligatory to delegate votes to a director of the same type. If so, give brief details of such guidelines.

There are no specific guidelines. In practice, a letter from the Director appointing another Director as proxy is accepted.

C.1.29 State the number of meetings of the Board of Directors held during the year. Also indicate, if applicable, the number meetings of the Board from which the Chairman was absent. For the calculation, representations made with specific instructions will be considered as attendances.

Number of meetings of the Board of Directors	14
Number of meetings of Board of Directors from which the Chairman was absent	0

State the number of meetings of the various Committees of the Board of Directors held during the year:

COMMITTEE	Number of meetings
NUMBER OF MEETINGS OF THE EXECUTIVE OR DELEGATE COMMITTEE	37
NUMBER OF MEETINGS OF THE AUDIT COMMITTEE	7
NUMBER OF MEETINGS OF THE NOMINATION AND REMUNERATION COMMITTEE	11
NUMBER OF MEETINGS OF THE RISK CONTROL COMMITTEE	11
NUMBER OF MEETINGS OF THE STRATEGY COMMITTEE	5

C.1.30 State the number of meetings of the Board of Directors held during the year with the attendance of all its members. For the calculation, representations made with specific instructions will be considered as attendances.

<b>Director attendances</b>	7
<b>Number of attendances as a percentage of the total number of votes during the year</b>	96.60%

C.1.31 State whether the individual and consolidated annual accounts submitted to the Board of Directors for formal approval have been certified in advance:

Yes

No

If so, specify which person/persons certified the individual and consolidated annual accounts of the company, for formulation by the Board:

Name	Office held
MR. JOSÉ OLIU CREUS	CHAIRMAN
MR. JAIME GUARDIOLA ROMOJARO	MANAGING DIRECTOR
MR. TOMÁS VARELA MUIÑA	GENERAL MANAGER - FINANCIAL MANAGER

C.1.32 Explain, if applicable, any procedures established by the Board of Directors to prevent the individual and consolidated annual accounts being submitted to the General Meeting with qualifying statements in the Auditor's Report.

The Bank's internal departments will draw up the annual accounts clearly and in a way that gives a true and fair picture of the company's net worth, financial situation and results, and shall correctly apply generally accepted accounting principles to all the relevant financial and accounts information.

The Audit and Control Committee will review the individual and consolidated annual Accounts of company, for their submission to the Board of Directors, ensuring their compliance with legal requirements and the correct application of generally accepted accounting principles. If any exceptions are noted, the Committee should work to ensure they are resolved

Should the annual accounts ultimately include qualified exceptions, the annual report of the Audit and Control Committee will contain a section in which the relevant discrepancies that have arisen are clearly indicated.

C.1.33 Is the Secretary to the Board of Directors a Director?

Yes

No

C.1.34 Describe the procedures for the appointment and removal of the Secretary to the Board of Directors, stating whether his appointment and removal were recommended by the Nomination Committee and approved by the full Board.

**Appointment and removal procedure**

The Board of Directors shall appoint a Secretary, and if appropriate a Deputy Secretary, who may or may not be Directors. If they are not Directors, they shall not have the right to vote. The Secretary and the Deputy Secretary shall be appointed and removed by the full Board of Directors, in both cases on the basis of a report by the Nomination and Remuneration Committee.

The Secretary is Mr. Miquel Roca i Junyent, appointed on 13 April 2000.

The Deputy Secretary is Ms. María José García Beato, appointed on 1 June 2012.

	Yes	No
<b>Does the Nomination Committee recommend the appointment?</b>	X	
<b>Does the Nomination Committee recommend the removal?</b>	X	
<b>Does the full Board approve the appointment?</b>	X	
<b>Does the full Board approve the removal?</b>	X	

Does the Secretary to the Board of Directors have the duty to ensure in particular that the recommendations on good corporate governance are respected?

Yes

No

**Observations**

In accordance with the duties assigned to the position.

**C.1.35 Indicate, if they exist, any mechanisms established by the company to preserve the independence of external auditors, financial analysts, investment banks and rating agencies.**

Article 59 bis of the Articles of Incorporation states in relation to the auditors:

In any event, an Audit and Control Committee shall be established consisting of not more than five non-executive Directors appointed by the Board of Directors, which shall also appoint the committee's Chairperson, subject to a favourable vote by two-thirds of its members (...).

The Audit and Control Committee has the following functions:

(...)

4. Proposing to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment of the external auditors and to lay down the terms of their engagement, the scope of their professional work, and where applicable, their renewal or non-renewal; reviewing the performance of the auditing contract, and ensuring that the auditor's opinion on the annual accounts and the main contents of the auditor's report are drafted in clear, precise terms.

(...)

6. Establishing the proper relations with external auditors to receive information on matters that may jeopardise their independence, for examination by the Committee and any other matter relating to auditing standards and the undertaking of an annual accounts audit."

Article 30 of the Regulations of the Board of Directors is worded in similar terms:

"The Board's relations with the external auditors of the company shall be channelled through the Audit and Control Committee".

In turn, the Rules of Procedure of the Audit and Control Committee include the provisions of the Articles of Incorporation and of the Regulations of the Board of Directors, and state in section 3 of Article 21 that because of their status as Directors and members of the Committee, these members must act with independence of criteria and action with respect to the rest of the organisation (...).

And finally, with respect to complying with the regulation on independence, the Audit and Control Committee reviews, and issues a report to the Board of Directors, regarding:

1. the main services other than auditing provided by the external auditors in order to ensure that they comply with the requirements of independence established in the Consolidated Text of the Accounting and Auditing Act, issued by Legislative Royal Decree 1/2011, of 1 July, and in the Auditing Technical Standards issued by the Spanish Institute of Accounting and Auditing.
2. the relative importance of fees generated in the Group with respect to the annual income of the external auditors.
3. through confirmation received from the external auditors, the company's procedures and tools in relation with complying with the regulation on independence, in order to ensure compliance with the independence requirements established in the Consolidated Text of the Accounting and Auditing Act, issued by Legislative Royal Decree 1/2011, of 1 July.

With regard to financial analysts, information is provided to any analyst who requests it, without any restrictions whatsoever.

And with respect to rating agencies, the bank maintains relations with the main rating agencies in the market and the number and quality of such agencies is sufficient to ensure their independence.

C.1.36 State whether the company has changed its external auditor during the year. If so, name the outgoing and incoming Auditor

Yes

No

If there were any disagreements with the outgoing Auditor, give details of these:

C.1.37 Indicate whether the firm of auditors carries out any non-auditing work for the company and/or the group, and if so, state the amount paid for such work and the percentage that it represents of the total amount charged by the auditors to the company and/or the group:

Yes

No

	Company	Group	Total
<b>Amount charged for non-auditing work (thousands of euros)</b>	655	1,089	1,744
<b>Amount charged for non-auditing work as a % of total amount charged by the auditors</b>	34.73%	38.25%	36.85%

C.1.38 State whether the Auditor's report on the annual accounts for the previous year contains any qualifying statements (reservations or exceptions). If so, state the reasons given by the Chairman of the Audit Committee to explain the content and scope of such qualifying statements.

Yes

No

C.1.39 State the number of consecutive years for which the current auditors have been auditing the annual accounts of the company and/or the group. Also state the number of years for which accounts have been audited by the current Auditors, as a percentage of the total number of years for which the annual accounts have been audited:

	Company	Group
<b>Number of consecutive years</b>	31	29
<b>Number of years for which accounts have been audited by current auditors / Number of years for which company accounts have been audited (in %)</b>	93.94%	100%

C.1.40 State and detail any procedures in place to ensure that Directors are able to obtain independent advice:

Yes

No

Detail of procedure
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Notwithstanding the general authorities of the Board of Directors, which include the possible engagement of independent advisers and ordering independent reports or services, Article 21 of the Audit and Control Committee's Rules of Procedure establishes members' right to obtain independent professional advice in order to better perform their duties.

C.1.41 State and detail any procedures in place to ensure that Directors can obtain the information they need to prepare in good time for meetings of the Board and committees:

Yes

No

**Detail of procedure**

In accordance with the provisions of Article 17 of the Regulations of the Board of Directors, meetings of the Board of Directors will be notified with a minimum notice period of five days. The notice will always include meeting's agenda, which should set out, inter alia, all business concerning subsidiary companies and Delegated Committees, and all proposals and suggestions put forward by the Chairman and other members of the Board and by the General Manager/s of the bank, these proposals being accompanied by any related documents for distribution to the Directors.

In addition, Article 21 states:

1. Directors have the widest powers to seek information on any aspect of the company, to inspect the company's books, records, documents and other background items pertaining to the company's operations, and to inspect all facilities and premises. The right to information is extended to the subsidiary companies, whether national or foreign.
2. In order not to disrupt the ordinary running of the company, the exercising of this right to information shall be channelled through the Chairman or the Secretary of the Board of Directors, who shall deal with requests from Directors by providing the information direct, offering appropriate interlocutors at the relevant organisational level, or taking such steps as may be necessary to enable them to perform any inspection or examination in situ."

C.1.42 State and where applicable, detail any rules in place that oblige the Directors to report and, if appropriate, resign in any circumstances that might jeopardise the company's credit and reputation:

Yes

No

**Describe the rules**

In accordance with the provisions of Article 20 of the Regulations of the Board of Directors, directors shall be required to resign:

- a) When they are prohibited from holding office due to incompatibility or prohibition by law or by the Articles of Incorporation.
- b) When they have been charged with a criminal offence or have disciplinary proceedings taken against them by the regulatory authorities for a serious or very serious breach of duty.
- c) When, by continuing to serve as a member of the Board, they may jeopardise the interests of the company.

The above notwithstanding the application of the guidelines relating to suitability assessment that will be carried out by the Bank following the procedure approved by the Board of Directors

C.1.43 State whether any member of the Board of Directors has informed the company that he has faced criminal charges or has been committed to trial for any of the offences listed in Article 213 of the Public Limited Companies Act:

Yes

No

State whether the Board of Directors has studied the case. If so, give a reasoned explanation of the decision taken as to whether or not the Director should remain in office, or, where applicable, explain the actions taken by the Board of Directors until the date of this report or that it plans to take.

C.1.44 Detail any significant agreements that the company has signed and that enter may into force, be modified or expire upon a change of control of the company deriving from a public takeover bid, and its effects.

- C.1.45 Identify in overall terms, and indicate, in detail, any agreements between the company and its Directors and senior executives or employees that include compensations, guarantee or severance clauses, in the event of their resignation or unfair dismissal or if the contractual relationship is terminated due to a public takeover bid or other kinds of operations.

