



Banco de Sabadell, S.A.
Director Remuneration Policy

March 2018

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1. Introduction.

The General Meeting of Shareholders on 31 March 2016 approved the current Director Remuneration Policy for the years 2016, 2017 and 2018. That Policy is aligned with the provisions of the Capital Companies Act, whose consolidated text was approved by Legislative Royal Decree 1/2010, of 2 July, and the specific legislation applicable to credit institutions, specifically, Act 10/2014, of June 26, on Ordering, Supervision and Solvency of Credit Institutions, and with the Financial Stability Board (FSB) Principles for Sound Compensation Practices dated 2 April 2009, Directive 2010/76/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2006/48/EC and 2006/49/EC as regards capital requirements for the trading book and for re-securitisations, and the supervisory review of remuneration policies (CRD III), and Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (CRD IV).

Since then, the EBA has published its Guidelines on Sound Remuneration Policies (EBA/GL/2015/22), dated 27 June 2016, improvements have been introduced in the corporate governance system, and considerable progress has been made in defining criteria applicable to the remuneration of directors, both for acting as members of the Board of Directors and for carrying out executive duties.

On 1 February 2018, following a favourable report from the Remuneration Committee, the Board of Directors of Banco de Sabadell, S.A. (hereinafter, "Banco Sabadell", the "Bank" or the "Institution") approved the Banco Sabadell Group Remuneration Policies, comprising: the Senior Management Remuneration Policy, the Remuneration Policy for the Group's Identified Staff, the Remuneration Policy for the Banco Sabadell Group and the Remuneration Policy for Banco Sabadell Spain, in order to incorporate amendments to ensure that they are aligned not only with the applicable legislation but also with best practices in the field of corporate governance.

Additionally, Banco Sabadell has proposed that the General Meeting of Shareholders amends articles 50 and 85 of the Articles of Association to update the provisions relating to the remuneration to which directors will be entitled for performing their duties, with the aim of adapting their wording to current legislation and to best practices in the area of corporate governance.

In accordance with article 529 novodecies of the Capital Companies Act, the General Meeting of Shareholders is the body with the power to approve this Director Remuneration Policy (the "Director Remuneration Policy" or the "Policy"), which, once approved by the General Meeting of Shareholders, replaces in all its terms the one approved on 31 March 2016, and will remain in force in 2018, 2019 and 2020. It is intended to incorporate the criteria contained in the new Banco Sabadell Group Remuneration Policy and to define both the remuneration system for the directors in their capacity as members of the Board of Directors and the remuneration system applicable to those who perform executive duties; in the latter case, the policy coincides with the Remuneration Policy for Banco Sabadell's Senior Management.

1.1. General principles of the Banco Sabadell Group's Remuneration Policy.

The Banco Sabadell Group's Remuneration Policy is focused on creating long-term value by aligning the interests of its shareholders and employees, in coherence with the strategic goals in terms of risks and the business, and the values of the Bank, all under a prudent management approach while avoiding conflicts of interest.

The principles of the Banco Sabadell Group's Remuneration Policy are as follows:

1. Promote medium- and long-term business and corporate sustainability, in addition to alignment with the group's values. This entails:
 - Aligning the remuneration with the interests of the shareholders and with the creation of long-term value.
 - Promoting rigorous risk management, with measures to avoid conflicts of interest.
 - Aligning with the Institution's long-term business strategy, objectives, values and interests.
2. Ensuring a competitive and equitable remuneration system (external competitiveness and internal fairness):
 - Ability to attract and retain the best talent.
 - Rewarding track record and responsibility.

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- Aligning with market standards and with flexibility to adapt to changes in the situation and in the demands of the sector.
3. Rewarding performance, by aligning remuneration with the results achieved by the individual and the level of risk that their position requires them to assume:
- An appropriate balance between the various remuneration components.
 - Consideration of current and future risks and results, not encouraging the assumption of risks that exceed the level tolerated by the Institution.
 - Simple, transparent and clear system. The Banco Sabadell Group Remuneration Policy must be understandable and easy to communicate to the entire workforce.

