

REPORT BY THE BOARD OF DIRECTORS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA IN CONNECTION WITH THE MOTION TO APPROVE THE CAP ON VARIABLE REMUNERATION FOR THE MEMBERS OF THE DESIGNATED GROUP OF UP TO TWO YEARS' SALARY, AS REFERRED TO IN ITEM EIGHT OF THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS OF BANCO DE SABADELL, SOCIEDAD ANÓNIMA SCHEDULED FOR 30 MARCH 2017, AT SECOND CALL

At a meeting on 27 March 2014, the General Meeting of Shareholders of Banco de Sabadell Sociedad Anónima approved a cap on variable remuneration for each member of the Designated Group of up to two years' salary, i.e. 200% of the fixed annual remuneration assigned to each member, in the exceptional cases that might be expressly authorised by the then Appointments and Remuneration Committee. Subsequently, the General Meetings of Shareholders held on 28 May 2015 and 31 March 2016 approved an increase in the size of the Designated Group to which the cap on variable remuneration of two years' fixed annual remuneration applies, authorising the Board of Directors to include such other members in the 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 by the Board of Directors to this General Meeting of Shareholders of a motion to approve a cap on variable remuneration for each member of the designated group of up to two years' salary, i.e. 200% of the fixed annual remuneration assigned to each of them, in exceptional cases to be expressly authorised by the Remuneration Committee.

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.

In accordance with Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council, which introduced qualitative and quantitative criteria for determining the categories of persons whose professional activities have a significant impact on an institution's risk profile, the Board of Directors has identified the Designated Group, which comprises 70 people: 3 executive directors, 11 non-executive directors, 7 members of senior management, and 49 executives who impact the risk profile of

Banco de Sabadell, Sociedad Anónima or who exercise oversight functions. Directors are not assigned a variable remuneration for their non-executive functions as members of the Board of Directors and, consequently, although they form part of the Designated Group by imperative of the aforementioned regulations, that cap on variable remuneration is not applicable to them.

The remuneration policy of Banco de Sabadell, Sociedad Anónima 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 element in Banco de Sabadell, Sociedad Anónima's compensation strategy, which aims to attract and retain talent, rewarding the level of responsibility assumed by its executives, without prejudice to prudent risk taking. 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.

Remuneration policies and practices at Banco de Sabadell, Sociedad Anónima, 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 de Sabadell, Sociedad Anónima may not in any event 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, the resolution expressly envisages that, in exceptional cases duly authorised by the Remuneration Committee, that amount can 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, Sociedad Anónima's ability to maintain a sound capital and solvency position.

For these reasons, the Board of Directors considers it appropriate to use the power expressly granted by the Act to submit a motion to the General Meeting of Shareholders to approve the cap on variable remuneration for members of the Designated Group in the exceptional circumstances to be expressly agreed upon by the Remuneration Committee, to at most two years' salary, i.e. 200% of fixed

remuneration, while respecting all of the applicable principles of Banco de Sabadell, Sociedad Anónima's remuneration policy, and to authorise the Board of Directors to include within that limit such other members as the regulations or the regulators require be included in the Designated Group, and to update 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 the following:

- 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 - Markets and Private Banking
- Assistant General Manager - Asset Transformation and Industrial and Real Estate Investees
- Deputy General Manager - Internal Audit
- Deputy General Manager - Organization and Services
- Deputy General Manager - Human Resources
- Deputy General Manager - Corporate Development
- Deputy General Manager - Communication and Institutional Relations
- Deputy General Manager - Risk Management
- Deputy General Manager - Legal
- Deputy General Manager - Asset Management
- Deputy General Manager - Saving and Investment Business Strategy
- Deputy General Manager - Corporate Banking
- Deputy General Manager - Marketing and Retail Banking
- Deputy General Manager - Bancassurance
- Deputy General Manager - Global Finance and CFO Spain
- Deputy General Manager - Catalonia
- Deputy General Manager - Central Spain
- Deputy General Manager - Eastern Spain
- Deputy General Manager - Northwestern Spain
- Deputy General Manager - Northern Spain
- Deputy General Manager - Southern Spain
- Director of Corporate Development Projects
- Director of Global Financial Control
- Director of Treasury Distribution
- Director of Securities Trading and Custodian Services

- Director of Product Strategy and Asset Allocation
- Director of Asset Risk
- Director of Commercial Transformation
- Director of Sabadell Consumer Finance
- Director of Capital Markets
- Director of Customers and Business Development
- Director of Innovation
- Director of Research
- Director of Business Intelligence, Controller's Office and APS
- Director of Solvia
- Chief Technology Officer (CTO)
- Managing Director's staff
- Director of Corporate Loan Restructuring and Investees
- Director of Treasury and Capital Markets
- Director of Structured Finance
- Director of Real Estate and Institutional Markets
- Director of Risk Control
- Director of Solvia Promoción y Desarrollos
- Director of Marketing
- Director of Corporate Banking Europe, Middle East & Africa
- Director of BS Capital Business
- Director of Trading and Distribution
- Chief Information Officer (CIO)
- Director of Group Services to Enterprises
- COO Americas & International Network
- Corporate Banking America & Asia