**Number of beneficiaries: 25**

**Type of beneficiary:**

Executive directors, senior management and other members of the group identified

**Description of agreement:**

Compensation clause of 2 or 3 years' payments for cases of unfair dismissal or some limited cases of change of control

State whether such contracts must be reported to and/or approved by the decision-making bodies of the company or group:

	<b>Board of Directors</b>	<b>General Meeting</b>	
<b>Clauses approved by</b>	Yes	No	
		<b>YES</b>	<b>NO</b>
<b>Are the clauses reported to the General Meeting?</b>			X

**C.2 Committees of the Board of Directors**

- C.2.1 Give details of all Committees of the Board of Directors, their members, and the proportion of proprietary and independent directors that form them:

**EXECUTIVE OR DELEGATED COMMITTEE**

Name	Office held	Type
MR. JOSÉ OLIU CREUS	CHAIRMAN	EXECUTIVE DIRECTOR
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JAIME GUARDIOLA ROMOJARO	COMMITTEE MEMBER	EXECUTIVE DIRECTOR
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	COMMITTEE MEMBER	EXECUTIVE DIRECTOR
MR. JOSÉ PERMANYER CUNILLERA	COMMITTEE MEMBER	OTHER NON-EXECUTIVE

<b>% of Executive Directors</b>	60.00%
<b>% of Proprietary Directors</b>	0.00%
<b>% of Independent Directors</b>	20.00%
<b>% of other Non-Executive Directors</b>	20.00%

**AUDIT AND CONTROL COMMITTEE**

Name	Office held	Type
MR. JOAN LLONCH ANDREU	CHAIRMAN	INDEPENDENT DIRECTOR
MS. SOL DAURELLA COMADRÁN	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MS. MARIA TERESA GARCIA-MILÀ LLOVERAS	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	COMMITTEE MEMBER	INDEPENDENT DIRECTOR

<b>% of Executive Directors</b>	0.00%
<b>% of Proprietary Directors</b>	0.00%
<b>% of Independent Directors</b>	100.00%
<b>% of other Non-Executive Directors</b>	0.00%

## **NOMINATION AND REMUNERATION COMMITTEE**

Name	Office held	Type
MR. HÉCTOR MARÍA COLONQUES MORENO	CHAIRMAN	INDEPENDENT DIRECTOR
MR. JOSÉ MANUEL LARA BOSCH	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	COMMITTEE MEMBER	INDEPENDENT DIRECTOR

<b>% of Executive Directors</b>	0.00%
<b>% of Proprietary Directors</b>	0.00%
<b>% of Independent Directors</b>	100.00%
<b>% of other Non-Executive Directors</b>	0.00%

## **RISK CONTROL COMMITTEE**

Name	Office held	Type
MR. JOSÉ OLIU CREUS	CHAIRMAN	EXECUTIVE DIRECTOR
MR. JOSÉ PERMANYER CUNILLERA	DEPUTY CHAIRMAN	OTHER NON-EXECUTIVE
MR. JAIME GUARDIOLA ROMOJARO	COMMITTEE MEMBER	EXECUTIVE DIRECTOR
MR. JOAN LLONCH ANDREU	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JOSÉ LUIS NEGRO RODRÍGUEZ	COMMITTEE MEMBER	EXECUTIVE DIRECTOR

<b>% of Executive Directors</b>	60.00%
<b>% of Proprietary Directors</b>	0.00%
<b>% of Independent Directors</b>	20.00%
<b>% of other Non-Executive Directors</b>	20.00%

## **STRATEGY COMMITTEE**

Name	Office held	Type
MR. JOSÉ OLIU CREUS	CHAIRMAN	EXECUTIVE DIRECTOR
MR. JOSÉ MANUEL LARA BOSCH	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JOSÉ JAVIER ECHENIQUE LANDIRIBAR	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JAIME GUARDIOLA ROMOJARO	COMMITTEE MEMBER	EXECUTIVE DIRECTOR
MR. JOAQUÍN FOLCH-RUSIÑOL CORACHÁN	COMMITTEE MEMBER	INDEPENDENT DIRECTOR
MR. JOSÉ MANUEL MARTÍNEZ MARTÍNEZ	COMMITTEE MEMBER	INDEPENDENT DIRECTOR

<b>% of Executive Directors</b>	33.33%
<b>% of Proprietary Directors</b>	0.00%
<b>% of Independent Directors</b>	66.67%
<b>% of other Non-Executive Directors</b>	0.00%

C.2.2 Complete the following table with information relating to the number of female directors who have been members of the Board of Directors' Committees during the last four years:

	Number of female directors							
	Year 2013		Year 2012		Year 2011		Year 2010	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Audit and Control Committee	2	50.00%	2	50.00%	2	50.00%	2	50.00%
Nomination and Remuneration Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%
Risk Control Committee	0	0.00%	1	20.00%	0	0.00%	1	20.00%
Strategy Committee	0	0.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 State whether the Audit Committee has the following duties:

	YES	NO
To supervise the production and integrity of the financial information on the company and on the group, and, where applicable, to review compliance with legal requirements, the proper demarcation of the consolidation perimeter and the correct application of accounting principles.	X	
To regularly review the internal control and risk management systems, so that the main risks are properly identified, managed and reported.	X	
To ensure the independence and effectiveness of the internal auditing functions; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to propose the budget for the department; to receive regular information on its activities; and to check that senior executives take into account the conclusions and recommendations of its reports.	X	
To set up and supervise a mechanism for employees to report in confidence, and if considered appropriate anonymously, any irregularities in the company of potential importance, particularly financial and accounting irregularities.	X	
To submit proposals to the Board for the selection, appointment, re-election and replacement of the external Auditor and for its terms of service.	X	
To receive regular information from the external Auditor on the audit plan and the results of its execution, and to check that senior management takes its recommendations into account	X	
To ensure the independence of the external Auditor.	X	

C.2.4 Give a description of the rules of organisation and functioning, as well as the responsibilities assigned to each of the Board's Committees.

**Committee name**

AUDIT AND CONTROL COMMITTEE

**Brief description**

Specific provision is made for the Committee in the Articles of Incorporation (Article 59 bis) and in the Regulations of the Board of Directors (Article 13). It has its own Regulations, which govern the basic rules of organisation, running and governance.

The Audit and Control Committee is responsible for reviewing the report of the Internal Audit Department to check that banking and accounting best practice is being applied at all levels of the organisation and to ensure that appropriate action is taken in response to any conduct or working methods that could be inappropriate. The Committee is also responsible for ensuring that all measures, policies, and strategies defined by the Board are properly implemented.

It also supervises the effectiveness of the group's risk management systems and control procedures, including the internal control system governing the process of preparing and reporting regulated financial information, paying special attention to reviewing the company's accounts and periodical financial information before its disclosure to the market in order to ensure it complies with prevailing accounting regulations, and duly reports the contents thereof to the Board of Directors.

The Committee meets at least once a quarter, and whenever called by its Chairperson on their own initiative or at the request of any Committee member or at the request of the Chairman of the Board of Directors or the external auditors, in order to perform the duties for which it is responsible.

It will be formed by a maximum of five Directors, appointed by the Board of Directors, which will designate the Committee's chairperson and secretary; the latter cannot be a Director. The Secretary shall draw up the minutes of each meeting, which are approved at the same meeting or the immediately following one. The proceedings of meetings are reported to the Board of Directors at its next meeting, by reading out the minutes of each Committee meeting.

**Committee name**

RISK CONTROL COMMITTEE

**Brief description**

Regulated by Article 15 of the Regulations of the Board of Directors, it will be made up of five Directors appointed by the Board itself. Also sitting on this committee shall be the General Manager/s, the Risk Manager, and any other employees who may be called to the committee by any Director or General Manager/s to present specific reports on risks or investments, as well as the risk control or measurement systems, ratings, scorings, etc. The Committee will be chaired by a Director appointed by the Board of Directors.

The responsibilities of the Risk Control Committee are detailed in the aforementioned Article 15 of the Regulations of the Board of Directors.



**Committee name**  
STRATEGY COMMITTEE

**Brief description**  
Regulated by Article 16 bis of the Regulations of the Board of Directors.

It shall be formed of a minimum of five and a maximum of six members, all of whom shall be Directors and two of whom shall be the Chairman of the Board and the Managing Director; the Committee Secretary shall be the Secretary to the Board of Directors.

The Committee shall meet at least once every six months or at the request of the Chairperson. Its duties shall be to report on questions of strategy in general or those of particular importance or relevance.

**Committee name**  
NOMINATION AND REMUNERATION COMMITTEE

**Brief description**  
Contemplated in Article 59 ter of the Articles of Incorporation, its regulations are set out in Article 14 of the Regulations of the Board of Directors and it is formed by four Non-executive Directors. It meets at least once per year. The Nomination and Remuneration Committee is responsible for drawing up and reviewing the principles to be applied in determining the composition of the Board of Directors and in selecting candidates, submitting to the Board proposals for the appointment of Independent Directors and reporting on the appointment of other Directors, and assessing the profile of the most suitable people to form part of the different Committees, submitting the corresponding proposals to the Board of Directors.

Notwithstanding any other tasks assigned to it by the Board of Directors, the Nomination and Remuneration Committee will have those responsibilities detailed in Article 59 ter of the Articles of Incorporation and in Article 14 of the Regulations of the Board of Directors.

**Committee name**  
EXECUTIVE OR DELEGATED COMMITTEE

**Brief description**  
Article 12 of the Regulations of the Board of Directors states that:

The Executive Committee is responsible for coordinating management of the bank at executive level and for adopting resolutions and decisions within the authority delegated to it by the Board of Directors. All decisions taken at meetings of the Committee are reported to the Board.

The Chairman of the Board is a member of the Executive Committee and acts as its Chairman.

The Committee meets whenever a meeting is called by the Chairman or, in his absence, by the Deputy Chairperson. If the Committee as a whole or its Chairman so decides, any person from inside or outside the company may be invited to attend and to speak at meetings for any specified purpose, having regard to the matter under consideration.

The Secretary to the Committee is appointed by the Board of Directors and need not be a director. The Board also decides who will replace the Secretary in the event of absence or illness.

Resolutions passed by the Committee are written up in a Minutes Book and signed by the Chairman and the Secretary, or failing that, by the persons standing in for them at the meeting in question.

C.2.5 State whether there are any rules of procedure for Board committees, the place where these rules are available for consultation and any changes made to the rules during the year. Also specify whether any voluntary annual report has been drawn up on the activities of each committee.

Section C.2.4 details those articles of the Articles of Incorporation or of the Regulations of the Board of Directors containing the rules of procedure and responsibilities of the different committees. These documents are available on the website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com)), under the section "Shareholder and Investor Information", sub-section "Corporate Governance".

Furthermore, the Audit and Control Committee has drawn up Internal Regulations, setting out its duties and procedures, which have been filed with the Mercantile Registry and are also available on the website ([www.grupobancosabadell.com](http://www.grupobancosabadell.com) – Shareholder and Investor Information - Corporate Governance - Regulations of the Board of Directors). This Committee draws up an annual report of its activities, which is submitted to the bank's Board of Directors for information purposes.

C.2.6 State whether the composition of the Executive Committee reflects the proportional split between the different categories of Directors:

Yes

No

## D INTERGROUP AND RELATED TRANSACTIONS

- D.1 State the body responsible and explain, where applicable, the procedure for the approval of intergroup transactions and those with related parties.

<b>Body responsible for approving related transactions</b>
--

Board of Directors

<b>Procedure for the approval of related transactions</b>
---

Subject to favourable report by the Audit and Control Committee.

Explain whether the approval of transactions with related parties has been delegated, indicating, where applicable, to which body or persons it has been delegated.

- D.2 Give details of any transactions that are significant for their size or nature, between the company or any group undertakings and significant shareholders of the company:

Name or corporate name of related significant shareholder	Name or corporate name of the company or group undertaking	Nature of the relationship	Types of operation	Amount (thousands of euros)
MR. JAIME GILINSKI BACAL	SABADELL UNITED BANK, NA	contractual	others	41,000

- D.3 Give details of any transactions that are significant for their size or nature, between the company or any group undertakings and senior executives or directors of the company:
- D.4 List any significant transactions carried out by the company with other companies in the same group, which have not been eliminated in the preparation of the consolidated financial statements and do not, having regard to their nature and purpose, form part of the company's normal course of business.