1.2. Banco Sabadell's Remuneration Committee.

Apart from advising specifically on the proposed Director Remuneration Policy in accordance with article 529 novodecies of the Capital Companies Act, the Remuneration Committee's duties include, in accordance with article 62 of the Articles of Association of Banco Sabadell, proposing to the Board of Directors the remuneration policy for directors and general managers and persons performing senior management functions, and the individual remuneration and other contractual conditions for executive directors, and exercising oversight to ensure that they are complied with.

At the end of 2017, Banco Sabadell's Remuneration Committee comprised 4 non-executive directors, all of whom are independent:

Chair, Ms. Aurora Catá Sala

Member, Mr. Anthony Frank Elliott Ball

Member, Ms. María Teresa García-Milá Lloveras

Member, Mr. George Donald Johnston

Secretary (not a director): Ms. María José García Beato

1.3. Main developments in the Director Remuneration Policy.

The main changes in the Policy with respect to the one approved by the General Meeting of Shareholders on 31 March 2016, in order to align it with the current legislation and with best practices in the field of corporate governance, are as follows:

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- In the case of the remuneration for directors for their status as members of the Board of Directors, a clear distinction is made between fixed remuneration and attendance fees; directors may collect attendance fees for up to two missed meetings provided that they grant proxy.

 - In the case of executive directors:
 - A clearer distinction between the fixed and variable proportions of remuneration.

 - Improved definition of short-term variable remuneration and of long-term remuneration.

 - Greater details in the definition and parameters for measuring the objectives to which both short-term variable remuneration and long-term remuneration are linked.

 - Increase in the percentage of deferral of short-term variable and long-term remuneration for executive directors, from 50% to 60% of the total amount to be received.

 - Increase in the deferral period for short-term variable remuneration to 5 years.

 - Introduction of multi-year objectives with defined parameters in the long-term incentive linked to share price appreciation, and increase of the deferral period to 5 years.

 - Restrictions on the disposal of shares received in the form of short-term variable remuneration and long-term incentive until a period of at least three years has elapsed since their delivery, if the director does not own an amount of shares equivalent to twice their annual fixed remuneration.

 - Inclusion of an ex ante adjustment to the entire variable remuneration, determined by the Board of Directors at the proposal of the Remuneration Committee. Risk factors and the Institution's earnings will be taken into account in determining that adjustment. If the bank's capital is less than the Maximum Distributable Amount (MDA), the variable remuneration will be reduced or eliminated entirely.

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- Review of malus and clawback clauses, with an enhanced definition of the reasons for their application.
 - Limitation of the termination and non-compete clauses to two years' remuneration, where applicable.
 - Cap on variable remuneration at 200% of annual fixed remuneration, subject to approval by the General Meeting of Shareholders, in cases expressly defined in the Policy, without there being discretionality at the time of their recognition by the Remuneration Committee.

These measures were included in the Senior Management Policy approved by Banco Sabadell's Board of Directors at its meeting of 1 February 2018.

2. Banco Sabadell's Director Remuneration System

The Banco Sabadell Director Remuneration System distinguishes between the directors' remuneration for performing their functions as members of the Board of Directors and the remuneration for performing executive functions, as regulated in articles 50 and 85 of the Articles of Association.

In accordance with the new wording of those two articles, the remuneration system will be as set out in the Director Remuneration Policy approved by the General Meeting of Shareholders.

"Article 50. (...)

The position of director is compatible with any other office or executive role in the Company and with the remuneration which, based on a proposal from the Remuneration Committee and a resolution by the Board of Directors, is deemed appropriate on the basis of his/her performance of such other functions within the Company, in accordance with the Director Remuneration Policy approved by the General Meeting.

Additionally, under the heading of long-term remuneration, subject to prior approval by the General Meeting, directors who perform executive functions may also participate in incentive plans approved for executives of the Bank consisting of payment in the form of shares, stock options or remuneration linked to the share price."

“Article 85. From gross revenues there shall be deducted the general expenses, interest, bonuses, appropriations made by the Board for depreciation and amortisation, any provisions considered necessary and any other amount that results in a reduction in the Bank's assets.

In particular, the remuneration to which directors are entitled both for performing their functions as members of the Board of Directors and for their executive functions, whose maximum annual amount will be established in the Director Remuneration Policy approved by the General Meeting of Shareholders, will be deducted, and the Board will be broadly empowered to establish, within the aforementioned maximum limit, the remuneration for individual members, subject to a prior report from the Remuneration Committee. Any long-term remuneration for executive directors will be deducted from gross revenues in the year in which it is actually paid.

