

**REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, S.A. IN CONNECTION WITH APPROVING AN INCREASE IN THE NUMBER OF MEMBERS OF THE DESIGNATED GROUP TO WHICH THE CAP ON VARIABLE REMUNERATION CONSISTING OF AT MOST TWO YEARS' SALARY IS APPLICABLE, AS REFERRED TO IN ITEM SEVEN OF THE AGENDA OF THE GENERAL MEETING OF BANCO DE SABADELL, S.A. SCHEDULED FOR 31 MARCH 2016, AT SECOND CALL**

The General Meeting of Shareholders of Banco de Sabadell, S.A. ("Banco Sabadell" or the "Bank") on 28 May 2015 approved an expansion of the Designated Group established by the General Meeting on 27 March 2014 which, in the exceptional cases that may be authorised expressly by the Remuneration Committee, may collect variable remuneration consisting of 200% of their fixed remuneration, authorising the Board of Directors to include such other members in Designated Group as may be required by the regulations or the regulators and, in that event, to update its composition in the information made available to shareholders at the next General Meeting of Shareholders.

The objective of this report is to inform shareholders, in accordance with the provisions of the applicable legislation, of the reasons which justify the referral to the General Meeting by the Board of Directors of a resolution to approve an increase in the number of members of the Designated Group to which the cap on variable remuneration of up to two years' salary, i.e. 200% of the fixed annual remuneration assigned to each of them, is applied, in exceptional cases that are expressly authorised by the Remuneration Committee, in accordance with what has already been approved by the General Meeting as noted in the preceding paragraph.

In compliance with the provisions of article 34 of Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, credit institutions must establish appropriate ratios between the fixed and the variable component of total remuneration by applying the following principles:

- a) The variable component may not exceed 100% of the fixed component within the total remuneration for each individual.
- b) Nevertheless, the institution's General Meeting may approve a higher maximum level, provided that it does not exceed 200% of the fixed component of the total remuneration.

As for the number of members in the Designated Group, Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council introduced qualitative and quantitative criteria for determining the categories of persons whose professional activities have a significant impact on an institution's risk profile, and the application of these criteria has led the Board of Directors to approve an increase in the number of members in the Designated Group, from 46 to 52 persons: 3 executive directors, 7

members of senior management, and 42 executives who impact the Company's risk profile or who exercise oversight functions.

The Bank's remuneration policy defines various aspects of remuneration for members of the Designated Group. These include basically a fixed component, linked to criteria established by the banking sector collective agreement; a voluntary component, as a function of the individual's responsibility and performance; and a variable component, based on the achievement of specific objectives.

Variable remuneration is a key component of Banco Sabadell's remuneration strategy, the object of which is to attract and retain talent, compensating the level of responsibility undertaken by its executives, without prejudice to the prudent assumption of risks. Individual variable remuneration is determined by individual objectives, the collective objectives of each unit, and the bank's overall objectives, combining both financial and non-financial objectives.

Banco Sabadell's remuneration policies and practices, as set out in the independent annual report envisaged in Act 10/2014, of 26 June, on ordering, supervision and solvency of credit institutions, implemented by Royal Decree 84/2015, of 13 February, drawn up by specialised consulting firm Mercer Consulting, S.L., are aligned with the requirements imposed by the authorities.

Variable remuneration for the Designated Group of Banco Sabadell does not, in any case, exceed one year's salary, i.e. 100% of fixed remuneration. However, the Board of Directors considers it necessary to provide the Remuneration Committee with sufficient flexibility to exceed that limit in exceptional circumstances. In accordance with the provisions in the Act, variable remuneration is limited to one year's salary; however, this resolution expressly expands the number of members of the Designated Group whose remuneration may, in exceptional cases duly authorised by the Remuneration Committee, be increased to two years' fixed remuneration.

Having consideration for the amount of fixed annual remuneration for the Designated Group and the number of persons comprising it, and considering the maximum amount that their variable remuneration might attain assuming maximal achievement, the amount arising from the possible exceptions would not affect Banco de Sabadell, S.A.'s ability to maintain a sound capital and solvency position.

For these reasons, since the number of members of the Designated Group has increased, the Board of Directors considers it appropriate to use the power expressly granted by the Act to request authorisation from the General Meeting to expand the size of the Designated Group for which the Remuneration Committee can resolve, in exceptional circumstances, to increase variable remuneration to at most two years' salary, i.e. 200% of fixed remuneration, with respect to all of the applicable principles of Banco Sabadell's remuneration policy, and to authorise the Board of Directors to include within that limit other members that the regulations or the regulators require be included in the Designated Group by updating its composition in the disclosures made available to shareholders at the next General Meeting.

The Designated Group to which the aforementioned remuneration cap applies comprises 52 members:

- Chairman
- Managing Director
- Director - General Manager
- Company Secretary - Vice-Secretary of the Board
- General Manager - Chief Operating Officer
- General Manager - Chief Financial Officer
- General Manager - Commercial Banking
- General Manager - America and Global Corporate Banking
- Assistant General Manager - Asset Transformation and Industrial and Real Estate Investees
- Assistant General Manager - Markets and Private Banking
- Deputy General Manager - Investments, Products and Research
- Deputy General Manager - Bancassurance
- Deputy General Manager - Treasury and Capital Markets
- Deputy General Manager - Legal
- Deputy General Manager - Corporate Banking
- Deputy General Manager - Risk Management
- Deputy General Manager - Corporate Development
- Deputy General Manager - Internal Audit
- Deputy General Manager - Chief Financial Officer Spain
- Deputy General Manager - Organization and Services
- Deputy General Manager - Communication and Institutional Relations
- Deputy General Manager - Marketing and Retail Banking
- Deputy General Manager - Human Resources
- Deputy General Manager - Catalonia
- Deputy General Manager - North-western Spain
- Deputy General Manager - Southern Spain
- Deputy General Manager - Eastern Spain
- Deputy General Manager - Central Spain
- Deputy General Manager - Northern Spain
- Director of Treasury Distribution
- Director of Securities Trading and Custodian Services
- Director of Customer Strategy and Investment Products
- Director of Asset Risk
- Director of Institutional Policy & Market Relations
- Director of Valuation and Hedge Management
- Director of Credit Risk
- Chief of Staff to the Managing Director
- Director of Corporate Loan Restructuring and Investees
- Director of Trading
- Director of Risk Control
- Director of Sabadell Urquijo Banca Privada

- Director of Corporate Banking Europe, Middle East & Africa
- Global IT, Digital Transformation & Innovation Director
- Digital Transformation & Innovation Director
- Director of Compliance, CSR and Corporate Governance
- Director of Solvia
- Director of Real Estate and Institutional Markets
- Director of Financial Planning
- Director of Structured Finance
- Director of Solvia Promoción y Desarrollos
- Director of Sabadell Consumer Finance
- Director of Marketing