In any event, details will be provided on any intergroup transaction carried out with organisations based in countries or territories that are considered to be tax havens:

- D.5 State the value of transactions carried out with other related parties.

(thousands of euros)

- D.6 Specify the mechanisms established to detect, identify and resolve possible conflicts of interest arising between the company and/or the group and its Directors, senior managers or significant shareholders.

1. Under the Regulations of the Board of Directors, all Board members are bound by a duty of loyalty and confidentiality and are required to disclose any interest they may have in the company itself or in other companies outside the group.

Specifically, Article 25 of the Regulations states that a Director may not provide professional services to Spanish companies whose corporate purposes, or any part thereof, are similar to those of the company. An exception is made for offices they hold in companies in the same group. Before accepting any management post in another company or undertaking, a Director must notify the Nomination and Remuneration Committee.

Article 27 of the Regulations of the Board of Directors states that Directors must inform the company of the shares they own in it directly or through companies in which they have a significant holding. They must also inform the company of any other shares owned directly or indirectly by their immediate family. Directors must also inform the company of all posts they hold and activities they perform in other companies or undertakings, and in general any fact or situation that may be relevant to their conduct as a Director of the company.

2. The Banco Sabadell group's Code of Conduct provides a set of rules for the guidance of all persons employed by the group and its stakeholders (customers, suppliers, shareholders, authorities and the local community) based on principles which we consider fundamental to carrying on business.

It expressly contemplates the rules applicable to possible conflicts of interest with customers and suppliers and sets out guidelines for such cases.

3. Banco Sabadell's Internal Rules of Conduct (IRC), approved by the Board of Directors on 26 November 2009, is applicable to the members of the Bank's Board of Directors, and to all management staff and employees whose work is directly or indirectly related with the bank's activities and services in the field of the stock markets or who have frequent or habitual access to significant information related to the Bank itself or group companies.

The text of the IRC contains, in its section four, the mechanisms for identifying, preventing and resolving possible conflicts of interest that may be detected by persons concerned, who are obliged to declare any significant relations of a financial or family nature, with customers of the Bank for services related to the stock markets or to companies listed on the Stock Exchange, as well as any other relationships that, in the opinion of an external and neutral observer, could comprise the impartiality of staff concerned.

4. The Banco Sabadell's general policy regarding conflicts of interest is an internal set of regulations laying down the criteria and procedures to be followed to guarantee that decisions taken within the Banco Sabadell group with respect to the provision of investment services are made so as to avoid, eliminate or, in the ultimate instance, reveal any conflict of interest to the customer. The Compliance Department is responsible for correctly applying the general conflicts of interest policy, and when necessary it will urge the other departments in the group to which it applies to take the necessary action.

5. The Banco Sabadell group's Corporate Ethics Committee is responsible for fostering ethical conduct throughout the organisation and for making proposals and giving advice to the Board of Directors and the different corporate and business units on decisions involving issues that could lead to conflicts of interest. The Committee is also responsible for overseeing the group's compliance with its obligations as set out in the Code of Conduct or in the Internal Rules of Conduct in the sphere of the stock market.

To achieve its objectives, the Corporate Ethics Committee can call upon the resources of the Compliance Department, and has been given extensive powers by the Board to gain access to all documents and information it requires to perform its supervisory function.

#### D.7 Is more than one company in the group listed in Spain?

Yes

No

Identify the subsidiaries listed in Spain:

### **E EXPLAIN THE SCOPE OF THE COMPANY'S RISK MANAGEMENT SYSTEM.**

#### E.1 Explain the scope of the company's Risk Management System.

At Banco Sabadell, the Risk Management System functions comprehensively and continuously, consolidating its management by business area or unit, subsidiaries, geographical regions and support areas (such as, for example, human resources, marketing or management control) on a corporate level.

#### E.2 Identify the bodies in the company responsible for drawing up and executing the Risk Management System.

The Board of Directors is the body responsible for establishing general directives on the organisational distribution of risk management and control functions, as well as determining the main strategic lines in this respect.

Within the Board itself, there is a Risk Control Committee whose functions are detailed in point C.2.4 of this document. Additionally, another 3 committees take part in risk management and control: The Executive Committee, responsible for coordinating the executive management of the Bank, the Audit and Control Committee, which supervises the effectiveness of the risk management systems, and the Nomination and Remuneration Committee, which ensures that remuneration practices in the Group are coherent with its risk profile, avoiding inappropriate risk-taking and promoting solid and effective risk management.

In the year 2013, a new General Risks Department was created, directed by the Director-General Manager, reporting directly to the Chairman, which brings together all the traditional Risk Management functions plus portfolio control, analysis and management. Its functions are carried out through the following departments:

- Risk Control Department: Systematically controls and analyses the evolution of all important risks and checks that the policies established are appropriate to them. Determines the directives, methodology, and strategy for risk management. Defines and establishes the risk management model, develops advanced internal measuring systems, following the supervisory requirements, which enable the quantification and discrimination of the risk and activates their application in business management. Establishes procedures that allow the optimisation of the credit function.

- Risk Management Department: Manages and integrates the different exposures in accordance with pre-set levels of autonomy through a selective acceptance of risk that allows assurance of its quality, achievement of growth and optimisation of business performance. Aligns the priorities of the strategic plan and the vision of the Risk Management Department in all segments identifying the initiatives to be developed in the risks sphere.

Other executive bodies involved in the risk management and control process are:

- Credit Operations Committee: This has the following functions: (i) to approve credit operations in accordance with the delegated powers established, (ii) to monitor the use of approved powers and to pass to the Risk Control Committee any proposed modifications, (iii) to report every month to the Risk Control Committee on operations approved and carried out in the previous month, for passing to the Board of Directors, (iv) to monitor the evolution of late payments on a global level, giving details of the most relevant cases and situations, and (v) to approve the criteria for granting and monitoring credit risk, in the terms of the policies approved by the Risk Control Committee.

- Asset Operations Committee: Its functions are: (i) to approve all operations corresponding to asset management in accordance with the established delegations, (ii) to monitor the use of approved autonomies and to submit any proposed modifications to the Executive Committee, (iii) to report weekly to the Executive Committee on operations approved and carried out in the previous week, (iv) to approve criteria for the granting and monitoring of asset management risks, within the policies established.

- Assets and Liabilities Committee: defines criteria to ensure effective management of the group's structural balance sheet risk acquired in the course of business and taking into account market risk. It oversees interest rate, exchange rate or variable income and liquidity risk, and proposes alternative business or hedging strategies to ensure that business objectives will be achieved having regard to market conditions and balance sheet considerations.

- Operational Risk Committee: defines the strategic directives and framework for the management of operational risk and establishes the operating priorities for its management.

- Financial Department: As part of the planning, budgeting and management control process, the Department calculates and allocates capital in line with the Bank's set strategy; ensures that the risk variable is taken into account in all decisions; and oversees specific risk measurement models, ensuring that these approaches are in line with generally accepted principles and methodologies, particularly so far as the supervisory authorities are concerned.

- Asset Management and Corporate Development Department: manages all the Group's real estate exposure, as well as recovery processes.

- Internal Audit Department: reports directly to the Audit and Control Committee, oversees effective implementation of management policies and procedures, and assesses the appropriateness and effectiveness of management and control activities in each functional and executive unit.

- Compliance, Corporate Social Responsibility and Corporate Governance Department: It oversees and ensures the highest levels of compliance with the legal requirements and professional ethics that govern the group's activities, reducing the risk of non-compliance. It directly controls the prevention of money laundering and financing of terrorist groups, market abuse as well as internal regulations of conduct and investor protection (MiFID).

- Internal Control Unit (OCI): oversees compliance with laws on the prevention of money laundering and on combating and blocking the financing of terrorism, within the group.

- Corporate Ethics Committee (CEC): supervises compliance within the group with rules of conduct in matters relating to the stock market and with the general code of conduct.

### E.3 Indicate the main risks that may affect business targets being achieved.

#### 1. Credit risk

Credit risk comes from the possibility of losses arising as a result of borrowers failing to meet their obligations or a loss in value due simply to a deterioration in borrower quality.

#### 2. Market risk

Market risk includes the following risks:

2.a. Discretionary risk: Discretionary risk is the possibility of incurring losses in the value of investments due to fluctuating market risk factors (equity prices, interest rates, exchange rates, implied volatilities, correlations, etc.).

2.b. Structural risk: This risk arises from the ongoing customer-based commercial banking and corporate finance businesses. Management of structural risk seeks to ensure stability at the margin by maintaining appropriate levels of liquidity and capital strength. Structural risk can be broken down into interest rate risk and liquidity risk.

2. b.1. Interest rate risk is caused by variations in interest rates, as shown by the position or slope of yield curves, that provide benchmarks for asset, liability, and off-balance-sheet positions. Gaps or mismatches arise between these items because of differences in repricing and maturity dates so that rate changes affect them at different times, which in turn affects the robustness and stability of results.

2. b.2. Liquidity risk can be defined as the possibility of incurring losses due to potential inability to attend to payment commitments, even if only on a temporary basis, due to a lack of liquid assets or an inability to access the markets to refinance debts at a reasonable cost. This risk may be a result of reasons that are systemic or particular to the organisation itself.

### 3. Operational risk

Operational risk is the risk of suffering losses as a result of inadequate or failed internal processes, staff, or systems or from unforeseen external events.

### 4. Compliance risk

This is the risk of legal or administrative sanctions for non-compliance with laws, regulations, internal standards, and codes of conduct applicable to banking activity.

### 5. Reputational risk

Reputational risk arises from the perception that our stakeholder groups (customers, suppliers, government agencies and the communities in which we operate) have of the bank. It includes legal, economic, financial, ethical, social, and environmental aspects, among others. The perception by stakeholders can be affected by:

- Non-compliance with legislation, regulations, self-imposed rules, and codes of conduct applicable to the banking business.
- A lack of concern for the welfare of the community in which the group operates.
- Conduct falling below generally accepted ethical standards.

## E.4 Identify whether the organisation has a risk tolerance level.

Within the planning and budgeting process, global risk structures and global limits are established in a way aligned with the Bank's strategy. The Bank's risk management framework incorporates these aspects and their integration into the management. The Banco Sabadell Group's risk policies, methods and procedures, in addition to specific regulations of the different business lines with involvement in risks, configure a solid structure for the identification, management and reporting of risks that incorporates protocols and limits and that enables them to be dealt with effectively by the Bank. The established attributions are an internal management mechanism regarding the limits at which each decision level has a maximum Expected Loss threshold assigned. Regulatory limits are taken into consideration, and aggregated analysis is conducted of the risks along with systematic monitoring of the same. This avoids undue concentrations and allows for continual monitoring of the figures reached and the credit rating.

## E.5 State what risks have materialised during the year.

Risk is inherent in any banking business, with detailed information on risks to which the Group is subject given in the Annual Report which can be found on the corporate website:  
[www.grupobancosabadell.com](http://www.grupobancosabadell.com) - Shareholder and Investor Information - Financial Information - Annual Reports.

## E.6 Explain response and supervision plans for the company's main risks.

Risk is inherent in the banking business. Banco Sabadell is aware that the accurate and efficient management and control of risk helps to maximise shareholder value and ensure an appropriate level of solvency.

Risk management and control at Banco Sabadell comprises a comprehensive array of principles, policies, procedures, and advanced valuation methods integrated within an effective decision-making structure.