After making deductions for tax and provisions to reserves as required by law, the Shareholders' Meeting shall, based on a proposal from the Board of Directors, decide what part of any remaining profit is to be distributed to shareholders as dividends and how much is to be appropriated to voluntary reserves or otherwise appropriated or employed in such manner as it may determine.”

2.1. System for remunerating directors for their functions as members of the Board of Directors

In accordance with articles 217 and 529 septdecies of the Capital Companies Act, the system of remunerating directors for their functions as members of the Board of Directors consists of:

- Fixed remuneration for belonging to the Board of Directors.
- Attendance fees, for at most 11 ordinary meetings, with the possibility of collecting attendance fees for at most two meetings that they miss for justified reasons provided that they grant proxy in those cases. No fees will be received for attending extraordinary Board meetings.

Each year the Board of Directors will set both the fixed remuneration and the meeting attendance fees payable to directors for their functions as members of the Board of Directors. It will also establish a specific amount for performing the function of Lead Independent Director. Additionally, it will establish the amounts

payable to non-executive directors for chairing or membership of Board sub-committees and/or Advisory Boards. All the foregoing will be within the overall maximum amount established by the General Meeting of Shareholders for remuneration of the members of the Board of Directors. Non-executive directors do not qualify for the remuneration or the benefits that apply to Bank employees, and they are not included in the retirement benefit or long-term incentive schemes.

2.2. System for remunerating directors for performing executive functions

In addition to the remuneration as members of the Board of Directors, executive directors are remunerated for performing executive functions.

In accordance with the provisions of articles 217 and 529 octodecies of the Capital Companies Act, the remuneration system for executive directors comprises the following: fixed remuneration, variable remuneration based on indicators or general parameters of reference, remuneration in shares or linked to share performance, termination indemnity, provided that the termination was not due to breach of duties by the director, and such savings or providential system as are considered appropriate.

Executive directors' remuneration for each year is set by the Board of Directors within the overall maximum limit established by the General Meeting of Shareholders in this Director Remuneration Policy for each of the items that make up their remuneration.

The Board of Directors will comply with the provisions of the applicable legislation, having regard to its special status as a financial institution and in accordance with the items, terms and conditions established in the Director Remuneration Policy, which addresses total remuneration taking into account all the remuneration elements and the relationship between them, establishing an appropriate balance between fixed and variable remuneration, and a distribution of remuneration between the short and long term, safeguarding the rights and interests of shareholders, investors and customers.

The headings of remuneration for executive directors coincide with those for the rest of senior management in the terms set out in the Banco Sabadell Remuneration Policy for Senior Management approved by the Board of Directors on 1 February 2018.

The components of executive directors' remuneration for performing executive functions are as follows:

- Fixed remuneration.

- Fixed salary.

This is the sum of guaranteed remuneration components linked to the set of functions and responsibilities of the person's position, recognising the executive director's contribution within that position, while they occupy it.

- Benefits.

These aim to complement the monetary and non-monetary remuneration with other elements that increase the loyalty and commitment on the part of the executive directors.

Executive directors enjoy benefits in the same conditions as the rest of the workforce.

- Pension schemes and retirement benefits.

In order to cover retirement and other contingencies in a manner that is appropriate to the functions performed by executive directors, the Board of Directors may, at the proposal of the Remuneration Committee, establish specific providential plans and assign them to executive directors.

- Short-term variable remuneration.

Executive directors will be assigned variable short-term remuneration, which is approved annually by the Board of Directors, at the proposal of the Remuneration Committee, and whose main purpose is to reflect performance in the year measured through objectives aligned with the risk incurred.

Each executive director will be allocated a target amount (benchmark variable remuneration based on 100% compliance with targets) to be paid as a function of the degree of compliance with the established goals, generally corresponding to the Group's goals for the year, including metrics measuring risk control and management, solvency, capital and strategic goals, with weightings assigned to each indicator and a scale of achievement, published in the Annual Report on Director Remuneration.

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- Long-term remuneration.