Banco Sabadell has established the following fundamental principles governing the management and control of risk:

### Solvency

Banco Sabadell has opted for a prudent and balanced risk policy to ensure sustained, profitable business growth in line with the group's strategic objectives with the aim of maximising value creation.

A structure of limitations is vital to ensure that concentrations of risk do not build up that could compromise a significant proportion of the group's resources. Consequently, the risk variable is included in decision-taking across the organisation and is quantified using an internal measure: allocated capital.

### Responsibility

The Board of Directors is committed to processes for the management and control of risk: approval of policies, limits, management models and procedures, measurement techniques, and supervision and control. At the executive level, there is a clear separation of functions between risk-originating business units and the units responsible for managing and controlling risk.

### Monitoring and control

The ongoing management of risk is supported by robust control procedures to ensure compliance with pre-set limits, clearly defined responsibilities in the identification and monitoring of indicators and predictive alerts, and the use of advanced risk assessment methodologies.



The group has risk control systems suited to the commercial banking business and activities in which it operates and to the desired risk profile.

These control systems are embodied in procedures for the approval, monitoring, mitigation or recovery of risks of the types described above, and are themselves subject to supervision.

Risk assessment also forms part of the control system and is established through advanced measuring methodologies. In this regard, the Basel Committee on Banking Supervision has been working on a new capital adequacy regulatory framework for financial institutions known as the New Basel Capital Accord (Basel II), a fundamental principle of which is that a bank's regulatory capital requirements should be more closely related to risks actually incurred, based on internal risk measurement models and previously validated parameters and internal estimates.

Being fully aware that having an advanced methodology ensures that risks incurred can be reliably assessed and actively managed, Banco Sabadell is following the guidelines provided by the Basel Committee in developing the different components required to complete its risk measurement systems.

On the basis of the measures of risk provided by these new methodologies, the Bank has developed a consolidated risk measurement model with a common internal unit of measurement, allocated capital, the purpose of which is to determine the capital requirement on the basis of internal parameters appropriate to ensure a specified level of solvency. Evaluating risk in terms of an assigned capital requirement means that risk can be related to return, from individual customer up to business unit level. Banco Sabadell has developed an analytical "risk-adjusted return on capital" (Ra-RoC) system which provides this assessment and incorporates it within the transaction pricing process.

Specifically in the management of credit risk, the last few years have seen the implementation of advanced measurement models based on internal data, tailored to particular counterparty categories and segments (businesses, retailers, individuals, mortgages and consumer, property developers, project finance, structured financing, financial institutions and countries), thus allowing transactions to be differentiated on the basis of risk and assessments to be made of the probability of default or the degree of severity in the event of default actually occurring.

All these advances have been possible thanks to the efforts of the last few years which testify to the importance that the group attaches to new risk management techniques, an aspect which is not unrelated to the results obtained.

In the Annual Report, available on the corporate website, more information is provided regarding the risk control systems that govern Group activity:

[www.grupobancosabadell.com](http://www.grupobancosabadell.com) - Shareholder and Investor Information - Financial Information - Annual Reports.

## **F INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN RELATION TO THE PROCESS OF ISSUING FINANCIAL INFORMATION (SCIIF)**

Describe the mechanisms that make up the internal risk and management control systems in relation with the process of issuing financial information (SCIIF) about your group.

### **F.1 The organisation's control environment**

Provide details, highlighting the main characteristics of, as a minimum:

#### **F.1.1 Which bodies and/or offices are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.**

The Regulations of the Board of Directors, in their Article 5, state that the Board of Directors is an instrument of supervision and control whose responsibility is identifying the company's and the consolidated group's main risks and implementing and monitoring suitable internal control and reporting systems, as well as setting policy on the reporting and disclosure of information to shareholders, the markets and the general public.

Additionally, as established in Article 13 of its Regulations, The Board of Directors delegates the function of supervising internal control systems to the Audit and Control Committee.

The group's Internal Auditing Department has, among its functions, that of supporting the Audit and Control Committee in supervising the correct design, implementation, and effective functioning of the risk management and control systems, which include the SCIIF.

In turn, the Financial Department helps with the implementation of the general framework of the internal control systems deployed on an organisational level.

Part of that contribution materialises in the responsibility of designing and implementing internal control systems on financial information that ensure the accuracy of the financial information generated.

## F.1.2 Whether the following elements exist, especially in relation to the process of producing financial information:

- Departments and/or mechanisms charged with: (i) the design and review of the organisational structure; (ii) clearly defining lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) that sufficient procedures exist for their correct dissemination within the company.

The design and review of the organisational structure is the responsibility of the Department of Organisation and Efficiency, which based on the BS group Master Plan (usually produced every three years), analyses and reviews the needs for resources that each General Department has to comply with the Plan. This review is carried out regularly and not only is the necessary workforce decided, but also the structural organisation of each unit. Once a consensus is reached, it is presented to the Commercial and Operations Management Committee for approval and submission to each of the general departments.

In parallel, details of all the departments/units/offices is sent monthly to the Human Resources Department, reflecting all changes that have taken place, for the purposes of providing them with the resources that they consider necessary to perform their tasks.

The BS group organisational chart resulting from the above process covers all the departments, divisions, areas, and units that form the structure of the BS group. This organisational chart is complemented with the so-called "processes map", in which on a level of the different BS group areas, greater details are given regarding the functions and responsibilities assigned to the same, including details on those related with the presentation, analysis and review of the financial information. Both the BS group organisational chart and the "processes map" mentioned above are located on the Corporate Intranet, which is accessible to all staff.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions in the register of operations and production of financial information), the body entrusted with analysing non-compliance and with proposing corrective actions and sanctions.

The BS group has a Code of Conduct, approved by the Board of Directors, and available via the corporate intranet. Within the aforementioned Code, in the section relating to shareholders and protection of the BS group's assets, references is made to the commitment to transparency in relation to the shareholders, by making all information available to them, not only financial but also corporate information.

The responsibilities of the Corporate Ethics Committee include promoting the development of ethical behaviour across the entire organisation, proposing and advising the Board of Directors as well as the different corporate and business units, in the taking of decisions involving aspects that may lead to conflicts of values. Among the different tasks carried out by the Corporate Ethics Committee, is that of analysing compliance with the Code of Conduct or any other code or self-regulation that exists. In order to carry out its tasks it has access to the material and human resources of the Compliance, CSR and Corporate Governance Department. If, as a consequence of exercising its functions, it detects any non-compliance, it must advise the Human Resources Department for the application of corrective actions and sanctions if applicable.

The Code of Conduct includes among its main principles a commitment to transparency in relations with shareholders and placing at their disposal financial and corporate information with the aim of strictly complying with the BS group's obligation of offering reliable financial information prepared in accordance with the applicable standards, as well as the responsibility of staff and management to ensure this, both through the correct performance of their functions and reporting to the governing bodies any circumstance that may affect that commitment.

- A whistle-blowing channel, that allows reporting to the auditing committee of any irregularities of a financial or accounting nature, as well as possible non-compliance with the code of conduct and irregular activities in the organisation, reporting where applicable if of a confidential nature.

The BS group has a whistle-blowing channel in place to facilitate, among others, reports regarding possible non-compliance with the Code of Conduct. Reports received are treated in a confidential manner and, once processed by the Corporate Ethics Committee (which comprises 1 chairperson and 5 committee members appointed by the Board of Directors), are placed in the knowledge of the Audit and Control Committee. The channel is managed internally and incidents can be reported via the following email address: 0901CEC@bancsabadell.com.

- Training programmes and regular updating for staff involved in the preparation and review of financial information, as well as in the evaluation of the SCIIF, and which cover, as a minimum, accounting standards, auditing, internal control, and risk management.

With regards to training and updating programmes, and particularly with respect to the process of preparing financial information, the BS group's Financial Department has established a training plan that fundamentally covers subjects such as the company's internal accounting/financial operations, analysis of the regulations in force, and drafts of the new national and international accounting standards, analysis of the national and international economic climate as well as training in the use of computer tools with the aim of facilitating the management and control of the financial information.

These training sessions are programmed based on two criteria:

- Sessions programmed at the start of the financial year through the choice of subjects considered of maximum interest by the Financial Department.
- Sessions programmed over the course of the year should any issue arise whose fast dissemination is considered important (drafts of new accounting standards, evolution of the economic climate, etc.).

These training sessions are not only aimed at Financial Department staff, but are extended to other Departments (Auditing, Risks, Real Estate, etc.) according to the contents of the sessions.

Face-to-face training is taught by BS group internal professionals who are specialists in the relevant area.

Additionally, the Human Resources Department makes available to BS group staff a series of courses on financial information that employees can study online. These courses prominently include those relating to the IABS-IFRS (International Financial Reporting Standards), financial mathematics, the General Accounting Plan, and general taxation issues.

The Internal Auditing Department, in turn, has established a training plan aimed at all Department professionals that includes an Advanced Programme in Internal Auditing for financial organisations taught by an academic institution of renowned prestige, which covers areas such as accounting and financial reporting principles, auditing principles and financial risk management. During 2013, a total of 51 auditing professionals completed the Programme, and at present, a group of 15 professionals are taking the course.

Furthermore, during 2013, one person obtained certification in Treasury and Capital Markets Studies taught by the IEB (Instituto de Estudios Bursátiles).

## F.2 Assessment of financial reporting risks

Provide information, as a minimum, on:

### F.2.1 What are the main characteristics of the process for identifying risks, including errors or fraud, with regard to:

- Whether the process exists and whether it is documented.

The process for identifying risks of error in financial reporting followed by the BS group is documented in a related procedure that establishes frequencies, methodologies, types of risk and other basic guidelines regarding the process.

- Whether the process covers the totality of objectives of financial reporting (existence and occurrence; integrity; evaluation; presentation; breakdown and comparison; and rights and obligations), whether it is updated and how frequently.

The process also covers the totality of the objectives of financial reporting (existence and occurrence; integrity; evaluation; presentation; breakdown and comparison; and rights and obligations) and is geared towards the identification of risks of material error on the basis of the complexity of transactions, quantitative and qualitative importance, complexity of calculations and application of opinions and estimates, and is updated on an annual basis. In any case, if during the course of the year, there arise, (i), circumstances not previously identified that reveal possible errors in the financial information or (ii), substantial changes in the Banco Sabadell group's operations, the Financial Department will evaluate the existence of any risks that should be added to those already identified.

The process is structured such that, annually, an analysis is carried out to identify which areas or processes and in which companies and locations relevant transactions are generated.

Once identified, these are reviewed for the purposes of analysing the potential risks of error for those types of transactions in each financial reporting objective.

- The existence of a consolidation perimeter process, taking into account, among other aspects, the possible existence of complex corporate structures, instrumental or special-purpose organisations.

Regarding the existence of a consolidation perimeter identification process, this is detailed in section F.3.1. of this document.

- Whether the process takes into account the effects of other types of risks (operating, technological, financial, legal, reputational, environmental, etc.) insofar as they affect financial statements.

Additionally, in the process the possibility is considered of risks of error in certain processes not linked to specific classes of transactions, but especially relevant taking into account their importance in the preparation of reported information, such as the process of review of opinions and significant accounting policies such as the closing and consolidation process. In this regard, and with respect to covering the risks of these processes, the BS group uses the control activities mentioned in section F.3.1. of this document.

Additionally, it is worth highlighting, that the risks identification process takes into account all the possible effects of other types of risks (operating, technological, financial, legal, reputational, environmental, etc.) insofar as they affect the financial statements.