All the executive directors will be assigned a long-term remuneration that may consist, by decision of the Board of Directors at the proposal of the Remuneration Committee, of long-term variable remuneration system, to which end a target amount and multi-annual objectives will be established, in combination with the executive directors' performance; or a system will be proposed to the General Meeting of Shareholders based on the appreciation of the share that also incorporates multi-year objectives relating to the executive director's performance, whose specific allocation will be decided upon by the Board of Directors on the basis of a report by the Remuneration Committee.

Notwithstanding the foregoing, the General Meeting of Shareholders has the power to define other incentive models.

- Limit on the ratio between components of fixed and variable remuneration.

The limit on variable remuneration for a given year may be up to 200% of annual fixed remuneration, subject to approval by the General Meeting of Shareholders, in cases expressly defined in the Policy, without there being discretionality at the time of recognition by the Remuneration Committee.

- Deferral and payment in equity instruments.

Both short-term variable remuneration and long-term remuneration will be deferred over five years and at least 60% will be paid in equity instruments, with the lock-up periods provided for in the applicable regulations, thereby aligning receipt of the remuneration with long-term results and shareholders' interests and risks.

- Rules applicable to payment in equity instruments.

- The equity instruments will generally be valued at their market value on the grant date.
- The Institution will not pay interest or dividends on deferred cash or equity instruments that are granted as variable remuneration.
- Banco Sabadell will not allow personal hedging strategies with ad hoc financial products or any mechanism that guarantees collection of part or

all of the remuneration or that offsets losses on equity instruments received as part of variable remuneration that are deferred or under lock-up.

- All the equity instruments received as variable remuneration are under lock-up for a period of one year after their delivery.
- The disposal of the shares received in the form of short-term variable remuneration and the long-term incentive will be restricted until a period of at least 3 years has elapsed since their delivery unless the executive director holds an amount equivalent to twice their fixed annual remuneration.
- Special rules for the long-term incentive using systems based on the increase in the value of the share.
 - Systems based on the increase in the value of the share will be subject to the deferral rules applicable to the variable remuneration and also, at the time of payment, to the rules on percentages to be paid in cash and equity instruments.
 - In any case, they will be governed by the rules approved by the General Meeting of Shareholders and their implementing regulations approved by the Board of Directors, at the proposal of the Remuneration Committee.
- Application of malus and clawback clauses.

Regardless of the legal consequences that may arise from the following circumstances, variable remuneration that has not yet been paid may be reduced or cancelled (malus clause) in the following events:

- Where malice or gross negligence by an executive director results in material restatement of the Group's consolidated financial statements, at the criterion of the external auditors.
- Where a breach by the executive director of internal regulations or internal codes of conduct, including, in particular, those relating to risks, is classified as serious or very serious.
- Where malice or gross negligence on the part of the executive director results in a serious failure in the Institution's risk management.

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- Where malice or gross negligence on the part of the executive director results in a material change in the Institution's regulatory or economic capital base.

These clauses may be applied during the period in which the variable remuneration is deferred.

Application of clawback clauses will be supplementary to the application of malus causes so that, in addition to forfeiting amounts not yet received, the executive director will be required to refund part or all of the amounts already received as short-term variable remuneration and long-term remuneration.

Short-term variable remuneration and long-term remuneration will be subject to clawback clauses that will be triggered in the event of any of the circumstances listed above as triggering the malus clause, except for breaches classified as serious.

These clauses may be applied from the delivery of the remuneration until the end of the last lock-up period for same.

The Remuneration Committee must review the situation each year in order to make a proposal to the Board of Directors, if necessary, based on a report by the Human Resources Department, and after seeking the opinion of the Risk Control Department, the Financial Department and the Compliance Department, as to whether circumstances have arisen to trigger a reduction or cancellation or, in the event, the clawback of variable remuneration received by an executive director, depending on the characteristics and circumstances of each particular case.

3. Banco Sabadell director remuneration.

On the date of approving this Policy, the composition of the Bank's Board of Directors was as follows:

Executive Directors:

- José Oliu Creus – Chairman
- Jaime Guardiola Romojaro – Managing Director
- José Luis Negro Rodríguez – Director-General Manager

Non-Executive Directors

- Anthony Frank Elliott Ball – Independent
- Aurora Catá Sala – Independent
- Javier Echenique Landiribar - Independent
- Pedro Fontana García – Independent
- María Teresa García Milá Lloveras – Independent
- George Donald Johnston – Independent
- José Manuel Lara García – External
- David Martínez Guzmán – Proprietary
- José Manuel Martínez Martínez – Independent
- José Ramón Martínez Sufrategui – Independent
- Manuel Valls Morató – Independent
- David Vegara Figueras – Independent

3.1. Remuneration for directors in their capacity as members of the Board of Directors.

While this policy is in force and until such time as it is amended, the overall maximum limit of remuneration for directors for their duties as members of the Board of Directors, pursuant to the provisions of Article 85 of the Articles of Association of Banco Sabadell, is 3 million euro per year.