- Which governing body in the company supervises the process.

The aforementioned process is effected and documented by the Financial Department of the BS group and is supervised ultimately by the Audit and Control Committee.

### F.3 Control activities

Provide information, highlighting the main characteristics, on whether the company has, as a minimum:

#### F.3.1 Procedures for the review and authorisation of financial statements and the description of the SCIIF, to be published in the securities markets, indicating those responsible, as well as the descriptive documentation of the activity flows and controls, (including those relating to the risk of fraud) of the different types of transactions that may materially affect the financial statements, including the accounting close procedure and the specific review of the relevant opinions, estimates, evaluations and forecasts.

The review and authorisation procedures for BS group financial statements that are published in the markets begin with their review by the Financial Department. The annual individual and consolidated accounts and the half-yearly financial reports are reviewed by the Audit and Control Committee, as a prior step to formulation of their content by the Board of Directors, as established in its Regulations. In accordance with the provisions of its Regulations, the Audit and Control Committee proceeds to read the information and discuss it with the heads of the Financial Department, the Internal Auditing Department and the external auditors, as prior steps to its submission to the Board of Directors.

Once the Audit and Control Committee has reviewed the said information and given its agreement or observations to be incorporated, the Financial Director, together with the Chairman and the Managing Director of the BS group sign the accounts and proceed to forward them to the Board of Directors for formulation of the contents.

With regard to quarterly statements, the Audit and Control Committee reviews the critical financial information (profit and loss account and evolution of the main balance sheet figures) prior to submitting this information to the Board of Directors.

With regard to the activities and controls related directly with transactions that may materially affect the financial statements, the BS group has descriptions of controls for mitigating the risk of material error (intentional or not) in the information reported to the markets. For the critical areas of the BS group, special emphasis is placed on developing solid descriptions of activity flows and controls, covering inter alia:

- Credit investment.
- Fixed income portfolio and issues completed
- Variable income portfolio.
- Customer deposits.
- Derivatives.
- Assigned real estate assets.

These descriptions contain information on what the control activity must involve, why it is executed (risk that it is intended to mitigate), who should execute it and with what frequency. The descriptions cover controls on adequate registration, evaluation, presentation, and breakdown in the previously mentioned areas.

The Banco Sabadell group also has procedures destined to mitigate risks of error in processes unrelated with specific transactions. Particularly, defined procedures exist regarding the processes of closure, which include the process of consolidation or procedures for the specific review of opinions and relevant estimates, which when necessary are submitted to the senior management.

In relation with the consolidation process, incorporated into the closing process, procedures have been established to ensure the correct identification of the consolidation perimeter. In particular, for example, the BS group carries out a monthly analysis of the consolidation perimeter, requesting the information that it requires for this study from all the subsidiaries and covering the analysis of all kinds of corporate structures. On the bank's intranet, on a monthly basis, the Consolidation Department publishes a document in which it reports on the composition of the group's companies as well as variations in the perimeter from one month to the next, making it accessible for the entire organisation and especially for those that potentially may need it for generating financial statements.

In relation with the review of relevant opinions and estimates, the BS group reports in its annual accounts on the most relevant areas in which opinion or estimate parameters exist, as well as the key hypotheses contemplated by the BS group with respect to these. In addition, it has review procedures for the accounting estimates made. In this sense, the same estimates made refer to losses through the deterioration of certain financial assets, actuarial calculations relating to liabilities and pensions commitments, the useful life of material and intangible assets, the evaluation of goodwill, the fair value of unlisted financial assets, and the fair value of real-estate assets.

#### F.3.2 Internal control policies and procedures with regard to information systems (including access security, control of changes, operation of the same, operational continuity and segregation of functions) that support the relevant processes of the organisation in relation to the drawing up and publication of the financial statements.

The BS group uses information systems to maintain an adequate record and control of its operations and, therefore, it is highly dependent on its correct functioning.

As part of the process of identification of risks of error in the financial statements, the BS group identifies which systems and applications are relevant in each of the areas or processes considered significant. The systems and applications identified include both those directly used in the preparation of financial statements and those relevant for the efficacy of controls that mitigate the risk of errors being produced in the same.

In the design and implementation of the applications, a methodological framework is defined that establishes the different points of control for the assurance that the solution obtained meets all the requirements requested by the user and the level of quality complies with the demanded standards of reliability, efficiency and maintainability.

Any change on an infrastructures or applications level is managed through the change management operational service that defines a flow for its approval on a Changes Committee level and defining the impact and possible "setbacks".

The BS group's Department of Information Security and Operational Continuity has established policies geared towards covering security in terms of accesses, through the separation of functions with the definition of roles and virtual resources, and the continuity of its functioning with the creation of BRS centres and regular tests of its operating capacity.

### F.3.3 Internal control policies and procedures designed to supervise the management of activities outsourced to third parties, as well as of those aspects of evaluation, calculation, or valuation entrusted to independent experts, that may materially affect the financial statements.

The Banco Sabadell group periodically reviews which activities carried out by third parties are important for the process of preparing the financial statements or could indirectly affect its reliability. To date, the BS group has not outsourced processes with an important impact on the financial statements. However, the BS group does repeatedly use reports by independent experts regarding evaluations of operations that may potentially materially affect the financial statements.

For the year 2013, the activities entrusted to third parties related with evaluations and calculations by independent experts have been related with property valuations, valuations of post-employment benefits for the organisation's employees, valuation of goodwill and valuation of derivatives.

The BS group units responsible for these operations execute controls on the work of these experts, designed to check their skills, proficiency, accreditation and independence, as well as the validity of the data and methods used and the reasonability of the hypotheses used.

## F.4 Information and communication

Provide information, highlighting the main characteristics, on whether the company has, as a minimum:

### F.4.1 A specific function responsible for defining and maintaining updated the accounting policies (accounting policies area of department) and resolving queries or conflicts arising from their interpretation, maintaining fluid communication with staff responsible for operations in the organisation, as well as a manual of accounting policies that is updated and communicated to the units through which the organisation operates.

The Financial Regulation Unit (depending on the Financial Reporting and Regulation Department) is exclusively responsible for identifying, defining and communicating the accounting policies that affect the BS group as well as for responding to accounting-related queries that may be raised by subsidiary companies and the different business units alike.

The Financial Reporting and Regulation Department is responsible for informing the Senior Management of the BS group regarding new accounting standards, on the results of their implementation, and on their impact on the BS group's financial statements.

The BS group has accounting procedures guides that are adapted to the needs, requirements, and dimensions of the BS group, which determine and explain the standards for preparing financial statements and how these standards must be applied to specific operations in the organisation. These documents not only make explicit reference to the standards that apply to each kind of transaction, but they also develop and explain the interpretation of them so that they are adapted precisely to each kind of transaction.

These documents are updated periodically and at least annually, and incorporate the regulations applicable for the year 2013. Those significant modifications made are communicated to those dependent companies to which they apply, via e-mail or based on the holding of specific meetings with those responsible for them.

### F.4.2 Mechanisms for the capture and preparation of financial information with homogenous formats, for application and use by all units in the organisation or group, that include the main financial statements and notes, as well as any information detailed regarding the SCIIF.

The main computer systems and applications that intervene in the generation of financial information used by the BS group are centralised and interconnected. Procedures and controls exist that ensure the correct development and maintenance of these systems, and their correct operations, continuity and security. In the process of consolidation and preparation of the financial information, the input comes from the financial figures reported by the group's subsidiaries in the established formats, as well as the rest of the financial information required for both the accounting harmonisation process and the coverage of the established information needs. The BS group has a series of controls implemented to

ensure the reliability and correct processing of the information received from the different subsidiaries among which it is worth highlighting controls on the correct entering of consolidation entries, analysis of variations of all assets entries and results, variations of results obtained on the monthly budget and Bank of Spain control statements, in which the different entries on the balance sheet and the profit and loss account are interrelated.

## F.5 Supervision of system functioning

Report, highlighting the main characteristics, as a minimum, on:

- F.5.1 The SCIIF supervision activities carried out by the auditing committee as well as whether the organisation has an internal auditing function whose responsibilities include support for the committee in its task of supervising the internal control system, including the SCIIF. Provide information also on the scope of the SCIIF evaluation carried out during the year, and the procedure by which whoever is responsible for carrying out the evaluation communicates its results, whether the organisation has an action plan that details the possible corrective measures, and whether its impact on the financial information has been considered.

The BS group has an Internal Auditing Department, which reports to the Audit and Control Committee of the BS group. In accordance with Article 13 d) of the Regulations of the Board, it is the responsibility of the Audit and Control Committee to supervise the internal audit services, reviewing the appointment and substituting those responsible.

The Audit and Control Committee of the BS group approved, in January 2014, the Strategic Plan for the Internal Audit Function 2014-2016, which covers aspects related with the general criteria to be applied with regard to SCIIF supervision activities. The Internal Audit Department includes among its functions support for the Audit and Control Committee in the supervising of the correct design, implementation, and effective functioning of the risk management and control systems, which include the SCIIF. The corresponding evaluation reports issued by Internal Auditing in relation with the evaluation of the SCIIF have been reviewed by the members of the Audit and Control Committee, which has in turn evaluated any weaknesses identified in the aforementioned work. Finally, the Committee has approved the action plan produced by the Internal Audit Department for the addressing the aforementioned control weaknesses.

The Internal Auditing function has a multi-year supervision plan for the SCIIF that covers 3 years, approved by the Audit and Control Committee. The Plan envisages tests being carried out on the areas considered important within the BS group, covering the totality of these over the course of the three years covered by the Plan, with the exception of certain areas or processes considered of special relevance, which include the accounting close procedure, the review of opinions and estimates, or the general controls of information systems as indicated in section F.3.2, for those whose evaluation is carried out annually.

The scope of the evaluation carried out for the year 2013 has included the supervision of the formal functioning of the SCIIF implemented by the Financial Department, as well as the review of key controls for the accounting close procedure (which have materialised in the new computer application mentioned in section F.6.), opinions and estimates and the review of compliance with policies on general computer systems controls.

In the 2013 evaluation process, a total of 266 controls were analysed, of which 115 were identified as key, and it was checked that, from the time of their formalisation, they have operated as they are defined. Weaknesses in control and opportunities for improvement were detected this year in the design and formalisation of some controls, which have given rise to a total of 6 action plans, also monitoring has been carried out of the recommendations of the previous year.

- F.5.2 Whether it has a procedure for discussion through which, the accounts auditor (in accordance with the provisions of the prevailing auditing standards), the internal auditing function and other experts can report to the senior management and the audit committee or senior executives of the organisation regarding significant weaknesses of internal control identified during the processes of review of the annual accounts or any others entrusted to them. Furthermore, provide information on whether it has an action plan that aims to correct or mitigate any weaknesses observed.

The Audit and Control Committee meets, at least, once every three months (prior to the publication of regulated information) with the aim of obtaining and analysing the necessary information to comply with its responsibilities as entrusted to it by the Board of Directors.

At these meetings, the Annual and Half-Yearly Accounts are reviewed in depth along with quarterly intermediate statements and any other information made available to the market. To carry out this process, the Audit and Control Committee receives all the documentation and holds meetings with the General Managing Director, the Internal Auditing Department and the accounts auditor in the case of the annual and half-yearly accounts, with the aim of ensuring the correct application of the prevailing accounting standards and the reliability of the financial information. Additionally, during this discussion process, possible weaknesses in the SCIIF that have been identified will be evaluated along with proposals for their correction and the status of the actions implemented. Thus, on an annual basis and within the framework of the SCIIF, the Audit and Control Committee reviews and approves the action plans proposed by the Internal Auditing Department for the purposes of correcting or mitigating any weaknesses observed.