Individual remuneration for members of the Board of Directors was reduced in 2009 and again in 2013, and has since remained unchanged. The reports on director remuneration in Spain compiled by KPMG and Spencer Stuart, and Board and Committee remuneration at the leading Spanish financial institutions, were used in 2018 to determine the remuneration for the Board of Directors.

In 2018, the remuneration for members of the Board of Directors approved on 1 February 2018 in accordance with market parameters, within the established overall total amount, is as follows:

	Remuneration	Per diem attendance fees (per meeting)
Chair	175,650 euro	5,273 euro
Vice-Chair	95,250 euro	2,886 euro
Rest of members	75,000 euro	2,272 euro

Lead Independent Director	22,000 euros (additional)
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Non-executive directors also collect the following remuneration for chairing or being members of Board committees:

Audit and Control Committee	Chair	40,000 euro
	Member	20,000 euro
Appointments Committee	Chair	20,000 euro
	Member	10,000 euro
Remuneration Committee	Chair	40,000 euro
	Member	20,000 euro
Risk Committee	Chairman	70,000 euro
	Member	20,000 euro
Executive Committee	Member	80,000 euro

Directors sitting on Advisory Boards will receive the following remuneration in 2018: the chair of the Sabadell Guipuzcoano Advisory Board will receive at most 30,600 euro and members of the Sabadell Guipuzcoano Advisory Board will receive up to 15,300 euro. Members of the Sabadell Urquijo Advisory Board will receive at most 15,000 euro.

Non-executive directors do not qualify for the remuneration or the benefits that apply to Bank employees, and they are not included in the retirement benefit or long-term incentive schemes.

The Annual Report on Director Remuneration that the Board of Directors will approve each year will provide an itemised breakdown of the amounts to be collected during the corresponding year by each director. That report will be published on the websites of the CNMV and of Banco Sabadell.

3.2. Remuneration for directors for performing executive functions.

In addition to their remuneration as members of the Board of Directors, executive directors are remunerated for performing executive duties, in accordance with the

provisions of article 50 of the Articles of Association, under the same headings as Banco Sabadell's senior management.

The remuneration system for executive directors consists of the following:

a) Fixed remuneration:

While this policy is in force, the overall maximum fixed remuneration for all executive directors will be 6 million euro per year, which includes both cash remuneration established by the Board of Directors and benefits as well as pension and providential schemes in accordance with the terms of their contracts; that maximum limit will subsist until this Director Remuneration Policy is amended.

Based on a proposal by the Remuneration Committee, on 1 February 2018, the Board of Directors approved the following individual amounts for 2018:

- A fixed salary amounting to 1,701,000 euro in cash for the Chairman; 1,350,000 euro in cash for the Managing Director, and 705,000 euro in cash for the Director-General Manager.
- The benefits established by the Bank for all employees, in the same conditions as the other beneficiaries.

Under this heading, executive directors are expected to collect similar amounts in 2018 as in 2017, when it totalled 96,875 euro.

- Pension plans and providential schemes in the terms derived from the existing contractual commitments.

In 2018, Banco Sabadell is expected to contribute approximately 32,000 euro for the Chairman, 760,000 euro for the Managing Director (due to interest rate and income base adjustments), and 17,000 euro for the Director-General Manager.

The information on benefits and the Bank's contributions to pension plans or providential schemes will be itemised in detail for each director in the Annual Report on Director Remuneration that will be published each year on the websites of the CNMV and of Banco Sabadell.

b) Short-term variable remuneration:

During the term of this policy, the overall maximum limit of target variable remuneration for the executive directors as a whole will be 3 million euro per year in the event of 100% attainment of the established objectives, and this limit may be exceeded by the percentages corresponding to over-achievement up to 200% if approved by the General Meeting of Shareholders; that limit will subsist until such time as the Director Remuneration Policy is amended.