For its part, the group's auditor has direct access to the Senior Management of the group, holding regular meetings both for obtaining necessary information for developing the work and to report on the control weaknesses detected during the same. With regard to this last aspect, on an annual basis, the external auditor presents to the Audit and Control Committee a report which details the internal control weaknesses detected during the course of his work. This report incorporates comments from the group's Management and, where applicable, the action plans set up to remedy the corresponding internal control weaknesses.

## F.6 Other relevant information

During the year 2013, the Financial Department of Banco Sabadell has worked on implementing a computer application that contains and formalises the total of SCIIF controls, while ensuring the continual identification of new risks to be considered and the corresponding updating of mitigating controls. This tool facilitates controls being validated in a timely and appropriate manner with the aim of guaranteeing the reliability of the financial information generated. The recommendations made by the CNMV in its Guide for preparing the description of internal control systems on financial information have been taken into consideration. The tool has been implemented and used for the SCIIF documentation corresponding to the close of the year 2013.

## F.7 External auditor's report

Report by:

F.7.1 Whether the SCIIF information forwarded to the markets has been subject to review by the external auditor, in which case, the organisation should include the corresponding report as an annex. Otherwise, give information on the reasons.

The BS group has submitted for review by the external auditor the SCIIF information provided to the markets for the year 2013. The External Auditor (PricewaterhouseCoopers) has issued a report on the procedures agreed regarding this information dated 23 January 2014. No incidents are reported in the aforementioned report.

The scope of the auditor's review procedures comply with Circular E01/2012, of 25 January 2012, of the Spanish Institute of Chartered Accountants (ICJCE).

## G DEGREE OF ADHERENCE TO RECOMMENDATIONS ON CORPORATE GOVERNANCE

Indicate the degree of compliance by the company with the recommendations on corporate governance in the Unified Good Governance Code.

If any recommendation is not followed or is followed only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have sufficient information to be able to evaluate the company's course of action. Explanations of a general nature will not be acceptable.

1. The Articles of Incorporation of listed companies should not limit the maximum number of votes that may be cast by a single shareholder or contain other restrictions that make it difficult to obtain control of the company by purchasing its shares on the stock market.

See sections: A.10, B.1, B.2, C.1.23, and C.1.24.

Complies  Explain

2. When the parent company and a subsidiary company are listed, both should define publicly and precisely:

a) The respective fields of business and any business relations between them, as well as those between the listed subsidiary and other companies in the group;

b) The mechanisms for settling any conflicts of interest that might arise.

See sections: D.4 and D.7

Complies  Complies partially  Explain  Not applicable

3. Although not expressly required by company legislation, operations involving any structural modification of the company should be submitted to the Shareholders' General Meeting for approval, in particular the following operations:
- a) **The conversion of listed companies into holding companies by the “subsidiarisation” or transfer to dependent companies of essential activities hitherto carried out by the company itself, even when the company maintains full control of such companies;**
  - b) **The acquisition or disposal of essential operating assets when this involves an effective change of the corporate purpose;**
  - c) **Operations having an effect equivalent to that of winding up the company.**

See section: B.6

Complies       Complies partially       Explain

4. The detailed proposals for resolutions to be passed by the General Meeting, including the information referred to in recommendation 27, should be made public at the time of publishing the notice of the General Meeting.

Complies       Explain

5. Those matters that are substantially independent of each other should be voted on separately at the General Meeting, so that shareholders may exercise their voting preferences separately. This rule should be applied in particular to:

- a) **The appointment or ratification of Directors, which should be voted on individually;**
- b) **In the case of amendments to the Articles of Incorporation, individual articles or a group of articles that are substantially independent of each other.**

Complies       Complies partially       Explain

6. Companies should allow votes to be split so that financial intermediaries that are recognised as shareholders but act on behalf of different clients may cast their votes in accordance with their clients' instructions.

Complies       Explain

7. The Board should perform its duties with a single purpose and independence of criteria, dispense the same treatment to all shareholders and be guided by the interests of the company, this being understood as maximising the economic value of the business on a sustained basis.

It should also ensure that in its relations with stakeholders the company abides by the laws and regulations; performs its obligations and contracts in good faith; respects the customs and practices of the sectors and territories in which it operates; and observes any additional principles of social responsibility that it has voluntarily accepted.

Complies       Complies partially       Explain

8. The Board is responsible, as its core mission, for approving the strategy of the company and the necessary organisation for implementing it, and for ensuring that the management achieves the targets set and respects the corporate purpose and social interest of the company. To this end, the full Board has the power to approve:

- a) **The company's general policies and strategies, and in particular:**
  - I) **Strategic or business plan, as well as management targets and annual budget;**
  - II) **Investment and financing policy;**

- III) Definition of the structure of the group of companies;
- IV) Corporate Governance policy;
- V) Corporate Social Responsibility policy
- VI) Policy on remuneration and assessment of the performance of senior executives;
- VII) Risk control and management policy and regular monitoring of internal information and control systems.
- VIII) Policy on dividends and purchases of own shares, especially the limits thereon.

See sections: C.1.14, C.1.16 and E.2

**b) The following decisions:**

- I) Appointment and removal of senior executives, and their compensation clauses, on the chief executive's recommendation.
- II) Directors' remuneration and, for Executive Directors, additional remuneration for their executive duties and other terms to be respected in their contracts.
- III) Any financial information that the company, as a listed company, is obliged to publish regularly.
- IV) Investments and operations of all kinds that because of their size or special features are of a strategic nature, unless the General Meeting is responsible for approving them;
- V) The issue or acquisition of shares in special purpose companies or companies resident in countries or territories classified as tax havens, and any other transactions or operations of a similar nature that because of their complexity, could impair the group's transparency.

**c) Operations between the company and its Directors, significant shareholders or shareholders represented on the Board or with persons related to them ("transactions with related parties").**

Authorisation by the Board shall not, however, be considered necessary in transactions with related parties that meet all of the following three conditions:

- 1st They must be carried out under contracts with standardised terms that are applied en masse to a number of clients;
- 2nd They must be carried out at prices or rates that are applied in general by anyone acting as a supplier of the goods or services in question;
- 3rd The amount must not exceed 1% of the company's annual earnings.

It is recommended that the Board should approve transactions with related parties on the recommendation of the Audit Committee or any other body asked to review them; and that the Directors affected, in addition to not voting or appointing proxies to do so, should leave the meeting room while the Board deliberates and votes on the transaction.

It is recommended that these powers attributed to the Board should not be delegated, save for those set out in sections b) and c), which may be adopted in emergencies by the Delegated Committee and subsequently ratified by the full Board.

See sections: D.1 and D.6

Complies       Complies partially       Explain

**9. The Board should be of the necessary size to function in an efficient, participatory manner, and it is therefore recommended that it have no less than five and no more than fifteen members.**

See section: C.1.2

Complies       Explain



10. The Independent and Proprietary Non-Executive Directors should constitute an ample majority on the Board and the number of Executive Directors should be kept to the essential minimum, taking into account the complexity of the corporate group and the holdings of the Executive Directors in the capital of the company.

See sections: A.3 and C.1.3

Complies  Complies partially  Explain

11. Among the Non-executive Directors, the proportion between the number of Proprietary Directors and Independent Directors should reflect the proportion between the capital of the company represented by the Proprietary Directors and the rest of the capital.

**This strict proportionality may be relaxed, so that the weight of the Proprietary Directors is greater than the number that would correspond to the total percentage of capital represented by them:**

**1st In companies with high capitalisation, in which there are few or no shareholdings that can be considered by law as significant, but where there are shareholders owning packets of shares with a high absolute value.**

**2nd In the case of companies in which there is a large number of shareholders represented on the Board who have no links with each other.**

See sections: A.2, A.3, and C.1.3

Complies  Explain

12. The number of Independent Directors should represent at least one-third of the total number of Directors.

See section: C.1.3

Complies  Explain

13. The nature of each Director should be explained by the Board to the General Meeting that is to appoint him or ratify his appointment, and should be confirmed or reviewed each year in the Annual Report on Corporate Governance, after verification by the Nomination Committee. The Report should also state the reasons why Proprietary Directors have been appointed at the request of shareholders representing less than 5% of the capital; and the reasons for the rejection of any formal requests for a presence on the Board from shareholders with a holding that is the same or larger than that of other shareholders at whose request Proprietary Directors have been appointed.

See sections: C.1.3 and C.1.8

Complies  Complies partially  Explain

14. If there are few or no female Directors, the Nomination Committee should ensure that when new vacancies are filled:

**a) The selection procedures are not implicitly biased against the appointment of female Directors;**

**b) The company deliberately seeks out, and includes among the potential candidates, women who meet the required professional profile.**

See sections: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 and C.2.4.

Complies  Complies partially  Explain  Not applicable

15. The Chairman, as the person responsible for the efficient operating of the Board, should ensure that Directors receive sufficient information in advance; should stimulate discussions and the active participation by the Directors in Board meetings; should safeguard their freedom to express their opinion and to take a particular position; and should organise and coordinate with the chairmen of the relevant committees the regular assessment of the Board and, where applicable, of the Managing Director or Chief Executive.

See sections: C.1.19 and C.1.41

Complies  Complies partially  Explain

16. When the Chairman of the Board is also the Chief Executive of the company, one of the Independent Directors should be authorised to request the calling of a Board meeting or the inclusion of further items on the agenda; to coordinate and reflect the concerns of the Non-executive Directors; and to direct the assessment by the Board of its Chairman.

See section: C.1.22

Complies  Complies partially  Explain  Not applicable

17. The Secretary to the Board should ensure in particular that the actions of the Board:

- a) **Comply with the letter and the spirit of the law and regulations, including those approved by regulatory bodies;**
- b) **Comply with the Articles of Incorporation of the company and with the Regulations for the General Meeting, the Regulations of the Board of Directors and any other company regulations;**
- c) **Take account of the recommendations on good corporate governance set out in the Unified Code accepted by the company.**

To safeguard the Secretary's independence, impartiality, and professionalism, his appointment and removal should be recommended by the Nomination Committee and approved by the full Board; and the procedure for his appointment and removal should be set out in the Regulations of the Board of Directors.

See section: C.1.34

Complies  Complies partially  Explain

18. The Board should meet with the necessary frequency to perform its duties efficiently, and should follow the schedule of meetings and business drawn up at the beginning of the year. Each Director may propose additional items to be included on the agenda.

See section: C.1.29

Complies  Complies partially  Explain

19. Absences by Directors from Board meetings should be limited to essential circumstances and should be quantified in the Annual Report on Corporate Governance. If the appointment of a proxy is essential, the proxy should be provided with voting instructions.

See sections: C.1.28, C.1.29 and C.1.30

Complies  Complies partially  Explain



20. When the Directors or the Secretary voice concerns about any particular proposal or, in the case of Directors, about the state of the company, and such concerns are not allayed at the Board meeting, they should be recorded in the minutes at the request of the person voicing them.

Complies  Complies partially  Explain  Not applicable

21. The full Board should assess once a year:

- a) **The quality and efficiency of the functioning of the Board;**
- b) **On the basis of the report received from the Nomination Committee, the performance of their duties by the Chairman of the Board and by the Chief Executive of the company;**
- c) **The functioning of the Board committees, on the basis of the reports received from them.**

See sections: C.1.19 and C.1.20

Complies  Complies partially  Explain

22. All Directors should be entitled to request such additional information as they consider necessary on matters that are the responsibility of the Board. And, unless otherwise laid down in the Articles of Incorporation or the Regulations of the Board of Directors, they should address their request to the Chairman or to the Secretary of the Board.

See section: C.1.41

Complies  Explain

23. All Directors should be entitled to obtain from the company the advice they require for the performance of their duties. And the company should provide suitable channels for exercising this right, which in special circumstances may include external advice at the company's expense.

See section: C.1.40

Complies  Explain

24. Companies should draw up an orientation programme to provide new Directors with a rapid and sufficient knowledge of the business and of its rules of corporate governance. They should also offer Directors refresher programmes when circumstances make this advisable

Complies  Complies partially  Explain

25. Companies should require Directors to devote the necessary time and effort to their duties so as to perform them efficiently, and consequently:

- a) **Directors should inform the Nomination Committee of their other professional commitments in case these might interfere with the performance of their duties;**
- b) **Companies should draw up rules on the number of boards to which their Directors may belong.**

See sections: C.1.12, C.1.13 and C.1.20

Complies  Complies partially  Explain

26. The proposal for the appointment or re-election of Directors made by the Board to the General Meeting of Shareholders, and their provisional appointment through co-opting, should be approved by the Board:

- a) **On the recommendation of the Nomination Committee, in the case of Independent Directors.**

**b) Following a report by the Nomination Committee, in the case of all other Directors.**

See section: C.1.3

Complies       Complies partially       Explain

27. Companies should publish the following information about their Directors on their websites, and should keep it updated:

- a) Professional profile and biographical details;
- b) Other boards of directors of which they are members, whether or not the companies are listed companies;
- c) Indication of the category of each board member, stating in the case of proprietary directors, the shareholder they represent or with whom they have ties.
- d) Date of first appointment as a Director of the company, and of subsequent appointments, and
- e) The number of shares and share options held in the company.

Complies       Complies partially       Explain

28. Proprietary Directors should resign when the shareholder they represent sells all of its shares in the company. And they should also do so, in the corresponding number, when the shareholder reduces its holding to a level that requires a reduction in the number of Proprietary Directors representing it.

See sections: A.2, A.3 and C.1.2

Complies       Complies partially       Explain

29. The Board of Directors should not propose the removal of any Independent Director before the expiry of the statutory term of office for which he was appointed, other than for reasons that are justified in the opinion of the Board and subject to a report by the Nomination Committee. In particular, justified reasons shall be considered to exist when the Director has failed to perform his duties or is in one of the circumstances that lead him to lose his status as independent, in accordance with the provisions of Ministerial Order ECC/461/2013.

**The removal of Independent Directors may also be proposed as a result of takeover bids, mergers or other similar corporate operations that involve a change in the capital structure of the company, when such changes in the structure of the Board are the result of the proportionality criterion indicated in Recommendation 11.**

See sections: C.1.2, C.1.9, C.1.19 and C.1.27

Complies       Explain

30. Companies should draw up rules requiring Directors to report and if applicable resign in any situations that might jeopardise the company's credit and reputation and, in particular, obliging them to inform the company of any criminal charges in which they are involved and of the outcome of any subsequent trial.

**If a Director has faced criminal charges or has been committed to trial for any of the offences listed in Article 213 of the Public Limited Companies Act, the Board should examine the case as soon as possible and, in the light of the specific circumstances of the case, decide whether or not the Director should remain in his post. The Board should give a reasoned report on this in the Annual Report on Corporate Governance.**

See sections: C.1.42, C.1.43

Complies       Complies partially       Explain

31. All Directors should clearly voice their objections when they consider that any proposal submitted to the Board could be against the company's interests. And they should do the same, particularly the Independent Directors and others not affected by any potential conflict of interests, in the case of decisions that might be detrimental to the shareholders not represented on the Board.

**When the Board has passed significant or repeated resolutions about which a Director has voiced serious reservations, said Director should draw the pertinent conclusions and, if he decides to resign, explain his reasons in the letter referred to in the following recommendation.**

**This Recommendation also extends to the Secretary to the Board, even when he is not a Director.**

Complies  Complies partially  Explain  Not applicable

32. When a Director resigns or otherwise leaves the Board before the expiry of his term of office, he should explain the reasons for doing so in a letter to be sent to all members of the Board. And, notwithstanding this resignation being notified as a significant event, the reasons should be reported in the Annual Report on Corporate Governance.

See section: C.1.9

Complies  Complies partially  Explain  Not applicable

33. All remuneration in the form of shares in the company or in other companies in the group, share options, or instruments indexed to the share value, variable remuneration linked to the performance of the company or benefit schemes should be limited to Executive Directors.

**This recommendation shall not extend to remuneration in the form of shares when these are subject to the Directors holding them until they cease to be Directors.**

Complies  Complies partially  Explain  Not applicable

34. The remuneration paid to Non-executive Directors should be sufficient to remunerate the work, qualifications and responsibilities demanded by the post, but not so high as to compromise their independence.

Complies  Explain  Not applicable

35. Remuneration related to the company's results should take into account any qualifying statements in the external Auditor's report that reduce the results.

Complies  Explain  Not applicable

36. In the case of variable remuneration, the remuneration policies should include the necessary technical precautions to ensure that such remuneration is in line with the professional work of the beneficiaries and does not depend simply on the general performance of the markets or of the business sector to which the company belongs or other similar circumstances.

Complies  Explain  Not applicable

37. When there is a Delegated Committee or Executive Committee (hereinafter "Delegated Committee"), the structure of the different categories of Directors on it should be similar to that of the Board and its secretary should be the Board Secretary.

See sections: C.2.1 and C.2.6

Complies  Complies partially  Explain  Not applicable

The Executive Committee is formed by the Chairman, the Managing Director, the General Manager (executive directors), and two non-executive directors, of which one is independent, with the secretary being the Deputy Secretary of the Board.

38. The Board should always be informed of the matters dealt with and the decisions taken by the Delegated Committee, and all members of the Board should receive copies of the minutes of meetings of the Delegated Committee.

Complies  Explain  Not applicable

39. In addition to the Audit Committee required by the Securities Market Act, the Board of Directors should set up a Nomination and Remuneration Committee or a separate Nomination Committee and Remuneration Committee.

**The rules relating to the composition and functioning of the Audit Committee and the Nomination and Remuneration Committee or Committees should be set out in the Regulations of the Board of Directors, and should include the following:**

- a) **The Board should appoint the members of these Committees, taking into account the expertise, skills and experience of the Directors and the remits of each Committee; it should discuss their recommendations and reports; and the committees should report to it on their activities and account for the work carried out, at the first full Board meeting after their meetings;**
- b) **The Committees should be composed solely of Non-executive Directors, with a minimum of three. The above is notwithstanding the presence of Executive Directors or other senior executives, when specifically decided by the committee members.**
- c) **Their chairpersons should be Independent Directors.**
- d) **They should be able to obtain external advice when considered necessary for the performance of their duties.**
- e) **Minutes should be drawn up of their meetings and copies sent to all the members of the Board.**

See sections: C.2.1 and C.2.4

Complies  Complies partially  Explain

40. Supervision of compliance with the internal codes of conduct and the rules on corporate governance is the responsibility of the Audit Committee, the Nomination Committee or, if these exist separately, the Compliance Committee or Corporate Governance Committee.

See sections: C.2.3 and C.2.4

Complies  Explain

41. The members of the Audit Committee, and in particular its chairperson, should be appointed on the basis of their expertise and experience in accountancy, auditing or risk management.

Complies  Explain

42. Listed companies should have an internal auditing department that, under the supervision of the Audit Committee, ensures the proper functioning of the internal information and control systems.

See section: C.2.3

Complies  Explain

43. The person in charge of the internal auditing department should submit to the Audit Committee its annual working plan; inform the committee directly of any incidents that arise in the course of implementing the plan; and present an activity report at the end of each year.

Complies  Complies partially  Explain

44. The risk control and management policy should identify the following as a minimum:

- a) The different types of risk (operating, technological, financial, legal, reputational, etc.) that the company faces, including among the financial or economic risks any contingent liabilities and other off-balance-sheet risks;
- b) The level of risk that the company considers acceptable;
- c) The measures in place to mitigate the impact of the risks identified if they materialise;
- d) The internal information and control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance sheet risks.

See section: E

Complies  Complies partially  Explain

45. It is the responsibility of the Audit Committee:

**1st In relation to the internal information and control systems:**

- a) To ensure that the main risks identified as a consequence of supervising the efficiency of the company's internal control and auditing systems, where applicable, are correctly managed and reported.
- b) To ensure the independence and effectiveness of the internal auditing functions; to propose the selection, appointment, re-election and removal of the head of the internal auditing department; to propose the budget for this service; to receive regular information on its activities; and to check that senior executives take into account the conclusions and recommendations of its reports.
- c) To set up and supervise a mechanism that allows employees to report in confidence, and if they deem appropriate, anonymously, any irregularities of potential importance in the company, particularly financial and accounting irregularities.

**2nd In relation to the external Auditor:**

- a) To receive regular information from the external Auditor on the audit plan and the results of its execution, and to check that senior management takes its recommendations into account.
- b) To ensure the independence of the external auditor, to which effect:
  - I) The company should notify the CNMV, as a significant event, of the change of auditor and attach a declaration on the possible existence of any disagreements with the outgoing auditor and, if they exist, the contents of these.
  - II) In the event of the external auditor resigning, it should examine the circumstances leading to the resignation.

See sections: C.1.36, C.2.3, C.2.4 and E.2

Complies  Complies partially  Explain

46. The Audit Committee should be able to summon any employee or senior executive of the company, and also to order that they appear without the presence of any other executive.

Complies  Explain

47. The Audit Committee should inform the Board, before the Board takes any decisions, on the following matters indicated in Recommendation 8:

- a) Any financial information that the company, as a listed company, is obliged to publish regularly. The Committee should ensure that the interim accounts are drawn up in accordance with the same accounting principles as the annual accounts, and for this purpose, it should consider whether a limited audit by the external auditor should be carried out.

- b) **The creation or acquisition of shares in special purpose companies or companies resident in countries or territories classified as tax havens, and any other transactions or operations of a similar nature that because of their complexity, could impair the group's transparency.**
- c) **Transactions with related parties, unless this duty to provide prior information has been attributed to another supervisory and control Committee.**

See section: C.2.3 and C.2.4

Complies  Complies partially  Explain

48. The Board of Directors should aim to submit the accounts to the General Meeting without qualifications or reservations in the auditor's report, and in those exceptional cases where they exist, both the chairperson of the Audit Committee and the auditors should explain clearly to shareholders the contents and scope of such qualifications and reservations.

See section: C.1.38

Complies  Complies partially  Explain

49. The majority of the members of the Nomination Committee – or the Nomination and Remuneration Committee, if there is a single committee – should be Independent Directors.