The target amount of short-term variable remuneration established for 2018 by the Board of Directors is as follows: the Chairman: 1,300,000 euro; the Managing Director 1,100,000 euro; the Director-General Manager: 350,000 euro.

To calculate the short-term variable remuneration for 2018, the following objectives were established, and were approved by the Board of Directors on 1 February 2018, as detailed in the Annual Report on Director Remuneration. Those for the other years covered by this Policy will be detailed in the corresponding Annual Reports on Director Remuneration.

c) Long-term remuneration: the executive directors are beneficiaries of the following incentive plans granted in previous years and still current:

- Supplementary long-term incentive 2016-2019 linked to the increase in the value of the shares of Banco Sabadell ("ICLP2016"), approved by the General Meeting of Shareholders on 31 March 2016, which will be paid entirely in shares of Banco Sabadell.

The Chairman is assigned 1,600,000 rights; the Managing Director is assigned 1,400,000 rights; and the Director-General Manager is assigned 800,000 rights.

- Supplementary long-term incentive based on the increase in the value of the shares of Banco Sabadell 2017-2020 ("the Incentive"), approved by the General Meeting of Shareholders on 30 March 2017, which will be paid entirely in shares of Banco Sabadell.

The Chairman is assigned 1,700,000 rights; the Managing Director is assigned 1,500,000 rights; and the Director-General Manager is assigned 800,000 rights.

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- In 2018, a long-term incentive plan which covers the Chairman, Managing Director and Director-General Manager, as well as senior management and the Group's identified staff, is being submitted to the General Meeting of Shareholders.

That Plan consists of the allocation to the beneficiaries of a number of rights to share in the increase in the value of the same number of shares of Banco Sabadell, while also being tied to the attainment of certain multi-year indicators detailed in the Annual Report on Director Remuneration, which may not increase the number of rights to be settled in any event. The proposed number of rights is as follows:

Chairman: 1,700,000 rights.

Managing Director: 1,500,000 rights.

Director - General Manager: 800,000 rights.

The overall maximum limit on the long-term incentive for the next three years will be determined by a resolution of the General Meeting of Shareholders in each year and, in the event that the Board of Directors approves another alternative system of long-term remuneration that is not subject to approval by the General Meeting of Shareholders, its maximum amount each year may not exceed the value of the rights assigned in the long-term incentive approved in 2018.

3.3. Executive directors' contracts.

Executive directors' contracts conform to the usual parameters in senior management contracts and meet the legal requirements for contracts of this type, on the basis of the following main terms and conditions:

- Contract duration: indefinite.
- Fixed remuneration: in accordance with the terms and conditions set out in this Policy and in the Annual Report on Director Remuneration.
- Short-term variable remuneration and long-term remuneration: in accordance with the terms and conditions set out in this Policy and in the Annual Report on Director Remuneration.
- Pension schemes and retirement benefits: in accordance with the terms and conditions set out in this Policy and in the Annual Report on Director Remuneration.

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- Benefits and flexible remuneration programmes: those which the Bank has established for all its employees
 - Confidentiality: applicable during and after the contract period.
 - Regulation of use and restitution of company assets.
 - Clause providing indemnity in the amount of 2 years' total remuneration for cases of early termination.

They do not contain any of the other clauses provided in article 529.1 octodecies of the Capital Companies Act.

4. Competent bodies

The Articles of Association of Banco Sabadell set out the competencies of the Board of Directors and its Committees. The Board of Directors Regulation, published on Banco Sabadell's corporate website, sets out the terms of reference for the Board of Directors and its sub-committees, establishing their powers and basic rules of operation and organisation, in line with the regulations applicable to listed companies and credit institutions.

In accordance with the provisions of the Capital Companies Act, the Board of Directors is vested with the non-delegable power to determine the company's general policies and strategies and to make decisions regarding the remuneration of the directors, within the framework of the Articles of Association and of any director remuneration policy that may be adopted by the General Meeting of Shareholders.