See section: C.2.1

Complies  Explain  Not applicable

50. In addition to the functions indicated in the preceding Recommendations, the Nomination Committee should have the following duties:

- a) **To assess the expertise, skills and experience required on the Board, and consequently to define the duties and aptitudes needed in candidates for each vacancy and to calculate the amount of time and effort required to properly perform their work.**
- b) **To examine or organise, as they deem fit, the succession to the Chairman and the Chief Executive and to make recommendations to the Board so that the succession takes place in an orderly and well-planned manner.**
- c) **To report on the appointments and removals of senior executives proposed to the Board by the Chief Executive.**
- d) **To report to the Board on the gender diversity issues indicated in Recommendation 14 of this Code.**

See section: C.2.4

Complies  Complies partially  Explain  Not applicable

51. The Nomination Committee should consult the Chairman and the Chief Executive of the company, especially in the case of matters relating to the Executive Directors.

**And any Director should be able to ask the Nomination Committee to consider the suitability of potential candidates to cover vacancies for directors.**

Complies  Complies partially  Explain  Not applicable

52. In addition to the functions indicated in the preceding Recommendations, the Remuneration Committee should have the following duties:

- a) **To propose to the Board of Directors:**
  - l) **The remuneration policy for Directors and Senior Executives;**



II) The individual remuneration of Executive Directors and the other terms and conditions of their contracts

III) The basic terms and conditions of Senior Executives' contracts.

b) To ensure observance of the remuneration policy laid down by the company.

See section: C.2.4

Complies  Complies partially  Explain  Not applicable

53. The Remuneration Committee should consult the Chairman and the Chief Executive of the company, especially in the case of matters relating to Executive Directors and Senior Executives.

Complies  Explain  Not applicable

## H OTHER RELEVANT INFORMATION

1. If you consider that there is any significant principle or aspect of corporate governance practice applied by the company or its subsidiaries, that is not covered by the other sections of this report, but should be included to provide more comprehensive and detailed information on the structure and practices of governance in the organisation or its group, detail them briefly.
2. This section may be used to provide further information, clarifications, or reservations in relation with previous sections of the report; these should be significant and repetition should be avoided. Specifically, indications should be given if the company is subject to legislation other than Spanish legislation in corporate governance matters, and, where applicable, include any information that the company is obliged to provide and that is different to that required in this report.
3. The company may also indicate whether it has adhered voluntarily to other codes of ethical principles or good practice, be they international, sectorial or of another sphere. Where applicable, the code in question will be identified along with the date of the company's adhesion.

### B.5

In accordance with Article 10.1 of the Regulations of the General Meeting of Shareholders of Banco Sabadell, S.A., shareholders who are entitled to attend the meeting, at first call, will be those whose shares represent at least one hundred (100) euro of paid-in capital and are registered in the Company's Register of Shareholders at least five days prior to the date scheduled for the Meeting. Shareholders holding shares that amount to less than the minimum amount stated may group together to constitute the minimum and grant proxy to any one of them, or, where applicable, to another shareholder that is entitled to attend the Shareholders' Meeting in accordance with the provisions of the Articles of Incorporation and this Regulation.

The nominal value of the company's shares as at 31.12.2013 is 0.125 EUR/share.

### C.1.2

Mr. Miquel Roca i Junyent was appointed Company Secretary at the Board meeting held on 13 April 2000, and Ms. María José García Beato, the Bank's General Secretary, was appointed non-Board member Deputy Secretary at the Board meeting held on 1 June 2012.

### C.1.10

All Board powers have been delegated to the Managing Director Mr. Jaime Guardiola Romojaro, except for those that cannot legally be delegated.

The powers delegated to him include the following:

1. To enter into any contracts and binding agreements generally and carry out any acts or enter into any contracts for the administration, disposal, and defence of assets and rights of any description including properties and in rem property rights. These powers shall therefore include, without limitation, the following: to purchase and sell, whether for cash or deferred payment, encumber, mortgage or charge and generally dispose of property, rights or claims of any kind; to constitute, accept and extinguish rights in rem, including any purchase options and defeasance clauses required to be recorded in the Property Registry and other similar rights or claims; to set up, alter or terminate companies of any description and hold any position or office in the same, and attend, speak and vote at general and other meetings thereof.



2. To draw, accept, take or acquire, negotiate, discount, endorse, collect and guarantee bills of exchange, promissory notes, receipts, invoices, cheques and endorsable commercial paper of all kinds, whether made out to a named person or to bearer; to enter protests on non-acceptance or non-payment and sign any documents required for any of the aforesaid purposes.
3. To pay and receive money of any amount and for any title and cash payment orders by government at central, provincial, municipal, or autonomous community level.
4. To open ordinary cash or securities current accounts and current accounts guaranteed by securities and by personal credit, with any bank, credit or savings institution, including in particular the Bank of Spain or any branch thereof; to stand surety for any account or accounts opened by third parties and extend, renew, clear, settle or close the same, and sign any policies, invoices or other documents required to carry out such operations; to make drafts on any of the aforesaid accounts whether such accounts have been opened under the authority of this Power or are currently held or opened in the future by the Grantor hereof or by any other person on its behalf, and sign cheques, notes, drafts or any other documents accepted for this purpose; to collect from any such banks or the Bank of Spain or any branch thereof books of cheques, notes or drafts in order to draw drafts on any or all the aforesaid accounts; and to confirm acceptance of any balance thereof.  
To make contracts assigning maximum limits for future loans secured by personal guarantee and conclude rediscounting agreements with the Bank of Spain.
5. To give and receive money on loan and credit facilities of any description with or without collateral or other security.  
To accept, vary, postpone and extinguish any mortgage, lien, pledge with transfer of possession or otherwise, antichresis, aval, bond or any other personal third party guarantee as security for loans, credit facilities and any other transactions with or by the bank, and for this purpose to sign certificates of delivery or other public or private documents as necessary.
6. To withdraw deposits of cash, securities or jewellery and sign receipts or other documents in respect thereof, withdraw any assets pledged as security for loans or credit or on loans for goods and to sign any documents required; to withdraw any assets transferred to the Grantor in any lending transaction it may carry out and sign receipts in respect thereof; to request the transfer, at the risk and expense of the Grantor, of any assets deposited and any loans and credit and associated collateral, from any premises of the Bank of Spain to any other premises of the Bank of Spain or from any bank to any other.
7. To buy, sell or transfer any transferrable securities including shares in the Bank of Spain or any other bank.
8. To receive, open and respond to postal, telegraphic, or telephonic communications addressed to the Bank, including registered letters, and take possession of and give receipts for any assets declared to be for the bank.
9. To receive interest or dividends on securities deposited with any banks as previously mentioned and the value of any securities that are redeemed, and sign payment orders or drafts as necessary; to collect any amounts to be paid into current accounts demanded by the Grantor for the benefit of any other person, when such payments are cancelled.
10. To apply to the Bank of Spain and other banks for the hire of safe deposit boxes with the same authority as the Grantor to open the same as and when he sees fit, and for this purpose to sign such documents as the representation of the Bank may require of him.
11. To approve the opening of current accounts, savings accounts, deposit and term accounts, certificates of deposit and deposits of securities and accounts of any other nature; to hire and open safe deposit boxes and sign any documents necessary for the same to be fully operational.
12. To act on behalf of the Bank when any debtor of the Bank is compounded with creditors or engaged in insolvency or bankruptcy proceedings and to attend meetings and appoint trustees and administrators, accept or reject proposals by the debtor and continue until the conclusion of proceedings, accept mortgages, pledges, antichresis or any other security, reach settlements on the exercise of claims and remedies, accept the decisions of arbitrators in legal or equitable arbitration.
13. To represent the bank and to appear, whether in person or through court agents or such other authorised representatives as he shall appoint by power of attorney or otherwise, before any authority, court, hearing, jury, tribunal, office, commission, committee, union, ministry, employment tribunal, national fund or institution, department or authority of central, regional, provincial or municipal government and any other official body; to institute, commence, pursue, abandon or reach settlements in any proceedings, litigation, suit, judicial process, application or appeal of any kind and approve pleadings drafted on behalf of Banco de Sabadell, S.A. when required and reply to interrogatories on the bank's behalf, and represent the bank in all matters and generally carry out all acts of administration, management and commerce.
14. To represent the bank at meetings of shareholders, members or associates, in the companies or associations in which the bank is a shareholder, member or associate, with the full right to speak, vote and object, without any limitation whatsoever.
15. To give or furnish bonds, pledges and guarantees of any kind and assume liability either jointly or jointly and severally with the principal debtor, surrendering the benefits of order, discussion and division or other benefits and without limit as to type or amount to any natural or legal person or any bank or savings institution including, in particular, the Bank of Spain and any other official credit institution or any company, firm, organisation, office, entity or official body whether of central, institutional, regional, provincial or local government; and in particular the aforementioned public bodies and authorities and local tax offices so as to be answerable to the Treasury for the monies in respect of

which the guarantee was given and to issue avals, including avals by pledge without the deposit of any security, to the General Deposit Fund of the Ministry of Finance, and revoke any such bonds or guarantees and discharge the same in any manner deemed expedient.

16. To serve or respond to any notice or process, receive service of notices and serve notice on and engage notaries for the issue of any notarial instruments.

17. To engage and dismiss employees and make any determinations as to promotion, responsibilities, emoluments, bonuses and compensation; to initiate, pursue and conduct employment-related proceedings until decided and brought to a conclusion.

18. To substitute such person or persons as he shall see fit without any limitation whatsoever to exercise all or any of the powers granted hereunder and specify powers and methods of operation, and revoke any such substitutions.

#### C.1.15

The remuneration of the Board of Directors includes:

- a) The remuneration of the totality of the Board of Directors for duties as the governing body amounted to 1,881 thousand euros, down from 2,267 thousand euros for the year 2012, as a consequence of the 15% reduction in pay agreed by the Board itself.
- b) The remuneration of the executive directors for their executive functions, which totals 5607 thousand euros, has been calculated on an accrual basis and not on the basis of amounts effectively received as applied in previous corporate governance reports.

#### C.1.16

In application of the standard, this section includes the 5 members of Senior Management, plus the Internal Auditor.

The total remuneration of Senior Management includes the joint contributions to pension plans, structured through insurance policies, made in the year 2013, and is calculated on an accrual basis and not on the basis of amounts effectively received as applied in previous corporate governance reports.

#### C.1.26

The maximum age of 75 years is a consequence of the limitation in the Articles of Association, which establishes the maximum age for being appointed as a director at 70 years. Since terms of office are limited to 5 years, no director can be aged over 75 years during their term in office.

#### C.1.45

The following are considered as identified groups:

- Executive Directors
- Senior Executives
- Senior Managers responsible for the day-to-day running, such as: members of the management committee not included in the previous category, all people who depend directly on the institution's management bodies, and all those people responsible for important lines of business.
- Staff responsible for independent control functions (compliance, risk management, human resources, internal auditing, etc.).

#### C.2.1

In addition to the information detailed in this point, the following people attended the committees stated:

- Executive or Delegated Committee: Ms. María José García Beato, as non-member secretary.
- Audit and Control Committee: Mr. Miquel Roca i Junyent, as non-member secretary.
- Nomination and Remuneration Committee: Mr. Miquel Roca i Junyent, as non-member secretary.
- Risk Control Committee: Ms. María José García Beato, as non-member secretary.
- Strategy Committee: Mr. Miquel Roca i Junyent, as non-member secretary.

#### D.2.

The operation indicated between Banco Sabadell and Mr. Jaime Gilinski is the acquisition of JGB Bank NA, a financial organisation located in Florida (United States). This operation was reported through significant event number 196481, dated 4 December 2013.

This annual report on corporate governance was approved by the company's Board of Directors at its meeting on 23 January 2014.

Name any Directors who voted against this Report or abstained on a motion to approve it.

Yes  No