The duties of the Remuneration Committee of a listed company include proposing to the Board of Directors the remuneration policy for directors and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with. The Remuneration Committee has at least the following basic responsibilities as set out in article 14 bis of the Regulation of the Board of Directors: a) making proposals as to the director remuneration policy to the Board of Directors; b) proposing, to the Board of Directors, the remuneration policy for general managers and others performing senior management functions who report directly to the Board of Directors, the Executive Committees or the Managing Directors, and the individual remuneration and other contractual conditions for executive directors, exercising oversight to ensure that they are complied with; c) regularly reviewing remuneration policy; d) advising on remuneration programmes based on shares and/or options; e) periodically reviewing the general principles of remuneration and the

remuneration programmes for all employees, and considering whether they conform to those principles; f) ensuring that remuneration is transparent; g) ensuring that any conflicts of interests are not detrimental to the independence of external advisors; and h) verifying the information on remuneration contained in the various corporate documents, including the Report on Director Remuneration.

Each year the Human Resources Department of Banco Sabadell draws up an annual remuneration report to enable the Remuneration Committee to discharge its duties. That report is aimed at providing the Remuneration Committee with the basic information it needs to perform the functions entrusted to it in connection with reviewing the general principles of the Banco Sabadell Group's Remuneration Policy and with supervising the remuneration of Executive Directors, the Bank's senior management and the other persons in the designated staff. In addition to receiving advice from the Bank's internal units, the Remuneration Committee obtains any external advice it may need for that purpose. Additionally, with a view to establishing a Remuneration Policy that is consistent with comparable companies, each year Banco Sabadell uses the Spencer Stuart Board Index 2017 and receives advice from consulting firm Willis Towers Watson to perform a comparative analysis of the remuneration for the Board of Directors, senior executives, members of senior management and the identified staff with respect to the market; the most recent analysis was completed in January 2018.

Proposals by the Remuneration Committee are submitted to the Board of Directors for consideration and, where appropriate, approval. In the case of proposals whose approval corresponds to the General Meeting of Shareholders, the Board of Directors puts them on the agenda of the General Meeting of Shareholders and accompanies the motions with the mandatory reports.

Additionally, in accordance with Article 15 of the Board Regulation, the Risk Committee is responsible for informing the Remuneration Committee as to whether the employee remuneration programmes are coherent with the Bank's risk, capital and liquidity.

The Audit and Control Committee supervises the process of drafting and presenting the regulated financial information, including that related to remuneration, checking for compliance with the law and the correct application of accounting standards.

5. Comments on Remuneration Policy in future years.

Over the next three years (2018, 2019 and 2020), the period established in article 529 novodecies of the Capital Companies Act, Banco Sabadell plans to maintain the principles, characteristics and items of remuneration for directors both for discharging their duties as members of the Board of Directors and for performing executive functions.

The remuneration system set out in this Policy will also apply to any new executive director who joins the Board of Directors during the term of this Policy, and it will be adapted to the functions assigned to that person and to their responsibilities and professional experience.

In this regard, the Board of Directors will establish, by means of a resolution, a fixed remuneration that is appropriate to those characteristics, in line with the fixed remuneration of the current executive directors and having regard to the competitive environment comprising all the main comparable institutions, and the variable remuneration system set out in this Policy will also apply, as will the other applicable contractual conditions, and the overall limits established in this Policy will not be applicable for these purposes.

Each year, the Board of Directors will review the specific amounts, within the criteria set out above, and provide detailed disclosure of remuneration to the General Meeting of Shareholders in the form of the Annual Report on Director Remuneration; in any event, it will submit for the Meeting's approval any long-term incentives that may be considered necessary and appropriate in each year.

In any case, it will also adapt the remuneration policy and components to any new legislation that may be applicable to Banco Sabadell.

In the event of a material corporate transaction involving Banco Sabadell that might have a material impact on the receipt of the deferred portion of the remuneration, the Board of Directors may amend, for duly reasoned causes, the settlement dates and payment calendar established in this Policy.

The Annual Report on Director Remuneration will be submitted to the General Meeting of Shareholders each year in accordance with the provisions of article 541 of the Capital Companies Act.

6. Policy duration and interpretation.

This Policy will apply to the remuneration of the Bank's directors for the years 2018, 2019 and 2020, unless the General Meeting of Shareholders decides otherwise..

The Board of Directors is responsible for interpreting this Policy, and for adapting it where necessary, based on a proposal by the Remuneration Committee, to changes in the law, best practices or supervisory requirements.